



SAS Group

Interim Report January-June 2009

Key ratios for the second quarter

- Operating revenue: MSEK 12,223 (14,412) (-15.2%)
- Number of passengers: 6.8 million (-17.1%)
- Earnings before nonrecurring items in continuing operations: MSEK 38 (499)
- EBT margin before nonrecurring items in continuing operations: 0.3% (3.5%)
- Net income for the period: MSEK -1,047 (-422)
- Earnings per share: SEK -0.47 (-0.42)

Key ratios for the first six months

- Operating revenue: MSEK 23,519 (26,760) (-12.1%)
- Number of passengers: 12.6 million (-16.4%)
- Earnings before nonrecurring items in continuing operations: MSEK -851 (-351)
- EBT margin before nonrecurring items in continuing operations: -3.6% (-1.3%)
- Net income for the period: MSEK -1,795 (-1,585)
- Earnings per share: SEK -1.11 (-1.52)

Income and key ratios

	April-June		January-June		July-June	
(MSEK)	2009	2008	2009	2008	2008-09	2007-08
Revenue	12,223	14,412	23,519	26,760	49,629	52,594
EBITDAR before nonrecurring items	1,061	1,475	1,342	1,684	3,578	4,203
Income before nonrecurring items in continuing operations	38	499	-851	-351	-820	227
EBT margin before nonrecurring items	0.3%	3.5%	-3.6%	-1.3%	-1.7%	0.4%
Income before tax, EBT	-1,039	131	-2,018	-719	-2,268	-285
Net income for the period	-1,047	-422	-1,795	-1,585	-6,570	-1,509
Earnings per share (SEK)	-0.47	-0.42	-1.11	-1.52	-5.01	-1.45

Comments by the CEO

The global economy was extremely weak during the second quarter, while we continued to bear witness to a major downturn in orders in many industries. The effects of the global recession are being felt extensively throughout the aviation industry and many carriers are continuing to implement far-reaching cost-saving measures to manage this situation, something that has been confirmed in our competitors' most recent financial reports. The IATA predicts a substantial loss of USD 9 billion for the entire aviation industry in 2009, and many airlines find themselves struggling to survive.

For SAS, the quarter was characterized by a more stable load factor but a weaker yield. The stabilization of the load factor is positive and shows that the capacity reductions we are now implementing are starting to generate effects. We are continuing to reduce capacity in accordance with our Core SAS strategic direction. The decline in yield that was also noted during the second quarter provides further confirmation of the extremely difficult situation in which the entire aviation industry finds itself.

Income for the second quarter was weaker than expected and amounted to MSEK +38 before nonrecurring items in continuing operations. This figure does not include nonrecurring items of MSEK -1,030 pertaining to restructuring costs related to Core SAS that we announced in July. Income for the period totaled MSEK -1,039. The earnings trend for the second quarter primarily resulted from falling demand and pressure on the yield.

The implementation of Core SAS, which was initiated in February, is ahead of schedule. We have also expanded the savings program by SEK 0.5 billion and it now totals SEK 4.5 billion. Restructuring costs are significantly higher than previously calculated due to the extended measures aimed at achieving profitability, which have been brought forward. At June 30, we had implemented cost-saving measures corresponding to approximately MSEK 2,082 on a full-year basis, which impacted the first two quarters of the year with an earnings effect of MSEK 721. A total of 1,227 FTEs have left the Group, while seven aircraft have been withdrawn from service. We will see even more extensive effects of Core SAS during the remainder of the year with an additional 14 aircraft scheduled to be withdrawn from operation. A number of commercial initiatives are being carried out in parallel with these capacity and cost reductions to increase the Group's revenue.

We commenced negotiations with all of SAS's 39 trade unions in June to further reduce the cost gap compared with our most effective competitors, which after the implementation of Core SAS will amount to approximately SEK 2 billion. Despite having been successful in some areas, an agreement on the reduction of payroll expenses was not reached with all of the Group's trade unions. To eliminate the cost gap, we will establish competitive collective agreements involving a 10-20% payroll and pension reduction among flight deck and cabin personnel, optimize SAS's production to make greater use of the most cost-efficient production resources and further enhance the efficiency of administration and of SAS Ground Services and SAS Tech.

