SAS Group

SAS Group
Interim Report
January-June 2003

Six-month summary

- **Operating revenue for the first half of 2003** amounted to MSEK 29,010 (31,643), a decrease of 8.3%. For comparable units, and adjusted for currency effects, operating revenue for the period decreased by 8.7% or MSEK 2,741.
- **Operating revenue** for Scandinavian Airlines amounted to MSEK 15,568 (18,938). Adjusted for currency effects, operating revenue fell 15.5 %.
- **Income before depreciation and leasing costs for aircraft** (EBITDAR) was MSEK 1,210 (3,832) for the first half of the year. EBITDAR in the second quarter amounted to MSEK 1,608 (3,248).
- **Income before capital gains** amounted to MSEK –1,996 (-133) in the first six months of the year and MSEK –57 (1,180) in the second quarter.
- **Income before tax** amounted to MSEK –1,789 (-407) and MSEK 87 (1,039) in the second quarter.
- **Income after tax** amounted to MSEK –1,533 (-354) and MSEK 66 (968) in the second quarter.
- **CFROI** for the 12-month period July 2002-June 2003 was 8% (9%).
- **Earnings per share** for the period January–June amounted to SEK –9.32 (-2.17) for the SAS Group and equity per share was SEK 80.42 (89.62).
- **The unit cost** for Scandinavian Airlines decreased by 13% in the second quarter.
- **The SAS Group's restructuring program** Turnaround 2005 is proceeding as planned.
- **The earnings trend is still difficult to assess**. However, in view of reduced uncertainty surrounding external factors, the SAS Group estimates that income before tax, capital gains and restructuring costs for the full-year 2003 will be negative by approximately SEK 2 billion.

  The SAS Group estimates that cash flow from operations in the period July-December, after investments and excluding any sales, will be positive.

Earnings by quarter

SAS Group	July-September		October-December		January-March		April-June		July-June	
(MSEK)	**2002**	2001	**2002**	2001	**2003**	2002	**2003**	2002	**2002-03**	2001-02
Operating revenue	**16,592**	12,675	**16,709**	12,810	**13,710**	13,775	**15,300**	17,868	**62,311**	57,128
EBITDAR	**2,130**	882	**1,332**	-122	**-398**	584	**1,608**	3,248	**4,672**	4,592
EBITDAR margin	**12.8%**	7.0%	**8.0%**	-0.1%	**-2.9%**	4.2%	**10.5%**	18.2%	**7.5%**	8.0%
EBIT	**1,041**	-53	**-307**	-1,123	**-1,908**	-1,406	**272**	1,354	**-902**	-1,228
EBIT margin	**6.3%**	-0.4%	**-1.8%**	-8.8%	**-13.9%**	-10.2%	**1.8%**	7.6%	**-1.4%**	-2.1%
Income before capital gains	**15**	-591	**-809**	-1,613	**-1,939**	-1,313	**-57**	1,180	**-2,790**	-2,337
EBT	**640**	-213	**-683**	-1,147	**-1,876**	-1,446	**87**	1,039	**-1,832**	-1,767
Earnings per share (SEK)	**3.08**	-1.32	**-1.73**	-6.16	**-9.72**	-8.17	**0.40**	5.90	**-7.97**	-9.65

SAS AB is Scandinavia's largest listed airline and travel group and the fourth-largest airline group in Europe, in terms of number of passengers. The SAS Group offers air transport and related services from its base in northern Europe. Scandinavian Airlines provides services within Scandinavia, and 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, Braathens, Widerøe's Flyveselskap and Air Botnia. The Group's business areas Airline Support Businesses and Airline Related Businesses include companies that support the airline operations such as SAS Cargo Group and SAS Flight Academy. The Group also includes hotel operations with Rezidor SAS Hospitality.

President's comments

The first half of 2003 brought challenges never before experienced by the airline industry. The first quarter saw very large losses for airlines worldwide, mainly due to the war in Iraq and economic uncertainty. The beginning of the second quarter was dominated by the SARS epidemic which hit air traffic in Asia hard, while the recession continued.

Despite weak revenues, the SAS Group's earnings for the second quarter were better than those for the first quarter taking seasonal fluctuations into account. This can be attributed to generally lower costs where we can see that the action programs are starting to have an effect. Some recovery in traffic could be noted from May onwards.

Income before tax of MSEK –1,789 for the entire group is, however, clearly unsatisfactory despite some improvement in the second quarter.

Unit revenue, yield, continues to fall and this is a general trend in the industry. For Scandinavian Airlines and Braathens the decrease is 14% compared with 2002. We must adjust to this new reality. Customers are demanding less expensive tickets and the challenge we face is that of providing travel at a lower price while maintaining the quality people expect of us. This underscores the need to continue the work of cutting costs and we are making good progress with this under the "Turnaround 2005" program which is proceeding as planned. As of June, 47% of the total effect within Scandinavian Airlines had been carried out according to plan. The unit cost for Scandinavian Airlines fell 13% during the period.

Major administrative reductions will be made in the months ahead which will affect hundreds of employees who will be made redundant. These measures are essential and are being carried out with great respect for the individual and as quickly as possible.

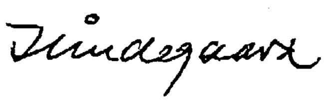
At the same time, we would like to highlight positive aspects during the period:
Scandinavian Airlines' punctuality and regularity continue to develop favorably and reached a nine-year high in May. In June, Scandinavian Airlines was the most punctual airline in Europe. Surveys showed that general customer satisfaction, Customer Satisfaction Index, CSI, rose by 2 percentage points in the first quarter. This result is particularly gratifying since it occurred during a period when customers' interest in air travel was weak on the whole.

Another positive factor is the growing number of customers who are choosing to book their trips on the Internet. The goal is to increase this proportion considerably over the next few years.

Our financial position is secure. Cash liquidity is satisfactory and access to loan reserves is still good. The target is to return to the strong financial key ratios we had prior to autumn 2001.

Unit cost development over the past quarter shows that we are heading in the right direction and that the actions decided but not yet implemented must be carried out with full vigor. We are now achieving a sustained cost efficiency in the Group that will enable the individual airlines to meet market demands and create a platform for long-term competitiveness.

The SAS Group remains strongly placed in the market, as the fourth-largest airline group in Europe measured in number of passengers. This is a position we intend to keep through strong action, both today and in the future.



Important events

First quarter 2003

- Sören Belin took up his position as Chief Operating Officer, COO, for Scandinavian Airlines on February 15.
- On March 7, the SAS Group announced that additional restructuring will be carried out in order to ensure long-term profitability and competitiveness. Scandinavian Airlines is the airline in the Group with the greatest need of further restructuring in order to achieve an efficient aircraft operation and production platform for its traffic flows.
- Spanair launched a new fare concept for Spanish domestic flights in March.
- Scandinavian Airlines' new low-fare concept snowflake was launched. Snowflake is intended for leisure travelers looking for inexpensive and simple travel to and from different destinations in Europe.
- Scandinavian Airlines reopened its Oslo-New York route on March 30.

Second quarter 2003

- Spanair became a member of Star Alliance on April 1.
- New collective agreements were concluded with all trade unions in Scandinavian Airlines, apart from the Norwegian cabin union, with extensive productivity improvements. The pilot agreements and agreements with cabin unions in Denmark and Sweden will allow productivity improvements of more than 40%.
- With effect from April 22 Braathens reduced its capacity by 7% on Norwegian domestic routes due to weak economic development. Spanair also reduced its capacity by 5-10% due to weak demand.
- Starting at the end of April, Scandinavian Airlines carried out temporary capacity adjustments due to SARS on traffic to/from Beijing, Bangkok, Singapore.
- SAS AB's Annual General Meeting decided not to issue a dividend for 2002.
- The Board gave the SAS Group's management a mandate to carry out additional cost reductions amounting to approximately SEK 8-9 billion. These measures amount to a total of SEK 13-14 billion.
- Scandinavian Airlines announced a major reorganization as part of the implementation of the new cost-cutting measures.
- SAS Technical Services is to locate its main facility for base maintenance in Stockholm while heavy maintenance will remain in Oslo.
- In response to higher demand, Scandinavian Airlines decided to resume its daily service to Beijing from Copenhagen starting on August 22.
- In June, Scandinavian Airlines was Europe's most punctual airline as regards arrivals within 15 minutes according to the AEA.
- The SAS Group was downgraded by the credit rating company Moody's to Ba3. Moody'salso changed its outlook from "negative" to "stable".

Events after June 30, 2003

- In July, Scandinavian Airlines reached agreement with the cabin unions in Norway. The agreement allows for a 40% improvement in productivity.
- Due to lower demand, Widerøe terminated its contracts for traffic in Finnmark and Nord-Troms.

SAS Group

Traffic development

Traffic development for European airlines (AEA)
Traffic development was weak in the first half of 2003. Weak economic development, unease about the war in Iraq and SARS had a negative impact on traffic. Total international traffic (RPK) decreased by 1.5%. A gradual improvement took place in June but from low levels. Capacity (ASK) increased by 1.2% in the first half of the year. The weak traffic trend led to the cabin factor for the period decreasing to 71.5% which is 2.0 percentage points lower than in 2002.

The SAS Group's traffic development
Traffic development was weak for all airlines in the SAS Group in the first half of 2003. The number of transported passengers decreased by 8.2% in the first half while capacity rose 0.8%. The cabin factor decreased by 3.1 percentage points to 61.4%. Traffic rescheduling, closure of unprofitable routes and lower demand led to a 8.3% reduction in Scandinavian Airlines' traffic. For the other airlines in the SAS Group, Spanair's traffic rose by 3.5%, Braathens by 16.9%, Widerøe 24.4% and Air Botnia 21.6%.

The SAS Group's intercontinental traffic was negatively affected in the first half by the war in Iraq and SARS. Traffic decreased by 4.4% compared with 2002. The cabin factor was 71.8%, a decline of 10.7 percentage points. Traffic to/from Asia was particularly affected by SARS and capacity was also reduced from the end of April. European traffic was also weak but rose 2.4% due to the launch of snowflake and increased traffic for Spanair and Braathens. Capacity rose 5.5% and the cabin factor fell by 1.7 percentage points to 58.0%.

The SAS Group's intra-Scandinavian and domestic traffic was generally affected by the weak business climate, closure of routes and a lower number of frequencies. Intra-Scandinavian traffic decreased in the first half by 16.2% due to closure of unprofitable routes and lower demand. Capacity decreased by 14.8%. Widerøe's intra-Scandinavian traffic increased by 71.8% but from low levels. Danish domestic traffic decreased, due to the closure of services to Greenland, in the first half by 51.1% and capacity by 46.1%. In Norway, traffic decreased by 5.9% and capacity by 4.5% after a weak start to the second quarter. An improvement in capacity utilization occurred in June when the cabin factor rose by 0.2 percentage points. In Sweden, the SAS Group's traffic decreased by 16.1% and capacity by 20.2%, which meant that the cabin factor rose by 3.0 percentage points to 61.7%.

Traffic and production

		April-June 2003	Change vs. 2002	January-June 2003	Change vs. 2002
SAS Group*					
Number of passengers	(000)	**8,204**	-8.3%	**15,191**	-8.2%
Passenger kilometers (RPK)	(mill)	**7,840**	-3.8%	**14,391**	-4.0%
Seat kilometers (ASK)	(mill)	**12,258**	2.0%	**23,427**	0.8%
Cabin factor		**64.0%**	-3.8%pts.	**61.4%**	-3.1%pts.

