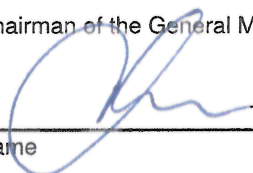


KILROY Group Travel A/S

Annual Report for the year 2017

The Annual General Meeting adopted the annual report on 18.05.2018

Chairman of the General Meeting



Name

KILROY Group Travel A/S
Nytov 5
1450 Copenhagen K
Denmark

Reg. no. 25 49 77 59

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Statement by the Board of Directors and Management

The Company is a subsidiary of KILROY International A/S which is an international travel agency with headquarters in Denmark.

The board of directors and the managing director have today approved the annual report for the financial year January 1 to December 31, 2017 for KILROY Group Travel A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.


It is our opinion, that the annual Report gives a fair and true view of the company's assets, liabilities and financial position as pr. December 31, 2017 and the result of the company's activities for the financial year January 1 - December 31, 2017.

In our opinion, Management's review includes a fair review of the development in the company's operations and financial conditions, the result for the year and financial position.

The Financial statement is sent for approval for the annual general meeting.

Copenhagen K, 18/5 2018

The Board of Directors:


Claus Hincheli Hejlesen
Chairman


Henrik Kaltoft


Lars Holst-Mikkelsen


Managing Director

Henrik Kaltoft

Independent Auditors' Report

To the shareholders of KILROY Group Travel A/S

Opinion

We have audited the financial statements of KILROY Group Travel A/S for the financial year 1 January – 31 December 2017 comprising accounting policies, income statement, balance sheet, statement of changes in equity and notes. 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 Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statement Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility 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 that 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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 company 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.
- 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 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, 18 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR nr. 25578198



Anja Bjørnholt Lûthcke

State Authorised Public Accountant

MNE-nr: 26779

Management's review

Company information

KILROY Group Travel A/S
Nytorv 5
1450 Copenhagen K

Phone: 70 22 05 35
Web: www.kilroy.dk

CVR-nr.: 25 49 77 59
Founded: 22. juni 2000
Registrered in: Copenhagen K.
Accounting year: 1. january - 31. december

Board of directors:

Claus Hincheli Hejlesen (Chairman)
Henrik Kaltoft
Lars Holst-Mikkelsen

Managing Director:

Henrik Kaltoft

Auditors:

KPMG
Statsautoriseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Annual General Meeting:

The annual general meeting will take place on 18. maj 2018 at the companys office at Nytorv 5, 1450 Copenhagen K.

Keyfigures

	2017	2016	2015	2014	2013	
Profit & Loss Accounts (mDKK)						
Turnover	212	236	225	212	228	
EBITDA	10,0	17,0	18,5	19,9	20,5	
Ordinary operating profit (EBIT)	9,8	16,9	18,4	19,8	20,4	
Net financial income	14,8	18,2	3,8	3,2	2,4	
Profit before income tax (EBT)	24,6	35,1	22,2	23,1	22,8	
Net profit for the year	21,3	31,9	17,9	18,8	17,1	
Balance Sheet (mDKK)						
Non-current assets	0,5	0,2	4,2	3,9	3,9	
Current assets	118,7	103,7	176,6	95,2	93,1	
Total assets	119,2	103,9	180,8	99,2	97,0	
Share capital	1,1	1,1	1,1	1,1	1,1	
Equity	45,5	42,1	27,3	27,4	25,1	
Current liabilities	73,7	61,3	68,3	70,2	70,4	
Investments in tangible assets	0,4	0,4	0,4	0,0	0,0	
Key Figures						
EBITDA - Margin (%)	EBITDA / Turnover	4,7	7,2	8,2	9,4	9,0
Return on assets (%)	EBIT / total assets	8,3	16,3	10,2	20,0	21,0
Return on equity (%)	Net profit / average equity	49	92	65	72	71
Liquidity ratio (%)	Current assets / current liabilities	161	169	259	136	132
Equity ratio (%)	Equity / total assets	38	41	15	28	26
Average number of full-time employees (FTE)		50	46	46	46	52

Management's review

Main activities

The main activity – which remains unchanged from previous years – is to carry on sale of travel related services and products under the two brands KILROY and BENNS.

Sales are conducted from the premises in Holstebro.

Development in activities, finances, and other events during the year

Turnover decreased compared to the preceding years, which is unsatisfactory. To reverse this trend extraordinary marketing spending was allocated to relaunch the BENNS brand during 2017. Consequently, the operating profit was also lower than in previous years.

