

*SCANDINAVIAN AIRLINES SYSTEM*

annual report 1965/66

**SAS**



ANNUAL REPORT FOR THE FINANCIAL YEAR OCTOBER FIRST, 1965 – SEPTEMBER THIRTIETH, 1966

# Summary

	65/66	Variation in %	64/65	Variation in %	63/64
<b>PRODUCTION</b>					
Size of Network (km 000)	158	+ 0.3	158	+ 1.8	155
No. of Countries Served	42		41		39
No. of Cities Served	87		81		77
Kilometers Flown (mill.)	69.4	+ 5.3	65.9	+ 4.0	63.3
Hours Flown (airborne) (000)	136.3	+ 5.7	129.0	+ 3.0	125.2
Avail. Ton-kms, total (mill.)	724.8	+ 8.5	668.0	+ 7.1	623.5
Avail. Ton-kms, sched.serv. (mill.)	701.6	+ 8.0	649.8	+ 7.6	604.1
<b>TRAFFIC</b>					
Revenue Ton-kms (mill.)	415.9	+ 6.3	391.2	+12.5	347.8
Passenger	295.3	+ 4.3	283.1	+10.2	256.8
Freight	97.5	+12.3	86.7	+20.1	72.2
Mail	23.1	+ 8.0	21.4	+14.0	18.8
Total Load Factor, sched.serv. (%)	59.3		60.2		57.6
No. of Passengers Carried (000)	3,241	+ 8.1	2,999	+14.6	2,617
Revenue Passenger-kms (mill.)	3,304	+ 4.4	3,166	+10.3	2,871
Passenger Load Factor (%)	52.6		54.3		52.9
Average Passenger Trip Length (km)	1,029	- 3.3	1,064	- 4.1	1,109
<b>PERSONNEL</b>					
No. of Employees per Sept. 30	13,081	+ 2.9	12,709	+ 4.0	12,219
Average Staff Strength	12,800	+ 2.9	12,450	+ 3.8	12,000
Avail. Ton-kms/Employee	56,600	+ 5.4	53,700	+ 3.4	51,950
Revenue Ton-kms/Employee	32,500	+ 3.2	31,450	+ 8.4	29,000
<b>FINANCIAL (Swedish Crowns)</b>					
Traffic Revenue (mill.)	913.5	+ 4.4	875.2	+ 8.4	807.6
Passenger	732.0	+ 2.9	710.8	+ 8.6	654.4
Freight	108.6	+13.4	95.8	+11.0	86.3
Mail	55.1	+ 3.0	53.5	+ 7.6	49.7
Charter	17.8	+18.6	15.1	-12.2	17.2
Net Profit (mill.)	64.8		74.9		70.0
Traffic Revenue/Rev. Ton-km	2.15	- 2.3	2.20	- 3.1	2.27
Operating Expenses/Av. Ton-km	1.23	- 0.2	1.23	+ 2.3	1.20
"Break-even" Load Factor (%)	57.7		56.2		53.1

# Report by the board

## 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.

## FINANCIAL RESULTS

Total revenue for SAS in 1965/66, including income from sale of flight equipment, amounted to M.SKR 1,192.3, an increase of M.SKR 72.8 or seven percent over the year before.

Traffic revenue alone accounted for M.SKR 913.5. This meant, despite a pilot conflict coinciding with the beginning of the peak season, an increase of four percent over 1964/65. Passenger traffic contributed M.SKR 732.0, freight M.SKR 108.6, mail M.SKR 55.1, and finally charter traffic produced a revenue of M.SKR 17.8.

Other operating revenue totalled M.SKR 246.4, an increase of 13 percent. Income under this heading is mainly earned by the wholly-owned subsidiaries, SAS Catering A/S and SAS Invest A/S. It also includes revenue earned on such services as shop work, ground handling etc. performed for other airlines.

Financial and miscellaneous income combined amounted to M.SKR 32.4 (25.9).\*)

Total operating expenses increased by M.SKR 72.9 in comparison with the previous year. Depreciation amounted to M.SKR 85.6 (M.SKR 82.5). M.SKR 72.1 represented ordinary depreciation and M.SKR 13.5 extraordinary depreciation on aircraft.

SAS' net profit for 1965/66 amounted to M.SKR 64.75, or US\$12.5 million (M.SKR 74.9 or US\$14.5 million).

The Board proposes to the SAS As-

sembly of Representatives that M.SKR 12.95 be paid in cash to the Parent Companies and that M.SKR 51.80 be retained by SAS and credited to the Parent Companies' capital accounts as a further consolidation.

Consolidated Profit and Loss Account and the Consolidated Balance Sheet as per September 30, 1966, are attached to this report.

## RISING COSTS

The costs of the Consortium have continued to rise in the form of increased wages, salaries and landing fees, and also due to increased insurance charges. In consequence, measures to accelerate cost reduction and increase efficiency have been taken.

## PRODUCTION AND NETWORK

In 1965/66 SAS increased its production – measured in available ton-kilometers – by 8.5 percent in comparison with the previous year. Traffic – measured in revenue ton-kilometers – was up 6.3 percent.

Capacity increases on the North Atlantic, in Europe and on domestic routes made the 1965/66 traffic schedule the most comprehensive flown by SAS.

In Europe, Dublin was added to the SAS network, and a new Caravelle route between Gothenburg and Helsinki was opened.

The year's most significant addition to the SAS network was Seattle, which thus became the sixth SAS gateway to North America, following

\*) Here and in the following text, figures for the previous year are given within brackets.

the conclusion of traffic rights negotiations with U.S. authorities. The new traffic rights are expected to generate considerable traffic in both directions. Non-stop jet service between Copenhagen and Seattle/Tacoma was inaugurated on September 3, with three weekly flights in each direction. The Pacific North West is one of the fastest expanding areas in North America, and also has one of the largest Scandinavian communities outside Denmark, Norway and Sweden.

#### TRAFFIC AND FARES

During the year 1965/66, SAS transported 3,240,000 passengers, 8.1 percent more than in the previous year. Due to the larger number of medium and short-range routes in Europe and Scandinavia, the average length of travel has decreased somewhat, to 1,029 kilometers.

Air cargo constitutes for SAS – as for most other carriers – the fastest growing sector of the total traffic, and there is every indication that further increases in this field will be a major factor in future world aviation.

In the cargo field, the SAS expansion during the financial year, measured in revenue ton-kilometers, amounted to 12.3 percent, and mail transport continued its advance with an increase of 8.0 percent.

The systemwide cabin factor was 52.6 percent (54.3 percent). The total load factor on scheduled services was 59.3 percent (60.2 percent).

SAS has during the year initiated and supported actions to reduce the cost

of air travel. The fares on the North Atlantic and in some other areas were consequently further reduced on April 1, 1966. This development combined with the growing share of lower-yielding freight traffic reduced the revenue per ton-kilometer from SKR 2.20 last year down to SKR 2.15.

#### THE SAS FLEET

Two DC-8-55 fan jets were added to the fleet during the year, and the SAS experience of the three DC-8-55s currently in operation has been excellent. Carrying eight passengers more than the DC-8-33, they also operate more economically, as the fan engines cut fuel consumption by approximately 15 percent.

SAS in 1964 ordered a total of eight DC-8 aircraft in the so-called "60" series. Five of these will be DC-8-62 passenger jets, four of which are scheduled to join the fleet during 1967 with the first delivery in late May, representing a three-month delay. One DC-8-62 will be delivered in all-cargo version, and the final two aircraft in the original DC-8 order will be the "long-body" DC-8-63 passenger jetliner. The first of the ultra-long range DC-8-62s was undergoing successful flight tests as the financial year came to an end.

It is estimated that the DC-8-62 will have about the same fuel consumption as the "55" while offering 12 additional seats. Its range is such that it can fly Copenhagen–Los Angeles non-stop with a full passenger load.

Late in 1966, the Board decided to

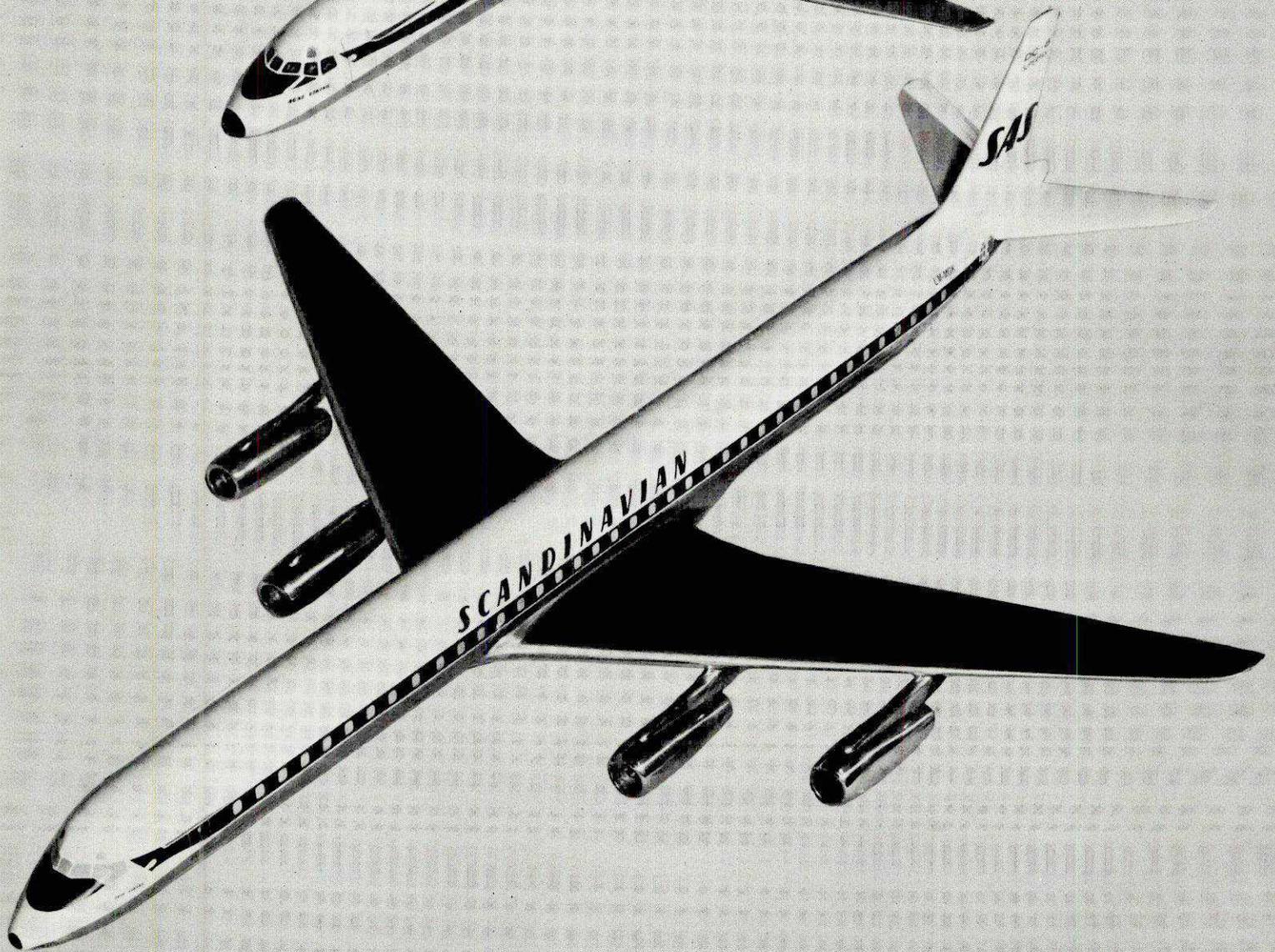
exercise options on additional DC-8 aircraft through the purchase of two additional DC-8-63s for delivery in 1969. This brings the total number of DC-8 jetliners on order to ten.

