

# ***SAS***

## ***ANNUAL REPORT 1976-77***









***SCANDINAVIAN AIRLINES SYSTEM  
ANNUAL REPORT 1976-77***

**KNUT HAGRUP**

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

**STOCKHOLM**



## Highlights

		1976/77	1975/76	Change
<b>SAS Consortium</b>				
Available Ton-Kms, total	(mill.)	2 311.6	2 190.4	+ 6%
Available Ton-Kms, scheduled services	(mill.)	2 239.6	2 119.8	+ 6%
Revenue Ton-Kms, scheduled services	(mill.)	1 215.6	1 131.3	+ 7%
Total Load Factor, scheduled services	(%)	54.3	53.4	+ 0.9 points
Available Ton-Kms, non-scheduled services	(mill.)	72.0	70.6	+ 2%
Available Seat-Kms, scheduled services	(mill.)	16 502	15 965	+ 3%
Revenue Passenger-Kms, scheduled services	(mill.)	9 060	8 534	+ 6%
Passenger Load Factor, scheduled services	(%)	54.9	53.5	+ 1.4 points
Number of Passengers Carried, total	(000)	7 469	7 125	+ 5%
Revenue Freight Ton-Kms, scheduled services	(mill.)	372.6	335.5	+ 11%
Traffic Revenue	(MSKR)	3 734.5	3 354.1	+ 11%
Total Operating Revenue	(MSKR)	4 524.2	4 012.2	+ 13%
Depreciation	(MSKR)	289.9	270.6	
Profit before Income Taxes payable by Parent Companies	(MSKR)	69.1	41.1	
Number of Employees as of September 30		15 626	15 179	
<b>SAS Group</b>				
Total Operating Revenue	(MSKR)	5 504.6	4 807.0	+ 15%
Depreciation	(MSKR)	316.9	294.3	
Consolidated Profit before Allocations and Income Taxes of wholly-owned Subsidiaries	(MSKR)	107.4	48.4	
Number of Employees as of September 30		20 531	19 733	

## Glossary

### Available Ton-Kilometers

Number of tons of capacity available for carriage of passengers, baggage, 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, baggage, cargo and mail).

### Available Seat-Kilometers

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

### Revenue Passenger-Kilometers

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

### Passenger Load Factor

Percentage of available passenger capacity actually utilized.

### Revenue Freight Ton-Kilometers

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 1976-77***

## **Index**

Highlights	2
Report by the Board	4—10
Comparative Statistics 1967/68—1976/77	11
Profit and Loss Statements	12
Balance Sheets	13—14
Notes to Financial Statements	15—17
Funds Statements	18
Investments in Flight Equipment	18
Auditors' Report	19
Intercontinental Routes	20
European and Inter-Scandinavian Routes	21
Scandinavian Domestic Routes	22
Aircraft Fleet	23
Wholly-owned Subsidiaries	26
Affiliated Companies	27
Board of Directors	28
Assembly of Representatives	28
Management	28



## Report by the Board

The term "SAS Group" is defined as the SAS Consortium, owned by the Danish, Norwegian and Swedish national carriers, and the Consortium's wholly-owned subsidiaries.

For the financial year ending September 30, 1977, the SAS Group earned a consolidated profit of 107.4 million Swedish crowns (MSKR) before allocations and income taxes. This compares with MSKR 48.4 the previous year.

The accounts of the SAS Consortium contain no provision for corporate income taxes payable in Denmark, Norway and Sweden. Such taxes are not paid by the Consortium, but by its three parent companies in their respective countries.

Out of the consolidated profit, before allocations and income taxes, MSKR 69.1 (41.1 the previous year) were earned by the SAS Consortium, and MSKR 38.3 (7.3) by the wholly-owned subsidiaries.

The profit of the SAS Consortium does not include any dividends from the wholly-owned subsidiaries. Such dividends for 1976—1977 will be paid to the Consortium during the following year.

The SAS wholly-owned subsidiaries, which pay normal income taxes according to national tax regulations, showed after such taxes and allocations a net profit of MSKR 21.9 (0.9).

Of the SAS Group's consolidated profit of MSKR 107.4 before alloca-

tions and income taxes, MSKR 71.0 (35.3) were derived from current activities, while the sale of equipment and other assets, net of extraordinary items, accounted for MSKR 36.4 (13.1).

Total operating revenue of the SAS Group amounted to MSKR 5 505 (4 807). Total operating expenses excluding depreciation were MSKR 5 055 (4 425). Depreciation charges amounted to MSKR 317 (294). The depreciation charges include MSKR 290 for the SAS Consortium and MSKR 27 for the wholly-owned subsidiaries.

## General Review

The results for the 1976—1977 financial year were achieved in an unfavorable world business climate. SAS production rose six per cent; traffic increased seven per cent, a rate which is consistent with the growth of the airline industry in general and with prevailing forecasts through 1982. While considerably below the scheduled airlines' 15 per cent average growth of the 1960s, the growth rates forecast for the next five years are nevertheless encouraging, being more than double the anticipated GNP increase for the OECD countries. Unit prices per revenue passenger-kilometer rose five per cent over the previous year.

This is the 15th consecutive financial year in which SAS has recorded a surplus. To SAS—a joint venture of the Scandinavian governments and private sectors—solid profitability remains imperative.

Considering the numerous economic problems encountered, the profit for the year is reasonably satisfactory. But it is still significantly below sound targets in view of the requirements for continued investments in new aircraft and innovative pro-

grams. Furthermore, it does not represent an adequate return on capital employed.

SAS wholly-owned subsidiaries have shown improvements this year. Their performance has markedly contributed to the year's overall result.

Labor conflicts, particularly in Sweden and to some extent also at Copenhagen Airport, severely reduced the year's results. So have other conflicts, largely in the air traffic control sector, in parts of Europe and Canada.

Inflation at home and abroad has pushed air transport costs upwards. Labor costs and government user charges continued to rise during the year. Scandinavia is now a conspicuously high wage area. SAS's home countries impose some of the world's highest user charges.

The instability of major currencies has continued to create special problems because of the imbalance in international fares and rates.

The pressures of increasing protectionism on the part of many foreign governments, and of further liberalization of Scandinavian charter regu-

lations, cause great problems for SAS.

Only when given proper and reasonable conditions for carrying out its duties as the instrument for scheduled air transportation serving Scandinavia, can SAS continue to improve its product and provide the best possible transport services for its passengers and cargo clients. Cargo transportation is steadily increasing its proportion in SAS's total production and its importance to the earnings and future of SAS.

SAS is continually streamlining its network to provide more direct, faster routings, and investing in larger, more economical aircraft, ground support and computerized facilities to improve productivity and customer services. Stringent cost control is maintained within the airline and its subsidiaries.

Only a profitable, well-consolidated airline can concentrate on such improvements in order to offer its public a wide range of transport services at reasonable prices. The years to come will see a continuation of these efforts.



## The Fleet

The fleet of the SAS Group included 75 aircraft at the end of the 1976—1977 financial year. The airline received its fifth wide-body DC-10 and 54th DC-9.

SAS ordered its second Boeing 747 Combi, valued at about \$50 million. The aircraft will be delivered in early 1979. The first 747 Combi was ordered in September of 1976 for delivery in October, 1977.

The 747 Combi provides SAS with greater flexibility in passenger and cargo capacity on intercontinental routes, primarily serving North America and the Far East. Including a 32-seat upper deck cabin, various main deck and lower deck arrangements, the 747 Combi can carry 405 passengers and seven cargo pallets, or 275 passengers plus 13 pallets, or

205 passengers with 19 pallets. Compared with the conventional 747-B cargo capacity of about 25 tons, the 747 Combi can carry as much as 53 tons of freight with the main deck in a 12-pallet configuration.

SAS also ordered four more DC-9-41s, priced at about \$9.2 million each, for delivery in the latter half of 1978. Their delivery will bring the SAS fleet of DC-9s to 60, the largest of its kind outside North America. The previously ordered DC-9s, number 55 and 56, joined the SAS fleet in late 1977. The DC-9 fleet serves SAS domestic and European routes.

During the year, SAS announced that it and its charter affiliate Scanair were evaluating a new, high-capacity medium-range aircraft for introduction on European routes in the

early 1980s. The aircraft under evaluation is the 240-seat wide-body A300B manufactured by Airbus Industrie, a European consortium.

In a letter of intent to Airbus Industrie, SAS has preliminarily reserved 12 Airbus delivery positions for itself and Scanair between 1979 and 1984. The evaluation of the aircraft is being conducted within the framework of the KSSU cooperation.

One DC-8-62 was sold to a U.S. carrier during the year. A sales agreement was also reached to deliver another DC-8-62 to Scanair in October of 1977.

SAS retired its last two Convair Metropolitans after almost 20 years of service. These were the last propeller aircraft operated by SAS.

Aircraft	Delivered as of	On order for delivery during	
	Sept. 30, 1977	1977/78	1978/79
Boeing 747	2	1 <sup>1)</sup>	1 <sup>1)</sup>
Douglas DC-10-30	5		
Douglas DC-8-63	5		
Douglas DC-8-62	6 <sup>2)</sup>		
Boeing 727-100	3 <sup>3)</sup>		
Douglas DC-9-41	43	3	3
Douglas DC-9-33AF	2		
Douglas DC-9-21	9		
	75	4	4

1) Combined passenger/cargo version

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

3) Owned by Transair Sweden, a wholly-owned subsidiary, and leased to Scanair

## The Network

SAS served 98 cities in 50 countries at the peak of the financial year. Services were inaugurated to Kuwait and Västerås, and were resumed to Barcelona.

Kuwait was included on the Trans-Orient route, linking this Middle East point with Scandinavia and with Japan via Bangkok. Västerås, an industrial center in middle Sweden,

was provided with service to and from Copenhagen six days a week. Barcelona was added three days a week via Nice.

Service to Lagos, a new destination last year, was doubled to twice weekly in the summer of 1977. DC-10s replaced DC-8s on the twice-weekly services to East Africa. The Trans-Asian Express route was oper-

ated exclusively by DC-10 with four round trips a week to and from Southeast Asia.

Non-stop services between Copenhagen and Tehran were increased from one to two round trips a week, as was the non-stop operation between Copenhagen and Tel Aviv.

Capacity on the non-stop Copenhagen—Los Angeles polar route was



increased, with two of the four weekly round trips being operated by DC-10 for the first time.

Non-stop services from Copenhagen to Stuttgart, Vienna and Nice were increased.

On the all-cargo network, SAS was able to offer through-pallet service between Scandinavia and Brazil for the first time this year, with a weekly cargo jet operated in cooperation with Varig.