In summary, SAS must compete on the same basis as its competitors and completely close the cost gap which ultimately is a matter of survival.

Mats Jansson
President and CEO

Financial overview

Statement of income

(MSEK)	April-June		January-June		July-June	
	2009	2008	2009	2008	2008-09	2007-08
Revenue	12,223	14,412	23,519	26,760	49,629	52,594
Payroll expenses	-5,269 ⁵⁾	-4,485	-9,878 ⁵⁾	-8,982	-18,528	-17,358
Other operating expenses	-6,779 ⁶⁾	-8,826	-13,280 ⁶⁾	-16,468	-28,771	-31,643
Leasing costs for aircraft	-626 ⁷⁾	-519	-1,367 ⁷⁾	-1,066	-2,583	-2,225
Depreciation and impairment	-463 ⁸⁾	-360	-864 ⁸⁾	-708	-1,706	-1,417
Share of income in affiliated companies	19	-78	-14	-143	-18	-160
Income from sale of shares in subsidiaries and affiliated companies	2	0	7	0	7	0
Income from sale of aircraft and buildings	-49	6	-49	6	-51	93
Operating income	-942	150	-1,926	-601	-2,021	-116
Income from other shares and subsidiaries	0	0	0	0	0	5
Net financial items	-97	-19	-92	-118	-247	-174
Income before tax	-1,039	131	-2,018	-719	-2,268	-285
Tax	13	-124	277	76	205	-55
Net income from continuing operations	-1,026	7	-1,741	-643	-2,063	-340
Income from discontinued operations	-21	-429	-54	-942	-4,507	-1,169
Net income for the period	-1,047	-422	-1,795	-1,585	-6,570	-1,509
Attributable to:						
Parent Company shareholders	-1,047	-422	-1,795	-1,528	-6,570	-1,457
Minority interests	0	0	0	-57	0	-52
Earnings per share (SEK)	-0.47 ¹⁾	-0.42 ⁴⁾	-1.11 ²⁾	-1.52 ⁴⁾	-5.01 ³⁾	-1.45 ⁴⁾
Earnings per share (SEK) from continuing operations ¹⁾	-0.46 ¹⁾	0.01 ⁴⁾	-1.08 ²⁾	-0.64 ⁴⁾	-1.57 ³⁾	-0.34 ⁴⁾
Earnings per share (SEK) from discontinued operations ¹⁾	-0.01 ¹⁾	-0.43 ⁴⁾	-0.03 ²⁾	-0.88 ⁴⁾	-3.44 ³⁾	-1.11 ⁴⁾

1) Earnings per share is calculated based on the average number of outstanding shares, 2,224,122,250.

2) Earnings per share is calculated based on the average number of outstanding shares, 1,615,677,875.

3) Earnings per share is calculated based on the average number of outstanding shares, 1,311,455,687.

4) Earnings per share is calculated on the basis of 164,500,000 outstanding shares until April 15, 2009 adjusted for a bonus element in the rights issue to existing shareholders of 6,123, or 1,007,233,500 shares.

Since the SAS Group has no option, convertibles or share programs, no dilution occurs. A detailed statement of income is available at www.sasgroup.net

5) Includes restructuring costs of MSEK 877 for the second quarter and MSEK 972 for the first six months of the year.

6) Includes restructuring costs of MSEK 6 for the second quarter and MSEK 6 for the first six months of the year.

7) Includes restructuring costs of MSEK 110 for the second quarter and MSEK 110 for the first six months of the year.

8) Includes restructuring costs of MSEK 34 for the second quarter and MSEK 34 for the first six months of the year.

