



# SAS Group

Interim Report January – September 2008

## Key ratios for the third quarter

- Operating revenue: MSEK 16,365 (16,307) (+0.4%)
- Number of passengers: 9.8 million (-5.4%)
- Earnings before nonrecurring items in continuing operations: MSEK 101 (553).
- EBT margin before nonrecurring items: 0.6% (3.4%)
- MSEK 1,959 in goodwill impairment and write-down of tax assets in Spanair.
- Net income for the period: MSEK -2,005 (701), of which MSEK 1,959 corresponds to the Spanair impairment/write-down.
- Earnings per share: SEK -12.19 (4.05).
- A short-term earnings-improvement program corresponding to an earnings effect of SEK 1.5 billion in 2008 is being implemented according to plan.

## Key ratios for January - September

- Operating revenue: MSEK 48,018 (45,738) (+5.0%)
- Number of passengers: 29.6 million (+0.1%)
- Earnings before nonrecurring items in continuing operations: MSEK -831 (888)
- EBT margin before nonrecurring items: -1.7% (1.9%)
- Net income for the period: MSEK -3,550 (1,261), of which MSEK 1,959 corresponds to the Spanair impairment/write-down.
- Earnings per share: SEK -21.23 (7.50)

## Income and key ratios

	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Oct-Sep
(MSEK)	2008	2007	2008	2007	2007-08	2006-07
Revenue	16,365	16,307	48,018	45,738	63,283	60,563
EBITDAR	1,138	1,718	2,350	4,690	3,343	6,610
Earnings before nonrecurring items in continuing operations	101	553	-831	888	-948	1,449
EBIT margin before nonrecurring items	0.6%	3.4%	-1.7%	1.9%	-1.5%	2.4%
Income before tax, EBT	-1,783	457	-3,083	746	-3,562	1,115
Net income for the period	-2,005	701	-3,550	1,261	-4,175	5,908
Earnings per share (SEK)	-12.19	4.05	-21.23	7.50	-24.86	35.51

## Comments by the CEO

We were all reminded of how vulnerable life is in conjunction with the shocking, tragic air crash in Madrid on August 20. To the best of our ability, we have endeavored to support and assist the family members of the victims in their time of deep sadness. Our coworkers, mainly in Spanair's organization, have done an admirable job under extremely demanding circumstances. For this, I would once again like to extend my sincerest gratitude and admiration.

As expected, the SAS Group's earnings for the third quarter were only marginally positive at an operating level, amounting to an EBT of MSEK 101 before nonrecurring items. The reasons for the decrease in earnings in the third quarter are the same as earlier in the year: the economic trend that both impacts total demand and alters the behavioral patterns of business travelers, and the continued high price of oil during the period. The recent sharp drop in oil prices is good for the industry and SAS, but is offset by the rising USD and a further deepening of the recession by the financial crisis, which will have an additional negative impact on travel.

Against the background of the considerable turmoil in the financial markets, the weakening of the economy and overcapacity in the air travel market, the SAS Group's goodwill in relation to Spanair has been impaired and a certain portion of the tax assets in the company written down in a total amount of MSEK 1,959.

The crisis in the air travel industry strikes indiscriminately. To date in 2008, some 30 airlines have filed for bankruptcy, the most recent of these being Sterling, one of our main competitors in Scandinavia. To secure SAS's future growth, Group management and the Board of Directors are focusing intensely on assessing various structural solutions and alternatives. Regardless of the choice of structural alternatives and solutions, it is of the utmost importance that we rapidly close the remaining cost gap we have in relation to comparable competitors. As a step in this process, we are currently in the midst of negotiations with all of the trade unions. The situation calls for insight, courage and strength by both parties.

Our short-term earnings-enhancement program called "Profit 2008," corresponding to SEK 1.5 billion, with a capacity reduction of 18 aircraft, is proceeding as planned. During the third quarter, we could clearly see the effects of the program month by month. Spanair's action program is being implemented successively and 25% of total capacity, corresponding to 15 aircraft, has now been reduced. It is gratifying to see that the booking situation in Spanair has returned to normal levels, albeit at a lower yield level. In parallel with the earnings-enhancement program, we are implementing activities within the S11 strategy program "Strategi 2011," which aims to strengthen SAS's long-term competitiveness.

I am pleased to report that month for month, Scandinavian Airlines' regularity is now highly stable and our punctuality is at its highest level for many years. Scandinavian Airlines is once again at the top among European airlines and the leader amid the major carriers. Our customer satisfaction, which is measured on an ongoing basis, has seen considerable improvement as a result of such measures as enhanced delivery quality. Our employees have done a fantastic job to improve our quality and performance in the customer interface.

Mats Jansson  
President and CEO

# Financial overview

## Statement of income

(MSEK)	July-September		January-September		October-September	
	2008	2007	2008	2007	2007-08	2006-07
Revenue	16,365	16,307	48,018	45,738	63,283	60,563
Payroll expenses	-4,798	-4,637	-14,786	-13,623	-19,670	-17,878
Other operating expenses	-10,429	-9,952	-30,882	-27,425	-40,270	-36,075
Leasing costs for aircraft	-702	-804	-2,110	-2,422	-2,861	-3,239
Depreciation and write-downs	-2,116	-395	-2,891	-1,186	-3,591	-1,693
Share of income in affiliated companies	7	6	-136	55	-159	62
Income from sale of aircraft and buildings	6	4	12	-42	81	-12
<b>Operating income</b>	<b>-1,667</b>	<b>529</b>	<b>-2,775</b>	<b>1,095</b>	<b>-3,187</b>	<b>1,728</b>
Income from other shares and participations	0	5	0	5	0	-43
Net financial items	-116	-77	-308	-354	-375	-570
<b>Income before tax</b>	<b>-1,783</b>	<b>457</b>	<b>-3,083</b>	<b>746</b>	<b>-3,562</b>	<b>1,115</b>
Tax	-240	-64	-164	-219	-212	-351
<b>Net income from continuing operations</b>	<b>-2,023</b>	<b>393</b>	<b>-3,247</b>	<b>527</b>	<b>-3,774</b>	<b>764</b>
Income from discontinued operations	18	308	-303	734	-401	5,144
<b>Net income for the period</b>	<b>-2,005</b>	<b>701</b>	<b>-3,550</b>	<b>1,261</b>	<b>-4,175</b>	<b>5,908</b>
Attributable to:						
Parent Company shareholders	-2,005	667	-3,493	1,233	-4,089	5,841
Minority interests	0	34	-57	28	-86	67
Earnings per share (SEK) <sup>1</sup>	-12.19	4.05	-21.23	7.50	-24.86	35.51
Earnings per share (SEK) from continuing operations <sup>1</sup>	-12.30	2.40	-19.74	3.31	-22.94	4.80

1) Earnings per share is calculated on the basis of 164,500,000 outstanding shares (IAS 33). Since the SAS Group has no option, convertibles or share programs, no dilution occurs. A detailed statement of income is available at [www.sasgroup.net](http://www.sasgroup.net).

## Income before nonrecurring items

(MSEK)	July-September		January-September		October-September	
	2008	2007	2008	2007	2007-08	2006-07
Income before tax in continuing operations	-1,783	457	-3,083	746	-3,562	1,115
Impairment losses *	1,686	0	1,686	0	1,986	146
Restructuring costs	196	105	229	105	340	137
Capital gains/losses	-6	-9	-12	37	-81	4
Other nonrecurring items **	8	0	349	0	369	47
<b>Earnings before nonrecurring items in continuing operations</b>	<b>101</b>	<b>553</b>	<b>-831</b>	<b>888</b>	<b>-948</b>	<b>1,449</b>

\* Only goodwill in Spanair – tax assets are reported as tax expenses

\*\* Fines in the Cargo case are included in the amount of MUS\$ 52.

## Other items affecting earnings

(MSEK)	July-September			January-September		
	2008	2007	Change	2008	2007	Change
Effects of Q400 (net)	100	200	-100	350	200	150
ECA/bmi	0	240	-240	-	550	-550
Effect of strike	0	-90	90	0	210	-210
Effects of Spanair accident	100	-	100	100	-	100
Total	200	350	-150	450	960	-510

## Financial key ratios

(MSEK)	September 30, 2008	December 31, 2007	September 30, 2007	September 30, 2006
CFROI (12 months rolling)	9%	14%	17%	13%
Equity/assets ratio	28%	35%	34%	22%
Adjusted equity/assets ratio	19%	24%	23%	15%
Financial net debt, MSEK	4,172	1,231	1,618	11,451
Debt/equity ratio	0.32	0.07	0.09	0.95
Adjusted debt/equity ratio	1.93	1.42	1.45	2.87
Interest-coverage ratio (12 months rolling)	-3.1	1.8	6.1	1.5

# SAS Group

## Market and earnings trend

Market growth during the third quarter was weaker compared with the year-earlier period. For the Group as a whole, the number of passengers declined by 5.4% compared with the corresponding period in the preceding year. This meant that the load factor dropped by 3.4 percentage units compared with the corresponding period in 2007. The yield trend improved significantly in the third quarter as a result of measures implemented in conjunction with the Profit 2008 action program. Overcapacity in the industry increased during the year. Meanwhile, a clear slowdown in business travel as a consequence of the weaker economic situation was noted. The entire industry is currently implementing capacity adjustments to adapt the offering to demand.

