



1958

SAS annual report

1959

IN MEMORIAM



PER KAMPMANN

SAS has suffered a great loss through the death, on April 7, 1959, of Mr. Per Kampmann, Board Chairman of the Danish parent company, Det Danske Luftfartselskab A/S, DDL.

Early in life, Mr. Kampmann became one of the leaders of Danish civil aviation and made important contributions to the growth of DDL. His activities in civil aviation were marked by a firm belief in its future, and by an exceptional ability to foresee the extent and nature of conditions likely to affect the future development of the industry.

Even before the second world war, Mr. Kampmann was deeply interested in the idea of a closer co-operation between the airlines of the Scandinavian countries. In spite of the difficulties imposed by war conditions, Mr. Kampmann, Board Chairman of DDL since 1940, continued his planning for the pooling of commercial aviation resources in Scandinavia. Consequently, at the end of the war, the ground was well prepared in Denmark for the realization of these plans.

In 1946, Mr. Kampmann became the first Chairman of the Board of Scandinavian Airlines System. For the rest of his life, he continued to serve SAS as one of the three Board Chairmen.

Per Kampmann is one of the great names in the history of Scandinavian civil aviation. SAS deeply feels the loss of a prominent leader and will remember him with gratitude.



Annual Report

for the Fiscal Year

October 1,
1958 —
September 30,
1959

SCANDINAVIAN AIRLINES SYSTEM

DENMARK — NORWAY — SWEDEN



SAS OPERATIONS - GENERAL

Production during the fiscal year 1958-59 has been slightly lower than during the preceding year. By a more efficient utilization of the fleet, an increase in revenue traffic has nevertheless been achieved.

In March, 1959, a labour conflict developed between the Consortium and some of the flying personnel. The conflict led to a sharp curtailment of operations, but SAS succeeded in maintaining a considerable part of the traffic within Europe and, on a reduced scale, on some routes over the North Atlantic, and to the Middle and Far East.

Competition for international traffic has sharpened, especially on the routes across the North Atlantic where a few carriers have introduced jet aircraft. These new jetliners have attracted a considerable part of the traffic.

During the fiscal year, the revenue development of SAS has been adversely affected by the labour conflict and the jet competition. By increased rationalization and effective cost control it has been possible to offset these factors, and to balance income and expenses in the annual accounts.

The introduction of the Caravelle on several routes in Europe and the Middle East, in May, 1959, marked the entry of SAS into commercial jet traffic. During summer and autumn, the Caravelle operations have been increased to such an extent that the SAS jet network has become the largest in the areas served. The Caravelle jetliner has been well received by the public, and its technical performance has been up to expectations.

Complementary orders have been placed for the future SAS jet fleet. Workshops and other facilities necessary for the transition to jet traffic are nearing completion. The disposal of the older piston-engine fleet has begun.

The co-operation with Swissair, begun in 1958, has led to valuable results and has been further expanded.

SAS has entered into co-operation with Thai Airways, Bangkok, and Guest Aerovias, Mexico City.

WORLD AVIATION IN 1958

Scheduled civil aviation (excluding the Soviet Union and China) in the calendar year 1958 showed a traffic increase from 9,220 to 9,620 million ton-kilometres. Passenger-kilometres rose from 82,000 million to 86,000 million and the number of passengers from 86 million to 89 million.

The increase from 1957 to 1958 was thus considerably lower (4-5 %) than the average increase during the preceding six years (about 15 %). The reasons for the declining rate of expansion must primarily be sought in the U.S.A. Extensive and lengthy labour conflicts, experienced by several U.S. carriers in 1958, and a certain stagnation in business in general affected domestic air traffic in the U.S.A. Since these operations account for approximately 50 % of the scheduled air traffic of the world, the total results for 1958 were, of necessity, strongly influenced by these factors.

For the IATA member airlines, purely international traffic in 1958 increased by approximately 15 % over 1957. The number of air passengers between Europe and North America rose by as much as 27 % to 1,292,000. Over 50 % of these passengers travelled by the economy class introduced in the spring of 1958.

