



ANNUAL REPORT 1980~81



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

		1980/81	1979/80	Change
SAS Consortium				
Available Tonne Kms, total	(mill.)	2 472.4	2 536.8	— 3 %
Available Tonne Kms, scheduled services	(mill.)	2 450.7	2 515.9	— 3 %
Revenue Tonne Kms, scheduled services	(mill.)	1 415.8	1 432.6	— 1 %
Total Load Factor, scheduled services	(%)	57.8	56.9	+ 0.9 points
Available Seat Kms, scheduled services	(mill.)	17 761	18 460	— 4 %
Revenue Passenger Kms, scheduled services	(mill.)	10 817	10 972	— 1 %
Passenger Load Factor, scheduled services	(%)	60.9	59.4	+ 1.5 points
Number of Passengers Carried, total	(000)	8 413	8 393	0 %
Revenue Freight Tonne Kms, scheduled services	(mill.)	407.5	412.2	— 1 %
Traffic Revenue	(MSEK)	6 823.0	6 154.9	+ 11 %
Total Operating Revenue	(MSEK)	8 004.0	7 178.7	+ 11 %
Depreciation	(MSEK)	376.4	334.8	
Profit/Loss after Financial Income and Expenses	(MSEK)	— 109.2	— 142.3	
Profit/Loss before Income Taxes payable by Parent Companies	(MSEK)	— 109.0	— 53.9	
Average Number of Employees		16 425	17 069	
SAS Group				
Total Operating Revenue	(MSEK)	10 171.5	9 220.2	+ 10 %
Depreciation	(MSEK)	436.1	390.8	
Consolidated Profit/Loss after Financial Income and Expenses	(MSEK)	— 87.8	— 163.0	
Consolidated Profit/Loss before Allocations and Income Taxes	(MSEK)	— 51.3	— 63.1	
Average Number of Employees		24 124	24 980	

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*).

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

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*).

Currency codes

The following international currency codes are used in this Report:

CHF Swiss francs
 DKK Danish kroner
 FRF French francs
 GBP Pound sterling
 GRD Greek drachma

NLG Dutch guilders
 NOK Norwegian kroner
 SEK Swedish kronor
 USD US dollars
 ZAR South African rands

Report by the Board and the President

General Review

The SAS Group recorded a consolidated loss of 51.3 million Swedish kronor (MSEK), before allocations and income taxes, for the financial year ending September 30, 1981 (63.1 MSEK loss last year).

The SAS Consortium's loss was 109.0 MSEK (53.9 MSEK loss last year). The Board of Directors submits to the Assembly of Representatives that this loss be charged to the capital of the Consortium.

The result of the Consortium includes as an extraordinary item a credit of 103.6 MSEK transferred from reserves. In view of SAS's excess aircraft capacity and the difficult market for used aircraft, it has been decided to allocate the same amount to extraordinary depreciation on surplus flight equipment. Consequently, the year's result has not been affected by this transfer. In 1979-80, credits from reserves totalled 136.5 MSEK while extraordinary depreciation amounted to 44.0 MSEK, the net effect thus being a contribution of 92.5 MSEK.

SAS's subsidiaries showed a strong recovery after last year's negative result. In particular, SAS Catering & Hotels and Vingresor registered improvements. The aggregate profit of the subsidiaries amounted to 66.5 MSEK before allocations and taxes,

which is an improvement over last year of 67.4 MSEK.

Total operating revenue of the SAS Group amounted to 10,172 (9,220) MSEK, including traffic revenue from the airline activities of the Consortium amounting to 6,823 (6,155) MSEK. Total operating expenses, excluding depreciation, were 9,651 (8,921) MSEK. Ordinary depreciation charges totalled 436 (391) MSEK, of which 376 (335) MSEK was for the Consortium.

SAS's scheduled traffic expressed in revenue tonne-kilometers fell by one per cent and production was reduced by three per cent. The systemwide load factor was 57.8 per cent, up 0.9 points.

Passenger traffic, measured in revenue passenger kilometers, also fell by one per cent. Since available seat kilometers were reduced by four per cent the cabin factor increased by 1.5 points to 60.9 per cent. Cargo traffic was unchanged compared to 1979-80. Mail traffic grew by five per cent.

SAS's airline activities showed a loss of 109.2 MSEK before extraordinary items (1979-80: a loss of 142.3 MSEK). The operating result for 1980-81, although in itself unsatisfactory, thus marks a reversal of the negative trend of the past few years.

The year's loss was the result of a range of acute problems common to

The overall responsibility for on-time performance on the entire SAS network rests with the Operations Control Center in Copenhagen. Prompt remedial action is taken whenever punctuality is threatened.



the airline industry as a whole, in particular economic recession, stagnation of traffic, a weak market for used flight equipment, air political problems and generally rising costs not matched by fare increases. The drastic rise in fuel costs during 1979-80 had its full effect in the 1980-81 financial year.

In addition, SAS had to face a number of specific problems.

Industrial disputes involving air traffic controllers employed by government organizations in Scandinavia, the United States, Italy and the United Kingdom caused a significant loss.

Currency fluctuations during the year, notably the strengthening of the US dollar and the devaluation of the Swedish krona (in September 1981), resulted in large currency losses on SAS's loans in foreign currencies. While a substantial portion of these losses was charged as expenses during the year, the major part has been deferred. (See Notes to Financial Statements.)

Already in the spring of 1980, recognizing the deteriorating climate for the airline industry, SAS began a program of cost-saving and adaptation of resources to market conditions. This program was intensified in 1980-81. New business strategies have been developed in order to obtain an increased passenger traffic

and a better utilization of SAS's capacity. At the same time, the review of unprofitable activities and unproductive capital investments has resulted in the release of substantial excess aircraft capacity for redeployment through sale or lease.

The first step in the new market strategy was the introduction, in November 1981, of EuroClass, a new quality service concept specially designed to provide the traveler paying the full economy fare with a commensurate service level. At the same time, SAS has discontinued First Class on its European routes. SAS anticipates that passengers who have traditionally been flying First Class will be attracted by the service/price relation of EuroClass.

On intercontinental routes an improved Business Class service will be introduced in February 1982, while First Class service has already been enhanced with Dormette fully-reclinable seats on the 747s and DC-10s.

The introduction of EuroClass necessitated negotiations with a number of foreign airlines and civil aviation authorities. In a couple of instances these negotiations have not yet been finalized.

The new SAS service program covers a wide range of innovations on the ground and in the air, including more direct flights from and to

the Scandinavian capitals, improved timetables, quicker check-in procedures, and businessman's lounges at major airports.

Result-oriented management in SAS, based on decentralization of responsibility for current activities into clearly defined profit centers, was further developed during the year. SAS's airline activities were reorganized into five operating divisions - Commercial, Traffic Services, Technical, Operations and Administration.

In August 1981 Jan Carlzon succeeded Carl-Olov Munkberg as President of SAS.

SAS sees no rapid improvement in the general conditions of civil aviation. However, in view of the positive trend of its airline operating result and the gratifying development of its subsidiaries, there is, in the opinion of the SAS Board, justification for some optimism for 1981-82.

The Fleet

There were 85 jetliners in the SAS fleet at the end of the 1980-81 financial year.

In February 1981 SAS took delivery of a new, leased 747 Combi—Boeing's 500th 747—and in November 1980 and March 1981 of two more Airbuses. In October 1981 SAS received a leased 747B.



In connection with the introduction of EuroClass, the cabin configuration of SAS's DC-9 fleet was modified.

During the year SAS leased two DC-8-63s and three DC-8-62s to Scanair and one DC-8-63 to Icelandair. Transair, the SAS charter subsidiary, sold four 727s in connection with the closing down of the company.

The reduction of SAS production during the year resulted in a lower utilization of certain aircraft types such as the 747, DC-8 and Airbus.

The cabin configuration of SAS's DC-9 fleet was modified in connection with the introduction of EuroClass on the European network, and in the latter part of 1981 the 747s and DC-10s were fitted with Dormette fully reclining seats in First Class.

Engine modification kits for 34 aircraft were ordered to improve the fuel efficiency of SAS's DC-9 fleet. The kits will reduce fuel consumption by five per cent.

The Network

SAS served 105 cities in 48 countries at the peak of the 1980-81 financial year.

During the year a new daily non-stop service from Amsterdam to Oslo was introduced. Other new routes opened in 1980-81 included a twice-daily Monday-Friday service between Aalborg and Gothenburg, operated with chartered aircraft, as was the service between Aalborg and Kristiansand, previously flown with DC-9s.

The Fleet		
Aircraft	Delivered as of Sept. 30, 1981	On order for delivery during 1981/82
Boeing 747	5 ¹⁾	1 ²⁾
Douglas DC-10-30	5	
Airbus A300B2	4	
Douglas DC-8-63	5 ³⁾	
Douglas DC-8-62	6 ⁴⁾	
Douglas DC-9-41	49	
Douglas DC-9-33AF	2	
Douglas DC-9-21	9	
	85	1

¹⁾ 3 in combined passenger/cargo version, 1 of which leased by SAS
²⁾ To be leased by SAS
³⁾ 2 of which leased to Scanair and 1 to Icelandair
⁴⁾ 3 of which leased to Scanair

EuroClass passengers enjoy extra legroom between seats, improved meals, free drinks and a wider choice of newspapers and magazines.



The two routes Aarhus-London/Gatwick and Copenhagen-London/Gatwick were consolidated into one route: Copenhagen-Aarhus-London/Gatwick. The Oslo-London/Gatwick service is now operated via Bergen.

In 1981 SAS introduced high-frequency services between Stockholm-Gothenburg and Stockholm-Malmö, with departures every 30 to 60 minutes during peak periods and every second hour at other times.

1980-81 was the first full year in which SAS routes between Copenhagen and the US West Coast and Mid-West—Los Angeles, Seattle and Chicago—were served solely by non-stop flights. Flights to Los Angeles were operated exclusively with 747 Combis.

During the year, the multi-stop route to Tokyo via Bangkok was discontinued and the Trans-Siberian route to Tokyo via Moscow temporarily suspended. Services to Baghdad, Teheran, Cairo and Leningrad were also temporarily suspended, as were the routes to Warsaw and Basel, effective as from the introduction of the 1981-82 winter program.

In connection with the closure of the multi-stop route to Tokyo, the service to Kuwait was discontinued, while Calcutta was included on one of the four weekly Trans-Asia flights.

Following the closure of the routes to Teheran and Baghdad, a new service to Amman was opened.

After the suspension of the Trans-Siberian route, the Transpolar service to Tokyo via Anchorage was increased from two to three flights per week.

Production and Traffic

SAS's systemwide production was reduced by three per cent compared with the previous year. Traffic measured in revenue tonne-kilometers dropped by one per cent.

The systemwide load factor was 57.8 per cent, 0.9 points above last year. Highest load factors were recorded on the Transpolar and Trans-Asia routes, 78.7 and 67.4 per cent, respectively, and on services between Copenhagen and Johannesburg, 72.2 per cent, and Copenhagen and Nairobi, 66.9 per cent.

Passenger Traffic

Traffic expressed in revenue passenger-kilometers was one per cent lower than in 1979-80. SAS carried 8,413,000 passengers, a slight increase compared to the previous year.

Production in available seat-kilometers was reduced by four per cent. The systemwide cabin factor was 60.9 per cent, up 1.5 points.

By comparison, in the 1979-80 fi-

nancial year, both revenue passenger-kilometers and available seat-kilometers increased by one per cent, in spite of labor-market conflicts. In 1978-79 the corresponding growth figures were 10 per cent and three per cent.

The highest cabin factors for 1980-81 were recorded on the New York route, 72.1 per cent, the Transpolar route, 68.3 per cent, and on Swedish domestic routes, 68.7 per cent. Major traffic increases were noted on services to Dar-es-Salaam, 45 per cent, Lagos, 35 per cent, on the Transpolar routes, 26 per cent, and Swedish domestic routes, 16 per cent.

Cargo and Mail Traffic

Both cargo traffic and the cargo load factor, 50.5 per cent, were almost unchanged compared to 1979-80.

Domestic cargo traffic declined in Sweden and Denmark—down four and eight per cent, respectively—but increased three per cent in Norway. International cargo traffic also declined, although gains were recorded on some routes, such as 23 per cent on the Transpolar route, 96 per cent on services to West Africa, 18 per cent on services to Spain/Portugal and 12 per cent on services to South America.

Air mail traffic increased five per cent compared to 1979-80.



The new SAS Cargo Terminal at Fornebu Airport, Norway, which can handle up to 44,000 tons of cargo annually.

During the year SAS streamlined its cargo organization, simplified procedures, and developed new products and services such as express cargo, door-to-door systems, and integrated cooperation with agents, forwarders and truck operators. In addition, SAS is standardizing its cargo product range and improving its terminals. The Copenhagen terminal at Kastrup, SAS's main cargo operations center, was rebuilt in 1980. In 1981, a new terminal was built at Oslo (Fornebu) and those at Stockholm (Arlanda), Malmö (Sturup) and New York (John F. Kennedy) were improved and enlarged.