In November, 1977, SAS inaugurated another non-stop transatlantic service, linking Gothenburg with New

York, using the new 747 Combi. The service has been made possible by the opening of Landvetter, a new airport serving the Gothenburg area from October 3, 1977.

SAS celebrated the 20th anniversary of the opening of its pioneering North Pole route to Tokyo in February, 1977. The North Pole route has thus far provided an East-West shortcut for some 300 000 passengers and 20 000 tons of cargo and mail.

SAS will continue to expand its express services to intercontinental destinations. Since the beginning of the

winter traffic program in November, 1977, for example, the flights to Brazil have been operated with only one stop, saving about 90 minutes. On the twice-weekly Trans-Orient services to and from the Far East via the southern routing, European intermediate stops were eliminated to save between four and five hours' flying time. Non-stop DC-10 services were introduced three times a week between Copenhagen and Karachi as part of the Trans-Asian network.

## Production and Traffic

Scheduled production, measured in available ton-kilometers, increased six per cent. Traffic, in terms of revenue ton-kilometers, grew seven per cent. The resulting systemwide load factor was 54.3 per cent, an improvement of 0.9 points compared with the previous financial year.

Both production and traffic growth were somewhat lower than anticipated. The lower growth rates are largely attributed to various labor con-

flicts, including a partial cabin attendants' strike for 18 days in May. As a result, there was a 17 per cent drop in traffic compared with the same month the previous year. Labor conflicts in which SAS was not directly involved, primarily among air traffic controllers in various parts of Europe, also contributed to the reduction of the growth rates in production and traffic.

The highest load factors on the SAS

network this year were recorded on intercontinental all-cargo routes: 77.1 per cent on the Trans-Orient service linking Scandinavia with Bangkok and Singapore, and 65.1 per cent on the freighter services between New York and Scandinavian cities.

Scheduled services	Total system	Intercontinental	Europe & M. East	Domestic routes
Available Ton-Kms (mill.)				
1976/77	2 240	1 352	640	248
1975/76	2 120	1 252	623	245
Change %	+ 5.6	+ 7.9	+ 2.8	+ 1.1
Distribution %	100.0	60.4	28.5	11.1
Revenue Ton-Kms (mill.)				
1976/77	1 216	780	304	132
1975/76	1 131	716	285	130
Change %	+ 7.4	+ 8.9	+ 6.6	+ 1.4
Distribution %	100.0	64.1	25.0	10.9
Load Factor (%)				
1976/77	54.3	57.7	47.5	53.0
1975/76	53.4	57.2	45.8	52.9



## Passenger Traffic

SAS carried 7 469 000 passengers during the financial year, an increase of 344 000 or five per cent.

Scheduled production in seat-kilometers rose three per cent, while revenue passenger-kilometers increased six per cent. The systemwide cabin factor climbed to 54.9 per cent from 53.5 per cent in the 1975—1976 financial year.

Passenger traffic increased seven per cent on intercontinental routes,

eight per cent on European, Middle East and inter-Scandinavian services, and just one per cent overall on domestic routes.

Major increases in passenger traffic were noted on Trans-Asian Express routes, up 39 per cent, and on East/South African services, up 25 per cent. The growth reflects expansion of DC-10 wide-body services on these routes and the increasing popularity of low fare inclusive tour traffic to both areas from Scandinavia.

Highest individual cabin factors were recorded on the Danish domestic network, 65.4 per cent; on routes serving Great Britain and Ireland, 64.6 per cent; on the Trans-Siberian Express, 64.1 per cent; on New York services, 61.1 per cent, and on Norwegian domestic routes, 60.2 per cent.

## Cargo and Mail Traffic

Cargo traffic increased 11 per cent systemwide. Traffic on all-cargo routes alone rose 15 per cent. SAS served 38 commercial centers around the world with palletized aircraft during the year.

Cargo traffic on East/South African

routes and on the Trans-Asian Express recorded major gains of 93 and 42 per cent, respectively, reflecting the response to DC-10 palletized and containerized cargo capacity on these services. Notable cargo traffic increases in Europe were on routes

serving France, up 35 per cent, and Italy, up 25 per cent.

Air mail traffic was up one per cent systemwide over the previous financial year. Prominent gains were made on European and Middle East services.

## Foreign Affairs

SAS has encountered mounting difficulties in maintaining, let alone expanding, traffic rights in many countries. New airlines have been established, the competition has become more severe, and most countries today protect their own airlines—often government-owned—by increasing restrictions on others.

In the course of the financial year, a new air agreement was reached with Israel for services between the Scandinavian capitals and Tel Aviv. After three years of negotiations between SAS and Iran Air, it was agreed that SAS's twice weekly service to Tehran will be carried out as a joint operation with Iran Air. Likewise, SAS and the Brazilian carrier Varig have entered into a joint operation agreement enabling SAS to maintain its second weekly service to Brazil.

Air political problems prevailed in relation to several other countries.

Argentina has denounced the air agreements with the Scandinavian countries, thus severely reducing SAS's traffic rights to and from Buenos Aires and creating new problems for the South American operation as a whole.

As a result of the disintegration of the East African civil aviation co-operation, the Scandinavian authorities must negotiate new, separate air agreements with Kenya and Tanzania.

Negotiations are also anticipated in the near future regarding new or amended agreements with Iraq, Pakistan, Uruguay and Canada, the latter as a continuation of several years' endeavors to obtain traffic rights in Toronto.

Negotiations for agreement between Denmark and Finland continue. They arise basically from Finnair's wish to increase its right to carry

traffic between the Scandinavian countries and the U.S.A.

Due to disagreement regarding the traffic pattern between Austria and the Scandinavian countries, complicated negotiations have been taken up on government level and between SAS and Austrian Airlines.

During the financial year, two events of major air political consequence have taken place. The first was the ICAO conference in April, 1977, dealing with commercial air transport's economic-political problems from the points of view of the world's governments. The discussions covered the machinery for setting airline fares and rates, surveillance of and adherence to price regulations, the possible regulation of capacity on international services, and the relationship between scheduled and charter traffic. As a consequence of this ICAO confer-



ence, and the subsequent 22nd ICAO Assembly in September and October, 1977, governments and authorities are likely to become more active in several areas which hitherto have been the responsibility of the airlines themselves. The second event was the signing in

July of a new bilateral air agreement between the U.S.A. and the United Kingdom, the so-called Bermuda II which replaced the classic Bermuda Agreement from 1946. The British philosophy regarding pre-determined capacity levels has, to a certain extent, been written into the

new agreement, which includes the possibility—under special conditions—for authorities to intervene in the regulation of capacity. The new agreement could easily influence the international air political climate.

## Charter Developments

The process of charter liberalization has continued at an uninterrupted pace during the 1970s. Nevertheless, the charter carriers' demands for a larger market share have been stepped up. The Scandinavian rules were liberalized once again in November of 1976.

The charter market in general is expanding at the expense of the scheduled airlines, including SAS. Even so, the charter airlines claim that their development is being restrained. In the opinion of SAS, Scandinavian charter regulations already provide the charter carriers with favorable operating conditions. In practice, they enjoy much the same advantages as scheduled airlines without having to abide by the obligations of the latter. The charter carriers operate essentially without regulation of price or capacity.

Most recently, charter operators have requested cargo charter liberalization, particularly for so-called "split cargo charters" whereby several shippers may charter the same aircraft. Appeals from the Danish charter carriers to the Danish parliament led the Scandinavian governments, in July of 1977, to set up a government commission for the third time since 1974.

SAS holds that the contemplated cargo charter liberalization will constitute a violation of its concession rights. SAS further maintains that its own cargo capacity and services, and that of the other 34 scheduled airlines serving Scandinavia, provide more than adequately for the import-export activities of business and industry whose basic requirements are for smoothly functioning scheduled services. Such scheduled in-

tegrated services would be seriously undermined with the liberalization of cargo charter regulations.

The European Civil Aviation Conference (ECAC) has issued guidelines with uniform charter conditions for the North Atlantic and has tried to obtain a multilateral agreement with the United States and Canada on this basis. However, several states have now concluded bilateral charter agreements with the United States. Thus, they have accepted charter flights originating in the United States on U.S. charter conditions and have, accordingly, deviated from ECAC charter policy. This has weakened the ECAC position and there seems to be little hope for a multilateral agreement regulating charter conditions, prices and capacity between the U.S.A. and the ECAC states.

## Government User Charges

The Scandinavian governments levy unusually high user charges, to the detriment of SAS.

During the financial year, SAS paid about MSKR 400 in various government fees or user charges, MSKR 295 or 74 per cent of which were paid in the three Scandinavian countries alone. The total charges accounted for nine per cent of the operating expenses of the SAS Consortium while the IATA average was five to six per cent. With the latter average

SAS would instead have paid about MSKR 250.

Not only do the Scandinavian government charges continue to increase, they have also become much more diversified over the years.

SAS believes it should assume three principal charges: landing or take-off charges, passenger charges, and charges for en route navigation aids and services. At present, SAS also pays numerous other charges; for instance, for its right to operate un-

der its concession as a scheduled carrier, for the authorities' inspection of SAS's own workshops, and for the operating certificates for the aircraft which these workshops maintain. Additionally, in Norway and Sweden, SAS pays a charge for taking fuel on board its aircraft. In Sweden, furthermore, SAS must pay for the rights to handle its own aircraft and to load catering supplies from its own flight kitchens.



## IATA Fares and Rates

At the IATA Passenger Conferences in the autumn of 1976, the new provisions for the establishment of "limited agreements" were applied for the first time. Rather than reaching no agreement at all, a Conference can now, with the new provisions, decide to exclude particular geographical sectors from the general agreement. Therefore, agreements could be reached, for example, for fares between Europe and the Middle East and Africa. For fares within Europe there is presently no formal agreement, but a majority package is applied and the fares situation is quite stable.

Fare increases in the last few years have not kept pace with general cost levels. The IATA carriers, collectively, were some seven per cent short of recovering all expenditures, including interest on loans and a reasonable return on equity capital.

Adequate fare increases are becoming all the more difficult to achieve. Nowhere are these problems more pronounced than on the North Atlantic, where lack of appropriate regulation of the industry, including the non-scheduled carriers, undermines the stability of the fare structures and creates financial losses for the IATA carriers in the order of \$400 million a year collectively.

Since April, 1976, North Atlantic fares had been formally open, but a limited agreement, covering the U.S.A.

and most of Europe, was finally reached for the summer period, 1977. Following permission for Laker Airways to start non-reservation services between London and New York in September, the IATA agreement was amended to meet this competition. The U.S. aviation authorities disapproved this new agreement, deeming certain of these IATA fares to be too low. In the new open situation which resulted, the U.S. Administration subsequently approved filings of even lower fares. The IATA situation was still unsettled at the end of 1977.