The financial result in 1958 for world aviation is expected to be rather unfavorable, due, in part, to the above mentioned developments in the U.S.A., and the high costs connected with the transition to jet traffic. It is estimated that traffic revenue will total about \$4,200 million, whereas costs are expected to reach approximately \$4,360 million.

SAS PRODUCTION AND TRAFFIC

(Figures in parentheses refer to the fiscal year 1957-58).

During the period March 1-23, 1959, there was, as mentioned earlier, a labour conflict between SAS and certain categories of the flying personnel. This caused the grounding of the entire DC-7C fleet and, to a considerable degree, the DC-6 and DC-6B equipment.

All Metropolitan aircraft could, however, be fully utilized. From the first day of the conflict, the European routes were operated with Metropolitans which met the bulk of the traffic demands on these routes. This scheduling of the Metropolitan fleet, however, led to a considerable decrease in inter-Scandinavian and Scandinavian domestic traffic.

Virtually throughout the conflict, traffic to North America was maintained with DC-6B equipment with one daily flight to New York and five flights a week to Los Angeles. Weekly flights to Teheran and Djakarta met part of the traffic demands on the Middle and Far East routes.

Of the operations planned for the month of March, actual production reached 47 % and traffic 55 %.

Production during the fiscal year 1958-59 was 383.5 million ton-kilometres (397.9 million), representing a 3.6 % decrease. Of the total production, the intercontinental routes accounted for 60 %, the European and Middle East routes for 28 %, and the inter-Scandinavian and Scandinavian domestic routes for 12 %.

Traffic rose by 3.9 % to 211.0 million revenue ton-kilometres (203.1 million). Passenger traffic rose 1.8 %, cargo traffic 16.4 %, and mail traffic 4.7 %. The system-wide load factor was 55.0 % (51.0) and the cabin factor 57.2 (54.6).

Intercontinental Routes

On the North Pole route to Tokyo commercial rights between Anchorage and Scandinavia were granted in October, 1958. During the winter season, the route was served with two flights weekly, with an increase to three during the summer season.

The number of weekly flights on the New York route was increased during the winter season to 14 (13). Due to extensive jet competition on this route, the number of SAS flights was reduced to 28 (31) per week during the summer season.

Production on all intercontinental routes amounted to 228.8 million ton-kilometres (239.8 million), representing a 4.6 % decrease.

Traffic rose by 3.0 % to 130.7 million revenue ton-kilometres (126.8 million).

The load factor was 57.1 (52.9) and the cabin factor 59.7 (58.8).

European and Middle East Routes

On May 15, 1959, SAS introduced the Caravelle jetliner into scheduled service. As additional aircraft in the Caravelle series were delivered, the jet network was expanded until, by the end of the summer season, it was serving 23 cities in 17 countries. During the first

six months of SAS Caravelle operations, more than 70,000 passengers flew the new jetliner.

Production during the fiscal year rose by 0.2 % to 107.8 million ton-kilometres (107.5 million).

Traffic increased by 6 % to 56.2 million revenue ton-kilometres (53.2 million).

The load factor was 52.2 (49.5) and the cabin factor 53.4 (50.3).

Scandinavian Routes

Production on the inter-Scandinavian routes and the domestic routes in Denmark, Norway and Sweden totalled 47.0 million ton-kilometres (50.6 million), representing a 7.1 % decrease.

Traffic rose by 4.3 % to 24.1 million revenue ton-kilometres (23.1 million).

The load factor was 51.3 (45.7) and the cabin factor 55.7 (48.2).

CO-OPERATION WITH OTHER CARRIERS

Swissair

In the technical field, SAS has maintained a close co-operation with Swissair since October, 1958. This first year of co-operation has yielded valuable results, especially through the co-ordination of equipment purchase programs and other preparations for the transition to jet traffic. Considerable savings have been made by SAS and Swissair by joint utilization of technical ground facilities, flight kitchens, etc., at several points along their routes.

Furthermore, a close co-ordination of timetables and frequencies for certain route areas has benefited both carriers. Co-operation in this field will be intensified to further strengthen the two airlines in the coming period of severe international competition.

