

**SAS**

*SCANDINAVIAN AIRLINES SYSTEM*

# ANNUAL REPORT 1979~80



### ***SCANDINAVIAN AIRLINES SYSTEM***

Scandinavian Airlines System (SAS) is the designated air carrier of Denmark, Norway and Sweden. SAS is a consortium owned 2/7 by Det Danske Luftfartselskab A/S, Denmark, 2/7 by Det Norske Luftfartselskap A/S, Norway, and 3/7 by AB Aerotransport, Sweden. Each is a corporation, the shares of which are owned 50 per cent by private interests and 50 per cent by government. The SAS Group consists of the SAS Consortium and its subsidiaries.



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## Highlights

		1979/80	1978/79	Change
<b>SAS Consortium</b>				
Available Tonne Kms, total	(mill.)	2 536.8	2 528.3	+ 0.3 %
Available Tonne Kms, scheduled services	(mill.)	2 515.9	2 483.5	+ 1.3 %
Revenue Tonne Kms, scheduled services	(mill.)	1 432.6	1 435.1	— 0.2 %
Total Load Factor, scheduled services	(%)	56.9	57.8	— 0.9 points
Available Seat Kms, scheduled services	(mill.)	18 460	18 216	+ 1.3 %
Revenue Passenger Kms, scheduled services	(mill.)	10 972	10 908	+ 0.6 %
Passenger Load Factor, scheduled services	(%)	59.4	59.9	— 0.5 points
Number of Passengers Carried, total	(000)	8 393	8 669	— 3.2 %
Revenue Freight Tonne Kms, scheduled services	(mill.)	412.2	425.2	— 3.0 %
Traffic Revenue	(MSKR)	6 154.9	5 364.9	+14.7 %
Total Operating Revenue	(MSKR)	7 268.0	6 209.0	+17.0 %
Depreciation	(MSKR)	378.8	317.0	
Profit/Loss before Income Taxes payable by Parent Companies	(MSKR)	— 53.9	+109.2	
Average Number of Employees		17 069	16 755	
<b>SAS Group</b>				
Total Operating Revenue	(MSKR)	9.343.5	8 065.7	+15.8 %
Depreciation	(MSKR)	434.0	359.5	
Consolidated Profit/Loss before Allocations and Income Taxes	(MSKR)	— 62.2	+147.6	
Average Number of Employees		24 997	24 132	

### Glossary

#### Available Tonne Kilometers

Number of tonnes of capacity available for carriage of passengers, baggage, freight and mail, multiplied by number of kilometers flown\*).

#### Revenue Tonne Kilometers

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

#### Total Load Factor

Percentage of total available capacity utilized (passenger, baggage, freight 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 available passenger capacity actually utilized.

#### Revenue Freight Tonne Kilometers

Tonnage of paid freight carried, multiplied by number of kilometers flown\*).

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



# Report by the Board and the President

## General Review

The SAS Group recorded a consolidated loss of 62.2 million Swedish Kronor (MSKR), before allocations and income taxes, for the financial year ending September 30, 1980 (147.6 MSKR profit last year).

The SAS Consortium's loss was 53.9 MSKR (109.2 MSKR profit last year). The result includes an aggregate credit of 136.5 MSKR from reserves. On the other hand, 44.0 MSKR have been allocated to extraordinary depreciation on aircraft. Details are given in Note 2, 3 and 4 to financial statements.

The Board of Directors submits to the Assembly of Representatives that the loss of 53.9 MSKR be charged to the capital of the Consortium.

Total operating revenue of the SAS Group amounted to 9,344 (8,066) MSKR. Total operating expenses, excluding depreciation, were 8,908 (7,551) MSKR. Depreciation charges totaled 434 (360) MSKR, including 379 (317) MSKR for the Consortium.

Total operating revenue of the SAS Group amounted to 9,344 (8,066) MSKR. Total operating expenses, excluding depreciation, were 8,908 (7,551) MSKR. Depreciation charges totaled 434 (360) MSKR, including 379 (317) MSKR for the Consortium.

The result of the SAS Group includes a net gain from sales and retirement of equipment, etc., in the amount of 11 (49) MSKR.

SAS production for the year rose 1.3 per cent, while traffic—expressed in revenue tonne-kilometers—was almost the same as last year. The

systemwide load factor was 56.9 per cent, down 0.9 points. The cabin factor dropped a half-point, to 59.4 per cent. Further details are given in subsequent chapters of this report.

The year's loss, SAS's first after 17 consecutive years of profit, reflects a number of problems which are common to the entire airline industry—foremost traffic stagnation and rising costs.

The stagnation of traffic growth was caused by the recession and by the marked impact of fares and rates increases which, this year, exceeded general inflation levels.

The industry's costs, however, escalated at an even higher pace than did the fares and rates. The rise in costs was primarily due to severe fuel price increases.

SAS fuel costs amounted to 1,413 MSKR during the year, compared with 794 MSKR last year. This represents over 20 per cent of total airline operating expenses, excluding depreciation, compared with seven per cent in 1972–1973, just before the initial fuel crisis.

The lack of growth combined with cost increases also had a negative impact on the subsidiaries, their results reflecting both the stagnation in scheduled traffic and the general slump in the inclusive tour markets.

In addition to these problems, labor market conflicts in Sweden and Norway in the spring of 1980 resulted in a net loss of about 100 MSKR to the SAS Group. Although not a party to the conflicts, SAS was nevertheless severely hurt when air traffic control services were shut down.

The SAS Airbus began operating several high-density services in Scandinavia and Europe in early 1980.



Air traffic control services in Copenhagen were seriously limited by personnel problems in May and June, resulting in numerous cancellations and loss of revenue by SAS. By July the services returned to normal.

On the other hand, some encouraging trends could also be noted during the year. There was a positive response to innovative rate-setting and new products introduced in air cargo. The South American and African routes recorded a positive passenger and cargo traffic development.

Air transport is today confronted with more unfavorable operating conditions than ever before. These conditions represent a new challenge to which SAS is responding through a reorientation of its business and a reorganization of its resources.

There will be an innovative approach to route patterns, flight schedules, product development, service standards and pricing policies. A review is being made of unprofitable activities, loss areas and unproductive capital investments.

The overall organization of the SAS Group is in the process of a thorough but gradual transformation. The principles of the new organization are based on result-oriented

management, with responsibility for current activities decentralized into clearly-defined profit centers, and with a small central management for the Group.

The reorientation and reorganization of SAS's activities will lead to a significant reduction of personnel and an improved utilization of capital and resources in general. Thus, the foundation will be laid for a restoration of SAS's profitability.

### The Fleet

There were 86 jetliners in the fleet of the SAS Group at the end of the 1979-1980 financial year.

SAS received its first two Airbuses in early 1980. One more Airbus has been delivered since the end of the financial year and a fourth will be delivered in March 1981.

The SAS version, seating 242, has been designed to meet the airline's special operating requirements. It is the basic A300B2 short- to medium-range model of the Airbus, but with increased range, takeoff and landing weights, and payload. The SAS Airbus is also the first with Pratt & Whitney engines, offering fuel efficiency, low maintenance costs and substantial power reserves.

Carrying about 12 tons of pallet-

Aircraft	Delivered as of Sept. 30, 1980	On order for delivery during	
		1980/81	1981/82
Boeing 747	4 <sup>1)</sup>	1 <sup>2)</sup>	1
Douglas DC-10-30	5		
Airbus A300B2	2	2	
Douglas DC-8-63	5 <sup>3)</sup>		
Douglas DC-8-62	6 <sup>4)</sup>		
Boeing 727-100	4 <sup>5)</sup>		
Douglas DC-9-41	49		
Douglas DC-9-33AF	2		
Douglas DC-9-21	9		
	86	3	1

<sup>1)</sup> 2 of which in combined passenger/cargo version

<sup>2)</sup> Combined passenger/cargo version

<sup>3)</sup> 1 of which operated by Scanair

<sup>4)</sup> 4 of which operated by Scanair

<sup>5)</sup> Owned by Transair Sweden AB, a wholly-owned subsidiary



*SAS was the customer for Boeing's 500th 747, a Combi named "Dan Viking," to be delivered in early 1981.*

ized or containerized cargo, the SAS Airbus is also the first to be ordered with oversized cargo hatches for compatibility with the cargo holds of SAS's intercontinental 747s and DC-10s.

To modernize its fleet, SAS has two more 747s on order. One, a 747 Combi, will be in service in February, 1981. The second, a 747B, is scheduled for October, 1981, delivery. When they have been delivered, SAS will be able to sell two other 747s.

SAS sold two DC-8s to Scanair, the SAS charter affiliate, during the year. This brought the Scanair fleet to five DC-8s, including three previously purchased from SAS. However, in view of the uncertainties surrounding DC-8 market prices, these five aircraft have, as a matter of policy, been repurchased by SAS. Scanair now operates these aircraft under a lease arrangement with SAS.

### **The Network**

SAS served 103 cities in 49 countries at the peak of the 1979-1980 financial year.

On April, 2, 1980, SAS inaugurated a DC-9 route to Aberdeen, Scotland. The service links the major North Sea oil centers, Aberdeen and Stavanger, with the rest of the SAS network. It is initially being operated three days a week.

To improve the communications

across northern Scandinavia, SAS opened, on recommendation of the Nordic Council, a route April 10, 1980, linking Trondheim, Norway, with Östersund and Sundsvall, Sweden, with a direct connection to and from Vaasa, Finland. The SAS sectors are flown by 20-seat Twin Otters on lease from Widerøe.

New non-stop services were operated from Oslo to Amsterdam, from Amsterdam to Gothenburg, and from Oslo to London's Gatwick Airport.

The new Airbuses were introduced on several of SAS's high-density routes in Europe between February and April, 1980: Stockholm—Copenhagen, Oslo—Copenhagen, Copenhagen—London, Copenhagen—Paris, and Copenhagen—Madrid. The Airbus enabled SAS to increase cargo capacity on these routes.

A substantial product improvement was made on South American routes November 1, 1979. Wide-cabin DC-10s replaced the DC-8s on the two weekly round trips, boosting both passenger and cargo capacity.

The route structure has been reviewed with a view to eliminating unprofitable segments. In July, SAS suspended services to Montreal, which was an intermediate stop on the Copenhagen—Chicago route.



An SAS 747 lands at Los Angeles after a nonstop flight from Scandinavia. SAS marked its 25th year of Polar Route operations to Los Angeles in November, 1979.



After the elimination of the Montreal stop, and with adjustments in U.S. West Coast routings, SAS now has a constant schedule of non-stop flights between Scandinavia and five U.S. gateways: 747s to New York and Los Angeles, and DC-10s to Chicago, Seattle and Anchorage.

SAS is increasingly emphasizing non-stop operations throughout its network, to improve both cost-efficiency and overall service.

### Production and Traffic

Systemwide production was 1.3 per cent above last year. Traffic in terms of revenue tonne-kilometers was almost unchanged.

The systemwide load factor was 56.9 per cent, 0.9 points below last year. Highest load factors were recorded on intercontinental routes: 74.7 per cent on Transpolar, 65.4 per cent on Transorient, 65.0 per cent on the Trans-Siberian Express, and 64.1 per cent on New York. Domestic services to and from Greenland noted a 65.2 per cent load factor, almost five points better than last year.

### Passenger Traffic

Traffic in revenue passenger-kilometers was 0.6 per cent above last year. SAS carried 8,393,000 passengers, 276,000 fewer than in 1978-1979.

Production in available seat-kilometers rose 1.3 per cent. The sys-

temwide cabin factor was 59.4 per cent, down one-half point.

By comparison, in the 1978-1979 financial year, revenue passenger-kilometers increased 9.5 per cent while available seat-kilometers were up 3.2 per cent.

Highest cabin factors for 1979-1980 were on routes serving New York, at 70.0 per cent, Los Angeles/Seattle at 67.6 per cent, Greenland at 66.9 per cent, Swedish domestic at 66.3 per cent, and Japan via the North Pole short cut at 64.8 per cent.

A major passenger traffic increase—43 per cent—was noted on South American routes, in response to a 65 per cent capacity increase provided by introduction of the DC-10 on the twice-weekly services.

The introduction of Business Class services on North American and Far East flights operated by wide cabin

aircraft contributed to an improvement in full-fare traffic on these routes.

### Cargo and Mail Traffic

Cargo traffic was three per cent below last year. The cargo load factor was 50.3 per cent. The capacity of the DC-8AF freighter sold last year was compensated by increased utilization of palletized 747 Combi and DC-10 aircraft.

