

Index

Summary	5
Report by the Board	6
Consolidated Profit and Loss Statement	11
Consolidated Balance Sheet	12
Notes to Financial Statements	14
Auditor's Report	18
Joint planning spells economy, efficiency	20
President's Report	24
Survey of Traffic Development	28
Also see page 10	
The Fleet	30
Personnel	31
Subsidiaries	32
Cooperating Carriers	33

Summary

	67/68	Variation in %	66/67	Variation in %	65/66
PRODUCTION					
Size of Network (km 000)	206	+ 8.7	190	+ 20.3	158
No. of Countries Served	45		41		42
No. of Cities Served	90		84		87
Kilometers Flown (mill.)	88.7	+17.1	75.8	+ 9.2	69.4
Hours Flown (airborne) (000)	164.6	+12.0	147.0	+ 7.9	136.3
Available Ton-kms, total (mill.)	1,075.1	+28.8	834.8	+15.2	724.8
Available Ton-kms, scheduled services (mill.)	1,047.5	+28.0	818.5	+16.6	701.6
TRAFFIC					
Revenue Ton-kms (mill.)	554.7	+15.4	480.7	+15.6	415.9
Passenger	380.1	+12.6	337.7	+14.4	295.3
Freight	149.4	+24.7	119.8	+22.9	97.5
Mail	25.2	+ 8.4	23.2	+ 0.4	23.1
Total Load Factor, scheduled services (%)	53.0		58.7		59.3
No. of Passengers Carried (000)	4,155	+11.3	3,734	+15.2	3,241
Revenue Passenger-kms (mill.)	4,287	+12.7	3,805	+15.2	3,304
Passenger Load Factor (%)	50.2		54.5		52.6
Average Passenger Trip Length (kms)	1,038	+ 1.4	1,024	- 0.5	1,029
PERSONNEL					
No. of Employees per Sept. 30	13,619	+ 2.5	13,284	+ 1.6	13,081
Average Staff Strength	13,400	+ 2.4	13,100	+ 2.3	12,800
Available Ton-kms/Employee	80,200	+25.9	63,700	+12.5	56,600
Revenue Ton-kms/Employee	41,400	+12.7	36,700	+12.9	32,500
FINANCIAL (Swedish Crowns)					
Traffic Revenue (mill.)	1,179.0	+15.2	1,023.3	+12.0	913.5
Passenger	953.4	+14.3	834.0	+13.9	732.0
Freight	148.9	+22.4	121.7	+12.1	108.6
Mail	61.0	+ 7.8	56.6	+ 2.7	55.1
Charter	15.7	+42.7	11.0	- 38.2	17.8
Net Profit (mill.)	86.1		84.0		64.8
Traffic Revenue/Revenue Ton-km	2.10	- 0.5	2.11	- 1.9	2.15
Operating Expenses/Available Ton-km	1.08	-10.0	1.20	- 2.4	1.23
"Break-even" Load Factor (%)	52.0		57.3		57.7

GLOSSARY

AVAILABLE TON-KILOMETERS

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

REVENUE TON-KILOMETERS

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

LOAD FACTOR

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

AVAILABLE SEAT-KILOMETERS

Total number of seats available for passengers, multiplied by 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.

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

Report by the Board

Scandinavian Airlines System's net profit for 1967/68 amounted to 86.1 million Swedish crowns (M.SKR), or US\$ 16.6 million. This compares to a net profit for 1966/67 of US\$ 16.2 million.

Total revenue for 1967/68 was M.SKR 1,520 (1,354)*, a growth of 12.3 per cent. Out of this total traffic revenue accounted for M.SKR 1,179 (1,023). Other operating revenue amounted to M.SKR 304 (284) and financial and miscellaneous income combined reached a total of M.SKR 37 (47).

An analysis of the traffic revenue shows that passenger traffic contributed M.SKR 953 (834), cargo M.SKR 149 (122), mail M.SKR 61 (56) and charter traffic M.SKR 16 (11).

Expenses other than depreciation increased by M.SKR 153 (136) to a total of M.SKR 1,331 (1,178). Depreciation totaled M.SKR 104 (92). Last year's figures included extraordinary depreciation amounting to M.SKR 15.

The Board submits to the SAS Assembly of Representatives that M.SKR 43.05 be paid out to the Parent Companies and M.SKR 43.05 be retained by SAS and credited to the Parent Companies' capital accounts as a further consolidation.

The financial results and status are shown in the Consolidated Profit and Loss Statement and the Consolidated Balance Sheet as per September 30, 1968, which follow this report.

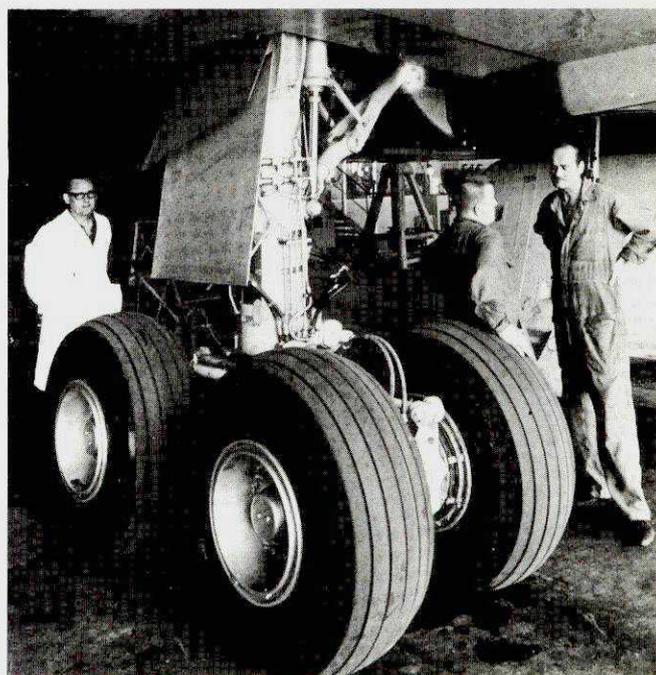
General Remarks

The year 1967/68 was by and large another good year for SAS. Substantial capacity increases producing declining load factors, rising costs, decreasing revenue yields and heavy capital needs to meet the expected expansion are problems common to the entire aviation industry. The magnitude of the modernization of SAS' fleet is illustrated by the fact that SAS investments in new flight equipment alone over seven years as from 1966/67 are estimated to be in excess of 400 million dollars.

Political unrest at various times in different parts of the world and other factors beyond SAS' control have adversely affected SAS' 1967/68 results. Balance of payments problems and remedies proposed to curb travel spending, especially those measures suggested in the United States, and the devaluation of certain currencies have presented additional problems.

The fact that SAS in spite of these difficulties was able to achieve a reasonable financial result for the year is an indication of the continued SAS consolidation and of its reduced dependency on any specific route. The large capacity increase of 29 per cent which may continue over the next few years will present SAS with great opportunities and also a great challenge. Every effort will have to be made to make air travel accessible to still larger segments of the public.

The large investments required to purchase new aircraft which have only recently gone into production show the desirability of closer international cooperation among operators. The Board is, therefore, pleased that the successful coopera-



The main landing gear of a DC-8.

tion between Swissair and SAS initiated in 1958 has been extended for another 10 years.

Further, KLM, SAS and Swissair have entered an agreement of technical cooperation covering the Boeing 747 which all three carriers have ordered. The agreement includes standardization, joint pilot training and the sharing of overhaul.

During the year the Board has supported construction of a new international airport on the Saltholm Island, between Malmö and Copenhagen, in the conviction that such a project would advance the interests of the traveling public in all three countries, specially Denmark and southern Sweden, provided the economic soundness of the project is verified by further studies.

Air traffic congestion has caused great problems at several airports resulting in severe delays for air traffic and considerable inconvenience for the public. Action is urgently required to keep airport facilities abreast with the development of traffic and the operational demands of new aircraft.

Production and Traffic

SAS' production during the year, measured in available ton kilometers, increased by 29 per cent. Especially noteworthy production increases were registered on routes to the Far East. Within less than a year since its opening the Trans-Asian Express expanded from one to three flights a week in each direction. A third weekly service was also added to the Trans-Polar route to Japan.