Thai Airways

SAS has made a co-operation agreement with Thai Airways Co., Ltd., Bangkok. At present this carrier, sole operator of regular air services in Thailand, mainly serves domestic routes. Under the agreement, SAS and Thai Airways have jointly formed a new company, Thai Airways International, Ltd. This carrier will serve international routes between Thailand and, primarily, certain countries in the Far East. Operations are expected to begin in spring, 1960. During a development period, SAS will supply the

necessary technical and operational staff as well as instructors and administrative experts. Three DC-6B aircraft will be leased to the new company by SAS.

Guest Aerovias

An agreement has been concluded between SAS and Guest Aerovias Mexico S.A., Mexico City. This carrier serves Miami and Caracas, and also operates a transatlantic route to Lisbon, Madrid and Paris. SAS has placed technical, operational and administrative staff at the disposal of Guest Aerovias, and has been appointed general sales agent for this carrier in most parts of the world. SAS has sold three DC-6 aircraft to Guest Aerovias.

THE FLEET

The Jet Program

Of the 16 Caravelle jetliners previously ordered, four were delivered during the fiscal year and two more during October and November, 1959. One additional Caravelle has been ordered for delivery in January, 1961.

Delivery of the seven DC-8 aircraft on order will begin in February, 1960. This will enable SAS to introduce jet services on the routes to New York and Los Angeles, and on the Polar route to Tokyo during spring and summer, 1960.

The development of certain new types of jet engines, and the experience gained in the U.S.A. with jet traffic over medium-long distances, have caused SAS and Swissair to revise their equipment programs for such routes. The order placed by Swissair last year for Convair 880 jetliners has been changed to Convair 600 "Coronado" aircraft, equipped with General Electric "turbofan" engines. Simultaneously, the Swissair order was increased from five to seven aircraft. The Convair 600 Coronado seats 96 passengers, as against 86 for the Convair 880, and has a greater range and better take-off characteristics from short runways. In addition to two Convair 600 Coronados to be leased to SAS by Swissair under the co-operation agreement, SAS has placed its own order for two aircraft of this type. During summer, 1961, the four Convair 600 Coronados will be introduced on the SAS routes to South America, Africa, and to the Far East via Pakistan and India.

Piston-engine Aircraft

As new jet equipment has been delivered, SAS has started to sell older types of piston-engine aircraft. Of the DC-6 fleet, four aircraft have been sold and delivered during the fiscal year. The remaining eight have

been sold for delivery during the winter of 1959-60, and three DC-7Cs for delivery in autumn, 1960. Three aircraft of the DC-6B fleet will be leased to Thai Airways International.

During the fiscal year, agreements have been made with DNL and ABA regarding the lease of new hangars and workshops for the SAS maintenance bases at Fornebu Airport, Oslo, and at Bromma and Arlanda Airports, Stockholm. Comparable, expanded facilities are under construction at Kastrup Airport, Copenhagen.

PERSONNEL

The transition to jet traffic has required an increase of personnel during the fiscal year. The number of employees as of September 30, 1959, was 12,484, of which 1,777 were flight personnel. The corresponding numbers as of September 30, 1958, were 12,233 and 1,889, respectively.

