Jet Time A/S

Annual Report 2018/19

The Annual Report was presented and adopted at the Annual General Meeting of the Company on

30 October 2019

Chairman Peter Schäfer

Jet Time A/S
Amager Strandvej 390-392
DK-2770 Kastrup
CVR No 29 42 42 25
Annual Report 2018/19

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Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Jet Time A/S for the financial year 1 September 2018 to 31 August 2019.

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 Group's and the Parent Company's financial position at 31 August 2019 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 September 2018 – 31 August 2019.

Further, in our opinion, 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.

Kastrup, 30 October 2019

Executive Board:

Jørgen Holme
CEO

Niels J. Kindberg
CFO

Board of Directors:

Peter Schäfer Chairman	Lars Thuesen	Tage Reinert

Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Jet Time A/S

Opinion

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 August 2019, 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 September 2018 - 31 August 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Jet Time A/S for the financial year 1 September 2018 - 31 August 2019, which comprise 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 consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Independent Auditor's Report (continued)

Management's Responsibilities for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion.

Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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.

Hellerup, 30 October 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob F Christiansen	Jakob Thisted Binder
State Authorised Public Accountant	State Authorised Public Accountant
mne18628	mne42816

Management's Review

Company Details

Jet Time A/S
Amager Strandvej 390-392
DK-2770 Kastrup

Telephone:	+45 32 46 73 00
Website:	www.jet-time.dk

CVR no.:	29 42 42 25
Incorporated:	23 March 2006
Registered office:	Tårnby
Financial year:	1 September – 31 August

Board of Directors

Peter Schäfer (Chairman)
Lars Thuesen
Tage Reinert

Executive Board

Jørgen Holme
Niels J. Kindberg

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Annual General Meeting

The Annual General Meeting will be held at the Company's address on 30 October 2019.

Management's Review

Financial Highlights

DKKm	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	1,443.5	1,130.5	1,458.7	1,751.7	1,727.8
Gross profit	286.4	217.6	374.1	184.2	262.3
Profit/loss on ordinary operating activities	38.6	1.6	-3.6	-285.2	-139.1
Profit/loss from financial income and expenses	-6.7	-4.8	3.7	-12.8	5.4
Profit/loss before tax	**31.9**	**2.7**	**12.5**	**-298.0**	**-133.8**
Profit/loss for the year	**30.3**	**2.6**	**12.4**	**-298.7**	**-142.0**
Balance sheet total	414.9	170.8	241.7	402.8	400.6
Equity	**-270.1**	**-434.3**	**-450.3**	**-467.7**	**-165.2**
Cash flows from operating activities	113.4	-36.8	-132.7	-165.3	10.3
Cash flows from investing activities	-19.6	15.8	38.9	-11.9	-30.5
- Portion relating to investment in intangible assets and property, plant and equipment	-12.3	7.2	-7.5	-15.1	-27.8
Cash flows from financing activities	-19.8	-4.5	115.9	178.4	-0.2
Total cash flows	**73.9**	**-25.5**	**22.1**	**1.2**	**-20.4**
Financial ratios					
Operating margin	3%	0%	0%	-16%	-8%
Gross margin	20%	19%	26%	11%	15%
Current ratio	132%	67%	72%	31%	35%
Solvency ratio / equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.
Return on equity	Neg.	Neg.	Neg.	Neg.	Neg.
Average number of full-time employees	**397**	**373**	**583**	**711**	**645**
Average number of Boeing 737 aircraft	**8.4**	**6.3**	**12.0**	**16.4**	**16.8**
Average number of ATR aircraft	**0**	**0**	**7.2**	**12.3**	**10.9**
Number of Boeing 737 aircraft, year end	**10**	**6**	**8**	**16**	**18**
Number of ATR aircraft, year end	**0**	**0**	**3**	**10**	**13**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's Review

Principal activities

Jet Time is solely engaged in the Business-to-Business market offering air transport solutions primarily for:

- Nordic tour operators who are offered full charter aircraft
- Other European airlines who are offered short-, medium- and long-term capacity solutions (primarily ACMI) as well as ad-hoc flights
- Other short-term and medium-term air transport solutions

Development in activities and financial matters

The financial year 2018/19 - the Company's thirteenth operating year – was the second financial year following the successful turnaround completed in 2017.

In line with Jet Time Core Business Plan 2020, the key focus in the financial year 2018/19 has been on controlled growth, as well as continued focus on optimization of the core business (i.e. Boeing Charter passenger flights in Europe and Boeing ACMI assignments for larger airlines in Europe) and continued focus on optimization of long term profitability.

During 2018/19, the Company has successfully implemented a contract with its largest customer TUI Nordic allocating more short-haul European charter production to the Company. The growth was gradually phased in, with one aircraft in November 2018 (Copenhagen base) and one aircraft in May 2019 (Helsinki base). On a full year basis, the growth is corresponding to full production on two Boeing 737 NG aircraft. This growth has a positive impact on revenue and asset utilization (i.e. aircraft and crew utilization), leading to an improvement of operational profitability.

Furthermore, as a result of the unified Boeing 737 NG aircraft fleet (an element of the turnaround) and other optimization initiatives the Company has succeeded to further reduce its technical costs per flight hour, which is also contributing to an improvement of operational profitability.

Finally, the year was positively impacted by the grounding of all Boeing MAX aircraft worldwide, which in turn increased the demand for available ACMI aircraft capacity from March 2019 and onwards. Hence, it was possible for the Company to deploy its available Boeing 737 NG capacity at attractive rates, especially in the Spring 2019 season. Consequently, the grounding of Boeing MAX aircraft has contributed to an extraordinary improvement of the financial result for 2018/19.

The total flight production in 2018/19 amounted to 33,771 block hours compared to 28,454 in 2017/18. The average number of employees went up from 373 employees in 2017/18 to 397 in 2018/19. At the end of 2018/19, the Company had 425 employees compared to 350 at the end of 2017/18. And finally, at the end of 2018/19 the Company had a fleet of 10 Boeing 737 NG aircraft compared to 6 at the end of 2017/18.

The Company's consolidated revenue in 2018/19 was DKK 1,444 million compared to DKK 1,130 million in 2017/18. The Company showed a profit before tax of DKK 32 million in 2018/19, which compares to a profit before tax of DKK 3 million in 2017/18. At year end 2018/19, the Company showed negative equity of DKK 270 million compared to negative equity of DKK 434 million at the end of 2017/18. Cash at bank and in hand was DKK 126.7 million at year end 2018/19 compared to DKK 52.8 million at the end of 2017/18.

The total balance sheet increased from DKK 171 million in 2017/18 to DKK 415 million in 2017/18. A significant part of this increase comes from increase in provisions for future maintenance mainly related to the import of additional aircraft.

