

Thomas Cook Airlines Scandinavia A/S
CVR no. 13 89 69 09

Annual report 2017/18

Financial year 1 October 2017 to 30 September 2018

29th financial year

Approved by the annual general meeting of the Company on 25th February 2019

Chairman of the meeting



Per Knudsen

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Company information

Company

Thomas Cook Airlines Scandinavia A/S

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Board of Directors

Christoph Debus, Chairman

Lars Magnus Wikner, Vice-chairman

Per Knudsen

Gitte Pia Michelsen, staff-elected

Lars Røstad, staff-elected

Executive Board

Per Knudsen, CEO

Bent Erlandsen

Carsten Schiøler

Auditors

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Management's statement

The Board of Directors and the Executive Board have today discussed and approved the annual report of Thomas Cook Airlines Scandinavia A/S for the financial year 1 October 2017 to 30 September 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies selected appropriate and the accounting estimates sound.


In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2018 and of the results of the Company's operation for the period 1 October 2017 to 30 September 2018.

Further, in our opinion, the Management's review provides a fair presentation of the developments in the Company's activities and financial matters and the results of the Company's operations and financial position.

We recommend the annual report for approval at the annual general meeting.

Tårnby, 14th February 2019

Executive Board



Per Knudsen
CEO




Bent Erlandsen



Carsten Schiøler

Board of Directors



Christoph Debus
Chairman



Lars Magnus Wikner
Vice-chairman



Per Knudsen



Gitte Pia Michelsen



Lars Røstad

Independent Auditor's Report

To the Shareholder of Thomas Cook Airlines Scandinavia A/S

Opinion

We have audited the financial statements of Thomas Cook Airlines Scandinavia A/S for the financial year 1 October 2017 – 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 September 2018 and of the results of the Company's operations for the financial year 1 October 2017 – 30 September 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, February 14th 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Ole Hedemann

State Authorised Public Accountant

mne14949



Kristian Bjerger

State Authorised Public Accountant

mne40740

Management's review

Financial highlights

Seen over a period of five years, the Company's development can be described by these financial highlights:

All amounts in DKK '000.000	2017/18	2016/17	2015/16	2014/15	2013/14
Key Figures					
Results					
Revenue	4,259	4,060	4,113	4,147	4,386
Gross Profit	1,207	1,163	1,157	1,001	1,070
Operating Profit	252	239	238	173	242
Results from net financials	-31	-34	-49	-14	-2
Net profit before tax	221	205	190	159	240
Net profit for the year	177	155	147	117	180
Balance sheet					
Equity	548	159	191	195	263
Balance sheet total	2,082	1,656	1,616	1,824	1,513
Investments in tangible and intangible fixed assets, net	6	26	67	397	102
Other financial ratios					
Staff (Full-time)	1,069	1,080	1,093	1,060	1,043
Aircraft	12	12	12	13	12
Passengers (1.000), one-way	2,414	2,378	2,385	2,399	2,377
Cabin factor (%)	93	93	92	93	92
Number of flying hours (Block hours)	52,182	50,242	50,418	49,867	51,730
Financial ratios %					
Gross margin	28	29	28	24	24
Profit margin	6	6	6	4	6
Solvency ratio	26	10	16	11	20
Return on equity	50	98	66	53	82

For definitions, see note 1 'Accounting policies'.

Management's review

Principal activity

The Company's principal activity consists of transporting charter passengers to and from popular holiday destinations and selling duty-free and non-duty-free goods on-board. The major part of the Company's revenue consists of sales to group enterprises.

The Company is a wholly-owned Company in the Thomas Cook Airlines Limited which include other Thomas Cook Group companies with relation to aviation. Thomas Cook Airlines Limited is ultimately owned by the listed English Company, Thomas Cook Group plc.

Developments in activities and finances

In the financial year, the Company transported 2.413.596 one-way passengers to and from Sweden, Norway, Denmark and Finland, which is a year-on-year increase of 1.5 percent.

In 2017/18, the Company operated an average fleet of 12 aircraft broken down by 13 aircraft during the winter season and 11 in the summer season. The 2 additional winter season aircraft were leased in from Thomas Cook Airlines UK, reflecting the seasonal fluctuations in the production demand in the Nordics.

At the financial year-end the Company's fleet included three Airbus A330 and eight Airbus A321 with an average age of ten years.

Profit for the year 2017/18 amounts to DKK 177.4 million and as at 30 September 2018 retained earnings amounted to DKK 487.5 million.

The income statement shows a pre-tax profit of DKK 221.3 million which is DKK 16.0 million higher than the previous year. The Board of Directors consider the results satisfactory. The post-tax results show a profit of DKK 177.4 million compared to DKK 155.1 million the year before. The expected development announced in the annual report for 2016/17 has been met.

