



ANNUAL REPORT 1978~79



SCANDINAVIAN AIRLINES SYSTEM

Scandinavian Airlines System (SAS) is the designated air carrier of Denmark, Norway and Sweden. SAS is a consortium owned 2/7 by Det Danske Luftfartselskab A/S, Denmark, 2/7 by Det Norske Luftfartselskap A/S, Norway, and 3/7 by AB Aerotransport, Sweden. Each is a corporation, the shares of which are owned 50 per cent by private interests and 50 per cent by government. The SAS Group consists of the SAS Consortium and its subsidiaries.



SCANDINAVIAN AIRLINES SYSTEM
ANNUAL REPORT 1978~79

Index

Highlights	3
Report by the Board and the President	4—12
Comparative Statistics 1969/70—1978/79	13
Profit and Loss Statements	14
Balance Sheets	15—16
Notes to Financial Statements	17—21
Funds Statements	22
Auditors' Report	23
Investments in Flight Equipment	23
Network Maps	24—25
Aircraft Fleet	26
Subsidiary Companies	27—30
Affiliated Companies	30—31
Board of Directors	32
Assembly of Representatives	32
Management	32

Highlights

		1978/79	1977/78	Change
SAS Consortium				
Available Ton-Kms, total	(mill.)	2 528.3	2 515.7	+ 1 %
Available Ton-Kms, scheduled services	(mill.)	2 483.5	2 453.7	+ 1 %
Revenue Ton-Kms, scheduled services	(mill.)	1 435.1	1 367.3	+ 5 %
Total Load Factor, scheduled services	(%)	57.8	55.7	+ 2.1 points
Available Seat-Kms, scheduled services	(mill.)	18 216	17 654	+ 3 %
Revenue Passenger-Kms, scheduled services	(mill.)	10 908	9 959	+10 %
Passenger Load Factor, scheduled services	(%)	59.9	56.4	+ 3.5 points
Number of Passengers Carried, total	(000)	8 669	7 886	+10 %
Revenue Freight Ton-Kms, scheduled services	(mill.)	425.2	439.5	- 3 %
Traffic Revenue	(MSKR)	5 364.9	4 770.1	+12 %
Total Operating Revenue	(MSKR)	6 209.0	5 582.1	+11 %
Depreciation	(MSKR)	317.0	312.8	
Profit before Income Taxes payable by Parent Companies	(MSKR)	109.2	94.1	
Average Number of Employees		16 755	16 010	
SAS Group				
Total Operating Revenue	(MSKR)	8 065.7	7 049.7	+ 14 %
Depreciation	(MSKR)	359.5	346.9	
Consolidated Profit before Allocations and Income taxes	(MSKR)	147.6	126.7	
Average Number of Employees		23 758	21 874	

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*).

Total 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.



Report by the Board and the President

General Review

The SAS Group recorded a consolidated profit of 147.6 million Swedish crowns (MSKR) before allocations and income taxes for the financial year ending September 30, 1979 (126.7 MSKR last year).

The SAS Consortium's profit was 109.2 (94.1) MSKR before allocations and income taxes. The accounts of the SAS Consortium do not contain provisions for corporate income taxes due in Denmark, Norway and Sweden. These taxes are paid by the three parent companies in their respective countries.

The Board of Directors submits to the Assembly of Representatives that 98.0 MSKR of the Consortium's 1978-1979 profit of 109.2 MSKR be distributed to the parent companies, and that the remainder, 11.2 MSKR, be added to the capital of the Consortium.

The SAS Group earned 98.2 (100.0) MSKR from current activities. The sale of equipment and other assets, net of extraordinary items, accounted for 49.4 (26.7) MSKR.

The SAS Group's total operating revenue amounted to 8,066 (7,050) MSKR. Total operating expenses, excluding depreciation, were 7,551 (6,437) MSKR. Depreciation charges amounted to 360 (347) MSKR, including 317 (313) MSKR for the Consortium.

SAS production showed a modest one per cent increase, while system-wide traffic growth was five per cent. As a result, the total load factor rose 2.1 points, to 57.8 per cent. The cabin factor was 59.9 per cent, 3.5 points over last year.

1978-1979 was SAS's 17th consecutive year of profitable operation, but the profit is still insufficient to satisfy the requirements for adequate return on capital and consolidation.

The operating profit of the Consortium actually declined due to a number of difficulties encountered during the year. However, this was compensated by an improvement in the financial items and increased sale of equipment.

In addition to the continuous pressure of inflation, SAS and the rest of the airline industry were faced with a fuel crisis in 1979, with steeply rising fuel prices after relative stability since 1974. Fuel shortages are also developing into a problem in some regions.

The air political situation during the year has hampered the effectiveness of international cooperation in establishing fares and rates. Having embarked on deregulation at home, the U.S. authorities went on to challenge the rate-making practices of the entire airline industry. Their principal targets were the ma-



The 242-passenger SAS Airbus, ready for operation on high-density European routes in early 1980.

chinery and organization of IATA, which is a cornerstone of international air transport cooperation. Deregulation initiatives are also being discussed within the EEC.

The sizable increase of the SAS cabin factor during the year reflects the growing impact of new pricing programs designed to stimulate air transport and to improve the utilization of existing capacity through differentiation of fares, rates and services. SAS Mini Fares have attracted new categories of passengers and improved the profit by increasing the actual revenue earned per flight.

It should be borne in mind, however, that Mini Fares as such do not fully compensate for total costs, but are justifiable – on a marginal basis – to the extent that they fill up capacity which would otherwise depart unsold.

Services for full-fare economy class passengers have been enhanced by the introduction of Business Class on a number of intercontinental routes operated by wide-body aircraft, as of November 1, 1979.

Cargo services have been improved as well. Facilities for express shipments have been introduced. Many cargo rates have been reduced on North Atlantic and Far East routes. Similar to the Mini Fare program for passengers, cargo rate differentiation stimulates traffic in off-

peak periods and provides shippers with a wider selection of service alternatives.

A comprehensive modernization program, involving large investments, was initiated at the Copenhagen Air Cargo Center during the year. The Center is the hub of the SAS cargo network and the fifth largest air cargo terminal in Europe.

SAS also continued its fleet modernization program, concentrating on the acquisition of larger, more fuel-efficient jetliners. A 747 Combi was delivered during the year, and two more 747s were ordered. Orders for the A300 Airbus, to be used on high-density short- and medium-range routes, were doubled, to four.

Ahead is a climate of new fuel price increases and fuel shortages, continued general inflation and mounting difficulties to obtain fares and rates which adequately compensate for rising costs.

Thus, an array of new challenges and changed operating conditions are facing the airline industry. Apart from continuously modernizing the world's air transport system, the airline industry will have to adjust many of its policies and procedures – including such matters as routings, standards of utilization, cooperation between carriers, and procurement of aircraft – to new realities.

The Fleet

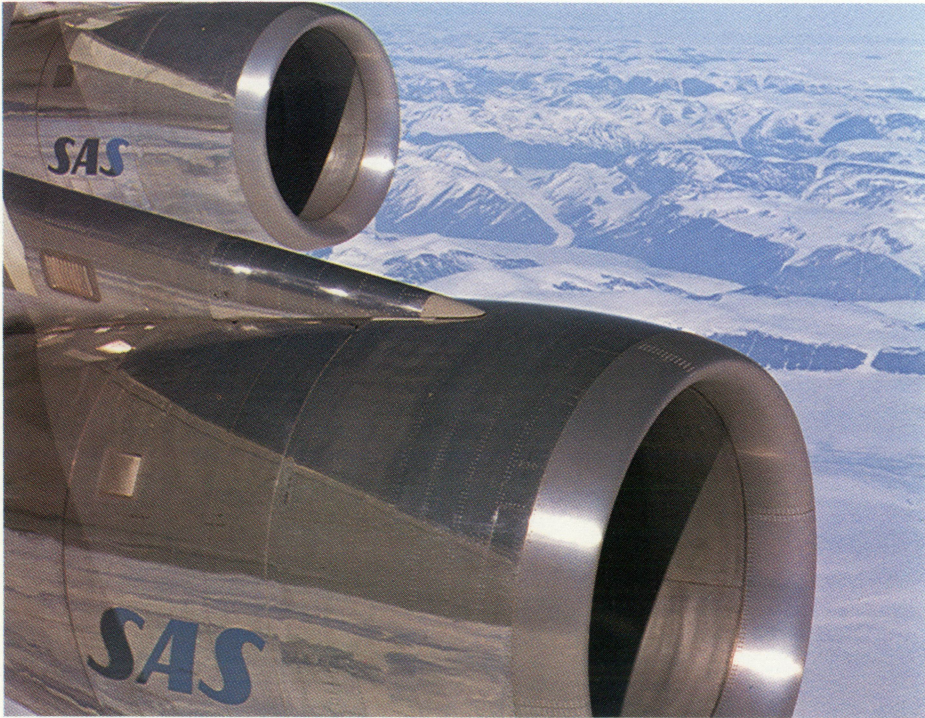
The SAS Group had a fleet of 81 jetliners as of September 30, 1979.

During the year, SAS received its second Boeing 747 Combi. It was delivered in February of 1979 and was used to boost passenger and cargo capacity on routes serving Chicago, Seattle and Los Angeles. SAS also took delivery of its last four DC-9-41s on order. The acquisitions brought the SAS DC-9 fleet to 60, the largest outside the U.S.

SAS announced orders for two more 747s during the year. One, a 747 Combi, will be delivered in December, 1980. The other, an all-passenger 747, is due for delivery at the end of 1981. SAS also took options on five more 747s. The 747 order is part of SAS's continuous fleet modernization program. Two older wide-cabin jetliners will be sold when the new 747s are received.

The 747 Combi is a flexible jetliner particularly well-suited for the highly seasonal passenger and cargo fluctuations which characterize SAS's intercontinental routes. During the winter season the Combi seats 209 passengers and carries more than 50 tons of cargo. In its summer configuration the Combi seats 279 and carries over 30 tons of cargo.

SAS has ordered its third and fourth Airbuses, worth about \$30



A 747 over Greenland, on the SAS Polar route which was 25 years old in November, 1979.

million each. These will be delivered in November of 1980 and March of 1981, respectively. Options are held for another eight Airbuses. The fuel efficient SAS Airbus version has been designed especially for SAS's operational requirements and is the first with Pratt & Whitney engines.

After an extensive test and certification program, the first two 242-seat SAS Airbuses will be delivered in early 1980 and introduced on intra-Scandinavian and European scheduled services, starting in February, 1980.

SAS sold its two DC-8 freighters since intercontinental cargo de-

mand could be accommodated in a more economic way by utilizing the large cargo-carrying capacity of SAS's wide-body fleet.

The Network

SAS served 102 cities in 50 countries during the year.

A 747 route was inaugurated between Stockholm, Oslo and New York in November of 1978. A third weekly flight was added to Singapore, and second weekly services were introduced to Buenos Aires and to Jeddah.

In Europe, SAS inaugurated its first international service from west-

Aircraft	Delivered as of Sept. 30. 1979	On order for delivery during		
		1979/80	1980/81	1981/82
Boeing 747	4 ¹⁾		1 ²⁾	1
Douglas DC-10-30	5			
Airbus A300B2		2	2	
Douglas DC-8-63	5			
Douglas DC-8-62	3 ³⁾			
Boeing 727-100	4 ⁴⁾			
Douglas DC-9-41	49			
Douglas DC-9-33AF	2			
Douglas DC-9-21	9			
	81	2	3	1

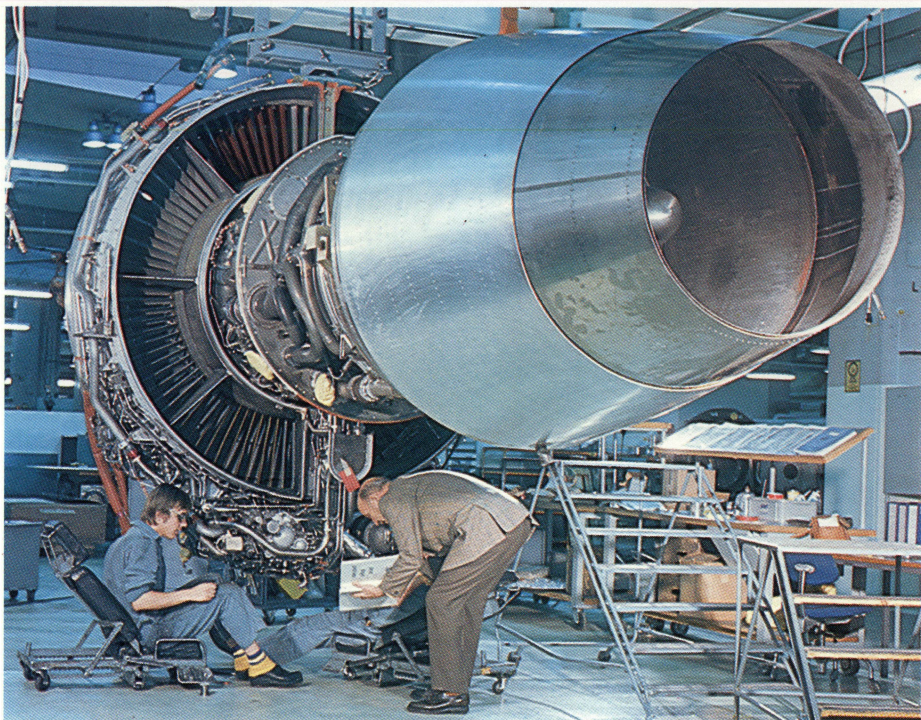
¹⁾ Whereof 2 combined passenger/cargo version

²⁾ Combined passenger/cargo version

³⁾ Whereof 1 combined version (CF)

⁴⁾ Owned by Transair Sweden AB, a wholly-owned subsidiary, and leased to Scanair

A Pratt & Whitney JT9D-70A engine, used on the 747 Combi, on overhaul at the Stockholm-Linta maintenance base.



ern Denmark. The route links Aarhus with London's Gatwick Airport. SAS also moved a daily Copenhagen-London service from Heathrow to Gatwick under the terms of a new U.K.-Scandinavia air agreement.

