

**ANNUAL
REPORT**
1968-69
SAS
SCANDINAVIAN AIRLINES SYSTEM



ANNUAL REPORT

1968-69

SCANDINAVIAN AIRLINES SYSTEM

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GLOSSARY

AVAILABLE TON-KILOMETERS

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

REVENUE TON-KILOMETERS

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

LOAD FACTOR

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

AVAILABLE SEAT-KILOMETERS

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

REVENUE PASSENGER-KILOMETERS

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

PASSENGER LOAD FACTOR

Percentage of total passenger capacity actually utilized.

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

SUMMARY

	68/69	Variation in %	67/68	Variation in %	66/67
PRODUCTION					
Size of Network (km 000)	208	+ 1.0	206	+ 8.7	190
Number of Countries Served	45		45		41
Number of Cities Served	90		90		84
Kilometers Flown (mill.)	97.7	+10.1	88.7	+17.1	75.8
Hours Flown (airborne) (000)	168.3	+ 2.2	164.6	+12.0	147.0
Available Ton-kms, total (mill.)	1,286.9	+19.7	1,075.1	+28.8	834.8
Available Ton-kms, scheduled services (mill.)	1,239.3	+18.3	1,047.5	+28.0	818.5
TRAFFIC					
Revenue Ton-kms (mill.)	658.3	+18.2	554.7	+15.4	480.7
Passenger	417.0	+ 9.7	380.1	+12.6	337.7
Freight	214.5	+43.6	149.4	+24.7	119.8
Mail	26.8	+ 6.3	25.2	+ 8.4	23.2
Total Load Factor, scheduled services (%)	53.1		53.0		58.7
Number of Passengers Carried (000)	4,568	+10.9	4,155	+11.3	3,734
Revenue Passenger-kms (mill.)	4,707	+ 9.8	4,287	+12.7	3,805
Passenger Load Factor (%)	47.7		50.2		54.5
Average Passenger Trip Length (kms)	1,036	- 0.2	1,038	+ 1.4	1,024
PERSONNEL					
Number of Employees per Sept. 30	14,466	+ 6.2	13,619	+ 2.5	13,284
Average Staff Strength	14,074	+ 5.0	13,400	+ 2.4	13,100
Available Ton-kms/Employee	91,440	+14.0	80,200	+25.9	63,700
Revenue Ton-kms/Employee	46,770	+13.0	41,400	+12.7	36,700
FINANCIAL (Swedish Crowns)					
Traffic Revenue (mill.)	1,366.1	+15.9	1,179.0	+15.2	1,023.3
Passenger	1,078.1	+13.1	953.4	+14.3	834.0
Freight	199.0	+33.5	148.9	+22.4	121.7
Mail	66.0	+ 8.2	61.0	+ 7.8	56.6
Charter	23.0	+43.7	15.7	+42.7	11.0
Net Profit (mill.)	83.3		86.1		84.0
Traffic Revenue/Revenue Ton-km	2.04	- 2.9	2.10	- 0.5	2.11
Operating Expenses/Available Ton-km	1.05	- 2.8	1.08	-10.0	1.20
"Break-even" Load Factor (%)	52.6		52.0		57.3

REPORT BY THE BOARD

For its financial year 1968/69 Scandinavian Airlines System reports a net profit at 83.3 million Swedish crowns (M.SKR) equal to US\$ 16.1 million. For 1967/68 the net profit was M.SKR 86.1 or US\$ 16.6 million.

The total 1968/69 revenue was M.SKR 1,786 (1,520)*, an increase of 18 per cent. The sources of revenue were:

- traffic	M.SKR	1,366	(1,179)
- other operations		337	(304)
- financial etc.		41	(29)
- sale of equipment etc.		42	(8)

A breakdown of the traffic revenue shows the following distribution:

- passenger	M.SKR	1,078	(953)
- cargo		199	(149)
- mail		66	(61)
- charter		23	(16)

Expenses (depreciation excluded) grew by M.SKR 217 to a total of M.SKR 1,548 (1,331). Expenses incurred were as follows:

- operating	M.SKR	1,397	(1,226)
- administrative		56	(51)
- financial etc.		95	(54)

Depreciation totaled M.SKR 154 (104), including M.SKR 8 for extraordinary depreciation.

The Board submits to the Assembly of Representatives that M.SKR 41.65 be paid out to the Parent Companies and M.SKR 41.65 be retained by SAS and credited to the capital accounts of the Parent Companies. As part of our airline's US\$ 500 million fleet expansion program, the parent companies have further increased their capital in SAS by M.SKR 70, paid in on September 25, 1969.

SAS has emerged from 1968/69 with a consolidated financial position, a modern and economic fleet and a well organized staff, ready to meet the challenges ahead, amongst them the overcapacity and increased competition in the industry.

The Board regrets to report that on January 13, 1969, an SAS DC-8-62, approaching Los Angeles International Airport, came down in the ocean eight miles short of

the runway. Of the passengers and crew thirty were saved. Fifteen were lost. SAS expresses its deep sympathy to their families.

Fleet

The composition of the SAS fleet as of September 30, 1969, appears in the table below:

Aircraft type	Total Sept. 30, 1968	Changes during 1968/69	Total Sept. 30, 1969
Douglas DC-8-63	2	+ 2	4
Douglas DC-8-62	6	- 1	5
Douglas DC-8-55	3	-	3
Douglas DC-8-33	7	- 2	5*
Douglas DC-9-41	10	-	10
Douglas DC-9-33F	-	+ 1	1
Douglas DC-9-21	-	+ 10	10
Caravelle SE-210	19	- 3	16**
Convair Metropolitan	18	- 5	13
Fokker F-27	1	-	1***
Total	66	+ 2	68

*) 3 leased to Scanair.

**) 5 leased to THAI International.

***) 1 leased to Icelandair.

During the year in review 2 DC-8-63s, 10 DC-9-21s and 1 DC-9-33F were included in the fleet.

The rapid expansion of SAS's DC-9 fleet has helped increase the efficiency of SAS services in Scandinavia and in Europe. A second DC-9-33F was delivered in October 1969 for the European cargo route net.

In the course of the year SAS placed new orders for 1 DC-8-63, 4 DC-8-62s and 9 DC-9-41s for delivery at the end of 1969 and in 1970. Another 5 DC-9-41s were ordered for delivery of 2 in 1971 and 3 in 1972. Of the 4 DC-8-62s one is a combined passenger/freighter aircraft and one is an all-freighter version.

Previous orders were 2 Boeing 747s for delivery in 1971 and 1 DC-9-33F which was delivered to SAS in October 1969.

In cooperation with KLM and Swissair, SAS has made arrangements for options of purchase and reservations of delivery positions for eight wide-body, long-range

*) Figures for 1967/68 within brackets.

DC-10-30 tri-jets for 1974-76. This aircraft will carry between 250 and 300 passengers plus cargo.

There has been the following retirement of aircraft during the year: 1 DC-8-62, 2 DC-8-33s, 3 Caravelles and 5 Metropolitans.

Production and traffic

During 1968/69, SAS's total production, measured in available ton kilometers, increased by 20 per cent. Scheduled traffic, measured in revenue ton kilometers, grew by 19 per cent. The 44 per cent increase in cargo traffic has been a vital factor in this development.

The total load factor increased by 0.1 percentage point, to 53.1.

The difference in load factor between winter and summer was 2.3 percentage points, less than half the difference recorded in previous years.

Passenger capacity expressed in available seat kilometers rose 16 per cent, whereas revenue passenger kilometers increased 10 per cent. This resulted in a drop in the cabin factor from 50.2 the previous year to 47.7 per cent.

Network and air traffic negotiations

Two areas previously not served by SAS have been added to the network.

One is Northwest Africa, with Tunis being served since April, 1969. This route extends to Monrovia. When introducing this new route the Monrovia stop was eliminated on SAS's regular route on South America. SAS therefore now provides faster, non-stop service between Lisbon and Rio de Janeiro.

