SAS Group

SAS Group Interim Report January-June 2005

Positive earnings for Q2 2005

- **Operating revenue for the first half** amounted to MSEK 29,033 (27,710), an increase of 4.8%.
- **Number of passengers** in the first half rose by 3.2% to 16.7 million.
- **Income before depreciation and leasing costs for aircraft (EBITDAR)** improved by MSEK 700 and reached MSEK 2,193 (1,493) in the second quarter and MSEK 2,372 (1,449) in the first half.
- **Operating income (EBIT) increased** for the second quarter by MSEK 698 to MSEK 949 (251) and amounted to MSEK -99 (-1,006) for the first half of the year.
- **Income before capital gains and nonrecurring items** improved by MSEK 526 and amounted to MSEK 579 (53) in the second quarter. Earnings for the first half amounted to MSEK -733 (-1,535).
- **Income after financial items** for the second quarter was MSEK 590 (44), and MSEK -700 (-1,496) for the first half.
- **Net income for the period** amounted to MSEK 499 (147) in the second quarter and MSEK -472 (-1,227) for the first half.
- **CFROI** for the 12-month period July 2004-June 2005 was 11% (8%).
- **Earnings per share** for the SAS Group in the first half of the year amounted to SEK -2.85 (-7.40). Equity per share was SEK 72.28 (72.67).
- **Total unit cost adjusted for currency effects** for Scandinavian Airlines Businesses decreased by 2.3% in the first half despite higher fuel prices. Adjusted for increased fuel prices, the unit cost fell in the same period by 6.4% and by 5.5% in the second quarter.
- **Continued uncertainty regarding development** in the airline industry gives reason to be cautious, but subject to unchanged yield, favorable traffic development and provided there are no important changes in the business environment or further significant increases in jet fuel prices, adopted business plans indicate positive earnings for 2005.
- **“Second-quarter earnings** were, as anticipated, positive and in line with the profitability plan for the SAS Group. Continued unit cost reductions and new commercial ventures are important factors for success and we are now taking the next step on European routes," says President and CEO Jørgen Lindegaard.

SAS Group	July-September		October -December		January-March		April-June			July-June
(MSEK)	2004	2003	2004	2003	2005	2004	2005	2004	2004-05	2003-04
Operating revenue	15,423	14,920	14,940	13,824	13,016	12,567	16,017	15,143	59,396	56,454
EBITDAR	1,753	1,737	1,181	814	179	-44	2,193	1,493	5,306	4,000
EBITDAR margin	11.4%	11.6%	7.9%	5.9%	1.4%	-0.4%	13.7%	9.9%	8.9%	7.1%
EBIT	377	798	-104	-43	-1,048	-1,257	949	251	174	-251
EBIT margin	2.4%	5.3%	-0.7%	-0.3%	-8.1%	-10.0%	5.9%	1.7%	0.3%	-0.4%
Income before capital gains and nonrecurring items	198	116	-305	-415	-1,312	-1,588	579	53	-840	-1,834
Income after financial items	102	564	-380	-245	-1,290	-1,540	590	44	-978	-1,177
Net income for the period	133	760	-612	-609	-971	-1,374	499	147	-951	-1,076
Earnings per share (SEK)	0.68	4.25	-3.63	-3.53	-5.86	-8.26	3.01	0.86	-5.80	-6.68
Cash flow before financing activities	-421	206	1,287	899	-1,131	-1,319	1,675	2,001	1,410	1,787

SAS AB is the Nordic region’s largest listed airline and travel group and offers air transport and related services from its base in northern Europe. Scandinavian Airlines provides services within Scandinavia, to/from Europe, North America and Asia. Scandinavian Airlines is a founder member of the world’s largest global airline alliance – Star Alliance™. The Group also includes the airlines Spanair, Widerøe’s Flyveselskap and Blue1 and the partly-owned airlines airBaltic and Estonian Air. The Group’s business areas Airline Support Businesses and Airline Related Businesses include companies that support the airline operations. The Group also includes hotel operations with Rezidor SAS Hospitality.

SAS Group

Statement of income

(MSEK)	April - June 2005	April - June 2004	January-June 2005	January-June 2004	July-June 2004-05	July-June 2003-04
Operating revenue	16,017	15,143	29,033	27,710	59,396	56,454
Payroll expenses	-5,138	-5,069	-10,112	-9,958	-19,739	-20,580
Other operating expenses	-8,686	-8,581	-16,549	-16,303	-34,351	-31,874
Leasing costs for aircraft	-766	-678	-1,452	-1,317	-2,824	-2,701
Depreciation	-564	-666	-1,147	-1,357	-2,492	-2,870
Share of income in affiliated companies	45	36	65	105	117	92
Income from the sale of shares in subsidiaries and affiliated companies	-2	3	-2	3	0	654
Income from the sale of aircraft and buildings	43	63	65	111	67	574
Operating income	949	251	-99	-1,006	174	-251
Income from other shares and participations	48	0	48	0	49	8
Net financial items	-407	-207	-649	-490	-1,201	-934
Income after financial items	590	44	-700	-1,496	-978	-1,177
Tax	-91	103	228	269	27	101
Net income for the period	499	147	-472	-1,227	-951	-1,076
Attributable to:						
Parent Company shareholders	495	142	-469	-1,217	-953	-1,099
Minority interests	4	5	-3	-10	2	23
Earnings per share SEK)[1]	3.01	0.86	-2.85	-7.40	-5.80	-6.68

[1] Earnings per share are calculated on 164,500,000 outstanding shares (RR18). Since the SAS Group has no options, convertibles or share programs, dilution cannot occur.

Specified statement of income is available at www.sasgroup.net

Income before capital gains and nonrecurring items

(MSEK)	April-June 2005	April-June 2004	January-June 2005	January-June 2004	July-June 2005	July-June 2004
Income after financial items	590	44	-700	-1,496	-978	-1,177
Impairment losses	0	0	0	0	27	52
Restructuring costs	78	75	78	75	226	527
Capital gains	-89	-66	-111	-114	-115	-1,236
Income before capital gains and nonrecurring items	579	53	-733	-1,535	-840	-1,834

Financial key ratios

	June 30 2005	December 31 2004	June 30 2004	June 30 2003
EBITDAR	2,372	4,383	1,449	1,210
EBITDA	920	1,694	132	-341
EBIT	-99	-733	-1,006	-1,636
EBITDAR margin (12-month rolling)	9%	8%	7%	7%
EBIT margin (12-month rolling)	0%	-1%	0%	-1%
CFROI (12-month rolling)	11%	9%	8%	8%
Return on equity (12-month rolling)	-8%	-14%	-8%	-10%
Equity/assets ratio	20%	20%	20%	21%
Net debt, MSEK	8,426	9,956	10,851	12,754
Financial net debt, MSEK	16,510	17,377	18,352	19,232
Debt/equity ratio	1.33	1.53	1.53	1.44
Adjusted debt/equity ratio	2.83	3.09	3.02	3.15
Interest cover ratio (12-month rolling)	0.4	-0.3	0.3	0.1

Traffic-related key ratios

SAS Group (MSEK)	July-September 2004	July-September 2003	October -December 2004	October -December 2003	January-March 2005	January-March 2004	April-June 2005	April-June 2004	July-June 2004-05	July-June 2003-04
Number of passengers	8,591	8,325	7,645	7,512	7,299	7,238	9,357	8,902	32,892	31,977
RPK	9,198	8,695	7,649	7,317	7,342	7,031	9,259	8,970	33,448	32,013
ASK	13,557	12,566	12,667	11,894	12,465	11,852	13,810	13,470	52,499	49,782
Cabin factor	67.8%	69.2%	60.4%	61.6%	58.9%	59.3%	67.0%	66.6%	63.7%	64.3%
Yield, SEK	1.03	1.11	1.22	1.25	1.17	1.17	1.18	1.10	1.14	1.15
Total unit cost, SEK	0.66	0.72	0.73	0.80	0.74	0.76	0.71	0.69	0.71	0.74

Dear shareholder,

As anticipated, earnings for the second quarter were positive and in line with the SAS Group's profitability plan. Traffic reports for the quarter, and the report for July, show that the price trend in the second quarter remained stable. During the second quarter the all-important cabin factor also improved month for month reaching record levels in July. Operating income improved by MSEK 698 and amounted to MSEK 949 for the quarter. Income before capital gains and nonrecurring items improved by MSEK 526 to MSEK 579.

Despite substantial increases in oil prices during the first half of the year and an increase in costs for the SAS Group of approximately MSEK 700, the Group was able to compensate for this through continued cost efficiency enhancements, yield control and fuel hedges.

Due to the very substantial excess capacity in Copenhagen, the capacity reductions that were announced earlier have now been completed. This, combined with a more intense focus on commercial activities, means that the cabin factor for Scandinavian Airlines Danmark has now improved. At the same time, the new Swedish domestic concept has been very well received by our customers with record sales and capacity utilization on our aircraft during the second quarter. In Norway, the positive performance for SAS Braathens continues on both domestic and European routes.

Blue1 in Finland had its best quarter ever with the Finnish domestic routes in particular providing good results. As expected, cooperation with Lufthansa and Star Alliance on European routes continues to improve Blue1's future strategic position. Development for Spanair is progressing and the recently opened routes provided the anticipated positive results in terms of both passengers and earnings.

The SAS Group's other companies developed as anticipated. The increased competition within technical maintenance and ground handling led to the introduction of capacity reductions and cutbacks within STS and SGS in line with customer demand. Both companies operate in highly competitive markets and a rising portion of their operating revenue is obtained outside the Group.

Overhead reductions within Turnaround 2005 continue in line with adopted plans and, adjusted for increased fuel prices, the unit cost fell by 5% during the quarter and by more than 6% in the first half of the year. This continuous streamlining of cost efficiency per available seat is a vital prerequisite for strengthening the SAS Group's financial position. Fully implemented, Turnaround 2005 will provide a crucial change to unit cost levels. These measures will be followed up within the Group's units with new activities designed to ensure that all units constantly focus on reducing unit costs and monitor their position compared with relevant competitors in their markets.

Work on Scandinavian Airlines Businesses' new business model for Europe was completed during the second quarter and the new model will be launched on September 1, 2005. The business model is largely a continuation of the activities in Norway and on the Swedish domestic network, and Scandinavian Airlines will be at the forefront when one-way fares are introduced on all European routes. The new products will be combined with a simplified website that supports the rapid development of Internet sales.

To sum up, since the market remains characterized by major overcapacity with adherent price pressure there are still grounds for caution when making forecasts. Development during the quarter and in July, as well as expectations for the months ahead, do not indicate any significant variances from plan.

Lindegaard

SAS Group's traffic development

The European airlines within the AEA showed stable traffic development in most markets. The AEA's total international traffic rose during the first half by 6.2%. The highest growth occurred in traffic to/from Asia with 11.6% while growth to/from North America was much weaker at 1.9%.

The SAS Group's traffic (RPK) rose during the first half of the year by 3.7%. Growth during the second quarter was slightly lower and amounted to 3.2% due to reduced capacity. The highest growth for the SAS Group was in Asian traffic which rose by 15.3% in the first half. The SAS Group's total capacity (ASK) rose during the same period by 3.8% and by 2.5% for the second quarter. The cabin factor was unchanged during the first half of the year but improved in the second quarter by 0.5 percentage points compared with the previous year to 67%.

Intercontinental traffic showed weak development at the beginning of 2005 but has gradually improved. The traffic increase of 0.5% in the first half of the year did not match the capacity increase of 5.3% which meant that the cabin factor fell by 3.7 percentage points to 77.3%.

Traffic on European routes developed well in the first half of the year and rose by 9.7% mainly due to strong growth for airBaltic, Blue1 and Spanair. The cabin factor improved by 1.3 percentage points to 58.4%. Traffic within Scandinavia fell in the first half of the year by 3.5%. Capacity was adjusted due to major overcapacity within some markets. Capacity was reduced by 4.8% resulting in a 0.8 percentage points improvement in the cabin factor to 58.5%. At the end of March "Nya Inrikesflyget" (a new domestic concept) was launched in Sweden which was very well received and the cabin factor improved during the second quarter by 8.1 percentage points to 69.7% while the number of passengers rose by 0.8%.

