



# Annual Report 1962/63



# Annual Report

FOR THE FINANCIAL YEAR OCTOBER FIRST, 1962, TO SEPTEMBER THIRTIETH, 1963

## 1962/63

# Highlights

<b>Production &amp; Traffic</b>		1962/63	1961/62	Change (%)
Kilometers Flown	(Mill.)	60.7	57.5	+ 5.6
Hours Flown	(000)	119.6	116.5	+ 2.7
Total Ton-Kms Available	(Mill.)	590.1	550.5	+ 7.2
Revenue Ton-Kms	(Mill.)	302.4	275.6	+ 9.7
Passengers	(Mill.)	222.2	206.9	+ 7.4
Freight	(Mill.)	64.0	53.7	+19.0
Mail	(Mill.)	16.2	15.0	+ 8.2
Total Load Factor Scheduled Services	(%)	53.2	51.5	
Total Number of Passengers Carried	(000)	2358	2131	+10.7
Revenue Passenger-Kms	(Mill.)	2506.2	2344.1	+ 6.9
Passenger Load Factor Scheduled Services	(%)	49.9	49.6	
Average Length of Trip in Kms		1076	1117	- 3.7
Number of Employees September 30		11990	11782 <sup>1)</sup>	+ 1.8 <sup>1)</sup>
Revenue Ton-Kms per Employee <sup>2)</sup>		25500	23200	+10.3
<b>Financial Result</b> (Million Swedish Crowns)				
Total Traffic Revenue		726.4	663.5	+ 9.5
Passengers		584.1	539.5	+ 8.3
Freight		78.0	67.2	+16.1
Mail		45.2	42.8	+ 6.1
Charter		19.1	14.2	+34.5
Net Profit (Loss)		21.0	(24.5)	

<sup>1)</sup> Excludes 151 persons who have been transferred to subsidiaries as from October 1, 1962. <sup>2)</sup> Based on average number of persons employed in SAS during the whole year.

For the first time since the introduction of the commercial jets, SAS has the satisfaction of being able to report a net profit of 21.0 million Swedish Crowns (US \$4.0 mill.) for the financial year 1962/63. This compares with a deficit of 24.5 million in the previous year.

Jet aircraft, of which there were 765 in commercial operation in the world at the latest count, have given the traveler the most efficient, most comfortable and fastest means of trans-

portation yet offered. The business man gets through more business in a day. The vacationer spends less time on travel and more on vacation.

While the jet aircraft of all IATA carriers represented only 25 per cent of their total fleet, these jets accounted for over 80 per cent of the total airline capacity. In the case of SAS, the 22 jets of the 47 aircraft used in the carrier's own operations, provided 79 per cent of the System's capacity.



## Taming of the Jets

In retrospect, the introduction of the jets was a bold action on the part of the airlines. It immediately benefited the traveling public. But the carriers themselves have required all of the first five years to recover from the cost of investment, and to master the sudden overcapacity caused by the jets' great speed and carrying ability.

On the Copenhagen—New York route, the 82 seat DC-7C of yesteryear would need 3½ days to equal a single 24 hour performance of today's DC-8.

The 1962 increase in world production in ton-kms of 14 per cent was 2 percentage points less than for 1961, but still above the yearly average of the last decade. The comparable figure for SAS in the financial year stayed, however, at 7 per cent.

The 1962 increase in world traffic fell slightly below the production figure and amounted to 12.5 per cent. The increase in traffic experienced by SAS during the financial year was 10 per

cent. Thus, SAS attained an improvement in load factor from 51.5 per cent in 1961/62 to 53.2 per cent in 1962/63, while the load factor globally for scheduled carriers decreased from 51.6 per cent in 1961 to 50.9 per cent in 1962.\*)

The decrease in world load factor is, however, much less than from 1960 to 1961, when it fell from 55.2 per cent to 51.6 per cent. It is a fair assumption, therefore, that the industry as a whole is now entering a period of more stability and less unsatisfactory results.

Signs of this development can be seen in the interim financial statements for 1963 now becoming available from the international carriers. On average, total revenue seems to equal operating expenses, while in 1961, the industry experienced an operating deficit of 2 per cent. SAS' deficit of 4 per cent in 1961/62 has become an operating profit in 1962/63 of 3 per cent of total revenues.

\*) Excluded from all these figures are the Soviet Union and China.

Within the International Air Transport Association, the 18 member airlines serving the North Atlantic leg have striven to come to an agreement on a reduction in fares. SAS has warmly supported these efforts, in the belief that lower rates are the greatest incentive to travelers.

The scheduled airlines of the world have also been concerned about the accelerating number of charter flights, which, to an ever increasing extent, are taking tourist traffic away from the

regular services. Possibly no airline in Europe is more affected by this development than SAS due to a combination of circumstances, particularly connected with the Northerner's urge for a warm holiday climate.

Economic conditions generally have been favourable in all major industrial areas of the world and have, thus, provided the climate for a continuing expansion of airline utilization. There is every indication that general economic conditions in the coming year will remain satisfactory and that, all things being normal, airline traffic may be expected to maintain a steady upward trend.

However, every major airline company today is facing a situation similar in nature, but much more extensive in magnitude, to that which they confronted when the jet became commercially available five years ago, namely the development of the supersonic aircraft. While SAS for its part welcomes the innovation of the supersonic aircraft in the hope that they will provide still better service for the flying public, it also feels that it is important that the introduction of these newest planes is not unduly accelerated, having regard to the best interests of the public and of the airlines themselves. Although these aircraft are not expected to become available for another 7-9 years, nonetheless in the competitive airline business, a number of carriers have already found it necessary to purchase options on supersonic aircraft.



The year now ended has for SAS been one of consolidation, rationalisation and an intensified utilization of its aircraft fleet. The compulsion to expand, which always appears the more attractive and inspiring, was subordinated to the need to conduct the affairs of the Consortium in such a way as to achieve a better relationship between the invested capital and the financial result.

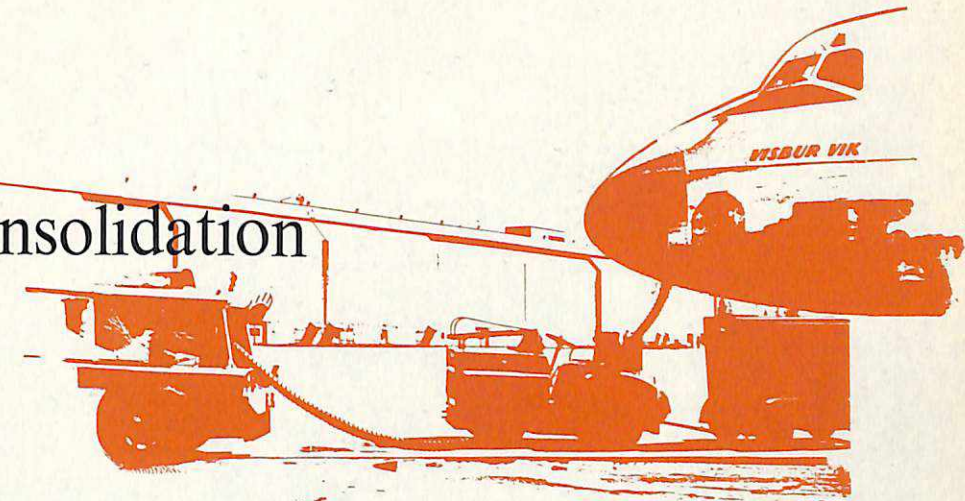
of consolidation and restraint. The yield per revenue ton-km — one of the key tools of measurement in airline operations — had been declining since the middle of the 1950's. Such downward trend was, however, arrested during the latter part of 1962/63.

