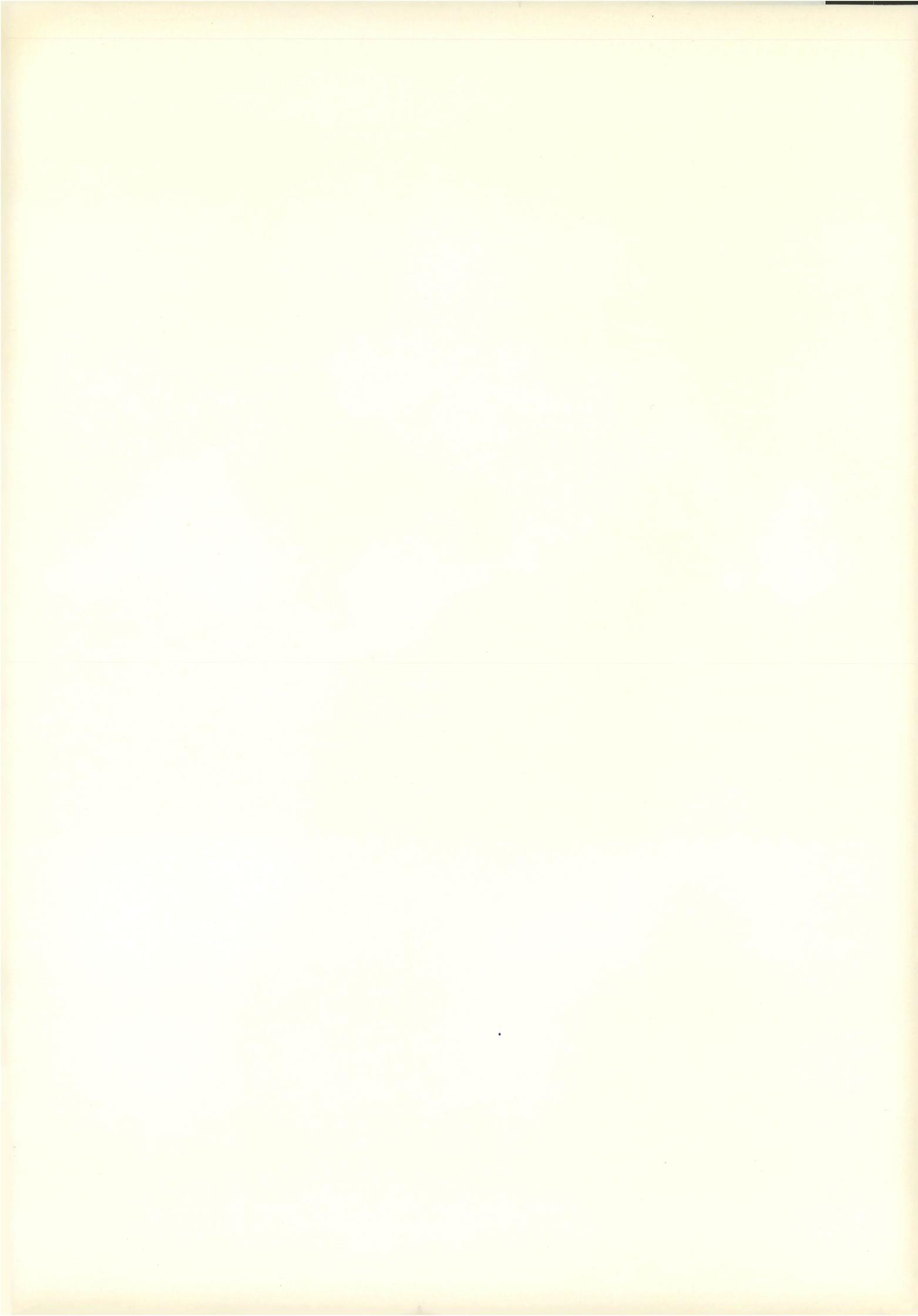


SAS

ANNUAL REPORT 1974-75





***SCANDINAVIAN AIRLINES SYSTEM
ANNUAL REPORT 1974-75***



KNUT HAGRUP

**PRESIDENT
SCANDINAVIAN AIRLINES SYSTEM
DENMARK • NORWAY • SWEDEN**

STOCKHOLM

Highlights

		1974/75	1973/74	Change
Available Ton-Kms, total	(mill.)	2 055.5	1 863.5	+ 10%
Available Ton-Kms, scheduled services	(mill.)	1 997.5	1 814.9	+ 10%
Revenue Ton-Kms, scheduled services	(mill.)	1 047.7	1 024.0	+ 2%
Total Load Factor, scheduled services	(%)	52.5	56.4	- 3.9 points
Available Seat-Kms, scheduled services	(mill.)	14 857	13 842	+ 7%
Revenue Passenger-Kms, scheduled services	(mill.)	7 814	7 477	+ 5%
Passenger Load Factor	(%)	52.6	54.0	- 1.4 point
Number of Passengers Carried	(000)	6 636	6 325	+ 5%
Revenue Freight Ton-Kms, total	(mill.)	335.8	332.7	+ 1%
Traffic Revenue	(MSKR)	2 918.2	2 479.6	+ 18%
Total Operating Revenue	(MSKR)	4 170.7	3 567.6	+ 17%
Depreciation	(MSKR)	283.9	231.9	+ 22%
Profit	(MSKR)	70.0	77.0	
Number of Employees as of September 30		14 863	15 114	

Glossary

AVAILABLE TON-KILOMETERS

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

REVENUE TON-KILOMETERS

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

LOAD FACTOR

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

AVAILABLE SEAT-KILOMETERS

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

REVENUE PASSENGER-KMS

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

PASSENGER LOAD FACTOR

Percentage of total passenger capacity actually utilized.

REVENUE FREIGHT TON-KMS

Tonnage of paid freight carried, multiplied by number of kilometers flown *).

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

SCANDINAVIAN AIRLINES SYSTEM ANNUAL REPORT 1974-75

Index

Highlights	2
Report by the Board	4—11
Available and Revenue Ton-Kms	12
Comparative Statistics 1965/66—1974/75	13
Consolidated Profit and Loss Statement	14
Consolidated Balance Sheet	15—16
Notes to Financial Statements	17—19
Funds Statement	20
Investments in Flight Equipment	20
Auditors' Report	21
Aircraft Fleet	22
Intercontinental Routes	23
European and Inter-Scandinavian Routes	24
Scandinavian Domestic Routes	25
Subsidiaries	30
Affiliated Companies	30
Board of Directors	31
Assembly of Representatives	31
Management	31

Report by the Board

Scandinavian Airlines System obtained a profit of 70.0 million Swedish crowns (MSKR) for the financial year ending September 30, 1975. The profit for the previous year was MSKR 77.0.

Of the year's profit, MSKR 33.7 were earned through the current activities of SAS, while the net amount from the sale of flight equipment and from extraordinary items accounted for MSKR 36.3.

Total operating revenue increased from MSKR 3 568 to MSKR 4 171 or by 17 per cent. Operating expenses also rose by 17 per cent, from MSKR 3 245 to MSKR 3 803. Depreciation amounted to MSKR 284, compared with MSKR 232 the previous year. The SAS accounts consolidate the entire results of the Consortium and its wholly-owned subsidiaries.

The profit of MSKR 70.0 is arrived at before tax. Taxes are to be paid by the SAS Consortium's parent companies in Denmark, Norway and Sweden.

The result has been attained due to the dedicated effort of the 19 000 people employed by the SAS group, for which the Board extends its appreciation.

General Review

1974-75 was another difficult year for the international airline industry. As a result of the worldwide recession SAS showed only a small increase (five per cent) in passenger traffic and a decline (two per cent) in cargo traffic.

At the same time costs continued to increase, particularly for personnel, fuel and government charges which represent, in the case of SAS, 65 per cent of total operating costs. Other factors further contributed to the industry's difficulties. The world currency situation was marked by instability; worldwide overcapacity continued; revenues increased at a slower rate than expenses, and political developments further restricted the freedom of operation so important to SAS.

It is against this background that SAS's financial results must be judged. Although SAS's results are better than those of most international airlines, they are by far not sufficient in view of the capital employed.

Further difficulties are expected for 1976 and 1977. The airline industry in general cannot expect to obtain satisfactory results before the world economy has improved and before a general appreciation of the necessity for cost-oriented fares is established in the industry.

SAS must emphasize the value of a clear understanding by the public and governments of the role of scheduled airline traffic. It is hoped that the Scandinavian governments will maintain a policy towards charter airlines enabling the latter to fill their role without further eroding the traffic base necessary for SAS as a scheduled carrier. It is also hoped that the extraordinary rate of increase in government charges in Scandinavia will not continue.

SAS is continuing efforts to improve its network. Internationally, improvement of services to the Middle East and Far East will continue, and in Scandinavia local services will also be extended to new destinations. Low fares have been introduced for off-peak flights. This will contribute to better contacts between main cities and the provinces — and between the three countries.

During the year the three parent companies agreed to extend unchanged the Consortium Agreement of 1951 by 10 years to 1995. The Governments of Denmark, Norway and Sweden have been authorized to approve this extension and to prolong the Governments' agreement of cooperation in the field of air transportation. This reconfirmed the solid basis for SAS in all three countries.

Developments in international air policy were unsatisfactory. Under the pressure of the severe economic problems plaguing almost all airlines, governments have carried out restrictive policies in order to protect the interests of their own carriers.

SAS's air-political situation is viable only because the three Governments act in close coordination and as a consequence the traffic potentials of the three countries can be considered together.

THAI International — owned 70 per cent by Thai Airways Company and 30 per cent by SAS — has experienced the most spectacular growth in its 16-year history. The Thai Government has expressed a wish that THAI International be transformed into a 100 per cent Thai-owned airline. An agreement has been discussed — and signed in November 1975 — according to which Thai Airways Company will take over SAS's shares. Close cooperation between THAI International and SAS will continue after the current agreement expires in March, 1977.

SAS's activities in fields outside air transportation and comprising mainly catering, hotels, travel bureaus, etc., continued to expand. The results for the year show an improvement compared with last year.

The Fleet

SAS received its first two long-range DC-10-30s in October and November of 1974. They were placed in scheduled service on the North Pole route to Tokyo and the Polar route to the U.S. West Coast. Three more are scheduled for delivery in December, 1975, January, 1976 and December, 1976, respectively. Options are held

on three additional DC-10-30s as well. SAS ordered another two DC-9-41s in June of 1975. They are scheduled for delivery late in 1976.

In 1974-1975, two DC-8-63s were sold to THAI International; the eight Caravelles still on the books at the beginning of the year were phased out, as were three Metropolitans, leaving

six to be retired by the end of December, 1975.

Thus, at the end of the 1974-1975 financial year, 73 aircraft were engaged in SAS traffic: two Boeing 747-Bs, two Douglas DC-10-30s, 13 DC-8s, 50 DC-9s, and six Convair Metropolitans.

Aircraft Fleet and Orders

Aircraft	Delivered as of Sept. 30, 1975	On order for delivery during 1975/76	1976/77
Boeing 747-B	2		
DC-10-30	2	2	1
DC-8-63	5		
DC-8-62	8 ¹⁾		
DC-8-55	2 ²⁾		
DC-9-41	41 ³⁾		2
DC-9-33AF	2		
DC-9-21	9		
Metropolitan CV-440	6		
	77	2	3

1) 2 combined version (CF) and 1 all-cargo version (AF),

2) Leased to Scanair,

3) 2 leased to Swissair

The Network

SAS served 97 cities in 50 countries during the 1974-1975 financial year.

At the beginning of the 1975 summer traffic program, DC-8s replaced DC-9s on Middle East routes to and from Beirut. Twice a week the DC-8 service is extended to Cairo, once a week, to Baghdad and Damascus, two cities to which SAS has resumed operations.