In 2017 Thomas Cook Group announced a new group management structure with a tour operator and an airline division across all its markets. This meant that Thomas Cook Airlines Scandinavia A/S on September 28th 2018 was sold out of the Nordic holding structure into a Group Airline holding company named, Thomas Cook Group Airlines Limited. The ultimate 100% owner continues to be the listed company, Thomas Cook Group Plc.

The company continues to deliver seats and services to the Nordic tour operators, having a Commercial Service Agreement to reflect the governance for cooperation in terms of service, capacity development and financial conditions. The agreement is broadly in line with the old agreement, adding, however, more flexibility for the tour operators, but also confirming TCAS as the main future supplier of capacity with firm KPI's and services to be delivered.

Uncertainty connected with recognition and measurement

Provisions for future aircraft maintenance as at 30 September 2018 amounted to DKK 549.3 million. This amount covers contractual maintenance liabilities related to the leased aircrafts and engines, accrued on the basis of flight hours etc. The provision is by nature subject to uncertainty as this includes forecast of aircraft utilisation and estimates of future maintenance costs. In addition, judgement is required to determine the appropriate rate to discount the provision.

In the financial year the Company has had financial contracts on an ongoing basis in order to eliminate the currency risk of the provision, and therefore the net profit for the year is not materially affected by the change in USD.

Special risks

Operating risks

Brexit is continuing to dominate the political and regulatory situation in the UK. A disorderly exit from the EU by the UK does expose Thomas Cook Airlines Scandinavia A/S to a potential operating risk. The risk is identified in relation to the regulatory framework applying to airlines operating within the EU and also in Denmark.

In order to mitigate the risk, a Brexit Working Group, including various representatives from the Group, was convened to consider and assess the impact of all risks related to the UK's upcoming exit from the EU. The Company are in advanced discussions with the Danish aviation regulator and contingency plans will enable the Company to continue operations for the Nordic tour operators.

A part from the above the Management does not consider Thomas Cook Airlines Scandinavia A/S to be exposed to any other special operating risks other than what is normal for an airline and geopolitical risks in the destinations, included in the flight program for the TCNE tour operators.

Financial risks

Thomas Cook Airlines Scandinavia A/S has a large cash flow in foreign currencies. The Company hedges this net exposure by making forward contracts. Similarly, the risk of fuel price fluctuations is hedged by financial commodity contracts (fuel swaps). Contracts to hedge future cash flows and fuel purchases are recognised directly in equity until the underlying transactions are realised.

The value of the financial contracts concluded on 30 September 2018 measured against the market prices on the same date is positive by DKK 237.9 million net (negative DKK 32.2 million at year-end 2016/17).

Changes in fuel prices and the USD exchange rate are adjusted in the seat prices and have no significant effect on the net profit or loss of the year as USD and fuel are hedged at a price level corresponding to the conditions agreed in the seat prices. This and hedging of other currency risk

are part of the hedging policy of the company to eliminate risks from fluctuations in the financial markets.

Environmental issues

Basis for the environmental work in Thomas Cook Airlines Scandinavia A/S is the environmental management system ISO14001. The company is one of the first airlines in the world to have obtained certification according to the standard. It was implemented in 2010, and the certification is annually approved externally.

The strategy is based on the Company's many years of environmental work experience and continues to support a wide focus across the business. The Company is an industry leader in several areas. The average CO₂ emission per passenger km was only 67 grams in 2017/18, which is among the lowest passenger flight CO₂ emissions in the entire aviation industry. The Company was the first airline in Europe to introduce cabin waste segregation directly on board the aircraft. The company was also among the first airlines in Europe to introduce electronic tablets as a work tool for pilots providing a significant reduction in fuel and emissions on aircraft.

From 1 January 2012, the aviation sector became subject to the European emissions trading system (EU-ETS). The Danish authorities have approved the Company's reporting methods, and an independent auditor verifies the system annually. Reporting of data for fiscal year 17/18 will be submitted latest March 2019. From 2016 the European industry sectors has become subject to the Energy Efficiency Directive (EU EED) which aims to further reduce energy consumption and greenhouse gas emissions. The Company's current ISO 14001 certification covers the main parts of the EED obligations. On 6 October 2016, the 39th session of the ICAO Assembly concluded with the adoption of a global market-based measure to address CO₂ emissions from international aviation: ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSIA). The Company is complying with the requirements, and will submit the monitoring plan for CORSIA beginning of 2019.

Corporate social responsibility

The Company does not have its own policies for environment, climate and human rights. The Company is included in the reporting with the Group's ultimate parent company, Thomas Cook Group plc, which is published on <https://www.thomascookgroup.com/sustainability/reports>.