During the third quarter, fuel prices declined, which is positive for the earnings trend. At the same time, the USD increased significantly in value over a short period as a result of the growing financial turmoil. Accordingly, the positive net effect in SEK will be less.

The combination of high fuel costs and lower demand with poor load factors and the resulting weaker yields, impacted the earnings of all of the SAS Group's airlines during the quarter and accumulated for the year.

As a result of a very weak Spanish economy, with sharply falling housing prices, historically high fuel prices and considerable overcapacity in the Spanish air-travel industry, Spanair posted extremely negative results. The tragic accident in Madrid is anticipated to have an impact on earnings of MSEK 400-500. Meanwhile, it is positive to note how the booking situation in Spanair recovered over a very short period. During the third quarter, Spanair commenced the implementation of a far-reaching cost and efficiency-enhancement program to meet the challenges in the Spanish air-travel industry and reverse the earnings trend. The cost program is proceeding as planned.

In SAS Aviation Services, SGS turned around the negative trend and posted positive earnings for the quarter. Both STS and SAS Cargo improved earnings for the quarter and accumulated for the year.

## January-September 2008

During the year, the Group's holding in Go Now AS rose from 45% to 100%, which is why the company is consolidated as a subsidiary. SAS Media, SAS Facility Management and the Group's remaining holding in ST Aerospace Solutions (Europe) were divested in the second quarter.

In June, it was decided to discontinue the sale of Spanair and the company is reported in continuing operations in the Group's statement of income for January-September 2008 and in all comparative figures.

Against the background of the considerable turmoil in the financial markets, the weak economy and overcapacity in the aviation market, the SAS Group's goodwill with respect to Spanair was tested for impairment and the goodwill in its entirety was impaired by MSEK 1,686. At the same time, deferred tax assets in Spanair were written down by MSEK 273.

The Latvian government decided that the privatization of airBaltic would not be completed. This makes it impossible for the SAS Group to assume a majority ownership in airBaltic on the basis of a conversion of loans. Accordingly, a decision was taken to report the holding as an affiliated company from July 1, 2008. Following this, the SAS Group also decided to divest the holding in airBaltic and negotiations are being conducted with the Latvian government. Consequently, the shareholding is reported as assets held for sale and discontinued operations in the statement of income.

A process relating to the divestment of Aerolineas de Baleares was initiated during the summer, which is why the company's assets and liabilities are reported as assets held for sale at September 30. Income after tax is reported in discontinued operations.

## Continuing operations:

The SAS Group's income before nonrecurring items in continuing operations amounted to MSEK -831 (888).

The net effect of currency fluctuations between the January-September periods of 2007 and 2008 was MSEK 1,440. The effect is MSEK 266 on revenue, MSEK 1,172 on operating expenses, of which MSEK 683 is attributable to the decline in the proportion of USD debt, and MSEK 2 on net financial items.

The SAS Group's revenue amounted to MSEK 48,018 (45,738), up MSEK 2,280 or 5.0%. Taking into account currency effects, revenue increased by 4.4%. The revenue increase includes the compensation received relating to the Q400 incidents in the preceding year. Passenger traffic (RPK) rose by 3.4% for the Group.

The Group's costs for jet fuel amounted to MSEK 9,791 (7,550), an increase of MSEK 2,241. Adjusted for positive currency effects, fuel costs rose by MSEK 2,962. Restructuring costs amounting to MSEK 229 (105) are included in payroll expenses and primarily relate in the current year to measures in SAS Ground Services and SAS Airline Sverige. Other operating expenses include MSEK 314 attributable to fines levied on SAS Cargo for breaches of competition regulations in the US. A total of MSEK 35 in legal expenses was also charged. In addition, operating expenses rose due to expanded capacity.

Operating income before depreciation, impairment/write-downs and leasing costs, EBITDAR, was MSEK 2,350 (4,690).

Leasing costs and depreciation, adjusted for currency, were MSEK 47 higher than in the year-earlier period.

The share of income in affiliated companies amounted to MSEK -136 (55). This decline is primarily attributable to the negative earnings trend in British Midland. Estonian Air also reported weaker earnings compared with the year-earlier period.

The Group's net financial items amounted to MSEK -308 (-354). Net interest was MSEK -289 (-323). The currency effect was MSEK 8 (6). Other net financial expenses were MSEK -27 (-37).

## Discontinued operations:

Income from discontinued operations totaled MSEK -303 (734). In April, SAS Media was sold to Datagraf at a capital loss of MSEK 11. SAS Facility Management was sold to Coor Service Management in June, resulting in a capital loss of a total of MSEK 49.

The Group's holding in ST Aerospace Solutions (Europe) was sold to Singapore Technologies at the end of June. This transaction was based on a put option in the share-sale agreement from 2005, when 67% of the then SAS Component was divested. Income amounted to MSEK -139. Income after tax in the divested operations is also included. Income after tax in Aerolineas de Baleares and airBaltic totaled MSEK -114.

Capital gains pertaining to Rezidor Hotel Group, SAS Flight Academy and Newco in the amount of MSEK 1,034 are reported for January-September 2007. In addition, MSEK -445 is included for an agreement in principle regarding the purchase consideration for the divestment of 67% of the shares in SAS Component in 2005, and income after tax in SAS Flight Academy, Newco, SAS Media, SAS Facility Management, ST Aerospace Solutions, airBaltic and Aerolineas de Baleares.

## Third quarter 2008

### Continuing operations:

The SAS Group's income before nonrecurring items in continuing operations amounted to MSEK 101 (553).

The Group's operating revenue amounted to MSEK 16,365 (16,307), up MSEK 41 or 0.3% taking into account currency effects. The Group's passenger traffic declined by 2.3%.

Operating expenses including payroll expenses amounted to MSEK 15,227 (14,589). Adjusted for currency effects and nonrecurring items of MSEK -112 (-62), operating expenses were 7.5% higher than in the year-earlier period mainly due to increased jet-fuel costs. Taking into account currency effects, fuel costs increased by MSEK 981 compared with the third quarter of 2007.

EBITDAR for the third quarter amounted to MSEK 1,138 (1,718). The Group's net financial items amounted to MSEK -116 (-77). Net interest was MSEK -112 (-62).

#### *Discontinued operations:*

Income from discontinued operations amounted to MSEK 18 (308). Capital gains/losses attributable to the divestment of SAS Media, SAS Facility Management and the holding in ST Aerospace Solutions are reported in 2008, as is income after tax until the date of sale. In addition, it includes income after tax for Aerolineas de Baleares and airBaltic.

The year-earlier period included gains/losses from the sale of shares in the Rezidor Hotel Group and Newco and the final settlement regarding the sale of SAS Component in addition to income after tax in discontinued operations and assets held for sale.

## Profit 2008 – Short-term earnings-improvement program

In 2008, the air-travel industry has found itself in a highly challenging situation with record-high jet-fuel prices combined with weakening demand in a market characterized by overcapacity. Despite the recent significant fall in fuel prices, the positive effect has been offset partially by the stronger USD. The SAS Group has reported a negative earnings trend since November 2007. In April this year, the SAS Group was one of the first airlines to announce an action program – Profit 2008. The program was expanded in August and covers measures corresponding to SEK 1.5 billion.

The program encompasses earnings measures, changes in the traffic program and cost measures. Furthermore, the number of aircraft will be reduced by 18, or about 10% of capacity and the number of positions by 1,500. The reductions will be progressively implemented. The action program has now resulted in a significantly stronger yield, which indicates that the measures in terms of the impact on earnings have had the desired effect. Major capacity reductions are now being simultaneously implemented throughout the industry.

The implementation of Profit 2008 is proceeding according to plan and, as of September 30, slightly more than SEK 1 billion of the measures had been carried out.

#### Profit 2008 – Specification of measures

	Target	Implemented
Earnings measures	MSEK 600-650	400 *
Traffic program	MSEK 300	150
Reduction OH/adm. costs	MSEK 225	160
Other activities	MSEK 325	180
<b>Total</b>	<b>MSEK 1,450-1,500</b>	<b>MSEK 890</b>

\*Price rises have been implemented

In addition to this program, Spanair launched an action plan corresponding to MEUR 90, which includes a capacity reduction of 15 aircraft, or about 25% of capacity. The number of positions will be reduced by approximately 1,000 FTEs. These measures are expected to generate a full effect in 2009. In conjunction with the action program, Spanair signed new agreements with several trade unions. The booking situation for Spanair following the tragic accident in August returned to normal in a very short time.

Accordingly, the Group will be reduced by a total of 2,500 FTEs and capacity reductions corresponding to 33 aircraft will be implemented.

Capacity reductions specified by the various companies in the SAS Group:

#### Reduced capacity per company measured in number of aircraft

SAS Scandinavian Airlines	16
Spanair	15
Blue1	1
Widerøe	1
	33 aircraft

## Status of Q400 and deliveries of regional jets

Of the 27 Q400 aircraft that SAS decided to phase out of the fleet, 12 aircraft (including the three damaged) had been delivered by SAS on September 30, 2008. Of the remaining 15 aircraft, 10 will be delivered during the fourth quarter of 2008. It is estimated that all of these aircraft will have left SAS during the first half of 2009.