Within Scandinavian Airlines Businesses, SAS Braathens had the best passenger development during the first half. Traffic rose 3.3% and the cabin factor improved by 2 percentage points to 61.1%. Spanair's traffic rose during the first half by 13.7% which did not fully match the capacity increase of 15.2% resulting in a 0.7 percentage points lower cabin factor. Blue1's development during the first half of the year was very strong and the number of passengers rose by 31.2% while the cabin factor improved by 10 percentage points to 57.7%. Widerøe's traffic was on a par with the previous year. airBaltic's rapid growth continued during the first half and in June airBaltic transported more than 100,000 passengers in one month for the first time. In total, airBaltic's traffic increased by 149.4% in the first half.

SAS Group		Apr-Jun 2005	Change vs. 2004	Jan-Jun 2005	Change vs. 2004
No. of passengers	(000)	9,357	5.1%	16,656	3.2%
Passenger km	(mill)	9,259	3.2%	16,601	3.7%
Seat km	(mill)	13,810	2.5%	26,275	3.8%
Cabin factor		**67.0%**	0.5%pts	63.2%	-0.0%pts

Traffic development by route sector

	Apr-Jun 05 vs. Apr-Jun 04		Jan-Jun 05 vs. Jan-Jun 04	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-0.5%	1.6%	0.5%	5.3%
Europe	7.3%	4.7%	9.7%	7.3%
Intra-Scandinavian	-9.6%	-4.4%	-9.5%	-5.7%
Denmark (domestic)	2.0%	9.1%	3.3%	4.8%
Norway (domestic)	3.3%	4.8%	0.8%	-1.4%
Sweden (domestic)	0.9%	-10.7%	-6.7%	-11.4%

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

January-June	Traffic (RPK)	Capacity (ASK)	Cabin factor (%)	Change in cabin factor
SAS Group	3.7%	3.8%	63.2%	-0.0%pts
SAS Danmark	-11.1%	-11.0%	57.5%	-0.1%pts
SAS Braathens	3.3%	-0.2%	61.1%	2.0%pts
SAS Sverige	-3.7%	-9.2%	59.9%	3.4%pts
SAS International	0.5%	5.3%	77.3%	-3.7%pts
Spanair	13.7%	15.2%	57.2%	-0.7%pts
Widerøe	-0.9%	-1.0%	52.4%	0.1%pts
Blue1	23.9%	2.5%	57.7%	10.0%pts
airBaltic	149.4%	146.3%	52.8%	0.6%pts

Financial development

January-June 2005

The transaction with Carlson Companies regarding Rezidor SAS was completed on June 30, 2005. Carlson Companies received, via an MEUR 55 new issue, 25% of the shares in Rezidor SAS in exchange for improved commercial terms in the parties' Master Franchise Agreement, which increased the SAS Group's shareholders' equity by MSEK 519.

The net effect of exchange rate fluctuations between the period January-June 2004 and 2005 was MSEK 140. The effect is MSEK -2 on operating revenue, MSEK 138 on operating expenses and MSEK 4 on net financial items.

The SAS Group's operating revenue amounted to MSEK 29,033 (27,710), an increase of MSEK 1,323 or 4.8%. Passenger traffic (RPK) increased by 3.7% for the Group. In Scandinavian Airlines Businesses traffic decreased by 2.2% compared with 2004 and the currency adjusted yield increased by 4% compared with the first half of 2004 mainly due to the introduction of fuel surcharges.

Payroll expenses increased by MSEK 154 or 1.5% and amounted to MSEK 10,112 (9,958). Adjusted for currency effects and restructuring costs of MSEK 63 (75), payroll expenses were MSEK 107 or 1.1% higher than in the previous year. The increase is mainly due to higher volumes within hotel and support units. Within Scandinavian Airlines Businesses payroll expenses decreased by 6.3%.

The Group's other operating expenses increased by MSEK 246, or 1.5% to MSEK 16,549. Adjusted for currency effects, expenses increased by MSEK 363 or 2.2% due to increased fuel costs and higher volumes. The Group's costs for jet fuel totaled MSEK 3,483 (2,790). Adjusted for positive currency effects due to a weaker USD, fuel costs increased by MSEK 842. The market price (spot price) during the period was on average 52% higher than in 2004.

Operating income before depreciation and leasing costs, EBITDAR, was MSEK 2,372 (1,449).

Leasing costs amounted to MSEK 1,452 (1,317), an increase of MSEK 135. Depreciation was MSEK 1,147 (1,357), a decrease of MSEK 210. The lower depreciation is mainly due to sale and leaseback of aircraft which led to increased leasing costs. In total, leasing costs and depreciation taking currency effects into account were at the same level as in the previous year.

Share of income in affiliated companies amounted to MSEK 65 (105). The decline between 2004 and 2005 is mainly due to lower earnings in British Midland and airBaltic.

Income before capital gains and nonrecurring items amounted to MSEK -733 (-1 535) (see page 2).

The Group's income from the sale of aircraft and buildings amounted to MSEK 65 (111) during January-June. This includes the sale of one Douglas MD-82 and two Boeing 737s as well as sale and leaseback of one Boeing 737.

All the SAS Group's shares in France Telecom (originally SITA Foundation) were sold in June for MSEK 49 with a capital gain of MSEK 48. In addition, the operations in SAS Trading were sold during the second quarter at a price corresponding to book values.

The Group's net financial items amounted to MSEK -649 (-490). Net interest was MSEK -579 (-416), an increase of MSEK 163 mainly due to a weaker SEK during the latter part of the period and higher market interest rates and borrowing costs. The currency effect was MSEK -25 (-29). Other net financial expenses amounted to MSEK -45 (-45).

Income after financial items amounted to MSEK -700 (-1,496).

The change in income after financial items is due to:

Currency effect	140
Income before depreciation and leasing costs, EBITDAR	867
Leasing costs and depreciation	-5
Share of income in affiliated companies	-40
Net interest	-163
Capital gains	-3
Total changes	**796**

Second quarter 2005

The SAS Group reports positive earnings for the second quarter.

The Group's operating revenue amounted to MSEK 16,017 (15,143), an increase of MSEK 874 or 5.8%.

The Group's passenger traffic increased by 3.2%. In Scandinavian Airlines Businesses traffic decreased by 2.9% while yield increased by 7.8% during the quarter.

Operating expenses including payroll expenses amounted to MSEK 13,824 (13,650). Adjusted for currency effects and restructuring costs, operating expenses were 1.4% higher than in the previous year due to higher fuel costs and increased volumes within hotel and support units. Taking currency effects into account, fuel costs increased by MSEK 411 compared with the second quarter of 2004. The market price for fuel in April-June 2005 was on average 52% higher than in previous year.

EBITDAR amounted to MSEK 2,193 (1,493) in the second quarter.

Income before capital gains and nonrecurring items was MSEK 579 (53).

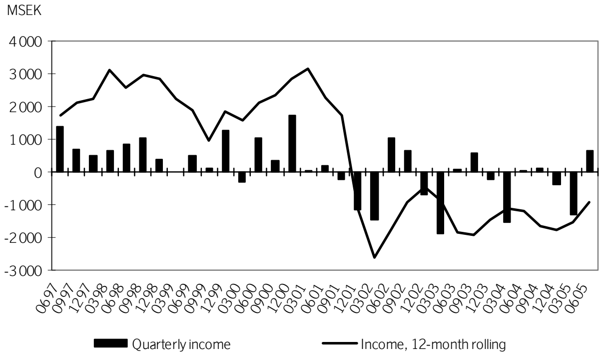
During the second quarter capital gains from aircraft transactions amounted to MSEK 43 (63). Other capital gains amounted to MSEK 46 (3) including the shares in France Telecom.

The Group's net financial items during the second quarter amounted to MSEK -407 (-207). Net interest was MSEK -373 (-197), an increase of MSEK 176. This substantial increase primarily comprises negative effects from valuation of financial instruments according to IAS 39 (MSEK 66), a weaker SEK (MSEK 40) and higher market interest rates and borrowing costs (MSEK 70).

In addition to the increase in net interest mentioned above, earnings were negatively affected by MSEK 207 relating to the joint venture agreement ECA which was to a large extent offset by recovery of VAT amounting to MSEK 170.

Income after financial items amounted to MSEK 590 (44).

Income after financial items



SAS Group's Turnaround 2005

Since 2002 the SAS Group has implemented major cost reductions designed to strengthen competitiveness over time. The cost-reducing measures amount to a total of SEK 14 billion, of which SEK 1.2 billion remains to be implemented during 2005.

The positive earnings impact from Turnaround 2005 for the first half of 2005 amounted to SEK 1.9 billion compared with the same period in 2004 and to SEK 0.9 billion for the second quarter.

	Full-year earnings impact
2003	3.6
2004	6.0
2005	2.8
2006	1.6
Total	**14.0**

Focus on remaining activities
By the end of 2004 the SAS Group had implemented 85% of the measures within Turnaround 2005 and SEK 2.1 billion remained to be implemented. The SAS Group is now focusing on implementation of the remaining activities which at June 2005 amounted to SEK 1.2 billion. The aim is to implement all outstanding measures during 2005.

Remaining measures within Turnaround 2005 (SEK billion)	**Total**
Productivity flight staff (Group & Scandinavian Airlines Businesses)	0.3
SAS Technical Services, LCC model	0.3
SAS Ground Services, LCC model	0.3
Distribution including IT	0.2
Other	0.1
Total	**1.2**

Productivity – flight staff
Productivity measures among flight staff are designed to increase the number of block hours for pilots and cabin crew from 490 and 530 block hours/year, respectively, during 2002 to 700-750 block hours/year. Conditions relating to the traffic program, and above all retraining for base division of pilots as well as other organizational and operational factors, prevent full attainment of the targets set for the number of block hours for cabin crew and pilots in 2005. Alternative measures have been identified that will ensure attainment of the total target for Turnaround 2005. Efficiency enhancements regarding increased productivity corresponding to SEK 0.4-0.5 billion which will not be implemented during 2005 will be carried out outside Turnaround 2005 during 2006-2007.

LCC+ model for technical aircraft maintenance and ground services
SAS Technical Services and SAS Ground Services will introduce a model to handle different service levels in the product portfolio for ground services and technical processes. A Low Cost Carrier (LCC+) model is less resource-intensive than a full-service product and the aim is that the entire value chain should reflect this.

SAS Technical Services will market-adjust light, medium and heavy technical maintenance and make its administration more efficient resulting in a reduction of more than 200 FTEs during autumn 2005. Remaining measures within SAS Technical Services amount to SEK 0.3 billion.

Before a LCC+ model cost level can be achieved in SAS Ground Services, SEK 0.3 billion remains outstanding, which will lead to redundancies that will be handled in 2005. Measures include greater automation in SAS Ground Services as well as changed product designs. Check-in at Arlanda domestic was automated during the second quarter. During the second quarter fully automated check-in for Scandinavian Airlines totaled 45%. The aim is that the total proportion of self-service check-in should be at least 60%.

Distribution costs and IT systems
The SAS Group's airlines are focusing on increased ticketless travel and greater use of the Internet as a distribution channel. A simpler reservations dialog for Scandinavian Airlines' European routes will be launched during the third quarter. The aim is to increase Scandinavian Airlines Businesses' proportion of reservations via the Internet to approximately 40%. In June 2005, the proportion was 27%. Renegotiated agreements with global reservations systems will reduce costs. Outstanding measures within IT as well as payment and distribution charges amount to approximately SEK 0.2 billion.

Improved unit cost
During 2005, Turnaround 2005 continued to contribute to reduce unit costs, adjusted for currency effects, despite the increased fuel prices. During the first half of 2005, Scandinavian Airlines Businesses' unit cost fell by 6.4% and during the second quarter by 5.5% compared with 2004, adjusted for increased fuel prices. This decline was achieved despite reduced flight capacity. Capacity reductions within Capacity & Utilization Focus affected unit costs negatively by approximately 1 percentage point.

Restructuring costs
Earnings for the first half of 2005 were charged with restructuring costs, primarily related to Turnaround 2005, amounting to MSEK 78 of which MSEK 20 relates to the phase out of SAS Trading. In 2005 as a whole, restructuring costs adjusted for SAS Trading are expected to be lower than in 2004.