Scheduled traffic, measured in revenue ton kilometers, registered an increase of 15 per cent. The overall load factor was 53.0 per cent, down 5.7 points. Intercontinental traffic and the domestic traffic of Scandinavia increased by 16 per cent as against 13 per cent for Europe and the Middle East.

Passenger traffic increased 13 per cent, cargo 25 per cent and mail traffic 8 per cent. SAS carried a total of 4.2 million passengers during the year, an increase over the previous year by 11.3 per cent. The overall cabin factor was 50.2, down 4.3 points.

During the 1968 summer season, SAS served ninety cities in forty-five countries.

Fleet

Two additional DC-8-62s have been delivered, thus completing SAS' original order for six ultra-long range aircraft. Further, two aircraft out of the original orders for four DC-8-63s have also gone into SAS service. This is the largest commercial airplane now flying. All ten DC-9-41s of the original order have joined the SAS fleet and the five DC-9-32s operated under a lease arrangement have been gradually returned to Swissair.

Delivery of ten DC-9-21s has commenced the latter part of 1968. SAS also has on order two DC-9-33s in all-cargo version. Production of the Boeing 747, of which SAS has ordered two,

is progressing on schedule and the rollout of the prototype took place on September 30, 1968.

During the year new orders have been placed for one additional DC-8-63, two DC-8-62s and six DC-9-41s.

Cargo

The freight business continues to be of great importance to SAS. As early as 1951 freight was responsible for 10 per cent of SAS' total traffic revenue. Freight revenue has been increasing at a greater rate than passenger revenue, and now represents an income for SAS of M.SKR 149 which is nearly 13 per cent of SAS' total traffic revenue.

The Copenhagen air cargo center, which experienced considerable difficulties in its initial stages, has today overcome these technical problems. New cargo terminals have been completed in Oslo, Gothenburg and Stockholm. While not as technically sophisticated as the Copenhagen facility they will considerably increase the cargo capacity at these stations and greatly improve the services available for exporters and importers.

Associated Companies

THAI International, in which SAS owns 30 and Thai Airways Company 70 per cent, increased its production by 26 per cent. For the fourth year, the Bangkok-based carrier has been able to report a profit, amounting to M.SKR 2.0 in 1967/68.

The wholly-owned subsidiary SAS Catering A/S has increased its turnover by 12 per cent over the previous year and has been able to contribute a profit of M.SKR 1.7 to SAS.

SAS-Invest A/S, also wholly-owned, has obtained a gross profit of M.SKR 1.0, which has been fully utilized for extraordinary depreciation.

Linjeflyg AB, in which SAS and its Swedish parent company, ABA, each holds 50 per cent of the shares, has expanded its scheduled production by 12 per cent, measured in available ton kilometers, and showed a profit for 1967/68 amounting to M.SKR 1.2.

The Scandinavian charter company, Scanair, which is owned by the parent companies of SAS, has increased its traffic by 18 per cent.

Hotel Development

Adequate first class hotel facilities are essential to the operation of a successful airline, and SAS is therefore participating directly and indirectly in several hotel projects in Scandinavia. The Board has decided to sponsor the building of an SAS hotel in the center of Oslo. In addition, a Bed and Breakfast Hotel is under construction in Copenhagen close to Kastrup Airport.



The SAS Board of Directors. From left: Palle Christensen, Jens Chr. Hauge, M. Wallenberg, Haldor Topsøe, Karl Nilsson, President, Per Åsbrink, Per M. Backe and Erik Norman, General Secretary.

Management

During the year the Head Office Management of SAS has been strengthened by the appointment of two Senior Vice Presidents responsible for Finance and Administration respectively. SAS Management now consists of the President, two Executive Vice Presidents and two Senior Vice Presidents.

Personnel

The SAS staff at the end of the year numbered 13,619 as against 13,284 last year.

The Board takes this opportunity to express to all SAS personnel its appreciation for their diligent work contributing greatly to the gratifying results in 1967/68.

Copenhagen, Oslo and Stockholm, December, 1968

JENS CHR. HAUGE

HALDOR TOPSØE

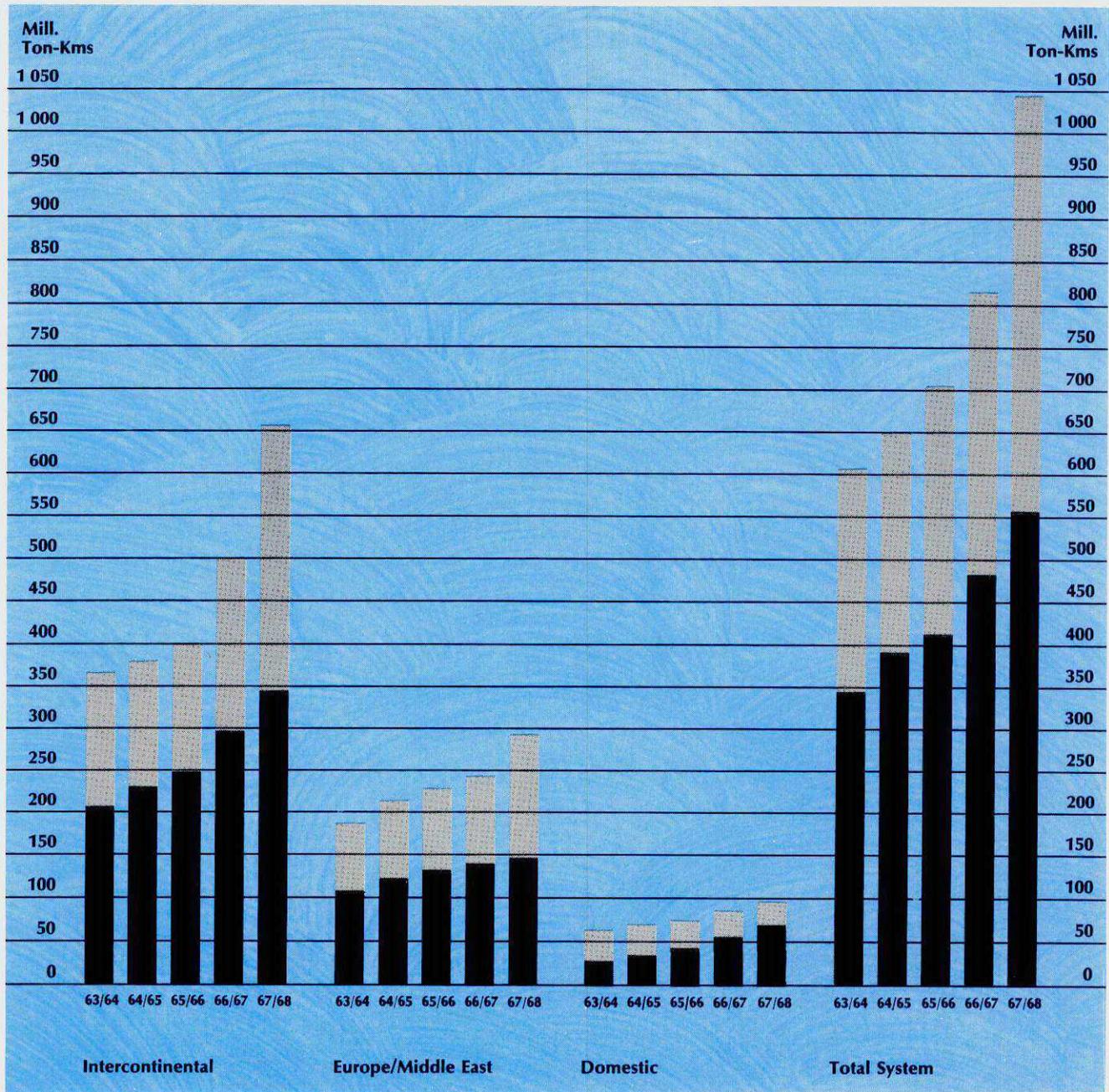
M. WALLENBERG

PER M. BACKE

PALLE CHRISTENSEN

PER ÅSBRINK

KARL NILSSON
President



Available ton-kms
 Revenue ton-kms

Consolidated Profit and Loss Statement

September 30, 1968 (including wholly-owned subsidiary companies)

INCOME (in millions of Swedish Crowns)	1967/68		1966/67	
Traffic revenue	1,179.0		1,023.3	
Other operating revenue	304.4	1,483.4	284.5	1,307.8
Financial income		17.3		21.7
Other income		11.9		11.6
Income from sale of flight equipment, etc.		7.8		13.3
		1,520.4		1,354.4

EXPENSES (in millions of Swedish Crowns)	1967/68		1966/67	
Operating expenses		1,226.2		1,094.6
Administrative expenses		50.5		38.8
Financial expenses		33.8		25.3
Other expenses		20.1		19.3
Depreciation		103.7		92.4
Net profit		86.1		84.0
		1,520.4		1,354.4

"Notes to Financial Statements" on pages 14–17 refer to the above Profit and Loss Statement.