The earnings effect of the Q400 grounding amounted to MSEK 400 gross in the first quarter of 2008. For the second quarter, the effect totaled MSEK 200 and for the third and fourth quarters it will decline to MSEK 100 per quarter. The decrease in the earnings effect is partly due to the gradual discontinuation of the SAS Group's leased replacement capacity in line with planned capacity reductions being implemented and new aircraft being delivered. Compensation in the amount of approximately MSEK 350 was received from Bombardier in the first quarter.

The first delivery of the new CRJ 900 NG regional jet aircraft is expected in November and thereafter an average of one aircraft per month will be delivered.

## Strategy 2011 – long-term strategy

The Strategy 2011 cost program is being implemented in parallel with the short-term Profit 2008 action plan. The aim of the program is to reduce unit costs corresponding to SEK 2.8 billion. At the end of the third quarter, measures corresponding to 74% of the SEK 2.8 billion had been implemented. Some delays in the implementation of the plan have arisen compared with the original schedule. Most of the collective-agreement negotiations in 2007 did not result in any changes as regards increased productivity, or any other improvements, which is the main reason for the delay in the implementation process. Cost measures in Ground/Technical have been adjusted due to the decision made about the future structure of SGS and STS. Flight operations costs have now declined to the corresponding extent.

#### Cost program

	Target:	Implemented:
Procurement	MSEK 400	MSEK 219
Central adm.	300-400	MSEK 174
Subsidiaries	100	MSEK 1,681
Of which		
Flight operation	MSEK 770	MSEK 536
Sales/Admin	MSEK 600	MSEK 509
Ground/Technical	MSEK 730	MSEK 636

Total restructuring costs in 2008, including measures contained in Profit 2008, are expected to be greater than in 2007. Incurred restructuring costs primarily relate to work-free periods of notice, which means the impact on cash flow is very limited.

New cost programs in 2009-2011, corresponding to savings of SEK 3-4 billion, will be required within the framework of S11 to entirely eliminate the cost gap that the SAS Group has against relevant benchmarks. This cost gap is largely inherent in contract structures. Due to the increasingly weak economy and the ongoing financial crisis, SAS has decided to initiate negotiations with the relevant trade unions during the autumn of 2008.

## Financial position

On September 30, 2008, the SAS Group's cash and cash equivalents amounted to MSEK 7,455 (8,914). Since year-end, cash and cash equivalents have declined by MSEK 1,436. In addition to cash and cash equivalents, the SAS Group has unutilized contract loan commitments amounting to MSEK 3,904 (6,028). Two revolving credit facilities amounting to MEUR 120 and MUSD 149, respectively, were utilized during the third quarter. In total, the SAS Group has financial preparedness corresponding to MSEK 11,359 (14,942) or 18% (24%) of revenues.

The SAS Group's interest-bearing liabilities rose by MSEK 1,784 in 2008. This increase comprises net amortization of MSEK 4,650, including the repayment of a bond loan of MSEK 3,700 in the second quarter, and financing such amortization through the utilization of two revolving credit facilities corresponding to approximately MSEK 4,500, new borrowing through issues of own commercial papers corresponding to MSEK 1,500 and other new borrowing totaling MSEK 180. The remaining change of approximately MSEK 250 is primarily attributable to currency fluctuations.

The adjusted equity/assets ratio on September 30, 2008 was 19% (23%). The adjusted debt/equity ratio was 1.93 (1.45). The SAS Group's targets are as follows:

### Targets for financial position

Adjusted equity/assets ratio	>35%
Adjusted debt/equity ratio	<100%
Financial preparedness	20% of operating revenue

## Legal issues

On February 14, 2006, the European Commission and the U.S. Department of Justice each made public investigations into possible price fixing in the air cargo industry. SAS is one of several air cargo carriers involved in the investigations. In addition, a number of class-action civil lawsuits brought against SAS and other air cargo carriers in the United States, alleging civil damages and seeking monetary compensation, are pending in a consolidated civil case in New York.

On July 21, 2008, SAS Cargo Group A/S entered a plea of guilty to violation of U.S. antitrust laws and will pay a fine of MUSD 52 in installments over the next four years. This concludes the investigation of SAS by the U.S. authorities and resolves all liability in connection with the U.S. investigation. SAS is continuing its settlement negotiations in the civil litigation.

A separate investigation by the European Commission is underway, and SAS is cooperating in that investigation. The Commission issued a Statement of Objections on 20 December 2007 to a large number of air carriers, including SAS Cargo. In the Statement of Objections, the Commission alleges that certain investigated practices in the air cargo sector constituted infringements of EC competition rules. SAS Cargo provided a written response to the Statement of Objections in April 2008 and made oral submissions addressing the allegations against it at a hearing held in the week of 30 June 2008. The Commission's final decision in the European investigation is not expected until 2009.

It is not possible at this time for SAS to predict the outcomes of the European Commission investigation or of the U.S. civil lawsuits. Taking the nature of the allegations into account, adverse outcomes are likely to have a substantial negative financial impact on SAS.

## Currency and fuel hedging

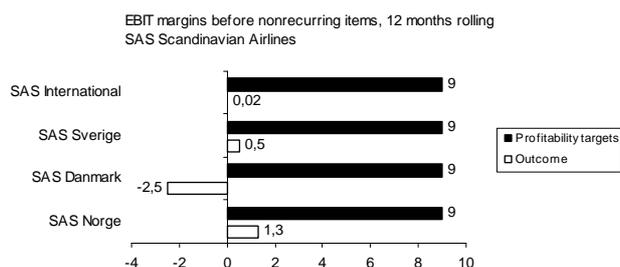
The SAS Group has hedged 77% of its anticipated fuel consumption for the final quarter of 2008 and 53% for the period from October 2008 to September 2009. This hedging was achieved through options and swaps, although the hedging for 2008 was primarily achieved through options.

Under current plans for flight capacity, the cost of jet fuel in 2008 is expected to be in line with Appendix 3, page 15, assuming different prices and USD exchange rates. SAS's policy is to handle increases in jet-fuel costs through price adjustments and yield management. However, during the period January – September 2008, the SAS Group's airlines were unable to offset this to any great extent since the price of fuel rapidly rose to a record high level. Nevertheless, the offset level gradually rose during the third quarter.

In September 2008, the SAS Group had hedged 65% of its anticipated USD deficit for the next twelve months. Other currencies are hedged at 60-90% in accordance with the financial policy.

# SAS Scandinavian Airlines

The SAS Scandinavian Airlines business area' earnings (EBIT) for the first nine months of the year amounted to MSEK -113 before nonrecurring items. All four companies reported lower earnings both for the quarter and accumulated for 2008 compared with the preceding year. The reasons for the decline are primarily the weak economy, overcapacity in the market and considerably higher fuel prices compared with 2007. During the third quarter, the yield trend was more positive than previously, but the load factor was weaker.



## Scandinavian Airlines Norge

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	2,944	2,665	8,906	8,124
Other revenue	666	718	1,889	1,843
Revenue	3,610	3,383	10,795	9,966
EBITDAR	225	463	723	1,616
EBIT before nonrecurring items	-23	203	-9	849
EBIT margin before nonrecurring items	-0.6%	6.0%	-0.1%	8.5%
Average number of employees	2,447	2,489	2,438	2,474

**Scandinavian Airlines Norge** reported a clear decline in earnings compared with 2007, but the deviation diminished during the third quarter. The company's earnings were adversely impacted by the implemented investment in increased capacity for leisure travel destinations in Europe. In addition, demand from business travelers in the important domestic market weakened at the same time as competition in this segment is gradually increasing. In terms of expenses, the company was also negatively impacted by higher fuel prices and rising costs for maintenance following the adaptation of the price level in relation to STS. The effect of ongoing cost-saving programs is somewhat offsetting the negative trend for fuel and maintenance costs. Capacity adjustments are now gradually being implemented.

## Scandinavian Airlines Sverige

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	1,475	1,496	5,034	5,023
Other revenue	421	494	1,417	1,391
Revenue	1,896	1,989	6,450	6,414
EBITDAR	-64	241	189	920
EBIT before nonrecurring items	-73	106	-66	512
EBIT margin before nonrecurring items	-3.8%	5.3%	-1.0%	8.0%
Average number of employees	1,653	1,733	1,687	1,702

**Scandinavian Airlines Sverige's** nine-month earnings are significantly lower than the year-earlier period. SAS Sverige also noted lower demand from business travelers, a general increase in price sensitivity in the market and elevated fuel costs that had a clear impact on earnings. The competitive situation has intensified in line with the weakened market conditions and overcapacity remains in the Swedish market, particularly for domestic flights. Overall, this means that earnings and unit income are under pressure, which the company has been able to offset to a certain extent by adapting capacity and costs. Viewed over the period, unit costs excluding fuel performed in line with 2007.

## Scandinavian Airlines Danmark

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	2,366	2,371	7,129	7,053
Other revenue	615	797	2,007	1,773
Revenue	2,981	3,168	9,136	8,826
EBITDAR	83	441	268	1,055
EBIT before nonrecurring items	-66	271	-188	544
EBIT margin before nonrecurring items	-2.2%	8.6%	-2.1%	6.2%
Average number of employees	2,191	2,207	2,189	2,177

**Scandinavian Airlines Danmark's** nine-month earnings were negative and significantly lower than in 2007. The company's earnings remained subject to clearly negative effects of the Q40 problems, but as replacement capacity becomes increasingly better adapted to the balance between supply and demand in the market, conditions for the airline are improving. Further, the company was charged with additional costs for leasing of capacity and retraining of its pilots to operate new aircraft types. The decline in earnings is also largely attributable to a weaker economy and higher fuel prices, which had a negative impact on the yield and the load factor. Capacity is now being reduced gradually.