This encouraging development resulted chiefly from the fact that the main traffic increases took place on

routine checking and regular overhaul of the Caravelle fleet. The Kastrup workshop at Copenhagen is responsible for the maintenance of the DC-8s and also for the DC-7Cs, while the Fornebu shop at Oslo services the Metropolitans.

With the agreement of IATA, SAS made final preparations for the opening of a DC-7C route from Copen-

## A Year of Consolidation



Consequently, the only new addition to the fleet made by SAS in the year just passed, was the purchase of another Caravelle. Furthermore, SAS refrained from acquiring fan jet engines for its DC-8 aircraft because of the considerable capital outlay which would have been involved, although a fuel saving of 15 per cent might thus have been obtained. Final plans were, however, made for SAS to become the first airline to purchase the DC-8 fan "Long-Duct" which offers a 26 per cent saving in fuel consumption compared to the straight jet, thereby attaining a correspondingly longer range. Two of these newest jets are scheduled for delivery to SAS in 1965 at a cost of about 100 million Swedish crowns, including spare parts.

The major efforts of the consortium in the past year have been directed to achieving the highest possible utilization and load factors on existing routes with the aircraft already in operation. On the New York route, SAS and Pan American World Airways were the only two airlines to increase their passenger load factor in the course of the financial year.

Although Europe experienced its most severe winter in twenty years, the on-time performance of SAS operations was still further improved.

For the whole system, the production increase amounted to 7.2 per cent, while ton-kms actually sold rose by 9.7 per cent. As the year progressed, SAS began to reap the benefits of its policy

routes with high yields. It is foreseen, however, that the further fare reductions, which at the year's end had not yet been agreed upon within IATA, may change the trend, and by next spring yield per revenue ton-km will again begin to decline.

While it is SAS' good fortune to have as its home base three countries with thriving economies, full employment and expanding industries, these factors also make special demands on the Consortium in terms of salaries and wages, which are well above the Western European average. During the year, total costs per employee are estimated to have increased by approximately 7 per cent. The adverse effect of this trend was, however, largely off-set by a 10 per cent increase in productivity per employee.

At the year's end, SAS had 11,990 employees in all categories, an increase on last year of 1.8 per cent. Employee relations have remained good. The major salary problem concerned the remuneration of the pilots and was resolved after somewhat prolonged negotiations.

The program of workshop specialisation, begun in the preceding year, was brought to completion. The Linta repair and maintenance shop in Stockholm, responsible for the overhauling of jet engines, has cut its capacity to SAS' own needs, and has at the same time been placed directly under Region Sweden. The depot at Arlanda opened up as maintenance base for both the

hagen to New York via Gothenburg and Bergen four times a week, at rates which would allow SAS to offer the public the same low fares as Iceland's non-IATA Loftleidir.

SAS' air freight business has, on the whole, progressed in concert with the international development in this field. The DC-7F route Copenhagen—New York had, however, to be cancelled on certain occasions because of the lack of freight demand. Nonetheless, total freight traffic (including charter) showed an improvement of 22 per cent on the previous year.

During the year, SAS transported 2,358,000 passengers between 74 cities in 38 countries over 5 continents. The total unduplicated length of the route network was 145,053 kilometers.

It is more apparent than ever that SAS' renommé as a reliable, obliging and efficient carrier is dependent on the individual daily performance of its employees, in the cockpit and the cabin, behind the counters and in the offices, in the workshops and on the airfields, and on the Consortium's ability to give satisfactory service to the public in Scandinavia and in every other country of the SAS network.

The improved financial result of the 1962/63 operations could not have been attained without the devoted and able service of each SAS employee. The Board of Directors wishes to express to all members of the SAS staff its appreciation of their valuable contribution to this most recent achievement.

Scheduled Services	Total system	1. Intercont.	2. Europe & M. East	3. Domestic
Avail. Ton-Kms (in Mill.)				
1962/63	568	334	186	48
1961/62	535	320	174	41
Increase %	+6.1	+4.4	+7.0	+16.5
1962/63 % of Total	100.0	58.8	32.8	8.4
Rev. Ton-Kms (in Mill.)				
1962/63	302	178	95	29
1961/62	275	165	87	24
Increase %	+9.7	+8.0	+9.8	+21.9
1962/63 % of Total	100.0	59.0	31.5	9.5

For the SAS network, the absolute increase in production, as well as in traffic, was greatest on the intercontinental routes, but percentage-wise domestic traffic within the three Scandinavian countries showed the largest growth. The table to the left provides a comparison of 1962/63 and the preceding year, for the total System and for its three main components: 1) Intercontinental, 2) Europe and Middle East and 3) Domestic.

The increase in production which has been recorded this year without

routes (from 2,232,000 passengers in 1961/62 to 2,372,000), and SAS maintained its share of this traffic at 5.6 per cent.

Of the six intercontinental routes of SAS, the Transpolar achieved a satisfactory improvement, while the route to New York continued to have the highest load factor with 57.1 per cent.

#### European and Middle East Routes.

The most noteworthy development in this area was the very favorable growth of 24 per cent in passenger traffic on

clude Middle East Airlines in January, 1963, and United Arab Airlines in May of the same year. The growth in passenger traffic has, however, involved a reduction in freight carried on these routes. While the load factor on the Middle East routes increased from 38.7 to 46.1 per cent, there was only a very minor improvement on the European routes.

#### Domestic Routes.

A pronounced increase in traffic within Norway was the most striking

## Production and Traffic



the acquisition of additional aircraft, is the achievement of the modern airplane as well as of the traffic planning staff and the technical staff of the Consortium.

The following three tables show how the improvement in load factor for the whole System, from 51.5 per cent in 1961/62 to 53.2 this year, is divided among the different areas of operation.

Passenger traffic rose by 7.4 per cent on the preceding year, cargo increased by 19 per cent and mail by 8.2 per cent.

Non-scheduled traffic is not included in these figures, — the production of such flights amounted to 22 million ton-kms as compared to 15 million in the preceding year.

