

	66/67	Variation in %	65/66	Variation in %	64/65
PRODUCTION					
Size of Network (km 000)	190	+ 20.3	158	+ 0.3	158
No. of Countries Served	41		42		41
No. of Cities Served	84		87		81
Kilometers Flown (mill.)	75.8	+ 9.2	69.4	+ 5.3	65.9
Hours Flown (airborne) (000)	147.0	+ 7.9	136.3	+ 5.7	129.0
Avail. Ton-kms, total (mill.)	834.8	+ 15.2	724.8	+ 8.5	668.0
Avail. Ton-kms, sched.serv. (mill.)	818.5	+ 16.6	701.6	+ 8.0	649.8
TRAFFIC					
Revenue Ton-kms (mill.)	480.7	+ 15.6	415.9	+ 6.3	391.2
Passenger	337.7	+ 14.4	295.3	+ 4.3	283.1
Freight	119.8	+ 22.9	97.5	+ 12.3	86.7
Mail	23.2	+ 0.4	23.1	+ 8.0	21.4
Total Load Factor, sched.serv. (%)	58.7		59.3		60.2
No. of Passengers Carried (000)	3,734	+ 15.2	3,241	+ 8.1	2,999
Revenue Passenger-kms (mill.)	3,805	+ 15.2	3,304	+ 4.4	3,166
Passenger Load Factor (%)	54.5		52.6		54.3
Average Passenger Trip Length (km)	1,024	- 0.5	1,029	- 3.3	1,064
PERSONNEL					
No. of Employees per Sept. 30	13,284	+ 1.6	13,081	+ 2.9	12,709
Average Staff Strength	13,100	+ 2.3	12,800	+ 2.9	12,450
Avail. Ton-kms/Employee	63,700	+ 12.5	56,600	+ 5.4	53,700
Revenue Ton-kms/Employee	36,700	+ 12.9	32,500	+ 3.2	31,450
FINANCIAL (Swedish Crowns)					
Traffic Revenue (mill.)	1,023.3	+ 12.0	913.5	+ 4.4	875.2
Passenger	834.0	+ 13.9	732.0	+ 2.9	710.8
Freight	121.7	+ 12.1	108.6	+ 13.4	95.8
Mail	56.6	+ 2.7	55.1	+ 3.0	53.5
Charter	11.0	- 38.2	17.8	+ 18.6	15.1
Net Profit (mill.)	84.0		64.8		74.9
Traffic Revenue/Rev. Ton-km	2.11	- 1.9	2.15	- 2.3	2.20
Operating Expenses/Avail. Ton-km	1.20	- 2.4	1.23	- 0.2	1.23
"Break-even" Load Factor (%)	57.3		57.7		56.2

AVAILABLE TON-KILOMETERS

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

REVENUE TON-KILOMETERS

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

LOAD FACTOR

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

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

AVAILABLE SEAT-KILOMETERS

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

REVENUE PASSENGER-KILOMETERS

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

PASSENGER LOAD FACTOR

Percentage of total passenger capacity actually utilized.

REPORT BY THE BOARD

FINANCIAL RESULTS

Scandinavian Airlines System's net profit for 1966/67 amounted to M.SKR 84.0, or US\$ 16.2 million.

This compares with a profit of M.SKR 64.75 or US\$ 12.5 million, for the previous year. The result has been achieved in spite of delayed aircraft deliveries and heavy expenditures in connection with the introduction of new aircraft types.

SAS' total revenue in 1966/67 was M.SKR 1,354, an increase of 13.6 per cent. Comparisons with the previous year must take into consideration the pilot strike in the summer of 1966, which lowered profit for that year.

Out of the 1966/67 total, traffic revenue accounted for M.SKR 1,023 (914)*. Other operating revenue reached a total of M.SKR 284 (246). Financial and miscellaneous income together totalled M.SKR 47 (32).

A break-down of the traffic revenue shows that passenger traffic accounted for M.SKR 834 (732), cargo for M.SKR 122 (109), mail for M.SKR 56 (55) and charter traffic for M.SKR 11 (18).

Expenses other than depreciation increased during the year by M.SKR 136 (80) to a total of M.SKR 1,178 (1,042). Depreciation amounted to M.SKR 92 (86), with M.SKR 77 (72) representing ordinary and M.SKR 15 (14) extraordinary depreciation.

The Board proposes to the SAS Assembly of Representatives that M.SKR 42 be paid to the Parent Companies and that M.SKR 42 be retained by SAS and credited to the Parent Companies' capital accounts as a further consolidation.

The results of 1966/67 and the financial status of the Consortium are presented in the Consolidated Profit and Loss Statement and Consolidated Balance Sheet as per September 30, 1967, attached to this report.

GENERAL APPRECIATION

The results of 1966/67, seen in the light of the trend over the last five years, confirm the Board in its trust that civil aviation as an industry, and SAS as a carrier, are progressing towards a sound profitability, while fulfilling its proper task to the public at the same time.

The growth potential of the industry seems to remain unexhausted.

The technological progress and innovations are fast, steadily improving the quality of aircraft, the comfort of flying and the prices of air transportation.

* Figures for 1965/66 within brackets.

The industry in general and SAS as a carrier are, of course, confronted with problems, some of them particularly connected with the rapid growth factor of the industry. The Board mentions in particular:

- the high rate of investments and the consequent demand on finance;
- the rapidly rising costs in all spheres, and thereunder the steep rise in landing fees and passenger tax, coupled with a continuous decline in overall unit yield;
- the difficulty in modernizing airfield handling and passport and customs control at a coordinated speed with aircraft service.

The profitability of a carrier depends on the successful solution of these and other main problems. The Board and Management of SAS are constantly attacking them in their long and short term work, and feel confident that the problems are being solved, thus creating a sound basis for SAS' future.

PRODUCTION AND TRAFFIC

SAS' total production, measured in available ton-kilometers, increased by 15 per cent in 1966/67. Scheduled operations were up by 17 per cent, whereas charter capacity was reduced.

Significant production increases were noted on the Scandinavian and domestic networks.

Scheduled traffic, measured in revenue ton-kilometers, showed a growth of 16 per cent. The overall load factor was 58.7 per cent, down 0.6 points.

Passenger traffic rose 15 per cent, cargo rose by 23 per cent (mainly due to the DC-8F all-cargo service over the North Atlantic introduced in the fall of 1966), and mail traffic remained unchanged.

All told, SAS carried 3.7 million passengers, an increase of 15 per cent over 1965/66. The cabin factor improved by 1.9 points to 54.5 per cent.

NETWORK

The most noteworthy additions to the SAS network have resulted from the air agreement concluded in January, 1967, by the Scandinavian and USSR governments.

In April, a new route was opened between Leningrad and Copenhagen via Stockholm, operated once weekly each by Aeroflot and SAS.

During the year, preparations were made to utilize the overflying right contained in the agreement to establish a great-circle route between Scandinavia and Southeast Asia via Tashkent. The new route, termed the Trans-Asian Express, links Copenhagen with Bangkok and Singapore with a technical groundstop at Tashkent. It was inaugurated on November 4, 1967.

Under the terms of the agreement, SAS will, when air corridors across Siberia are opened for international traffic with foreign aircraft, obtain the rights to utilize them.

During the 1967 summer season, SAS alone served 84 cities in 41 countries; in combination with its pool partners 121 cities in 52 countries.

FARES

Late in 1966, the members of IATA* agreed on new group inclusive tour fares to overseas destinations with considerable reductions.

* International Air Transport Association.

These fares serve to make SAS and other IATA-carriers more competitive with charter carriers and also open up new markets for intercontinental holiday travel. This underscores the need for highly skilled marketing aiming at the fullest possible utilization of available capacity.

FLEET

The modernization program for the SAS fleet – embracing six DC-8-62s, four DC-8-63s, ten DC-9-40s and ten DC-9-20s – represents the largest investments in the history of SAS and will, when completed, give SAS an excellent fleet with expansion potentials.

The first DC-8-62 went into operation in June, and three more have subsequently been delivered.

Two out of five DC-9-30s, on temporary lease from Swissair, went into service in October, while three more were delivered before the end of the calendar year.