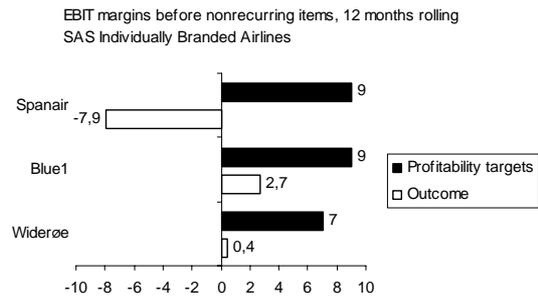
## Scandinavian Airlines International

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	1,747	1,731	4,805	4,422
Other revenue	433	451	1,344	1,289
Revenue	2,180	2,183	6,149	5,711
EBITDAR	282	396	474	550
EBIT before nonrecurring items	126	230	4	46
EBIT margin before nonrecurring items	5.8%	10.5%	0.1%	0.8%
Average number of employees	755	780	755	789

**Scandinavian Airlines International's** earnings for the first nine months of the year were marginally positive and somewhat lower than in 2007. The positive earnings trend in the first half of the year migrated into a decline in the third quarter. The favorable trend in the first six months of the year was partly driven by an improvement in yield and load factor. During the third quarter, the yield improvement stagnated, while the load factor declined compared with 2007. The successive decline in the economy during the period proved a particularly major challenge for SAS International in terms of offsetting the higher fuel costs. This is because fuel represents a higher cost mass for SAS International than it does for the short-haul companies.

## SAS Individually Branded Airlines

The SAS Group intends to divest its holding in airBaltic, which is why the company is no longer included in SAS Individually Branded Airlines. As a whole, the business area reported a loss for the first nine months of the year. Blue1 and Widerøe reported an EBIT result that was considerably lower than in the preceding year and Spanair reported a substantially poorer result. Rapidly rising fuel prices and the downturn in the economy continue to put the carriers under pressure. Widerøe continued to experience the negative effects of the Q400 incidents, while Spanair was also impacted by the accident in August.



### Blue1



(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	397	416	1,322	1,316
Other revenue	59	50	189	176
Revenue	456	466	1,511	1,492
EBITDAR	1	58	104	190
EBIT before nonrecurring items	-26	23	20	78
EBIT margin before nonrecurring items	-5.8%	4.9%	1.3%	5.2%
Average number of employees	459	495	463	512

**Blue1** reported a nine-month result that was weaker than the preceding year. Similar to other airlines, it is sharp increases in fuel prices and a declining economy that are the causes. However, the earnings decline came later than for other carriers because Finland is positioned later in the business cycle. During the year, Blue1 has succeeded relatively well in offsetting the rising fuel prices and this is reflected in the yield, which, when accumulated, was 4% higher than in the preceding year. However, a lower load factor largely counteracts the yield increase. During the first quarter, Blue1 discontinued the operation of a number of routes and the review of capacity is proceeding.

### Spanair



(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	2,175	2,305	6,157	6,274
Other revenue	1,029	1,195	2,124	2,371
Revenue	3,204	3,500	8,282	8,645
EBITDAR	110	448	97	762
EBIT before nonrecurring items	-126	160	-641	-91
EBIT margin before nonrecurring items	-3.9%	4.6%	-7.7%	-1.1%
Average number of employees	3,448	3,526	3,440	3,403

**Spanair** reported earnings for the first three quarters of the year that are SEK 550 M lower than in the preceding year. The negative trend of the second quarter continued in the third, which was also very adversely affected by the tragic accident in Madrid on August 20. Also for Spanair, the downturn is attributable to the high fuel costs and a weak revenue trend. The latter is explained by the competition situation, mainly on Spanish domestic routes, with increased capacity, the extension of the AVE high-speed rail connection and a weaker economic trend in Spain. After the end of June, the company presented a comprehensive action program corresponding to MEUR 90, with full effect in 2009, involving a capacity reduction of 15 aircraft. The measures are proceeding according to plan. Following the accident, the booking situation is now back at former levels, but at a reduced yield.

### Widerøe

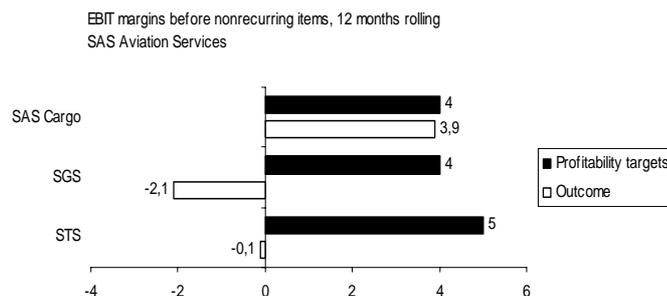


(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	529	471	1,616	1,480
Other revenue	320	276	975	772
Revenue	849	747	2,592	2,252
EBITDAR	52	105	186	349
EBIT before nonrecurring items	-18	41	-1	163
EBIT margin before nonrecurring items	-2.1%	5.5%	0.0%	7.3%
Average number of employees	1,384	1,348	1,366	1,356

**Widerøe** reported earnings for the first nine months that were considerably weaker than the year-earlier period, despite a positive trend for passenger figures. This is mainly attributable to costs for leased capacity as replacement for the Q400 aircraft and higher fuel and payroll expenses. Widerøe has now begun to receive deliveries of the five new Q400NG aircraft and as of September, three of these aircraft have been delivered and deployed. This means that Widerøe's need for replacement capacity is declining and that it once again has its intended fleet. The procurement process is currently under way for several of Widerøe's procurement routes. This is expected to be completed at the end of the year. Widerøe is reviewing its capacity and discontinued the Rygge-Copenhagen route in September. In addition, it was decided to discontinue the Kirkenes-Murmansk and Haugesund-Copenhagen routes.

## SAS Aviation Services

All companies in the SAS Aviation Services business area improved their margins compared with the preceding year and, as a whole, posted a positive EBIT before nonrecurring items. The overall result was slightly more than MSEK 230 better than 2007. However, extensive improvements remain to be implemented to achieve the established profitability requirements, particularly at SGS.



### STS

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Revenue	1,261	1,290	3,733	3,649
EBITDA	67	-70	176	-189
EBIT before nonrecurring items	43	-101	91	-276
EBIT margin before nonrecurring items	3.4%	-7.8%	2.4%	-7.6%
Average number of employees	2,327	2,414	2,365	2,425

**SAS Technical Service's (STS)** earnings for the period and accumulated were considerably better than in the preceding year. The improved earnings are largely attributable to the ongoing earnings-improvement program and the new agreements with the airlines in the SAS Group. Furthermore, STS is continuing to work on improving its delivery quality. The external market for technical maintenance remains characterized by fierce competition, overcapacity and price pressure. STS's focus on delivery quality combined with a more efficient production organization will generate increased productivity and efficiency, and thereby enhance the company's competitiveness and profitability.

### SAS Cargo

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Traffic revenue	342	437	1,123	1,315
Other revenue	544	408	1,501	1,168
Revenue	886	845	2,624	2,483
EBITDA	59	-11	-206	-29
EBIT before nonrecurring items	53	23	95	-7
EBIT margin before nonrecurring items	6.0%	2.7%	3.6%	-0.3%
Average number of employees	1,259	1,346	1,257	1,377

**SAS Cargo** reported earnings for the third quarter and the nine-month period that were considerably better than the same period in 2007. The primary reason for the improved result is the company's ability to generate revenue in a market under price pressure. The company's earnings-improvement program is also having a positive impact on earnings. In addition to capacity adjustments, the program includes structural changes, commercial initiatives and efficiency enhancements.

### SGS

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Revenue	1,521	1,480	4,717	4,464
EBITDA	-17	-17	-68	13
EBIT before nonrecurring items	22	-39	-41	-51
EBIT margin before nonrecurring items	1.4%	-2.6%	-0.9%	-1.1%
Average number of employees	7,122	7,070	7,108	6,823

**SAS Ground Services (SGS)** reported third-quarter earnings before nonrecurring items that are approximately SEK 60 M better than in the year-earlier period. In 2008, SGS has had nearly MSEK 100 in restructuring expenses related to personnel reductions. The primary reason for the positive deviation is that SGS's profitability program is starting to have an effect. However, the greatest challenge remaining for the company is in Denmark. The program aimed at achieving the profitability requirement contains measures corresponding to more than MSEK 500 and is proceeding according to plan.