#### Intercontinental Routes.

Operation on the intercontinental routes were maintained by the seven DC-8 aircraft of SAS except for the Far East via India route which utilized Coronado aircraft leased from SWISSAIR.

During the summer season, the Copenhagen—New York leg was served by 22 flights weekly in each direction, otherwise 11. On the Los Angeles route there were 7 flights weekly each way, and 4 during the winter months; on the Transpolar there were 2 flights in each direction, to South America and South Africa one flight, and to the Far East via India 2 flights weekly each way.

There was a 6.3 per cent increase in the total passenger traffic of the IATA carriers on the North Atlantic

the routes covered by SAS' pool cooperation with Austrian Airlines. In November 1962, SAS had initiated a pool agreement with AUA in respect of routes to the Middle East, and this co-operation was later extended to in-

feature of developments in the domestic services. In addition to a general increase in demand, a special reason for the growth of the Norwegian traffic was the opening by SAS, in the summer of 1963, of a regular daily route

#### Intercontinental Routes

Scheduled Traffic (in mill.) (Last year's figures in brackets)

Areas	Pass. Traffic		Cargo & Mail		Load Factor
	Pass-Kms	Change %	Ton-Kms	Change %	%
New York	641	11	28.4	40	57.1
	(579)		(20.3)		(54.8)
Los Angeles	285	— 7	9.0	14	48.6
	(305)		(7.9)		(50.4)
Other Intercontinental Routes	386	2	20.2	— 5	51.4
	(380)		(21.2)		(48.7)
Total Intercontinental Traffic	1312	4	57.6	17	53.4
	(1264)		(49.4)		(51.6)

#### European and Middle East Routes

Scheduled Traffic (in mill.) (Last year's figures in brackets)

Areas	Pass. Traffic		Cargo & Mail		Load Factor
	Pass-Kms	Change %	Ton-Kms	Change %	%
Middle East	81	21	1.48	10.0	46.1
	(67)		(1.51)		(38.7)
Europe (incl. Inter-Scandinavian Routes)	820	8	17.34	16.1	51.7
	(761)		(14.94)		(51.2)
Total	901	9	18.82	14.4	51.2
	(828)		(16.45)		(49.9)

Oslo—Kirkenes. For many weeks, demand far exceeded available capacity on this route. With less demand off-season, the number of flights has been cut to four a week.

In the case of Danish domestic traffic, the very severe and prolonged winter with ice blocking the seaways brought about a sevenfold increase in freight traffic.

As for Sweden, only three trunk lines are fully operated by SAS, the rest of the domestic routes being run by Linjeflyg AB in which SAS has a 50 per cent interest.

#### Domestic Routes

Scheduled Traffic (in mill.) (Last year's figures in brackets)

Areas	Pass. Traffic		Cargo & Mail		Load Factor
	Pass-Kms	Change %	Ton-Kms	Change %	%
Denmark	35	13	0.38	91	58.6
	(31)		(0.20)		(53.0)
Norway	131	29	1.27	8	61.3
	(102)		(1.17)		(59.3)
Sweden	127	6	2.13	41	59.4
	(120)		(1.51)		(57.1)
Total Domestic	293	16	3.78	31	60.1
	(253)		(2.88)		(57.4)

## Subsidiaries

**SAS Catering A/S.** The gross revenue of the wholly owned SAS' subsidiary, SAS Catering A/S, increased by 34 per cent from the previous year to a total of 45 million Swedish crowns. No fewer than 26 airlines are now supplied from the 11 kitchens of SAS Catering. While SAS itself remains its largest customer, all the other customers have increased their share of the purchases from the company by 51 per cent.

The company also owns, or operates on lease, a number of canteens and

restaurants in the three Scandinavian countries.

The major expansion now under way is in Oslo, where SAS Catering has been given the responsibility for all catering and restaurant facilities at the city's new airport building, scheduled to be opened on April 1, 1964.

SAS Catering has also been actively engaged in finalizing its preparations for running the Swedish Pavilion Restaurant at the New York World's Fair 1964/65.

**SAS-Invest A/S.** The Copenhagen-based SAS-Invest A/S, which is a wholly owned subsidiary of SAS, operates the Royal Hotel in the Danish capital. It has ended its third year of business with a very satisfactory increase in activity and turnover. The hotel has been visited by 51,000 guests with 114,000 overnight stays, which is 5 per cent more than last year. Throughout the year, it has had a room occupancy of 85 per cent. The Royal Hotel has a staff of 360 employees of 17 different nationalities.

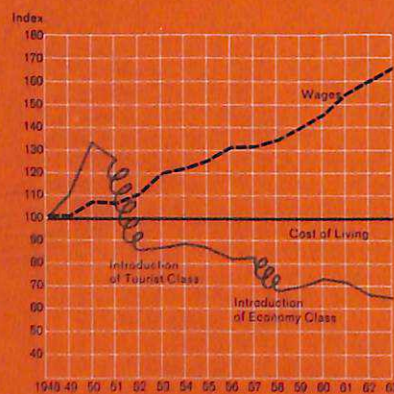
**Linjeflyg AB.** Linjeflyg AB, which operates the greater part of the Swedish domestic network, has further modernized its fleet during the present year by substituting Metropolitans for its DC-3s. By the end of the year Linjeflyg had 9 Metropolitans and 3 DC-3s.

The provision of larger and faster aircraft resulted in an increase in production of 18 per cent, while the increase in revenue pass-km only amounted to 6.8 per cent, to a total of 135 million. Despite a healthy increase (of 20 per cent) in cargo and mail, the load factor declined from 53.2 in 1961/62 to 48.8 in 1962/63. The number of passengers transported by the company increased by 6.4 per cent to 404,330.

After depreciation, amounting to 3.6 million Swedish Crowns as against 2.4 last year, the accounts for the financial year 1962/63 show neither profit nor loss.

### Air Travel — The Inexpensive Commodity

A 15 Year History of Declining Costs to the Public



of the products of most other industries have risen very considerably.

The wage data used in the chart represent a composite of the increases in the earnings of the average industrial worker in the three Scandinavian countries together, while the air fare data refer to the cost of a ticket on the Copenhagen—New York route.

The chart shows that between 1948 and 1963 real wages have risen by 63 per cent, while the lowest regular fare has declined by 37 per cent.

Translated, this means that in relation to his purchasing power the average wage earner in Scandinavia in 1963 was able to fly to America at 61 per cent less cost than in 1948.

This chart vividly points up the extent to which the cost of air travel to the passenger has been steadily reduced throughout the last 15 years, a period in which the prices

## Co-operation with other Airlines



**SWISSAIR.** The co-operation agreement with SWISSAIR has now passed its 5th anniversary. This co-operation, which extends over both the technical and commercial spheres, continued to yield valuable benefits to both carriers, as well as to their passengers. The co-ordination of sales activity, timetables and frequencies for the Scandinavia-Switzerland leg and routes south have been extended.