Management's Review

In light of the successful focus on controlled growth and optimization of the core business; and in light of the extraordinary impact from the grounding of Boeing MAX aircraft, Management consider the result before tax of MDKK 32 for 2018/19 as satisfactory.

Business segments and markets

The completion of the turnaround in 2017 has resulted in a significant reduction of complexity and risk.

The Jet Time Core Business Plan 2020 with its two key business segments Boeing Charter and Boeing ACMI has successfully contributed to controlled growth and optimization of the Company's traditional core business, which in turn has established a stable foundation for a sustainable and profitable Jet Time going forward.

Of the two key business segments, Boeing Charter is by far the biggest. The share of revenue and the share of production (block hours) from Boeing Charter was 94% and 89% respectively in 2018/19, and the Company is a leading player in Nordic charter market with approx. 500,000 roundtrip charter passengers (25% increase compared to 2017/18), comprising 50% Danish passengers and 30% Swedish passengers and 20% Finnish passengers. The market share in Denmark is approx. 22%, in Sweden approx. 9% and in Finland approx. 14%. The average share of the total charter production across Denmark, Sweden and Finland is approx. 14%.

Market share is defined as the Company's share of the total charter production in the Nordic region, comprising insourced charter production (charter tour operators own airlines) and outsourced charter production.

In the Boeing Charter segment, passengers from the following brands are serviced: TUI, Apollo, Bravo Tours, Club La Santa, Spies Rejser, Tjäreborg, Ving, Gislev Rejser, Atlantis Rejser etc.

Thomas Cook Northern Europe with the underlying brands Spies Rejser, Ving and Tjäreborg - one of the Company's Boeing Charter customers, representing approx. 8% of the Boeing Charter revenue – is a part of the Thomas Cook Group. Thomas Cook Northern Europe is in continued operation and hence, not part of the bankruptcy of the Thomas Cook parent company and some of the Thomas Cook Group companies.

The Boeing ACMI customers include SAS, Norwegian, Finnair, air greenland, Transavia etc.

Preparations for the future strategic direction are initiated

With Jet Time Core Business Plan 2020 coming to an end, Management has introduced Jet Time core2explore strategy plan 2025 with continued focus on expansion and optimization of core business, in combination with a parallel focus on developing new higher margin aviation services and products as well as exploring new business areas.

The Jet Time core2explore 2025 strategy is pursuing to transform our "more than just a flight" airline into a "more than just an airline" aviation partner, and thereby enable us to build a sustainable future through agile aviation solutions with our partners.

On this basis, it is our belief that Jet Time core2explore strategy 2025 will contribute to a further improvement of long term profitability and a sustainable future for Jet Time.

Management's Review

Capital resources and liquidity

Equity at 31 August 2018 was negative DKK 434 million. During the financial year 2018/19, equity has been improved with DKK 164 million leading to an equity at 31 August 2019 of negative DKK 270 million.

The primary reason for the improvement of the equity is that shareholders and lenders in October 2018 executed an agreement assigning existing loans amounting to DKK 166 million from lenders to the Company's parent company, of these loans DKK 140 million were subordinated loans. Following the mentioned assignment of said debts, the Company received a tax-free group contribution under the Danish Corporation Tax Act, § 31 D, on an amount of DKK 148 million, as a remission of debts from its parent company, which owns the Company 100%. After remission of the said debts, the balance of DKK 19 million remained a loan from shareholders. The execution of above agreement has contributed to an improvement of the Company's equity with DKK 148 million. During the financial year 2018/19 – before balance date 31 August 2019 - the mentioned loan of DKK 19 million has been repaid.

The Company has obtained extension to September 2021 of all existing loans from shareholders and lenders at balance date 31 August 2019, ensuring the Company the liquidity resources required to restore a sound business and positive earnings going forward.

The framework of agreements on financing comprises the following at 31 August 2019:

- Drawn long term loans from shareholders, DKK 100 million;
- Undrawn revolving credit facility from shareholders, DKK 25 million;
- Other drawn long term loans, DKK 90 million, off which DKK 50 million rank subordinate to other creditors.

The above loans are totaling DKK 215 million (DKK 190 million loans are drawn at the balance sheet date), of which subordinated loans amount to DKK 50 million. All of the above loans are expiring in September 2021. No interest is payable on these loans except on the undrawn revolving credit facility of DKK 25 million, which carries an interest rate of 10% p.a. on any drawn balance only (no commitment fee or other fees).

In addition to the above framework of agreements on financing, the Company has a mortgage loan in a hangar with an external credit institution, the balance of this loan was DKK 3 million as of the balance sheet date.

In Management's assessment, the liquidity contributed by the above financing agreements is sufficient to finance the Company's operation and it is Management's expectation that all loan terms also will be complied with in the financial year 2019/20.

Moreover, in Management's assessment the above financing agreements are providing the basis required to follow Jet Time core2explore 2025 strategy with positive earnings in 2019/20 and beyond.

Finally, the current lenders have expressed their continued support of the Company if Jet Time core2explore 2025 strategy is otherwise followed.

The Company's capital resources and liquidity is further described in note 0 (page 30).

Management's Review

Investments

The Group's investments for the year were DKK 10 million in total, comprising of import or modification of operationally leased aircraft, DKK 9 million as well as investments in assets under construction, DKK 1 million.

Risks

Price risks

The Company's use of jet fuel implies a particular risk due to the significant fluctuations to which the market for jet fuel is subject to. The Company aims at hedging the fuel prices by entering into hedging contracts corresponding to more than 90% of its consumption.

As a main rule, the Company enters into long-term flight agreements with charter companies. Hedging of fuel prices is made either by the Company at the time of contracting with the charter companies or by the charter companies as a few customers carry the full price risk on fuel.

Foreign currency risks

Purchase of jet fuel as well as lease- and aircraft related expenses are mainly settled in USD. This means that profit/loss for the year, cash flows and equity are influenced by the USD exchange rate development.

It is company policy to hedge commercial currency risks. Hedging is primarily performed by natural hedge (balancing the Company's USD costs with USD income and/or assets), and by means of forward exchange contracts and options to hedge expected costs in USD within the coming 12 months. Speculative forward exchange contracts are not made.

Credit risks

The Company's credit risks relate primarily to financial assets recognized in the balance sheet.

The Company does not have significant credit risks relating to one single customer or liaison as trading conditions request prepayment from the customer before operating flights.

Recognition & measurement

The principles for recognition & measurement are described in the accounting policies in note 31.

Subsequent events

No events have occurred after the balance sheet date, which affect the Annual Report or the Company's financial position.