Underrepresented gender – Policies and target figures

It is the Company's goal that the Board of Directors is composed in such a way that it is effectively able to perform its tasks related to strategy development, management and control. We seek to nominate candidates whose profiles and skills are best suited for the Company taking into consideration the Company's activities, development and challenges. Gender is considered when nominating candidates to the Board of Directors together with the Company's other recruitment criteria, including professional qualifications, industry experience, etc.

None of the three elected Board of Directors are currently women. In 2018, the Board of Directors considered the composition of the Board, but found no reason to make any changes, as the Company's requirements regarding skills and qualifications are covered.

In addition, the Company has a policy to increase the share of the underrepresented gender among the Company's other management levels (Executive Board and middle management). The policy has four strategies, which have impact on talent development, recruitment, succession planning and communication. This has resulted in establishing two horizontal women centred leadership fora, one for upcoming women leaders and one to promote women opportunities amongst women pilots.

Our plan is that the gender composition of the Company's other management levels shall reflect the Company's requirements regarding skills and qualification taking into consideration the policies from the new Group framework "Group-wide Diversity and Inclusion Plan for promoting diversity". At the end of 2018, the gender composition of the Company's other management levels was 36% women and 64% men (2017: 32% women and 68% men). It is our assessment that the initiatives will have a positive long-term effect on the gender composition, and therefore we find no cause to change the initiatives to increase the proportion of women managers.

Events occurring after the financial year-end

The Thomas Cook Board has in February 2019 announced a strategic review of the Group Airline. The formal process will consider the strategic options for the Group Airline including a potential sale. In our opinion this will not result in any material changes to the Company's current operations and earnings.

From the balance sheet date until today, there have been no events of material significance for the assessment of the annual report.

Expected development

The leisure holiday market in the Nordics has been growing over the past years but following a strong summer 2017 and winter 2017/18, the heat wave in Scandinavia in summer 2018 has led to declining demand for package holidays which is also affecting Group's Nordic tour operator business. The Company's capacity is therefore expected to decline in 2018/19. Together with weakened SEK and NOK currency rates the Company foresee a pressure on current average selling prices for both seats and tax-free goods. On top of working closely together with the other Airlines in Thomas Cook Group as part of a wider Group airline transformation project, we are working closely with the Nordic Tour Operators in order to mitigate largely through cost reductions, productivity increases and synergies. Therefore, we expect results for 2018/19 to be more or less of the same level as realised in 2017/18.

Foreign branches

The Company has the following foreign branches:

<u>Name</u>	<u>Registered office</u>
Thomas Cook Airlines Scandinavia A/S Swedish branch	Box 5, S-190 45 Stockholm-Arlanda, Sweden
Thomas Cook Airlines Scandinavia A/S Norwegian branch	Flyterminalen, 2060 Gardermoen, Norway
Thomas Cook Airlines Scandinavia A/S Sucursal en España	Aeropuerto de Palma de Mallorca, Palma de Mallorca, Spain
Thomas Cook Airlines Scandinavia A/S Sucursal em Portugal	Praca Marques de Pombal 1, 1250-160 Lisbon, Portugal

Income statement 2017/18

	Note	2017/18 DKK '000	2016/17 DKK '000
Revenue	2	4,259,219	4,060,441
Production costs and cost of goods sold		-2,950,470	-2,789,637
Other external expenses		-102,113	-107,702
Gross profit		1,206,636	1,163,101
Staff costs	3	-851,541	-808,536
Depreciation, amortisation and impairment.....	4	-102,817	-115,177
Operating profit		252,279	239,389
Financial income	5	1,960	854
Financial expenses	6	-32,971	-34,937
Profit before tax		221,267	205,306
Tax on profit for the year	7	-43,897	-50,238
Net profit for the year		177,371	155,068

Balance Sheet

Assets	Note	30-09-2018 DKK '000	30-09-2017 DKK '000
Software		5,181	2,297
Intangible assets	8	5,181	2,297
Aircraft and spare parts		246,151	347,676
Buildings on leased land.....		3,587	6,101
Fixtures and fittings, tools and equipment		5,955	5,190
Assets under construction.....		0	1,525
Property, plant and equipment	9	255,693	360,492
Deposits		4,887	4,838
Financiell fixed asset	10	4,887	4,838
Total fixed assets		265,761	367,627
Inventories	11	69,105	66,660
Trade receivables		18,244	11,708
Other receivables	12	309,673	56,312
Deferred tax asset	13	62,899	95,119
Receivables from affiliated companies	14	1,254,042	1,021,988
Joint tax contribution receivable		13,880	0
Prepayments	15	6,932	8,493
Receivables		1,665,669	1,193,620
Cash and cash equivalents		81,066	27,819
Total non-fixed assets		1,815,840	1,288,099
Total assets		2,081,601	1,655,726