SAS increased service to Brussels and introduced non-stop service from Amsterdam to Stockholm. Gothenburg received two new daily non-stop services, one each to Zurich and Frankfurt. Service to Dublin was resumed.

In Scandinavia, SAS maintained for the first time year-round service to Iceland and to the southern Greenland airport of Narsarsuak. SAS opened a new intra-Nordic route linking towns in northernmost Norway, Sweden and Finland. The route runs from Tromsø, Norway, to Kiruna and Luleå, Sweden, and on across the Gulf of Bothnia to Oulu in Finland. The latter sector is flown in cooperation with the Finnish flag carrier.

Plans for the winter 1979-1980 season called for introduction of the DC-10 on the twice-weekly South American route. It is the first wide-cabin service between Scandinavia and the South American cities of Rio de Janeiro, Sao Paulo, Montevideo and Buenos Aires.

SAS also introduced the first wintertime non-stop services, by 747

Combi, on the Polar route between Copenhagen and Los Angeles.

SAS noted the 25th anniversary of Polar route services to Los Angeles in November of 1979. The route was a major milestone in commercial navigation when it was developed and opened by SAS. Thus far, some 1.5 million passengers and 53,000 tons of cargo and mail have flown the SAS Polar route to the U.S. West Coast, with half the total traffic being carried in the last five years alone.

By February of 1980 the SAS Airbus will be in service on European sectors. The wide-cabin, medium-range aircraft will initially operate the high-density route between Copenhagen and London, and morning and evening services between Copenhagen and both Stockholm and Oslo. By April, 1980 the Airbus will also be in service to Paris and Madrid.

Production and Traffic

As noted in the table on page 8, intercontinental production was down almost three per cent. Such factors as changes in fleet composition and fuel shortages accounted for part of the decline, but the primary reason was the temporary grounding of the DC-10.

The lost DC-10 production was

partly compensated for by increasing the utilization of the 747 and DC-8 fleets.

The sizable increase in the Europe-Middle East production figure reflects primarily a 33 per cent expansion of capacity on Middle East routes. The response was a 29 per cent increase in Middle East traffic.

The European traffic increase was partly due to expansion of Mini Fare programs to a number of points. The substantial domestic traffic increase also reflects the favorable response to low-fare programs.

The highest load factors for the year were recorded on the following routes: Far East, 64.9 per cent; North America, 63.6 per cent, and South America, 62.8 per cent.

Passenger Traffic

SAS carried 8,669,000 passengers during the financial year. This is a gain of 783,000, or of 10 per cent - equal to the growth in systemwide revenue-passenger kilometers.

The systemwide cabin factor was 59.9 per cent - an improvement of 3.5 points, and the largest increase in a decade.

Highest intercontinental cabin factors were recorded on the Trans-Siberian Express, 71.4 per cent; New York routes, 70.1 per cent, and North American services



The Copenhagen Air Cargo Center, Europe's fifth largest air freight terminal, has been extensively modernized.

as a whole, 65.6 per cent. The high North American cabin factor is mainly due to the expansion of Mini Fare programs.

In Europe the highest cabin factor was on the United Kingdom route network, 65.7 per cent, partly attributed to Mini Fares.

Mini Fare and other low-fare concepts, designed to encourage off-peak travel, contributed significantly to the sharp increase in domestic passenger traffic.

Cargo and Mail Traffic

SAS cargo traffic was down three per cent systemwide. This should be weighed against the capacity situation during the year and should be compared with the unusually high growth rate of 18 per cent for the 1977-1978 financial year when the introduction of the 747 Combi and the expansion of DC-10 services

boosted cargo traffic. Considerable traffic was also diverted to the airlines as a result of the U.S. East Coast harbour strike in late 1977.

Thus, over the two-year period, SAS cargo traffic growth is on a par with overall industry trends.

Domestic cargo traffic rose 15 per cent, with a 26 per cent rise on Danish routes alone. Growth was boosted by an unusually severe winter which disrupted domestic rail and sea transport.

Close to the cargo traffic trend, SAS mail traffic dropped four per cent in the year.

Air-Political Developments

The most significant air-political developments of the year were linked to U.S. efforts to deregulate the international scheduled airline industry.

Scheduled Services Last year's figures in brackets	Available Ton-Kms			Revenue Ton-Kms			Load Factor %
	Mill.	Change %	Share %	Mill.	Change %	Share %	
Intercontinental Routes	1 461 (1 502)	-2.7	58.8	917 (899)	+ 1.9	63.9	62.8 (59.9)
Europe, Middle East and Inter-Scandinavian Routes	753 (696)	+8.2	30.3	360 (329)	+ 9.7	25.1	47.9 (47.2)
Domestic Routes	270 (256)	+5.4	10.9	158 (139)	+13.5	11.0	58.5 (54.3)
Total Network	2 484 (2 454)	+1.2	100.0	1 435 (1 367)	+ 5.0	100.0	57.8 (55.7)



SAS ticket offices are being modernized. Aalborg was first with the new decor.

These developments resulted in increased reliance on unilateral or bilateral policies covering pricing and scheduling, and a de-emphasis of the multilateral tariff coordination role of IATA.

The new U.S. air transport policy is partly based on domestic political considerations. Objectives of the policy include the elimination of regulations on fares and rates, charters, market entry and capacity.

The U.S. has subsequently applied this policy in its international relations as well, gaining the bilateral acceptance of about a dozen countries, including three in Europe. The consequences, including the confusion caused by the lack of major agreements on fares and rates, have also meant serious repercussions for SAS.

In 1978, the U.S. CAB launched a special proceeding – a "show cause order" – against IATA. The proceedings continued until the end of 1979. In its tentative findings, the CAB asserted that IATA traffic conference resolutions were no longer in the U.S. public interest. The CAB order also threatened to disapprove of the IATA resolutions and withdraw anti-trust immunity which the airline industry has had for more than 30 years.

In the wake of vigorous opposition from the international airline

Intercontinental Traffic

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	3 741 (3 494)	+ 7	251.8 (259.9)	- 3	11.5 (13.2)	-13	63.6 (61.6)	65.6 (60.9)
Other Intercontinental Routes	2 162 (1 981)	+ 9	101.9 (113.3)	-10	11.9 (13.0)	- 8	61.3 (56.9)	57.9 (52.8)
Total Intercontinental Traffic	5 903 (5 475)	+ 8	353.7 (373.2)	- 5	23.4 (26.2)	-11	62.8 (59.9)	62.6 (57.7)

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

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	404 (320)	+26	7.9 (5.3)	+50	1.6 (1.6)	+ 1	45.6 (47.0)	48.8 (50.7)
European Routes	2 034 (1 822)	+12	41.3 (39.3)	+ 5	7.3 (6.9)	+ 5	49.3 (47.9)	55.5 (53.5)
Inter-Scandinavian Routes	913 (889)	+ 3	13.5 (14.1)	- 4	2.9 (2.8)	+ 3	45.9 (46.0)	53.6 (53.1)
Total Europe, Middle East and Inter-Scandinavian Traffic	3 351 (3 031)	+11	62.8 (58.7)	+ 7	11.8 (11.3)	+ 4	47.9 (47.2)	54.1 (53.1)

Scandinavian Domestic Traffic

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	394 (348)	+13	1.9 (1.5)	+26	2.3 (2.1)	+ 8	59.7 (57.9)	65.8 (64.2)
Norway	740 (679)	+ 9	4.7 (4.3)	+ 9	3.9 (3.7)	+ 6	57.5 (54.4)	60.9 (57.8)
Sweden	520 (426)	+22	2.2 (1.8)	+19	2.0 (1.8)	+10	59.0 (51.4)	67.3 (58.2)
Total Domestic Traffic	1 654 (1 453)	+14	8.8 (7.6)	+15	8.2 (7.6)	+ 7	58.5 (54.3)	64.0 (59.3)



Wide-cabin DC-10 services began on SAS's South American routes in November, 1979.

community and at least 40 governments, the CAB finally rescinded its show-cause order in December of 1979. At the same time, however, the CAB revoked the antitrust immunity allowing U.S. carriers to participate in IATA ratemaking between the U.S. and Europe. The CAB said it would continue to approve most other IATA activities while monitoring them for the next two years.

Thus, the CAB has essentially retained its initial commitment to establish an international free market (the "open skies" policy) through unilateral actions and bilateral agreements.

For its part, IATA has modified its unanimity rule for fares and rates agreements, revised its organization and membership structure, and provided for flexible agreements to facilitate innovative fares – such as the SAS Mini Fares.

Several initiatives taken within the EEC with regard to deregulation of market entry and price structure have for some time been the subject of discussion by EEC organs and member states.

Apart from the political and economic aspects of deregulation, SAS believes that the capacity of airports and air corridors plus fuel supply are important factors to be considered. In short, international growth pros-

pects might be much more limited than advocates of deregulation assume.

During the year the Scandinavian authorities have been re-evaluating charter policies with a special view toward liberalizing cargo charter regulations covering destinations not served by SAS. Such moves would deviate traffic from SAS's international scheduled services and pose a threat to the viability of the services SAS is obliged to provide.

Among other air-political developments, the governments of Brazil, Uruguay and Argentina granted SAS permission to introduce the wide-body DC-10 on South American services. The government of India liberalized capacity restrictions for SAS at Delhi.

SAS and the Scandinavian authorities continued their protracted attempt to gain permission to serve Toronto. The matter is subject to further government-level negotiations in 1980.

Fares and Rates

During the year SAS developed additional fares and rates concepts to attract new customer categories with low price levels, thereby improving utilization of flights with low load factors.

Following the introduction of Mini Fares last year on domestic,

The first SAS airliner to China carried Queen Margrethe of Denmark on a state visit which began in Peking.



U.K. and New York markets, SAS this year expanded them within Scandinavia, to Finland, and to more U.S. gateways. They were also extended to Paris routes as of November, 1979, and are planned to several other European points in 1980.

Also, special youth fares were offered to several European countries during the summer of 1979, and new cargo discounts were introduced on U.S. and Far East routes.

Nevertheless, the general fares and rates levels have been forced upwards during the year by the industry's need to compensate for the high increases in fuel prices.

A first worldwide IATA fuel emergency conference agreed that fares and rates should be increased 5-7 per cent as of May 1, 1979. These increases were based on fuel price forecasts for the summer of 1979, and were later found to be inadequate in relation to the actual development of fuel prices.

In July, a second IATA fuel conference agreed that price increases ranging from nine to 15 per cent were required as of September 1, 1979. A review of fuel price developments was made at a third IATA conference in October of 1979. Updated fuel price forecasts were considered, and new tariff adjustments were recommended for certain route sectors from January 1, 1980.

Although these conferences act against a background of urgency, the IATA conference machinery is not designed to respond to sudden cost increases of the nature encountered in 1979. Therefore, IATA is considering a semi-automatic procedure for adjusting to changes in fuel costs without resorting to special conferences. If adopted, and if approved by the governments, the procedure would reduce delays in obtaining compensation.

During the year, the member airlines of IATA finalized plans to revise the provisions of the IATA conferences to allow for increased individual freedom for its members, and for less-detailed regulations.

Effective from October 1, 1979, these new provisions include an option for IATA members to stay out of tariff-coordinating conferences entirely, and consequently not be bound by any fare or rate agreements the IATA conferences may reach. Nearly all U.S. airlines have withdrawn from the conferences, but almost all other members have decided to remain and abide by the multilateral decisions.

It is still too early to judge what effect the new IATA provisions will have on the tariff machinery, in a technical sense, and on the tariff structures that will be offered on the market.