SAS has during the year exercised options on additional DC-9 aircraft through orders of two DC-9s in cargo version, and continued research into various "air bus" concepts. The phase-out of the DC-7C was completed by the end of 1967.

Late in 1967, the Board decided to order two Boeing 747s, at a cost of approximately US \$55 million, including spare parts, for delivery in 1971. Seating some 360 passengers in the SAS version, the Boeing "jumbo jet" will add significantly to the SAS capacity. The decision followed thorough investigations into all aspects of the new aircraft, conducted in cooperation with Swissair and KLM.

COPENHAGEN FACILITIES

The new SAS data processing center, near Copenhagen Airport, was established during the year, and will become fully operative early next year in its new office.

The Copenhagen Air Cargo Center, Europe's first automated cargo facility, was opened in April, 1967, and is now after severe initial difficulties in operation. Air cargo terminals are also under construction in Stockholm and Gothenburg, with similar facilities planned for Oslo and New York.

WORKSHOP CONSOLIDATION

In line with the SAS rationalization program, a consolidation of overhaul and maintenance work has been decided upon, to go gradually into effect during 1968 and be completed by mid-1969.

Under the new organization, work will be distributed according to its functional nature, rather than by aircraft type. All periodic maintenance as well as overhaul of most instrument, electrical and radio components will be performed in Copenhagen, while the Oslo workshops will overhaul the airframes and related components of the DC-9 and CV440 fleets. The Stockholm workshops at Arlanda are to perform the same work for the DC-8 and Caravelle airframes, and those at Linta will continue to overhaul the engines for these aircraft.

The workshop consolidation is expected to bring about considerable savings.

COOPERATION WITH SWISSAIR

During the year, Swissair and SAS have in principle agreed to renew their cooperation for a new ten-year period from 1968.

Under the technical cooperation plan, SAS should overhaul the airframes of the Swissair DC-8 fleet. Swissair, on the other hand, should overhaul the Pratt & Whitney JT8D engines of SAS' DC-9 fleet.

COOPERATING COMPANIES

The wholly-owned subsidiaries, SAS Catering A/S and SAS Invest A/S, have both been able to contribute improved net profits to SAS.

Linjeflyg, in which SAS and ABA each holds a 50 per cent interest, has expanded its production and traffic and showed a net profit for the year amounting to M.SKR 0.5.

THAI International, of which SAS owns 30 per cent and Thai Airways Company Ltd. the balance, has completed its third financially successful year. The profit, M.SKR 4.6, has been credited to SAS.

The Scandinavian charter company Scanair, which is owned by the Parent Companies of SAS, has phased out its DC-7Cs and is now an all-jet carrier with a fleet of three DC-8s. In Scanair's one-class version, the DC-8 accommodates 165 passengers.

PERSONNEL

The SAS staff increased in 1966/67 by one and a half per cent to 13,300 at the end of the fiscal year. The number of revenue ton-kilometers per employee rose by nearly 13 per cent to 36,700.

The Board sincerely thanks the SAS staff for the devotion and skill with which it has contributed to the year's results.

Copenhagen, Oslo and Stockholm, December 1967

M. WALLENBERG

JENS CHR. HAUGE

J. CHR. ASCHENGREEN

PER ÅSBRINK

PER M. BACKE

PALLE CHRISTENSEN

KARL NILSSON
President



M. WALLENBERG



JENS CHR. HAUGE



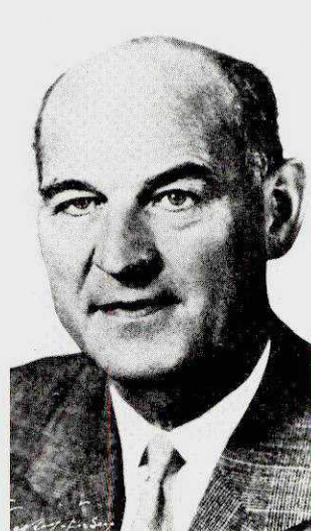
J. CHR. ASCHENGREEN



PER ÅSBRINK



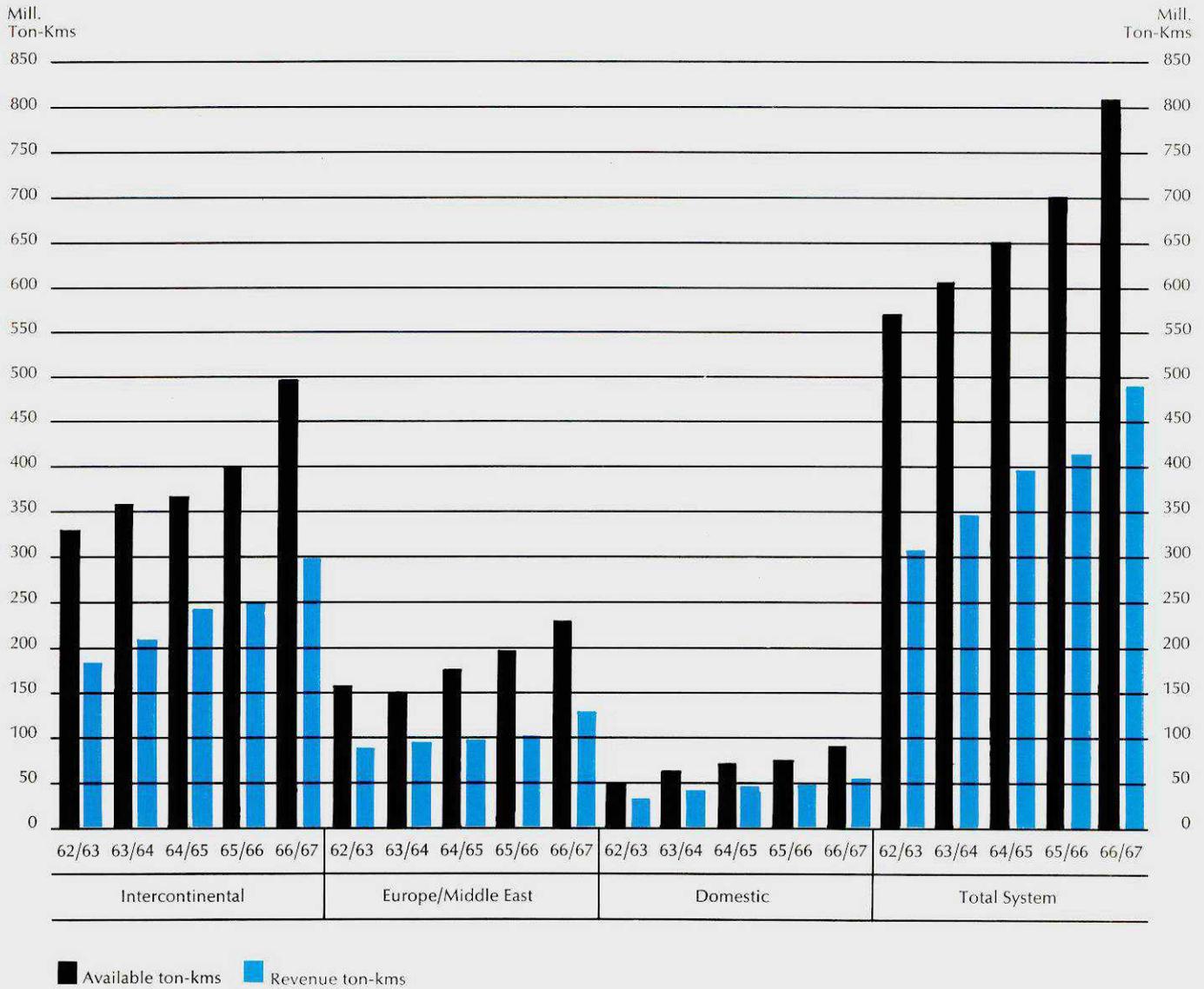
PER M. BACKE



PALLE CHRISTENSEN



KARL NILSSON



CONSOLIDATED PROFIT AND LOSS STATEMENT

October 1, 1966–September 30, 1967 (including wholly-owned subsidiary companies)

INCOME (in millions of Swedish Crowns)	1966/67	1965/66
Traffic revenue	1,023.3	913.5
Other operating revenues	<u>284.5</u> 1,307.8	<u>246.4</u> 1,159.9
Financial income	21.7	22.3
Other income	11.6	6.8
Income from sale of flight equipment, etc.	<u>13.3</u>	<u>3.3</u>
	<u><u>1,354.4</u></u>	<u><u>1,192.3</u></u>
EXPENSES (in millions of Swedish Crowns)	1966/67	1965/66
Operating expenses	1,094.6	970.3
Administrative expenses	38.8	32.4
Financial expenses	25.3	23.8
Other expenses	19.3	15.4
Depreciation	92.4	85.6
Net profit	<u>84.0</u>	<u>64.8</u>
	<u><u>1,354.4</u></u>	<u><u>1,192.3</u></u>

“Notes to Financial Statements” on page 10–12 refer to above Profit and Loss Statement.