Copenhagen, Oslo and Stockholm, December, 1968

JENS CHR. HAUGE

HALDOR TOPSØE

M. WALLENBERG

PER M. BACKE

PALLE CHRISTENSEN

PER ÅSBRINK

KARL NILSSON
President

/C. E. Lindh

Consolidated Balance Sheet

September 30, 1968 (including wholly-owned subsidiary companies)

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1968		Sept. 30, 1967	
Aircraft				
At cost	1,135.2		827.5	
Depreciation and valuation reserves	430.1	705.1	427.9	399.6
Spare engines and spare parts				
At cost	337.0		274.3	
Depreciation and valuation reserves	182.1	154.9	164.9	109.4
Advance payments on flight equipment and simulators on order		67.0		72.8
Buildings and land				
At cost	85.8		73.9	
Depreciation and valuation reserves	21.4	64.4	18.7	55.2
Workshop and aircraft servicing equipment				
At cost	47.1		42.4	
Depreciation and valuation reserves	37.1	10.0	34.7	7.7
Other equipment and vehicles				
At cost	97.9		89.4	
Depreciation and valuation reserves	61.8	36.1	55.9	33.5
Discount on debenture loans		4.2		4.5
Shares and bonds		10.0		9.3
Long-term accounts receivable and prepayments		15.3		13.7
Shop work in progress		3.6		3.7
Sundry stores		8.5		8.7
Short-term accounts receivable and prepayments		202.4		178.5
Cash and bank balances, including short-term cash investments		256.8		357.2
		<u>1,538.3</u>		<u>1,253.8</u>

"Notes to Financial Statements" on pages 14–17 refer to the above Balance Sheet.

LIABILITIES (in millions of Swedish Crowns)	Sept. 30, 1968		Sept. 30, 1967	
Capital				
ABA (3/7)	171.5		153.5	
DDL (2/7)	114.3		102.3	
DNL (2/7)	114.3	400.1	102.3	358.1
	<hr/>		<hr/>	
Net profit		86.1		84.0
Subordinated debentures		157.5		157.5
Mortgage loans		23.6		26.3
Danish Government loan		2.9		3.9
Loans in USA		53.9		62.2
Manufacturer's credit on flight equipment		358.0		138.2
Other long-term liabilities		18.3		16.4
Short-term liabilities		421.4		390.7
General valuation reserve		16.5		16.5
		<hr/>		<hr/>
		1,538.3		1,253.8
		<hr/> <hr/>		<hr/> <hr/>
Contingent liabilities and guarantees		16.9		16.2
		<hr/> <hr/>		<hr/> <hr/>
<p>Furthermore, SAS has assumed certain liabilities in respect of pensions, and in connection with ticket sales according to pay-later plans.</p>				
Pledges				
Mortgages on real estate		25.6		28.2
Sundry pledges		3.8		1.8
		<hr/>		<hr/>
		29.4		30.0
		<hr/> <hr/>		<hr/> <hr/>

Copenhagen, Oslo and Stockholm, December, 1968

JENS CHR. HAUGE

HALDOR TOPSØE

M. WALLENBERG

PER M. BACKE

PALLE CHRISTENSEN

PER ÅSBRINK

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 January, 1969.

Copenhagen, January, 1969

VIKING BERGMAN

CENTRALANSTALTEN FOR REVISION
CARL JOHAN THORSEN

CHRISTIAN BLOM

STEN NACKSTAD

HUGO ENGMANN

TOR STORHAUG

Notes to Financial Statements

* Operating expenses incurred in airline services, specified by functions, are related to traffic revenue and production in a separate table below. Operating expenses in this table include calculated depreciation and interest, a capital charge reflecting the operating property and equipment employed by airline services.

	OPERATING EXPENSES INCURRED IN AIRLINE SERVICES					
	Percentage of Total Traffic Revenue			Per Available Ton-Km (1/100 SKR)		
	1967/68	1966/67	1965/66	1967/68	1966/67	1965/66
Flying Operations	23.3	23.8	23.1	25.5	29.2	29.1
Maintenance and Overhaul	11.6	13.1	13.3	12.8	16.0	16.8
Flight Equipment	10.0	8.9	10.2	11.0	10.9	12.8
Ground Operations	17.4	16.3	14.6	19.1	20.0	18.4
Passenger Service	8.7	8.6	8.4	9.5	10.5	10.6
Promotion and Sales	20.7	20.6	21.4	22.7	25.3	27.0
General and Administrative	6.7	6.7	6.6	7.3	8.2	8.3
Total Operating Expenses	98.4	98.0	97.6	107.9	120.1	123.0
Total Traffic Revenue	100.0	100.0	100.0	109.7	122.6	126.0

* Ordinary depreciation charges, M.SKR 103.7, are apportioned with M.SKR 87.2 to aircraft, spare engines and spare parts, M.SKR 3.4 to buildings, etc. and M.SKR 13.1 to ground equipment and vehicles.

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

* The sale of one Metropolitan and one DC-7 aircraft is included in "Income from sale of flight equipment, etc." The five remaining DC-7 aircraft have been retired and usable parts salvaged. All DC-7 aircraft were fully written off. Accrued depreciation relating to the aircraft sold and retired totaled M.SKR 64.6.

* The acquisition value of two DC-8-62s, two DC-8-63s, ten DC-9-41s and one F-27 aircraft and of related spare engines and spare parts, delivered during 1967/68, is M.SKR 430.9.

* Sources and uses of funds are specified in the separate funds statement on the next page.

FUNDS STATEMENT (in millions of Swedish Crowns)		1967/68	1966/67	1965/66
SOURCE OF FUNDS				
Net profit		86.1	84.0	64.8
Depreciation		103.7	92.4	85.6
Book value of assets sold		3.7	4.8	5.5
Other (net)		- 1.1	0.4	0.1
From operations		192.4	181.6	156.0
Manufacturer's credit on flight equipment		250.9	106.7	15.6
Short-term liabilities		32.6	48.1	24.7
Other sources of funds		3.5	5.8	5.3
	Sub-total	479.4	342.2	201.6
USE OF FUNDS				
Aircraft, spare engines, spare parts		376.2	163.5	127.8
Prepayments on aircraft and flight simulators		51.0	58.3	41.3
Buildings, etc.		12.9	5.2	11.7
Other equipment, supplies, etc.		20.0	27.1	12.4
Shares		1.4	0.7	-
Total investments		461.5	254.8	193.2
Accounts receivable and prepayments, etc.		31.6	23.2	14.3
Amortization on long-term debt		44.7	20.2	9.6
Paid to Parent Companies out of last year's profit		42.0	13.0	15.0
	Sub-total	579.8	311.2	232.1
CHANGE IN CASH AND BANK BALANCES (including short-term cash investments)		- 100.4	+ 31.0	- 30.5

* Investments in new flight equipment delivered in the years 1966/67 and 1967/68 and in flight equipment on order as per September 30, 1968 will total M.SKR 1,652.7 as shown in the table below.

TYPE OF FLIGHT EQUIPMENT	No. of aircraft		Investments			Total
	Delivered	On order	Deliveries 66/67-67/68	Advances Sept. 30, 68	To be paid 68/69-71/72	
DC-8-63	2	3	389.0	17.7	304.9	711.6
DC-8-62	6	2				
DC-9-41	10	6				
DC-9-33	-	2	213.8	40.5	383.2	637.5
DC-9-21	-	10				
B-747	-	2	-	8.4	289.7	298.1
F-27	1	-	5.5	-	-	5.5
Total	19	25	608.3	66.6	977.8	1,652.7

* Investments in "Buildings, etc." include M.SKR 8.1 relating to air cargo terminals. In the course of the year, additional M.SKR 1.2 were invested in the office buildings at Copenhagen Airport.