There was a 150 per cent growth in cargo traffic on South American routes as a result of the introduction of palletized DC-10s.

Introduction of palletized Airbus services was also reflected in cargo traffic increases of 34 per cent on passenger routes to and from France, 33 per cent to and from Great Britain, and 16 per cent on inter-Scandinavian passenger routes.

Domestic cargo traffic was up six per cent overall, mainly due to a 37

Total Production and Traffic

Scheduled Services Last year's figures in brackets	Available Tonne Kms			Revenue Tonne Kms			Load Factor %
	Mill.	Change %	Share %	Mill.	Change %	Share %	
Intercontinental Routes	1 479 (1 461)	+1.3	58.8	920 (917)	+0.3	64.2	62.2 (62.8)
Europe, Middle East and Inter-Scandinavian Routes	761 (753)	+1.1	30.2	354 (360)	-1.8	24.7	46.5 (47.9)
Domestic Routes	276 (270)	+2.1	11.0	159 (158)	+0.7	11.1	57.6 (58.5)
Total Network	2 516 (2 484)	+1.3	100.0	1 433 (1 435)	-0.2	100.0	56.9 (57.8)



*SAS introduced Business Class service on a number of intercontinental routes during the 1979-1980 financial year.*

per cent cargo growth on Greenland routes, and to the introduction of express cargo for smaller parcels, and other service innovations.

Air mail traffic was up 10 per cent for the year, with relatively even growth throughout the system.

### **Air-Political Affairs**

SAS air-political activities, in cooperation with the Scandinavian authorities, have embraced numerous negotiations for new or revised bilateral air treaties during the year. The general purpose of these negotiations has been to adapt capacity to actual traffic demand. The deteriorating economy of most airlines severely complicates such discussions.

An agreement on fares, valid until April, 1981, was reached between the Scandinavian and U.S. governments in March, 1980. It provides for the stabilization of fares and rates and the elimination of discrimination of SAS on North Atlantic routes. The agreement also allows for a somewhat faster adjustment of fares and rates according to actual cost increases.

Negotiations have taken place—at the initiative of Scandinavian or other parties concerned—with Canada, Italy, Lebanon, Japan, the Philippines and the USSR, among others. None of these has yet been finalized.

The question of a route to China is also subject to further discussions with the Chinese authorities.

The effect of the U.S. deregulation policies has been felt by European carriers in the form of overcapacity on the North Atlantic, and indirectly also through the EEC's interests in liberalizing access to, and pricing of, European air services.

There are signs that the U.S. deregulation pressures are subsiding. Thus, Finland was the only additional European country entering into an "open skies agreement" with the U.S. during the year. This may eventually have an impact on SAS traffic on the North Atlantic.

Within Europe, the EEC Commission is striving for major changes in European aviation policies. However, no decisions have been made by the Council of Europe on any of these issues. The European airlines, in a joint response, maintain that EEC criticism of European air fare levels is unmotivated and that new routes should only be opened if they are commercially justified.

The criticism of European fares is primarily based on a comparison with U.S. domestic fares. It has, however, been pointed out—by both the European Civil Aviation Conference (ECAC) and the Association of European Airlines (AEA), among others—that a direct comparison is

The "Fairtainer" is a new product from SAS Cargo. The cargo container holds all the elements for a trade fair or convention display.



misleading because of significant differences in the nature of U.S. and European aviation, including such basic cost elements as fuel prices, user fees and wage scales. It should also be observed that flight sectors are an average 36 per cent longer in the U.S. than in Europe.

## Fares and Rates

The airline industry has been forced to raise tariffs in accordance with continued increases in fuel prices. A series of IATA conferences have coordinated fuel-related increases in fares and rates as of January 1, April 1 and October 1, 1980.

Conflicting political and commercial policies have, however, prevented the international airlines from obtaining fully adequate and timely compensation for rising fuel costs.

SAS "Mini Fares" are now offered throughout Europe, and special Youth Fares have been extended. Low individual fares have been introduced to Bangkok and Singapore. New rate structures have been launched for cargo to the United States and Southeast Asia.

The new tariffs are generally based on the principle of attracting new traffic to flights which have relatively low utilization. They will therefore improve the average load

### Intercontinental Traffic

Scheduled services (mill.) Last year's figures in brackets	Passenger		Freight		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Tonne Kms	Change %	Tonne Kms	Change %		
North Atlantic	3 623 (3 741)	- 3	229.4 (251.8)	- 9	12.4 (11.5)	+ 8	61.7 (63.6)	67.1 (65.6)
Other Intercontinental Routes	2 417 (2 162)	+ 12	112.0 (101.9)	+ 10	13.9 (11.9)	+ 17	63.0 (61.3)	57.5 (57.9)
Total Intercontinental Traffic	6 040 (5 903)	+ 2	341.4 (353.7)	- 4	26.3 (23.4)	+ 12	62.2 (62.8)	62.9 (62.6)

### European (incl. Middle East) and Inter-Scandinavian Traffic

Scheduled services (mill.) Last year's figures in brackets	Passenger		Freight		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Tonne Kms	Change %	Tonne Kms	Change %		
Middle East	375 (404)	- 7	7.6 (7.9)	- 4	1.6 (1.6)	- 2	47.7 (45.6)	51.1 (48.8)
European Routes	2 029 (2 034)	0	41.2 (41.3)	0	7.8 (7.3)	+ 8	46.5 (49.3)	52.4 (55.5)
Inter-Scandinavian Routes	878 (913)	- 4	12.8 (13.5)	- 5	3.1 (2.9)	+ 4	46.1 (45.9)	54.0 (53.6)
Total Europe, Middle East and Inter-Scandinavian Traffic	3 282 (3 351)	- 2	61.6 (62.8)	- 2	12.5 (11.8)	+ 6	46.5 (47.9)	52.7 (54.1)

### Scandinavian Domestic Traffic

Scheduled services (mill.) Last year's figures in brackets	Passenger		Freight		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Tonne Kms	Change %	Tonne Kms	Change %		
Denmark	403 (394)	+ 2	2.5 (1.9)	+30	2.5 (2.3)	+ 7	60.0 (59.7)	64.9 (65.8)
Norway	747 (740)	+ 1	4.7 (4.7)	+ 1	4.1 (3.9)	+ 6	56.6 (57.5)	59.7 (60.9)
Sweden	500 (520)	- 4	2.1 (2.2)	- 5	2.5 (2.0)	+26	57.4 (59.0)	66.3 (67.3)
Total Domestic Traffic	1 650 (1 654)	0	9.3 (8.8)	+ 6	9.1 (8.2)	+ 11	57.6 (58.5)	62.8 (64.0)



*SAS's Arlanda workshop began maintenance and overhaul services for the Airbus during the year. First customer was THAI International.*

factors and contribute to offset the effects of increased costs. As new fares have been introduced, SAS has simultaneously taken steps to cancel unproductive fares and to streamline the fare structures for convenience and simplicity.

The U.S. CAB has deferred its two-year-old "show cause" proceedings against IATA, although the American government agency will continue to prohibit U.S. airlines from participating in IATA's U.S.-Europe Traffic Conferences.

At stake in these proceedings is the multilateral tariff coordinating role of IATA, as well as the orderly conduct of international scheduled air transport.

In a separate proceeding the CAB has questioned the status of the IATA agency program in the U.S. The program currently provides the IATA airlines efficient access to over 12,000 IATA agents in the U.S. If the program were to be curtailed, it would restrict foreign carriers' competitive access to the U.S. market.

Since October 1, 1979, the IATA conference machinery has been operating under new provisions which offer the member airlines broader individual freedom in several aspects. While this may facilitate reaching agreements, the member airlines are now developing individually designed product and pricing

policies which, to an increasing extent, conflict with each other and limit the progress of the conferences. These new policies generally reflect mounting political and economic pressures upon the airlines. In turn, the airlines try to maximize their individual short-term gains, by virtue of geographical or market positions, rather than by seeking broader, more durable solutions for an integrated system of air services.

### **Subsidiaries and Affiliates**

The performance of the subsidiaries and affiliates was generally influenced by the same negative factors as experienced by SAS itself. The deterioration of the subsidiaries' results contributed materially to the negative result development of the SAS Group.

Fuel price increases had a heavy impact on the domestic traffic of Danair in Denmark and the SAS affiliates Linjeflyg in Sweden and Widerøe in Norway. The Swedish and Norwegian labor market conflicts had an additional negative effect on SAS Catering and Linjeflyg, in particular.

These problems also had a severe impact on the Scandinavian charter market, triggering sizeable price increases in inclusive tours and contributing to an approximately 20 per cent decline in demand. These fac-



SAS continued to renovate its ticket offices in 1979-1980, including the SAS-THAI International office in downtown Tokyo, above.

tors affected the results of Vingresor and the SAS charter affiliate Scanair, which provides transport capacity for Vingresor and other inclusive tour operators.

Fuel increased to 37 per cent of Scanair's operating expenses, excluding depreciation, during the year, more than twice as much as it was in 1972-1973.

Transair, whose four Boeing 727 aircraft have mainly been engaged in charter operations, has been hard hit by these developments, and a substantial part of its capacity is now idle. Although the contractual use of

its aircraft by Scanair has shielded Transair from showing a loss this year, the company's economic situation is untenable.

Exceptions to the negative trends were noted by Nyman & Schultz, which had another successful year; by Globetrotter, showing a profit from its increased intercontinental tour traffic, and by the Hotel Scandinavia in Oslo, which reached breakeven ahead of schedule.

The Kuwait SAS Hotel, SAS's first outside Scandinavia, was completed during the year and was opened October 11, 1980. Operated by SAS Cat-

ering & Hotels under a management contract, it is a luxury class hotel with 216 rooms.

The 270-room SAS Royal Hotel in Bergen, Norway, is under construction and scheduled to be opened in early 1982. It will be operated by SAS Catering & Hotels under a combined management and leasing contract.

AB Olson & Wright, one of Sweden's largest forwarding agencies and shipbrokers, was incorporated into the SAS Group as a wholly-owned subsidiary as of January 1, 1980. Olson & Wright, which recorded a profitable year, is Scandinavia's leading air cargo forwarder.

### Personnel

	SAS Consortium								Subsidiaries		SAS Group	
	Flight-deck Personnel		Cabin Personnel		Other Personnel		Total		1979/80	1978/79	1979/80	1978/79
	1979/80	1978/79	1979/80	1978/79	1979/80	1978/79	1979/80	1978/79	1979/80	1978/79	1979/80	1978/79
Denmark	393	373	779	777	4 720	4 606	5 892	5 756	1 462	1 553	7 354	7 309
Norway	365	346	600	587	2 379	2 301	3 344	3 234	2 136	2 039	5 480	5 273
Sweden	523	510	822	819	4 237	4 187	5 582	5 516	2 625	2 227	8 207	7 743
Abroad	—	—	25	26	2 226	2 223	2 251	2 249	1 705	1 558	3 956	3 807
Total <sup>1)</sup>	1 281	1 229	2 226	2 209	13 562	13 317	17 069	16 755	7 928	7 377	24 997	24 132

<sup>1)</sup> Average figures for the financial year



SAS personnel were prominently featured in worldwide advertising campaigns during the year.

### Personnel

The SAS Group had 24,333 employees at the beginning of the financial year, and 24,469 at the end. The latter number includes personnel of the subsidiaries acquired during the year. Staff of the SAS Consortium numbered 17,046 at the start of the financial year, decreasing to 16,887 at the end of the year.

Average numbers of employees in 1979-1980 and 1978-1979 are specified in the table on page 11.

The reorientation and reorganization of SAS's activities and the related significant reduction of staff will be a difficult process of change. This will require a high degree of willingness to cooperate, adapt and accept consequences on all levels of the organization.

