KILROY Group Travel A/S

Annual Report
for the year 2016

The Annual General Meeting adopted the annual report on 26.04.2017

Chairman of the General Meeting

Name CLAUS H. HEJLESEN

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

Reg. no. 25 49 77 59

Content

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, 2016 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, 2015 and the result of the company's activities for the financial year January 1 - December 31, 2016.

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. 26/4 2017

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 2016 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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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, 26/4 2017

KPMG
Statsautoriseret Revisionspartnerselskab
CVR nr. 25578198

Jacob Lehman
State Authorised Public Accountant

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 26. april 2017 at the parent companys office at Nytorv 5, 1450 Copenhagen K.

Keyfigures

		2016	2015	2014	2013	2012
Profit & Loss Accounts (mDKK)						
Turnover		236	225	212	228	236
EBITDA		17,0	18,5	19,9	20,5	17,9
Ordinary operating profit (EBIT)		16,9	18,4	19,8	20,4	17,7
Net financial income		18,2	3,8	3,2	2,4	0,3
Profit before income tax (EBT)		35,1	22,2	23,1	22,8	18,1
Net profit for the year		31,9	17,9	18,8	17,1	13,5
Balance Sheet (mDKK)						
Non-current assets		0,2	4,2	3,9	3,9	4,0
Current assets		103,7	176,6	95,2	93,1	99,0
Total assets		103,9	180,8	99,2	97,0	103,0
Share capital		1,1	1,1	1,1	1,1	1,0
Equity		42,1	27,3	27,4	25,1	23,0
Current liabilities		61,3	68,3	70,2	70,4	79,0
Investments in tangible assets		0,0	0,4	0,0	0,0	0,0
Key Figures						
EBITDA - Margin (%)	EBITDA / Turnover	7,2	8,2	9,4	9,0	7,5
Return on assets (%)	EBIT / total assets	16,3	10,2	20,0	21,0	17,2
Return on equity (%)	Net profit / average equity	92	65	72	71	60
Liquidity ratio (%)	Current assets / current liabilities	169	259	136	132	126
Equity ratio (%)	Equity / total assets	41	15	28	26	22
Average number of full-time employees (FTE)		46	46	46	52	57

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
The turnover increased compared to the preceding years. The operating profit is maintained close to that of 2016, which is considered very satisfactory.

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 Court of Arbitration in Copenhagen has been tasked to establish the final valuation of the share stake.
In December 2016 KILORY Group Travel A/S transferred its 40% stake in OurWorld A/S to KILROY International A/S. The original investment in OurWorld A/S was made in 2011.

The sale of shares in Ski Group and Ourworld have affected the result positivly.

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 impacted by numerous risks. The vast 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 and every link in the value chain is constantly challenged, either by traditional suppliers, new players or by the customers themselves. Like in many other industries, the Internet has created an atmosphere of "direct trading is cheapest." This challenge is addressed 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 department, which has established policies to ensure that currency exposure is mitigated to the extent possible. The KILROY Group only hedges commercial exposures. The financial instruments used primarily include currency forward contracts.

Corporate Social Responsibility (CSR)
KILROY Group Travel A/S does not have an independent strategy or social responsibility policy, but the company is included in the consolidated financial statements of KILROY International A/S, which prepares a group policy on CSR.

Due to other priorities, the focus areas of 2016 did not get the attention that was originally intended. Therefore the focus areas of 2017 will remain as those for the previous years.

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

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 2017
No material events have occurred since the balance sheet date that would affect the assessment of the annual report for 2016.

The expectation for 2017 is that KILROY Group Travel A/S will deliver a result similar to 2016, save for any external events beyond own control.

Profit & Loss Account 1 January to 31 December 2016

	Notes	2016 '000 DKK	2015 '000 DKK
Turnover	1	235.790	225.104
Cost of products		-189.226	-180.444
Gross profit		46.564	44.660
Salaries and other personnel expenses	2	-17.665	-17.029
Other operating expenses		-11.864	-9.130
		-29.529	-26.159
Operating profit before depreciation and amortization (EBITDA)		17.035	18.501
Depreciations and amortizations	3	-103	-75
Operating profit before net financial income (EBIT)		16.932	18.426
Financial income		18.200	3.822
Financial expenses		-7	-1
Net financial income	4	18.193	3.821
Profit before income tax (EBT)		35.125	22.247
Tax on profit of the year	5	-3.273	-4.370
Net profit for the year	6	31.852	17.877