EBITDAR before nonrecurring items

(MSEK)	April-June		January-June		July-June	
	2009	2008	2009	2008	2008-09	2007-08
Revenue	12,223	14,412	23,519	26,760	49,629	52,594
Payroll expenses	-5,269	-4,485	-9,878	-8,982	-18,528	-17,358
Other operating expenses	-6,779	-8,826	-13,280	-16,468	-28,771	-31,643
EBITDAR	175	1,101	361	1,310	2,330	3,593
Restructuring costs	883	33	978	33	1,229	249
Other nonrecurring items	3	341	3	341	19	361
EBITDAR before nonrecurring items in continuing operations	1,061	1,475	1,342	1,684	3,578	4,203

Income before nonrecurring items

(MSEK)	April-June		January-June		July-June	
	2009	2008	2009	2008	2008-09	2007-08
Income before tax in continuing operations	-1,039	131	-2,018	-719	-2,268	-285
Impairment losses	0	0	0	0	12	0
Restructuring costs	1,027	33	1,122	33	1,373	249
Capital gains	47	-6	42	-6	44	-98
Other nonrecurring items	3	341 ¹⁾	3	341 ¹⁾	19	361
Income before tax and nonrecurring items in continuing operations	38	499	-851	-351	-820	227

1) Relates to SAS Cargo. Fines from the US Department of Justice included in an amount of MUSD 52.

SAS Group

Market and earnings trend

The market trend in the aviation industry during the quarter was the weakest for many years and was very negative in Europe and the Nordic region compared with the year-earlier period. For the Group as a whole, the number of passengers fell 17.1% year on year, at the same time as total demand declined sharply. SAS is reducing capacity slightly more than the market and has chosen to phase out unprofitable market shares. The load factor rose by 0.3 percentage units, indicating stabilization, while the yield weakened. The decline in yield for the second quarter further highlights the extremely difficult situation in which the entire aviation industry finds itself.

The global economy remains weak since major parts of the industrialized world are in a recession. Fuel prices again became more volatile during the second quarter and continued to rise. At the same time, the USD weakened, which offset part of the negative earnings effects brought about by higher jet fuel prices. During the second half of the year, the SAS Group will continue to implement the Core SAS strategy and work on adapting capacity to demand.

January-June 2009

The sale of the Group's stake in airBaltic was finalized during the first quarter with payment in respect of the shares received in January. The sale of Spanair was completed on March 31 in accordance with the conditions described in the 2008 Annual Report.

Spirit, which is a sub-group of SAS Cargo and provides freight handling services, is reported as an asset held for sale. A sales process has commenced and the transaction is expected to be completed within 12 months.

Continuing operations:

The SAS Group's income before nonrecurring items in continuing operations amounted to MSEK -851 (-351).

The net effect of currency fluctuations between the January-June periods of 2008 and 2009 was negative in the amount of MSEK -403. The effect was MSEK 2,537 on revenue, MSEK -3,119 on operating expenses and MSEK 179 on net financial items.

The SAS Group's revenue amounted to MSEK 23,519 (26,760), down MSEK 3,241 or 12.1%. Taking into account currency effects, revenue declined 21.6%. Passenger traffic (RPK) for the Group fell 17%.

The Group's costs for jet fuel amounted to MSEK 4,063 (4,735). Adjusted for negative currency effects due to a stronger USD, fuel costs fell MSEK 2,309 as a result of lower prices and volumes. Restructuring costs related to the implementation of Core SAS totaling MSEK 981 are mainly included in payroll expenses. Nonrecurring expenses for the year-earlier period amounted to MSEK 374. Of this amount, MSEK 341 related to the Cargo case. Operating expenses otherwise decreased due to reduced capacity.

Operating income before depreciation, impairment losses and leasing costs, EBITDAR, was MSEK 1,342 (1,684) before nonrecurring items.

Leasing costs include a provision totaling MSEK 110 pertaining to leasing costs for aircraft withdrawn from operation. In addition, a nonrecurring impairment loss of MSEK 34 was posted pertaining to company-owned aircraft that have been withdrawn from operation.

Shares of income in affiliated companies amounted to MSEK -14 (-143). This improvement was primarily due to the results in British Midland no longer being included since the equity share is recognized at zero.