DC-9s also opened domestic services to two new Norwegian airports: Haugesund on the southwest coast twice daily, and Longyearbyen on Spitsbergen once a week. Longyearbyen, just 790 miles from the North

Pole, is the northernmost point in the world served by scheduled jet flights.

During the year the U.S. Government, acting to protect its international carriers which had come under severe economic pressures, initiated negotiations in order to reduce the transatlantic operations of a number of European carriers.

As a result, SAS's schedules to Chicago, Seattle and Los Angeles were slightly reduced during the summer, to six round trips a week to each destination. The number of 747-B flights to Chicago was increased at the ex-

pense of DC-8 services, and DC-10 flights were introduced to Seattle and Los Angeles.

During the summer, SAS's New York flights were limited to two daily. In previous summers SAS had operated as many as 21 round trips a week between the Scandinavian gateway cities and New York. Despite the capacity reduction, service improvements were made. The daily 747-B departure time from Copenhagen was advanced three hours to enable passengers arriving in New York to reach nearly any other American destination the same day.

Production and Traffic

SAS's overall capacity for 1974-1975, including both scheduled and charter operations, increased 10 per cent in terms of available ton-kilometers. During the previous financial year total capacity had declined slightly as the petroleum crisis had forced curtailments in certain services. In 1974-1975, capacity was mainly restored to the levels of two years ago, except on

routes spanning the North Atlantic. Total scheduled traffic rose two per cent, representing about half the originally forecast growth. As a result of the worldwide recession, the reduced growth pattern was most noticeable on the cargo side, while passenger traffic was equal to expectations. Accordingly, the SAS systemwide load factor declined from 56.4 to

52.5 per cent. It should be noted, however, that the 1973-1974 load factor was nearly four percentage points above the 1972-1973 load factor because of the above-mentioned capacity cutbacks. The intercontinental load factor dropped from 59.4 to 56.7 per cent in 1974-1975.

Total Production and Traffic

Scheduled services	Total system	Intercontinental	Europe & M. East	Domestic routes
Available Ton-Kms (mill.)				
1974/75	1 997	1 169	591	237
1973/74	1 815	1 108	500	207
Change %	+ 10.0	+ 5.5	+ 18.2	+ 14.5
Distribution %	100.0	58.5	29.6	11.9
Revenue Ton-Kms (mill.)				
1974/75	1 048	663	263	122
1973/74	1 024	659	253	112
Change %	+ 2.3	+ 0.5	+ 4.0	+ 8.9
Distribution %	100.0	63.2	25.1	11.7
Load Factor (%)				
1974/75	52.5	56.7	44.6	51.4
1973/74	56.4	59.4	50.6	54.3

Passenger Traffic

SAS carried 6 636 000 passengers during 1974-1975, an increase of 311 000 or five per cent. Systemwide scheduled passenger ca-

capacity increased seven per cent in terms of available seat-kilometers. Traffic, measured in revenue passenger-kilometers, increased five per

cent. The overall cabin factor dropped slightly, from 54.0 to 52.6 per cent.

Cargo and Mail Traffic

Cargo traffic on scheduled services decreased two per cent compared with 1973-1974. The reduction was a consequence of the worldwide recession. The increase recorded the previous year, however, was a substantial 16 per cent.

The decrease in cargo traffic was felt both on all-cargo services and on cargo-carrying passenger flights. Intercontinental all-cargo routes showed a decline of two per cent in traffic while European all-cargo flights declined 12 per cent.

Cargo-carrying passenger flights serving the U.S. West Coast, West Africa and the Middle East, on the other hand, recorded noticeable increases in freight ton-kilometers.

Air mail traffic for the year increased five per cent systemwide.

Foreign Affairs

As mentioned in an earlier section of this report, SAS's transatlantic services were reduced as a result of negotiations initiated by the U.S. Government. These negotiations were followed by discussions between the U.S. flag carrier serving Scandinavia and SAS.

The American objective with these negotiations and discussions was to secure a larger portion of transatlantic traffic for the U.S. carrier. SAS could, however, document that its transatlantic traffic was in accordance with existing agreements between the U.S. and Scandinavian Governments.

SAS could also point out that its activities, in particular its purchase of American aircraft and related equipment, have resulted in a very considerable contribution to the American economy. SAS maintained that this contribution should be taken into account in the course of the negotiations.

Considering the forecasts for 1975 traffic on the North Atlantic, and desiring to take into account the American demands, SAS agreed to a moderate decrease in its number of transatlantic services from the spring of 1975.

Air-political negotiations in other parts of the world were characterized

by the same protectionist trends and increasingly restrictive attitudes.

Denmark, Norway and Sweden continued their efforts vis-à-vis the Canadian government to obtain the right for SAS to fly to Toronto, but so far without success. Talks have also been held between Air Canada and SAS.

SAS currently flies to South America twice weekly with stops in Brazil on both services. On one round trip the landing in Rio is purely technical since the temporary traffic rights for a second frequency accorded in 1972 were withdrawn by Brazil in 1974. Brazilian-Scandinavian government talks in the course of 1975 resulted in principle in the granting of permanent traffic rights for SAS also on this second frequency. However, there are still some pending problems to be solved.

Despite several discussions, the Iranian authorities have not been willing to grant SAS more than two weekly services to Tehran. Accordingly, when SAS opened its nonstop Copenhagen-Tehran service in November of 1975, the landing in Tehran on one of the two throughgoing Trans-Orient services was cancelled.

The Italian authorities had served notice that SAS could no longer main-

tain traffic rights at Rome on the twice-weekly Trans-Orient routing to and from the Far East. After a new meeting between the airlines, it now appears that Alitalia will agree to the extension of the SAS permit through the summer of 1976, at which time it is to be permanently revoked.

At the initiative of Singapore, capacity talks were held regarding SAS and Singapore Airlines future traffic between Singapore and Scandinavia. SAS had planned to fly DC-10s on two of its four weekly flights to Singapore as of January, 1976. However, as a result of the government consultations, one of the DC-10 services must be postponed one year.

Negotiations with the Soviet Union, both on government and company level, regarding traffic rights for SAS between Moscow and Tokyo and permission to fly with the DC-10 via Tashkent on the Trans-Asian route have continued without any conclusion. Consequently, SAS will be forced to fly two of the four Trans-Asian Express weekly round trips outside the U.S.S.R. from January of 1976 when DC-10s are introduced on this route.

Air India and SAS have agreed on commercial cooperation as a basis for forthcoming government discussions regarding continuation of SAS traffic rights on Delhi.

Charter Developments

SAS has been a consistent proponent of inclusive tour fares and affinity charters to accommodate the demand for low-price travel alternatives across the North Atlantic. The affinity charter concept, implying that the entire capacity of an airplane be chartered by one organization, is one of the basic rules protecting the scheduled airlines.

In the United States, steps are continuously being taken to expand the

charter market. Thus, in September, 1975, the U.S. authorities introduced a sweeping liberalization of inclusive tour charter regulations for an initial trial period until 1980.

New categories of charter have been established, namely One-Stop Inclusive Tour Charters (OTC) and Special Events Charters, which are available in domestic and international service. The scheduled airlines maintain that these new concepts will cause a

substantial diversion from their services and further deteriorate their financial situation.

ECAC, The European Civil Aviation Conference which is an organization of the European civil aviation authorities, has no principal objection to OTC but has appealed to the U.S. Civil Aviation Board (CAB) to apply minimum price regulations to the OTC program. Thus far, the European request has not been considered.

The new charter concepts could bring to an end the affinity charter concept which is successfully used by SAS, and further open the door in Scandinavia to the so-called Advance Booking Charters (ABC) which are basically open to the general public, with an advance reservation requirement. This concept is considered as most detrimental to the interests of SAS and would further aggravate the problems of the scheduled airlines flying the North Atlantic.

Negotiations have been in progress between ECAC, Canada and the United States to establish a multilateral charter agreement for the North Atlantic, but no result has thus far been reached. The establishment of such an agreement is of great importance to the scheduled airlines. But it is apparent that the U.S. authorities

have difficulties in accepting proposals outlined by ECAC. Therefore, the signing of a multilateral agreement seems remote.

From SAS's point of view, the long-established pattern of inclusive tour fares and affinity charters still provides the most stable alternatives for low-cost transatlantic travel. SAS considers them preferable for passengers, airlines and authorities alike.

Another problem of growing concern to SAS is the expansion of charter traffic between Scandinavia and European capitals and other important traffic centers. This charter traffic, characterized by a high degree of regular services, is performed in direct competition with SAS and other scheduled airlines but without any of the obligations regarding adherence to published timetables, capac-

ity and price levels to which IATA carriers are subject.

In June of 1975 the three Scandinavian Ministries of Transport agreed to re-establish a governmental expert group to study additional proposals to liberalize passenger and cargo charter activities. The group's work is to be completed by the summer of 1976.

If charter operations are allowed further expansion to intercontinental destinations, to European capitals and between Scandinavian cities, the SAS network will be seriously harmed. SAS's possibilities to fulfill the air traffic requirements of the Scandinavian countries in accordance with the principles laid down by the three governments and approved by the parliaments at the time of the formation of SAS could be endangered.

IATA Fares and Rates

At the end of September, 1975, the 31st Annual General Meeting (AGM) of the International Air Transport Association (IATA) was held in Oslo.

The AGM endorsed for action by the IATA Traffic Conference a new program to deal with agency commissions and to set new ground rules for tour operators. By a majority vote, the AGM also authorized the IATA Executive Committee to permit deviations from IATA's present unanimous voting requirement at Traffic Conferences.

A worldwide IATA Passenger Traffic Conference was concluded in San Diego in the autumn of 1974, setting the pattern of fares applied during 1975, except on the North Atlantic.

Negotiations on the North Atlantic fare package were not concluded until February, 1975, in Geneva. The North Atlantic negotiations were complicated by the increasing char-

ter competition in this route area. The fare package which was finally adopted went into effect April 1, 1975, and included an individual Advance Purchase Excursion Fare (APEX).

The annual Passenger Traffic Conference negotiating fares for 1975-1976 began sessions in September of 1975. Once again, it is anticipated that North Atlantic negotiations will be difficult as a result of the further liberalization of U.S. charter rules, including the announced introduction of One-Stop Inclusive Tour Charters (OTC).

Negotiations concerning fares between Europe and the Far East, particularly Southeast Asia, have been generally unsuccessful for the past four years. No fares agreements have been reached, and the competitive situation has resulted in a lowering of passenger yields to levels dan-

gerously approaching those on the North Atlantic.

For several years, one of the dominant problems within IATA has been how the airline industry could protect the level and structure of fares and rates from the vagaries of currency fluctuation.

Traditionally, fares and rates have been based on the U.S. Dollar and Pound Sterling. In view of the considerable fluctuations of these two currencies, IATA at a special Traffic Conference in March, 1973, agreed — with subsequent approval by governments — to the sale of air transportation in the national currency of each country where travel commences.

This worldwide system, using national currencies, has been subject to serious criticism, especially in hard currency nations such as the Scandinavian countries but it was a neces-

ity for reducing the losses for international carriers.

In May of 1975, the IATA members agreed to use the International Monetary Fund's Special Drawing Rights (SDR) as the basis for setting international fares and rates. Subject to final approval by governments and the completion of necessary technical work, it is intended that the new SDR-based system will go into effect by April 1, 1977.

The introduction of a new system can neither immediately nor entirely solve the present directional fare and rate problems resulting from past currency fluctuations. However, it seems reasonable to assume that the SDR-based system will serve as an in-

centive for the gradual adjustment of present imbalances, and as a vehicle to avoid similar problems in the future.