The other is the West Indies. Preparations were made during 1968/69 for inauguration of this new service in November, 1969, linking Scandinavia via Zurich with Barbados and Trinidad & Tobago.

Trans-Asian Express services have been increased to four weekly flights in each direction, with Kuala Lumpur and Manila being added to Bangkok, Singapore and Jakarta as new Southeast Asia destinations. On the Trans-orient services, Athens has been reintroduced as an intermediary stop.

Negotiations were requested with the United States with a view towards obtaining additional gateways in the U.S.A. After a preliminary round late in 1969, new negotiations have been tentatively set for the latter part of 1970.

Similarly, the Scandinavian countries have asked Canada to consider the granting of traffic rights in Toronto, thereby enabling SAS to serve both of Canada's two largest cities.

Negotiations with Japan and the U.S.S.R. regarding a Trans-Siberian service linking Scandinavia and Japan via Moscow are in progress.

Cargo

The fastest growing section of SAS traffic, air freight, increased by 44 per cent over the previous year, and the cargo revenue was up by 34 per cent for a total of M.SKR 199. The main reason for this spectacular growth is the large cargo compartments of the new DC-9s and DC-8s, and the first all-cargo DC-9-33Fs that joined the fleet late in the year.

The Copenhagen Air Cargo Center reports an increase in the amount of goods handled of 53 per cent over the previous year.

Airport development

The Danish government is planning the development of a major airport at Saltholm, a small island outside Copenhagen. A governmental expert committee formed by the Danish Ministry of Public Works suggests Saltholm to go into operation in 1985 after a 10-year development program.

A governmental committee in Norway is in the process of studying future development of Fornebu and of a new major airport in the vicinity of Oslo.

At Stockholm's Arlanda airport, where at present passenger facilities are far from satisfactory, a new terminal will be ready in 1974.

Cooperation with other companies

The general cooperation between Swissair and SAS, well established under a second 10-year agreement, has be-

come an integral part of the SAS fabric, and renders, important mutual advantages to the two airlines in many fields.

The KSS technical group, between KLM, SAS and Swissair, covering all aspects of purchasing, maintenance and pilot training for the Boeing 747 and cooperation in future aircraft programs, has been extended to include UTA (Union des Transports Aériens), thereby creating a KSSU group.

THAI International – 70 per cent owned by Thai Airways Company and 30 per cent by SAS – reports an increase in production of 20 per cent and a net profit of M.SKR 5.0, as against M.SKR 2.0 the previous year. In order to allow for further expansion SAS has leased two DC-9-41s to THAI International. SAS has announced its willingness to participate in an increase in the share capital of THAI International.

Scanair, a charter company owned by the parent companies of SAS, has increased its traffic by 4 per cent. Through an arrangement between SAS and the owners of the Swedish charter company Transair, the three B-727s belonging to that company are now fully employed by Scanair.

Linjeflyg AB, the domestic Swedish airline jointly owned by SAS and ABA, has increased revenue passenger miles by 14 per cent. Because of the Swedish government decision banning jet traffic at Bromma airport, Linjeflyg has abandoned its plans to purchase two DC-9-21s.

SAS Catering A/S, wholly owned by SAS, has reported a growth of turnover during 1968/69 of 15 per cent.

SAS-Invest A/S, owns and operates the Royal Hotel in Copenhagen. Its 1968/69 turnover showed an increase over the previous year of 10 per cent.

Hotel activities

The Globetrotter Hotel, owned and operated by SAS Catering A/S and located in the vicinity of Copenhagen Airport, was opened in April, 1969. A similar economy class hotel is scheduled to be opened near Fornebu Airport, Oslo, in 1971.

An SAS hotel is to be constructed in downtown Oslo, near the Royal Palace. Its design is to be determined after a Scandinavian architectural competition.

The Sheraton Hotel Corporation of America, with a minor SAS participation, is presently constructing a hotel in downtown Stockholm. Similarly, private Danish interests are planning to build a hotel in Copenhagen.

These hotel projects combined will within a few years have added more than 3,500 beds to the hotel capacity of the three Scandinavian capitals, thereby greatly relieving the present difficult hotel situation for travelers to these points.

Administration

Mr. Karl Nilsson retired as President of SAS September 30, 1969, after seven and a half years of successful stewardship under difficult and ever-changing conditions. The Board wishes to record its warm appreciation of Mr. Nilsson's diligent and capable work.

Personnel

The SAS staff at the end of the year numbered 14,466 as against 13,619 last year.

The Board takes this opportunity to express its appreciation to all SAS personnel whose individual efforts in their respective fields of activity have contributed to the 1968/69 result.

Copenhagen, Oslo and Stockholm, January, 1970

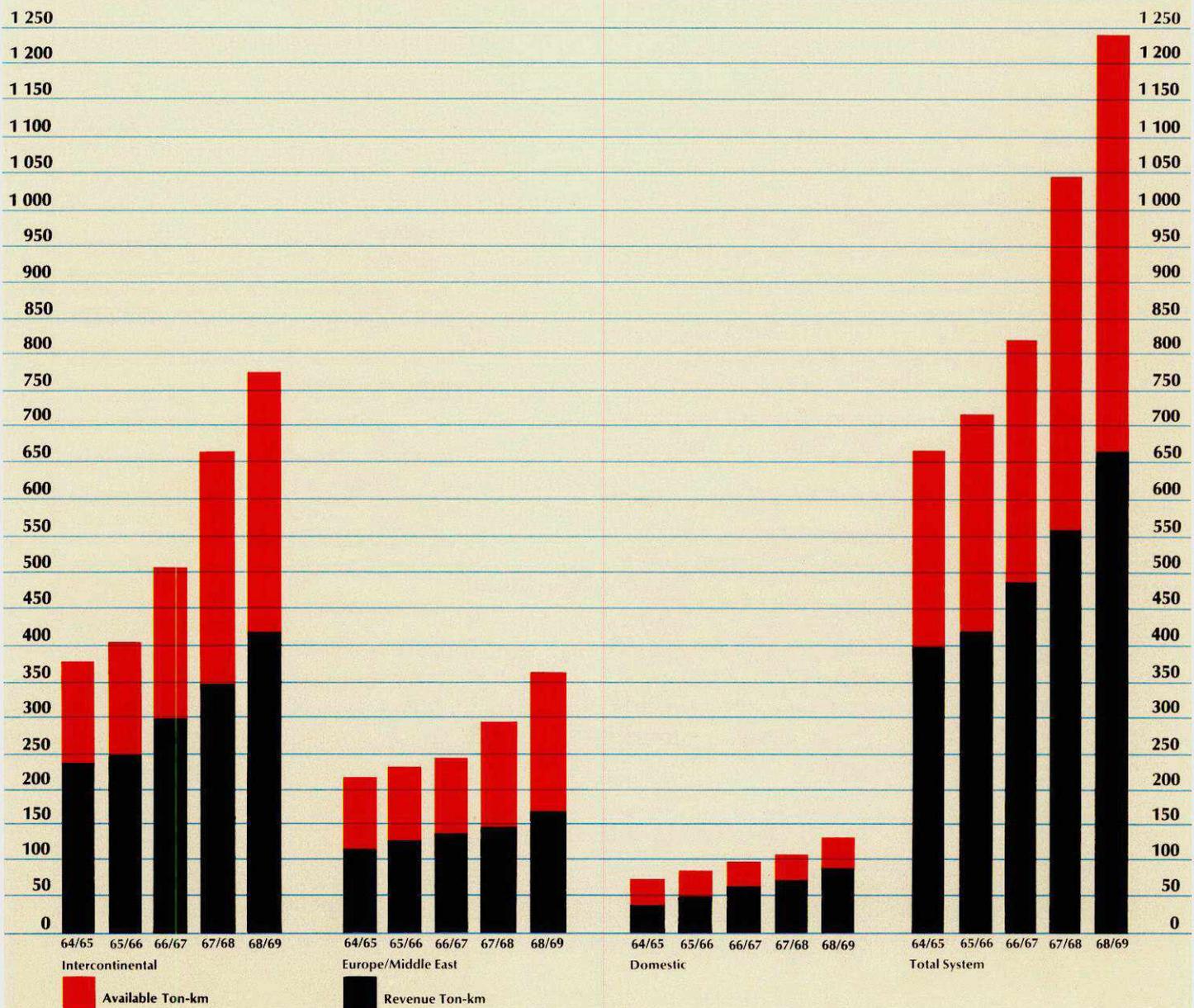
HALDOR TOPSØE
PALLE CHRISTENSEN

M. WALLENBERG
PER ÅSBRINK
KNUT HAGRUP
President

JENS CHR. HAUGE
PER M. BACKE

Mill.
Ton-km

Mill.
Ton-km



CONSOLIDATED PROFIT AND LOSS STATEMENT

October 1, 1968–September 30, 1969
(including wholly-owned subsidiary companies)