Cubic Air Cargo was divested in February, generating a capital gain of MSEK 7.

Income from sale of aircraft and buildings amounted to MSEK -49 (6). During the second quarter, six deHavilland Q400s

were divested and the sale and leaseback of one Q400 New Generation took place.

The Group's net financial items amounted to MSEK -92 (-118). Net interest was MSEK -254 (-106). The currency effect totaled MSEK 181 (2). Other net financial expenses amounted to MSEK -19 (-14).

Compared with the year-earlier period, earnings for the second quarter of 2009 were negatively impacted by approximately MSEK 200 due to Easter 2009 falling in the month of April.

Discontinued operations:

Income from discontinued operations totaled MSEK -54 (-942). The first six months of 2009 includes Spirit's earnings after tax. The corresponding period in 2008 includes a capital loss pertaining to ST Aerospace Solutions, SAS Media and SAS Facility Management of MSEK -185 and net income for the period in airBaltic, Spanair, Aerolineas de Baleares, Spirit and divested operations of MSEK -757.

Second quarter 2009

Continuing operations:

The SAS Group's income before nonrecurring items in continuing operations amounted to MSEK 38 (499).

The Group's operating revenue amounted to MSEK 12,223 (14,412). Taking into account currency effects, operating revenue declined by MSEK 3,529 or 22.4%. The Group's passenger traffic fell 16.8%.

Operating expenses including payroll expenses amounted to MSEK 12,048 (13,311). Adjusted for positive currency effects and nonrecurring items of MSEK 886 (374), operating expenses were 24.3% lower compared with the year-earlier period due to lower fuel costs and lower volumes. Taking into account currency effects, jet fuel costs declined by MSEK 1,434 compared with the second quarter of 2008.

EBITDAR before nonrecurring items amounted to MSEK 1,061 (1,475) for the second quarter. The Group's net financial items totaled MSEK -97 (-19). Net interest was MSEK -124 (-26) and the currency effect amounted to MSEK 43 (14).

Discontinued operations:

Income from discontinued operations amounted to MSEK -21 (-429). The second quarter of 2009 includes net income for the period in Spirit. Capital gains/losses were recognized in 2008 for the divestment of SAS Media, SAS Facility Management and the holdings in ST Aerospace Solutions as was net income for the period in airBaltic, Spanair, Aerolineas de Baleares and divested operations.

Core SAS

Core SAS is the SAS Group's new strategic plan and is based on five pillars that will facilitate an efficient and more profitable SAS.

Focus on Nordic home market

Core SAS involves a strengthened focus on the Nordic home market. Companies not directly involved in core operations will be sold. SAS has divested Spanair and completed the divestment of its stake in airBaltic, SGS Finland and the cargo agent Cubic. In addition, BMI, Air Greenland, Spirit, Trust, Estonian Air and Skyways will be divested. SAS Cargo will focus on selling belly capacity to the Group's airlines. Part of the restructuring will also entail that units in STS and SGS, as well as certain central functions, will be outsourced.

Focus on business travelers and a strengthened commercial offering

To facilitate profitability, the Core SAS's focus on profitable business routes will be intensified. Core SAS will entail extensive cutbacks in the number of routes and in capacity (ASK, approx. 20%). Most of the discontinued routes are leisure routes. Based on results for 2008, these measures correspond to an estimated positive pre-tax earnings effect of approximately MSEK 800. The fleet will be reduced by a total of 21 aircraft. This reduction comprises a total of an additional 19 short-haul aircraft and two long-haul aircraft.

A new commercial offering has been launched – Service And Simplicity. SAS intends to further enhance its customer offering by making the travel experience smoother, while simultaneously maximizing perceived value for the individual customer. An improved EuroBonus program and many new services (for example, mobile telephone boarding passes and access to lounges for Economy Extra passengers) will be launched within the framework of the new commercial offering. To maintain a high pace of implementation, some measures in the commercial-offering initiative have already been started, such as, SAS Credits to small and medium-sized companies.