Traffic development by route sector*	**Apr-Jun 03 vs. Apr-Jun 02**		**Jan-Jun 03 vs. Jan-Jun 02**	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-10.6%	7.4%	-4.4%	9.9%
Europe [1]	9.0%	11.2%	2.4%	5.5%
Intra-Scandinavian	-17.6%	-16.6%	-16.2%	-14.8%
Denmark, Greenland (domestic)	-57.3%	-50.3%	-51.1%	-46.1%
Norway (domestic)	-8.7%	-9.0%	-5.9%	-4.5%
Sweden (domestic)	-17.7%	-19.7%	-16.1%	-20.2%

[1] Includes snowflake.
* Passenger traffic for Scandinavian Airlines, Spanair, Braathens, Widerøe and Air Botnia.

Traffic figures per airline

January-June	Traffic (RPK)	Capacity (ASK)	Cabin factor (%)	Change in cabin factor
SAS Group	**-4.0%**	**0.8%**	**61.4%**	**-3.1%pts.**
Scandinavian Airlines	-8.3%	-2.7%	63.3%	-3.9%pts.
Spanair	3.5%	6.1%	57.5%	-1.4%pts.
Braathens	16.9%	11.8%	58.5%	+2.6%pts.
Widerøe	24.4%	20.9%	52.1%	+1.5%pts.
Air Botnia	21.6%	32.2%	46.4%	-4.1%pts.

Financial development

January-June 2003

The SAS Group's statement of income for the first half of 2002 included Spanair from March 1 and SMART throughout the period. The 2003 figures include the Spanair-related companies Aerolineas de Baleares, which was consolidated as a subsidiary from January 1, 2003, and the handling company Newco, consolidated as a subsidiary from December 2002. SMART is not included since the company was sold on August 31, 2002. To allow for comparisons with 2002, adjustments are made under non-comparable units.

The net effect of exchange rate fluctuations between January-June 2002 and 2003 was MSEK 865. The effect on operating revenue was MSEK –799, MSEK 1,371 on operating expenses and MSEK 293 on net financial items. Most of the exchange rate fluctuations arose in Scandinavian Airlines.

The SAS Group's operating revenue amounted to MSEK 29,010 (31,643), a decrease of MSEK 2,633 or 8.3%. Adjusted for non-comparable units, MSEK 907, and currency effects, MSEK –799, the Group's operating revenue decreased by 8.7% or MSEK 2,741. Passenger traffic (RPK) fell by a total of 4% in the Group's airlines. Traffic in Scandinavian Airlines decreased by 8.3% and yield by 11.8% compared with the first half of 2002. Payroll expenses increased by MSEK 599 or 5.6% and amounted to MSEK 11,305 (10,706). Adjusted for non-comparable units and currency effects, payroll expenses were MSEK 410 or 2.4% higher than in the previous year. The reduction in costs due to a lower number of employees is largely offset by payroll expense increases between the years (a salary freeze has been agreed from April 1, 2003). In addition, pensions costs are approximately MSEK 300 higher than in the previous year, and MSEK 127 for training and re-training costs related to phasing in and phasing out of the aircraft fleet was reported as a capital loss in the first half of 2002.

The number of employees in the SAS Group increased by 1.2%. In comparable units, the number of employees fell by 3.7% mainly due to implementation of Turnaround 2005.

The Group's other operating expenses decreased by MSEK 610 or 3.6% to MSEK 16,495.

Other operating expenses include the Group's costs for jet fuel which amounted to MSEK 2,378 (2,290). The world market price for jet fuel was 39% higher in the first half of 2003 than in the same period last year. Despite this, Scandinavian Airlines reduced its costs for jet fuel in the period January-June by 6.7%. This was achieved by hedging jet fuel combined with a positive currency trend as well as a slightly lower volume of consumption. The hedging ratio for the remaining six months of 2003 is 95%. Most of the hedging is effected through CAPS. The price of jet fuel remains relatively high, however, and no significant price reductions are expected in the second half.

Operating income before depreciation and leasing costs, EBITDAR, was MSEK 1,210 (3,832).

Leasing costs, adjusted for currency effects, were at the same level as the previous year. Depreciation increased by MSEK 167, mainly due to new investments.

Share of income in affiliated companies amounted to MSEK 52 (-340). Spanair was reported as an affiliated company through February 2002. Share of income amounted to MSEK –300 and covered the period November 1, 2001 – February 28, 2002. Excluding Spanair, share of income amounted to MSEK –40 in the first half of 2002. The improvement between 2002 and 2003 mainly comprises shares of income in British Midland MSEK -20 (-57), Polygon MSEK -2 (-20) and Skyways MSEK 7 (-15). Goodwill amortization is included with MSEK 7 (14).

The Group's income from the sale of aircraft and buildings totaled MSEK 186 (-251) in the first half of 2003. Income before capital gains amounted to MSEK –1,996 (-133).

In the first half of 2003 land and buildings in Copenhagen and a property in Oslo were sold, which provided capital gains of MSEK 51. Sale and leaseback of four deHavilland Q400s, two Boeing 737s and one Airbus A320 generated MSEK 132 in capital gains. In addition, four Fokker F28s and two Douglas MD-80s were sold with a total gain of MSEK 3. In the previous year, phasing in and phasing out costs for aircraft were reported as a capital loss and amounted to MSEK –230. See accounting principles page 12.

Income from other shares and participations, MSEK –9 (-24), comprises a write-down of the Group's holding in Expo Investments Partnership, which holds 10% of the shares in Air Canada, by MSEK 30. In addition, the sale of the Group's participations in Copenhagen International Hotels K/S provided a gain of MSEK 13, and other shares and participations MSEK 8.

The Group's net financial items amounted to MSEK –144 (-331). Net interest was MSEK –476 (-370). The currency effect was MSEK 332 (39).

Income before tax amounted to MSEK –1,789 (-407).

The change in income before tax is due to:

Currency effect	865
Income before depreciation and leasing costs, EBITDAR	-2,871
Leasing costs and depreciation	-113
Share of income in affiliated companies	392
Net interest	-106
Capital gains and write-downs	451
Total changes	-1,382

Second quarter 2003

The Group's result for the second quarter, despite continued weak revenues, was better than in the first three months of the year taking seasonal fluctuations into account. Lower operating expenses due to reduced volumes combined with restructuring measures had a positive impact on earnings.

The Group's operating revenue amounted to MSEK 15,300 (17,868), a decrease of MSEK 2,568 or 14.4%. Taking currency effects into account, MSEK -610, and operating revenue in comparable units, operating revenue decreased by 11.3%.

The Group's passenger traffic decreased by 3.8%. In Scandinavian Airlines the decline was 10%. Intercontinental traffic was hard hit by the Iraq war and SARS.

Operating expenses amounted to MSEK 13,692 (14,620), a decrease of 6.3%. Adjusted for currency effects and comparable units, operating expenses decreased by 1.9%.

EBITDAR for the second quarter amounted to MSEK 1,608 (3,248). Adjusted for currency effects, the Group's costs for aircraft leasing decreased by MSEK 153 mainly due to lower interest rates and phasing out of a number of rented aircraft.

Income before capital gains was MSEK -57 (1,180).

In the second quarter the capital gain from aircraft transactions was MSEK 135. In the previous year, phasing in and phasing out costs were reported as a capital gain of MSEK 97.

Income before tax amounted to MSEK 87 (1,039).

SAS Group's Turnaround 2005

The SAS Group has been implementing extensive cost and rationalization measures since autumn 2001. The first part, designed to handle the changed situation in autumn 2001, has been completed with a full-year effect on costs in Scandinavian Airlines of SEK 2.4 billion in 2003. Subsequently, in autumn 2002 the SAS Group started implementation of additional measures for SEK 6.4 billion, including cost savings of SEK 4.8 billion (Plan B). The need for additional structural measures amounting to SEK 8.9 billion was identified in spring 2003 (Plan C) for the entire SAS Group.

Starting in this interim report, the SAS Group has placed the cost-cutting measures in Plan B and Plan C under "Turnaround 2005".

The purpose of Turnaround 2005 is to ensure long-term competitiveness and profitability. The SAS Group has analyzed the Group's markets, traffic flows and competitive situation and on the basis of this work set demands for effective airline operation through the measures within Turnaround 2005. These measures will simplify the airlines' working methods and structure by:

- simplifying management and decision processes through greater independence for the bases in Copenhagen, Oslo and Stockholm with their own profit responsibility and responsibility for planning and operating airline operations in each base
- increased utilization of aircraft and crews
- reduction of the number of aircraft types per base
- simplifying and renewing service onboard
- efficiency enhancement of maintenance, ground services, sales and distribution
- reduction of overhead and support costs

The objective is to complete all measures within an 18-month period with full implementation before year-end 2004.

The goal of Turnaround 2005 is to reduce costs by SEK 13-14 billion. Of this amount, just over SEK 11 billion has been identified as follows:

SAS Group (SEK billion)	Turnaround 2005	Plan B	Plan C
Overhead functions (Group & Scandinavian Airlines)	1.8	1.2	0.6
Scandinavian Airlines			
Production concept	3.3	1.6	1.7
Commercial strategies. incl. inflight	0.9	0.4	0.5
Distribution and sales	1.5	0.5	1.0
Airline Support Businesses			
SGS	1.2	0.5	0.7
STS	1.4	0.6	0.8
Subsidiary & Affiliated Airlines			
Spanair. Braathens and Widerøe	1.2		1.2
Total	**11.3**	**4.8**	**6.5**

The remaining SEK 2-3 billion is expected to be identified in autumn 2003. In addition to cost reductions, Plan B includes activities with revenue enhancement effects amounting to SEK 1.6 billion.

Implementation of Plan B is proceeding as planned. At the end of June, activities corresponding to 47% of the total financial effect of the entire Plan B had been implemented. 70% of the 2003 effect has been achieved. The total effects of these measures (Plan A and B) for the period January-June 2003 amounts to SEK 1.7 billion.

Overhead functions (Group & Scandinavian Airlines)
Activities corresponding to cost reductions of SEK 0.9 billion have been carried out within the Group's and Scandinavian Airlines' overhead functions. The number of administrative full-time positions within Scandinavian Airlines will be reduced further by just over 40% by year-end 2004.

Scandinavian Airlines
Defined other measures within Scandinavian Airlines amount to SEK 5.7 billion. These measures relate to increasing aircraft utilization by about 1 hour per day, reducing turnaround time by 5-10 minutes for both jet and propeller production. New collective agreements with pilots and cabin crew allow an increase in the number of block hours for pilots and cabin crew by more than 40% to 700-750 hours.

The 3-2-2 regulations for cabin crews on Scandinavian Airlines' intercontinental routes cease to apply from March 1, 2004, although with a gradual phase out which means that in the future Scandinavian Airlines will man its intercontinental routes based on requirements and current production conditions.

Within distribution and sales the call center structure will be simplified and the number of centers reduced. The aim is to increase Internet sales and ticketless travel considerably. The inflight concept will be simplified and adapted to customer demands on the different traffic flows

Airlines Support Businesses
Savings will be achieved within Scandinavian Ground Services due to less traffic peaks following introduction of the new traffic system, greater automation at check-in and generally improved efficiency within passenger service. Cost flexibility will be increased by purchasing services in order to meet volume changes, renegotiating agreements with external handling suppliers, simplifying all operations at the three base stations, reorganizing staff functions, exposing operation and administration of computer systems to competition, and renegotiating collective agreements.