SAS is, however, convinced that IATA's multilateral machinery for negotiations and coordination of all international fares and rates is a necessity for the scheduled airline industry.

At the same time, SAS believes that the new provisions will expand the possibilities for further innovations to adapt fares and rates for the particular needs of the passenger and cargo markets to and from Scandinavia.

Subsidiaries and Affiliates

The subsidiaries as a whole had another year of expansion, growth in operating revenue and improved results.

The year included a number of developments in the hotel field. SAS Catering & Hotels acquired eight more hotels, bringing the number of SAS affiliated hotels to 19.

In March, 1979, SAS Catering purchased the majority interest in the Park Avenue Hotel in Gothenburg. The leading hotel in the western Swedish port city, the Park Avenue has 320 rooms and includes some of the city's most prominent restaurant and night club facilities. With the purchase of the Park Avenue, SAS has dropped its evaluation of a new, major hotel project in Gothenburg and will instead examine plans to expand the Park Avenue.

	SAS Consortium								Subsidiaries		SAS Group	
	Flight-deck Personnel		Cabin Personnel		Other Personnel		Total		1978/79	1977/78	1978/79	1977/78
	1978/79	1977/78	1978/79	1977/78	1978/79	1977/78	1978/79	1977/78				
Denmark	373	363	777	703	4 606	4 338	5 756	5 404	1 376	1 319	7 132	6 723
Norway	346	339	587	560	2 301	2 170	3 234	3 069	1 843	1 439	5 077	4 508
Sweden	510	502	819	774	4 187	4 049	5 516	5 325	2 227	1 717	7 743	7 042
Abroad	—	—	26	26	2 223	2 186	2 249	2 212	1 557	1 389	3 806	3 601
Total	1 229	1 204	2 209	2 063	13 317	12 743	16 755	16 010	7 003	5 864	23 758	21 874

In the summer of 1979, SAS Catering & Hotels also acquired A/S Nord Norsk Hotell drift, a chain of seven hotels with 442 rooms in North Norway. SAS Catering will realize the hotels' expansion plans, and will include the chain in SAS's worldwide promotion of Scandinavian tourism.

A first class SAS hotel with 250 rooms is under construction in Bergen and will be opened in 1981. The Kuwait SAS Hotel, first in the SAS chain outside Scandinavia, is nearing completion and will open in April, 1980.

The hotels in Bergen and Kuwait are owned by local interests and will be operated by SAS Catering under management contracts.

A detailed report on SAS subsidiary and affiliate companies follows this report as an appendix.

Personnel

The personnel of the SAS Group averaged 23,758 during the 1978-1979 financial year. The figure includes 16,755 employed by the SAS Consortium, as against 16,010 last year. The increase within the Consortium was mainly in the station service, cabin attendant and cargo handling categories.

The SAS Board and President wish to take this opportunity to pay tribute to the SAS personnel for its loyalty and ability in coping with the year's challenges and in contributing to the year's results.

Copenhagen, Oslo and Stockholm, January 15, 1980

Curt Nicolin	Jens Chr. Hauge	Haldor Topsøe
Krister Wickman	Per M. Backe	J.L. Halck
Inge Johannesson	Ingvar Lilletun	Orla Mathiesen
Carl-Olov Munkberg President		

Comparative Statistics 1969/70 — 1978/79

Production, Traffic and Personnel (SAS Consortium)		78/79	77/78	76/77	75/76	74/75	73/74	72/73	71/72	70/71	69/70
Size of Network	(km 000)	264	264	264	274	262	258	245	243	224	205
Number of Cities Served		102	98	98	102	97	96	97	94	96	92
Kilometers Flown, scheduled services	(mill.)	124.3	122.8	116.7	114.7	113.8	114.0	118.4	109.9	107.0	101.7
Hours Flown (airborne), total	(000)	185.7	182.6	175.9	175.2	174.7	176.5	183.4	172.8	172.4	162.6
Available Ton-Kms, total	(mill.)	2 528.3	2 515.7	2 311.6	2 190.4	2 055.5	1 863.5	1 931.6	1 745.6	1 546.0	1 431.5
Available Ton-Kms, scheduled services		2 483.5	2 453.7	2 239.6	2 119.8	1 997.5	1 814.9	1 822.5	1 664.1	1 480.8	1 371.7
Available Ton-Kms, non-sched. services		44.8	62.0	72.0	70.6	58.0	48.6	109.1	81.5	65.2	59.8
Revenue Ton-Kms, scheduled services	(mill.)	1 435.1	1 367.3	1 215.6	1 131.3	1 047.7	1 024.0	958.8	857.0	738.5	710.1
Passenger and Excess Baggage		966.6	882.7	803.4	756.7	692.2	662.9	645.3	558.6	493.4	469.3
Freight		425.2	439.5	372.6	335.5	318.1	325.4	280.2	267.5	215.8	213.4
Mail		43.3	45.1	39.6	39.1	37.4	35.7	33.3	30.9	29.3	27.4
Total Load Factor, scheduled services	(%)	57.8	55.7	54.3	53.4	52.5	56.4	52.6	51.5	49.9	51.8
Number of Passengers Carried, total	(000)	8 669	7 886	7 469	7 125	6 636	6 325	6 242	5 826	5 688	5 058
Revenue Passenger-Kms, sched. services	(mill.)	10 908	9 959	9 060	8 534	7 814	7 477	7 275	6 305	5 584	5 297
Passenger Load Factor, scheduled services	(%)	59.9	56.4	54.9	53.5	52.6	54.0	51.4	49.8	49.0	50.3
Average Passenger Trip Length, sched.	(kms)	1 272	1 279	1 232	1 212	1 193	1 197	1 192	1 102	997	1 061
Traffic Revenue/Revenue Ton-Km	(SKR)	3.57	3.34	3.00	2.91	2.75	2.42	2.12	2.07	2.18	2.06
Airline Operating Expenses/Available Ton-Km (including depreciation)	(SKR)	2.11	1.80	1.61	1.51	1.39	1.31	1.04	1.02	1.03	1.00
Average Number of Employees		16 755	16 010	15 401	14 984	14 957	15 072	14 801	14 598	14 561	14 445
Available Ton-Kms/Employee, sched. services		148 200	153 300	145 400	141 500	133 500	120 200	121 800	113 200	101 300	95 000
Revenue Ton-Kms/Employee, sched. services		85 700	85 400	78 900	75 500	70 000	67 800	64 100	58 300	50 500	49 200
Revenue Pass-Kms/Employee, sched. services		651 000	622 100	588 300	569 500	522 400	496 100	491 500	431 900	383 500	366 700

Selected Financial Data (SAS Group)		(MSKR)	78/79	77/78	76/77	75/76	74/75	73/74	72/73	71/72	70/71	69/70
Traffic Revenue			5 544.7	4 910.4	3 830.5	3 354.1	2 918.2	2 479.6	2 057.2	1 798.1	1 621.8	1 478.9
Other Revenue			2 521.0	2 139.3	1 807.4	1 452.9	1 176.7	1 120.1	1 005.1	814.0	630.1	446.6
Operating Revenue, total			8 065.7	7 049.7	5 637.9	4 807.0	4 094.9	3 599.7	3 062.3	2 612.1	2 251.9	1 925.5
Operating Expenses excl. Depreciation			7 551.2	6 436.5	5 174.8	4 425.0	3 727.0	3 276.7	2 706.3	2 332.2	1 987.5	1 674.9
Depreciation			359.5	346.9	324.9	294.3	283.9	231.9	226.2	201.7	174.2	167.9
Operating Result after Depreciation			+ 155.0	+ 266.3	+ 138.2	+ 87.7	+ 84.0	+ 91.1	+ 129.8	+ 78.2	+ 90.2	+ 82.7
Financial Items (net)			- 56.8	- 166.3	- 82.3	- 52.4	- 50.3	- 44.8	- 63.7	- 52.3	- 47.1	- 45.7
Other Items (net)			+ 49.4	+ 26.7	+ 34.9	+ 13.1	+ 38.7	+ 31.2	+ 19.2	+ 11.4	+ 29.3	+ 52.3
Profit before Allocations and Income Taxes			147.6	126.7	90.8	48.4	72.4	77.5	85.3	37.3	72.4	89.3
Balance Sheet (total)			5 629.5	5 315.3	4 694.1	3 849.6	3 694.8	3 460.4	2 998.4	2 791.7	2 528.8	2 262.2
Current Assets			2 473.1	2 491.0	2 268.2	1 584.3	1 498.1	1 316.4	1 190.8	1 027.7	805.6	749.2
Fixed Assets			3 153.9	2 821.7	2 425.9	2 265.3	2 196.7	2 144.0	1 807.6	1 764.0	1 723.2	1 513.0
Current Liabilities			2 320.8	2 085.6	2 004.4	1 531.1	1 317.1	1 191.9	1 003.2	926.7	870.1	711.6
Non-Current Liabilities			1 927.4	1 979.4	1 748.4	1 370.0	1 428.7	1 312.6	1 024.8	1 056.4	971.5	890.4
Equity including Profit of the Year			989.7	948.7	896.6	857.6	857.6	841.5	806.5	740.0	670.7	643.7

Note: Fixed Assets (book value): The changed accounting for accrued depreciation in the balance sheet of the Consortium (see Note 33 on page 20) has not been implemented retroactively beyond the year 1977/78. During the years 1969/70—1975/76 only wholly-owned subsidiaries were consolidated with the SAS Consortium.

Profit and Loss Statements

October 1, 1978—September 30, 1979

In millions of Swedish Crowns

	SAS Group (Consolidated)		SAS Consortium	
	1978/79	1977/78	1978/79	1977/78
Traffic revenue (Note 1)	5 544.7	4 910.4	5 364.9	4 770.1
Other revenue (Note 2)	2 521.0	2 139.3	844.1	812.0
Operating Revenue	8 065.7	7 049.7	6 209.0	5 582.1
Operating Expenses (Note 3)	7 551.2	6 436.5	5 793.1	5 059.1
Operating Result before Depreciation	+ 514.5	+ 613.2	+ 415.9	+ 523.0
Depreciation (Note 4)	359.5	346.9	317.0	312.8
Operating Result after Depreciation	+ 155.0	+ 266.3	+ 98.9	+ 210.2
Dividends from subsidiaries (Note 5)	—	—	6.6	5.1
Other dividends received	0.4	0.2	0.4	0.2
Other financial income (Note 6)	143.1	122.8	132.5	112.7
Financial expenses (Note 7)	- 200.3	- 289.3	- 177.0	- 263.2
Profit after Financial Income and Expenses	98.2	100.0	61.4	65.0
Gain on sales and retirement of equipment, etc. (net) (Note 8)	48.9	33.1	49.5	33.4
Extraordinary income	2.9	0.3	—	—
Extraordinary expenses (Note 9)	- 2.4	- 6.7	- 1.7	- 4.3
Profit before Allocations and Income Taxes (Note 10)	147.6	126.7	109.2	94.1
Allocations of subsidiaries (Note 11)	- 13.8	- 16.1	—	—
Profit before Income Taxes	133.8	110.6	—	—
Income taxes of subsidiaries (Note 12)	- 9.5	- 10.3	—	—
Profit after Income Taxes	124.3	100.3	—	—
Minority interests	- 0.1	+ 1.9	—	—
Profit	124.2	102.2	—	—

"Notes to Financial Statements" on pages 17—20 refer to the above Profit and Loss Statements.