For many years the fares situation between Europe and the Far East has been open, and a multitude of bilateral fare filings have created a very complicated situation. Preparations have now been made for a new conference for this area to create an orderly basis for fare increases which are long overdue. Reactions from non-IATA carriers, based in Southeast Asia, will, however, be crucial for the success of any agreement in this area.

After very long negotiations, the North Atlantic Cargo Conference appeared to be closed successfully in February, 1977, only to become open again in April, primarily as a consequence of non-IATA carrier actions. A rate dispute of fundamental importance, on "shipper contract rates", between the authorities and carriers in Great Britain and the U.S.,

is unsettled. In the meantime, no IATA negotiations, nor any cost-compensating rate increases, can be attained.

The Biannual Cargo Conference in May, 1977, agreed on most of the other cargo areas, with new rates for a two-year period starting on October 1, 1977. The rate levels for the second year will be reviewed later and adjusted in the light of future inflation and cost development. New, low rates for certain specific commodities were introduced to the Far East and the Middle East.

In February, 1977, a special Conference endeavored to introduce a system for an IATA unit of value based on Special Drawing Rights. However, the effort failed. No technical reform in itself would solve the basic problem of balancing fare levels by decreasing them in hard currency countries and increasing them, sometimes drastically, in soft currency countries. However, the introduction of a new basic fares and rates system would facilitate and hasten such development. Efforts are now focused upon the local differences in fare levels, the situation being somewhat improved lately by the recovery of the pound sterling. The directional imbalances relating to the Scandinavian currencies have been significantly reduced by the devaluations in Scandinavia in April and August of 1977.

## Wholly-owned Subsidiaries and Affiliated Companies

Among SAS wholly-owned subsidiaries, significant improvements in results were recorded particularly by Vingresor/Club 33, and SAS Catering & Hotels.

The occupancy rates of most SAS-affiliated hotels exceeded expectations. The 219-room SAS Globe-

trotter in Luleå, northern Sweden, was opened in March of 1977. It is the 11th SAS-affiliated hotel in Scandinavia and SAS's first in Sweden.

SAS Catering & Hotels opened a flight kitchen at London's Heathrow Airport in November, 1976.

Scanair, owned by the SAS parent

companies and operating in close cooperation with SAS, considerably increased its share of the charter market in Scandinavia.

SAS's minority ownership in THAI International was amicably terminated on March 31, 1977, after almost 18 years of partnership. Cooperative



arrangements between SAS and THAI International have, however, been extended, preserving a mutually beneficial collaboration. SAS continues to overhaul the THAI International DC-8 fleet. The two airlines finalized a technical agreement for

the maintenance and overhaul of THAI International's new fleet of Airbus wide-body aircraft. Much of the work will be performed at SAS workshops in Stockholm and Copenhagen.

A more detailed report of wholly-owned subsidiaries and affiliated companies follows this report as an appendix.

## Personnel

	SAS Consortium								Wholly-owned Subsidiaries		SAS Group	
	Flight-deck Personnel		Cabin Personnel		Other Personnel		Total		1977	1976	1977	1976
	1977	1976	1977	1976	1977	1976	1977	1976				
Denmark	358	363	813	785	4 228	4 074	5 399	5 222	1 194	1 174	6 593	6 396
Norway	338	341	540	463	2 076	2 036	2 954	2 840	1 101	1 038	4 055	3 878
Sweden	501	510	627	560	2 886	2 851	4 014	3 921	1 425	1 304	5 439	5 225
Head Office	—	—	—	—	1 058	966	1 058	966	—	—	1 058	966
Abroad	—	—	25	26	2 176	2 204	2 201	2 230	1 185	1 038	3 386	3 268
<b>Total</b>	<b>1 197</b>	<b>1 214</b>	<b>2 005</b>	<b>1 834</b>	<b>12 424</b>	<b>12 131</b>	<b>15 626</b>	<b>15 179</b>	<b>4 905</b>	<b>4 554</b>	<b>20 531</b>	<b>19 733</b>

The personnel of the SAS Group numbered 20 531 as of September 30, 1977. This figure includes 15 626 employees of the SAS Consortium and 4 905 employed by the wholly-owned subsidiaries. The increase of 447 employees within the SAS Con-

sortium is attributed mainly to traffic, station and cabin attendant categories. These manpower assets are most valuable to the continued growth of the SAS Group. The Board appreciates the performance of the staff in a dif-

ficult year. The Board also values the continued progress of, and the benefits derived from, the various labor-management programs instituted within the SAS Group.

Copenhagen, Oslo and Stockholm, December, 1977

Jens Chr. Hauge

Haldor Topsøe

Curt Nicolin

Per M. Backe

J. L. Halck

Krister Wickman

Stein Slettum

Orla Mathiesen

Nils-Olof Sjögren

Knut Hagrup  
President



### Comparative Statistics 1967/68—1976/77

<b>Production and Traffic</b> (SAS Consortium)	76/77	75/76	74/75	73/74	72/73	71/72	70/71	69/70	68/69	67/68
Size of Network (km 000)	264	274	262	258	245	243	224	205	208	206
Number of Countries Served	50	53	50	48	51	50	48	48	45	45
Number of Cities Served	98	102	97	96	97	94	96	92	90	90
Kilometers Flown, scheduled services (mill.)	116.7	114.7	113.8	114.0	118.4	109.9	107.0	101.7	97.7	88.7
Hours Flown (airborne), total (000)	175.9	175.2	174.7	176.5	183.4	172.8	172.4	162.6	168.3	164.6
Available Ton-Kms, total (mill.)	2 311.6	2 190.4	2 055.5	1 863.5	1 931.6	1 745.6	1 546.0	1 431.5	1 286.9	1 075.1
Available Ton-Kms, scheduled services (mill.)	2 239.6	2 119.8	1 997.5	1 814.9	1 822.5	1 664.1	1 480.8	1 371.7	1 239.3	1 047.5
Available Ton-Kms, non-sched. services (mill.)	72.0	70.6	58.0	48.6	109.1	81.5	65.2	59.8	47.6	27.6
Revenue Ton-Kms, scheduled services (mill.)	1 215.6	1 131.3	1 047.7	1 024.0	958.8	857.0	738.5	710.1	658.3	554.7
Passenger and excess baggage	803.4	756.7	692.2	662.9	645.3	558.6	493.4	469.3	417.0	380.1
Freight	372.6	335.5	318.1	325.4	280.2	267.5	215.8	213.4	214.5	149.4
Mail	39.6	39.1	37.4	35.7	33.3	30.9	29.3	27.4	26.8	25.2
Weight Load Factor, scheduled services (%)	54.3	53.4	52.5	56.4	52.6	51.5	49.9	51.8	53.1	53.0
Number of Passengers Carried, total (000)	7 469	7 125	6 636	6 325	6 242	5 826	5 688	5 058	4 588	4 155
Revenue Passenger Kms, sched. services (mill.)	9 060	8 534	7 814	7 477	7 275	6 305	5 584	5 297	4 707	4 287
Passenger Load Factor, scheduled services (%)	54.9	53.5	52.6	54.0	51.4	49.8	49.0	50.3	47.7	50.2
Average Passenger Trip Length, scheduled services (kms)	1 232	1 212	1 193	1 197	1 192	1 102	997	1 061	1 036	1 038
Traffic Revenue/Revenue Ton-Km (SKR)	3.00	2.91	2.75	2.42	2.12	2.07	2.18	2.06	2.05	2.11
Operating Expenses/Available Ton-Km (based on calculated depreciation, excluding interest) (SKR)	1.61	1.51	1.39	1.31	1.04	1.02	1.03	1.00	1.01	1.04
<b>Personnel</b> (SAS Consortium)	76/77	75/76	74/75	73/74	72/73	71/72	70/71	69/70	68/69	67/68
Number of Employees as of September 30	15 626	15 179	14 863	15 114	15 068	14 661	14 694	14 560	14 466	13 619
Available Ton-Kms/Employee (sched. services)	145 400	141 500	133 500	120 200	121 800	113 200	101 300	95 000	88 100	78 200
Revenue Ton-Kms/Employee (sched. services)	78 900	75 500	70 000	67 800	64 100	58 300	50 500	49 200	46 800	41 400
<b>Financial</b> (SAS Group) (Mill. Swedish Crowns)	76/77	75/76	74/75	73/74	72/73	71/72	70/71	69/70	68/69	67/68
Traffic Revenue	3 734.5	3 354.1	2 918.2	2 479.6	2 057.2	1 798.1	1 621.8	1 478.9	1 366.1	1 179.0
Other Revenue	1 770.1	1 452.9	1 176.7	1 120.1	1 005.1	814.0	630.1	446.6	343.8	315.3
Operating Revenue, total	5 504.6	4 807.0	4 094.9	3 599.7	3 062.3	2 612.1	2 251.9	1 925.5	1 709.9	1 494.3
Operating Expenses	5 055.4	4 425.0	3 727.0	3 276.7	2 706.3	2 332.2	1 987.5	1 674.9	1 493.5	1 296.1
Depreciation	316.9	294.3	283.9	231.9	226.2	201.7	174.2	167.9	154.0	103.7
Operating Result after Depreciation	+ 132.3	+ 87.7	+ 84.0	+ 91.1	+ 129.8	+ 78.2	+ 90.2	+ 82.7	+ 62.4	+ 94.5
Financial Items (net)	- 61.3	- 52.4	- 50.3	- 44.8	- 63.7	- 52.3	- 47.1	- 45.7	- 37.0	- 16.5
Other Items (net)	+ 20.0	+ 6.7	+ 36.3	+ 30.7	+ 17.9	+ 9.1	+ 28.3	+ 51.9	+ 57.9	+ 8.1
Consolidated Profit before Income Taxes payable by Parent Companies	91.0	42.0	70.0	77.0	84.0	35.0	71.4	88.9	83.3	86.1
Balance Sheet (total)	4 523.9	3 849.6	3 694.8	3 460.4	2 998.4	2 791.7	2 528.8	2 262.2	1 850.9	1 538.3
Current Assets	2 225.8	1 584.3	1 498.1	1 316.4	1 190.8	1 027.7	805.6	749.2	561.0	507.4
Non-Current Assets	199.7	166.3	169.5	166.5	78.7	81.9	76.1	42.1	35.5	26.2
Property and Equipment	2 098.4	2 099.0	2 027.2	1 977.5	1 728.9	1 682.1	1 647.1	1 470.9	1 254.4	1 004.7
Current Liabilities	1 988.9	1 531.1	1 317.1	1 191.9	1 003.2	926.7	870.1	711.6	554.0	484.4
Non-Current Liabilities	1 527.9	1 273.8	1 316.4	1 191.9	893.2	914.6	814.0	732.9	526.4	393.7
Currency Adjustment	4.3	89.4	88.6	113.3	146.4	52.1	—	—	—	—
General Valuation Reserve	—	—	—	—	16.5	16.5	16.5	16.5	16.5	16.5
Subordinated Debentures	76.6	87.0	104.4	121.8	132.6	141.8	157.5	157.5	157.5	157.5
Loans from Parent Companies	—	10.7	10.7	—	—	—	—	—	—	—
Investment Reserve	5.6	—	—	—	—	—	—	—	—	—
Capital including Profit of the Year	920.6	857.6	857.6	841.5	806.5	740.0	670.7	643.7	596.5	486.2

