



SAS

SCANDINAVIAN AIRLINES SYSTEM

**ANNUAL
REPORT
1971-72**

SAS
SCANDINAVIAN AIRLINES SYSTEM
Annual Report 1971-1972



KNUT HAGRUP

PRESIDENT
SCANDINAVIAN AIRLINES SYSTEM
DENMARK · NORWAY · SWEDEN

STOCKHOLM

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HIGHLIGHTS

GLOSSARY

AVAILABLE TON-KILOMETERS

Number of tons of capacity available for carriage of passengers, cargo and mail, multiplied by number of kilometers flown.*)

REVENUE TON-KILOMETERS

Total tonnage of paid traffic carried, multiplied by number of kilometers flown.*)

LOAD FACTOR

Percentage of total available capacity utilized (passenger, cargo and mail).

AVAILABLE SEAT-KILOMETERS

Total number of seats available for passengers, multiplied by number of kilometers flown.*)

REVENUE PASSENGER-KILOMETERS

Number of paying passengers carried, multiplied by number of kilometers flown.*)

PASSENGER LOAD-FACTOR

Percentage of total passenger capacity actually utilized.

*) Kilometers flown are based on IATA Great Circle distances.

		1971/72	1970/71	Change
Available Ton-Kms, total	(mill.)	1,745.6	1,546.0	+ 13 %
Available Ton-Kms, scheduled services	(mill.)	1,664.1	1,480.8	+ 12 %
Revenue Ton-Kms, scheduled services	(mill.)	857.0	738.5	+ 16 %
Total Load Factor, scheduled services	(%)	51.5	49.9	+ 1.6 point
Available Seat-Kms, scheduled services	(mill.)	12,671	11,388	+ 11 %
Revenue Passenger-Kms, scheduled services	(mill.)	6,305	5,584	+ 13 %
Passenger Load Factor	(%)	49.8	49.0	+ 0.8 point
Revenue Freight Ton-Kms, sched. services	(mill.)	267.5	215.8	+ 24 %
Number of Passengers Carried	(000)	5,826	5,688	+ 2 %
Traffic Revenue	(MSKR)	1,798.1	1,621.8	+ 11 %
Net Profit	(MSKR)	35.0	71.4	
Number of Employees as of September 30		14,563	14,637	

REPORT BY THE BOARD

Scandinavian Airlines System's net profit for 1971/72 amounted to 35.0 million Swedish crowns (MSKR) or U.S.\$7.4 million. This compares with a net profit of MSKR 71.4 for the 1970/71 financial year.

The SAS accounts incorporate all the results of the Consortium and its wholly-owned subsidiaries. The profit was achieved despite a year of lower yields, inflationary pressures and continued worldwide economic uncertainties.

Total revenue rose from MSKR 2,297 to MSKR 2,633, an increase of 15 per cent. Expenditures, excluding depreciation, increased from MSKR 2,052 to MSKR 2,397 or by 17 per cent. Depreciation amounted to MSKR 201.7, an increase of MSKR 27.5 compared with the previous year.

The results of the 1971/72 financial year and the financial status of the Consortium as of September 30, 1972, are presented in the Consolidated Profit and Loss Statement and Balance Sheet which follow this report.

The Board of Directors submits to the Assembly of Representatives that MSKR 17.5 be paid to the parent companies of SAS and that MSKR 17.5 be retained by SAS for consolidation purposes.

General Review

As SAS entered the 1971/72 financial year, the state of the scheduled airline industry was not encouraging. Trends were down in traffic growth, load factors and profitability.

The recovery of the international economy in 1972 did not materialize as quickly as expected. SAS, nevertheless, increased its traffic measured in revenue ton-kilometers by 16 per cent and its load factor by 1.6 percentage points. This represents a satisfactory growth rate and indicates a change towards improved traffic development. The North Atlantic in particular showed a marked increase, with traffic exceeding forecasts, whereas Europe lagged behind.

The year's reduced profit for SAS, and the profitability crisis for the industry in general, stem from the fact that the price levels which the industry has felt forced to adopt in face of the invasion of charter operations on traditional intercontinental scheduled routes, do not cover costs. Losses on such intercontinental routes, and particularly on the North Atlantic, are considerable and represent a serious threat to the profitability of the carriers and to scheduled traffic in the long run.

European traffic and domestic routes in the Scandinavian countries have become increasingly important to SAS's profitability.

The Board emphasizes that if modern society wants to maintain regular air services, a pricing policy should be adopted - and supported by carriers, governments and the public alike - which adequately reflects the cost level of scheduled flying. It has to be recognized that this cost level unavoidably exceeds that of charter carriers operating free of many obligations inseparable from scheduled flying.

Stringent control of costs and continued emphasis on rationalization programs were exercised by SAS during the year. These measures were of utmost importance to balance the impact on revenue from declining yields. SAS employees thus numbered 14,563 as of September 30, 1972, which were 74 fewer than the previous year.

SAS faces the future with a firm determination to perform its task effectively and to assert Scandinavia's role in global aviation, thereby serving the interests of Scandinavian commerce and trade.

However, SAS, like other carriers, needs the establishment of a sound price policy for scheduled routes, a more rational differentiation between scheduled traffic and charter operations and a restraint in the imposition of public airport and passenger charges. With a reasonable amount of backing and support from governments and the public, SAS will continue to meet its responsibilities as the designated carrier of the Scandinavian countries and remain economically independent and sound.

The Fleet

The SAS fleet was composed of 73 aircraft at the end of the 1971/72 financial year: two Boeing 747-Bs, 16 DC-8s, 33 DC-9s, 13 Caravelles and nine Metropolitans. The second 747-B was delivered in November, 1971; two medium-range DC-9-41s were received in December, 1971, and one intercontinental DC-8-63 was delivered in May, 1972.

At the end of the financial year SAS decided to buy three more DC-10 Series 30 wide-fuselage three-engine jetliners. The decision brought to five the number of intercontinental DC-10s SAS has on order with

Aircraft fleet and orders

AIRCRAFT	Operated at Sept. 30, 1972	On order for delivery during			
		1972/73	1973/74	1975/76	1976/77
Boeing 747-B	2				
DC-10-30				3	2
DC-8-63	6	1	1		
DC-8-62	8 ¹⁾				
DC-8-55	2 ²⁾				
DC-9-41	21	3			
DC-9-33AF	2				
DC-9-21	10				
Caravelle SE-210	13				
Metropolitan CV-440	9				
	73	4	1	3	2

¹⁾ 2 combined version (CF) and 1 all-cargo version (AF)

²⁾ Leased to Scanair

McDonnell Douglas. SAS holds options for three more.

The first SAS DC-10-30 is scheduled for delivery in November 1975, followed by two in December, and one each in November and December 1976. Current plans call for the 250-270 seat jetliner to enter service on SAS Far East routes at the start of the summer, 1976, traffic program.

The DC-10-30, valued at more than U.S.\$22 million each including spare parts, incorporates certain advances in design and engine performance over the Series 10 model which has already earned a reputation as a quiet, smoke-free jetliner since entering service on U.S. domestic routes in August of 1971.

The SAS DC-10s are identical to those ordered by the other members of the KSSU group of airlines, KLM, Swissair and UTA. The entire group had orders and options for 36 DC-10-30s as of September 30, 1972. During the financial year SAS also purchased two DC-8-63s from Eastern Air Lines for planned expansion on transatlantic as well as domestic Swedish and Norwegian routes. One will go into service in April, 1973; the second, a year later.

The fleet's record of arrival punctuality was equal to last year. The two 747-Bs achieved highly successful operational reliability. As one of the first airlines to use the more advanced Pratt and Whitney JT9D-7 fanjet engines, SAS was able to operate with a remarkably low rate of unscheduled engine changes on the 747-B. Fleet utilization remained at about the same level as the previous year.

In cooperation with the KSSU group, SAS is continually reviewing its requirements for flight equipment and evaluating currently available and proposed aircraft.

Debenture loan

In June, 1972, SAS for the first time raised a debenture loan in the Euro-dollar bond market. The loan was managed by Morgan & Cie International S.A., Skandinaviska Enskilda Banken, Den norske Creditbank and Kjöbenhavns Handelsbank, heading a group of more than 130 underwriters. The loan amount was U.S.\$30 million

with an 8 per cent coupon and an offering price of 98 $\frac{1}{2}$ per cent. The debentures are due in 1987. SAS will use the loan proceeds, which have been added to general corporate funds, to finance future expansion programs for flight and ground equipment. The parent companies of SAS are jointly and severally liable with SAS for the debentures.

Production and Traffic

SAS total production for the year - scheduled as well as charter - increased 13 per cent, measured in available ton-kilometers. Significant capacity increases were made on the Chicago route where the 747-B was introduced in February, on the West African and South American routes, and on the new Trans-Siberian Express which had been inaugurated midway through the previous financial year. Additional capacity was made available on European routes where three more cities were included in the SAS Eastern European network, and on domestic services, particularly in Norway.

Scheduled traffic, measured in revenue ton-kilometers, was 16 per cent above last year. The overall load factor for the year rose accordingly, from 49.9 to 51.5 per cent. The intercontinental load factor increased from 50.7 to 53.8 per cent, with the Far East load factor improving from 50.3 to 55.8 per cent. European and

domestic load factors declined slightly.

Passenger

SAS increased systemwide scheduled passenger capacity by 11 per cent in available seat-kilometers in 1971/72. Traffic, measured in revenue passenger-kilometers, rose 13 per cent. Total intercontinental passenger traffic increased 22 per cent, with 20 per cent on New York routes, 45 per cent on Chicago/Montreal and 38 per cent on Los Angeles/Seattle. Europe and Middle East passenger traffic climbed only five per cent. Domestic traffic showed a two per cent growth, a rate reflecting the transfer of a significant portion of Danish domestic services to the new SAS subsidiary, DANAIR, which began operations on November 1, 1971. The rate was also influenced by a railroad labor conflict in early 1971 that boosted Swedish domestic passenger traffic during the previous financial year. Making adjustments for these factors, the actual growth rate of domestic passenger traffic was about 10 per cent.