Continued streamlining
The new group structure with incorporated units makes it considerably easier to make comparisons with competitors and allows measures to be implemented faster. In addition to Turnaround 2005, the SAS Group is focusing on further simplifications in each company's business model which will lead to additional efficiency enhancements. The SAS Group continuously compares the Group's airlines with relevant competitors in order to ensure that they are competitive in the market. The current collective agreements contain no obstacles in principle to flight crew attaining the target of 700-750 block hours per year. In order to ensure that the productivity target will be reached faster than would be possible with today's agreement structure, ahead of upcoming collective agreement negotiations the SAS Group will be seeking greater flexibility in the rules and regulations.

Financial position and release of capital

The SAS Group's liquid assets at June 30 amounted to MSEK 8,680 (8,829). In addition to liquid assets, the SAS Group also has unutilized contracted loan commitments amounting to MSEK 4,600, which is an increase of MSEK 1,300 since March 2005. During the second quarter the SAS Group repaid utilized credit facilities of MSEK 1,180 and during the first half of the year renewed bilateral facilities of MSEK 1,586.

During the first half of the year the SAS Group sold one McDonald Douglas MD-80 and two Boeing 737s. The SAS Group also carried out a sale and leaseback transaction with one Boeing 737. This provided a total sales value of MSEK 635. As a result of the Capacity & Utilization Focus, the MD-90 fleet will be phased out. Additional releases of capital with a focus on aircraft, aircraft engines and spare parts will continue. The SAS Group is currently evaluating SAS Component's future structure and strategy. This ongoing process includes negotiations with an international consortium regarding possible partnership or acquisition.

In April the SAS Group issued bonds amounting to MSEK 860 in the Norwegian market. The bonds have a maturity of five years with repayment in 2010.

The financial net debt at June 30, 2005, amounted to MSEK 16,510, a reduction of MSEK 867 since December 31, 2004. Moody's downgraded the SAS Group in May by one notch. Moody's changed its rating methods in June which meant that the SAS Group was upgraded to B1 for the company's senior implied rating with an unchanged negative outlook.

The equity/assets ratio at June 30, 2005, was 20% (20%). The SAS Group's target is a debt/equity ratio that allows the Group to be regarded as an attractive borrower over the long term. The SAS Group's target is an equity/assets ratio of at least 30% and a debt/equity ratio that does not exceed 50%. These financial targets will be achieved through a combination of improved earnings, limited investsments and the program for release of capital.

Investments

The SAS Group's investments, including prepayments, amounted to MSEK 737 (2,335) during the period. Investments in aircraft and other flight equipment totaled MSEK 249 (1,346).

	April-June		January-June	
	2005	2004	2005	2004
Scandinavian Airlines Businesses	18	95	27	560
Subsidiary & Affiliated Airlines	71	746	115	774
Airline Support Businesses	247	127	348	213
Airline Related Businesses	20	6	32	13
Hotels	104	49	199	98
Groupwide functions and eliminations	5	40	16	677
SAS Group	465	1,063	737	2,335

Firm orders for aircraft 2005-2007:

SAS Group	Total	2005	2006	2007
CAPEX (MUSD)	187	4	60	123
Number of aircraft	6	0	2	4

SAS Group's total aircraft fleet June 30, 2005:

Aircraft type	Own-ed	Leased in	Total	Leased out	Order
Airbus A340/300-300	5	6	11		
Airbus A320/A321-200	8	19	27		4 *
Boeing 737	25	53	78	5	2
Boeing 717		4	4		
McDonnell Douglas MD-80 series	27	62	89	6	
McDonnell Douglas MD-90	8		8	2	
Avro RJ-85/100		9	9		
Fokker F50	7	1	8	2	
deHavilland Q100-400	16	37	53		
SAAB 2000		5	5		
Total	96	196	292	15	6
Breakdown of Group's fleet by airline:					
Scandinavian Airlines Businesses	81	113	194	15	6
Spanair		55	55		
Widerøe	15	14	29		
Blue1		14	14		
Total	96	196	292	15	6

* relates to Airbus A319

Currency and fuel hedging
The SAS Group has hedged approximately 65% of the USD deficit with forward contracts and options during the period July 2005 until June 2006.

Of anticipated fuel consumption, 50% is hedged for 12 months from July 2005 until June 2006 at an average price, including premium, of USD 540/MT. For the remainder of 2005, 50% of anticipated consumption is hedged at a total average price, including premium, of approximately USD 460/MT. Hedging is primarily affected with capped options but due to high premium levels instruments such as swaps are also used.

The SAS Group will continuously neutralize price increases for jet fuel through cost reductions, hedging and yield control. In the event of major price movements within short periods, the effects of compensatory measures are delayed. The effects on volume of the fuel surcharges introduced earlier have been limited but increased effects on volume in the event of higher yield levels cannot be ruled out.

Average number of employees in the SAS Group (FTEs)

	April-June		January-June	
	2005	2004	2005	2004
Scandinavian Airlines Businesses	8,241	9,517	8,343	9,608
Subsidiary & Affiliated Airlines	5,560	5,080	5,415	5,003
Airline Support Businesses	12,065	11,891	11,968	11,748
Airline Related Businesses	671	855	695	854
Hotels	4,894	4,373	4,733	4,035
Groupwide functions	854	901	859	940
SAS Group	32,285	32,617	32,013	32,188

Accounting principles

The SAS Group has applied International Financial Reporting Standards (IFRS) since January 1, 2005. Comparative figures for 2004 have been restated according to IFRS. Through 2004 the Group applied the Swedish Financial Accounting Standards Council's recommendations (RR). The annual report for 2004 contains a complete account of positions adopted and the effects of the transition to IFRS. Comparative figures restated in accordance with IFRS are provided on pages 20-22.

Parent Company SAS AB

Income after financial items for the period amounted to MSEK 1,923 (-297).

Available liquidity for SAS AB amounted to MSEK 1 at June 30, 2005, compared with MSEK 1 at the start of the year.

The number of shareholders in SAS AB amounted to 22,943 at June 30, 2005. The average number of employees in SAS AB amounted to 174 (156).

Statement of income

	January – June	
(MSEK)	2005	2004
Operating revenue	12	10
Payroll expenses	-122	-111
Other operating expenses	-129	-123
Operating income before depreciation	-239	-224
Depreciation	0	0
Income from the sale of shares	-551	-
Dividends from subsidiaries	3,035	-
Operating income	2,245	-224
Net financial items	-322	-73
Income after financial items	1,923	-297
Tax	155	-
Net income for the period	2,078	-297

Balance sheet

	June 30	Dec 31.
(MSEK)	156	2004
Fixed assets	11,156	9,365
Current assets	145	396
Total assets	11,301	9,761
Shareholders' equity	5,535	3,457
Long-term liabilities	5,684	6,168
Current liabilities	82	136
Total shareholders' equity and liabilities	11,301	9,761

Change in shareholders' equity

(MSEK)	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance, Jan 1, 2004	1,645	180	479	2,304
Transfer between unrestricted and restricted equity		22	-22	
Group contribution received, net			116	116
Net income for the year			1,037	1,037
Equity, December 31, 2004	1,645	202	1,610	3,457
Transfer between unrestricted and restricted equity		103	-103	
Net income for the period			2,078	2,078
Equity, June 30, 2005	1,645	305	3,585	5,535

Full-year 2005

In the year-end report for 2004 published on February 10, in the annual report for 2004 and in the interim report on May 3, the SAS Group stated that a positive general market development and an unchanged competitive situation are expected in 2005. Ongoing capacity adjustments and an intensified concentration on commercial activities with a strong customer focus are expected to stabilize yield and improve cabin factors. Concrete action plans are in place in order to ensure completion of outstanding activities within Turnaround 2005. These will be completed by the end of 2005 and simultaneously each company will work with ongoing rationalization. Continued major uncertainty regarding development in the airline industry gives reason to be cautious, but based on the above and provided there are no important changes in the business environment or further significant increases in jet fuel prices, adopted business plans indicate positive earnings for 2005.

Since the market is still characterized by major overcapacity and pressure on yield, considerable caution must be exercised when making forecasts. Development in the first half and expectations for the next few months do not indicate any significant variances from plan.

Stockholm, August 17, 2005
SAS AB

Jørgen Lindegaard
President and CEO

The six-month report has not been reviewed by the Company's auditors.

Board of Directors:
Egil Myklebust, Chairman
Jacob Wallenberg, Vice Chairman
Berit Kjøll, board member
Fritz H. Schur, board member
Anitra Steen, board member
Lars Rebien Sørensen, board member
Timo Peltola, board member
Verner Lundtoft Jensen, board member
Ulla Gröntvedt, board member
John Lyng, board member

Management:
Jørgen Lindegaard, President and CEO
Gunnar Reitan, Deputy CEO
Gunilla Berg, Executive Vice President and CFO
John S. Dueholm, Executive Vice President
Bernhard Rikardsen, Executive Vice President

SAS Group

Balance sheet

(MSEK)	June 30 2005	December 31 2004 [1]	June 30 2004 [1]	June 30 2003
Intangible fixed assets	3,796	3,180	3,288	3,081
Tangible fixed assets	23,537	24,166	26,996	32,378
Financial fixed assets	12,466	11,094	11,080	9,914
Total fixed assets	39,799	38,440	41,364	45,373
Current assets	1,377	1,289	1,289	1,397
Current receivables	11,879	9,459	9,109	8,743
Cash, bank and short-term investments	8,680	8,595	8,829	8,155
Total current assets	21,936	19,343	19,227	18,295
Total assets	61,735	57,783	60,591	63,668
Shareholders' equity [2]	12,432	11,354	11,976	13,322
Provisions	4,703	4,256	4,431	4,899
Long-term liabilities	19,371	21,103	21,070	22,413
Current liabilities	25,229	21,070	23,114	23,034
Total shareholders' equity and liabilities	61,735	57,783	60,591	63,668
Equity per share (SEK) [3]	72,28	68,87	72,67	80,42
Interest-bearing assets	19,772	17,324	17,586	16,588
Interest-bearing liabilities	28,198	27,280	28,437	29,342

[1] Balance sheets for 2004 are restated according to IFRS 3.
[2] Including minority interests.
[3] Calculated on 164,500,000 outstanding shares. The SAS Group has not carried out any share buyback programs.

Change in shareholders' equity

(MSEK)	Share capital	Restrict. reserves	Acc.exch.rate diff. restricted reserves	Unrestric. equity	Acc.exch.rate diff. unrestr.reserves	Minority interests	Total equity
Opening balance, January 1, 2004	1,645	5,348	218	5,583	340	112	13,246
Acquisitions						-80	-80
Exchange rate difference			86	13	-62		37
Transfers between restricted and unrestricted equity		47		-47			0
Net income for the period				-1,217		-10	-1,227
Adjusted equity, June 30, 2004	1,645	5,395	304	4,332	278	22	11,976
Acquisitions						-2	-2
Exchange rate difference			-115	1	-27		-141
Transfers between restricted and unrestricted equity		-18	-14	67	-35		0
Net income for the period				-484		5	-479
Closing balance, December 31, 2004	1,645	5,377	175	3,916	216	25	11,354
Adjustment for IAS 39				1,468			1,468
Opening balance, January 1, 2005	1,645	5,377	175	5,384	216	25	12,822
New issue Rezidor SAS						519	519
Change in value cash flow hedges				-315			-315
Exchange rate difference			237*	13	-373*	1	-122
Transfers between unrestricted and restricted equity		257		-257			0
Net income for the period				-469		-3	-472
Total equity, June 30, 2005	1,645	5,634	412	4,356	-157	542	12,432

* Includes MSEK -427 and MSEK -157, respectively, for currency hedging of net investments in foreign subsidiaries.