### Profit and Loss Statements

October 1, 1976—September 30, 1977

In millions of Swedish Crowns

	SAS Group (Consolidated)		SAS Consortium	
	1976/77	1975/76	1976/77	1975/76
Passenger	3 060.4	2 734.1	3 060.4	2 734.1
Cargo and mail	616.3	569.4	616.3	569.4
Charter	57.8	50.6	57.8	50.6
Other revenue	1 770.1	1 452.9	789.7	658.1
<b>Operating Revenue</b> (Note 1)	5 504.6	4 807.0	4 524.2	4 012.2
<b>Operating Expenses</b> (Note 2)	5 055.4	4 425.0	4 138.2	3 661.9
<b>Operating Result before Depreciation</b>	+ 449.2	+ 382.0	+ 386.0	+ 350.3
<b>Depreciation</b> (Note 3)	316.9	294.3	289.9	270.6
<b>Operating Result after Depreciation</b>	+ 132.3	+ 87.7	+ 96.1	+ 79.7
Financial income (Note 4)	93.1	78.1	86.2	73.2
Financial expense (Note 4)	- 154.4	- 130.5	- 142.2	- 116.0
<b>Profit before other Items</b>	71.0	35.3	40.1	36.9
Gain on retirement of equipment and disposal of shares (net) (Note 5)	44.5	29.5	44.1	30.3
Extraordinary items (net) (Note 6)	- 8.1	- 16.4	- 15.1	- 26.1
<b>Profit before Allocations and Income Taxes</b> (Note 7)	107.4	48.4	69.1	41.1
Allocations (net) of wholly-owned subsidiaries (Note 8)	- 8.4	- 2.7	—	—
Income taxes of wholly-owned subsidiaries (Note 9)	- 8.0	- 3.7	—	—
<b>Profit</b> (Note 10)	91.0	42.0	—	—

Copenhagen, Oslo and Stockholm, December, 1977

Jens Chr. Hauge

Haldor Topsøe

Curt Nicolin

Per M. Backe

J. L. Halck

Krister Wickman

Stein Slettum

Orla Mathiesen

Nils-Olof Sjögren

Knut Hagrup

President

/C.E.Lindh

"Notes to Financial Statements" on pages 15—17 refer to the above Profit and Loss Statements.



**Balance Sheets**  
September 30, 1977  
In millions of Swedish Crowns

Assets	SAS Group (Consolidated)		SAS Consortium		Liabilities and Capital	SAS Group (Consolidated)		SAS Consortium	
	Sept. 30, 1977	Sept. 30, 1976	Sept. 30, 1977	Sept. 30, 1976		Sept. 30, 1977	Sept. 30, 1976	Sept. 30, 1977	Sept. 30, 1976
<b>Current Assets</b>									
Cash and bank balances including temporary cash investments (Note 11)	1 338.3	859.9	1 224.7	807.5	<b>Current Liabilities</b> (Note 19)	1 988.9	1 531.1	1 780.8	1 409.1
Short-term accounts receivable and prepayments	787.7	644.7	710.4	578.1	<b>Non-Current Liabilities</b>				
Sundry stores (Note 12)	99.8	79.7	67.6	60.6	Debtore loans (Note 20)	290.9	116.1	290.9	116.1
Total Current Assets	2 225.8	1 584.3	2 002.7	1 446.2	Mortgage loans (Note 21)	68.7	63.6	20.2	19.5
<b>Non-Current Assets</b>					Other non-current liabilities (Note 22)	1 168.3	1 094.1	1 102.3	1 013.3
Long-term accounts receivable and prepayments	123.8	103.6	127.7	111.1	Total Non-Current Liabilities	1 527.9	1 273.8	1 413.4	1 148.9
Goodwill (Note 13)	8.2	10.4	6.1	7.6	<b>Currency Adjustment</b> (Note 23)	4.3	89.4	10.5	91.7
Shares and bonds (Note 14)	57.8	47.2	103.7	93.0	<b>Subordinated Debentures</b> (Note 24)	76.6	87.0	76.6	87.0
Discount, etc., on debenture loans	9.9	5.1	9.9	5.1	<b>Loans from Parent Companies</b> (Note 25)	—	10.7	—	10.7
Total Non-Current Assets	199.7	166.3	247.4	216.8	<b>Investment Reserve</b> (Note 26)	5.6	—	—	—
<b>Property and Equipment</b>					<b>Capital</b> (Note 27)				
Aircraft (Note 15)					ABA (3/7)	355.6	349.6	350.2	344.3
At cost	2 602.1	2 502.6	2 575.2	2 476.4	DDL (2/7)	237.0	233.0	233.4	229.4
Depreciation	1 191.7	1 011.2	1 184.1	1 007.5	DNL (2/7)	237.0	233.0	233.4	229.4
	1 410.4	1 491.4	1 391.1	1 468.9	Profit	829.6	815.6	817.0	803.1
Spare engines and spare parts (Note 15)					Total Capital	920.6	857.6	886.1	844.2
At cost	373.4	375.6	369.4	371.9	<b>Total Liabilities and Capital</b>	4 523.9	3 849.6	4 167.4	3 591.6
Depreciation	210.5	196.5	209.1	196.0					
	162.9	179.1	160.3	175.9	Contingent liabilities and guarantees (Note 28)	56.5	54.8	140.9	121.5
Advance payments on flight equipment on order	107.5	72.1	107.5	72.1					
Buildings and improvements (Note 16)					Furthermore, certain liabilities have been assumed in respect of pensions and in connection with ticket sales according to pay-later plans				
At cost	343.1	299.8	162.8	141.5	Pledges (Note 29)				
Depreciation	108.9	86.7	56.0	43.9	Mortgages on real estate	105.5	97.4	40.9	37.9
	234.2	213.1	106.8	97.6	Sundry pledges	19.8	11.2	5.8	5.5
Workshop and aircraft servicing equipment						125.3	108.6	46.7	43.4
At cost	112.9	102.2	112.9	102.2					
Depreciation	89.5	85.5	89.5	85.5					
	23.4	16.7	23.4	16.7					
Other equipment and vehicles (Note 17)									
At cost	361.2	299.4	276.5	226.4					
Depreciation	201.2	172.8	148.3	129.0					
	160.0	126.6	128.2	97.4					
Total Property and Equipment (Note 18)	2 098.4	2 099.0	1 917.3	1 928.6					
<b>Total Assets</b>	4 523.9	3 849.6	4 167.4	3 591.6					

Copenhagen, Oslo and Stockholm, December, 1977

Jens Chr. Hauge	Haldor Topsøe	Curt Nicolin
Per M. Backe	J. L. Halck	Krister Wickman
Stein Slettum	Orla Mathiesen	Nils-Olof Sjögren
	Knut Hagrup President	
	/C.E.Lindh	

The above Profit and Loss Account and Balance Sheet are in accordance with the books of the SAS Group, which have been examined by the undersigned Auditors, as set forth in our Auditors' Report dated January, 1978.

Stockholm, January, 1978

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

The consolidated profit and loss statement and the consolidated balance sheet of the SAS Group include the Consortium and its 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, Scandinavian Air Tour Productions AB and Transair Sweden AB.

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

The accounts of Scanair, a Consortium owned by the parent companies of SAS, are not consolidated with those of the Consortium and its wholly-owned subsidiaries.

In this report a revised format for the profit and loss statement and the balance sheet has been adopted. The comparative figures for the financial year ending September 30, 1976, have been rearranged accordingly.

### Note 1—Operating revenue

"Operating revenue", before elimination of internal transactions, was MSKR 4 524.2 (1975/76, MSKR 4 012.2) for the Consortium and MSKR 1 200.8 (1975/76, MSKR 982.7) for the wholly-owned subsidiaries.

"Other revenue" comprises revenue from sundry activities of the Consortium, such as shop work, ground handling, interline sales, etc., performed for other airlines, income from sales on board and in gateway stores, MSKR 774.0 (1975/76, MSKR 644.8), as well as revenue earned by the wholly-owned subsidiaries from customers other than the Consortium, MSKR 996.1 (1975/76, MSKR 808.1). The last-mentioned amounts thus include the lease fees paid by Scanair for the three Boeing 727 aircraft owned by Transair Sweden AB.

"Other revenue" of the Consortium also includes adjustment of pension fees in Denmark for the years 1971—1975 in the amount of MSKR 27.0. Furthermore, this item comprises a compensation, MSKR 8.0, from the Swedish Confederation of Employers for strike losses during the year. Negotiations for compensation of losses during a cabin attendants' strike in May 1977 have not been completed and no amount has hitherto been credited to income for this strike.

### Note 2—Operating expenses

"Operating expenses" before elimination of internal transactions, were MSKR 4 138.2 (1975/76, MSKR 3 661.9), for the Consortium and MSKR 1 137.6 (1975/76 MSKR 951.2) for the wholly-owned subsidiaries. For a distribution of operating expenses of the Consortium see graph on page 17.

### Note 3—Depreciation

The depreciation charges are apportioned as follows (MSKR) (incl. depreciation of wholly-owned subsidiaries, MSKR 27.0):

	1976/77	1975/76
Aircraft, spare engines and spare parts	251.3	239.8
Buildings and improvements	20.9	17.4
Ground equipment and vehicles	42.5	34.7
Goodwill	2.2	2.4
	<u>316.9</u>	<u>294.3</u>

The Consortium'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 Boeing 727 aircraft acquired by Transair Sweden AB as of October 1, 1975, are depreciated over seven years with no residual value.

Thus, the depreciation policies of the SAS Group and the corresponding book values of its flight equipment are conservatively set.

### 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. Currency losses (net), totalling MSKR 15.0 (1975/76 MSKR 1.6) for the SAS Group, are also included in this item.

