Danish Air Transport Leasing A/S

Lufthavnsvej 7A, 6580 Vamdrup

CVR no. 27 77 89 76

Annual report 2015

Approved at the annual general meeting of shareholders on 31 May 2016

Chairman:

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Lars Dahl Hansen

Building a better working world

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	4
Company details	4
Financial highlights	5
Operating review	6
Financial statements for the period 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes to the financial statements	11

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Danish Air Transport Leasing A/S for the financial year 1 January - 31 December 2015.

The annual report is 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 financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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

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

Vamdrup, 31 May 2016
Executive Board:

Jesper Rungholm

Board of Directors:

Finn Boel Pedersen Chairman	Kirsten Rungholm	Cornelis Anthonie Kuypers

Jørgen Flodgaard Olesen

Independent auditors' report

To the shareholders of Danish Air Transport Leasing A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Danish Air Transport Leasing A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Kolding, 31 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Lars Tylvad Andersen	Michael Vakker Maass
State Authorized Public Accountant	State Authorized Public Accountant

Management's review

Company details

Name	Danish Air Transport Leasing A/S
Address, Postal code, City	Lufthavnsvej 7A, 6580 Vamdrup
CVR No.	27 77 89 76
Established	3 June 2004
Registered office	Kolding
Financial year	1 January - 31 December
Telephone	+45 75 58 37 77
Telefax	+45 75 58 37 22
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. sal, 6000 Kolding, Denmark

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2011
Key figures					
Gross margin	102,932	65,518	58,612	50,100	49,011
Operating profit	69,897	46,995	28,409	21,400	24,435
Net financials	-40,386	-35,022	-6,022	-7,862	-6,102
Profit/loss for the year	22,911	9,487	21,496	10,154	13,616
Total assets	540,197	397,526	340,551	258,417	208,275
Investment in property, plant and equipment	181,929	175,867	156,131	80,115	30,096
Equity	75,434	52,523	45,036	33,540	28,386
Financial ratios					
Return on assets	14.9%	12.7%	9.5%	9.2%	12.4%
Solvency ratio	14.0%	13.2%	13.2%	13.0%	13.6%
Return on equity	35.8%	19.4%	54.7%	32.8%	48.0%

Management's review

Operating review

The Company's business review

The Company's principal activity consists, as in previous years, in aircraft leasing.

Financial review

The income statement for 2015 shows a profit of DKK 22,911 thousand against a profit of DKK 9,487 thousand last year, and the balance sheet at 31 December 2015 shows equity of DKK 75,434 thousand. Management considers the Company's financial performance in the year satisfactory.

Special risks

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. The Company's policy is to hedge currency risks to the widest extent possible. Hedging is made by matching payments made and received in foreign currency and by forward exchange contracts to hedge non-hedged positions. It is Company policy not to enter into speculative currency positions.

Impact on the external environment

DAT Group's primary environmental influence is through CO2-emissions from the Group's aircrafts. DAT Group seeks to reduce fuel consumption and CO2-emissions 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.

Post balance sheet events

No significant events have occurred subsequent to the financial year.

Outlook

In overall terms we expect a positive result in 2016 at a level not lower than in 2015.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2015	2014
	Gross profit	102,932	65,518
2	Staff costs	0	0
3	Depreciation and impairment of property, plant and equipment	-33,035	-18,523
	Operating profit	69,897	46,995
	Income from investments in group entities	0	59
4	Financial income	0	435
5	Financial expenses	-40,386	-35,457
	Profit before tax	29,511	12,032
6	Tax for the year	-6,493	-2,545
	Other taxes	-107	0
	Profit for the year	22,911	9,487

Proposed profit appropriation		
Net revaluation reserve according to the equity method	0	59
Retained earnings	22,911	9,428
	22,911	9,487