SAS Group

Cash flow statement

(MSEK)	April-June 2005	April-June 2004	January-June 2005	January-June 2004	July-June 2005	July-June 2004
Income after financial items	590	44	-700	-1,496	-978	-1,177
Depreciation	564	666	1,147	1,357	2,492	2,870
Income from the sale of fixed assets	-89	-66	-111	-114	-115	-1,236
Adjustment for items not included in cash flow, etc.	25	-68	-38	-53	-186	-383
Paid tax	78	-13	64	-26	72	-139
Cash flow from operations	1,168	563	362	-332	1,285	-65
Change in working capital	476	-52	274	-567	-1,286	-1,260
Cash flow from operating activities	1,644	511	636	-899	-1	-1,325
Investments including prepayments to aircraft suppliers	-465	-1,063	-737	-1,721	-2,171	-3,951
Acquisition of subsidiaries	0	0	0	-614	0	-633
Sale of subsidiaries	0	0	0	0	0	884
Sale of fixed assets, etc.	496	2,553	645	3,916	3,582	6,812
Cash flow before financing activities	1,675	2,001	544	682	1,410	1,787
External financing, net	-696	-1,549	-511	-924	-1,603	-1,106
Cash flow for the period	979	452	33	-242	-193	681
Translation difference in liquid assets	42	-8	52	5	44	-7
Change in liquid assets according to the balance sheet	1,021	444	85	-237	-149	674

Comments on the cash flow statement

Cash flow from operations during the first half of 2005 improved by MSEK 694 and amounted to MSEK 362 (-332). During the second quarter, cash flow from operations amounted to MSEK 1,168 (563). The change in cash flow compared with the previous year is mainly due to the improved operating income.

Investments decreased by MSEK 984 and amounted to MSEK -737 (-1,721), of which MSEK -249 relates to flight equipment. The SAS Group's planned investments in aircraft are very limited for the next few years. Sale of fixed assets, etc., amounted to MSEK 645 (3,916), which includes the sale of one Douglas MD-82 and two Boeing 737s and sale and leaseback of one Boeing 737. The SAS Group's cash flow before financing activities thus amounted to MSEK 544 (682).

External financing was MSEK -511 (-924) MSEK. The SAS Group's liquid assets according to the balance sheet amounted to MSEK 8,680 (8,829).

Statement of income – quarterly breakdown

(MSEK)	2003 APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	2004 JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	2005 JAN-MAR	APR-JUN
Operating revenue	15,300	14,920	13,824	57,754	12,567	15,143	15,423	14,940	58,073	13,016	16,017
Payroll expenses	-5,564	-5,165	-5,457	-21,927	-4,889	-5,069	-4,665	-4,962	-19,585	-4,974	-5,138
Other operating expenses	-8,128	-8,018	-7,553	-32,066	-7,722	-8,581	-9,005	-8,797	-34,105	-7,863	-8,686
Leasing costs for aircraft	-719	-729	-655	-2,935	-639	-678	-705	-667	-2,689	-686	-766
Depreciation	-780	-773	-740	-3,046	-691	-666	-663	-682	-2,702	-583	-564
Share of income in affiliated companies	27	4	-17	39	69	36	24	28	157	20	45
Income from the sale of shares in subsidiaries and affiliated companies	0	0	651	651	0	3	0	2	5	0	-2
Income from the sale of aircraft and buildings	136	559	-96	649	48	63	-32	34	113	22	43
Operating income	272	798	-43	-881	-1,257	251	377	-104	-733	-1,048	949
Income from other shares and participations	8	0	8	-1	0	0	1	0	1	0	48
Net financial items	-193	-234	-210	-588	-283	-207	-276	-276	-1,042	-242	-407
Income after financial items	87	564	-245	-1,470	-1,540	44	102	-380	-1,774	-1,290	590
Tax	-1	196	-364	5	166	103	31	-232	68	319	-91
Net income for the period	86	760	-609	-1,465	-1,374	147	133	-612	-1,706	-971	499
Attributable to:											
Parent Company shareholders	66	699	-581	-1,415	-1,359	142	112	-597	-1,702	-964	495
Minority interests	20	61	-28	-50	-15	5	21	-15	-4	-7	4

Segment reporting: income by business area

Statement of income January – June	Scandinavian Airlines Businesses		Subsidiary & Affiliated Airlines		Airline Support Businesses		Airline Related Businesses		Hotels		Groupwide & eliminations		SAS Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
External sales	17,171	16,774	6,032	5,296	2,465	2,250	677	1,189	2,456	1,992	232	209	29,033	27,710
Sales between business segments	662	643	78	36	5,023	4,838	193	250	41	47	-5,997	-5,814	0	0
Total operating revenue	17,833	17,417	6,110	5,332	7,488	7,088	870	1,439	2,497	2,039	-5,765	-5,605	29,033	27,710
Payroll expenses	-3,965	-4,233	-1,357	-1,184	-3,257	-3,157	-205	-216	-923	-784	-405	-384	-10,112	-9,958
Other expenses	-12,703	-12,508	-3,979	-3,660	-3,659	-3,490	-602	-1,115	-1,519	-1,275	5,913	5,745	-16,549	-16,303
EBITDAR per business segment	1,165	676	774	488	572	441	63	108	55	-20	-257	-244	2,372	1,449
Leasing costs for aircraft	-899	-746	-565	-571	0	0	0	0	0	0	12	0	-1,452	-1,317
EBITDA per business segment	266	-70	209	-83	572	441	63	108	55	-20	-245	-244	920	132
Depreciation	-598	-718	-154	-144	-205	-243	-65	-76	-97	-76	-28	-100	-1,147	-1,357
Share of income in affiliated companies	29	30	12	63	0	0	0	0	24	15	0	-3	65	105
Capital gains	333	55	0	60	0	0	-2	0	0	0	-268	-1	63	114
EBIT per business segment	30	-703	67	-104	367	198	-4	32	-18	-81	-541	-348	-99	-1,006
Unallocated income statement items														
Income from other shares and participations													48	0
Net financial items													-649	-490
Tax													228	269
Net income for the period													-472	-1,227

SAS Group's objectives

Targets

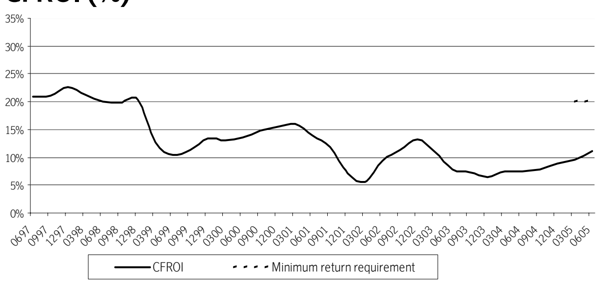
The SAS Group has a target for total shareholder return (TSR) of 14% over a business cycle. The return target refers to share price appreciation and reinvested dividends. Based on this return target, the SAS Group has set its internal financial target, CFROI.

Performance target- CFROI

One of the Group's objectives over the next five years is to reach a CFROI of an average minimum of 20% per year, where average capital allocation for replacement of the aircraft fleet is taken into account.

During the period July 2004-June 2005 the Group generated income before net financial items, tax, depreciation, capital gains and operating lease costs for aircraft (EBITDAR) of MSEK 5,306 (4,000). Adjusted EBITDAR amounted to MSEK 5,148 (3,839). Set in relation to adjusted capital employed, CFROI was 11% (8%), which is 9 percentage points below target.

Development of cash flow return on investments, CFROI (%)



Income and capital concepts included in CFROI

(MSEK)	July-June 2004-2005	July-June 2003-2004
Income		
Income before depreciation, EBITDA	2,482	1,299
+ Operating lease costs, aircraft	2,824	2,701
EBITDAR	5,306	4,000
- Operating lease revenue, aircraft	-158	-161
Adjusted EBITDAR	5,148	3,839
Adjusted capital employed (average)		
+ Shareholders' equity	11,859	12,880
+ Surplus value, aircraft	-726	-380
+ Capitalized leasing costs, net (x7) *	17,942	19,860
- Equity in affiliated companies	-726	-605
+ Financial net debt	17,499	19,072
Adjusted capital employed	45,848	50,827
CFROI	11%	8%

* In the capital market a calculation model is used whereby the annual cost is multiplied by seven regardless of the term of the leases. The SAS Group takes leasing revenue into account in this item. Net Present Value (NPV) amounted at the end of June to MSEK 11,382 (12,435). Average NPV for the 12-month period amounted to MSEK 11,603 (11,140).

Target attainment for SAS Group's companies (12-month rolling)

		Target [1]	July-June 2004-2005
SAS Group	CFROI	20%	11%
Scandinavian Airlines	CFROI	20%	7%
Spanair	CFROI	25%	13%
Widerøe	CFROI	25%	22%
Blue1	CFROI	25%	16%
SAS Cargo	CFROI	20%	19%
STS	ROIC	12%	8%
SAS Flight Academy	ROIC	11%	8%
SGS	EBITDA margin	8%	8%
Jetpak	EBITDA margin	15%	10%
Hotels	EBITDA margin	10%	3% [2]

[1] Return requirement over a business cycle.
[2] Pertains to January-June 2005

Scandinavian Airlines Businesses

(former Scandinavian Airlines business area, with Braathens included from January 1, 2004)

Statement of income

(MSEK)	April-June 2005	April-June 2004 [1]	January-June 2005	January-June 2004 [1]
Passenger revenue	8,179	7,888	14,675	14,584
Charter revenue	405	286	692	423
Other traffic revenue	477	535	1,133	1,020
Other revenue	726	696	1,333	1,390
Operating revenue	9,787	9,405	17,833	17,417
Payroll expenses	-1,973	-2,126	-3,965	-4,233
Selling costs	-162	-225	-283	-442
Jet fuel	-1,414	-1,088	-2,583	-1,983
Government user fees	-998	-1,142	-1,894	-2,148
Catering costs	-260	-292	-440	-524
Handling costs	-1,365	-1,407	-2,745	-2,770
Technical aircraft maintenance	-1,155	-1,104	-2,274	-2,072
Data and telecommunications costs	-414	-432	-824	-870
Other operating expenses	-802	-770	-1,660	-1,699
Operating expenses	-8,543	-8,586	-16,668	-16,741
Income before depreciation and leasing costs, EBITDAR	1,244	819	1,165	676
Leasing costs, aircraft	-455	-379	-899	-746
Income before depreciation, EBITDA	789	440	266	-70
Depreciation	-296	-350	-598	-718
Share of income in affiliated companies	14	15	29	30
Capital gains	43	6	333	55
Operating income, EBIT	550	111	30	-703
Net financial items	-154	-163	-335	-356
Scandinavian Airlines Businesses – Income after financial items	396	-52	-305	-1,059

[1] Pro forma including Braathens

Earnings performance

The business area's total operating revenue in the first half rose by 2.4% to MSEK 17,833 (17,417). The increase was due to a higher yield due to the introduction of fuel surcharges and increased charter production. Passenger revenue rose by 0.6% and by the same amount adjusted for currency effects.

Operating expenses were slightly lower than in the previous year and amounted to MSEK 16,668 (16,741). Fuel costs rose during the first half by MSEK 600 to MSEK 2,583 (1,983). The currency adjusted unit cost fell compared with the previous year by 2.3% and by 6.4% adjusted for increased fuel prices, despite capacity reductions.

Payroll expenses decreased by 6.3% to MSEK 3,965 (4,233). The average number of employees in the six-month period amounted to 8,343 (9,608). Handling costs amounted to MSEK 2,745 (2,770) and costs for technical aircraft maintenance rose by MSEK 202 to MSEK 2,274 (2,072) due to increased planned maintenance volumes. Costs for technical maintenance are respected to rise during 2005 as a result of increased planned engine maintenance.

The joint-venture agreement, European Cooperation Agreement (ECA) between British Midland, Lufthansa and Scandinavian Airlines had a negative earnings effect during the first half of MSEK -271 (-26).

EBITDAR improved by MSEK 489 and amounted to MSEK 1,165 (676).

Income before capital gains and non-recurring items amounted to MSEK -638 (-1,077) in the first half of the year.

Second quarter

Operating revenue rose during the second quarter to MSEK 9,787 (9,405). Passenger revenue rose by 3.7% to MSEK 8,179 (7,888), due to improved yield as a result of fuel surcharges and the fact that Easter occurred in March 2005. Adjusted for currency fluctuations, passenger revenue rose by 3.6%.

Operating expenses rose during the second quarter by MSEK 43 to MSEK 8,543 (8,586). Payroll expenses decreased by MSEK 153 to MSEK 1,973 (2,126) and the unit cost for employees by 1.3%. Fuel costs rose during the second quarter by MSEK 326 to MSEK 1,414 (1,088). The total unit cost decreased adjusted for currency effects by 5.5% adjusted for fuel prices.