INCOME (in millions of Swedish Crowns)	1968/69		1967/68	
Traffic revenue	1,366.1		1,179.0	
Other operating revenue (Note 1)	<u>336.9</u>	1,703.0	<u>304.4</u>	1,483.4
Financial income		16.7		17.3
Other income		24.4		11.9
Income from sale and retirement of flight equipment, etc. (Note 2)		<u>41.5</u>		<u>7.8</u>
		<u>1,785.6</u>		<u>1,520.4</u>
EXPENSES (in millions of Swedish Crowns)				
Operating expenses		1,397.5		1,226.2
Administrative expenses		55.7		50.5
Financial expenses		53.7		33.8
Other expenses		41.4		20.1
Depreciation (Note 3)		154.0		103.7
Net profit (Note 4)		<u>83.3</u>		<u>86.1</u>
		<u>1,785.6</u>		<u>1,520.4</u>

"Notes to Financial Statements" on pages 10–11 refer to the above Profit and Loss Statement.

Copenhagen, Oslo and Stockholm, December 1969

HALDOR TOPSØE	M. WALLENBERG	JENS CHR. HAUGE
PALLE CHRISTENSEN	PER ÅSBRINK	PER M. BACKE
	KNUT HAGRUP	
	President	/C. E. Lindh

CONSOLIDATED BALANCE SHEET

September 30, 1969
(including wholly-owned subsidiary companies)

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1969		Sept. 30, 1968	
Aircraft (Note 5)				
At cost	1,299.8		1,135.2	
Depreciation and valuation reserves	<u>439.2</u>	860.6	<u>430.1</u>	705.1
Spare engines and spare parts (Note 5)				
At cost	388.4		337.0	
Depreciation and valuation reserves	<u>203.4</u>	185.0	<u>182.1</u>	154.9
Advance payments on flight equipment and simulators on order		115.6		67.0
Buildings and land (Note 6)				
At cost	100.2		85.8	
Depreciation and valuation reserves	<u>26.5</u>	73.7	<u>21.4</u>	64.4
Workshop and aircraft servicing equipment				
At cost	53.0		47.1	
Depreciation and valuation reserves	<u>39.5</u>	13.5	<u>37.1</u>	10.0
Other equipment and vehicles				
At cost	110.0		97.9	
Depreciation and valuation reserves	<u>72.0</u>	38.0	<u>61.8</u>	36.1
Discount on debenture loans		3.9		4.2
Shares and bonds (Note 8)		11.9		10.0
Long-term accounts receivable and prepayments		25.9		15.3
Shop work in progress		1.5		3.6
Sundry stores		9.4		8.5
Short-term accounts receivable and prepayments		224.3		202.4
Cash and bank balances, including short-term cash investments		<u>287.6</u>		<u>256.8</u>
		<u>1,850.9</u>		<u>1,538.3</u>

"Notes to Financial Statements" on pages 10-11 refer to the above Balance Sheet.

LIABILITIES (in millions of Swedish Crowns)	Sept. 30, 1969		Sept. 30, 1968	
Capital (Note 9)				
ABA (3/7)	220.0		171.5	
DDL (2/7)	146.6		114.3	
DNL (2/7)	<u>146.6</u>	513.2	<u>114.3</u>	400.1
Net profit		83.3		86.1
Subordinated debentures		157.5		157.5
Mortgage loans		26.1		23.6
Danish Government loan		2.2		2.9
Loans in USA (Note 10)		88.8		53.9
Manufacturer's credit on flight equipment		474.5		358.0
Other long-term liabilities		27.6		18.3
Short-term liabilities (Note 11)		461.2		421.4
General valuation reserve		<u>16.5</u>		<u>16.5</u>
		<u>1.850.9</u>		<u>1.538.3</u>
Contingent liabilities and guarantees		<u>28.9</u>		<u>16.9</u>
Furthermore, SAS has assumed certain liabilities in respect of pensions, and in connection with ticket sales according to pay-later plans.				
Pledges (note 12)				
Mortgages on real estate		28.6		25.6
Sundry pledges		<u>3.9</u>		<u>3.8</u>
		<u>32.5</u>		<u>29.4</u>

Copenhagen, Oslo and Stockholm, December 1969

HALDOR TOPSØE	M. WALLENBERG	JENS CHR. HAUGE
PALLE CHRISTENSEN	PER ÅSBRINK	PER M. BACKE
	KNUT HAGRUP	
	President	/C. E. Lindh

The above Profit and Loss Account and Balance Sheet are in accordance with the books of the Consortium, which have been examined by the undersigned Auditors, as set forth in our Auditor's Report dated January, 1970

Copenhagen, January, 1970

VIKING BERGMAN	CENTRALANSTALTEN FOR REVISION	CHRISTIAN BLOM
	CARL JOHAN THORSEN	
STEN NACKSTAD	HUGO ENGMANN	TOR STORHAUG

NOTES TO FINANCIAL STATEMENTS

Note 1 — Other operating revenue

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

Note 2 — Sale and retirement of flight equipment, etc.

The sale of two DC-8-33 and five Metropolitan aircraft is included in "Income from sale and retirement of flight equipment, etc.". Two Caravelle aircraft, held under purchase/resale contracts, have been returned to the manufacturer with the book value of the aircraft off-setting the remaining liability.

This item also includes the excess of insurance value over book value, etc., for the DC-8-62 aircraft lost outside Los Angeles in January 1969, M.SKR 7.8.

Note 3 — Depreciation

Depreciation, M.SKR 154.0, includes extraordinary depreciation on spare parts, M.SKR 7.7. Ordinary depreciation charges, M.SKR 146.3, are apportioned with M.SKR 124.3 to aircraft, spare engines and spare parts, M.SKR 4.9 to buildings, etc. and M.SKR 17.1 to ground equipment and vehicles.

Note 4 — Income taxes

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

Note 5 — Aircraft, spare engines and spare parts

The acquisition value of DC-8 and DC-9 flight equipment delivered in 1968/69, is M.SKR 381.3. M.SKR 7.3 were invested in spare parts for other aircraft types. Other additions to the accounts for spare engines and spare parts amounted to M.SKR 16.1. The acquisition value of flight

equipment sold and retired in the course of the year amounted to M.SKR 188.7.

Depreciation on flight equipment totaled M.SKR 132.0 during the year. Other additions to the depreciation and valuation accounts amounted to M.SKR 14.5. Transfers from these accounts in connection with sale and retirement of flight equipment aggregated M.SKR 116.1.

Note 6 — Buildings

Investments in buildings and land during the year include the Globetrotter Hotel in Copenhagen, M.SKR 5.9, owned by the subsidiary SAS Catering A/S, other investments in the catering area, M.SKR 3.8, and investments in air cargo terminals and hangars, M.SKR 2.5.