**THAI International.** THAI International Airways, which in May 1960 opened its first route from Bangkok to Tokyo, now also serves the following cities: Djakarta, Hong Kong, Kuala Lumpur, Manila, Rangoon, Saigon, Singapore and Taipei. During the financial year, THAI International, in which SAS holds a 30 per cent share interest, increased its transportation revenue by 28 per cent. In spite of considerable improvements, the load factor, however, is still unsatisfactory.

Throughout the year, THAI International and SAS continued the arrangement whereby THAI operated a portion of the Coronado production originally

introduced by SAS on the route to Tokyo via Bangkok. The aircraft has since been registered in Thailand. THAI International has returned to SAS two DC-6Bs, retaining, for the time being, one other in operation.

**Austrian Airlines.** SAS and Austrian Airlines, in which SAS has a minor financial holding, concluded this year the long-term co-operation agreement envisaged in the 1961/62 Report.

This agreement provides for the joint employment of flight equipment, pooling of air services, the joint use of sales organization, coordination of sales activities and a close technical co-operation.

The main Austrian Airlines—SAS agreement further covers two separate pool arrangements with Middle East Airlines and United Arab Airlines respectively, for services via Austria to the Middle East. Through this joint operation arrangement, whereby both earnings and costs are pooled between the parties, the total supply of aircraft for the routes covered is provided by SAS on behalf of all parties

involved. In the event of an increase in demand, the other parties have the first option to furnish the aircraft.

This co-operation is proving successful for all the parties concerned, and a continuous increase in traffic is developing.

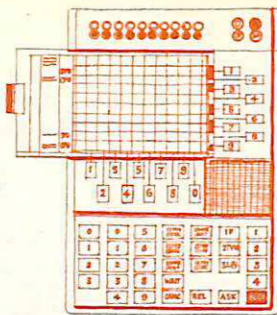
**Deutsche Lufthansa.** A further extension was made by SAS in the present year to its co-operation arrangements with the signing of a pool agreement with Deutsche Lufthansa scheduled for implementation as from November 1, 1963. Under the terms of this agreement, all services between Scandinavia and the Federal Republic of Germany will be operated in co-operation by the two carriers, and each will act as general agent for the other in their respective countries. In view of the extensive flow of traffic between Scandinavia and Germany and beyond, via German airports, the conclusion of this agreement is expected to be of mutual benefit.

**Other working arrangements.** SAS is a partner in several other pools, the most important of which are:

BEA/SAS, for traffic between Scandinavia and London; with AIR FRANCE, covering all traffic between Scandinavia and Paris; FINNAIR/SAS, comprising traffic between Scandinavia and Finland and also the Stockholm—Oslo route; and with KLM/SABENA, a three partner pool for traffic between Scandinavia and Benelux.

THAI International	1961/62	1962/63	Increase
	Actual	Actual	
Available Ton-Kms (Mill.)	26.1	30.3	+ 16 %
Revenue Ton-Kms (Mill.)	10.6	13.0	+ 23 %
Total Load Factor (%)	40.5	43.0	—

## Just 4 seconds, please!



More than 250 SAS ticket counters in 14 European countries will shortly have a "hot line" to the brain of the space control center in Copenhagen, as SAS becomes the first European carrier to introduce an electronic reservation system.

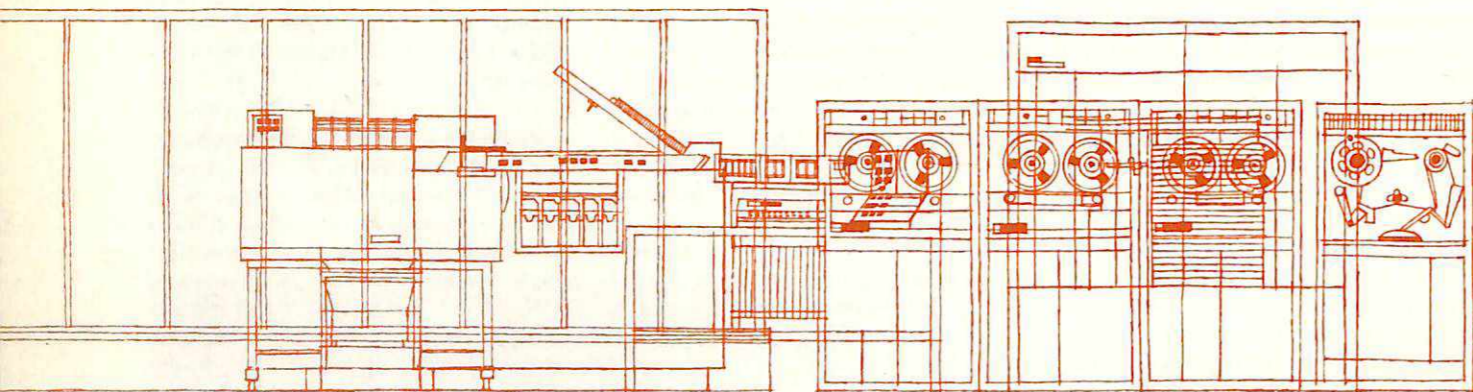
The agent is already today equipped with a "key set", which, linked with the space control center, gives instantaneous information on space availability on any SAS flight.

However, SAS-CO — the new brain now being tested for installation in Copenhagen in 1964 — takes the process one step further, and makes the key set a much more versatile instrument.

In four seconds, agents from Helsinki to Madrid, from London to Vienna, will be able to issue a confirmed, definite booking on any SAS flight, anywhere, at any time within the next 300 days.

The difference between the present system and SAS-CO is that the former only allowed the agent to consult the space availability information stored in the brain. The new system permits him to affect it directly — in other words, he holds a high-priority "hot line" straight to the SAS space control center.

At the core of the system are two IBM 1410 computers. Like lobes of the same brain, they can take over each other's functions. The reason for this duplication is that it must be possible to take time out periodically for maintenance of each computer — but 24-hours-a-day airline operation tolerates no such interruption.



Making a virtue of necessity, however, SAS will be able to utilize the spare lobe for a number of "off-line" applications, or management systems. These applications have a lower priority than the booking operations, since the input material can be stored in memories or on punched cards and released to the computer when it is cleared of hot-line applications. Among the functions which thus will utilize SAS-CO are revenue and cost accounting, production planning and inventory control.

In the computer lingo, the machinery itself is known as "hardware", while programming for an electronic brain is known as "software".

The intricate hardware of SAS-CO has been designed to SAS specifications by IBM World Trade Corporation, and the components have been manufactured in several countries. The international assembly line ends in Essonnes, near Paris, where SAS-CO is being assembled by IBM for final delivery to Copenhagen.