The ECA joint-venture agreement decreased by MSEK 252 to MSEK -207 (45). This decline was due to a less favorable market development and adjustment of the previous year's result.

Income before capital gains and nonrecurring items amounted to MSEK 353 (-21) in the second quarter.

Scandinavian Airlines Businesses, Total

		April-June 2005	April-June change	January-June 2005	January-June change
Number of passengers	(000)	6,409	-2.4%	11,556	-4.1%
Rev. passenger km (RPK)	(mill)	7,055	-2.9%	12,792	-2.2%
Available seat km (ASK)	(mill)	10,096	-4.9%	19,506	-2.9%
Cabin factor		69.9%	+1.5%pts	65.6%	+0.5%pts

Currency adjusted yield trend by route sector

	April-June change vs. 2004	January-June change vs. 2004
Intercontinental routes	6.1%	5.0%
European routes	2.2%	-1.5%
Intra-Scandinavian routes	21.0%	17.7%
Danish domestic	19.9%	17.4%
Norwegian domestic	9.7%	4.9%
Swedish domestic	-10.0%	-5.7%
Total	**7.8%**	**4.0%** [3]

Currency adjusted unit cost trend

	April-June	January-June
Total unit cost, incl. charter [1]	-0.9% [1]	-2.3% [2]
Operational unit cost, incl. charter [1]	-0.8% [1]	-2.0% [2]

[1] Increased fuel costs had a negative impact on unit cost of 4.6 percentage points.
[2] increased fuel prices had a negative impact on unit cost of 4.1 percentage points
[3] Fuel surcharges are estimated to have a positive yield impact of 5-6 percentage points.

Scandinavian Airlines

Scandinavian Airlines Danmark

(MSEK)	April-June 2005	January-June 2005
Passenger revenue	2,303	4,160
Other revenue	478	854
Total revenue	2,781	5,014
Total operating expenses	-2,497	-4,909
EBITDAR	284	105
Leasing costs	-235	-468
EBITDA	49	-363
Depreciation	-1	-1
EBIT	48	-364
Net financial items	1	3
Income after financial items	49	-361
EBITDAR margin	10.2%	2.1%
Average number of employees	1,618	1,617

Traffic and production	April-June 2005	April-June Change	January-June 2005	January-June Change
Scheduled traffic				
Number of passengers (000)	1,959	-12.8%	3,532	-12.5%
RPK (mill)	1,447	-12.9%	2,589	-11.1%
ASK (mill)	2,268	-15.5%	4,503	-11.0%
Cabin factor	63.8%	1.9%pts	57.5%	-0.1%pts
Yield, currency adjusted		5.2%		0.9%
Charter traffic				
Number of passengers (000)	93	63.1%	134	86.9%

Scandinavian Airlines Danmark's traffic, RPK, decreased in the first half of the year by 11.1% mainly due to planned capacity reductions and reallocations within the business area. Capacity decreased by a corresponding amount and the cabin factor was on a par with the previous year at 57.5%. snowflake was introduced on Danish domestic routes during the period. The number of transported charter passengers rose by 63%. Yield rose, adjusted for currency effects, during the first half of the year by 0.9% due to the introduction of fuel surcharges, active yield management and a positive response for Scandinavian Airlines' product concept with three service classes on board.

During the first half of the year, Scandinavian Airlines Danmark had a major focus on revenue generating activities which combined with capacity reductions improved cabin factors during the second quarter. Operating revenue in the first half of the year amounted to MSEK 5,014. Cost reductions within the framework of Turnaround 2005 are proceeding as planned and will continue during the second half of 2005. Scandinavian Airlines Danmark is following adopted plans in order to restore long-term profitability

EBITDAR amounted to MSEK 105 in the first half of the year.

Income after financial items for the first of the year amounted to MSEK -361 and was positive in the second quarter with MSEK 49.

SAS Braathens

(MSEK)	April-June 2005	January-June 2005	January-June 2004 [2]
Passenger revenue	2,708	4,806	4,413
Other revenue	630	1,195	1,193
Total revenue	3,338	6,001	5,606
Total operating expenses	-2,733	-5,202	-5,206
EBITDAR	605	799	400
Leasing costs	-272	-535	-510
EBITDA	333	264	-110
Depreciation	-11	-22	-61
Capital gains	0	268 [1]	0
EBIT	322	510	-171
Net financial items	7	-1	-5
Income after financial items	329	509	-176
EBITDAR margin	18.1%	13.3%	7.1%
Average number of employees	2,856	2,911	3,097
EBIT before capital gains	322	242	-171
EBT before capital gains	329	241	-176

[1] Pertains to internal capital gain from the sale of Braathens AS to the SAS Consortium, prior to implementation of the merger.
[2] Pro forma

Traffic and production	April-June 2005	April-June Change	January-June 2005	January-June Change
Scheduled traffic				
Number of passengers (000)	2 370	0.9%	4 304	-1.0%
RPK (mill)	1 638	4.1%	2 908	3.3%
ASK (mill)	2 555	5.4%	4 756	-0.2%
Cabin factor	64.1%	-0.8%pts	61.1%	2.0%pts
Yield, currency adjusted		5.6%		1.2%
Charter traffic				
Number of passengers (000)	113	21.7%	191	36.9%

SAS Braathens' traffic, RPK, increased during the first half of the year by 3.3%. The greatest growth was on European routes which rose by 11.8% with the routes to/from southern Europe showing particularly positive development. Capacity fell during the period by 0.2% which meant that the cabin factor improved by 2 percentage points to 61.1%. Yield rose during the first half by 1.2%, adjusted for currency effects, due to the introduction of fuel surcharges. Competition remains intense with underlying price pressure in the market.

Operating revenue rose during the first half by 7% to MSEK 6,001 (5,606). During the second quarter operating revenue rose by 13%. Passenger revenue rose in the first half of the year by MSEK 393 to MSEK 4,806. This increase is due to favorable traffic development and yield on SAS Braathens' routes. EBITDAR doubled to MSEK 799 (400). Operating expenses, currency adjusted, decreased by 4% due to completed measures within Turnaround 2005 as well as synergies from the merger of Scandinavian Airlines Norge and Braathens. SAS Braathens is in total slightly below plan in Turnaround 2005 and will focus in future on further improvements in productivity.

Income before non-recurring items improved by MSEK 417 and amounted to MSEK 241 (-176) and to MSEK 329 (35) during the second quarter.

Scandinavian Airlines Sverige

(MSEK)	April-June 2005	January-June 2005
Passenger revenue	1,686	3,086
Other revenue	410	818
Total revenue	2,096	3,904
Total operating expenses	-1,963	-3,810
EBITDAR	133	94
Leasing costs	-185	-358
EBITDA	-52	-264
Depreciation	-1	-2
EBIT	-53	-266
Net financial items	-8	-14
Income after financial items	-61	-280
EBITDAR margin	6.3%	2.4%
Average number of employees	1,465	1,458

Traffic and production		April-June 2005	Change	January-June 2005	Change
Scheduled traffic					
Number of passengers (000)		1,688	7.4%	2,997	2.2%
RPK	(mill)	1,217	-3.4%	2,160	-3.7%
ASK	(mill)	1,864	-13.5%	3,603	-9.2%
Cabin factor		65.3%	6.8%pts	59.9%	3.4%pts
Yield, currency adjusted			7.2%		6.4%
Charter traffic					
Number of passengers (000)		111	76.8%	319	77.8%

Compared with the previous year, Scandinavian Airlines Sverige adjusted capacity to the prevailing market situation. Traffic, RPK, decreased by 3.7% in the first half of the year and capacity by 9.2% which resulted in an improved cabin factor of 3.4 percentage points to 59.9%. The cabin factor increased particularly on Swedish domestic routes following the launch of the new concept for domestic traffic from 61.6% to 69.7% during the second quarter, an increase of 8.1 percentage points. This concept has received a positive response and increased repeat purchases among passengers. An increased focus on charter led to an increase in charter volumes of 77.8% compared with the previous year. Yield increased by 6.4% primarily as a result of the introduction of fuel surcharges.

Operating revenue for the first half amounted to MSEK 3,904 and passenger revenue was MSEK 3,086. Yield increased during the period by 6.4%. Activities within Turnaround 2005 are proceeding as planned and contributed to enhanced efficiency within Scandinavian Airlines Sverige.

EBITDAR amounted to MSEK 94 during the six-month period and was negatively affected by major overcapacity on Swedish domestic routes.

Income after financial items in the first half of the year amounted to MSEK -280 and MSEK -61 during the second quarter.

Scandinavian Airlines International [1]

(MSEK)	April-June 2005	January-June 2005
Passenger revenue	1,476	2,599
Other revenue	519	990
Total revenue	1,995	3,589
Total operating expenses	-1,786	-3,469
EBITDAR	209	120
Leasing costs	-169	-340
EBITDA	40	-220
Depreciation	-2	-4
EBIT	38	-224
Net financial items	11	18
Income after financial items	49	-206
EBITDAR margin	10.5%	3.3%
Average number of employees	664	703

Traffic and production		April-June 2005	Change	January-June 2005	Change
Scheduled traffic					
Number of passengers (000)		392	-1.1%	723	-0.7%
RPK	(mill)	2,754	-0.5%	5,135	0.5%
ASK	(mill)	3,410	1.6%	6,645	5.3%
Cabin factor		80.8%	-1.7%pts	77.3%	-3.7%pts
Yield, currency adjusted			6.1%		5.0%

[1] Pertains to Intercontinental traffic.

Competition in Scandinavian Airlines International's market intensified during the first quarter. Traffic, RPK, increased by 0.5% compared with the same period in the previous year. Capacity, ASK, increased by 5.3% which meant that the cabin factor fell by 3.7 percentage points to 77.3%. The increase in capacity is explained by more flights on the Copenhagen-Shanghai route as well as Copenhagen-Bangkok/Singapore. On routes to/from Asia, traffic increased during the first half by 15.3%. Business increased by 14% and Economy by 15%. The biggest increase in Business was in traffic to/from Shanghai which more than quadrupled. Capacity on the North Atlantic was reduced by 5.1% and traffic decreased by 8.3%, which led to a slight reduction in the cabin factor. The mix on USA routes between Business and Economy was positive compared with the previous year.

Yield rose in the first half by 5% due to an improved mix between Business and Economy and the introduction of fuel surcharges.

The winter months are normally seasonally weak for SAS's intercontinental traffic but traffic improved during the second quarter. Operating revenue amounted to MSEK 3,589 in the first six months of 2005. Passenger revenue amounted to MSEK 2,599. EBITDAR improved compared with the first quarter and amounted to MSEK 209 in the second quarter. EBITDAR for the period January-June was MSEK 120. Income after financial items amounted to MSEK -206 and to MSEK 49 in the second quarter.

In the first half, Scandinavian Airlines International was the first airline in the world to introduce wireless Internet on board SAS Net Access/Connexion by Boeing, on all Airbus A330/A340s. From December 2005 Scandinavian Airlines International will offer four TV channels on board in cooperation with Connexion by Boeing. A decision was also taken to install flat beds starting in 2006.

Subsidiary & Affiliated Airlines
(excluding Braathens)

Statement of income

(MSEK)	April-June 2005	April-June 2004 1)	January-June 2005	January-June 2004 1)
Passenger revenue	2,347	1,987	4,093	3,531
Freight revenue	26	30	56	54
Charter revenue	601	678	1,008	1,076
Other traffic revenue	81	73	151	122
Other revenue	448	289	802	549
Operating revenue	3,503	3,057	6,110	5,332
Payroll expenses	-709	-605	-1,357	-1,184
Selling costs	-93	-104	-159	-194
Jet fuel	-531	-448	-928	-767
Government user fees	-463	-437	-823	-798
Catering costs	-147	-173	-252	-307
Handling costs	-212	-217	-388	-425
Technical aircraft maintenance	-270	-205	-499	-442
Data and telecommunications costs	-59	-64	-104	-115
Other operating expenses	-452	-343	-826	-612
Operating expenses	-2,936	-2,596	-5,336	-4,844
Income before depreciation and leasing costs, EBITDAR	567	461	774	488
Leasing costs, aircraft	-323	-300	-565	-571
Income before depreciation, EBITDA	244	161	209	-83
Depreciation	-78	-73	-154	-144
Share of income in affiliated companies	15	13	12	63
Capital gains	0	60	0	60
Operating income, EBIT	181	161	67	-104
Net financial items	-36	-21	-67	-44
Subsidiary & Affiliated Airlines – Income after financial items	145	140	0	-148

1) Pro forma excluding Braathens.