THE FINANCIAL RESULT

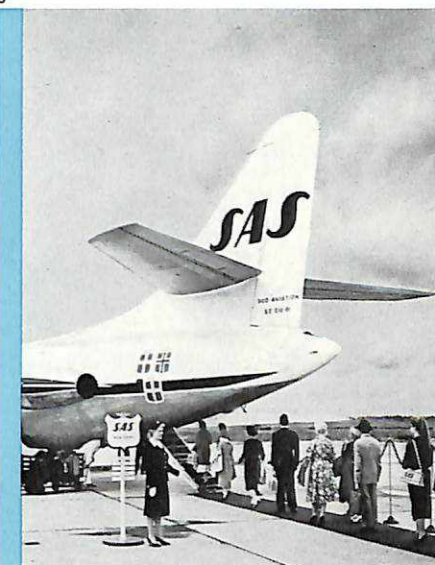
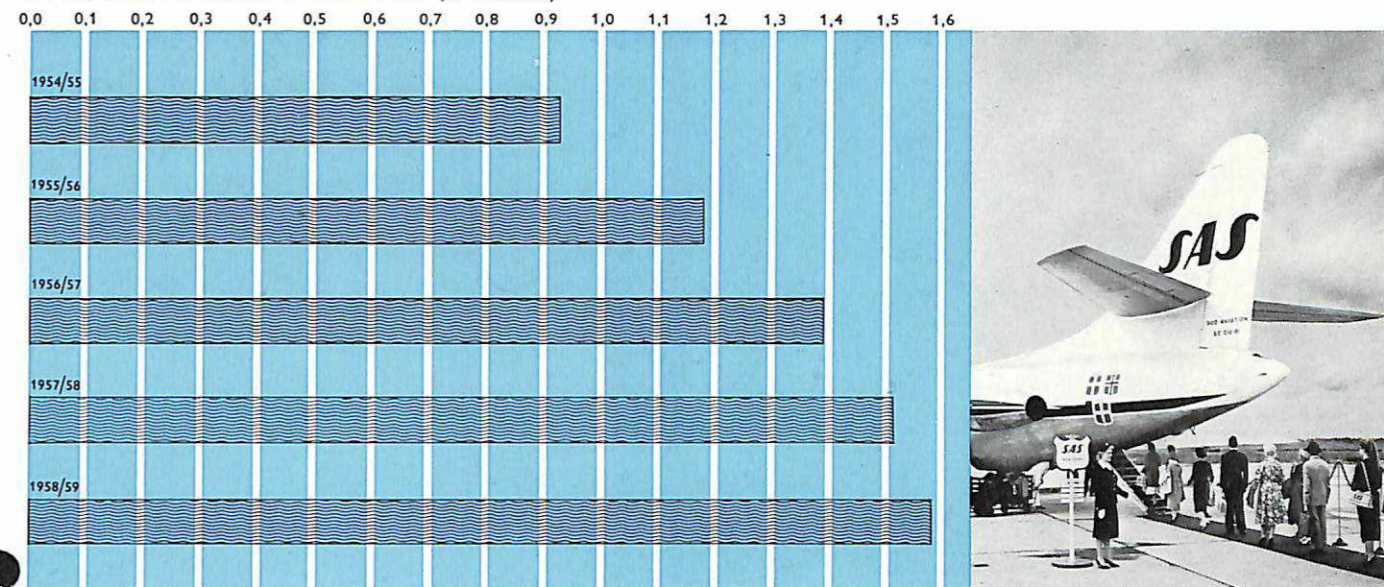
(Figures in parentheses refer to the fiscal year 1957-58).

The SAS accounts cover all activities of the Consortium and its subsidiaries, within as well as outside Scandinavia. The operational result of the fiscal year 1958-59 and the financial status of the Consortium as of September 30, 1959, are set forth in the enclosed Profit and Loss Account and Balance Sheet. Unless otherwise stated, all amounts in the comments below, as well as in the Profit and Loss Account and the Balance Sheet, are given in Swedish Crowns.