The systemwide cabin factor climbed slightly to 49.8 per cent, with a marked gain from 47.0 to 50.9 per cent on North American routes and from 41.7 to 47.1 per cent on Far East routes. Cabin factors on European and domestic routes decreased slightly. SAS carried 5,826,000 passengers in 1971/72, compared with 5,688,000 in 70/71.

Total production and traffic

SCHEDULED SERVICES	Total system	Intercontinental	Europe & M. East	Domestic routes
Available Ton-Kms (mill.)				
1971/72	1,664	1,021	473	170
1970/71	1,481	887	428	166
Change %	+12.4	+15.2	+10.5	+2.3
Distribution %	100.0	61.4	28.4	10.2
Revenue Ton-Kms (mill.)				
1971/72	857	549	217	91
1970/71	739	450	199	90
Change %	+16.0	+22.2	+8.7	+1.4
Distribution %	100.0	64.1	25.3	10.6
Load Factor (%)				
1971/72	51.5	53.8	45.8	53.4
1970/71	49.9	50.7	46.6	53.8

Cargo and Mail

After two years of relative stagnation, SAS cargo traffic grew by 24 per cent in 1971/72, although revenue increased only 16 per cent. Intercontinental cargo traffic increased 25 per cent, with New York routes up 66 per cent due to the increased cargo capacity provided by daily 747-B services. Chicago/Montreal cargo traffic was up 29 per cent, Los Angeles/Seattle, up nine per cent. Intercontinental all-cargo traffic increased 13 per cent and traffic on European all-cargo routes rose 29 per cent.

Air mail traffic increased six per cent, with North American services making a substantial contribution to this growth.

The Network

SAS served 94 cities in 50 countries at the peak of its 1971/72 traffic program. Non-stop 747-B services were introduced between Copenhagen and Chicago in February and, during the summer, three days a week from New York to Bergen. SAS also used Stavanger for the first time as a transatlantic gateway for non-stop DC-8 flights from New York during the summer.

During the financial year SAS opened services to Abidjan, Belgrade, Zagreb, Basle and Berlin-Schönefeld, increased joint SAS/Swissair operations between Copenhagen and Geneva, and added Trondheim to the international network.

In June SAS began a second weekly South American service to Rio de Janeiro, Montevideo and Santiago. After the end of the financial year negotiations were completed for the addition of a second weekly flight to East Africa in November.

On the cargo network, palletized DC-8 Super Fan service was introduced once a week on the Trans-Orient route. Similar service between Copenhagen and Tokyo via the North Pole was increased from one to two round trips a week.

In Europe, Stuttgart rejoined the SAS all-cargo network. DC-9F services to Milan, Manchester and Birmingham were increased. In all, SAS palletized cargo aircraft served 27 commercial centers around the world.

Five previous SAS Danish domestic services were transferred to DANAIR when the airline began operations on November 1, 1971. On behalf of SAS, DANAIR also assumed operation of the route between Copenhagen, Bergen and the Færoe Islands. A call at the Orkney Islands was added to the route once a week.

Corporate Integration

SAS has entered a number of travel related fields as a natural complement to its primary function to provide scheduled airline transportation. As new market conditions have developed, it has been in the public interest for SAS to build up a corporate structure to efficiently provide a wide range of travel services.

In addition to air transportation, SAS corporate operations include hotels and catering, and wholesale and retail travel marketing. During the financial year, these corporate activities were integrated and further developed into a viable travel organization.

For the promotion of traffic into and within Scandinavia, SAS, either directly or through subsidiaries, has interests in nine hotels and more than 30 restaurants and cafeterias in its three home countries.

To further develop both inbound and outbound Scandinavian traffic, SAS is engaged in travel agencies and inclusive tour production in Denmark, Norway and Sweden.

In the formative years of inclusive tour charters in the late 1950s and early 1960s, the number of charter airlines and tour-producing agencies grew rapidly with the expansion of the market.

The market stabilized with the concentration into fewer and larger tour producing companies. Including SAS, five Scandinavian travel combines have emerged, accounting for more than 80 per cent of the inclusive tour market.

The importance of a close tie between the charter airline, the inclusive tour producer and the retail travel agency has become obvious in today's highly-competitive mass travel market. As far as SAS is concerned, this has been realized with the coordination between the Consortium's

wholesale and retail travel business and charter associate Scanair, a trend followed by other large operators in the European market.

Foreign Affairs

The dominating air-political problem of the industry has been the emergence of new charter policies for international flights, especially on the North Atlantic. This development will have a strong impact on the services and economy of the scheduled airlines.

The basic criterion of the so-called affinity concept in international charter has been the requirement that the passengers must have belonged to the same organization for at least six months.

Originating in the U.S., an "advanced booking concept" has been proposed as a substitute for affinity. The main requirement with the new concept would be for the name list of the charter group to be drawn up three months in advance of departure.

It has been SAS's firm conviction that the application of this looser concept as a basic criterion for intercontinental charters would tend to encourage more charter routes running parallel to scheduled services and to dilute even more the natural and necessary traffic base of regular carriers.

For its scheduled traffic, the carriers in IATA have in recent years developed a broad price structure that covers all reasonable alternatives of low price travel and represents a flexible and realistic offer to the traveling public. This offer should now have a fair chance and test.

In SAS's opinion it is a fallacy to believe that the new concept would be easier to enforce by the authorities than the affinity concept. For these reasons SAS has strongly opposed the new charter concept and argued that the affinity criterion should be maintained.

SAS concluded negotiations in early 1972 for the April 3 inaugural of services between Copenhagen and Berlin-Schönefeld in cooperation with Interflug. Discussions for a route between Copenhagen and West Berlin have been taken up with the appropriate authorities.

Discussions were held with Japan Airlines regarding the increase of services on the North Pole route. Talks have also been held with Aeroflot concerning expansion of the Trans-Siberian Express.

The terms for a second weekly flight to South America were established in Brazil, Uruguay and Chile. Further efforts are being made to improve SAS traffic rights in Brazil and Argentina. The second weekly flight began in June, 1972.

Following company-level discussions between SAS and East African Airways, the governments concerned agreed on a second weekly SAS flight beginning with the Winter 1972/73 traffic program.

On the invitation of SAS and Scandinavian authorities, officials of the Chinese civil aviation administration (CAAC) visited Scandinavia in September. The tour reciprocated a visit made by an SAS delegation to China a year earlier.

Armed Aggression

Acts of armed aggression continued to affect the civil aviation industry during the past year. For the first time an SAS flight was directly involved in a hijacking. On September 15, 1972, a DC-9 on a scheduled flight from Gothenburg to Stockholm was forced to divert to Malmö where three hijackers held passengers and crew hostage for nearly 16 hours. After Swedish authorities negotiated release of the passengers, the crew was forced to fly to Madrid where the hijackers surrendered. The Board is deeply grateful to everyone who assisted in bringing the affair to a successful conclusion.

In retrospect, the incident emphasizes that not enough has been accomplished in the way of international action to protect airline operations against armed aggression and sabotage.

Universal ratification and enforcement of the Hague Convention of 1970 against hijacking and of the Montreal Convention of 1971 against armed attacks and sabotage is required to ensure that these conventions achieve their intended preventive effect.

Environmental Control

SAS took further steps during the financial year to counteract environmental problems in the airline industry. Noise abatement procedures are applied at many airports. The quiet, smoke-free DC-10s ordered by SAS have already demonstrated their ability to meet new standards in environmental control.

Along with the expansion of its fleet, SAS investments in quieter, more advanced engines have been considerable. The IATA carriers, increasing their fleets with new, modern aircraft, work in close cooperation with both aircraft and engine manufacturers in solving environmental problems. These investments, which the scheduled airlines deem necessary, increase operating costs. As an example, the sound-suppressing devices on the engines of the DC-10s ordered by SAS weigh 1.5 tons, representing a corresponding sacrifice in payload.

By the end of the financial year almost the entire SAS fleet of 33 DC-9s had been converted to operate with smoke-free engines. While the latest DC-9s have been delivered with cleaner, more powerful engines, modification of the rest of the fleet began in late 1971. The conversion is done in connection with routine maintenance of the DC-9 powerplants.

For the comfort of non-smoking passengers, SAS introduced clearly marked no-smoking sections on all aircraft at the beginning of June.

Data Services

As part of its efforts to improve customer service, SAS was developing during the year an advanced reservations system called "Passenger Name Record System" (PNR) on a Univac Dual Processor 494 data unit. PNR will keep an inventory of some 450 daily SAS international and domestic flights and generate and store passenger name records and related reservations information. The system will be ready for use in some 40 SAS offices in Europe and North America in January, 1974. PNR uses communications circuits with a transmission capacity of 18,000 characters

a minute compared with the current telegraph circuits which handle 800 characters a minute.

Agents can tap the PNR brain from anywhere in the world by activating a cathode ray tube (CRT) set which displays the required information for the customer in a few seconds. Over a five year period SAS will install about 800 CRT sets in its offices. Six hundred sets were ordered from STANSAAB Elektronik AB during the year, and an option was taken on 300 more.

SAS regards the PNR system as the initial phase in the evolution of a total passenger service system concept which will eventually include automated ticketing, fare quotation, passenger airport processing and accounting and statistics.

In March, 1972, SAS ordered the components for a new telecommunications network (TELCON) from the Collins Radio Company. Handling more than 400 communications lines, TELCON will replace seven computers now in use and will serve SAS requirements well into the 1980s. It will be fully operational by the end of 1973.

New Facilities

Construction was begun near Copenhagen airport for a new office building for Region Denmark since the airport authorities served notice that the current offices at the airport would have to be vacated by the end of 1973. The DKR 33 million (SKR 23 million) building near the SAS Globetrotter Hotel and SAS Computer Center will house the regional administration and several other functions.

At Sturup, the new airport serving Malmö as of December 1, 1972, an SAS Catering flight kitchen and an SAS cargo building neared completion.