The DC-8-63, being nine meters longer than the "62", will have a seating capacity 45 percent higher than that of the "33" with a fuel consumption well below that of the "33". It is intended for operation primarily on Scandinavia–New York routes.

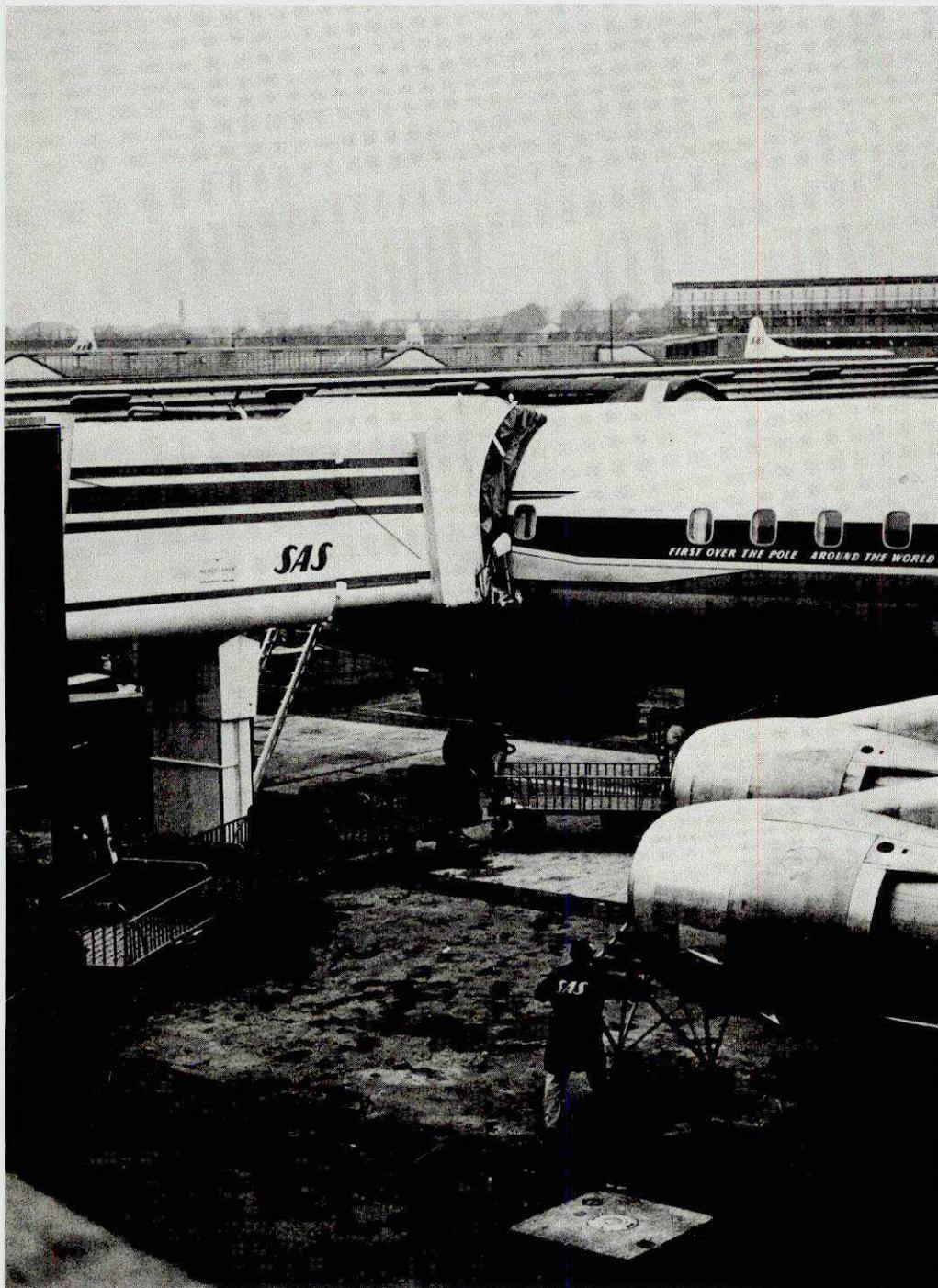
New orders were during the year placed with the Douglas Aircraft Company for ten DC-9-40 medium-range aircraft, all of which are to be incorporated with the SAS fleet during 1968. SAS will become the first carrier to operate this version of the DC-9. In order to meet traffic demand prior to delivery of the DC-9-40, SAS will temporarily lease five DC-9-30s from the Douglas Aircraft Company. The first DC-9-30 is scheduled to go into SAS operation in early September, 1967, four months later than originally planned. When the lease expires, these aircraft will be taken over by Swissair.

Delivery of the DC-9-40 aircraft is also expected to be delayed by two to three months. The delays in delivering aircraft from Douglas will unfavorably affect the growth of the SAS fleet and cause serious capacity problems.

For short-haul routes, mainly intra-Scandinavian and domestic, the Board has decided to purchase ten DC-9-20 jetliners for 1969 delivery. Designed to meet SAS specifications, this short-



*Nose-in dock at Copenhagen airport – one of the first in Europe.*



body version of the DC-9 has a range of 925 kilometers with full payload and fuel reserves, and seats 80 passengers. Its landing and take-off characteristics are such that it can utilize the Scandinavian airports presently included in the SAS network.

During 1965/66, two additional Caravelles were added to the fleet, while two Coronados leased from Swissair were returned to Swissair.

Continuous renewal of the fleet is regarded by the Board as the essential prerequisite to enable SAS to offer travelers and cargo the best possible service and to maintain profitability.

#### INDUSTRIAL RELATIONS

Following the failure to conclude a new agreement between SAS and the cockpit crew unions, a specially appointed mediation board during the spring of 1966 proposed a settlement, which was accepted by SAS but rejected by the unions. Starting June 13, all SAS aircraft were grounded for nearly a week. Before normal operations could be resumed two more weeks elapsed, the parties having agreed to compulsory arbitration. The new agreement represents a considerable increase in SAS costs. It has a validity of three years.

#### TRAFFIC RIGHTS IN SCANDINAVIA

During the year a Norwegian carrier was granted a concession to operate a

domestic route already served by SAS. This caused a lively debate in and between the three Scandinavian countries concerning SAS concession rights relative to domestic traffic. However, both the Governments and the members of the Consortium reconfirmed that the principles and guidelines governing the SAS cooperation shall continue to be applied.

#### THE SAS POSITION

World aviation in general has continued its expansive development. It is estimated that available ton-kilometers during 1966 will increase by 18 percent, as against the SAS production increase of 8.5 percent. The slower SAS production growth is partially explained by the influence of the pilot strike.\*) However, there has also over the past few years been a faster traffic development in other areas of the world. Furthermore, a number of new carriers have been established, each claiming a share of the traffic.

In international aviation – domestic traffic excluded – SAS ranks as number eight, measured in revenue passenger kilometers flown on scheduled services, a position held since 1963. The North Atlantic routes continue to be the most important. Here, SAS is the ninth largest carrier. The preferential tariff position still held by a scheduled non-IATA carrier continues to impose a severe problem for SAS.

In Europe, SAS presently ranks as the fourth largest airline.

#### COOPERATION WITH SWISSAIR

SAS and Swissair have continued their extensive cooperation. The SAS choice of the DC-9 was made after close consultation with Swissair, which has begun to take delivery of twelve Douglas DC-9s. SAS found that acquisition of the DC-9 would greatly further the technical and operational cooperation with the Swiss carrier. A complete standardization of cockpit and instrument layout has subsequently been agreed upon by the two carriers, and it will apply also to the DC-8-62 aircraft, four of which have been ordered by Swissair. Joint maintenance and overhaul work has continued during the past year.

#### SUBSIDIARIES

SAS Catering A/S and SAS Invest A/S have both expanded operations. Linjeflyg AB, in which SAS holds a 50 percent interest and ABA 50 percent, has improved its position and showed a net profit for the year of M.SKR 0.9.

#### COOPERATING CARRIERS

THAI International, in which SAS holds a 30 percent interest, has ended another profitable year. According to our agreement with Thai Airways Company, Ltd., which owns 70 percent, the profit, M.SKR 3.0, has been credited to SAS to offset losses incurred in previous years.

The ownership of Scanair was altered during the year, and the Scandinavian charter company is now owned by the same parent companies as SAS, i.e. DDL, DNL and ABA in the proportion 2:2:3, and run in cooperation with SAS.

Developments and other events affecting the SAS operation during the year are more fully described in the President's Report hereto attached.

The number of SAS employees increased during the year by about three percent to a total of somewhat more than 13,000 at the end of September, 1966.

The Board wishes to express its appreciation of the efforts and continued high level of service contributed to the Consortium by the SAS employees.