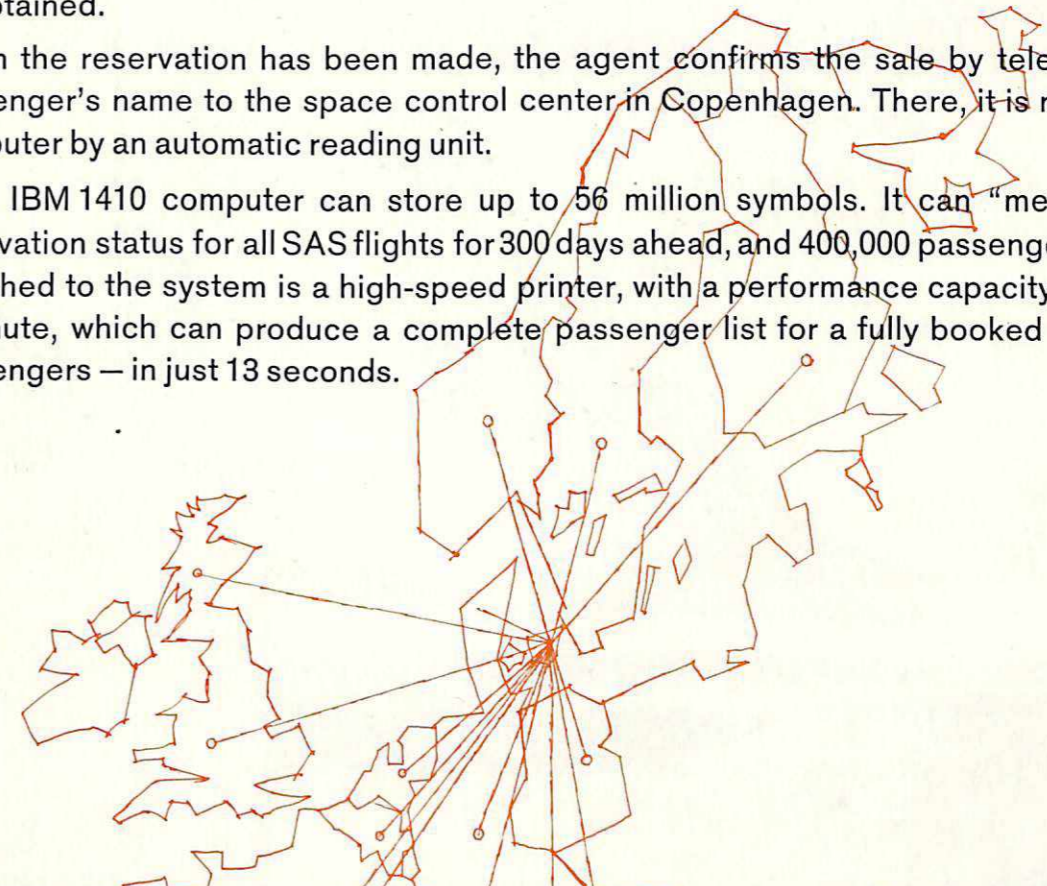
Its software has been developed in the past five years by SAS communication experts working with an IBM team. Programming for systems requiring instantaneous access to the brain, i.e. hot-line service, will be performed by SAS Communications Department, while management systems will be the responsibility of SAS Finance Department.

This is how the new booking system will work: The Agent selects the requested flight on a destination card, which he inserts in the key set. He then presses the BOOK button. Four seconds later, a green light replies that the seat desired is now definitely reserved. As it accepts the booking, the computer automatically updates the seat inventory. Once the acceptance level is reached, the brain switches lights to indicate that the flight is closed.

But it also provides an alternative. If the last seat has been sold, lamps on the key set will indicate other flights to the same destination on which immediate reservations can be obtained.

When the reservation has been made, the agent confirms the sale by teleprinting the passenger's name to the space control center in Copenhagen. There, it is read into the computer by an automatic reading unit.

Each IBM 1410 computer can store up to 56 million symbols. It can "memorize" the reservation status for all SAS flights for 300 days ahead, and 400,000 passengers by name. Attached to the system is a high-speed printer, with a performance capacity of 600 lines a minute, which can produce a complete passenger list for a fully booked DC-8 — 130 passengers — in just 13 seconds.



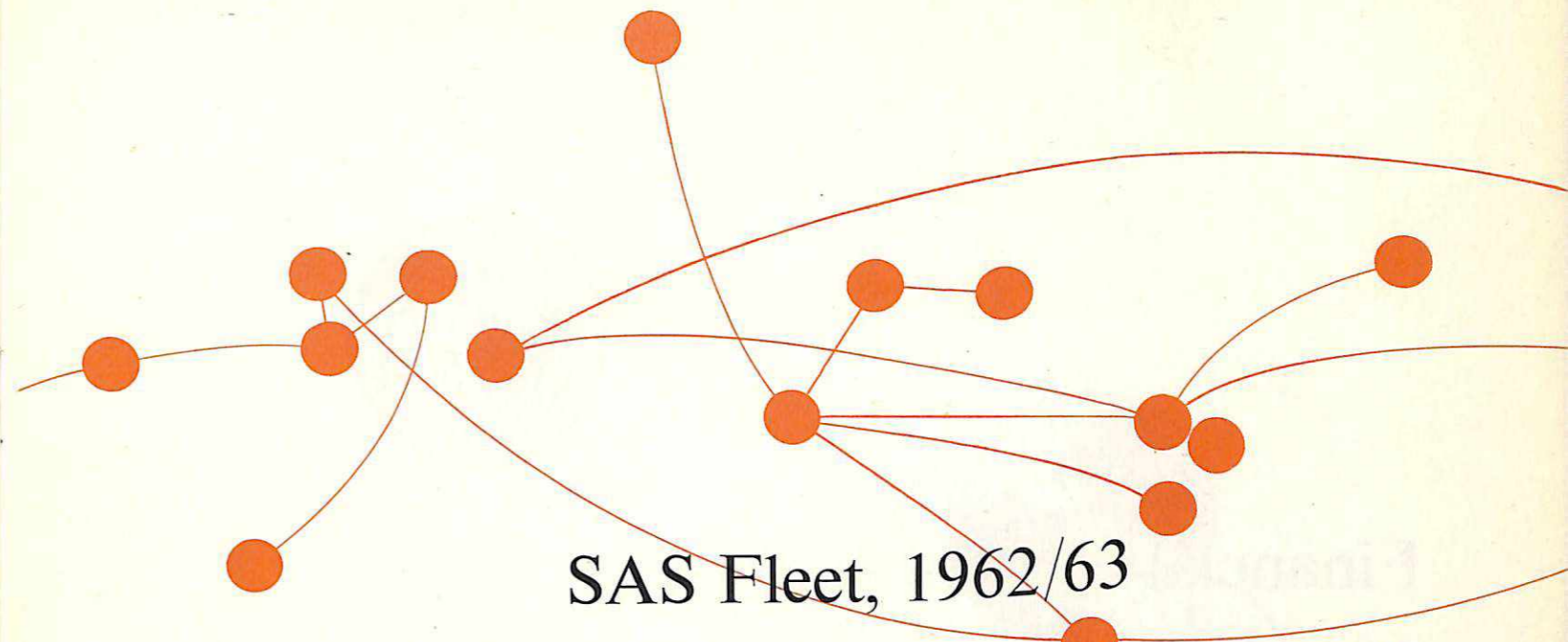
SAS-CO will also take over load planning for all passengers embarking in Scandinavia. When a passenger checks in at, say, Oslo or Stockholm, he and his baggage are checked once and for all for the entire flight, the leg to Copenhagen plus the connecting flights to his destination.