Earnings performance

The Subsidiary & Affiliated Airlines business area comprises the airlines Spanair, Widerøe's Flyveselskap and Blue1. The business area includes the strategic holdings in affiliated companies Estonian Air and airBaltic. Air Greenland, Skyways and British Midland are also included as affiliated companies. In October 2004 Braathens was integrated in the Scandinavian Airlines Businesses business area and is therefore not included in the 2004 statement of income.

In the first half of 2005, the business area accounted for 17% of the SAS Group's operating revenue before group eliminations. The airlines in the business area transported 5.1 million passengers during the period, an increase of 24.5% compared with the previous year.

The business area's revenue for the first half of 2005 amounted to MSEK 6,110 (5,332), an increase of 14.6%. Operating expenses increased during the six-month period by 10.2% to MSEK 5,336 (4,844). The increase was due to higher fuel prices and bigger volumes. EBITDAR improved by 58.6% and amounted to MSEK 774 (488).

The business area reported income after financial items of MSEK 0 (-148) for the period.

Second quarter
Operating revenue for the second quarter rose by 14.6% to MSEK 3,503 (3,057). Passenger revenue rose 18.1% to MSEK 2,347 (1,987). The increase is explained by strong traffic growth for Blue1 and Spanair and a higher yield following the introduction of fuel surcharges.

Operating expenses rose in the second quarter by 13.1% to MSEK 2,936 (2,596). Fuel prices increased by MSEK 83 in the same period which, combined with increased volumes, explains the cost increase.

EBITDAR improved by 23% to MSEK 567 (461). Net financial items decreased by MSEK 15 to MSEK -36 (-21). Income after financial items improved by MSEK 5 and amounted to MSEK 145 (140).

Traffic and production *	April-June 2005	April-June Change	January-June 2005	January-June Change
Scheduled traffic				
No. of passengers (000)	2,948	26.1%	5,100	24.5%
RPK (mill)	2,204	29.1%	3,810	30.4%
ASK (mill)	3,714	30.3%	6,769	29.6%
Cabin factor	59.3%	-0.5%pts	56.3%	0.4%pts

* Spanair, Widerøe, Blue1 and airBaltic.

Traffic development 2005

January-June	Spanair	Widerøe	Blue1	airBaltic
Passengers	15.4%	-1.3%	31.2%	86.5%
RPK	13.7%	-0.9%	23.9%	149.4%
ASK	15.2%	-1.0%	2.5%	146.3%
Cabin factor	57.2%	52.4%	57.7%	52.8%
Cabin factor, change	-0.7%pts	0.1%pts	10.0%pts	0.6%pts

Spanair

(MSEK)	April-June 2005	January-June 2005	January-June 2004
Passenger revenue	1,470	2,513	2,153
Other revenue	765	1,296	1,309
Total revenue	2,235	3,809	3,462
Payroll expenses	-321	-609	-549
Other operating expenses	-1,544	-2,711	-2,550
Total operating expenses	-1,865	-3,320	-3,099
EBITDAR	370	489	363
Leasing costs	-307	-535	-547
EBITDA	63	-46	-184
Depreciation	-28	-56	-55
Share of income in affiliated companies	-1	-1	0
Capital gains	0	0	52
EBIT	34	-103	-187
Net financial items	-29	-50	-34
Income after financial items	5	-153	-221
EBITDAR margin	16.6%	12.8%	10.5%
Average number of employees	2,810	2,725	2,564
CFROI (12 months)		13%	13%

Specified statement of income available at www.sasgroup.net

Traffic and production		April-June 2005	April-June Change	January-June 2005	January-June Change
Scheduled traffic					
Number of passengers	(000)	1,808	16.9%	3,069	15.4%
RPK	(mill)	1,508	11.3%	2,609	13.7%
ASK	(mill)	2,496	13.5%	4,560	15.2%
Cabin factor		60.4%	-1.2%pts	57.2%	-0.7%pts
Yield, (EUR/RPK)			6.3%		4.1%
Unit cost, total incl. charter			6.5%		1.6%
Charter traffic					
Number of passengers	(000)	438	-28.4%	788	-17.3%

In accordance with Spanair's growth plans, traffic increased during the first half of the year by 13.7% after a capacity increase of 15.2%. The cabin factor fell during the period by 0.7 percentage points to 57.2%. The increase in capacity is mainly concentrated to Spanish domestic traffic with the opening of two new destinations and five new routes. In total, Spanish domestic traffic increased for Spanair by 16.7% and capacity by 17.8% which resulted in a slightly lower cabin factor of 59.9%.

Yield rose in the first half of the year by 4.1% mainly due to the introduction of fuel surcharges and a positive development within the business segment.

Unit cost rose during the first half of the year by 1.6% due to higher fuel prices. The unit cost for scheduled traffic improved by 0.6%.

Operating revenue rose during the first half by 10% to MSEK 3,809 (3,462). Passenger revenue rose by 16.7% to MSEK 2,513 (2,153) due to larger volumes and improved yield. Charter revenue was lower than in the previous year following production cutbacks. Operating expenses increased due to increased capacity by 7.1% to MSEK 3,320 (3,099). Fuel costs rose compared with the previous year by MSEK 135, an increase of 23.4%. EBITDAR improved by MSEK 126 to MSEK 489 (363).

Income after financial items improved by MSEK 68 to MSEK -153 (-221).

Income before capital gains and nonrecurring items improved by MSEK 120 to MSEK -153 (-273).

widerøe

(MSEK)	April-June 2005	January-June 2005	January-June 2004
Passenger revenue	442	813	794
Other revenue	326	594	436
Total revenue	768	1,407	1,230
Payroll expenses	-251	-483	-413
Other operating expenses	-385	-712	-644
Total operating expenses	-636	-1,195	-1,057
EBITDAR	132	212	173
Leasing costs	-23	-44	-46
EBITDA	109	168	127
Depreciation	-38	-75	-69
EBIT	71	93	58
Net financial items	-8	-16	-7
Income after financial items	63	77	51
EBITDAR margin	17.2%	15.1%	14.1%
Average number of employees	1,317	1,321	1,261
CFROI (12 months)		22%	19%

Traffic and production		April-June 2005	April-June Change	January-June 2005	January-June Change
Scheduled traffic					
Number of passengers	(000)	464	-0.5%	884	-1.3%
RPK	(mill)	143	-1.6%	272	-0.9%
ASK	(mill)	266	0.3%	519	-1.0%
Cabin factor		53.8%	-1.0%pts	52.4%	0.1%pts
Yield, (NOK/RPK)			8.0%		3.0%
Unit cost, total incl. charter			5.0%		7.1%

Widerøe's positive development continued during the second quarter of 2005 which meant that the airline achieved the best half-year result in the company's history.

Widerøe's traffic, RPK, fell marginally during the first half of the year by 0.9% and the number of transported passengers decreased by 1.3%. Capacity decreased during the same period by 1% which meant that the cabin factor improved by 0.1 percentage points to 52.4%. Due to the structure of the PSO network, with a large number of stopovers before the final destination, the cabin factor on these routes is lower than on other routes. The cabin factor on these contracted routes amounted to 49%.

There is underlying price pressure due to increased competition from other airlines and other means of transport. Yield rose by 3% compared with the first half of 2004 mainly due to the introduction of fuel surcharges. The greatest increase was on commercial routes with 8%.

The total unit cost rose in the first half of 2005 by 7.1% due to higher fuel costs and higher payroll expenses for flight and technical staff. The full effect of changes to collective agreements has not yet been achieved.

Widerøe's operating revenue in the first half was MSEK 1,407 (1,230), an increase of 14.4%. Passenger revenue rose by MSEK 19 to MSEK 813 (794). Contracted traffic accounted for 37% of passenger revenue. EBITDAR improved by MSEK 39 to MSEK 212 (173) and the EBITDAR margin was 15.1%. Income after financial items improved by MSEK 26 to MSEK 77 (51).

Widerøe has submitted a bid for the Norwegian government's procurement of traffic on the Norwegian short runway network for the period 1 April 2006-March 2009. The result of these tender procedures is expected to be announced in November 2005.

Blue1

(MSEK)	April-June 2005	January-June 2005	January-June 2004
Passenger revenue	434	766	584
Other revenue	47	94	29
Total revenue	481	860	613
Payroll expenses	-68	-130	-97
Other operating expenses	-330	-613	-502
Total operating expenses	-398	-743	-599
EBITDAR	83	117	14
Leasing costs	-34	-67	-69
EBITDA	49	50	-55
Depreciation	-3	-6	-6
EBIT	46	44	-61
Net financial items	-1	-3	-5
Income after financial items	45	41	-66
EBITDAR margin	17.3%	13.6%	2.3%
Average number of employees	449	442	333
CFROI (12 months)		16%	3%

Traffic and production	April-June 2005	April-June Change	January-June 2005	January-June Change
Scheduled traffic				
Number of passengers (000)	403	23.9%	708	31.2%
RPK (mill)	251	21.3%	438	23.9%
ASK (mill)	400	3.5%	759	2.5%
Cabin factor	62.8%	9.2%pts	57.7%	10.0%pts
Yield, (EUR/RPK)		9.4%		7.2%
Unit cost, total incl. charter		15.6%		10.8%

The traffic trend remained positive during the second quarter and rose during the first half of the year by 23.9%. The positive traffic trend and improved capacity utilization occurred on all route sectors. The cabin factor for scheduled traffic rose by 10 percentage points to 57.7%. The cabin factor for domestic routes was 63.3%. The number of passengers rose during the same period by 31.2% compared with the previous year.

Capacity increased during the first half of 2005 by 2.5%. Capacity on European routes has been reduced by 50% compared with the previous year. The released capacity has been used for increased domestic services.

Unit revenue, yield, increased by 7.2% compared with the previous year. The improvements in yield are partly due to the introduction of fuel surcharges.

The increased fuel costs were charged against earnings with MSEK 44 and the unit cost therefore rose 10.8%.

Passenger revenue increased by MSEK 182 compared with the previous year and amounted to MSEK 766 (584) in the first half of the year. Operating revenue increased by 40.3% to MSEK 860 (613). In addition to an increase in passenger revenue, operating revenue was affected by Blue1 conducting sales and marketing in Finland for other airlines within the SAS Group and for some companies within Star Alliance.

EBITDAR for the first half improved by MSEK 103 and amounted to MSEK 117 (14). Income after financial items improved to MSEK 41 (-66). The improved earnings are mainly due to an increase in capacity utilization and increased ticket prices designed to partly offset increased fuel costs.

Airlines Support Businesses

Statement of income

(MSEK)	April-June 2005	April-June 2004	January-June 2005	January-June 2004
Operating revenue	3,731	3,581	7,488	7,088
Payroll expenses	-1,636	-1,599	-3,257	-3,157
Handling costs	-339	-280	-658	-568
Technical aircraft maintenance	-401	-458	-896	-913
Data and telecommunications costs	-131	-132	-295	-289
Other operating expenses	-910	-828	-1,810	-1,720
Operating expenses	-3,417	-3,297	-6,916	-6,647
Income before depreciation, EBITDA	314	284	572	441
Depreciation	-94	-119	-205	-243
Operating income, EBIT	220	165	367	198
Net financial items	-38	-20	-69	-41
Airline Support Businesses – Income after financial items	182	145	298	157

	SAS Ground Services January-June 2005	SAS Ground Services January-June 2004	SAS Technical Services January-June 2005	SAS Technical Services January-June 2004	SAS Cargo Group January-June 2005	SAS Cargo Group January-June 2004
Operating revenue	3,099	3,066	2,937	2,727	1,526	1,401
Of which, external operating revenue	16.8%	16.2%	16.2%	15.6%	95.2%	96.3%
Operating expenses	-2,950	-2,974	-2,559	-2,450	-1,478	-1,367
EBITDA	149	92	378	277	48	34
EBIT	92	26	254	120	24	12
Income after financial items	84	29	200	85	14	2
Average number of employees	6,978	6,954	3,670	3,721	1,320	1,257

Earnings performance

Airline Support Businesses' operations comprise SAS Ground Services, SAS Technical Services and SAS Cargo Group. SAS Ground Services (SGS) is a full-service supplier within Airline Ground handling and airport related services. SAS Technical Services (STS) provides technical maintenance of aircraft, engines and other components to airlines within and outside the SAS Group. SAS Cargo Group offers goods transport services to/from and within Scandinavia. In the first half, the business area accounted for 22% of the SAS Group's operating revenue before groupwide eliminations.