The main base for SAS Technical Services (STS) will be located at Stockholm-Arlanda where base maintenance will be concentrated. Overhead and staff functions will be centralized to the main base. More seasonally adjusted technical maintenance will release capital and lead to cost savings. A central store for materials will be introduced which will release capital. The number of employees within STS will be reduced through restructuring by just over 900 full-time jobs. A number of agreements have also been concluded on unpaid meal breaks, changes in shift planning, etc. Collective agreements have been renegotiated.

Subsidiary & Affiliated Airlines
Savings of just over SEK 1.2 billion have been identified within the airlines in Subsidiary & Affiliated Airlines which will have their full effect in 2004. Braathens will implement savings and productivity improvements amounting to approximately SEK 0.5 billion and Widerøe and Spanair will implement measures amounting to SEK 0.4 billion and SEK 0.3 billion respectively.

Personnel
Within Turnaround 2005 redundancies totaling 6,000 full-time positions have been identified. Of these, 1,400 full-time positions have already been handled, including 500 within overhead and administration. The remaining redundancies are broken down as 700 within overhead functions, 3,000 within production (including 900 within STS), 500 within sales and administration and the remaining approximately 400 within Subsidiary & Affiliated Airlines.

Restructuring costs
The SAS Group's assessment is that the restructuring costs for the remaining measures within Turnaround 2005 will be limited. These will largely comprise costs for employees during non-working regular notice periods. This means that the impact on cash will be very limited.

SAS Group

Summary statement of income

(MSEK)	April-June 2003	April-June 2002	January-June 2003	January-June 2002	July-June 2002-2003	July-June 2001-2002
Operating revenue	**15,300**	17,868	**29,010**	31,643	**62,311**	57,128
Payroll expenses	**-5,564**	-5,497	**-11,305**	-10,706	**-22,951**	-19,845
Other operating expenses	**-8,128**	-9,123	**-16,495**	-17,105	**-34,688**	-32,691
Operating income before depreciation and leasing costs, EBITDAR	**1,608**	3,248	**1,210**	3,832	**4,672**	4,592
Leasing costs for aircraft	**-719**	-1,050	**-1,551**	-1,928	**-3,370**	-3,265
Operating income before depreciation, EBITDA	**889**	2,198	**-341**	1,904	**1,302**	1,327
Depreciation	**-780**	-715	**-1,533**	-1,366	**-3,120**	-2,668
Share of income in affiliated companies	**27**	-12	**52**	-340	**-17**	-481
Income from the sale of shares in subsidiaries and affiliated companies	**0**	1	**0**	1	**816**	3
Income from the sale of aircraft and buildings	**136**	-118	**186**	-251	**117**	591
Operating income, EBIT	**272**	1,354	**-1,636**	-52	**-902**	-1,228
Income from other shares and participations	**8**	-24	**-9**	-24	**-165**	-24
Net financial items	**-193**	-291	**-144**	-331	**-765**	-515
Income before tax, EBT	**87**	1,039	**-1,789**	-407	**-1,832**	-1,767
Tax	**-1**	-100	**173**	-1	**441**	157
Minority interests	**-20**	29	**83**	54	**80**	51
Income after tax	**66**	968	**-1,533**	-354	**-1,311**	-1,559
Earnings per share (SEK)[1]	**0.40**	5.90	**-9.32**	-2.17	**-7.97**	-9.65

A statement of income with additional cost specifications can be accessed at www.sasgroup.net

[1] Earnings per share is calculated on a weighted average of the number of shares outstanding (RR18), April-June 164,500,000 (164,172,004) shares, January-June 164.500.000 (162.994.200) and July-June 164,500,000 (161,518,913).

Segment reporting by business area

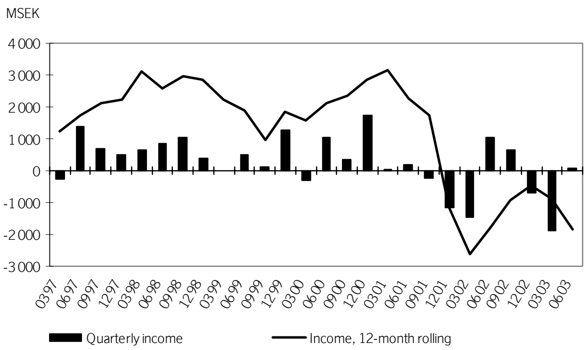
Statement of income January - June	**Scandinavian Airlines 2003**	Scandinavian Airlines 2002	**Subsidiary & Affiliated Airlines 2003**	Subsidiary & Affiliated Airlines 2002	**Airline Support Businesses 2003**	Airline Support Businesses 2002	**Airline Related Businesses 2003**	Airline Related Businesses 2002	**Hotels 2003**	Hotels 2002	**Groupwide & eliminations 2003**	Groupwide & eliminations 2002	**SAS Group 2003**	SAS Group 2002
External sales	**14,934**	18,286	**8,294**	7,731	**2,789**	2,296	**1,232**	1,707	**1,696**	1,575	**65**	48	**29,010**	31,643
Inter-segment sales	**634**	652	**157**	18	**6,645**	7,792	**1,151**	1,382	**49**	49	**-8,636**	-9,893	**0**	0
Total operating revenue	**15,568**	18,938	**8,451**	7,749	**9,434**	10,088	**2,383**	3,089	**1,745**	1,624	**-8,571**	-9,845	**29,010**	31,643
Payroll expenses	**-3,596**	-3,338	**-2,030**	-1,839	**-3,831**	-3,685	**-703**	-849	**-728**	-639	**-417**	-356	**-11,305**	-10,706
Other expenses	**-11,687**	-13,854	**-5,554**	-4,344	**-5,365**	-5,999	**-1,550**	-1,956	**-1,093**	-961	**8,754**	10,009	**-16,495**	-17,105
EBITDAR per segment	**285**	1,746	**867**	1,566	**238**	404	**130**	284	**-76**	24	**-234**	-192	**1,210**	3,832
Leasing costs for aircraft	**-713**	-1,000	**-886**	-909	**-1**	-19	**-**	-	**-**	-	**49**	-	**-1,551**	-1,928
EBITDA per segment	**-428**	746	**-19**	657	**237**	385	**130**	284	**-76**	24	**-185**	-192	**-341**	1,904
Depreciation	**-692**	-602	**-275**	-214	**-253**	-238	**-131**	-149	**-67**	-55	**-115**	-108	**-1,533**	-1,366
Share of income in affiliated companies	**32**	35	**18**	-362	**-**	-3	**-**	-22	**4**	13	**-2**	-1	**52**	-340
Capital gains	**107**	-318	**46**	7	**-**	-	**-**	-3	**4**	-	**29**	64	**186**	-250
EBIT per segment	**-981**	-139	**-230**	88	**-16**	144	**-1**	110	**-135**	-18	**-273**	-237	**-1,636**	-52
Non-segmented income statement items														
Income from other shares and participations													**-9**	-24
Net financial items													**-144**	-331
Tax on income for the year													**173**	-1
Minority interests													**83**	54
Income after tax													**-1,533**	-354

SAS Group

Summary of income by quarter

(MSEK)	2001 APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	2002 JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	**2003 JAN-MAR**	**APR-JUN**
Operating revenue	13,811	12,675	12,810	51,433	13,775	17,868	16,592	16,709	64,944	**13,710**	**15,300**
Payroll expenses	-4,570	-4,314	-4,825	-17,792	-5,209	-5,497	-5,335	-6,311	-22,352	**-5,741**	**-5,564**
Other operating expenses	-8,004	-7,479	-8,107	-30,473	-7,982	-9,123	-9,127	-9,066	-35,298	**-8,367**	**-8,128**
Operating income before depreciation and leasing costs, EBITDAR	1,237	882	-122	3,168	584	3,248	2,130	1,332	7,294	**-398**	**1,608**
Leasing costs for aircraft	-579	-679	-658	-2,425	-878	-1,050	-932	-887	-3,747	**-832**	**-719**
Operating income before depreciation, EBITDA	658	203	-780	743	-294	2,198	1,198	445	3,547	**-1,230**	**889**
Depreciation	-565	-591	-711	-2,443	-651	-715	-781	-806	-2,953	**-753**	**-780**
Share of income in affiliated companies	36	-43	-98	-70	-328	-12	3	-72	-409	**25**	**27**
Income from the sale of shares in subsidiaries and affiliated companies	-31	1	1	-24	0	1	829	-13	817	**0**	**0**
Income from the sale of aircraft and buildings	201	377	465	1,165	-133	-118	-208	139	-320	**50**	**136**
Operating income, EBIT	299	-53	-1,123	-629	-1,406	1,354	1,041	-307	682	**-1,908**	**272**
Income from other shares and participations	0	0	0	1	0	-24	4	-160	-180	**-17**	**8**
Net financial items	-119	-160	-24	-512	-40	-291	-405	-216	-952	**49**	**-193**
Income before tax, EBT	180	-213	-1,147	-1,140	-1,446	1,039	640	-683	-450	**-1,876**	**87**
Tax	-28	3	155	103	99	-100	-102	370	267	**174**	**-1**
Minority interests	-24	2	-5	-27	25	29	-32	29	51	**103**	**-20**
Income after tax	128	-208	-997	-1,064	-1,322	968	506	-284	-132	**-1,599**	**66**

Income before tax



Financial position

The Group's financial position and preparedness are assessed as sufficient to carry out the measures within Turnaround 2005. Moody's monitors the development of SAS's creditworthiness and at June 30 the credit rating was Ba3 with a "stable" outlook.

The SAS Group's liquid assets at June 30, 2003, amounted to MSEK 8,155 (9,736). In addition to this the Group has unutilized loan commitments totaling MSEK 7,500.

Only approximately one-fifth of the SAS Group's assets in the balance sheet are linked to financing, primarily assets in the form of aircraft. The SAS Group also has surplus values in other assets.

The equity/assets ratio at June 30 was 21% (22%).

The SAS Group's target is an equity/assets ratio of at least 30% and a debt/equity ratio of less than 50%. Net debt amounted to MSEK 12,754, an increase since year-end 2002 of MSEK 1,180. The financial net debt amounted to MSEK 19,232 (17,872), which is a decline of MSEK 1,322 compared with March 31, 2003. Net debt is expected to have reached its highest level in the first half of 2003 and is expected to decrease as the cash flow from operations increases and the rate of investment decreases. The SAS Group expects a positive cash flow from operations after investments but excluding sales for the six-month period July-December 2003. The change since the previous year is mainly due to the investment program in new aircraft and consolidation of Spanair as a subsidiary. Cash flow from operations for the period January-June was negative primarily due to a very weak first quarter, MSEK –545 (1,326). Cash flow for the second quarter, however, was positive with MSEK 550 (1,754). In the second half of the year sale and leaseback transactions for aircraft and real estate are expected to further strengthen financial preparedness.