Copenhagen, Oslo and Stockholm, January 15, 1981

Jens Chr. Hauge

Haldor Topsøe

Curt Nicolin

Per M. Backe

J.L. Halck

Krister Wickman

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Orla Mathiesen

Inge Johannesson

Carl-Olov Munkberg  
President

## Comparative Statistics 1970/71 — 1979/80

Production, Traffic and Personnel (SAS Consortium)		79/80	78/79	77/78	76/77	75/76	74/75	73/74	72/73	71/72	70/71
Size of Network (km 000)		252	264	264	264	274	262	258	245	243	224
Number of Cities Served		103	102	98	98	102	97	96	97	94	96
Kilometers Flown, scheduled services (mill.)		120.4	124.3	122.8	116.7	114.7	113.8	114.0	118.4	109.9	107.0
Hours Flown (airborne), total (000)		180.0	185.7	182.6	175.9	175.2	174.7	176.5	183.4	172.8	172.4
Available Tonne Kms, total (mill.)		2 536.8	2 528.3	2 515.7	2 311.6	2 190.4	2 055.5	1 863.5	1 931.6	1 745.6	1 546.0
Available Tonne Kms, scheduled services		2 515.9	2 483.5	2 453.7	2 239.6	2 119.8	1 997.5	1 814.9	1 822.5	1 664.1	1 480.8
Available Tonne Kms, non-sched. services		20.9	44.8	62.0	72.0	70.6	58.0	48.6	109.1	81.5	65.2
Revenue Tonne Kms, scheduled services (mill.)		1 432.6	1 435.1	1 367.3	1 215.6	1 131.3	1 047.7	1 024.0	958.8	857.0	738.5
Passenger and Excess Baggage		972.6	966.6	882.7	803.4	756.7	692.2	662.9	645.3	558.6	493.4
Freight		412.2	425.2	439.5	372.6	335.5	318.1	325.4	280.2	267.5	215.8
Mail		47.8	43.3	45.1	39.6	39.1	37.4	35.7	33.3	30.9	29.3
Total Load Factor, scheduled services (%)		56.9	57.8	55.7	54.3	53.4	52.5	56.4	52.6	51.5	49.9
Number of Passengers Carried, total (000)		8 393	8 669	7 886	7 469	7 125	6 636	6 325	6 242	5 826	5 688
Revenue Passenger Kms, sched. services (mill.)		10 972	10 908	9 959	9 060	8 534	7 814	7 477	7 275	6 305	5 584
Passenger Load Factor, scheduled services (%)		59.4	59.9	56.4	54.9	53.5	52.6	54.0	51.4	49.8	49.0
Average Passenger Trip Length, sched. (kms)		1 318	1 272	1 279	1 232	1 212	1 193	1 197	1 192	1 102	997
Traffic Revenue/Revenue Tonne Km (SKR)		4.13	3.57	3.34	3.00	2.91	2.75	2.42	2.12	2.07	2.18
Airline Operating Expenses/Available Tonne Km (including depreciation) (SKR)		2.49	2.11	1.80	1.61	1.51	1.39	1.31	1.04	1.02	1.03
Average Number of Employees		17 069	16 755	16 010	15 401	14 984	14 957	15 072	14 801	14 598	14 561
Available Tonne Kms/Employee, sched. services		147 400	148 200	153 300	145 400	141 500	133 500	120 200	121 800	113 200	101 300
Revenue Tonne Kms/Employee, sched. services		83 900	85 700	85 400	78 900	75 500	70 000	67 800	64 100	58 300	50 500
Revenue Pass-Kms/Employee, sched. services		642 800	651 000	622 100	588 300	569 500	522 400	496 100	491 500	431 900	383 500

Selected Financial Data (SAS Group)	(MSKR)	79/80	78/79	77/78	76/77	75/76	74/75	73/74	72/73	71/72	70/71
Traffic Revenue		6 342.2	5 544.7	4 910.4	3 830.5	3 354.1	2 918.2	2 479.6	2 057.2	1 798.1	1 621.8
Other Revenue		3 001.3	2 521.0	2 139.3	1 807.4	1 452.9	1 176.7	1 120.1	1 005.1	814.0	630.1
Operating Revenue, total		9 343.5	8 065.7	7 049.7	5 637.9	4 807.0	4 094.9	3 599.7	3 062.3	2 612.1	2 251.9
Operating Expenses excl. Depreciation		8 907.6	7 551.2	6 436.5	5 174.8	4 425.0	3 727.0	3 276.7	2 706.3	2 332.2	1 987.5
Depreciation		434.0	359.5	346.9	324.9	294.3	283.9	231.9	226.2	201.7	174.2
Operating Result after Depreciation		+ 1.9	+ 155.0	+ 266.3	+ 138.2	+ 87.7	+ 84.0	+ 91.1	+ 129.8	+ 78.2	+ 90.2
Financial Items (net)		- 71.5	- 56.8	- 166.3	- 82.3	- 52.4	- 50.3	- 44.8	- 63.7	- 52.3	- 47.1
Other Items (net)		+ 7.4	+ 49.4	+ 26.7	+ 34.9	+ 13.1	+ 38.7	+ 31.2	+ 19.2	+ 11.4	+ 29.3
Profit/Loss before Allocations and Income Taxes		- 62.2	+ 147.6	+ 126.7	+ 90.8	+ 48.4	+ 72.4	+ 77.5	+ 85.3	+ 37.3	+ 72.4
Balance Sheet (total)		6 382.0	5 639.3	5 315.3	4 694.1	3 849.6	3 694.8	3 460.4	2 998.4	2 791.7	2 528.8
Current Assets		2 727.1	2 473.1	2 491.0	2 268.2	1 584.3	1 498.1	1 316.4	1 190.8	1 027.7	805.6
Fixed Assets		3 654.9	3 166.2	2 821.7	2 425.9	2 265.3	2 196.7	2 144.0	1 807.6	1 764.0	1 723.2
Current Liabilities		2 801.4	2 320.8	2 085.6	2 004.4	1 531.1	1 317.1	1 191.9	1 003.2	926.7	870.1
Non-Current Liabilities		2 384.6	1 927.4	1 979.4	1 748.4	1 370.0	1 428.7	1 312.6	1 024.8	1 056.4	971.5
Equity including Profit/Loss of the Year		813.9	989.7	948.7	896.6	857.6	857.6	841.5	806.5	740.0	670.7

**Note:** Fixed Assets (book value): The accounting method for accrued depreciation in the balance sheet of the Consortium (see Note 32 on page 20) has not been implemented retroactively beyond the year 1977/78. During the years 1970/71—1975/76 only wholly-owned subsidiaries were consolidated with the SAS Consortium.

## Profit and Loss Statements

October 1, 1979—September 30, 1980

In millions of Swedish Kronor

	SAS Group (Consolidated)		SAS Consortium	
	1979/80	1978/79	1979/80	1978/79
Traffic revenue (Note 1)	6 342.2	5 544.7	6 154.9	5 364.9
Other revenue (Note 2)	3 001.3	2 521.0	1 113.1	844.1
<b>Operating Revenue</b>	<b>9 343.5</b>	<b>8 065.7</b>	<b>7 268.0</b>	<b>6 209.0</b>
<b>Operating Expenses</b> (Note 3)	<b>8 907.6</b>	<b>7 551.2</b>	<b>6 907.5</b>	<b>5 793.1</b>
<b>Operating Result before Depreciation</b>	<b>+ 435.9</b>	<b>+ 514.5</b>	<b>+ 360.5</b>	<b>+ 415.9</b>
<b>Depreciation</b> (Note 4)	<b>434.0</b>	<b>359.5</b>	<b>378.8</b>	<b>317.0</b>
<b>Operating Result after Depreciation</b>	<b>+ 1.9</b>	<b>+ 155.0</b>	<b>- 18.3</b>	<b>+ 98.9</b>
Dividends from subsidiaries (Note 5)	—	—	6.7	6.6
Other dividends received	0.4	0.4	0.4	0.4
Other financial income (Note 6)	177.6	143.1	157.7	132.5
Financial expenses (Note 7)	- 249.5	- 200.3	- 196.3	- 177.0
<b>Profit/Loss after Financial Income and Expenses</b>	<b>- 69.6</b>	<b>+ 98.2</b>	<b>- 49.8</b>	<b>+ 61.4</b>
Gain on sales and retirement of equipment, etc. (net) (Note 8)	11.2	48.9	10.7	49.5
Extraordinary income	1.0	2.9	—	—
Extraordinary expenses (Note 9)	- 4.8	- 2.4	- 14.8	- 1.7
<b>Profit/Loss before Allocations and Income Taxes</b> (Note 10)	<b>- 62.2</b>	<b>+ 147.6</b>	<b>- 53.9</b>	<b>+ 109.2</b>
Allocations of subsidiaries (Note 11)	- 9.5	- 13.8	—	—
<b>Profit/Loss before Income Taxes</b>	<b>- 71.7</b>	<b>+ 133.8</b>	—	—
Income taxes of subsidiaries (Note 12)	- 7.8	- 9.5	—	—
Minority interests	+ 0.8	- 0.1	—	—
<b>Profit/Loss before Income Taxes relating to the Consortium (payable by its Parent Companies in Denmark, Norway and Sweden) but after Income Taxes of Subsidiaries</b>	<b>- 78.7</b>	<b>+ 124.2</b>	—	—

"Notes to Financial Statements" on pages 17—20 refer to the above Profit and Loss Statements.

## Balance Sheets

September 30, 1980

In millions of Swedish Kronor

Assets	SAS Group (Consolidated)		SAS Consortium		Liabilities and Equity	SAS Group (Consolidated)		SAS Consortium	
	Sept. 30, 1980	Sept. 30, 1979	Sept. 30, 1980	Sept. 30, 1979		Sept. 30, 1980	Sept. 30, 1979	Sept. 30, 1980	Sept. 30, 1979
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and bank balances including temporary cash investments (Note 13)	1 098.3	1 269.9	930.7	1 100.9	Accounts payable, subsidiaries	—	—	15.8	11.8
Bills receivable	5.1	0.0	0.0	0.0	Accounts payable, suppliers	651.2	376.6	394.8	257.3
Accounts receivable, subsidiaries	—	—	73.3	53.6	Taxes payable	10.1	11.2	—	—
Accounts receivable, parent companies	0.6	1.0	0.6	1.0	Accrued expenses and prepaid income	856.3	758.4	712.3	643.0
Accounts receivable, customers (Note 14)	993.4	734.9	690.0	567.9	Current maturities of long-term debt	245.7	179.2	214.7	150.5
Prepaid expenses and accrued income	198.8	150.1	155.8	116.4	Accounts payable, other	272.7	232.9	152.9	148.7
Taxes receivable	2.3	1.3	—	—	Unearned transportation revenue (net) (Note 24)	695.0	688.5	695.0	688.5
Accounts receivable, other	251.7	158.4	170.2	130.0	Prepayments from customers	70.4	74.0	17.0	14.8
Expendable spare parts and sundry stores (Note 15)	152.5	131.5	99.9	82.3	<b>Total Current Liabilities</b>	<b>2 801.4</b>	<b>2 320.8</b>	<b>2 202.5</b>	<b>1 914.6</b>
Prepayments to suppliers	24.4	26.0	7.1	4.9	<b>Non-Current Liabilities</b>				
<b>Total Current Assets</b>	<b>2 727.1</b>	<b>2 473.1</b>	<b>2 127.6</b>	<b>2 057.0</b>	Loans from subsidiaries	—	—	0.2	0.2
<b>Blocked Funds</b>					Subordinated debentures (Note 25)	18.6	36.7	18.6	36.7
For investment reserve (Note 16)	3.4	2.5	—	—	Debenture loans (Note 26)	425.8	304.1	425.8	304.1
<b>Fixed Assets</b>					Mortgage loans (Note 27)	233.7	234.5	17.1	19.3
Shares and participations in subsidiaries (Note 17)	—	—	128.6	73.6	Other loans (Note 28)	1 561.6	1 244.0	1 462.7	1 168.4
Others shares and participations (Note 17)	63.5	63.7	59.0	60.4	Other non-current liabilities (Note 29)	74.1	62.0	65.0	57.0
Bonds	12.8	13.3	9.4	9.8	Provision for pension liabilities (Note 30)	70.8	46.1	—	—
Long-term accounts receivable, subsidiaries	—	—	30.0	29.8	<b>Total Non-Current Liabilities</b>	<b>2 384.6</b>	<b>1 927.4</b>	<b>1 989.4</b>	<b>1 585.7</b>
Long-term accounts receivable, parent companies	3.0	2.9	3.0	2.9	<b>Reserves</b>				
Long-term accounts receivable, other (Note 18)	231.2	180.3	204.4	156.0	Inventory reserve (Note 31)	34.2	34.2	32.6	32.6
Goodwill (Note 19)	20.6	6.7	1.5	3.0	Depreciation reserve (Note 32)	225.2	239.0	225.2	239.0
Developmental costs	2.0	2.6	—	—	Accumulated excess depreciation (Note 33)	11.5	9.8	—	—
Long-term prepayments to suppliers	167.4	90.6	167.4	90.6	Currency adjustment reserve (Note 34)	74.3	82.0	66.8	77.4
Discount, etc., on debenture loans (Note 7)	7.3	7.3	7.3	7.3	General investment reserve (Note 35)	13.0	13.2	—	—
Fixed assets in progress (Note 20)	72.5	47.8	36.4	10.4	District investment reserve, Norway	15.0	19.8	—	—
Aircraft (Note 21)					Profit equalization reserve (Note 35)	5.9	—	—	—
At cost	3 451.5	3 142.8	3 399.0	3 090.4	Other reserves	0.9	—	—	—
Depreciation (Note 32)	1 595.7	1 325.9	1 576.3	1 312.0	<b>Total Reserves</b>	<b>380.0</b>	<b>398.0</b>	<b>324.6</b>	<b>349.0</b>
	1 855.8	1 816.9	1 822.7	1 778.4	<b>Minority Interests</b>	<b>2.1</b>	<b>3.4</b>	<b>—</b>	<b>—</b>
Spare engines and spare parts (Note 21)					<b>Equity (Note 36)</b>				
At cost	505.9	407.0	500.1	401.8	Capital				
Depreciation (Note 32)	255.3	220.8	252.5	218.6	ABA (3/7)	369.2	364.4	369.2	364.4
	250.6	186.2	247.6	183.2	DDL (2/7)	246.1	242.9	246.1	242.9
Workshop and aircraft servicing equipment					DNL (2/7)	246.1	242.9	246.1	242.9
At cost	177.5	152.3	175.8	150.6		861.4	850.2	861.4	850.2
Depreciation	117.0	104.5	115.4	102.9	General reserve	14.0	7.6	—	—
	60.5	47.8	60.4	47.7	Other legal reserves	6.0	5.5	—	—
Other equipment and vehicles (Note 22)					Retained earnings	11.2	2.2	—	—
At cost	713.3	536.7	503.0	360.8	Profit/Loss of the year	— 78.7	+ 124.2	— 53.9	+ 109.2
Depreciation	346.6	288.6	229.9	191.2	<b>Total Equity</b>	<b>813.9</b>	<b>989.7</b>	<b>807.5</b>	<b>959.4</b>
	366.7	248.1	273.1	169.6	<b>Total Liabilities and Equity</b>	<b>6 382.0</b>	<b>5 639.3</b>	<b>5 324.0</b>	<b>4 808.7</b>
Buildings and improvements (Note 23)					<b>Pledges, etc. (Note 37)</b>				
At cost	729.9	593.9	247.4	207.2	Mortgages on real estate	329.7	261.7	18.5	20.7
Depreciation	242.8	187.2	109.0	85.3	Sundry pledges	116.1	72.2	9.4	6.8
	487.1	406.7	138.4	121.9	<b>Total Pledges, etc.</b>	<b>445.8</b>	<b>333.9</b>	<b>27.9</b>	<b>27.5</b>
Land and improvements					<b>Contingent Liabilities (Note 38)</b>				
At cost	52.3	43.9	7.5	7.3	Guarantees and other contingent liabilities for subsidiaries	—	—	166.0	158.7
Depreciation	1.8	1.1	0.3	0.2	others	87.3	96.8	72.7	70.5
	50.5	42.8	7.2	7.1	Pension commitments	45.4	42.6	44.2	40.9
<b>Total Fixed Assets</b>	<b>3 651.5</b>	<b>3 163.7</b>	<b>3 196.4</b>	<b>2 751.7</b>	<b>Total Contingent Liabilities</b>	<b>132.7</b>	<b>139.4</b>	<b>282.9</b>	<b>270.1</b>
<b>Total Assets</b>	<b>6 382.0</b>	<b>5 639.3</b>	<b>5 324.0</b>	<b>4 808.7</b>					