In recent years the units within the business area have made their operations more efficient in response to structural changes within the industry, which continued to provide significant earnings improvements during the first half of 2005. Operating revenue rose during the period by 5.6% to MSEK 7,488 (7,088) due to increased volume and new customers. Income after financial items improved, due to increased operating revenue and effects from Turnaround 2005, by MSEK 141 to MSEK 298 (157).

During the second quarter operating revenue rose by MSEK 150 to MSEK 3,731 (3,581). Income after financial items improved by MSEK 37 to MSEK 182 (145).

Price pressure and competition remain intense for **SAS Ground Services** (SGS). Airlines are reducing costs by discontinuing and simplifying service, which is leading to lower purchases of ground handling services. The market situation has led to redundancy processes at SGS in Denmark and Sweden. In the second quarter almost 70 FTEs were made redundant, half of them related to efficiency enhancements within Turnaround 2005.

SGS signed agreements with both old and new customers during the first half: Thai Airways, Lot Polish Airways and Thomas Cook. In the spring, Maersk decided not to renew its contract with SGS in Denmark, which corresponds to approximately MSEK 80 in reduced operating revenue on an annual basis.

SAS Ground Services' (SGS) operating revenue in the first half amounted to MSEK 3,099 (3,066). Income after financial items was MSEK 84 (29). The number of handled aircraft and prices are lower than in the same period in 2004, but this was offset by increased sales of new products and the establishment of new markets.

SAS Technical Services' (STS) operating revenue for the first half of 2005 amounted to MSEK 2,937 (2,727), an increase of 7.7% compared with the same period last year. External revenues increased by 10% and amounted to MSEK 476. During the first half, STS signed new external agreements with a total contract volume of MSEK 230.

Operating expenses rose by 4.5% due to increased volumes. Income before depreciation, EBITDA, improved by 36.5% to MSEK 378 (277) while the gross profit margin rose from 10.2% to 12.9%. Income after financial items improved by MSEK 115 to MSEK 200 (85).

Despite the positive earnings trend, activities designed to further improve competitiveness and reduce risk exposure continue. STS intends to improve efficiency and reduce capacity within heavy and medium maintenance and to adjust its line operations in Norway to the market which is expected to result in efficiency enhancements involving approximately 200 FTEs. Discussions are also being held with an international consortium regarding possible partnership or acquisition of SAS Component.

SAS Cargo's operating revenue in the first half amounted to MSEK 1,526 (1,401). Operating revenue was affected favorably by capacity increases on the intercontinental destinations, particularly to/from Asia. A reduced total market in Europe and Scandinavia, and the weak dollar at the start of the year, had a negative impact on operating revenue. The introduction of fuel surcharges compensated for higher fuel costs.

Competition in SAS Cargo's market has intensified from both freight companies and transport with trucks. Yield excluding fuel surcharges fell to SEK 1.87 (2.05). SAS Cargo has initiated activities designed to increase capacity utilization.

SAS Cargo's income after financial items improved by MSEK 12 to MSEK 14 (2).

Airline Related Businesses

Statement of income

(MSEK)	April-June 2005	April-June 2004	January-June 2005	January-June 2004
Operating revenue	454	769	870	1,439
Payroll expenses	-106	-108	-205	-216
Handling costs	-44	-50	-77	-100
Technical aircraft maintenance	-70	-398	-151	-692
Data and telecommunications costs	-14	-15	-28	-28
Other operating expenses	-189	-145	-346	-295
Operating expenses	-423	-716	-807	-1,331
Income before depreciation, EBITDA	31	53	63	108
Depreciation	-33	-39	-65	-76
Capital gains	-2	0	-2	0
Operating income, EBIT	-4	14	-4	32
Net financial items	-1	-3	-4	-7
Airline Related Businesses – Income after financial items	-5	11	-8	25

	SAS Flight Academy		Jetpak		European Aeronautical Group		SAS Business Opportunities
	January-June		January-June		January-June		January-June
	2005	2004	2005	2004	2005	2004	2005
Operating revenue	249	276	233	230	96	93	93
Of which external operating revenue	45.0%	41.7%	99.1%	99.6%	62.5%	64.5%	99.7%
Operating expenses	-179	-198	-206	-210	-85	-79	-92
EBITDA	70	78	27	20	11	14	1
EBIT	31	32	16	11	4	7	1
Income after financial items	30	31	15	10	4	6	2
Average number of employees	164	148	162	176	159	155	27

Earnings performance

Airline Related Businesses includes SAS Flight Academy, Jetpak, European Aeronautical Group, SAS Media and SAS Business Opportunities. An agreement was signed regarding the sale of SAS Trading's operations in Eastern Europe at the beginning of 2005. The remaining part of SAS Trading will be transferred to SAS Business Opportunities. SAS Flight Academy is a leading trading center for pilots, cabin crew, flight technicians and ship's officers. Jetpak offers door-to-door express deliveries. The business area also includes European Aeronautical Group, which provides flight navigation data, and the media house SAS Media. SAS Business Opportunities develops opportunities within non-seat business.

The business area's operating revenue decreased during the six-month period by MSEK 569 to MSEK 870 (1,439). The decrease was due to the sale of SAS Trading's operations in Eastern Europe and the end of a concession in Norway corresponding to operating revenue of MSEK 623. The business area's operating expenses decreased by MSEK 524 to MSEK 807 (1,331) due to the sale. Income after financial items amounted to MSEK -8 (25) and were negatively affected by the costs for phasing out SAS Trading.

SAS Flight Academy's operating revenue fell during the first half of 2005 by MSEK 27 to MSEK 249 (276). The positive trend with more customers outside the SAS Group has continued. The slightly lower revenues were compensated by lower costs. Income after financial items were on a par with the previous year and amounted to MSEK 30 (31).

Jetpak's operating revenue increased marginally during the first half of the year by MSEK 3 to MSEK 233 (230). Competition in Jetpak's market increased during the period from a number of players. As a result of good cost control, income after financial items improved by MSEK 5 to MSEK 15 (10).

European Aeronautical Group's operating revenue amounted to MSEK 96 (93) in the first half of the year. The company continued to sign contracts with a number of new customers but the market was characterized by strong competition and price pressure. Income after financial items amounted to MSEK 4 (6).

SAS Business Opportunities' operating revenue amounted to MSEK 93 in the first half of 2005. Sales on board were slightly lower than anticipated at the beginning of the year due to technical start-up problems. Income after financial items amounted to MSEK 2. Comparative figures are not available since the unit was formed on October 1, 2004.

Hotels

Rezidor SAS

Statement of income

(MSEK)	April-June 2005	April-June 2004	January-June 2005	January-June 2004
Rooms revenue	784	612	1,371	1,084
Food and beverage revenue	439	337	784	646
Other revenue	178	172	342	309
Operating revenue	1,401	1,121	2,497	2,039
Operating expenses	-436	-369	-826	-697
Payroll expenses	-486	-422	-923	-784
Rental expenses, property insurance and property tax	-338	-293	-693	-578
Income before depreciation	141	37	55	-20
Depreciation	-49	-38	-97	-76
Share of income in affiliated companies	16	8	24	15
Operating income, EBIT	108	7	-18	-81
Net financial items	-25	1	-45	-11
Hotels – Income after financial items	83	8	-63	-92
Key figures				
EBITDA, MSEK [1]	157	45	79	-5
Revenue per available room (SEK) (RevPAR) [2]	663	585	585	541
Revenue per available room (EUR) (RevPAR) [2]	72	64	64	59
Occupancy rate [2]	71.6%	67.3%	64.9%	62.3%
Gross profit margin	34.2%	29.4%	29.9%	27.4%
Number of rooms available/night	12,200	10,900	12,200	10,350
Number of rooms available/night [2]	27,300	22,500	26,900	22,100
Number of hotels			51	49
Number of hotels including management and franchise			200	177

1) Operating income before depreciation and including share of income in affiliated companies.
2) Including hotels operated on a management basis.

Earnings performance

Revenue for the six-month period amounted to MSEK 2,497 (2,039), an increase of 22.5%. The increase is mainly attributable to new hotels, but adjusted for these, an increase for comparable units of 6.6% is still shown.

Revenue per available room (RevPAR) continued to increase in the European hotel market. For comparable units within Rezidor SAS, RevPAR was 8.5% higher than in the first half of 2004. All areas showed growth, in particular Scandinavia, the U.K., Ireland, Russia, the Baltic countries, and the Middle East. Other hotel revenues showed weak growth at the start of the year, but in the second quarter food and beverage revenues in particular showed good growth. The trend for other revenue was weaker.

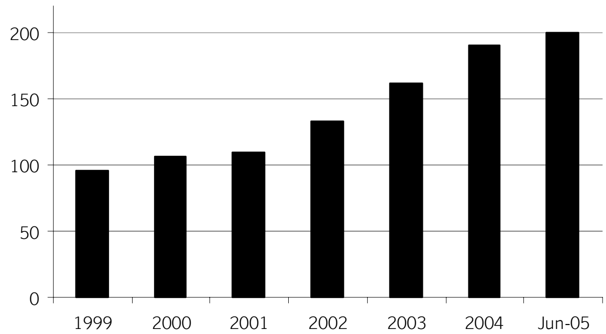
During the second quarter, Rezidor SAS signed seven new hotel contracts, bringing the total for the first half of the year to 15. Eight new Park Inn hotels were opened during the period and five Radisson SAS hotels.

EBITDA, income before depreciation and including share of income in affiliated companies, amounted to MSEK 79 (-5) for the six-month period and MSEK 157 (45) for the second quarter. The improved earnings compared with 2004 are mainly due to improved EBITDA for comparable units.

Income after financial items amounted to MSEK -63 (-92) for the first six months and MSEK 83 (8) for the second quarter.

During the first quarter, the SAS Group concluded an agreement with the U.S.-based Carlson Hotels Worldwide. Under this agreement Carlson Hotels acquired 25% in Rezidor SAS in exchange for improved commercial terms in the parties' Master Franchise Agreement. The agreement was completed in June and will provide a cost reduction of MEUR 6.0 for the second half of 2005. The full-year effect is estimated at MEUR 11 and will increase with operating revenue.

Development of number of hotels in operation 1999-2005



Reporting according to IFRS (International Financial Reporting Standards)

With effect from January 1, 2005, the SAS Group prepares its consolidated accounts according to International Financial Reporting Standards (IFRS), in accordance with the current EU directive.

The date for transition to IFRS was set as January 1, 2004, since IFRS requires restatement of a comparative year. The SAS Group is therefore publishing financial information according to IFRS for 2004 and 2005 in all financial reports prepared according to IFRS during 2005.

The differences between IFRS and previously applied accounting principles are shown below. This summary has been prepared in accordance with the IFRS principles that are expected to apply on December 31, 2005. Since IFRS is subject to continuous review and approval by the EU, changes may still occur. Furthermore, since the IFRS rules were recently introduced, clarifications from standard-setting bodies and development of practice within this area will lead to further clarifications which may have an effect on the information provided below.