* As of September 30, 1968, flight equipment and other physical assets of SAS were insured as follows:

AMOUNTS (in millions of Swedish Crowns)	1968	1967
Aircraft	1,221.7	808.9
Spare engines, spare parts and technical stores	319.5	252.2
Buildings, etc.	121.2	104.3
Workshop and aircraft servicing equipment and tools	62.7	49.8
Other equipment, vehicles and sundry stores	144.5	107.9
Total	1,869.6	1,323.1

* 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.

* As of September 30, 1968, the loans from insurance companies in the United States amount to US\$ 10.4 million repayable over a remaining seven year period as from December 31, 1968.

* 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 on page 17 shows assets and liabilities of SAS-Invest A/S before consolidation.

SAS-INVEST A/S BALANCE SHEET (included in SAS' consolidated balance sheet)

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1968		Sept. 30, 1967¹⁾	
Buildings				
At cost	35.7		37.3	
Depreciation	8.6	27.1	7.8	29.5
		<u> </u>	<u> </u>	
Equipment				
At cost	6.1		6.3	
Depreciation	4.5	1.6	4.2	2.1
		<u> </u>	<u> </u>	
Long-term accounts receivable		2.6		2.8
Sundry stores		0.3		0.4
Short-term accounts receivable and prepayments		1.4		0.9
Cash and bank balances		0.4		1.2
		<u> </u>	<u> </u>	<u> </u>
		33.4		36.9
		<u> </u>	<u> </u>	<u> </u>

LIABILITIES (in millions of Swedish Crowns)	Sept. 30, 1968		Sept. 30, 1967¹⁾	
Share capital		3.5		3.7
Mortgage loans		16.9		19.2
Loan from SAS		11.0		12.0
Other long-term liabilities		0.2		0.2
Short-term liabilities				
SAS	–		0.1	
Other	1.8	1.8	1.7	1.8
		<u> </u>	<u> </u>	<u> </u>
		33.4		36.9
		<u> </u>	<u> </u>	<u> </u>
Contingent liabilities		–		–
		<u> </u>	<u> </u>	<u> </u>
Pledges				
Mortgages on real estate		18.3		20.7
Sundry pledges		–		–
		<u> </u>	<u> </u>	<u> </u>
		18.3		20.7
		<u> </u>	<u> </u>	<u> </u>

¹⁾ Converted into Swedish Crowns at the rate of exchange valid prior to the devaluation of the Danish Crown in November 1967.

Auditor's Report

We, the undersigned, appointed in accordance with Article 11 of the Consortium Agreement between AB Aerotransport (ABA), Det Danske Luftfartselskab A/S (DDL) and Det Norske Luftfartselskab 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, 1967 – September 30, 1968.

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 86.10 million Swedish Crowns, out of which 43.05 million Swedish Crowns are proposed to be paid out to the Parent Companies.

We recommend

that the Annual Accounts as per September 30, 1968, which have been submitted and which have been signed by us, be adopted, and

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

Copenhagen, January, 1969

VIKING BERGMAN

CENTRALANSTALTEN FOR REVISION
CARL JOHAN THORSEN

CHRISTIAN BLOM

STEN NACKSTAD

HUGO ENGMANN

TOR STORHAUG



SAS air hostess framed by one of the Boeing 747's mammoth fan engines

Joint planning spells economy, efficiency

Cooperation is at the very foundation of SAS' creation and operation – cooperation, to begin with, between the former national carriers of Denmark, Norway and Sweden.

In the late 1950's an agreement of cooperation was concluded with Swissair. Recently renewed, it was based on technical cooperation between the two carriers, both partners sharing the view that the primary problems to be solved are those of a practical, technical character.

Lately, a third airline – KLM – has joined the two others to cooperate on technical matters relating to the advent of the giant Boeing 747 aircraft which all three have ordered. Working groups and sub-committees were organized to coordinate the 747's specifications, technical and operational questions, purchasing, ground operations and passenger flight service. This organization, covered by the three carriers' initials, KSS, has already become widely known in the aviation industry.

KSS may in a sense be regarded as the fruition of attempts that started as early as in the DC-4 days, in the 1940's. At that time SAS first advanced its thesis that identical cockpits would bring technical as well as financial advantages for customer airlines.

Some 10 years later, the theory was to prove itself correct, after Swissair and SAS had agreed on the same cockpits for the DC-8, DC-9, Caravelle and Coronado jet fleets.

Thus it was logical that the initial concrete expression of the KSS cooperation was to be found in the 747 cockpit. The savings inherent in the KSS concept soon became obvious, for once agreement had been reached on a standardization of systems and all major components, the three airlines could order one single 747 flight simulator. This joint move represents considerable savings because – for the cockpit the size of that of the Boeing 747 – even a simulator becomes a major investment.

The action was not unprecedented, for SAS and Swissair already share a Caravelle jet simulator at the Scandinavian flight crew training headquarters in Stockholm.

The design chosen by the KSS group is produced by the CAE Industries of Montreal, Canada. When assembled, the three-million dollar, 15-ton simulator will be so large that a special building has to be erected for it at Amsterdam's Schiphol Airport.



Symbolizing the KSS concept of cooperation for the era of the 747 superjet are the hostesses of KLM, SAS and Swissair.



Advantages to come, once the 747s have entered operation, will be particularly striking in the overhaul work. By agreement, KLM will handle the airframe overhaul of the 747 for all three carriers, while SAS has been entrusted the overhaul of the mammoth fan engines – each of which develops about twice the total thrust of one Caravelle's two powerplants. In order to get an even work distribution between the partners, Swissair will be charged with the airframe overhaul of KLM's DC-9s. Under separate agreements Swissair is already overhauling the engines of the DC-9s for SAS and KLM.

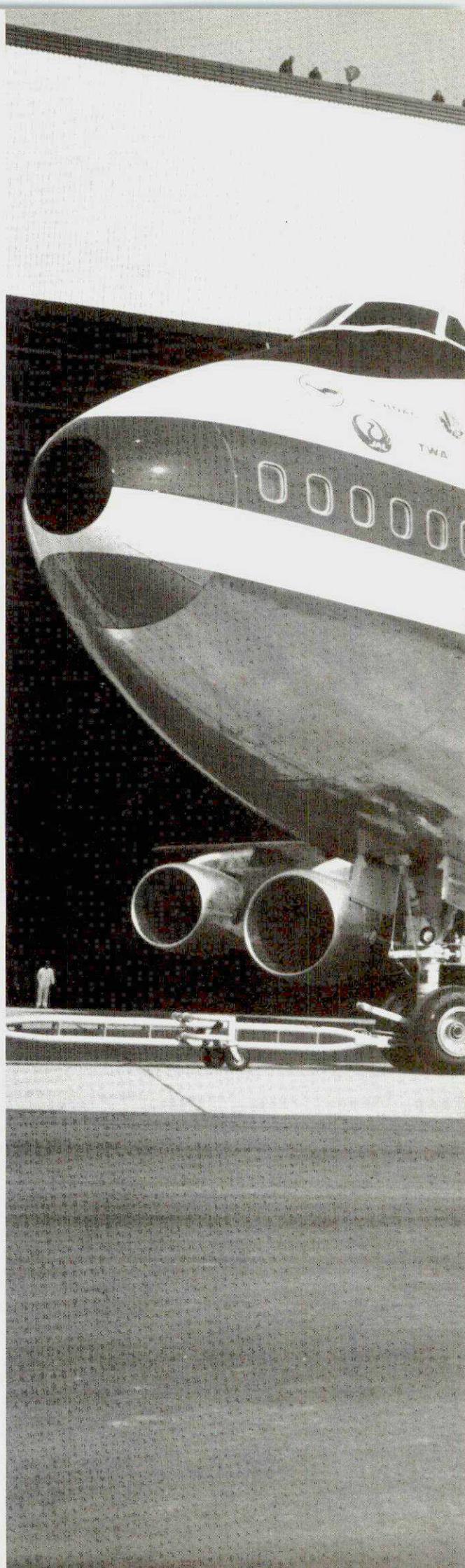
Additional savings will also be represented in a reduction of the spare parts inventories which otherwise each airline would have had to maintain fully stocked.