Construction began on a second hangar at Stockholm's Arlanda Airport. To be leased from Swedish parent company ABA, the SKR 25 million hangar, large enough to handle a 747-B, is scheduled for completion in October, 1973.

A new NKR 18 million (SKR 13 million) SAS Catering flight kitchen neared completion in Oslo.

In May, 1972, SAS opened its new U.S.\$ 5.6 million (SKR 27 million) cargo terminal at John F. Kennedy International Airport in New York. The terminal has the capacity to handle 60,000 tons of air cargo annually.

At Tokyo's new Narita airport, scheduled to take over international operations in 1973, SAS Catering is building a YEN 320 million (SKR 5 million) flight kitchen, one of its largest. SAS will also be investing nearly YEN 155 million (SKR 2.4 million) in passenger and cargo handling facilities. When the airport opens, SAS - in addition to its own services - will handle Thai International, the KSSU members and their affiliates, for a total of 30 calls a week.

Information Activities

In December, 1971, SAS published a "White Book" explaining the Consortium's policies on air transportation and related operations. Addressed to the Swedish government as a reply to a petition from the Swedish Commissioner (Ombudsman) for Free Trade, the text reaffirmed the importance of conducting scheduled air transportation and affiliated activities for the

Scandinavian countries in accordance with established business principles.

The publication stressed cooperation through IATA as a basic condition for scheduled airline operations and explained the different conditions between scheduled and charter air services and their relation to fares and traffic rights. It also described SAS activities in serving the traveling public in such fields as hotel and travel marketing as a natural complement to the airline's primary function, a widespread practice in the airline industry today.

In February, 1972, three Scandinavian university professors published "Scandinavian Cooperation around the World", an appraisal, based on independent research, of the many positive contributions SAS makes abroad on behalf of Scandinavian commerce, tourism, culture and information services.

A history of SAS, published in Norwegian in March, 1972, was released simultaneously in Norway, Denmark and Sweden. The 300-page volume details the formative years of SAS and its subsequent development. As a follow-up of the 25th anniversary of the founding of SAS, a milestone

passed in 1971, the airline presented copies of the illustrated book to all its Scandinavian employees.

Both the professors' book and the history of SAS will be published in English-language versions. During the financial year SAS also introduced a bimonthly in-flight magazine, SCANORAMA, which includes SAS route maps, onboard price lists, and general reading promoting Scandinavia and SAS destinations abroad.

Associated Companies

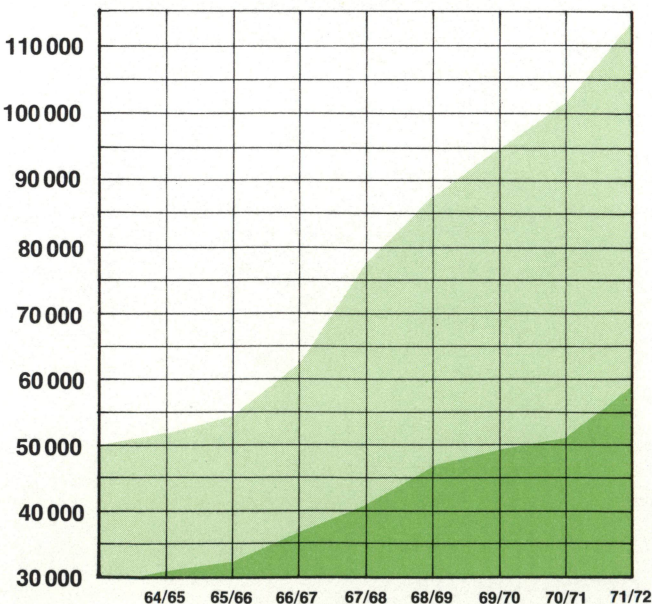
Several of the companies associated with SAS expanded their field of activities during the 1971/72 financial year.

Thai International expanded its network to Europe in June, 1972, with a weekly Trans-Asian service between Bangkok and Copenhagen. The airline also doubled its intercontinental services to Australia from one to two round trips a week. The Thai International fleet was standardized for DC-8 operations.

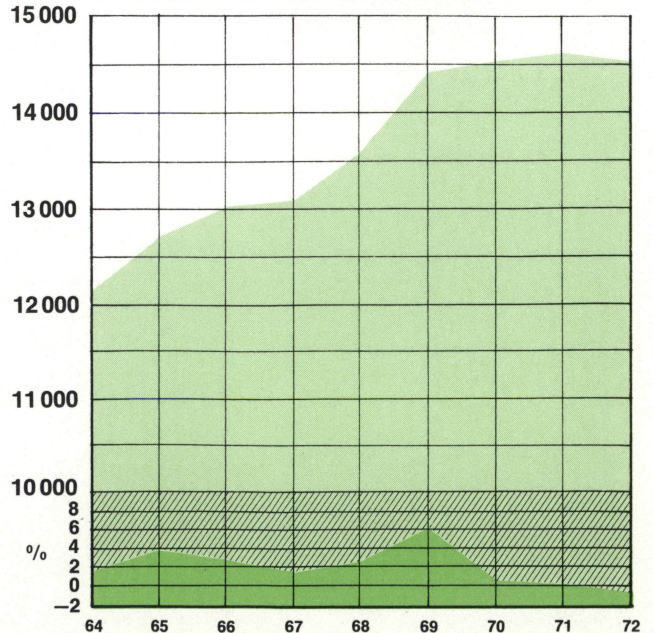
SAS Catering A/S, in addition to its worldwide flight kitchen operations, runs three hotels in Norway and one in Denmark. Two of the hotels lie North of the Arctic Circle in Tromsø

PRODUCTION AND TRAFFIC PER EMPLOYEE

■ Production (avail. ton-kms) per employee
■ Traffic (revenue ton-kms) per employee



NUMBER OF EMPLOYEES AND ANNUAL CHANGE IN % AS OF SEPT. 30



and Bodø. Here, in addition to providing accommodations for incoming passengers, the hotels have become social centers for the local population.

In Denmark, where SAS has a 20 per cent interest in the 550-room Hotel Scandinavia, Western International Hotels assumed partial ownership and overall management responsibility of the new hotel. A subsidiary of United Air Lines Inc., Western International established itself in Europe in the summer of 1972 with its en-

gagement in the Hotel Scandinavia, which will be the largest in northern Europe when it opens in 1973.

DANAIR, which is owned 51 per cent by SAS, began operations on November 1, 1971. The new airline serves eight points in Denmark and operates the SAS route to the Færoe Islands. Crews and flight equipment are provided by SAS and DANAIR's two other parent companies, Maersk Air and Cimber Air.

Linjeflyg, the Swedish domestic carrier owned jointly by SAS and the

Swedish parent company ABA, ordered three Fokker F-28 jetliners during the year. The quiet 65-passenger twin-jets will be in operation by the summer of 1973.

Scanair, the charter Consortium owned by the three parent companies of SAS, introduced services to the Canary Islands with a 747-B leased from SAS.

A complete summary of affiliate and subsidiary company operations during the financial year appears at the end of this report.

Personnel

	Flightdeck Personnel			Cabin Personnel			Other Personnel			Total Personnel ¹⁾		
	1972	1971	1970	1972	1971	1970	1972	1971	1970	1972	1971	1970
Denmark	361	364	370	644	699	739	4,038	4,036	3,955	5,043	5,099	5,064
Norway	350	344	353	331	310	288	1,930	1,956	1,949	2,611	2,610	2,590
Sweden	529	534	530	317	343	321	2,596	2,555	2,539	3,442	3,432	3,390
Head Office	-	-	-	-	-	-	961	955	921	961	955	921
Abroad	-	-	-	24	24	27	2,482	2,517	2,568	2,506	2,541	2,595
Total	1240	1,242	1,253	1,316	1,376	1,375	12,007	12,019	11,932	14,563	14,637	14,560

¹⁾ Not including SAS subsidiaries and affiliates

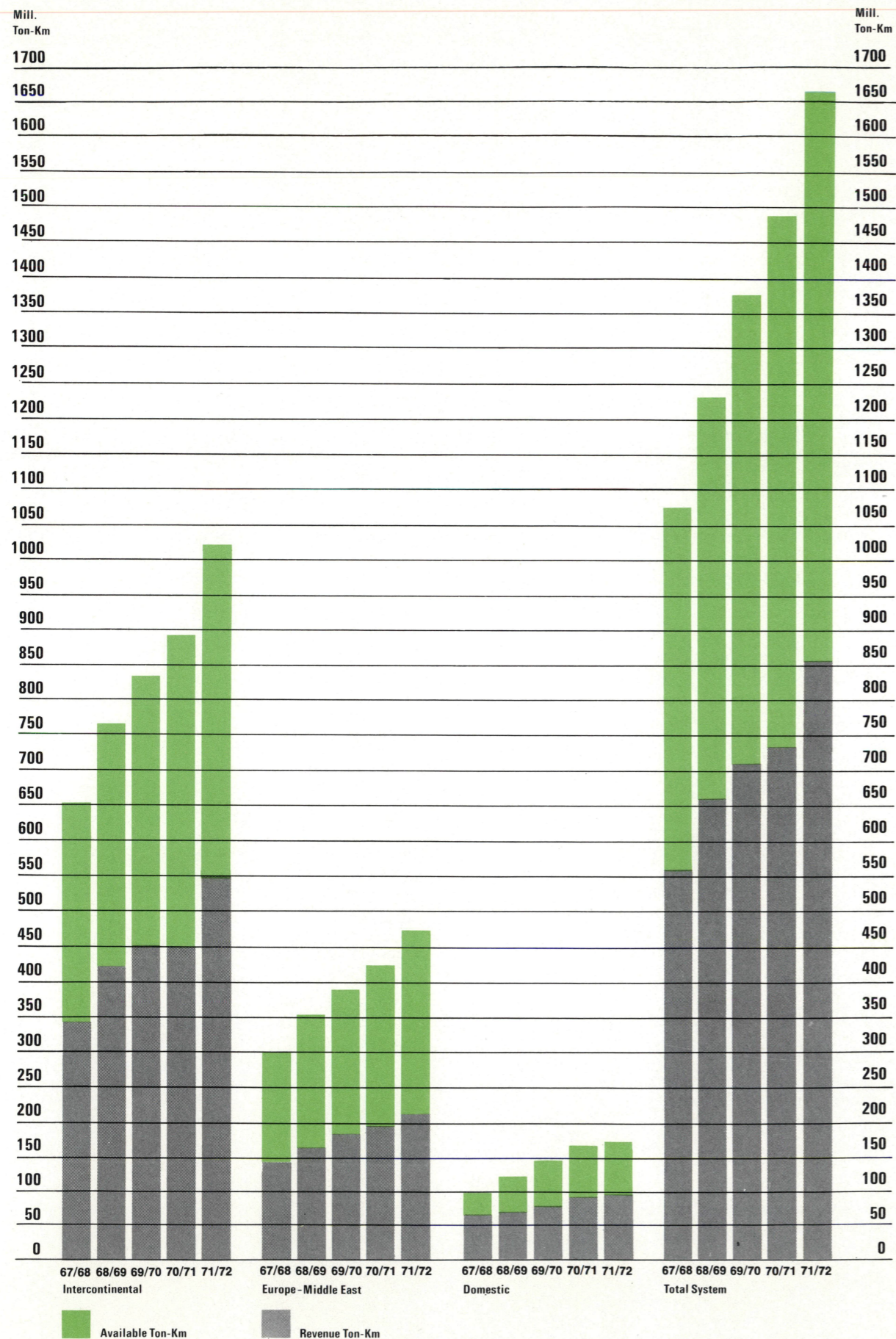
SAS employees numbered 14,563 as of September 30, 1972, 74 fewer than the previous year. Revenue ton-