Summary balance sheet

(MSEK)	**June 30 2003**	December 31 2002	June 30 2002
Aircraft and spare parts	**26,552**	27,256	26,033
Other noninterest-bearing assets	**20,528**	21,346	25,104
Interest-bearing assets (excl. liquid assets)	**8,433**	7,487	7,281
Liquid assets	**8,155**	10,721	9,736
Assets	**63,668**	66,810	68,154
Shareholders' equity	**13,229**	15,188	14,742
Minority interests	**93**	166	-104
Deferred tax liability	**3,436**	3,606	3,781
Subordinated debenture loan	**855**	915	892
Other interest-bearing liabilities	**28,487**	28,867	28,160
Operating liabilities	**17,568**	18,068	20,683
Shareholders' equity and liabilities	**63,668**	66,810	68,154
Shareholders' equity			
Opening balance	**15,188**	15,544	15,544
New issue	**-**	197	-
Change in translation difference	**-426**	-32	17
Effect of consolidation of affiliated companies	**-**	-389	-465
Income after tax	**-1,533**	-132	-354
Closing balance	**13,229**	15,188	14,742
Equity per share (SEK) [1]	**80.42**	92.33	89.62

1) Calculated on 164,500,000 shares in June 2003, December 2002 and June 2002.

Financial key ratios

(MSEK)	**June 30 2003**	December 31 2002	June 30 2002
Return on capital employed (12-month rolling)	**0%**	4%	-1%
Return on equity (12-month rolling)	**-9%**	-1%	-10%
Equity/assets ratio[1]	**21%**	23%	22%
Net debt, MSEK[2]	**12,754**	11,574	12,035
Financial net debt, MSEK[3]	**19,232**	17,872	17,926
Debt/equity ratio	**1.44**	1.16	1.22
Adjusted debt/equity ratio[5]	**2.32**	1.99	2.00
Interest coverage ratio (12-month rolling)	**0.1**	0.8	-0.4
EBITDAR margin[6] (12-month rolling)	**7%**	11%	8%
EBIT margin[7] (12-month rolling)	**-1%**	1%	-2%
CFROI[8] (12-month rolling)	**8%**	13%	9%

1 Shareholders' equity and minority interests expressed as a percentage of total assets
2 Interest-bearing liabilities minus interest-bearing assets
3 Interest-bearing liabilities minus interest-bearing assets excluding pension funds, net
4 Debt/equity ratio calculated as financial net debt in relation to shareholders' equity and minority interests
5 Adjusted debt/equity ratio calculated as financial net debt and present value of operating leases (NPV) in relation to shareholders' equity and minority interests
6 EBITDAR in relation to operating revenue
7 EBIT in relation to operating revenue
8 Based on market-adjusted capital employed which includes the market value of the aircraft fleet and capitalized leasing costs

Investments

In 1998-2002 the SAS Group carried out an extensive investment program to renew the aircraft fleet. This program is now mainly completed and the SAS Group has entered a period of very limited investment over the next 3-4 years. The SAS Group's investments, including prepayments, amounted to MSEK 2,243 (5,174) for the first half of the year. Scandinavian Airlines and Airline Support accounted for MSEK 939 (3,929) of investments, Subsidiary & Affiliated Airlines for MSEK 896 (927), Airline Related Businesses for MSEK 100 (116) and the Hotels business area for MSEK 282 (84). Investments in aircraft and other flight equipment totaled MSEK 1,643 (4,628).

At the end of June 2003, the sum of future investments, CAPEX, in the SAS Group amounted to MUSD 348.

Investments and sales of fixed assets reached a net amount of MSEK –337 (3,786) during the period.

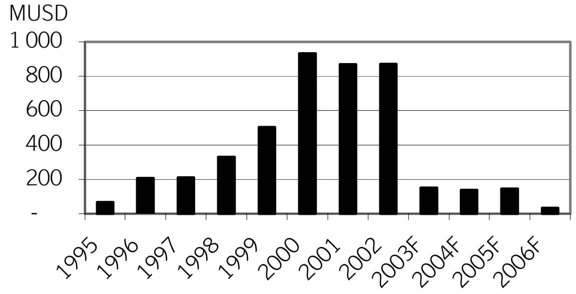
The SAS Group has had large surplus values in its aircraft fleet for several years. The size of surplus values mainly depends on the market value of aircraft, the depreciation rate applied, and the SEK/USD exchange rate.

The estimated book value in the aircraft fleet owned by the SAS Group corresponded to the market value at June 30, 2003. The decline in surplus value since June 2002 is due to continued overcapacity and to a higher supply of aircraft in the secondhand market following the events of September 11, 2001. At the same time, the USD/SEK exchange rate went down by 13% during the 12-month period, which had a negative impact on the surplus value in the fleet. During 2003 the SAS Group will gradually reintroduce hedging of USD.

Firm orders for aircraft, 2003-2006>:

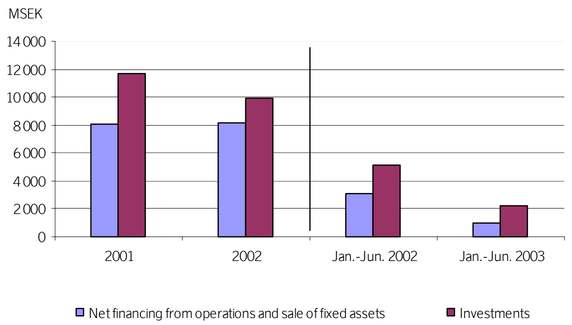
SAS Group	Total	2003	2004	2005	2006>
CAPEX (MUSD)	**348**	31	138	146	33
Number of aircraft	**10**	1	3	5	1

SAS Group CAPEX 1995-2006



The average age of the SAS Group's total aircraft fleet was 7.9 years at June 30. The average age for the owned portion of the fleet was 7.2 years and 8.4 years for leased aircraft.

Cash flow and investments



SAS Group's total aircraft fleet, June 30, 2003:

Aircraft type	Owned	Leased in	Total	Leased out	Order
Airbus A340-300	5	2	**7**		
Airbus A330-300	2	1	**3**		1
Airbus A321-200	8	5	**13**		5
Airbus A320		11	**11**		
Boeing 767-300	3	4	**7**		
Boeing 737-400		4	**4**		
Boeing 737-500		14	**14**		
Boeing 737-600	12	18	**30**	3	
Boeing 737-700	6	9	**15**		
Boeing 737-800	14	5	**19**	4	4
Boeing 717		4	**4**		
Douglas MD-81	5	10	**15**		
Douglas MD-82	17	26	**43**		
Douglas MD-83		21	**21**		
Douglas MD-87	10	6	**16**		
Douglas MD-90-30	8		**8**		
Avro RJ-85		5	**5**		
Embraer ERJ 145		3	**3**		
Fokker F28	3		**3**	1	
Fokker F50	7		**7**	2	
deHavilland Q100	16	1	**17**		
deHavilland Q300		9	**9**		
deHavilland Q400	9	18	**27**		
SAAB 2000		5	**5**		
Total	125	181	**306**	10	10
Breakdown of Group's fleet by airline					
Scandinavian Airlines	102	85	**187**	10	9
Spanair		53	**53**		1
Braathens	4	23	**27**		
Widerøe	19	10	**29**		
Air Botnia		10	**10**		
Total	125	181	**306**	10	10

Cash flow statement

	April-June		January-June		July-June	
(MSEK)	**2003**	2002	**2003**	2002	**2002-03**	2001-02
Income before tax	**87**	1,039	**-1,789**	-407	**-1,832**	-1,767
Depreciation	**780**	715	**1,533**	1,366	**3,120**	2,668
Income from the sale of fixed assets	**-144**	16	**-207**	16	**-1,298**	-1,338
Adjustment for items not included in cash flow, etc.	**-34**	89	**84**	456	**291**	600
Paid tax	**-139**	-105	**-166**	-105	**-334**	-153
Cash flow from operations	**550**	1,754	**-545**	1,326	**-53**	10
Change in working capital	**229**	560	**-355**	380	**-415**	883
Net financing from operations	**779**	2,314	**-900**	1,706	**-468**	893
Investments including prepayments to aircraft suppliers	**-1,260**	-3,178	**-2,224**	-5,128	**-6,750**	-12,335
Acquisition of subsidiaries	**-**	-181	**-19**	-46	**-238**	-872
Sale of subsidiaries	**-**	-	**-**	-	**733**	-
Sale of fixed assets, etc.	**1,604**	167	**1,906**	1,388	**5,840**	8,220
Financing surplus/deficit	**1,123**	-878	**-1,237**	-2,080	**-883**	-4,094
New issue	**-**	197	**-**	197	**-**	197
Dividend	**-**	-	**-**	-	**-**	-
External financing, net	**-1,502**	1,229	**-1,329**	-43	**-698**	1,413
Change in liquid assets according to balance sheet	**-379**	548	**-2,566**	-1,926	**-1,581**	-2,484

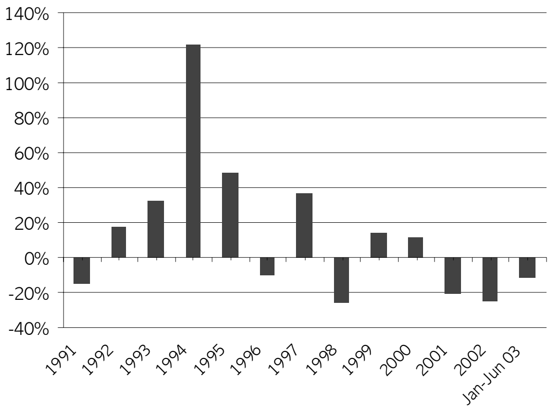
The SAS Group's objectives

Total shareholder return target

The SAS Group has a target for total shareholder return (TSR) of a minimum of 14% over a business cycle. The return target refers to the sum of share price appreciation and reinvested dividends. Based on this return target, the SAS Group has set its internal financial target, CFROI. The minimum requirement for CRFOI is 20%.

During the period January-June 2003 the SAS Group's market capitalization fell by 13.7%.

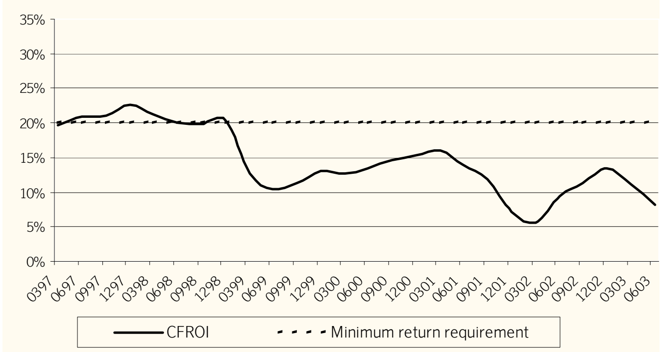
Annual total return on SAS shares
(Share price appreciation including dividends)



Cash flow return on investments, 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.

Development of cash flow return on investments, CFROI (%)
(12-month rolling)



In the period July 2002-June 2003 the Group generated income before net financial items, tax, depreciation, capital gains and operating lease costs for aircraft (EBITDAR) of MSEK 4,672 (4,592). Adjusted EBITDAR amounted to MSEK 4,545 (4,562). Set in relation to adjusted capital employed, CFROI was 8% (9%) which is 12 percentage points below target.

The SAS Group's target is to reach income before tax of approximately MSEK 5,000 in 2005.