Furthermore certain liabilities have been assumed in connection with ticket sales according to pay-later plans

"Notes to Financial Statements" on pages 17-20 refer to the above Balance Sheets.



## Notes to Financial Statements

### Consolidation and accounting principles

The consolidated financial statements of the SAS Group include the SAS Consortium, its wholly-owned subsidiaries and those partly-owned subsidiaries in which the Consortium has a controlling interest. For practical reasons, some wholly-owned subsidiaries, closely connected with the operations of the Consortium, are directly included in the accounts of the Consortium. Such subsidiaries are, i.a., Copenhagen Air Cargo Center A/S, Copenhagen, and Scandinavian Airlines System Inc., New York. The accounts of Scanair, another consortium owned by the parent companies of the Consortium, are not included in the consolidated financial statements of the SAS Group.

As from 1978/79 the consolidated financial statements of the SAS Group are prepared in accordance with the purchase method of accounting. This means that the equity in a subsidiary at the time of acquisition, including 50 per cent of acquired untaxed reserves, are eliminated against the acquisition value of the corresponding shares in the accounts of the Consortium. Out of the remaining book value of the shares (a) an amount equal to the difference between the real value and the book value of the acquired assets, less a 50 per cent deferred tax liability, is allocated to the respective asset accounts and (b) the residual amount, if any, is stated as goodwill in the consolidated balance sheet.

The financial statements of the SAS Group and the Consortium are expressed in millions of Swedish kronor (MSKR).

Financial statements of the subsidiaries, which are kept in other currencies than Swedish kronor are, for the purposes of consolidation, translated into Swedish kronor by using the monetary/nonmonetary method. The conversion differences resulting from such translation are charged/credited directly to financial expenses in the consolidated profit and loss statement of the SAS Group to the extent they refer to SAS's share in such subsidiaries. Conversion differences relating to the minority interests in the subsidiaries are entered under the heading "Minority interests" in the consolidated balance sheet.

Monetary assets and liabilities expressed in other currencies than Swedish kronor are stated in the balance sheet in Swedish kronor based on market-oriented exchange rates valid as of the end of the financial year.

In this report some reclassifications have been made in the balance sheet of the SAS Group. The financial statements for the previous year have been restated accordingly.

### Note 1 — Traffic revenue

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Passenger	5 147.8	4 504.8	4 986.4	4 349.3
Freight	871.7	726.8	866.3	720.9
Mail	124.4	115.7	120.3	112.3
Charter	107.8	110.7	33.0	44.9
Leasing	148.9	137.5	148.9	137.5
Less: Elimination of internal transactions	—58.4	—50.8	—	—
	<u>6 342.2</u>	<u>5 544.7</u>	<u>6 154.9</u>	<u>5 364.9</u>

Traffic revenue of the subsidiaries during 1979/80 amount to MSKR 245.8 (1978/79 MSKR 230.6) before elimination of internal transactions.

### Note 2 — Other revenue

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Consortium	1 113.1	844.1	1 113.1	844.1
Subsidiaries	2 283.6	2 024.2	—	—
Less: Elimination of internal transactions	—395.4	—347.3	—	—
	<u>3 001.3</u>	<u>2 521.0</u>	<u>1 113.1</u>	<u>844.1</u>

Other revenue of the Consortium comprises revenue from sundry activities such as shop work, ground handling, interline sales, etc., performed for other airlines, income from sale on board and in gateway stores, etc.

It has been considered appropriate to credit to "Other revenue" a special standing reserve, MSKR 89.3, relating to unredeemed transportation sale dating from previous years. Simul-

aneously, an allocation of MSKR 44.0 has been made to extraordinary depreciation on aircraft (Note 4).

Companies acquired in the course of the year account for MSKR 59.0 (1978/79, MSKR 45.1) of the revenue of the subsidiaries.

### Note 3 — Operating expenses

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Consortium	6 907.5	5 793.1	6 907.5	5 793.1
Subsidiaries	2 443.6	2 156.3	—	—
Less: Elimination of internal transactions	—443.5	—398.2	—	—
	<u>8 907.6</u>	<u>7 551.2</u>	<u>6 907.5</u>	<u>5 793.1</u>

Operating expenses include salaries, wages and remunerations as shown in the following table:

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Salaries, wages and remunerations	<u>2 351.5</u>	<u>2 132.4</u>	<u>1 811.3</u>	<u>1 679.5</u>

During the year, the Consortium has adopted the accounting principle to defer agents commissions relating to passenger documents not yet utilized. As a consequence, commissions amounting to MSKR 47.2 have been deducted from operating expenses and deferred.

### Note 4 — Depreciation

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Goodwill	3.6	2.7	1.5	1.5
Developmental costs	2.6	2.1	—	—
Aircraft	258.6	225.4	253.1	221.6
Spare engines and spare parts	38.7	29.5	38.1	28.6
Workshop and aircraft servicing equipment	14.2	10.9	14.1	10.9
Other equipment and vehicles	72.7	55.3	48.9	36.7
Buildings and improvements	43.4	33.5	23.1	17.7
Land and improvements	0.2	0.1	0.0	0.0
	<u>434.0</u>	<u>359.5</u>	<u>378.8</u>	<u>317.0</u>

In accordance with its conservative policy, the Consortium depreciates its flight equipment over 10 years with a 10 per cent residual value except for Airbus A300, Boeing 747 and Douglas DC-10-30 equipment which is depreciated over 12 years with a 10 per cent residual value. See also Note 32.

Three Boeing 727 aircraft acquired by Transair Sweden AB as of October 1, 1975, are depreciated through September 30, 1985, and one Boeing 727 aircraft, acquired as of April 1, 1979, through September 30, 1987, all without residual value.

Depreciation periods for goodwill and developmental costs range from five to 10 years. Workshop and aircraft servicing equipment and other equipment and vehicles are depreciated over five years with the exception of data equipment and A300 and DC-10 flight simulators, which are depreciated over seven and 12 years, respectively. The annual rates of depreciation on buildings vary from two to 20 per cent.

Depreciation on aircraft during the year includes extraordinary depreciation in the amount of MSKR 44.0 (1978/79 —) which brings the DC-8-62 fleet of the Consortium, net of accumulated depreciation, to residual value.

### Note 5 — Dividends from subsidiaries

	Consortium	
	1979/80	1978/79
SAS Catering A/S, Denmark	1.8	2.1
SAS Catering A/S, Norway	2.8	1.5
Nyman & Schultz/Nordisk Resebureau AB	1.0	—
AB Olson & Wright	1.0	—
Scandinavian Air Tour Productions AB	0.1	0.1
SAS-Invest A/S	—	0.4
Vingresor AB	—	2.5
	<u>6.7</u>	<u>6.6</u>

Dividends received by the Consortium from the subsidiaries, MSKR 6.7, refer to the financial year 1978/79.

### Note 6 — Other financial income

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Interest earned from subsidiaries	—	—	5.8	5.3
Interest earned from others	173.8	141.4	149.5	125.8
Cash discounts, etc.	3.8	1.7	2.4	1.4
	<u>177.6</u>	<u>143.1</u>	<u>157.7</u>	<u>132.5</u>

### Note 7 — Financial expenses

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Interest paid to subsidiaries	—	—	0.0	0.7
Interest paid to others	244.8	180.3	192.7	147.8
Currency differences (net)	—0.0	—4.2	—0.2	—0.3
Allocation to currency adjustment reserve	—	25.0	—	25.0
Conversion differences in connection with consolidation	—0.3	—5.4	—	—
Depreciation on discount, etc., on debenture loans	1.5	1.3	1.5	1.3
Bank expenses, etc.	3.5	3.3	2.3	2.5
	<u>249.5</u>	<u>200.3</u>	<u>196.3</u>	<u>177.0</u>

### Note 8 — Gain on sales and retirement of equipment, etc. (net)

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Aircraft	—	44.4	—	44.4
Spare engines and spare parts	10.1	5.0	10.1	4.9
Other equipment, etc.	1.1	—0.5	0.6	0.2
	<u>11.2</u>	<u>48.9</u>	<u>10.7</u>	<u>49.5</u>

As two DC-8 aircraft sold to Scanair during the year were subsequently repurchased by the Consortium at same prices, the sale has been reversed in the accounts and replaced by a lease arrangement.

### Note 9 — Extraordinary expenses

	SAS Group		Consortium	
	1979/80	1978/79	1979/80	1978/79
Contributions to subsidiaries	—	—	10.5	—
Provision for share in loss of Hotel Scandinavia K/S, Copenhagen	4.3	1.7	4.3	1.7
Other extraordinary expenses	0.5	0.7	—	—
	<u>4.8</u>	<u>2.4</u>	<u>14.8</u>	<u>1.7</u>

### Note 10 — Profit/Loss before allocations and income taxes

	SAS Group	
	1979/80	1978/79
Profit/Loss of the Consortium	—53.9	109.2
Profit/Loss of the subsidiaries	— 0.3	39.6
Elimination of internal dividends	—6.7	—6.6
Depreciation on goodwill stated in the accounts of the Group	—1.6	—
Conversion differences in connection with the consolidation	0.3—8.0	5.4—1.2
Consolidated profit/loss before allocations and income taxes	<u>—62.2</u>	<u>147.6</u>

A specification of the results of the subsidiaries is given in their local accounting currencies on pages 28—29.