kilometers per employee increased by 16 per cent to 58,700 in 1971/72. The Board takes this opportunity to

express its appreciation of the excellent work done by SAS personnel during the 1971/72 financial year.

Copenhagen, Oslo and Stockholm, December, 1972

Haldor Topsøe	M. Wallenberg	Jens Chr. Hauge
Palle Christensen	Per Åsbrink	Per M. Backe
	Knut Hagrup President	



CONSOLIDATED PROFIT AND LOSS STATEMENT

October 1, 1971 - September 30, 1972
(including wholly-owned subsidiary companies)

INCOME (in millions of Swedish Crowns)	1971/72		1970/71	
Traffic revenue	1,798.1		1,621.8	
Other operating revenue (Note 1)	<u>767.3</u>	2,565.4	<u>607.9</u>	2,229.7
Financial income		28.5		29.5
Other income (Note 2)		29.0		8.9
Income from sale and retirement of flight equipment, etc. (Note 3)		<u>10.4</u>		<u>29.1</u>
		<u>2,633.3</u>		<u>2,297.2</u>

EXPENSES (in millions of Swedish Crowns)	1971/72		1970/71	
Operating expenses		2,209.7		1,888.7
Administrative expenses		69.3		64.4
Financial expenses		80.8		76.6
Other expenses		36.8		21.9
Depreciation (Note 4)		201.7		174.2
Net profit (Note 5)		<u>35.0</u>		<u>71.4</u>
		<u>2,633.3</u>		<u>2,297.2</u>

Copenhagen, Oslo and Stockholm, December, 1972

Haldor Topsøe	M. Wallenberg	Jens Chr. Hauge
Palle Christensen	Per Åsbrink	Per M. Backe
	Knut Hagrup President	
	/C.E. Lindh	

"Notes to Financial Statements" on pages 13 - 14 refer to the above Profit and Loss Statement.

CONSOLIDATED BALANCE SHEET

September 30, 1972 (including wholly-owned subsidiary companies)

ASSETS (in millions of Swedish Crowns)		Sept. 30, 1972		Sept. 30, 1971 (Note 6)		LIABILITIES (in millions of Swedish Crowns)		Sept. 30, 1972		Sept. 30, 1971 (Note 6)	
Aircraft (Note 7)						Capital (Note 13)					
At cost	1,817.4			1,595.7		ABA (3/7)	302.2			256.9	
Depreciation and valuation reserves	<u>618.2</u>	1,199.2		<u>481.5</u>	1,114.2	DDL (2/7)	201.4			171.2	
Spare engines and spare parts (Note 7)						DNL (2/7)	<u>201.4</u>	705.0		<u>171.2</u>	599.3
At cost	419.2			409.4		Net profit		35.0			71.4
Depreciation and valuation reserves	<u>166.2</u>	253.0		<u>143.1</u>	266.3	Subordinated debentures		141.8			157.5
Advance payments on flight equipment on order		37.0			88.2	Debenture loan (Note 14)		144.6			-
Buildings and land (Note 8)						Mortgage loans		33.4			25.7
At cost	159.9			140.0		Loans in USA (Note 15)		344.1			319.0
Depreciation and valuation reserves	<u>38.9</u>	121.0		<u>33.3</u>	106.7	Manufacturer's credit on flight equipment		227.3			343.1
Workshop and aircraft servicing equipment						Other long-term liabilities (Note 16)		149.6			126.2
At cost	79.5			75.4		Short-term liabilities (Note 17)		942.3			870.1
Depreciation and valuation reserves	<u>55.7</u>	23.8		<u>48.8</u>	26.6	Currency reserve (Note 18)		52.1			-
Other equipment and vehicles						General valuation reserve		<u>16.5</u>			16.5
At cost	154.9			144.4				<u>2,791.7</u>			<u>2,528.8</u>
Depreciation and valuation reserves	<u>106.8</u>	48.1		<u>99.3</u>	45.1	Contingent liabilities and guarantees		<u>32.1</u>			<u>29.5</u>
Discount etc. on debenture loans (Note 10)		9.5			3.3	Furthermore, SAS has assumed certain liabilities in respect of pensions, and in connection with ticket sales according to pay-later plans					
Shares and bonds (Note 11)		27.7			24.6	Pledges					
Goodwill (Note 12)		14.5			15.3	Mortgages on real estate		38.1			29.7
Long-term accounts receivable and prepayments		31.1			33.2	Sundry pledges		<u>13.8</u>			<u>4.9</u>
Shop work in progress		0.9			1.8			<u>51.9</u>			<u>34.6</u>
Sundry stores		77.0			76.6						
Short-term accounts receivable and prepayments		377.1			303.3						
Cash and bank balances including short-term cash investments		<u>571.8</u>			<u>423.6</u>						
		<u>2,791.7</u>			<u>2,528.8</u>						

Copenhagen, Oslo and Stockholm, December, 1972

Haldor Topsøe
Palle Christensen

M. Wallenberg
Per Åsbrink
Knut Hagrup
President

Jens Chr. Hauge
Per M. Backe

/C. E. Lindh

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 January, 1973

Stockholm, January, 1973

Viking Bergman
Authorized Public Accountant

Erik Sivertsen
Authorized Public Accountant

Centralanstalten for Revision

S-E Schaumburg-Müller
Authorized Public Accountant

Christian Blom
Authorized Public Accountant

Sten Nackstad
Authorized Public Accountant

Hugo Engmann

Tor Storhaug
Authorized Public Accountant

"Notes to Financial Statements" on pages 13 - 14 refer to the above Balance Sheet.

NOTES TO FINANCIAL STATEMENTS

The consolidated profit and loss statement and the consolidated balance sheet of SAS include wholly-owned subsidiaries such as SAS Catering A/S, SAS-Invest A/S, Nyman & Schultz/Nordisk Resebureau AB, A/S Dansk Rejsebureau, Vingresor/Club 33 AB, Nordair A/S, and SAS Royal Hotel A/S. The accounts of Scanair, a consortium wholly-owned by the parent companies of SAS, are not consolidated with those of SAS.

Note 1 - Other operating revenue

"Other operating revenue" in the profit and loss statement, comprises revenue from sundry activities, such as shop work, ground handling, inter-line sales, etc., performed for other airlines, income from sale on board and in gateway stores, as well as revenue earned by wholly-owned subsidiaries from customers other than SAS.

Note 2 - Other income

This item includes adjustment of pension fees in Denmark for the years 1966-70 in the amount of MSKR 16.1.

Note 3 - Sale and retirement of flight equipment, etc.

"Income from sale and retirement of flight equipment, etc." includes the gain on the sale of ten spare engines and a cargo terminal at Arlanda airport.

Note 4 - Depreciation

The depreciation charges are apportioned as follows (MSKR):

	1971/72	1970/71
Aircraft, spare engines and spare parts	171.0	144.5
Buildings, etc.	5.7	5.6
Ground equipment and vehicles	25.0	24.1
	<u>201.7</u>	<u>174.2</u>

SAS flight equipment is depreciated over 10 years with a 10 per cent residual value except for Boeing 747-B

equipment, which is depreciated over 12 years with a 10 per cent residual value. The residual value of Caravelle and Metropolitan equipment is further depreciated based on the expected remaining useful life of the aircraft.

Note 5 - Income taxes

The accounts of SAS, except for subsidiaries, contain no provision for corporate income taxes in Denmark, Norway and Sweden, such liability resting upon the parent companies of SAS.

Note 6 - Balance sheet as of September 30, 1971

A regrouping of certain items has been made in the balance sheet as of September 30, 1971, in order to meet the presentation in the balance sheet as of September 30, 1972.

Note 7 - Aircraft, spare engines and spare parts

During the year one Boeing 747-B aircraft, one DC-8-63 and two DC-9-41 aircraft were delivered.

Changes during the year in total acquisition value and total depreciation and valuation reserves of aircraft, spare engines and spare parts are specified below (MSKR):

Acquisition value	1972	1971
As of September 30, 1971	2,005.1	
Boeing 747-B flight equipment delivered in 1971/72		
Prepayments etc. made before October 1, 1971 (transferred from account for advance payments)	53.1	
Investments during 1971/72	<u>109.9</u>	163.0
Other flight equipment delivered during 1971/72		
Prepayments etc. made before October 1, 1971 (transferred from account for advance payments)	24.6	
Investments during 1971/72	<u>91.6</u>	116.2

Depreciation and valuation reserves	1972	1971
As of September 30, 1971	624.6	
Depreciation 1971/72	171.0	
Accrued depreciation on flight equipment sold and retired in 1971/72, etc.	- 11.2	
As of September 30, 1972	<u>784.4</u>	

Boeing 747-B flight equipment delivered in 1971/72 includes one spare engine and engine spare parts held by SAS as the servicing company for the 747-B engine overhaul under the KSSU arrangements.