At its cargo terminals in Scandinavia, North America and in several

other countries SAS is operating an on-line computer system to monitor the processing of cargo and documents. It is the first airline in the world to implement automated reading of cargo labels - bar coding - to ensure rapid and correct transportation of cargo.

Air-Political Affairs

The international airline industry is heavily dependent on air-political decisions. SAS is following with interest the reconsideration of the United States' aviation policies, and developments within the EC, which apparently wishes to play a greater role in the air-political sector.

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 %	
North and South Atlantic Routes	1 018 (1 029)	-1	42	616 (629)	-2	43	60.6 (61.1)
Asia, Africa and Middle East Routes	464 (510)	-9	19	312 (320)	-2	22	67.3 (62.6)
European Routes	688 (701)	-2	28	323 (325)	-1	23	46.9 (46.4)
Domestic Routes	281 (276)	+2	11	165 (159)	+4	12	58.5 (57.6)
Total Network	2 451 (2 516)	-3	100	1 416 (1 433)	-1	100	57.8 (56.9)

SAS is convinced that in the final analysis all parties concerned will appreciate that the airline industry would find it difficult to live with air-political policies which would cause a further deterioration of the industry's economy, and is thus confident that a solution will ultimately be found which both respects the airlines' integrity and satisfies the public.

In April 1981, as a result of a meeting of the Scandinavian ministers of transportation, Florida was released as a new destination for inclusive tour charters from Denmark, Norway and Sweden. In addition, it was decided to re-evaluate Scandinavian charter policy.

Negotiations for new or revised bilateral agreements have taken place with Argentina, Italy, Japan, Lebanon, the Philippines, and Tanzania, among others. Several of these negotiations have not yet been concluded. An agreement has been reached with the U.S.S.R. which allows SAS to introduce wide-body aircraft on the Trans-Siberian service to the Far East once operations on this route are resumed.

Fares, Rates and Service

Fuel prices continued to rise during the autumn and winter of 1980-81

North and South Atlantic 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	3 444 (3 690)	— 7	235.2 (229.6)	+ 2	11.6 (12.4)	— 7	60.6 (61.5)	67.2 (67.0)
South Atlantic	365 (332)	+ 10	20.4 (18.4)	+ 10	1.9 (1.7)	+ 12	60.2 (56.8)	53.4 (50.5)
<i>Total North and South Atlantic Traffic</i>	<i>3 809</i> <i>(4 022)</i>	<i>— 5</i>	<i>255.6</i> <i>(248.0)</i>	<i>+ 3</i>	<i>13.5</i> <i>(14.1)</i>	<i>— 4</i>	<i>60.6</i> <i>(61.1)</i>	<i>65.5</i> <i>(65.3)</i>

Asia, Africa and Middle East 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 %		
Asia	1 556 (1 628)	— 4	69.6 (73.5)	— 5	11.5 (10.5)	+ 10	71.2 (67.7)	65.6 (62.3)
Africa	480 (390)	+ 23	21.5 (19.8)	+ 9	2.5 (1.6)	+ 56	60.8 (54.3)	54.7 (47.2)
Middle East	179 (250)	— 28	3.5 (6.0)	— 41	1.0 (1.3)	— 17	53.9 (48.3)	56.0 (48.6)
<i>Total Asia, Africa and Middle East Traffic</i>	<i>2 215</i> <i>(2 268)</i>	<i>— 2</i>	<i>94.6</i> <i>(99.3)</i>	<i>— 5</i>	<i>15.0</i> <i>(13.4)</i>	<i>+ 12</i>	<i>67.3</i> <i>(62.6)</i>	<i>62.7</i> <i>(57.4)</i>

European 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 %		
Western Europe	1 318 (1 275)	+ 3	21.6 (26.4)	— 18	4.4 (4.4)	+ 1	47.5 (48.4)	55.3 (55.8)
Central and Eastern Europe	749 (777)	— 4	12.0 (13.1)	— 8	3.9 (3.4)	+ 13	45.3 (43.8)	50.2 (48.7)
Intra-Scandinavia and Finland	1 007 (977)	+ 3	14.6 (16.1)	— 9	3.5 (3.4)	+ 3	47.5 (46.0)	55.5 (53.5)
Other	8 (3)	37.1 (34.2)	43.6 (37.5)
<i>Total European Traffic</i>	<i>3 082</i> <i>(3 032)</i>	<i>+ 2</i>	<i>48.2</i> <i>(55.6)</i>	<i>— 13</i>	<i>11.8</i> <i>(11.2)</i>	<i>+ 5</i>	<i>46.9</i> <i>(46.4)</i>	<i>54.0</i> <i>(53.0)</i>

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	364 (403)	— 10	2.3 (2.5)	— 8	2.5 (2.5)	— 1	59.5 (60.0)	64.6 (64.9)
Norway	768 (747)	+ 3	4.9 (4.7)	+ 3	4.5 (4.1)	+ 11	58.1 (56.6)	60.8 (59.7)
Sweden	579 (500)	+ 16	1.9 (2.1)	— 4	2.7 (2.5)	+ 9	58.6 (57.4)	68.7 (66.3)
<i>Total Domestic Traffic</i>	<i>1 711</i> <i>(1 650)</i>	<i>+ 4</i>	<i>9.1</i> <i>(9.3)</i>	<i>— 2</i>	<i>9.7</i> <i>(9.1)</i>	<i>+ 7</i>	<i>58.5</i> <i>(57.6)</i>	<i>64.1</i> <i>(62.8)</i>



The Scanorama Business Service Lounge at Copenhagen Airport, Denmark, affords SAS full-fare passengers facilities to relax or conduct business. Similar lounges have been opened at major points on the SAS network.

and, as a consequence, the airline industry increased fares and rates on October 1, 1980, and April 1, 1981. Since industry forecasts continued to indicate very poor financial results for IATA airlines in 1981, a worldwide IATA conference in June 1981 recommended as an emergency measure a five per cent general increase in fares and rates, which was subsequently approved by aviation authorities.

As a result of fluctuating currency exchange rates, imbalances emerged during the year between fares and rates for international transportation from the three Scandinavian countries. A partial adjustment of Danish fares and rates was made in March 1981. However, following the devaluation of the Swedish krona in September 1981, a major adjustment was made to realign Scandinavian fares and rates, increasing Swedish and Danish levels and decreasing Norwegian levels.

The IATA fare coordination conferences are experiencing increasing difficulties in achieving a realignment of different price policies. Very few formal agreements were signed during 1980-81. Nevertheless, IATA is still able to fulfil a role vital to the public by preserving a worldwide interline system which allows passengers to travel on several different carriers without

changing documents. The consequences of a termination of the interline system, and the crucial function fulfilled by IATA, are not fully appreciated by its critics.

Cargo rate coordination has been confronted with less critical issues and agreements have been reached in most areas.

There is still no functioning coordination of North Atlantic fares. However, a dialogue has begun between the United States and European aviation authorities (ECAC) aimed at finding a regulatory regime which combines reasonable individual freedom for airlines with the coordination required for the efficient operation of the system.

Fares, rates and related conditions and procedures pertaining to traffic entirely within Scandinavia have now been removed from the domain of the IATA conferences.

During the year, SAS further expanded the application of low fares to several destinations.

As a first step in creating a more market-oriented SAS, the airline introduced EuroClass on November 1, 1981. EuroClass provides improved comfort and service, on the ground and in the air, for business customers and other full-fare economy class passengers on European routes. At the same time, SAS discontinued First Class on its European routes. It is

SAS Catering & Hotels supplies North Sea oil rigs with catering, cleaning and other accommodation services for personnel.



anticipated that passengers who have usually been flying First Class will be attracted by the service/price relation of EuroClass.

An improved Business Class service will be introduced on intercontinental routes in February 1982. First Class service on these routes was enhanced already in 1981 with Dormette fully-reclinable seats on the 747s and DC-10s.

The new SAS service program includes separate and faster check-in facilities, business service lounges at major airports, separate cabins, increased legroom and upgraded meal and beverage service.

Although SAS has drawn the consequences of the fact that passengers paying full fare are entitled to a commensurate level of service, it has emphasized the maintenance of service levels for discount passengers. It is noteworthy that the introduction of EuroClass opens possibilities for the selective introduction of new, attractive discount fares.

Most European airlines and civil aviation authorities have accepted the EuroClass concept as within the framework of international agreements defining economy class service levels. Negotiations with a couple of airlines and authorities which thus far have refused to approve EuroClass unless SAS levies a

surcharge have not yet been finalized.

Subsidiaries and Affiliates

Taken as a whole, SAS's subsidiaries showed a strong improvement in 1980-81. The aggregate profit before allocations and taxes was 66.5 MSEK compared to a loss of 0.9 MSEK the previous year. In particular, SAS Catering & Hotels and Vingresor registered substantial result improvements. SAS Catering & Hotels' profit, before allocations and income taxes, was 47.2 MSEK (12.6 MSEK in 1979-80), and Vingresor's 10.5 MSEK (loss of 22.0 MSEK in 1979-80).

SAS Catering & Hotels continues to expand. During 1980-81 the 216-room Kuwait SAS Hotel was opened. Operated by SAS Catering & Hotels under a management contract, this

luxury hotel is the company's first outside Scandinavia. In 1981 SAS Catering & Hotels was appointed to plan, manage and operate the flight kitchen at Jeddah Airport. Furthermore, it opened a new flight kitchen in Chicago, is extending the flight kitchen in Frankfurt, and signed a contract to operate British Airways' flight kitchen at Heathrow for its European network. The company also supplies North Sea oil rigs with catering services.

SAS Catering & Hotels took over management responsibilities at the Royal Hotel, Copenhagen, in October 1981, and will open a new hotel in Bergen, the SAS Royal, in February 1982.

Vingresor's recovery was partly due to the closing down of its unprofitable U.K. operations in 1980. Other factors were an improvement

	Personnel											
	SAS Consortium								Subsidiaries		SAS Group	
	Flight-deck Personnel		Cabin Personnel		Other Personnel		Total					
	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80	1980/81	1979/80
Denmark	386	393	756	779	4 573	4 720	5 715	5 892	1 379	1 459	7 094	7 351
Norway	367	365	564	600	2 326	2 379	3 257	3 344	2 104	2 122	5 361	5 466
Sweden	541	523	765	822	4 042	4 237	5 348	5 582	2 559	2 625	7 907	8 207
Abroad	—	—	22	25	2 083	2 226	2 105	2 251	1 657	1 705	3 762	3 956
Total ¹⁾	1 294	1 281	2 107	2 226	13 024	13 562	16 425	17 069	7 699	7 911	24 124	24 980

¹⁾ Average figures for the financial year



SAS gate managers ensure that passengers' queries and problems are efficiently handled before they board the aircraft.

in the inclusive tour market in the summer of 1981 and the company's introduction of an intensive low-price marketing strategy.

Olson & Wright, which conducts shipping, international transport and forwarding, and air cargo handling, increased its profit. During the year, the company's new subsidiary in Norway expanded its activities.

The SAS Royal Hotel A/S, which owns the Hotel Scandinavia in Oslo, showed a profit in 1980-81. It was the first year in which this hotel made a profit and it occurred earlier than expected.

The profit of the Nyman & Schultz travel agencies, which were negatively affected by the general deterioration of the air transport industry, declined during 1980-81.

The decision was taken during the year to close down Transair, SAS's charter airline subsidiary, whose

economic situation had become untenable.

Further details of subsidiaries and affiliated companies are provided on pages 27-31.

Personnel

The SAS Group had 24,469 employees at the beginning of the financial year, and 24,160 at the end. The staff of the SAS Consortium numbered 16,887 at the start of the financial year, decreasing to 16,251 at the end of the year. Average numbers of employees in 1980-81 and 1979-80 are specified in the table on page 11.

The SAS Board and President wish to thank the employees of SAS for their efforts during the year, in particular the manner in which they have responded to the demands placed upon them in the course of the present reorganization of SAS's activities.