Outlook

Based on the successful optimization of the core business and the controlled growth as well as the extraordinary impact from the grounding of Boeing MAX aircraft experienced in 2018/19, the Company expects a profit for 2019/20 at a slightly lower level than 2018/19; and a profit at a slightly higher level for 2020/21.

Management's Review

Corporate Social Responsibility

Jet Time is in a growth phase and will over the coming years be increasing its production and add more aircraft to the fleet.

However, the Company is at the same time well aware that the aviation industry must become more sustainable – and that Jet Time as an airline holds a responsibility to contribute to this development.

Jet Time will therefore in the coming financial year 2019/2020 implement a CSR strategy focusing on the three pillars Planet, People and Profit with clear goals and commitments towards 2025 and onwards.

The strategy will address the Company's impact as an airline by looking at the most significant CSR risks related to Jet Time's operation.

As part of its CSR focus, Jet Time will take inspiration from UN's Sustainable Development Goals with specific focus on Goal 12, 8 and 3, which are the goals mostly linked to Jet Time's core business and where the Company has the biggest impact. Moreover, Jet Time's ISO 14001:2015 certification will form basis for the structured work with the airline's Corporate Social Responsibility.

Jet Time's annual reporting on the Company's policies, actions and results in relation to its social responsibility is made on the basis of the airline's primary CSR risks as well as its strategic focus on Planet, People and Profit with description of the airline's underlying policies and guidelines.

Planet, People, Profit

Jet Time has a societal impact as employer, purchaser and producer of air transport solutions. At the same time, Jet Time has as an airline a climate and environmental impact, most significantly through fossil fuels and consequent CO2 emissions into the atmosphere.

Jet Time will strive to continually improve within the areas of climate and the environment, as well as taking charge of social responsibility. Sustainable growth and development also assumes continuously striving for sustainable profitability and financial growth.

Jet Time has therefore structured the sustainability work through three pillars Planet, People and Profit, each focusing on the airline's environmental, societal and financial impact and responsibilities.

To protect the planet, its people and Jet Time as business, Jet Time must contribute to mitigating the Company's impact on climate changes and global warming. Likewise, Jet Time must share this strategy transparently internally as well as externally to ensure trust in the Company's brand and sustainability performance.

Planet

As an airline, Jet Time is aware of its responsibility to reduce the Company's environmental impact. Jet Time is therefore committed to ***continuously work towards a more sustainable air traffic*** with specific goals and projects to minimize the airline's carbon footprint.

Management's Review

Corporate Social Responsibility (continued)

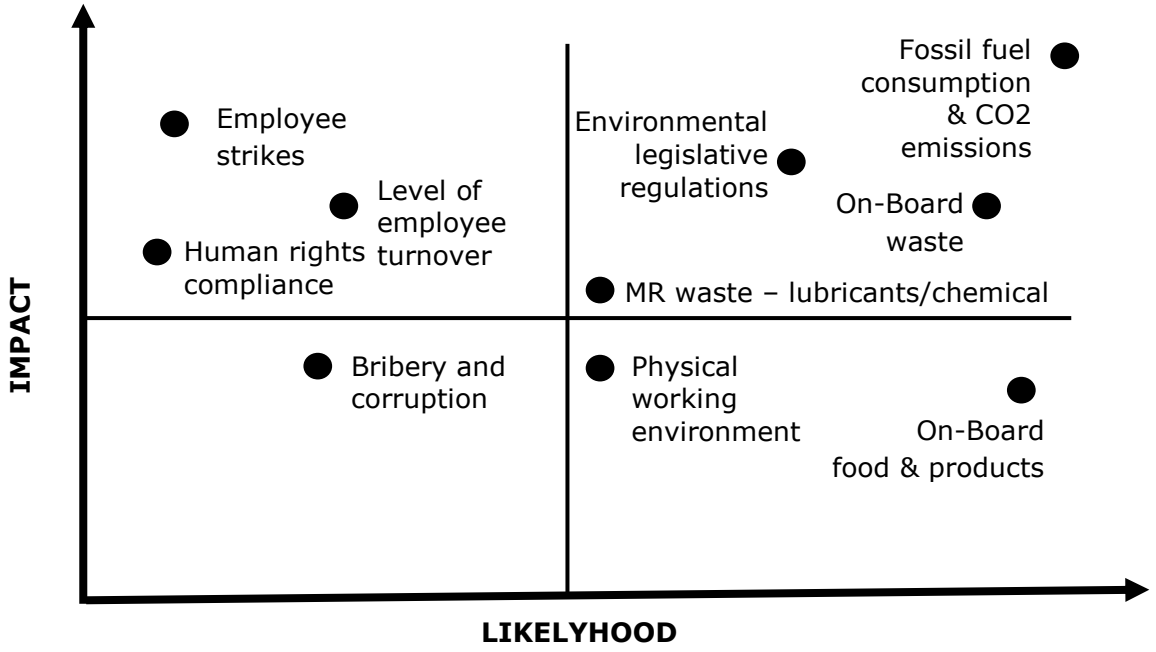
People
When Jet Time sends an aircraft on the wings, the airline is responsible for the many passengers, employees and suppliers involved in its production and value chain. Jet Time is therefore committed to ***take care of our passengers, employees and everyone else involved in Jet Time's production and value chain***.

Profit
Jet Time is a privately owned company. However, this profit should not be made at the expense of the environment, integrity and moral behavior - and that is why ***Jet Time is committed to generate sustainable profit for the long term*****.**

Risk Matrix

In relation to corporate social responsibility, Jet Time has assessed the potential negative impact of the airline's operation on climate and environment, social conditions, employee conditions, human rights and anti-corruption.

Through this assessment, 10 potential CSR risks affiliated to Jet Time's production or to the Company's suppliers and products have been identified. These risks will be addressed individually throughout the report.



1. Environmental legislative regulations
2. Fossil fuel consumptions & CO2 emissions
3. On-Board waste
4. MR waste – lubricants/chemicals
5. On-board food & products
6. Employee strikes
7. Level of employee turnover
8. Physical working environment
9. Human Rights compliance
10. Bribery and corruption

Management's Review

Corporate Social Responsibility (continued)

PLANET

Aircraft operations are said to account for more than 95% of the total environmental impact of an airline where emissions from fossil fuels, production related waste, chemicals and lubricants pose a potential environmental risk.

Jet Time ensures compliance with relevant environmental legislation through the airline's Environmental Management System. The Environmental Management System is continuously evaluated in order to ensure effectiveness of the system and the ongoing activities.

Jet Time has over the years initiated a number of activities to continuously improve environmental effort. In the coming financial year, these efforts will be formalized in Jet Time's coming CSR strategy that will hold measurable goals for environmental focus areas.