Note 8 - Buildings and land

Investments in buildings and land during the year amounted to MSKR 23.9 This includes investments in land for a new administration building in Copenhagen MSKR 2.5, in the cargo terminal in New York MSKR 2.4, in a flight kitchen for SAS Catering A/S in Oslo MSKR 7.2, and in SAS Royal Hotel under construction in Oslo MSKR 7.8.

Note 9 - Insurance values

As of September 30, 1972, flight equipment and other physical assets of SAS were insured as follows (MSKR):

	1972	1971
Aircraft	1,736.6	1,623.4
Spare engines, spare parts and technical stores	577.7	539.5
Buildings, etc.	235.8	198.1
Workshop and aircraft servicing equipment and tools	101.8	92.7
Other equipment, vehicles and various stores	208.4	187.6
	<u>2,860.3</u>	<u>2,641.3</u>

Note 10 - Discount etc. on debenture loans

Debt discount and costs in connection with the issue of the US\$ 30.0 mill. debenture loan have been capitalized with MSKR 6.6 in order to be amortized over the 15 year life of the loan.

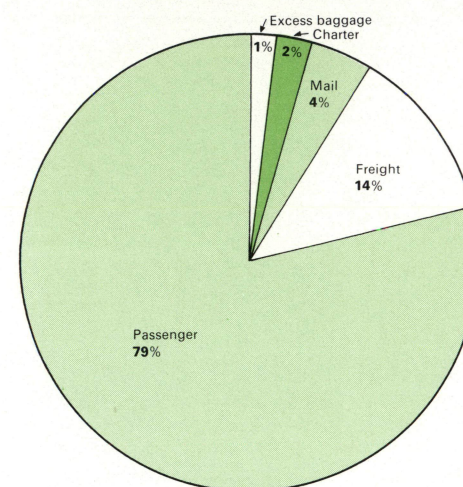
Note 11 - Shares and bonds

The item "Shares and Bonds" includes shares in the amount of MSKR 4.3 in Linjeflyg AB, MSKR 6.9 in Thai International and MSKR 6.8 in Hotel Scandinavia K/S, Copenhagen.

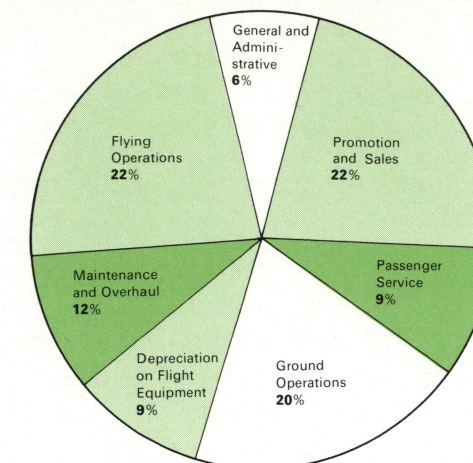
Note 12 - Goodwill

"Goodwill" in the balance sheet includes MSKR 13.5 relating to Vingresor/Club 33 AB, acquired in 1970/71, and MSKR 0.9 referring to

SAS Traffic Revenue 1971/72



Operating expenses incurred in SAS transportation services 1971/72



AB Ringån, a Swedish company acquired by SAS during 1971/72.

Note 13 - Capital

In addition to the amount of MSKR 35.7, retained by SAS out of the profit for the year 1970/71, SAS's capital was increased during the year by MSKR 70.0 through cash payment from the parent companies. After this aggregate increase of MSKR 105.7 the capital of SAS amounts to MSKR 705.0, excluding the profit for the year 1971/72.

The capital includes statutory reserves and retained earnings in wholly-owned subsidiaries as follows (MSKR):

Statutory reserves	1972	1971
SAS Catering A/S	1.6	
SAS-Invest A/S	0.2	
A/S Dansk Rejsebureau	0.1	
Vingresor/Club 33 AB	<u>0.1</u>	2.0
Other reserves and retained earnings		
SAS Catering A/S	7.1	
SAS-Invest A/S	1.8	
A/S Dansk Rejsebureau	0.1	
Vingresor/Club 33 AB	<u>1.2</u>	10.2
		<u>12.2</u>

The wholly-owned subsidiaries account for MSKR 8.7 out of the total profit of SAS in 1971/72.

Note 14 - Debenture loan

This item represents the 8 per cent debenture loan in the amount of US\$ 30,0 mill. issued in June 1972 at an offering price of 98½ per cent. The parent companies are jointly and severally liable with SAS for the debentures, which are due in 1987.

Note 15-Loans in USA

As of September 30, 1972, the loans from insurance companies in the United States amounted to US\$ 1.5 million.

In the course of the year US\$ 10.7 million were drawn and US\$ 9.5 million amortized under the loan agreements entered into in 1968 for the financing of two Boeing 747-B aircraft with spare engines and spare parts and nine DC-9-41 aircraft. As of September 30, 1972, the loans of 1968 amounted to US\$ 55.2 million. Borrowing during the year under the loan agreements of 1971 concerning the financing of five DC-9-41 aircraft and one DC-8-63 aircraft amounted to US\$ 16.7 million. These loans total US\$ 18.7 mill. as of September 30, 1972.

Other loans in the US, included under this heading, amounted to US\$ 12.0 million as of September 30, 1972. Current maturities of "Loans in USA", amounting to US\$ 15.9 million at the end of the financial year, are included under "Short-term liabilities" in the balance sheet.

Note 16 - Other long-term liabilities

Loans from KSSU-partners, drawn for the purpose of financing Boeing 747-B spare engines and engine spare parts held by SAS on behalf of KLM and Swissair under the KSSU-arrangements, amounted to US\$ 20.1 million as of September 30, 1972. The countervalue in Swedish crown of these loans has been adjusted

downward to reflect the effect of the devaluation of the United States dollar in December 1971.

Note 17 - Short-term liabilities

"Short-term liabilities" in the balance sheet include current maturities of long-term liabilities totalling MSKR 211.7 at the end of the financial year. For practical reasons, the various clearing accounts for traffic revenue are, as hitherto, included as a net balance in the item "Short-term liabilities."

Note 18 - Currency reserve

SAS accounts are kept in Swedish crowns. After the realignment of currencies in December 1971 SAS has used, for accounting purposes, the following rates of exchange between Swedish crowns and the other two Scandinavian currencies as well as the United States dollar:

100 Danish crowns	= 68.95 Swedish crowns
100 Norwegian crowns	= 72.42 Swedish crowns
1 US dollar	= 4.82 Swedish crowns

The new rate of exchange between Swedish crowns and the United States dollar corresponds to a 6.9 per cent change from the rate used for accounting purposes prior to the currency realignment, SKR 5.18 per United States dollar. The item "Currency reserve" in the balance sheet represents the adjustment, in Swedish crowns, of long-term liabilities denominated in United States dollar outstanding as per September 30, 1972.

FUNDS STATEMENT (in millions of Swedish Crowns)

Source of funds	1971/72	1970/71	1969/70	1968/69	1967/68
Net profit	35.0	71.4	88.9	83.3	86.1
Depreciation	201.7	174.2	167.9	154.0	103.7
Book value of assets sold and retired	11.7	26.4	80.0	71.5	3.7
Other (net)	7.0	-1.9	-0.7	-0.3	-1.1
From operations	255.4	270.1	336.1	308.5	192.4
New capital from parent companies	70.0			70.0	
Manufacturer's credit and borrowing for flight equipment	138.0	247.1	387.1	257.9	250.9
Other borrowing, etc.	206.2	20.1	5.7	15.2	3.5
Short-term liabilities	64.8	103.0	82.8	40.7	32.6
Amortization on long-term lending	7.8				
Other ¹⁾	10.0	10.1	16.1		
Sub-total	752.2	650.4	827.8	692.3	479.4
Use of funds					
Aircraft, spare engines, spare parts	201.4	277.7	365.7	337.0	376.2
Prepayments on aircraft and flight simulators	21.6	45.4	67.4	100.3	51.0
Loan to KSSU-partners	5.1	6.7			
Buildings, etc.	23.9	32.2	15.1	13.4	12.9
Other equipment, supplies, etc.	30.7	38.2	25.6	21.6	20.0
Shares (and goodwill)	15.6	21.5	6.5	2.8	1.4
Discount on debenture loan	6.6				
Long-term lending		4.2	5.5	8.3	2.0
Total investments	304.9	425.9	485.8	483.4	463.5
Accounts receivable and prepayments, etc.	79.9	19.1	29.9	24.2	29.6
Amortization on long-term debt	183.7	159.5	135.9	110.9	44.7
Paid to parent companies out of last year's profit	35.7	44.4	41.7	43.0	42.0
Sub-total	604.2	648.9	693.3	661.5	579.8
Change in cash and bank balances (including short-term cash investments)	+148.0	+1.5	+134.5	+30.8	-100.4

¹⁾ Cash and bank balances of subsidiaries acquired during the year.

INVESTMENTS IN FLIGHT EQUIPMENT

	No. of aircraft		Amounts (in millions of Swedish Crowns)			
	Delivered	On order	Deliveries 1966/67 - 1971/72	Advance payments Sept. 30, 1972	To be paid 1972/73 - 1976/77	Total
747-B	2	-	428.3 ¹⁾	-	43.2 ¹⁾	471.5
DC-10-30	-	5		5.4	648.2	653.6
DC-8-63	6	2	763.2	4.4	118.9	886.5
DC-8-62	8	-				
DC-9-41	21	3	764.2	27.7	56.5	848.4
DC-9-33AF	2	-				
DC-9-21	10	-				
Total	49	10	1,955.7	37.5	866.8	2,860.0

¹⁾ Includes spare engines and engine spare parts for the Boeing 747-B engine overhaul under the KSSU-arrangements.