Balance Sheet

Equity and Liabilities	Note	30-09-2018 DKK '000	30-09-2017 DKK '000
Share capital	16	60,000	60,000
Retained earnings		217,546	99,454
Proposed dividends for the financial year		270,000	0
Total equity		547,546	159,454
Aircraft maintenance provisions	17	549,257	474,549
Total provisions		549,257	474,549
Joint tax contribution payable	7	75,232	74,754
Mortgage credit.....	18	2,144	3,274
Finance Lease Obligation	18	129,452	142,170
Deferred income.....	18	19,485	22,149
Non-current liabilities other than provisions		226,313	242,347
Mortgage credit.....	18	948	944
Finance Lease Obligation	18	13,106	11,075
Trade payables		379,521	383,089
Payables to affiliated companies		104,830	85,049
Joint tax contribution payable	7	1,744	42,130
Other payables	19	241,770	241,067
Deferred income.....	18, 20	16,566	16,023
Short-term debt		758,484	779,376
Liabilities other than provisions		984,798	1,021,723
Total equity and liabilities		2,081,601	1,655,726
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Statement of changes in equity

Note

All amounts in DKK '000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 October 2016	60,000	-48,034	180,000	191,966
Dividends paid	0	0	-180,000	-180,000
Pre-tax adjustment of derivative financial instruments	0	-9,717	0	-9,717
Tax on adjustment of derivative financial instruments	0	2,138	0	2,138
Profit and loss	0	155,068	0	155,068
Equity at 30 September 2017	60,000	99,454	0	159,454
Pre-tax adjustment of derivative financial instruments	0	270,155	0	270,155
Tax on adjustment of derivative financial instruments	0	-59,434	0	-59,434
Profit and loss 26	0	-92,629	270,000	177,371
Equity at 30 September 2018	60,000	217,546	270,000	547,546

Note 1 - Accounting policies

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act on Reporting Class C (large) and according to the same accounting policies as the previous year.

There has been no changes in accounting policies and the accounting policies are consistent with those of last year.

Cash flow statement

In accordance with section 86 (4) of the Danish Financial Statement Act no cash flow statement has been prepared, whereas this is included in a cash flow statement for Thomas Cook Plc Group.

The annual report is presented in Danish kroner (DKK) 1,000.

General information on recognition and measurement

Assets are recognised in the balance sheet if it is probable that future economic benefits will flow to the Company and the value of the relevant asset can be measured reliably.

Liabilities are recognised in the balance sheet if the Company has a legal or constructive obligation arising from a past event and it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement after initial recognition is performed as described for each separate item below.

On recognition and measurement, allowance is made for foreseeable risks and losses arising before presentation of the annual report, which confirms or rebuts conditions existing on the balance sheet date.

In the income statement, income is recognised as earned, while costs are recognised as the expenses concerning the financial year.

Leasing

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate.

Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Accounting policies

Foreign currency translation

Transactions in foreign currencies are translated on initial recognition at the exchange rate prevailing at the transaction date. Receivables, liabilities other than provisions, provisions and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rate prevailing at the balance sheet date. Currency translation differences arising between the exchange rate prevailing at the transaction date and the exchange rate prevailing at the payment date or the exchange rate prevailing at the balance sheet date are recognised in the income statement as external expenses. The effect of forward contracts is recognised in profit or loss from ordinary activities. Fixed assets purchased in foreign currencies are translated at historical exchange rates.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured in the balance sheet at cost and subsequently at fair value. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments that are classified as and meet the requirements for fair value hedging of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments that are classified as and meet the requirements for hedging of future transactions are recognised directly in equity. When the hedged transactions are realised, the changes are recognised in the relevant items.

Income statement

Revenue

Income from the sale of seats is recognised in the income statement on the departure date. Income from the sale of duty-free and non-duty-free goods, included and reported as "Ancillary and Other", is recognised in the income statement on delivery date. Revenue is recognised exclusive of VAT, taxes and sales discounts and is measured at fair value of the fixed consideration.

Production costs and cost of goods sold

Production costs and cost of goods sold include direct costs incurred in achieving the revenue.

Other external expenses

External expenses include indirect costs incurred in achieving the revenue.

Accounting policies

Staff costs

Staff costs include salaries, pensions and other social security costs of all employees of the Company and its branches.

Financials

Interest income and expenses comprise finance leases and realised and unrealised foreign exchange adjustments.

Taxation

Tax for the year, which includes the current group tax contribution for the year, taxes in the Portuguese branch and changes in deferred tax, is recognised in the income statement by the portion attributable to the net profit or loss for the year and directly to equity by the portion attributable to entries directly to equity.

Current tax liabilities or current tax receivables are recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax paid on account. Group tax contributions payable are recognised in joint taxation contribution payable.