While the aircraft is being readied for departure, SAS-CO keeps track of the number of passengers booked on the flight, how many have checked in, the weight of baggage, of cargo, mail and fuel and the current position of the aircraft's center of gravity.

When SAS-CO has been developed to its full capacity, in about five years' time, every aircraft in the SAS fleet will be connected to a hot line and on to the electronic brain. This means that the SAS operational units will have available at all times up-to-the-minute information on every aspect of flight operations: aircraft position, cabin factor, engine running time, and a thousand other details needed for the day-to-day disposition of the fleet in the most efficient manner.

Aircraft Type	Total	In SAS operation	Leased to others
Douglas DC-8 	7	7	—
Convair Coronado 	2*	1	1
Caravelle 	18	14	4
Douglas DC-7C/F 	9	6	3
Douglas DC-6B 	3	—	3**
Convair Metropolitan 	19	19	—
Douglas DC-3 	2	—	2
<b>Total</b>	<b>60</b>	<b>47</b>	<b>13</b>

\* Chartered from Swissair \*\* Two returned and offered for sale



## SAS Fleet, 1962/63

Only minor changes in the SAS fleet have taken place in the course of the year. One Coronado has been on lease to THAI International. This aircraft and another SAS Coronado have operated on the Far East routes under an interchange agreement between SAS and the THAI Company.

One Metropolitan has been sold to Linjeflyg AB, and three DC-7Cs have throughout the year been leased to SCANAIR A/S.

The four Caravelles on lease are operated by SWISSAIR, and the two DC-3s by Linjeflyg AB.

## Personnel

The general policy pursued by the Consortium was also reflected in the personnel rosters. There was only a minor increase in the total number of employees, to 11,990 by year's end. Of these 1,729 were flight personnel.

In the course of the year, about 60 pilots and other flight personnel were lent temporarily to other airlines. In the early summer most of them returned to SAS employment. Towards the year's end, there were only five serving with other airlines.

Throughout the year, SAS has continued its comprehensive training program for staff members, both in Scandinavia and abroad.

Of all employees, 18 per cent, or 2,200, were non-Scandinavians, of 60 different nationalities, the majority Americans. Their assistance was of great value in manning station offices and 159 sales offices maintained by SAS in 143 cities in 62 countries. At the end of the year there were 244 Scandinavians in SAS service outside Scandinavia.

	Total		Flying Personnel		Other Personnel	
	1963	1962	1963	1962	1963	1962
Denmark	3634	3452	600	552	3034	2900
Norway	1932	1831	445	447	1487	1384
Sweden	3999	4075	380	685	3319	3390
Abroad	2425	2424	18	17	2407	2407
<b>TOTAL</b>	<b>11990</b>	<b>11782<sup>1)</sup></b>	<b>1743</b>	<b>1701</b>	<b>10247</b>	<b>10081</b>

<sup>1)</sup> Excludes 151 persons who have been transferred to subsidiaries.



# Financial



The SAS accounts cover all activities of the Consortium and its wholly owned subsidiaries, within as well as outside Scandinavia. The result of the financial year 1962/63, and the financial status of the Consortium as of September 30, 1963, are set forth in the enclosed Profit and Loss Account and Balance Sheet. Compared to last year, these statements have been rearranged, i.e., to show gross revenue figures in the profit and loss account without deduction for direct expenses. In order to make the statements for 1961/62 comparable to the figures for 1962/63, necessary regroupings have been made. Unless otherwise stated, all amounts are expressed in millions of Swedish Crowns (M.SKR), and last year's figures are quoted in brackets.

Total revenue, excluding income from sale of flight equipment, amounts to M.SKR 934.6 (M.SKR 852.2). Out of this, traffic revenue is M.SKR 726.4 (M.SKR 663.5). Costs, excluding depreciation and provision for pension liabilities, amount to M.SKR 822.5 (M.SKR 785.6). The estimated loss in THAI International 1962/63 is included here with M.SKR 9.0 (M.SKR 11.0). Before depreciation and provision for pension liabilities, there is a gross surplus of M.SKR 112.1 (M.SKR 66.6). After depreciation charges of M.SKR 90.9 (M.SKR 86.9), the accounts show an operating profit of M.SKR 21.2 (an operating loss of M.SKR 20.3).

A provision for pension liabilities has been made in the amount of M.SKR 2.9. Income from sale of flight equipment amounts to M.SKR 2.7 (M.SKR 5.8). After this, the final net profit for the financial year is M.SKR 21.0 (net loss of M.SKR 24.5).

Depreciation, M.SKR 90.9 (M.SKR 86.9), has been apportioned with M.SKR 76.2 (M.SKR 73.1) to aircraft, spare engines, spare propellers and spare parts, M.SKR 1.5 (M.SKR 1.2) to buildings, and M.SKR 13.2 (M.SKR 12.6) to equipment and vehicles.

The provision for pension liabilities, M.SKR 2.9, has been included under the heading "Other long-term payables" in the Balance Sheet.

The item "Income from sale of flight equipment", M.SKR 2.7 (M.SKR 5.8), covers the proceeds, after deduction of book value, etc., from the sale of one DC-7C and one Metropolitan aircraft and from the sale of spares, etc.

"Other operating revenues", M.SKR 197.2 (M.SKR 176.9), represents gross revenues, without deduction for expenses, from, i.e., shop work for co-operating airlines and third parties, handling services, lease of equipment and external revenue earned by the wholly owned subsidiaries SAS Catering A/S and SAS-Invest A/S.

"Flight equipment on order", M.SKR 15.6, represents the advance payment of the full purchase price of a new Caravelle aircraft ordered for delivery in April 1964.

The four Caravelles, placed at the disposal of SWISSAIR under a sale/re-purchase agreement, have been included in the SAS Balance Sheet as assets. The two Convair Coronados, placed at the disposal of SAS by SWISSAIR, are accounted for in the same way by SWISSAIR.

The book value of nine DC-7C/F aircraft with operating spares amounts to M.SKR 9.6. A year ago, on September 30, 1962, the book value of ten DC-7C/F aircraft with operating spares amounted to M.SKR 27.8. SAS will continue to operate the DC-7C/F aircraft in 1963/64.