### Note 11 — Allocations of subsidiaries

The allocations of the subsidiaries refer to the following reserve accounts in the balance sheet:

	SAS Group	
	1979/80	1978/79
Inventory reserve	0.4	0.2
Accumulated excess depreciation	1.0	1.2
General investment reserve	0.3	3.4
District investment reserve, Norway	1.0	9.0
Profit equalization reserve	5.9	—
Other reserves	0.9	—
	<u>9.5</u>	<u>13.8</u>

### Note 12 — Income taxes of subsidiaries

The profit and loss statements of the SAS Group include only income taxes of the subsidiaries as the income tax liability in Denmark, Norway, and Sweden relating to the activities of the Consortium, rests upon the parent companies of the Consortium. Income taxes payable by the Consortium abroad are included in operating expenses.

### Note 13 — Cash and bank balances including temporary cash investments

As of September 30, 1980, MSKR 135.2 (Sept. 30, 1979, MSKR 133.5) were placed as short-term loans mainly in Scandinavia, out of which MSKR 95.3 (Sept. 30, 1979, MSKR 65.4) by the Consortium. Placement by the Consortium in Danish public bonds amounted to MSKR 98.8 (Sept. 30, 1979, MSKR 106.0).

### Note 14 — Accounts receivable, customers

Accounts receivable, customers, as stated in the balance sheet, are net of provisions for doubtful receivables. Such provisions of the SAS Group amounted to MSKR 21.4 (Sept. 30, 1979, MSKR 13.3), out of which MSKR 13.3 (Sept. 30, 1979, MSKR 9.8) refer to the Consortium.

### Note 15 — Expendable spare parts and sundry stores

	SAS Group		Consortium	
	1980	1979	1980	1979
Raw materials, etc.	14.0	12.2	14.0	12.2
Sundry goods for sale	54.0	50.9	4.1	4.1
Surplus stores	21.0	19.9	21.0	19.9
Work in progress	2.5	1.6	2.5	1.6
Catering material, uniforms, etc.	8.1	—	8.1	—
Expendable spare parts, etc.	52.9	46.9	50.2	44.5
As of September 30	<u>152.5</u>	<u>131.5</u>	<u>99.9</u>	<u>82.3</u>

Inventories are stated at acquisition prices except for parts with a market value lower than cost; such parts are entered at market values.

As from September 30, 1980, the Consortium capitalizes catering material, uniforms, etc. in central stores.

The expendable spare parts, etc., included under this heading comprise  $\frac{2}{3}$  of the total stock of such parts, the remaining  $\frac{1}{3}$  being treated as fixed assets.

### Note 16 — Blocked funds

Funds blocked on non-interest-bearing accounts in connection with tax-deductible allocations to investment reserves refer mainly to Nyman & Shultz/Nordisk Resebureau AB and AB Olson & Wright.

### Note 17 — Shares and participations in subsidiaries. Other shares and participations

The Consortium's shares and participations in subsidiaries increased to MSKR 128.6 during the year:

	Consortium	
As of September 30, 1979	73.6	
AB Olson & Wright		
Shares acquired	34.0	
Less: write-down corresponding to dividend received 1979/80	-1.0	33.0
SAS Catering AB, Sweden		
Acquisition of shares from SAS Catering A/S, Norway, and SAS Catering A/S, Denmark	4.0	
New share issue	8.0	12.0
Vingresor AB		
New share issue	10.0	
As of September 30, 1980	128.6	
The shares and participations held by the Consortium as of September 30, 1980 are specified on page 21 of these notes.		

#### Note 18 — Long-term accounts receivable, other

As of September 30, 1979, this item included a deposit of MSKR 34.0 made by the Consortium for the acquisition of the shares in AB Olson & Wright. The acquisition took place on January 1, 1980 and this amount has, therefore, been transferred to the account for shares and participations in subsidiaries.

#### Note 19 — Goodwill

Out of the price paid by the Consortium for the shares in AB Olson & Wright, MSKR 34.0, an amount of MSKR 16.4 has been treated as goodwill in the consolidated balance sheet of the SAS Group (please refer to the description of the purchase method of accounting under "Consolidation and accounting principles" above). This goodwill amount is depreciated over 10 years and the depreciation is charged directly to the consolidated profit and loss statement.

#### Note 20 — Fixed assets in progress

This item covers buildings and land improvements in progress. Upon completion of the projects, the final acquisition values are transferred to the headings concerned in the balance sheet. Out of the balance, MSKR 35.0 refer to construction work on the new cargo terminal in Oslo and MSKR 30.5 to hotel projects of Vingresor AB.

#### Note 21 — Aircraft. Spare engines and spare parts

	SAS Group	Consortium
<i>Acquisition value</i>		
As of September 30, 1979	3 549.8	3 492.2
Flight equipment delivered in 1979/80		
Prepayments, etc., made before Oct. 1, 1979 (transferred from long-term prepayments)	18.9	18.9
Investments during 1979/80	385.4	384.7
Flight equipment sold and retired in 1979/80, etc.	3.3	3.3
As of September 30, 1980	3 957.4	3 899.1
<i>Depreciation</i>		
As of September 30, 1979	1 546.7	1 530.6
Depreciation 1979/80 (see Note 32)	311.1	305.0
Accrued depreciation on flight equipment sold and retired in 1979/80, etc.	- 6.8	- 6.8
As of September 30, 1980	1 851.0	1 828.8
<i>Insurance value of aircraft</i>		
As of September 30, 1980	5 826.7	5 730.8

During the year the Consortium took delivery of two Airbus A300.

One DC-8-62CF aircraft and two DC-8-62 aircraft, sold to Scanair in previous years, were repurchased on September 30, 1980, for MSKR 56.8. This amount, which equals the original sale prices less depreciation provided by Scanair, is included in the investments specified above.

#### Note 22 — Other equipment and vehicles

Data and communication equipment and flight simulators of the Consortium are included under this heading with acquisition values of MSKR 284.4 and MSKR 64.1, respectively. As of September 30, 1979 the corresponding amounts were MSKR 192.2 and MSKR 46.6.

#### Note 23 — Buildings and improvements

	SAS Group	Consortium
Insurance values of buildings and improvements		
As of September 30, 1980	1 126.2	302.6

#### Note 24 — Unearned transportation revenue (net)

For practical reasons, the various accounts of the Consortium for traffic revenue have been stated, as hitherto, as a net balance.

#### Note 25 — Subordinated debentures

	1980	1979
<i>Consortium</i>		
6 1/2 % in DKR, NKR and SKR, due 1981—1982	18.6	27.6
7 % in DKR, NKR and SKR, due 1981—1982	18.7	27.6
	37.3	55.2
Less: Current maturities included under current liabilities	-18.7	-18.5
As of September 30	18.6	36.7

#### Note 26 — Debenture loans

	1980	1979
<i>Consortium</i>		
5 1/2 % SFR 80.0 mill., due 1982—1992	202.4	212.8
8 % USD 22.0 mill., due 1981—1987	91.7	99.6
10 3/4 % SKR 150.0 mill., due 1980—1994	150.0	—
	444.1	312.4
Less: Current maturities included under current liabilities	-18.3	-8.3
As of September 30	425.8	304.1

#### Note 27 — Mortgage loans

	1980	1979
<i>Consortium</i>		
6 %/10 % DKR 21.6 mill., due 1980—2003	16.2	18.5
9 %/9 1/2 % NKR 2.0 mill., due 1980—2001	1.8	1.8
12 % SAR 0.0 mill., due 1980—1997	0.2	0.2
	18.2	20.5
Less: Current maturities included under current liabilities	-1.1	-1.2
As of September 30	17.1	19.3

	1980	1979
<i>Subsidiaries</i>		
DKR 17.4 mill.	13.1	14.8
NKR 196.5 mill.	168.5	167.9
USD 2.2 mill.	9.2	10.8
DRA 191.0 mill.	18.7	10.7
Sundry loans	21.5	22.8
	231.0	227.0
Less: Current maturities included under current liabilities	-14.4	-11.8
As of September 30	216.6	215.2
SAS Group, as of September 30	233.7	234.5

#### Note 28 — Other loans

	1980	1979
<i>Consortium</i>		
6 % USD 64.6 mill., due 1980—1988	269.1	320.5
6 1/2 % USD 16.3 mill., due 1980—1986	68.2	78.8
6 1/2 % USD 56.4 mill., due 1980—1993	235.3	122.4
7 1/8 % USD 1.8 mill., due 1980—1984	7.6	9.5
7 1/2 % USD 12.2 mill., due 1984—1987	50.8	50.5
7 3/4 % USD 52.5 mill., due 1981—1990	218.9	—
8 % USD 4.8 mill., due 1982—1986	20.1	20.0
8 1/2 % USD 7.8 mill., due 1981—1984	32.5	42.3
8 3/4 % USD 13.2 mill., due 1984—1989	55.0	—
9 % USD 5.3 mill., due 1983—1987	22.3	22.2
9 1/4 % USD 27.7 mill., due 1980—1993	115.7	115.2
9 1/2 % USD 16.3 mill., due 1983—1993	67.8	67.4
12 % USD 14.0 mill. (after Oct. 15, 1980, LIBOR plus 1/2 %), due 1980—1984	58.1	—
LIBOR plus 1/2 % USD 33.3 mill. multicurrency loan, due 1985 (LIBOR Sept. 30, 1980 12 7/8 %)	138.7	138.1

	1980	1979
USD Base rate plus 1/2 % USD 5.7 mill., due 1980—1982 (USD Base rate Sept. 30, 1980, 13 %)	23.8	41.6
6 % SFR 40.0 mill., due 1985	101.2	106.4
8 1/2 % NKR 26.0 mill., due 1981—1984	22.4	28.8
9 1/2 % NKR 49.1 mill., due 1980—1984	42.1	50.7
Official discount rate plus 3 %, DKR 5.7 mill., due 1980—1990 (official DKR discount rate Sept. 30, 1980, 14 %)	4.2	4.3
Official discount rate plus 2 1/2 %, SKR 59.9 mill., due 1981—1989 (official SKR discount rate Sept. 30, 1980, 10 %)	59.9	70.6
12 1/2 % SKR 19.6 mill., due 1980—1989	19.6	—
Sundry loans	—	0.8
	1 633.3	1 290.1
Less: Current maturities included under current liabilities	-170.6	-121.7
As of September 30	1 462.7	1 168.4

#### Subsidiaries

	1980	1979
Sundry loans	109.3	92.5
Less: Current maturities included under current liabilities	-10.4	-16.9
As of September 30	98.9	75.6
SAS Group, as of September 30	1 561.6	1 244.0

#### Note 29 — Other non-current liabilities

	1980	1979
<i>Consortium</i>		
Other non-current liabilities	71.0	57.9
Less: Current maturities included under current liabilities	-6.0	-0.9
As of September 30	65.0	57.0
<i>Subsidiaries</i>		
Other non-current liabilities	13.2	5.0
Less: Current maturities included under current liabilities	-6.2	—
As of September 30	7.0	5.0
Deferred tax liability on acquired untaxed reserves	2.1	—
SAS Group, as of September 30	74.1	62.0

#### Note 30 — Provision for pension liabilities

	SAS Group	1980	1979
<i>Subsidiaries</i>			
SAS Catering AB, Sweden — PRI	4.4	3.9	
— other	1.0	0.9	
SAS Catering A/S, Norway	1.2	—	
Transair Sweden AB — PRI	41.0	34.1	
Vingresor AB — PRI	7.3	5.9	
— other	0.1	0.1	
Nyman & Schultz/Nordisk Resebureau AB	1.0	1.2	
AB Olson & Wright — PRI	13.1	—	
— other	1.7	—	
As of September 30	70.8	46.1	

The Pension Registration Institute (PRI) is a non-profit organization for management and administration of staff pension schemes.

Other pension liabilities are either covered by periodic pension premium payments or are recorded as pension commitments under contingent liabilities.

#### Note 31 — Inventory reserve

The inventory reserve relates to expendable spare parts and sundry stores under current assets (see Note 15).

#### Note 32 — Depreciation reserve

The depreciation policy of the Consortium is described in Note 4. For the purpose of establishing compliance with certain covenants in several of its credit agreements with US lenders, the Consortium, in the reports required to be submitted to the lenders, depreciates its flight equipment over 12 years to a 10 per cent residual value except for Airbus A300, Boeing

747 and Douglas DC-10-30 equipment which is depreciated over 14 years to a 10 per cent residual value.