Copenhagen, Oslo and Stockholm, January 15, 1982

Haldor Topsøe

Curt Nicolin

Jens Chr. Hauge

J.L. Halck

Krister Wickman

Per M. Backe

Orla Mathiesen

Inge Johannesson

Ingvar Lilletun

Jan Carlzon

President

Comparative Statistics 1971/72 — 1980/81

Production, Traffic and Personnel (SAS Consortium)		80/81	79/80	78/79	77/78	76/77	75/76	74/75	73/74	72/73	71/72
Size of Network	(km 000)	224	252	264	264	264	274	262	258	245	243
Number of Cities Served		105	103	102	98	98	102	97	96	97	94
Kilometers Flown, scheduled services	(mill.)	113.2	120.4	124.3	122.8	116.7	114.7	113.8	114.0	118.4	109.9
Hours Flown (airborne), total	(000)	171.1	180.0	185.7	182.6	175.9	175.2	174.7	176.5	183.4	172.8
Available Tonne Kms, total	(mill.)	2 472.4	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
Available Tonne Kms, scheduled services		2 450.7	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
Available Tonne Kms, non-sched. services		21.7	20.9	44.8	62.0	72.0	70.6	58.0	48.6	109.1	81.5
Revenue Tonne Kms, scheduled services	(mill.)	1 415.8	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
Passenger and Excess Baggage		958.3	972.6	966.6	882.7	803.4	756.7	692.2	662.9	645.3	558.6
Freight		407.5	412.2	425.2	439.5	372.6	335.5	318.1	325.4	280.2	267.5
Mail		50.0	47.8	43.3	45.1	39.6	39.1	37.4	35.7	33.3	30.9
Total Load Factor, scheduled services	(%)	57.8	56.9	57.8	55.7	54.3	53.4	52.5	56.4	52.6	51.5
Number of Passengers Carried, total	(000)	8 413	8 393	8 669	7 886	7 469	7 125	6 636	6 325	6 242	5 826
Revenue Passenger Kms, sched. services	(mill.)	10 817	10 972	10 908	9 959	9 060	8 534	7 814	7 477	7 275	6 305
Passenger Load Factor, scheduled services	(%)	60.9	59.4	59.9	56.4	54.9	53.5	52.6	54.0	51.4	49.8
Average Passenger Trip Length, sched.	(kms)	1 296	1 318	1 272	1 279	1 232	1 212	1 193	1 197	1 192	1 102
Traffic Revenue/Revenue Tonne Km	(SEK)	4.64	4.13	3.57	3.34	3.00	2.91	2.75	2.42	2.12	2.07
Airline Operating Expenses/Available Tonne Km (including depreciation)	(SEK)	2.80	2.49	2.11	1.80	1.61	1.51	1.39	1.31	1.04	1.02
Average Number of Employees		16 425	17 069	16 755	16 010	15 401	14 984	14 957	15 072	14 801	14 598
Available Tonne Kms/Employee, sched. services		149 200	147 400	148 200	153 300	145 400	141 500	133 500	120 200	121 800	113 200
Revenue Tonne Kms/Employee, sched. services		86 200	83 900	85 700	85 400	78 900	75 500	70 000	67 800	64 100	58 300
Revenue Pass-Kms/Employee, sched. services		658 600	642 800	651 000	622 100	588 300	569 500	522 400	496 100	491 500	431 900

Selected Financial Data (SAS Group)		(MSEK)	80/81	79/80	78/79	77/78	76/77	75/76	74/75	73/74	72/73	71/72
Traffic Revenue			7 003.4	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
Other Revenue			3 168.1	2 878.0	2 521.0	2 139.3	1 807.4	1 452.9	1 176.7	1 120.1	1 005.1	814.0
Operating Revenue, total			10 171.5	9 220.2	8 065.7	7 049.7	5 637.9	4 807.0	4 094.9	3 599.7	3 062.3	2 612.1
Operating Expenses excl. Depreciation			9 651.0	8 920.8	7 551.2	6 436.5	5 174.8	4 425.0	3 727.0	3 276.7	2 706.3	2 332.2
Depreciation			436.1	390.8	359.5	346.9	324.9	294.3	283.9	231.9	226.2	201.7
Operating Result after Depreciation			+ 84.4	- 91.4	+155.0	+266.3	+138.2	+ 87.7	+ 84.0	+ 91.1	+129.8	+ 78.2
Financial Items (net)			-172.2	- 71.6	- 56.8	-166.3	- 82.3	- 52.4	- 50.3	- 44.8	- 63.7	- 52.3
Other Items (net)			+ 36.5	+ 99.9	+ 49.4	+ 26.7	+ 34.9	+ 13.1	+ 38.7	+ 31.2	+ 19.2	+ 11.4
Profit/Loss before Allocations and Income Taxes			- 51.3	- 63.1	+147.6	+126.7	+ 90.8	+ 48.4	+ 72.4	+ 77.5	+ 85.3	+ 37.3
Balance Sheet (total)			7 162.8	6 591.1	5 639.3	5 315.3	4 694.1	3 849.6	3 694.8	3 460.4	2 998.4	2 791.7
Current Assets			3 080.6	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
Fixed Assets			4 082.2	3 864.0	3 166.2	2 821.7	2 425.9	2 265.3	2 196.7	2 144.0	1 807.6	1 764.0
Current Liabilities			3 121.3	2 803.1	2 320.8	2 085.6	2 004.4	1 531.1	1 317.1	1 191.9	1 003.2	926.7
Non-Current Liabilities			2 643.0	2 382.5	1 927.4	1 979.4	1 748.4	1 370.0	1 428.7	1 312.6	1 024.8	1 056.4
Equity including Profit/Loss of the Year			732.6	819.7	989.7	948.7	896.6	857.6	857.6	841.5	806.5	740.0

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 1971/72 — 1975/76 only wholly-owned subsidiaries were consolidated with the SAS Consortium.

Profit and Loss Statements

October 1, 1980—September 30, 1981

In millions of Swedish Kronor

	SAS Group (Consolidated)		SAS Consortium	
	1980/81	1979/80	1980/81	1979/80
Traffic revenue (Note 1)	7 003.4	6 342.2	6 823.0	6 154.9
Other revenue (Note 2)	3 168.1	2 878.0	1 181.0	1 023.8
Operating Revenue	10 171.5	9 220.2	8 004.0	7 178.7
Operating Expenses (Note 3)	9 651.0	8 920.8	7 606.0	6 954.7
Operating Result before Depreciation	+ 520.5	+ 299.4	+ 398.0	+ 224.0
Depreciation (Note 4)	436.1	390.8	376.4	334.8
Operating Result after Depreciation	+ 84.4	- 91.4	+ 21.6	- 110.8
Dividends from subsidiaries (Note 5)	—	—	6.7	6.7
Other dividends received	0.6	0.4	0.6	0.4
Other financial income (Note 6)	180.5	177.6	146.7	157.7
Financial expenses (Note 7)	-353.3	-249.6	-284.8	-196.3
Profit/Loss after Financial Income and Expenses	- 87.8	- 163.0	- 109.2	- 142.3
Gain on sales and retirement of equipment, etc. (net) (Note 8)	37.4	11.2	12.8	10.7
Extraordinary income (Note 9)	117.6	137.5	103.9	136.5
Extraordinary expenses (Note 10)	- 14.9	- 4.8	- 12.9	- 14.8
Extraordinary depreciation (Note 4)	-103.6	- 44.0	-103.6	- 44.0
Profit/Loss before Allocations and Income Taxes (Note 11)	- 51.3	- 63.1	- 109.0	- 53.9
Allocations of subsidiaries (net) (Note 12)	- 33.0	- 9.8		
Profit/Loss before Income Taxes	- 84.3	- 72.9		
Income taxes of subsidiaries (Note 13)	- 15.9	- 7.8		
Minority interests	- 3.0	- 0.4		
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	- 103.2	- 81.1		

"Notes to Financial Statements" refer to the above Profit and Loss Statements.

Balance Sheets

September 30, 1981

In millions of Swedish Kronor

Assets	SAS Group (Consolidated)		SAS Consortium		Liabilities and Equity	SAS Group (Consolidated)		SAS Consortium	
	Sept. 30, 1981	Sept. 30, 1980	Sept. 30, 1981	Sept. 30, 1980		Sept. 30, 1981	Sept. 30, 1980	Sept. 30, 1981	Sept. 30, 1980
Current Assets					Current Liabilities				
Cash and bank balances including temporary cash investments (Note 14)	1 239.2	1 098.5	892.6	930.7	Accounts payable, subsidiaries	—	—	12.7	15.8
Bills receivable	8.6	5.1	0.0	0.0	Accounts payable, suppliers	695.1	651.1	401.7	394.8
Accounts receivable, subsidiaries	—	—	93.2	73.3	Taxes payable	16.5	10.1	—	—
Accounts receivable, parent companies	0.9	0.6	0.9	0.6	Accrued expenses and prepaid income	1 008.8	856.1	810.6	712.3
Accounts receivable, customers (Note 15)	1 169.3	993.3	834.9	690.0	Current maturities of long-term debt	354.8	245.6	328.5	214.7
Prepaid expenses and accrued income	246.8	198.6	195.9	155.8	Accounts payable, other	278.6	274.6	166.9	152.9
Taxes receivable	0.5	2.3	—	—	Unearned transportation revenue (net) (Note 23)	663.0	695.0	663.0	695.0
Accounts receivable, other	214.3	251.7	162.3	170.2	Prepayments from customers	104.5	70.6	12.0	17.0
Expendable spare parts and sundry stores (Note 16)	178.6	152.6	118.7	99.9	Total Current Liabilities	3 121.3	2 803.1	2 395.4	2 202.5
Prepayments to suppliers	22.4	24.4	6.5	7.1	Non-Current Liabilities				
Total Current Assets	3 080.6	2 727.1	2 305.0	2 127.6	Loans from subsidiaries	—	—	0.2	0.2
Blocked Funds					Subordinated debentures (Note 24)	—	18.6	—	18.6
For investment reserve (Note 17)	3.8	3.4	—	—	Debenture loans (Note 25)	446.1	425.8	446.1	425.8
Fixed Assets					Mortgage loans (Note 26)	254.7	233.7	16.5	17.1
Shares and participations in subsidiaries (Note 18)	—	—	132.4	128.6	Other loans (Note 27)	2 006.7	1 559.4	1 948.8	1 462.7
Other shares and participations (Note 18)	63.4	63.5	59.0	59.0	Other non-current liabilities (Note 28)	213.6	75.3	150.8	65.0
Bonds	12.5	12.8	8.7	9.4	Provision for pension liabilities (Note 29)	32.9	69.6	—	—
Long-term accounts receivable, subsidiaries	—	—	33.8	30.0	Deferred currency losses (Note 30)	—311.0	—	—311.0	—
Long-term accounts receivable, parent companies	4.5	3.0	4.5	3.0	Total Non-Current Liabilities	2 643.0	2 382.5	2 251.4	1 989.4
Long-term accounts receivable, other	296.6	231.2	269.4	204.4	Reserves				
Goodwill (Note 19)	16.5	20.6	—	1.5	Inventory reserve (Note 31)	32.9	34.2	32.6	32.6
Developmental costs	1.1	1.9	—	—	Depreciation reserve (Note 32)	518.9	412.0	518.9	412.0
Long-term prepayments to suppliers	99.6	167.4	99.6	167.4	Accumulated excess depreciation (Note 33)	45.7	27.1	—	—
Discount, etc., on debenture loans (Note 7)	5.9	7.3	5.9	7.3	Currency adjustment reserve (Note 34)	2.2	68.5	4.7	66.8
Fixed assets in progress (Note 20)	68.2	72.4	49.8	36.4	General investment reserve (Note 35)	6.9	13.0	—	—
Aircraft (Note 21)					District investment reserve, Norway	34.9	15.0	—	—
At cost	3 694.8	3 451.5	3 694.8	3 399.0	Profit equalization reserve (Note 35)	11.5	5.9	—	—
Depreciation (Note 32)	1 623.6	1 426.6	1 623.6	1 407.2	Other reserves	—	0.9	—	—
	2 071.2	2 024.9	2 071.2	1 991.8	Total Reserves	653.0	576.6	556.2	511.4
Spare engines and spare parts					Minority Interests	12.9	9.2	—	—
At cost	691.5	505.9	691.5	500.1	Equity (Note 36)				
Depreciation (Note 32)	305.6	237.6	305.6	234.8	Capital				
	385.9	268.3	385.9	265.3	ABA (3/7)	346.1	369.2	346.1	369.2
Workshop and aircraft servicing equipment					DDL (2/7)	230.7	246.1	230.7	246.1
At cost	195.3	177.5	195.3	175.8	DNL (2/7)	230.7	246.1	230.7	246.1
Depreciation	131.9	117.0	131.9	115.4		807.5	861.4	807.5	861.4
	63.4	60.5	63.4	60.4	Legal reserve	18.0	14.2	—	—
Other equipment and vehicles (Note 22)					Revaluation reserves	14.2	6.0	—	—
At cost	802.4	717.1	562.4	503.0	Retained earnings	— 3.9	19.2	—	—
Depreciation	409.4	339.3	285.9	229.9	Profit/Loss of the year	—103.2	— 81.1	—109.0	— 53.9
	393.0	377.8	276.5	273.1	Total Equity	732.6	819.7	698.5	807.5
Buildings and improvements					Total Liabilities and Equity	7 162.8	6 591.1	5 901.5	5 510.8
At cost	833.9	735.9	266.8	247.4	Pledges, etc.				
Depreciation	297.1	240.5	138.7	109.0	Mortgages on real estate	306.7	310.9	18.2	18.5
	536.8	495.4	128.1	138.4	Sundry pledges	161.9	156.0	8.1	9.4
Land and improvements					Total Pledges, etc.	468.6	466.9	26.3	27.9
At cost	61.2	54.9	8.6	7.5	Contingent Liabilities (Note 37)				
Depreciation	1.4	1.3	0.3	0.3	Guarantees and other contingent liabilities for subsidiaries	—	—	172.1	164.5
	59.8	53.6	8.3	7.2	others	119.5	87.3	90.6	72.7
Total Fixed Assets	4 078.4	3 860.6	3 596.5	3 383.2	Pension commitments	44.0	45.4	43.4	44.2
Total Assets	7 162.8	6 591.1	5 901.5	5 510.8	Total Contingent Liabilities	163.5	132.7	306.1	281.4

"Notes to Financial Statements" refer to the above Balance Sheets.