Each meeting of the KSS committee brought its members closer together on the specifications required, and as construction of the first 747 progressed at the new Boeing plant in Everett, Washington, they were able to define their requirements on an increasing number of technical and design details.

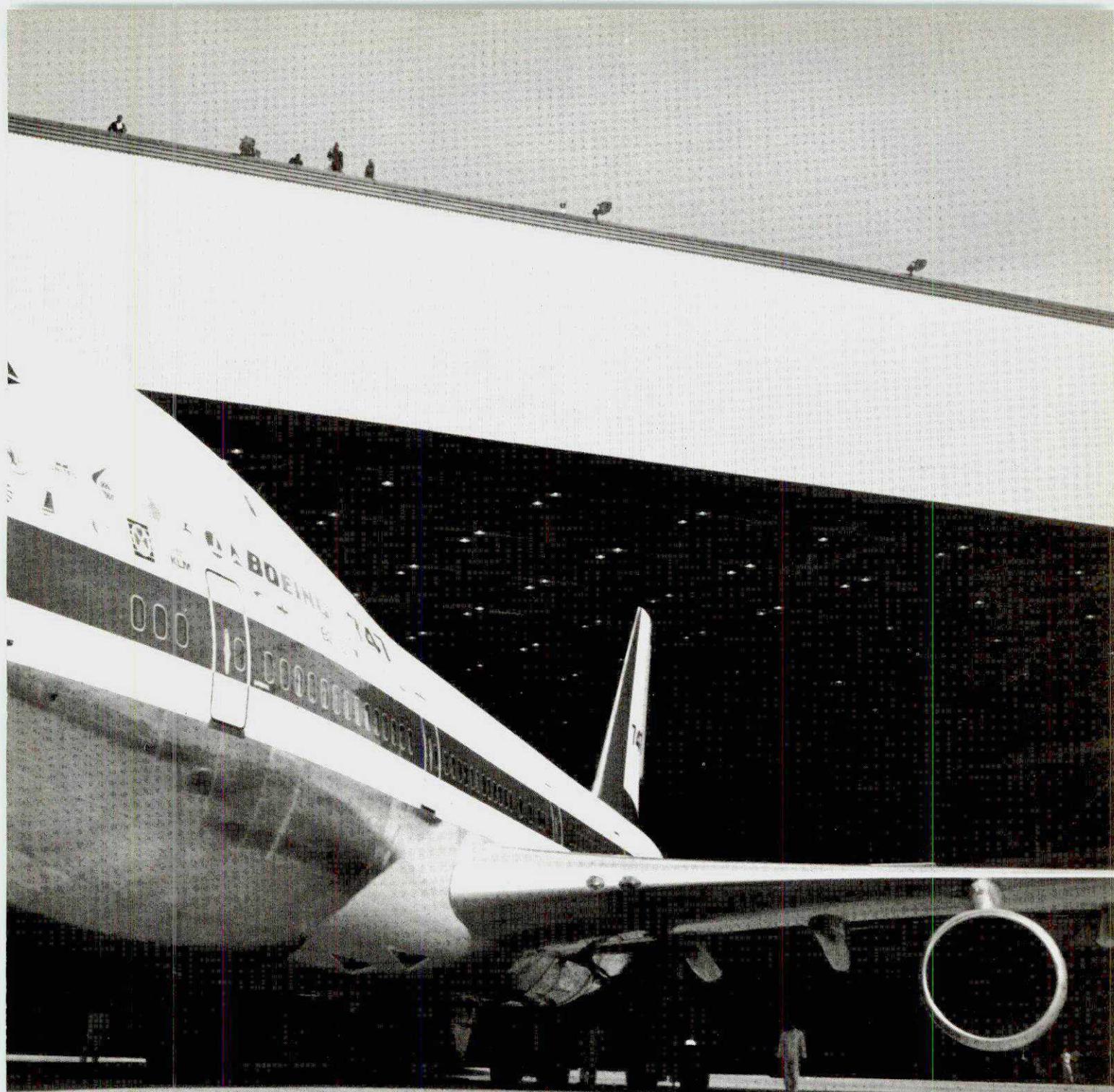
It was thereby possible to obtain standardization of the layout not only of the flight deck but also of the 20-foot wide cabin, the seats and galleys, and luggage and cargo containers. So, from a commercial point of view as well, all seven Boeing 747s ordered by the three companies are identical, with the same capacity, seat numbers and catering facilities.

Thus SAS, which has purchased only two of the 747s, can benefit from all the advantages of what is – for all practical purposes – a fully interchangeable, seven aircraft fleet. When, for example, a 747 from one of the carriers is out of service for annual overhaul, another partner's 747 can be utilized without concern for the integration of passenger or cargo reservations or of the cockpit and cabin crews who will be equally at home with the three carriers' entire fleet.

Consequently, when the first Boeing 747 was rolled out on September 30, 1968 – right on schedule – it was already indisputable, before the maiden flight and considerably ahead of delivery, that the basic tenet of the KSS philosophy is right: cooperation pays.



The 747 prototype rolled out of Boeing's new assembly plant in Everett, Washington, September 30, 1968.



President's Report

Traffic Program

As SAS continued to expand its fleet with intercontinental DC-8-62s and DC-8-63s and medium range DC-9-41s the traffic program showed an increase of 29 per cent over the previous year to 1,075 million available ton kilometers.

The highest load factors for the year, all over 60 per cent, were recorded on intercontinental all-cargo routes, the Trans-Polar service between Scandinavia and Japan, the southern route to southeast Asia and on domestic routes in all three countries.

While not reaching comparable load factors, the Trans-Asian Express proved from the outset to be a most valuable addition to the SAS traffic program and the gratifying demand for this new routing is evident from the fact that load factors have remained above expectations despite a tripling of the capacity since the beginning of the operations last November.

Passenger Traffic

Measured in revenue passenger kilometers SAS traffic rose 13 per cent over the year before to 4,287 million. Intercontinental passenger traffic was up 13 per cent, European and Middle East 11 per cent, and domestic passenger traffic 16 per cent.

A relatively modest increase was noted on transatlantic routes to New York and Chicago/Montreal, mainly for the reasons discussed in the report by the Board. By comparison the 1966/67 increase on transatlantic routes was 12 per cent. However, passenger traffic on the route to Seattle/Los Angeles grew by 21 per cent over last year.

Routes to Africa showed an 11 per cent increase. The highest route increase was recorded for the Trans-Polar route, up 29 per cent. Notable increases on domestic and intra-Scandinavian services illustrate the growing importance of this traffic sector.

The capacity growth obtained through the introduction of new and larger aircraft is reflected by a drop in the cabin factor, from 54.5 to 50.2 per cent.