Reconciliation balance sheet January 1, 2004 and June 30, 2004

(MSEK)	January 1 2004	IFRS effects	January 1, 2004 according to IFRS	June 30, 2004	IFRS effects	June 30, 2004 according to IFRS
Intangible fixed assets	2,810		2,810	3,212	76	3,288
Tangible fixed assets	29,706		29,706	26,996		26,996
Financial fixed assets	10,252		10,252	11,069	11	11,080
Total fixed assets	42,768		42,768	41,277	87	41,364
Current assets	1,286		1,286	1,289		1,289
Current receivables	8,155		8,155	9,109		9,109
Cash, bank and short-term investments	9,066		9,066	8,829		8,829
Total current assets	18,507		18,507	19,227	0	19,227
Total assets	61,275		61,275	60,504	87	60,591
Shareholders' equity	13,134	112	13,246	11,867	109	11,976
Minority interests	112	-112	-	22	-22	-
Provisions	4,888		4,888	4,431		4,431
Long-term liabilities	20,855		20,855	21,070		21,070
Current liabilities	22,286		22,286	23,114		23,114
Total shareholders' equity and liabilities	61,275	0	61,275	60,504	87	60,591

Reconciliation statement of income January– June 2004 and January-December 2004

(MSEK)	January-June 2004	IFRS effects	January-June accord. to IFRS	January-December 2004	IFRS effects	January-December 2004 accord. IFRS
Operating revenue	27,710		27,710	58,073		58,073
Payroll expenses	-9,958		-9,958	-19,585		-19,585
Other operating expenses	-16,303		-16,303	-34,105		-34,105
Leasing costs for aircraft	-1,317		-1,317	-2,689		-2,689
Depreciation	-1,433	76	-1,357	-2,853	151	-2,702
Share of income in affiliated companies	94	11	105	137	20	157
Income from the sale of shares in subsidiaries and affiliated companies	3		3	5		5
Income from the sale of aircraft and buildings	111		111	113		113
Operating income	-1,093	87	-1,006	-904	171	-733
Income from other shares and participations	-		-	1		1
Net financial items	-490		-490	-1,042		-1,042
Income after financial items	-1,583	87	-1,496	-1,945	171	-1,774
Tax	269		269	69	-1	68
Minority interests	10	-10	-	4	-4	-
Net income for the period	-1,304	77	-1,227	-1,872	166	-1,706
Attributable to:						
Parent Company shareholders			-1,217			-1,702
Minority interests			-10			-4

Reconciliation balance sheet December 31, 2004 and January 1, 2005

(MSEK)	December 31, 2004	IFRS effects	December 31, 2004 according to IFRS	IFRS effects IAS39	January 1, 2005 accord. to IFRS
Intangible fixed assets	3,029	151	3,180		3,180
Tangible fixed assets	24,166		24,166		24,166
Financial fixed assets	11,074	20	11,094	-64	11,030
Total fixed assets	38,269	171	38,440	-64	38,376
Current assets	1,289		1,289		1,289
Current receivables	9,459		9,459	205	9,664
Cash, bank and short-term investments	8,595		8,595	1	8,596
Total current assets	19,343		19,343	206	19,549
Total assets	57,612	171	57,783	142	57,925
Shareholders' equity	11,159	195	11,354	1,468	12,822
Minority interests	25	-25	-		
Provisions	4,255	1	4,256	571	4,827
Long-term liabilities	21,103		21,103	-1,581	19,522
Current liabilities	21,070		21,070	-316	20,754
Total shareholders' equity and liabilities	57,612	171	57,783	142	57,925

Reconciliation consolidated shareholders' equity

	Note	(MSEK)
Equity January 1, 2004, according to Swedish accounting principles		13,134
Effects of change of accounting principles in accordance with IFRS		
Minority interests	b	112
Equity according to IFRS January 1, 2004		13,246
Equity June 30, 2004, according to Swedish accounting principles		11,867
Effects of change of accounting principles in accordance with IFRS		
Goodwill amortization	a	87
Minority interests	b	22
Total IFRS effects		109
Equity according to IFRS June 30, 2004		11,976
Equity December 31, 2004, according to Swedish accounting principles		11,159
Effects of change of accounting principles in accordance with IFRS		
Goodwill amortization	a	-1
Deferred tax on IFRS effects	d	171
Minority interests	b	25
Total IFRS effects		195
Equity according to IFRS December 31, 2004		11,354
Fair value of short-term investments	c	1
Fair value of financial derivative instruments	c	-348
Amortized cost of financial borrowings	c	116
Fair value hedge	c	0
Cash flow hedge, commercial flows	c	22
Cash flow hedge, aircraft	c	2,248
Deferred tax of IFRS effects	d	-571
Total IFRS effects		1,468
Equity according to IFRS January 1, 2005		12,822

Explanatory notes:

a. **Amortization of goodwill**
According to IFRS 3, Business Combinations, goodwill should not be amortized but should instead be subject to an impairment test. The SAS Group's intangible assets mainly comprise goodwill. Since IFRS 3 is applied prospectively from the transition date, Goodwill amortization for 2004 will be reversed according to IFRS. In accordance with the transitional rules, SAS has performed impairment tests at January 1, 2004 and at December 31, 2004. These tests showed that no impairment losses exist.

b. **Minority interests**
According to IAS 1, Presentation of Financial Statements, minority interests are a separate component in equity in the balance sheet. In the statement of income they are included as part of net income for the period with an amount attributable to shareholders and minority owners respectively specified under net income.

c. **IAS 39, Financial Instruments: Recognition and Measurement**
The SAS Group applies IAS 39 with effect from January 1, 2005, and utilizes the exemptions allowed in IFRS 1 not to restate comparative figures/information regarding 2004. Consequently, recognition and measurement of financial instruments, hedging of cash flow and fair value hedges and application of hedge accounting prior to January 1, 2005, have been carried out in accordance with generally accepted accounting principles in Sweden.

The general principles for measurement of financial instruments according to IAS 39 are that financial assets and all derivative instruments should be measured at fair value while financial liabilities are measured at amortized cost. All financial instruments, including derivative instruments, will be recognized in the balance sheet.

An initial classification of each financial instrument establishes the accounting principle for measurement of changes in value of the instrument in the accounts. In cases where loans and derivative instruments are intended to hedge future cash flows, hedge accounting may be applied. One essential criterion for being able to apply hedge accounting is that the hedging relationship is expected to be effective both at inception and during the hedging period. The changes in value of the hedging instrument affect either equity (cash flow hedges) or income (fair value hedges). The hedging transaction will be recognized as income in the same period as the hedge position is closed.

d. **Deferred tax on IFRS changes**
Some of the above IFRS changes mean that a difference arises between tax base and book value. Deferred taxes are reported on these differences.

Definitions

AEA - Association of European Airlines. An organization comprising the largest European airlines.
AOC, Airline Operating Certificate
ASK, Available seat kilometers - The total number of seats available for passengers multiplied by the number of kilometers which they are flown.
AV, Asset value (adjusted capital employed) - Book shareholders' equity, plus surplus value in the aircraft fleet, plus 7 times the net annual cost for operating leases for aircraft, plus financial net debt, minus share of equity in affiliated companies. Can also be expressed as book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the net annual cost for operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets, excluding net pension funds.
Cabin factor, passengers - Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.
CAPEX (Capital Expenditure) - Future payments for aircraft on firm order.
Cash flow from operations - Cash flow from operating activities before change in working capital.
CFROI – Adjusted EBITDAR in relation to AV.
Debt/equity ratio - Financial net debt in relation to shareholders' equity.
Earnings per share (EPS) – Net income for the period excluding minority interests divided by the total number of shares.
EBIT (including capital gains) - Operating income.
EBIT margin - EBIT divided by operating revenue.
EBITDA, Operating income before depreciation - Operating income before net financial items, tax, depreciation, share of income in affiliated companies, and income from the sale of fixed assets.
EBITDAR, Operating income before depreciation and leasing costs - Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.
EBITDAR margin - EBITDAR divided by operating revenue.
Equity method - Shares in affiliated companies are taken up at the SAS Group's share of shareholders' equity, taking acquired surplus and deficit values into account.
Equity/assets ratio - Shareholders' equity in relation to total assets.
EV (Enterprise Value) - Average market capitalization plus average net debt during the year and 7 times the net annual cost for operating leases for aircraft.
Financial net debt - Interest-bearing liabilities minus interest-bearing assets, excluding net pension funds.
FTE, Full Time Equivalent – Full-time positions.
Gross profit margin - Operating income before depreciation in relation to operating revenue.
Interest coverage ratio - Operating income plus financial income in relation to financial expenses.
Net debt - Interest-bearing liabilities minus interest-bearing assets.
Return on capital employed (ROCE) - Operating income plus financial income in relation to average capital employed. Capital employed refers to total assets as specified in the balance sheet minus noninterest-bearing liabilities.
Return on equity - Income after tax in relation to average shareholders' equity.
Revenue passenger kilometers (RPK) - See RPK.
RevPAR, Revenue per available room - Revenue per available hotel room.
RPK, Revenue passenger kilometers - Number of paying passengers multiplied by the distance they are flown in kilometers.
Sale and leaseback - Sale of an asset (aircraft, building, etc.) which is then leased back.
TSR, Total shareholder return - Average total return
Unit cost, operational - Flight operations' total operating expenses minus non-traffic related revenue per ASK.
Unit cost, total - Flight operations' total operating expenses including capacity costs for aircraft (40% of leasing costs and aircraft depreciation) minus non-traffic related revenue per ASK.
Unit revenue (yield) - Average traffic revenue per RPK.
Yield - See Unit revenue.

Financial calendar

Interim Report 3, January-September 2005……..…………………….…………………………...November 8, 2005
Year-end report 2005 …..……………………..…………………………………………….……… February 9, 2006
Annual Report & Sustainability Report 2005…..……………………………………………...……..……March 7, 2006
SAS AB Annual General Meeting ……………………………..……..…………………………………… April 20, 2006
Interim Report 1, January-March 2006 ……………….....……………………………………….……..…..May 4, 2006
Interim Report 2, January-June 2006 …………………………………………………………………. August 9, 2006
Interim Report 3, January-September 2006………………………………………………………….November 8, 2006

All reports are available in English and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 00 00, fax +46 8 797 51 10. The reports can be accessed and ordered via the Internet www.sasgroup.net

The SAS Group's monthly traffic and capacity statistics are normally published on the fifth working day of each month. A financial calendar is available from www.sasgroup.net
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Important events

First quarter 2005

- On January 17, SAS Braathens submitted a reply to the Norwegian Competition Authority in which SAS Braathens contested the Competition Authority's accusations of abuse of a dominant position.

- John Dueholm took over responsibility for the business area Scandinavian Airlines Businesses from February 15.

- The SAS Group concluded an agreement for the sale of SAS Trading's operations in Poland, Latvia and Estonia to Inflight Service Europe AB. The sale is subject to approval from the relevant authorities. The remaining operations in SAS Trading will be sold or integrated in SAS Business Opportunities.

- The SAS Group intensified its cooperation with the U.S.-based Carlson Hotels Worldwide. Under the agreement Carlson Hotels acquires a 25% shareholding in Rezidor SAS in exchange for improved commercial terms regarding the parties' existing Master Franchise Agreement (MFA).

- Scandinavian Airlines became the first airline in the world to offer wireless Internet on board all intercontinental aircraft.

- Scandinavian Airlines Sverige launched "Nya inrikesflyget" (a new domestic concept) based on one-way fares and simplified ticket rules.

Second quarter 2005

- SAS AB's Annual General Meeting decided not to issue a dividend for 2004. In addition, all members of SAS AB's Board were re-elected and Timo Peltola was elected as a new member of the Board.

- Scandinavian Airlines Danmark opposed the substantial increases in charges at Copenhagen airport for the period 2006-2008.

- The SAS Group's airlines carried out fare adjustments in order to neutralize the effect of the increased jet fuel prices.

- The SAS Group announced that SAS Component's future structure and strategy are being evaluated and that negotiations are under way with an international consortium on possible partnership or acquisition.

- Håkan Ericson was appointed as a new member of Group Management with effect from October 1 with responsibility for the business areas Airline Support and Airline Related Businesses.

- The board of SAS Technical Services announced that STS's technical maintenance will be market-adjusted, resulting in streamlining of some 200 FTEs.

Events after June 30, 2005

- The Norwegian Competition Authority imposed a fine on SAS Braathens of MNOK 20 for abuse of a dominant position on the Oslo-Haugesund route and announced possible fines of up to MNOK 30 on Oslo-Ålesund for the same reason. SAS Braathens has lodged an appeal against the fines on Haugesund and will contest any fines for Ålesund. At the same time, the Competition Authority completed its examination of several other routes without finding conditions that contravene the Competition Act.

- Having completed a tender process, the Swedish government announced that it has chosen Scandinavian Airlines Sverige as a supplier on all 52 domestic routes put out to tender.

- Scandinavian Airlines Businesses introduced a new concept for European routes.

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