### Note 5—Gain on retirement of equipment and disposal of shares (net)

"Gain on retirement of equipment and disposal of shares

(net)" includes the excess of sales proceeds over book value of one DC-8-62 aircraft, MSKR 22.7, and of shares in Thai Airways International Ltd., sold by the Consortium to Thai Airways Company Ltd., MSKR 15.0 (sales proceeds of shares reduced with withholding tax in Thailand, MSKR 5.4, contested by the Consortium).

### Note 6—Extraordinary items (net)

"Extraordinary items (net)" comprise extraordinary provisions, write-offs on assets, etc., net of extraordinary income. A provision for the Consortium's share in the loss of Hotel Scandinavia K/S, Copenhagen, for the 12-months period ending September 30, 1977, accounts for MSKR 7.3.

### Note 7—Profit before allocations and income taxes

The profit of the Consortium does not include any dividends from the wholly-owned subsidiaries. Such dividends for the financial year 1976/77 will be paid to the Consortium during the following year.

### Note 8—Allocations (net) of wholly-owned subsidiaries

Under this heading SAS Catering A/S, Denmark, SAS Catering A/S, Norway, and SAS Catering AB, Sweden, account for an aggregate amount of MSKR 1.8, and Vingresor/Club 33 AB, for MSKR 6.6 (out of which MSKR 5.6 represent an allocation to an investment reserve).

### Note 9—Income taxes of wholly-owned subsidiaries

The profit and loss statement of the Consortium contains no provisions for corporate income taxes payable in Denmark, Norway and Sweden, such liability resting upon the parent companies of the Consortium.

### Note 10—Profit

The wholly-owned subsidiaries show before consolidation with the Consortium an aggregate net profit of MSKR 21.9 (1975/76 MSKR 0.9). This includes a contribution from the Consortium of MSKR 5.8 (1975/76 MSKR 10.0) to Nyman & Schultz/Nordisk Resebureau AB which thereafter shows a net profit of MSKR 1.3 (1975/76, net loss of MSKR 3.7).

### Note 11—Cash and bank balances including temporary cash investments

MSKR 92.9 are placed by the SAS Group as short-term loans to different companies in Scandinavia.

### Note 12—Sundry stores

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

### Note 13—Goodwill

"Goodwill" includes the remaining book value, MSKR 6.0, of the consideration paid by the Consortium in excess of par value for the stock of Vingresor/Club 33 AB.

### Note 14—Shares and bonds

"Shares and bonds" include, i.a., shares in the amount of MSKR 30.0 in Linjeflyg AB, Stockholm, 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, all held by the Consortium.

Under this heading is also included the Consortium's share of the capital of SAS Royal Hotel A/S, Oslo, owner of Hotel Scandinavia, Oslo, MSKR 4.5. The Consortium's share in the subordinated loan provided by the owners, MSKR 15.8, is part of long-term accounts receivable. In view of the long-term forecast of the hotel, and with losses incurred having been lower than expected, these assets have been included in the balance sheet at nominal value.

The accounts of the Consortium include provision for its share in the accrued losses of Hotel Scandinavia K/S, Copenhagen. A refinancing program, to be implemented during 1977/78, has been agreed upon between the owners.

Bonds issued by Kreditforeningen Denmark for the purpose of financing facilities of the Consortium in Copenhagen are accounted for at their market value as of September 30, 1977, MSKR 11.0.

### Note 15—Aircraft, spare engines and spare parts

During the year the Consortium took delivery of one DC-9-41 and one DC-10-30 aircraft. One DC-8-62 and two Metropolitan aircraft were sold.

Changes during the year in total acquisition value and total

depreciation of aircraft, spare engines and spare parts of the SAS Group are specified below (MSKR):

### Acquisition value

As of September 30, 1976 (out of which Transair Sweden AB, MSKR 29.9)		2 878.2
DC-9 flight equipment delivered in 1976/77		
Prepayments, etc., made before October 1, 1976 (transferred from account for advance payments)	9.3	
Investments during 1976/77	<u>23.6</u>	32.9
DC-10 flight equipment delivered in 1976/77		
Prepayments, etc., made before October 1, 1976 (transferred from account for advance payments)	18.1	
Investments during 1976/77	<u>98.6</u>	116.7
Other flight equipment acquired in 1976/77		12.1
Flight equipment sold and retired in 1976/77, etc.		<u>-64.4</u>
As of September 30, 1977 (out of which Transair Sweden AB, MSKR 30.9)		<u>2 975.5</u>
Depreciation		
As of September 30, 1976 (out of which Transair Sweden AB, MSKR 4.2)	1 207.7	
Depreciation 1976/77	251.3	
Accrued depreciation on flight equipment sold and retired in 1976/77, etc.		<u>-56.8</u>
As of September 30, 1977 (out of which Transair Sweden AB, MSKR 9.0)		<u>1 402.2</u>

### Note 16—Buildings and improvements

Investments in buildings and improvements of the SAS Group during the year amounted to MSKR 36.0. This includes investments by the Consortium in improvements to buildings in the three Scandinavian countries and within the organization abroad, MSKR 17.6; furthermore investments in flight kitchens and restaurants owned by SAS Catering A/S, Denmark, MSKR 3.0, by SAS Catering A/S, Norway, MSKR 2.7, by SAS Catering AB, Sweden, MSKR 10.3 and in SAS Royal Hotel in Copenhagen, owned by SAS-Invest A/S, Copenhagen, MSKR 1.3.

### Note 17—Other equipment and vehicles

Data and communication equipment and flight simulators of the SAS Group are included under this heading with an acquisition value of MSKR 146.2 and MSKR 49.1 respectively. As of September 30, 1976 the corresponding amounts were MSKR 108.7 and MSKR 50.1.

### Note 18—Insurance values

As of September 30, 1977, flight equipment and buildings of the SAS Group were insured as follows (MSKR):

	1977	1976
Aircraft (including aircraft owned by Transair Sweden AB, MSKR 50.9)	3 736.4	2 859.1
Buildings and improvements (out of which wholly-owned subsidiaries, MSKR 340.4)	576.7	486.4

Spare engines, spare parts and technical stores, workshop and aircraft servicing equipment and tools, data and communication equipment, flight simulators and 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 19—Current liabilities

"Current liabilities" of the SAS Group include current maturities of long-term debt totalling MSKR 380.3 (out of which MSKR 5.2 refer to wholly-owned subsidiaries).

For practical reasons, the various clearing accounts of the Consortium for traffic revenue are, as hitherto, included as a net balance under "Current liabilities" (MSKR 540.3).

### Note 20—Debenture loans

This item represents the outstanding amounts of the 5.5%

debenture loan raised by the Consortium in January 1977, SFR 80.0 mill., and the 8% debenture loan raised by the Consortium in June 1972., US\$ 27.0 mill., less current maturities amounting to US\$ 1.0 mill., which are included under "Current liabilities".

### Note 21—Mortgage loans

"Mortgage loans" include MSKR 14.4 relating to the administration building of the Consortium in Copenhagen, MSKR 18.3 relating to the Globetrotter Hotel in Oslo and the flight kitchens in Oslo and Bergen, owned by SAS Catering A/S, Norway, MSKR 11.6 relating to the SAS Royal Hotel in Copenhagen, owned by SAS-Invest A/S, Copenhagen, and MSKR 13.4 relating to Vingresor/Club 33 AB's hotels on Rhodes and Mallorca.

### Note 22—Other non-current liabilities

"Other non-current liabilities" of the SAS Group amount as of September 30, 1977 to MSKR 1 168.3 as follows:

	Sept. 30, 1977	Sept. 30, 1976
Loans in U.S.A. (in US\$)	704.5	645.0
Loans in Switzerland (in SFR)	105.1	194.3
Loans from KSSU-partners and THAI (in US\$)	93.9	93.2
Other loans and liabilities (out of which wholly-owned subsidiaries, MSKR 66.0)	<u>264.8</u>	<u>161.9</u>
	<u>1 168.3</u>	<u>1 094.4</u>

As of September 30, 1977, loans of the Consortium in U.S.A. totalled US\$ 166.2 mill., out of which current maturities amounting to US\$ 20.9 mill. are included under "Current liabilities". During the year draw-downs under the loan agreements amounted to US\$ 16.6 mill., out of which US\$ 12.4 mill. were for the financing of new DC-10-30 equipment and US\$ 4.2 mill. were for the financing of new DC-9-41 equipment. Amortizations totalled US\$ 24.8 mill.

Loans in Switzerland of the Consortium amounted to SFR 151.0 mill., out of which current maturities, SFR 100.0 mill., are included under "Current liabilities". A new loan of SFR 40.0 mill. was raised during the year; amortizations totalled SFR 83.4 mill.

Loans from KSSU-partners and THAI drawn for the purpose of financing Boeing 747-B, DC-10-30 and A300B spare engines and spare parts held by the Consortium on behalf of KLM, Swissair and THAI amount to US\$ 19.4 mill.

Other loans and liabilities include loans raised by the Consortium during the year from the UAE Currency Board, US\$ 12.6 mill. and NKR 42.8 mill., with current maturities US\$ 2.4 mill. and NKR 8.0 mill. being treated as current liabilities. Other liabilities of the Consortium comprise, i.a., provisions for certain obligations abroad, MSKR 28.7.

Loans and non-current liabilities of the wholly-owned subsidiaries entered under this heading total MSKR 66.0. Major items are bank loans of Vingresor/Club 33 AB, MSKR 21.5, and pension funds in Sweden, MSKR 27.9

### Note 23—Currency adjustment

The accounts of the Consortium and the consolidated accounts of the SAS Group are kept in Swedish crowns. During the year the Consortium 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
As of Sept. 30, 1976	72.59	80.05	4.30	175.00
October 1976	70.39		4.20	173.75
November 1976				171.50
December 1976	71.30			170.00
January 1977			4.30	
February 1977			4.25	168.00
March—May 1977	72.50	82.25	4.40	173.00
June 1977	73.00	83.50	4.45	178.00
July 1977			4.30	180.00
August 1977	78.00	88.00	4.85	201.00
As of Sept. 30, 1977	78.00	88.00	4.85	206.00



As of September 30, 1977, the item "Currency adjustment" amounted to MSKR 4.3, equivalent to the unrealized currency gain on the Consortium's outstanding long-term receivables. The decline during the year, from MSKR 89.4 as of September 30, 1976, is due to the readjustment of long-term debt following from the changes in the rates of exchange reflected in the table above.

**Note 24—Subordinated debentures**

"Subordinated debentures" represent the Consortium's two Scandinavian subordinated debenture loans maturing in 1982. Current maturities amounting to MSKR 19.1, are included under "Current liabilities".