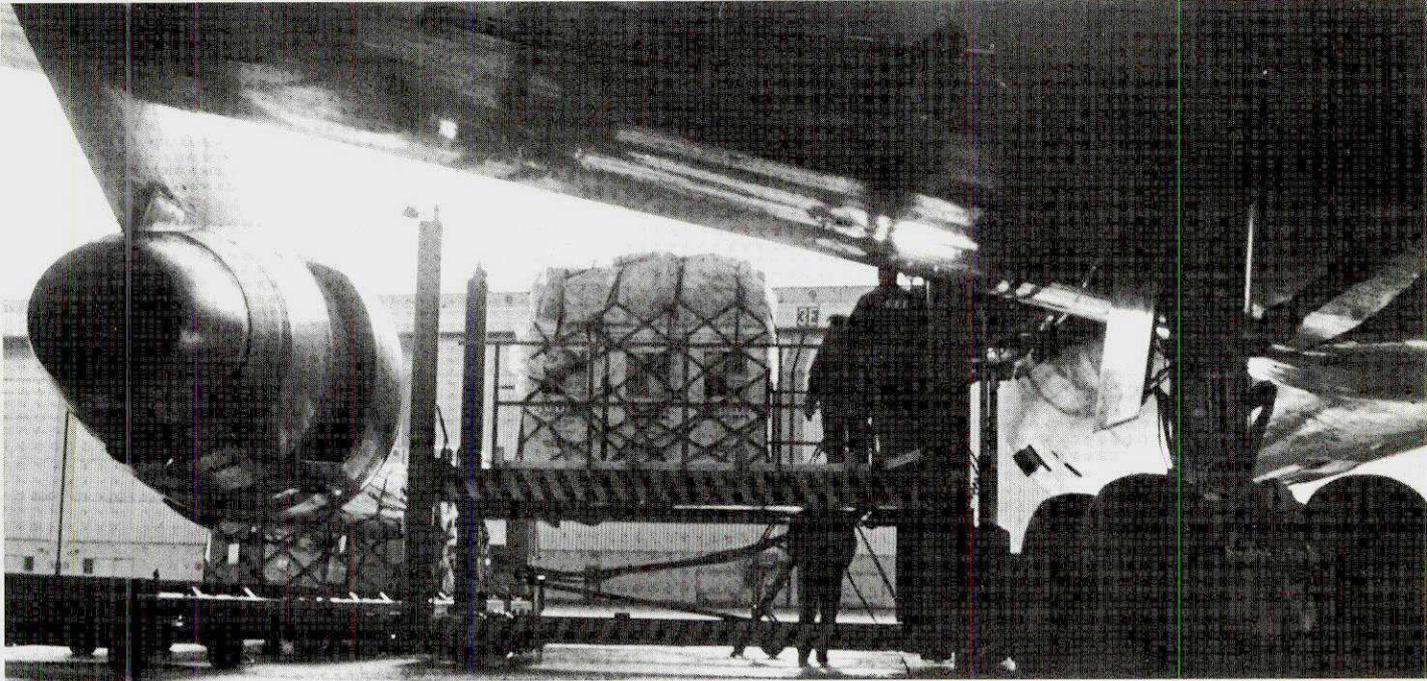
Cargo and Mail

Air cargo traffic in 1967/68 grew by 25 per cent to 149 million ton kilometers.

In previous years the improvement has been mainly in intercontinental cargo traffic. This year significant increases have also been recorded in cargo traffic to and from destinations in Europe and the Middle East.

To a large extent these increases may be attributed to the improved cargo capacity of the DC-9-41 passenger aircraft while the increase on all-cargo routes has been more moderate.

Air mail traffic, which had been static the previous year, rose by 8 per cent to 25.2 million revenue ton kilometers.



Cargo revenue has been increasing faster than passenger revenue and accounted for nearly 13 per cent of SAS' total traffic revenue in 1967/1968.

Passenger Revenue Development

During the year the increasing utilization of group inclusive tour reductions, combined with the directional family fare to North America, introduced in order to stimulate European travel to the United States, has led to a lower yield per passenger on the North Atlantic.

Passenger Service

The DC-9-41 fleet is equipped with the same SAS-designed seats as the DC-8-62s, and the added comfort offered passengers on medium-range routes has been an important factor in making SAS service even more attractive.

A contract has been concluded with Inflight Motion Pictures Inc., and on the DC-8-63, which joined the SAS fleet towards the end of the fiscal year, films are shown on three separate screens and passengers may also choose between six different music channels.

Airports

As mentioned by the Board SAS has after a thorough investigation, conducted by the Dixon Speas firm of consultant engineers, endorsed the Saltholm project from a technical and operational point of view.

Congestion at the Copenhagen airport is expected to be to some extent relieved by the new domestic station building which is nearing completion.

A certain expansion has been completed at Arlanda airport through the addition of a new arrival hall. Even so, the temporary station building will shortly become inadequate as pas-

senger traffic continues to increase. In order to accommodate the Boeing 747s it is foreseen that the Arlanda taxiways will have to be widened at the connections with the runways.

The reversal by the Swedish Government of the Swedish CAB approval of DC-9-21 aircraft at Bromma airport, Stockholm, has presented SAS with difficulties in domestic Swedish traffic planning and will constitute a disadvantage to the traveling public.

Punctuality

A special drive has been initiated with the aim of achieving a higher degree of punctuality. Circumstances beyond SAS control, such as air traffic control difficulties at the Copenhagen and John F. Kennedy airport in New York and at other airports have regrettably hampered the efforts. However, in many areas noticeable improvements have been achieved.

New Aircraft

The new McDonnell-Douglas intercontinental and medium range jet liners have shown a technical performance which is superior to the guaranteed data. The new aircraft have greater capacity and improved passenger comfort than earlier jet liners. Furthermore, better equipment and training has resulted in only minor technical irregularities in the introduction of these aircraft compared with the original jets in 1960.

The Boeing 747 which was rolled out in September has a take-off weight of 710,000 lbs. The two 747s ordered by SAS for 1971 delivery will have increased take-off weight, 733,000 lbs. This is being achieved by adapting the Pratt & Whitney JT9D-3 for water injection, whereby the thrust of each engine is increased from 43,500 to 45,000 lbs. Further modifications serving to increase the take-off weight and consequently the profitability of this aircraft are feasible.

Maintenance

The maintenance facility at Fornebu airport, Oslo, is being expanded to handle the overhaul of airframes of SAS' growing DC-9-41 and DC-9-21 fleet. A key feature is a special maintenance dock. The aircraft is moved into position on floor mounted plates moving on rollers and the dock is closed from each side to envelope the aircraft. Through this arrangement the dock can be used for all DC-9 models and sizes.

Data Processing Center

During the year SASCO II, the new data processing center in Copenhagen equipped with Univac 494 computers, was partially taken in use.



Passenger bridge at expanding Copenhagen Airport.

The central accounting system for SAS as well as other batch applications are operated by the equipment. Due to difficulties related to the new computer generation, transfer of real-time applications such as reservations and load control has been delayed. The reservations function is planned to be transferred from SASCO I to SASCO II during the winter season.

The new office buildings in Copenhagen also house the SAS revenue accounting department as well as the SAS training center whose capacity has been considerably increased. The school is equipped with highly advanced teaching aids.

Visit USA Campaign

In order to promote a constructive approach to the United States balance of payments problem in relation to foreign travel SAS has pledged to match any increase in United States Travel Service expenditures in Scandinavia for promotion of travel to the United States. This has been expressed in letters to the Secretary of Commerce and to the Director of the United States Travel Service. In accepting this offer the Secretary of Commerce termed it the first time that an individual European airline had taken such encouraging initiative. SAS expenditures in this connection have already been substantial.

KARL NILSSON
President

Survey of Traffic Development

TOTAL PRODUCTION AND TRAFFIC				
Scheduled services (in Mill.)	Total system	Intercontinental	Europe & M. East	Domestic routes
Avail. Ton-Kms				
1967/68	1,048	652	297	99
1966/67	818	496	239	83
Increase %	+28.0	+31.3	+24.3	+19.0
Distribution %	100.0	62.2	28.3	9.5
Rev. Ton-Kms				
1967/68	555	348	146	61
1966/67	481	299	129	53
Increase %	+15.4	+16.5	+12.7	+15.8
Distribution %	100.0	62.8	26.2	11.0
1967/68 Load Factor %	53.0	53.5	49.1	61.0
1966/67 Load Factor %	58.7	60.3	54.1	62.7

The table shows the capacity offered by SAS during 1967/68, expressed in available ton kilometers, and capacity sold, expressed in revenue ton kilometers. Last year's figures are given for comparison.

INTERCONTINENTAL ROUTES								
Scheduled Traffic (in Mill.)	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.-Kms	Change %	Ton-Kms	Change %	Ton-Kms	Change %		
Last year's figures in brackets								
North Atlantic	1,536 (1,439)	+ 7	94.7 (74.3)	+27	7.1 (6.1)	+16	52.3 (59.7)	47.3 (56.1)
Other Intercontinental Routes	780 (618)	+26	25.4 (21.3)	+19	9.5 (9.3)	+ 2	56.4 (61.8)	47.4 (48.8)
Total Intercontinental Traffic	2,316 (2,057)	+13	120.1 (95.6)	+26	16.6 (15.4)	+ 8	53.5 (60.3)	47.4 (53.7)

Intercontinental routes accounted for 54.0 per cent of SAS' total passenger traffic, 80.4 per cent of cargo and 65.8 per cent of mail traffic.