Income and capital concepts included in CFROI

(MSEK)	**July-June 2002-2003**	July-June 2001-2002
Income		
Income before depreciation, EBITDA	**1,302**	1,327
+ Operating lease costs, aircraft	**3,370**	3,265
EBITDAR	**4 672**	4,592
- Revenues from operating leases, aircraft	**-127**	-30
Adjusted EBITDAR	**4 545**	4,562
Adjusted capital employed (average)		
+ Shareholders' equity	**14,387**	15,515
+ Minority shares	**35**	158
+ Surplus value, aircraft	**949**	2,662
+ Capitalized leasing costs, net (x 7)*	**24,073**	17,858
- Equity in affiliated companies	**-583**	-1,011
+ Financial net debt	**18,797**	13,407
Adjusted capital employed	**57,658**	48,589
CFROI	**8%**	9%

* In the capital market the calculation model 7 times the annual leasing cost is used regardless of the term of the leases. The SAS Group takes leasing revenues into account in this item. NPV (Net Present Value) amounted at the end of June to MSEK 11,656 (11,390). Average NPV for the 12-month period amounted to MSEK 11,552 (8,840).

Personnel

The average number of employees in the SAS Group during the period January-June 2003 was 34,894 (34,485) of whom 6,940 (7 565) in Scandinavian Airlines, 7,026 (6,001) in Subsidiary & Affiliated Airlines, 14,221 (14,156) in Airline Support Businesses, 2,152 (2,674) in Airline Related Businesses, 3,424 (2,859) in Hotels and 1,131 (1,230) for groupwide functions.

Accounting principles

SAS AB's and the Group's interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations (RR20). Phasing in and phasing out costs for aircraft are reported as operating expenses as from January 1, 2003. Only costs directly related to the sale of aircraft are included as a capital loss. Otherwise the accounting principles are the same as those applied in the most recent annual report

Parent Company SAS AB

Net income before tax for the period was MSEK -43 (-40).

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

The number of shareholders in SAS AB amounted to 21,002 at June 30, 2003.

Statement of income	**January – June**	
(MSEK)	**2003**	2002
Operating revenue	**-**	-
Operating expenses	**-12**	-8
Operating income	**-12**	-8
Net financial items	**-31**	-32
Income before tax	**-43**	-40
Tax	**-**	-
Income after tax	**-43**	-40

Balance sheet	**June 30**	Dec. 31
(MSEK)	**2003**	2002
Fixed assets	**3,111**	3,102
Current assets	**2**	2
Total assets	**3,113**	3,104
Shareholders' equity	**1,822**	1,865
Long-term liabilities	**1,271**	1,091
Current liabilities	**20**	148
Total shareholders' equity & liabilities	**3,113**	3,104
Shareholders' equity(MSEK)		
Restricted equity		
Share capital	**1,645**	1,645
Premium reserve	**170**	170
Statutory reserve	**10**	10
Unrestricted equity		
Profit brought forward	**40**	92
Net income for the period	**-43**	-52
Total shareholders' equity	**1,822**	1,865

Outlook for the full-year 2003

The first half of 2003 was marked by a number of negative factors in the business environment such as weak macro economies, SARS and the conflict in Iraq. These factors affected the SAS Group's traffic and yield development and put substantial pressure on revenues during the period.

Some recovery on routes to/from the U.S. started in May, and the cabin factor on routes to/from Asia returned to over 80% in June. European traffic has also stabilized and total reservations on routes within Europe are now at the 2002 level.

The SAS Group is currently implementing extensive cost-cutting measures in order to raise the competitiveness of the Group. These measures "Turnaround 2005" (Plan B and Plan C) are starting to have an impact and will have additional effects on the Group's costs in the future.

A detailed assessment of earnings for the full-year 2003 was not issued in the interim report for the first quarter. The earnings trend is still difficult to assess. However, in view of reduced uncertainty surrounding external factors, the SAS Group estimates that income before tax, capital gains and restructuring costs for the full-year 2003 will be negative by approximately SEK 2 billion.

The SAS Group estimates that cash flow from operations in the period July-December, after investments and excluding any sales, will be positive.

Stockholm, August 11, 2003
SAS AB

Jørgen Lindegaard
President and CEO

The six-month report has not been audited.

Scandinavian Airlines

Statement of income

(MSEK)	April-June **2003**	April-June 2002	January-June **2003**	January-June 2002
Passenger revenue	**7,030**	9,481	**13,618**	17,347
Other traffic revenue	**795**	559	**1,416**	1,011
Other revenue	**309**	322	**534**	580
Operating revenue	**8,134**	10,362	**15,568**	18,938
Payroll expenses	**-1,748**	-1,745	**-3,596**	-3,338
Selling costs	**-916**	-1,523	**-1,771**	-2,787
Jet fuel	**-715**	-831	**-1,470**	-1,575
Government user fees	**-814**	-959	**-1,610**	-1,827
Catering costs	**-308**	-377	**-646**	-708
Handling costs	**-1,151**	-1,366	**-2,319**	-2,734
Technical aircraft maintenance	**-1,146**	-1,197	**-2,393**	-2,450
Data and telecommunications costs	**-90**	-130	**-185**	-255
Other operating expenses	**-579**	-745	**-1,293**	-1,518
Operating expenses	**-7,467**	-8,873	**-15,283**	-17,192
Income before depreciation and leasing costs, EBITDAR	**667**	1,489	**285**	1,746
Leasing costs for aircraft	**-331**	-491	**-713**	-1,000
Income before depreciation, EBITDA	**336**	998	**-428**	746
Depreciation	**-354**	-313	**-692**	-602
Share of income in affiliated companies	**16**	18	**32**	35
Capital gains	**107**	-178	**107**	-318
Operating income, EBIT	**105**	525	**-981**	-139
Net financial items	**-182**	-204	**-349**	-389
Scandinavian Airlines – Income before tax, EBT	**-77**	321	**-1,330**	-528

Comparative figures for 2002 have been adjusted because the units SAS World Sales, SAS Technical Services and Scandinavian Ground Services have been transferred to Airline Support Businesses.

Earnings trend

In the first half of 2003 the market was very weak due to the war in Iraq and the SARS epidemic. Scandinavian Airlines made production cutbacks during the period. Unease about SARS decreased at the end of the second quarter and a recovery of traffic on the intercontinental routes could be noted in June. Structural efficiency enhancement measures within the framework of "Turnaround 2005" are being carried out to create a competitive Scandinavian Airlines.

Scandinavian Airlines' operating revenue for the first half of the year was MSEK 15,568 (18,938), a decline of MSEK 3,370 or 17.8%. Adjusted for currency effects the decline was 15.5%. Passenger revenue decreased by 21.5%.

Operating expenses decreased in the first half by MSEK 1,909 or 11.1%. Adjusted for currency effects the decrease was 8.5%. Accumulated payroll expenses were MSEK 258 higher than in the previous year. The number of employees decreased by 8.3% to 6,940 (7,565), due to completion of Turnaround measures. Due to higher pension costs, salary increases and a changed method for phasing in and phasing out costs which are defined as operating expenses from 2003 onwards, payroll expenses increased despite the reduced number of employees. A salary freeze has been introduced for the period April 1 – December 31, 2003.

The lower costs within other items are due to implementation of Turnaround 2005 and lower volumes. Fuel prices were considerably higher than in 2002 but were reduced by positive currency effects and lower volume.

Operating income before depreciation and leasing costs (EBITDAR) for the first six months amounted to MSEK 285 (1,746).

Leasing costs decreased by MSEK 287 to MSEK 713 (1,000).

Income before capital gains was MSEK –1,437 (-210).

Second quarter
Operating income showed negative development in the second quarter of 2003 compared with the previous year. Passenger revenue decreased by 25.9% to MSEK 7,030 (9,481). Adjusted for currency effects, passenger revenue decreased by 23.1% due to lower traffic volumes, lower yield and the introduction of net pricing to travel agencies and agents. The currency adjusted yield decreased by 14.5% in the second quarter.

Operating expenses decreased in the second quarter by MSEK 1,406 or 15.8% compared with the previous year. Adjusted for currency effects the decline was 12.3%. The unit cost fell 13% in the second quarter.

The joint venture agreement, ECA (European Cooperation Agreement), between British Midland, Lufthansa and Scandinavian Airlines had a negative earnings impact of MSEK -88 (-104) in the second quarter.

The business area in brief

- Scandinavian Airlines conducts passenger transport services and transported 9.6 million passengers in the first half.
- Scandinavian Airlines is the SAS Group's largest business area measured in operating revenue and accounted for 41% of operating revenue in the first six months of 2003.
- The aircraft fleet comprised 187 aircraft in June 2003.
- Average number of employees January-June was 6,940.

Scandinavian Airlines – Traffic, production, yield and unit costs

		April-June		January-June	
		2003	Change vs. 2002	**2003**	Change vs. 2002
Scandinavian Airlines Total					
Number of passengers	(000)	**5,128**	-15.0%	**9,606**	-13.7%
Revenue passenger km (RPK)	(mill)	**5,614**	-10.0%	**10,513**	-8.3%
Available seat km (ASK)	(mill)	**8,563**	-2.4%	**16,603**	-2.7%
Cabin factor		**65.6%**	-5.6%pts.	**63.3%**	-3.9%pts.
Yield, currency adjusted			-14.5%		-11.8%
Intercontinental routes					
Number of passengers	(000)	**324**	-11.9%	**648**	-3.1%
Revenue passenger km (RPK)	(mill)	**2,268**	-10.6%	**4,529**	-2.0%
Available seat km (ASK)	(mill)	**3,161**	+7.5%	**6,306**	+13.3%
Cabin factor		**71.7%**	-14.5%pts.	**71.8%**	-11.2%pts
Yield, currency adjusted			-7.5%		-6.8%
European routes					
Number of passengers	(000)	**2,044**	-3.9%	**3,573**	-5.7%
Revenue passenger km (RPK)	(mill)	**2,136**	+1.1%	**3,641**	-3.7%
Available seat km (ASK)	(mill)	**3,387**	+6.5%	**6,249**	+1.2%
Cabin factor		**63.1%**	-3.4%pts.	**58.3%**	-2.9%pts.
Yield, currency adjusted			-17.9%		-12.1%
Intra-Scandinavian routes					
Number of passengers	(000)	**811**	-22.3%	**1,502**	-20.9%
Revenue passenger km (RPK)	(mill)	**392**	-21.9%	**722**	-20.4%
Available seat km (ASK)	(mill)	**680**	-21.5%	**1,305**	-19.7%
Cabin factor		**57.6%**	-0.3%pts.	**55.3%**	-0.5%pts.
Yield, currency adjusted			-8.0%		-6.0%
Danish domestic					
Number of passengers	(000)	**184**	-24.5%	**365**	-19.3%
Revenue passenger km (RPK)	(mill)	**38**	-57.2%	**76**	-51.1%
Available seat km (ASK)	(mill)	**73**	-50.0%	**148**	-46.1%
Cabin factor		**52.1%**	-8.8%pts.	**51.2%**	-5.3%pts.
Yield, currency adjusted			+45.9%		+40.7%
Norwegian domestic					
Number of passengers	(000)	**739**	-26.5%	**1,460**	-21.8%
Revenue passenger km (RPK)	(mill)	**278**	-28.9%	**544**	-32.9%
Available seat km (ASK)	(mill)	**454**	-28.5%	**972**	-29.8%
Cabin factor		**61.4%**	-0.3%pts.	**55.9%**	-2.5%pts.
Yield, currency adjusted			-14.0%		-5.2%
Swedish domestic					
Number of passengers	(000)	**1,028**	-17.7%	**2,058**	-16.0%
Revenue passenger km (RPK)	(mill)	**502**	-17.6%	**1,002**	-16.1%
Available seat km (ASK)	(mill)	**808**	-19.6%	**1,623**	-20.2%
Cabin factor		**62.1%**	+1.5%pts.	**61.7%**	+3.0%pts
Yield, currency adjusted			-1.7%		-1.2%
Unit cost development					
Total unit cost*			-12.0%		-7.2%
Operational unit cost *			-13.0%		-6.8%

* Excluding change of method for phasing in and phasing out costs and reduced return on funded assets in Alecta (adjusted in quarter 3, 2002). Costs for the ITP Plan in Alecta calculated according to IAS19/RR29 are distributed to all business areas with effect from 2003.