Jet Time's primary focus will be to minimize greenhouse gas emissions and other environmental impacts. The key performance indicator for Jet Time's operations and activities is defined as a more efficient fuel operation, lowering the overall CO2 emissions per passenger seat of the Company's production.

No severe incidents breaching any environmental permits were reported in the financial year 2018/2019.

1. Environmental legislative regulations

The airline industry is under pressure with increasing legislative demands to mitigate the environmental impact of flight operation. It is therefore a priority for Jet Time to be at the forefront of new legislation by increasing the important focus on mitigation of the airline's environmental impact.

Jet Time has an Environmental Policy that is communicated to all employees, contractors and suppliers. Moreover, Jet Time has an Environmental Management System (EMS) developed to manage significant environmental aspects to limit the impact on the environment.

Since 2014, Jet Time has worked with environmental management under the ISO 14001:2015 certification. The ISO 14001:2015 contributes with process demands and tools that among other things ensure a systematic effort to reduce fuel consumption and the emission of greenhouse gasses. Moreover, the ISO 14001:2015 provides the company with tools for environmental management in general throughout the entire production and organization.

Jet Time's Security Manager is in charge of monitoring the airline's ISO 14001:2015 certification as well as Jet Time's established CO2 reduction targets. In cooperation with the Environmental Committee, the Security Manager carries out the commitments of CO2 reduction and compliance with environmental related legislation and measures the outcome of the different projects and initiatives.

Development and Results in 2018/2019

In the financial year 2018/2019, Jet Time has initiated the development of a CSR strategy that addresses the airline's impact on planet and people, ensuring a long-term sustainable profit, mitigating legislative risks and keeping the airline at the forefront of new legislation.

Management's Review

Corporate Social Responsibility (continued)

The initial work with Jet Time's CSR strategy was at the end of the 2018/2019 financial year almost completed, and the first projects and initiatives will be rolled out at the start of the 2019/2020 financial year.

To ensure impact in Jet Time's organization and production, the relevant parts of the CSR strategy have been placed in the respective departments and teams of relevance who are now working on the practical implementation of projects and initiatives such as reduction of CO2 and reduction of single-use plastic.

Jet Time's internal ISO organization has been established as an integral and governing part of the work with Jet Time's CSR strategy and its goals and commitments.

2. Fossil fuel consumptions & CO2 emissions

The work on the necessary improvement measures to achieve lower fuel consumption and CO2 emissions is an integrated part of Jet Time's environmental management system certified according to ISO 14001:2015.

Reducing carbon dioxide is a pivotal aspect of Jet Times environmental focus, as this by far is the single most relevant environmental denominator for Jet Time and the airline industry in general. In relation to our CO2 emission, Jet Time is registered and reported by the regulations in EU Decree 2003/87EC where airlines can choose to register and report their CO2 emission. In this connection, Jet Time has a goal of reducing the annual carbon dioxide emission from the Company's fleet by 0.25 % annually.

However, this goal will with the implementation of Jet Time's CSR strategy in the 2019/2020 financial year be increased significantly with a more ambitious 2025 goal. A taskforce of cross-organizational specialists has in the 2018/2019 financial year been appointed to work strategically with selected initiatives to lower the weight of the aircraft and reduce fuel consumption and consequent CO2 emissions.

Development and Results in 2018/2019

In the financial year 2018/2019, Jet Time has furthered several initiatives to reduce the CO2 emissions from the airline's fleet.

Fleet Renewal:

At year-end, Jet Time operated six B737-700 and four B737-800 aircraft. In the financial year 2018/2019, Jet Time has added three aircraft to the fleet of the type B737-800, which has a larger capacity than the B737-700 aircraft and can thus produce more effectively on one single aircraft, transporting more passengers at the time.

Continuous Aerodynamic, Weight and Efficiency Improvement:

Jet Time works continually to modify its aircraft to utilize more advanced technology, improve aerodynamics and reduce weight. All of Jet Time's aircraft are for example mounted with winglets, which improves up-thrust and optimizes fuel economy, cutting off 3-4% of the fuel consumption of an aircraft.

In the 2018/2019 financial year, Jet Time has signed leasing agreements for two B737-800 aircraft with split scimitar winglets that cut of an additional 2-3 % of the aircraft fuel consumption. These two aircraft will enter into Jet Time's production in the start of 2020.

Management's Review

Corporate Social Responsibility (continued)

To lower fuel consumption and thus CO2 emissions, Jet Time works continuously to lower the weight of the aircraft in the airline's fleet. An example of weight reduction is the change in cabin light that all of Jet Time's B737-700 have been through in 2018 and 2019. The fluorescent light tubes have been changed in all of Jet Time's aircraft to a modernized LED light system, taking off approximately 30 kg from each aircraft. In addition, the LED light has a longer duration than fluorescent light tubes, and have in that way less impact on the environment. This weight reduction has in the past financial year resulted in an annual reduction of CO2 equivalent to approximately 72 tons.

CO2 Reductions

After the unification of Jet Time's fleet to B737 NG aircraft, the Company has seen a considerable reduction of CO2 emissions per used seat compared to previous years. Due to the addition of more B737-800 aircraft in Jet Time's fleet, the overall CO2 emissions have gone up, however, the utilization of capacity has been increased, which means that more passengers have been transported per flight. This means that Jet Time in the financial year 2018/19 has managed to reach an annual CO2 reduction of 6.73 percentage points per used seat per flight compared to the financial year 2017/18, as shown in the development from 97.07% to 90.34%.

Financial year	Actual emission [Kg]	Actual Airborne Hours	Actual CO2 per Ab Hour [Kg/Hour]	Annual reduction Target	Annual CO2 per Ab Hour target	Actual Development CO2 per Ab Hour	Actual seats used per. year	Actual kg CO2 per. used seat	Year on year target	Actual Development CO2 per Used seat vs. previous year
2017/ 2018	189,555,962	24,780	7,650	0.25%	7,619	101.13%	814,943	233	99.50%	97.07%
2018/ 2019	219,068,212	27,979	7,830	0.25%	7,631	103.51%	1,011,962	216	99.25%	90.34%

3. On-Board waste

Waste generated in connection with Jet Time's flight operation has a potential, negative impact on the environment.

Minimizing and handling waste more sustainably will be one of the primary focus of Jet Time's coming CSR strategy.

Development and Results in 2018/2019

In the financial year 2018/2019 there has been a focus on minimizing paper consumption through more digitalization.

In connection with the development towards a more electronically based communication, less paper has in the financial year 2018/2019 been used on board Jet Times aircraft with the introduction of an Electronic Flightbag as replacement of paper manuals.