Note 7 — Insurance values

As of September 30, 1969, flight equipment and other physical assets of SAS were insured as follows (M.SKR):

	1969	1968
Aircraft	1,421.6	1,221.7
Spare engines, spare parts and technical stores	408.6	319.5
Buildings, etc.	149.2	121.2
Workshop and aircraft servicing equipment and tools	64.9	62.7
Other equipment, vehicles and sundry stores	146.2	144.5
	<u>2,190.5</u>	<u>1,869.6</u>

Note 8 — Shares

The item "Shares and bonds" includes shares in the amount of M.SKR 4.35 in Linjeflyg AB and M.SKR 3.0 in THAI International.

Note 9 — New capital

In addition to the amount of M.SKR 43.1, retained by SAS out of the profit for the year 1967/68 and credited to the Parent Companies' capital accounts, SAS's capital was increased on September 25, 1969, by M.SKR 70.0 through cash payment from the Parent Companies. Thus, the equity of SAS was increased by an aggregate of M.SKR 113.1 in the course of the year and amounts to M.SKR 513.2, excluding the profit for the year 1968/69.

OPERATING EXPENSES INCURRED IN AIRLINE SERVICES

	Percentage of Total Traffic Revenue			Per Avail Ton-Km (1/100 SKR)		
	68/69	67/68	66/67	68/69	67/68	66/67
	Flying Operations	23.0	23.3	23.8	24.4	25.5
Maintenance and Overhaul	11.7	11.6	13.1	12.4	12.8	16.0
Flight Equipment (depreciation and interest)	11.7	10.0	8.9	12.4	11.0	10.9
Ground Operations	17.6	17.4	16.3	18.7	19.1	20.0
Passenger Service	9.1	8.7	8.6	9.7	9.5	10.5
Promotion and Sales	20.1	20.7	20.6	21.4	22.7	25.3
General and Administrative	5.9	6.7	6.7	6.2	7.3	8.2
Total Operating Expenses	99.1	98.4	98.0	105.2	107.9	120.1
Total Traffic Revenue	100.0	100.0	100.0	106.2	109.7	122.6

FUNDS STATEMENT (in millions of Swedish Crowns)

Source of funds	1968/69	1967/68	1966/67
Net profit	83.3	86.1	84.0
Depreciation	154.0	103.7	92.4
Book value of assets sold and retired	71.5	3.7	9.0
Other (net)	- 0.3	- 1.1	- 3.8
From operations	308.5	192.4	181.6
New capital from Parent Companies	70.0		
Manufacturer's credit and borrowing for flight equipment	257.9	250.9	106.7
Other borrowing	15.2	3.5	5.8
Short-term liabilities	40.7	32.6	48.1
Sub-total	692.3	479.4	342.2
Use of funds			
Aircraft, spare engines, spare parts	337.0	376.2	163.5
Prepayments on aircraft and flight simulators	100.3	51.0	58.3
Buildings, etc.	13.4	12.9	5.2
Other equipment, supplies, etc.	21.6	20.0	27.1
Shares	2.8	1.4	0.7
Total investments	475.1	461.5	254.8
Accounts receivable and prepayments, etc.	32.5	31.6	23.2
Amortization on long-term debt	110.9	44.7	20.2
Paid to Parent Companies out of last year's profit	43.0	42.0	13.0
Sub-total	661.5	579.8	311.2
Change in cash and bank balances (including short-term cash investments)	+30.8	-100.4	+31.0

Note 10 — Loans in USA

As of September 30, 1969, the loans from insurance companies in the United States amount to US\$ 8.8 million repayable over a remaining six year period as from December 31, 1969.

In the course of the year US\$ 8.4 million has been drawn on the loans of US\$ 72.0 million, entered into for the financing of two Boeing 747 aircraft with spare engines and spare parts and nine DC-9-41 aircraft.

Note 11 — Clearing accounts for traffic revenue

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

Note 12 — Pledges

The item "Pledges" includes collateral for the mortgage loans raised by SAS-Invest A/S.

INVESTMENTS IN FLIGHT EQUIPMENT

	No. of aircraft		Amounts (in million of Swedish Crowns)			
	Delivered	On order	Paid	Advance	To be	Total
			deliveries 66/67-68/69	payments Sept. 30, 1969	paid 69/70-72/73	
DC-8-63	4	1	477.4	29.5	253.9	760.8
DC-8-62	5	4				
DC-9-41	10	14				
DC-9-33	1	1	467.6	50.7	346.6	864.9
DC-9-21	10	-				
B-747	-	2				
F-27	1	-	5.5	-	-	5.5
Total	31	22	950.5	109.9	956.4	2,016.8

SAS-INVEST A/S

BALANCE SHEET

(included in SAS's consolidated balance sheet)

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1969		Sept. 30, 1968	
Buildings				
At cost	35.8		35.7	
Depreciation	<u>10.2</u>	25.6	<u>8.6</u>	27.1
Equipment				
At cost	6.1		6.1	
Depreciation	<u>5.1</u>	1.0	<u>4.5</u>	1.6
Long-term accounts receivable		2.5		2.6
Sundry stores		0.3		0.3
Short-term accounts receivable and prepayments		1.7		1.4
Cash and bank balances		<u>1.9</u>		<u>0.4</u>
		<u>33.0</u>		<u>33.4</u>
LIABILITIES (in millions of Swedish Crowns)				
Share capital		3.5		3.5
Mortgage loans		16.1		16.9
Loan from SAS		11.0		11.0
Other long-term liabilities		0.2		0.2
Short-term liabilities				
SAS	-		-	
Other	<u>2.2</u>	2.2	<u>1.8</u>	1.8
		<u>33.0</u>		<u>33.4</u>
Contingent liabilities		-		-
Pledges				
Mortgages on real estate		17.5		18.3
Sundry pledges		-		-
		<u>17.5</u>		<u>18.3</u>

AUDITOR'S REPORT

We, the undersigned, appointed in accordance with Article 11 of the Consortium Agreement between AB Aerotransport (ABA), Det Danske Luftfartselskab A/S (DDL) and Det Norske Luftfartselskap A/S (DNL) as auditors of

SCANDINAVIAN AIRLINES SYSTEM
Denmark – Norway – Sweden

having completed our assignment, herewith submit to the Parent Companies our report for the financial year October 1, 1968 – September 30, 1969.

We have examined the Annual Report, which includes the subsidiary companies. To the required extent we have studied the accounting records, minutes and other documents which give information about the economy and administration of the Consortium and have, moreover, taken those measures of inspection which we have considered necessary.

The Internal Auditing Department of SAS, acting in accordance with instructions approved by us, has con-

ducted a continuous check of the accounting records of the Consortium and we have, in the course of the financial year and in connection with the closing of the accounts, received reports on the examination thus conducted.

The accounting records are properly kept.

As is seen from the Report for the financial year there is declared, after depreciation, a net profit of 83.30 million Swedish Crowns, out of which 41.65 million Swedish Crowns are proposed to be paid out to the Parent Companies.

We recommend that the Annual Accounts as per September 30, 1969, which have been submitted and which have been signed by us, be adopted, and that the Members of the Board and the President be discharged from responsibility for their administration in respect of the financial year.