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Non-current assets		
7	**Property, plant and equipment**		
	Aircraft	539,074	397,257
	Other fixtures and fittings, tools and equipment	0	0
		539,074	397,257
8	**Investments**		
	Investments in group entities	0	94
		0	94
	Total non-current assets	539,074	397,351
	Current assets		
	Receivables		
	Trade receivables	966	0
	Other receivables	100	109
		1,066	109
	Securities and investments		
	Other securities and investments	14	13
		14	13
	Cash	43	53
	Total current assets	1,123	175
	TOTAL ASSETS	540,197	397,526

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	600	600
	Net revaluation reserve according to the equity method	0	94
	Retained earnings	74,834	51,829
	Total equity	75,434	52,523
	Provisions		
	Deferred tax	44,030	37,538
	Total provisions	44,030	37,538
	Liabilities other than provisions		
9	**Non-current liabilities other than provisions**		
	Bank loans	259,118	155,730
	Other long term bank debt	36,738	47,564
		295,856	203,294
	Current liabilities other than provisions		
9	Current portion of long-term liabilities	36,959	26,672
	Prepayments received from customers	683	3,716
	Trade payables	16,772	0
	Payables to group entities	70,128	71,818
	Other payables	335	1,965
		124,877	104,171
	Total liabilities other than provisions	420,733	307,465
	TOTAL EQUITY AND LIABILITIES	540,197	397,526

1 Accounting policies
10 Collateral
11 Contractual obligations and contingencies, etc.
12 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2015	600	94	51,829	52,523
Adjustment regarding entity under liquidation	0	-94	94	0
Profit/loss for the year	0	0	22,911	22,911
Equity at 31 December 2015	600	0	74,834	75,434

The share capital compromises shares of DKK 1 thousand or multiples thereof.

The share capital has remained unchanged for the past five years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

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

The accounting policies applied by the Company are consistent with those of last year.

Omission to present a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the parent company is prepared, as the parent company's cash flows are part of the consolidated cash flow statement.

Consolidated financial statements

No consolidated financial statements have been prepared, as the Company's Management consider the conditions of section 110 of the Danish Financial Statements Act for failing to prepare financial statements for fulfilled, as the Group companies together after the elimination on the balance sheet date do not exceed the requirements for smaller groups.

The annual report of Danish Air Transport Leasing A/S is incorporated in the consolidated financial statements of Danish Air Transport Holding A/S.

Recognition and measurement in general

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 accumulative 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 and 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.

Reporting currency

The financial statements are presented in Danish kroner.

Intra-group business combinations

Ingra-group mergers are treated according to the pooling-of-interests method where the acquiror recognises the acquiree's assets and liabilities at the former carrying amounts. Comparatives are restated as if the two entities have always been combined.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

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

Derivative financial instruments

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

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 net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Costs of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit'.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities.

External expenses

External expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Depreciation and impairment of property, plant and equipment

The item comprises depreciation and impairment of property, plant and equipment.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income from investments in group entities

The item includes the entity's proportionate share of the profit/loss for the year in subsidiaries after elimination of intra-group income or losses and net of amortisation and impairment of goodwill and other excess values at the time of acquisition.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised exchange rate gains and losses regarding payables and transactions denominated in foreign currency.

Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Runway Holding ApS Group's Danish subsidiaries.

Runway Holding ApS 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Balance sheet

Property, plant and equipment

On initial recognition aircraft are measured at cost.

Aircraft are subsequent 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.

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
Equipment	5 years

The portion of the aircraft cost, which is subject to periodical inspections and/or replacement, is depreciated on the basis of the intensity of the production.

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 depreciation.

Investments in group entities

Investments in subsidiaries are measured, using the equity method, at the parent's proportionate share of such entities' equity plus goodwill on consolidation and intra-group losses and less intra-group gains and negative goodwill, if any. Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Securities and investments

Securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognised valuation principles if the securities are unlisted.

Cash at hand and in bank

Cash at hand and in bank comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Corporation tax

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

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

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. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Return on assets $\dfrac{\text{Profit/loss from operating activites}}{\text{Average assets x 100}}$

Solvency ratio $\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Return on equity $\dfrac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

2 **Staff costs**

As in previous years the Company has no employees other than the Executive Board, who were not remunerated.