**Note 25—Loans from parent companies**

The Consortium's subordinated loans from ABA and DDL, totalling MSKR 10.7, have been transferred to "Current liabilities" in the balance sheet as of September 30, 1977.

**Note 26—Investment reserve**

This item represents an investment reserve of Vingresor/Club 33 AB.

**Note 27—Capital**

As decided upon by the Assembly of Representatives of SAS

on January 25, 1977, MSKR 28.0 have been paid to the parent companies out of the Consortium's profit for 1975/76 and the remaining amount has been added to the Consortium's capital. Hereafter, the capital of the Consortium, excluding the profit for 1976/77, is MSKR 817.0.

The total equity of the wholly-owned subsidiaries, excluding the profit for 1976/77, amounts to MSKR 65.2, out of which share capital MSKR 52.6 and reserves and retained earnings MSKR 12.6.

Thus, the consolidated aggregate capital of the SAS Group, excluding the profit for the year, amounts to MSKR 829.6.

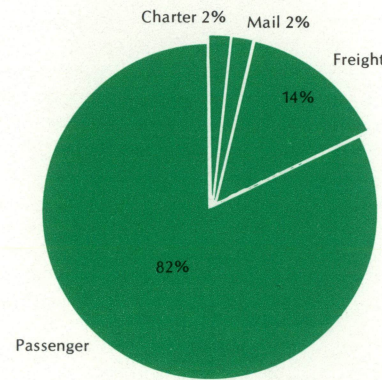
**Note 28—Contingent liabilities and guarantees**

"Contingent liabilities and guarantees" include guarantees by the Consortium, amounting to MSKR 31.5, of loans raised by Linjeflyg AB to finance F-28 aircraft.

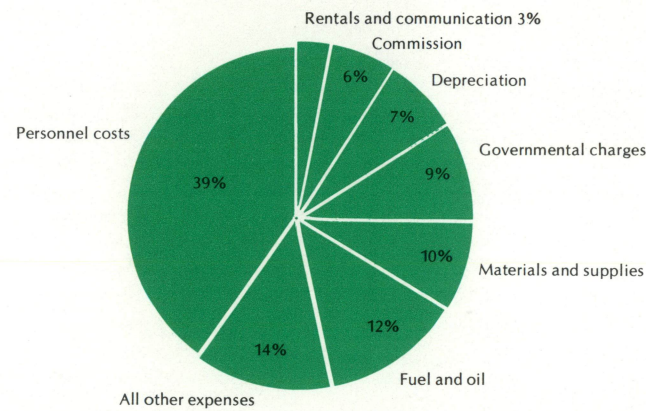
**Note 29—Pledges**

The increase of mortgages is mainly due to changes in rates of exchange to the Swedish crowns during the financial year. Sundry pledges show an increase of MSKR 8.5 compared to September 30, 1976, which refers to Vingresor/Club 33 AB.

**Traffic Revenue of SAS Consortium 1976/77**

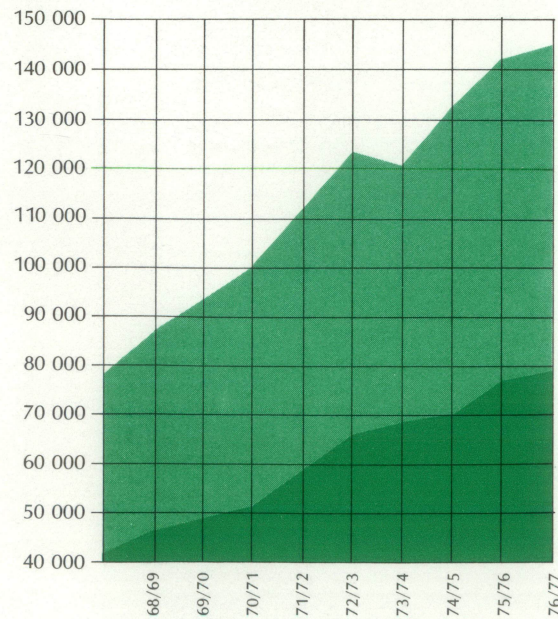


**Operating Expenses of SAS Consortium 1976/77**

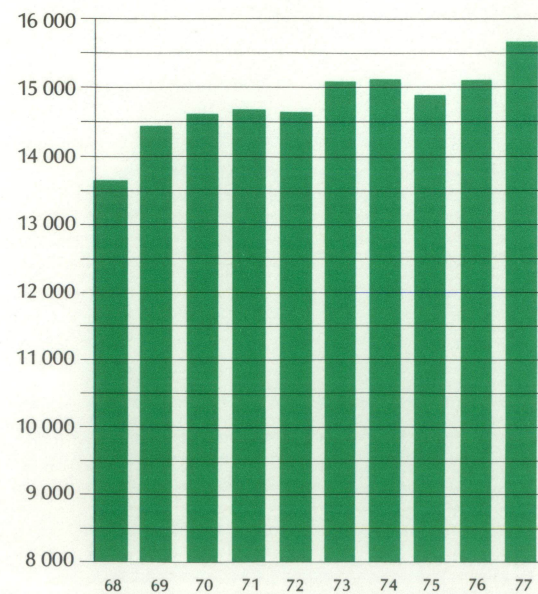


**Production and Traffic per Employee (SAS Consortium. Scheduled services)**

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



**Number of Employees as of Sept. 30 (SAS Consortium)**



**Funds Statements**  
(In millions of Swedish Crowns)

	SAS Consortium		SAS Group (Consolidated)		
	1976/77	1976/77	1975/76	1974/75	1973/74
<b>Source of funds</b>					
Profit	69.1	91.0	42.0	70.0	77.0
Depreciation	289.9	316.9	294.3	283.9	231.9
Book value of assets sold and retired	23.6	25.6	27.3	66.6	38.8
Other (net)	24.5	35.0	19.6	12.7	8.3
From operations	407.1	468.5	383.2	433.2	356.0
Borrowing	406.5	429.2	241.1	267.6	584.8
Long-term lending (net)	1.4		5.6	3.2	
Short-term liabilities, etc.	369.3	426.6	114.4	126.8	201.7
Sub-total	1 184.3	1 324.3	744.3	830.8	1 142.5
<b>Use of funds</b>					
Aircraft, spare engines, spare parts	142.9	143.3	249.2	283.8	393.5
Prepayments on aircraft and flight simulators	60.8	60.8	55.4	27.0	61.3
Loans to KSSU-partners	6.1	6.1	11.5	26.3	6.0
Buildings, etc.	17.6	36.0	35.1	33.6	36.2
Other equipment, supplies, etc.	71.8	94.2	58.7	73.9	45.7
Shares and goodwill	18.0	18.1	6.0	24.0	9.0
Discount, etc. on debenture loan	6.6	6.6			
Long-term lending (net)		2.3			58.1
Total investments	323.8	367.4	415.9	468.6	609.8
Amortization on long-term debt	310.4	319.7	190.1	175.7	358.5
Paid to parent companies out of last year's profit	28.0	28.0	42.0	53.9	42.0
Accounts receivable and prepayments	104.8	130.7	26.9	38.9	117.8
Sub-total	767.0	845.8	674.9	737.1	1 128.1
<b>Increase in cash and bank balances</b> (including temporary cash investments)	417.3	478.5	69.4	93.7	14.4

**Investments in Flight Equipment**

	No. of aircraft		Amounts (in millions of Swedish Crowns)			Total
	Delivered	On order	Deliveries 1967/68— 1976/77	Advance payments Sept. 30, 1977	To be paid 1977/78— 1978/79	
Boeing 747	2	2	426.2	66.4	406.9	899.5 <sup>1)</sup>
DC-10-30	5		615.2			615.2 <sup>1)</sup>
DC-8-63	5		644.2			644.2
DC-8-62	6					
DC-9-41	43	6	1 361.1	42.9	214.9	1 618.9
DC-9-33AF	2					
DC-9-21	9					
Total	72	8	3 046.7	109.3	621.8	3 777.8

<sup>1)</sup> 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, 1976—September 30, 1977.

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 SAS Group 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 SAS Group 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.

We recommend

that the Annual Accounts as of September 30, 1977 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, 1978

Viking Bergman  
Authorized Public Accountant

Centralanstalten for Revision

Christian Blom  
Authorized Public Accountant

Erik Sivertsen  
Authorized Public Accountant

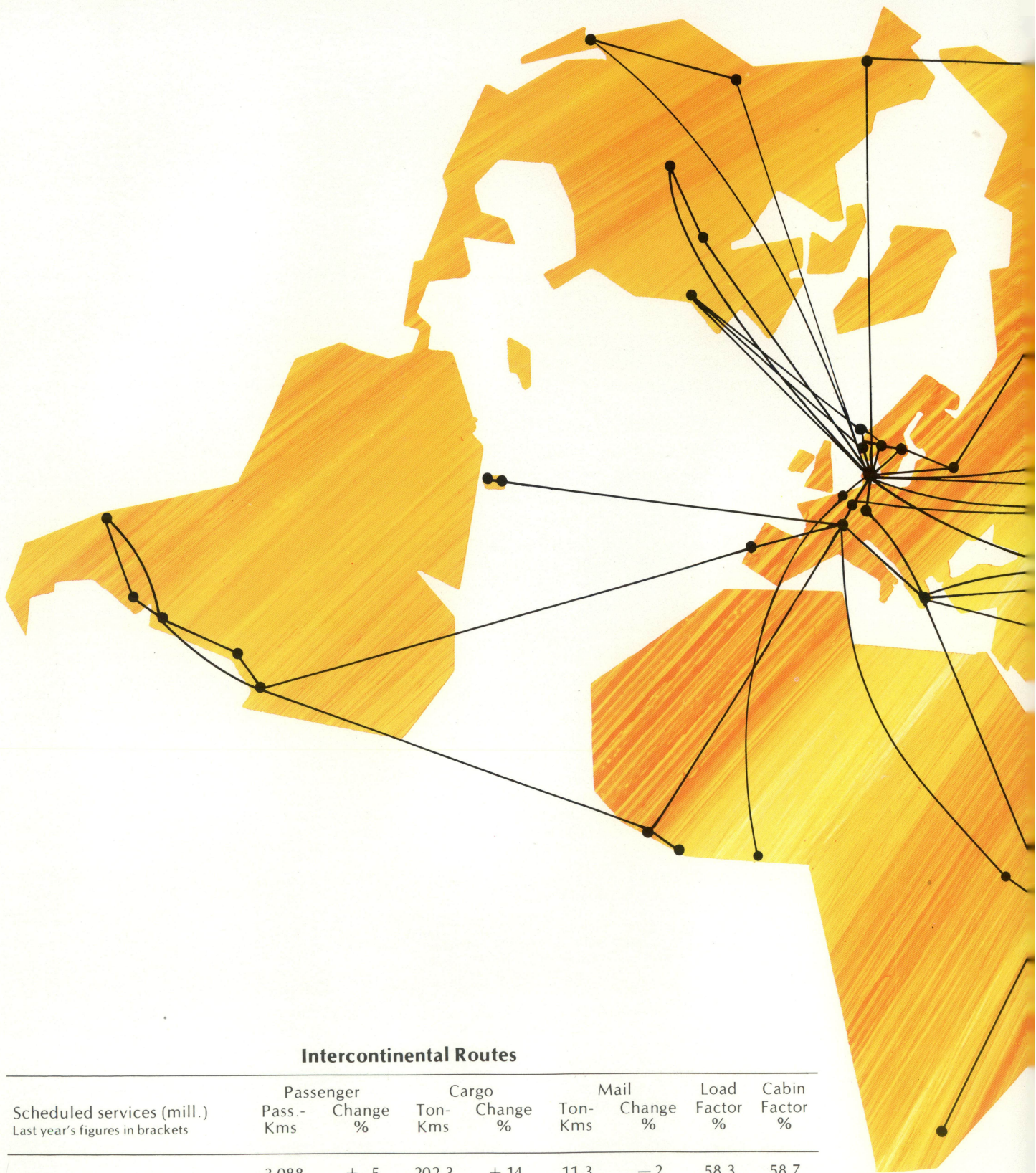
Stig-Erik Schaumburg-Müller  
Authorized Public Accountant