Copenhagen, Oslo and Stockholm, December 1967

M. WALLENBERG

JENS CHR. HAUGE

J. CHR. ASCHENGREEN

PER ÅSBRINK

PER M. BACKE

PALLE CHRISTENSEN

KARL NILSSON
President

/ C. E. Lindh

CONSOLIDATED BALANCE SHEET

8

September 30, 1967 (including wholly-owned subsidiary companies)

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1967		Sept. 30, 1966	
Aircraft				
At cost	827.5		696.4	
Depreciation and valuation reserves	427.9	399.6	384.7	311.7
Spare engines and spare parts				
At cost	274.3		251.3	
Depreciation and valuation reserves	164.9	109.4	159.0	92.3
Advance payments on flight equipment and simulators on order		72.8		48.2
Buildings and land				
At cost	73.9		69.9	
Depreciation and valuation reserves	18.7	55.2	15.7	54.2
Workshop and aircraft servicing equipment				
At cost	42.4		38.0	
Depreciation and valuation reserves	34.7	7.7	32.5	5.5
Other equipment and vehicles				
At cost	89.4		67.2	
Depreciation and valuation reserves	55.9	33.5	50.7	16.5
Discount on debenture loans		4.5		4.8
Shares and bonds		9.3		8.6
Long-term accounts receivable		13.7		13.5
Shop work in progress		3.7		1.9
Sundry stores		8.7		6.6
Short-term accounts receivable and prepayments		178.5		156.9
Cash and bank balances, including short-term cash investments		357.2		326.2
		<u>1,253.8</u>		<u>1,046.9</u>

"Notes to Financial Statements" on page 10-12 refer to the above Balance Sheet.

LIABILITIES (in millions of Swedish Crowns)	Sept. 30, 1967		Sept. 30, 1966	
Capital				
ABA (3/7)	153.5		131.3	
DDL (2/7)	102.3		87.5	
DNL (2/7)	<u>102.3</u>	358.1	<u>87.5</u>	306.3
Net profit		84.0		64.8
Subordinated debentures		157.5		157.5
Mortgage loans		26.3		28.0
Danish Government loan		3.9		4.7
Loans in USA		62.2		70.5
Manufacturer's credit on flight equipment		138.2		39.9
Other long-term liabilities		16.4		11.6
Short-term liabilities		390.7		347.1
General valuation reserve		16.5		16.5
		<u>1,253.8</u>		<u>1,046.9</u>
Contingent liabilities and guarantees		<u>16.2</u>		<u>14.5</u>
Furthermore, SAS has assumed certain liabilities in respect of pensions, and in connection with ticket sales according to pay-later plans.				
Pledges				
Mortgages on real estate		28.2		29.8
Sundry pledges		1.8		1.9
		<u>30.0</u>		<u>31.7</u>

Copenhagen, Oslo and Stockholm, December 1967

M. WALLENBERG

JENS CHR. HAUGE

J. CHR. ASCHENGREEN

PER ÅSBRINK

PER M. BACKE

PALLE CHRISTENSEN

KARL NILSSON

President

/ C. E. Lindh

The above Profit and Loss Account and Balance Sheet are in accordance with the books of the Consortium, which have been examined by the undersigned Auditors, as set forth in our Auditor's Report dated Dec., 1967.

Stockholm, December 1967

VIKING BERGMAN

CENTRALANSTALTEN FOR REVISION
CARL JOHAN THORSEN

CHRISTIAN BLOM

STEN NACKSTAD

HUGO ENGMANN

TOR STORHAUG

- * Operating expenses incurred in airline services, specified by functions, are related to traffic revenue and production in a separate table on this page. Operating expenses include calculated depreciation and interest, a capital charge reflecting the operating property and equipment employed by airline services.
- * Ordinary depreciation charges, M.SKR 77.6 were apportioned with M.SKR 64.0 to aircraft, spare engines and spare parts, M.SKR 3.3 to buildings and M.SKR 10.3 to ground equipment and vehicles.
The additional depreciation of M.SKR 14.8 has been allocated to aircraft.
- * "Other operating revenue" in the profit and loss statement comprises revenue from sundry activities, such as shop-work, ground handling, inter-line sales etc., performed for other airlines, income from sale on board and in gateway stores, as well as revenue earned by the wholly-owned subsidiaries SAS Catering A/S and SAS-Invest A/S from customers other than SAS.
- * Insurance proceeds in connection with the loss of a Caravelle aircraft while on lease to THAI International is included in the item "Income from sale of flight equipment, etc." in the profit and loss statement.
Two DC-7 aircraft sold during the year were fully written off.
- * Sources and uses of funds are specified in the separate funds statement on this page.

FUNDS STATEMENT (in millions of Swedish Crowns)	1966/67	1965/66	1964/65
SOURCE OF FUNDS			
From operations			
Net profit	84.0	64.8	74.9
Depreciation	92.4	85.6	82.5
Book value of assets sold	4.8	5.5	34.6
Other (net)	0.4	0.1	4.1
	<u>181.6</u>	<u>156.0</u>	<u>196.1</u>
Manufacturer's credit on flight equipment	106.7	15.6	30.1
Short-term liabilities	48.1	24.7	19.8
Other sources of funds	5.8	5.3	4.1
Sub-total	<u>342.2</u>	<u>201.6</u>	<u>250.1</u>
USE OF FUNDS			
Investments			
Aircraft	129.9	112.9	31.4
Prepayments on aircraft and flight simulators	58.3	41.3	20.3
Spare engines, spare parts	33.6	14.9	15.4
Buildings, etc.	5.2	11.7	3.0
Other equipment, supplies, etc.	27.1	12.4	9.6
Shares	0.3	-	4.2
	<u>254.4</u>	<u>193.2</u>	<u>83.9</u>
Accounts receivable and pre-payments, etc.	23.6	14.3	17.4
Amortization on long-term debt ..	20.2	9.6	20.8
Paid to Parent Companies out of last year's profit	13.0	15.0	14.0
Sub-total	<u>311.2</u>	<u>232.1</u>	<u>136.1</u>
CHANGE IN CASH AND BANK BALANCES (including short-term cash investments)	<u>+31.0</u>	<u>- 30.5</u>	<u>+114.0</u>

OPERATING EXPENSES INCURRED IN AIRLINE SERVICES

	Percentage of Total Traffic Revenue			Per Available Ton-km ($\frac{1}{100}$ SKR)		
	1966/67	1965/66	1964/65	1966/67	1965/66	1964/65
Flying Operations	23.8	23.1	22.1	29.2	29.1	28.9
Maintenance and Overhaul	13.1	13.3	14.1	16.0	16.8	18.5
Flight Equipment	8.9	10.2	9.9	10.9	12.8	13.0
Ground Operations	16.3	14.6	13.5	20.0	18.4	17.7
Passenger Service	8.6	8.4	7.8	10.5	10.6	10.2
Promotion and Sales	20.6	21.4	20.7	25.3	27.0	27.1
General and Administrative	6.7	6.6	5.9	8.2	8.3	7.8
Total Operating Expenses	98.0	97.6	94.0	120.1	123.0	123.2
Total Traffic Revenue	100.0	100.0	100.0	122.6	126.0	131.0

- * The acquisition value of the four DC8-62 aircraft including spare parts, delivered during May–September 1967, was M.SKR 177.4.
- * Investments in new flight equipment already delivered in 1966/67 and on order as per September 30, 1967 totals M.SKR 1,028.6 as follows:

	Equipment delivered 1966/67	Advance payments Sept. 30, 1967	Investments during 1967/68	Investments during 1968/69	Investments during 1969/70	Total investments
6 DC-8-62 aircraft, spare engines and spare parts	177.4	16.5	93.1	2.0	2.0	291.0
4 DC-8-63 "	–	18.9	107.9	97.8	7.0	231.6
12 DC-9-40/30 "	–	32.9	208.7	23.0	22.4	287.0
10 DC-9-20 "	–	4.5	33.2	176.3	5.0	219.0
	177.4	72.8	442.9	299.1	36.4	1,028.6

- * Investments in "Other equipment, supplies etc." include M.SKR 6.6 relating to a DC-8 and a DC-9 flight simulator delivered during the year. Added to the prepayments made prior to October 1, 1967, M.SKR 7.2, this gives an aggregate acquisition value of M.SKR 13.8.
- * Possible losses connected with the sale of surplus spares are covered by the general valuation reserve.
- * In the course of the year, additional M.SKR 3.4 were invested in the buildings acquired at Copenhagen Airport to house the expanded data center and related clerical and administrative departments, bringing the total investment so far to M.SKR 13.8.
- * As of September 30, 1967, flight equipment and other physical assets of SAS were insured as follows:

(Amounts in M.SKR)	1967	1966
Aircraft	808.9	656.6
Spare engines, spare parts and technical stores	252.2	220.5
Buildings	104.3	81.0
Workshop and aircraft servicing equipment and tools	49.8	48.0
Other equipment, vehicles and sundry stores	107.9	93.7
	1,323.1	1,099.8

- * The item "Shares and bonds" includes shares in the amount of M.SKR 4.35 in Linjeflyg AB and M.SKR 3.0 in THAI International.
- * SAS' balances in Danish Crowns, Sterling and those other currencies which devalued in November 1967, are included in the consolidated balance sheet at the rates of exchange valid as per September 30, 1967. Due to measures taken, SAS has suffered no loss due to these devaluations.
- * As of September 30, 1967, the loans raised in the United States amount to US \$12.0 million repayable over a remaining eight year period as from December 31, 1967.
- * For practical reasons, the various clearing accounts for traffic revenue are, as hitherto, included as a net balance in the item "Short-term liabilities".
- * The accounts of SAS, except for subsidiaries, contain no provision for corporate income taxes in Denmark, Norway and Sweden; such liability resting upon the Parent Companies of SAS.
- * The item "Pledges" includes security for the mortgage loans raised by SAS-Invest A/S.
- * Assets and liabilities of SAS-Invest A/S, the wholly-owned subsidiary of SAS which owns and operates the Royal Hotel in Copenhagen, are included in the consolidated balance sheet of SAS. The balance sheet shows assets and liabilities of SAS-Invest A/S before consolidation.

SAS-INVEST A/S BALANCE SHEET

(included in SAS' consolidated balance sheet)

ASSETS		Sept. 30, 1967		Sept. 30, 1966	
(in millions of Swedish Crowns)					
Buildings					
At cost	37.3			37.3	
Depreciation	7.8	29.5		6.0	31.3
Equipment					
At cost	6.3			6.3	
Depreciation	4.2	2.1		3.6	2.7
Long-term accounts receivable ..		2.8			2.8
Sundry stores		0.4			0.4
Short-term accounts receivable and prepayments		0.9			0.7
Cash and bank balances		1.2			0.5
		<u>36.9</u>		<u>38.4</u>	
LIABILITIES		Sept. 30, 1967		Sept. 30, 1966	
(in millions of Swedish Crowns)					
Share capital		3.7		3.7	
Mortgage loans		19.2		20.8	
Loan from SAS		12.0		12.0	
Other long-term liabilities		0.2		0.2	
Short-term liabilities					
SAS	0.1			0.3	
Other	1.7	1.8		1.4	1.7
		<u>36.9</u>		<u>38.4</u>	
Contingent liabilities		-		-	
Pledges					
Mortgages on real estate		20.7		22.3	
Sundry pledges		-		-	
		<u>20.7</u>		<u>22.3</u>	

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

SCANDINAVIAN AIRLINES SYSTEM

Denmark – Norway – Sweden

having completed our assignment, herewith submit to the Parent Companies our report for the financial year October 1, 1966 – September 30, 1967.

We have examined the Annual Report and Accounts which include SAS Inc., New York, SAS-Invest A/S, Copenhagen, and other subsidiary companies. To the required extent we have studied the accounting records, minutes and other documents which give information about the economy and administration of

the Consortium and have, moreover, taken those measures of inspection which we have considered necessary.

The Internal Auditing Department of SAS, acting in accordance with instructions approved by us, has conducted a continuous check of the accounting records of the Consortium and we have, in the course of the financial year and in connection with the closing of the accounts, received reports on the examination thus conducted.

The accounting records are properly kept.

As is seen from the Report for the financial year there is declared, after depreciation, a net profit of 84 million Swedish Crowns, out of which 42 million Swedish Crowns are proposed to be paid out to the Parent Companies.

We recommend

that the Annual Accounts as per September 30, 1967, which have been submitted and which have been signed by us, be adopted, and

that the Members of the Board and the President be discharged from responsibility for their administration in respect of the financial year.

STOCKHOLM, DECEMBER 1967

VIKING BERGMAN

CENTRALANSTALTEN FOR REVISION
CARL JOHAN THORSEN

CHRISTIAN BLOM

STEN NACKSTAD

HUGO ENGMANN

TOR STORHAUG

DC-9 makes SAS début.



Copenhagen, European gateway of the SAS
Trans-Asian Express.



Some 450 years after the Magellan journey proved that the world is round it's still news that the shortest distance between two points follows the great-circle route.

To anyone in possession of a globe and a tape measure, it would be obvious that the shortest possible route between Bangkok and New York would run via Spitzbergen. Most people, however, assume that a straight line from Southeast Asia to the United States runs via the Middle East and North Africa.

The culprit is one Gerhard Kremer, a 16th century Flemish cartographer better known as Mercator, whose projection of the earth as a squared rectangle is still widely used in atlases and textbooks.

Spitzbergen is not yet included in the SAS network. Scandinavia is, however, sufficiently far north to make it the natural hub of long-distance intercontinental routes. This has been proved before – in 1954, when SAS opened the first direct route between Europe and the U.S. West Coast, and in 1957, when the North Pole route to the Far East was inaugurated.

The Trans-Asian Express proves it again. It is not only as close to the great-circle route between Bangkok and Copenhagen as you can hope to get – a mere eight miles' difference. It also comes within 30 miles of the great-circle route between London and Bangkok. And it shaves more than 480 miles off the previous shortest routing (over the Pacific) between New York and the Thai capital.

Before a new service can be established, air political agreements have to be reached by the governments concerned, for though the air that we breathe is free, the air that we fly in emphatically is not.

As early as 1946, SAS had formulated detailed plans for a multi-hop trans-Siberian route to the Far East, to be flown by DC-3 and at a later date by DC-4. They came to naught, however, and SAS did not start flying to Moscow until 1956. Ever since, the governments of Scandinavia and the USSR have sporadically been in touch concerning a new air political agreement, and the final sessions were held in Stockholm in December, 1966, and in Moscow, where the agreement was signed, the following month.

Then and only then could SAS begin active planning to utilize the overflying rights specified in the agreement. From the outset, it appeared likely that a route to Southeast Asia would be the first choice, especially in view of the fact that Scandinavia had already signed an air agreement with Singapore.

Within the Marketing Department, the Commercial Research section amassed all available data on the traffic flow between Southeast Asia and northern Europe. They indicated that a route would break even within one year – unusually early for a new service – and the signal to go ahead was given late in May.

For the ground stop within the USSR specified in the air agreement, Tashkent was selected. Today the capital of Uzbekistan, the ancient city has seen the armies of Genghis Khan and Tamerlane, and there are still old sections within the limits of modern Tashkent, with its tree-planted avenues and many parks. Tashkent is one of those rare cities that have a magic inherent in their very name, and not many foreign travelers have so far set foot in Uzbekistan.

Travel time between Copenhagen and Bangkok is 12 hours 10 minutes (almost exactly the same as between Scandinavia and the U.S. West Coast), and as Tashkent is precisely halfway, the stop there is highly suitable for passenger comfort.

