

Danish Air Transport Holding A/S

Lufthavnsvej 4, DK-6580 Vamdrup

CVR no. 27 49 35 72



Annual report 2016

Approved at the Company's annual general meeting on 18 April 2017

Chairman:



Lars Dahl Hansen



Building a better
working world



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Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Danish Air Transport Holding A/S for the financial year 1 January - 31 December 2016.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Vamdrup, 18 April 2017
Executive Board:



Jesper Rungholm

Board of Directors:



Finn Boel Pedersen
Chairman



Kirsten Rungholm



Cornelis Anthonie
Kuypers



Jørgen Flodgaard Olsen

Independent auditors' report

To the shareholders of Danish Air Transport Holding A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danish Air Transport Holding A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Parent 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 consolidated financial statements and the parent company 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 Group's and the Parent 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.




Independent auditor's report

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company 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.

Kolding, 18 April 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28



Lars Tylvad Andersen
State Authorized Public Accountant



Michael Vækker Maass
State Authorized Public Accountant



Management's review

Company details

Name	Danish Air Transport Holding A/S
Address, zip code, city	Koldingegnens Lufthavn Lufthavnsvej 4 DK-6580 Vamdrup
CVR no.	27 49 35 72
Established	2003
Registered office	Kolding
Financial year	1 January - 31 December
Telephone	+45 75 58 37 77
Board of Directors	Finn Boel Pedersen (Chairman) Kirsten Rungholm Cornelis Anthonie Kuypers Jørgen Flodgaard Olesen
Executive Board	Jesper Rungholm
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Kolding Åpark 1, 3. floor, DK-6000 Kolding



Management's review

Group chart





Management's review

Financial highlights for the group

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	792,890	644,125	503,209	500,046	510,776
Gross profit	309,440	253,843	226,222	214,695	196,605
EBITDA	115,387	83,142	77,421	73,200	58,901
Operating profit	50,273	43,741	41,981	27,729	24,121
Profit/loss from financial items	-26,632	-32,235	-27,815	-3,216	-5,554
Profit from ordinary activities before tax	23,457	11,506	14,166	24,513	18,567
Profit for the year	17,620	8,862	10,918	22,330	13,817
Parent company's share of consolidated profit	18,384	9,181	10,977	22,650	13,609
Balance sheet					
Total assets	654,152	667,429	509,337	469,252	386,493
Equity	114,146	90,303	96,395	95,460	82,947
Total equity and subordinated loan capital	160,146	136,303	132,395	122,460	109,947
Cash flows					
Cash flows from operating activities	88,883	84,080	40,420	51,796	51,464
Net cash flows from investing activities	-23,537	-180,516	-78,439	-112,414	-81,998
Portion relating to investment in property, plant and equipment	-76,340	-187,633	-177,956	-145,927	-83,026
Cash flows from financing activities	-49,636	85,291	9,282	67,767	21,117
Total cash flows	15,710	-11,145	-28,737	7,149	-9,417
Financial ratios					
Return on equity	17.2 %	9.8 %	11.4 %	25.4 %	17.3 %
Average number of full-time employees	416	393	321	303	299

For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities

The Group's activities consist in fixed wing flights and related activities using own as well as leased aircraft.

The Company's activities comprise holding shares in subsidiaries.

Financial review

The Danish Air Transport Group reported a profit of DKK 17.6 million against DKK 8.9 million in 2015.

The result is satisfactory and meets our expectations. The result includes a negative impact due to unrealised USD - DKK exchange rate adjustments of DKK 8.3 million. The airline operations has seen a major setback due to the significant increase in cost of operations at CPH, but this has been offset by the positive, and better than expected, result in Danish Air Transport Leasing A/S.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased from approx. DKK 83 million in 2015 to approx. DKK 115 million in 2016.

Total depreciation on aircraft amounted to DKK 58.8 million as against DKK 37.5 million in 2015. Total depreciation expensed in 2016 thereby totaled approx. 10.7 % of the carrying amount of aircraft at the beginning of the year (approx. 9.7 % in 2015), which is considered conservative in relation to the technical financial value of the aircraft.

During the year, the Group generated free cash flows of DKK 15.7 million as against negative free cash flows of DKK -11.1 million in 2015. Total cash reserves thus amounted to DKK 31.8 million at 31 December 2016.