Furthermore, the Consortium has assumed lease obligations in connection with an 18-year lease of a Boeing 747-Combi in February 1981 and a similar lease of a Boeing 747B in October 1981. The Consortium has also certain liabilities in connection with ticket sales according to pay-later plans

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. 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.e., SAS Cargo Center A/S, Copenhagen, and Scandinavian Airlines of North America 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.

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 (or as a liability) in the consolidated balance sheet.

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

As from 1980/81 financial statements of subsidiaries, which are kept in other currencies than Swedish kronor, are, for the purposes of consolidation, translated into Swedish kronor by using the current rate method. Assets and liabilities are thus translated into Swedish kronor using market-oriented rates of exchange as of the end of the financial year, while equity and the year's result are translated at historical exchange rates and average rates for the year respectively. The conversion differences resulting from such translation are charged/credited directly to equity of the SAS Group to the extent they refer to SAS's share in such subsidiaries. Conversion differences relating to minority interests in the subsidiaries are entered under the heading "Minority interests" in the consolidated balance sheet.

During previous years the monetary/nonmonetary method was used for consolidation purposes. In this report the comparative financial statements as of September 30, 1980 have been restated based on the current rate method. Financial statements of subsidiaries directly included in the accounts of the Consortium are still converted into Swedish kronor using the monetary/nonmonetary method.

Monetary assets and liabilities in other currencies than Swedish kronor are, as hitherto, stated in the balance sheet in Swedish kronor based on market-oriented exchange rates. The translation of the long-term debt of the Consortium into Swedish kronor has resulted in significant unrealized currency losses, mainly because of the strengthening of the US dollar and the devaluation of the Swedish krona during the year. The ultimate extent of these losses will depend on future currency developments. In order to distribute such currency losses, net of the currency adjustment reserve, equitably between accounting years, the following charges to income have been made in the accounts of the Consortium for 1980/81:

(a) currency losses realized through amortizations and unrealized currency losses relating to current maturities long-term debt.

(b) unrealized currency losses relating to an equivalent share of debt with deferred amortization or no amortization prior final maturity, established on the basis of the remaining lives of the loans.

The remaining unrealized losses on long-term debt have been deferred as a deduction from debt on a contra-liability account in the balance sheet of the Consortium. Currency gains/losses resulting from the translation of other monetary assets and liabilities into Swedish kronor have been credited/charged directly to income.

In this report some reclassifications have been made in the profit and loss statement, balance sheet and funds statement of

the Consortium. In this connection, credits to the result from reserves and provisions for extraordinary depreciation have been treated as extraordinary items. The financial statements for the previous year have been restated accordingly.

Note 1—Traffic revenue

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Passenger	5 730.1	5 147.8	5 579.2	4 986.4
Freight	920.1	871.7	914.9	866.3
Mail	148.2	124.4	142.8	120.3
Charter	122.7	107.8	40.8	33.0
Leasing	145.3	148.9	145.3	148.9
Less: Elimination of internal transactions	-63.0	-58.4	—	—
	<u>7 003.4</u>	<u>6 342.2</u>	<u>6 823.0</u>	<u>6 154.9</u>

Traffic revenue of the subsidiaries during 1980/81 amount to MSEK 243.4 (1979/80 MSEK 245.8) before elimination of internal transactions.

Note 2—Other revenue

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Consortium	1 181.0	1 023.8	1 181.0	1 023.8
Subsidiaries	2 463.3	2 283.6	—	—
Less: Elimination of internal transactions	-476.2	-429.4	—	—
	<u>3 168.1</u>	<u>2 878.0</u>	<u>1 181.0</u>	<u>1 023.8</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.

Note 3—Operating expenses

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Consortium	7 606.0	6 954.7	7 606.0	6 954.7
Subsidiaries	2 584.1	2 443.6	—	—
Less: Elimination of internal transactions	-539.1	-477.5	—	—
	<u>9 651.0</u>	<u>8 920.8</u>	<u>7 606.0</u>	<u>6 954.7</u>

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

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Salaries, wages and remunerations	2 428.8	2 351.5	1 848.8	1 811.3

Note 4—Depreciation

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Goodwill	4.1	3.6	1.5	1.5
Developmental costs	0.9	2.6	—	—
Aircraft	221.6	214.6	216.4	209.1
Spare engines and spare parts	47.5	38.7	47.0	38.1
Workshop and aircraft servicing equipment	19.1	14.2	19.1	14.1
Other equipment and vehicles	89.0	72.7	64.4	48.9
Buildings and improvements	53.7	44.2	28.0	23.1
Land and improvements	0.2	0.2	0.0	0.0
	<u>436.1</u>	<u>390.8</u>	<u>376.4</u>	<u>334.8</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.

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 flight simulators for A300 and DC-10, which are depreciated over seven and 12 years, respectively. The annual rates of depreciation on buildings vary from two to 20 per cent.

Extraordinary depreciation on surplus flight equipment, provided for in view of the excess aircraft capacity of the Consortium and the difficult market for used aircraft, amounts to MSEK 103.6 and is accounted for under a separate heading in the profit and loss statement (see also Note 9). During 1979/80 extraordinary depreciation was made in the amount of MSEK 44.0.

Note 5—Dividends from subsidiaries

	Consortium	
	1980/81	1979/80
SAS Catering A/S, Denmark	—	1.8
SAS Catering A/S, Norway	4.1	2.8
Nyman & Schultz Resebyråer AB	1.0	1.0
AB Olson & Wright	1.5	1.0
Scandinavian Air Tour Productions AB	0.1	0.1
	<u>6.7</u>	<u>6.7</u>

Note 6—Other financial income

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Interest earned from subsidiaries	—	—	5.4	5.8
Interest earned from others	175.5	173.8	137.0	149.5
Cash discounts, etc.	5.0	3.8	4.3	2.4
	<u>180.5</u>	<u>177.6</u>	<u>146.7</u>	<u>157.7</u>

Note 7—Financial expenses

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Interest paid to subsidiaries	—	—	0.0	0.0
Interest paid to others	288.6	244.8	231.8	192.7
Currency losses on long-term debt (realized)	8.5	—	8.2	—
Provision for currency losses on long-term debt (unrealized)	97.1	—	85.5	—
Other currency differences (net)	-46.1	-0.2	-44.9	-0.2
Depreciation on discount, etc., on debenture loans	1.5	1.5	1.5	1.5
Bank expenses, etc.	3.7	3.5	2.7	2.3
	<u>353.3</u>	<u>249.6</u>	<u>284.8</u>	<u>196.3</u>

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

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Aircraft	19.0	—	—	—
Spare engines and spare parts	10.8	10.1	10.8	10.1
Buildings	5.8	—	—	—
Other equipment, etc.	1.8	1.1	2.0	0.6
	<u>37.4</u>	<u>11.2</u>	<u>12.8</u>	<u>10.7</u>

The whole fleet of Transair Sweden AB, four Boeing 727-100, has been sold during 1980/81.

Note 9—Extraordinary income

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Unredeemed transportation sale credited to income (see Note 23)	103.6	89.3	103.6	89.3
Deferral of agents' commission relating to passenger documents not yet utilized	—	47.2	—	47.2
Transair Sweden AB — bonus in connection with repayment of PRI pension liabilities after September 30, 1981 (see Note 29)	13.6	—	—	—
Other extraordinary income	0.4	1.0	0.3	—
	<u>117.6</u>	<u>137.5</u>	<u>103.9</u>	<u>136.5</u>

Simultaneously with the crediting to income of unredeemed transportation sale, MSEK 103.6, a provision in the same amount has been made for extraordinary depreciation on surplus flight equipment (see Note 4). During 1979/80 extraordinary depreciation was made in the amount of MSEK 44.0.

Note 10—Extraordinary expenses

	SAS Group		Consortium	
	1980/81	1979/80	1980/81	1979/80
Contributions to subsidiaries	—	—	—	10.5
Provision for share in loss of Hotel Scandinavia K/S, Copenhagen	12.9	4.3	12.9	4.3
Other extraordinary expenses	2.0	0.5	—	—
	<u>14.9</u>	<u>4.8</u>	<u>12.9</u>	<u>14.8</u>

Note 11—Profit/Loss before allocations and income taxes

	SAS Group	
	1980/81	1979/80
Profit/Loss of the Consortium	-109.0	-53.9
Profit/Loss of the subsidiaries	+ 66.5	+ 0.9
Elimination of internal dividends	-6.7	-6.7
Depreciation on goodwill stated in the accounts of the Group	-2.1— 8.8	-1.6— 8.3
Consolidated profit/loss before allocations and income taxes	<u>-51.3</u>	<u>-63.1</u>

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

Note 12—Allocations of subsidiaries (net)

	SAS Group	
	1980/81	1979/80
<i>From reserves:</i>		
— inventory reserve	1.4	—
— general investment reserve	9.2	0.5
— district investment reserve, Norway	2.0	10.0
— profit equalization reserve	0.9	—
— other reserves	0.8	—
	<u>14.3</u>	<u>10.5</u>
<i>To reserves:</i>		
— inventory reserve	— 0.1	— 0.4
— excess depreciation	— 18.9	— 7.3
— general investment reserve	— 2.9	— 0.3
— district investment reserve, Norway	— 18.7	— 5.5
— profit equalization reserve	— 6.5	— 5.9
— other reserves	— 0.2	— 0.9
	<u>- 47.3</u>	<u>- 20.3</u>
	<u>- 33.0</u>	<u>- 9.8</u>

Note 13—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 14—Cash and bank balances including temporary cash investments

As of September 30, 1981, MSEK 250.9 (Sept. 30, 1980, MSEK 135.2) were placed as short-term loans mainly in Scandinavia, out of which MSEK 165.4 (Sept. 30, 1980, MSEK 95.3) by the Consortium. Placement by the Consortium in Danish public bonds amounted to MSEK 105.1 (Sept. 30, 1980, MSEK 98.8).

Note 15—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 MSEK 24.2 (Sept. 30, 1980, MSEK 21.4), out of which MSEK 15.2 (Sept. 30, 1980, MSEK 13.3) refer to the Consortium.

Note 16—Expendable spare parts and sundry stores

	SAS Group		Consortium	
	1981	1980	1981	1980
Raw materials, etc.	12.5	14.0	12.5	14.0
Sundry goods for sale	59.9	54.1	5.0	4.1
Surplus stores	27.4	21.0	22.4	21.0
Work in progress	5.3	2.5	5.3	2.5
Catering material, uniforms, etc.	8.6	8.1	8.6	8.1
Expendable spare parts, etc.	64.9	52.9	64.9	50.2
As of September 30	178.6	152.6	118.7	99.9

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

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

Note 17—Blocked funds

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

Note 18—Shares and participations in subsidiaries. Other shares and participations

The Consortium's shares and participations in subsidiaries increased to MSEK 132.4 during the year:

	Consortium
As of September 30, 1980	128.6
SAS-Invest A/S — New share issue	3.5
Other	0.3
As of September 30, 1981	132.4

The shares and participations held by the Consortium as of September 30, 1981 are specified on page 23.

Note 19—Goodwill

Out of the price paid by the Consortium 1979/80 for the shares in AB Olson & Wright, MSEK 34.0, an amount of MSEK 16.4 was 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 total, MSEK 43.5 refer to the new cargo terminal in Oslo, MSEK 4.8 to construction work on a new SAS

administration building in Oslo and MSEK 18.3 to various buildings of SAS Catering, mainly the new flight kitchen in Frankfurt.

Note 21—Aircraft.