From the Technical and Operations Department, pilots and maintenance specialists repeatedly visited Tashkent to familiarize themselves with the airport and its facilities and discuss procedures with their Aeroflot colleagues.

Within Marketing, an advertising campaign was evolved, based on the "straight-line" symbol which appears on the front cover of the Annual Report. Regional sales managers from the areas with the greatest sales potential for the Trans-Asian Express were called to Stockholm to assist in the planning, and advertising budgets were allocated, supplementing Head Office advertising in international media.

The Public Relations Department mounted a publicity campaign, producing on an average a press release every other day, featuring every aspect of the route, the equipment and the destinations served, plus a special booklet outlining the dramatic history of the areas overflown by the route.

Meanwhile, numerous "paper flights" were performed and all pertinent data evaluated, a process culminating in an actual proving flight to Tashkent and back late in October. The Passenger Flight Service specialists conceived menus suitable for the new route and trained cabin attendants for it.

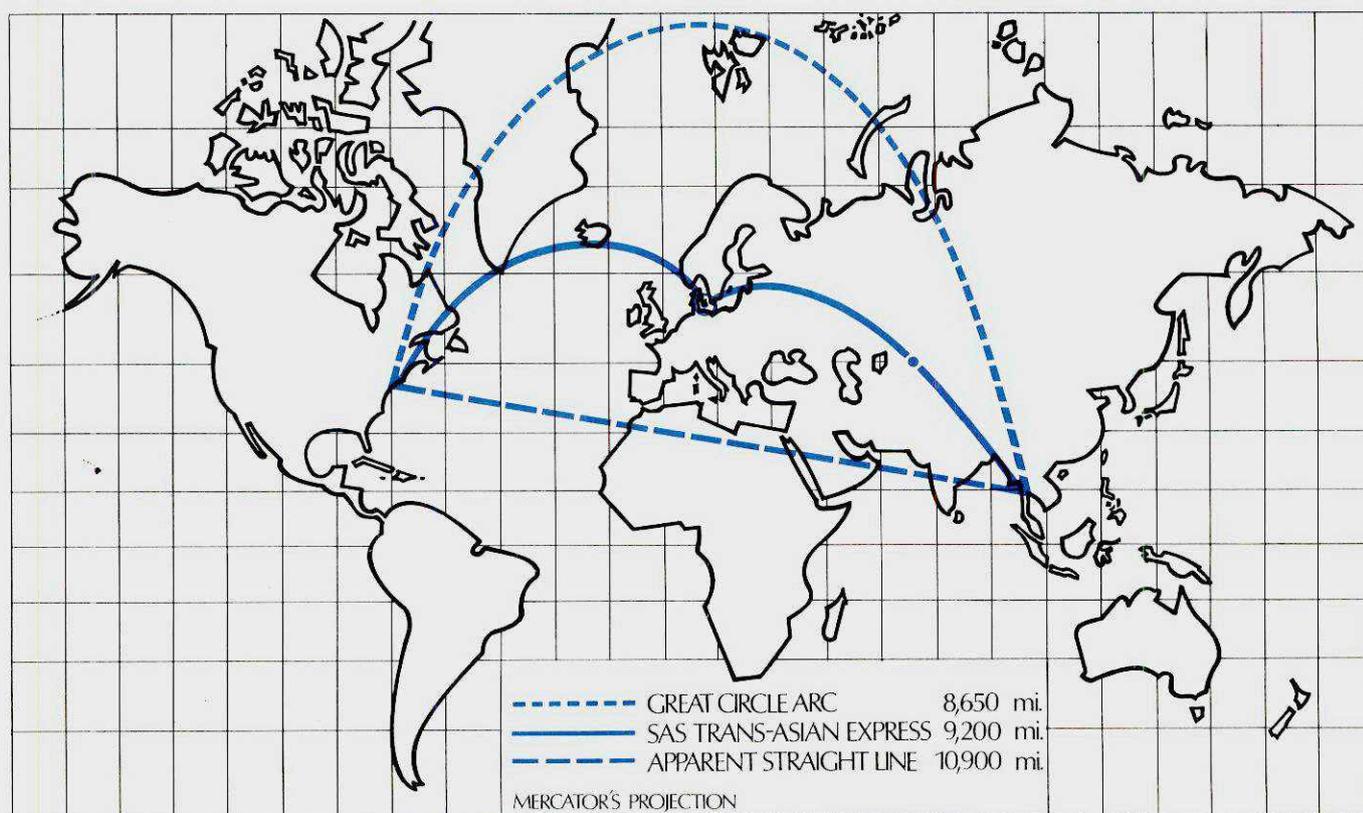
Special programs were prepared for the inaugural flights, with guests of honor, press representatives and travel agents.

Came November 4. In Copenhagen, a red ribbon was stretched, rather than cut, across the map of Asia,

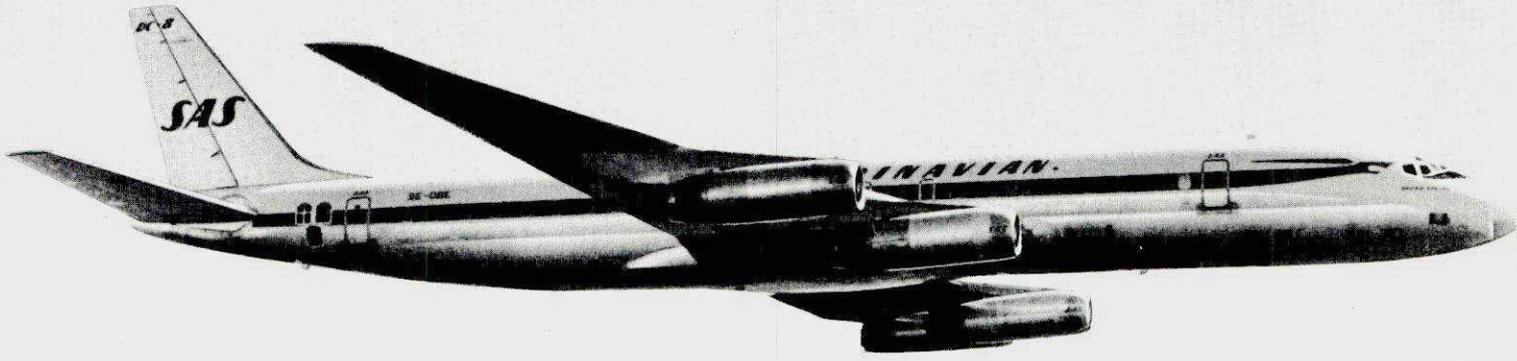
to symbolize again the straight line route. Passengers were marched to the aircraft by the band of the Tivoli Guards. In Tashkent they were greeted by Uzbek musicians blowing enormous horns, in Bangkok with "mala" flower garlands and in Singapore by lion dancers. On November 6 the first same-day flight from Singapore to Copenhagen was performed, and visitors from the Far East were treated to Viking dinners, skiing and Scandinavian folklore.

After the hoopla has died down, what has happened? The Trans-Asian Express is well on its way towards becoming a household word in the travel trade and among the traveling public. The traffic results are better than even the most optimistic forecasts.

Virtually every department within SAS has been involved in the creation of the Trans-Asian Express. Through joint efforts they have proved again the same point as at the time when the trans-Polar network was established: pioneering pays.



DC-8 Super-Fan en route.



Bangkok and Singapore, Southeast-Asian gateways of the SAS Trans-Asian Express.



WORLD AVIATION

In 1966 the world's airlines flew 200 million passengers. International travelers increased by ten per cent and spent \$13,000 million in foreign countries. By October, 1967, the 101 IATA member airlines had more than 1600 jetliners in service and some 1290 additional jets on order, representing a total investment in new purchases of approximately \$15,000 million. Such is the pace of traffic development that the world's scheduled passenger traffic is estimated to triple the 1965 figure by 1975 and quadruple it by 1980.

Seen against this background, the SAS fleet renewal as described in the Report by the Board is a matter of vital necessity. During the year in review, SAS maintained its position as the fourth largest carrier in Europe and the ninth largest over the North Atlantic. With the new equipment now under delivery, SAS stands a fair chance of increasing its share of the market.