The surplus spares included in the balance sheet item "Spare engines, spare propellers, spare parts" have been considerably reduced in the course of the sales program carried out during the year under review. The provision made during 1961/62 in the amount of M.SKR 10.0 to cover the risks in connection with the sale of surplus spares is retained in the general valuation reserve.

"Short-term payables" in the balance sheet includes, i.e., the current account with THAI International in the amount of M.SKR 1.5. Last year the account, a receivable amounting to M.SKR 1.6, was included the item "Co-operating airlines". In the comparative balance sheet as of September 30, 1962, this item has been transferred to "Short-term receivables". On September 30, 1963, the guarantee rendered Thai Air-

ways Co. Ltd. amounted to M.SKR 6.1 (M.SKR 9.3).

In addition to the risks connected with the sale of surplus stock, the general valuation reserve, M.SKR 16.5 (M.SKR 16.5), covers the risks of losses in connection with SAS' engagements, including the guarantee to Thai Airways Co. Ltd.

For practical reasons, the various clearing accounts for traffic revenue are, as hitherto, included as a net balance in the item "Short-term payables".

The Consortium's balances in foreign currencies have been entered in the books at rates of exchange which provide for the risks deemed to exist.

During the year under review SAS has prepaid US \$9.0 million on its loans raised in the United States and MCrs 57.1 on the credit from Sud Aviation. As of September 30, 1963, the loans raised in the United States amount to

US \$21.9 million (US \$37.5 million) and the manufacturer's credit on Caravelle equipment to M.SKR 25.0 (M.SKR 120.7).

The subscribed capital of the Parent

Company for a mortgage loan raised by SAS-Invest A/S.

Flight equipment and other physical assets were, as of September 30, 1963, insured as follows:

	1963	1962
	M.SKR	M.SKR
Aircraft	533.0	520.2
Spare engines, spare propellers, spare parts and technical stores	211.8	238.3
Buildings	62.5	62.7
Workshop and aircraft servicing equipment and tools	41.0	38.8
Other equipment, vehicles and sundry stores	72.6	71.4

Companies in SAS amounts to M.SKR 169.4 after debiting these companies for the net loss of the preceding financial year, M.SKR 24.5.

The net profit for the year, M.SKR 21.0 will be credited to the Parent Companies' accounts on October 1, 1963.

The item "Pledges" includes secu-

The balance sheet of SAS-Invest A/S is given on page 19. After providing for extra depreciation in the amount of M.SKR 0.2 in excess of ordinary plan and crediting SAS with full interest on the loan, M.SKR 15.8, the accounts of SAS-Invest A/S show neither profit nor loss.

Copenhagen, Oslo and Stockholm, December, 1963

J. Chr. Aschengreen

M. Wallenberg

Jens Chr. Hauge

Palle Christensen

Per Åsbrink

Per M. Backe

Karl Nilsson  
President

# Consolidated Balance Sheet,

Assets (in millions of Swedish Crowns)	Sept. 30, 1963	Sept. 30, 1962
<b>Aircraft</b>		
At cost .....	613.6	629.3
Depreciation and valuation reserves ....	<u>287.9</u> 325.7	<u>246.0</u> 383.3
<b>Spare engines, spare propellers, spare parts</b>		
At cost .....	278.1	290.7
Depreciation and valuation reserves ....	<u>147.5</u> 130.6	<u>134.2</u> 156.5
<b>Flight equipment on order</b>		
At cost .....	15.6	
Depreciation .....	<u>3.6</u> 12.0	—
<b>Buildings and land</b>		
At cost .....	55.9	55.2
Depreciation and valuation reserves ....	<u>8.5</u> 47.4	<u>7.4</u> 47.8
<b>Workshop and aircraft servicing equipment</b>		
At cost .....	36.1	36.5
Depreciation and valuation reserves ....	<u>26.1</u> 10.0	<u>22.8</u> 13.7
<b>Other equipment and vehicles</b>		
At cost .....	54.6	50.1
Depreciation and valuation reserves ....	<u>38.9</u> 15.7	<u>31.3</u> 18.8
Discount on debenture loans .....	5.7	6.0
Shares and bonds .....	7.1	4.5
Long-term receivables .....	12.4	14.8
Shop work in progress .....	1.8	2.6
Sundry stores .....	4.8	4.6
Short-term receivables .....	123.0	125.7
Cash and bank balances, including short-term cash investments .....	<u>118.6</u>	<u>164.6</u>
	<b><u>814.8</u></b>	<b><u>942.9</u></b>

In order to make the Balance Sheet as of September 30, 1962, comparable to the Balance Sheet as of September 30, 1963, necessary regroupings have been made.

# September 30, 1963

(Including wholly owned subsidiary companies)

Liabilities (in millions of Swedish Crowns)	Sept. 30, 1963	Sept. 30, 1962
<b>Capital</b>		
ABA (3/7) .....	72.6	83.1
DDL (2/7) .....	48.4	55.4
DNL (2/7) .....	<u>48.4</u> 169.4	<u>55.4</u> 193.9
Net profit (1961/62 Net loss) .....	21.0	—24.5
Subordinated debentures .....	157.5	157.5
Mortgage loans .....	30.1	30.7
Danish Government loan .....	7.1	7.9
Loans in USA .....	113.2	194.0
Manufacturer's credit on Caravelle equipment .....	25.0	120.7
Other long-term payables .....	6.4	5.7
Short-term payables .....	268.6	240.5
General valuation reserve .....	<u>16.5</u>	<u>16.5</u>
	<b><u>814.8</u></b>	<b><u>942.9</u></b>
Contingent liabilities and guarantees .....	<u>12.4</u>	<u>15.3</u>
Furthermore, SAS has assumed certain liabilities in respect of pensions, and in connection with ticket sales according to pay-later plans.		
<b>Pledges</b>		
Mortgages on real estate .....	33.9	33.9
Sundry pledges .....	<u>1.1</u>	<u>3.1</u>
	<b><u>35.0</u></b>	<b><u>37.0</u></b>

Copenhagen, Oslo and Stockholm, December, 1963

Karl Nilsson  
President

/C E Lindh

J. Chr. Aschengreen

Palle Christensen

M. Wallenberg

Per Åsbrink

Jens Chr. Hauge

Per M. Backe

# Profit and Loss Account, October 1, 1962/September 30, 1963

(Including wholly owned subsidiary companies)

Income (in millions of Swedish Crowns)	1962/63	1961/62
Traffic revenue .....	726.4	663.5
Other operating revenues .....	197.2 923.6	176.9 840.4
Subsidies for domestic operations .....	0.1	1.0
Financial income .....	6.9	6.3
Other income .....	4.0	4.5
Income from sale of flight equipment .....	2.7	5.8
Net loss .....	—	24.5
	<u>937.3</u>	<u>882.5</u>
<b>Expenses (in millions of Swedish Crowns)</b>		
Operating expenses .....	768.7	726.9
Administration expenses .....	22.2	20.9
Financial expenses .....	23.0	27.3
Other expenses .....	8.6	10.5
Depreciation .....	90.9	86.9
Provision for pension liabilities .....	2.9	—
Provision to general valuation reserve .....	—	10.0
Net profit .....	21.0	—
	<u>937.3</u>	<u>882.5</u>

In order to make the Profit and Loss Account for 1961/62 comparable to the figures for 1962/63, necessary regroupings have been made.