This means, that two digital tablets holding the same information have replaced approximately 20 kg of paper in each cockpit of Jet Time's 10 aircraft. This saves a significant amount of production related paper waste, just as it has lowered the weight of the aircraft, reducing the annual CO2 emission with approximately 48 tons CO2.

Management's Review

Corporate Social Responsibility (continued)

To further systematize and optimize the handling of Jet Time's on-board waste, a task group with key operational expertise has in the financial year 2018/2019 been appointed to develop improvement initiatives to reduce this environmental impact. This work will serve as foundation for goals and activities in Jet Time's CSR strategy.

4. Maintenance Repair (MR) waste – lubricants/chemicals

Jet Time has its own Technical Department in CPH airport with service of the airline's aircraft.

In this connection, Jet Time's mechanics handle different types of waste that can pose a health risk. Likewise, the waste has a potential negative impact on the environment if not handled correctly.

To mitigate these risks, Jet Time has contracted with the environmental service partner Stena Recycling, who ensures correct storage and disposable of problematic waste and chemicals.

Development and Results in 2018/2019

To strengthen sustainable recycling of waste, further measures have been taken in the financial year 2018/2019, where for example containers for hard plastic have been installed in Jet Time's Technical Department to enhance the recycling potential of plastic material waste.

There have in the financial year 2018/2019 been no reports of incidents involving problematic waste and chemicals related to Jet Time's own aircraft maintenance.

No significant spillages have been reported in connection with technical maintenance of Jet Time's aircraft in the financial year 2018/2019.

5. On-board food & products

Jet Time serves close to a million meals on board the airline's aircraft each year. In this context, the products we choose to serve to our customers each have an impact on the environment.

Development and Results in 2018/2019

In the financial year 2018/2019, the work to implement a "No red meat" policy has been initiated.

The first result of this initiative has been to replace 24 ton of beef in Jet Time's hot meal menus on departures from Copenhagen and Sweden with chicken, which is a meal with much less environmental impact than beef.

This change in protein has resulted in a CO2 reduction of approximately 4000 ton CO2 with regards to production of the meal.

Further steps to reduce the environmental impact of Jet Time's on-board food and products will be taken as part of Jet Time's CSR strategy.

Management's Review

Corporate Social Responsibility (continued)

PEOPLE

As an employer, Jet Time is responsible for ensuring decent work conditions and a healthy working environment.

Jet Time has a 'Health and Safety and Environment Policy' as well as a 'Health and Safety and Environment Committee'. The Committee ensures compliance with policies on health, safety and environmental aspects.

Jet Time is in close dialogue with union representatives to prevent labor right violations. Should a potential labor violation occur in relation to an employee's employment, the Company will cooperate with the relevant union representative to reach a fair conclusion of the matter.

The Company's Employee Handbook contains a general corporate policy applying to all employees.

Moreover, Jet Time has adopted a 'Just Culture' policy that applies to the entire Company. This implies that all employees have access to a reporting tool by means of which all potential safety issues may be reported anonymously and without consequence, which promotes openness about errors and incidents. In that way, a safer working environment with focus on communication and openness is ensured.

As a buyer, Jet Time uses the services of a number of subcontractors – also in countries where a safe and healthy working environment can be challenged. Jet Time will therefore in the coming financial year strengthen the airline's demands to specific contractors by a Jet Time Code of Conduct that demands decent working conditions for anyone involved in the work for Jet Time.

6. Employee strikes

Strikes among employees of the airline can potentially have a major impact on Jet Time's ability to live up to its customer promise and the service experience expected of the airline's passengers.

Since the start-up of Jet Time in 2006, there have been no strikes among any of Jet Time's employee groups.

However, to mitigate this potential risk, Jet Time has a number of policies relating to working environment and working conditions. Moreover, six different groups of employees are in Jet Time covered by collective agreements, and employees engaged in the same activities are guaranteed the same working conditions, making all employees covered by local collective agreements.

Cooperation with the six unions in Jet Time takes place within the framework of national laws and agreements affecting the unit concerned.

Development and Results in 2018/2019

Jet Time did not in the financial year 2018/19 receive any complaints from employees or others in relation to potential violation of labor rights and Jet Time has not experienced any strikes or strike warnings among any of the airline's employee groups.

Management's Review

Corporate Social Responsibility (continued)

7. Level of Employee Turnover

A high employee turnover rate is a potential risk with a high degree of impact on any business and airline.

To mitigate this risk, Jet Time strives to create a decent working environment with opportunities, professional development and orderly working conditions.

As part of ensuring a healthy working environment for Jet Time's employees, the Company strives to secure the framework for a good work/life balance, for example by a predictable work-pattern for the flight crew that gives the better options to plan their private life.

Being an airline, the safety of the Company's employees and customers is a top-priority for Jet Time. Jet Time is certified to fly under the international safety standard IOSA, whose auditors regularly inspect safety in the various functions of the Company.

Development and Results in 2018/2019

Jet Time did not experience more absence among the Company's employees in the 2018/19 financial year compared to the years before, and among administrative staff and cabin crew, absence due to sickness declined. Likewise, the number of bought days from the airline's crew has in the 2018/19 financial year retained the low level of the previous financial year, which was at an all-time low.

Number of bought days

Employees	**Financial year 2016/2017**	**Financial year 2017/2018**	**Financial year 2018/2019**
Cabin Crew	710	486	432
Pilots	1035	348	370

Absence due to sickness

Employees	**Financial year 2017/2018**	**Financial year 2018/2019**	**Change**
All	3.2%	2.7%	- 0.5%
Cabin Crew	5.5%	4.2%	- 1.3%
Pilots	2.8%	2.8%	0.0%

Management's Review

Corporate Social Responsibility (continued)

8. Physical Working Environment

Some of Jet Time's employee groups are more exposed to a challenging physical working environment than others. That is first of all the case for the airline's Flight Crew who work in a small cockpit and a narrow cabin. Secondly, the Mechanics of Jet Time's Technical Department are exposed to hard physical labor with heavy lifts and manual work in the physical space of an aircraft.

To ensure that all employee groups are represented in a forum with focus on their particular type of work, all employee groups are represented in an official Working Environment Group.

In addition, Jet Time offers a health insurance to all employees based in Denmark. The health insurance offers resources within therapists, stress and rehabilitation experts and ergonomic specialists and ensures free and quick access to treatment of a large number of injuries and health problems.

Development and Results in 2018/2019

In the financial year 2018/2019, efforts have been made to improve the physical working environment and improve the overall working conditions in all parts of Jet Time's organization.

A Better Diet:

In connection with Jet Time's internal Workplace Assessment from February 2018 (APV), one of the major key points were the crew meals. Both Danish Cabin and Cockpit Crew expressed a wish for more variation, larger portions and more greens. These three wishes have in the financial year 2018/2019 been accommodated with a new crew meal set-up for Danish crew with effect from May 28, 2019.