Market and passenger development

Yield and market conditions

Yield development in the second quarter was negatively affected by four factors: Easter occurred in April unlike in 2002, proportionally greater share of traffic and capacity on the intercontinental routes, introduction of snowflake, and a general decline in yield. In total, currency adjusted yield fell in the second quarter by 14.5%.

Passenger revenue for the period January-June amounted to MSEK 13,618 which adjusted for currency effects is 18.6% lower than in the previous year.

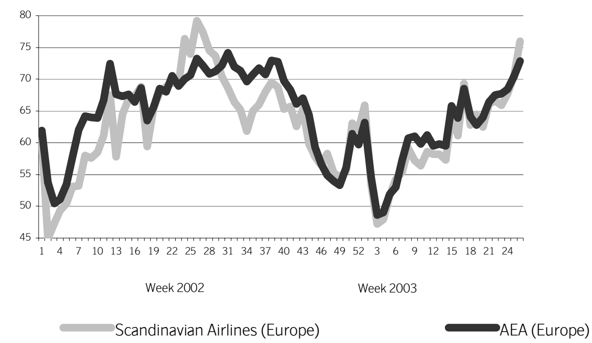
Intercontinental traffic

SARS and the war in Iraq had a highly negative impact on intercontinental traffic at the beginning of the second quarter, but a gradual improvement of U.S. traffic occurred from May onwards when U.S. traffic returned to growth compared with 2002. Traffic to Asia was strongly affected by SARS in the second quarter but a gradual improvement in traffic, on the routes most affected, took place in June.

European traffic

Traffic on European routes was very weak in the first half of the year and fell 3.7% due to the weak economy and uncertainty. In the second quarter, traffic rose by 1.1%, mainly due to the launch of snowflake which accounts for about 12% of European traffic (RPK). Capacity could be partly adjusted to the lower demand. The cabin factor decreased by 2.9 percentage points to 58.3% which is on a par with the AEA average.

Cabin factor Scandinavian Airlines vs. AEA



Intra-Scandinavian and domestic traffic

The slowdown in the Scandinavian economies, reduced capacity and major traffic rescheduling had an impact on traffic which decreased by 23.2% in the first half of the year. At the same time, capacity decreased by 22.7% and the cabin factor rose by 0.4 percentage points. Compared with 2002 several minor feeder routes from southern Sweden to Copenhagen, traffic to Greenland and two domestic routes in Sweden have been suspended.

Subsidiary & Affiliated Airlines

Statement of income

(MSEK)	April-June **2003**	April-June 2002	January-June **2003**	January-June 2002
Passenger revenue	**3,329**	3,622	**6,216**	5,886
Freight revenue	**25**	90	**50**	155
Charter revenue	**827**	832	**1,277**	1,037
Other traffic revenue	**101**	40	**174**	55
Other revenue	**371**	333	**734**	616
Operating revenue	**4,653**	4,917	**8,451**	7,749
Payroll expenses	**-1,009**	-1,035	**-2,030**	-1,839
Selling costs	**-178**	-236	**-361**	-370
Jet fuel	**-458**	-482	**-897**	-705
Government user fees	**-675**	-633	**-1,255**	-1,007
Catering costs	**-254**	-212	**-469**	-336
Handling costs	**-336**	-285	**-647**	-430
Technical aircraft maintenance	**-309**	-269	**-681**	-423
Data and telecommunications costs	**-167**	-169	**-313**	-302
Other operating expenses	**-472**	-483	**-931**	-771
Operating expenses	**-3,858**	-3,804	**-7,584**	-6,183
Income before depreciation and leasing costs, EBITDAR	**795**	1,113	**867**	1,566
Leasing costs for aircraft	**-436**	-547	**-886**	-909
Income before depreciation, EBITDA	**359**	566	**-19**	657
Depreciation	**-142**	-121	**-275**	-214
Share of income in affiliated companies	**6**	-35	**18**	-362
Capital gains	**32**	0	**46**	7
Operating income, EBIT	**255**	410	**-230**	88
Income from other shares and participations	**0**	0	**-30**	0
Net financial items	**-41**	5	**-90**	-23
Subsidiary & Affiliated Airlines - Income before tax, EBT	**214**	415	**-350**	65

Earnings trend

The business area's operating revenue for the first half of 2003 amounted to MSEK 8,451, an increase compared with the same period in the previous year of MSEK 702. This deviation is mainly due to the fact that in the previous year Spanair was consolidated as a subsidiary from March 2002.

In the second quarter operating revenue amounted to MSEK 4,653 (4,917).

In the first half of 2003 the business area reported income before capital gains of MSEK –396 (58) and MSEK 182 (415) for the second quarter.

The affiliated company **British Midland**, 20% holding, provided a share of income of MSEK -20 (-57).

Goodwill amortization for **Spanair** was charged against the business area's earnings with MSEK 26 (15). Spanair has been consolidated as a subsidiary in the SAS Group since March 1, 2002, and previously provided a share of income of MSEK –300 (January-February 2002).

Goodwill amortization for **Braathens** amounting to MSEK 21 (13)was charged against earnings for the first half of the year.

Due to weak market conditions, Spanair, Braathens and Widerøe are carrying out cost reductions of MSEK 1,200 with full effect in 2004.

The business area in brief

- Comprises the airlines Spanair, Braathens, Widerøe's Flyveselskap, Air Botnia and affiliated companies.
- The business area accounted for 23% of the SAS Group's operating revenue in the first half of the year.
- The airlines within the business area transported 5.6 million passengers in the first half of 2003.
- The aircraft fleet comprised 119 aircraft in June 2003.
- The average number of employees in January-June was 7,026.

Spanair

(MSEK)	Apr-Jun 2003	Jan-Jun 2003	Jan-Jun 2002 [1)]
Passenger revenue	**1,189**	**2,095**	2,010
Other revenue	**808**	**1,277**	1,183
Total revenue	**1,997**	**3,372**	3,193
Payroll expenses	**-261**	**-511**	-500
Other operating expenses	**-1,354**	**-2,537**	-2,419
Total operating expenses	**-1,615**	**-3,048**	-2,919
Operating income before depreciation, leasing costs, EBITDAR	**382**	**324**	274
Leasing costs	**-292**	**-562**	-568
Operating income before depreciation, EBITDA	**90**	**-238**	-294
Depreciation	**-26**	**-43**	-28
Capital gains	**37**	**39**	27
Operating income, EBIT	**101**	**-242**	-295
Net financial items	**-15**	**-41**	-70
Income before tax, EBT	**86**	**-283**	-365
EBITDAR margin	**19.1%**	**9.6%**	8.6%
Average number of employees	**2,563**	**2,533**	1,974

Specified statement of income can be accessed at www.sasgroup.net

[1)] Pro forma. Spanair consolidated in the SAS Group March – December 2002. January - February Spanair included as share of income.

Traffic and production		Jan-Jun 2003	Change
Scheduled traffic			
Number of passengers	(000)	**2,381**	0.3%
Revenue passenger km	(RPK)	**1,981**	3.5%
Available seat km	(ASK)	**3,444**	6.1%
Cabin factor	%	**57.5%**	-1.4%pts.
Yield, local currency			-0.3%
Unit cost, total incl. charter, local currency			-2.7%
Charter traffic			
Number of passengers	(000)	**1,054**	12.0%

Traffic- and earnings trend

Spanair's scheduled passenger traffic, RPK, increased in the first half of 2003 by 3.5%. Capacity, ASK, rose 6.1% due to increased capacity between Spain and Scandinavia/Germany. The cabin factor decreased by 1.4 percentage points. Traffic in the second quarter has shown signs of recovery but at the same time been characterized by strong pressure on yield (unit revenue) on Spanish domestic. Charter traffic was also weak at the beginning of 2003 but has gradually improved since April with good reservation levels for the summer.

Spanair's passenger revenue amounted to MSEK 2,095, which is an increase of 4.2%. Total revenues amounted to MSEK 3,372 in the first half of 2003, an increase of 5.6%. EBITDAR for the period was MSEK 324 (274) and income before tax amounted to MSEK -283 (-365).

Unit cost decreased in January-June by 2.7% compared with 2002. Spanair has started additional cost improvement measures designed to reduce costs by MSEK 300 with full effect in 2004.

BRAATHENS

(MSEK)	Apr-Jun 2003	Jan-Jun 2003	Jan-Jun 2002
Passenger revenue	**1,452**	**2,788**	2,992
Other revenue	**284**	**497**	580
Total revenue	**1,736**	**3,285**	3,572
Payroll expenses	**-421**	**-853**	-1,002
Other operating expenses	**-1,041**	**-2,054**	-1,700
Total operating expenses	**-1,462**	**-2,907**	-2,702
Operating income before depreciation, leasing costs, EBITDAR	**274**	**378**	870
Leasing costs	**-153**	**-314**	-387
Operating income before depreciation, EBITDA	**121**	**64**	483
Depreciation	**-38**	**-79**	-81
Capital gains	**0**	**11**	0
Operating income, EBIT	**83**	**-4**	402
Net financial items	**-10**	**-15**	42
Income before tax, EBT	**73**	**-19**	444
EBITDAR margin	**15.8%**	**11.5%**	24.4%
Average number of employees	**2,062**	**2,059**	3,183

Specified statement of income can be accessed at www.sasgroup.net

Traffic and production		Jan-Jun 2003	Change
Scheduled traffic			
Number of passengers	(000)	**2,084**	1.0%
Revenue passenger km	(RPK)	**1,453**	16.9%
Available seat km	(ASK)	**2,482**	11.8%
Cabin factor	%	**58.5%**	+2.6%pts.
Yield, local currency			-19.1%
Unit cost, total incl. charter, local currency			+1.2%
Charter traffic			
Number of passengers	(000)	**104**	-24.1%

Traffic- and earnings trend

Braathens' scheduled traffic, RPK, increased by 16.9% in the first half of 2003 compared with 2002. This increase was due to traffic rescheduling in April 2002 and a higher cabin factor on international routes where the cabin factor rose by 11.5 percentage points. The cabin factor on domestic routes was unchanged. Capacity, ASK, increased by 11.8%. Unit revenue (yield) decreased by 19.1% due to longer routes and lower fares, both international and domestic, and the fact that the proportion of full-fare passengers was considerably lower than in the same period in 2002. The total domestic market in Norway increased by approximately 2% measured in number of passengers.

Passenger revenue amounted to MSEK 2,788 (2,992) in the first half and EBITDAR reached MSEK 378 (870). The main reason for the substantial decline in earnings was the lower yield. Unit cost rose 1.2% due to a higher number of aircraft engines undergoing maintenance and the higher price of jet fuel. Costs in the second quarter include MSEK 37 in additional costs related to the transfer of ground handling in Norway to Scandinavian Ground Services in autumn 2002.