Equity and subordinate loan capital totaled DKK 160.1 million at 31 December 2016 and the solvency ratio represented 24.5 % as against equity and subordinate loan capital of DKK 136.3 million and a solvency ratio of 20.4 % in 2015.

Outlook

We expect a positive and improved result in 2017.

Particular risks

Currency risk

A large portion of the Company's income and expenses as well as external financing is settled in foreign currencies meaning that the profit may be affected by currency fluctuations. It is Company policy not to enter into speculative currency positions.

Valuation of aircraft

As stated in the accounting policies, aircraft are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are made on an annual basis for each aircraft.

The valuation of aircraft is therefore sensitive towards market trends and exchange rate fluctuations, as aircraft are normally traded in USD.

Management's review

Operating review

Corporate social responsibility

The Company strives at demonstrating ethical and moral behaviour in every respect in order to assume a high degree of social corporate responsibility. The DAT Group has not implemented specific policies for corporate social responsibility as a part of the Group's strategy and activities, and therefore no separate report is made on corporate social responsibility.

The DAT Group entirely aim at employing staff on identical terms of employment / agreement for the single personnel groups. In some special operative conditions it can however be necessary to attach personnel at short-time individual contracts.

Environmental issues

The DAT Group's primary environmental influence is through CO₂-emissions from the Group's aircrafts. DAT Group seeks to reduce fuel consumption and CO₂-emission as much as possible. Among other things this is done by continuously training pilots, adjusting aircraft sizes to the number of passengers, optimizing flight height and investing in more fuel efficient aircrafts which have lower CO₂-emissions. All pilots have been trained in fuel-efficient flight as an integrated part of their training in the Group's aircraft fleet. DAT Group bought five new aircrafts in 2014 and three new aircraft in 2015. The aircrafts were purchased in order to achieve the optimum utilization based on the group's activities, including the optimal utilization related to fuel consumption.

Policies and targets figure for gender composition of management

The DAT Group has an overall strategy on diversity in the Company, including a strategy for gradually increasing the proportion of women in management. It is the opinion of the Group that all employees must be treated equally, regardless of gender, race and religion, so that everyone is guaranteed equal opportunities for employment, education and promotion. We will promote the careers of women and men equally. In connection with hiring of employees with management responsibility the Group strives to have at least one of each gender among the final three candidates. The share of women in positions with management responsibilities has increased to 38.2% in 2016 as opposed to 36.6% in 2015.

The DAT Group's objective is that women represent at least 40% of the Group's Board of Directors by the end of 2017. At present 25% is women and 75% is men.



Consolidated and parent company financial statements 1 January – 31 December

Income statement

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
	Revenue	792,890	644,125	0	0
	Production costs	-432,569	-330,760	0	0
2	Other operating income	12,090	2,485	0	0
3	Other external costs	-62,971	-62,007	-77	-74
	Gross profit	309,440	253,843	-77	-74
4	Staff costs	-194,053	-170,701	0	0
	Depreciation of property, plant and equipment	-60,914	-39,401	0	0
8	Write-downs / reversal of previous write-downs	-4,200	0	0	0
	Operating profit/loss	50,273	43,741	-77	-74
	Profit/loss from investments in group enterprises after tax	0	0	18,444	9,238
5	Financial income	229	6,769	1,383	0
6	Financial expenses	-26,861	-39,004	-1,383	0
	Profit from ordinary activities before tax	23,641	11,506	18,367	9,164
7	Tax on profit from ordinary activities	-6,021	-2,644	17	17
	Profit for the year	17,620	8,862	18,384	9,181
Breakdown of the consolidated results of operations:					
	Shareholders, Danish Air Transport Holding A/S	18,384	9,181		
	Non-controlling interests	-764	-319		
		17,620	8,862		



