Baagøe | Schou
statsautoriseret revisionsaktieselskab

Ballonflyverne ApS

Østergade 1, 2. sal, 1100 København K

Company reg. no. 29 39 09 24

Annual report

2016

The annual report have been submitted and approved by the general meeting on the 31 July 2017.

Karsten Funk
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The managing director has today presented the annual report of Ballonflyverne ApS for the financial year 1 January to 31 December 2016.

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

I consider the accounting policies used appropriate, and in my opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2016 and of the company's results of its activities in the financial year 1 January to 31 December 2016.

The managing director considers the requirements of omission of audit of the annual accounts for 2016 as met.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København K, 31 July 2017

Managing Director

Karsten Max Georg Funk

Auditor's report on compilation of the annual accounts

To the shareholder of Ballonflyverne ApS

We have compiled the annual accounts of Ballonflyverne ApS for the period 1 January to 31 December 2016 based on the bookkeeping of the company and on further information you have provided.

The annual accounts comprise the accounting policies used, profit and loss account, balance sheet and notes

We performed this engagement in accordance with ISRS 4410, Compilation Engagements.

We have applied our professional expertise to assist you in the preparation and presentation of the annual accounts in accordance with the Danish Financial Statements Act. We have complied with relevant requirements of the Danish Act on Approved Auditors and Audit Firms and with ethical requirements of the Danish Institute of State Authorised Public Accountants, including principles of integrity, objectivity, professional competence and due care.

The annual accounts and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the annual accounts. Accordingly, we do not express an audit opinion or a review conclusion on whether the annual accounts are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 31 July 2017

Baagøe | Schou
State Authorised Public Accountants
Company reg. no. 21 14 81 48

Torben B. Petersen
State Authorised Public Accountant

Company data

The company	Ballonflyverne ApS Østergade 1, 2. sal 1100 København K	
	Company reg. no.	29 39 09 24
	Domicile:	Taastrup
	Financial year:	1 January - 31 December
Managing Director	Karsten Max Georg Funk	
Auditors	Baagøe | Schou statsautoriseret revisionsaktieselskab Fiolstræde 44, 3. th. 1171 København K	
Parent company	Aeolus Aviation GmbH	

The principal activities of the company

The significant acrivities of the enterprise are passenger flights with hot air balloons.

Unusual matters

During the financial year 2013 the director of the company sadly past away. With him he took the knowledge of most of the company’s history, agreements and the ongoing handling of the business affairs.

During the year 2013 the company has been bought by the German balloon flying group Aeolus Aviation GmbH under the management Karsten Max Georg Funk, who is now in charge of the company.

Uncertainties as to recognition or measurement

Due to the unusual way the business affairs were handed over to the new management, there has been some challenges in achieving the overview of the financial obligations and agreements.

The financial statements are drawn out accordingly to the best knowledge of the management, but there are some uncertainty regarding the measurement of the liabilities of the company.

Development in activities and financial matters

The gross profit for the year is DKK m against DKK m last year. The results from ordinary activities after tax are DKK m against DKK -0,1m last year. The development must be seen in the light of the fact that according to the annual report for 2015 the company expected a gross profit for 2016 at a level of DKK m and ordinary results after tax of DKK m. The management consider the results unsatisfactory.

The management is aware that the contributed capital has been lost and is proposing that the capital will be recovered by future profits of the activities of the company. The Parent Company is prepared to invest in the company in 2017 to get the activities back on getting profitable.

Events subsequent to the financial year

Der er efter regnskabsårets afslutning ikke indtruffet begivenheder, som væsentligt vil kunne påvirke selskabets finansielle stilling.

The annual report for Ballonflyverne ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross loss

The gross loss comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Contract work in progress concerning construction contracts is recognised concurrently in the net turnover with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company.

When the results of a contract can not be determined reliably, the net turnover is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Technical plants and machinery	5-10 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct and indirect costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 January - 31 December

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

Note		2016	2015
	Gross loss	**-5.610**	**-41**
	Depreciation and writedown relating to tangible fixed assets	-34.316	-34
	Other financial income	0	3
	Results before tax	**-39.926**	**-72**
2	Tax on ordinary results	0	0
	Results for the year	**-39.926**	**-72**
	Proposed distribution of the results:		
	Allocated from results brought forward	-39.926	-72
	Distribution in total	**-39.926**	**-72**

Balance sheet 31 December

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

Assets

Note		2016	2015
	Fixed assets		
3	Other plants, operating assets, and fixtures and furniture	41.433	76
	Tangible fixed assets in total	41.433	76
	Fixed assets in total	**41.433**	**76**
	Current assets		
	Current assets in total	**0**	**0**
	Assets in total	**41.433**	**76**

Balance sheet 31 December

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

Equity and liabilities

Note		2016	2015
	Equity		
	Contributed capital	125.000	125
4	Results brought forward	-605.684	-566
	Equity in total	**-480.684**	**-441**
	Liabilities		
	Prepayments received from customers	162.000	162
	Debt to group enterprises	286.798	272
	Long-term liabilities in total	448.798	434
	Trade creditors	48.425	56
	Other debts	24.894	27
	Short-term liabilities in total	73.319	83
	Liabilities in total	**522.117**	**517**
	Equity and liabilities in total	**41.433**	**76**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

5 Mortgage and securities

6 Contingencies

Notes

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The management is aware that the contributed capital has been lost and is proposing that the capital will be recovered by future profits of the activities of the company. The Parent Company is prepared to invest in the company in 2016 to get the activities back on getting profitable.

		2016	2015
2.	**Tax on ordinary results**		
	Tax of the results for the year, parent company	0	0
	Adjustment for the year of deferred tax	0	0
		0	**0**
3.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2016	1.658.195	1.658
	Additions during the year	0	0
	Disposals during the year	-1.486.617	0
	Cost 31 December 2016	**171.578**	**1.658**
	Depreciation and writedown 1 January 2016	-1.582.446	-1.548
	Depreciation and writedown for the year	-34.316	-34
	Depreciation and writedown, assets disposed of	1.486.617	0
	Depreciation and writedown 31 December 2016	**-130.145**	**-1.582**
	Book value 31 December 2016	**41.433**	**76**
4.	**Results brought forward**		
	Results brought forward 1 January 2016	-565.758	-494
	Profit or loss for the year brought forward	-39.926	-72
		-605.684	**-566**

5. Mortgage and securities

No mortages, padges or collaterals rest with the company etc.

Notes

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

6. Contingencies

Contingent liabilities

The company has in the past three years sold gift certificates for balloon flights. However, it has not been possible to calculate the exact number of unredeemed gift certificates at the reporting date, so there may be an obligation to these unredeemed gift cards. The management expects that the unredeemed gift cards will be honored upon delivery of flights.