Income before tax (EBT) and restructuring costs amounted to MSEK 18 (444). Braathens has started a cost improvement program designed to reduce costs by MSEK 500 with a full-year effect in 2004.

widerøe

(MSEK)	Apr-Jun 2003	Jan-Jun 2003	Jan-Jun 2002
Passenger revenue	**437**	**867**	895
Other revenue	**210**	**421**	382
Total revenue	**647**	**1,288**	1,277
Operating income before depreciation, leasing costs, EBITDAR	**112**	**168**	234
Operating income before depreciation, EBITDA	**92**	**115**	169
Operating income, EBIT	**58**	**45**	99
Income before tax, EBT	**43**	**12**	68
EBITDAR margin	**17.3%**	**13.0%**	18.3%
Number of employees	**1,305**	**1,304**	1,183

Traffic and production		**Jan-Jun 2003**	Change
Number of passengers	(000)	**820**	12.4%
Revenue passenger km	(RPK)	**247**	24.4%
Available seat km	(ASK)	**475**	20.9%
Cabin factor	%	**52.1%**	+1.5%pts.
Yield, local currency			-20%
Unit cost			-11%

Traffic- and earnings trend
Widerøe's scheduled passenger traffic, RPK, increased by 24.4% in the first half of 2003 compared with 2002. The increase was due to a number of new and longer routes in the second half of 2002. This meant that capacity, ASK, increased by 20.9%. The cabin factor rose from 50.6% to 52.1%, while yield fell in the first half by 20%. On Widerøe's commercial routes yield fell even more substantially by about 30% compared with the first half of 2002. The main reason for this was the falling proportion of full-fare passengers.

Widerøe carried out traffic rescheduling in the first half of the year designed to make production more efficient. This resulted in production now being carried out using one less aircraft than previously. Unit cost per ASK fell in the first half of the year by 11%.

Widerøe's has dual production: on the Norwegian short runway network (purchased traffic in northern Norway) Widerøe conducts services under contract with the Norwegian government which accounted for just over 35% of Widerøe's passenger revenue in the first half of 2003. The other and largest part of operations comprises scheduled commercial flights within and to and from Norway and accounted for almost 65% of passenger revenue in the first half of the year.

Passenger revenue totaled MSEK 867 (895). EBITDAR amounted to MSEK 168 (234), a decrease of 28%. Income before tax (EBT) amounted to MSEK 12 (68).

Widerøe has initiated cost-cutting measures amounting to MSEK 400 with full effect in 2004. Due to an unexpectedly weak market trend on the short runway network, in July 2003 Widerøe terminated its contracted traffic in Finnmark and Nord-Troms with effect from July 2004.

Air Botnia

(MSEK)	Apr-Jun 2003	Jan-Jun 2003	Jan-Jun 2002
Passenger revenue	**251**	**466**	536
Other revenue	**11**	**19**	1
Total revenue	**262**	**485**	537
Operating income before depreciation, leasing costs, EBITDAR	**55**	**61**	144
Operating income before depreciation, EBITDA	**21**	**-6**	67
Operating income, EBIT	**19**	**-11**	61
Income before tax, EBT	**16**	**-13**	60
EBITDAR margin	**21.0%**	**12.6%**	26.8%
Number of employees	**278**	**280**	291

Traffic and production		**Jan-Jun 2003**	Change
Number of passenger	(000)	**301**	15.0%
Revenue passenger km	(RPK)	**196**	21.6%
Available seat km	(ASK)	**423**	32.2%
Cabin factor	%	**46.4%**	-4.1%pts.
Yield, local currency			-26%
Unit cost			-20%

Traffic and earnings trend
Passenger revenue for the first half of 2003 amounted to MSEK 466, which is 13% lower than in the previous year. The decline in revenue is mainly due to a lower yield due to lower fares, falling demand in the market and changed consumer behavior. Despite falling demand, Air Botnia increased the number of sold seat kilometers, RPK, by 21.6%.

The 32.2% increase in production, ASK, is due to a higher number of daily frequencies on existing routes and the introduction of new direct routes to Europe, the most recent of which, Helsinki – Düsseldorf, opened in May 2003 with two daily round trips.

Despite a production increase of 32.2%, operating expenses only rose 4%. Unit costs thus decreased 20% compared with the previous year. This improvement was mainly due to greater utilization of aircraft, higher crew productivity and a favorable dollar trend.

Despite weak market conditions, operations in the second quarter of the year were profitable and income amounted to MSEK 16. The EBITDAR margin for the second quarter was 21%.

Income before tax for the first half of the year amounted to MSEK –13 (60).

Airline Support Businesses

Statement of income

(MSEK)	April-June 2003	April-June 2002	January-June 2003	January-June 2002
Operating revenue	**4,679**	5,115	**9,434**	10,088
Payroll expenses	**-1,882**	-1,807	**-3,831**	-3,685
Selling costs	**-245**	-555	**-477**	-1,043
Handling costs	**-291**	-301	**-601**	-604
Technical aircraft maintenance	**-380**	-372	**-911**	-854
Data and telecommunications costs	**-580**	-626	**-1,140**	-1,240
Other operating expenses	**-1,098**	-1,146	**-2,237**	-2,277
Operating expenses	**-4,476**	-4,807	**-9,197**	-9,703
Income before depreciation, EBITDA	**203**	308	**237**	385
Depreciation	**-128**	-124	**-253**	-238
Share of income in affiliated companies	**0**	-1	**0**	-3
Operating income, EBIT	**75**	183	**-16**	144
Net financial items	**-31**	-46	**-68**	-26
Airline Support Businesses - Income before tax, EBT	**44**	137	**-84**	118

Earnings trend

In the second quarter the units within Airline Support Businesses adapted their operations to lower volumes in the markets. Extensive restructuring is under way within all units designed to reduce costs with full effect in 2005. Operating revenue decreased in the second quarter by 8.5% to MSEK 4,679 (5,115). Income before tax for the second quarter amounted to MSEK 44 (137).

Airline Support Businesses' operating revenue for the first half of the year amounted to MSEK 9,434 (10,088), a decrease of 6.5%. Income before tax amounted to MSEK -84 (118).

SAS World Sales will be integrated into Scandinavian Airlines with effect from August 2003.

The business area in brief

- The business area's operations mainly comprise ground services, technical aircraft maintenance, sales and distribution, and freight services.
- Comprises SAS World Sales, SAS Technical Services, Scandinavian Ground Services and SAS Cargo Group.
- The business area accounted for 25% of the SAS Group's operating revenue in the first half of 2003.
- Average number of employees in January-June was 14,221.

SAS World Sales

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**2,540**	3,267	6,287
of which external operating revenue	**24.9%**	10.3%	10.7%
Operating income before depreciation, EBITDA	**82**	175	183
Operating income, EBIT	**54**	149	127
EBITDA margin	**3.2%**	5.4%	2.9%
Number of employees	**2,422**	2,513	2,490

SAS World Sales (SWS) was able to maintain positive earnings despite falling sales when the effects of the Turnaround program strengthened. Operating revenue amounted to MSEK 2,540 (3,267). A constant focus on the number of employees has resulted in good control of costs. Operating income amounted to MSEK 54 (149).

The new distribution strategy with new net pricing which started on January 1, 2003, in the Scandinavian market has showed positive development. Ticketless travel continues to rise. A deliberate focus on sales over the Internet shows a clear sales increase through this channel, with expectations that set targets will be met.

SAS Technical Services

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**2,796**	2,793	5,874
of which external operating revenue	**13.6%**	13.1%	13.0%
Operating income before depreciation, EBITDA	**166**	120	365
Operating income, EBIT	**28**	-11	91
EBITDA margin	**5.9%**	4.3%	6.2%
Number of employees	**3,659**	3,868	3,808

SAS Technical Services' sales for the first half of the year amounted to MSEK 2,796, which is on a par with 2002. EBIT amounted to MSEK 28 (-11). The improvement in earnings is due to lower costs resulting from cost-cutting measures.

External revenues were slightly lower than expected due to decreased traffic for most customers. For Scandinavian Airlines the volume decrease in airborne hours (ABH) was approximately 3%. New contracts with external customers were signed in spring 2003 which is expected to increase sales to customers outside the SAS Group in the second half.

Turnaround 2005 measures are currently being implemented will full vigor and detailed plans are being prepared. The introduction of Pre Flight Inspection will take place in August 2003. The aim is that most activities will have been implemented before year-end. The first redundancy notices are expected to be issued in August.

Scandinavian Ground Services

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**2,796**	2,967	6,083
of which external operating revenue	**13.5%**	12.0%	13.1%
Operating income before depreciation, EBITDA	**-102**	9	48
Operating income, EBIT	**-167**	-54	-87
EBITDA margin	**-3.6%**	0.3%	0.8%
Number of employees	**6,879**	6,669	6,891

Scandinavian Ground Services (SGS) had operating revenue of MSEK 2,796, which is MSEK 171 lower than in the previous year. Adjusted for currency effects, operating revenue fell by MSEK 50 for the period. Sales to Scandinavian Airlines decreased by approximately MSEK 170, but this decline was partly compensated by new contracts, primarily Braathens and MyTravel. EBIT for the first half of the year amounted to MSEK –167 (-54).

Earnings were adversely affected by the general situation in the airline industry with falling volumes, considerable price pressure from customers, and greater competition. SGS's Turnaround projects are proceeding as planned and further cost reductions for 2003 have been decided.

New operations for SGS in the first half of the year included MyTravel, Air Canada, LOT and newly opened operations at Stockholm's Bromma airport in conjunction with Scandinavian Airlines' route to Copenhagen which started in May.

Cargo

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**1,467**	1,304	2,844
of which traffic revenue	**1,080**	1,045	2,269
Proportion of external operating revenue	**95.4%**	95.2%	95.5%
Operating income before depreciation, EBITDA	**43**	-23	47
Operating income, EBIT	**22**	-44	1
Income before tax, EBT	**-4**	-40	-4
EBITDA margin	**2.9%**	-1.8%	1.7%
Average number of employees	**1,261**	1,106	1,146
Flown tonnes	**141,610**	127,628	271,103
Tonne km (000)	**486,754**	433,830	928,307
Cargo yield, SEK/ tonne km	**2.22**	2.35	2.27

Operating revenue in the first half of 2003 amounted to MSEK 1,467, which is 13% higher than in the same period in 2002. Operating revenue was positively affected by integration of Braathens' cargo operations in SAS Cargo with effect from July 1, 2002.

SAS Cargo's accumulated EBT amounted to MSEK –4, which is an improvement of MSEK 36 compared with 2002. Yield decreased by 5% from SEK 2.35 to SEK 2.22, mainly due to exchange rate fluctuations.

Despite Scandinavian Airlines' reduction in overall capacity, SAS Cargo had a positive tonnage development in the first half of the year, mainly on the intercontinental routes. The favorable tonnage trend can be attributed, among other things, to new contracts including Volvo to/from Japan and to the U.S. At the same time, quality for the period developed favorably and was at the highest level ever measured.

In order to ensure a continued positive earnings trend, close strategic cooperation has been initiated with Norway Post comprising a product portfolio, sales, handling, distribution and route maintenance.