Consolidated and parent company financial statements 1 January – 31 December

Balance sheet

Note	DK'000	Consolidated		Parent company	
		2016	2015	2016	2015
	ASSETS				
	Non-current assets				
8	Property, plant and equipment				
	Buildings on leased land	3,939	3,264	0	0
	Aircraft	516,791	547,135	0	0
	Fixtures and fittings, tools and equipment	5,612	5,461	0	0
		526,342	555,860	0	0
	Other non-current assets				
	Deposits	3,414	3,113	0	0
10	Deferred tax asset	2,050	1,406	76	60
11	Investments in group enterprises	0	0	125,470	101,563
12	Subordinated loan capital	0	0	46,000	46,000
		5,464	4,519	171,546	147,623
	Total non-current assets	531,806	560,379	171,546	147,623
	Current assets				
	Inventories				
	Spare parts	54,239	44,736	0	0
	Receivables				
	Trade receivables	20,161	28,812	0	0
	Amounts owed by group enterprises	261	744	5,261	5,744
13	Corporation tax	422	434	0	0
	Other receivables	13,131	13,964	98	98
	Prepayments	2,319	2,258	0	0
		36,294	46,212	5,359	5,842
	Securities	15	14	0	0
	Cash at bank and in hand	31,798	16,088	0	0
	Total current assets	122,346	107,050	5,359	5,842
	TOTAL ASSETS	654,152	667,429	176,905	153,465



Balance sheet

Note	DKK'000	Consolidated		Parent company	
		2016	2015	2016	2015
	EQUITY AND LIABILITIES				
	Equity				
9	Share capital	11,111	11,111	11,111	11,111
	Reserves tied up	86	86	86	86
	Reserve for net revaluation according to the equity method	0	0	95,786	77,347
	Retained earnings	102,949	79,106	7,163	1,759
	Proposed dividend	0	0	0	0
	Equity holders' share of equity, Danish Air Transport Holding A/S	114,146	90,303	114,146	90,303
	Non-controlling interest	-493	271	0	0
	Total equity	113,653	90,574	114,146	90,303
	Provisions				
10	Deferred tax	47,227	38,326	0	0
	Liabilities other than provisions				
13	Long-term liabilities				
14	Subordinated loan capital	46,000	46,000	46,000	46,000
	Mortgage debt	852	890	0	0
	Bank loans	226,430	262,799	0	0
	Other long-term liabilities to credit institutions	34,056	36,738	0	0
	Payables to shareholders and management	7,000	0	0	0
		314,338	346,427	46,000	46,000
	Short-term liabilities				
	Short-term portion of long-term liabilities	37,751	37,521	0	0
	Bank debt	10,384	12,887	0	0
	Prepayments received from customers	44,268	34,665	0	0
	Trade payables	43,475	63,796	0	0
	Amounts owed to group enterprises	5,000	5,000	16,708	17,112
15	Corporation tax	1	7	0	0
	Other payables	37,664	37,596	51	50
	Deferred income	391	630	0	0
		178,934	192,102	16,759	17,162
	Total liabilities other than provisions	493,272	538,529	62,759	63,162
	TOTAL EQUITY AND LIABILITIES	654,152	667,429	176,905	153,465
16	Contractual obligations and contingencies, etc.				
17	Mortgages and collateral				
18	Related party disclosures				

Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Group				
		Share capital	Other reserves, tied up	Retained earnings	Dividend proposed for the year	Total
		11,111	86	79,106	0	90,303
	Equity at 1 January 2016	0	0	0	0	0
	Dividend distribution	0	0	18,384	0	18,384
19	Transfer, see "Appropriation of profit/loss"	0	0	-5	0	-5
	Foreign exchange adjustments, foreign subsidiary	0	0	0	0	0
	Value adjustment of hedging instruments, year-end	0	0	0	0	0
	Reversal of value adjustment of hedging instruments, beginning of year	0	0	7,005	0	7,005
	Tax on equity transactions	0	0	-1,541	0	-1,541
	Equity at 31 December 2016	11,111	86	102,949	0	114,146
					-493	113,653

Note	DKK'000	Parent				
		Share capital	Other reserves, tied up	Net revaluation acc to the equity method	Retained earnings	Dividend proposed for the year
		11,111	86	77,347	1,759	0
	Equity at 1 January 2016	0	0	0	0	0
	Dividend distribution	0	0	17,882	502	0
19	Transfer, see "Appropriation of profit/loss"	0	0	-5	0	0
	Foreign exchange adjustments, foreign subsidiary	0	0	0	0	0
	Value adjustments of hedging instruments, year end	0	0	0	0	0
	Reversal of value adjustment of hedging instruments, beginning of year	0	0	0	7,005	0
	Tax on equity transactions	0	0	0	-1,541	0
	Equity at 31 December 2016	11,111	86	95,224	7,725	0
						114,146