Copenhagen, Oslo and Stockholm, December, 1963

Karl Nilsson  
President  
/C E Lindh

J. Chr. Aschengreen    M. Wallenberg    Jens Chr. Hauge  
Palle Christensen    Per Åsbrink    Per M. Backe

The above Profit and Loss Account and Balance Sheet are in accordance with the books of the Consortium, which have been examined by the undersigned Auditors, as set forth in our Auditor's Report dated December, 1963.

STOCKHOLM, DECEMBER, 1963

Viking Bergman    Centralanstalten for Revision    Christian Blom  
Frans Bruun    Carl Johan Thorsen  
Oscar Jelf    Harald Høst    Tor Storhaug

## SAS-Invest A/S Balance Sheet, September 30, 1963

(Included in Balance Sheet of SAS)

Assets (in mill. of Swedish Crowns)	Sept. 30, 1963	Sept. 30, 1962	Liabilities (in mill. of Swedish Crowns)	Sept. 30, 1963	Sept. 30, 1962
<b>Buildings</b>			Share capital .....	0.7	0.7
At cost .....	37.1	37.1	Mortgage loans .....	25.8	26.2
Depreciation .....	1.5 35.6	1.1 36.0	Loan from SAS .....	15.8	14.2
<b>Equipment</b>			Other long-term payables ...	0.7	2.4
At cost .....	6.2	6.1	<b>Short-term payables</b>		
Depreciation .....	1.8 4.4	1.2 4.9	SAS .....	0.5	0.7
Long-term receivables .....	2.9	2.8	Other .....	1.2 1.7	1.1 1.8
Sundry stores .....	0.4	0.5		<u>44.7</u>	<u>45.3</u>
Short-term receivables .....	1.0	0.6	<b>Contingent liabilities</b> .....	—	—
Cash and bank balances ...	0.4	0.5	<b>Pledges</b>		
	<u>44.7</u>	<u>45.3</u>	Mortgages on real estate	28.4	28.4
			Sundry pledges .....	0.1	2.4
				<u>28.5</u>	<u>30.8</u>

## Auditors' Report

We, the undersigned, appointed in accordance with Article 11 of the Consortium Agreement between AB Aerotransport (ABA), Det Danske Luftfartselskab A/S (DDL) and Det Norske Luftfartselskap A/S (DNL) as auditors of SCANDINAVIAN AIRLINES SYSTEM Denmark - Norway - Sweden having completed our assignment, herewith submit to the Parent Companies our report for the financial year October 1, 1962 - September 30, 1963.

We have examined the Annual Report and Accounts which include SAS Inc., New York, SAS-Invest A/S, Copenhagen, and other subsidiary compa-

nies. To the required extent we have studied the accounting records, minutes and other documents which give information about the economy and administration of the Consortium and have, moreover, taken those measures of inspection which we have considered necessary.

The Internal Auditing Department of SAS, acting in accordance with instructions approved by us, has conducted a continuous check of the accounting records of the Consortium and we have, in the course of the financial year and in connection with the closing of the accounts, received reports on the examination thus conducted.

The accounting records are properly kept.

As is seen from the Report for the financial year there is declared, after depreciation and allocations, a net profit of 21.0 million Swedish Crowns.

We recommend that the Annual Accounts as per September 30, 1963, which have been submitted and which have been signed by us, be adopted, and

that the Members of the Board and the President be discharged from responsibility for their administration in respect of the financial year.

Stockholm, December, 1963

Viking Bergman    Centralanstalten for Revision    Christian Blom  
Frans Bruun    Carl Johan Thorsen  
Oscar Jelf    Harald Høst    Tor Storhaug

## Board of Directors

### Denmark

**J. Chr. Aschengreen**  
First Vice Chairman 10/1–12/31 1962  
Chairman 1/1–9/30 1963

**Palle Christensen**

**Deputies:**

Helge Bech-Bruun  
E. Dige

### Norway

**J. Chr. Hauge**  
Chairman 10/1–12/31 1962  
Second Vice Chairman 1/1–9/30 1963

**Per M. Backe**

**Deputy:**

E. F. Eckhoff

### Sweden

**M. Wallenberg**  
Second Vice Chairman 10/1–12/31 1962  
First Vice Chairman 1/1–9/30 1963

**Per Asbrink**

**Deputies:**

Curt Nicolin  
Nils J. Hörjel

## Assembly of Representatives

### Denmark

**Mogens Pagh**  
Second Vice Chairman 10/1 1962–9/30 1963

Greve Flemming av Rosenberg

J. Chr. Aschengreen

Helge Bech-Bruun

Vagn Bro

Palle Christensen

E. Dige

O. Einer-Jensen

Arne Krog

Hans Muus

### Norway

**Per M. Hansson**  
First Vice Chairman 10/1 1962–9/30 1963

Nils Astrup

Per M. Backe

Erik Brofoss

E. F. Eckhoff

Jens Chr. Hauge

B. Hurlen

**Deputies:**

Ole Bergesen

Erling Lind

Finn Moe

Erik Waaler

### Sweden

**Per A. Norlin**  
Chairman 10/1 1962–9/30 1963

Erik Boheman

Erik G. Hj. Grafström

Tryggve Holm

Emanuel Högberg

Nils J. Hörjel

Sven Lönnqvist

Oskar Malmborg

Gustaf V. Nilsson

M. Wallenberg

Sune Wetter

Erik Wijk

Per Asbrink

**Deputies:**

Torgeir Christoffersen

Folke Fessé

A. Ax:son Johnson

Helge Jäder

Ragnar Sachs

Olof Sahlén

## Management

**Karl Nilsson**  
President

**Knut Hagrup**  
Executive Vice President –  
Technical and Operational

**Arne Wickberg**  
Executive Vice President – Marketing

**Johs. Nielsen**  
Vice President and General Manager,  
Region Denmark

**Johan Nerdrum**  
Vice President and General Manager,  
Region Norway

**Sven-Erik Svanberg**  
Vice President and General Manager,  
Region Sweden

**Tore Nilert**  
President, SAS, Inc.

**E. Palsgaard**  
President, SAS Catering A/S

**A. Kappenberger**  
President, SAS-Invest A/S



SCANDINAVIAN AIRLINES SYSTEM



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