Balance Sheets

September 30, 1979

In millions of Swedish Crowns

Assets	SAS Group (Consolidated)		SAS Consortium		Liabilities and Equity	SAS Group (Consolidated)		SAS Consortium	
	Sept. 30, 1979	Sept. 30, 1978	Sept. 30, 1979	Sept. 30, 1978		Sept. 30, 1979	Sept. 30, 1978	Sept. 30, 1979	Sept. 30, 1978
Current Assets					Current Liabilities				
Cash and bank balances including temporary cash investments (Note 13)	1 269.9	1 437.2	1 100.9	1 295.3	Accounts payable, subsidiaries	—	—	11.8	23.3
Accounts receivable, subsidiaries	—	—	53.6	54.2	Accounts payable, suppliers	376.6	318.2	257.3	249.2
Accounts receivable, parent companies	1.0	0.7	1.0	0.7	Taxes payable	11.2	15.9	—	—
Accounts receivable, customers (Note 14)	734.9	627.1	567.9	503.1	Accrued expenses and prepaid income	758.4	674.3	643.0	602.7
Prepaid expenses and accrued income	150.1	117.9	116.4	102.2	Current maturities of long-term debt	179.2	180.1	150.5	172.4
Taxes receivable	1.3	—	—	—	Accounts payable, other	232.9	202.3	148.7	130.7
Accounts receivable, other	158.4	156.4	130.0	141.2	Unearned transportation revenue (net) (Note 25)	688.5	634.2	688.5	634.2
Expendable spare parts and sundry stores (Note 15)	131.5	134.7	82.3	93.2	Prepayments from customers	74.0	60.6	14.8	13.3
Prepayments to suppliers	26.0	17.0	4.9	3.1	Total Current Liabilities	2 320.8	2 085.6	1 914.6	1 825.8
Total Current Assets	2 473.1	2 491.0	2 057.0	2 193.0	Non-Current Liabilities				
Blocked Funds					Loans from subsidiaries	—	—	0.2	0.2
For investment reserve (Note 16)	2.5	2.6	—	—	Subordinated debentures (Note 26)	36.7	56.1	36.7	56.1
Fixed Assets					Debenture loans (Note 27)	304.1	334.4	304.1	334.4
Shares and participations in subsidiaries (Note 17)	—	—	73.6	73.5	Mortgage loans (Note 28)	234.5	200.9	19.3	20.9
Other shares and participations (Note 17)	63.7	41.4	60.4	39.0	Other loans (Note 29)	1 244.0	1 295.5	1 168.4	1 247.1
Bonds	13.3	13.4	9.8	10.1	Other non-current liabilities (Note 30)	62.0	57.5	57.0	53.2
Long-term accounts receivable, subsidiaries	—	—	29.8	35.2	Provision for pension liabilities (Note 31)	46.1	35.0	—	—
Long-term accounts receivable, parent companies	2.9	3.0	2.9	3.0	Total Non-Current Liabilities	1 927.4	1 979.4	1 585.7	1 711.9
Long-term accounts receivable, other (Note 18)	180.3	134.6	156.0	121.1	Reserves				
Goodwill (Note 19)	6.7	5.8	3.0	4.5	Inventory reserve (Note 32)	34.2	33.7	32.6	32.6
Developmental costs	2.6	5.4	—	—	Depreciation reserve (Note 33)	239.0	242.7	239.0	242.7
Long-term prepayments to suppliers	90.6	127.4	90.6	127.4	Currency adjustment reserve (Note 34)	82.0	5.0	77.4	0.3
Discount, etc., on debenture loans (Note 20)	7.3	8.6	7.3	8.6	General investment reserve (Note 35)	13.2	9.2	—	—
Fixed assets in progress (Note 21)	47.8	7.0	10.4	1.0	District investment reserve, North Norway (Note 35)	19.8	12.4	—	—
Aircraft (Note 22)					Total Reserves	388.2	303.0	349.0	275.6
At cost	3 142.8	2 843.1	3 090.4	2 815.8	Minority Interests	3.4	— 1.4	—	—
Depreciation (Note 33)	1 325.9	1 171.6	1 312.0	1 161.6	Equity (Note 36)				
Spare engines and spare parts (Note 22)	1 816.9	1 671.5	1 778.4	1 654.2	Capital				
At cost	407.0	387.9	401.8	383.1	ABA (3/7)	364.4	360.1	364.4	360.1
Depreciation (Note 33)	220.8	198.6	218.6	196.8	DDL (2/7)	242.9	240.0	242.9	240.0
Workshop and aircraft servicing equipment	186.2	189.3	183.2	186.3	DNL (2/7)	242.9	240.0	242.9	240.0
At cost	152.3	130.8	150.6	129.1		850.2	840.1	850.2	840.1
Depreciation	104.5	97.9	102.9	96.4	General reserve	7.6	5.7	—	—
Other equipment and vehicles (Note 23)	47.8	32.9	47.7	32.7	Other legal reserves	5.5	4.6	—	—
At cost	524.9	419.7	360.8	305.7	Retained earnings	2.2	— 3.9	—	—
Depreciation	287.7	226.0	191.2	161.8	Profit of the year	124.2	102.2	109.2	94.1
Buildings and improvements (Note 24)	237.2	193.7	169.6	143.9	Total Equity	989.7	948.7	959.4	934.2
At cost	605.7	486.5	207.2	172.2	Total Liabilities and Equity	5 629.5	5 315.3	4 808.7	4 747.5
Depreciation	197.9	136.9	85.3	64.8	Pledges, etc. (Note 37)				
Land and land improvements	407.8	349.6	121.9	107.4	Mortgages on real estate	258.9	238.8	20.7	39.6
At cost	43.9	38.9	7.3	6.6	Sundry pledges	72.2	28.3	6.8	6.4
Depreciation	1.1	0.8	0.2	0.0	Total Pledges, etc.	331.1	267.1	27.5	46.0
Total Fixed Assets	3 153.9	2 821.7	2 751.7	2 554.5	Contingent Liabilities (Note 38)				
Total Assets	5 629.5	5 315.3	4 808.7	4 747.5	Guarantees and other contingent liabilities for subsidiaries	75.0	68.0	147.0	136.9
					others	95.3	49.5	82.2	44.1
					Pension commitments	42.6	36.3	40.9	35.1
					Total Contingent Liabilities	212.9	153.8	270.1	216.1

Furthermore, certain liabilities have been assumed in connection with ticket sales according to pay-later plans

"Notes to Financial Statements" on pages 17-20 refer to the above Balance Sheets.

Notes to Financial Statements

Consolidation and accounting principles

The consolidated financial statements of the SAS Group include the SAS Consortium, its wholly-owned subsidiaries and those partly-owned subsidiaries in which the Consortium has a controlling interest. For practical reasons, some wholly-owned subsidiaries, closely connected with the operations of the Consortium, are directly included in the accounts of the Consortium. Such subsidiaries are, i.a., Copenhagen Air Cargo Center A/S, Copenhagen, and Scandinavian Airlines System Inc., New York. The accounts of Scanair, another consortium owned by the parent companies of the Consortium, are not included in the consolidated financial statements of the SAS Group.

The financial statements of the SAS Group and the Consortium are expressed in millions of Swedish crowns (MSKR).

Financial statements of the subsidiaries, which are kept in other currencies than Swedish crowns are, for the purposes of consolidation, translated into Swedish crowns by using the monetary/nonmonetary method. The conversion differences resulting from such translation are charged/credited directly to financial expenses in the consolidated profit and loss statement of the SAS Group to the extent they refer to SAS's share in such subsidiaries. Conversion differences relating to the minority interests in the subsidiaries are entered under the heading "Minority interests" in the consolidated balance sheet.

Monetary assets and liabilities of the Consortium expressed in other currencies than Swedish crowns are stated in the balance sheet in Swedish crowns based on market-oriented exchange rates valid as of the end of the financial year.

In this report some reclassifications have been made in the profit and loss statement, balance sheet and funds statement. The financial statements for the previous year have been restated accordingly.

Note 1 — Traffic revenue

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Passenger	4 504.8	3 928.7	4 349.3	3 805.4
Freight	726.8	682.6	720.9	676.8
Mail	115.7	106.7	112.3	103.6
Charter	110.7	103.6	44.9	55.4
Leasing	137.5	128.9	137.5	128.9
Less: Elimination of internal transactions	— 50.8	— 40.1	—	—
	5 544.7	4 910.4	5 364.9	4 770.1

Note 2 — Other revenue

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Consortium	844.1	812.0	844.1	812.0
Subsidiaries	2 024.2	1 618.5	—	—
Less: Elimination of internal transactions	— 347.3	— 291.2	—	—
	2 521.0	2 139.3	844.1	812.0

Other revenue of the Consortium comprises revenue from sundry activities such as shop work, ground handling, interline sales, etc., performed for other airlines, income from sale on board and in gateway stores, etc.

Companies acquired in the course of the year account for MSKR 45.1 of the revenue of the subsidiaries.

Note 3 — Operating expenses

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Consortium	5 793.1	5 059.1	5 793.1	5 059.1
Subsidiaries	2 156.3	1 708.7	—	—
Less: Elimination of internal transactions	— 398.2	— 331.3	—	—
	7 551.2	6 436.5	5 793.1	5 059.1

Operating expenses include salaries, wages and remunerations as shown in the following table:

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Salaries, wages and remunerations	2 132.4	1 797.0	1 679.5	1 453.4

Note 4 — Depreciation

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Goodwill	2.7	2.5	1.5	1.5
Developmental costs	2.1	2.4	—	—
Aircraft	225.4	232.3	221.6	229.9
Spare engines and spare parts	29.5	27.8	28.6	27.2
Workshop and aircraft servicing equipment	10.9	9.2	10.9	9.0
Other equipment and vehicles	55.3	45.6	36.7	31.5
Buildings and improvements	33.5	27.0	17.7	13.7
Land and land improvements	0.1	0.1	0.0	0.0
	359.5	346.9	317.0	312.8

In accordance with its conservative policy, the Consortium depreciates its flight equipment over 10 years with a 10 per cent residual value except for Boeing 747 and Douglas DC-10-30 equipment which is depreciated over 12 years with a 10 per cent residual value. See also Note 33.

Three Boeing 727 aircraft acquired by Transair Sweden AB as of October 1, 1975, are depreciated through September 30, 1985, and one Boeing 727 aircraft, acquired as of April 1, 1979, through September 30, 1987, all without residual value.

Depreciation periods for goodwill and developmental costs range from five to 10 years. Workshop and aircraft servicing equipment and other equipment and vehicles are depreciated over five years with the exception of data equipment and DC-10 flight simulator, which are depreciated over seven and 12 years, respectively. The annual rates of depreciation on buildings vary from two to 20 per cent.

Note 5 — Dividends from subsidiaries

	Consortium	
	1978/79	1977/78
SAS Catering A/S, Denmark	2.1	1.4
SAS Catering A/S, Norway	1.5	1.2
SAS-Invest A/S	0.4	—
Vingresor/Club 33 AB	2.5	2.5
Scandinavian Air Tour Productions AB	0.1	—
	6.6	5.1

Dividends received by the Consortium from the subsidiaries, MSKR 6.6, refer to the financial year 1977/78. In connection with the consolidation, these dividends have been added back to retained earnings in the balance sheet of the SAS Group.

Note 6 — Other financial income

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Interest earned from subsidiaries	—	—	5.3	4.9
Interest earned from others	141.4	121.2	125.8	106.5
Cash discounts, etc.	1.7	1.6	1.4	1.3
	143.1	122.8	132.5	112.7

Note 7 — Financial expenses

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Interest paid to subsidiaries	—	—	0.7	2.0
Interest paid to others	180.3	166.4	147.8	141.1
Currency differences (net)	— 4.2	117.5	— 0.3	115.9
Allocation to currency adjustment reserve	25.0	—	25.0	—
Conversion differences in connection with consolidation	— 5.4	0.6	—	—
Bank expenses, etc.	4.6	4.8	3.8	4.2
	200.3	289.3	177.0	263.2

Note 8 — Gain on sales and retirement of equipment, etc. (net)

During the year two DC-8-62 aircraft were sold by the Consortium, one to Scanair and one to Thai Airways International Ltd. The net gain on each transaction was MSKR 22.2.

Note 9 — Extraordinary expenses

	SAS Group		Consortium	
	1978/79	1977/78	1978/79	1977/78
Provision for share in loss of Hotel Scandinavia K/S, Copenhagen	1.7	4.3	1.7	4.3
Retroactive tax, SAS Catering A/S, Denmark	—	1.7	—	—
Other extraordinary expenses	0.7	0.7	—	—
	2.4	6.7	1.7	4.3

Note 10 — Profit before allocations and income taxes

The subsidiaries show, before consolidation with the Consortium, an aggregate profit (net) before allocations and income taxes of MSKR 39.6 (1977/78, MSKR 38.2).

A specification of the results of the subsidiaries is given in their local accounting currencies on pages 28—29.

Note 11 — Allocations of subsidiaries

This item includes tax-deductible allocations made by SAS Catering A/S, Norway, MSKR 9.9 (out of which MSKR 9.0 to a reserve for investments in northern Norway) and by Nyman & Schultz/Nordisk Resebureau AB, Sweden, MSKR 3.3 (representing an allocation to a general investment reserve).

Note 12 — Income taxes of subsidiaries

The profit and loss statement of the SAS Group includes only income taxes of the subsidiaries as the income tax liability in Denmark, Norway, and Sweden relating to the activities of the Consortium, rests upon the parent companies of the Consortium.

Note 13 — Cash and bank balances including temporary cash investments

As of September 30, 1979, MSKR 133.5 (Sept. 30, 1978, MSKR 205.3) were placed as short-term loans to different companies mainly in Scandinavia, out of which MSKR 65.4 by the Consortium. Placement by the Consortium in Danish public bonds and notes amounted to MSKR 132.9 (Sept. 30, 1978, NIL).

Note 14 — Accounts receivable, customers

Accounts receivable, customers, as stated in the balance sheet, are net of provisions for losses on debtors. Such provisions of the SAS Group amounted to MSKR 13.3 (Sept. 30, 1978, MSKR 9.5).