In November 2016, KILROY Group Travel A/S sold its 27.6% stake in Ski Group A/S to the majority shareholder, Højmark Holding ApS. Ski Group A/S was the result of a merger of Team Benns Ski and Højmark Rejser A/S back in 2011. The principles for calculating the share price was settled in a court of arbitration in May 2017, in favour of KILROY Group Travel A/S. The final share price will be concluded upon the presentation of Ski Group A/S' annual accounts for 2017/18.

Uncertainty relating to recognition and measurement

There have not been any uncertainty regarding recognition and measurement in the annual report.

Risk assessment

Operating globally, the travel industry is by nature affected by numerous risks. The majority of these are beyond our control, such as war, terror, natural disasters and political unrest.

Each year brings new and sometimes extraordinary challenges to the travel industry. Every link in the value chain is constantly challenged, either by traditional suppliers, new players or by the customers themselves. As in many other industries, the Internet has created an atmosphere of "direct trading is cheapest." We address this challenge by constantly focusing on internal training and customer service, and by making value-addition tangible and apparent to customers.

The financial risk of doing business in multiple countries and currencies is reduced through cautious execution by the KILROY Group's cash management function, which has established policies to ensure that currency exposure is mitigated to the extent possible.

The KILROY Group only hedges commercial exposures. The primary financial instruments include currency forward contracts.

Corporate Social Responsibility (CSR)

It is a goal of the KILROY Group that employees, suppliers and customers all do their best to support the neighbouring community and, to the extent possible, limit any negative impact on the environment.

By its very nature, the KILROY Group business promotes understanding and respect among cultures. However, our business also involves a significant amount of air travel, and this carries an inevitable environmental impact. Our suppliers of hotel accommodation, cars and other ground products also make varying impact.

The KILROY Group has a formalized CSR strategy named "Walk-the-Talk". It defines goals for climate, sourcing, suppliers, social responsibility, human rights and animal welfare.

Our CSR policy aims to ensure that all our companies and employees act as good corporate citizens with due respect for differences in culture, history and economy. We encourage climate-friendly yet profitable investments with necessary consideration of human and labour rights.

Due to other priorities, the focus areas of 2017 did not get the attention that was originally intended. Therefore the focus areas of 2018 will remain as those for the previous year.

The strategy and policy can be found on kilroy.net/policies

Management's review

Intellectual capital

In order to maintain sustained development of the business areas and complementary areas, our employees are central. Hence, training and competence upgrade within travel are continuously prioritized.

Subsequent events and expectations for 2018

No material events have occurred since the balance sheet date that would affect the assessment of the annual report for 2017.

The relaunch of the BENNS brand will continue during 2018 and the expectation for the operating profit is thus that KILROY Group Travel A/S will deliver a 2018 result similar to 2017, save for one-time income and any external events beyond own control.

Profit & Loss Account 1 January to 31 December 2017

	Notes	2017 '000 DKK	2016 '000 DKK
Turnover	1	211.904	235.790
Cost of products		<u>-168.559</u>	<u>-189.226</u>
Gross profit		<u>43.345</u>	<u>46.564</u>
		20,5%	19,7%
Salaries and other personnel expenses	2	-18.896	-17.665
Other operating expenses		<u>-14.473</u>	<u>-11.864</u>
		<u>-33.369</u>	<u>-29.529</u>
Operating profit before depreciation and amortization (EBITDA)		9.976	17.035
Depreciations and amortizations	3	<u>-142</u>	<u>-103</u>
Operating profit before net financial income (EBIT)		9.834	16.932
Financial income		14.792	18.200
Financial expenses		<u>-17</u>	<u>-7</u>
Net financial income	4	<u>14.775</u>	<u>18.193</u>
Profit before income tax (EBT).....		24.609	35.125
Tax on profit of the year	5	<u>-3.260</u>	<u>-3.273</u>
Net profit for the year	6	<u>21.349</u>	<u>31.852</u>