Copenhagen, Oslo and Stockholm, December 1966

J. CHR. ASCHENGREEN

M. WALLENBERG

JENS CHR. HAUGE

PALLE CHRISTENSEN

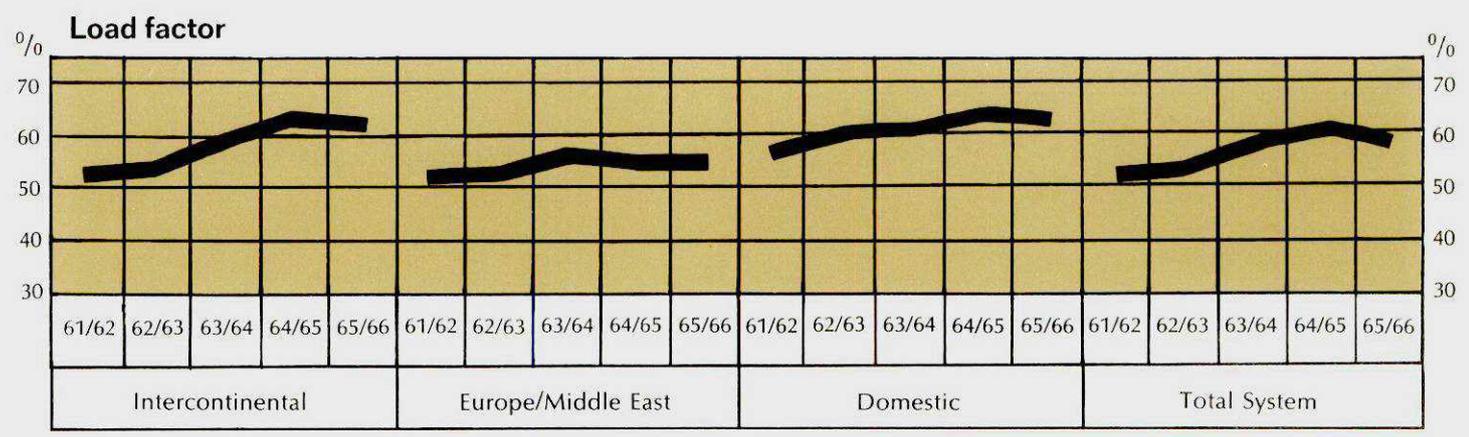
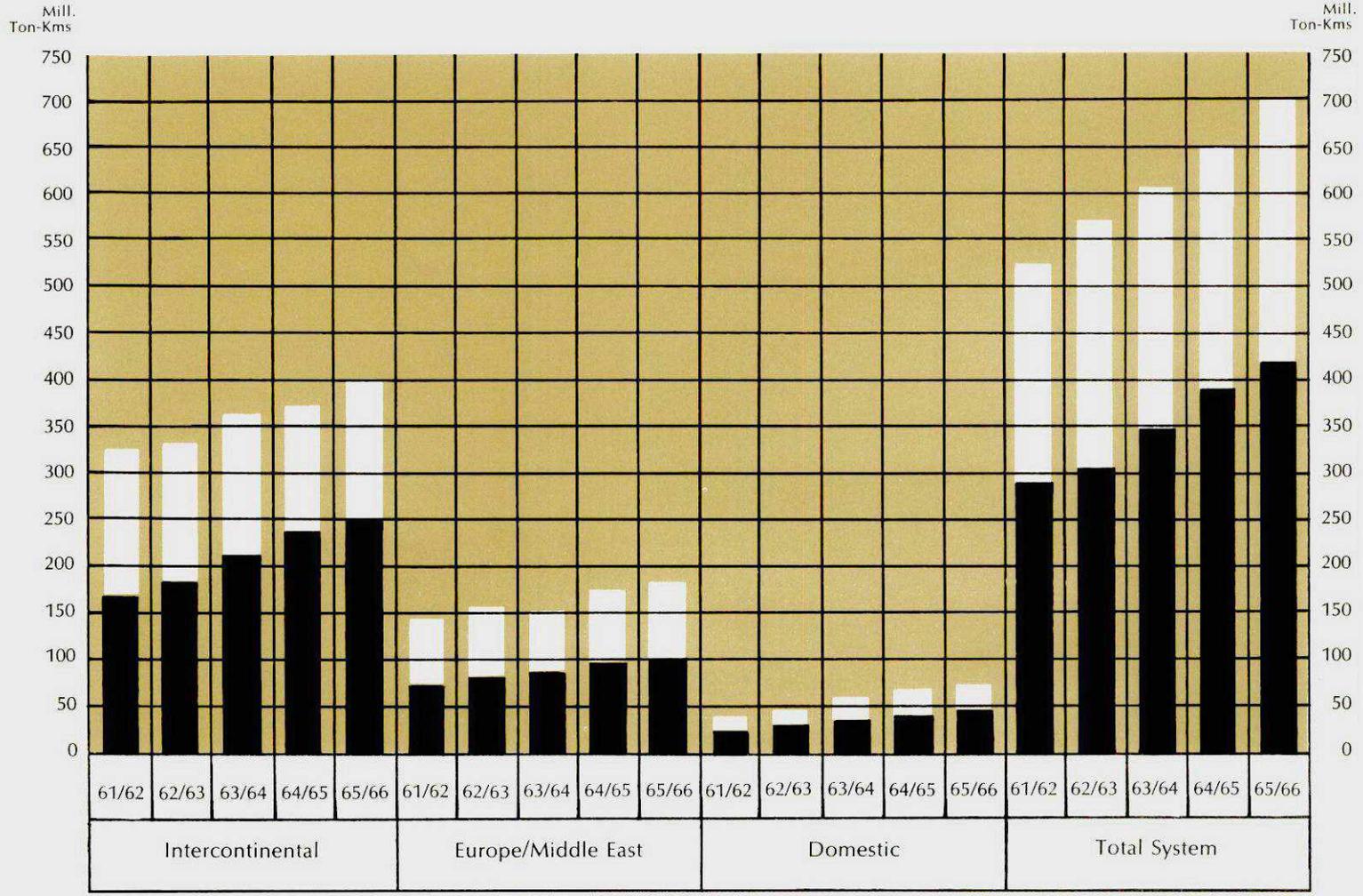
PER ÅSBRINK

PER M. BACKE

KARL NILSSON  
President

\*) It has been calculated that without the pilot strike the SAS production increase would have been 13 percent.

Available ton-kms  Revenue ton-kms



# Consolidated profit and loss account

OCTOBER 1, 1965 – SEPTEMBER 30, 1966 (including wholly-owned subsidiary companies)

INCOME (in millions of Swedish crowns)	1965/66	1964/65
Traffic revenue .....	913.5	875.2
Other operating revenues .....	246.4 <u>1,159.9</u>	<u>218.4</u> 1,093.6
Financial income .....	22.3	17.2
Other income .....	6.8	3.3
Income from sale of flight equipment .....	3.3	5.4
	<u>1,192.3</u>	<u>1,119.5</u>
EXPENSES (in millions of Swedish crowns)	1965/66	1964/65
Operating expenses .....	970.3	897.4
Administrative expenses .....	32.4	27.0
Financial expenses .....	23.8	20.3
Other expenses .....	15.4	17.4
Depreciation .....	85.6	82.5
Net profit .....	64.8	74.9
	<u>1,192.3</u>	<u>1,119.5</u>
Copenhagen, Oslo and Stockholm, December 1966		
J. CHR. ASCHENGREEN	M. WALLENBERG	JENS CHR. HAUGE
PALLE CHRISTENSEN	PER ÅSBRINK	PER M. BACKE
	KARL NILSSON President	/ C. E. Lindh
"Notes to Financial Statements" on pages 13–14 refer to the above Profit and Loss Account.		

# Consolidated balance sheet

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1966		Sept. 30, 1965	
Aircraft				
At Cost .....	696.4		582.1	
Depreciation and valuation reserves .....	<u>384.7</u>	311.7	<u>333.0</u>	249.1
Spare engines, spare propellers, spare parts				
At cost .....	251.3		247.9	
Depreciation and valuation reserves .....	<u>159.0</u>	92.3	<u>152.5</u>	95.4
Aircraft and flight simulators on order .....		48.2		19.6
Buildings and land				
At cost .....	69.9		58.8	
Depreciation and valuation reserves .....	<u>15.7</u>	54.2	<u>13.2</u>	45.6
Workshop and aircraft servicing equipment				
At cost .....	38.0		35.0	
Depreciation and valuation reserves .....	<u>32.5</u>	5.5	<u>30.0</u>	5.0
Other equipment and vehicles				
At cost .....	67.2		61.5	
Depreciation and valuation reserves .....	<u>50.7</u>	16.5	<u>48.0</u>	13.5
Discount on debenture loans .....		4.8		5.1
Shares and bonds .....		8.6		8.3
Long-term accounts receivable .....		13.5		15.9
Shop work in progress .....		1.9		2.6
Sundry stores .....		6.6		5.7
Short-term accounts receivable and pre-payments .....		156.9		140.7
Cash and bank balances, including short-term cash investments .....		<u>326.2</u>		<u>356.7</u>
		<u>1,046.9</u>		<u>963.2</u>

"Notes to Financial Statements" on pages 13-14 refer to the above Balance Sheet.

SEPTEMBER 30, 1966 (including wholly-owned subsidiary companies)

LIABILITIES (in millions of Swedish Crowns)	Sept. 30, 1966	Sept. 30, 1965
Capital		
ABA (3/7) .....	131.3	105.6
DDL (2/7) .....	87.5	70.4
DNL (2/7) .....	87.5	70.4
Net profit .....	306.3	246.4
Subordinated debentures .....	64.8	74.9
Mortgage loans .....	157.5	157.5
Danish Government loan .....	28.0	27.5
Loans in USA .....	4.7	5.5
Manufacturer's credit on flight equipment .....	70.5	70.5
Other long-term liabilities .....	39.9	30.4
Short-term liabilities .....	11.6	9.5
General valuation reserve .....	347.1	324.5
	16.5	16.5
	<u>1,046.9</u>	<u>963.2</u>
Contingent liabilities and guarantees .....	14.5	13.9
Furthermore, SAS has assumed certain liabilities in respect of pensions, and in connection with ticket sales according to pay-later plans.		
Pledges		
Mortgages on real estate .....	29.8	33.6
Sundry pledges .....	1.9	1.5
	<u>31.7</u>	<u>35.1</u>

Copenhagen, Oslo and Stockholm, December 1966

J. CHR. ASCHENGREEN  
PALLE CHRISTENSEN

M. WALLENBERG  
PER ÅSBRINK

JENS CHR. HAUGE  
PER M. BACKE

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 December, 1966.