Note 15 — Expendable spare parts and sundry stores

	SAS Group		Consortium	
	1979	1978	1979	1978
Raw materials, etc.	12.2	14.0	12.2	14.0
Sundry goods for sale	50.9	41.8	4.1	2.9
Surplus stores	17.2	24.0	17.2	24.0
Third party work, etc.	4.3	10.3	4.3	10.3
Expendable spare parts, etc.	46.9	44.6	44.5	42.0
As of September 30	131.5	134.7	82.3	93.2

Inventories are stated at acquisition prices except for parts with a market value lower than cost; such parts are entered at market values. The inventory reserve shown in the balance sheet represents a further value adjustment of inventories.

The expendable spare parts, etc., included under this heading comprise ²/₃ of the total stock of such parts, the remaining ¹/₃ being treated as fixed assets.

Note 16 — Blocked funds

Funds blocked on non-interest-bearing accounts in connection with tax-deductible allocations to investment reserves refer mainly to Vingresor/Club 33 AB.

Note 17 — Shares and participations in subsidiaries. Other shares and participations

The shares and participations held by the Consortium as of September 30, 1979 are specified on page 21 of these notes.

Note 18 — Long-term accounts receivable, other

This item includes a deposit of MSKR 34.0 made by the Consortium for the acquisition of the shares in AB Olson & Wright, Sweden, which later will be transferred to the Consortium.

Note 19 — Goodwill

	SAS Group		Consortium	
	1979	1978	1979	1978
Goodwill relating to acquisition of Vingresor/Club 33 AB	3.0	4.5	3.0	4.5
Other goodwill	3.7	1.3	—	—
As of September 30	6.7	5.8	3.0	4.5

Note 20 — Discount, etc., on debenture loans

The write-down of discount, etc., on the debenture loans of the Consortium amounts to MSKR 1.3 (1977/78, MSKR 1.4) and is accounted for as bank expenses under financial expenses.

Note 21 — Fixed assets in progress

This item covers buildings and land improvements in progress. Upon completion of the projects, the final acquisition values are transferred to the headings concerned in the balance sheet. Out of the increase during the year, the Consortium accounts for MSKR 9.4, primarily construction work on a new cargo terminal in Oslo, and the subsidiaries for MSKR 31.4 relating mainly to hotel projects of SAS Catering A/S, Norway, and Vingresor/Club 33 AB.

Note 22 — Aircraft. Spare engines and spare parts

	SAS Group	Consortium
<i>Acquisition value</i>		
As of September 30, 1978	3 231.0	3 198.9
Flight equipment delivered in 1978/79		
Prepayments, etc., made before Oct. 1, 1978 (transferred from long-term prepayments)	114.0	114.0
Investments during 1978/79	309.2	283.7
Flight equipment sold and retired in 1978/79, etc.	— 104.4	— 104.4
As of September 30, 1979	3 549.8	3 492.2
<i>Depreciation</i>		
As of September 30, 1978	1 612.9	1 601.1
Depreciation 1978/79	254.9	250.2
Accrued depreciation on flight equipment sold and retired in 1978/79, etc.	— 82.1	— 81.7
Transfer to depreciation reserve (see Note 33)	— 239.0	— 239.0
As of September 30, 1979	1 546.7	1 530.6
<i>Insurance value of aircraft</i>		
As of September 30, 1979	4 358.3	4 262.9

During the year the Consortium took delivery of one Boeing 747 Combi and four DC-9-41 aircraft. Two DC-8-62 aircraft were sold. Transair Sweden AB acquired one more Boeing 727.

Note 23 — Other equipment and vehicles

Data and communication equipment and flight simulators of the Consortium are included under this heading, with acquisition values of MSKR 192.2 and MSKR 46.6 respectively. As of September 30, 1978 the corresponding amounts were MSKR 165.8 and MSKR 45.8.

Note 24 — Buildings and improvements

	SAS Group	Consortium
<i>Insurance values of buildings and improvements</i>		
As of September 30, 1979	999.5	245.0

Note 25 — Unearned transportation revenue (net)

For practical reasons, the various accounts of the Consortium for traffic revenue have been stated, as hitherto, as a net balance.

Note 26 — Subordinated debentures

	1979	1978
<i>Consortium</i>		
6 1/2% in DKR, NKR and SKR, due 1979—1982	27.6	37.4
7% in DKR, NKR and SKR, due 1979—1982	27.6	37.4
	55.2	74.8
Less: Current maturities included under current liabilities	— 18.5	— 18.7
As of September 30	36.7	56.1

Note 27 — Debenture loans

	1979	1978
<i>Consortium</i>		
5 1/2% SFR 80.0 mill., due 1982—1992	212.8	228.8
8% USD 26.0 mill., due 1979—1987	99.6	114.4
	312.4	343.2
Less: Current maturities included under current liabilities	— 8.3	— 8.8
As of September 30	304.1	334.4

Note 28 — Mortgage loans

	1979	1978
<i>Consortium</i>		
6%/10% DKR 22.8 mill., due 1979—2003	18.5	19.7
9%/9 1/2% NKR 2.2 mill., due 1979—2001	1.8	2.0
12% SAR 0.0 mill., due 1980—1997	0.2	0.2
(SAR = South African rand)	20.5	21.9
Less: Current maturities included under current liabilities	— 1.2	— 1.0
As of September 30	19.3	20.9
<i>Subsidiaries</i>		
DKR 18.3 mill.	14.8	15.9
NKR 198.7 mill.	167.9	142.9
USD 2.6 mill.	10.8	11.5
DRA (Greek drachma) 93.4 mill.	10.7	11.3
Sundry loans	22.8	2.5
	227.0	184.1
Less: Current maturities included under current liabilities	— 11.8	— 4.1
As of September 30	215.2	180.0
SAS Group, as of September 30	234.5	200.9

Note 29 — Other loans

	1979	1978
<i>Consortium</i>		
6% USD 77.2 mill., due 1979—1988	320.5	384.5
6 1/2% USD 18.8 mill., due 1979—1986	78.2	82.9
6 1/2% USD 29.5 mill., due 1979—1992	122.4	109.1
7 1/8% USD 2.3 mill., due 1979—1984	9.5	12.1
7 1/2% USD 12.2 mill., due 1984—1987	50.5	53.6
8% USD 4.8 mill., due 1982—1986	20.0	21.2
8 1/2% USD 10.2 mill., due 1979—1984	42.3	55.4
9% USD 5.4 mill., due 1983—1987	22.2	23.6
9 1/4% USD 27.7 mill., due 1980—1993	115.2	122.1
9 1/2% USD 16.2 mill., due 1993	67.4	—
USD Base rate plus 1/2%, USD 10.0 mill., due 1979—1982 (USD Base rate Sept. 30, 1979, 13 1/2%)	41.6	79.6
LIBOR plus 1/2%, USD 33.3 mill. multicurrency loan, due 1985 (LIBOR Sept. 30, 1979, 11 11/16%)	138.1	143.0
6% SFR 40.0 mill., due 1985	106.4	114.4
7 3/4% SFR 11.0 mill., due 1979	—	31.5
6% UKL 0.1 mill., due 1980	0.6	1.7
8 1/2% NKR 34.0 mill., due 1979—1984	28.8	36.1
9 1/2% NKR 60.0 mill., due 1979—1984	50.7	51.6
Official discount rate plus 3%, DKR 5.4 mill., due 1981—1989 (official DKR discount rate Sept. 30, 1979, 11%)	4.3	4.1
Official discount rate plus 1 3/4%, SKR 70.6 mill., due 1979—1990 (official SKR discount rate Sept. 30, 1979, 8%)	70.6	62.0
Sundry loans	0.8	1.7
	1 290.1	1 390.2

	1979	1978
Less: Current maturities included under current liabilities	— 121.7	— 143.1
As of September 30	1 168.4	1 247.1
<i>Subsidiaries</i>		
Sundry loans	92.5	52.0
Less: Current maturities included under current liabilities	— 16.9	— 3.6
As of September 30	75.6	48.4
SAS Group, as of September 30	1 244.0	1 295.5

Note 30 — Other non-current liabilities

	1979	1978
<i>Consortium</i>		
Other non-current liabilities	57.9	54.0
Less: Current maturities included under current liabilities	— 0.9	— 0.8
As of September 30	57.0	53.2
<i>Subsidiaries</i>		
Other non-current liabilities	5.0	4.3
Less: Current maturities included under current liabilities	—	—
As of September 30	5.0	4.3
SAS Group, as of September 30	62.0	57.5

Note 31 — Provision for pension liabilities

	SAS Group	1978
<i>Subsidiaries</i>		
SAS Catering AB, Sweden — PRI	3.9	—
— other	0.9	—
Transair Sweden AB — PRI	34.1	28.8
Vingresor/Club 33 AB — PRI	5.9	4.9
— other	0.1	0.1
Nyman & Schultz/Nordisk Resebureau AB	1.2	1.2
As of September 30	46.1	35.0

The Pension Registration Institute (PRI) is a non-profit organization for management and administration of staff pension schemes.

Other pension liabilities are either covered by periodic pension premium payments or are recorded as pension commitments under contingent liabilities.

Note 32 — Inventory reserve

The inventory reserve relates to expendable spare parts and sundry stores under current assets (see Note 15).

Note 33 — Depreciation reserve

The depreciation policy of the Consortium for flight equipment is described in Note 4. For the purpose of establishing compliance with certain covenants in several of its credit agreements with US lenders, the Consortium, in the reports required to be submitted to the lenders, depreciates its flight equipment over 12 years to a 10 per cent residual value except for Boeing 747 and Douglas DC-10-30 equipment which is depreciated over 14 years to a 10 per cent residual value.

In order that its financial statements reflect this method of depreciation, the Consortium will, as from September 30, 1979, record depreciation in accordance with such method in the depreciation accounts which are deducted from the acquisition values concerned. At the same time, the depreciation actually incurred by the Consortium in excess of such depreciation will be recorded in a new depreciation reserve account. The accumulated difference as of September 30, 1979, MSKR 239.0, has, therefore, been transferred from the depreciation accounts to the depreciation reserve account.

The comparative balance sheet as of September 30, 1978, has been restated accordingly. The decline of the depreciation reserve during 1978/79 by MSKR 3.7 is due to the sale of two DC-8-62 aircraft during the year.

Note 34 — Currency adjustment reserve

The rates of exchange as of September 30 used by the Consortium for the translation of monetary assets and liabilities from Danish crowns (DKR), Norwegian crowns (NKR), US dollars (USD), and Swiss francs (SFR) into Swedish crowns are given below:

	100 DKR	100 NKR	1 USD	100 SFR
As of September 30, 1978	82.50	86.00	4.40	286.00
As of September 30, 1979	81.00	84.50	4.15	266.00

Because of the weakening of the US dollar and the Swiss franc during the year, the revaluation of monetary assets and liabilities of the Consortium has resulted in a net currency gain. As a protection against currency risks, MSKR 52.1 have been deferred and credited to the currency adjustment reserve. Additionally, MSKR 25.0 have been allocated to the currency adjustment reserve as per September 30, 1979 (see Note 7).

Note 35 — Investment reserves

Investment reserves represent tax-deductible allocations made by the subsidiaries Vingresor/Club 33 AB, Nyman & Schultz/Nordisk Resebureau AB, SAS Catering AB, Sweden, A/S Dansk Rejsebureau, and SAS Catering A/S, Norway.

Note 36 — Equity

The capital of the Consortium as of September 30, 1979, MSKR 850.2, is equivalent to the capital of the Consortium as of September 30, 1978, MSKR 840.1, plus the profit for the year 1977/78, MSKR 94.1, less MSKR 84.0 distributed to the parent companies out of the profit for the year 1977/78.

At its forthcoming meeting on January 31, 1980, the Assembly of Representatives will act upon the submission of the Board of Directors that MSKR 98.0 of the profit of the Consortium for 1978/79, MSKR 109.2, be distributed to the parent companies and that the remainder, MSKR 11.2, be added to the capital of the Consortium.

Note 37 — Pledges, etc

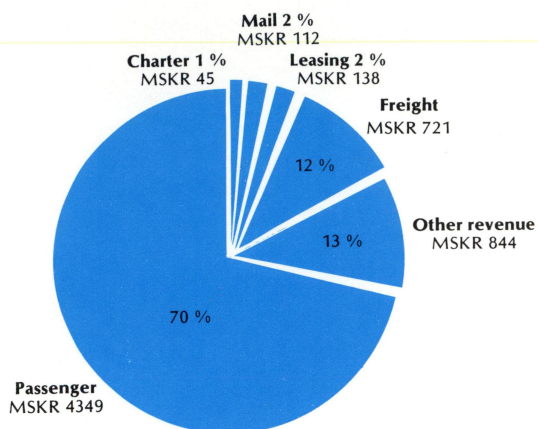
The decrease of mortgages, etc., of the Consortium during the year is mainly due to the release of a mortgage on the cargo terminal in New York.