Balance Sheet as at 31 December 2016

	Notes	2016	2015
		'000 DKK	'000 DKK
Assets:			
Leasehold improvements		134	173
IT hardware and other equipments	7	80	143
Total property, plant and equipment		214	316
Equity investments in associates	8	0	3.912
Total financial fixed assets		0	3.912
Total non-current assets		214	4.228
Inventories		426	887
Trade receivables		14.018	14.148
Amounts due from group entities		58.631	67.654
Amounts due from affiliated companies		0	222
Tax receivables		764	764
Other receivables		16	0
Prepaid expenses and accrued income	9	24.525	754
Total Receivables		97.954	83.542
Cash and cash equivalents		5.300	8.646
Total current assets		103.680	93.075
Total assets		103.894	97.303
Equity:			
Share capital		1.100	1.100
Proposed dividend		18.000	17.000
Retained earnings		23.035	9.183
Total equity		42.135	27.283
Provisions:			
Deferred tax	10	491	1.748
Total provisions		491	1.748
Current liabilities:			
Tax payable		794	0
Trade creditors		22.201	24.659
Other payables		3.327	7.060
Accrued liabilities		5.250	0
Advance payments		29.696	36.553
Total current liabilities		61.268	68.272
Total liabilities		61.268	68.272
Total equity and liabilities		103.894	97.303

	Notes
Contingent assets, liabilities and secured debt	11
Related parties	12
Subsequent events and expectations for 2017	13

Statement of changes in Equity

Equity

	Share capital '000 DKK	Retained earnings '000 DKK	Proposed dividend '000 DKK	Total equity '000 DKK
Equity 1.1.2016	1.100	9.184	17.000	27.284
Transferred over the profit appropriation	0	13.852	18.000	31.852
Dividends paid	0	0	-17.000	-17.000
Equity 31.12.2016	1.100	23.036	18.000	42.136

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:

	2016 '000 DKK	2015 '000 DKK
Wages and salaries	15.993	15.421
Pensions	737	734
Other social security costs	116	161
Total salaries and related expenses	16.846	16.316
Other personnel expenses	820	713
Total salaries and other personnel expenses	17.665	17.029
Average number of employees (full year equivalents)	46	44

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:

	2016 '000 DKK	2015 '000 DKK
Depreciation of property, plant and equipment, see note 6	103	75
Depreciation and amortization recognised in the income statement	103	75

4. **Financial income and expenses**
Financial income and expenses are specified as follows:

	2016 '000 DKK	2015 '000 DKK
Interest income from affiliated companies	33	0
Dividend associated companies	5.690	3.765
Other financial income	314	57
	6.037	3.822
Divestments of shares in SkiGroup A/S and OurWorld A/S	12.163	0
	18.200	3.822
Financial expenses	-7	-1
Total financial income and expenses	18.193	3.821

5. **Tax on profit of the year**
Tax on profit of the year are specified as follows:

	2016 '000 DKK	2015 '000 DKK
Joint tax contribution	4.530	4.136
Adjustment previous year	-28	0
Adjustment of deferred tax for the year	-1.229	233
	3.273	4.369

6. **Appropriation of net profit**

	2016 '000 DKK	2015 '000 DKK
Proposed dividend	18.000	17.000
Retained earnings	13.852	877
	31.852	17.877

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 2016	1.119	587	497	2.203
Additions in year	0	0	0	0
Disposals in year	-610	-313	-302	-1.225
Cost at the end of 2016	509	274	195	978
Depreciations at the beginning of 2016	-1.119	-444	-324	-1.887
Depreciations for the year	0	-63	-39	-103
Disposals in year	610	313	302	1.225
Depreciations at the end of 2016	-509	-194	-61	-765
Carrying amount at the end of 2016	0	80	134	213

8. Equity investments in associates

Equity investments in associates are specified as follows:

	Total '000 DKK
Cost at the beginning of 2016	3.912
Divestments	
Divestments in the year	-3.912
Cost at the end of 2016	0

Name	City, country	Voting rights & ownership end of year
Associated companies:		
OurWorld A/S	Holstebro, Denmark	0
SkiGroup A/S	Ringkøbing, Denmark	0

9. 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.

10. Deferred tax asset

Changes in deferred income tax are as follows:

	2016 '000 DKK	2015 '000 DKK
Deferred income tax asset at beginnig of year	1.748	1.515
Change in deferred tax	-1.229	233
Change due to decreased tax percentage	0	0
Adjustment previous year	-28	0
Deferred income tax asset at the end of 2016	491	1.748

11. Contingent assets, liabilities and secured debt

	2016 '000 DKK	2015 '000 DKK
Rent and lease obligations within one year	625	611
Rent and lease obligations between one and five years	1.615	2.190
	2.240	2.801

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.

12. 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.

Horizons 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
Horizons 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.

14. Subsequent events and expectations for 2017
No material events have occurred since the balance sheet date that would affect the assessment of the annual report for 2016.

The expectation for 2017 is that KILROY Group Travel A/S will deliver a result similar to 2016, save for any external events beyond own control.

Accounting Policies

General

The Annual Report for 2016 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.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015.
Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition of the Act, any adjustments to residual values must be made prospectivly as an accounting estimate without restatement of comparative figures and without effect on equity.
The implementation has not caused any changes regarding measurement or recognition.
The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

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

Income from investment in associated companies
Income from investments in associated companies consists of dividends received.

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

Investments
Shares in associated companies are valued using the cost method. When the cost exceeds the recoverable amount, write-down is made to this lower value.

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.

Accounting Policies

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 seperate item under equity.

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