AUDITOR'S 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, 1971 - September 30, 1972.

We have examined the Annual Report, which includes the wholly-owned subsidiary companies. 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, a net profit of 35.0 million Swedish Crowns, out of which 17.5 million Swedish Crowns are proposed to be paid out to the Parent Companies.

We recommend that the Annual Accounts as of September 30, 1972 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, January, 1973

Viking Bergman
Authorized Public Accountant

Centralanstalten for Revision

Erik Sivertsen
Authorized Public Accountant

S-E Schaumburg-Müller
Authorized Public Accountant

Christian Blom
Authorized Public Accountant

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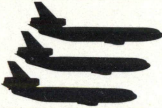




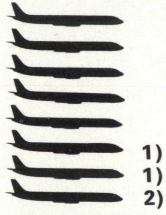
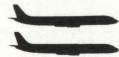
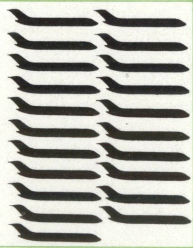



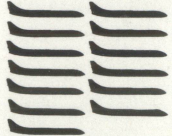
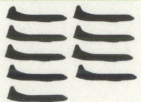
Hugo Engmann

Tor Storhaug
Authorized Public Accountant

COMPARATIVE STATISTICS 1962/63-1971/72

	71/72	70/71	69/70	68/69	67/68	66/67	65/66	64/65	63/64	62/63
PRODUCTION AND TRAFFIC										
Size of Network (km 000)	243	224	205	208	206	190	158	158	155	145
Number of Countries Served	50	48	48	45	45	41	42	41	39	38
Number of Cities Served	94	96	92	90	90	84	87	81	77	74
Kilometers Flown (mill.)	109.9	107.0	101.7	97.7	88.7	75.8	69.4	65.9	63.3	60.7
Hours Flown (airborne) (000)	172.8	172.4	162.6	168.3	164.6	147.0	136.3	129.0	125.2	119.6
Available Ton-Kms, total (mill.)	1,745.6	1,546.0	1,431.5	1,286.9	1,075.1	834.8	724.8	668.0	623.5	590.1
Available Ton-Kms, scheduled services (mill.)	1,664.1	1,480.8	1,371.7	1,239.3	1,047.5	818.5	701.6	649.8	604.1	568.8
Revenue Ton-Kms, scheduled services (mill.)	857.0	738.5	710.1	658.3	554.7	480.7	415.9	391.2	347.8	302.4
Passenger	558.6	493.4	469.3	417.0	380.1	337.7	295.3	283.1	256.8	222.2
Freight	267.5	215.8	213.4	214.5	149.4	119.8	97.5	86.7	72.2	64.0
Mail	30.9	29.3	27.4	26.8	25.2	23.2	23.1	21.4	18.8	16.2
Total Load Factor, scheduled services (%)	51.5	49.9	51.8	53.1	53.0	58.7	59.3	60.2	57.6	53.2
Number of Passengers Carried (000)	5,826	5,688	5,058	4,588	4,155	3,734	3,241	2,999	2,617	2,358
Revenue Passenger Kms (mill.)	6,305	5,584	5,297	4,707	4,287	3,805	3,304	3,166	2,871	2,506
Passenger Load Factor (%)	49.8	49.0	50.3	47.7	50.2	54.5	52.6	54.3	52.9	49.9
Average Passenger Trip Length (kms)	1,102	997	1,061	1,036	1,038	1,024	1,029	1,064	1,109	1,076
Traffic Revenue/Revenue Ton-Km (SKR)	2.07	2.18	2.06	2.05	2.11	2.12	2.15	2.20	2.29	2.35
Operating Expenses/Available Ton-Km (based on calculated depreciation, excl. interest) (SKR)	1.02	1.03	1.00	1.01	1.04	1.16	1.18	1.19	1.16	1.16
PERSONNEL										
Number of Employees as of September 30	14,563	14,637	14,560	14,466	13,619	13,284	13,081	12,709	12,219	11,990
Available Ton-Kms/Employee (scheduled services)	114,000	101,700	95,000	88,100	78,200	62,500	54,800	52,200	50,300	48,000
Revenue Ton-Kms/Employee (scheduled services)	58,700	50,700	49,200	46,800	41,400	36,700	32,500	31,400	29,000	25,500
FINANCIAL (Mill. Swedish Crowns)										
Total Revenue	2,633.3	2,297.2	1,989.6	1,785.6	1,520.4	1,354.4	1,192.3	1,119.5	1,030.6	937.3
Traffic Revenue	1,798.1	1,621.8	1,478.9	1,366.1	1,179.0	1,023.3	913.5	875.2	807.6	726.4
Other Operating Revenue	767.3	607.9	420.1	336.9	304.4	284.5	246.4	218.4	202.8	197.2
Financial and Other Income, etc.	67.9	67.5	90.6	82.6	37.0	46.6	32.4	25.9	20.2	13.7
Total Expenses	2,598.3	2,225.8	1,900.7	1,702.3	1,434.3	1,270.4	1,127.5	1,044.6	960.6	916.3
Operating and Administrative Expenses	2,279.0	1,953.1	1,628.8	1,453.2	1,276.7	1,133.4	1,002.7	924.4	839.5	790.9
Financial and Other Expenses	117.6	98.5	104.0	95.1	53.9	44.6	39.2	37.7	35.5	34.5
Depreciation	201.7	174.2	167.9	154.0	103.7	92.4	85.6	82.5	85.6	90.9
Net Profit	35.0	71.4	88.9	83.3	86.1	84.0	64.8	74.9	70.0	21.0
Balance Sheet (total)	2,791.7	2,528.8	2,262.2	1,850.9	1,538.3	1,253.8	1,046.9	963.2	867.8	814.8
Aircraft, Spare Engines and Spare Parts (certain Expendable Parts included), Prepayments on Flight Equipment	1,489.2	1,468.7	1,327.6	1,129.2	894.2	547.0	423.5	335.3	367.3	437.9
Buildings, Ground Equipment, etc., Shares, Long-term Receivables	275.7	254.8	185.7	161.0	137.0	121.6	100.4	88.5	84.7	94.3
Current Assets	1,026.8	805.3	748.9	560.7	507.1	585.2	523.0	539.4	415.8	282.6
Capital incl. Net Profit	740.0	670.7	643.7	596.5	486.2	442.1	371.1	321.3	260.4	190.4
Subordinated Debentures	141.8	157.5	157.5	157.5	157.5	157.5	157.5	157.5	157.5	157.5
Long-term Debt	899.0	814.0	732.9	526.4	393.7	215.1	137.1	136.0	112.4	128.3
Short-term Liabilities	942.3	870.1	711.6	554.0	484.4	422.6	364.7	331.9	321.0	322.1
General Valuation and Currency Reserves	68.6	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5

AIRCRAFT FLEET

	30/9 -72	1972-73	1974	1975	1976
	No. Fleet at the end of the year	Orders	Orders	Orders	Orders
747-B	2 				
DC-10-30					
DC-8-63	6 				
DC-8-62	8 				
DC-8-55	2 				
DC-9-41	21 				
DC-9-33AF	2 				
DC-9-21	10 				
CARAVELLE	13 				
METROPOLITAN	9 				
	73				

1) COMBINED VERSION (CF)
2) CARGO " (AF)