Improved cost base

The launch of Core SAS entails the implementation of new cost-reduction measures corresponding to a total of approximately SEK 4.5 billion. The cost program originally totaled SEK 4 billion. However, new savings opportunities amounting to SEK 0.5 billion have been identified, primarily relating to procurement-related projects in the technical operations. Other additional measures are found in such areas as SGS, Blue1 and Widerøe. Of the total of SEK 4.5 billion, SEK 1.3 billion will comprise annual savings within the framework of existing collective agreements, SEK 2.2 billion new initiatives and SEK 1 billion remaining effects from the S11 cost program. For further details, see "Core SAS's cost program" below.

The cost program is being continuously monitored by a recently established program office, which has dedicated resources, and is reported as a single joint program, Core SAS.

By implementing the Core SAS cost program, the existing cost gap relative to relevant competitors will diminish. A larger part of this gap is associated with collective agreements. In June, SAS management initiated negotiations aimed at reducing payroll expenses and enhancing the efficiency of production within the framework of these collective agreements. Since a solution could not be reached with the Group's 39 different trade unions, SAS management and the Board have now initiated other measures to reduce the cost gap relative to the Group's most effective competitors.

Streamlined organization and customer-oriented focus

The SAS organization will be simplified within the framework of Core SAS. The most significant change involves changing the incorporation of the national companies, which to date have had full responsibility for the operations in their respective countries. The long-haul operation, SAS International, has ceased to be a separate business unit. Three new base organizations have been established in Copenhagen, Stockholm and Oslo, to assume responsibility for both short and long-haul services within Core SAS. SGS's

operations will be integrated into these organizations. STS, and the remaining parts of SAS Cargo and the carriers Widerøe and Blue1 will remain independent companies within the Group.

As a result of the restructuring process, about 3,000 employees at SAS will be laid off. In addition, a further 5,600 employees will leave the Group along with the operations that will be divested or outsourced. Of these, Spanair accounts for approximately 3,000 employees. A total of about 9,000 employees will be affected in current Group companies. The new Core SAS organization will result in a more efficient and simplified SAS, with a strengthened customer orientation.

Strengthened capital structure

To facilitate the implementation of Core SAS, SAS has implemented a rights issue of approximately SEK 6 billion, with subscription rights for the shareholders to subscribe for new ordinary shares. SAS's rights issue was oversubscribed by 24.2%. The issue has improved SAS's equity and financial key ratios.

Status of Core SAS's cost program

One of the main pillars of Core SAS is the Group's cost-saving measures corresponding to savings of approximately SEK 4.5 billion. Of this amount, a total of SEK 1.3 billion will comprise annual savings within the framework of collective agreements and about SEK 2.2 billion will derive from a new cost program, where SEK 1.0 billion will be transferred from the existing S11 program. Of this total, SEK 0.7 billion comprises initiatives that were implemented in 2008 but have not yet generated earnings effects and SEK 0.3 billion initiatives that will be implemented in 2009. New savings measures corresponding SEK 0.5 billion were also announced during the second quarter.

Restructuring costs under Core SAS for full-year 2009 are now expected to increase by MSEK 800 to MSEK 1,700 for the current cost program. The increase is primarily attributable to aircraft being withdrawn from operation at a faster rate than previously announced, a higher percentage of early retirement among pilots than previously estimated and leased aircraft being returned at an earlier date than scheduled. This increase in restructuring costs has also occurred in light of the rise in the total cost program from SEK 4 billion to SEK 4.5 billion. Restructuring costs will have a limited effect on cash flow in the short term. Restructuring costs for the second quarter amounted to MSEK 1,027.

Status of implementation of Core SAS after the first six months of the year

The Core SAS cost program has been reported and monitored as a single program since the first quarter of 2009 and will include the total effect of new initiatives and the continuing effects of S11.