Sten Nackstad  
Authorized Public Accountant

Arne Brendstrup

Tor Storhaug  
Authorized Public Accountant





### 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	3 088 (2 955)	+ 5	202.3 (177.3)	+ 14	11.3 (11.4)	-2	58.3 (58.6)	58.7 (59.8)
Other Intercontinental Routes	1 829 (1 649)	+ 11	104.8 (94.0)	+ 11	11.6 (12.2)	-4	56.6 (54.9)	50.9 (46.9)
Total Intercontinental Traffic	4 917 (4 604)	+ 7	307.1 (271.3)	+ 13	22.9 (23.6)	-3	57.7 (57.2)	55.6 (54.5)





### 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	258 (209)	+ 23	3.8 (4.2)	- 9	1.0 (0.8)	+ 22	47.9 (47.3)	53.5 (50.2)
European Routes	1674 (1550)	+ 8	40.0 (40.2)	- 1	6.1 (5.2)	+ 16	48.4 (46.3)	52.5 (49.5)
Inter-Scandinavian Routes	842 (819)	+ 3	13.9 (12.4)	+ 12	2.6 (2.4)	+ 9	45.8 (44.5)	51.6 (49.7)
Total Europe, Middle East and Inter-Scandinavian Traffic	2774 (2578)	+ 8	57.7 (56.8)	+ 2	9.7 (8.4)	+ 15	47.5 (45.8)	52.3 (49.6)





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	336 (322)	+ 4	1.7 (1.6)	+ 7	1.9 (1.9)	+ 4	58.1 (58.2)	65.4 (65.6)
Norway	641 (593)	+ 8	4.2 (3.8)	+ 11	3.3 (2.9)	+ 15	56.3 (55.4)	60.2 (58.8)
Sweden	393 (437)	- 10	1.8 (1.9)	- 8	1.8 (2.3)	- 25	45.1 (46.8)	51.0 (53.4)
Total Domestic Traffic	1 370 (1 352)	+ 1	7.7 (7.3)	+ 5	7.0 (7.1)	- 1	53.0 (52.9)	58.3 (58.3)







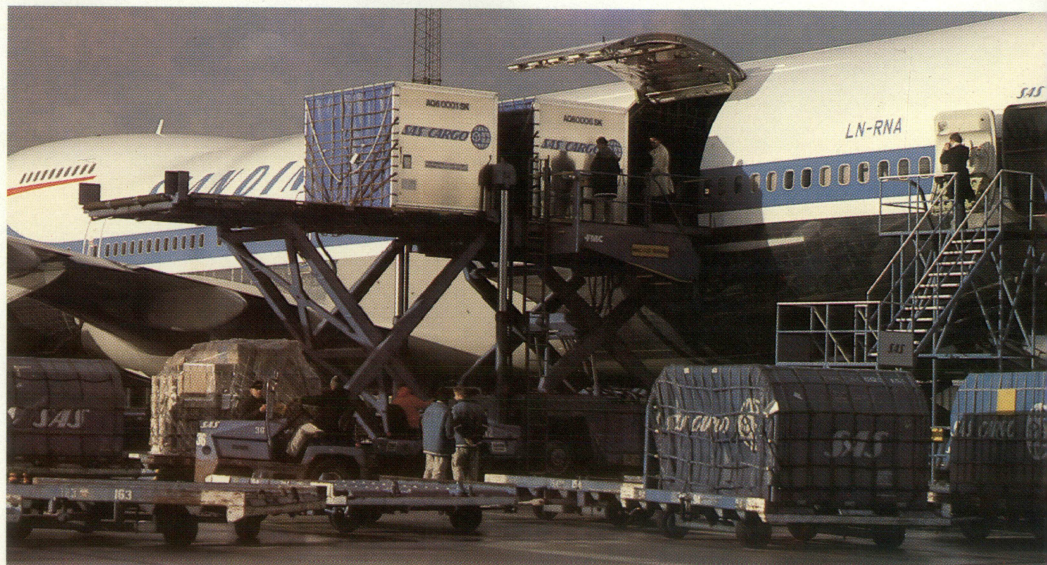


▲ With the opening of Landvetter airport serving the greater Gothenburg area, SAS is now able to provide the Swedish west coast with wide-body intercontinental services.



◀ The new international passenger terminal at Stockholm's Arlanda airport enables SAS passengers to board their flights through convenient nose-in bridges.

▶ The new SAS 747 Combi can carry as many as 19 cargo pallets and 53 tons of cargo altogether on routes linking New York and Scandinavian cities.



◀ The spacious interior of the new international building at Stockholm-Arlanda provides ample check-in facilities for SAS passengers.





▲ SAS domestic services extend as far north as Svalbard where the airport at Longyearbyen is the world's northernmost served by scheduled jets.

“Exercise in the Chair,” a new element in SAS’s inflight entertainment programs, was introduced on intercontinental flights during the year and became an immediate success.



▲ Among SAS’s wholly-owned subsidiaries is SAS Catering which this year provided services to more than 70 airlines around the world from a dozen flight kitchens.



▲ Cargo containers head for DC-10s at Copenhagen airport. The DC-10s have provided an appreciated boost in cargo capacity to U.S., Far East and African points.

▲ The SAS Globetrotter Hotel in Luleå was opened in March of 1977. With 219 rooms, it is the 11th SAS-affiliated hotel in Scandinavia and the Group’s first in Sweden.

**SAS**  
presents  
**exercise**  
in the  
**chair**





## Wholly-owned Subsidiaries

(Financial year 1976—1977)

### SAS Catering & Hotels

The SAS Catering & Hotels group served more than 70 airlines, including SAS and Scanair, from 11 flight kitchens in seven countries during the 1976—1977 financial year. A flight kitchen was opened at London's Heathrow Airport November 1, 1976.

During 1977, SAS Catering & Hotels started the operation of a central laboratory in Copenhagen. It is staffed by experienced bacteriologists who, in cooperation with the production units around the world, assure that SAS Catering & Hotels continues to maintain a leading position in hygienic standards and bacteriological control.

In March, 1977, the SAS Globetrotter Hotel was opened in Luleå. With 219 rooms, it is SAS Catering & Hotel's first hotel in Sweden. The new hotel in Luleå is operated under a rental contract. Furthermore, SAS Catering & Hotels operates, under rental or management contracts, hotels in Bodø, Tromsø and Stamsund (Lofoten) and owns the Globetrotter hotels in Copenhagen and Oslo. In addition to the hotel activities described above, SAS Catering & Hotels supervises the interests of the SAS Group in five more hotels. These include the SAS Royal Hotel in Copenhagen, the Hotel Scandinavia in Copenhagen, the Hotel Scandinavia in Oslo, the SAS Royal Atlantic Hotel in Stavanger and the Arctic Hotel Corp., Narssarssuak, Greenland.

SAS Catering & Hotels signed in November, 1977, an agreement with Saudi Arabian Airlines to assist as consultants on the development of the airline's flight catering activities at three locations in Saudi Arabia.

SAS Catering & Hotels' operating revenue was MSKR 529.7, an increase of 23 per cent over the preceding financial year. The number of employees at the end of the year was 2 813.

### SAS-Invest A/S

SAS-Invest owns and operates the SAS Royal Hotel in Copenhagen. The hotel's occupancy rate was 84 per cent. Operating revenue increased seven per cent to MSKR 28.5. The number of employees was 290 at the year's end.

As part of an overall redecoration program, the hotel's 48 rooms on the three top floors were refurbished during the year. On July 1, 1977, the hotel opened the "Royal Bar" with entrance both from the main street and through the lobby.

### Vingresor/Club 33 AB

Total operating revenue of the Vingresor group amounted to MSKR 439.4, an increase of 30 per cent over the previous year. The group comprises four major divisions with a year-end total of 1 090 employees: Vingresor/Club 33 in Sweden, organizing and marketing package tours with back-to-back charter flights; Vingreiser/Metro Reisebyrå, which does the same on the Norwegian market; SIS, the Student International Service, specializing in language courses abroad for both students and adults; and Sunwing Hotels, responsible for the group's resort hotels in Europe and Africa.

Through 21 sales outlets in Sweden, Vingresor/Club 33 recorded 242 000 round-trip customers; 42 000 or 21 per cent more than in the previous year.

Vingresor/Club 33 is the largest group travel organization in Sweden and ranks third in Scandinavia. The travel program includes i.a. the Vingresor family concept, the Club 33 youth tours, Ving Alpin, Ving Golf, Ving Konferens and Ving Special.

Metro Reisebyrå produces inclusive tours under the name of ABC/Vingreiser for the Norwegian market. With 37 000 round-trip customers, it accounted for a 13 per cent share of the Norwegian inclusive-tour market. Metro is also an IATA travel agency.

SIS arranges language courses for students and adults in England, France and the U.S. The courses are marketed in Sweden, Norway, Finland, Holland, Italy, West Germany and Switzerland. It recorded 20 000 participants in 1976—1977, its first full year under Vingresor ownership.

Sunwing has three hotels in Spain and one each in Greece and Gambia, providing a total of 3 295 beds.