# SAS Group

## Condensed balance sheet

(MSEK)	September 30, 2008	December 31, 2007	September 30, 2007	September 30, 2006
Intangible assets	1,223	1,226	3,263	3,785
Tangible fixed assets	14,239	13,436	14,077	17,295
Financial fixed assets	12,818	12,001	13,071	13,420
<b>Total fixed assets</b>	<b>28,280</b>	<b>26,663</b>	<b>30,411</b>	<b>34,500</b>
Current assets	1,058	850	907	1,115
Current receivables	10,194	6,168	10,505	11,085
Cash, bank and short-term investments	7,455	8,891	8,914	8,327
Assets held for sale	145	6,198	-	-
<b>Total current assets</b>	<b>18,852</b>	<b>22,107</b>	<b>20,326</b>	<b>20,527</b>
<b>Total assets</b>	<b>47,132</b>	<b>48,770</b>	<b>50,737</b>	<b>55,027</b>
Shareholders' equity <sup>1)</sup>	13,047	17,149	17,211	12,084
Long-term liabilities	16,160	11,274	11,645	19,210
Current liabilities	17,851	15,024	21,881	23,733
Liabilities relating to assets held for sale	74	5,323	-	-
<b>Total shareholders' equity and liabilities</b>	<b>47,132</b>	<b>48,770</b>	<b>50,737</b>	<b>55,027</b>
Shareholders' equity per share <sup>2)</sup>	79.31	104.13	104.33	69.51
Interest-bearing assets	19,364	20,307	20,037	19,024
Interest-bearing liabilities	13,826	12,042	12,301	21,807

1) Including minority interests

2) Calculated on 164,500,000 outstanding shares. The SAS Group has not carried out any buyback programs

## Change in shareholders' equity

(MSEK)	Share capital contributed <sup>1)</sup>	Other capital	Hedge reserves <sup>2)</sup>	Fair Translation value reserve	Translation reserve	Retained earnings <sup>3)</sup>	Total shareholders' equity attributable to Parent Company's shareholders	Minority interest	Total equity
<b>Opening balance, January 1, 2007</b>	<b>1,645</b>	<b>170</b>	<b>518</b>	<b>508</b>	<b>286</b>	<b>13,239</b>	<b>16,366</b>	<b>22</b>	<b>16,388</b>
Changed accounting principle in affiliated companies						-26	-26		-26
Change in fair value reserve				-508			-508		-508
Change in hedge reserve			118				118		118
Tax charged directly to shareholders' equity			-33				-33		-33
Translation differences					-114		-114	-2	-116
Revenue and expenses for the period reported directly against shareholders' equity	0	0	85	-508	-114	-26	-563	-2	-565
Hedge reserve dissolved against earnings			176				176		176
Tax on items dissolved against earnings			-49				-49		-49
Net income for the period						1,233	1,233	28	1,261
Total revenue and expenses for the period	0	0	212	-508	-114	1,207	797	26	823
<b>Closing balance, September 30, 2007</b>	<b>1,645</b>	<b>170</b>	<b>730</b>	<b>0</b>	<b>172</b>	<b>14,446</b>	<b>17,163</b>	<b>48</b>	<b>17,211</b>
Changed accounting principle in affiliated companies						-1	-1		-1
Change in hedge reserve			465				465		465
Tax charged directly to shareholders' equity			-130				-130		-130
Translation differences					189		189		189
Revenue and expenses for the period reported directly against shareholders' equity	0	0	335	0	189	-1	523	0	523
<b>Fair value dissolved against earnings</b>				0			0		0
Hedge reserve dissolved against earnings			56				56		56
Tax on items dissolved against earnings			-16				-16		-16
Net income for the period						-596	-596	-29	-625
Total revenue and expenses for the period	0	0	375	0	189	-597	-33	-29	-62
<b>Closing balance, December 31, 2007</b>	<b>1,645</b>	<b>170</b>	<b>1,105</b>	<b>0</b>	<b>361</b>	<b>13,849</b>	<b>17,130</b>	<b>19</b>	<b>17,149</b>
Change in participating interest in subsidiaries							0	38	38
Change in hedge reserve			299				299		299
Tax charged directly to shareholders' equity			-84		6		-78		-78
Translation differences					-60		-60		-60
Revenue and expenses for the period reported directly against shareholders' equity	0	0	215	0	-54	0	161	38	199
Hedge reserve dissolved against earnings			-1,042				-1,042		-1,042
Tax on items dissolved against earnings			291				291		291
Net income for the period						-3,493	-3,493	-57	-3,550
Total revenue and expenses for the period	0	0	-536	0	-54	-3,493	-4,083	-19	-4,102
<b>Closing balance, September 30, 2008</b>	<b>1,645</b>	<b>170</b>	<b>569</b>	<b>0</b>	<b>307</b>	<b>10,356</b>	<b>13,047</b>	<b>0</b>	<b>13,047</b>

1) The share capital in SAS AB is distributed among 164,500,000 shares with a par value of SEK 10 per share in both the opening and closing balances.

2) The entire amount comprises share premium reserves.

3) No dividends were paid in 2006 and 2007.

# SAS Group

## Condensed cash-flow statement

(MSEK)	July-September		January-September		October-September	
	2008	2007	2008	2007	2007-08	2006-07
Income before tax	-1,783	457	-3,083	746	-3,562	1,115
Depreciation and write-downs	2,116	395	2,891	1,186	3,591	1,693
Income from sale of fixed assets	-6	-9	-12	37	-81	4
Discontinued operations	8	111	-115	189	-195	413
Adjustment for items not included in cash flow	-566	54	-450	-54	-411	25
Paid tax	-2	-33	-17	-47	-8	-42
<b>Cash flow from operations</b>	<b>-233</b>	<b>975</b>	<b>-786</b>	<b>2,057</b>	<b>-666</b>	<b>3,208</b>
Change in working capital	-1,978	-723	-70	561	58	646
<b>Cash flow from operating activities</b>	<b>-2,211</b>	<b>252</b>	<b>-856</b>	<b>2,618</b>	<b>-608</b>	<b>3,854</b>
Investments, including prepayments to aircraft manufacturers	-818	-886	-3,411	-1,879	-4,215	-2,400
Acquisition of subsidiary	0	0	0	-225	0	-225
Sale of subsidiaries	11	43	177	549	177	5,397
Sale of fixed assets, etc	127	520	1,437	1,530	2,053	3,084
<b>Cash flow before financing activities</b>	<b>-2,891</b>	<b>-71</b>	<b>-2,653</b>	<b>2,593</b>	<b>-2,593</b>	<b>9,710</b>
External financing, net	2,167	-971	1,141	-4,500	1,149	-9,127
<b>Cash flow for the period</b>	<b>-724</b>	<b>-1,042</b>	<b>-1,512</b>	<b>-1,907</b>	<b>-1,444</b>	<b>583</b>
Translation difference in cash and cash equivalents	-3	1	-4	18	7	4
Cash and cash equivalents transferred to assets held for sale	-22	0	80	0	-22	0
<b>Change in cash and cash equivalents according to the balance sheet</b>	<b>-749</b>	<b>-1,041</b>	<b>-1,436</b>	<b>-1,889</b>	<b>-1,459</b>	<b>587</b>

## Comments on the cash-flow statement

Cash flow from operations for the first nine months declined by MSEK 2,843 compared with the year-earlier period, as a result of the weaker earnings trend. This figure includes an adjustment of MSEK 239 pertaining to the fines levied on SAS Cargo in the US and which were charged to earnings but have not yet been paid, and an adjustment of MSEK -683 pertaining to concluded hedging contracts that did not affect cash flow.

Investments amounted to MSEK 3,411 (1,879), of which MSEK 2,950 (1,149) related to aircraft, other flight equipment and prepayments. This includes the buyback of ten Q400s that will then be sold on as part of the discontinuation of the fleet, and delivery payments for three new Boeing 737s. In addition, four used Boeing 737s and four McDonnell Douglas MD 87s were purchased. Prepayments amounted to MSEK 589 (176).

The subsidiaries SAS Media and SAS Facility Management were divested in April and June, respectively, as was the

remaining holding in ST Aerospace Solutions (formerly SAS Component). Subsidiaries' sales affected the Group's cash and cash equivalents by MSEK 177.

Six Dash 8 Q400 aircraft were sold and five of the Boeing 737s acquired during the period were divested through sale and leaseback deals at a total sales price of MSEK 1,653.

Accordingly, cash flow before financing activities amounted to MSEK -2,653 (2,593).

Cash and cash equivalents according to the balance sheet amounted to MSEK 7,455 (8,914).

The SAS Group has about MSEK 8,600 in unutilized tax loss carryforwards in continuing operations. This means that the SAS Group will not have tax payable until these loss carryforwards have been utilized, which will have a positive impact on cash flow in future periods. Deferred tax assets have been reported for approximately 68% of the accumulated loss carryforwards.