Stockholm, December 1966

VIKING BERGMAN

CENTRALANSTALTEN FOR REVISION  
FRANS BRUUN      CARL JOHAN THORSEN

CHRISTIAN BLOM

OSCAR JELF

HUGO ENGMANN

TOR STORHAUG

# SAS-Invest A/S balance sheet

SEPTEMBER 30, 1966 (included in balance sheet of SAS)

ASSETS (in millions of Swedish Crowns)	Sept. 30, 1966		Sept. 30, 1965	
Buildings				
At cost .....	37.3		37.1	
Depreciation .....	6.0	31.3	4.5	32.6
Equipment				
At cost .....	6.3		6.2	
Depreciation .....	3.6	2.7	2.9	3.3
Long-term accounts receivable .....		2.8		2.8
Sundry stores .....		0.4		0.4
Short-term accounts receivable and pre-payments .....		0.7		0.6
Cash and bank balances .....		0.5		0.5
		<u>38.4</u>		<u>40.2</u>
LIABILITIES (in millions of Swedish Crowns)	Sept. 30, 1966		Sept. 30, 1965	
Share capital .....		3.7		3.7
Mortgage loans .....		20.8		22.6
Loan from SAS .....		12.0		12.0
Other long-term liabilities .....		0.2		0.2
Short-term liabilities				
SAS .....	0.3		0.2	
Other .....	1.4	1.7	1.5	1.7
		<u>38.4</u>		<u>40.2</u>
Contingent liabilities		-		-
Pledges				
Mortgages on real estate .....		22.3		28.4
Sundry pledges .....		-		0.1
		<u>22.3</u>		<u>28.5</u>

# Notes to financial statements

1) Expenses incurred in airline services, specified by functions, are related to traffic revenue and production in a separate table on this page.

FUNDS STATEMENT	1965/66	1964/65
Source of funds		
From operations		
Net profit	64.8	74.9
Depreciation	85.6	82.5
Book value of capital assets sold, etc.	5.5	34.6
Other (net)	0.1	4.1
	<u>156.0</u>	<u>196.1</u>
Manufacturer's credit on flight equipment	15.6	30.1
Short-term liabilities	24.7	19.8
Other sources of funds	5.3	4.1
Sub-total	<u>201.6</u>	<u>250.1</u>
Use of funds		
Investments		
Aircraft	112.9	31.4
Prepayments on aircraft and flight simulators	41.3	20.3
Spare engines, spare parts	14.9	15.4
Buildings, etc.	11.7	3.0
Other equipment, stores, etc.	12.4	9.6
Shares	—	4.2
	<u>193.2</u>	<u>83.9</u>
Accounts receivable and prepayments, etc.	14.3	17.4
Amortization on debt	9.6	20.8
Paid to Parent Companies out of last year's profit	15.0	14.0
Sub-total	<u>-232.1</u>	<u>-136.1</u>
CHANGE IN FUNDS	<u>- 30.5</u>	<u>+114.0</u>

EXPENSES INCURRED IN AIRLINE SERVICES						
	Percentage of Total Traffic Revenue			Per available Ton-km ( $\frac{1}{100}$ SKR)		
	1965/66	1964/65	1963/64	1965/66	1964/65	1963/64
Flying Operations	23.0	22.1	21.9	29.0	28.9	28.4
Maintenance and Overhaul	13.4	14.1	14.4	16.9	18.5	18.7
Flight Equipment	10.2	9.9	10.3	12.8	13.0	13.3
Ground Operations	15.0	13.8	13.2	18.9	18.1	17.1
Passenger Service	8.4	7.8	7.5	10.6	10.2	9.7
Promotion and Sales	21.0	20.4	20.1	26.5	26.7	25.9
General and Administrative	6.6	5.9	5.6	8.3	7.8	7.3
Total Operating Expenses	97.6	94.0	93.0	123.0	123.2	120.4
Total Traffic Revenue	100.0	100.0	100.0	126.0	131.0	129.5

2) Ordinary depreciation charges, M.SKR 72.1, were apportioned with M.SKR 61.5 to aircraft, spare engines, spare propellers and spare parts, M.SKR 2.7 to buildings and M.SKR 7.9 to ground equipment and vehicles.

The additional depreciation of M.SKR 13.5 has been allocated to aircraft.

3) Sources and uses of funds, i.e., cash and bank balances including short-term cash investments, are specified in the separate funds statement on this page.

4) The three DC-8-55 aircraft, out of which one was delivered during 1964/65 and two during the year under review, have been taken over by SAS from Douglas Aircraft Company. The purchase price was paid cash during the year.

5) Two Caravelle aircraft have been delivered by Sud Aviation since

the beginning of the year. The cash part of the purchase price for one of the aircraft had been pre-paid prior to October 1, 1965 and is therefore not included in this year's investments. The rest, a trade-in of a DC-7C aircraft, was accounted for during this financial year. This latter aircraft is still at the disposal of SAS under a special agreement.

The other Caravelle mentioned above was taken over by SAS under a credit agreement with Sud Aviation.

6) As of September 30, 1966, advance payments amounting to M.SKR 41.0 had been made on the DC-8-62 order, out of which M.SKR 34.1 during the year. Advance payments on flight simulators for the DC-8 and DC-9 aircraft order amounted to 7.2.

Cont'd on next page

# Auditor's report

- 7) Risks connected with the sale of surplus spares are covered by the general valuation reserve.
- 8) The investment in the buildings acquired at Kastrup Airport to house the expanded data center and related clerical and administrative departments amounted to M.SKR 10.4.
- 9) As of September 30, 1966, flight equipment and other physical assets of SAS were insured as follows:

(Amounts in M.SKR)	1966	1965
Aircraft	656.6	512.3
Spare engines, spare propellers, spare parts and technical stores	220.5	214.4
Buildings	81.0	65.0
Workshop and aircraft, servicing equipment and tools	48.0	44.4
Other equipment, vehicles and sundry stores	93.7	83.0

- 10) 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.
- 11) For practical reasons, the various clearing accounts for traffic revenue are, as hitherto, included as a net balance in the item "Short-term liabilities".
- 12) As of September 30, 1966, the remainder of the loans raised in the United States amounts to US \$13.6 million repayable over a nine-year period, beginning December 31, 1966.
- 13) The item "Pledges" includes security for the mortgage loans raised by SAS-Invest A/S.
- 14) The accounts of SAS contain no provision for corporate income taxes in Denmark, Norway and Sweden; such liability resting upon the Parent Companies of SAS.

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, 1965 – September 30, 1966.

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 con-

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

The accounting records are properly kept.

As is seen from the Report for the financial year there is declared, after depreciation and allocations, a net profit of 64.75 million Swedish Crowns, out of which 12.95 million Swedish Crowns are proposed to be paid out to the Parent Companies.

We recommend

that the Annual Accounts as per September 30, 1966, which have been submitted and which have been signed by us, be adopted, and

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

STOCKHOLM, DECEMBER 1966

VIKING BERGMAN

CENTRALANSTALTEN FOR REVISION

CHRISTIAN BLOM

FRANS BRUUN

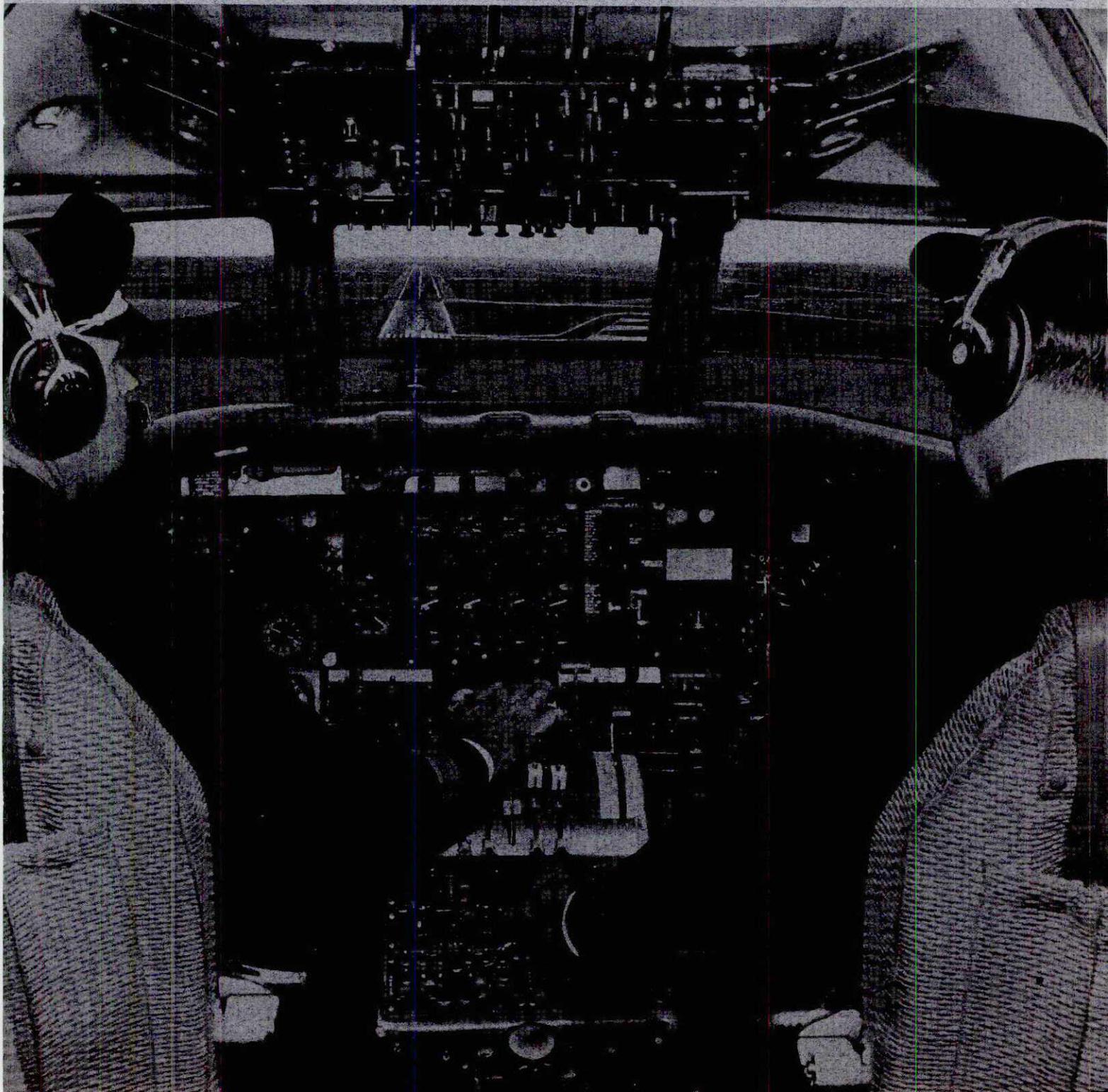
CARL JOHAN THORSEN

OSCAR JELF

HUGO ENGMANN

TOR STORHAUG

# The view from the cockpit



## The view from the cockpit

### **"Brakes off ... rolling ... gear up!"**

Another SAS DC-8 streaks off for a transatlantic hop. A standard performance, repeated 74 times a week during the peak season from airports on both sides of the ocean.