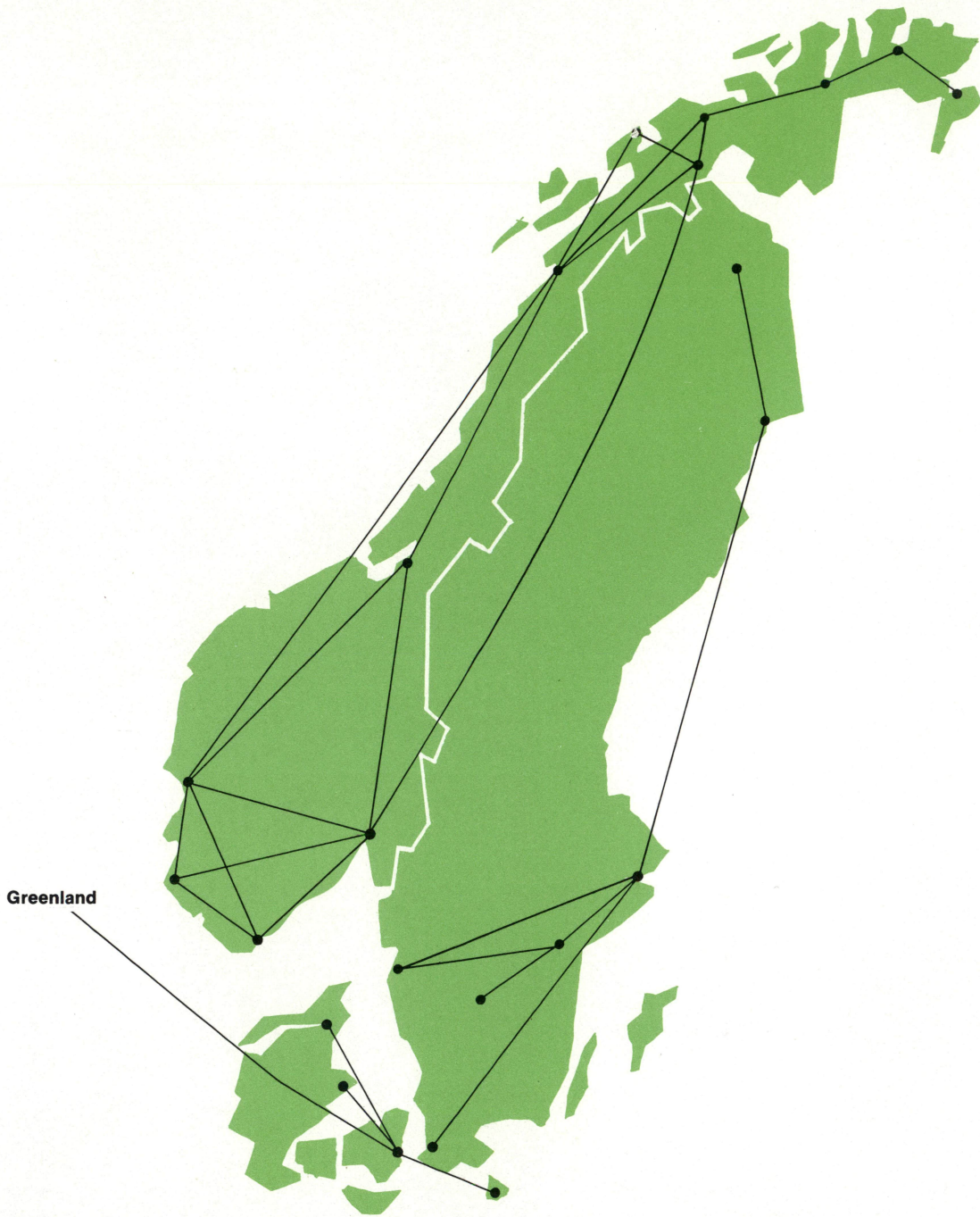
Intercontinental Routes

Scheduled services (Mill.) Last Year's figures in brackets	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Ton- Kms	Change %	Ton- Kms	Change %		
North Atlantic	2,337 (1,814)	+29	158.6 (125.3)	+27	10.4 (8.8)	+18	54.3 (51.4)	50.9 (47.0)
Other Intercontinental Routes	1,124 (1,034)	+9	55.7 (46.2)	+21	9.1 (9.6)	-5	52.8 (49.4)	45.9 (43.0)
Total Intercontinental Traffic	3,461 (2,848)	+22	214.3 (171.5)	+25	19.5 (18.4)	+6	53.8 (50.7)	49.2 (45.4)



European (incl. Middle East) and Inter-Scandinavian Routes

Scheduled services (Mill.) Last year's figures in brackets	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Ton- Kms	Change %	Ton- Kms	Change %		
Middle East	109 (104)	+5	2.7 (2.3)	+20	0.4 (0.3)	+30	42.5 (40.8)	39.5 (40.9)
European Routes	1,425 (1,317)	+8	37.2 (30.9)	+20	5.4 (4.8)	+12	46.8 (47.5)	48.6 (52.1)
Inter-Scandinavian Routes	357 (377)	-5	8.5 (6.3)	+34	0.9 (1.0)	-17	43.2 (45.3)	45.6 (50.5)
Total Europe, Middle East and Inter-Scandinavian Traffic	1,891 (1,798)	+5	48.4 (39.5)	+23	6.7 (6.1)	+8	45.8 (46.6)	47.4 (51.0)



Scandinavian Domestic Routes

Scheduled services (Mill.) Last year's figures in brackets	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Ton- Kms	Change %	Ton- Kms	Change %		
Denmark	141 (195)	-28	0.6 (1.1)	-41	0.1 (0.2)	-25	57.0 (55.1)	59.0 (57.1)
Norway	450 (406)	+11	2.2 (1.7)	+25	2.3 (2.2)	+3	53.0 (53.8)	57.2 (59.4)
Sweden	362 (338)	+7	2.0 (2.0)	+2	2.4 (2.3)	+2	52.5 (53.1)	58.7 (59.5)
Total Domestic Traffic	953 (939)	+2	4.8 (4.8)	+1	4.8 (4.7)	+1	53.4 (53.8)	58.0 (58.9)



SAS air hostesses represented the airline in various competitions, congresses and sales promotion projects during the year.

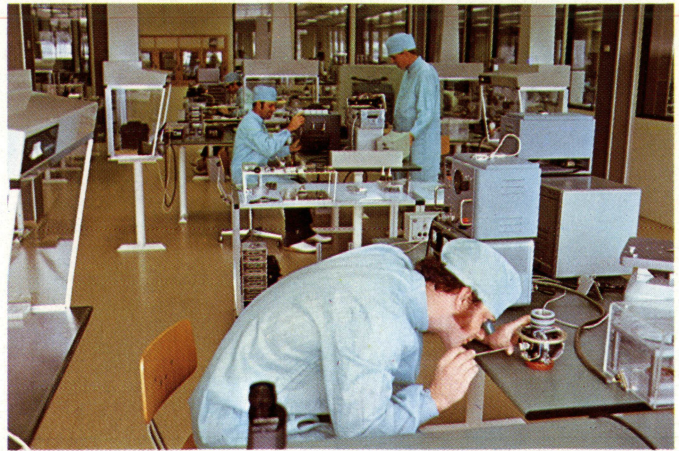


Check-in facilities, including the seat selection board and large finger lounges, had a busy summer in Copenhagen with the 747-B carrying high passenger loads across the North Atlantic all summer.



An SAS 747-B undergoes routine maintenance in the airline's new, jumbo-sized hangar at Copenhagen Airport.

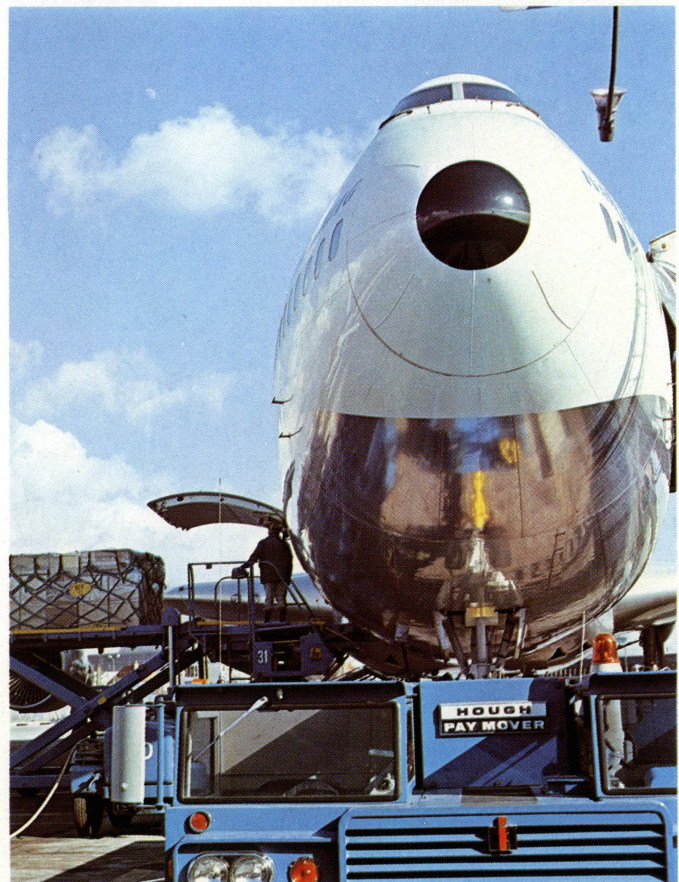
Navigational and other components from the flight deck of SAS aircraft are checked and overhauled in the clinic-like instrument workshop at Copenhagen Airport.



The new SAS cargo terminal was opened at New York's John F. Kennedy International Airport during the year. It has an initial capacity of 60,000 tons of cargo a year and can handle two 747-B and two DC-8 jetliners at the same time.



In addition to 353 passengers and their baggage, the 747-B has room in its enormous lower deck for 5100 cubic feet of cargo, including five three-ton pallets.



The SAS Globetrotter Hotel near Oslo's Fornebu Airport provides both first class rooms, restaurants and congress facilities.



The SAS Royal Hotel in downtown Copenhagen near the Tivoli Pleasure Gardens enjoyed another fine year with an annual room utilization of 90 per cent.



The SAS Globetrotter Hotel in Copenhagen is a popular first class hotel for tour groups and travelers in need of a room for a short stay near the airport.



With an international reputation, the SAS Royal Atlantic Hotel is conveniently positioned in the center of Stavanger, since the summer of 1972 one of SAS' North Atlantic gateways.



The 194-room SAS Royal Hotel in Bodø, just north of the Arctic Circle, enjoys a picturesque harborside setting with a view of part of Norway's busy fishing fleet.



The new SAS Royal Hotel in Tromsø is also near the harbor in this old whaling town and traditional gateway to the Arctic. Like the SAS Royal in Bodø, the 160-room Tromsø hotel is operated by SAS Catering.



SUBSIDIARIES

SAS Catering A/S

SAS Catering A/S, a wholly-owned subsidiary, increased its total revenue by 23 per cent to MDKR 307.6. The subsidiary runs 11 flight kitchens – serving 46 airlines – around the world, and operates four hotels in Scandinavia. SAS accounted for 40 per cent of SAS Catering's total revenue. SAS Catering employed an average of 1,802.



The reception hall of a Globetrotter Hotel.

SAS Invest A/S

SAS-Invest A/S, another wholly-owned subsidiary, owns and operates SAS Royal Hotel in Copenhagen. With an occupancy rate of 90 per cent, the hotel had a total revenue of MDKR 26.4, compared with MDKR 26.0 a year earlier. Staff totalled 373.

Nyman & Schultz/ Nordisk Resebureau AB

Nyman & Schultz/Nordisk Resebureau AB, the largest IATA travel agency in Sweden and wholly-owned by SAS, increased total sales of travel and related services by 12 per cent to MSKR 230.6 in 1971/72, resulting in an increase in operating revenue from MSKR 19.2 to MSKR 22.4, derived mainly from commissions. Nyman & Schultz/Nordisk Resebureau employed 320 on September 30.



The Danish Royal Guard marching by the SAS-owned Dansk Rejsebureau, Copenhagen.

A/S Dansk Rejsebureau

In its first full year as a wholly-owned subsidiary, A/S Dansk Rejsebureau in Copenhagen, showed an operating revenue of MDKR 1.5 on total sales of MDKR 14.5, with a staff of 23.



The Vingresor/Club 33 headquarters, Stockholm.