A new element of uncertainty at least temporarily threatening the airline industry was introduced when an IATA member renounced IATA resolutions regulating commission payments to travel agents as of April, 1975. For competitive reasons, a number of other airlines followed suit.

Traffic conferences of IATA in April in Nice and in July in Freeport were unable to resolve these differences. A further conference in Cannes in October of 1975 continued negotiations on the program endorsed by the

AGM in Oslo. Agreement was reached in December, 1975.

The program calls for a basic increase in agency commissions to eight per cent in most areas of the world, effective February 1, 1976. An industry incentive scheme and the new rules for tour operators are subject to further study but are expected to be adopted and introduced during early 1977.

IATA members believe that it is in their own and their customers' interests to bring order in fares, rates and commissions back to the air transportation market. The new agency program is expected to contribute to this effort.

User Charges

SAS currently pays about 10 per cent of its total operating costs in the form of user charges at airports and for en route air navigation facilities. This compares with an average of about five per cent for all IATA-member airlines.

About 80 per cent of SAS's payments of user charges are collected by the

Scandinavian authorities whose charges are among the highest in the world. User charges paid by SAS have increased more than 50 per cent in the past four years. En route charges are increasing faster than other user charges.

On some shorter SAS domestic

routes, user charges collected by the Government authorities amount to as much as 50 per cent of the SAS fares. SAS has frequently appealed to the Scandinavian authorities to show moderation in the increase of current, and introduction of new, charges.

Data Services

Installation of the PNR (Passenger Name Record) electronic reservations system, begun in SAS ticket offices in Scandinavia last year, was expanded during 1974-1975 to ticket offices in parts of Europe and to some of the major travel agencies in Scandinavia. The previous order of 600 video screen terminals was increased to about 1 000 in an additional order placed with Stansaab. Deliveries will be completed by late 1976.

The PNR system will eventually include automatic ticket writing and quotation of fares.

To handle the increased traffic at the SASCO Computer Center in Copenhagen, SAS ordered a fourth Univac 494 computer in the spring of 1975 to be installed in November of 1975.

The TELCON computerized message switching system, handling the computer center's telecommunications, enables computer-based data to be processed from the terminals in two to three seconds.

With the SAS computer system assuming a greater role in passenger and cargo services, aircraft loading and traffic planning, maintenance records and spare parts inventories,

SAS has revised its estimated overall need for data terminals by 1980 from about 1 500 to 2 500.

The introduction of video screen terminals has opened a number of new opportunities for advanced communications which will be increasingly utilized in coming years. The terminals are already used for a great number of functions, although reservations is by far the largest. Within the next five years it is envisioned that the video screen terminal will play an indispensable role in every area of the airline's activities.

Subsidiaries and Affiliates

THAI International, of which SAS was a co-founder and has been a 30 per cent shareholder, continues to record very positive results.

Accepting the desire of the Thai Government that THAI International become a purely national-owned airline, SAS will sell its shares to Thai Airways Company (TAC), when the current agreement between SAS and TAC expires on March 31, 1977. It has also been agreed that THAI International's share capital will be doubled from 100 million to 200 million Baht, subscribed for exclusively by TAC.

In November of 1975, THAI International and SAS agreed to continue their cooperation for an initial eight-year period after March 31, 1977. The agreement covers, in particular, the technical, operational and commercial fields.

Danair, the Danish domestic airline in which SAS has a 57 per cent interest, noted a three per cent decrease in passengers for the year as a whole although the final months produced an upswing.

Greenlandair, 25 per cent owned by SAS, flies to 18 destinations within Greenland. The airline added two more helicopters to its fleet which now numbers 12 helicopters and two DC-6B aircraft.

In Norway, Widerøe, owned 22 per cent by SAS, continued expansion of Twin Otter routes along the coast. The number of passengers carried rose 32 per cent to 240 700. With the addition of Sandane airport and Narvik, the Widerøe network now includes 34 destinations.

Linjeflyg, the Swedish domestic airline owned 50 per cent by SAS, was affected by a two-month strike during the summer of 1975. The airline is engaged in a fleet modernization program and has ordered five more Fokker F-28 jetliners to replace its Metropolitans. Recent plans call for operations to be moved from Bromma airport to Arlanda, Stockholm's international airport by 1977.

Transair, a Swedish charter airline, became a wholly-owned subsidiary of SAS on October 1, 1975, and took over three Boeing 727s which had been leased by Scanair and operated, on its behalf, by Transair for the preceding seven years.

Scanair, a charter carrier owned by the parent companies of SAS, will continue to use the three 727s and will also purchase three DC-8s from SAS during 1975-1976, two of which had previously been leased by Scanair. In 1974-1975 Scanair carried 736 000 charter passengers — an increase of 15 per cent over the previous year.

Globetrotter, a wholly-owned SAS subsidiary arranging intercontinental inclusive tours on scheduled flights, changed its name during the year to Scandinavian Air Tour Productions. The company increased its operating revenue by 22 per cent and noted that its customers selected more expensive travel arrangements.

Vingresor/Club 33 AB, another wholly-owned SAS subsidiary and Sweden's largest producer of inclusive tours, increased its number of passengers by six per cent and its operating revenue by 10 per cent.

Nyman & Schultz/Nordisk Resebureau AB, wholly-owned by SAS, is Sweden's largest IATA travel agency. Its operating revenue increased 22 per cent while total sales rose 19 per cent.

SAS Catering & Hotels was reorganized into five divisions during the year: one each for restaurant activities in Denmark, Norway and Sweden; a fourth division for all catering operations, and a fifth division to look after SAS's rapidly expanding hotel activities. The wholly-owned subsidiary increased its operating revenue by 23 per cent over the preceding year.

SAS-Invest A/S, a wholly-owned subsidiary owning and operating the SAS Royal Hotel in Copenhagen, increased its operating revenue by 12 per cent.

Two more SAS-affiliated hotels were opened in Norway in June of 1975: Hotel Scandinavia in Oslo and the SAS Lofoten Hotel in Stamsund, North Norway. A month later, ground was broken for the SAS Globetrotter Hotel in Luleå, Sweden. It will open in 1977.

With the addition of the hotel in Luleå, SAS or SAS Catering will own, operate or have a partial interest in 11 hotels in Scandinavia: in Copenhagen, three; in Oslo, two; and one each in Bodø, Stavanger, Tromsø, Stamsund, Luleå and Narssarsuak.

The Hotel Scandinavia in Copenhagen, which opened in 1973, showed a substantial loss. The newly opened Hotel Scandinavia in Oslo showed a small loss as forecast.

Personnel

The number of employees in SAS, excluding subsidiaries, was 14 863 as of September 30, 1975. This represents a decrease of 251 compared with the previous year.

In February of 1975, the employees elected three of their own representatives to the SAS Board of Directors, increasing the size of the Board from six to nine. One em-

ployee representative comes from each of the three parent countries. The employees also elected two deputy Board representatives from each country. The representatives

Personnel

	Flight-deck Personnel			Cabin Personnel			Other Personnel			Total Personnel ¹⁾		
	1975	1974	1973	1975	1974	1973	1975	1974	1973	1975	1974	1973
Denmark	370	385	380	770	734	727	4 053	4 114	4 108	5 193	5 233	5 215
Norway	345	355	359	419	398	381	2 010	2 034	2 034	2 774	2 787	2 774
Sweden	510	547	556	502	490	404	2 718	2 662	2 688	3 730	3 699	3 648
Head Office	—	—	—	—	—	—	977	1 023	956	977	1 023	956
Abroad	—	—	—	24	27	22	2 165	2 345	2 453	2 189	2 372	2 475
Total	1 225	1 287	1 295	1 715	1 649	1 534	11 923	12 178	12 239	14 863	15 114	15 068

1) Not including SAS subsidiaries and affiliates

and their deputies from each country serve as members of the SAS Assembly of Representatives.

The employee representatives on the SAS Board and on the Assembly of Representatives participate in the proceedings of the two bodies on equal terms with other Board and Assembly members, with the exception that they do not have voting rights

and are not responsible for Board and Assembly decisions. The question of voting rights has been referred to further study.

Personnel relations in SAS were further developed during the year with the establishment of several working groups including management and employee representatives. The groups pursued the development of

various programs of cooperation and information.

The financial year under review has been one of the most difficult in the history of the airline industry. Despite the many problems, SAS once again was able to show a profit. The Board wishes to re-emphasize its sincere appreciation of the efforts of a talented and dedicated staff.