But whichever the airport, the journey has actually begun at 47 Hillside Avenue in Manhasset, Long Island. This is the headquarters of Aero Performance, Inc. (API) – specialists in "computerized flight planning" – to whose services SAS has subscribed for the past two years.

Four times daily, API sends SAS dispatchers a coded telex containing recommended tracks based on the latest weather forecast for the route, including temperatures as well as wind speeds and directions at different heights over the spots the aircraft could conceivably pass, information which would take hours to compile manually.

Armed with these facts, the dispatcher can quickly select the routing that offers the best possible conditions. He then shoots off a telex directly to the computer, giving in a pre-arranged code, the load of the aircraft, the fuel consumption and the fuel reserves needed for holding over the destination and to reach an alternate airport. The computer answers back with a complete flight plan for a "minimum time track", including the take-off weight and the amount of fuel to be pumped on board to meet the requirements.

Fortyfive minutes before take-off, the crew assembles at the briefing center. Equipped with all details regarding the flight, the Captain, First Officer, System Operator and Navigator begin their work in the cockpit twenty minutes before the passengers start boarding.

Their first task is to go through an 84-point check list of the aircraft's sy-

stems. From the control tower, the Captain receives the information needed for take-off. At Copenhagen Airport, these essential facts are tape recorded and broadcast on a 24-hour basis, with a change of code – "India", "Juliet", "Kilo" and so forth – each time conditions are changed. All the Captain needs do is to tune in the tower – "Juliet received" – to acknowledge that he has the information. The air hostess sticks her head inside the cockpit door to get the estimated flying time for her pre-flight announcement to the passengers.

A 12-point check-list is run through as the engines are started, and 20 more checks are made while the DC-8 taxis out from the apron. Flaps, elevator, rudder, ailerons and spoilers are tested at full deflection and set for take-off, navigational aids are adjusted and the stabilizer set.

On the runway, the throttles are advanced – "Brakes off" – the 143-ton jet begins to move – "Rolling!" – and sweeps skyward as the Captain gently pulls back the control column – "Gear up!"

During the climb to the 33,000-foot cruising altitude, 11 more items remain to be checked off, before the cockpit crew can settle down to its routine duties. Then, and only then, is the Captain free to pick up the telephone for his traditional greeting:

"Good morning, ladies and gentlemen. This is your Captain speaking..."

But even when the auto-pilot has taken over its nominal command of the flight, regulations require that both pilot seats be manned at all times. Since both seats are faced with identical instrument panels either the Captain or the First Officer can do the actual flying, while the other handles communications. On long flights, they generally change command every two hours.

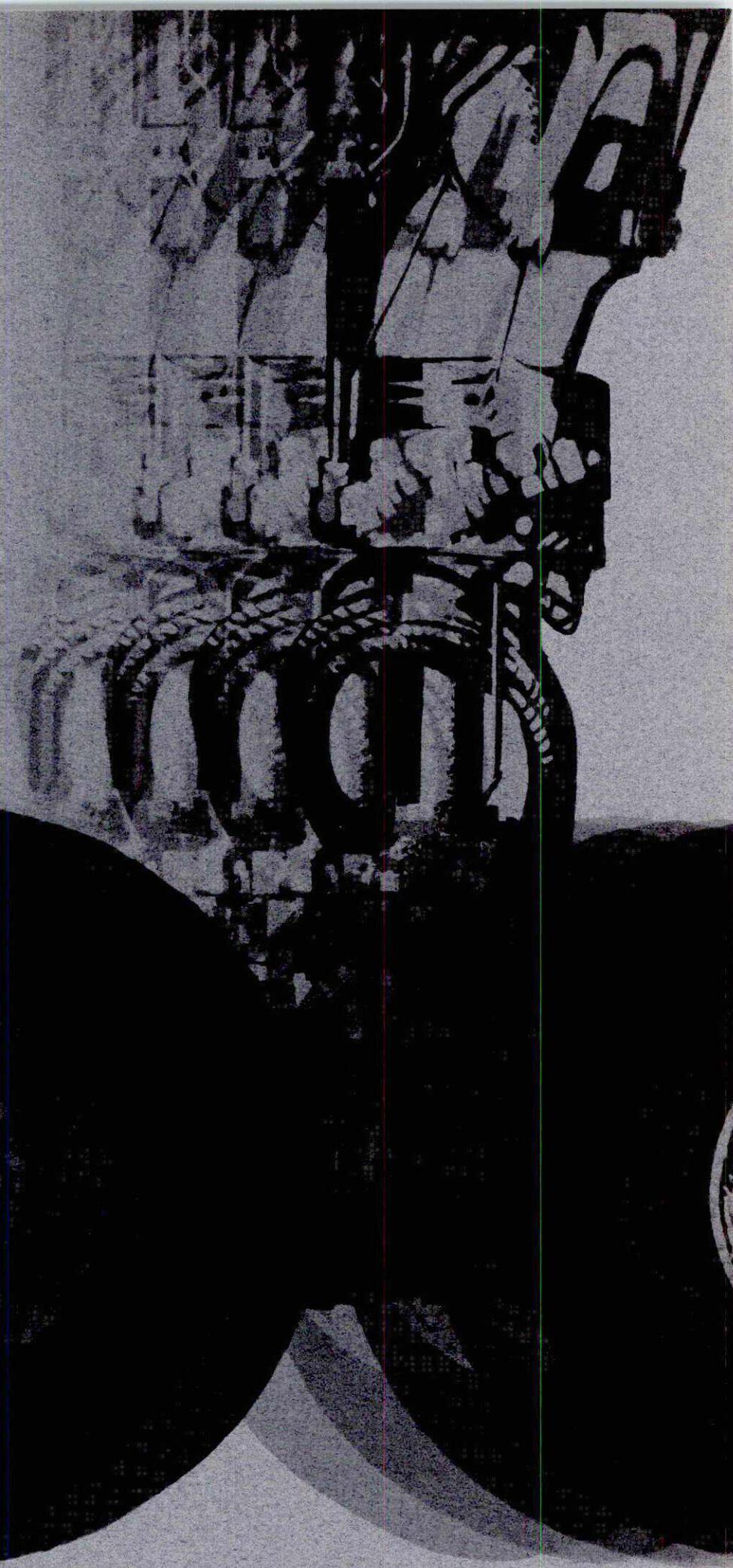
Should either of them have to leave his seat, the System Operator takes his place, for he is also a qualified DC-8 pilot, in addition to his duties in keeping watch over the fuel, oil, electric, hydraulic and other complicated systems.

Strategically positioned between the two seats is the Doppler navigation system – the most advanced of all such aids – which includes a small computer. Among the essential information it provides is the ground speed of the aircraft. Measured against the air speed, the pilot can get an immediate reading of how much his progress is helped or thwarted, by

tail winds or heads winds. It also tells, him, through its wind drift indicator, whether and how much he may be off the selected track. Finally, it tells him the distance to go to the next check point.

However, like all computers, the Doppler system depends for its accuracy on the information fed into it, and this is where the Navigator comes in.

Using the time-honored sextant to get a "fix" from the heavenly bodies, other navigational aids such as the Loran system and a radar scanning the surface below and possibly turbu-



fence-provoking cloud formations ahead, he is able to take corrective action so that the Doppler system functions accurately.

On the North Pole route – now approaching its tenth anniversary on February 24, 1967 – the navigational problems are more complicated. The way SAS licked these problems – by means of the Polar Path Gyro taking the place of the conventional compass, the Grid Chart replacing the meridian system and the Sky Compass supplementing the sextant – is by now legendary.

The SAS contributions to improved radio communication in the Arctic area are less widely known. In cooperation with Norwegian authorities, SAS constructed new radio stations in northern Norway and on Spitzbergen. Two radio stations were established on northern Greenland in cooperation with the Danes. SAS worked with the Canadian Government in expand-

ing stations at Fort Churchill, Winnipeg, Frobisher Bay and Resolute, and with Wien Alaska Airlines in constructing a new radio station at Point Barrow. Naturally, these facilities are now at the disposal of all airlines which followed SAS in flying the Arctic skyways.

As long as an aircraft remains above 2,500 feet, the atmospheric pressure at sea level is, by international convention, presumed to be 1013 millibars, and the function of the altimeter is then to ensure proper separation between different aircraft.

But when the DC-8 approaches its destination, the Captain adjusts the altimeter in accordance with the actual atmospheric pressure at the airport, and he is supplied with the necessary information concerning wind direction and speed, cloud conditions, temperature and visibility.