### Nyman & Schultz/Nordisk Resebureau AB

Nyman & Schultz/Nordisk Resebureau (NRB) increased its total sales of travel and travel-related services seven per cent to MSKR 487.4 despite the general business recession and labor conflicts in Sweden which reduced the company's overall growth by about five per cent. Business travel accounts for 72 per cent of NRB's total sales, while pleasure travel and special tours account for 15 and 13 per cent, respectively.

NRB's operating revenue amounted to MSKR 105.0, almost the same as in the previous year. The number of employees at the end of the year was 342.

As the largest IATA travel agency in Scandinavia, NRB concentrated on product improvements and on streamlining its organization to expand business during the year. This included the break-through of Prisma Tours, an inclusive-tour product on scheduled airlines, with a 10 per cent volume growth. NRB further experienced a marked expansion of its Special Tour market.

### Scandinavian Air Tour Productions AB

Scandinavian Air Tour Productions produces and markets intercontinental inclusive tours on scheduled flights under the "Globetrotter" trade name.

The company further consolidated its position as Scandinavia's largest intercontinental tour operator during the year. Round-trip customers increased 21 per cent to 24 500. Total sales rose 26 per cent to MSKR 98.6. Operating revenue (excluding air fares) was up 28 per cent over last year to MSKR 46.2. Employees numbered 110 at year's end, including 47 tour conductors at 16 intercontinental destinations.

### Transair Sweden AB

Transair, a Swedish-registered charter airline and aircraft maintenance company based in Malmö, owns and operates three Boeing 727 jetliners for Scanair. Operating revenue was MSKR 48.4, nine per cent higher than last year. Employees numbered 260 at the end of the year.

### Copenhagen Air Cargo Center A/S

The Copenhagen Air Cargo Center at Copenhagen Airport handled 149 380 tons of cargo during 1976—1977, an increase of seven per cent. The expansion of the Center to 20 600 m<sup>2</sup> from 12 700 m<sup>2</sup> was completed during the year. Operating revenue amounted to MSKR 32.2, up 14 per cent compared to last year, and employees numbered 267 at the end of the year.

In view of the close integration between Copenhagen Air Cargo Center A/S and the Consortium, the annual statements of the subsidiary are included in those of the Consortium.



## Affiliated Companies

### Danair A/S

Danair served eight points in Denmark plus the Faroe Islands in 1976—1977 with aircraft and crews from its three parent companies, SAS, Maersk Air and Cimber Air. Ground services were mainly provided by the owners.

The domestic carrier recorded an 11 per cent increase in passengers, to 646 000, with a cabin factor of 57.5 per cent. The average number of employees was 18.

### Greenlandair Inc.

Greenlandair served 22 points on Greenland with a fleet of 15 helicopters—eight S-61N, four S-58T and three chartered Bell 204B—and two DC-6AB aircraft.

In the 1976 calendar year, Greenlandair carried 95 000 passengers, a decline of five per cent attributed mainly to a one-month pilots' strike. Air mail traffic increased eight per cent while air cargo was down 22 per cent. The cabin factor declined to 68.0 from 72.6 per cent. The overall load factor dropped to 75.7 from 79.6 per cent. The number of employees averaged 243.

### Linjeflyg AB

Linjeflyg carried 1 227 000 passengers during 1976—1977, about 8 000 fewer than in the previous year. Available ton-kilometers increased by five per cent to 92.2 million, while available seat-kilometers rose by eight per cent to 927.5 million. The load factor for the year dropped to 47.8 from 50.4 per cent. The cabin factor was 49.8 compared with 53.8 per cent the previous year. Employees averaged 1 022.

During the first seven months of the financial year, Linjeflyg traffic increased nine per cent. The growth pattern was severely affected by the conflicts on the Swedish labor market during May, 1977. Subsequently, the business recession held traffic back on last year's level through the end of the financial year.

At the end of the year, most Linjeflyg flights were operated by Fokker F-28 jetliners. The number of F-28s in the fleet increased from three to 11 during the year. Two more are on order, one each for delivery in November, 1977, and January, 1978.

With the increased utilization of F-28s, Linjeflyg began retiring its Metropolitan fleet. At the end of the financial year, the Metropolitans were primarily used for short-haul services and for mail and newspaper distribution flights.

Linjeflyg also continued to lease Twin Otters with crews from Swedair AB for some short-haul traffic. Swedair is owned 50 per cent by the Swedish government, and 25 per cent each by ABA and Linjeflyg.

According to a government ruling Linjeflyg will temporarily move operations to Arlanda Airport on January 1, 1979, while certain improvements are made to Bromma Airport, hub of the Linjeflyg network.

### Scanair

Scanair is the Scandinavian charter consortium owned by the three parent companies of SAS. During the 1976—1977 financial year, Scanair carried 986 000 one-way inclusive tour passengers, an increase of 43 per cent from 692 000 the previous year. The number of passengers to and from Spain rose to 419 000 from 259 000 while passengers to and from Great Britain increased to 116 000 from 40 000.

With an operating revenue of MSKR 343.4, up 43 per cent, Scanair earned a pre-tax profit of MSKR 7.1 against MSKR 2.5 last year.

The Scanair fleet during the year included two DC-8-55s, one

DC-8-62, and three Boeing 727-100s, the latter owned and operated by Transair. In addition, Scanair wet-leased Boeing 747-B, DC-8 and DC-9 capacity from SAS and F-28 capacity from Linjeflyg, mainly for weekend traffic. A second DC-8-62 was purchased in October, 1977. Scanair had an average of 193 employees during the year. This figure does not include flight-deck crews for the Scanair-owned aircraft. Such crews are put at Scanair's disposal by SAS.

### Thai Airways International Ltd.

In 1976—1977, THAI International carried 1 320 800 passengers, slightly more than last year. Production in available ton-kilometers rose 3.8 per cent while traffic in terms of revenue ton-kilometers increased 4.6 per cent. The year's load factor climbed 0.4 points to 59.6 per cent, but the cabin factor noted a slight decline, 0.7 points, to 59.9 per cent.

THAI International's fleet during the year included two DC-10s, six DC-8-33s, three DC-8-63s and two DC-8-61s. The network spanned 31 cities in 26 countries. Employees totaled 5 096 at the end of the year.

In accordance with a previous agreement, SAS's minority shareholdings in THAI International were transferred to Thai Airways Company (TAC) as of March 31, 1977. Cooperation between THAI International and SAS will continue, however, under terms of a new mutual assistance agreement valid through March 31, 1982.

### Widerøe's Flyveselskap A/S

Widerøe served 34 points on its network of local and feeder services along the Norwegian coast during the 1976 calendar year. The fleet consisted of 10 Twin Otter aircraft. The number of passengers carried was 310 000, an increase of 25 per cent. Employees averaged 205.

In 1977, one more Twin Otter aircraft was delivered and a 12th Twin Otter was ordered for delivery in 1978.

Widerøe holds options for four DHC-7 aircraft. The DHC-7, seating 50 passengers, has the same operational capability as the 20-seat Twin Otters and can, consequently, be used at all airports currently being served by Twin Otters.

### Polygon Insurance Company Ltd.

Polygon, owned equally by KLM, SAS and Swissair, commenced operations on October 1, 1975.

The main objectives of Polygon are to participate in insurances of KLM, SAS and Swissair and their associated companies, and to underwrite an account of worldwide aviation insurance and reinsurance business. The company had a satisfactory start and will continue its policy of controlled growth, with the aim of maintaining a widely-based and balanced account.

### Hotel Scandinavia, Copenhagen

Hotel Scandinavia in Copenhagen showed an operating revenue during the 12 month period ending September 30, 1977, of MDKR 59.0, an increase of 11 per cent over the previous year. The occupancy rate of the 532-room hotel was 75 per cent, eight percentage points above the preceding 12 months period.

### Hotel Scandinavia, Oslo

Operating revenue for the Hotel Scandinavia in Oslo amounted to MNKR 81.4 in the financial year 1976—1977, a 28 per cent increase compared to the year before. The hotel, which has 476 rooms, had an occupancy rate of 87 per cent, up six percentage points from 1975—1976.



**Board of Directors**

Haldor Topsøe  
First Vice Chairman

Svend Horn

Deputies:

Helge Bech-Bruun  
J. L. Halck

Jens Chr. Hauge  
Chairman

Per M. Backe

Deputies:

Erik Brofoss  
Johan Horn

Curt Nicolin  
Second Vice Chairman

Krister Wickman

Deputies:

Peter Wallenberg  
Nils H. Hörjel

**Employee Representatives**

Orla Mathiesen

Deputies:

Max Mejer  
Peter O. Fliegel

Stein Slettum

Deputies:

Ingvar Lilletun  
Per Bjølseth

Nils-Olof Sjögren

Deputies:

Rune Löfdahl  
Nils Lindman

**Assembly of Representatives**

Mogens Pagh  
Chairman

Helge Bech-Bruun  
K. Bredahl  
Count Flemming af Rosenborg  
J.L. Halck  
Gustav Holmberg  
Svend Horn  
Hans Muus  
Otto Mørch  
Haldor Topsøe

Johan Horn  
Second Vice Chairman

Nils J. Astrup  
Per M. Backe  
Erik Brofoss  
Guttorm Hansen  
Jens Chr. Hauge  
Håkon Kyllingmark  
Sigurd Lorentzen  
Johan Nerdrum  
Fred. Olsen  
Niels Werring Jr.  
  
Deputies:  
Halvdan Bjørum  
Kåre Ellingsgård  
Rolf Heilemann  
Arnljot Strømme Svendsen

Per A. Norlin  
First Vice Chairman

Bengt Furbäck  
Nils-Olov Hasslev  
Tryggve Holm  
Nils H. Hörjel  
Leif Janson  
A. Ax:son Johnson  
Carl-Wilhelm Lothigius  
Sven Mellqvist  
Curt Nicolin  
Lars Peterson  
Jan Wallander  
M. Wallenberg  
Krister Wickman  
  
Deputies:  
Gösta Gunnarsson  
Björn Lundvall  
Ove Rainer  
Kristian von Sydow  
Peter Wallenberg  
Rolf Wirtén

**Employee Representatives**

Orla Mathiesen  
Max Mejer  
Peter O. Fliegel

Deputies:

Niels Erik Hansen  
John Harpsö Olsen

Ingvar Lilletun  
Stein Slettum  
Per Bjølseth

Deputies:

Olav Grønscar  
Per Heimdal

Nils-Olof Sjögren  
Rune Löfdahl  
Nils Lindman

Deputies:

Kent Andersson  
Henrik Arosenius  
Kent Johanneson

**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*