## Segment reporting: income by business area

January-September (MSEK)	SAS Scandinavian Airlines		SAS Individually Branded Airlines		SAS Aviation Services		Groupwide & eliminations		SAS Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External sales	30,928	28,848	12,174	12,068	3,868	3,881	1,048	941	48,018	45,738
Sales between business segments	1,114	978	228	339	7,165	6,658	-8,507	-7,975	0	0
<b>Revenue</b>	<b>32,042</b>	<b>29,826</b>	<b>12,402</b>	<b>12,407</b>	<b>11,033</b>	<b>10,539</b>	<b>-7,459</b>	<b>-7,034</b>	<b>48,018</b>	<b>45,738</b>
Payroll expenses	-6,854	-6,218	-2,404	-2,279	-4,941	-4,636	-587	-490	-14,786	-13,623
Other expenses	-23,118	-19,591	-9,615	-8,819	-6,212	-6,088	8,063	7,073	-30,882	-27,425
<b>EBITDAR per business segment</b>	<b>2,070</b>	<b>4,017</b>	<b>383</b>	<b>1,309</b>	<b>-120</b>	<b>-185</b>	<b>17</b>	<b>-451</b>	<b>2,350</b>	<b>4,690</b>
Leasing costs for aircraft	-1,512	-1,633	-818	-944	0	0	220	155	-2,110	-2,422
<b>EBITDA per business segment</b>	<b>558</b>	<b>2,384</b>	<b>-435</b>	<b>365</b>	<b>-120</b>	<b>-185</b>	<b>237</b>	<b>-296</b>	<b>240</b>	<b>2,268</b>
Depreciation and write-downs	-779	-744	-1,885	-209	-198	-188	-29	-45	-2,891	-1,186
Share of income in affiliated companies	-13	-18	-128	70	4	4	1	-1	-136	55
Capital gains/losses	-5	9	18	43	0	0	-1	-94	12	-42
<b>EBIT per business segment</b>	<b>-239</b>	<b>1,631</b>	<b>-2,430</b>	<b>269</b>	<b>-314</b>	<b>-369</b>	<b>208</b>	<b>-436</b>	<b>-2,775</b>	<b>1,095</b>
Unallocated income items									0	5
Income from other shares and participations									-308	-354
Net financial items									-164	-219
Tax										
<b>Net income for the period from continuing operations</b>									<b>-3,247</b>	<b>527</b>
<b>Earnings before nonrecurring items in continuing operations</b>	<b>-114</b>	<b>1,412</b>	<b>-854</b>	<b>92</b>	<b>-12</b>	<b>-450</b>	<b>149</b>	<b>-166</b>	<b>-831</b>	<b>888</b>

## Parent Company SAS AB

SAS AB's shareholding in Spanair SA was written down by MSEK 2,128.

Income before tax for the period amounted to MSEK -2,468 (-492).

Available liquidity for SAS AB at September 30, 2008 amounted to MSEK 19, compared with MSEK 258 at the beginning of the year.

The number of shareholders in SAS AB amounted to 33,956 on September 30, 2008. The average number of employees in SAS AB was 252 (165). This increase is due to transfers of personnel from the SAS consortium.

### Condensed statement of income

(MSEK)	January-September	
	2008	2007
Revenue	168	9
Payroll expenses	-253	-224
Other operating expenses	-241	-187
<b>Operating income before depreciation</b>	<b>-326</b>	<b>-402</b>
Depreciation	0	0
<b>Operating income</b>	<b>-326</b>	<b>-402</b>
Income from sale of shares	-26	-460
Dividends from subsidiaries	30	451
Write-down of shares	-2,128	-
Net financial items	-18	-81
<b>Income before tax</b>	<b>-2,468</b>	<b>-492</b>
Tax	96	135
<b>Net income for the period</b>	<b>-2,372</b>	<b>-357</b>

### Condensed balance sheet

(MSEK)	Sep 30,	Dec 31,	Sep 30,
	2008	2007	2007
Fixed assets	7,484	8,619	8,968
Current assets	7,324	7,925	6,787
<b>Total assets</b>	<b>14,808</b>	16,544	15,755
Shareholders' equity	9,168	11,540	11,916
Long-term liabilities	4,473	4,704	3,627
Current liabilities	1,167	300	212
<b>Total shareholders' equity and liabilities</b>	<b>14,808</b>	16,544	15,755

### Change in equity

(MSEK)	Share	Rest.	Unrestr.	Total
	capital	reserves	equity	equity
<b>Opening balance, Jan. 1, 2007</b>	1,64	306	10,32	12,273
Net income for the period			-357	-357
<b>Equity, Sep. 30, 2007</b>	1,645	306	9,965	11,916
Group contribution rec'd, net			19	19
Net income for the period			-395	-395
<b>Equity, Dec. 31, 2007</b>	1,645	306	9,589	11,540
Net income for the period			-2,372	-2,372
<b>Equity, Sep. 30, 2008</b>	1,645	306	7,217	9,168

## Accounting principles and financial reports

The SAS Group applies International Financial Reporting Standards (IFRS). Discontinued operations are reported in accordance with IFRS 5.

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting and the accounting principles are unchanged since the most recent Annual Report.

The Group's other formal financial statements appear on pages 2 and 9-10.

In this report, no consideration has been given to the proposal for reduced corporate tax in Sweden from 28% to 26.3% because the bill has not been passed.

## SAS Group management and areas of responsibility

Mats Jansson President and CEO, Responsible for the SAS Individually Branded Airlines business area.

John S. Dueholm, Deputy CEO and Deputy President. Responsible for the SAS Scandinavian Airlines business area and STS.

Gunilla Berg, CFO and Deputy President.

Benny Zakrisson, Executive Vice President, Structural Affairs & Strategy, and responsible for SGS and SAS Cargo.

Claus Sonberg, Senior Vice President Communications and Public Affairs.

Henriette Fenger Ellekrog, Group Head of Personnel.

## Full-year 2008

Economic growth is expected to be significantly lower in 2008 in the SAS Group's markets compared with 2007. Official forecasts have been gradually revised downward and the financial crisis has intensified the slowdown in the economy. As a result of this, the market's passenger growth is expected to be lower in 2008, while overcapacity increases. Jet-fuel prices were at record-high level, but have recently fallen. At the same time, the USD has significantly strengthened.

To turn around the earnings trend and manage the challenging market situation, the SAS Group is implementing the Profit 2008 action plan. The program is expected to generate an earnings effect of SEK 1.5 billion in 2008. In addition to this, measures corresponding to MEUR 90 are being implemented in Spanair to generate effects in 2009. In total, these measures entail a capacity reduction of 33 aircraft, of which 15 aircraft in Spanair.

Against the background of the considerable turmoil in the financial markets, the weak economy and overcapacity in the aviation market, we have decided in accordance with the prudence concept, to impair goodwill in Spanair and to write down a certain portion of the tax asset in the company in a total amount of MSEK 1,959.

Stockholm, November 5, 2008

Mats Jansson  
President and CEO

### Review Report

We have conducted a review of the interim report for SAS AB (publ) at September 30, 2008 and of the nine-month period ending on that date. The Board of Directors and the President are responsible for correctly preparing and presenting this financial interim information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this financial interim information based on our review.

We have conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is a substantially more limited scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the accompanying financial interim information for the Group has not been prepared in accordance with IAS 34 and the Annual Accounts Act, and the interim report for the Parent Company has not been prepared in accordance with the Annual Accounts Act.

Stockholm, November 5, 2008  
Deloitte AB  
Peter Gustafsson  
Authorized Public Accountant

# Traffic data information

## SAS Group's passenger traffic

	July-September			January-September		
	2008	2007	Change	2008	2007	Change
Number of passengers (000)	9,846	10,402	-5.4%	29,694	29,666	0.1%
Passenger km (mill.)	10,879	11,139	-2.3%	30,606	29,599	3.4%
Seat km (mill.)	14,587	14,293	2.1%	42,612	40,579	5.0%
Load factor	74.6%	77.9%	-3.4 p.u.	71.8%	72.9%	-1.1 p.u.

## SAS Group's traffic-related key data

	January-March		April-June		July-September		October-December		October-September	
	2008	2007	2008	2007	2008	2007	2007	2006	2007-08	2006-07
Number of passengers (000)	8,881	8,748	10,968	10,515	9,846	10,402	9,407	9,352	39,101	39,018
RPK (mill.)	8,637	8,165	11,090	10,295	10,878	11,139	9,132	8,965	39,738	38,564
ASK (mill.)	12,818	12,161	15,206	14,125	14,587	14,293	13,308	12,974	55,920	53,553
Load factor	67.4%	67.1%	72.9%	72.9%	74.6%	77.9%	68.6%	69.1%	71.1%	72.0%

## SAS Group traffic operation by route sector \*

	Jul-Sep 08 vs. Jul-Sep 07		Jan-Sep 08 vs. Jan-Sep 07	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-2.6%	-0.7%	4.0%	1.5%
Europe	-1.0%	3.0%	4.2%	5.9%
Intra-Scandinavian	1.1%	14.9%	4.2%	15.0%
Denmark (domestic)	2.1%	2.8%	6.0%	8.8%
Norway (domestic)	-8.9%	-1.9%	-1.3%	0.8%
Sweden (domestic)	-7.9%	-2.1%	0.2%	10.4%

\* Passenger traffic for Scandinavian Airlines, Spanair, Widerøe and Blue1.

## SAS Scandinavian Airlines traffic-related key data

	Jul - Sep		Jan - Sep	
	2008	Change	2008	Change
Number of passengers (000)	6,429	-2.6%	19,634	+2.5%
Passenger km, RPK (mill.)	7,636	-0.4%	21,803	+5.0%
Seat km, ASK (mill.)	10,177	+5.3%	29,820	+7.9%
Load factor	75.0%	-4.3 p.u.	73.1%	-2.0 p.u.
Currency-adjusted yield trend		+3.8%		-0.4%
Total unit cost, incl. charter		+8.1% <sup>1)</sup>		+9.2% <sup>2)</sup>
Operational unit cost, incl. charter		+8.5% <sup>1)</sup>		+9.9% <sup>2)</sup>

1) Higher fuel costs had a negative effect of 5.1 percentage units on unit costs.

2) Higher fuel costs had a negative effect of 4.9 percentage units on unit costs.