Copenhagen, January, 1970

VIKING BERGMAN

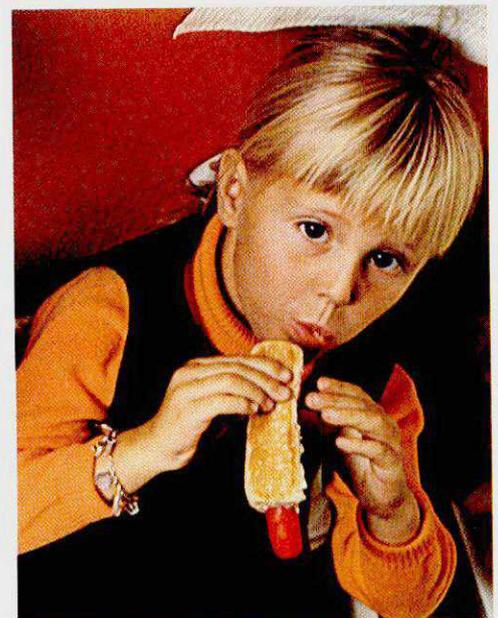
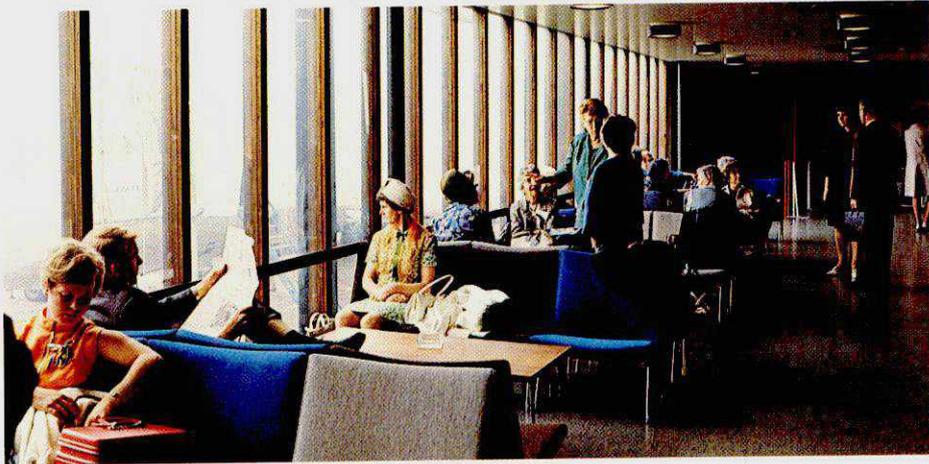
CENTRALANSTALTEN FOR REVISION
CARL JOHAN THORSEN

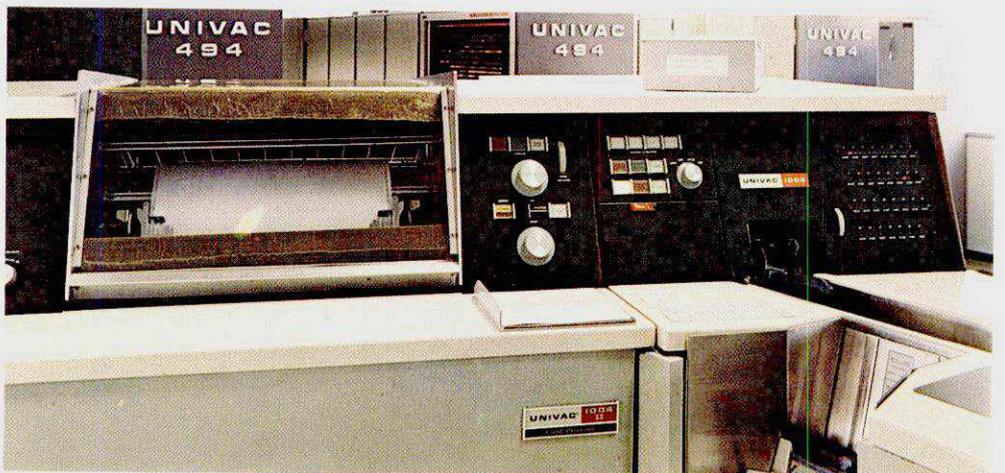
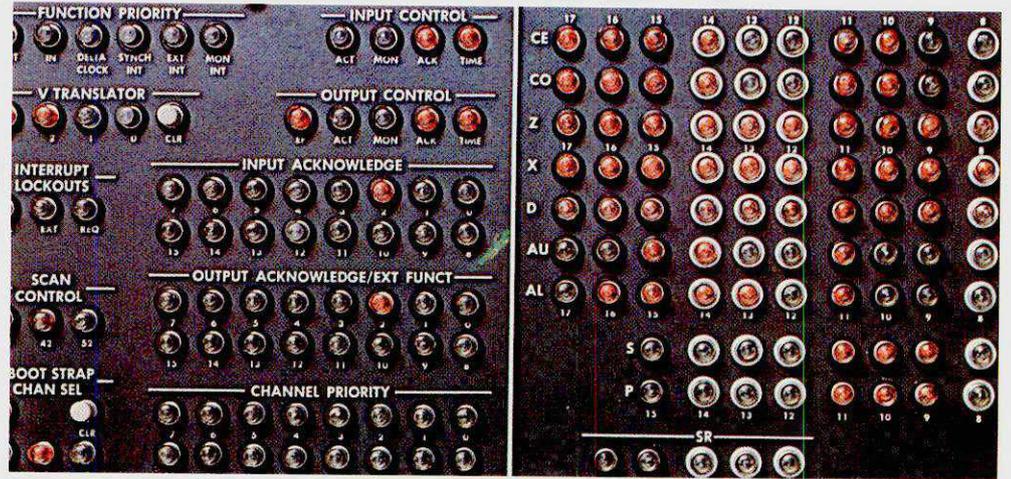
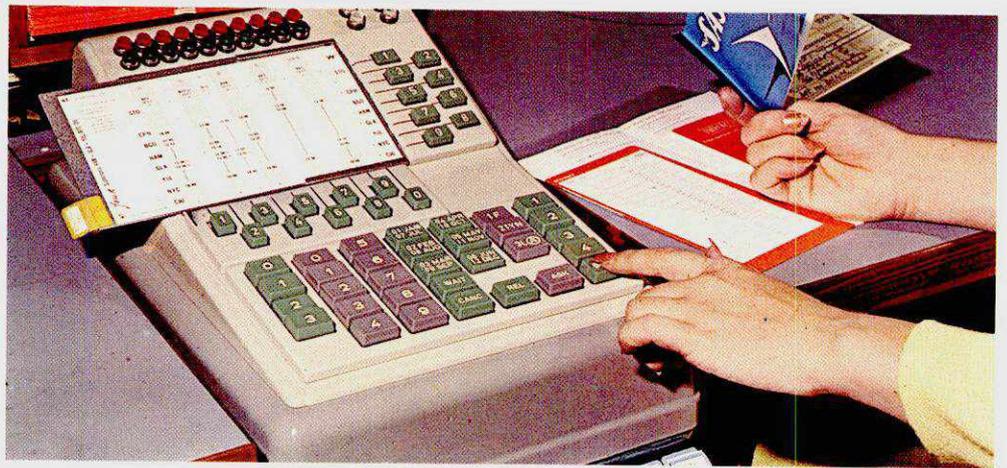
CHRISTIAN BLOM