Deferred tax is recognised and measured according to the balance-sheet liability method of all temporary differences between the carrying amount of an asset or a liability and its tax base. The tax base of the assets is calculated based on the planned utilisation of the individual asset.

Deferred tax assets including the tax base of tax losses allowed for carry-forward are recognised in the balance sheet at the value at which the relevant asset is expected to be realised either by a set-off against deferred tax liabilities or as net tax assets.

The Company is taxed jointly with other Danish companies in the Group, and the income tax is allocated to the jointly taxed companies according to the full allocation method.

Balance sheet

Intangible fixed assets

Software is recognised at acquisition cost less accumulated depreciation. Depreciation is provided on a straight-line basis over four years maximum.

Tangible fixed assets

Tangible fixed assets are recognised at acquisition cost less accumulated depreciation and write-downs. Ongoing investments are not depreciated. The acquisition cost consists of the cost without interest added.

Accounting policies

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Buildings on leased sites are depreciated on a straight-line basis over the expected economic life, but not exceeding expiry of the guaranteed lease term for the site. Installations are depreciated over fifteen years, always provided that the installations will be completely depreciated at the same time as the building.

Operating equipment and fixtures are depreciated on a straight-line basis over the expected useful life, i.e. normally 4-5 years. Aircraft and spare parts including aircraft-related assets and improvements owned by the Company are depreciated on a straight-line basis over the expected useful life, i.e. normally up to fifteen years.

Leased assets are depreciated on a straight-line basis over 10 years and have a residual value at zero. Lease asset is only related to one Aircraft.

Tangible fixed assets are written down to recoverable value if this is lower than the carrying amount. Profit or loss on disposal of tangible fixed assets is carried in depreciation and write-downs.

Fixed-asset investments

Deposits are recognised at acquisition cost calculated at cost.

Inventories

Inventories comprise finished goods and are measured at costs based on an approximated FIFO method or at net realisable value, whichever is the lower. The net realisable value of stocks is calculated at the amount that they are expected to fetch when sold in normal operation, less selling and completion costs. The net realisable value is calculated with due consideration of negotiability, obsolescence and the development of the expected selling price.

The cost of goods for resale includes the purchase price plus delivery costs.

Accounting policies

Receivables

Receivables are measured at amortised cost, which corresponds to nominal value, less write-downs to meet expected losses.

Short-term net deposits with group enterprises are recognised in receivables.

Prepayments and accrued income

Prepayments under assets include expenses incurred, but concerning the subsequent financial year. Prepayments are measured at amortised cost, which corresponds to nominal value.

Equity

Dividend is recognised as a liability other than provision at the time of approval by the annual general meeting. The dividend proposed for the financial year is shown as a separate item under equity.

Deferred tax

Provision for deferred tax is accounted for using the balance-sheet liability method and is calculated based on all temporary differences between the carrying amount of an asset or a liability and its tax base.

Aircraft maintenance provisions

Provisions have been made to cover the costs incurred by contractual liabilities for operationally leased aircraft. The provisions are calculated based on flight hours at the USD exchange rate on the balance sheet date.

Maintenance costs incurred are deducted in provisions.

Other financial liabilities

Other financial liabilities are recognised at amortised cost, which usually corresponds to nominal value.

Accruals and deferred income

Deferred income under liabilities includes payments received, but recognised in the income statement in the subsequent financial year. Deferred income is measured at amortised cost, which usually corresponds to nominal value. Deferred income over 1 year is classified as long term.

Accounting policies

Financial highlights

The financial ratios have been prepared in accordance with the definitions below.

Other financial ratios

Aircraft = Average number of aircraft in the fleet for the year

Cabin factor = $\frac{\text{Guests x 100}}{\text{Seats flown}}$

Number of flying hours (Block hours) = In-flight production hours

Financial ratios (%)

Gross margin = $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

Profit margin = $\frac{\text{Operating profit x 100}}{\text{Revenue}}$

Solvency ratio = $\frac{\text{Equity at year-end x 100}}{\text{Total assets}}$

Return on equity = $\frac{\text{Net profit or loss for the year x 100}}{\text{Average equity adjusted for dividend payment}}$

Notes

DKK '000

Note 2 - Segment information

<u>Activities - primary segment</u>	Flight	Ancillary and other	Total
2017/18			
Revenue	3,556,088	703,131	4,259,219
2016/17			
Revenue	3,398,312	662,128	4,060,441
	Scandi- navia	Rest of Europe	Total
<u>Geographical - secondary segment</u>			
2017/18			
Revenue	4,173,865	85,354	4,259,219
2016/17			
Revenue	4,004,915	55,526	4,060,441

Note 3 - Staff Costs

The total staff costs can be specified as follows :

	2017/18	2016/17
	DKK '000	DKK '000
Wages, salaries	729,264	694,021
Pension contributions	51,627	62,361
Other social security costs	70,650	52,154
	<u>851,541</u>	<u>808,536</u>
Remuneration to Executive Board	<u>7,124</u>	<u>6,848</u>
Average number of employees (full-time)	<u>1,069</u>	<u>1,080</u>

No remuneration has been paid to the Supervisory Board.