EXPANDED TRAFFIC PROGRAM

The most extensive traffic program in the carrier's history showed an increase of 15 per cent in SAS' total production which amounted to 834.8 million available ton kilometers. Scheduled production was up 17 per cent and charter production decreased by 29 per cent.

Services between Scandinavia and New York were, during the peak season, stepped up from 24 to 33 round trips per week, and daily services were introduced between Copenhagen and the U.S. West Coast (Seattle/Tacoma and Los Angeles), up from five times per week the previous peak season. All-cargo DC-8F jet service was introduced on the North Atlantic with five flights a week in each direction.

Leningrad, Jönköping, and, in November, Singapore were added to the SAS network.

PASSENGER TRAFFIC

Total revenue passenger kilometers exceeded the previous year by 15 per cent. Intercontinental passenger traffic showed an increase of 18 per cent, Europe and Middle East eight per cent, and domestic services 21 per cent.

The company's North Atlantic routes accounted for close to 38 per cent of total revenue passenger kilometers, down one per cent from the previous year.

The increase over the previous year amounted to 17 per cent, as compared with an average increase of 18 per cent in this area for all IATA carriers.

Significant advances were registered on South America (up 16 per cent) and the Far East (up 27 per cent) with practically no additional capacity.

The SAS growth on the European and Middle East network was equal to the industry average increase of eight per cent. Political unrest affected the result (Middle East traffic down three per cent), but a general recession in Europe has also played a part. The best results in this area were achieved on routes to central and western Europe (up eight and nine per cent respectively).

The total cabin factor was almost two points higher than 1965/66; a figure of 47.0 per cent for the winter traffic program and 59.7 per cent for the summer program resulted in an average cabin factor for the year of 54.5 per cent. Cabin factor improvements of more than five per cent were recorded on services between Scandinavia and the Far East, Chicago and South America.

CARGO

While the total revenue ton kilometers was up 23 per cent, the improvement was almost exclusively due to the all-cargo DC-8F North Atlantic service, which carried more than twice the quantities of 1965/66.

The traffic on European and Scandinavian all-cargo routes was largely unchanged. Freight carried by passenger aircraft, however, was down more than ten per cent in all traffic areas.

The introduction of the DC-8-62 and DC-9 will bring about a considerable increase in the cargo capacity of passenger aircraft on both intercontinental and European routes in 1967/68, and efforts have been initiated to ensure better utilization of the extra capacity.

FARES

The IATA-approved group inclusive tour reductions, mentioned in the Report by the Board, average 20-30 per cent of the normal fare. In order to market such tours, SAS, in cooperation with IATA travel agencies in Scandinavia, during the year established a tour production organization called "Globetrotter", a consortium in which SAS has a 50 per cent interest and companies owned by travel agencies in Denmark,

Norway and Sweden the remaining half. The initial results of this new marketing approach are reported to be successful. "Globetrotter's" sales activities are limited to Scandinavia and Finland.

FLEET

The introduction of the DC-8-62 and the DC-9 has started a valuable renewal of the SAS fleet. On the DC-8-62, the six-foot increase of the wingspan in comparison with previous models provides significant extra fuel capacity. Long-duct engine pods and redesigned pylons reduce drag and fuel consumption. In combination, these factors give the DC-8-62 the longest range, 6,000 statute miles, of any aircraft in operation, making it eminently suitable for SAS' inter-continental services.

The seats, designed by SAS' own technical staff and manufactured in England by Aircraft Furnishing, provide three inches of additional legroom.

The DC-9-30, which went into SAS service towards the end of the calendar year, and the DC-9-40, with passenger capacity of about 100 seats, which will replace it next year, are likewise specifically suited for SAS needs. With its home bases located on the periphery of the European network and with extensive domestic routes in Norway and Sweden, SAS requires longer-range aircraft for European services than other carriers.

A fast rate of climb and increased take-off thrust make the DC-9 quieter on take-off than the majority of jet and piston-engine aircraft. Recent studies performed by the U.S. Federal Aviation Administration registered an index of 88 decibels on take-off for the DC-9, compared with 90 for the Convair Metropolitan and 94 for the DC-7 propeller aircraft.

The wider dimension of the DC-9 fuselage allows for wider seats, and legroom has also been increased in comparison with previous medium-range aircraft.

The cockpits of the DC-8-62 and the DC-9 present the operator with the great advantage of being nearly identical. Designed by Douglas in cooperation with SAS and Swissair, the cockpit incorporates the latest advances in microcircuit and transistor technology, and greater automation and simplification have been achieved.

The Boeing 747, which, as mentioned in the Report by the Board, will join the SAS fleet in 1971, will serve to make SAS competitive with all other North Atlantic operators. With its tail rising more than 65 feet above the ground, the 747 is 231 feet 4 inches long and has a wing span of 195 feet 8 inches. It will be powered by four Pratt & Whitney JT9D-3 turbofan engines, each with a take-off thrust of 43,500 pounds. It will operate with a crew of 20, four cockpit crew and 16 cabin attendants.

TRAINING AND MAINTENANCE EQUIPMENT

SAS has during the year acquired one DC-8-62/63 and one DC-9 simulator from General Precision-Link Inc. Governed by a single digital computer, both are investments that will shorten the time and improve the efficiency of pilot training.

SAS also has signed a contract for the purchase of a T.R.A.C.E. testing unit from Hawker Siddeley Ltd. The unit, whose acquisition is in line with the maintenance

consolidation, will greatly reduce the time required for testing electronic components and diminish the need for spare parts inventory.

COMMUNICATIONS

A second wholly automated "MESCO" telegram center has been taken in use in Copenhagen, supplementing a similar installation in Stockholm. A third such center is scheduled for installation in Oslo, while in New York the Air-Con system is in use for automatic message handling.

Use of the automated centers brings about considerable savings and greatly improves the communications service.

HOTEL SITUATION

The decision by SAS Catering to build a 137-room bed-and-breakfast hotel in Copenhagen, and similar plans for Oslo, will to some extent alleviate the hotel situation, as will hotel construction under progress in Stockholm.

The difficulty in obtaining hotel accommodations, however, hampers the development of tourist travel to Scandinavia to an increasing degree, and SAS is therefore interested in stimulating and assisting in the constructions of additional hotels.

NEW SAS PUBLICATION

An SAS yearbook, "SAS Årsbok 1967", appeared during the year, and has been distributed i.a. to Scandinavian newspapers, libraries, schools and embassies.

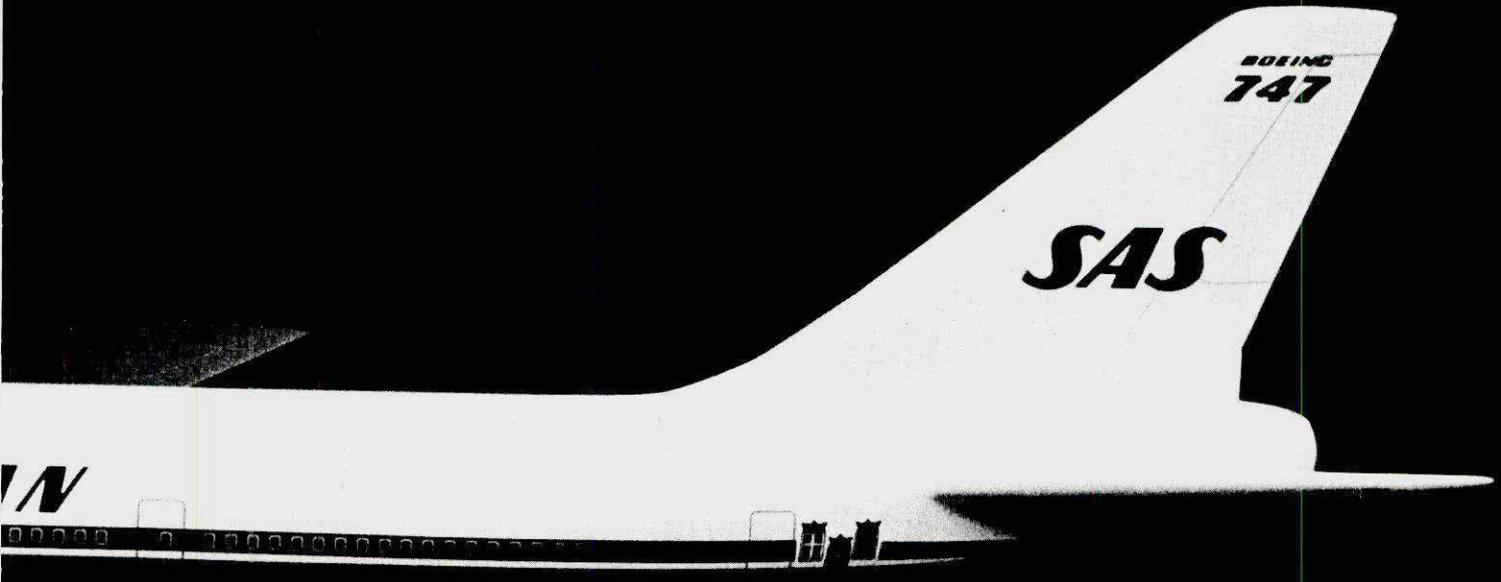
It is intended to update this publication annually, for use as a handy reference tool in matters of public interest pertaining to SAS.