The increase of sundry pledges refers mainly to subsidiaries and is due to general company mortgages given during the year by SAS Catering AB, Sweden, MSKR 24.1, and Vingresor/Club 33 AB, MSKR 6.0

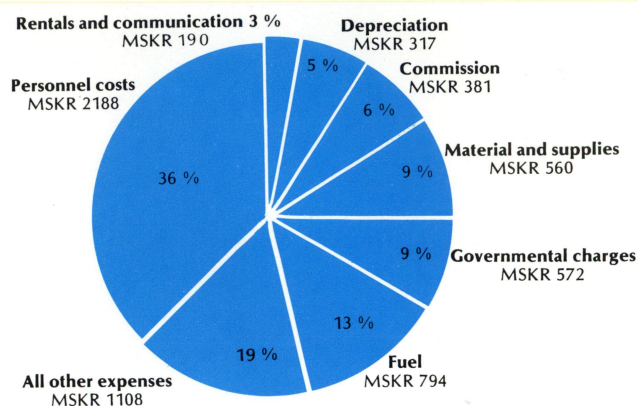
Note 38 — Contingent liabilities

	Consortium	
	1979	1978
Travel guarantees on behalf of Vingresor/Club 33 AB	75.0	68.0
Guarantees of pension liabilities in Transair Sweden AB	34.3	29.7
Other contingent liabilities in subsidiaries	37.7	39.2
	147.0	136.9
Guarantees of loan raised by Linjeflyg AB	25.0	21.9
Guarantees of pension liabilities in AB Olson & Wright	11.7	—
Guarantees of loan of Hotel Scandinavia K/S	23.9	—
Other contingent liabilities	21.6	22.2
	82.2	44.1
Pension commitments	40.9	35.1
As of September 30	270.1	216.1

Operating Revenue of SAS Consortium 1978/79



Operating Expenses of SAS Consortium 1978/79 (including depreciation)



Specification of Shares and Participations as of September 30, 1979

	Number of Shares, etc.	Per Cent	Par Value in Thousands	Book Value MSKR
The Consortium's Holdings of Shares and Participations				
<i>Subsidiaries directly included in the accounts of the Consortium</i>				
Copenhagen Air Cargo Center A/S, Copenhagen	48	100	DKR 250	0.2
Scandinavian Airlines System Inc., New York	1 750	100	USD 175	0.9
SAS France S.A., Paris	1 000	100	FFR 100	0.1
Sundry				0.0
				<u>1.2</u>
<i>Subsidiaries consolidated with the Consortium in the SAS Group</i>				
SAS Catering A/S, Denmark, Copenhagen	16 000	100	DKR 16 000	11.3
SAS Catering A/S, Norway, Oslo	8 000	100	NKR 8 000	6.0
SAS Catering AB, Sweden, Stockholm	40 000	50 ¹⁾	SKR 4 000	4.0
SAS-Invest A/S, Copenhagen	4 109	100	DKR 5 000	3.8
Nyman & Schultz/Nordisk Resebureau AB, Stockholm	30 000	100	SKR 15 000	15.0
Vingresor/Club 33 AB, Stockholm	100 000	100	SKR 10 000	10.0
Scandinavian Air Tour Productions AB, Stockholm	10 000	100	SKR 1 000	1.0
Transair Sweden AB, Malmö	1 000	100	SKR 100	0.1
Gamla Vingresor AB, Stockholm	10 000	100	SKR 1 000	1.0
Nordair A/S, Copenhagen	200	100	DKR 300	0.2
InterSAS B.V., Amsterdam	104	100	DFL 104	0.2
Arctic Hotel Corp. A/S, Narssarsuak	1 550	78	DKR 1 550	1.3
	6 000	60	NKR 6 000	4.5
SAS Royal Hotel A/S, Oslo				
	{ Convertible			
	{ Loan Stock	60	NKR 18 000	13.7
Danair A/S, Copenhagen	1 710	57	DKR 1 710	1.2
A/S Dansk Rejsebureau, Copenhagen	49	50	DKR 400	0.3
Sundry				0.0
				<u>73.6</u>
<i>Other Companies</i>				
Linjeflyg AB, Stockholm	500 000	50	SKR 50 000	53.0
Hotel Scandinavia K/S, Copenhagen	Share in capital	39	DKR 45 700	2.3
Scandinavia Hotel Invest A/S, Copenhagen	2	33	DKR 500	-
Polygon Insurance Co Ltd., Guernsey	666 665	33	UKL 167 ²⁾	1.5
Bennett Reisebureau A/S, Oslo	87	31	NKR 696	1.1
Greenlandair Inc., Godthåb	136	25	DKR 1 000	0.4
Widerøe's Flyveselskap A/S, Oslo	17 468	22	NKR 1 747	1.0
A/S Hotel Atlantic, Stavanger	1 117	20	NKR 559	0.4
Copenhagen Excursions A/S, Copenhagen	23	17	DKR 210	0.5
Austrian Airlines AG, Vienna	1 800	0	AUS 180	-
Sundry				0.2
				<u>60.4</u>

¹⁾ Out of the total share capital, MSKR 8.0, of SAS Catering AB, Sweden, MSKR 1.0 (12.5 per cent) and MSKR 3.0 (37.5 per cent) are held by SAS Catering A/S, Denmark, and SAS Catering A/S, Norway, respectively.

²⁾ Paid up out of a total UKL 667 (thousands).

Funds Statements

In millions of Swedish Crowns

	SAS Group (Consolidated)		SAS Consortium	
	1978/79	1977/78	1978/79	1977/78
Sources of funds				
Profit before allocations and income taxes	147.6	126.7	109.2	94.1
Depreciation	359.5	346.9	317.0	312.8
Book value of assets sold and retired	36.4	23.1	35.4	18.9
Allocation to currency reserve	25.0	—	25.0	—
Currency differences arising from revaluation of monetary assets and liabilities	— 0.3	115.5	6.0	112.6
Other (net)	— 43.0	— 4.8	— 34.9	— 3.9
From operations	525.2	607.4	457.7	534.5
Borrowing	226.3	287.4	142.6	268.4
Amortization on long-term loans	12.4	9.0	15.5	10.9
Minority shares in new capital of subsidiaries	1.6	—	—	—
Total funds received	765.5	903.8	615.8	813.8
Uses of funds				
Aircraft, spare engines, spare parts	309.2	223.4	283.7	222.2
Prepayments on aircraft and flight simulators	72.1	93.7	72.1	93.7
Loans to KSSU-partners	26.6	22.1	26.6	22.1
Buildings and improvements	99.7	55.8	46.8	30.5
Other equipment, inventories, etc.	119.3	86.9	90.1	64.6
Shares and goodwill	32.4	17.0	23.1	17.0
Sub-total investments	659.3	498.9	542.4	450.1
Long-term lending	39.8	44.0	26.8	38.9
Amortization on long-term debt	213.1	298.4	183.8	291.6
Distributed to parent companies out of last year's profit	84.0	56.0	84.0	56.0
Total funds applied	996.2	897.3	837.0	836.6
Changes in working capital	— 230.7	+ 6.5	— 221.2	— 22.8
Borrowing and amortizations during 1977/78 are here restated net of refinancing transactions.				
<i>Specification of changes in working capital</i> (excluding currency adjustments of balances)				
Increase (+)/decrease (—) of sundry stores	+ 4.0	+ 8.1	— 1.4	+ 2.3
Increase (+)/decrease (—) of expendable spare parts	+ 12.6	+ 9.2	+ 12.5	+ 9.1
Increase (+)/decrease (—) of short-term accounts receivable	+ 119.6	+ 129.2	+ 87.1	+ 118.6
Increase (—)/decrease (+) of short-term accounts payable	— 239.3	— 277.4	— 167.9	— 268.4
Increase (+)/decrease (—) of cash and bank balances	— 127.6	+ 137.4	— 151.5	+ 115.6

Copenhagen, Oslo and Stockholm, January 15, 1980

Curt Nicolin
Krister Wickman
Inge Johannesson

Jens Chr. Hauge
Per M. Backe
Ingvar Lilletun

Haldor Topsøe
J.L. Halck
Orla Mathiesen

Carl-Olov Munkberg
President

/C.E. Lindh

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 our report for the financial year October 1, 1978–September 30, 1979

We have examined the Annual Report, which also includes the accounts of the Group.

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

As evident from the Annual Report, the Consortium has declared a profit of 109.2 million Swedish crowns, after depreciation, out of which 98.0 million Swedish crowns is proposed to be distributed to the parent companies.

We recommend that the Annual Accounts for the Consortium and for the Group be adopted, and that the Members of the Board and the President be discharged from liability for the financial year.

Stockholm, January 24, 1980

Sten Nackstad
Authorized Public Accountant

Centralanstalten for Revision
Stig-Erik Schaumburg-Müller
Authorized Public Accountant

Kjell Hauen Eriksen
Authorized Public Accountant

Sören Wikström
Authorized Public Accountant

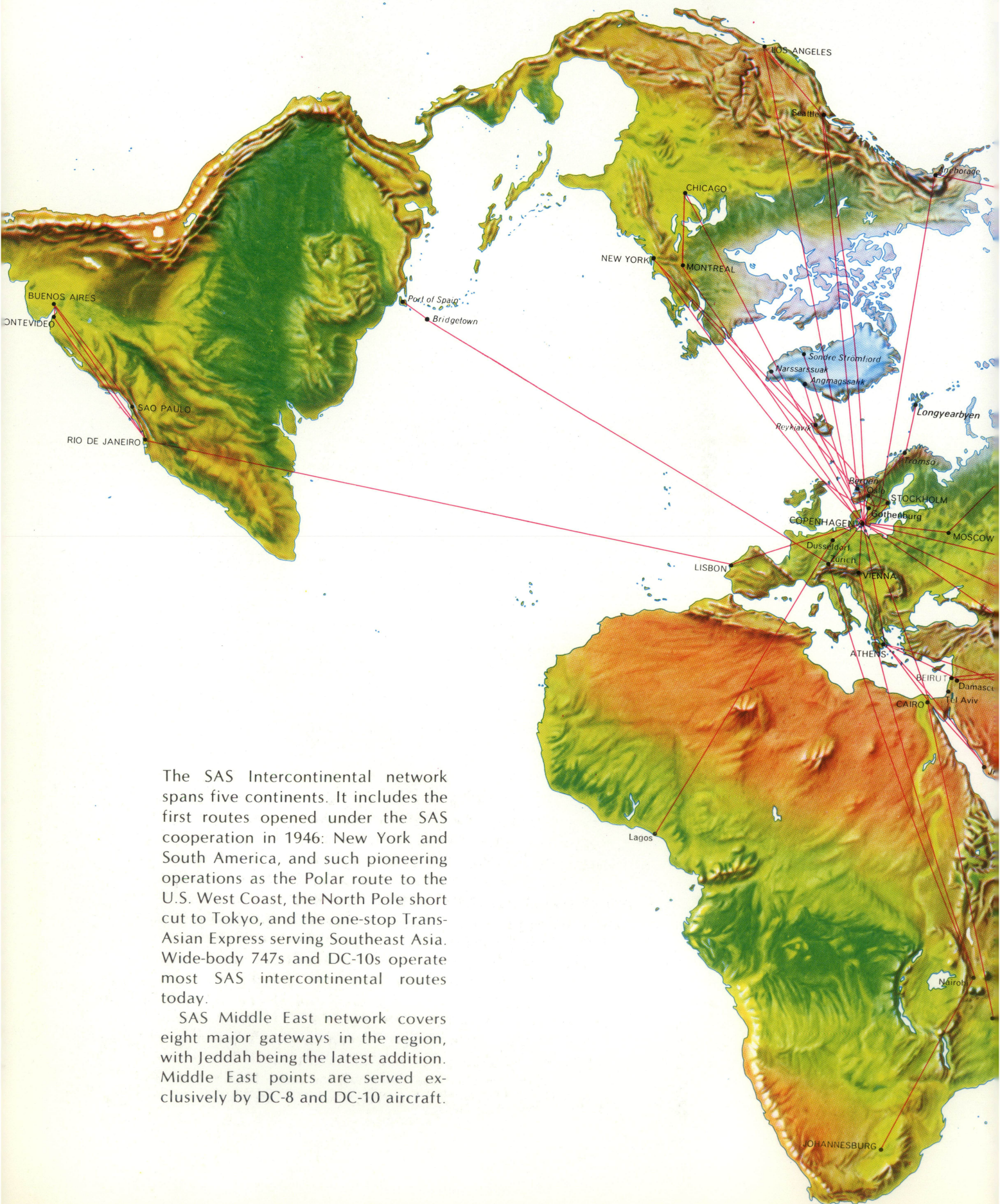
Arne Brendstrup

Tor Storhaug
Authorized Public Accountant

Investments of the SAS Consortium in Flight Equipment

	No. of aircraft		Amount (in millions of Swedish Crowns)			Total
			Deliveries 1967/68— 1978/79	Advance payments Sept. 30, 1979	To be paid 1979/80— 1981/82	
	Delivered	On order				
Boeing 747	4	2	840.8	52.8	586.2	1 479.8 ¹⁾
DC-10-30	5		641.3			641.3 ¹⁾
A300 B2		4	69.1	28.0	551.4	648.5 ¹⁾
DC-8-63	5	}	506.1			506.1
DC-8-62	3					
DC-9-41	49	}	1 611.9			1 611.9
DC-9-33AF	2					
DC-9-21	9					
Total	77	6	3 669.2	80.8	1 137.6	4 887.6

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



The SAS Intercontinental network spans five continents. It includes the first routes opened under the SAS cooperation in 1946: New York and South America, and such pioneering operations as the Polar route to the U.S. West Coast, the North Pole short cut to Tokyo, and the one-stop Trans-Asian Express serving Southeast Asia. Wide-body 747s and DC-10s operate most SAS intercontinental routes today.