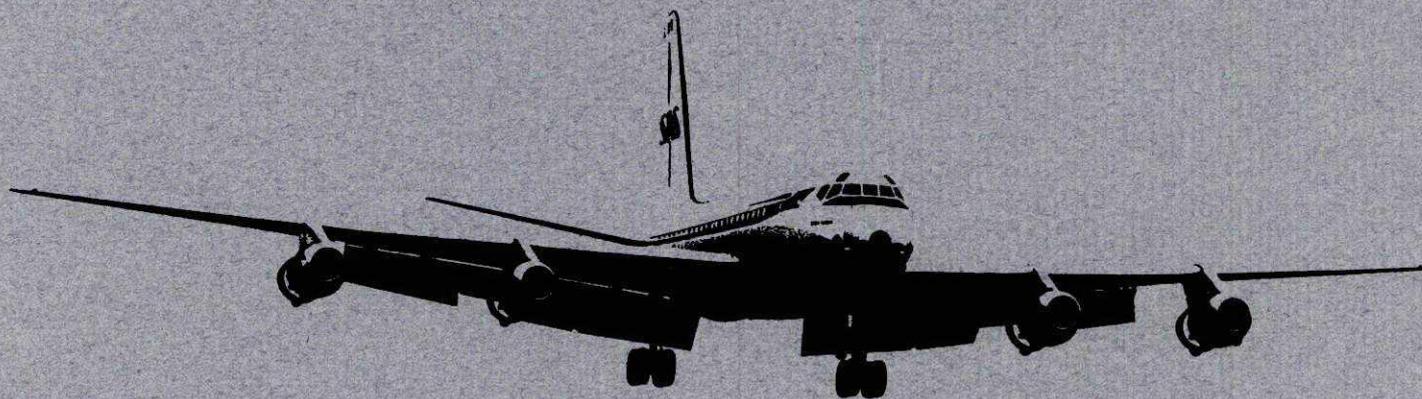
The new radio altimeter, currently under installation in all SAS aircraft, represents a great improvement in

landing safety as it measures electronically the precise distance over the terrain.

As engine thrust is reduced a red light warns the pilot that the landing gear is not yet down, and if the flaps are lowered with the gear still up a bell starts clanging in the cockpit. During the descent, the crew runs through a 29-point check-list.

At touchdown, reverse thrust, spoilers and anti-skid brakes are applied, and between landing and parking a final 31 checks are performed by the crew, making a grand total of 187 checks since they first boarded their DC-8.

Finding and following the minimum time track between the continents involves a great deal of work, on the ground and in the air. In undertaking it, the convenience of the passengers is naturally a prime concern. But it is also part of the constant SAS effort to keep costs down – each hour a DC-8 is in the air, it consumes 18,000 pounds of fuel.



# President's report

The world's air transport industry has, as mentioned in the Report by the Board, continued the expansion characteristic of the preceding year. Even taking labor conflicts into account, total production and traffic for the year is estimated to have increased by some 18 percent while the corresponding 1965 growth was 17 percent increase in production and 19 percent increase in traffic, increasing the global load factor to nearly 52 percent. Comparisons in profitability between this and the previous calendar year would be misleading mainly due to the extensive strike affecting most U.S. domestic carriers during the summer of 1966.

By the end of 1965, member airlines of IATA\*) were operating altogether 1,226 jet aircraft, 657 turboprops and 1,539 piston engined aircraft, plus 39 helicopters. This represents almost a 10 percent increase over 1964 in the number of aircraft operating the routes of the scheduled airlines, one of the highest annual growth rates in aviation history. Considering the much larger production of today's jetliners, in terms both of speed and carrying capacity, it is a formidable addition which has thus been put at the disposal of the traveling public.

## SAS COSTS

As all other Scandinavian export industries, SAS suffers from the sharply increasing labor costs. Formerly SAS labor costs were considerably below

those of the American carriers, but recent studies show that the gap is rapidly diminishing. During the past financial year SAS wages and salaries increased by M.SKR 44. One quarter of this cost increase reflects a higher number of employees while three quarters have been caused by the rising wage and salary level.

As mentioned in the Report by the Board the increasing landing charges is a serious issue. International comparisons show that as far as landing costs are concerned Scandinavia is at the top of the list in Europe. This fact notwithstanding additional increases are envisaged in the case of Sweden according to recommendations recently published by a government commission. A policy of steadily increasing charges runs counter to the general world-wide effort to lower operating costs and thus also air fares and rates.

The international agreement regarding a carrier's passenger liability on routes, where previous limits have clearly been too low, has led to an increase in passenger liability insurance premiums, at present estimated to amount to an additional cost of M.SKR 4 per year.

The question of inflight entertainment has been the object of discussions between carriers. An IATA agreement has been reached to the effect that passengers must be charged a fee for viewing a film or similar entertainment. Carriers presently offering such entertainment have re-

ported mixed reactions. SAS has no immediate plans for the introduction of inflight entertainment.

## EXPANDED TRAFFIC PROGRAM

As stated in the Report by the Board, the 1965/66 traffic schedule was the greatest in SAS' history. In spite of the June conflict, the capacity offered was 8.5 percent higher than the year before, representing 725 million available ton-kilometers. In combination with its pool partners, SAS served a total of 121 cities in 50 countries during the 1966 summer season.

Peak season services between Scandinavia and New York were increased from 21 to 24 per week including a new DC-8 route between Oslo and New York via Copenhagen.

Polar services between Copenhagen and Los Angeles were stepped up from three to five times a week in each direction during the peak season, while six weekly services were operated to Montreal and Chicago.

In Europe a new service was inaugurated between Dublin and Copenhagen via Manchester, and a weekly non-stop service was started between Stockholm and Paris. The capacity between Scandinavia and the Netherlands was substantially increased through a new daily DC-8 service.

In Scandinavia a new Caravelle route was introduced between Gothenburg and Helsinki via Stockholm, and a new route between Copenhagen and Ängelholm in south-western Sweden was also opened.

\*) IATA=International Air Transport Association.

The Danish domestic network was expanded and connections between Denmark and Greenland were augmented through the inauguration of a weekly DC-7C flight between Copenhagen and Narsarsuaq, and jet services between Copenhagen and Søndre Strømfjord were increased to six per week.

In Norway Caravelle jets were introduced on four round trips a day on the north Norway route and in Sweden capacity increases included additional flights between Stockholm and Malmö and Stockholm and Luleå.

In order to improve connections between Scandinavian cities with airports inadequate for regular commercial service and SAS network cities, SAS has entered into agreements with leading air taxi operators in Denmark, Norway and Sweden.

#### PASSENGER TRAFFIC

In the passenger traffic sector SAS increased its total sales, measured in revenue passenger-kilometers, by four percent over 1964/65. System-wide, the cabin factor became 52.6 percent, 1.7 percentage points below the previous year. Large increases were, however, recorded on Danish domestic routes and on routes to Germany and Poland.

Out of the total revenue passenger-kilometers, nearly 40 percent derived from the company's North Atlantic routes. The SAS growth in this area was about seven percent, as compared with an approximate average of 16

percent for all IATA carriers on the North Atlantic routes.

A similar disparity has emerged in the Europe-Middle East area, where the SAS increase amounted to three percent, while the industry average reached 14 percent.

In both these traffic areas, the temporary discontinuation of SAS services in June partly explains the setbacks. Nonetheless, the SAS expansion would have been below the international average, chiefly due to insufficient capacity resources.

#### CARGO AND MAIL

During the financial year, SAS-operated all-cargo aircraft offered 57.4 million ton-kilometers and performed 34.3 million revenue ton-kilometers. Air cargo nearly doubled on routes to and from the Benelux area. Considerable increases also took place on routes to Finland, to Italy, to Germany and to the United Kingdom. On the North Atlantic, the SAS cargo increased by 16 percent, while the industry average was 30 percent. With the inauguration of the DC-8F jet trader on September 22, 1966, the SAS capacity on the North Atlantic became considerably higher as this aircraft is capable of skyfreighting approximately 30 tons of cargo four times weekly in each direction between Scandinavia and North America.

In examining the year's cargo results, it is especially noteworthy that the increase on SAS' westbound transat-

lantic pure cargo service was about 50 percent. This may be interpreted as reflecting greater appreciation among Scandinavian exporters of the importance of air freight in modern distribution.

The SAS all-cargo network now includes 18 commercial centers in Europe and North America.

During the previous financial year, in conjunction with a Danish Government decision to expand the air cargo building at Copenhagen Airport, a contract was signed by SAS with the Dorteck Company to install an automated cargo handling system. Construction and installation work has progressed throughout 1965/66, and the new air cargo facility will be in operation in early 1967. The cargo handling capacity will thereby be increased from 200 to 600 tons per day. The increase in mail transport, as mentioned in the Report by the Board, was eight percent over the previous year. Intercontinental routes accounted for 70 percent of the total revenue mail ton-kilometers.

#### FARE CUTS

The reductions on North Atlantic routes mentioned in the Report by the Board, amounted to up to 20 percent in westbound group fares and up to 12 percent in eastbound; the reduction from 25 to 15 as the minimum number of travelers to qualify for group fares when starting journeys in Europe, the Middle East or Africa, extension of the group fare



GORM VIKING

SAS SKY-FREIGHTER

SAS

TOP HEAVY

THIS END UP

period from April 1 to October 31, except for a brief peak period in westbound traffic. The 21-day excursion fares were also reduced. There were no increases in any category of transatlantic fares or rates.

#### ACQUISITIONS

In deciding, as reported by the Board, to purchase the DC-8-62, the DC-9-40 and the DC-9-20, an important factor has been that the Douglas Aircraft Company has been able to construct versions of its long-, medium- and short-range aircraft which meet the special requirements of SAS.

Thus, the DC-8-62 will be able to span the distance between Scandinavia and Southern California – some 9,300 kilometers – without any ground stops.

The DC-9-40, with a stretched body 6.25 meters longer than the standard version, will have the range for European routes which SAS requires due to its geographical location. In mixed configuration, this aircraft will accommodate 99 passengers – 12 in first and 87 in tourist class – with improved seating comfort and with a lower seat-mile cost than any other aircraft in its class.

The DC-8-63, which could seat up to 250 passengers in a one-class version, is expected to meet SAS' immediate requirements on high-density long-range routes. SAS has during the year participated in a study of supersonic aircraft initiated by the U.S. Federal Aviation Authority.

#### TECHNICAL DEVELOPMENTS "MESCO"

Europe's most advanced wholly-automated telegram center, "MESCO", was taken into use on April 1, at the company's Head Office in Stockholm. MESCO, featuring the UNIVAC 418 computer, has replaced manual handling of the some five million telegrams which pass through the center every year.

Custom-built to link up with the SAS teleprinter network around the world, the UNIVAC 418 computer has a 16,384 word core memory, with a potential to expand to some 65,000 words.

#### "SASCO II"

With the decision to install two third-generation UNIVAC 494 computers at the SASCO Center in Copenhagen, SAS carries further the SASCO I installations which gave the airline the first European-wide electronic reservations system early in 1965. The new center – to be known as SASCO II – will now provide SAS with a totally integrated reservations, operations and management system. SASCO II is a further asset in the constant rationalization and modernization program followed by the company and will vastly improve the basis for future traffic and economic planning.