Copenhagen, Oslo and Stockholm, December, 1975

Haldor Topsøe

Svend Horn

Max Mejer

Curt Nicolin

Krister Wickman

Kent Johanneson

Knut Hagrup

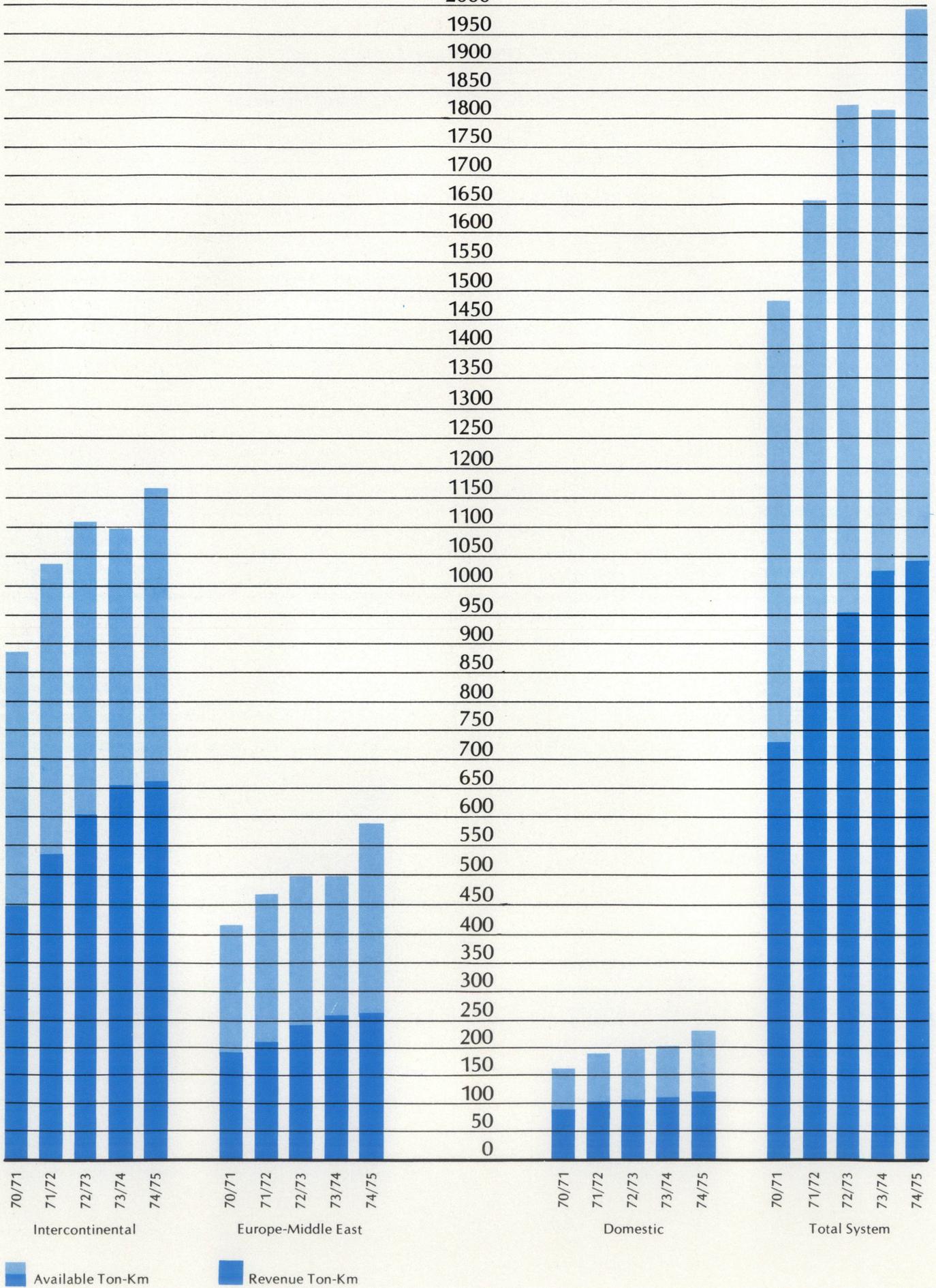
President

Jens Chr. Hauge

Per M. Backe

Kåre Klette

Mill.
Ton-Km
2000



Comparative Statistics 1965/66 — 1974/75

Production and Traffic	74/75	73/74	72/73	71/72	70/71	69/70	68/69	67/68	66/67	65/66
Size of Network (km 000)	262	258	245	243	224	205	208	206	190	158
Number of Countries Served	50	48	51	50	48	48	45	45	41	42
Number of Cities Served	97	96	97	94	96	92	90	90	84	87
Kilometers Flown (mill.)	113.8	114.0	118.4	109.9	107.0	101.7	97.7	88.7	75.8	69.4
Hours Flown (airborne) (000)	174.7	176.5	183.4	172.8	172.4	162.6	168.3	164.6	147.0	136.3
Available Ton-Kms, total (mill.)	2 055.5	1 863.5	1 931.6	1 745.6	1 546.0	1 431.5	1 286.9	1 075.1	834.8	724.8
Available Ton-Kms, scheduled services (mill.)	1 997.5	1 814.9	1 822.5	1 664.1	1 480.8	1 371.7	1 239.3	1 047.5	818.5	701.6
Revenue Ton-Kms, scheduled services (mill.)	1 047.7	1 024.0	958.8	857.0	738.5	710.1	658.3	554.7	480.7	415.9
Passenger	692.2	662.9	645.3	558.6	493.4	469.3	417.0	380.1	337.7	295.3
Freight	318.1	325.4	280.2	267.5	215.8	213.4	214.5	149.4	119.8	97.5
Mail	37.4	35.7	33.3	30.9	29.3	27.4	26.8	25.2	23.2	23.1
Total Load Factor, scheduled services (%)	52.5	56.4	52.6	51.5	49.9	51.8	53.1	53.0	58.7	59.3
Number of Passengers Carried (000)	6 636	6 325	6 242	5 826	5 688	5 058	4 588	4 155	3 734	3 241
Revenue Passenger Kms (mill.)	7 814	7 477	7 275	6 305	5 584	5 297	4 707	4 287	3 805	3 304
Passenger Load Factor (%)	52.6	54.0	51.4	49.8	49.0	50.3	47.7	50.2	54.5	52.6
Average Passenger Trip Length (kms)	1 193	1 197	1 192	1 102	997	1 061	1 036	1 038	1 024	1 029
Traffic Revenue/Revenue Ton-Km (SKR)	2.75	2.42	2.12	2.07	2.18	2.06	2.05	2.11	2.12	2.15
Operating Expenses/Available Ton-Km (based on calculated depreciation, excl. interest) (SKR)	1.39	1.31	1.04	1.02	1.03	1.00	1.01	1.04	1.16	1.18
Personnel	74/75	73/74	72/73	71/72	70/71	69/70	68/69	67/68	66/67	65/66
Number of Employees as of September 30	14 863	15 114	15 068	14 661	14 694	14 560	14 466	13 619	13 284	13 081
Available Ton-Kms/Employee (sched. services)	133 500	120 500	123 100	114 000	101 700	95 000	88 100	78 200	62 500	54 800
Revenue Ton-Kms/Employee (sched. services)	70 000	68 000	64 800	58 700	50 700	49 200	46 800	41 400	36 700	32 500
Financial (Mill. Swedish Crowns)	74/75	73/74	72/73	71/72	70/71	69/70	68/69	67/68	66/67	65/66
Operating Revenue	4 170.7	3 567.6	3 035.3	2 591.8	2 237.0	1 905.3	1 709.9	1 494.3	1 319.0	1 166.6
Operating Expenses	3 802.8	3 244.6	2 679.3	2 311.9	1 972.6	1 654.7	1 493.5	1 296.1	1 151.8	1 017.5
Depreciation	283.9	231.9	226.2	201.7	174.2	167.9	154.0	103.7	92.4	85.6
Operating Result	+ 84.0	+ 91.1	+ 129.8	+ 78.2	+ 90.2	+ 82.7	+ 62.4	+ 94.5	+ 74.8	+ 63.5
Financial Items (net)	- 50.3	- 44.8	- 63.7	- 52.3	- 47.1	- 45.7	- 37.0	- 16.5	- 3.6	- 1.5
Other Items (net)	+ 36.3	+ 30.7	+ 17.9	+ 9.1	+ 28.3	+ 51.9	+ 57.9	+ 8.1	+ 12.8	+ 2.8
Consolidated Profit before Income Taxes payable by Parent Companies	70.0	77.0	84.0	35.0	71.4	88.9	83.3	86.1	84.0	64.8
Balance Sheet (total)	3 694.8	3 460.4	2 998.4	2 791.7	2 528.8	2 262.2	1 850.9	1 538.3	1 253.8	1 046.9
Current Assets	1 498.1	1 316.4	1 190.8	1 027.7	805.6	749.2	561.0	507.4	585.5	523.3
Non-Current Assets	169.5	166.5	78.7	81.9	76.1	42.1	35.5	26.2	24.2	23.6
Property and Equipment	2 027.2	1 977.5	1 728.9	1 682.1	1 647.1	1 470.9	1 254.4	1 004.7	644.1	500.0
Current Liabilities	1 317.1	1 191.9	1 003.2	926.7	870.1	711.6	554.0	484.4	422.6	364.7
Non-Current Liabilities	1 316.4	1 191.9	893.2	914.6	814.0	732.9	526.4	393.7	215.1	137.1
Currency Adjustment and General Valuation Reserve	88.6	113.3	162.9	68.6	16.5	16.5	16.5	16.5	16.5	16.5
Subordinated Debentures	104.4	121.8	132.6	141.8	157.5	157.5	157.5	157.5	157.5	157.5
Loans from Parent Companies	10.7	—	—	—	—	—	—	—	—	—
Capital including Profit of the Year	857.6	841.5	806.5	740.0	670.7	643.7	596.5	486.2	442.1	371.1

Consolidated Profit and Loss Statement

October 1, 1974 — September 30, 1975
(including wholly-owned subsidiary companies)
In millions of Swedish Crowns

	1974/75	1973/74
Passenger	2 357.2	1 992.0
Cargo and mail	521.6	461.5
Charter	39.4	26.1
Other revenue (Note 1)	1 252.5	1 088.0
Operating Revenue	4 170.7	3 567.6
Operating Expenses (Note 2)	3 802.8	3 244.6
Operating Result before Depreciation	+ 367.9	+ 323.0
Depreciation (Note 3)	283.9	231.9
Operating Result	+ 84.0	+ 91.1
Financial income (Note 4)	77.5	70.6
Financial expense (Note 4)	127.8	115.4
Profit before other Items	33.7	46.3
Gain on retirement of equipment (net) (Note 5)	61.3	35.2
Extraordinary items (net) (Note 6)	- 25.0	- 4.5
Consolidated Profit before Income Taxes Payable by Parent Companies (Note 7)	70.0	77.0

Copenhagen, Oslo and Stockholm, December, 1975

Haldor Topsøe	Curt Nicolin	Jens Chr. Hauge
Svend Horn	Krister Wickman	Per M. Backe
Max Mejer	Kent Johanneson	Kåre Klette
	Knut Hagrup President	
	/C.E. Lindh	

"Notes to Financial Statements" on pages 17 — 19 refer to the above Profit and Loss Statement.

Consolidated Balance Sheet

September 30, 1975 (including wholly-owned subsidiary companies)

In millions of Swedish Crowns

Assets	Sept. 30, 1975		Sept. 30, 1974		Liabilities and Capital	Sept. 30, 1975		Sept. 30, 1974	
Current Assets					Current Liabilities (Note 15)	1 317.1		1 191.9	
Cash and bank balances including temporary cash investments (Note 8)	790.5		696.8		Non-Current Liabilities				
Short-term accounts receivable and prepayments	622.9		545.8		Debenture loan (Note 16)	123.2		127.6	
Sundry stores (Note 9)	84.7		73.8		Mortgage loans (Note 17)	66.5		43.8	
Total Current Assets	1 498.1		1 316.4		Other non-current liabilities (Note 18)	1 126.7		1 020.5	
Non-Current Assets					Total Non-Current Liabilities	1 316.4		1 191.9	
Long-term accounts receivable and prepayments	99.1		113.1		Currency Adjustment (Note 19)	88.6		113.3	
Goodwill (Note 10)	9.6		11.7		Subordinated Debentures (Note 20)	104.4		121.8	
Shares and bonds (Note 11)	54.9		34.9		Loans from Parent Companies (Note 21)	10.7		—	
Discount etc., on debenture loans	5.9		6.8		Capital (Note 22)				
Total Non-Current Assets	169.5		166.5		ABA (3/7)	337.6		327.7	
Property and Equipment					DDL (2/7)	225.0		218.4	
Aircraft (Note 12)					DNL (2/7)	225.0		218.4	
At cost	2 343.6		2 224.7		Consolidated profit before income taxes payable by parent companies	70.0		77.0	
Depreciation and valuation reserves	898.0		844.8		Total Capital	857.6		841.5	
Spare engines and spare parts (Note 12)					Total Liabilities and Capital	3 694.8		3 460.4	
At cost	406.4		423.4		Contingent liabilities and guarantees (Note 23)	58.9		67.7	
Depreciation and valuation reserves	196.1		199.6		Furthermore, SAS has assumed certain liabilities in respect of pensions and in connection with ticket sales according to pay-later plans				
Advance payments on flight equipment and simulators on order	55.7		112.4		Pledges (Note 24)				
Buildings and improvements (Note 13)					Mortgages on real estate	100.7		78.3	
At cost	249.1		217.1		Sundry pledges	10.4		9.8	
Depreciation and valuation reserves	66.1		52.9			111.1		88.1	
Workshop and aircraft servicing equipment									
At cost	91.4		83.6						
Depreciation and valuation reserves	73.7		67.7						
Other equipment and vehicles									
At cost	270.9		219.3						
Depreciation and valuation reserves	156.0		138.0						
Total Property and Equipment (Note 14)	2 027.2		1 977.5						
Total Assets	3 694.8		3 460.4						

Copenhagen, Oslo and Stockholm, December, 1975

Haldor Topsøe	Curt Nicolin	Jens Chr. Hauge
Svend Horn	Krister Wickman	Per M. Backe
Max Mejer	Kent Johanneson	Kåre Klette
	Knut Hagrup President	

/C.E.Lindh

The above Profit and Loss Account and Balance Sheet are in accordance with the books of the Consortium, which have been examined by the undersigned Auditors, as set forth in our Auditors' Report dated January, 1976.

Stockholm, January, 1976

Viking Bergman Authorized Public Accountant	Centralanstalten for Revision	Christian Blom Authorized Public Accountant
	Erik Sivertsen Authorized Public Accountant	Stig-Erik Schaumburg-Müller Authorized Public Accountant
Sten Nackstad Authorized Public Accountant	Arne Brendstrup	Tor Storhaug Authorized Public Accountant

"Notes to Financial Statements" on pages 17 — 19 refer to the above Balance Sheet.