Cost program (Amounts in parenthesis correspond to figures for the first quarter)

	Annual effect total 2009-2011	Implemented Q2 2009
Flight operations	~850 (1,000)	500 (250)
Ground	~400 (300)	300 (150)
Other production	~700 (600)	400 (250)
Technical maintenance	~950 (500)	300 (100)
Procurement	~600 (600)	150 (200)
Sales and marketing	~400 (400)	250 (50)
Cargo	~100 (100)	50 (0)
Other	~500 (500)	200 (50)
Total	MSEK ~4,500 (4,000)	MSEK ~2,100 (1,050)

Implementation of Core SAS

Total annual effect	MSEK 4,500
Implemented	MSEK 2,129
Percentage	47%

FTE reductions in Core SAS

Total number of FTE reduction	3,000
Number of reductions implemented	1,227
Percentage	41%

Earnings effect second quarter 2009

Annual effect (2009)	MSEK 2,100
Effect achieved during first six months	MSEK 721
Percentage	33%

Up to June 30, about 47% of the cost program had been implemented, which is ahead of schedule. Of estimated lay-offs of 3,000 FTEs under Core SAS, the reduction on June 30 was 1,227.

The earnings effect during the second quarter of 2009 totaled MSEK 721. The implementation of Core SAS involves the reduction of a total of 21 aircraft, which is one aircraft more than previously announced in February 2009.

Up to June 30, a total of seven aircraft had been withdrawn from operation. From November, a total of 18 of 21 aircraft are expected to have been withdrawn from service.

New measures

The aim of measures under Core SAS and new measures totaling approximately SEK 2 billion is to eliminate the cost gap compared with SAS's most effective competitors. Competitive collective agreements involving a 10-20% payroll and pension reduction among flight deck and cabin personnel must be established to eliminate this cost gap. These new measures also include the optimization of SAS's production to make greater use of the most cost-efficient production resources and further efficiency enhancements in administration and in SAS Ground Services and SAS Tech. The measures are expected to result in lay-offs of 1,000-1,500 FTEs.

Legal issues

On February 14, 2006, the European Commission and the U.S. Department of Justice each made public investigations into possible price fixing in the air cargo industry. SAS Cargo is one of several air cargo carriers involved in the investigations. On July 21, 2008, SAS Cargo entered a plea of guilty to violation of U.S. antitrust laws and will pay a fine of MUSD 52 in installments over the next four years as a settlement following the Department of Justice's investigation. This concludes the investigation of SAS by the U.S. authorities and resolves all liability in connection with the U.S. investigation.

A decision resulting from the investigation being conducted by the European Commission is expected in 2009, although it is not possible for SAS to predict the exact date of the announcement of the decision. It is the opinion of Group Management that SAS will probably be fined by the Commission. The final amount of the fine could be impacted by a variety of factors, including the arguments the SAS Group has made in its defense. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on SAS. However, it is impossible to quantify such a potential liability and for this reason no provisions have been made in the SAS Group's financial statements with respect to the European Commission investigation.

SAS is cooperating with the authorities in other jurisdictions such as Switzerland and South Korea in conjunction with the investigations of these authorities into possible price fixing in the air cargo market. The authorities in these jurisdictions have requested certain information from SAS, but have not launched a formal investigation or brought charges against SAS. However, it cannot be ruled out that the authorities in these or other jurisdictions may launch formal investigations or bring charges against SAS in the future.

Moreover, a number of class-action civil lawsuits brought against SAS Cargo and other air cargo carriers in the United States, alleging civil damages and seeking monetary compensation, are pending in a consolidated civil case in New York. The plaintiffs claim to have suffered damage and are suing for financial compensation. SAS continues to be engaged in settlement negotiations relating to this civil case. Furthermore, a related lawsuit is pending in Canada and the risk of further claims for damages in other jurisdictions and relating to other markets cannot be ruled out. Since it is impossible to quantify the potential liability of the lawsuits in New York and Canada or predict the outcomes of any other suits in other jurisdictions, no provisions have been made in SAS's financial statements with respect to the litigation. An unfavorable outcome to these disputes or other potential claims could have a significantly negative effect on SAS's operations, financial position and earnings.