	SAS Group	Consortium
<i>Acquisition value</i>		
As of September 30, 1980	3 451.5	3 399.0
Aircraft delivered in 1980/81		
Prepayments, etc., made before Oct. 1, 1980 (transferred from long-term prepayments)	19.2	19.2
Investments during 1980/81	276.6	276.6
Aircraft sold in 1980/81	-52.5	—
As of September 30, 1981	3 694.8	3 694.8
<i>Depreciation</i>		
As of September 30, 1980	1 426.6	1 407.2
Depreciation 1980/81 (see Note 4 and 32)	221.6	216.4
Accrued depreciation on aircraft sold in 1980/81	-24.6	—
As of September 30, 1981	1 623.6	1 623.6
<i>Insurance value of aircraft</i>		
As of October 1, 1981	4 917.2	4 917.2

During the year the Consortium took delivery of two Airbus A300 included above under "Aircraft delivered in 1980/81". A Boeing 747-Combi was delivered under an 18 years lease arrangement with Wilmington Trust Company, Wilmington, Delaware, as owner trustee for Citicorp Leasing Inc., Wilmington, Delaware.

"Aircraft sold in 1980/81" includes four Boeing 727-100 sold by Transair Sweden AB.

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 MSEK 318.3 and MSEK 64.1, respectively. As of September 30, 1980 the corresponding amounts were MSEK 284.4 and MSEK 64.1.

Note 23—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. After the extraordinary transfer of MSEK 103.6 to income (see Note 9), remaining unredeemed transportation sale relating to passenger documents, included under this heading, is calculated to MSEK 61.2, all of which refers to the sale of passenger documents during 1980/81.

Note 24 - Subordinated debentures

	1981	1980
<i>Consortium</i>		
6 1/2 % in DKK, NOK and SEK, due 1982	10.2	18.6
7 % in DKK, NOK and SEK, due 1982	10.3	18.7
	20.5	37.3
Less: Current maturities included under current liabilities	-20.5	-18.7
As of September 30	—	18.6

Note 25 - Debenture loans

	1981	1980
<i>Consortium</i>		
5 1/2 % CHF 80.0 mill., due 1982-1992	226.4	202.4
8 % USD 20.0 mill., due 1982-1985	112.2	91.7
10 3/4 % SEK 140.0 mill., due 1981-1994	140.0	150.0
	478.6	444.1
Less: Current maturities included under current liabilities	-32.5	-18.3
As of September 30	446.1	425.8

Note 26 - Mortgage loans

	1981	1980
<i>Consortium</i>		
6 %/18 3/8 % DKK 21.4 mill., due 1981-2003	16.5	16.2
10 %/12 % NOK 1.9 mill., due 1981-2001	1.8	1.8
13 1/4 % ZAR 0.0 mill., due 1981-1997	0.2	0.2
	18.5	18.2
Less: current maturities included under current liabilities	-2.0	-1.1
As of September 30	16.5	17.1
<i>Subsidiaries</i>		
DKK 16.8 mill.	12.9	13.1
NOK 169.5 mill.	159.3	168.6
USD 5.8 mill.	32.8	9.2
GRD 196.3 mill.	19.4	18.7
Sundry loans	30.0	21.5
	254.4	231.1
Less: Current maturities included under current liabilities	-16.2	-14.4
As of September 30	238.2	216.6
SAS Group, as of September 30	254.7	233.8

Note 27 - Other loans

	1981	1980
<i>Consortium</i>		
6 % USD 52.8 mill., due 1981-1988	296.0	269.1
6 1/2 % USD 10.1 mill., due 1981-1986	56.8	68.2
6 1/2 % USD 58.9 mill., due 1981-1994	330.3	235.3
7 1/8 % USD 1.4 mill., due 1981-1984	7.7	7.6
7 1/2 % USD 12.2 mill., due 1984-1987	68.3	50.8
7 3/4 % USD 47.0 mill., due 1982-1990	263.5	218.9
8 % USD 4.8 mill., due 1982-1986	27.1	20.1
8 1/2 % USD 5.4 mill., due 1982-1984	30.3	32.5
8 3/4 % USD 13.2 mill., due 1984-1989	74.0	55.0
9 % USD 5.3 mill., due 1983-1987	30.1	22.3
9 1/4 % USD 26.6 mill., due 1981-1993	149.7	115.7
9 1/2 % USD 16.3 mill., due 1983-1993	91.1	67.8
LIBOR plus 1/2 % USD 10.8 mill. due 1981-1984 (LIBOR Sept 24, 1981, 16 1/8 %)	60.8	58.1
LIBOR plus 1/2 % USD 33.3 mill. multicurrency loan, due 1985 (LIBOR Sept. 30, 1981, 16 3/4 %)	186.6	138.7
USD Base rate plus 1/2 % USD 2.3 mill., due 1981-1982 (USD Base rate Sept. 30, 1981, 19 1/2 %)	12.9	23.8
6 % CHF 40.0 mill., due 1985	113.2	101.2
8 % FRF 276.2 mill., due 1981-1991	276.2	—
8 1/2 % NOK 18.0 mill., due 1982-1984	16.9	22.4
9 1/2 % NOK 38.2 mill., due 1981-1984	35.9	42.1
Official discount rate plus 4 1/2 % DKK 6.0 mill., due 1982-1991 (official DKK discount rate Sept. 30, 1981, 11 %)	4.6	4.2
Official discount rate plus 2 1/2 % SEK 49.6 mill., due 1981-1989 (official SEK discount rate Sept. 30, 1981, 12 %)	49.6	59.9
12 1/2 % SEK 17.7 mill., due 1981-1989	17.7	19.6
13 1/8 % SEK 2.3 mill., due 1982-1996	2.3	—
14 1/4 % SEK 0.1 mill., due 1981-1989	0.1	—
	2 201.7	1 633.3
Less: Current maturities included under current liabilities	-252.9	-170.6
As of September 30	1 948.8	1 462.7
<i>Subsidiaries</i>		
Sundry loans	64.4	107.0
Less: Current maturities included under current liabilities	-6.5	-10.3
As of September 30	57.9	96.7
SAS Group, as of September 30	2 006.7	1 559.4

Note 28—Other non-current liabilities

	1981	1980
<i>Consortium</i>		
Other non-current liabilities	171.4	71.0
Less: Current maturities included under current liabilities	-20.6	-6.0
As of September 30	150.8	65.0
<i>Subsidiaries</i>		
Other non-current liabilities	64.3	14.4
Less: Current maturities included under current liabilities	-3.6	-6.2
As of September 30	60.7	8.2
Deferred tax liability on acquired untaxed reserves	2.1	2.1
SAS Group, as of September 30	213.6	75.3

Note 29—Provision for pension liabilities

	SAS Group	1981	1980
<i>Subsidiaries</i>			
SAS Catering AB, Sweden—PRI	5.1	4.4	
—other	0.9	1.0	
Transair Sweden AB—PRI	—	41.0	
Vingresor AB—PRI	8.6	7.3	
—other	0.1	0.1	
Nyman & Schultz Resebyråer AB	1.1	1.0	
AB Olson & Wright—PRI	15.2	13.1	
—other	1.9	1.7	
As of September 30	32.9	69.6	

As notice has been given to PRI to terminate their loan to Transair Sweden AB, the pension liability has been transferred to current liabilities.

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 30—Deferred currency losses

Unrealized currency losses on long-term debt, deferred by the Consortium as a deduction from debt on a contra-liability account in the balance sheet (see "Consolidation and accounting principles") amounted as of September 30, 1981 to MSEK 311.0 (September 30, 1980 —). Out of the total MSEK 258.4 refer to long-term debt in US dollar.

Note 31—Inventory reserve

The inventory reserve relates to expendable spare parts and sundry stores under current assets (see Note 16).

Note 32—Depreciation reserve

The depreciation policy of the Consortium is described in Note 4. In the reports required to be submitted under several of its credit agreements with US lenders, the Consortium depreciates its flight equipment over 12 years to a 10 per cent residual value for Douglas DC-8, 14 years to a 10 per cent residual value for Douglas DC-9 and 16 years to a 10 per cent residual value for Airbus A300, Boeing 747 and Douglas DC-10-30 equipment.

As from October 1, 1980, on a retroactive basis, the Consortium records depreciation in accordance with the same terms 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 the depreciation reserve account.

Prior to October 1, 1980 depreciation for the abovementioned purposes was based on 12 years for DC-9 and 14 years for A300, 747 and DC-10-30 flight equipment, in all cases with a 10 per cent residual value. The comparative balance sheet as of September 30, 1980 has been restated according to the revised principles.

The year's extraordinary depreciation, MSEK 103.6, has been credited to the depreciation reserve, which thereafter shows a balance of MSEK 518.9 (as of September 30, 1980 MSEK 412.0 as restated).

Note 33—Accumulated excess depreciation

Under this heading the subsidiaries record depreciation made as an allocation in excess of their ordinary depreciation.

Note 34—Currency adjustment reserve

	<u>Consortium</u>
As of September 30, 1980	66.8
Adjustment charged as expense	2.3
Currency losses on long-term debt 1980/81	-473.8
Currency losses on long-term debt net of reserve	-404.7
Currency losses on long-term debt charged as expense	
— realized	8.2
— unrealized	85.5
Currency losses on long-term debt deferred as a deduction from debt (unrealized)	311.0
Revaluation of long-term receivables (loans to subsidiaries)	3.1
Adjustment charged as expense	1.6
As of September 30, 1981	<u>4.7</u>

"Currency losses on long-term debt net of reserve", MSEK 404.7, reflects the difference between market-oriented rates and the rates of exchange at take-down or as of September 30, 1980, if higher. In the latter case, currency losses relating to such rates have been charged as expense during previous years. The balance of MSEK 4.7 equals unrealized currency gains on long-term loans granted by the Consortium.

The rates of exchange as of September 30 used by the Consortium for the translation of assets and liabilities from Danish kroner (DKK), Norwegian kroner (NOK), US dollars (USD), Swiss francs (CHF) and French francs (FRF) into Swedish kronor are given below:

	100 DKK	100 NOK	1 USD	100 CHF	100 FRF
As of Sept. 30, 1980	74.75	85.75	4.17	253.00	99.00
As of Sept. 30, 1981	77.00	94.00	5.61	283.00	100.00

Note 35—General investment reserve. Profit equalization reserve

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

Note 36—Equity

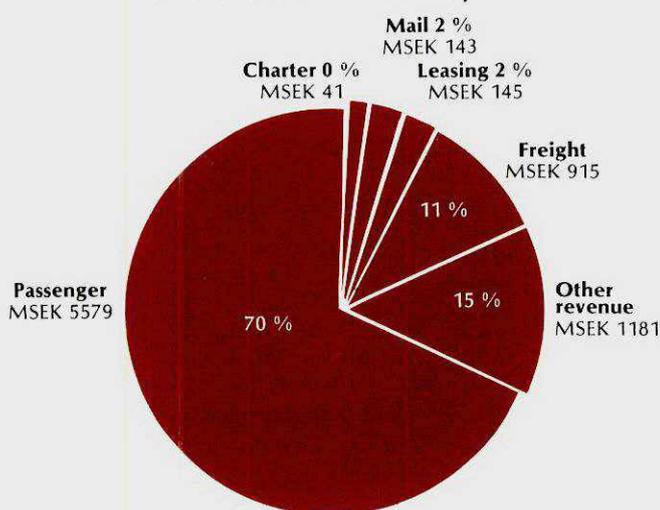
	<u>SAS Group</u>	<u>Consortium</u>
As of September 30, 1980	819.7	807.5
Result of the year after allocations, income taxes and minority interests	-103.2	-109.0
Conversion difference (consolidation)	+ 7.6	—
Allocations to reserves through revaluation of properties	+ 8.1	—
Sundry adjustments	+ 0.4	—
As of September 30, 1981	<u>732.6</u>	<u>698.5</u>

Due to the retroactive implementation of the current rate method for consolidation the equity of the SAS Group as of September 30, 1980, MSEK 819.7, is MSEK 5.8 (net) higher than stated in the annual report for 1979/80.