STEN NACKSTAD

HUGO ENGMANN

TOR STORHAUG



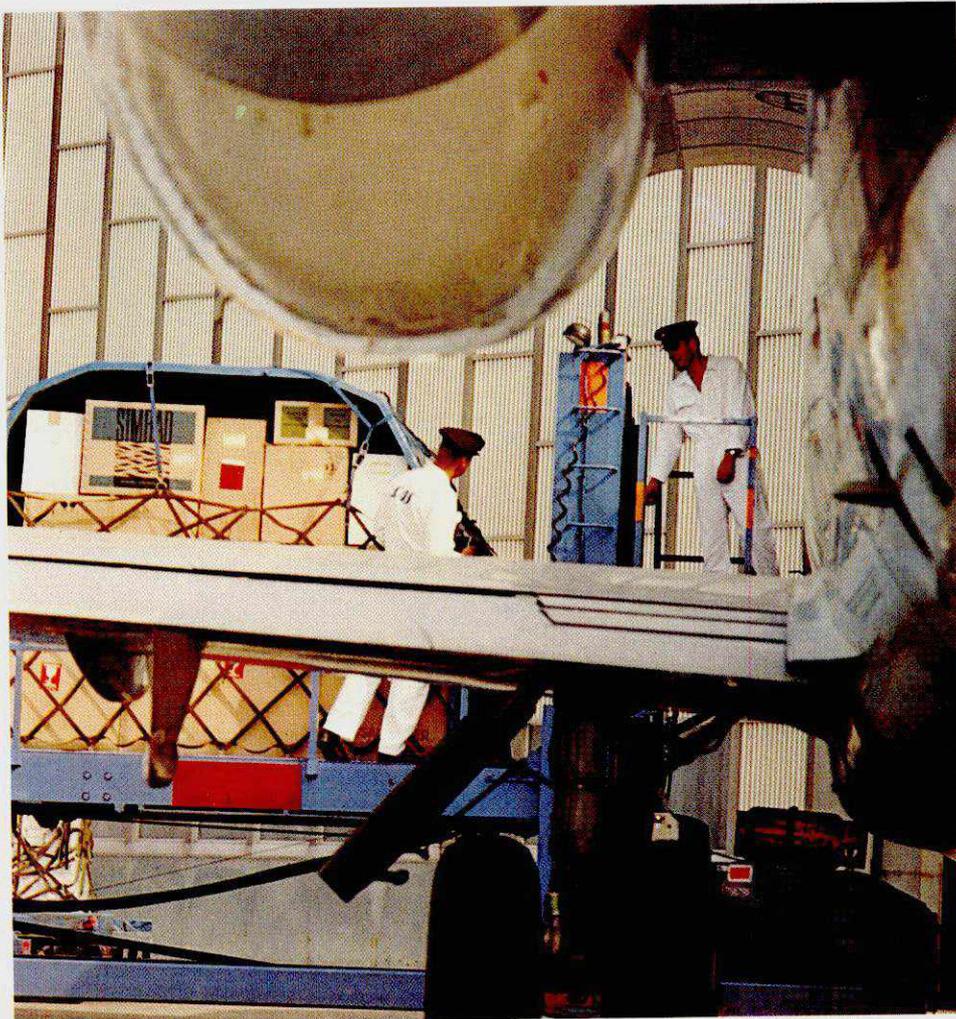


To the left from top to bottom:
Catering and loading of your SAS aircraft.

Passengers relaxing in a departure lounge... before stepping onboard their plane via an SAS passenger bridge.

Danish open-faced sandwiches are among the dishes served on board... as well as a genuine Scandinavian smörgåsbord (1st class)... and hot dog as a special children's dish.

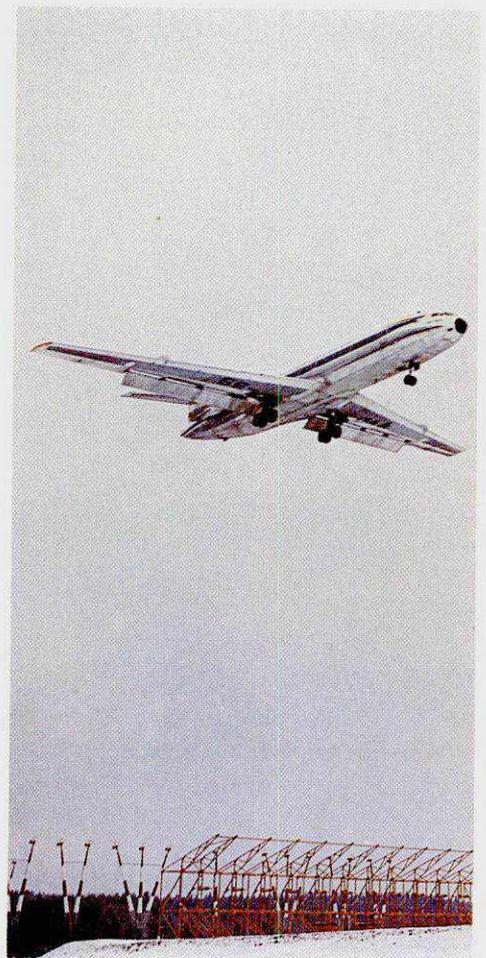
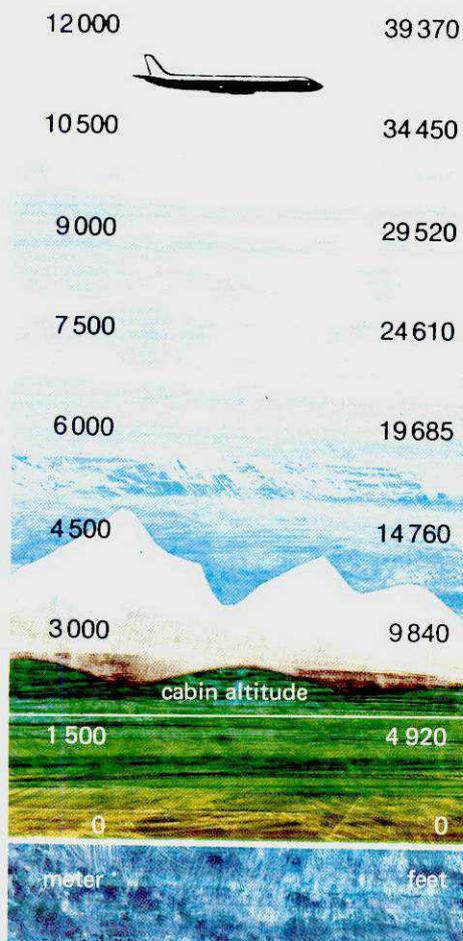
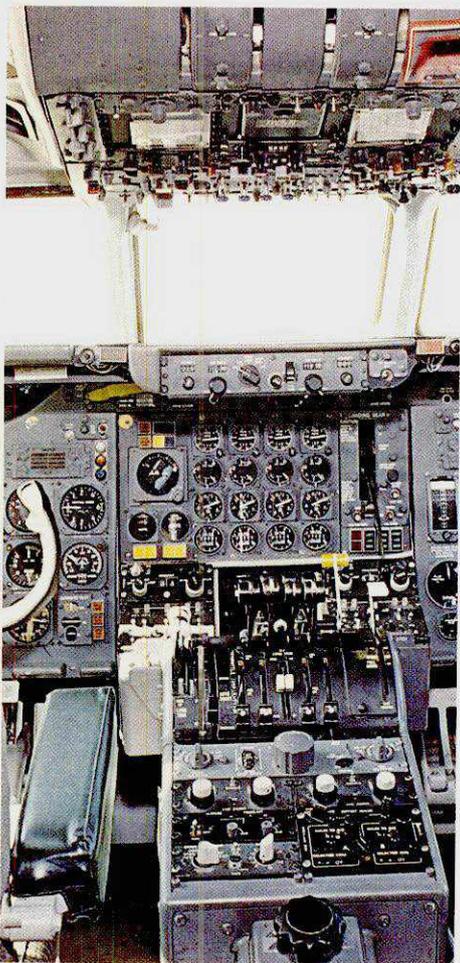
To the right:
With SAS electronic booking system it takes only 4 seconds to book your seat, thanks to SASCO, SAS Computer Center in Copenhagen. A section of the Univac 484 Processing system and part of the SASCO II System are also shown.



Pictured to the left is the characteristic T-shaped tail section of a DC-9 and the loading of a DC-9F, introduced by SAS during 1969.

To the right is seen part of the flight deck of a DC-8, which has a "cabin altitude" of only 4,920 feet when cruising at some 35,000 feet.

For safe landing the pilot enjoys Instrument Landing System. Air traffic control centers are always in touch with your pilot to guide your plane.



PRESIDENT'S REPORT

World aviation and the SAS position

SAS maintained its position as the 8th largest transatlantic carrier, measured in available seat kilometers. Among European carriers SAS ranked as number 6. The company still operated the largest European network of any intercontinental carrier.

At the end of 1969, the total number of aircraft operated by IATA members was more than 4,000. The trend towards the more efficient jet aircraft continued, and for the first time more than half – 63 per cent – of the overall fleet were jet airliners.