Vingresor/Club 33 AB

In 1971/72, Vingresor/Club 33, Sweden's largest producer of inclusive tours and also a wholly-owned SAS subsidiary, increased its number of customers by 40 per cent to 190,600, and total revenue by 35 per cent to MSKR 191.2. During the year the staff averaged 547.

Globetrotter

Globetrotter, owned 50 per cent by SAS and 50 per cent by IATA agents in Denmark, Norway and Sweden, including some which are subsidiaries of SAS, increased its sales of inclusive tours on scheduled intercontinental flights by 32 per cent to MSKR 9.7 – excluding air fares – in 1971/72. Passengers increased 19 per cent to 11,400. Globetrotter operated with an average staff of 41.

Scandinavian Star Tour Corporation

SAS has a majority interest in Scandinavian Star Tour Corporation, owned jointly with travel agencies in Denmark, Norway and Sweden. In 1971/72 Star Tour increased sales by 11 per cent to MDKR 101.5, accounting for a total of 89,600 passengers. Employees averaged 146.

Copenhagen Air Cargo Center A/S

The Copenhagen Air Cargo Center A/S, also owned and operated by SAS, handled 122,300 tons of cargo in 1971/72, an increase of 16 per cent. It processed 1.1 million shipments comprised of 4.8 million individual parcels. Employees averaged 243.

AFFILIATED AIRLINES

Danair A/S

DANAIR, owned 51 per cent by SAS, started operations on November 1, 1971. The domestic airline was formed earlier in 1971 by SAS, Maersk Air and Cimber Air with a staff of 9. Serving eight points in Denmark plus the Færoe Islands, DANAIR carried 442,000 passengers in its first year of operation, achieving a cabin factor of 54.0 per cent and producing a total revenue of MDKR 58.2.



A DANAIR bus with Hotel Scandinavia in the background.

Linjeflyg AB

Linjeflyg (LIN), the Swedish domestic airline owned 50-50 by SAS and its Swedish parent company ABA, opened services to Gävle-Sandviken and assumed 50 per cent ownership of Crownair, a taxi and feeder airline previously wholly-owned by government interests. The LIN fleet consists of 19 Metropolitans and four Nord 262s, with three Fokker F-28 jetliners set for delivery in 1973. Employees numbered an average of 731.

LIN carried 902,400 passengers in 1971/72, an increase of 2.3 per cent. The airline's cabin factor was 52.0 per cent, compared with 54.9 per cent the previous year. Passenger capacity increased 7.8 per cent; traffic, 2.1 per cent. Total revenue amounted to MSKR 133.2, up 6.0 per cent from last year. The Swedish railroad labor conflict had influenced the previous year's 15 per cent traffic growth.

Greenlandair

SAS owns 25 per cent of Greenlandair which primarily provides scheduled helicopter services on Greenland. The airline carried 60,000 passengers, up 30 per cent. Mail traffic rose 10 per cent, cargo 25.

Widerøe Flyveselskap A/S

Widerøe Flyveselskap A/S, in which SAS has a 20 per cent interest, extended its Norwegian local service operations to three new airports in North Norway, bringing the total points served by the airline to 19. With a fleet of five Twin Otter STOL (Short Takeoff and Landing) aircraft, the airline carried 97,000 passengers, an increase of 77 per cent. Widerøe employed 102.



A Widerøe Twin Otter STOL aircraft at Bodø airport, North Norway.

Scanair

Scanair, the charter Consortium owned by the three parent companies of SAS, provides charter aircraft capacity for the Scandinavian inclusive tour market with its fleet of two DC-8 fanjets and three Boeing 727s. Under an interchange agreement with SAS, Scanair also introduced 747-B service to the Canary Islands during the year. Serving 41 airports in 21 countries, Scanair flew 727,400 one-way passengers in 1971/72, a decrease of 2 per cent. Total revenue was MSKR 123.4, down 2 per cent. The main traffic was to and from Spain, with 249,000 passengers; the Canary Islands, with 210,000, and Italy, with



In 1971/72, Scanair introduced 747-B services to the Canary Islands.

74,000. Scanair performed 2,768 round trips: 824 by DC-8; 1,468 by Boeing 727, and 476 by other chartered aircraft. The Scanair staff numbered 390 at the end of the year.

Thai International

Thai Airways International Ltd., owned 70 per cent by Thai Airways Co. Ltd. and 30 per cent by SAS, opened its first service to Europe in June, 1972. The route links Bangkok with Copenhagen over the Trans-Asian Express shortcut. Thai International also increased intercontinental services between Bangkok and Sydney from one to two flights a week.

Serving 19 cities in 15 countries, the airline operates a fleet of five DC-8s and leases ultra-long range DC-8-62 capacity from SAS for its intercontinental services to Europe and Au-

stralia. Thai International carried 647,600 passengers during 1971/72, 70,000 or 12 per cent more than last year, increased production 22 per cent, traffic 30 per cent and its overall load factor from 46.4 to 50.1 per cent. The airline's total revenue rose from 850.5 million baht (US\$ 40.9 million) to 1,073.5 million baht (US\$ 51.6 million). The profit, before taxes, was 40 million baht (US\$ 2 million), compared to 12.5 million baht (US\$ 600,000) last year. The airline, one of Thailand's largest employers, had a staff of 2,678 at the end of the year.

HOTEL ACTIVITIES

SAS owns, operates or has partial interest in nine hotels in Scandinavia, three in Copenhagen, two in Oslo, and one each in Stavanger, Bodø, Tromsø and Stockholm. It also has a share of a hotel on Greenland.

For many years potential hotel developments in Scandinavia did not keep pace with the increase in inbound passengers until SAS went in to fill the gap, either directly or in liaison with other interests.

Since the first SAS Royal Hotel was opened in Copenhagen in 1960, the number of passengers SAS has flown into Scandinavia had doubled. Despite this fact few hotels have been added, except — with SAS involvement — in the past few years.

The SAS Globetrotter Hotel in Oslo, for example, was the first new hotel to be added to that city in a decade when it opened in the spring of 1971.

With its present program SAS expects to be able to add some 6,000 first class hotel beds to Scandinavia by 1975.

The SAS Royal Hotel in Copenhagen, owned and operated by the wholly-owned SAS subsidiary SAS-Invest, has 300 rooms and maintained in 1971/72 a 90 per cent occupancy rate.

The SAS Globetrotter Hotel, near the airport in Copenhagen, owned and operated by SAS Catering, had a

82 per cent occupancy rate on its 154 rooms. SAS's third hotel interest in Copenhagen is the 550-room Hotel Scandinavia, to be opened in April, 1973. The luxury class hotel, in which SAS has a 20 per cent share, is managed by the Western International chain and has already sold most of its capacity for 1973.

In Norway, the 150-room Globetrotter Hotel near Oslo's airport had an occupancy rate of 80 per cent. Like its counterpart in Copenhagen, it is owned and operated by SAS Catering. At the end of last year SAS acquired a 19-per cent interest in the SAS Royal Atlantic Hotel in Stavanger, with 150 rooms. The year's occupancy rate was 69 per cent.

North of the Arctic Circle, in Norway, SAS Catering operates the SAS Royal Hotel in Bodø and the SAS Royal Hotel in Tromsø, both of high international standard. The Bodø hotel, with 194 rooms, had an occupancy rate of 68 per cent while the Tromsø rate was 84 per cent. Both hotels opened in the spring of 1971.

In Oslo, SAS is developing the big SAS Royal Hotel. Ground was cleared for the 473-room hotel during the financial year. Construction has begun and the hotel, near the Royal Palace, is expected to be completed by the summer of 1975.

In Sweden, SAS has a 25 per cent share of the 476-room Sheraton-Stockholm Hotel, which opened in early 1971.

	Denmark	Norway	Sweden
Board of Directors	Haldor Topsøe Chairman	Jens Chr. Hauge Second Vice Chairman	M. Wallenberg First Vice Chairman
	Palle Christensen	Per M. Backe	Per Åsbrink
	Deputies: Helge Bech-Bruun Svend Horn	Deputies: Erik Brofoss Johan Horn	Deputies: Curt Nicolin Nils Hörjel

Assembly of Representatives	Mogens Pagh Second Vice Chairman	Per M. Hansson First Vice Chairman	Per A. Norlin Chairman
	Niels Alsing Andersen Helge Bech-Bruun K. Bredahl Palle Christensen Count Flemming af Rosenberg Ove Guldberg Svend Horn Hans Muus Haldor Topsøe	Per M. Backe Erik Brofoss Jens Chr. Hauge Johan Horn Håkon Kyllingmark Johan Nerdrum Erik Brand Olimb Fred. Olsen K. Skaaluren Deputies: Halvdan Bjørum Guttorm Hansen Rolf Heilemann Arnliot Strømme Svendsen	Erik Boheman Erik Grafström Sven Gustafson Nils-Olov Hasslev Tryggve Holm Nils Hörjel Leif Janson A. Ax:son Johnson Sven Moilqvist Lars Peterson M. Wallenberg Sune Wetter Per Åsbrink Deputies: Johannes Antonsson Torgeir Christoffersen Folke Fessé Helge Jäder Erik Krönmark Curt Nicolin

Management	Knut Hagrup President		
Björn Törnblom Executive Vice President Technical and Operations	Erik Palsgaard Executive Vice President Marketing	C. E. Lindh Executive Vice President Finance	Gunnar Sandberg Senior Vice President Administration
	Johs. Nielsen Vice President and General Manager Region Denmark	Kai Sørtorp Vice President and General Manager Region Norway	Sven-Erik Svanberg Vice President and General Manager Region Sweden

SCANDINAVIAN AIRLINES SYSTEM

Scandinavian Airlines System (SAS) is the designated national carrier of three sovereign nations, Denmark, Norway, and Sweden. The owners of SAS are: Det Danske Luftfartselskab A/S (Danish Airlines) · Det Norske Luftfartselskap A/S (Norwegian Airlines) · AB Aerotransport (Swedish Airlines). These three limited companies are in turn, through shareholdings, owned 50 per cent by private individuals or enterprises, and 50 per cent by their respective national Governments.