KARL NILSSON
President



BOEING 747



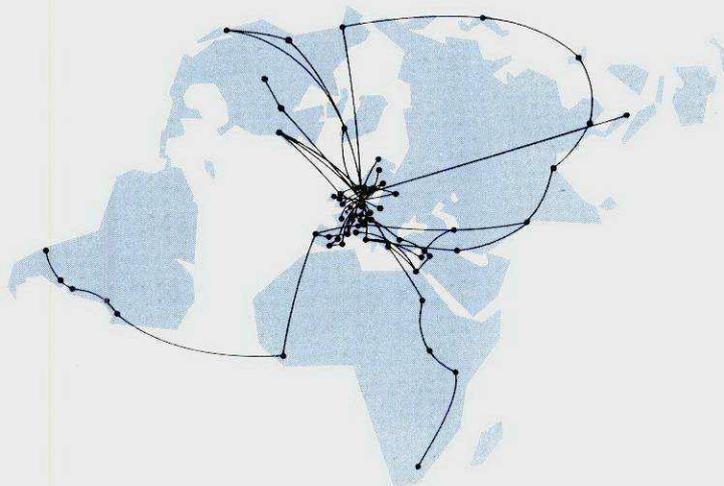


Scheduled services	Total system	Intercontinental	Europe & M. East	Domestic routes
Avail. Ton-Kms (in Mill.)				
1966/67	818	496	239	83
1965/66	702	400	230	72
Increase %	+ 16.6	+ 24.1	+ 3.7	+ 16.7
Distribution %	100.0	60.6	29.2	10.2
Rev. Ton-Kms (in Mill.)				
1966/67	481	299	129	53
1965/66	416	249	122	45
Increase %	+ 15.6	+ 20.3	+ 5.4	+ 17.0
Distribution %	100.0	62.2	26.9	10.9
1966/67 Load Factor %	58.7	60.3	54.1	62.7
1965/66 Load Factor %	59.3	62.1	53.2	62.6

The table shows the capacity offered by SAS during 1966/67, expressed in available ton kilometers, and sold capacity, expressed in revenue ton kilometers. Last year's figures are given for comparison, but the two-week disruption of services in mid-1966 has been calculated to distort the growth figures in relation to 1965/66 by about four percentage points.

Scheduled Traffic (in Mill.) Last year's figures in brackets	Passenger		Cargo		Mail		Load Factor	Cabin Factor
	Pass.-kms	Change %	Ton-kms	Change %	Ton-kms	Change %	%	%
North Atlantic	1,439 (1,282)	+12	74.3 (53.5)	+39	6.1 (6.8)	-10	59.7 (63.7)	56.1 (56.5)
Other Intercontinental Routes	618 (461)	+34	21.3 (19.1)	+12	9.3 (8.7)	+7	61.8 (58.6)	48.8 (42.0)
Total Intercontinental Traffic	2,057 (1,743)	+18	95.6 (72.6)	+32	15.4 (15.5)	-1	60.3 (62.1)	53.7 (51.8)

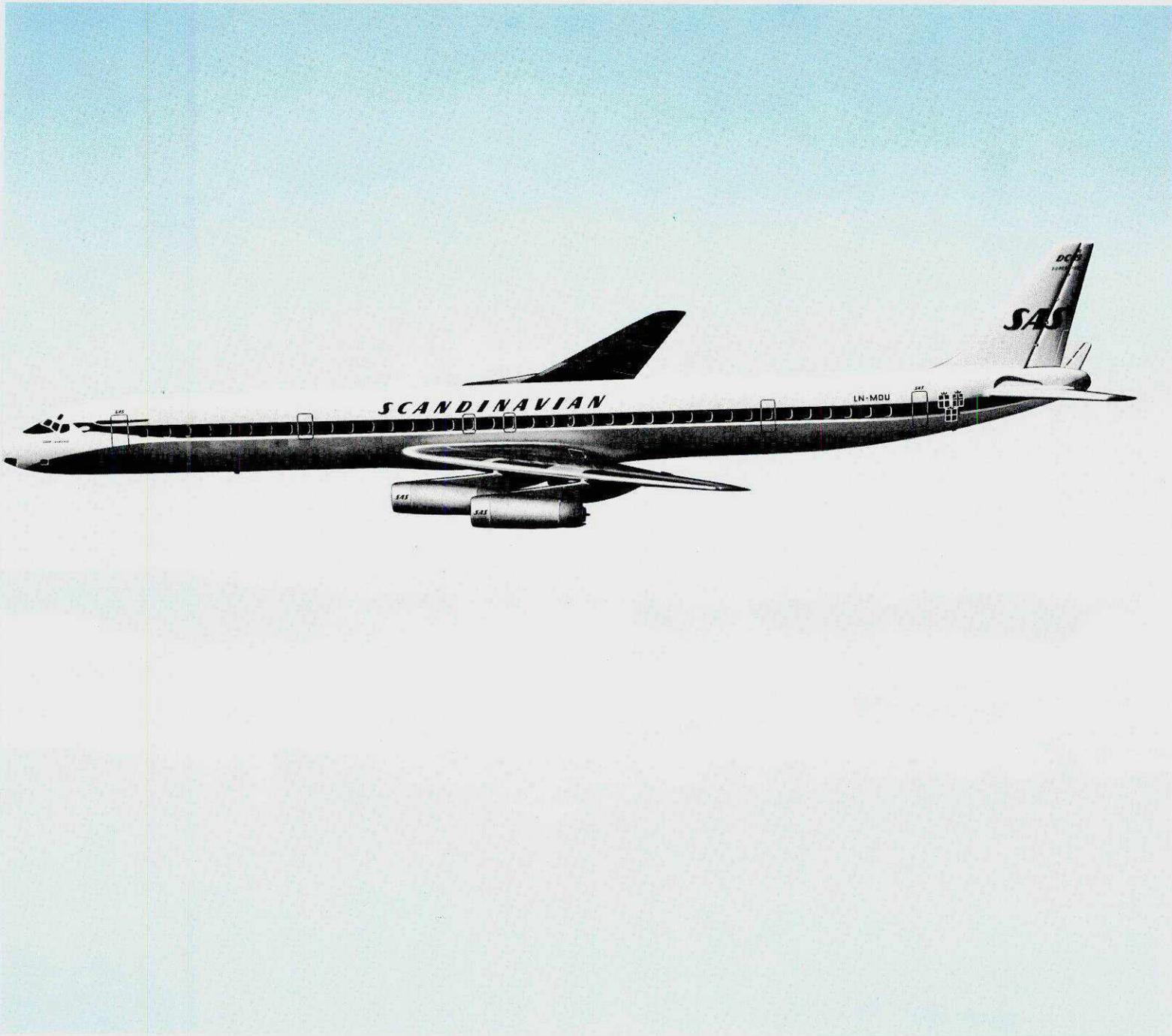
The distribution of traffic according to category on SAS' intercontinental network is shown in this table. The intercontinental services accounted for 54.1 per cent of the total passenger traffic, 79.9 per cent of the cargo and 66.2 per cent of the mail. The North Atlantic routes alone produced 37.9 per cent of the passenger traffic, 62.2 per cent of the cargo, and 26.3 per cent of the mail.