Currency and fuel hedging

The SAS Group has hedged 55% of its anticipated fuel consumption for the remainder of 2009. For the period between July 2009 and June 2010, the SAS Group hedged 52% of its anticipated fuel consumption. Hedging was achieved primarily through swaps, capped options and collars. Under current plans for flight capacity, the cost of jet fuel in 2009 is expected to be in line with the table on page 15, assuming different prices and USD exchange rates. SAS's policy is to handle increases in jet-fuel costs primarily through price adjustments and yield management.

In June 2009, the SAS Group had hedged 63.5% of its anticipated USD deficit for the next twelve months. Other currencies are hedged at a rate of 60-90% in accordance with the financial policy.

SAS Group

Segment information

January-June (MSEK)	Scandinavian Airlines		Blue1		Widerøe		Other Core SAS		Eliminations Core SAS		Core SAS	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External revenue	20,371	22,923	947	1,017	1,678	1,691	254	199	0	0	23,250	25,830
Sales between business segments	777	1,500	29	38	3	51	605	647	-1,220	-1,299	194	937
Revenue	21,148	24,423	976	1,055	1,681	1,742	859	846	-1,220	-1,299	23,444	26,767
Payroll expenses	-8,404	-7,594	-189	-173	-655	-620	-166	-144	0	0	-9,414	-8,531
Other expenses	-12,362	-15,676	-798	-780	-880	-987	-464	-420	1,172	1,270	-13,332	-16,593
EBITDAR	382	1,153	-11	102	146	135	229	282	-48	-29	698	1,643
Leasing costs for aircraft	-1,266	-1,001	-60	-54	-89	-40	0	0	48	29	-1,367	-1,066
EBITDA	-884	152	-71	48	57	95	229	282	0	0	-669	577
Depreciation and impairment	-761	-606	-3	-2	-71	-78	-23	-20	3	2	-855	-704
Share of income in affiliated companies	3	-13	0	0	0	0	0	0	0	0	3	-13
Capital gains	-46	-4	0	0	1	10	1	0	0	0	-44	6
EBIT	-1,688	-471	-74	46	-13	27	207	262	3	2	-1,565	-134
Unallocated income items:												
Income from other shares and subsidiaries												
Net financial items												
Tax												
Net income from continuing operations												
Earnings before nonrecurring items in continuing operations	-727	-206	-75	49	9	12	279	361	3	2	-511	218

January-June (MSEK)	Other operations		Eliminations		SAS Group	
	2009	2008	2009	2008	2009	2008
External revenue	269	930	0	0	23,519	26,760
Sales between business segments	471	672	-665	-1,609	0	0
Revenue	740	1,602	-665	-1,609	23,519	26,760
Payroll expenses	-464	-451	0	0	-9,878	-8,982
Other expenses	-613	-1,520	665	1,645	-13,280	-16,468
EBITDAR	-337	-369	0	36	361	1,310
Leasing costs for aircraft	0	0	0	0	-1,367	-1,066
EBITDA	-337	-369	0	36	-1,006	244
Depreciation and impairment	-9	-4	0	0	-864	-708
Share of income in affiliated companies	-17	-130	0	0	-14	-143
Capital gains	2	0	0	0	-42	6
EBIT	-361	-503	0	36	-1,926	-601
Unallocated income items:						
Income from other shares and subsidiaries					0	0
Net financial items					-92	-118
Tax					277	76
Net income for the period from continuing operations					-1,741	-643
Earnings before nonrecurring items in continuing operations	-340	-605	0	36	-851	-351

The Group's operations are governed and reported by business segment according to the following:

Scandinavian Airlines, which includes the airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services in Sweden, Norway and Denmark, SAS Tech and the remaining parts of SAS Cargo.

Blue1 as an independent airline based in Finland.

Widerøe as an independent airline based in Norway.

The three segments above jointly comprise Core SAS, along with certain shared services and management functions.

Other operations includes SAS Individual Holdings, the Parent Company SAS AB (Group functions) and other non-reportable segments.

The operations in SAS Individual Holdings are being successively discontinued through divestment.