Incentive programs

The Executive Board is included in the Thomas Cook Group incentive programs, which comprise share options and long-term incentive schemes. The total charge recognised during the year was 266 tDKK (2016/17: 863 tDKK).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP)

The Executive Board are granted options to acquire, or contingent share awards of, the Ordinary Shares of the Company. The awards will vest if performance targets are met during the three years following the date of grant.

Notes

	2017/18	2016/17
	DKK '000	DKK '000
Note 4 - Depreciation and amortisation		
Intangible assets, see note 8	2,698	2,001
Property, plant and equipment, see note 9	100,118	113,176
	<u>102,817</u>	<u>115,177</u>
Note 5 - Financial income		
Interest income, affiliated companies	1,916	83
Other interest income	44	772
	<u>1,960</u>	<u>854</u>
Note 6 - Financial expenses		
Interest expenses, maintenance provision	5,465	7,403
Interest expenses, finance lease	17,302	17,865
Interest expenses, affiliated companies	316	663
Interest expenses, mortgage credit	26	144
Banking and warranty costs	9,466	8,490
Income tax surcharge.....	0	110
Other interest expenses	397	262
	<u>32,971</u>	<u>34,937</u>

Notes

	2017/18	2016/17
	DKK '000	DKK '000
Note 7 - Tax on profit for the year		
Adjustment in tax previous years	4,121	0
Change in deferred tax concerning profit/loss items.....	27,214	24,516
Joint tax contribution	<u>-75,232</u>	<u>-74,754</u>
Tax on profit for the year	<u><u>-43,897</u></u>	<u><u>-50,238</u></u>
Tax on profit for the year is explained as follows:		
22 % tax calculated on profit before tax	-48,679	-45,167
Tax effect of permanent differences	-160	-5,070
Adjustment in tax previous years	4,121	0
Net tax on profit for the year	<u><u>-44,718</u></u>	<u><u>-50,238</u></u>
Deferred tax asset at the beginning of the year	95,119	82,345
Adjustment regarding previous years	0	-13,880
Change concerning profit/loss items.....	27,214	24,516
Change concerning hedging instruments.....	<u>-59,434</u>	<u>2,138</u>
Deferred tax asset at the end of the year	<u><u>62,899</u></u>	<u><u>95,119</u></u>
Receivable from joint taxation, net	<u><u>0</u></u>	<u><u>0</u></u>
Joint tax contribution payable	<u><u>-76,976</u></u>	<u><u>-116,884</u></u>

Notes

	30-09-2018
	DKK '000
Note 8 - Intangible assets	
Aquisition price at 1 October 2017	20,955
Additions during the financial year	5,582
Disposals during the financial year	-345
Aquisition price at 30 September 2018	<u>26,192</u>
Amortisation at 1 October 2017	18,658
Amortisation for the financial year	2,698
Reversed amortisation on assets disposed during the financial year	-345
Amortisation at 30 September 2018	<u>21,011</u>
Carrying amount at 30 September 2018	<u>5,181</u>
Carrying amount at 30 September 2017	<u>2,297</u>

Note 9 - Property, plant and equipment

	Aircraft and Spare Parts	Buildings	Fixtures, etc	Asset u/con- struction
	DKK '000	DKK '000	DKK '000	DKK '000
Aquisition price at 1 October 2017	712,183	79,112	20,900	1,525
Additions during the financial year	357	0	3,300	0
Valuation adjustment.....	-2,100	0	0	0
Transfers during the financial year	1,525	0	0	-1,525
Disposals during the financial year	-6,237	0	-103	0
Aquisition price at 30 September 2018	<u>705,728</u>	<u>79,112</u>	<u>24,097</u>	<u>0</u>
Depreciation at 1 October 2017	364,507	73,011	15,711	0
Depr. and impairment for the financial year..	95,070	2,514	2,534	0
Reversed depr. during the financial year	0	0	-103	0
Depreciation at 30 September 2018	<u>459,577</u>	<u>75,526</u>	<u>18,142</u>	<u>0</u>
Carrying amount at 30 September 2018 ...	<u>246,151</u>	<u>3,587</u>	<u>5,955</u>	<u>0</u>
Carrying amount at 30 September 2017..	<u>347,676</u>	<u>6,101</u>	<u>5,190</u>	<u>1,525</u>

Building on leased land is used as guarantee for Mortgage Loan.