Notes to Financial Statements

The consolidated profit and loss statement and the consolidated balance sheet of SAS include wholly-owned subsidiaries such as SAS Catering A/S, Denmark, SAS Catering A/S, Norway, SAS Catering AB, Sweden, SAS-Invest A/S, Nyman & Schultz/Nordisk Resebureau AB, Vingresor/Club 33 AB and Scandinavian Air Tour Productions AB (formerly Globetrotter AB).

In the consolidation of the profit and loss statements of SAS and its wholly-owned subsidiaries, revenue and expense items related to internal transactions have been eliminated.

Note 1 — Other revenue

"Other revenue" comprises revenue from sundry activities, such as shop work, ground handling, interline sales, etc., performed for other airlines, income from sales on board and in gateway stores, as well as revenue earned by wholly-owned subsidiaries from customers other than SAS.

Note 2 — Operating expenses

"Operating expenses" comprise expenses related to the operations of SAS, MSKR 3 167.1 (1973/74, MSKR 2 688.3) and expenses incurred by the wholly-owned subsidiaries, MSKR 635.7 (1973/74, MSKR 548.5). For a distribution of operating expenses incurred in SAS's transportation activities see graph on page 19.

Note 3 — Depreciation

The depreciation charges are apportioned as follows (MSKR):

	1974/75	1973/74
Aircraft, spare engines and spare parts	233.9	190.5
Buildings and improvements	11.2	8.5
Ground equipment and vehicles	36.9	31.1
Goodwill	1.9	1.8
	<u>283.9</u>	<u>231.9</u>

SAS's flight equipment is depreciated over 10 years with a 10 per cent residual value except for Boeing 747-B and DC-10-30 equipment which is depreciated over 12 years with a 10 per cent residual value. The Metropolitan aircraft were fully depreciated as of September 30, 1974.

Note 4 — Financial income and expense

"Financial income" includes mainly interest derived from temporary cash investments.

"Financial expense" represents mainly interest expenses for long-term debt.

Note 5 — Gain on retirement of equipment (net)

"Gain on retirement of equipment (net)" includes the excess of sales proceeds and salvage values over book value, etc., for aircraft sold and retired (two DC-8-63s and eight Caravelles), MSKR 52.6. Additionally, sales proceeds and salvage values realized from the retirement of spare engines and other parts have contributed MSKR 8.7.

Note 6 — Extraordinary items (net)

"Extraordinary items (net)" comprise extraordinary provisions, write-offs on assets and income taxes payable by wholly-owned subsidiaries, the last-mentioned item amounting to MSKR 1.4. An extraordinary provision for certain obligations abroad accounts for MSKR 13.4 and SAS's share in the loss of Hotel Scandinavia K/S, Copenhagen, for MSKR 4.1.

Note 7 — Consolidated profit

The wholly-owned subsidiaries show before consolidation with SAS an aggregate net profit of MSKR 7.8 (1973/74 a net loss of MSKR 7.9).

The consolidated profit and loss statement of SAS contains no provision for corporate income taxes on transportation activities payable in Denmark, Norway and Sweden, such liability resting upon the parent companies of SAS.

Note 8 — Cash and bank balances including temporary cash investments

Own debentures acquired for redemption on June 15, 1976, US\$ 1.0 mill., have been included under this heading.

Note 9 — Sundry stores

"Sundry stores" comprise expendable spare parts and raw materials, stores for sale and non-operating stock of spare parts as well as shop work in progress.

Note 10 — Goodwill

"Goodwill" includes the remaining book value MSKR 9.0 of the consideration paid in excess of par value for the stock of Vingresor/Club 33 AB.

Note 11 — Shares and bonds

"Shares and bonds" include, i.e., shares in the amount of MSKR 12.0 in Linjeflyg AB, Stockholm, MSKR 6.9 in Thai Airways International Ltd., Bangkok, MSKR 1.2 in Danair A/S, Copenhagen, MSKR 1.0 in Widerøe's Flyveselskap A/S, Oslo, and MSKR 0.3 in Greenlandair Inc., Godthaab.

This item also includes hotel investments, such as MSKR 7.3 in Hotel Scandinavia K/S, Copenhagen, and MSKR 4.5 in SAS Royal Hotel A/S, which company owns Hotel Scandinavia, Oslo. During the year SAS acquired shares in the amount of MSKR 1.5 in Polygon Insurance Company Ltd., St. Peter Port, Guernsey, a company formed in cooperation with KLM and Swissair.

Furthermore, "Shares and bonds" include bonds issued by Kreditforeningen Denmark, MSKR 12.2, to be used for the financing of SAS's new administration building in Copenhagen.

Note 12 — Aircraft, spare engines and spare parts

During the year SAS took delivery of four DC-9-41 and two DC-10-30 aircraft. Eight Caravelle, three Metropolitan and two DC-8-63 aircraft were sold or retired.

Changes during the year in total acquisition value and total depreciation and valuation reserves of aircraft, spare engines and spare parts are specified below (MSKR):

<i>Acquisition value</i>		
As of September 30, 1974		2 648.1
DC-9 flight equipment delivered in 1974/75		
Prepayments etc. made before October 1, 1974 (transferred from account for advance payments)	43.1	
Investments during 1974/75	<u>72.0</u>	115.1
DC-10 flight equipment delivered in 1974/75		
Prepayments etc. made before October 1, 1974 (transferred from account for advance payments)	35.3	
Investments during 1974/75	<u>183.6</u>	218.9
Other flight equipment delivered during 1974/75		
Investments during 1974/75		24.7
Flight equipment sold and retired in 1974/75, etc.	<u>-256.8</u>	
As of September 30, 1975		<u>2 750.0</u>
<i>Depreciation and valuation reserves</i>		
As of September 30, 1974		1 044.4
Depreciation 1974/75		233.9
Addition to valuation reserves 1974/75		3.7
Accrued depreciation on flight equipment sold and retired in 1974/75, etc.	<u>-187.9</u>	
As of September 30, 1975		<u>1 094.1</u>

Note 13 — Buildings and improvements

Investments in buildings and improvements during the year amounted to MSKR 33.6. This includes investments in improvements to buildings in Sweden, Denmark and the organization abroad, MSKR 7.2; in flight kitchens and restaurants owned by SAS Catering A/S, Denmark, MSKR 4.4, and by SAS Catering A/S, Norway, MSKR 5.5; and in hotel projects of Vingresor/Club 33 AB, MSKR 9.4.

Note 14 — Insurance values

As of September 30, 1975, flight equipment and buildings of SAS and its wholly-owned subsidiaries were insured as follows (MSKR):

	1975	1974
Aircraft	2 627.7	2 163.5
Buildings and improvements	<u>414.7</u>	<u>344.3</u>
	<u>3 042.4</u>	<u>2 507.8</u>

Spare engines, spare parts and technical stores, workshop and aircraft servicing equipment and tools, other equipment, vehicles and sundry stores are insured to the full reacquisition value. The insurance value of non-operating stock of spare parts covers the current market value of such assets.

Equipment, vehicles and stores of the wholly-owned subsidiaries are insured in such amounts and against such risks as are usually carried by corporations engaged in the same or similar business.

Note 15 — Current liabilities

"Current liabilities" in the balance sheet include current maturities of long-term debt totalling MSKR 168.3.

For practical reasons, the various clearing accounts for traffic revenue are, as hitherto, included as a net balance under "Current liabilities" (MSKR 378.9)

Note 16 — Debenture loan

This item represents the outstanding amount of the 8% debenture loan raised in June 1972, US\$ 29.0 mill., out of which current maturities amounting to US\$ 1.0 mill. are included under "Current liabilities".

Note 17 — Mortgage loans

"Mortgage loans" include MNKR 23.8 relating to the Globetrotter Hotel and the flight kitchen in Oslo owned by SAS Catering A/S, Norway, MDKR 19.4 relating to SAS's new administration building in Copenhagen, MDKR 16.4 relating to Royal Hotel in Copenhagen owned by SAS-Invest A/S, and MSKR 12.3 relating to Vingresor/Club 33 AB's new hotels on Rhodes and Mallorca.

Note 18 — Other non-current liabilities

"Other non-current liabilities" amount as of September 30, 1975 to MSKR 1 126.7 as follows:

	Sept. 30, 1975	Sept. 30, 1974
Loans in USA	601.8	523.4
Loans in Switzerland	320.7	314.4
Loans from KSSU-partners and THAI	98.8	93.8
Sundry liabilities	<u>105.4</u>	<u>88.9</u>
	<u>1 126.7</u>	<u>1 020.5</u>

As of September 30, 1975, loans in USA totalled US\$ 157.0 mill., out of which current maturities amounting to US\$ 20.2 mill. are included under "Current liabilities". During the year draw-downs under the loan agreements amounted to US\$ 38.3 mill., out of which US\$ 21.4 mill. were for the financing of new DC-10-30 equipment. Amortizations totalled US\$ 22.1 mill.

Loans in Switzerland amounted to SFR 207.5 mill., out of

which current maturities SFR 13.1 mill. are included under "Current liabilities".

Loans from KSSU-partners and THAI, drawn for the purpose of financing Boeing 747-B and DC-10-30 spare engines and spare parts held by SAS on behalf of KLM, Swissair and THAI, are stated under this heading in the amount of US\$ 22.5 mill.

Sundry liabilities include reborrowing of pension fees in Sweden and Denmark, MSKR 38.9, and bank loans of Vingresor/Club 33 AB, MSKR 17.1.

Note 19 — Currency adjustment

SAS's accounts are kept in Swedish crowns. During the year SAS has used, for accounting purposes, the following rates of exchange between Swedish crowns and the other two Scandinavian currencies, the US dollar as well as the Swiss franc:

Period	100 Danish crowns	100 Norw. crowns	1 US dollar	100 Swiss francs
Oct.—Nov. 1974	72.59	80.05	4.40	151.50
Dec. 1974			4.30	155.00
Jan. 1975			4.20	↓
Feb. 1975			4.10	160.00
March 1975			4.00	↓
April 1975				157.50
May—June 1975				155.00
July 1975				157.50
Aug. 1975			4.25	↓
Sept. 1975			4.30	162.00
As of Sept. 30, 1975	72.59	80.05	4.40	165.00

The item "Currency adjustment" in the balance sheet, MSKR 88.6, represents mainly net adjustment of long-term debt following from changes in the accounting rates of exchange. Because of the continued volatility of the international foreign exchange markets no part of the currency adjustment has been credited to income.

Note 20 — Subordinated debentures

"Subordinated debentures" represent SAS's two Scandinavian subordinated debenture loans maturing in 1982. Current maturities amounting to MSKR 17.4 are included under "Current liabilities".

Note 21 — Loans from parent companies

This item represents subordinated loans from ABA and DDL.

Note 22 — Capital

As decided upon by the Assembly of Representatives of SAS on January 15, 1975, MSKR 53.9 has been paid to the parent companies out of the profit, MSKR 77.0, for 1973/74. At the same time the capital of SAS was increased with the remaining MSKR 23.1. Thus, the capital of SAS amounts to MSKR 787.6 as of September 30, 1975, not including the profit for the year 1974/75.

The capital includes reserves and retained earnings in the wholly-owned subsidiaries in the amount of MSKR 7.7, out of which statutory reserves represent MSKR 2.1, and other reserves and retained earnings MSKR 5.6.