#### SOLID STATE RADIO

Streamlined navigation and communications systems with heightened safety and reliability have been

achieved on the 19 56-passenger Convair Metropolitans of the SAS fleet with the installation of the latest in transistorized, tubeless "solid state" electronics radio equipment. These new navigation radios cover both navigation en route and in low approaches in combination with the Instrument Landing System (ILS) used under minimum visibility conditions, and the radio altimeter can be preset automatically to warn the pilot when minimum height has been reached in low visibility landings.

#### HOTEL BOOKINGS

Through an agreement between SAS and an American hotel chain, USA-bound SAS passengers in 53 European cities can now book hotel accommodations in hotels in main American cities, and get their reservations confirmed within five seconds. This agreement represents the first transatlantic link-up of SAS' electronic hotel availability system, and makes SAS the first European carrier to provide such a service.

#### NEW SAS AIRCRAFT DECOR

SAS has decided to shorten its company designation as painted on its airline fleet, by deleting "Airlines System". The single word "Scandinavian" in letters about twice the size of the present logo will now decorate the fuselage of all SAS planes.

KARL NILSSON  
President



# Production and traffic

This table shows the capacity offered by SAS and actual sales by the company throughout the financial year. Figures for last year are given for comparative purposes.

The table also shows the break-down for production and traffic on the three main sectors of the System – Intercontinental, Europe and the Middle East, and Domestic. Inter-Scandinavian traffic is included in the Europe/Middle East figures. As in previous years, the intercontinental contribution to total scheduled services was by far the largest.

Further data on developments within these three main traffic areas will be found in the subsequent tables.

Scheduled services	Total system	Intercontinental	Europe & M. East	Domestic routes
<b>Avail. Ton-Kms (in Mill.)</b>				
1965/66	702	400	230	72
1964/65	650	371	215	64
Increase %	+8.0	+7.8	+7.2	+11.6
Distribution %	100.0	57.0	32.8	10.2
<b>Rev. Ton-Kms (in Mill.)</b>				
1965/66	416	249	122	45
1964/65	391	234	116	41
Increase %	+6.3	+6.2	+5.2	+10.2
Distribution %	100.0	59.8	29.4	10.8
1965/66 Load Factor %	59.3	62.1	53.2	62.6
1964/65 Load Factor %	60.2	63.1	54.3	63.4

# Intercontinental routes

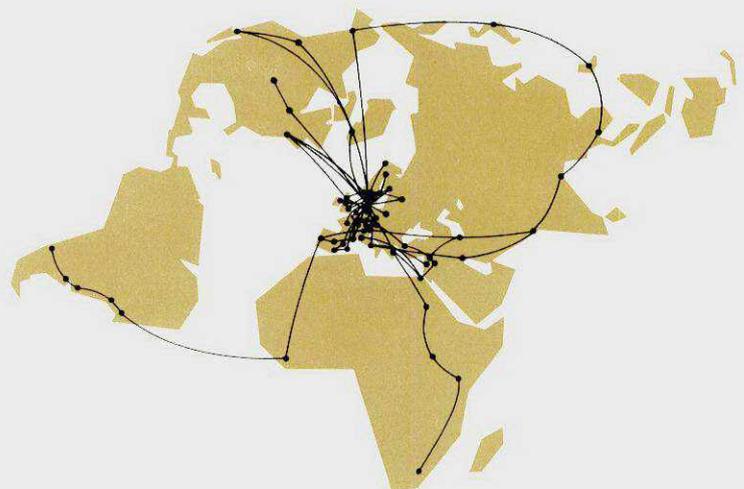
From this table will be seen the category distribution of traffic on SAS intercontinental routes during the year under review, and as compared to last year.

38.8 percent of SAS total passenger traffic in 1965/66 referred to the North Atlantic routes, and 52.7 percent to all intercontinental routes.

The North Atlantic portion of the system's freight and mail traffic was 54.9 percent and 29.2 percent respectively. The share for all intercontinental routes was 74.5 percent of total freight and 66.9 percent of total mail.

Scheduled Traffic (in Mill.) Last year's figures in brackets

	Passenger		Cargo		Mail		Load Factor	Cabin Factor
	Pass.-kms	Change %	Ton-kms	Change %	Ton-kms	Change %	%	%
North Atlantic	1,282 (1,196)	+7	53.5 (46.6)	+15	6.8 (6.4)	+ 6	63.7 (65.3)	56.5 (58.5)
Other Intercontinental routes	461 (486)	-5	19.1 (18.1)	+ 6	8.7 (7.9)	+10	58.6 (58.6)	42.0 (44.7)
Total Intercontinental Traffic	1,743 (1,682)	+4	72.6 (64.7)	+12	15.5 (14.3)	+ 8	62.1 (63.1)	51.8 (53.7)



# European, Scandinavian and domestic routes

Production on local routes between the three Scandinavian countries was nine percent above the previous year, while traffic dropped by two percent. The composite load factor on these inter-Scandinavian routes declined to 47.2 percent from 52.1 percent in 1964/65.

During the summer season months, 74 weekly flights were maintained in each direction between Copenhagen and Stockholm, 77 flights between Copenhagen and Oslo and 21 flights between Stockholm and Oslo.

Outside Scandinavia itself, the entire area was served by jet aircraft only, with the sole exception of two short-haul 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	91 (107)	-15	0.7 (1.5)	-56	0.4 (0.5)	-19	52.5 (45.8)	50.0 (43.1)
European Routes	823 (774)	+6	16.5 (12.8)	+30	3.6 (3.0)	+19	55.2 (56.3)	54.7 (56.4)
Interscand. Routes	200 (202)	-1	5.2 (5.4)	-4	0.7 (0.7)	-3	47.2 (52.1)	44.5 (49.8)
Sub-Total Europe	1,114 (1,083)	+3	22.4 (19.7)	+14	4.7 (4.2)	+12	53.2 (54.3)	52.1 (53.4)
Denmark	69 (52)	+32	0.3 (0.3)	+9	0.2 (0.2)	-17	61.5 (60.8)	61.9 (62.9)
Norway	217 (192)	+13	0.7 (0.7)	0	1.2 (1.2)	+5	61.0 (64.5)	58.0 (61.7)
Sweden	161 (157)	+3	1.4 (1.4)	0	1.5 (1.5)	+1	65.1 (63.0)	56.3 (56.4)
Sub-Total domestic	447 (401)	+12	2.4 (2.4)	+1	2.9 (2.9)	+1	62.6 (63.4)	57.9 (59.7)
Total European and domestic Traffic	1,561 (1,484)	+5	24.8 (22.1)	+12	7.6 (7.1)	+8	55.5 (56.4)	53.7 (55.0)

# The fleet

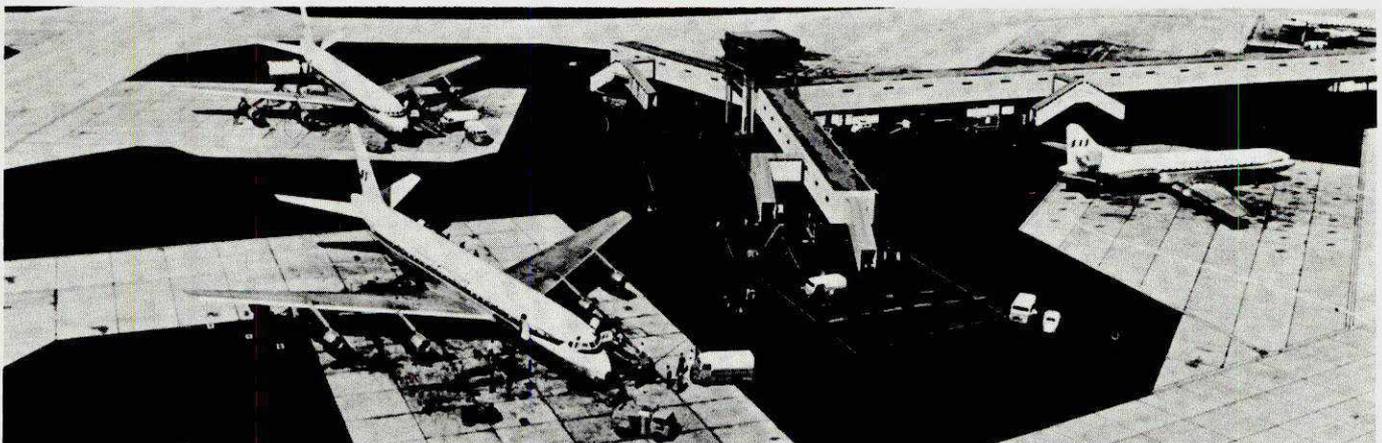
Four new jet aircraft were added to the fleet in the course of the year. Two were DC-8-55, seating 12 first class and 132 economy class passengers and with a total payload of 18,000 kilos. Two were Caravelles of the same type as previously owned (seating 12 first class and 74 economy class passengers). Two Coronado aircraft left the fleet, being returned to Swissair in accordance with a lease agreement.

In addition to the aircraft listed in the table, SAS has leased one DC-6AB and Curtiss 46R capacity for scheduled freight routes within Scandinavia as well as between Scandinavian points and Frankfurt, Milan and Paris.

In the course of the year, the SAS fleet has registered 136,300 commercial airborne hours, or 7,300 hours more than during the preceding year. Utilization averaged 11.0 airborne hours per day for the DC-8 fleet and 6.3 airborne hours per day for the medium- and shorthaul aircraft.