Consolidated and parent company financial statements 1 January – 31 December

Cash flow statement

DKK'000	Consolidated	
	2016	2015
Cash generated from operations (operating activities)	50,273	43,741
Reversed depreciation and impairment as well as gains and losses on the sale of property, plant and equipment etc.	53,024	36,916
Cash generated from operations (operating activities) before changes in working capital	103,297	80,657
Changes in working capital	3,938	14,358
Cash generated from operations (operating activities)	107,235	95,015
Net financial items	-26,632	-32,235
Unrealised exchange rate adjustments hereof	8,274	21,367
Cash generated from operations (ordinary activities)	88,877	84,147
Corporation tax paid/received, net	6	-67
Cash flows from operating activities	88,883	84,080
Acquisition of property, plant and equipment	-76,340	-187,633
Disposal of property, plant and equipment	52,803	7,117
Acquisition of securities	0	0
Cash flows from investing activities	-23,537	-180,516
External financing:		
Repayment of aircraft loans, other bank loans etc.	-60,215	-33,183
Raised aircraft loans, other bank loans and subordinated loans	10,579	128,474
Financing from own resources:		
Paid dividend	0	-10,000
Cash flows from financing activities	-49,636	85,291
Net cash flows from operating, investing and financing activities	15,710	-11,145
Cash and cash equivalents at 1 January	16,088	27,233
Cash and cash equivalents at 31 December	31,798	16,088

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Danish Air Transport Holding A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Changes in accounting policies

Previously gains and losses on disposal of property, plant and equipment, including aircraft, has been recognized in the income statement in depreciation on property, plant and equipment. From 2016 gains and losses on disposal of property, plant and equipment, including aircraft, is recognized as other operating income and other operating expenses. Comparative figures have been adjusted.

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act, including yearly reassessment of residual values on property, plant and equipment, including aircraft. As the implementation of the amendment act has not had any impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Danish Air Transport Holding A/S, and subsidiaries in which Danish Air Transport Holding A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, cf. the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-deducted goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and 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 at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value 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.

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised directly in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item is recognised in the income statement.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement.

Income statement

Revenue

Revenue from the rendering of services is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end. Revenue is measured ex. VAT, taxes and discounts granted.

Other operating income and costs

Other operating income and costs comprise items secondary to the principal activities of the enterprises, including gains and losses on sale of aircraft and other property, plant and equipment.

Other external charges

Other external charges comprise costs incurred during the year that are primary in relation to the Company's principal activities.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other staff costs in relation to the employees of the Company, including the Supervisory and Executive Boards.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results before tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results before tax of the associates is recognised in both the parent company and the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Extraordinary income and expense and similar items

Extraordinary income and expense and similar items comprise income and expense from events or transactions that are clearly distinct from the ordinary activities, are not within the control of the Company, and which are not expected to recur frequently or regularly.

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax on profit/loss from ordinary activities

The Company is covered by the Danish rules on compulsory joint taxation of the Runway Holding ApS Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date when they are included in the consolidation of the consolidated financial statements and up to the date when they exit the consolidation.

The Company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Aircraft, fixtures, fittings etc. are measured at cost less accumulated depreciation and impairment.

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

The depreciation basis is cost less anticipated residual value after the expiry of the useful life. The depreciation period and the residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Aircraft	10-20 years
Buildings on owned land	30 years
Buildings on leased land	10 years
Fixtures and fittings, tools and equipment	5 years

The portion of the aircraft cost which is subject to periodical inspections and/or replacements is depreciated from production intensity.

Property, plant and equipment are written down to their recoverable amount if this is lower than their carrying amount. Impairment tests are performed annually for each asset and for groups of assets, respectively.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating expenses.

Lease contracts

Leases for fixed assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the present value, the discount factor is the interest rate implicit in the lease or an approximation of this. Finance leases are subsequently treated as the Company's other fixed assets.

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

The capitalised residual obligation on the lease is recognised in the balance sheet as a liability and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other lease agreements are recognised in the income statement over the term of the lease. The Company's total liability relating to operating leases and other lease agreements is disclosed as contingent liabilities etc.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

On acquisition of subsidiaries, the purchase method is applied, cf. consolidated financial statements above.

Inventories

The spare parts inventories comprise spare parts for own and leased aircraft that are not attributable to the cost of the individual aircraft.