Airline Related Businesses

Statement of income

	April-June		January-June	
(MSEK)	**2003**	2002	**2003**	2002
Operating revenue	**1,217**	1,622	**2,383**	3,089
Payroll expenses	**-341**	-428	**-703**	-849
Handling costs	**-58**	-55	**-118**	-101
Costs of goods sold incl. concession charges	**-344**	-465	**-637**	-825
Data and telecommunications costs	**-136**	-233	**-306**	-465
Other operating expenses	**-246**	-288	**-489**	-565
Operating expenses	**-1,125**	-1,469	**-2,253**	-2,805
Income before depreciation, EBITDA	**92**	153	**130**	284
Depreciation	**-65**	-76	**-131**	-149
Share of income in affiliated companies	**0**	-3	**0**	-22
Capital gains	**0**	-3	**0**	-3
Operating income, EBIT	**27**	71	**-1**	110
Income from other shares and participations	**0**	-27	**0**	-27
Net financial items	**7**	-3	**19**	-8
Airline Related Businesses - Income before tax, EBT	**34**	41	**18**	75

Earnings trend

Most of the business area's sales are to external customers. Since SMART was sold to Amadeus in August 2002, SMART is included in comparative figures for 2002.

Due to a lower level of activity in the airline industry and the sale of SMART, operating revenue for the business area in the second quarter decreased by MSEK 405 to MSEK 1,217. Efficiency enhancements led to income before tax decreasing by only MSEK 7 to MSEK 34.

Operating revenue for the first half of the year amounted to MSEK 2,383 (3,089), a decline of 22.9%. Income before tax decreased to MSEK 18 (75).

The business area in brief

- Operations related to airline operations within and outside the SAS Group. Operations comprise stores at airports, IT support for the airline industry, and training of pilots and cabin crew.
- Comprises the companies Scandinavian IT Group, SAS Trading, SAS Flight Academy, Jetpak and others.
- The business area accounted for 6% of the SAS Group's operating revenue in the first half of the year.
- Average number of employees during January-June was 2,152.

SAS

Scandinavian IT Group

	Jan-Jun	Jan-Jun	Jan-Dec
(MSEK)	**2003**	2002	2002
Operating revenue	**1,028**	1,108	2,255
of which external operating revenue	**10.2%**	4.2%	6.7%
Operating income before depreciation, EBITDA	**97**	106	192
Operating income, EBIT	**48**	44	72
Income before tax, EBT	**49**	43	70
EBITDA margin	**9.4%**	9.6%	8.5%
Number of employees	**1,243**	1,302	1,289

Despite the continued decline in the civil aviation industry in the second quarter, Scandinavian IT Group improved its income before tax (EBT) by MSEK 6 to MSEK 49 for the first half of 2003. Operating revenue during the period fell 7% to MSEK 1,028. The background to the positive earnings trend is the cost-cutting measures carried out in 2002. These savings are expected to provide a full-year effect of approximately MSEK 370 in 2003.

Apart from Atlantic Air, Coast Air and Cimber, Mærsk Air and a number of other companies have shown an interest in Scandinavian IT Group's solution for Internet Booking. Greater activity within Internet Booking is therefore expected in the second half of 2003.

SAS Trading

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**752**	1,074	1,964
of which external operating revenue	**95.5%**	97.0%	97.0%
Operating income before depreciation, EBITDA	**-63**	20	13
Operating income, EBIT	**-72**	-2	-24
Income before tax, EBT	**-49**	-4	-34
EBITDA margin	**-8.4%**	1.9%	0.7%
Number of employees	**342**	568	471

SAS Trading's total operating revenue amounted to MSEK 752 which is MSEK 322 lower than in the previous year. The decline is due to a lost concession for sales at airports in Sweden and weak development, particularly for charter traffic. The lower operating revenue affected EBT which declined from MSEK –4 in 2002 to MSEK –49 for the first half of 2003. The weakening of the Norwegian krone against the Swedish krona had a negative impact on earnings for the first half since most of operations are in Norway.

On June 27 an extensive cooperation agreement was concluded with Inflight Service, as a new logistics and distribution partner. Inflight Service will also be responsible for purchases of most of SAS Trading's product groups. Inflight Service holds a leading position within travel retail in the Nordic and Baltic area within purchasing and distribution, and the combined volumes will provide both cost and logistics gains. In the first half of the year agreements were also concluded with Flightshop, Spanair and Braathens regarding purchasing of duty paid products for onboard sales where SAS Trading acts as a purchasing pool.

SAS Flight Academy

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**266**	318	568
of which external operating revenue	**33.1%**	30.5%	30.6%
Operating income before depreciation, EBITDA	**62**	89	141
Operating income, EBIT	**15**	41	44
Income before tax, EBT	**11**	36	38
EBITDA margin	**23.3%**	28.0%	24.8%
Number of employees	**173**	172	174

SAS Flight Academy's (SFA) total sales in the first half of 2003 amounted to MSEK 266 which is MSEK 52 lower than in the previous year. EBT was MSEK 11 which is MSEK 25 lower than in the same period last year. Most of this negative development is due to a lower training demand from Scandinavian Airlines.

SFA is working to consolidate all pilot and cabin crew training in the SAS Group. As part of this work, SFA has concluded agreements with Scandinavian Airlines, Braathens and Widerøe on training at SFA's new training center at Gardermoen. The training center will be ready in August 2004.

SFA acquired several new customers in the first half of 2003 including Ryanair, Lagun Air, Argentinean Air Force, Viking Airlines, JAT Yugoslav Airlines, Colombian Air Force, Iran Air Transport, Azzurraair, Icelandic Flight Academy, and Polishögskolan.

JETPAK

(MSEK)	**Jan-Jun 2003**	Jan-Jun 2002	Jan-Dec 2002
Operating revenue	**226**	181	385
of which external operating revenue	**99.6%**	99.4%	99.5%
Operating income before depreciation, EBITDA	**15**	-6	4
Operating income, EBIT	**12**	-10	-2
Income before tax, EBT	**11**	-10	-3
EBITDA margin	**6.6%**	-3.3%	1.0%
Number of employees	**179**	151	153

Jetpak's operating revenue amounted to MSEK 226, which is 25% higher than in the first half of 2002.

The company's total EBT amounted to MSEK 11 which is MSEK 21 higher than in the previous year, although the first half of 2002 was affected by approximately MSEK 10 in nonrecurring costs.

Work during the spring focused on strengthening a common business platform and profile for express and local delivery services. The market was weak but is starting, particularly on the local delivery side, to show signs of recovery. The positive earnings are very much a result of lower costs.

Hotels

Rezidor SAS

(MSEK)	April-June 2003	2002	January-June 2003	2002
Rooms revenue	**470**	432	**875**	785
Food and beverage revenue	**288**	274	**566**	532
Other revenue	**145**	172	**304**	307
Operating revenue	**903**	878	**1,745**	1,624
Operating expenses	**-304**	-274	**-620**	-544
Payroll expenses	**-372**	-317	**-728**	-639
Rental expenses, property insurance and property tax	**-228**	-202	**-473**	-417
Operating income before depreciation	**-1**	85	**-76**	24
Depreciation	**-34**	-27	**-67**	-55
Share of income in affiliated companies	**5**	10	**4**	13
Capital gains	**2**	0	**4**	0
Operating income, EBIT	**-28**	68	**-135**	-18
Income from other shares and participations	**0**	0	**13**	0
Net financial items	**-11**	-9	**-32**	-8
Hotels - Income before tax, EBT	**-39**	59	**-154**	-26

Key figures	**Jan-Jun 2003**	Jan-Dec 2002	Jan-Jun 2002
EBITDA, MSEK [1]	**-72**	220	37
Revenue per available room(SEK) (REVPAR) [2]	**531**	632	623
Gross profit margin	**22.7%**	29.3%	27.2%

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

Earnings trend

Revenues for the first half of 2003 amounted to MSEK 1,745 (1,624), an improvement compared with the previous year of MSEK 121 or 7.5%. The increase is primarily attributable to new hotels opened since the previous year as well as the strike in Norway in 2002. Currency adjusted revenues from comparable units decreased compared with 2002 by 3.2%.

The hotel market showed very negative development in the first six months of 2003 and revenue per available room (REVPAR), adjusted for currency effects, is 5.6% lower than in the previous year. The main reasons for this negative trend are the war in Iraq and SARS, which further strengthened the effects of the generally weak economic situation in Europe. The weakest markets are major cities in Europe while cities in eastern parts of Europe and smaller cities showed less of a decline. A recovery has been noted for hotels in the Middle East and China.

Market positions strengthened in all key markets during the first six months of the year. In the two markets where market share was lost in 2001 and 2002, Sweden and Germany, improvements could be noted during the six-month period.

In addition to the 14 hotels taken over in the first quarter, in the second quarter Rezidor SAS signed agreements for eleven new Radisson SAS hotels, six new Park Inn hotels and one Cerutti hotel.

The number of hotels in the chain was 213 at the end of June 2003, an increase of 17% since year-end 2002.

Ten new Radisson SAS hotels opened during the period, in Sweden, Germany and Saudi Arabia. In addition, 16 Park Inn hotels were opened, including 14 in Sweden.

EBITDA, income before depreciation and including share of income in affiliated companies, amounted to MSEK –72 (37) for the period January-June. EBITDA in the second quarter was MSEK 4 (95). The higher costs compared with the previous year are mainly due to the increase in the number of hotels. The number of hotel rooms increased by 11% compared with 2002. Furthermore, energy prices increased markedly in Norway. In addition, the development of a new loyalty program and introduction of four new brands contributed to the higher costs. A project for cost reductions started during the period provided some decrease in costs, but the full effects will occur in the second half of 2003.

Income before tax, EBT, for the period amounted to MSEK –154 (-26). The decline compared with 2002 is mainly due to lower revenue for comparable units which was due to the downturn in the market.

The business area in brief

- Comprises the company Rezidor SAS Hospitality which conducts the SAS Group's hotel business under the brands Radisson SAS, Park Inn, Country Inn, Regent and Cerutti.
- The number of available rooms per day is approximately 44,000 divided among more than 210 hotels.
- The business area accounted for 5% of the SAS Group's operating revenue in the first half of 2003.
- Average number of employees during January-June was 3,424.

Definitions

AEA, Association of European Airlines.
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 minority interests, plus surplus value in the aircraft fleet, plus 7 times the 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 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
EBITDAR in relation to AV.
Debt/equity ratio
Financial net debt in relation to shareholders' equity and minority interests.
Earnings per share (EPS)
Income after tax 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.
EBT
Income before tax.
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 plus minority interests in relation to total assets.
EV (Enterprise Value)
Average market capitalization plus average net debt during the year and 7 times the annual cost for operating leases for aircraft.
Financial net debt
Interest-bearing liabilities minus interest-bearing assets, excluding net pension funds.
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
Airline operations' total operating expenses minus non-traffic related revenue per ASK.
Unit cost, total
Airline operations' total operating expenses including capacity costs for aircraft minus non-traffic related revenue per ASK.
Unit revenue (yield)
Average traffic revenue per RPK.
Yield
See Unit revenue.

SAS Group organization

Op.rev. MSEK 15,568	Op.rev. MSEK 8,451	Op.rev. MSEK 9,434	Op.rev. MSEK 2,383	Op.rev. MSEK 1,745
41%	23%	25%	6%	5%

Operating revenue for the SAS Group totaled MSEK 29,010 (31,643) for the first half of 2003. Percentages refer to share of the SAS Group's operating revenue excluding groupwide items and before group eliminations. Operating revenue pertains to the period January-June 2003.

Financial calendar

Interim Report 3, January-September 2003 .... November 11, 2003

Year-end report 2003 .... February 2004

Annual Report and Environmental Report 2003 .... March 2004

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 also be accessed and ordered via the Internet: www.sasgroup.net

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

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Production: SAS Group
Printing: Redners
Paper: G-Print