Scheduled Traffic (in Mill.) Last year's figures in brackets	Passenger		Cargo		Mail		Load Factor	Cabin Factor
	Pass.- kms	Change %	Ton- kms	Change %	Ton- kms	Change %	%	%
Middle East	88 (91)	- 3	0.6 (0.7)	- 7	0.4 (0.4)	+10	51.0 (52.5)	48.6 (50.0)
European Routes	863 (823)	+ 5	15.6 (16.5)	- 6	3.5 (3.6)	- 3	56.1 (55.2)	56.5 (54.7)
Intra-Scand. Routes	255 (200)	+27	4.9 (5.2)	- 5	0.8 (0.7)	+ 8	49.1 (47.2)	49.2 (44.5)
Sub-Total Europe	1,206 (1,114)	+ 8	21.1 (22.4)	- 6	4.7 (4.7)	0	54.1 (53.2)	54.1 (52.1)
Denmark	94 (69)	+36	0.5 (0.3)	+43	0.2 (0.2)	- 17	63.2 (61.5)	64.3 (61.9)
Norway	257 (217)	+18	0.8 (0.7)	+16	1.2 (1.2)	+ 4	59.4 (61.0)	57.8 (58.0)
Sweden	191 (161)	+19	1.7 (1.4)	+22	1.7 (1.5)	+11	67.2 (65.1)	58.8 (56.3)
Sub-Total domestic	542 (447)	+21	3.0 (2.4)	+23	3.1 (2.9)	+ 6	62.7 (62.6)	59.2 (57.9)
Total European and Domestic Traffic ..	1,748 (1,561)	+12	24.1 (24.8)	- 3	7.8 (7.6)	+ 2	56.4 (55.5)	55.6 (53.7)

The considerable increase in passenger traffic on intra-Scandinavian routes (compared with a drop of one percentage point last year) was sufficient to offset the less favorable development on Middle East and European routes to reach the average growth rate of European air traffic during the year.





DC-8-63, to join the fleet in 1968.

Aircraft type	Total Sept. 30, 1966	Changes during 1966/67	Total Sept. 30, 1967	In SAS operation	Leased to other carriers
Douglas DC-8-62	—	4	4	4	—
Douglas DC-8-33	7	—	7	5	2*)
Douglas DC-8-55	3	—	3	3	—
Caravelle SE-210	20	—1	19	15	4**)
Douglas DC-7C	9	—3	6	3	3*)
Convair Metropolitan	19	—	19	19	—
Total	58	0	58	49	9

Four DC-8-62 aircraft have been added to the fleet. During the peak season, they have a configuration of 12 first and 144 economy class seats, and during the winter season, to meet the needs of business travel, 20 first and 126 economy class seats.

One more Caravelle has been leased to THAI International, and two DC-8-33 to Scanair. SAS, on the other hand, has chartered one BAC1-11 passenger jet and two each of all-cargo DC-6ABs and Curtiss 46Rs from other companies.

The SAS fleet has registered 147,000 airborne hours, eight per cent more than the previous year. The average daily utilization has been 11.0 hours for the DC-8 fleet, 7.2 hours for the Caravelles and 6.6 hours for the Metropolitans.

*) Leased to Scanair.

***) Leased to THAI International.

PERSONNEL

	Cockpit Personnel			Cabin Personnel			Other Personnel			Total Personnel		
	1967	1966	1965	1967	1966	1965	1967	1966	1965	1967	1966	1965
Denmark	332	312	301	469	485	401	3,396	3,343	3,284	4,197	4,140	3,986
Norway	327	323	283	281	233	225	1,904	1,891	1,844	2,512	2,447	2,352
Sweden	534	515	459	346	346	301	2,245	2,177	2,203	3,125	3,038	2,963
Head Office	—	—	—	—	—	—	941	953	926	941	953	926
Abroad	—	—	—	14	20	20	2,495	2,483	2,462	2,509	2,503	2,482
Total	1,193	1,150	1,043	1,110	1,084	947	10,981	10,847	10,719	13,284	13,081	12,709

SAS-INVEST A/S

This wholly-owned SAS subsidiary owns and operates the Royal Hotel in Copenhagen. Gross revenue for 1966/67 increased by eight per cent to a total of M.SKR 16. There were close to 123,000 overnight stays, representing a room occupancy of 90 per cent. The staff averaged 383 employees.

SAS CATERING A/S

Gross revenue for SAS Catering, a wholly-owned subsidiary, grew 27 per cent to a total of M.SKR 104.

In addition to its catering activities for SAS and other airlines, the company has during the year operated a restaurant in the Scandinavian pavilion at Expo 67 in Montreal.

SAS Catering has also obtained a three-year contract to operate a canteen at the NATO base on Crete.

LINJEFLYG AB

The Swedish domestic carrier, in which SAS holds a 50 per cent interest, increased its production by four per cent while revenue passenger kilometers grew by 12 per cent. The load factor improved by one point, to 51.5 per cent.

Two turboprop NORD 262 airliners were added to the Linjeflyg fleet of ten Convair Metropolitans in May, 1967.

Linjeflyg serves 19 Swedish airports with a network of 2,800 miles.

After ordinary depreciation, M.SKR 5.3, extraordinary depreciation, M.SKR 1.4, and taxes, M.SKR 0.6, the accounts for 1966/67 show a profit of M.SKR 0.5.

SCANAIR

During 1966/67 Scanair operated a fleet consisting of two DC-8-33s and three DC-7Cs, flown by SAS cockpit crews. The number of flights amounted to 2,710 to and from 30 airports in 11 countries, and the number of passengers increased by 40 per cent to 261,632. Administrative and cabin personnel totaled up to 138 persons during the year.

THAI INTERNATIONAL

The THAI International fleet in 1966/67 consisted of four Caravelles leased from SAS, one more than the previous year, and a fifth was added in November. For about one and a half month in the summer of 1967, following an accident at Hong Kong and before a replacement could be made available, the fleet was reduced to three Caravelles. Available ton kilometers increased by 23 per cent and revenue ton kilometers by 26 per cent. The THAI International staff as of September 30, 1967, numbered 1253 employees.



SAS

SCANDINAVIAN AIRLINES SYSTEM

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

Board of Directors

Denmark

J. Chr. Aschengreen
Second Vice Chairman

Palle Christensen

Deputies:

Poul Andersen
Helge Bech-Bruun

Norway

Jens Chr. Hauge
First Vice Chairman

Per M. Backe

Deputies:

E. F. Eckhoff
Erik Waaler

Sweden

M. Wallenberg
Chairman

Per Åsbrink

Deputies:

Curt Nicolin
Nils Hörjel

Assembly of Representatives

Denmark

Mogens Pagh
First Vice Chairman

Greve Flemming af Rosenborg

Poul Andersen

J. Chr. Aschengreen

Helge Bech-Bruun

K. Bredal

Palle Christensen

Per Haekkerup

Axel Kristensen

Hans Muus

Norway

Per M. Hansson
Chairman

Nils Astrup

Per M. Backe

Erik Brofoss

E. F. Eckhoff

Jens Chr. Hauge

Arne Rittedal

Erik Waaler

Deputies:

Halvdan Bjørum

Rolf Heilemann

Erling Lind

K. Skaaluren

Sweden

Per A. Norlin
Second Vice Chairman

A. Ax:son Johnson

Erik Boheman

Erik Grafström

Tryggve Holm

Nils Hörjel

Sven Mellqvist

Gustaf V. Nilsson

Lars Peterson

Manne Ståhl

M. Wallenberg

Sune Wetter

Erik Wijk

Per Åsbrink

Deputies:

Torgeir Christoffersen

Folke Fessé

E. Gustafsson

Helge Jäder

Curt Nicolin

Ragnar Sachs

Management

Knut Hagrup
Executive Vice President
Technical and Operations

Johs. Nielsen
Vice President and
General Manager
Region Denmark

E. Palsgaard
President, SAS Catering A/S

Karl Nilsson
President

Johan Nerdrum
Vice President and
General Manager
Region Norway

Tore Nilert
President, SAS Inc.

Christian R. Hunderup
Executive Vice President
Marketing

Sven-Erik Svanberg
Vice President and
General Manager
Region Sweden

A. Kappenberger
President, SAS-Invest A/S

...the ...