The spare parts inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Cost comprises the purchase price plus delivery costs.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Securities and investments

Securities and investments comprising listed securities and bonds are measured at fair value at the balance sheet date. Unlisted securities are measured at fair value based on a calculated value in use.

Equity - dividends

Proposed dividends are recognised as a liability at the date when 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.

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Corporation tax and deferred tax

Joint taxation contributions payable and receivable are recognised in the balance sheet as amounts owed by/to group enterprises.

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Liabilities

Amounts owed to mortgage credit institutions and banks are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred statement

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.



Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash with the addition of overdraft facilities.

Financial ratios

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
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Total subordinated capital

Equity plus subordinated loan capital

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

2	Other operating income		
	DKK'000	2016	2015
	Gains on sale of aircraft	10,883	2,446
	Gains on sale of other property, plant and equipment	1,207	39
		<u>12,090</u>	<u>2,485</u>

3	Fees to the auditors appointed at the general meeting		
	DKK'000	2016	2015
	Total fees	495	535
	Statutory audit	250	281
	Tax consulting	2	42
	Other assurance reports	7	8
	Other services	236	204
		<u>495</u>	<u>535</u>

		Consolidated		Parent company	
DKK'000		2016	2015	2016	2015
4	Staff costs				
	Wages and salaries	176,404	154,675	0	0
	Pensions	15,660	14,188	0	0
	Other social security costs	1,988	1,838	0	0
		<u>194,052</u>	<u>170,701</u>	<u>0</u>	<u>0</u>
	Remuneration for the Executive Board	<u>965</u>	<u>964</u>	<u>0</u>	<u>0</u>
	Remuneration for the Board of Directors	<u>256</u>	<u>198</u>	<u>0</u>	<u>0</u>
	Average number of full-time employees	416	393	0	0

The only employees in the parent company are the Executive Board members, who have not received any remuneration.

		Consolidated		Parent company	
DKK'000		2016	2015	2016	2015
5	Financial income				
	Exchange rate adjustments	223	6,379	0	0
	Credit institutions	6	0	0	0
	Group enterprises	0	0	1,383	0
	Other financial income	0	390	0	0
		<u>229</u>	<u>6,769</u>	<u>1,383</u>	<u>0</u>
6	Financial expenses				
	Exchange rate adjustments	10,413	26,624	0	0
	Credit institutions	15,016	12,151	0	0
	Group enterprises	1,383	0	1,383	0
	Other financial expenses	49	229	0	0
		<u>26,861</u>	<u>39,004</u>	<u>1,383</u>	<u>0</u>



Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
7 Tax for the year				
Tax on taxable income	-156	189	0	0
Other taxes	183	107	0	0
Adjustment for the year of deferred tax	5,810	2,348	-17	-17
Adjustment regarding previous years	184	0	0	0
	<u>6,021</u>	<u>2,644</u>	<u>-17</u>	<u>-17</u>

8 Property, plant and equipment

DKK'000	Buildings on leased land	Aircraft	Fixtures, fit- tings, etc.	Total
Cost at 1 January 2016	10,711	897,162	17,448	925,321
Exchange rate adjustment in foreign enter- prises	-3	-61	-8	-72
Additions during the year	1,158	73,126	2,056	76,340
Disposals during the year	-309	-50,767	-781	-51,857
Cost at 31 December 2016	<u>11,557</u>	<u>919,460</u>	<u>18,715</u>	<u>949,732</u>
Depreciation and impairment at 1 January 2016	7,449	350,027	11,986	369,462
Exchange rate adjustment in foreign enter- prises	-2	-28	-2	-32
Impairment for the year	0	4,200	0	4,200
Depreciation for the year	480	58,823	1,611	60,914
Disposals for the year	-309	-10,353	-492	-11,154
Depreciation and impairment at 31 December 2016	<u>7,618</u>	<u>402,669</u>	<u>13,103</u>	<u>423,390</u>
Carrying amount at 31 December 2016	<u>3,939</u>	<u>516,791</u>	<u>5,612</u>	<u>526,342</u>

9 Share capital

The share capital comprises shares at DKK 1 or multiple hereof.

There has not been any change in share capital the past 5 years.

There are no separate share classes.



DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
10 Deferred tax				
Deferred tax at 1 January	-36,920	-36,115	60	43
Exchange rate adjustment	-4	2	0	0
Adjustments for the year, see note 7	-5,810	-2,348	17	17
Deferred tax adjustment regarding hedging adjustments recognized directly in equity	-1,541	1,541	0	0
Adjustment concerning utilisation of loss in joint taxation concerning previous years	-902	0	-1	0
Deferred tax at 31 December	-45,177	-36,920	76	60

DKK'000	Parent company	
	2016	2015
11 Investments in group enterprises		
Cost at 1 January	29,680	29,680
Additions during the year	0	0
Disposals during the year	0	0
Cost at 31 December	29,680	29,680
Adjustments 1 January	71,883	67,918
Exchange rate adjustments	-1	191
Profit/loss for the year	18,444	9,238
Received dividend	0	0
Adjustments regarding hedging in subsidiaries	5,464	-5,464
Value adjustments at 31 December	95,790	71,883
Carrying amount at 31 December	125,470	101,563

Name	Registered office	Owner-ship	Company capital
			DKK'000
Danish Air Transport A/S	Vamdrup	100 %	10,000
Danish Air Transport Leasing A/S	Vamdrup	100 %	600
UAB DOT	Litauen	85 %	865
UAB DAT Lite	Litauen	85 %	865

12 Subordinated loan capital

The subordinate loans were provided to the subsidiary, Danish Air Transport A/S. It has been agreed that Danish Air Transport A/S is not to pay regular instalments on the loans. The loans fall due for repayment on 30 June 2019 and are irredeemable on the part of the creditor during the intervening period.

13 Long-term liabilities

DKK 110,300 thousand of the long-term liabilities (2015: DKK 149,598 thousand) falls due for payment more than five years after year end.

Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

14 Subordinated loan capital

The subordinate loan was provided by the parent company, Runway Holding A/S. It has been agreed that Danish Air Transport Holding A/S is not to pay regular instalments on the loans. The loans fall due for repayment on 30 June 2019 and are irredeemable on the part of the creditor during the intervening period.

DKK'000	Consolidated		Parent company	
	2016	2015	2016	2015
15 Corporation tax receivable and payable				
Corporation tax receivable at 1 January	427	493	0	0
Exchange rate adjustment	0	1	0	0
Tax on taxable income for the year	155	-189	0	0
Thereof joint tax contribution	0	0	0	0
Corporation tax paid during the year	0	122	0	0
Refunded corporation tax	-161	0	0	0
Corporation tax payable at 31 December	<u>421</u>	<u>427</u>	<u>0</u>	<u>0</u>
Specified as follows:				
Corporation tax receivable	422	434	0	0
Corporation tax payable	-1	-7	0	0
	<u>-421</u>	<u>427</u>	<u>0</u>	<u>0</u>

16 Contractual obligations and contingencies, etc.

The Company has entered into agreements regarding aircraft leases. The lease costs amount to DKK 9,310 thousand in 2016. The lease agreements run for the period up to 31 March 2020.

17 Mortgages and collateral

The Group has provided the following security regarding the Group's aircraft loans and other loans and overdrafts amounting to DKK 316,473 thousand at 31 December 2016:

- Owner's mortgage and letters of indemnity of DKK 601,995 thousand secured upon aircraft at a carrying amount of DKK 516,791 thousand.
- Owner's mortgages of DKK 1,100 thousand secured upon buildings at a carrying amount of DKK 1,377 thousand.



Consolidated and parent company financial statements 1 January – 31 December

Notes to the financial statements

18 Related party disclosures

Danish Air Transport Holding A/S' related parties comprise:

Runway Holding ApS
Danish Air Transport A/S
Danish Air Transport Leasing A/S
UAB DOT LT
UAB DAT Lite

Transactions with related parties

The transactions with related parties are carried out on an arm's length basis and in accordance with agreements applicable.

Ownership

The following shareholders are listed in the Company's register of shareholders as holding at least 5 % the votes or at least 5 % of the share capital each:

Runway Holding ApS
Lufthavnsvej 4
DK-6580 Vamdrup

	Parent	
	2016	2015
DKK'000		
19 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Dividend proposed for the year	0	0
Transferred to reserves under equity	17,882	9,238
Transferred to retained earnings under equity	502	-57
	<u>18,384</u>	<u>9,181</u>