SAS Middle East network covers eight major gateways in the region, with Jeddah being the latest addition. Middle East points are served exclusively by DC-8 and DC-10 aircraft.



SAS European and intra-Scandinavian routes cover 52 cities in 25 countries. The 60-aircraft fleet of DC-9s provides high-frequency services to most points. In 1980 the A300 Airbus will begin operating high-density European and intra-Scandinavian routes.

The SAS domestic network, in cooperation with Danair, Widerøe and Linjeflyg, links 16 towns in Denmark, 40 in Norway and 25 in Sweden. It also serves the Faroe Islands, Greenland, and Svalbard—the world's northernmost point with jet services.

Aircraft Fleet	No.	Sept. 30, 1979 Fleet at the end of the year	1979/80 Order	1980/81 Order	1981/82 Order
 BOEING 747	4	★★★★ ¹⁾		★ ¹⁾	★
 DOUGLAS DC-10-30	5	★★★★★			
 AIRBUS A300B2			★★	★★	
 DOUGLAS DC-8-63	5	★★★★★			
 DOUGLAS DC-8-62	3	★★★ ²⁾			
 BOEING 727-100	4	★★★★			
 DOUGLAS DC-9-41	49	★★★★★★★★ ★★★★★★★★ ★★★★★★★★ ★★★★★★★★ ★★★★★★★★ ★★★★★★★★			
 DOUGLAS DC-9-33AF	2	★★			
 DOUGLAS DC-9-21	9	★★★★★ ★★★★★			
	81				

¹⁾ Combined passenger/cargo version

²⁾ Combined version (CF)

SAS Catering & Hotels acquired the Park Avenue Hotel, Gothenburg, in early 1979.

Subsidiary and Affiliated Companies

(The Consortium's interests in the subsidiary and affiliated companies are listed in a separate table on page 21.)



Subsidiary Companies

(1978–1979 Financial Year)

SAS Catering & Hotels

SAS Catering & Hotels is the collective designation for SAS Catering A/S Denmark, SAS Catering A/S Norway and SAS Catering AB Sweden. SAS Catering & Hotels is organized as three operating divisions. The head office in Copenhagen attends mainly to the corporate administration, financial and strategic planning and development.

The Catering Division, based in Copenhagen, directs catering units at airports at Copenhagen, Oslo, Bergen, Stockholm, Gothenburg, Malmö, Frankfurt, Düsseldorf, London, Athens and Tokyo, serving annually over 12 million meals to more than 70 airlines.

The division also handles the purchasing, stocking and distribution of supplies to tax-free stores at all major Scandinavian airports, apart from Copenhagen.

The activities in Oslo, Bergen and Stockholm also comprise the Party Service, featuring menu deliveries mainly to major arrangements serving up to several thousand guests.

During the last few years a new product area has been introduced, in con-

junction with the flight catering business. In Gothenburg and Malmö, the division has taken up marine catering involving supply of certain food specialties to ferryboat restaurants.

The cooperation with the Saudi Arabian Airlines, SAUDIA, comprising consultancy service and corporate training of Saudia personnel, has been extended as of the beginning of 1980.

The Hotel Division of SAS Catering, based in Oslo, has a dual function: operation of the division's own 15 hotels, and consultancy to SAS in relation to the SAS interests in four more hotels.

During the spring of 1979 SAS Catering assumed controlling interest in the Park Avenue Hotel (320 rooms) in Gothenburg. This was followed by SAS Catering taking over the seven hotel units formerly operated by A/S Nord Norsk Hotell drift north of the Arctic Circle in Norway, thus raising the total available accommodations of SAS Catering in Scandinavia to more than 1,900 hotel rooms.

In March 1980 the Kuwait SAS Hotel, the first SAS Hotel outside Scandinavia, will be ready for the arrival of the first guests. The luxury class 200-room-hotel is operated by SAS Catering's Hotel Division under a management agreement.

Selected Data of Subsidiaries

	SAS Catering & Hotels (Consolidated)		SAS-Invest A/S		Nyman & Schultz/ Nord. Resebureau (Consolidated)		Vingresor/ Club 33 AB (Consolidated)		Scand. Air Tour Productions AB (Consolidated)	
	MSKR 1978/79	MSKR 1977/78	MDKR 1978/79	MDKR 1977/78	MSKR 1978/79	MSKR 1977/78	MSKR 1978/79	MSKR 1977/78	MSKR 1978/79	MSKR 1977/78
Profit & Loss Statement Data										
Operating Revenue	891.6	692.8	42.6	42.0	153.7	136.5	779.0	604.0	58.3	57.4
Operating Result after Depreciation	+34.6	+30.4	+1.1	+3.5	+5.7	+3.6	-2.1	+7.6	+0.5	-0.3
Profit (Loss) after Financial Items	+28.8	+23.8	-1.0	+1.8	+9.1	+5.5	+1.1	+10.3	+0.4	+0.7
Profit (Loss) before Allocations and										
Income Taxes	+28.7	+22.0	-1.0	+1.8	+8.3	+5.2	+3.4	+10.3	+0.4	+0.7
Allocations, etc.	-10.6	-12.1	—	—	-3.3	—	+0.1	-3.6	—	—
Income Taxes	-6.8	-5.7	—	-0.1	-1.4	-0.1	-1.1	-4.2	-0.2	-0.4
Net Profit (Loss)	+11.3	+4.2	-1.0	+1.7	+3.6	+5.1	+2.4	+2.5	+0.2	+0.3
Balance Sheet Data										
Current Assets	149.0	106.8	4.4	5.4	108.8	84.7	159.9	138.1	7.0	6.9
Fixed Assets (incl. Blocked Funds)	175.5	99.4	42.1	42.1	2.4	3.5	94.8	58.5	0.1	0.1
Total Assets	324.5	206.2	46.5	47.5	111.2	88.2	254.7	196.6	7.1	7.0
Current Liabilities	170.8	119.7	9.6	7.6	86.8	71.1	136.8	109.5	5.3	5.2
Non-Current Liabilities	85.4	36.6	26.1	27.8	4.9	4.5	71.8	42.9	—	—
Untaxed Reserves	20.7	13.1	0.7	0.5	3.3	—	13.0	12.1	—	—
Minority Interests	1.1	-0.8	—	—	—	—	3.2	+1.5	—	—
Equity	46.5	37.6	10.1	11.6	16.2	12.6	29.9	30.6	1.8	1.8
Total Liabilities and Equity	324.5	206.2	46.5	47.5	111.2	88.2	254.7	196.6	7.1	7.0
Average Number of Employees	4 150	3 113	263	273	373	348	1 334	1 285	105	108

Scheduled for inauguration around New Year of 1981/82 is the SAS Royal Hotel (280 rooms) in Bergen, operated by SAS Catering under a combined management and leasing contract.

The Restaurant Division is organized in three main operating sections: Airport Restaurants, Exhibition Center Restaurants, and Industrial Catering.

The Airport Restaurant Section is responsible for airport restaurants, cafeterias and other outlets, as well as for the operation of several personnel canteens. At the end of 1979 the section was established at the airports Kastrup, Fornebu, Arlanda, Bromma and Landvetter, and at two more local airports in Denmark, 14 in Norway and two in Sweden, as well as at two race track establishments.

The Exhibition Center Restaurant Section handles the business of restaurants and cafeterias at exhibition centers, trade fairs, etc., at the Bella Center and the Zoo in Copenhagen, the Town Hall in Oslo, and at Svenska Mässan in Gothenburg, and also operates Party Service activities in Copenhagen.

The Industrial Catering Section offers

catering service to offshore oil platforms as well as to industrial construction sites. Industrial Catering includes operation of canteens and accommodation quarters, cleaning and guard service for the personnel at major entrepreneurial projects.

The Industrial Catering Section, with the highest growth rate within the Restaurant Division, is at present operating catering activities on seven offshore oil rigs and accommodation platforms in the North Sea, among them Statfjord A, and at four construction camps.

The section is moreover handling hospital catering of the Bakhsh Hospital at Jeddah, for patients and staff, as well as cleaning facilities and operation of the hospital's laundry department.

SAS-Invest A/S

SAS-Invest A/S owns and operates the Royal Hotel in Copenhagen. The 1978-1979 financial year occupancy rate was 78 per cent. The hotel has 300 rooms. Refurnishing of 200 rooms was completed by the end of the year. 260 rooms are now air conditioned and color television has been installed in 100 rooms.

Nyman & Schultz/Nordisk Resebureau AB

Nyman & Schultz/Nordisk Resebureau increased total sales of travel and travel-related services by 15 per cent, to 675 MSKR, during the financial year. Business travel accounted for 71 per cent of NRB's total sales, with special tours and pleasure travel accounting for 15 and 14 per cent, respectively.

An emphasis on product development, particularly the introduction of low-price products for business travelers, contributed to the improved results. These products will be further developed, with new destinations added.

Headquartered in Stockholm, NRB is Scandinavia's largest IATA travel agency. Four more branch offices were opened during the year, bringing the number of NRB's agencies in Sweden to 24.

Vingresor/Club 33 AB

The Vingresor Group, with headquarters in Stockholm, includes five major divisions. Three are marketing units: Vingresor in Sweden, which arranges and markets package tours with back-to-back charter flights; Vingreiser/Metro Reisebyrå, which provides similar services on

Transair Sweden AB		Arctic Hotel Corp. A/S		Danair A/S		A/S Dansk Rejsebureau		SAS Royal Hotel A/S (Oslo)	
MSKR 1978/79	MSKR 1977/78	MDKR 1978/79	MDKR 1977/78	MDKR 1978/79	MDKR 1977/78	MDKR 1978/79	MDKR 1977/78	MNKR 1978/79	MNKR 1977/78
68.4	54.7	11.9	9.4	206.4	171.1	11.2	9.5	95.8	87.2
+2.7	+1.3	+1.0	+0.6	-0.5	-0.6	+0.6	+0.1	+15.6	+11.5
+0.2	+0.0	+0.6	-	0.0	-0.0	+0.5	-0.0	-2.0	-5.5
+0.2	+0.1	+0.5	-	0.0	-0.0	+0.4	-0.0	-2.0	-5.5
-0.2	-0.1	-	-	-	-	-0.1	-0.1	-	-
-	-	-	-	-	-	-0.1	-0.1	-	-
0.0	0.0	+0.5	0.0	0.0	-0.0	+0.2	-0.2	-2.0	-5.5
11.9	11.6	3.8	3.6	14.6	14.5	14.9	9.8	17.3	16.3
46.9	25.9	3.9	3.7	0.1	0.1	0.5	0.5	190.2	196.5
58.8	37.5	7.7	7.3	14.7	14.6	15.4	10.3	207.5	212.8
17.4	7.4	4.0	2.0	11.8	11.7	14.9	10.1	24.4	12.9
40.3	29.2	1.3	3.3	-	-	0.0	0.0	177.5	192.2
0.9	0.6	-	-	-	-	0.2	0.1	-	-
-	-	-	-	-	-	-	-	-	-
0.3	0.3	2.4	2.0	2.9	2.9	0.3	0.1	5.6	7.7
58.8	37.5	7.7	7.3	14.7	14.6	15.4	10.3	207.5	212.8
257	254	44	42	19	18	66	65	392	358



Nyman & Schultz/Nordisk Resebureau, a subsidiary, is the largest IATA travel agency in Scandinavia.

the Norwegian market; Vingresor United Kingdom, established in 1978 in London to introduce Vingresor products on the British market. The fourth division is the Vingresor Production unit, serving the marketing units on all foreign destinations. Sunwing Hotels, the fifth division, operates Vingresor's resort hotels in Europe and Africa.

Vingresor is the largest group travel organization in Sweden and ranks third in Scandinavia. Its travel program features the Vingresor family concept, Club 33 youth tours, Ving Alpin, Ving Golf, Ving Konferens and Ving Special.