Balance Sheet as at 31 December 2017

	Notes	2017 '000 DKK	2016 '000 DKK
Assets:			
Leasehold improvements		95	134
IT hardware and other equipments	7	393	80
Total property, plant and equipment		488	214
Deferred tax asset		18	0
Total financial fixed assets		18	0
Total non-current assets		506	214
Inventories		442	426
Trade receivables		23.482	14.018
Amounts due from group entities		61.996	58.631
Tax receivables		0	764
Other receivables		0	16
Prepaid expenses and accrued income	8	27.734	24.525
Total Receivables		113.212	97.954
Cash and cash equivalents		5.018	5.300
Total current assets		118.672	103.680
Total assets		119.178	103.894
Equity:			
Share capital		1.100	1.100
Proposed dividend		20.000	18.000
Retained earnings		24.376	23.035
Total equity		45.476	42.135
Provisions:			
Deferred tax	9	0	491
Total provisions		0	491
Current liabilities:			
Tax payable		1.755	794
Trade creditors		26.903	22.201
Other payables		4.636	8.577
Advance payments		40.408	29.696
Total current liabilities		73.702	61.268
Total liabilities		73.702	61.268
Total equity and liabilities		119.178	103.894
Contingent assets, liabilities and secured debt	10		
Related parties	11		

Statement of changes in Equity

Equity

	Share capital	Retained earnings	Proposed dividend	Total equity
	'000 DKK	'000 DKK	'000 DKK	'000 DKK
Equity 1.1.2017	1.100	23.035	18.000	42.135
Transferred over the profit appropriation	0	1.349	20.000	21.349
Dividends paid	0	0	-18.000	-18.000
Equity 31.12.2017	<u>1.100</u>	<u>24.376</u>	<u>20.000</u>	<u>45.476</u>

The share capital comprises of 11.000 shares of DKK 100 each.
There has been no changes to issued capital during the past five years.

Notes

1. Turnover

Pursuant to the damage clause in section 96(1) of the Danish Financial Statements Act, segment information has not been disclosed.

2. Salaries and other personnel expenses

Salaries and other personnel expenses are specified as follows:

	2017	2016
	'000 DKK	'000 DKK
Wages and salaries	16.961	15.993
Pensions	790	737
Other social security costs	112	116
Total salaries and related expenses	17.863	16.846
Other personnel expenses	1.032	820
Total salaries and other personnel expenses	18.896	17.665

Average number of employees (full year equivalents)	50	46
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Remuneration to executive board are included in the Management fee from the parent company.

3. Depreciations and amortizations

Depreciations and amortizations are specified as follows:

	2017	2016
	'000 DKK	'000 DKK
Depreciation of property, plant and equipment, see note 6	142	103
Depreciation and amortization recognised in the income statement	142	103

4. Financial income and expenses

Financial income and expenses are specified as follows:

	2017	2016
	'000 DKK	'000 DKK
Interest income from affiliated companies	762	33
Dividend associated companies	6	5.690
Other financial income	1.571	314
	2.339	6.037
Divestments of shares in SkiGroup A/S and OurWorld A/S	12.453	12.163
	14.792	18.200
Financial expenses	-17	-7
Total financial income and expenses	14.775	18.193

5. Tax on profit of the year

Tax on profit of the year are specified as follows:

	2017	2016
	'000 DKK	'000 DKK
Joint tax contribution	3.255	4.530
Adjustment previous year	491	-28
Adjustment of deferred tax for the year	-486	-1.229
	3.260	3.273

6. Appropriation of net profit

	2016	2015
	'000 DKK	'000 DKK
Proposed dividend	20.000	18.000
Retained earnings	1.349	13.852
	21.349	31.852

Notes, continued:

7. Property, plant and equipment

	Equipment '000 DKK	IT hardware '000 DKK	Leasehold improvement '000 DKK	Total '000 DKK
Cost at the beginning of 2017	509	274	195	978
Additions in year	416	0	0	416
Cost at the end of 2017	925	274	195	1.394
Depreciations at the beginning of 2017	-509	-194	-61	-764
Depreciations for the year	-47	-56	-39	-142
Depreciations at the end of 2017	-556	-250	-100	-906
Carrying amount at the end of 2017	369	24	95	488
Carrying amount at the end of 2016	0	80	134	214

8. Prepaid expenses and accrued income

Prepaid expenses and accrued income consists of payments to suppliers that relate to the following year and earned, but not paid incentive.

9. Deferred tax asset

Changes in deferred income tax are as follows:	2017 '000 DKK	2016 '000 DKK
Deferred income tax asset at beginning of year	491	1.748
Change in deferred tax	-486	-1.229
Adjustment previous year	-23	-28
Deferred income tax asset at the end of 2017	-18	491

Notes, continued:

10. Contingent assets, liabilities and secured debt

	2017	2016
	'000 DKK	'000 DKK
Rent and lease obligations within one year	655	625
Rent and lease obligations between one and five years	1.036	1.615
	<u>1.691</u>	<u>2.240</u>

The company is a member of Rejsegarantifonden and KILROY International A/S has issued a bank guarantee of tDKK 3.500 as security.