Traffic program and development

As reported by the Board, the modernization of the SAS fleet continued during the year, and the traffic program showed an increase of 20 per cent to a total of 1,287 million available ton-kilometers.

The highest load factors were recorded on intercontinental all-cargo services (78.8 per cent), domestic Swedish routes (60.3), Transpolar (58.2), Great Britain (56.5), and Transorient (56.4).

The following tables provide a survey of production and traffic by route areas:

TOTAL PRODUKTION AND TRAFFIC

Scheduled services (in mill.)

	Total system	Intercontinental	Europe & M. East	Domestic routes
Available Ton-Kms				
1968/69	1.239	765	352	122
1967/68	1.048	652	297	99
Increase %	+18.2	+17.3	+18.5	+22.4
Distribution %	100.0	61.7	28.4	9.9
Revenue Ton-Kms				
1968/69	658	425	165	68
1967/68	555	348	146	61
Increase %	+18.7	+22.0	+13.4	+12.2
Distribution %	100.0	64.6	25.1	10.3
1968/69 Load Factor %	53.1	55.5	46.9	55.9
1967/68 Load Factor %	53.0	53.5	49.1	61.0

INTERCONTINENTAL ROUTES

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

	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Ton- Kms	Change %	Ton- Kms	Change %		
North Atlantic	1,664 (1,536)	+ 8	138.9 (94.7)	+46.7	8.0 (7.1)	+12.8	58.4 (52.3)	47.8 (47.3)
Other Intercont. Routes	859 (780)	+10	38.2 (25.4)	+50.2	9.6 (9.5)	+ 1.0	49.8 (56.4)	40.3 (47.4)
Total Intercont. Traffic	2,523 (2,316)	+ 9	177.1 (120.1)	+47.4	17.6 (16.6)	+ 6.0	55.5 (53.5)	44.9 (47.4)

EUROPEAN (incl. Middle East), INTRA-SCANDINAVIAN AND DOMESTIC ROUTES

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

	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Ton- Kms	Change %	Ton- Kms	Change %		
Middle East	88 (99)	- 12	2.3 (1.3)	+79	0.3 (0.4)	- 26	36.8 (45.2)	35.4 (46.8)
European Routes	1,065 (945)	+13	25.0 (18.9)	+33	4.0 (3.7)	+ 9	49.4 (50.8)	52.3 (53.7)
Intra-Scand. Routes	324 (298)	+ 9	6.0 (5.4)	+12	1.1 (1.0)	+ 6	43.2 (45.4)	45.9 (49.0)
Sub-Total Europe	1,477 (1,342)	+10	33.3 (25.6)	+30	5.4 (5.1)	+ 6	46.9 (49.1)	49.4 (52.0)
Denmark	131 (110)	+19	0.8 (0.6)	+32	0.2 (0.2)	+ 9	53.9 (60.5)	56.4 (62.9)
Norway	324 (299)	+ 8	1.4 (1.2)	+21	1.7 (1.4)	+17	53.5 (60.2)	56.2 (56.0)
Sweden	253 (220)	+15	1.8 (1.9)	- 4	1.9 (1.9)	+ 2	60.3 (62.5)	56.0 (54.8)
Sub-Total Domestic	708 (629)	+13	4.0 (3.7)	+10	3.8 (3.5)	+ 8	55.9 (61.0)	56.2 (58.8)
Total European and Domestic Traffic	2,185 (1,971)	+11	37.3 (29.3)	+28	9.2 (8.6)	+ 7	49.2 (52.1)	51.4 (54.0)

Passenger traffic

SAS passenger traffic, measured in revenue passenger kilometers, registered an overall 10 per cent growth to a total of 4,707 million.

Intercontinental passenger traffic increased by 9 per cent and European traffic 10 per cent. Domestic traffic increased by 19 per cent in Denmark, 8 per cent in Norway and 15 per cent in Sweden.

Cargo and mail

SAS air cargo traffic in 1968/69 measured in revenue ton kilometers increased by 44 per cent, and by 33 per cent measured in terms of actual revenue. Of the cargo 57 per cent was carried on passenger aircraft, and 43 per cent on all-cargo services.

For the second year running, cargo carried on the European passenger network grew by 50 per cent, thanks to the improved cargo capacity obtained through the gradual replacement of the Caravelles by DC-9-41s.

Mail traffic increased by 6 per cent.

IATA resolutions

Within the framework of IATA, SAS has frequently advocated a policy that transatlantic air fares should correspond more to actual routings followed by the airlines rather than to the predetermined standard routings on which these fares have been calculated for more than 20 years.

At the last joint traffic conference in Cannes in the fall of 1968, the IATA member airlines were unable to reach full agreement on fares in some of the most important areas, such as how to establish fares for the introduction of the Boeing 747 and how to meet the competition from supplemental carriers on the North Atlantic.

Subsequent meetings produced agreement on a fare package covering many parts of the world, including the North Atlantic, effective May 1, 1969. U.S. authorities conditioned the approval of the North Atlantic portion of the fare agreement to the extent that Contract Bulk Inclusive Tour Fares should be applicable only for an ini-

tial six-month trial period. Reaction from IATA members, one by one, resulted in an "open fare" situation.

Later in 1969, additional IATA meetings gradually worked out a new North Atlantic fare agreement, closing the open fare situation effective March 1, 1970. The agreement extends the validity of present excursion fares and adds new economy fares for both individual and group travel.

Data processing

The new SAS data processing center, SASCO II, went into service during the year. It consists of three UNIVAC 494 computers, storage and other equipment for a total of 135 hardware units.

The electronic reservations system was transferred to SASCO II on February 2, 1969, with load control and operational control being added in October 1969. The data processing center also handles accounting and revenue control for the entire SAS system.

Other applications in operation or in the process of being implemented include crew control, material planning, operational statistics, maintenance and overhaul planning and meal planning.

An electronic data processing system adapted to the mechanical cargo handling facilities is scheduled to go into effect in 1971. This would streamline the flow of documents and cargo through the terminals.

Fleet

During the year SAS introduced a fleet of 10 short-range DC-9-21 jets. They carry 85 passengers and have been especially designed for domestic and intra-Scandinavian services.

For intercontinental routes a fourth DC-8-63 was acquired during the year. In SAS's configuration the DC-8-63 carries 194 passengers and features in-flight entertainment. The largest of the McDonnell Douglas family of DC-8s, this aircraft can seat as many as 259 passengers in an all-tourist arrangement.

Later in the year SAS added one palletized DC-9-33F jet for European all-cargo operations. This aircraft can carry 15 tons.

The KSS group – formed by KLM, SAS and Swissair and described in the Report by the Board – has decided to change its original order of Boeing 747s to Boeing 747Bs. After modification of the Pratt & Whitney engines from JT9D-3 to JT9D-7W rating this advanced aircraft version will have a take-off weight of 350 tons, an increase of 29 tons over the original model, giving it a maximum payload of 56 tons. Its range has been increased to 5,000 nautical miles with maximum passenger load, and SAS will thus be able to operate it on its routes between Scandinavia and the U.S. West Coast. The two Boeing 747Bs ordered by SAS will seat 353 passengers, and the first aircraft will go into transatlantic service in 1971.

KSS – joined on this occasion by UTA – has also selected the tri-jet DC-10-30, with General Electric high bypass ratio engines. The original KSS order for DC-10-30 was later changed to an extended range version called DC-10-30ER. The maximum take-off weight of this aircraft is 251 tons and its maximum payload 40 tons. The

extended range version will substantially improve the possibilities to carry higher loads over the North Atlantic. SAS has options for eight positions with deliveries in 1974–76.

During the year, the SAS fleet has flown a total of 168,943 hours, an increase of 2.3 per cent. Average daily utilization has been 11.2 hours for the DC-8s, 6.6 hours for the DC-9s, 6.1 hours for the Caravelles and 5.8 hours for the Metropolitans.