A Warmer Workplace:

In connection with Jet Time's internal Workplace Assessment from February 2018, it also became apparent that the delivered Jet Time uniform coat was not warm enough. An alternative coat suited for the Nordic winter climate was in November 2018 added to Jet Time's uniform program, thus improving the physical working environment of Jet Time's crew in the winter months.

Improved Facilities:

As part of Jet Time's yearly cycle of work in the Work Environment Group, the physical working environment is assessed. In this assessment, it has become evident that the changing rooms and bathing facilities in the Hangar of Jet Time's Technical Department were below standard. These facilities have in the 2018/2019 financial year been improved significantly and are now considered acceptable.

Active Deskwork

Also in the annual cycle of work in the Work Environment Group, it was decided to mitigate some of the risks connected to sedentary deskwork, which is the primary work form in Jet Time's Administrative divisions. The month of February 2019 was therefore chosen as a month of physical activity in the Administration at Jet Time's headquarter, where a 'stair climbing' competition encouraged employees to use the stairs rather than the elevator.

Management's Review

Corporate Social Responsibility (continued)

Likewise, the administrative employee representatives in the Work Environment Group invited throughout February 2019 all administrative employees to join in for rubber band exercise for approximately 10 minutes to stretch the muscles two days a week.

9. Human Rights Compliance

Jet Time has no specific policies on human rights. As operator in the Nordic region, we have previously deemed compliance with human rights as a given.

By being an operator in the Nordic region, which is characterized by a high degree of protection of human rights, the risk that the company's activities have a negatively impact on human rights is considered low. Consequently, a separate policy on human rights has not been deemed necessary. We do, however, always comply with all relevant legislation both locally and globally.

However, as a buyer, Jet Time uses the services of a number of subcontractors – also in countries where compliance with Human Rights can be more questionable than in the Nordic Region. Jet Time will therefore in the coming financial year strengthen the airline's demands to specific subcontractors by a Jet Time Code of Conduct that demand compliance with Human Rights.

Likewise, work to ensure human right compliance in our own operation will be taken as part of our CSR strategy, where a cross-organizational taskforce has already started this work.

Development and Results in 2018/2019

No human rights violations have been reported in the financial year 2018/2019.

Management's Review

Corporate Social Responsibility (continued)

PROFIT

As a for-profit corporation, Jet Time has a responsibility to ensure profitable business, comply with legal requirements and maintain a high standard of business ethics as well as ensuring compliance with national policies and laws on financial stability.

The highest possible return is generated by the best possible resource management and utilization of the airline's human and financial assets, and Jet Time's CSR focus on Profit is therefore closely bound to that of Planet and People.

A greener flight with reduced fuel consumption leads to lower fuel costs and reduces the charges for CO2 emissions.

An absolute prerequisite for a sustainable profit is legislative compliance in all aspects of Jet Time's operation. This is ensured through Jet Time's Safety & Compliance Unit as well as Jet Time's Legal Department.

All aspects of Jet Time's work towards long-term profitability are disclosed in Jet Time's Annual Report 2018/2019.

Partner cooperation is a pivotal aspect of Jet Time's core business. Jet Time has therefore in the financial year 2018/2019 signed an updated Code of Conduct for SAS, ensuring that Jet Time lives up to SAS' supplier CSR demands. Likewise, Jet Time has reaffirmed a similar commitment to the travel group TUI. Jet Time's coming CSR strategy ensures that Jet Time is aligned with the CSR strategies and demands of our primary partners.

Jet Time promotes equal treatment of all employees and job applicants. Jet Time believes that an equal representation of gender among employees and Management is important to the overall sustainability and development of the Company.

Development and Results in 2018/2019

Board of Directors

At the end of the financial year 2018/19, the Company's Board of Directors comprised of two male non-owners members and one male owner.

Jet Time has a target of by 2023 to have at least one person of each gender represented on Jet Time's Board of Directors.

Jet Time has not in the financial year 2018/2019 reached the target of gender representation on the Board, as there have been no changes, additions or recruitments for Jet Time's Board in this period.

Jet Time's Senior Management

Jet Time's Senior Management is defined by the Company's Executive Team – consisting of the CEO, CFO, VP Commercial/CCO, VP Technical, VP Flight Operations and VP Management Support. At the end of the financial year 2018/2019, the Executive Team consisted of five male and one female member.

Management's Review

Corporate Social Responsibility (continued)

Jet Time has an ambition to, by 2023, increase female representation in Jet Time's Senior Management by at least one more female member of the Executive Team.

Jet Time has not reached this target of increased female representation among the Company's Executive Team in the financial year 2018/2019, as there have been no changes, additions or recruitments for Jet Time's Senior Management team in this period.

Jet Time initiated in the financial year 2016/2017 internal leadership training among the Company's mid-level managers with the ambition of qualifying both male and female employees to enter the Senior Management. This training has in the 2018/2019 financial year been further developed and implemented to a wider group with also Functional Leaders and Specialists. Furthermore, Jet Time strives to always have both genders represented in the final interview round when selecting new hires.

The current ratio in Jet Time's mid-level management by the end of the 2018/2019 financial year is 72% male and 28% female, which is a slight improvement compared to the year before where the ratio was 73% male and 27% female.

10. Bribery and Corruption

Jet Time has no specific policies on anti-corruption, and as operator in the Nordic region, we have previously deemed the risk of bribery and corruption low.

Due to the fact that the company's main activities take place in the Nordic region, in which local authorities demand full compliance with legislation on anti-corruption, it is management's assessment that the risk that the company becomes involved with corruption or bribery is limited. Therefore, we have not developed an anti-corruption policy, but we do at all times act in accordance with the law.

As a buyer, Jet Time uses the services of a number of subcontractors – also in countries where bribery and corruption is more common than in the Nordic Region. Jet Time will therefore in the coming financial year strengthen the airline's demands to specific subcontractors by a Jet Time Code of Conduct that demand focus on bribery and anti-corruption.

Likewise, work to ensure that there is no bribery and corruption in our own operation will be taken as part of our CSR strategy, where a cross-organizational taskforce has already started this work.

There have been no legal actions for anti-competitive behavior, anti-trust or monopoly practices reported in the financial year 2018/2019.