## SAS Scandinavian Airlines traffic and production

	Scandinavian Airlines Norge				Scandinavian Airlines Danmark				Scandinavian Airlines Sverige				SAS International			
	Jul-Sep		Jan-Sep		Jul-Sep		Jan-Sep		Jul-Sep		Jan-Sep		Jul-Sep		Jan-Sep	
	2008	Change	2008	Change	2008	Change	2008	Change	2008	Change	2008	Change	2008	Change	2008	Change
<b>Scheduled traffic</b>																
Number of passengers (000)	2,564	+0.9%	7,790	+6.2%	2,058	-6.2%	6,048	-2.5%	1,424	-3.2%	4,736	+3.0%	383	-3.3%	1,061	+4.4%
RPK (mill.)	2,025	+4.0%	5,720	+8.9%	1,625	-2.9%	4,582	+0.3%	1,242	+1.0%	3,906	+7.5%	2,743	-2.6%	7,595	+4.0%
ASK (mill.)	2,968	+12.4%	8,390	+12.5%	2,273	+2.5%	6,720	+5.5%	1,802	+9.3%	5,774	+15.3%	3,134	-0.7%	8,935	+1.5%
Load factor	68.2%	-5.5 p.u.	68.2%	-2.2 p.u.	71.5%	-4.0 p.u.	68.2%	-3.5 p.u.	68.9%	-5.7 p.u.	67.6%	-4.9 p.u.	87.5%	-1.8 p.u.	85.0%	+2.1 p.u.
Yield, currency-adjusted		+4.4%		-2.7%		+1.0%		-1.2%		-2.3%		-6.8%		+3.6%		+4.5%
Total unit cost tot, incl. charter (local currency)		+7.8%		+7.3%		+9.4%		+1.7%		+5.0%		+4.3%		+9.9%		+9.0%
<b>Charter traffic</b>																
Number of passengers (000)	157	-20.0%	336	-16.9%	207	-23.0%	466	-7.9%	75	-43.1%	157	-46.6%				

## SAS Individually Branded Airlines traffic and production

	Spanair				Widerøe				Blue1			
	Jul-Sep		Jan-Sep		Jul-Sep		Jan-Sep		Jul-Sep		Jan-Sep	
	2008	Change										
<b>Scheduled traffic</b>												
Number of passengers (000)	2,520	-12.5%	7,299	-5.2%	506	4.1%	1,529	4.3%	391	-10.3%	1,231	-9.1%
RPK (mill.)	2,699	-7.3%	7,237	-0.4%	172	7.4%	493	6.9%	372	-6.5%	1,073	-3.7%
ASK (mill.)	3,604	-6.2%	10,356	-1.7%	287	9.8%	816	5.9%	520	-1.4%	1,620	-0.6%
Load factor	74.9%	-0.9 p.u.	69.9%	+0.9 p.u.	59.9%	-1.3 p.u.	60.4%	+0.5 p.u.	71.6%	-3.9 p.u.	66.2%	-2.1 p.u.
Yield, currency-adjusted		-0.2%		-3.4%		+2.7%		-1.3%		0.0%		+2.2%
Total unit cost tot, incl. charter (local currency)		+13.7%		+4.8%		+19.2%		+12.6%		-0.3%		+1.3%
<b>Charter traffic</b>												
Number of passengers (000)	661	+3.7%	1,078	-1.6%								

# Statement of income

## Statement of income – Quarterly breakdown

(MSEK)	2006			2007			2008			JAN- MAR	APR- JUN	JUL- SEP
	JUL- SEP	OCT- DEC	FULL-YEAR JAN-DEC	JAN- MAR	APR- JUN	JUL- SEP	OCT- DEC	FULL-YEAR JAN-DEC	JAN- MAR			
Revenue	15,987	14,825	59,378	13,589	15,842	16,307	15,265	61,003	<b>14,473</b>	<b>17,180</b>	<b>16,365</b>	
Payroll expenses	-4,097	-4,255	-17,353	-4,382	-4,604	-4,637	-4,884	-18,507	<b>-4,960</b>	<b>-5,028</b>	<b>-4,798</b>	
Other operating expenses	-9,688	-8,650	-35,818	-8,308	-9,165	-9,952	-9,388	-36,813	<b>-9,409</b>	<b>-11,044</b>	<b>-10,429</b>	
Leasing costs for aircraft	-814	-817	-3,326	-818	-800	-804	-751	-3,173	<b>-723</b>	<b>-685</b>	<b>-702</b>	
Depreciation	-431	-507	-1,871	-388	-403	-395	-700	-1,886	<b>-381</b>	<b>-394</b>	<b>-2,116</b>	
Share of income in affiliated companies	50	7	111	15	34	6	-23	32	<b>-65</b>	<b>-78</b>	<b>7</b>	
Income from the sale of aircraft and buildings	16	30	76	-2	-44	4	69	27	<b>0</b>	<b>6</b>	<b>6</b>	
<b>Operating income</b>	<b>1,023</b>	<b>633</b>	<b>1,197</b>	<b>-294</b>	<b>860</b>	<b>529</b>	<b>-412</b>	<b>683</b>	<b>-1,065</b>	<b>-43</b>	<b>-1,667</b>	
Income from other shares and participations	0	-48	-47	0	0	5	0	5	<b>0</b>	<b>0</b>	<b>0</b>	
Net financial items	-255	-216	-915	-148	-129	-77	-67	-421	<b>-139</b>	<b>-53</b>	<b>-116</b>	
<b>Income before tax</b>	<b>768</b>	<b>369</b>	<b>235</b>	<b>-442</b>	<b>731</b>	<b>457</b>	<b>-479</b>	<b>267</b>	<b>-1,204</b>	<b>-96</b>	<b>-1,783</b>	
Tax	-256	-132	-115	57	-212	-64	-48	-267	<b>200</b>	<b>-124</b>	<b>-240</b>	
<b>Net income from continuing operations</b>	<b>512</b>	<b>237</b>	<b>120</b>	<b>-385</b>	<b>519</b>	<b>393</b>	<b>-527</b>	<b>0</b>	<b>-1,004</b>	<b>-220</b>	<b>-2,023</b>	
Income from discontinued operations	92	4,410	4,620	338	88	308	-98	636	<b>-130</b>	<b>-191</b>	<b>18</b>	
<b>Net income for the period</b>	<b>604</b>	<b>4,647</b>	<b>4,740</b>	<b>-47</b>	<b>607</b>	<b>701</b>	<b>-625</b>	<b>636</b>	<b>-1,134</b>	<b>-411</b>	<b>-2,005</b>	
Attributable to:												
Parent Company shareholders	559	4,608	4,622	-18	584	667	-596	637	<b>-1,077</b>	<b>-411</b>	<b>-2,005</b>	
Minority interests	45	39	118	-29	23	34	-29	-1	<b>-57</b>	<b>0</b>	<b>0</b>	

## Earnings overview

(MSEK)	January-March		April-June		July-September		October-December		October-September	
	2008	2007	2008	2007	2008	2007	2007	2006	2007-08	2006-07
Revenue	<b>14,473</b>	13,589	<b>17,180</b>	15,842	<b>16,365</b>	16,307	<b>15,265</b>	14,825	<b>63,283</b>	60,563
EBITDAR	<b>104</b>	899	<b>1,108</b>	2,073	<b>1,138</b>	1,718	<b>993</b>	1,920	<b>3,343</b>	6,610
EBITDAR margin	<b>0.7%</b>	6.6%	<b>6.4%</b>	13.1%	<b>7.0%</b>	10.5%	<b>6.5%</b>	13.0%	<b>5.3%</b>	10.9%
EBIT	<b>-1,065</b>	-294	<b>-43</b>	860	<b>-1,667</b>	529	<b>-412</b>	633	<b>-3,187</b>	1,728
EBIT margin	<b>-7.4%</b>	-2.2%	<b>-0.3%</b>	5.4%	<b>-10.2%</b>	3.2%	<b>-2.7%</b>	4.3%	<b>-5.0%</b>	2.9%
Income before nonrecurring items	<b>-1,204</b>	-440	<b>272</b>	775	<b>101</b>	553	<b>-117</b>	561	<b>-948</b>	1,449
Income before tax	<b>-1,204</b>	-442	<b>-96</b>	731	<b>-1,783</b>	457	<b>-479</b>	369	<b>-3,562</b>	1,115
Net income for the period	<b>-1,134</b>	-47	<b>-411</b>	607	<b>-2,005</b>	701	<b>-625</b>	4,647	<b>-4,175</b>	5,908
Earnings per share (SEK)	<b>-6.55</b>	-0.11	<b>-2.50</b>	3.55	<b>-12.19</b>	4.05	<b>-3.62</b>	28.01	<b>-24.86</b>	35.51
Cash flow before financing activities	<b>-576</b>	606	<b>814</b>	2,058	<b>-2,891</b>	-71	<b>60</b>	7,117	<b>-2,593</b>	9,710

## SAS Group average number of employees (FTE)

	July-September		January-September	
	2008	2007	2008	2007
SAS Scandinavian Airlines	<b>7,373</b>	7,672	<b>7,405</b>	7,600
SAS Individually Branded Airlines	<b>5,387</b>	5,477	<b>5,367</b>	5,373
SAS Aviation Services	<b>10,708</b>	10,830	<b>10,729</b>	10,623
Groupwide functions	<b>642</b>	566	<b>641</b>	572
<b>Continuing operations</b>	<b>24,110</b>	24,545	<b>24,142</b>	24,168
Discontinued operations	<b>188</b>	2,902	<b>1,010</b>	2,665
<b>SAS Group</b>	<b>24,298</b>	27,447	<b>25,152</b>	26,833

# Investments, aircraft fleet and fuel

## SAS Group's investments

	July-September		January-September	
	2008	2007	2008	2007
SAS Scandinavian Airlines	675	683	2,670	1,184
SAS Individually Branded Airlines	58	71	331	252
SAS Aviation Services	74	89	172	286
Groupwide functions and eliminations	11	4	15	280
<b>Continuing operations</b>	<b>818</b>	<b>847</b>	<b>3,188</b>	<b>2,002</b>
Discontinued operations	0	39	223	143
<b>SAS Group</b>	<b>818</b>	<b>886</b>	<b>3,411</b>	<b>2,145</b>

## SAS Group's aircraft under firm order \*)

	Total	2008	2009	2010
Boeing 737	4	0	3	1
CRJ900	12	1	10	1
Q400	6	0	6	0
No. of aircraft	22	1	19	2
CAPEX (MUSD)	477	32	397	48

\*) Excluding Estonian Air.