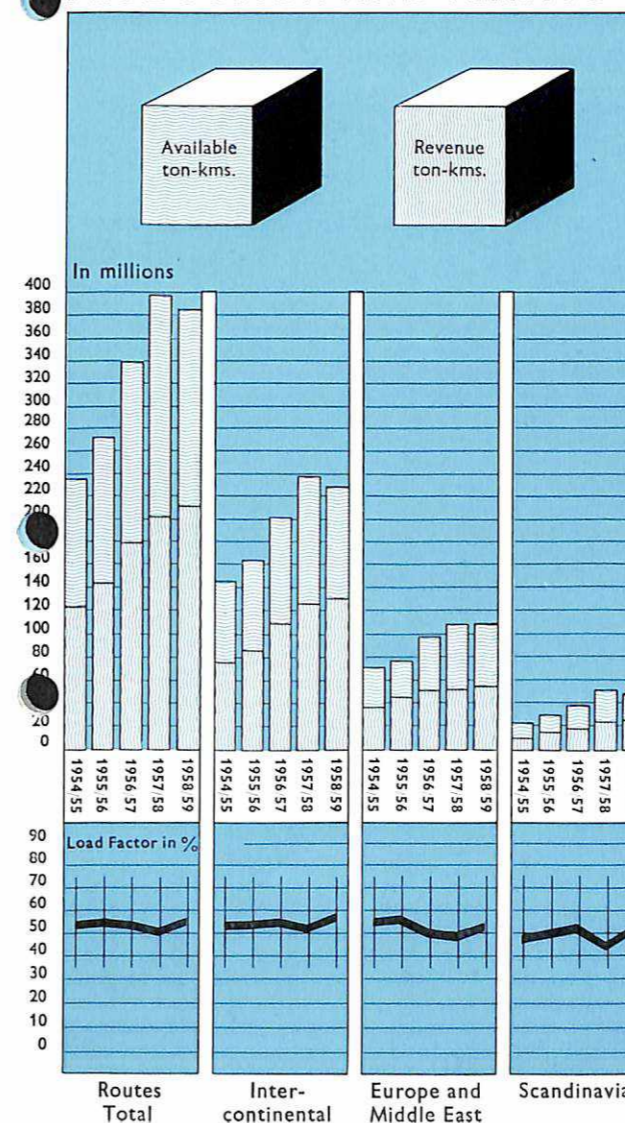
The total revenue for the fiscal year amounts to Crs. 552.3 million (Crs. 546.3 million). Traffic revenue, after deducting commissions, amounts to Crs. 519.3 million (Crs. 501.5 million), and other income, together, to Crs. 33.0 million (Crs. 44.8 million). After deduction of operating expenses, Crs. 469.6 million (Crs. 469.9 million), administration expenses, Crs. 15.4 million (Crs. 14.5 million), and other expenses, Crs. 15.8 million (Crs. 12.9 million), a surplus of Crs. 51.5 million (Crs. 49.0 million) remains before providing for depreciation. After this surplus has been used to cover ordinary depreciation, income and expenses balance.

Total depreciation, amounting to Crs. 51.5 million (Crs. 49.0 million), is provided largely in accordance with the principles applied during previous fiscal years. It is apportioned with Crs. 44.4 million (Crs. 42.6 million) to aircraft, spare engines, spare propellers, and other spare parts, Crs. 1.1 million (Crs. 1.2 million) to buildings, and Crs. 6.0 million (Crs. 5.2 million) to workshop equipment, and other equipment and vehicles.