Financial Statements 1 September - 31 August

Income Statement

DKK '000	Note	Consolidated 2018/19	Consolidated 2017/18	Parent Company 2018/19	Parent Company 2017/18
Revenue	1	1.443.508	1.130.465	1.443.493	1.130.429
Production costs		-945.753	-771.086	-945.753	-771.086
Lease costs		-110.058	-55.305	-110.058	-55.305
Other external costs		-101.250	-86.505	-124.614	-102.900
Gross profit		286.447	217.569	263.068	201.138
Staff costs	2	-242.141	-207.417	-219.321	-191.383
Amortisation, depreciation and impairment losses	7,8	-5.709	-8.575	-5.709	-8.575
Profit/loss on ordinary operating activities		38.597	1.577	38.038	1.180
Other income	3	0	5.983	0	5.983
Profit/loss before interests and tax		38.597	7.560	38.038	7.163
Income from investments in group entities		0	0	615	362
Other financial income	4	133	111	36	60
Other financial expenses	5	-6.870	-4.943	-6.834	-4.937
Profit/loss on ordinary activities before tax		31.860	2.728	31.855	2.648
Tax on profit/loss for the year	6	-1.551	-80	-1.547	0
Profit/loss for the year		30.309	2.648	30.309	2.648

Proposed profit appropriation/distribution of loss	17

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Balance Sheet

		Consolidated		Parent Company	
DKK '000	Note	31AUG19	31AUG18	31AUG19	31AUG18
ASSETS					
Non-current assets					
Intangible assets	7				
Software		2.778	4.350	2.778	4.350
		2.778	4.350	2.778	4.350
Property, plant and equipment	8				
Modifications of leased aircraft		10.271	2.928	10.271	2.928
Buildings		6.024	6.990	6.024	6.990
Leasehold improvements		818	1.183	818	1.183
Fixtures and fittings, tools and equipment		270	807	270	807
Property, plant and equipment under construction		962	2.049	962	2.049
		18.345	13.957	18.345	13.957
Investments					
Investments in group entities	9	0	0	8.285	7.670
Receivable future maintenance	10	144.538	3.255	144.538	3.255
Deposits	11	46.415	33.219	46.319	33.125
		190.953	36.474	199.142	44.050
Total non-current assets		212.076	54.781	220.265	62.357
Current assets					
Inventories					
Inventories		7.561	6.505	7.561	6.505
		7.561	6.505	7.561	6.505
Receivables					
Trade receivables		4.801	6.898	4.801	6.898
Deferred tax asset	12	0	0	0	0
Receivable future maintenance	10	26.257	9.262	26.257	9.262
Corporate tax	13	0	922	0	0
Other receivables	14	11.987	16.288	11.954	16.267
Prepayments	15	25.473	23.351	25.473	23.322
		68.518	56.721	68.485	55.749
Cash at bank and in hand	16	126.735	52.791	126.424	52.297
Total current assets		202.814	116.017	202.470	114.551
Total assets		414.890	170.798	422.735	176.908

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Balance Sheet

		Consolidated		Parent Company	
DKK '000	Note	31AUG19	31AUG18	31AUG19	31AUG18
EQUITY AND LIABILITIES					
Equity	17				
Share capital		17.085	17.085	17.085	17.085
Reserve for net revaluation under the equity method		0	0	7.541	6.925
Retained earnings		-287.210	-451.404	-294.751	-458.329
Total equity		-270.125	-434.319	-270.125	-434.319
Provisions					
Provision, aircraft maintenance	18	238.076	62.367	238.076	62.367
Other provisions	19	22.820	17.101	22.820	17.101
Total provisions		260.896	79.468	260.896	79.468
Non-current liabilities other than provisions					
Loan from shareholders	20	100.000	100.000	100.000	100.000
Credit institutions	21	2.077	2.660	2.077	2.660
Other loan agreements	21	90.000	256.993	90.000	256.993
		192.077	359.653	192.077	359.653
Current liabilities other than provisions					
Credit institutions	21	701	701	701	701
Trade payables		70.798	61.025	70.657	60.647
Prepayments received from customers		76.590	53.117	76.590	53.117
Payables to group entities		0	0	11.234	8.201
Corporate tax	22	1.404	0	1.547	0
Other payables	23	82.549	51.153	79.158	49.440
		232.042	165.996	239.887	172.106
Total liabilities other than provisions		424.119	525.649	431.964	531.759
Total equity and liabilities		414.890	170.798	422.735	176.908
Fees paid to auditors	24				
Contingencies etc	25				
Mortgages and collateral	26				
Hedging transactions	27				
Related party disclosures	28				

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Statement of Changes in Equity

	Consolidated		
DKK '000	Share capital	Retained earnings	Total
Equity at 1 September 2017	17.085	-467.375	-450.290
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	13.306	13.306
Currency adjustment Jet Time OY	0	17	17
Transferred, see profit appropriation/distribution of loss	0	2.648	2.648
Equity at 1 September 2018	17.085	-451.404	-434.319
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	-13.893	-13.893
Currency adjustment Jet Time OY	0	0	0
Contribution from Group	0	147.777	147.777
Transferred, see profit appropriation/distribution of loss	0	30.309	30.309
Equity at 31. august 2019	17.085	-287.210	-270.125

	Parent Company			
DKK '000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 September 2017	17.085	6.546	-473.921	-450.290
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	0	13.306	13.306
Currency adjustment Jet Time OY	0	17	0	17
Transferred, see profit appropriation/distribution of loss	0	362	2.286	2.648
Equity at 1 September 2018	17.085	6.925	-458.329	-434.319
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	0	-13.893	-13.893
Currency adjustment Jet Time OY	0	0	0	0
Contribution from Group	0	0	147.777	147.777
Transferred, see profit appropriation/distribution of loss	0	615	29.694	30.309
Equity at 31. august 2019	17.085	7.540	-294.751	-270.125

The share capital has remained unchanged for the last five years

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Cash Flow Statement

		Consolidated	
DKK '000	Note	31AUG19	31AUG18
Profit/loss for the year		30.309	2.648
Adjustments	29	-7.840	19.068
Changes in working capital	30	91.035	-59.156
Cash generated from operations (operating activities) before net financials		113.504	-37.440
Company tax paid		-143	553
Cash flows from operating activities		113.361	-36.887
Investments in intangible assets and property, plant and equipment		-11.326	-2.636
Changes in property, plant and equipment under construction		-962	-2.049
Disposal of tangible assets		3.649	11.890
Fixed asset investments		-13.202	-14.564
Disposal of fixed asset investments		2.224	23.206
Cash flows from investing activities		-19.618	15.847
Credit institutions		-583	-1.258
Deposit from owner		147.777	0
Loan from shareholders		0	20.000
Other loan agreements		-166.993	-23.237
Cash flows from financing activities		-19.799	-4.495
Cash flows for the year		73.944	-25.535
Cash and cash equivalents at 1 September		52.791	78.326
Cash and cash equivalents at 31 August		126.735	52.791

The cash flow statement cannot be directly derived from the other components of the Annual Report

Financial statements 1. september - 31. august

Notes

0 Capital resources and liquidity

The realized profit after tax in 2018/19 amounts to DKK 30 million and equity at 31 August 2019 was negative with 270 million.