Note 37—Contingent liabilities

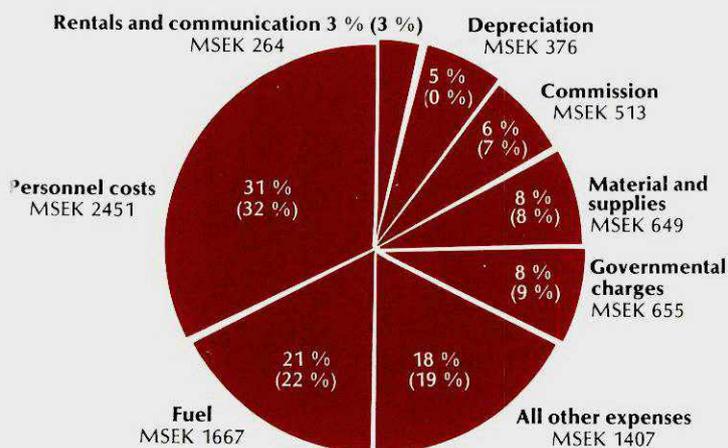
	<u>Consortium</u>	<u>1981</u>	<u>1980</u>
Travel guarantees on behalf of Vingresor AB	75.0	75.0	
Guarantees of pension liabilities in Transair Sweden AB	49.4	41.0	
Guarantees of pension liabilities in AB Olson & Wright	15.6	13.2	
Other contingent liabilities for subsidiaries	32.1	35.3	
	<u>172.1</u>	<u>164.5</u>	
Guarantees of loan of Linjeflyg AB	25.0	25.0	
Guarantees of loan of Hotel Scandinavia K/S	32.3	24.0	
Other contingent liabilities	33.3	23.7	
	<u>90.6</u>	<u>72.7</u>	
Pension commitments	43.4	44.2	
As of September 30	<u>306.1</u>	<u>281.4</u>	

Operating Revenue of SAS Consortium 1980/81



Operating Expenses of SAS Consortium 1980/81

(Including depreciation. Percentages in brackets show operating expenses excluding depreciation)



Funds Statements

In millions of Swedish Kronor

	SAS Group (Consolidated)		SAS Consortium	
	1980/81	1979/80	1980/81	1979/80
Sources of funds				
Profit/Loss before allocations and income taxes	— 51.3	— 63.1	— 109.0	— 53.9
Depreciation (ordinary)	436.1	390.8	376.4	334.8
Reserves credited to income	— 103.6	— 136.5	— 103.6	— 136.5
Depreciation (extraordinary)	103.6	44.0	103.6	44.0
Book value of assets sold and retired	63.2	13.3	15.4	11.7
Currency differences arising from revaluation of monetary assets and liabilities	64.0	2.1	48.8	—
Other (net)	— 25.9	— 29.8	— 8.2	— 24.8
From operations	486.1	220.8	323.4	175.3
Borrowing	458.8	754.3	414.6	671.3
Amortization on long-term loans	50.3	27.7	43.3	52.9
Minority shares in new capital of subsidiaries	3.0	— 0.3	—	—
Refund of prepayments for aircraft made previous years	101.9	—	101.9	—
Total funds received	1 100.1	1 002.5	883.2	899.5
Uses of funds				
Aircraft, spare engines, spare parts	397.6	385.4	397.4	384.7
Prepayments on flight equipment	49.6	105.2	49.6	105.2
Loans to KSSU-partners and Swissair	36.3	93.3	36.3	93.3
Buildings and improvements	81.8	134.7	40.6	70.0
Other equipment, inventories, etc.	138.9	216.1	92.8	175.5
Acquisition of AB Olson & Wright	—	—	—	34.0
Shares and goodwill	0.7	2.9	3.8	22.9
Discount, etc., on debenture loan	—	1.7	—	1.7
Sub-total investments	704.9	939.3	620.5	887.3
Long-term lending	23.6	21.5	14.8	9.4
Amortization on long-term debt	391.2	245.9	308.7	193.4
Distributed to parent companies out of last year's profit	—	98.0	—	98.0
Total funds applied	1 119.7	1 304.7	944.0	1 188.1
Changes in working capital	— 19.6	— 302.2	— 60.8	— 288.6
<i>Specification of changes in working capital</i> (excluding currency adjustments of balances)				
Increase (+)/decrease (—) of sundry stores	+ 12.4	+ 8.3	+ 9.4	+ 5.2
Increase (+)/decrease (—) of expendable spare parts	+ 18.7	+ 25.8	+ 18.7	+ 25.8
Increase (+)/decrease (—) of short-term accounts receivable	+ 134.7	+ 313.7	+ 153.6	+ 240.3
Increase (—)/decrease (+) of short-term accounts payable	— 209.6	— 467.9	— 91.7	— 399.7
Increase (+)/decrease (—) of cash and bank balances	+ 24.2	— 182.1	— 150.8	— 160.2

"Notes to Financial Statements" refer to the above Funds Statements

Copenhagen, Oslo and Stockholm, January 15, 1982

Haldor Topsøe

Curt Nicolin

Jens Chr. Hauge

J.L. Halck

Krister Wickman

Per M. Backe

Orla Mathiesen

Inge Johannesson

Ingvar Lilletun

Jan Carlzon

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, 1980 – September 30, 1981.

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 109.0 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, 1982

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

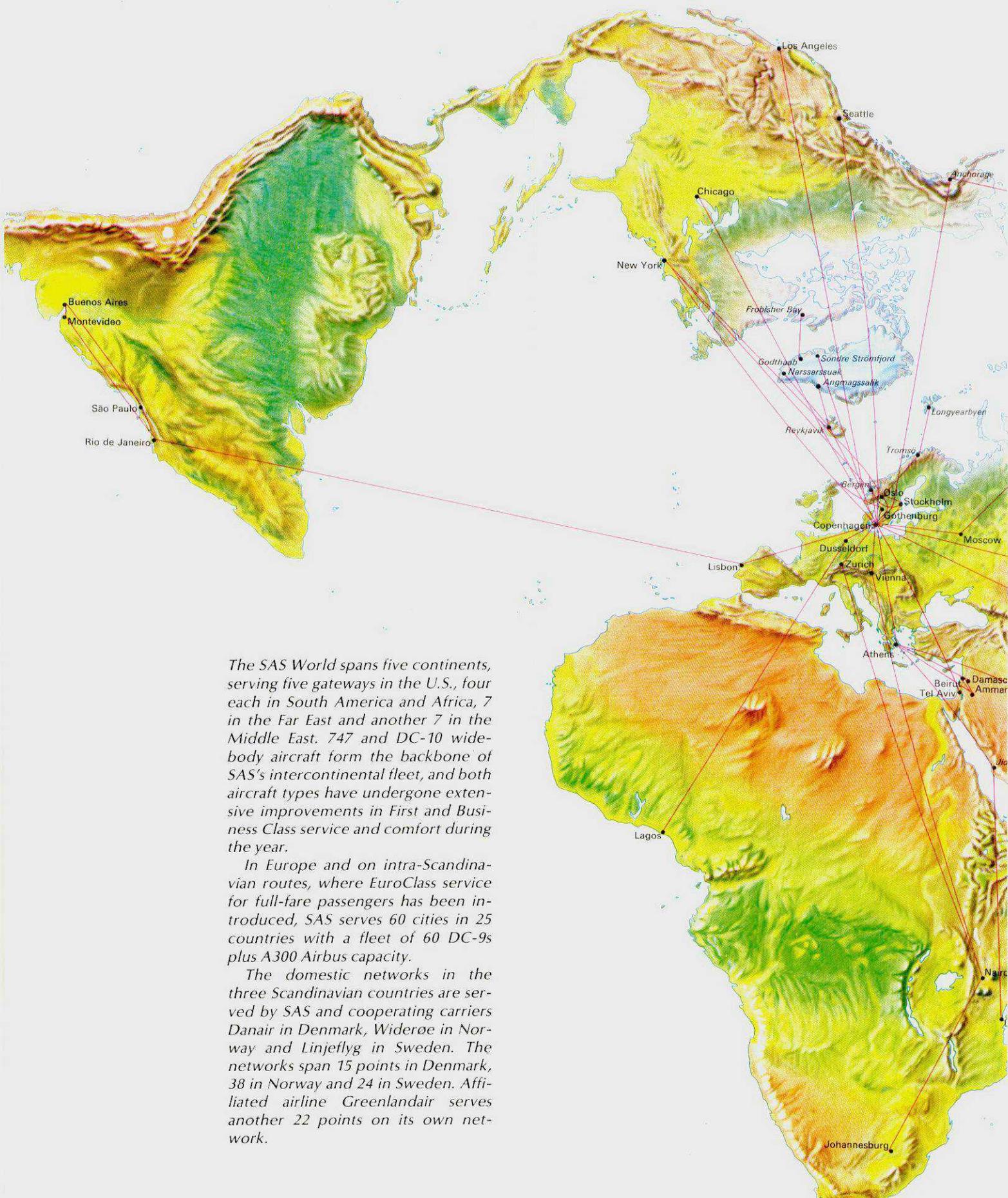
Arne Brendstrup

Tor Storhaug
Authorized Public Accountant

Specification of Shares and Participations as of September 30, 1981

	Number of Shares, etc.	Per Cent	Par Value in Thousands	Book Value MSEK
The Consortium's Holdings of Shares and Participations				
<i>Subsidiaries directly included in the accounts of the Consortium</i>				
SAS Cargo Center A/S, Copenhagen	48	100	DKK 250	0.2
Scandinavian Airlines of North America Inc., New York	1 750	100	USD 175	0.9
SAS France S.A., Paris	1 000	100	FRF 100	0.1
Sundry				0.0
				1.2
<i>Subsidiaries consolidated with the Consortium in the SAS Group</i>				
SAS Catering A/S, Denmark, Copenhagen	16 000	100	DKK 16 000	11.3
SAS Catering A/S, Norway, Oslo	8 000	100	NOK 8 000	6.0
SAS Catering AB, Sweden, Stockholm	160 000	100	SEK 16 000	16.0
AB Olson & Wright, Stockholm	3 000	100	SEK 3 000	33.0
SAS-Invest A/S, Copenhagen	4 110	100	DKK 10 000	7.2
Nyman & Schultz Resebyråer AB, Stockholm	30 000	100	SEK 15 000	15.0
Vingresor AB, Stockholm	200 000	100	SEK 20 000	20.0
Scandinavian Air Tour Productions AB, Stockholm	10 000	100	SEK 1 000	1.0
Transair Sweden AB, Malmö	1 000	100	SEK 100	0.1
Gamla Vingresor AB, Stockholm	10 000	100	SEK 1 000	1.0
Nordair ApS, Copenhagen	200	100	DKK 300	0.2
InterSAS B.V., Amsterdam	104	100	NLG 104	0.2
Arctic Hotel Corp. A/S, Narssarsuaq	1 550	78	DKK 1 550	1.3
	6 000	60	NOK 6 000	4.5
SAS Royal Hotel A/S, Oslo	{			
	Convertible			
	Loan Stock	60	NOK 18 000	13.7
Danair A/S, Copenhagen	1 710	57	DKK 1 710	1.2
A/S Dansk Rejsebureau, Copenhagen	49	50	DKK 400	0.3
Sundry				0.4
				132.4
<i>Other Companies</i>				
Linjeflyg AB, Stockholm	500 000	50	SEK 50 000	53.0
Hotel Scandinavia K/S, Copenhagen	Share in capital	39	DKK 45 700	—
Scandinavia Hotel Invest A/S, Copenhagen	2	33	DKK 500	—
Polygon Insurance Co Ltd., Guernsey	665 668	33	GBP 266 ¹⁾	2.4
Bennett Reisebureau A/S, Oslo	87	31	NOK 1 392	1.1
Greenlandair Inc., Godthåb	140	25	DKK 3 000	0.4
Widerøe's Flyveselskap A/S, Oslo	26 202	22	NOK 2 620	1.0
A/S Hotel Atlantic, Stavanger	1 117	20	NOK 559	0.4
Copenhagen Excursions A/S, Copenhagen	23	17	DKK 210	0.5
Sundry				0.2
				59.0
¹⁾ Paid up out of a total GBP 666 (thousands).				

The SAS



The SAS World spans five continents, serving five gateways in the U.S., four each in South America and Africa, 7 in the Far East and another 7 in the Middle East. 747 and DC-10 wide-body aircraft form the backbone of SAS's intercontinental fleet, and both aircraft types have undergone extensive improvements in First and Business Class service and comfort during the year.

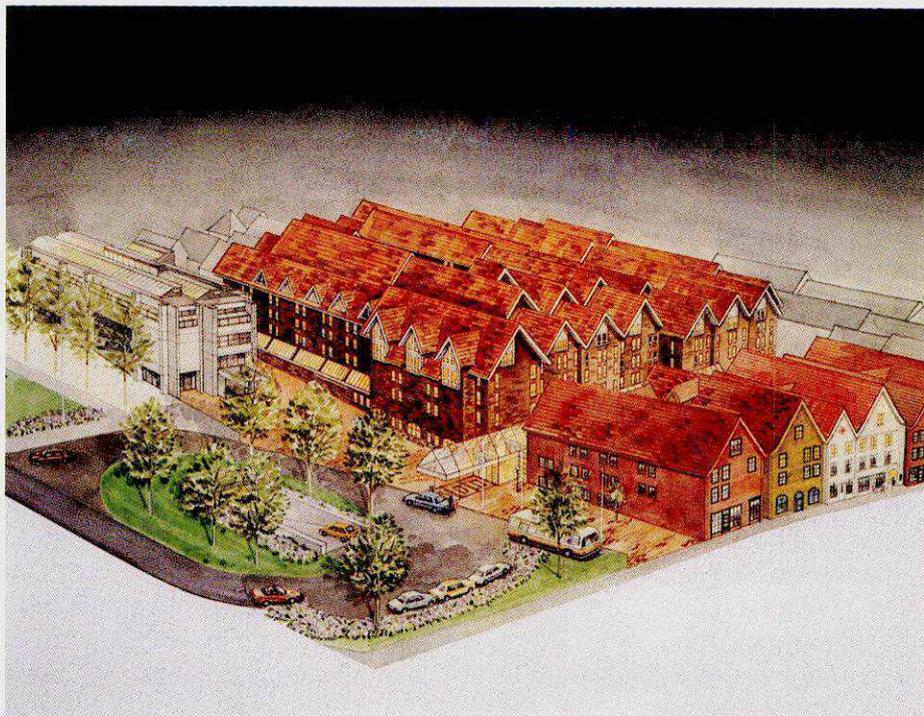
In Europe and on intra-Scandinavian routes, where EuroClass service for full-fare passengers has been introduced, SAS serves 60 cities in 25 countries with a fleet of 60 DC-9s plus A300 Airbus capacity.