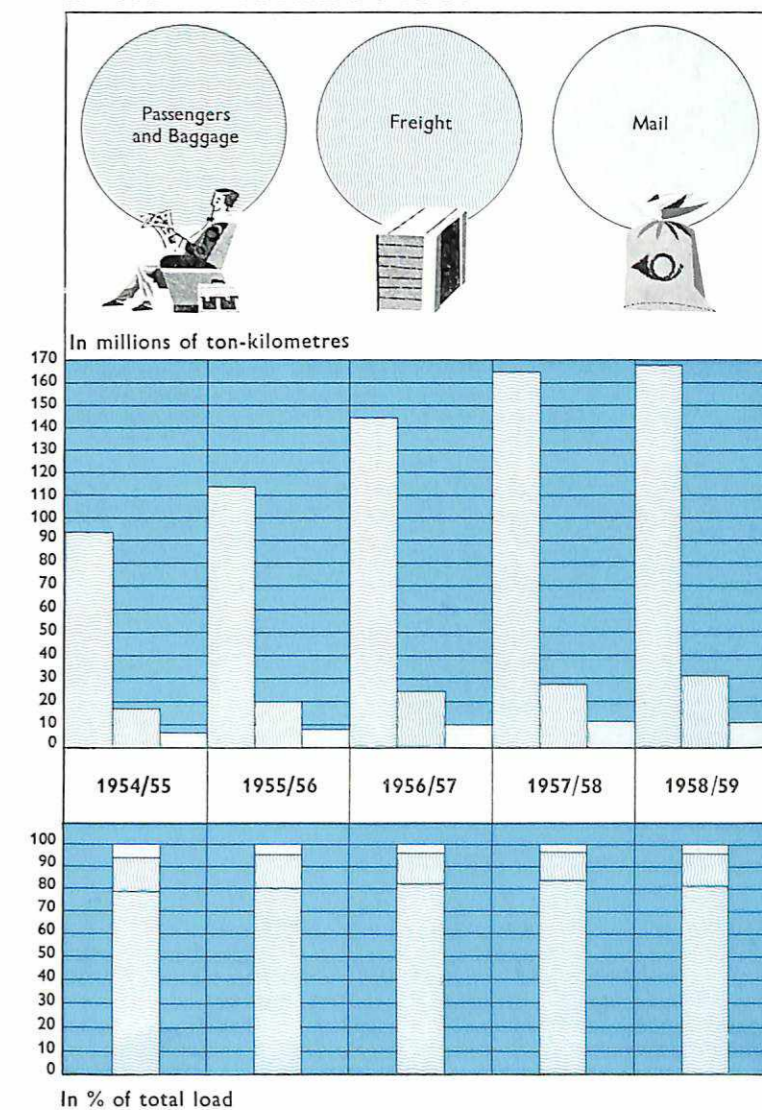
PASSENGERS FLOWN (in millions)








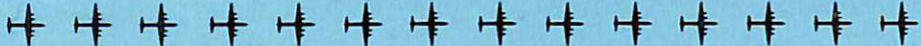

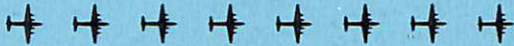


PRODUCTION AND TRAFFIC



LOAD DISTRIBUTION



THE FLEET

| | | In operation | On order |
|----|----------------------|--|---|
| 7 | DOUGLAS DC-8 |  |   |
| 4 | CONVAIR Coronado 600 |  | |
| 17 | CARAVELLE |  | |
| 14 | DOUGLAS DC-7C |  | |
| 13 | DOUGLAS DC-6B |  | |
| 8 | DOUGLAS DC-6 |  | |
| 20 | CONVAIR Metropolitan |  | |
| 5 | DOUGLAS DC-3 |  | |

Two Convaire 600 Coronados will be leased from Swissair.
Four Caravelles will be leased to Swissair.
Three Douglas DC-7Cs are sold for delivery in autumn, 1960.

Eight Douglas DC-6s are sold for delivery in winter, 1959-60.
Five Douglas DC-3s are leased to Linjeflyg AB.

PERSONNEL

| | Total | | Flight Personnel | | Other Personnel | |
|--------------|----------------|----------------|------------------|----------------|-----------------|----------------|
| | Sept. 30, 1959 | Sept. 30, 1958 | Sept. 30, 1959 | Sept. 30, 1958 | Sept. 30, 1959 | Sept. 30, 1958 |
| DENMARK | 3 354 | 3 230 | 488 | 529 | 2 866 | 2 701 |
| NORWAY | 1 849 | 1 828 | 474 | 500 | 1 375 | 1 328 |
| SWEDEN | 4 562 | 4 668 | 801 | 851 | 3 761 | 3 817 |
| ABROAD | 2 719 | 2 507 | 14 | 9 | 2 705 | 2 498 |
| TOTAL | 12 484 | 12 233 | 1 777 | 1 889 | 10 707 | 10 344 |

Costs incurred during the fiscal year in connection with the transition to jet traffic have been charged to the current operations.

"Sundry income", Crs. 2.9 million (Crs. 18.7 million), represents revenue, after deduction of book value, etc., from the sale of one DC-6 aircraft with spare parts. The same amount has been charged to "Other expenses" as a reserve for possible losses on balances in foreign currencies. Income from other sale of aircraft (to Guest Aerovias) during the year does not appear in the accounts as per September 30, 1959.