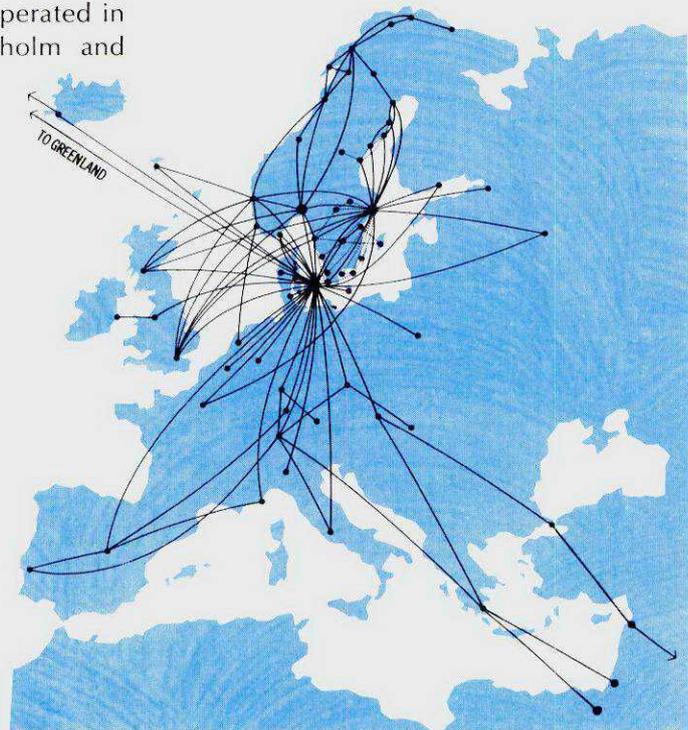
The North Atlantic routes alone carried 35.8 per cent of the passenger traffic – down 2.1 points from the previous year – 63.4 per cent of cargo and 28.2 per cent of mail traffic. SAS traffic over the North Atlantic grew by 8.3 per cent, while the average increase for all IATA carriers in this area was 7.7 per cent. SAS maintained its position in carrying 4.4 per cent of all North Atlantic traffic. During the peak season SAS operated 50 flights a week in each direction over the North Atlantic.



EUROPEAN (incl. Middle East), INTRA-SCANDINAVIAN AND DOMESTIC ROUTES								
Scheduled Traffic (in Mill.)								
Last year's figures in brackets	Passenger		Cargo		Mail		Load Factor	Cabin Factor
	Pass.-Kms	Change %	Ton-Kms	Change %	Ton-Kms	Change %	%	%
Middle East	99 (88)	+12	1.3 (0.6)	+109	0.4 (0.4)	- 14	45.2 (51.0)	46.8 (48.6)
European Routes	945 (863)	+ 9	18.9 (15.6)	+ 22	3.7 (3.5)	+ 6	50.8 (56.1)	53.7 (56.5)
Intra-Scand. Routes	298 (255)	+17	5.4 (4.9)	+ 9	1.0 (0.8)	+26	45.4 (49.1)	49.0 (49.2)
Sub-Total Europe	1,342 (1,206)	+11	25.6 (21.1)	+ 21	5.1 (4.7)	+ 7	49.1 (54.1)	52.0 (54.1)
Denmark	110 (94)	+17	0.6 (0.5)	+ 32	0.2 (0.2)	- 6	60.5 (63.2)	62.9 (64.3)
Norway	299 (257)	+17	1.2 (0.8)	+ 37	1.4 (1.2)	+16	60.2 (59.4)	60.5 (57.8)
Sweden	220 (191)	+15	1.9 (1.7)	+ 11	1.9 (1.7)	+13	62.3 (67.2)	54.8 (58.8)
Sub-Total Domestic	629 (542)	+16	3.7 (3.0)	+ 21	3.5 (3.1)	+13	61.0 (62.7)	58.8 (59.2)
Total European and Domestic Traffic	1,971 (1,748)	+13	29.3 (24.1)	+ 21	8.6 (7.8)	+10	52.1 (56.4)	54.0 (55.6)

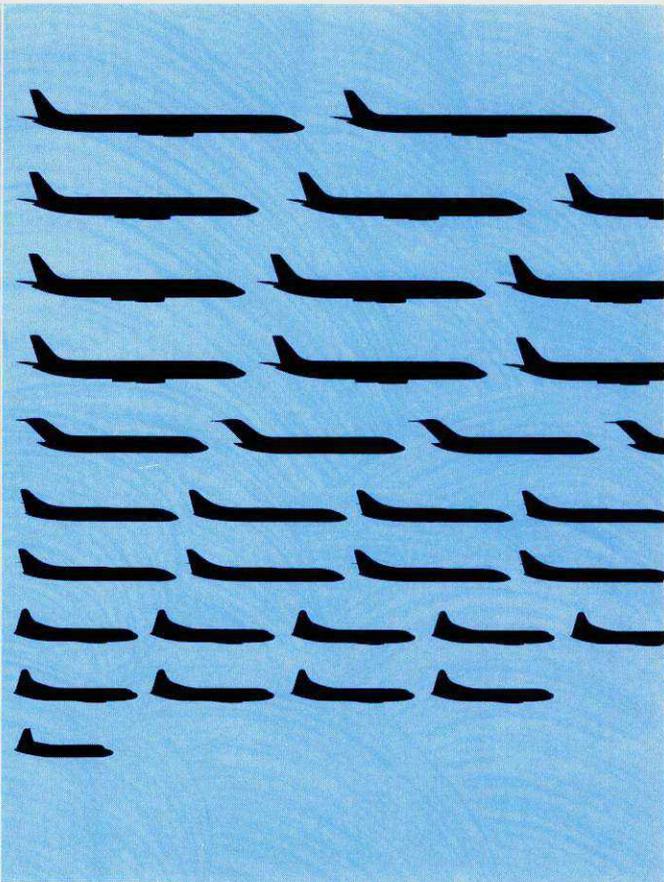
In this traffic area, the largest individual increase was noted on routes to Switzerland, up 43 per cent. The 12 per cent growth in passenger traffic to the Middle East compares with a three per cent decrease the previous year.

In Scandinavia, some 80 flights per week were operated in each direction between Copenhagen and Stockholm and between Copenhagen and Oslo.



The Fleet

Aircraft type	Total Sept. 30, 1967	Changes during 1967/68	Total Sept. 30, 1968
Douglas DC-8-63	–	+ 2	2
Douglas DC-8-62	4	+ 2	6
Douglas DC-8-55	3	–	3
Douglas DC-8-33	7	–	7*
Douglas DC-9-41	–	+ 10	10
Caravelle SE-210	19	–	19**
Convair Metropolitan	19	– 1	18
Fokker F-27	–	+ 1	1***
Douglas DC-7C	6	– 6	–
Total	58	+ 8	66



* 3 of which leased to Scanair. ** 5 of which leased to THAI International. *** Leased to Icelandair.