Aircraft and spare parts comprise aircraft-related assets owned by the Company.

The carrying amount of leased assets amounted to 144,9 mDKK as at 30 september 2018.

Notes

Note 10 - Financial assets

	Deposits
	DKK '000
Aquisition price at 1 October 2017	4,838
Additions during the financial year	54
Disposals during the financial year	-82
Currency adjustment.....	77
Aquisition price at 30 September 2018	<u>4,887</u>
Aquisition price at 30 September 2017	<u>4,838</u>

	30-09-2018	30-09-2017
	DKK '000	DKK '000
Note 11 - Inventories		
Finished goods	57,960	56,266
Spare Parts	<u>11,145</u>	<u>10,394</u>
	<u>69,105</u>	<u>66,660</u>

Note 12 - Other receivables

Unrealised gains on currency contracts.....	281,144	42,633
Other receivables	<u>28,529</u>	<u>13,680</u>
	<u>309,673</u>	<u>56,312</u>

Note 13 - Deferred tax asset

Deferred tax asset at the beginning of the year	95,119	82,345
Adjustment regarding previous years	0	-13,880
Change concerning profit/loss items.....	27,214	24,516
Change concerning hedging instruments.....	<u>-59,434</u>	<u>2,138</u>
Deferred tax asset at the end of the year	<u>62,899</u>	<u>95,119</u>

Notes

	30-09-2018	30-09-2017
	DKK '000	DKK '000
<u>Note 14 - Receivables from affiliated companies</u>		
Trade receivables from affiliated companies	52,869	22,562
Loans to affiliated companies	877,569	669,691
Cash, affiliated companies	323,604	329,735
	<u>1,254,042</u>	<u>1,021,988</u>

The Company is included in a cash pool agreement with other Nordic group companies through the Group's primary banker in Denmark, Norway and Sweden.

Note 15 - Prepayments

Prepaid rent	1,006	1,917
Prepaid cost	2,597	2,684
Prepaid insurance	1,817	2,236
Other prepayments	1,512	1,656
	<u>6,932</u>	<u>8,493</u>

Note 16 - Equity

There were no changes in share capital in the last 5 years.

The share capital is divided into shares of DKK 1,000 or multiple hereof.

No special rights are attached to any of the shares.

Notes

	30-09-2018	30-09-2017
	DKK '000	DKK '000
Note 17 - Aircraft maintenance provisions		
Provisions at the beginning of the year	474,549	421,520
Additional provision in the year	77,014	82,581
Utilised in the year	-13,639	0
Currency adjustment.....	11,332	-29,552
Provisions at the end of the year	<u>549,257</u>	<u>474,549</u>

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Company's airlines in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of the aircraft with major overhauls typically occurring between two and 10 years. The aircraft maintenance provisions are reassessed at least annually in the normal course of business with a corresponding adjustment made to either non-current assets (aircraft and aircraft spare parts) or aircraft costs which is included in Production costs and cost of goods sold.

Note 18 - Long Term debt

The mortgage debt is falling due as follows:

Within 1 year	948	944
Between 1 and 5 years	2,144	3,274
	<u>3,092</u>	<u>4,218</u>

The Finance Lease obligation is falling due as follows:

Within 1 year	13,106	11,075
Between 1 and 5 years	80,057	73,528
After 5 years	49,395	68,642
Total	<u>129,452</u>	<u>142,170</u>
	<u>142,558</u>	<u>153,245</u>

The deferred income is falling due as follows:

Within 1 year	2,664	2,664
Between 1 and 5 years	10,656	10,656
After 5 years	8,829	11,493
Total	<u>19,485</u>	<u>22,149</u>
	<u>22,149</u>	<u>24,813</u>

Deferred income relates to received aircraft maintenance contribution in 2014/15. The contribution is recognised on a straight-line basis with 2,664 tDKK each year until end-of-lease of the related assets.

Notes

	30-09-2018	30-09-2017
	DKK '000	DKK '000
Note 19 - Other payables		
Holiday pay obligation	82,088	81,717
Withholding tax payable and other staff-related costs	72,836	69,389
Passenger fees payable	3,902	1,726
VAT and duties payable	7,971	8,613
Unrealised loss on fuel and currency contracts.....	43,236	74,880
Inflight services.....	31,210	4,222
Other Payables	527	520
	<u>241,770</u>	<u>241,067</u>
Note 20 - Deferred Income		
Aircraft maintenance contribution received	2,664	2,664
Prepayments from customers	4,685	2,232
Marketing contribution received	9,217	11,127
	<u>16,566</u>	<u>16,023</u>

Note 21 - Events after the reporting date

The Board of Directors in the parent company, Thomas Cook plc., has on 7 February 2019 announced a strategic review of the Group Airline division in the Thomas Cook Group for which Thomas Cook Scandinavia A/S is part of. The formal process is in early stage and will consider the strategic options for the Group Airline, including a potential sale. In Managements opinion, this will not result in any material changes to the Company's current operations and earnings. In addition, it is the Executive Board and Board of Directors opinion that this strategic review do not impact either recognised assets, provisions or liabilities as of 30 September 2018.