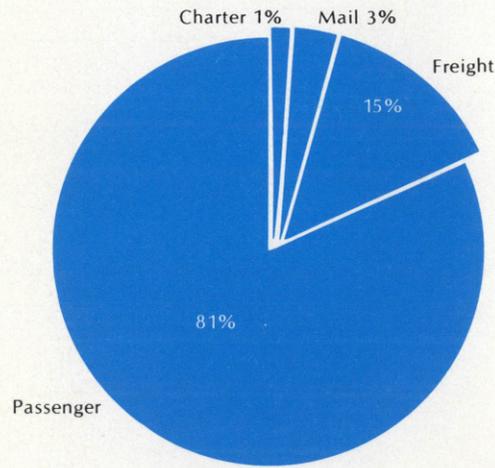
Note 23 — Contingent liabilities and guarantees

"Contingent liabilities and guarantees" include guarantees by SAS, amounting to MSKR 38.0, of loans raised by Linjeflyg AB to finance F-28 aircraft.

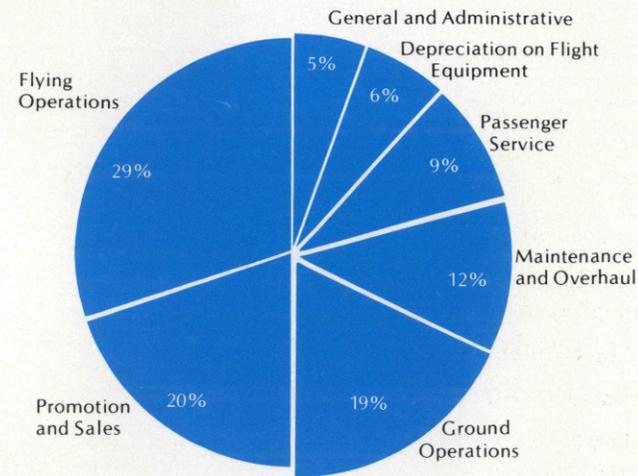
Note 24 — Pledges

The increase of mortgages on real estate during the year, MSKR 22.4, refers to SAS's new administration building in Copenhagen and to Vingresor/Club 33 AB's new hotels on Rhodes and Mallorca.

SAS Traffic Revenue 1974/75

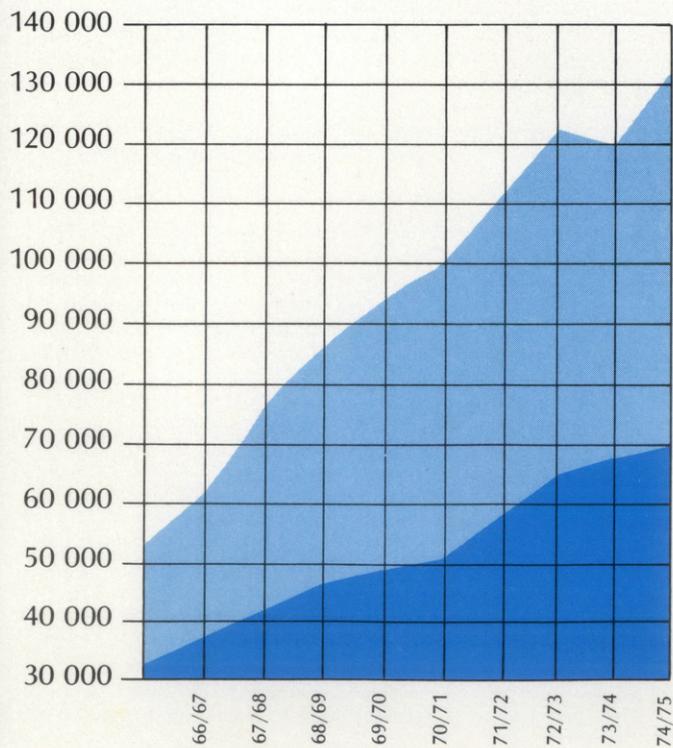


Operating Expenses incurred in SAS Transportation Activities 1974/75

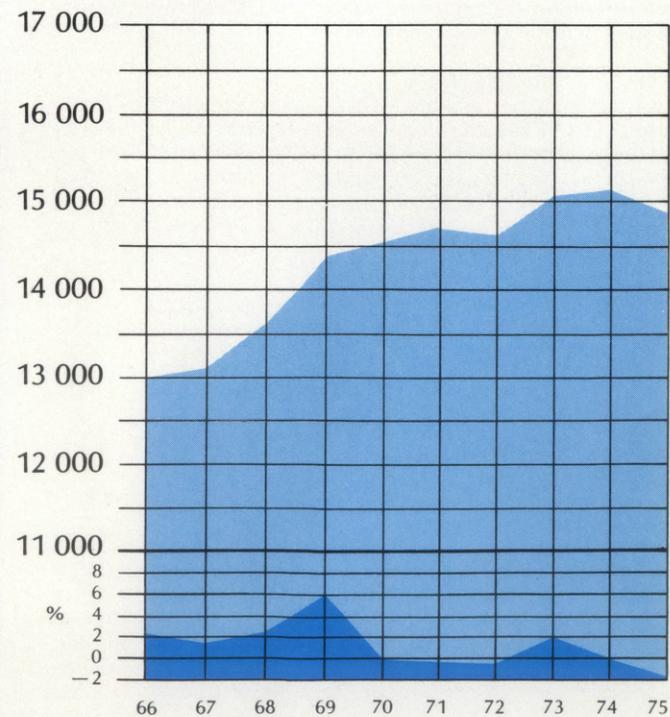


Production and Traffic per Employee

Production (avail. ton-kms) per employee
Traffic (revenue ton-kms) per employee



Number of Employees and Annual Change in per cent as of Sept. 30



Funds Statement
(in millions of Swedish Crowns)

	1974/75	1973/74	1972/73	1971/72	1970/71
Source of funds					
Profit	70.0	77.0	84.0	35.0	71.4
Depreciation	283.9	231.9	226.2	201.7	174.2
Book value of assets sold and retired	66.6	38.8	21.5	11.7	26.4
Other (net)	12.7	8.3	11.2	7.7	- 4.9
From operations	433.2	356.0	342.9	256.1	267.1
New capital from parent companies				70.0	
Borrowing	256.5	570.2	256.3	327.8	180.2
Loans from KSSU-partners and THAI	11.1	14.6	15.3	16.4	87.0
Long-term lending (net)	3.2		2.5	7.8	
Short-term liabilities, etc.	126.8	201.7	100.8	80.0	116.1
Sub-total	830.8	1 142.5	717.8	758.1	650.4
Use of funds					
Aircraft, spare engines, spare parts	283.8	393.5	126.8	199.4	277.7
Prepayments on aircraft and flight simulators	27.0	61.3	86.6	21.6	45.4
Loans to KSSU-partners	26.3	6.0	1.1	5.1	6.7
Buildings, etc.	33.6	36.2	57.1	23.9	32.2
Other equipment, supplies, etc.	73.9	45.7	44.1	30.7	38.2
Shares and goodwill	24.0	9.0	0.7	15.6	21.5
Discount on debenture loan				6.6	
Long-term lending (net)		58.1			4.2
Total investments	468.6	609.8	316.4	302.9	425.9
Amortization on long-term debt	175.7	358.5	211.0	183.7	159.5
Paid to parent companies out of last year's profit	53.9	42.0	17.5	35.7	44.4
Accounts receivable and prepayments, etc.	38.9	117.8	62.3	87.8	19.1
Sub-total	737.1	1 128.1	607.2	610.1	648.9
Change in cash and bank balances (including temporary cash investments)	+ 93.7	+ 14.4	+ 110.6	+ 148.0	+ 1.5

Investments in Flight Equipment

	Amounts (in millions of Swedish Crowns)					Total
	No. of aircraft Delivered	No. of aircraft On order	Deliveries 1966/67— 1974/75	Advance payments Sept. 30, 1975	To be paid 1975/76— 1976/77	
747-B	2		461.2			461.2 ¹⁾
DC-10-30	2	3	255.6	47.5	305.2	608.3 ¹⁾
DC-8-63	5	}	746.5			746.5
DC-8-62	8					
DC-9-41	41	2	1 299.3	8.2	65.4	1 372.9
DC-9-33F	2	}				
DC-9-21	9					
Total	69	5	2 762.6	55.7	370.6	3 188.9

¹⁾ Includes spare engines and spare parts, as the case may be, held by SAS on behalf of the other partners to the KSSU arrangements as well as loans by SAS to these partners to finance spare engines and spare parts held by them on behalf of SAS.

Auditors' Report

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

SCANDINAVIAN AIRLINES SYSTEM
Denmark — Norway — Sweden

having completed our assignment, herewith submit to the Parent Companies our report for the financial year October 1, 1974 — September 30, 1975.

We have examined the Annual Report, which includes the wholly-owned 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 profit of 70.0 million Swedish Crowns.

We recommend

that the Annual Accounts as of September 30, 1975 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, January, 1976

Viking Bergman

Authorized Public Accountant

Centralanstalten for Revision

Erik Sivertsen
Authorized Public Accountant

Stig-Erik Schaumburg-Müller
Authorized Public Accountant

Christian Blom

Authorized Public Accountant

Sten Nackstad

Authorized Public Accountant

Arne Brendstrup

Tor Storhaug

Authorized Public Accountant



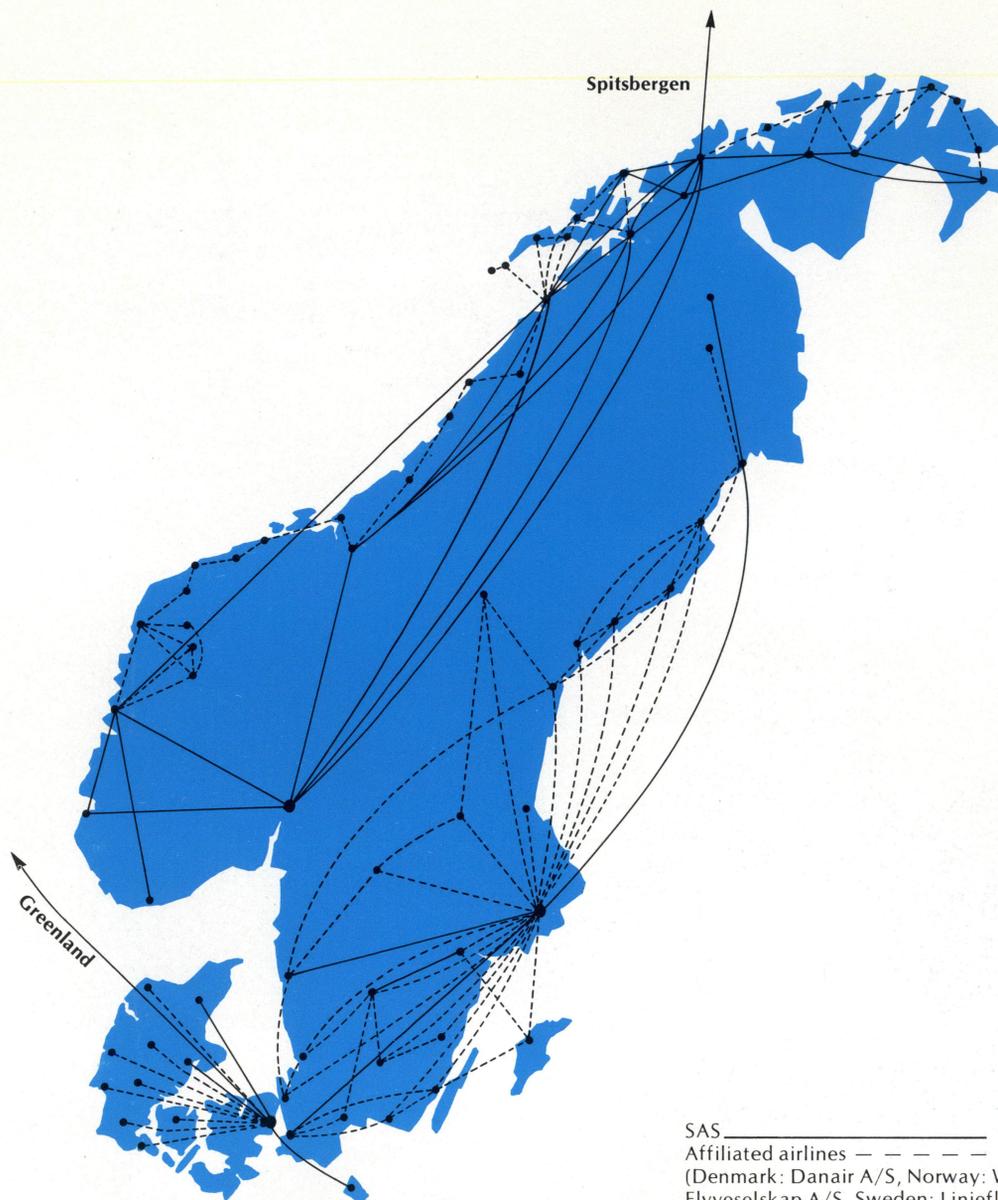
Intercontinental Routes

Scheduled services (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	2 541 (2 623)	— 3	173.5 (177.7)	— 2	11.5 (10.8)	+ 6	57.1 (60.6)	57.7 (57.8)
Other Intercontinental Routes	1 627 (1 479)	+ 10	85.1 (84.5)	+ 1	11.3 (10.8)	+ 5	55.8 (57.3)	48.9 (49.4)
Total Intercontinental Traffic	4 168 (4 102)	+ 2	258.6 (262.2)	— 1	22.8 (21.6)	+ 6	56.7 (59.4)	53.9 (54.4)