In order that its financial statements reflect this method of depreciation, the Consortium records depreciation in accordance with such method in the depreciation accounts which are deducted from the acquisition values concerned. At the same time, the depreciation actually incurred by the Consortium in excess of such depreciation is recorded in a depreciation reserve account.

As of September 30, 1980, the depreciation reserve account amounts to MSKR 225.2. The decrease during the year, MSKR 13.8, is mainly due to the fact that certain DC-9 and DC-8 flight equipment has reached residual value according to the depreciation policy of the Consortium.

#### Note 33 — Accumulated excess depreciation

Under this heading the subsidiaries, as from September 30, 1980, record depreciation made as an allocation in excess of their ordinary depreciation.

#### Note 34 — Currency adjustment reserve

The rates of exchange as of September 30 used by the Consortium for the translation of monetary assets and liabilities from Danish kroner (DKR), Norwegian kroner (NKR), US dollars (USD), and Swiss francs (SFR) into Swedish kronor are given below:

	100 DKR	100 NKR	1 USD	100 SFR
As of September 30, 1979	81.00	84.50	4.15	266.00
As of September 30, 1980	74.75	85.75	4.17	253.00

#### Note 35 — General investment reserve. Profit equalization reserve

These items represent tax-deductible allocations made by the subsidiaries.

#### Note 36 — Equity

	Consortium	Subsidiaries	Elimination	SAS Group
As of September 30, 1979	959.4	110.3	- 80.0	989.7
Equity of AB Olson & Wright at acquisition		+ 6.2	- 6.2	
Acquisition of shares (see Note 17)		+ 4.0	- 4.0	
New share issues, etc. (see Note 17)		+ 18.0	- 18.0	
Dividends paid		- 6.7	+ 6.7	
Distributed to parent companies for 1978/79	- 98.0			- 98.0
Loss of the year after allocations, income taxes and minority interests	- 53.9	- 16.8	- 8.0	- 78.7
Sundry adjustments		- 0.1	+ 1.0	+ 0.9
As of September 30, 1980	807.5	114.9	-108.5	813.9

#### Note 37 — Pledges, etc

Out of the increase during the year Vingresor AB accounts for MSKR 63.9, SAS Catering A/S, Denmark for MSKR 18.5, and AB Olson & Wright for MSKR 14.1

#### Note 38 — Contingent liabilities

	Consortium	
	1980	1979
Travel guarantees on behalf of Vingresor AB	75.0	75.0
Guarantees of pension liabilities in Transair Sweden AB	42.2	34.3
Guarantees of pension liabilities in AB Olson & Wright	13.5	11.7
Other contingent liabilities for subsidiaries	35.3	37.7
	166.0	158.7
Guarantees of loan of Linjeflyg AB	25.0	25.0
Guarantees of loan of Hotel Scandinavia K/S	24.0	23.9
Other contingent liabilities	23.7	21.6
	72.7	70.5
Pension commitments	44.2	40.9
As of September 30	282.9	270.1



## Funds Statements

In millions of Swedish Kronor

	SAS Group (Consolidated)		SAS Consortium	
	1979/80	1978/79	1979/80	1978/79
<b>Sources of funds</b>				
Profit/Loss before allocations and income taxes	— 62.2	+ 147.6	— 53.9	+ 109.2
Depreciation	434.0	359.5	378.8	317.0
Standing reserve credited to revenue	— 89.3	—	— 89.3	—
Book value of assets sold and retired	13.3	36.4	11.7	35.4
Allocation to currency reserve	—	25.0	—	25.0
Other (net)	— 26.6	— 43.3	— 24.8	— 28.9
From operations	269.2	525.2	222.5	457.7
Borrowing	754.3	226.3	671.3	142.6
Amortization on long-term loans	27.6	12.4	52.9	15.5
Minority shares in new capital of subsidiaries	— 1.4	1.6	—	—
Total funds received	1 049.7	765.5	946.7	615.8
<b>Uses of funds</b>				
Aircraft, spare engines, spare parts	385.4	309.2	384.7	283.7
Prepayments on aircraft and flight simulators	105.2	72.1	105.2	72.1
Loans to KSSU-partners	93.3	26.6	93.3	26.6
Buildings and improvements	134.7	99.7	70.0	46.8
Other equipment, inventories, etc.	216.1	119.3	175.5	90.1
Acquisition of AB Olson & Wright	—	—	34.0	—
Shares and goodwill	2.9	32.4	22.9	23.1
Discount, etc., on debenture loan	1.7	—	1.7	—
Sub-total investments	939.3	659.3	887.3	542.4
Long-term lending	21.5	39.8	9.4	26.8
Amortization on long-term debt	245.9	213.1	193.4	183.8
Distributed to parent companies out of last year's profit	98.0	84.0	98.0	84.0
Total funds applied	1 304.7	996.2	1 188.1	837.0
<b>Changes in working capital</b>	—255.0	—230.7	—241.4	—221.2
<i>Specification of changes in working capital</i> (excluding currency adjustments of balances)				
Increase (+)/decrease (—) of sundry stores	+ 8.3	+ 4.0	+ 5.2	— 1.4
Increase (+)/decrease (—) of expendable spare parts	+ 25.8	+ 12.6	+ 25.8	+ 12.5
Increase (+)/decrease (—) of short-term accounts receivable	+313.7	+119.6	+240.3	+ 87.1
Increase (—)/decrease (+) of short-term accounts payable	—420.7	—239.3	—352.5	—167.9
Increase (+)/decrease (—) of cash and bank balances	—182.1	—127.6	—160.2	—151.5

Copenhagen, Oslo and Stockholm, January 15, 1981

Jens Chr. Hauge

Haldor Topsøe

Curt Nicolin

Per M. Backe

J.L. Halck

Krister Wickman

Ingvar Lilletun

Orla Mathiesen

Inge Johannesson

Carl-Olov Munkberg  
President

/C.E. Lindh

## 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 our report for the financial year October 1, 1979 - September 30, 1980.

We have examined the Annual Report, which also includes the accounts of the Group.

The Internal Auditing Department of SAS, acting in accordance with instructions approved by us, has conducted a continuous check of the accounting records during the year and we have received reports on the examinations thus conducted, as well as at the end of the year.

As evident from the Annual Report, the Consortium has declared a loss of 53.9 million Swedish Kronor, after depreciation.

We recommend that the Annual Accounts for the Consortium and for the Group be adopted, and that the Members of the Board and the President be discharged from liability for the financial year.

Stockholm, January 23, 1981

Sten Nackstad  
Authorized Public Accountant

Centralanstalten for Revision  
Stig-Erik Schaumburg-Müller  
Authorized Public Accountant

Kjell Hauen Eriksen  
Authorized Public Accountant

Sören Wikström  
Authorized Public Accountant

Arne Brendstrup

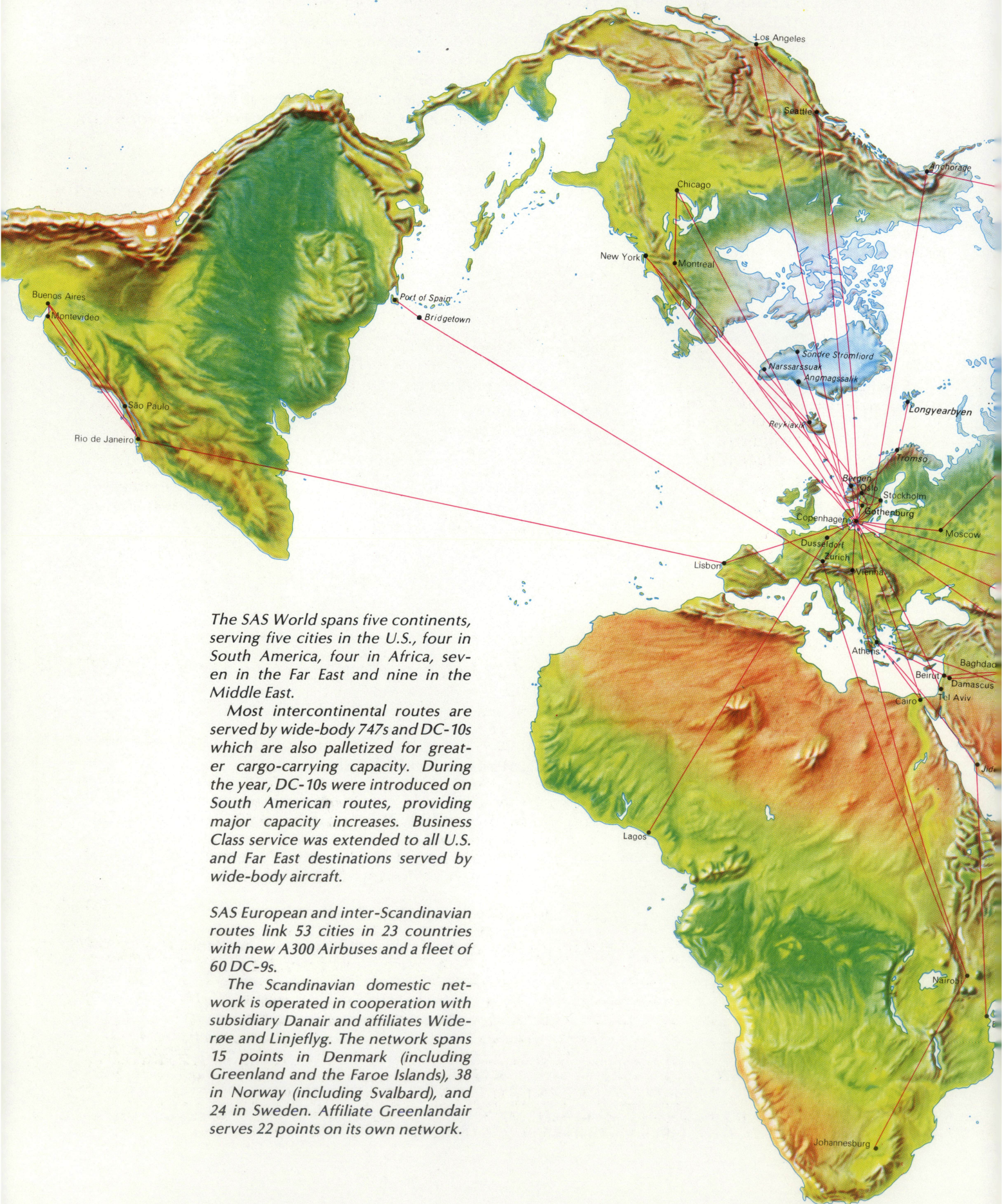
Tor Storhaug  
Authorized Public Accountant

### SAS Consortium Investments in Flight Equipment

	No. of aircraft		Amount (in millions of Swedish Kronor)			Total
			Deliveries 1967/68— 1979/80	Advance payments Sept. 30, 1980	To be paid 1980/81— 1981/82	
	Delivered	On order				
Boeing 747	4	2	884.2	143.6	486.0	1 513.8 <sup>1)</sup>
DC-10-30	5		692.7			692.7 <sup>1)</sup>
A300 B2	2	2	444.6	19.2	305.0	768.8 <sup>1)</sup>
DC-8-63	5	}	637.6			637.6
DC-8-62	6					
DC-9-41	49	}	1 621.1			1 621.1
DC-9-33AF	2					
DC-9-21	9					
<b>Total</b>	<b>82</b>	<b>4</b>	<b>4 280.2</b>	<b>162.8</b>	<b>791.0</b>	<b>5 234.0</b>

<sup>1)</sup> Includes spare engines and spare parts, as the case may be, held by SAS on behalf of the other partners to the KSSU arrangements as well as loans by SAS to these partners to finance spare engines and spare parts held by them on behalf of SAS.