As a subsidiary to KILROY International A/S, KILROY Goup Travel A/S operates under joint taxation along with other danish companies in the KILROY Group.

The current Danish corporation tax is allocated among the jointly-taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). The Danish Companies are jointly and severally liable for the joint taxation.

11. Related parties

KILROY Group Travel A/S' related parties comprise the following:

Eignarhaldsfélagið KILROY ehf, Laugavegur 182, 105 Reykjavik

SSTS A/S, Nytorv 5, 1450 Copenhagen K.

Horizons A/S, Nytorv 5, 1450 Copenhagen K.

KILROY International A/S, Nytorv 5, 1450 Copenhagen K.

KILROY Belgium B.V.B.A., Sint-Pietersnieuwstraat 105, 9000 Gent

OY KILROY Finland AB, Kaivokatu 10 D, 00100 Helsinki

KILROY Iceland ehf., Skólavörðustígur 3A, 101 Reykjavik

KILROY Netherlands B.V., Singel 413-415, 1012 Amsterdam

KILROY Norway AS, Kirkegata 32, 0153 Oslo

KILROY Poland Sp. Z o.o., Inflancka 4A, 00189 Warszawa

KILROY Sweden AB, Mäster Samuelsgatan 42, 103 87 Stockholm

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statement Act:

Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered as part of senior management responsibilities, thus part of their ordinary remuneration.

KILROY Group Travel A/S is a part of the consolidated annual report for KILROY International A/S, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of KILROY International A/S can be found at www.KILROY.dk

KILROY Group Travel A/S is a part of the consolidated annual report of Eignarhaldsfélagið KILROY ehf, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Eignarhaldsfélagið KILROY ehf can be obtained by contacting the company.

Accounting Policies

General

The Annual Report for 2017 for KILROY Group Travel A/S is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class large-C companies.

The accounting policies applied, as described below, are consistent with those applied last year.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement is included in the consolidated cash flow statement for KILROY International A/S.

Pursuant to section 96(3) of the Danish Financial Statements Act, fee paid to the Company's auditor appointed at the general meeting has not been disclosed.

The Annual Report for 2015 for KILROY Group Travel A/S is included in the consolidated financial statements for the KILROY Group.

Foreign currency conversion

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement in cost of products.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as intercompany other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Profit and Loss Account

Turnover

Turnover includes the year's sales of travel products and other services.

Turnover from individual-oriented products are booked at the time of invoicing, regardless of departure date.

Turnover from group travel products are booked in the accounting period that coincides with the departure date of the trip.

Turnover is measured at the fair value of the agreed remuneration excluding VAT. All discounts granted are included in revenue.

Cost of products

Cost of products comprises invoiced and accrued cost of travel related products and other services incurred by generated revenue of the year.

Other operating expenses

Other operating expenses include expenses relating to the entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs etc. This item also includes writedowns of receivables recognised in current assets.

Accounting Policies

Salaries and other personnel expenses

Personnel costs mainly include costs for salaries, pensions and other social security costs.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest, capital gains and losses on securities, liabilities and conversion in foreign currencies and surcharges/allowances regarding tax.

Tax

The current Danish corporation tax is allocated among the jointly-taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). Tax for the year comprises current tax, joint taxation and changes in deferred tax for the year, including adjustments to tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Deferred tax is provided under the liability method, and covers all temporary differences between accounting and tax values of the assets and liabilities.

The tax value of tax loss carry-forwards will be set off against deferred tax liabilities to the extent that the tax losses and other tax assets are expected to be utilised in the future taxable income. Deferred tax is calculated according to applicable tax laws and according to the expected tax rate.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Assets are written down if their value has depreciated and cannot be seen as appreciating in the near future.

Cost comprises the purchase price and any direct costs directly attributable to the acquisition until the date on which the asset is available for use.

Depreciation is calculated on a straight-line basis of the cost according to the following guidelines, based on the estimated economic life of the asset:

- Equipment 5 years
- Leasehold improvements 5 years
- IT and other equipment 3-5 years

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Goods for resale are measured at cost price.

Write-downs are made according to obsolescence and other forms of value depreciation.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Equity

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Liabilities other than provisions

Prepayments from customers, trade payables and other payables are measured at net realizable value.