Vingresor in Sweden had 302,000 round-trip customers in 1978-1979. This number equals that of last year, but the market share increased by around two per cent and is now slightly more than 25 per cent.

Metro Reisebyrå produces inclusive tours for the Norwegian market under the name ABC/Vingreiser. With 60,000 round-trip customers, 9,000 or 17 per cent more than last year, it accounted for an 18 per cent share of the Norwegian inclusive tour market. Metro Reisebyrå is also an authorized IATA travel agency.

Vingresor United Kingdom sold 33,000 round-trips in 1978-1979 and has programmed for a capacity of 60,000 passengers in 1979-1980.

Sunwing has four hotels in Spain, and one each in Greece and Gambia, providing a total of 3,200 beds for inclusive tour customers. Expansion of Sunwing Rhodes will add a further 300 beds to its capacity from spring, 1980. Sunwing also entered the Swedish market by acquiring Tott Hotell in Åre, a resort area.

Scandinavian Air Tour Productions AB

Scandinavian Air Tour Productions AB produces and markets intercontinental inclusive tours under the "Globetrotter" trade name. The company, headquartered in Stockholm, is Scandinavia's largest operator of intercontinental tours by scheduled airlines.

Globetrotter had a two per cent increase in round-trip customers, to 25,600, in the 1978-1979 financial year. Total sales were 124 MSKR, four per cent above last year. In addition to its marketing organization in Scandinavia, Globetrotter maintains 45 tour conductors at 18 of its intercontinental destinations.

Transair Sweden AB

Transair is a charter airline and aircraft maintenance company based in Malmö, Sweden. The airline owns and operates four Boeing 727-100 jetliners which are chartered to Scanair. The fourth of the 727s was acquired in February, 1979.

Arctic Hotel Corporation A/S

The Arctic Hotel is located at Narssarsuaq Airport on southern Greenland. It consists of the Transit Hotel, open year-round to accommodate passengers in transit between SAS and Greenlandair flights, and the Tourist Hotel, open summers for sports fishermen, inclusive tours travellers and other vacationers. The Transit Hotel's occupancy rate rose five points, to 39 per cent, while the Tourist Hotel's occupancy rate was 53 per cent, an increase of five points.

Danair A/S

Danair carried 848,000 passengers, an increase of 24 per cent, during the 1978-1979 financial year. The highest annual increase ever recorded by Danair, it is attributed to the introduction of low-fare programs. The cabin factor rose



Globetrotter is the SAS subsidiary for intercontinental package tours on scheduled flights.



Scanair is an SAS charter affiliate, accounting for some 25 per cent of the Scandinavian charter market.

to 61 per cent, compared with 56 per cent a year earlier.

Danair links eight Danish domestic points with Copenhagen and also operates the route to the Faroe Islands. For its production, Danair leased jetliner capacity corresponding to three DC-9-21s and one DC-9-41 from SAS, two Boeing 737-200s from Maersk Air, and two VFW-614s from Cimber Air. The VFW-614s were replaced by two F-28-3000s as of September 1, 1979.

A/S Dansk Rejsebureau

With headquarters in Copenhagen and three branch offices in Jutland, Dansk Rejsebureau is one of the largest IATA travel agencies in Denmark. Total sales rose 11 per cent, to 112 MDKR. Business travel accounted for 74 per cent of total sales, special sales for 17 per cent, and holiday travel for nine per cent. Under the "Rejsecentret" trade name, the agency produces a wide variety of incentive, study, convention and other travel for a large clientele among Danish business and industry.

SAS Royal Hotel A/S, Oslo

The company owns the Hotel Scandinavia, Oslo, which is operated by the Western International Hotels chain. Completing its fourth year of operation, the 500-room hotel had an occupancy rate of 84 per cent, one point above last year. The lobby was completely redecorated during the year. The Hetlands Night Club was expanded. By January 1, 1980, all rooms will have color television.

Copenhagen Air Cargo Center A/S

The Copenhagen Air Cargo Center, Europe's fifth largest air freight terminal, underwent a 42 MDKR modernization program during the year.

The new, fully-automated systems include pallet handling and storage for 236 units, a sorter with 89 piers for shipments of less than 50 kilos, and computer technology. Special warehousing facilities for live animals and chilled and frozen goods, have been expanded and modernized, as have staff quarters. The new facilities were officially inaugurated in November, 1979.

With the modernization program in progress, a certain amount of cargo was rerouted to other Scandinavian points. Thus, the amount of cargo handled by the Center, 162,000 tons, was the same as last year. The average number of employees was 401.

The subsidiary is directly included in the financial statements and statistics of the Consortium.

Affiliated Companies

Scanair

Scanair, the Scandinavian charter consortium, is owned by the parent companies of SAS. The airline carried 1,243,000 one-way inclusive tour passengers to and from 26 countries during the 1978-1979 financial year. The figures are unchanged from the previous year.

Spain was Scanair's primary destination, accounting for 43 per cent of the airline's passengers and including 22 percentage points for the Canary Islands

alone. Greece was the second largest destination in traffic volume, with 22 per cent of the passenger total.

As the Scandinavian charter market declined in 1978-1979, Scanair increased its share of the market to slightly more than 25 per cent. Operating revenue was 583 MSKR, up 21 per cent.

Scanair had a fleet of three DC-8-62s, two DC-8-55s and four Boeing 727-100s, the latter owned and operated by SAS subsidiary Transair Sweden AB. One of the DC-8-62s was acquired during the year, and a fourth was added at the beginning of the 1979-1980 financial year. The two DC-8-55s have been sold, and will be released from the Scanair fleet in the course of 1979-1980. Scanair also leased ad hoc 747B, DC-10, DC-8 and DC-9 capacity from SAS, and F-28 capacity from Linjeflyg.

Scanair had an average of 236 employees during the year, not including flight crews leased from SAS to operate the Scanair-owned DC-8s.

Linjeflyg AB

Linjeflyg operates domestic services to 21 points in Sweden. The airline carried 1,980,000 passengers, an increase of 44 per cent or 603,000 during the 1978-1979 financial year. Production rose 20 per cent, to 113 million available ton-kilometers. Available seat-kilometers climbed 24 per cent, to 1,217 million. The load factor improved 8.7 points, to 61.1 per cent, while the cabin factor increased 8.2 points, to 62.2 per cent.

Linjeflyg introduced a program of differentiation of fares in November of



SAS Catering & Hotels took over a chain of seven hotels in North Norway, including (clockwise) hotels in Honningsvåg, Alta and Lakselv.

1978, thereby substantially increasing passenger traffic. Operating revenue for the year climbed 25 per cent, to 531 MSKR. Employees averaged 1,199.

At the end of the year the Linjeflyg fleet included 10 F-28-4000s, seating 85, and three F-28-1000s with 70 seats. The last seven Convair Metropolitan propeller aircraft were retired March 31, 1979, and sold.

Greenlandair Inc.

Greenlandair carried 107,000 passengers, up nine per cent, in its financial year ending December 31, 1978. Air mail traffic rose 12 per cent, to 1,257 tons, while cargo traffic rose one per cent to 172 tons. The cabin factor increased six points to 75.2 per cent, and the load factor was up seven points to 84.7 per cent. Total operating revenue was 91 MDKR, and employees averaged 252.

The airline served 22 points on Greenland, with a fleet of 10 helicopters and two DC-6ABs. The two DC-6ABs were sold in 1979 when Greenlandair received its first DHC-7 STOL airliner, with 50 seats. A second DHC-7 will be delivered in February, 1980. The DHC-7 inaugurated fixed-wing operations at the new airport at Godthåb, with services between the Greenland capital and both Søndre Strømfjord and Narssarsuaq.

Widerøe's Flyveselskap A/S

Widerøe operates a local service network linking 34 towns along the Norwegian coast. A new route was also operated twice daily between Sogndal and Oslo during a five-month period in the summer of 1979.

The airline carried 355,700 passengers in 1978, some 20,000 fewer than in 1977. The drop was attributed to a seven-week pilot strike. An estimated 449,000 passengers flew Widerøe in 1979.

Widerøe had a fleet of 13 Twin Otters in 1979, one more than in 1978. Three new Twin Otters were received in 1979, and the two oldest aircraft were sold. An S-58-T helicopter continued to serve Widerøe's island route to Værøy and Røst. The airline purchased its first DHC-7, the 50-seat STOL aircraft, for operation beginning in 1981.

Total operating revenue for the financial year ending December 31, 1978, was 89 MNKR, slightly less than the previous year. Employees averaged 235.

Bennett Reisebureau A/S

Bennett was founded in Oslo in 1850 and is the world's second oldest travel agency. Total sales for the financial year ending December 31, 1978, amounted to 548 MNKR, an increase of 15 per cent, excluding internal transactions. Employees numbered 349.

In February, 1979, Bennett opened its fourth travel agency in Denmark. A month later, its 33rd was opened in Norway. Today, Bennett has a total of 41 offices in Scandinavia, France and the U.S.A.

In Norway the agency was reorganized into profit centers in 1978, with three main business divisions and a central finance-administration unit. The three divisions are: Travel Agencies Division Norway, with 35 travel agency profit centers and a service center; Tour Production Division Norway, with six special production departments as profit centers, and a joint service center; Cruise

Services Division, based in Bergen and handling incoming cruise ships to Norway and the rest of Scandinavia.

Hotel Scandinavia K/S, Copenhagen

The Hotel Scandinavia in Copenhagen is operated by Western International Hotels. Occupancy rate for the 1978-1979 financial year was 70 per cent, and the average number of employees was 372. Total operating revenue of the 537-room hotel was up 10 per cent, to 72 MDKR. The Scandinavia was the first major hotel in Copenhagen to introduce color television in all rooms. The hotel's Compass Club was remodeled and reopened as an exclusive discotheque for the Danish capital.

Polygon Insurance Company Ltd.

Founded in 1975, Polygon is owned equally by KLM, SAS and Swissair. and managed by Transglobe Underwriting Management (Guernsey) Ltd., a member of the Bowring Group.

The company's policy of controlled growth and high liquidity continued during the 1978 financial year. Aviation insurance and re-insurance remained the company's main area of business but for 1979 Polygon also commenced to underwrite a selective international marine and non-marine portfolio.

The net premium income amounted to £336,492.

The underwriting fund totalled £487,066, indicating a ratio of 144 per cent in relation to net premium income.

It is the company's intention to broaden the base of its activities while maintaining a proper ratio between its equity and its level of trading.

Denmark

Norway

Sweden

Board of Directors

Haldor Topsøe
Second Vice Chairman

J.L. Halck

Deputies:
Helge Bech-Bruun
Otto Mørch

Jens Chr. Hauge
First Vice Chairman

Per M. Backe

Deputies:
Håkon Kyllingmark
Johan Horn

Curt Nicolin
Chairman

Krister Wickman

Deputies:
Peter Wallenberg
Nils H. Hörjel

Employee Representatives

Orla Mathiesen

Deputies:
Peter O. Fliegel
Mogens H. Lousen

Ingvar Lilletun

Deputies:
Stein Slettum
Eilar Nilsson

Inge Johannesson

Deputies:
Sten Eklund
Rune Löfdahl

Assembly of Representatives

Mogens Pagh
First Vice Chairman

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

Johan Horn
Chairman

Nils J. Astrup
Per M. Backe
Ragnar Christiansen
Jens Chr. Hauge
Håkon Kyllingmark
Einar Magnussen
Johan Nerdrum
Fred. Olsen
Arnljot Strømme Svendsen
Niels Werring Jr.

Deputies:
Halvdan Bjørum
Kåre Ellingsgård
Helga Gitmark
Arne Strand

Per A. Norlin
Second Vice Chairman

Bengt Furbäck
Nils-Olov Hasslev
Tryggve Holm
Nils H. Hörjel
A. Ax:son Johnson
Carl-Wilhelm Lothigius
Lennart Lübeck
Sven Mellqvist
Curt Nicolin
Kristian von Sydow
Jan Wallander
M. Wallenberg
Krister Wickman
Deputies:
Gösta Gunnarsson
Björn Lundvall
Björn Molin
Paul G. Pålsson
Ove Rainer
Peter Wallenberg

Employee Representatives

Orla Mathiesen
Peter O. Fliegel
Mogens H. Lousen

Deputies:
Niels-Erik Hansen
Ib Jensen
Erik Qvist Sørensen

Ingvar Lilletun
Stein Slettum
Eilar Nilsson

Deputies:
Hans Petter Thoresen
John Giæver

Inge Johannesson
Sten Eklund
Rune Löfdahl

Deputies:
Gösta Sjöström
Dan Vik Hansen
Henrik Arosenius

Management

Carl-Olov Munkberg
President

Björn Törnblom
Executive Vice President
Technical and Operations

Helge Lindberg
Executive Vice President
(Acting)
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



SAS

SCANDINAVIAN AIRLINES SYSTEM