# The SAS



*The SAS World spans five continents, serving five cities in the U.S., four in South America, four in Africa, seven in the Far East and nine in the Middle East.*

*Most intercontinental routes are served by wide-body 747s and DC-10s which are also palletized for greater cargo-carrying capacity. During the year, DC-10s were introduced on South American routes, providing major capacity increases. Business Class service was extended to all U.S. and Far East destinations served by wide-body aircraft.*

*SAS European and inter-Scandinavian routes link 53 cities in 23 countries with new A300 Airbuses and a fleet of 60 DC-9s.*

*The Scandinavian domestic network is operated in cooperation with subsidiary Danair and affiliates Widerøe and Linjeflyg. The network spans 15 points in Denmark (including Greenland and the Faroe Islands), 38 in Norway (including Svalbard), and 24 in Sweden. Affiliate Greenlandair serves 22 points on its own network.*



# Aircraft Fleet

Aircraft Fleet	No.	Sept. 30, 1980 Fleet at the end of the year	1980/81 Order	1981/82 Order
 <p>BOEING 747</p>	4	 		
 <p>DOUGLAS DC-10-30</p>	5			
 <p>AIRBUS A300B2</p>	2			
 <p>DOUGLAS DC-8-63</p>	5			
 <p>DOUGLAS DC-8-62</p>	6	 		
 <p>BOEING 727-100</p>	4			
 <p>DOUGLAS DC-9-41</p>	49			
 <p>DOUGLAS DC-9-33AF</p>	2			
 <p>DOUGLAS DC-9-21</p>	9			
	86			

1) Combined passenger/cargo version  
 2) Combined version (CF)



*The Kuwait SAS Hotel was opened in October, 1980, the 20th hotel affiliated with SAS and the Group's first outside Scandinavia.*



## Subsidiary and Affiliated Companies

(The Consortium's interests in the subsidiary and affiliated companies are listed in a separate table on page 21.)

### Subsidiary Companies

(1979 - 1980 Financial Year)

#### SAS Catering & Hotels

SAS Catering & Hotels includes SAS Catering A/S Denmark, SAS Catering A/S Norway and SAS Catering AB Sweden. The subsidiary has three operating divisions. Corporate headquarters are in Copenhagen.

The Catering Division serves over 12 million meals a year to more than 70 airline customers. It operates flights kitchens and conducts other catering activities at airports in 11 cities: Copenhagen, Oslo, Bergen, Stockholm, Gothenburg, Malmö, Frankfurt, Dusseldorf, London, Athens and Tokyo.

Since 1977 the Catering Division has provided SAUDIA, Saudi Arabian Airlines, with consultancy services and training of key personnel.

During the financial year the division opened a new catering complex at London's Gatwick airport and acquired Skyliner Services, Ltd., adding aircraft cleaning to its already established catering services at London-Heathrow.

The Hotel Division operates 16 SAS Catering hotels and supervises SAS's interests in four more. The Kuwait SAS Hotel was opened in October, 1980. On Kuwait's Bida Beach, it is a luxury-class establishment with 216 rooms, several restaurants and a wide range of conference and recreational facilities.

With the opening of the Kuwait hotel, SAS Catering's chain comprises more

than 2,300 rooms. Other hotels operated by SAS Catering are: in Norway, the SAS Globetrotter Hotel, Oslo; the SAS Royal Hotels in Bodø and Tromsø; the SAS Lofoten Hotel, Stamsund, and the seven hotels in the A/S Nord Norsk Hotelldrift chain in North Norway; in Sweden, the Park Avenue Hotel, Gothenburg, and the SAS Globetrotter Hotel, Luleå; in Denmark, the SAS Globetrotter Hotel, Copenhagen, and the Arctic Hotel, Narssarsuaq, Greenland.

One additional hotel is under construction: the SAS Royal Hotel, with 270 rooms, in Bergen, Norway. With an attractive harborfront location, the hotel is scheduled to open at the beginning of 1982.

The Restaurant Division embraces a broad spectrum of activities, including airport restaurants and cafeterias, and industrial catering services for off-shore oil platforms.

The division has airport restaurants, cafeterias and staff canteens at Kastrup, Fornebu, Arlanda, Bromma and Landvetter airports, plus 18 smaller provincial airports in Scandinavia. Exhibition center restaurants are operated at the Bella Center in Copenhagen, and Svenska Mässan (Swedish Fair Grounds) in Gothenburg. The division also runs restaurants at the Copenhagen Zoo and the Town Hall in Oslo.

The industrial catering unit provides catering services to off-shore oil platforms and to industrial construction sites. It includes operation of canteens and living quarters, cleaning and security services on major entrepreneurial projects.

**Selected Data**

	SAS Catering & Hotels (Consolidated)		AB Olson & Wright (Consolidated) (see Note)		SAS-Invest A/S		Nyman & Schultz/ Nord. Resebureau (Consolidated)		
	MSKR	MSKR	MSKR	MSKR	MDKR	MDKR	MSKR	MSKR	
	1979/80	1978/79	1979/80	1978/79	1979/80	1978/79	1979/80	1978/79	
<b>Profit &amp; Loss Statement Data</b>									
Operating Revenue	1 037.1	891.6	59.0	—	43.1	42.6	188.4	153.7	
Operating Result after Depreciation	+ 18.4	+ 34.6	+ 1.4	—	+ 0.3	+ 1.1	— 0.5	+ 5.7	
Profit/Loss after Financial Items	+ 0.9	+ 28.8	+ 4.4	—	— 2.3	— 1.0	+ 4.0	+ 9.1	
Profit/Loss before Allocations and Income Taxes	+ 11.3	+ 28.7	+ 4.4	—	— 2.3	— 1.0	+ 4.0	+ 8.3	
Allocations, etc.	— 1.4	— 10.6	— 4.3	—	—	—	— 1.5	— 3.3	
Income Taxes	— 5.7	— 6.8	— 0.1	—	—	—	— 1.4	— 1.4	
Net Profit/Loss	+ 4.2	+ 11.3	+ 0.0	—	— 2.3	— 1.0	+ 1.1	+ 3.6	
<b>Balance Sheet Data</b>									
Current Assets	171.6	149.0	167.7	—	4.7	4.4	137.3	108.8	
Fixed Assets (incl. Blocked Funds)	193.1	185.3	25.2	—	43.7	42.1	6.7	2.4	
Total Assets	364.7	334.3	192.9	—	48.4	46.5	144.0	111.2	
Current Liabilities	179.6	170.8	158.7	—	15.5	9.6	118.1	86.8	
Non-Current Liabilities	101.1	85.4	22.2	—	24.9	26.1	4.8	4.9	
Untaxed Reserves	26.4	30.5	6.8	—	0.3	0.7	4.8	3.3	
Minority Interests	— 0.1	1.1	—	—	—	—	—	—	
Equity	57.7	46.5	5.2	—	7.7	10.1	16.3	16.2	
Total Liabilities and Equity	364.7	334.3	192.9	—	48.4	46.5	144.0	111.2	
<b>Average Number of Employees</b>	4 768	4 524	359	—	240	263	397	373	

Note: AB Olson & Wright 1979/80 figures represent the period January 1 — September 30, 1980

**SAS-Invest A/S**

SAS-Invest A/S owns and operates the SAS Royal Hotel in Copenhagen. Occupancy rate of the 300-room luxury-class hotel was 73 per cent during the financial year. This was five points below the previous year. A refurbishing program for all rooms was completed during the year, and a similar program is now planned for the restaurant facilities.

**Nyman & Schultz/Nordisk Resebureau AB**

Nyman & Schultz increased total sales of transport and travel-related services 19 per cent, to 799 MSKR, during the year. Business travel accounted for 71 per cent of total sales, while special tours and pleasure travel accounted for 16 and 13 per cent, respectively. The company name was changed to Nyman & Schultz Reisebyrå AB in the course of the year.

With headquarters in Stockholm, Nyman & Schultz is Scandinavia's largest IATA travel agency. For the past four years the company has been operating with decentralized, result-oriented units which currently include 24 agency outlets and seven production departments. In the U.S., Nyman & Schultz markets business travel and runs its own production department through a wholly-owned subsidiary, NRB Inc.

A continued emphasis on product development has significantly contributed to increased sales. These developments include Nyman & Schultz's membership—exclusive among Swedish agencies—in the Woodside Group of Travel Agencies, the world's largest clearing house for business travel; a unique hotel agreement with Intourist, and a greater concentration on low-price alternatives.

**Vingresor AB**

The Vingresor Group is based in Stockholm. It includes five major divisions. Two are marketing units: Vingresor in Sweden, which arranges and markets package tours on charter flights, and Vingreiser/Metro Reisebyrå, which provides similar services on the Norwegian market. Other divisions are Vingresor Production, which serves the marketing units at all foreign destinations, and Sunwing Hotels, which operates Vingresor's resort hotels in Europe and Africa.

A fifth division was formed during the year: Vingresor Scandinavia, to explore the opportunities for incoming traffic. The new division is also responsible for Vingresor's entry into the Swedish domestic vacation market, with the opening of the Sunwing Åre/Tott Hotel in the country's alpine area in Decem-

ber, 1980. The hotel has 360 beds in hotel and apartment accommodations.

Vingresor is Sweden's largest group-travel organization and ranks third in Scandinavia. Its travel program includes the Vingresor family concept, Club 33 youth tours, Ving Alpine, Ving Golf, Ving Conference and Ving Special.

Vingresor in Sweden was affected by the general decline in the holiday market, selling 260,000 round-trip inclusive tours, 42,000 fewer than in the previous year. The company has programmed capacity for 260,000 passengers in 1980-1981 as well.

Metro Reisebyrå produces inclusive tours under the Vingreiser name in Norway. With 50,000 round-trip customers, Metro increased its share of the Norwegian market by two points, to 20 per cent. Metro is also an authorized IATA travel agency.

Sunwing has four hotels in Spain and one each in Greece and Gambia, with a total of 3,500 beds for inclusive-tour customers.

Vingresor United Kingdom, operating from London, was sold during the year to Thomson Holidays, Europe's largest package tour organization. The sale includes an agreement for long-term cooperation with Sunwing Hotels.

## Subsidiaries

Vingresor AB (Consolidated)		Scand. Air Tour Productions AB (Consolidated)		Transair Sweden AB		Arctic Hotel Corp. A/S		SAS Royal Hotel A/S (Oslo)		Danair A/S		A/S Dansk Rejsebureau	
MSKR 1979/80	MSKR 1978/79	MSKR 1979/80	MSKR 1978/79	MSKR 1979/80	MSKR 1978/79	MDKR 1979/80	MDKR 1978/79	MNKR 1979/80	MNKR 1978/79	MDKR 1979/80	MDKR 1978/79	MDKR 1979/80	MDKR 1978/79
754.8	779.0	71.2	58.3	78.2	68.4	13.8	11.9	106.3	95.8	230.0	206.0	12.4	11.2
-16.4	-2.1	+0.6	+0.5	+2.4	+2.7	+0.7	+1.0	+18.8	+15.6	0.0	0.0	+0.4	+0.5
-21.7	+1.1	+1.0	+0.4	+0.2	+0.2	+0.5	+0.6	-0.1	-2.0	0.0	0.0	+0.3	+0.4
-20.7	+3.4	+0.9	+0.4	+0.2	+0.2	+0.1	+0.5	-0.1	-2.0	0.0	0.0	+0.3	+0.4
-	+0.1	-0.9	-	-0.2	-0.2	-	-	-	-	-	-	-0.2	-0.1
-0.4	-1.1	-0.0	-0.2	-	-	-	-	-	-	-	-	-0.1	-0.1
-21.1	+2.4	+0.0	+0.2	0.0	0.0	+0.1	+0.5	-0.1	-2.0	0.0	0.0	+0.0	+0.2
134.7	159.9	9.5	7.0	19.0	11.9	4.5	3.8	21.0	17.3	16.4	14.8	16.1	14.9
138.3	94.8	0.4	0.1	41.2	46.9	4.0	3.9	148.6	190.2	0.1	0.2	1.6	0.5
273.0	254.7	9.9	7.1	60.2	58.8	8.5	7.7	205.6	207.5	16.5	15.0	17.7	15.4
146.5	136.8	7.3	5.3	16.3	17.4	2.9	4.0	27.7	24.4	13.5	12.0	16.5	14.4
87.9	71.8	-	-	42.5	40.3	3.2	1.3	172.4	177.5	-	-	0.6	0.5
15.9	13.0	0.9	-	1.1	0.9	-	-	-	-	-	-	0.3	0.2
3.6	3.2	-	-	-	-	-	-	-	-	-	-	-	-
19.1	29.9	1.7	1.8	0.3	0.3	2.4	2.4	5.5	5.6	3.0	3.0	0.3	0.3
273.0	254.7	9.9	7.1	60.2	58.8	8.5	7.7	205.6	207.5	16.5	15.0	17.7	15.4
1 281	1 334	106	105	252	257	46	44	395	392	15	19	69	66

### Scandinavian Air Tour Productions AB

The company, with headquarters in Stockholm, produces and markets intercontinental inclusive tours under the "Globetrotter" trade name. It is Scandinavia's largest operator of inclusive tours by scheduled airlines.

Globetrotter recorded a seven per cent increase in round-trip customers, to 27,300, in the 1979-1980 financial year. Total sales rose 24 per cent, to 154 MSKR. In addition to its marketing organization in Scandinavia, Globetrotter maintains a staff of 44 tour conductors at 19 of its intercontinental destinations.