The domestic networks in the three Scandinavian countries are served by SAS and cooperating carriers Danair in Denmark, Widerøe in Norway and Linjetlyg in Sweden. The networks span 15 points in Denmark, 38 in Norway and 24 in Sweden. Affiliated airline Greenlandair serves another 22 points on its own network.

World



The new 270-room SAS Royal Hotel in Bergen, Norway, was carefully designed to match the 1,000-year-old facade of the Bryggen waterfront.



Subsidiaries and Affiliated Companies

(The SAS Consortium's interests in the subsidiary and affiliated companies are listed in a separate table on page 23.)

Subsidiaries

(1980 - 1981 Financial Year)

SAS Catering & Hotels

SAS Catering & Hotels is a consortium comprising SAS Catering A/S, Denmark, SAS Catering A/S, Norway, and SAS Catering AB, Sweden. The consortium has four operating divisions. Corporate headquarters are in Copenhagen.

In 1980-81, SAS Catering & Hotels made a strong recovery, showing a result of 47.2 MSEK, before allocations and taxes, compared to 12.6 MSEK the previous year. This was due to increased revenue and cost reductions, among other things. In 1979-80, the consortium was negatively affected by the sudden drop in charter traffic, which led to substantial cost-cutting the full effect of which was not felt until 1980-81.

The Catering Division delivers about 18 million meals a year to more than 80 airlines. It operates flight kitchens and conducts other catering activities at airports in 11 cities: Copenhagen, Oslo, Bergen, Stockholm, Gothenburg, Malmö, Frankfurt, Düsseldorf, London, Athens and Tokyo. During 1981 the Catering Division entered the North American market and established a subsidiary, SAS Catering Inc., which acquired a flight kitchen at Chicago's O'Hare International Airport. The Catering Division will successively expand operations at large U.S. airports. In Tokyo, the branch office was converted into a subsidiary, which took over the branch office's

flight kitchen at Narita Airport. SAS Catering Ltd., a subsidiary which operates a flight kitchen at London's Heathrow Airport, signed a contract in October 1981 to manage the operations of British Airways' flight kitchen at Heathrow for its European network.

The Hotel Division has two main functions: the operation and management of 16 hotels (3,600 beds), and consultancy and supervision in respect of SAS's interests in four other hotels (3,000 beds). The 16 hotels are: in Denmark, the SAS Globetrotter Hotel, Copenhagen, and the Arctic Hotel, Narssarsuaq, Greenland; in Norway, the SAS Globetrotter Hotel, Oslo, the SAS Royal Hotels in Tromsø and Bodø, the SAS Lofoten Hotel, Stamsund, and the seven hotels in the A/S Nord Norsk Hotell drift chain in northern Norway; in Sweden, the SAS Park Avenue Hotel, Gothenburg, and the SAS Globetrotter Hotel, Luleå; and in Kuwait, the Kuwait SAS Hotel, Kuwait City, opened in October 1980. During the financial year, the Hotel Division signed an agreement to manage the SAS Royal Hotel, Copenhagen. It will open a new, 270-room hotel in Bergen, the SAS Royal, in February 1982.

The Restaurant Division covers a wide range of activities, including airport restaurants and cafeterias and offshore and industrial services. The Restaurant Division operates large airport restaurants at Copenhagen, Oslo, Stockholm (Arlanda and Bromma) and Gothenburg airports, as well as restaurants at Copenhagen Zoo and the Oslo Town Hall. Offshore operations encompass catering, cleaning and other accommodation services on North

	SAS Catering & Hotels (Consolidated)		AB Olson & Wright (Consolidated) (see Note)		SAS-Invest A/S		Nyman & Schultz Resebyråer AB (Consolidated)	
	MSEK 1980/81	MSEK 1979/80	MSEK 1980/81	MSEK 1979/80	MDKK 1980/81	MDKK 1979/80	MSEK 1980/81	MSEK 1979/80
Profit & Loss Statement Data								
Operating Revenue	1 168.8	1 037.1	80.0	56.5	44.3	43.1	236.0	188.4
Operating Result after Depreciation	+63.5	+18.1	+2.0	+3.4	-1.6	+0.3	+0.7	-0.5
Profit/Loss after Financial Items	+50.5	+2.2	+8.0	+4.7	-4.9	-2.3	+4.3	+4.0
Profit/Loss before Allocations and Income Taxes	+47.2	+12.6	+8.2	+4.7	-4.9	-2.3	+4.1	+4.0
Allocations, etc.	-24.6	-3.1	-5.3	-4.6	—	—	-4.1	-1.5
Income Taxes	-12.3	-5.7	-1.9	-0.1	—	—	-0.2	-1.4
Net Profit/Loss	+10.3	+3.8	+1.0	+0.0	-4.9	-2.3	-0.2	+1.1
Balance Sheet Data								
Current Assets	231.9	171.6	165.6	167.7	5.3	4.7	136.8	137.3
Fixed Assets (incl. Blocked Funds)	242.0	214.1	28.5	28.6	47.5	43.7	11.1	6.7
Total Assets	473.9	385.7	194.1	196.3	52.8	48.4	147.9	144.0
Current Liabilities	224.5	179.6	149.8	158.7	26.4	15.5	119.1	118.1
Non-Current Liabilities	102.9	101.2	24.0	22.2	18.6	24.9	5.7	4.8
Untaxed Reserves	67.9	40.8	15.5	10.2	—	0.3	8.0	4.8
Minority Interests	3.1	2.2	—	—	—	—	—	—
Equity	75.5	61.9	4.8	5.2	7.8	7.7	15.1	16.3
Total Liabilities and Equity	473.9	385.7	194.1	196.3	52.8	48.4	147.9	144.0
Average Number of Employees	4 718	4 754	356	359	215	240	409	397

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

Sea oil rigs. Industrial catering includes the operation of canteens, accommodation quarters, etc., on major entrepreneurial projects.

Division Saudi Arabia was formed in March 1981 to handle SAS Catering & Hotels' operations on the Saudi Arabian market, where the company had provided consultancy and training services since 1977. In 1981 SAS Catering & Hotels' activities in Saudi Arabia increased considerably as a result of it being appointed to plan, manage and operate the new flight kitchen at Jeddah Airport. SAS Catering & Hotels will also be responsible for the training of locally recruited key personnel for future management tasks.

AB Olson & Wright

Olson & Wright, the head office of which is in Stockholm, has several branch offices in Sweden, and subsidiaries in Norway and Denmark.

The company has three operating divisions: Shipping, International Surface Transportation, and Air Cargo Forwarding. The Shipping Division offers a wide range of shipping services, including chartering, liner agencies, ship agencies, marine service, and complete insurance assistance. The International Surface Transportation Division operates scheduled transportation services including

trucks, trailers and railway wagons, as well as extensive overseas forwarding operations. The division also has its own warehouse and terminal facilities in Stockholm, Gothenburg and Helsingborg. The Air Cargo Division is the largest IATA forwarding agent in Scandinavia, operating regular IATA cargo services with its own consolidation systems to destinations all over the world, in addition to arranging full and split charters.

In 1980-81 total sales invoiced by Olson & Wright amounted to 939 MSEK.

SAS-Invest A/S

SAS-Invest owns the SAS Royal Hotel, Copenhagen, which since October 1981 is operated by SAS Catering & Hotels for SAS-Invest under a management contract. The occupancy rate of the 300-room luxury-class hotel was 75 per cent during the financial year, an increase of two percentage points over the previous year. In 1981 the hotel's restaurants and bars were extensively rebuilt and renovated, and new conference and banqueting facilities are under construction.

Nyman & Schultz Resebyråer AB

Nyman & Schultz increased total sales of transport and travel-related services by 15 per cent, to 923 MSEK, during the year but profits declined as a result of the general deterioration of the air

transport industry. Business travel accounted for 71 per cent of total sales, while special tours and pleasure travel accounted for 18 and 11 per cent, respectively.

With headquarters in Stockholm, Nyman & Schultz is Scandinavia's largest IATA travel agency. The company is organized in a number of decentralized, result-oriented units which currently include 24 agency outlets and seven production departments. In the United States, Nyman & Schultz markets business travel through a wholly-owned subsidiary, NRB Inc. Scandinavian Air Transport Brokers (SATBAB), based in Stockholm, is another wholly-owned subsidiary of Nyman & Schultz. It arranges air taxi and passenger/cargo charters to industry and the travel trade in Scandinavia. During 1981 Nyman & Schultz introduced Prisma Långresor, a new group-inclusive-tour product on scheduled intercontinental flights.

Vingresor AB

In 1980-81 Vingresor made a profit of 10.5 MSEK, before allocations and income taxes, compared to a loss of 22.0 MSEK the previous year. The recovery was partly due to closing down the company's unprofitable U.K. operations in 1980, while other factors were market

f 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	
MSEK 1980/81	MSEK 1979/80	MSEK 1980/81	MSEK 1979/80	MSEK 1980/81	MSEK 1979/80	MDKK 1980/81	MDKK 1979/80	MNOK 1980/81	MNOK 1979/80	MDKK 1980/81	MDKK 1979/80	MDKK 1980/81	MDKK 1979/80
729.6	754.8	77.5	71.2	85.4	78.2	18.6	13.8	120.7	106.3	234.9	230.0	15.5	12.4
21.5	-16.4	-2.3	+0.6	-35.1	+2.4	+1.4	+0.7	+24.1	+18.8	0.0	0.0	+0.2	+0.4
10.5	-23.0	-1.4	+1.0	-38.0	+0.2	+0.9	+0.5	+6.4	-0.1	0.0	0.0	+0.0	+0.3
10.5	-22.0	-1.4	+0.9	-4.2	+0.2	+0.9	+0.1	+6.4	-0.1	0.0	0.0	+0.0	+0.3
-1.9	-	+0.9	-0.9	+1.1	-0.2	-	-	-	-	-	-	-0.0	-0.2
-1.3	-0.4	-0.0	-0.0	-	-	-0.2	-	-	-	-	-	-	-0.1
+7.3	-22.4	-0.5	+0.0	-3.1	0.0	+0.6	+0.1	+3.8	-0.1	0.0	0.0	+0.0	+0.0
210.2	134.8	8.2	9.5	57.0	19.0	5.1	4.5	35.4	21.0	17.1	16.4	22.9	16.1
137.2	125.9	0.4	0.4	-	41.2	4.3	4.0	176.3	148.6	0.1	0.1	2.0	1.6
347.4	260.7	8.6	9.9	57.0	60.2	9.4	8.5	211.7	205.6	17.2	16.5	24.9	17.7
191.2	146.2	7.5	7.3	59.8	16.3	5.7	2.9	27.0	27.7	14.2	13.5	23.7	16.5
114.6	87.9	-	-	-	42.5	0.7	3.2	172.7	172.4	-	-	0.5	0.6
13.1	10.1	-	0.9	-	1.1	-	-	-	-	-	-	0.4	0.3
3.6	3.6	-	-	-	-	-	-	-	-	-	-	-	-
24.9	12.9	1.1	1.7	-2.8	0.3	3.0	2.4	12.0	5.5	3.0	3.0	0.3	0.3
347.4	260.7	8.6	9.9	57.0	60.2	9.4	8.5	211.7	205.6	17.2	16.5	24.9	17.7
1 198	1 281	82	106	196	252	42	43	396	395	15	15	72	69

improvements in 1981 and an intensified low-price marketing strategy. 1981 was characterized by an aggressive marketing and price drive, which undoubtedly contributed to the year's result.

The Vingresor Group is based in Stockholm. It includes five major divisions. Two are marketing units: Vingresor in Sweden, which arranges and markets inclusive tours on charter flights, and Vingreiser in Norway (formerly 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. The fifth division is Vingresor Scandinavia, which is responsible for Vingresor's entry into the Swedish domestic vacation market, with the running of the Sunwing Åre Hotel in the country's alpine area. 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 sold 244,000 round-trip inclusive tours in 1980-81, the same as

last year. However, in a declining market this resulted in an increase of its market share by one percentage point, to 25 per cent. For 1981-82, the company has programmed capacity for 290,000 round-trip passengers.