Air hostess college

SAS has decided to open an air hostess college in Sandefjord, Norway, in January, 1970.

The college will train all air hostess candidates from the three Scandinavian countries during a four-week program. From the college hostesses will graduate to two weeks of flight training at crew bases in Copenhagen, Oslo and Stockholm.

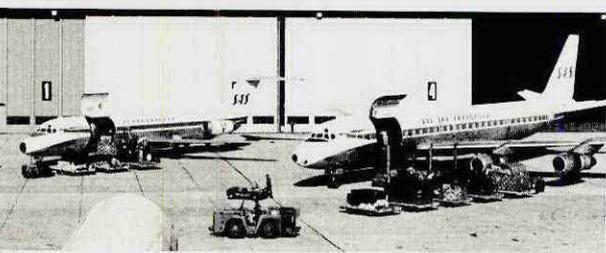
Personnel

The distribution of personnel among the three Scandinavian Regions, Head Office and the organization abroad is shown in the following table:

	Cockpit Personnel			Cabin Personnel			Other Personnel			Total Personnel		
	1969	1968	1967	1969	1968	1967	1969	1968	1967	1969	1968	1967
Denmark	357	333	332	637	480	469	3,935	3,581	3,396	4,929	4,394	4,197
Norway	348	326	327	333	304	281	1,933	1,908	1,904	2,614	2,538	2,512
Sweden	551	545	534	335	364	346	2,461	2,293	2,245	3,347	3,202	3,125
Head Office	–	–	–	–	–	–	903	940	941	903	940	941
Abroad	–	–	–	18	14	14	2,655	2,531	2,495	2,673	2,545	2,509
Total	1,256	1,204	1,193	1,323	1,162	1,110	11,887	11,253	10,981	14,466	13,619	13,284

The number of available ton kilometers per employee rose from 80,200 to 91,400, an increase of 14 per cent, and revenue ton kilometers from 41,400 to 46,800, by 13 per cent.

KNUT HAGRUP
President



SUBSIDIARIES

SAS Catering A/S

The gross income of SAS Catering for 1968/69 increased 15 per cent to M.SKR 124.5.

The company served 37 airlines and added two more airport restaurants, in Malmö and Rønne, to its chain in the past year. In addition, the 153-room Globetrotter Hotel was opened near Copenhagen Airport. SAS Catering plans to open a similar hotel in Oslo in 1971.

SAS Catering also established a subsidiary company in Greece to feed the NATO base on Crete.

Preparations were made for "The Royal Viking Restaurant" which SAS Catering operates at the Scandinavian Pavilion of EXPO 70 at Osaka, Japan. EXPO 70 is the third consecutive world exposition for which SAS Catering has run the Scandinavian restaurant, following New York in 1964-65 and Montreal in 1967.

The number of employees has averaged 1,250.

SAS-Invest A/S

This wholly-owned SAS subsidiary owns and operates the Royal Hotel in Copenhagen. It recorded 132,000 overnight stays, compared with 125,000 the previous year. The occupancy rate was 92 per cent. The staff has averaged 384 employees.

Linjeflyg AB

The Swedish domestic carrier served 20 airports with a network of 5,200 kilometers during 1968/69. Production increased by 15 (12) per cent and revenue ton kilometers was up 15 (13) per cent in scheduled traffic.

The fleet grew from 11 to 16 Metropolitan CV 340/440 in addition to two NORD 262. One additional Metropolitan was chartered from Finnair during the first half of the year.

Total revenue amounted to M.SKR 97.0 (84.5), an increase of 15 (26) per cent over the previous year. Out of this amount, traffic revenue accounted for 81.4 (69.6), an increase of 17 (19) per cent.

After ordinary depreciation, amounting to M.SKR 7.6 (8.0) and extraordinary depreciation of M.SKR 3.2 (3.1), the year's net profit is stated at M.SKR 1.2 (1.2).

The number of employees averaged 609 (570).

COOPERATING CARRIERS

THAI International

The THAI International fleet in 1968/69 consisted of five Caravelle jets on lease from SAS plus capacity chartered on SAS DC-8s between Bangkok, Kuala Lumpur and Singapore.

Katmandu was added in 1969, bringing THAI International's network to 18 destinations, more than any other regional carrier in the Orient.

Utilization of aircraft by THAI International averaged 9.4 hours a day, a world high for medium-range aircraft. Available ton-kilometers rose 20 per cent while revenue ton-kilometers increased 33 per cent. Cabin factor was 58.9 per cent, up from 53.5 per cent. Net profit before taxes was declared to be M.SKR 5.0 (20.4 million Baht).

Scanair

During 1968/69 Scanair operated a fleet of three DC-8-33s with one-class seating for 165 passengers. The charter operator completed 1,177 round trips, serving 21 airports in nine countries. Scanair carried 304,616 passengers, down one per cent. Primary destinations were Spain, 224,000 passengers, and Italy, 48,000.

Charter flights were operated on behalf of 16 Scandinavian travel agencies. The charter market was characterized during the year by a substantial amount of price-cutting and the collapse or reduction of activities by several agencies.

At the end of the year Scanair assumed sales responsibility for the capacity of three 126-seat B-727 tri-jets which are maintained by Transair, Sweden. The combined production of the DC-8s and B-727s is now being marketed under the name Scanair-Sunjet.

Greenlandair

In 1968/69 Greenlandair operated with a fleet of five helicopters and two DC-4s, in addition to chartered flight equipment.

The airline operated 3,200 hours, carried 26,000 passengers, 300,000 kilos of mail and 65,000 kilos of cargo, representing an overall traffic increase of about 20 per cent compared with the previous year.

	Denmark	Norway	Sweden
BOARD OF DIRECTORS	Haldor Topsøe Chairman Palle Christensen Deputies: Poul Andersen Helge Bech-Bruun	Jens Chr. Hauge Second Vice Chairman Per M. Backe Deputies: Erik Brofoss Johan Horn	M. Wallenberg First Vice Chairman Per Åsbrink Deputies: Curt Nicolin Nils Hörjel
ASSEMBLY OF REPRESENTATIVES	Mogens Pagh Second Vice Chairman Count Flemming af Rosenborg Poul Andersen Helge Bech-Bruun K. Bredahl Palle Christensen Per Hækkerup Axel Kristensen Hans Muus Haldor Topsøe	Per M. Hansson First Vice Chairman Nils Astrup Per M. Backe Erik Brofoss Jens Chr. Hauge Johan Horn Johan Nerdrum Erik Brand Olimb Fred Olsen Arne Rettedal K. Skaaluren Deputies: Halvdan Bjørum Rolf Heilemann Erling Lind Arnljot Strømme Svendsen	Per A. Norlin Chairman A. Ax:son Johnson Erik Boheman Erik Grafström Sven Gustafson Tryggve Holm Nils Hörjel Sven Mellqvist Gustaf V. Nilsson Lars Peterson Manne Ståhl M. Wallenberg Sune Wetter Erik Wijk Per Åsbrink Deputies: Torgeir Christoffersen Lars Eliasson Folke Fessé Helge Jäder Curt Nicolin Ragnar Sachs
MANAGEMENT	Björn Törnblom Executive Vice President Technical and Operations Johs. Nielsen Vice President and General Manager Region Denmark E. Palsgaard President, SAS Catering A/S	Christian R. Hunderup Executive Vice President Marketing Kai Sørtorp Vice President and General Manager Region Norway	Knut Hagrup President C. E. Lindh Executive Vice President Finance Sven-Erik Svanberg Vice President and General Manager Region Sweden Gunnar Sandberg Senior Vice President Administration Tore Nilert President, SAS Inc. A. Kappenberger President, SAS-Invest A/S

SCANDINAVIAN AIRLINES SYSTEM

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



SAS
SCANDINAVIAN AIRLINES SYSTEM