Aircraft type	Total Sept. 30, 1965	Changes during 1965/66	Total Sept. 30, 1966	In SAS operation	Leased to other carriers
Douglas DC-8-33	7	-	7	7	-
Douglas DC-8-55	1	+2	3	3	-
Convair Coronado	2*)	-2	-	-	-
Caravelle SE-210	18	+2	20	17	3**)
Douglas DC-7C/F	9	-	9	6	3***)
Convair Metropolitan	19	-	19	19	-
<b>Total</b>	<b>56</b>	<b>+2</b>	<b>58</b>	<b>52</b>	<b>6</b>

\*) Leased from Swissair  
 \*\*) Leased to THAI International  
 \*\*\*) Leased to Scanair

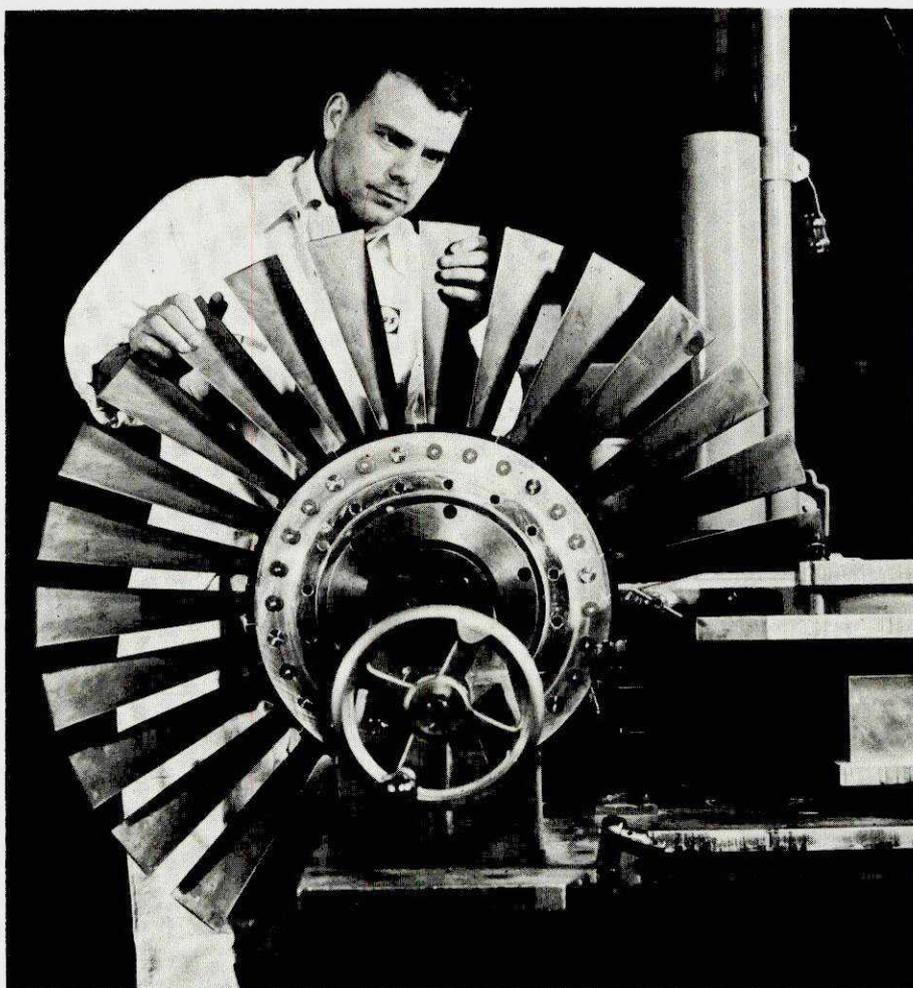


# Personnel

At the end of the financial year, SAS staff totaled 13,081, which represents an increase over last year of 372 employees or three percent. The net growth in cockpit crew amounts to 107 persons, or 10 percent more than last year. Cabin crew rose by 137 persons, or 15 percent. The number of flight personnel on loan to THAI International increased to 24 in connection with the lease arrangement of a third Caravelle.

For the year as a whole a total amount of M.SKR 384 was paid in wages and salaries, pensions and social benefits.

Out of the total staff, 2,250, or 17 percent, were non-Scandinavians of varying nationalities. Scandinavians serving SAS outside the home area numbered 285.



	Cockpit Personnel			Cabin Personnel			Other Personnel			Total Personnel		
	1966	1965	1964	1966	1965	1964	1966	1965	1964	1966	1965	1964
Denmark	312	301	262	485	401	316	3343	3284	3186	4140	3986	3764
Norway	323	283	249	233	225	210	1891	1844	1682	2447	2352	2141
Sweden	515	459	397	346	301	292	2177	2203	2270	3038	2963	2959
Head Office	-	-	-	-	-	-	953	926	884	953	926	884
Abroad	-	-	-	20	20	18	2483	2462	2453	2503	2482	2471
<b>TOTAL</b>	<b>1150</b>	<b>1043</b>	<b>908</b>	<b>1084</b>	<b>947</b>	<b>836</b>	<b>10847</b>	<b>10719</b>	<b>10475</b>	<b>13081</b>	<b>12709</b>	<b>12219</b>

## Subsidiaries

### SAS-INVEST A/S

This wholly-owned SAS subsidiary, now in its sixth year of business, operates the Royal Hotel in Copenhagen. Gross revenue increased by seven percent over last year to a total of M.SKR 14.9. There were 121,000 overnight stays at the Hotel in the year under review. The year's overnight stays represent a room occupancy of 90 percent. Hotel staff averaged 383 employees for the year.

### SAS CATERING A/S

A further growth in this wholly-owned SAS subsidiary was registered in 1965/66.

Gross revenue rose by 13 percent over the previous year to a total of M.SKR 81.5. Altogether 27 airlines were supplied from the kitchens of SAS Catering A/S, although SAS itself remained the largest customer. Average staff strength during the year was 981 employees.

### LINJEFLYG AB

This company, 50 percent owned by SAS and 50 percent by ABA, the Swedish parent company, operates more than half of the Swedish domestic network.

Revenue passenger-kms showed an increase of eight percent, although the production rose by only one percent. The load factor rose from 45.1 percent to 49.2 percent.

After depreciation, amounting to M.SKR 5.3, the accounts for the financial year 1965/66 show a profit of M.SKR 0.9.

## Cooperating carriers

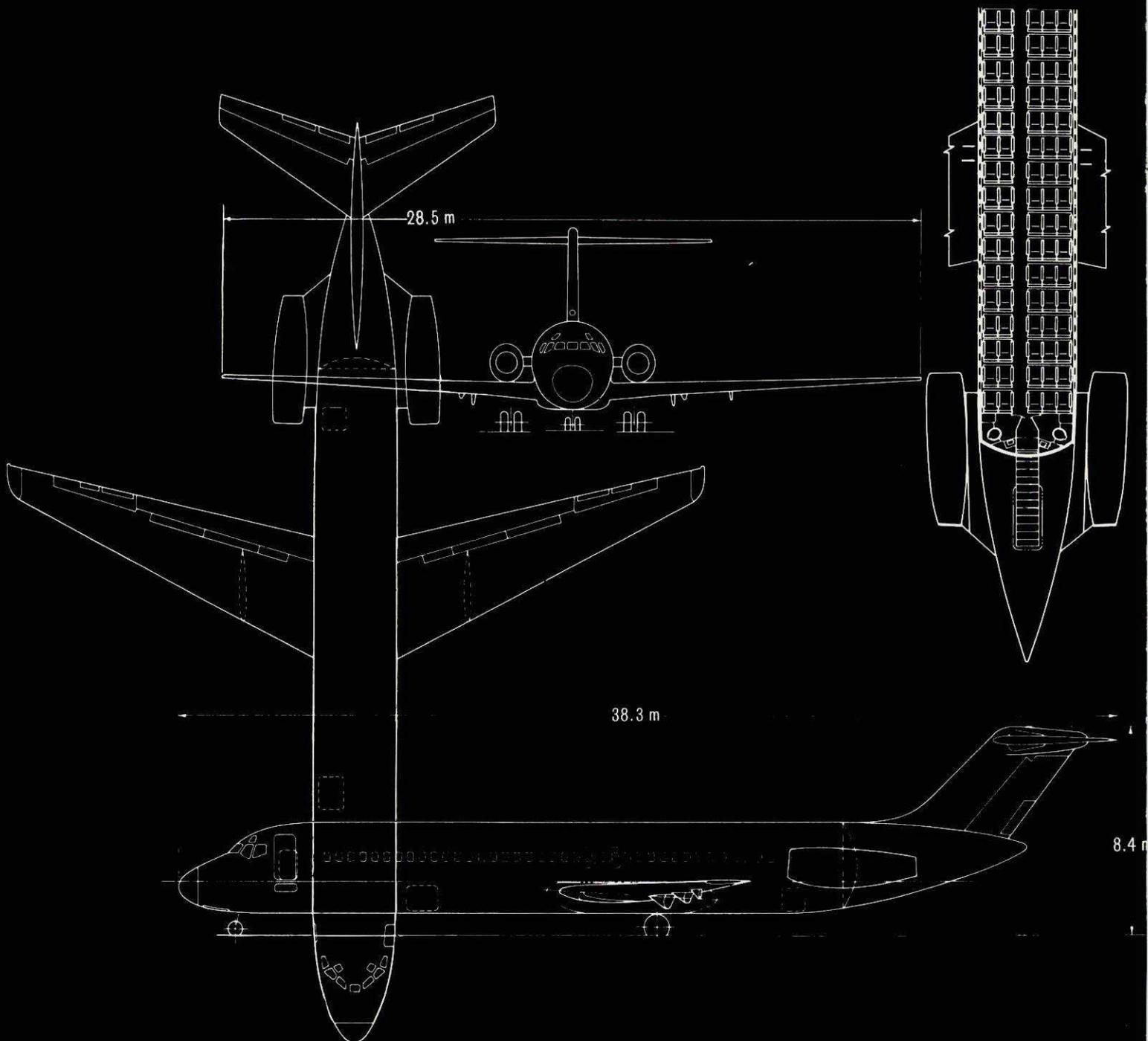
### SCANAIR

During 1965/66 the number of passengers carried by Scanair rose by one percent to 187,450. Of this total, 30 percent were transported by DC-8 jets, twice as many as the previous year. The carrier operated 1,106 flights in each direction between Scandinavia and holiday destinations and had, at the end of the year, a staff of 78 employees.

### THAI INTERNATIONAL

During 1965/66 THAI International operated three Caravelles leased from SAS, one more than the previous year. Available ton-kilometers increased by 44 percent, but even so revenue ton-kilometers grew to an equal degree. The Bangkok-Tokyo route, via Hong Kong, Taipei and Osaka, continued to be the most important in the THAI network, accounting for close to 60 percent of the total traffic. A new route, to Dacca in East Pakistan, was opened during the year. The THAI International staff, as of September 30, 1966, numbered 1,121.

# The Super DC-9



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Karl Nilsson  
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Johan Nerdrum  
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Tore Nilert  
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Arne Wickberg  
Executive Vice President-  
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Sven-Erik Svanberg  
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Region Sweden

A. Kappenberger  
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