### Arctic Hotel Corporation A/S

The Arctic Hotel at Narssarsuaq airport on Greenland consists of a transit hotel which is open year-round and a tourist hotel for summertime guests. The transit hotel, accommodating passengers connecting between SAS and Greenlandair flights, had an occupancy rate of 34 per cent, down five points from last year. The tourist hotel, which caters to sports fishermen, inclusive-tour travelers and other vacationers, recorded a 53 per cent occupancy rate, the same as last year. The Arctic Hotel has been operated by SAS Catering since June, 1978.

### Danair A/S

Danair noted a three per cent decline in

passengers, to 820,000, during the 1979-1980 financial year. The cabin factor was 53 per cent, down eight points. The decline can be attributed to a number of factors, including the impact of fuel prices on fares, which had a generally dampening effect on business travel, air traffic control problems which resulted in numerous cancellations in a brief summer period, and the fact that the previous year's number of passengers increased a record 24 per cent.

Danair links eight Danish provincial points with Copenhagen and also operates services to the Faroe Islands. Danair leases aircraft from its three parent companies: SAS, Maersk Air and Cimber Air. During the first part of the financial year, DC-9 capacity was leased from SAS, Boeing 737-200s from Maersk Air, and F-28s from Cimber Air. To maintain the same number of frequencies without negatively affecting the economy of the airline, two of the parent companies—Maersk Air and Cimber Air—introduced turboprop aircraft, the HS-748 and F-27, with 44 seats, to replace higher capacity jetliners in the latter part of the year.

### A/S Dansk Rejsebureau

Dansk Rejsebureau has headquarters in Copenhagen and four branch offices—one in a Copenhagen suburb and three

in Jutland in western Denmark. It is one of the largest IATA agencies in Denmark and is a member of the Woodside Group of Travel Agencies. Total sales increased nine per cent, to 121 MDKR. Business travel accounted for 70 per cent of sales, special travel for 21 per cent, and pleasure travel for 9 per cent. The agency produces a wide range of incentive, study, convention and other travel for the Danish business travel market under the "Rejsecentret" trade name.

### SAS Royal Hotel A/S, Oslo

The company owns Oslo's 500-room Hotel Scandinavia, which is operated by the Western International Hotels chain. The occupancy rate was 84 per cent, the same as last year. The hotel reached the break-even point during the financial year ahead of schedule. Color TV was installed in all rooms, and the hotel also broadcasts a three-hour internal TV program of its own. The Royal Café was renovated and a buffet (koldbord) was added, resulting in increased restaurant sales.

### AB Olson & Wright

Olson & Wright, the largest air cargo forwarder in Scandinavia, became a wholly-owned subsidiary of SAS on January 1, 1980. Its first financial year in the SAS Group covers the nine-month period



SAS served 103 cities in 1979-1980, including Lakselv, one of a dozen above the Arctic Circle.



SAS-affiliate Widerøe flies STOL services to 34 domestic Norwegian airports, including Honningsvåg, above.

through September 30. Considerable improvements were recorded in the results of most divisions. In addition to air cargo, Olson & Wright handles shipping and surface transport forwarding, ship brokerage and maritime insurance worldwide. The company established a wholly-owned subsidiary in Norway in early 1980.

#### **Copenhagen Air Cargo Center A/S**

The Copenhagen Air Cargo Center, Europe's fifth largest air cargo terminal, handled 145,000 tons of cargo during the financial year, its first after a 42 MDKR modernization program. The terminal is now fully automated to handle and store pallets and individual shipments. It received its own computer system—coupled to SAS's network—in June, 1980. The computer controls cargo sorting facilities and will handle all warehousing activities from the spring of 1981. The Center, whose accounts are included in those of the Consortium, had an average of 394 employees during the year.

#### **Transair Sweden AB**

Transair is a charter airline and aircraft maintenance company based in Malmö. The airline owns and operates four Boeing 727-100 jetliners which were primarily leased to Scanair. One of the 727s was also on cargo charter in Yugoslavia. Furthermore, SAS chartered 727 capacity for its Copenhagen-Keflavik-Narsarsuaq route.

Transair has been hard hit by the slump in the inclusive tour market, and a substantial part of its capacity is now idle.

## **Affiliated Companies**

#### **Scanair**

Scanair, the Scandinavian charter consortium, is owned by the parent companies of SAS. The airline carried 995,000 one-way passengers on inclusive tours to and from 26 countries during the 1979-1980 financial year. The number of passengers declined 20 per cent, with traffic affected by labor market conflicts in Sweden and Norway in the spring of 1980, by fuel surcharges and by the general downturn in the European charter market.

Scanair's primary destinations were the Canary Islands, with 23 per cent of the airline's passengers, and Rhodes, with 12 per cent.

The Scandinavian charter market declined for the second consecutive year. Scanair's market share was 24 per cent, a point less than last year. Operating revenue increased four per cent, to 608.5 MSKR.

At the end of the financial year, Scanair's fleet consisted of one DC-8-63 and four DC-8-62s on lease from SAS. In addition to Boeing 727-100 capacity from Transair, Scanair also leased 747B, DC-10, DC-8, DC-9 and A300 Airbus capacity from SAS, and F-28 capacity from Linjeflyg, on an ad hoc basis. The airline sold two DC-8-55s during the year.

Scanair had an average of 260 employees during the year. This figure does not include flight deck crews leased from SAS to operate Scanair DC-8s.

#### **Greenlandair Inc.**

Greenlandair flew 114,000 passengers, an increase of 6.5 per cent, in its financial year ending December 31, 1979. The airline carried 1,310 tons of mail, up 4.2 per cent, and 207 tons of cargo, up 20.3 per cent. The cabin factor dropped 7.6 points, to 69.5 per cent, while the load factor was down 10.4 points, to 75.9 per cent. Total operating revenue was 97 MDKR. Employees averaged 262.

Greenlandair served 22 destinations on Greenland with a fleet of 10 helicopters, two DC-6A/Bs, and one DHC-7. Both DC-6s were sold in the spring of 1979. Beginning April 1, the DHC-7 was introduced on routes from Søndre Strømfjord to Kulusuk and Mestersvig in eastern Greenland, and from Kulusuk to Keflavik, Iceland. The latter route was operated on charter for SAS.

The DHC-7 began serving Godthåb, the capital of Greenland, when the STOL airport was opened there October 1, 1979. The DHC-7 now also links Godthåb with Søndre Strømfjord and Narsarsuaq. A second DHC-7 was delivered in February, 1980.

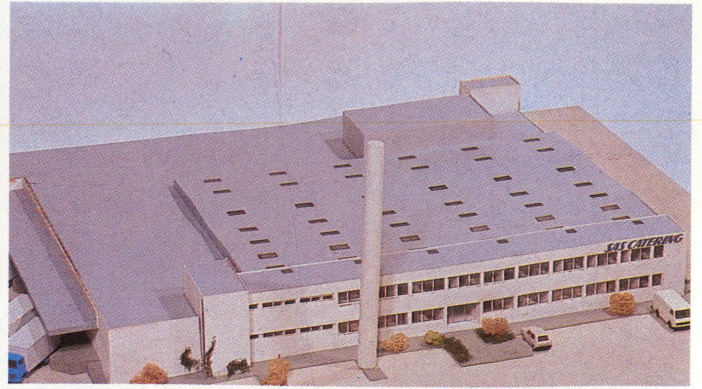
#### **Widerøe's Flyveselskap A/S**

Widerøe operates a local service network linking 34 towns along the Norwegian coast. A summer route between Sogndal and Oslo was operated for seven months in 1980, compared with five months in 1979.

The airline carried 445,000 passengers in its financial year ending December 31, 1979, and expected to fly about the same number in 1980. A projected eight per



SAS co-sponsored the most comprehensive exhibition ever assembled on the Vikings, shown in London and New York in 1980.



New subsidiary facilities: the Frankfurt flight kitchen and the Sunwing Åre/Tott Hotel in Swedish ski country.

cent passenger increase did not materialize in 1980, primarily due to fuel-related fares increases. Fares rose 27 per cent between August, 1979, and March, 1980.

In 1980 Widerøe had a fleet of 14 Twin Otters, including 12 in service, one in reserve and one on lease to SAS to operate a route from Trondheim to Östersund and Sundsvall. The airline received two new Twin Otters and sold one in 1980. An S-58-T helicopter maintained Widerøe's route to the islands of Vaerøy and Røst.

In early May, 1981, Widerøe will introduce two DHC-7s, based in Bodø, on routes to seven STOL airports: Leknes, Svolvær, Stokmarknes, Mo i Rana, Sandnessjøen, Brønnøysund and Namsos; as well as to Andenes and Trondheim.

Total operating revenue for the 1979 calendar year was 109.6 MNKR, and is expected to be about 145 MNKR in 1980. Employees numbered 259 at the end of 1979, increasing to about 285 by the end of 1980.

#### **Bennett Reisebureau A/S**

Bennett, the world's second oldest travel agency, was founded in Oslo in 1850. Total sales for the financial year ending December 31, 1979, were 588 MNKR, an increase of 7.4 per cent, excluding internal transactions. Employees numbered 356.

In 1980, Bennett opened its fifth travel agency in Denmark and acquired two more in Norway, for a total of 35. In all, Bennett has 44 offices in Scandinavia, France and the U.S. Bennett joined the

Woodside Group of Travel Agencies in 1980. Total sales for 1980 are forecast at about 694 MNKR.

#### **Hotel Scandinavia K/S, Copenhagen**

The Hotel Scandinavia in Copenhagen is operated by the Western International chain. Occupancy rate for the 537-room hotel was 73 per cent, an improvement of almost three points. Total operating revenue was 82.4 MDKR, an increase of 14 per cent, for the financial year ending March 31, 1980. A front desk computer system was installed in October, 1979, to handle cashing, reservations, telephones and sales points for all restaurant facilities. The hotel's Artillery Bar was remodeled during the year. One banquet room was added, and another was removed.

#### **A/S Hotel Atlantic, Stavanger**

The SAS Royal Atlantic in Stavanger, Norway, recorded a 78 per cent occupancy rate, up two points, and total operating revenue of 35.5 MNKR, up 27 per cent, for its financial year ending December 31, 1979. A new wing with 90 hotel rooms and extensive office space was completed in the summer of 1980, giving the hotel a total of 245 rooms.

#### **Polygon Insurance Company Ltd.**

Polygon is owned jointly by SAS, KLM and Swissair. After five years of operation, the company has become firmly established in the international aviation insurance market. The portfolio of business underwritten in 1979 included participation in the fleets of over 100 airlines, as well as a significant proportion of the shareholders' own insurance pro-

grams. In additions, ancillary accounts were commenced for both marine and non-marine insurance business.

To provide an adequate equity base for anticipated future expansion, the paid-up share capital of the company was increased. Together with free reserves, the capital of the company was £1,020,517, demonstrating a solid solvency ratio to net premium income, amounting to £554,758. The company will continue its policy of controlled growth, maintaining a cautious underwriting approach and a high degree of liquidity.

#### **Linjeflyg AB**

Linjeflyg operated domestic services to 21 points in Sweden. The airline carried 2,022,000 passengers, an increase of 42,000 or two per cent during the 1979-1980 financial year.

Linjeflyg did not operate from April 26 through May 11 due to a Swedish labor market conflict which included air traffic controllers. Furthermore, fuel price increases had a heavy impact on its traffic.

Production rose nine per cent, to 123 million available ton-kilometers. Available seat-kilometers also climbed nine per cent, to 1,330 million. The load factor was reduced 2.4 points, to 58.7 per cent, and the cabin factor dropped 2.3 points to 60.6 per cent. Operating revenue for the year climbed 20 per cent to 644.9 MSKR. Employees averaged 1,232. At the end of the year, the Linjeflyg fleet consisted of 10 F-28-4000s seating 85, and three F-28-1000s with 70 seats.

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Denmark

Norway

Sweden

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Eilar Nilsson

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Dan Vik Hansen  
Henrik Arosenius

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Stig-Erik Schaumburg-Müller

Kjell Hauen Eriksen  
Tor Storhaug

Sten Nackstad  
Sören Wikström

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### Group Management

(established by SAS Board decision, September 17, 1980)

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President

Kai Sørtorp  
Executive Vice President and  
Deputy President

Frede Ahlgreen Eriksen  
Executive Vice President and  
Deputy President

C.E. Lindh  
Executive Vice President

Jan Carlzon  
Executive Vice President





**SAS**

**SCANDINAVIAN AIRLINES SYSTEM**