The turnover of shop work for third parties, mainly carried out in the SAS workshops at Copenhagen, amounts to Crs. 24.0 million (Crs. 23.8 million). The result of this activity is included in "Other operating revenue".

Of the total revenue for the fiscal year, non-Scandinavian currencies constitute the counter-value of about Crs. 412 million (about Crs. 405 million).

The item "Buildings under construction" represents mainly the new SAS sales office, terminal and "Royal Hotel" in Copenhagen.

In "Advance payments on flight equipment on order" are included payments for DC-8 and Caravelle aircraft and for spare parts. Manufacturer's credit for Caravelle aircraft and spare parts delivered so far is entered under the heading "Sundry creditors".

The \$12 million raised as a loan from Metropolitan Life Insurance Co. have been invested in short-term notes with American finance corporations.

During the fiscal year, flight simulators for DC-8 and Metropolitan aircraft have been delivered at a total purchase value of Crs. 7.7 million. This explains the great increase in the item "Other equipment and vehicles".

For practical reasons, the various clearing accounts for traffic revenue are, as previously, included as a net balance in the item "Sundry creditors".

This Annual Report and relative Profit and Loss Account and Balance Sheet, which have been approved by the Board of Directors of SAS, have, by the authority of the said Board, been signed by the Executive Committee of the Board.

COPENHAGEN, OSLO, AND STOCKHOLM, DECEMBER, 1959

Per M. Hansson
E. F. Eckhoff

Axel
Palle Christensen

M. Wallenberg
Axel Gjores

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

The loan granted by the Danish Government through Det Danske Luftfartselskab A/S amounts, as of September 30, 1959, to Danish Crowns 13.9 million (Danish Crowns 15.1 million). The loans raised in the United States amount, as of September 30, 1959, to \$42.2 million (\$22.8 million).

The item "Contingent liabilities and guarantees" consists mainly of guarantees given by SAS in connection with the co-operation with Thai Airways International and Guest Aerovias.

The item "Pledges" includes security for a mortgage loan raised by SAS Invest A/S.

Flight equipment and other physical assets were, after adjustment of insurance values, insured as follows, as of September 30, 1959:

| | 1959 mill. Crs. | 1958 mill. Crs. |
|--|--------------------|--------------------|
| Aircraft | 386.6 | 442.1 |
| Spare engines, spare propellers, spare parts, and technical stores .. | 190.2 | 175.5 |
| Buildings | 49.2 | 30.5 |
| Workshop equipment and tools .. | 23.1 | 21.9 |
| Other equipment, vehicles, and sundry stores | 59.6 | 42.2 |

During the year under report, the transition to jet traffic has imposed an economic strain on SAS. In the years immediately ahead, this situation will prevail for SAS as well as for most other airlines of the world. Great efforts will therefore be necessary to secure the position of SAS and to achieve a satisfactory financial result in the face of mounting competition.

The Board of Directors wishes to express its gratitude to all categories of SAS personnel for the work performed during the fiscal year.



| EXPENSES | 1958-59 | 1957-58 |
|--|---------------------------|---------|
| | (In 1,000 Swedish Crowns) | |
| Operating expenses for the air traffic | 469,656 | 469,837 |
| Administration expenses | 15,442 | 14,538 |
| Other expenses | 15,744 | 12,946 |
| Depreciation | 51,462 | 49,013 |
| | 552,304 | 546,334 |
| | | |
| INCOME | | |
| Traffic revenue, less commission | 519,291 | 501,531 |
| Other operating revenue | 29,152 | 25,107 |
| Subsidies for domestic services | 970 | 1,015 |
| Sundry income | 2,891 | 18,681 |
| | 552,304 | 546,334 |

We, the undersigned auditors of

SCANDINAVIAN AIRLINES SYSTEM
Denmark - Norway - Sweden

appointed in accordance with paragraph 11 of the Consortium Agreement of February 8, 1951, between AB Aerotransport (ABA), Det Danske Luftfartselskab A/S (DDL) and Det Norske Luftfartselskap A/S (DNL), having completed our assignment, herewith submit to the Parent Companies our report for the fiscal year October 1, 1958, to September 30, 1959.