European (incl. Middle East) and Inter-Scandinavian Routes

Scheduled services (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	152 (121)	+ 26	3.3 (2.4)	+ 35	0.7 (0.5)	+ 24	46.5 (46.9)	47.2 (43.9)
European Routes	1 797 (1 661)	+ 8	40.3 (43.7)	- 8	6.5 (6.4)	+ 2	45.4 (51.8)	49.7 (53.2)
Inter-Scandinavian Routes	418 (426)	- 2	9.6 (10.7)	- 10	0.8 (0.8)	+ 3	40.5 (47.3)	44.5 (49.1)
Total Europe, Middle East and Inter-Scandinavian Traffic	2 367 (2 208)	+ 7	53.2 (56.8)	- 7	8.0 (7.7)	+ 3	44.6 (50.6)	48.5 (51.4)



SAS —————
 Affiliated airlines - - - - -
 (Denmark: Danair A/S, Norway: Widerøe's
 Flyveselskap A/S, Sweden: Linjeflyg AB)

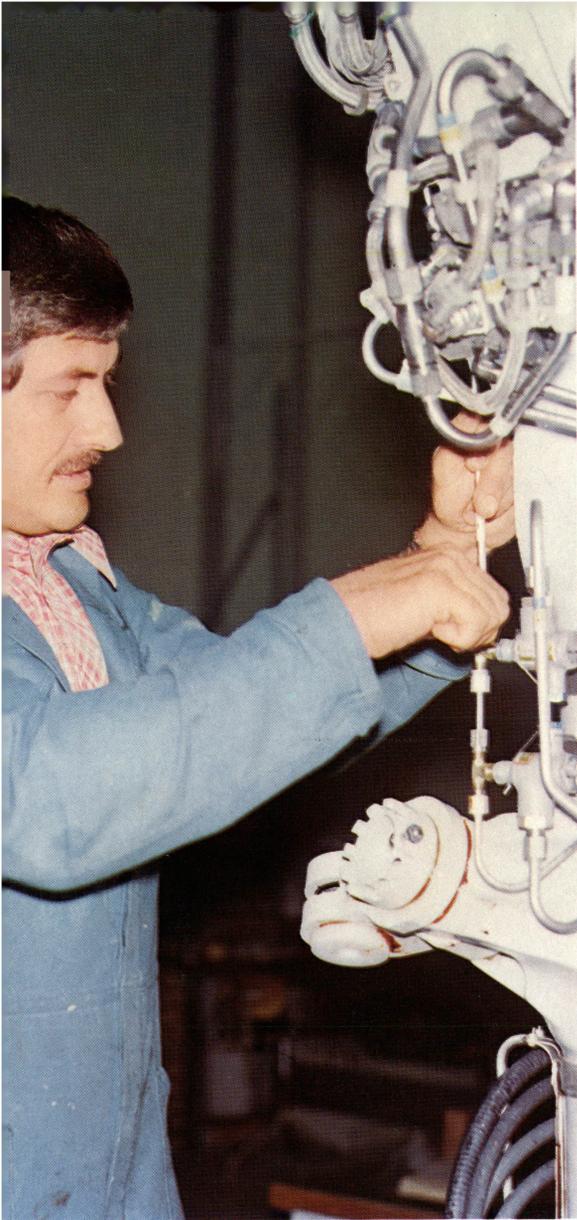
Scandinavian Domestic Routes

Scheduled services (mill.) Last year's figures in brackets	Passenger		Cargo		Mail		Load Factor %	Cabin Factor %
	Pass.- Kms	Change %	Ton- Kms	Change %	Ton- Kms	Change %		
Denmark	286 (254)	+ 13	1.4 (1.6)	- 11	1.7 (1.6)	+ 3	54.7 (59.1)	61.2 (60.8)
Norway	540 (500)	+ 8	3.1 (2.7)	+ 14	2.5 (2.3)	+ 8	51.2 (53.0)	55.2 (56.9)
Sweden	453 (413)	+ 10	1.9 (2.1)	- 8	2.5 (2.5)	+ 2	49.7 (53.2)	56.4 (58.0)
Total Domestic Traffic	1 279 (1 167)	+ 10	6.4 (6.4)	+ 1	6.7 (6.4)	+ 4	51.4 (54.3)	56.9 (58.1)

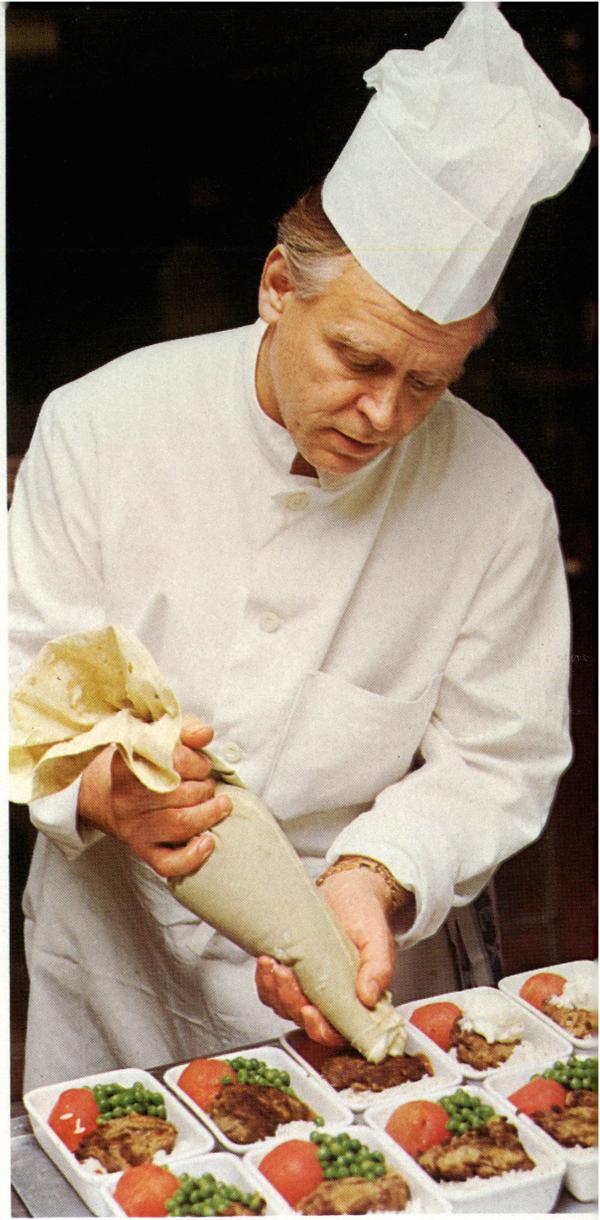


▲ SAS inaugurated a Norwegian domestic route to Longyearbyen in September, 1975. The new airport, serving the Spitsbergen archipelago just 790 miles from the North Pole, is believed to be the world's northernmost destination for scheduled jet services.

◀ The SAS Lofoten Hotel, with 28 rooms, was opened in a picturesque island setting off the North Norwegian coast.



◀ SAS has aircraft maintenance bases in all three Scandinavian capitals. At one, part of a landing gear undergoes inspection.



SAS Catering's 11 flight ▶ kitchens served passengers flying 50 different airlines during 1974 — 1975.



◀ The 476-room Hotel Scandinavia was opened in Oslo in June, 1975.



The tails of a 747-B, DC-8 ▶ and DC-10-30 at Copenhagen Airport symbolize the SAS intercontinental jet fleet.



◀ The farewell to the Convair Metropolitan, to be retired from the SAS fleet at the end of 1975, included a formation flight over many of the Danish airports the aircraft have served.

SAS serves New York's John F. Kennedy Airport daily by 747-B.

The SAS Head Office is located at Bromma Airport, Stockholm.



◀ (Left) SAS ticket offices throughout Scandinavia and other parts of Europe have been gradually equipped with the PNR video screen reservations terminals during the year.

◀ (Right) A familiar figure at airports served by SAS, the "Red Cap" is the load control supervisor responsible for each flight.



◀ A DC-10-30 at Anchorage — intermediate stop on the SAS North Pole route between Scandinavia and Japan.



Wholly-owned Subsidiaries

SAS Catering and Hotels

Operating revenue of SAS Catering and Hotels for the 1974-1975 financial year was MDKR 489.1, an increase of 23 per cent over the preceding year. In addition to SAS and Scanair, SAS Catering and Hotels serves about 50 other airlines. Employees averaged 2 170, an increase of 113. The subsidiary opened new restaurants at Copenhagen Airport and at the Bella Center exhibition halls near Copenhagen, and assumed management of the new SAS Lofoten Hotel in Stamsund, Norway. As of April 1, 1975, SAS Catering and Hotels was reorganized into separate restaurant divisions in Denmark, Norway and Sweden, respectively; a catering division covering central production and 11 flight kitchens; and a hotel division which operates its own hotels and coordinates SAS's other hotel interests.

SAS-Invest A/S

SAS-Invest A/S owns and operates the SAS Royal Hotel in Copenhagen. The hotel had a room occupancy rate of 85 per cent for 1974-1975, down two percentage points from the previous year. Operating revenue was MDKR 32.7, an increase of 12 per cent. The staff averaged 355.

Nyman & Schultz/Nordisk Resebureau AB

Nyman & Schultz/Nordisk Resebureau AB is Sweden's largest IATA travel agency. Total

sales of travel and related services increased 19 per cent to MSKR 414.6. Sales against commission accounted for 67 per cent of total sales, (airline transportation: 57 per cent; land and sea transportation: 10 per cent). The agency's own production of business tours accounted for 12 per cent; inclusive tours to charter destinations for 16 per cent, and other travel-related services for five per cent. Operating revenue increased 22 per cent to MSKR 158.0. Employees averaged 342.

Vingresor/Club 33 AB

Vingresor/Club 33 is Sweden's largest producer of inclusive tours with a market share of 25 per cent. Vingresor recorded 204 000 inclusive tour customers for 1974-1975 compared with 192 000 the previous year. Vingresor's operating revenue increased 10 per cent to MSKR 253.5. Employees numbered 962.