Vingreiser in Norway produces inclusive tours. With 55,000 round-trip customers, its market share is now 21 per cent, an increase of one percentage point over 1979-80. It is an authorized IATA travel agency.

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

Scandinavian Air Tour Productions AB

The company mainly produces and markets intercontinental inclusive tours on scheduled airlines under the trade name of Globetrotter. It is Scandinavia's largest producer of inclusive tours on scheduled airlines. The head office is in Stockholm, and there are three area sales offices in Stockholm, Copenhagen and Oslo. The company has tour conductors stationed at 18 intercontinental destinations.

In 1980-81 the number of round-trip customers was 23,000, a decline of 16 per cent compared to 1979-80. Total sales rose by four per cent to 160 MSEK because of fare increases.

Arctic Hotel Corporation A/S

The Arctic Hotel at Narssarssuaq Airport, Greenland, accommodates airline transit passengers year-round and tourists during the summer. In 1980-81, transit passengers accounted for 12,800 nights at the hotel and tourists for 11,300 nights. Apart from hotel and restaurant activities, the Arctic Hotel runs a canteen for residents, shops and a laundry service.

SAS Royal Hotel A/S, Oslo

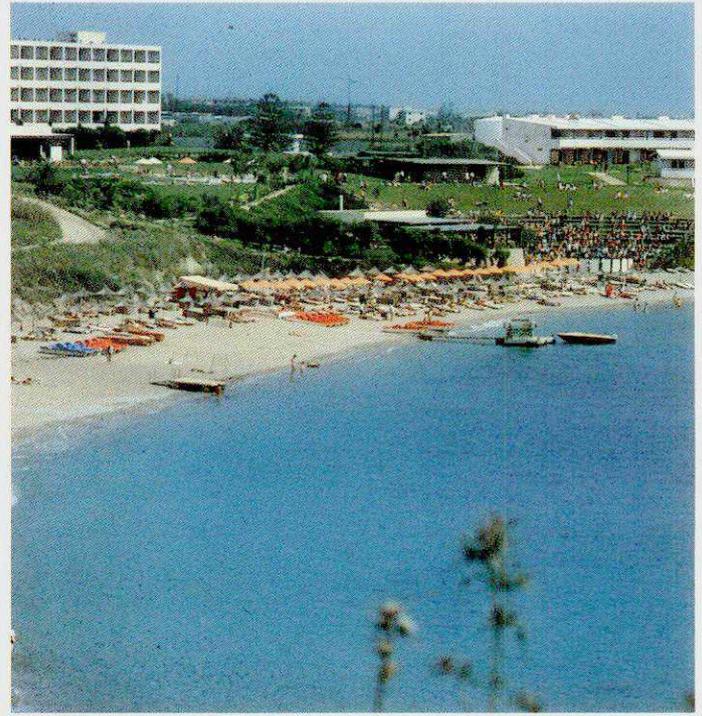
The company owns Oslo's 500-room Hotel Scandinavia, which is operated for the company by the Westin Hotel organization. In 1980-81 the hotel made a profit for the first time and much earlier than expected. The occupancy rate was 84 per cent, the same as the previous year. The lobby lounge and Restaurant Holberg were renovated during 1981. Although the hotel has an international clientele, the Norwegian market accounts for a large number of its guests.

Danair A/S

In 1980-81 Danair, the Danish domestic airline, carried 667,000 passengers, a decline of 19 per cent compared to the previous year. About 10 percentage points of this decline was caused by industrial disputes involving air traffic controllers at Copenhagen Airport in April



The head office of Olson & Wright in Stockholm. Olson & Wright has extensive international cargo operations covering air, sea and land transportation.



The Sunwing Hotel at Rhodes, one of Vingresor's most popular destinations. At right, a recent extension consisting of attractive bungalows.

and May, 1981, which led to the temporary cancellation of certain routes and a considerable reduction in the frequencies of other services. The rest of the decline was related to the general economic recession. The cabin factor was 58 per cent, five percentage points up on the previous year.

Danair links eight Danish provincial points with Copenhagen and also operates services to the Faroe Islands. The company leases DC-9 aircraft from SAS; B-737-200, HS-748 and DHC-7 aircraft from Maersk Air; and an F-27 from Cimber Air. The DHC-7 was introduced during 1981.

A/S Dansk Rejsebureau

Dansk Rejsebureau has headquarters in Copenhagen and four branch offices – one in Copenhagen and three in Jutland in western Denmark. It is one of the largest IATA agencies in Denmark. Total sales increased during the year by 32 per cent to 160 MDKK. Business travel accounted for 71 per cent, special travel for 13 per cent and pleasure travel for 16 per cent. The company produces a wide range of incentive, study, convention and other travel for the Danish business travel market under the "Rejsecentret" trade name.

SAS Cargo Center A/S, Copenhagen

The SAS Cargo Center handled about 134,000 tons of cargo during 1980-81, a decline of seven percent. 101,700 tons were transit goods, 16,000 tons imports and 16,400 tons exports. Now fully auto-

mated, the Center is rapidly gaining a reputation as one of Europe's most efficient cargo terminals, with low transfer times and reliable service. In February 1982 the Center will take over all handling of transit air mail at Copenhagen Airport from the Danish postal authorities. The mail will be largely handled by an automatic cargo sorting machine and controlled by the Center's own computers. The average number of employees was 360.

Transair Sweden AB

During 1981 a decision was taken to close down Transair, the charter airline and aircraft maintenance company in Malmö, Sweden. The company's situation had become untenable as a result of the decline of Scandinavian charter traffic, rising fuel prices and an uneconomic fleet. In addition, the company was unsuccessful in selling its production elsewhere, in spite of strong efforts, especially in Nigeria and Yugoslavia.

Affiliated Companies

Scanair

Scanair, the Scandinavian charter consortium, is owned by the parent companies of SAS. Scanair carried 907,000 one-way passengers on charter flights to and from 25 countries during 1980-81. The number of passengers declined by nine per cent compared to the previous year. Scanair's primary destinations were Spain, with 34 per cent of the passengers, and Greece, with 27 per cent. Total operating revenue decreased 22 per

cent to 476.6 MSEK, while a profit of 4.2 MSEK was recorded. The decline in operating revenue was largely due to the fact that Transair was no longer included in Scanair's accounts. The Scandinavian charter market declined for the third consecutive year. Scanair's market share was 26 per cent.

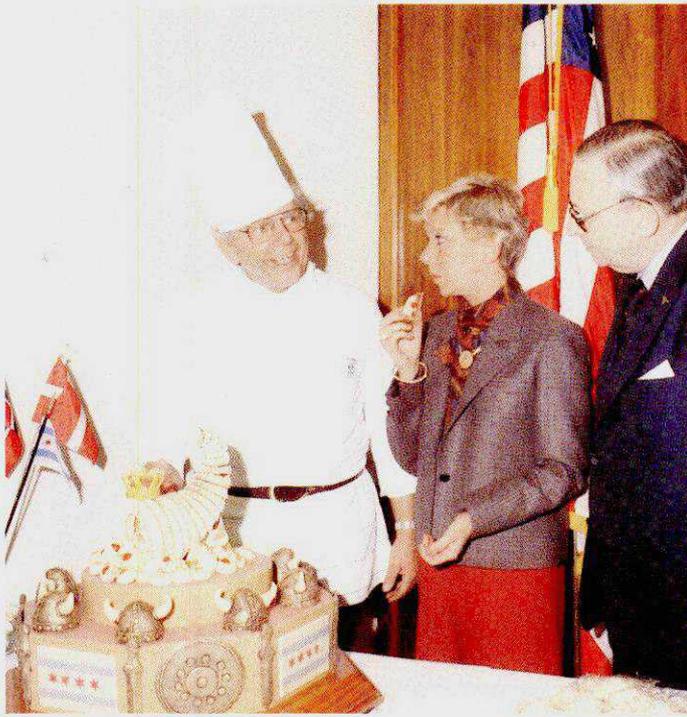
At the end of 1980-81, Scanair's fleet consisted of two DC-8-63s and three DC-8-62s, all of which are on long-term lease from SAS. In addition, Scanair leased 747B, A300, DC-8-62/63 and DC-9 aircraft from SAS on an hourly basis. From Linjeflyg, the company leased F-28 capacity.

Scanair had an average of 222 employees during the year. This figure does not include flight crews leased from SAS to operate Scanair's DC-8s.

Linjeflyg AB

During 1980-81 Linjeflyg operated domestic services to 21 points in Sweden. The airline carried 2,403,000 passengers, an increase of 381,000, or 19 per cent.

Production rose 12 per cent to 138 million available tonne-kilometers. Available seat-kilometers increased by 13 per cent, to 1,500 million. The load factor rose 4.1 percentage points, to 62.8 per cent, and the cabin factor 4.1 percentage points, to 64.7 per cent. Total operating revenue for the year increased 29 per cent, to 818.8 MSEK. The profit, before allocations and income taxes, was 38.2 MSEK compared to 5.4 MSEK the



During 1981 SAS Catering & Hotels took over a flight kitchen at Chicago's O'Hare Airport. Chicago's mayor, Jane M. Byrne (center), was present at a press conference to mark the opening.



Greenlandair has two DHC-7s and a fleet of 10 helicopters, which serve 22 destinations on Greenland.

previous year. The number of employees averaged 1,263.

At the end of the year, Linjeflyg's fleet consisted of 10 F-28-4000s seating 85 and three F-28-1000s with 70 seats.

Hotel Scandinavia K/S, Copenhagen

The Hotel Scandinavia in Copenhagen is operated by the Westin Hotel Company. In 1981 the occupancy rate of this 543-room hotel was 70 per cent. Total operating revenue for the financial year ending December 31, 1980, was 82.8 MDKK, an increase of 11 per cent. A computer system to handle back-office accounting tasks was installed during 1981, together with a payroll computer. Over half of the hotel's guest rooms were renovated.

Greenlandair Inc.

Greenlandair flew 123,000 passengers, an increase of 8 per cent, in its financial year ending December 31, 1980. The airline carried 1,481 tons of mail, up 13 per cent, and 416 tons of cargo, double the previous year's volume. The cabin factor was 61.2 per cent and the load factor was 65.6 per cent. Comparative factors for the previous years are not given because the calculation base was changed as of January 1, 1980. Total operating revenue was 115 MDKK. In 1980 Greenlandair served 22 destinations on Greenland with a fleet of 10 helicopters and two DHC-7s. In the latter part of the year two Sikorsky S-58 and one Sikorsky S-61N helicopters were taken out of service and put up for sale. The average number of employees was 300.

Widerø's Flyveselskap A/S

Widerø operates a year-round local service network linking 35 towns along the Norwegian coast. In addition, a summer route between Sogndal and Oslo was operated for seven months in 1981. The airline carried 453,000 passengers in its financial year ending December 31, 1980, almost the same as in the previous year.

In 1980 Widerøe had a fleet of 13 Twin Otters, of which 10 were in scheduled service, one was on lease to SAS, one was reserved for charter assignments, and one was up for sale. In April 1981 Widerøe took delivery of two new 50-seat DHC-7s which are operated on the routes between Bodø and Trondheim and Bodø and Lofoten/Vesterålen. Widerøe maintains services to Vaerøy and Røst with a S-58-T helicopter, which will be replaced in January 1982 with a Bell 212 helicopter.

Total operating revenue for the 1980 financial year was 143 MNOK, an increase of 30 per cent compared to the previous year. At the end of 1980 Widerøe had 287 employees.

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, 1980, were 726 MNOK, compared to 619 MNOK in 1979, an increase of 17 per cent. In all, Bennett has 44 offices in Scandinavia, France and the United States.

A/S Hotel Atlantic, Stavanger

Total operating revenue for the financial year ending December 31, 1980, was 53.3 MNOK, an increase of 50 per cent. The hotel was expanded from 165 rooms to 255 rooms during the summer of 1980. The occupancy rate was 70 per cent. The number of employees was 210.

Polygon Insurance Company Ltd.

The current administration of Polygon is handled by Transglobe Underwriting Management (Guernsey) Ltd., under a management agreement with KLM, SAS and Swissair, the three airlines which jointly and equally own the company.

The company's policy of steady and controlled growth was maintained during the financial year ending December 31, 1980. Although aviation insurance and reinsurance remained the company's main area of business, where significant shares of the aviation policies of the owners are written, the underwriting of ancillary portfolios of selective marine and nonmarine business, which was commenced in late 1979, has been further developed.

The capital and free reserves of the company amounted to GBP 1,112,016 and the insurance fund to GBP 867,008 which – related to a net premium income of GBP 686,809 – demonstrates the solid solvency and fund ratio of the company.

It is the company's intention to further broaden the base of its activities while maintaining a proper ratio between its equity and its level of trading.

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Norway

Sweden

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SAS

SCANDINAVIAN AIRLINES SYSTEM