## SAS Group aircraft fleet September 30, 2008

	Age	Owned	Leased	Wet-leased	Total	Leased out	Order
Airbus A330/A340	6.3	5	6		11	0	
Airbus A319/A320/A321	5.6	4	32		36	0	
Boeing 737 series	9.6	22	60		82	4	4
Boeing 717	8.1	0	5		5	0	
McDonnell Douglas MD-80 series	19.2	16	65		81	0	
McDonnell Douglas MD-90	11.7	8	0		8	3	
Avro RJ-85/100	10.9	0	6	5	11	0	
Fokker F50	18.4	0	6		6	0	
deHavilland Q series *	10.7	21	27		48	3	6
BAe 146	21.9	0	0	2	2	0	
Bombardier CRJ200	8.3	0	0	4	4	0	
Bombardier CRJ900 NG **	0.0	0	0		0	0	12
<b>Total</b>	<b>12.1</b>	<b>76</b>	<b>207</b>	<b>11</b>	<b>294</b>	<b>10</b>	<b>22</b>
By airline:							
SAS Scandinavian Airlines	12.1				171	10	16
Widerøe	13.2				28		6
Blue 1	6.8				11		
<b>Total</b>	<b>12.4</b>				<b>269</b>	<b>10</b>	<b>22</b>

\* Including 17 deHavilland Q400 aircraft taken out of operation.

\*\* Excluding Estonian Air.

## Facts and vulnerability – jet fuel \*

	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Options	63%	42%	44%	28%
Redemption price (USD/ton)	1,039	1,048	1,154	1,128
Swaps	14%	16%	16%	13%
Price (USD/ton)	847	1,073	1,195	1,181

\* Excluding premium.

## Estimated jet-fuel expense 2008 \*

Market price	SEK 6.5/USD	SEK 7.0/USD	SEK 7.5/USD	SEK 8.0/USD
USD 800/ton	11,892	12,054	12,216	12,377
USD 1,000/ton	12,340	13,536	12,732	12,928
USD 1,200/ton	12,681	12,903	13,126	13,348
USD 1,400/ton	12,986	13,232	13,478	13,724

\* The SAS Group has hedged 77% of its anticipated fuel consumption for the final quarter of 2008 and 53% for the period from October 2008 to September 2009. This hedging was achieved through options and swaps, although the hedging for 2008 was primarily achieved through options.

# SAS Scandinavian Airlines

## Statement of income

(MSEK)	Jul-Sep		Jan-Sep	
	2008	2007	2008	2007
Passenger revenue	8,533	8,282	25,870	24,636
Charter revenue	577	747	1,312	1,591
Other traffic revenue	632	395	2,238	1,357
Other revenue	825	897	2,622	2,242
<b>Revenue</b>	<b>10,567</b>	<b>10,322</b>	<b>32,042</b>	<b>29,826</b>
Payroll expenses	-2,185	-2,076	-6,854	-6,217
Selling costs	-122	-135	-400	-390
Jet fuel	-2,387	-1,871	-6,749	-5,092
Government user fees	-1,001	-959	-2,947	-2,715
Catering costs	-322	-347	-950	-937
Handling costs	-1,300	-1,233	-3,970	-3,706
Technical aircraft maintenance	-1,201	-990	-3,452	-2,930
Computer and telecommunication costs	-338	-376	-1,138	-1,159
Other operating costs	-1,067	-877	-3,511	-2,662
<b>Operating expenses</b>	<b>-9,922</b>	<b>-8,863</b>	<b>-29,971</b>	<b>-25,810</b>
<b>Income before depreciation and leasing costs, EBITDAR</b>	<b>645</b>	<b>1,459</b>	<b>2,070</b>	<b>4,017</b>
Leasing costs for aircraft	-511	-546	-1,512	-1,633
<b>Income before depreciation, EBITDA</b>	<b>134</b>	<b>912</b>	<b>558</b>	<b>2,383</b>
Depreciation	-283	-249	-779	-744
Share of income in affiliated companies	3	-20	-13	-18
Capital gains	-2	20	-5	10
<b>Operating income, EBIT</b>	<b>-149</b>	<b>663</b>	<b>-239</b>	<b>1,631</b>
Net financial items	1	-25	5	-251
<b>SAS Scandinavian Airlines - Income before tax</b>	<b>-147</b>	<b>638</b>	<b>-234</b>	<b>1,380</b>
<b>Income before nonrecurring items</b>	<b>-31</b>	<b>658</b>	<b>-113</b>	<b>1,411</b>

## Important events

### First quarter 2008

- The SAS Group decided to purchase six MD-87 and two Boeing 737-600 aircraft from another operator as replacements for the Q400.
- SAS took over delivery positions on three Boeing 737-800 aircraft with delivery during 2008.
- The Board of Directors of the SAS Group decided in February that SGS would be provided an opportunity to implement cost reductions of MSEK 400 within 18 months and a quality program, otherwise an external solution will be sought. At the same time, it was decided that the maintenance of Boeing 737 Classics would be outsourced and that terminal management, Spirit, in SAS Cargo, would be divested.
- SAS agreed a settlement with Bombardier and Goodrich for compensation to SAS regarding the incidents involving the Dash aircraft in the autumn of 2007. The details of the agreement are confidential but the total financial compensation is slightly more than SEK 1 billion. As part of the agreement, an order was placed for 27 aircraft, with an option for a further 24 aircraft.

### Second quarter 2008

- On April 1, 2008, SAS and the Danish Pilots' Association (DPF), the Norwegian SAS Pilots' Association (NSF) and the Swedish Pilots' Association (SPF) signed a two-year collective agreement on salaries and general terms of service. The agreement period is April 1, 2007, through March 31, 2009.
- The SAS Group sold SAS Media AB to Danish company Datagraf.
- At SAS's Annual General Meeting, Fritz H. Schur was elected the new Chairman of the Board of Directors. Dag Mejdell, CEO of Posten Norge AS, took office as new Board member. The Annual General Meeting resolved not to issue any dividends for the 2007 fiscal year.
- The SAS Group signed a letter of intent with Amadeus, under which parts of SAS's commercial IT platform will be replaced. These parts are sales, booking, ticketing, check-in and load control.
- SAS sold Facility Management to Coor Service Management, which thus became a total supplier of service to SAS in Denmark, Norway and Sweden.
- SAS Norge was fined MNOK 132 as compensation to the airline Norwegian in a civil dispute. SAS has appealed the verdict which, accordingly, has not become legally effective.
- SAS discontinued the sales process concerning Spanair.
- SAS admitted an infringement of US competition legislation and agreed to a settlement entailing the payment of fines amounting to MSEK 314.
- SAS divested the remaining portion of SAS Component.

### Third quarter 2008

- Spanair initiated a comprehensive savings program corresponding to MEUR 90. Capacity was reduced by 15 aircraft or 25% from the autumn of 2008.
- On August 20, 2008, the tragic air accident involving an MD80 occurred in Madrid.

### Events after September 30, 2008

- The SAS Group commenced the operation of the Copenhagen – New Delhi route.
- SAS is to reduce its fuel surcharge by EUR 3 on short-haul flights and EUR 5 on long-haul flights from November 12, 2008.

## Financial calendar

Interim Report 3, July-September 2008

November 5, 2008

Year-end Report 2008

February 3, 2009

Annual Report & Sustainability Report 2008

March 3, 2009

Annual General Meeting

March 31, 2009

Interim Report 1, January-March 2009

April 28, 2009

Interim Report 2, April-June 2009

August 12, 2009

Interim Report 3, July-September 2009

November 5, 2009

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All reports are available in English and Swedish and can be ordered on the Internet: [www.sasgroup.net](http://www.sasgroup.net) or from: [investor.relations@sas.se](mailto: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](http://www.sasgroup.net)

## Press/Investor Relations activities

Press conference, Frösundavik  
Telephone conference, analysts  
Investors' meeting, Stockholm

10:30 a.m., November 5, 2008  
2:00 p.m., November 5, 2008  
November 5, 2008

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