Core SAS

Scandinavian Airlines, Blue1, Widerøe and other operations directly related to airline operations are reported in the Core SAS segment. SGS, SAS Tech and SAS Cargo are integrated in the airline Scandinavian Airlines. Scandinavian Airlines' EBITDAR amounted to 100 (867) and EBT to -1,062 (-9). In total, Core SAS comprises more than 95% of operating revenue in the Group.

The earnings trend was affected by very weak market conditions with declining demand and pressure on yields. Many companies are making capacity reductions to adapt to lower demand levels.

Scandinavian Airlines posted income before nonrecurring items of MSEK -11 (370) for the second quarter of 2009. Widerøe's income before nonrecurring items amounted to MSEK 32 (4) for the second quarter of 2009. Blue 1's income before nonrecurring items totaled MSEK -24 (46) for the second quarter of 2009.

Statement of income Scandinavian Airlines

Statement of income

(MSEK)	2009	Apr-Jun 2008	2009	Jan-Jun 2008
Passenger revenue	7,898	9,608	15,082	17,283
Charter revenue	587	389	983	735
Other traffic revenue	752	996	1,571	1,925
Other revenue	1677	2,183	3,511	4,480
Revenue	10,914	13,175	21,148	24,423
Payroll expenses	-4,520	-3,788	-8,404	-7,594
Selling costs	-115	-155	-250	-285
Jet fuel	-2,223	-2,708	-4,069	-4,735
Government user fees	-1,008	-1,067	-1,965	-2,014
Catering costs	-306	-337	-582	-628
Handling costs	-494	-526	-1,003	-988
Technical aircraft maintenance	-665	-651	-1,464	-1,319
Computer and telecommunication costs	-467	-518	-930	-1,042
Other operating costs	-1,016	-2,559	-2,098	-4,665
Operating expenses	-10,813	-12,308	-20,764	-23,270
Income before depreciation and leasing costs, EBITDAR	100	867	383	1,153
Leasing costs for aircraft	-579	-495	-1,267	-1,001
Income before depreciation, EBITDA	-479	372	-883	152
Depreciation	-412	-308	-761	-606
Share of income in affiliated companies	0	-18	3	-13
Capital gains	-51	-4	-46	-4
Operating income, EBIT	-941	42	-1,688	-471

Scandinavian Airlines reported a profit for the second quarter, but this corresponds to a decline compared with the year-earlier period. The earnings trend during the second quarter was impacted by the prevailing difficult market conditions. Accordingly, Scandinavian Airlines has continued to reduce capacity so as to adjust the operations to lower demand. During the second quarter, capacity (ASK) was reduced by almost 18% compared with the year-earlier period, and by 14% for the first half of 2009. In addition to capacity adjustments, a cost program is being implemented in a bid to adapt the operations to the changed market conditions.

Passenger revenue during the quarter was weak but in line with capacity reductions. Both the trend in yield and the load factor during the quarter were in line with the year-earlier period. Freight revenue was adversely impacted by the weak freight market and the capacity reductions implemented on intercontinental routes.

In total, unit revenue RASK was slightly weaker during the second quarter compared with the year-earlier period. One of the reasons for this is the higher level of charter operations. Passenger traffic (RPK) improved on short-haul routes

compared with intercontinental routes for which the load factor did not attain the level for the year-earlier period.

Payroll expenses performed well and, taking into account currency effects, expenses fell in line with the number of FTEs. Jet fuel expenses declined as a result of lower prices and lower volumes, although forward contracts relating to fuel and currencies had an adverse impact. Other operating expenses were positively impacted by such items as currency forward contracts and revaluation of balance-sheet items. Furthermore, the lower cost for leasing Q400 replacement capacity had a positive effect as did general savings in, for example, administration.

The currency-adjusted unit cost excluding fuel was lower than for the year-earlier period and displayed a positive trend, which is the result of the current cost program.

Quality, in the form of regularity and punctuality, was positive and exceeded the level for the year-earlier period for the second quarter. In addition, customer satisfaction rose, due to the high level of punctuality and also due to an improved perception of SAS's competitiveness in terms of price.