We have examined the Annual Report and Accounts, which include those of SAS, Inc., New York, SAS Ltd., London, and other subsidiary companies. In this connection we have scrutinized the Consortium's accounting records, minutes and other documents which disclose information regarding the financial position and administration of the Consortium and we have undertaken

such other auditing measures which we have considered to be necessary.

The Internal Auditing Department of SAS, acting in accordance with instructions approved by us, has conducted a continuous check of the Consortium's accounting records and has, during the course of the year and in connection with the final accounts, submitted reports to us on the examination thus conducted.

The accounting records have been properly kept. As disclosed by the annual accounts there is, after providing for ordinary depreciation, neither profit nor loss.

We recommend

that the Annual Report and Accounts be approved and

that the Management, the Executive Committee and the Board of Directors be discharged from responsibility for their administration in respect of the fiscal year.

COPENHAGEN, OSLO, AND STOCKHOLM, DECEMBER, 1959

Ake Rusck
President

Harald Bernström

| | | |
|-------------------|-----------------------|------------------------|
| <i>Thore Boye</i> | <i>Nils Langhelle</i> | <i>V. J. Rasmussen</i> |
| Per M. Hansson | Axel | M. Wallenberg |
| E. F. Eckhoff | Palle Christensen | Axel Gjores |

STOCKHOLM, DECEMBER, 1959

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

SAS SCANDINAVIAN AIRLINES SYSTEM

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Finn Moe
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Tryggve Holm
Emanuel Högberg
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Oskar Malmberg
Gustaf V. Nilsson
Per A. Norlin
M. Wallenberg
Sune Wetter
Erik Wijk
Per Åsbrink

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Folke Fessé
Gustaf Allan Hultman
A. Ax:son Johnson
Ragnar Sachs
Olof Sahlin

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Palle Christensen

Alternates

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E. Dige

NORWAY

Members
E. F. Eckhoff
Per M. Hansson

Alternates

Einar Isdahl
Chr. Fr. Scheel

SWEDEN

Members
Axel Gjöres
M. Wallenberg

Alternates

Per A. Norlin
Per Åsbrink

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1st Vice-Chairman
H. R. H. Prince Axel

Chairman
Per M. Hansson

2nd Vice-Chairman
M. Wallenberg

PRESIDENT

Åke Rusck

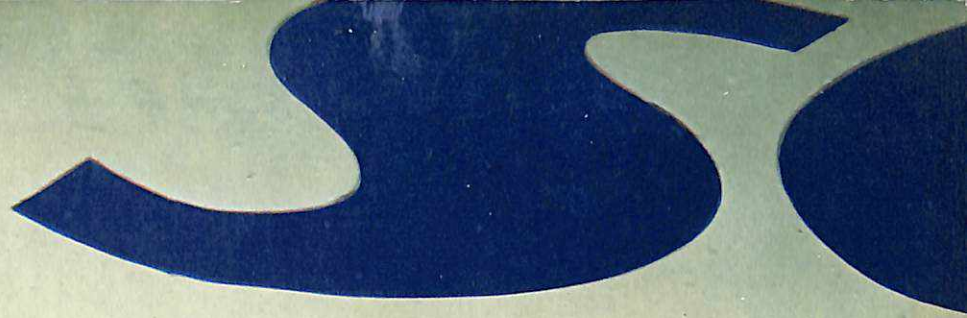
The Board of Directors of the Consortium is composed of the members of the Boards of Directors of the three Parent Companies, DDL (Denmark), DNL (Norway) and ABA (Sweden). At SAS Board Meetings, however, a maximum of six representatives from each country have the right to vote.

SAS Douglas DC-8
is equipped with four
Pratt & Whitney
JT4A-9 engines



SAS DC-8 Jetliner
will cruise at 950 kms.
(600 statute miles)
an hour





SCANDINAVIAN AIRLINES SYSTEM
DENMARK - NORWAY - SWEDEN