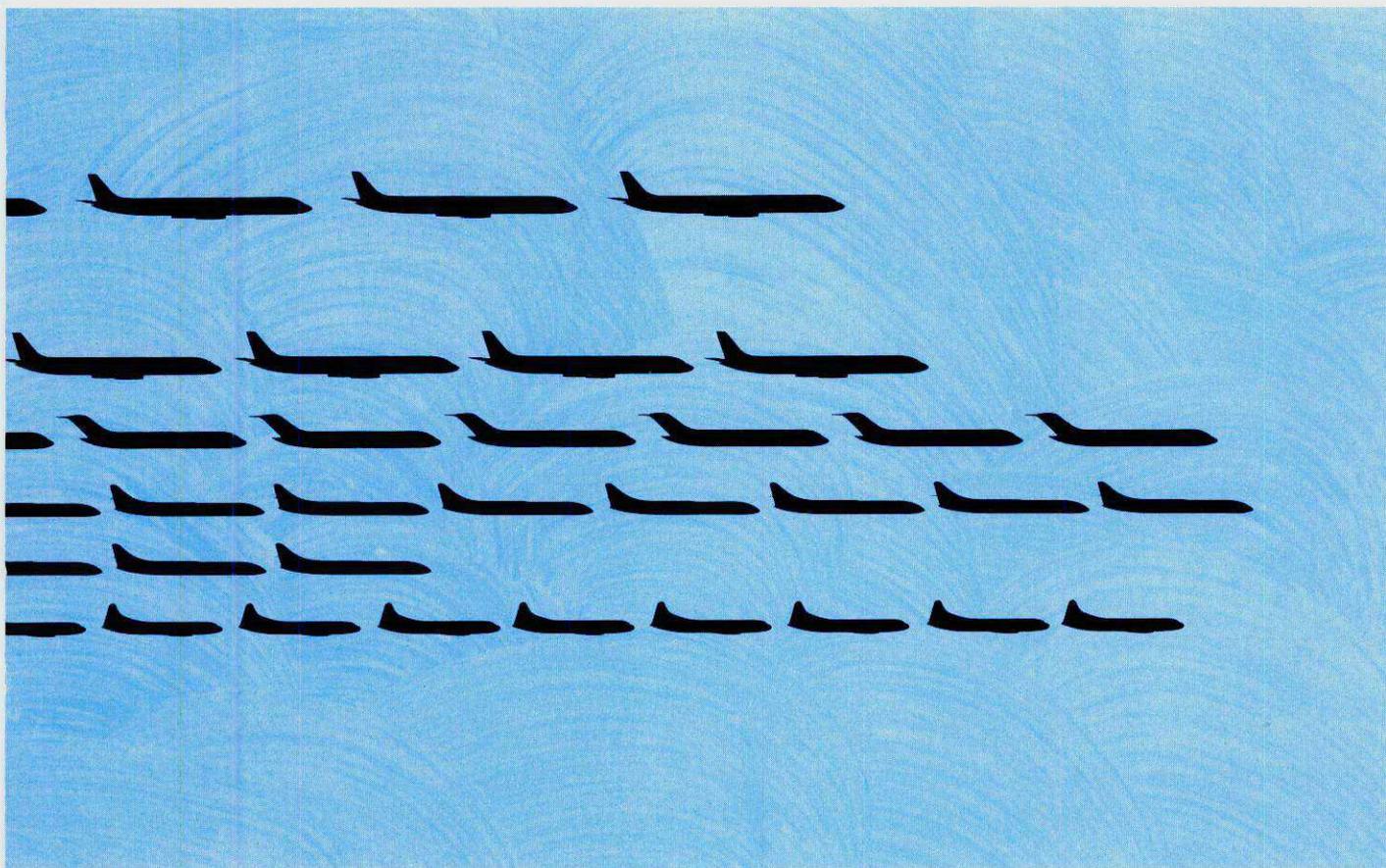
In addition to the fleet owned by SAS, as specified above, five DC-9-32 passenger aircraft and two each of all-cargo DC-6-A/Bs and Curtiss 46Rs have been chartered from other companies.

The last of the DC-7Cs – the identical aircraft that opened the Trans-Polar route to Japan in 1957 – was retired from the SAS fleet in December, 1967.

Ten medium-range DC-9-41s were delivered during the year. Gradually this type will replace the Caravelle on European routes.

The DC-8-63 “maxijet”, which joined the fleet in September, 1968, is capable of carrying 251 passengers. In the SAS version, the number is limited to 24 first class and 160 economy class seats. So-called inflight entertainment – film showings and musical selections – was introduced with this aircraft. Due to the length of the fuselage, the films are shown on three separate screens.

The SAS fleet has flown a total of 164,613 hours during the year, an increase of 12 per cent. The average daily utilization has been 10.7 hours for the DC-8s, 6.2 hours for the DC-9s, 6.8 hours for the Caravelles and 7.1 hours for the Metropolitans.



Personnel

	Cockpit Personnel			Cabin Personnel			Other Personnel			Total Personnel		
	1968	1967	1966	1968	1967	1966	1968	1967	1966	1968	1967	1966
Denmark	333	332	312	480	469	485	3,581	3,396	3,343	4,394	4,197	4,140
Norway	326	327	323	304	281	233	1,908	1,904	1,891	2,538	2,512	2,447
Sweden	545	534	515	364	346	346	2,293	2,245	2,177	3,202	3,125	3,038
Head Office	–	–	–	–	–	–	940	941	953	940	941	953
Abroad	–	–	–	14	14	20	2,531	2,495	2,483	2,545	2,509	2,503
Total	1,204	1,193	1,150	1,162	1,110	1,084	11,253	10,981	10,847	13,619	13,284	13,081

Subsidiaries

SAS Catering A/S

The gross revenue of SAS Catering for 1967/68 amounted to M.SKR 107.6, 12 per cent more than the year before.

The company serves a total of 29 carriers. During the past year four new cafeterias have been opened in Norway and one in Denmark. The Jetorama Restaurant at Arlanda Airport, Stockholm has been considerably expanded.

The SAS Catering hotel in Copenhagen, Globetrotter, containing 153 rooms is under construction and will be completed by April, 1969.

SAS Catering has also signed a contract with the Scandinavian governments to operate the restaurants in the Scandinavian Pavilion at the Expo 70 World's Fair in Osaka, Japan.

The number of employees has averaged 1,110.



SAS-Invest A/S

The company owns and operates the Royal Hotel in Copenhagen. Its capacity has, through removal of the administrative offices, been increased by 17 rooms. A total of more than 125,000 overnight stays, representing a room occupancy of 90 per cent, is reported.

Total revenue amounted to M.SKR 15.5 and staff strength averaged 383 employees.



Linjeflyg AB

The Swedish domestic carrier has, during the year, served 19 airports with a network of 4,500 kilometers. Revenue ton kilometers increased by 13 per cent, one point more than the increase in available ton kilometers in scheduled traffic.

The fleet consisted of eleven Metropolitan CV340/440 aircraft and two Nord 262 turboprop airliners. One additional Metropolitan was chartered from Finnair as from April, 1968.

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

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



Cooperating carriers

THAI International

The THAI International fleet during 1967/68 consisted of five Caravelles on lease from SAS.

New routes were inaugurated to Denpasar on Bali, Indonesia, which is served three times a week; to Seoul, South Korea, also with three weekly services, and to New Delhi, India, with two flights a week. The service to Calcutta was suspended between November, 1967 and April, 1968 due to cancellation of the air agreement between India and Thailand. Operation of the route between Bangkok and Saigon, South Vietnam, was occasionally disrupted during the first six months of 1968.

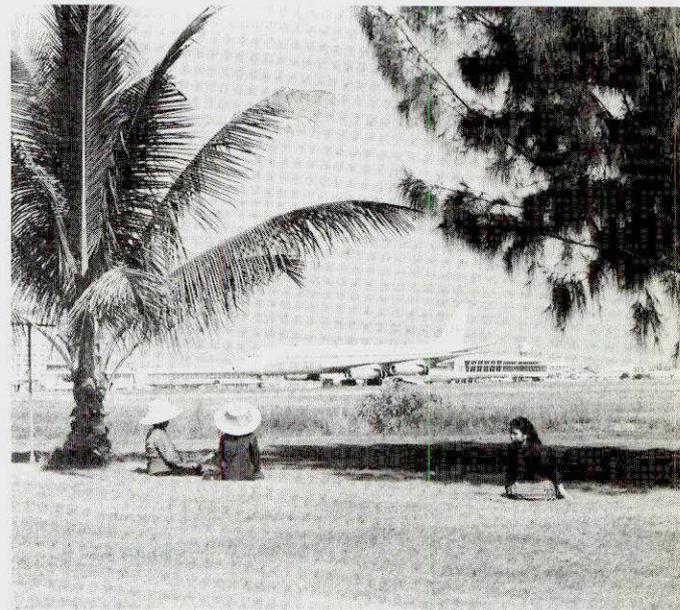
Available ton kilometers increased by 26 per cent and revenue ton kilometers by 19 per cent. As of September 30, 1968 the staff numbered 1,446 employees.



Scanair

The Scanair fleet consists of three DC-8-33 aircraft in one-class version seating 165 passengers. The DC-7C piston-engined aircraft left the fleet in October, 1967.

Scanair has completed a total of 1,209 flights from Scandinavia to vacation destinations, mainly in the Mediterranean area. The number of passengers totaled 308,500. Chartered flights were operated to 23 airports in eight countries. Spain has been the destination for 221,000 Scanair passengers while Italy attracted 51,000. Considerable increase has been noted in traffic to Yugoslavia and Tunisia.



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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 per cent by private individuals or enterprises, and 50 per cent by their respective national Governments.