During the year, an agreement of cooperation with Metro Reisebyrå in Oslo was reached for the marketing of Vingresor tours in Norway, and on October 1, 1975, Vingresor acquired the shares of this travel bureau.

At the end of the year Vingresor also assumed control of Student International Service (SIS), a tour organization conducting language study programs, mainly in England, which are marketed in a number of European countries and in the U.S.

Sunwing, Vingresor's hotel division, operated six hotels with a total of 3 600 beds at major

inclusive tour destinations. Sunwing's new hotel on Rhodes opened June 14, 1975.

Scandinavian Air Tour Productions/Globetrotter

Scandinavian Air Tour Productions produces and markets intercontinental inclusive tours on scheduled flights under the "Globetrotter" trade name. Consolidating its position as Scandinavia's largest intercontinental tour operator, Globetrotter recorded its best year thus far. The number of customers increased four per cent to 18 600, but operating revenue (excl. air fares) increased 22 per cent to MSKR 31.0 as tour passengers selected more elaborate arrangements. Employees averaged 80, including 28 tour conductors at 14 overseas destinations. The company's name was changed from Globetrotter AB to Scandinavian Air Tour Productions AB in the course of the financial year.

Copenhagen Air Cargo Center A/S

The Copenhagen Air Cargo Center handled 130 957 tons of cargo in 1974-1975, a decrease of eight per cent compared with the previous year's volume. The decline coincides with the reduction in the growth of air cargo traffic attributed to worldwide economic conditions during the year. Employees averaged 250. A planned expansion of the Center from 12 700m² to 20 600m² during 1974-1975 was deferred until the following year.

Affiliated Companies

THAI International

Thai Airways International Ltd., with headquarters in Bangkok, carried 1 365 635 passengers during the 1974-1975 financial year, an increase of 435 600. Capacity rose 41 per cent while total traffic increased 40 per cent. The load factor decreased from 59.3 to 58.8 per cent, while the passenger cabin factor rose from 59.7 to 60.8 per cent. THAI International's fleet at the end of the year consisted of nine DC-8s and two DC-10-30s, the latter delivered in March and June of 1975. The network spanned 27 cities in 22 countries. Employees numbered 3 832 at year's end.

Danair A/S

Danair served eight points in Denmark plus the Faroe Islands with aircraft and crews leased from its three parent companies, SAS, Maersk Air and Cimber Air. The domestic carrier noted a three per cent decline in passengers, to 498 000. The cabin factor decreased from 57.0 to 52.0 per cent.

Linjeflyg AB

Linjeflyg's operations were interrupted for two summer months of the 1974-1975 financial year by a strike of 200 traffic and technical personnel concerning collective agreements and demands for changes in union representation. A solution was outside Linjeflyg's own sphere of influence but was finally arrived at

when the main parties on the labor market convinced the personnel involved to return to work pending an overall jurisdictional agreement. Because the conflict involved a question of principle on the Swedish labor market, the Swedish Employers' Confederation has decided to compensate Linjeflyg for the financial consequences of the strike.

Linjeflyg carried 880 600 passengers, 12 per cent fewer than during the previous year. The cabin factor rose from 51.7 to 53.9 per cent. The domestic network covered 24 Swedish destinations. Employees totaled 843 at the end of the year.

The fleet included three Fokker F-28-1000 jetliners and 15 Convair Metropolitans. A decision was made during the year to buy five Fokker F-28-4000 jetliners for introduction in the first half of 1976-1977. Options are held on an additional five jets of the same type. The "4000" series seats 85 passengers, about 20 more than the "1000" series. Linjeflyg also leased two Twin Otters and one Aero Grand Commander for feeder traffic during the year.

Greenlandair Inc.

Greenlandair primarily operates helicopter services on Greenland, serving 18 destinations with 12 helicopters and two DC-6B aircraft. The airline carried 94 000 passengers, an increase of 11 per cent. Air mail and cargo traffic remained on a level with last year. Employees averaged 187.

Widerøe's Flyveselskap A/S

Widerøe operates a fleet of 10 Twin Otter aircraft providing local services on a network of 34 airports along the Norwegian coast, from Bergen in the southwest to Kirkenes in the northeast. Many of the airports have been specially built for short takeoff and landing operations. The airline carried 32 per cent more passengers than the previous year, for a total of 240 700. Employees averaged 164.

Scanair

Scanair is the Scandinavian charter consortium owned by the three parent companies of SAS. During 1974-1975, the Scanair fleet included two DC-8-55s and three Boeing 727-100s. In addition, primarily on weekends, Boeing 747, DC-8 and DC-9 capacity was leased from SAS on an ad hoc basis.

Scanair served 34 vacation destinations in 19 countries during the year. The number of inclusive tour passengers increased 15 per cent to 736 000. Leading destinations were Spain with 419 000 passengers (of which 200 000 were to the Canary Islands), and Greece with 84 000 passengers. The average number of employees was 370, including the 215 in Transair Sweden AB. The two DC-8-55s leased from SAS since 1971 were purchased by Scanair October 1, 1975. Scanair also plans to purchase a DC-8-62 aircraft from SAS in April of 1976.

Denmark

Norway

Sweden

Board of Directors

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Chairman

Jens Chr. Hauge
Second Vice Chairman

Curt Nicolin
First Vice Chairman

Svend Horn

Per M. Backe

Krister Wickman

Deputies:
Helge Bech-Bruun
Jens Kampmann

Deputies:
Erik Brofoss
Johan Horn

Deputies:
Peter Wallenberg
Nils Hörjel

Employee Representatives

Max Mejer

Kåre Klette

Kent Johanneson

Deputies:
Orla Mathiesen
Frede S. Larsen

Deputies:
Stein Slettum
Ingvar Lilletun

Deputies:
Nils-Olof Sjögren
Henrik Arosenius

Assembly of Representatives

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Second Vice Chairman

Per M. Hansson
First Vice Chairman

Per A. Norlin
Chairman

Helge Bech-Bruun
K. Bredahl
Count Flemming af Rosenberg
Ove Guldberg
J.L. Halck
Svend Horn
Jens Kampmann
Hans Muus
Haldor Topsøe

Nils J. Astrup
Per M. Backe
Erik Brofoss
Guttorm Hansen
Jens Chr. Hauge
Johan Horn
Håkon Kyllingmark
Sigurd Lorentzen
Johan Nerdrum
Fred. Olsen

Deputies:
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Kåre Ellingsgård
Rolf Heilemann
Arnljot Strømme Svendsen

Erik Grafström
Sven Gustafson
Nils-Olov Hasslev
Tryggve Holm
Nils Hörjel
Leif Janson
A. Ax:son Johnson
Sven Mellqvist
Curt Nicolin
Lars Peterson
Jan Wallander
M. Wallenberg
Krister Wickman

Deputies:
Johannes Antonsson
Helge Jäder
Eric Krönmark
Björn Lundvall
Kristian von Sydow
Peter Wallenberg

Employee Representatives

Frede S. Larsen
Orla Mathiesen
Max Mejer

Kåre Klette
Ingvar Lilletun
Stein Slettum

Henrik Arosenius
Kent Johanneson
Nils-Olof Sjögren

Deputies:
Benny Poppe
Niels Erik Hansen
Chr. Ricard

Deputies:
Per Bjölseth
Olav Grønscar
Per Heimdal

Deputies:
Rune Löfdahl
Nils Lindman
Kent Andersson

Management

Knut Hagrup
President

Björn Törnblom
Executive Vice President
Technical and Operations

K.A. Kristiansen
Executive Vice President
Marketing

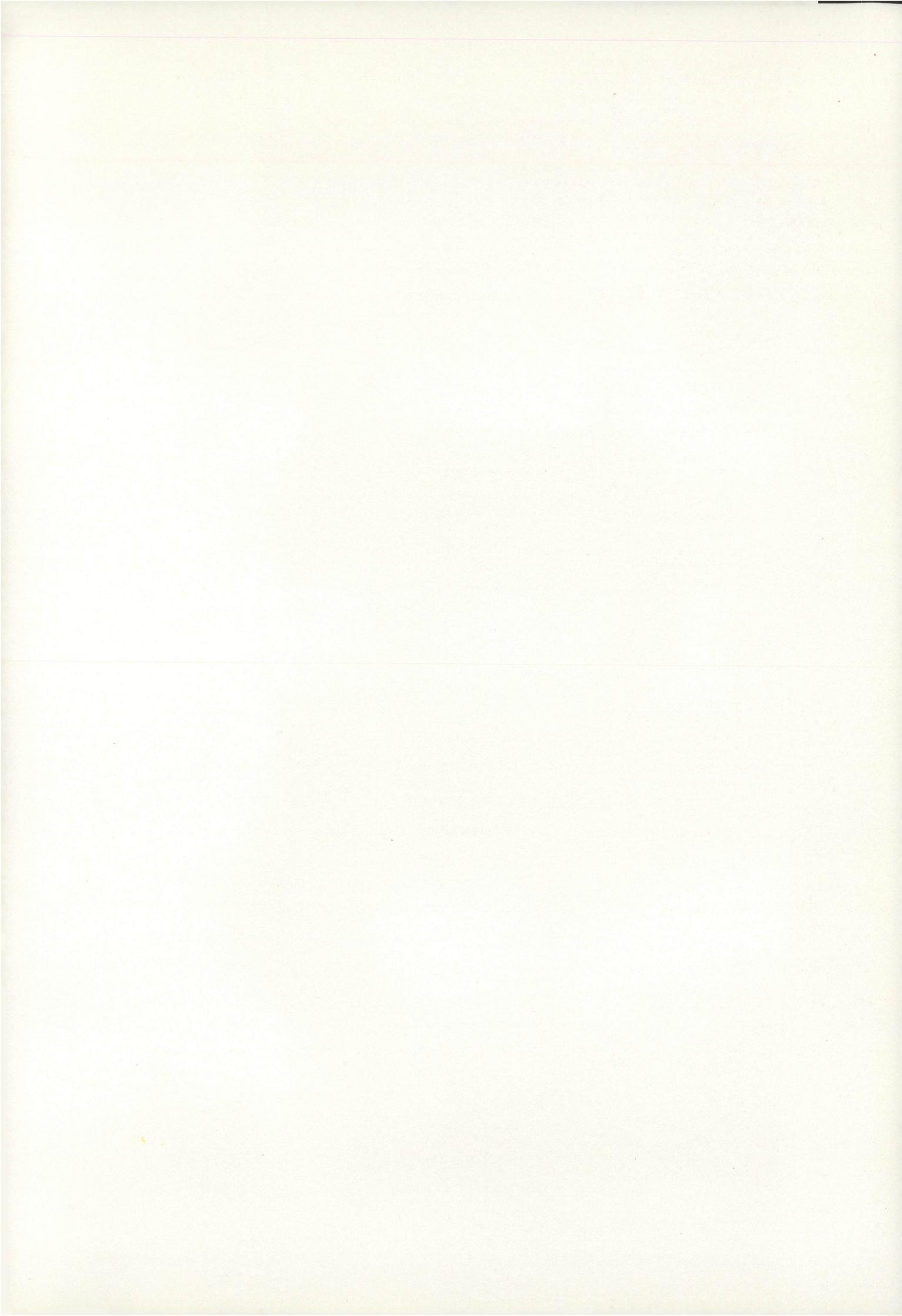
C.E. Lindh
Executive Vice President
Finance

Gunnar Sandberg
Senior Vice President
Administration

Frede Ahlgreen Eriksen
Vice President and
General Manager
Region Denmark

Kai Sørtorp
Vice President and
General Manager
Region Norway

Yngve Wessman
Vice President and
General Manager
Region Sweden



SCANDINAVIAN AIRLINES SYSTEM

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



SAS
SCANDINAVIAN AIRLINES SYSTEM