DKK'000	2015	2014
3 **Depreciation and impairment of property, plant and equipment**		
Depreciation of property, plant and equipment	33,035	31,944
Impairment of property, plant and equipment	0	-13,421
	33,035	18,523

Gain on sales of aircraft is included in depreciation of property, plant and equipment.

DKK'000	2015	2014
4 **Financial income**		
Other financial income	0	435
	0	435
5 **Financial expenses**		
Interest expenses, group entities	3,152	4,133
Other interest expenses	11,968	7,944
Exchange losses	25,266	23,380
	40,386	35,457
6 **Tax for the year**		
Deferred tax adjustments in the year	6,493	2,545
	6,493	2,545

Financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Aircraft	Other fixtures and fittings, tools and equipment	Total
Cost at 1 January 2015	614,030	138	614,168
Additions in the year	181,930	0	181,930
Disposals in the year	-8,855	-138	-8,993
Cost at 31 December 2015	787,105	0	787,105
Impairment losses and depreciation at 1 January 2015	216,773	138	216,911
Amortisation/depreciation in the year	35,481	0	35,481
Reversal of depreciation and impairment regarding disposals	-4,223	-138	-4,361
Impairment losses and depreciation at 31 December 2015	248,031	0	248,031
Carrying amount at 31 December 2015	539,074	0	539,074

8 Investments

DKK'000	Investments in group entities
Cost at 1 January 2015	0
Value adjustments at 1 January 2015	94
Reversal of revaluation regarding group entities under liquidation	-94
Carrying amount at 31 December 2015	0

DKK'000	Domicile	Interest	Profit/loss
Subsidiaries			
Tomred Investments Ltd.	Irland	100.00 %	0

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Long-term liabilities

DKK'000	Total debt at 31/12 2015	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank loans	291,364	32,246	259,118	141,259
Other long term bank debt	41,451	4,713	36,738	6,762
	332,815	36,959	295,856	148,021

10 Collateral

As security for the Company's debt to Spar Nord A/S, which on the balance sheet date compromise aircraft loans and bank debt totalling DKK 168,318 thousand, the Company has provided letters of indemnity of DKK 206,524 thousand and owners mortgage in the amount of DKK 19,980 thousand secured on aircraft with a carrying amount of DKK 244,616 thousand.

As security for the Company's debt to Sydbank A/S, which on the balance sheet date compromise foreign loans and bank debt totalling DKK 164,497 thousand, the Company has provided letters of indemnity of DKK 321,281 thousand and owners mortgage in the amount of DKK 20,490 thousand secured on aircraft with a carrying amount of DKK 274,597 thousand.

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

As a guarantor, the Company is liable for all other outstanding accounts that Danish Air Transport A/S may have with Sydbank A/S, including bank debt which totals DKK 12,965 thousand on the balance sheet date.

As a guarantor, the Company is liable for all other outstanding accounts that DOT LT UAB may have with Sydbank A/S, including foreign loans and bank debt which totals DKK 4,207 thousand on the balance sheet date.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

12 **Related parties**

Danish Air Transport Leasing A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Runway Holding ApS	Lufthavnsvej 7A, 6580 Vamdrup	Holds all shares and votes in Danish Air Transport Holding A/S
Danish Air Transport Holding A/S	Lufthavnsvej 7A, 6580 Vamdrup	Holds all shares and votes in Danish Air Transport Leasing A/S

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Runway Holding ApS	Lufthavnsvej 7A, 6580 Vamdrup	The consolidated financial statements of Runway Holding ApS can be requisitioned on www.cvr.dk
Danish Air Transport Holding A/S	Lufthavnsvej 7A, 6580 Vamdrup	The consolidated financial statements of Danish Air Transport Holding A/S can be requisitioned on www.cvr.dk

Related party transactions not carried through on normal market terms

There are no related party transactions that have not been carried through on normal market terms.