There have been no other subsequent events of material significance for the assessment of the annual report.

Notes

	30-09-2018	30-09-2017
	DKK '000	DKK '000
Note 22 - Contingent liabilities, securities etc		
Total lease commitments (operating lease) due for payment		
after the balance sheet date	2,011,778	2,152,232
Of this, due within 5 years	1,396,186	1,349,499
Of this, due within 1 year	331,896	351,803
The total lease commitments can be specified as follows:		
Lease of aircraft and spare parts from/through affiliated companies.....	220,473	129,650
Lease of aircraft and spare parts from other companies	1,780,969	2,010,628
Lease of buildings, hangar area, etc.	7,636	7,963
Other leases	2,700	3,992
	<u>2,011,778</u>	<u>2,152,232</u>
Bank guarantees	<u>20,396</u>	<u>21,568</u>

The lease commitments regarding aircraft and spare parts have been translated from USD using the exchange rate at balance sheet date.

In November 2017 the Group entered into new financing arrangements being an enlarged mGBP 875 revolving credit facility and bonding and guarantee facility, maturing in November 2022. TCAS guarantees these new financing arrangements along with a number of other subsidiaries of Thomas Cook Group plc.

The Company is included in a common VAT registration with other Danish group companies. Furthermore, the Company is included in a joint taxation with other Danish group companies. Thereby, the Company is jointly and severally liable for VAT and income tax with the other Danish Group Companies.

Securities: None

Notes

Note 23 - Audit fees

Referring to the Danish Statements Act § 96, sub section 3, information on fees to Auditors elected on a general meeting, has been omitted.

We refer to the financial statement of Thomas Cook Group plc.

Note 24 - Currency risk and use of derivative financial instruments

Thomas Cook Airlines Scandinavia A/S uses hedging instruments to hedge recognised and non-recognised transactions.

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables.

Currency (DKK'000)	Receive- ables	Payables	Hedged using forward exchange contracts	Net Position
USD, < 1 year	155,712	-310,777	606,462	451,397
USD, > 1 year	0	-509,144	0	-509,144
	<u>155,712</u>	<u>-819,921</u>	<u>606,462</u>	<u>-57,747</u>

Forecast transactions

Thomas Cook Airlines Scandinavia A/S uses forward exchange contracts to hedge expected currency risks relating to purchase of goods in the coming year.

DKK '000	Contractual value		Gains and losses recognised in equity and expected to be realised after the balance sheet date.	
	2017/18	2016/17	2017/18	2016/17
Forward exchange contracts, (< 1 year)	3,561,598	3,233,802	81,994	-67,861
Forward exchange contracts, (> 1 year)	1,040,207	0	2,336	0
Fuel swaps, (<1 year)	671,450	606,938	144,544	35,614
Fuel swaps, (> 1 year)	233,499	0	9,034	0
	<u>5,506,754</u>	<u>3,840,740</u>	<u>237,908</u>	<u>-32,247</u>

Notes

Note 25 - Related parties

Parties exercising control

Thomas Cook Group Airlines Limited
Westpoint Peterborough Business Park
Lynch Wood, Peterborough
PE2 6FZ
United Kingdom

Holds the majority of the share capital in the entity.

Information about consolidated financial statements:

Thomas Cook Group PLC
3rd Floor, South Building
200 Aldersgate
London
ED1A 4HD
United Kingdom

The consolidated financial statements can be obtained here:

https://www.thomascookgroup.com/investors/insight_external_assest/Thomas_Cook_AR_2018_web.pdf

Related party transactions

	2017/18	2016/17
	DKK '000	DKK '000
Sale of goods to associates.....	3,530,785	3,288,350
Cost of goods from associates.....	-127,103	-146,454
Cost of services from associates.....	-22,970	-1,295
Interest income from associates.....	0	83
Interest expenses to associates.....	-98	-663
Receivables from associates.....	1,254,042	1,021,988
Payables to associates.....	104,830	85,049

Note 26 - Distribution of profit

Proposed distribution of profit		
Transferred to retained earnings.....	-92,629	155,068
Dividends to the shareholder.....	270,000	0
	<u>177,371</u>	<u>155,068</u>

Note 26 - Group information

Thomas Cook Airlines Scandinavia A/S is included in the consolidated financial statements of the ultimate parent company Thomas Cook Goup plc, England. The company is not included in other consolidated financial statements. See also www.thomascookgroup.com to download statements.