The Company has obtained extension to September 2021 of all existing loans from shareholders and lenders, ensuring the Company the liquidity resources required to restore a sound business and positive earnings.

The framework of agreements on financing comprises the following at 31 August 2019:

• Drawn long term loans from shareholders, DKK 100 million;
• Undrawn line of credit facility from shareholders, DKK 25 million;
• Other drawn long term loan agreements, DKK 90 million, of which DKK 50 million rank subordinate to other creditors.

The above loans are totaling DKK 215 million (DKK 190 million loans are drawn at the balance sheet date), of which subordinated loans amount to DKK 50 million. All of the above loans are expiring in September 2021 and no interest is payable on these loans, except on the undrawn revolving credit facility of 25 million, which carries an interest rate of 10% p.a. on any drawn balance only (no commitment fee or other fees).
In addition to the above framework of agreements on financing, the Company has a mortgage loan in a hangar with an external credit institution, the balance of this loan was DKK 3 million as of the balance sheet date.

In Management’s assessment, the liquidity contributed by the above financing agreements is sufficient to finance the Company’s operation and it is Management’s expectation that all loan terms also will be complied with in the financial year 2019/20. Moreover, in Management’s assessment the above financing agreements are providing the basis required to follow Jet Time Core Business Plan 2020 and the new Jet Time core2explore strategy plan 2025 with positive earnings in 2019/20 and beyond.

In its nature, the budgets prepared are subject to uncertainty, and variations in operations etc. may result in additional liquidity being required. In Management’s assessment, such additional financing may be obtained if the Jet Time Core Business Plan 2020 and the Jet Time core2explore 2025 strategy is otherwise followed. Further, the Company's lenders have given a Letter of Intent expressing the continued support by extension of the repayments of the loans under certain conditions.

For the order of good sake, the above-mentioned matters indicates that the Company has significantly reduced its uncertainties and risks. On this basis, we believe that the budget for 2019/20 and the business plan for 2019/20 and onwards provide a realistic basis for a profitable Jet Time.

Therefore, the financial statements are prepared under the assumption of going concern.

Capital loss

As stated above, more than 50% of the share capital has been lost. Thus, the Company is comprised with the rules on capital loss in the Danish Companies Act. In Management’s assessment, the Company will be able to restore equity through own operation in the long run based on the above.

Financial statements 1. september - 31. august

Notes

		Consolidated		Parent Company	
	DKK '000	2018/19	2017/18	2018/19	2017/18
1	**Revenue**				
	Business segments:				
	Charter and ad hoc	1.357.672	1.077.813	1.357.657	1.077.778
	ACMI	85.836	52.652	85.836	52.652
		1.443.508	1.130.465	1.443.493	1.130.429
2	**Staff Costs**				
	Wages and salaries	218.750	185.054	199.825	172.690
	Pension	20.603	19.411	17.039	16.197
	Other social security costs	2.788	2.953	2.457	2.496
		242.141	207.417	219.321	191.383
		242.141	207.417	219.321	191.383
	Average number of full-time employees	397	373	341	330
	Number of full-time employees at 31 August	425	350	360	311
	Remuneration of the Board of Directors	240	248	240	248
	Remuneration of the Executive Board	8.918	6.140	8.918	6.140
	Remuneration of the Executive Board and Board of Directors	9.158	6.388	9.158	6.388
3	**Other income**				
	Gain from sale of fixed assets	0	5.983	0	5.983
		0	5.983	0	5.983

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Notes

		Consolidated		Parent Company	
	DKK '000	2018/19	2017/18	2018/19	2017/18
4	**Other financial income**				
	Interest income, credit institutions	0	55	0	55
	Other interest income	133	56	36	5
		133	111	36	60
5	**Other financial expenses**				
	Interest expenses, credit institutions	316	382	316	382
	Foreign exchange adjustments	2.785	4.003	2.785	4.003
	Other interest expenses & fees	1.478	558	1.442	552
	Interest expenses group entities	2.291	0	2.291	0
		6.870	4.943	6.834	4.937
6	**Tax on profit/loss for the year**				
	Current tax	-1.547	1.058	-1.547	0
	Adjustment re previous years	-4	0	0	0
	Adjustment of deferred tax	0	-1.138	0	0
		-1.551	-80	-1.547	0

7	**Intangible assets**	Consolidated/Parent Company
		Software
	Cost at 1. September 2018	9.631
	Additions	0
	Disposals	0
	Cost at 31. August 2019	9.631
	Impairment losses and amortisation at 1. September 2018	5.281
	Impairment losses and amortisation	1.572
	Amortisation, disposed assets	0
	Impairment losses and amortisation at 31. August 2019	6.853
	Carrying amount at 31. August 2019	2.778

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Notes

8 Property, plant and equipment

	Consolidated/Parent Company		
DKK '000	Modification of leased aircraft	Buildings	Leasehold improve-ments
Cost at 1. September 2018	18.346	12.430	1.826
Additions	9.277	0	0
Transfer	2.049	0	0
Disposals	-1.714	0	0
Cost at 31. August 2019	27.958	12.430	1.826
Impairment losses and amortisation at 1. September 2018	15.418	5.440	643
Depreciation and impairment losses	2.383	967	365
Depreciation, disposed assets	-114	0	0
Impairment losses and amortisation at 31. August 2019	17.687	6.407	1.008
Carrying amount at 31. August 2019	10.271	6.024	818

	Fixtures, fittings, tools and equipm.	Assets under construction	Total property, plant and equipment
Cost at 1. September 2018	6.432	2.049	41.083
Additions	0	962	10.239
Transfer	0	-2.049	0
Disposals	0	0	-1.714
Cost at 31. August 2019	6.432	962	49.608
Impairment losses and amortisation at 1. September 2018	5.625	0	27.126
Depreciation and impairment losses	537	0	4.252
Depreciation, disposed assets	0	0	-114
Impairment losses and amortisation at 31. August 2019	6.162	0	31.264
Carrying amount at 31. August 2019	270	962	18.345

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Notes

DKK '000

9 Investments in group entities

	Parent Company	
	2018/19	2017/18
Cost at 1. September	745	745
Additions	0	0
Cost at 31. August	745	745
Value adjustment at 1. September	6.925	6.546
Profit for the year	615	362
Foreign exchange adjustment	0	17
Value adjustment at 31. August	7.540	6.925
Carrying amount at 31. August	8.285	7.670

Name and registered office	Voting rights and ownership
Jet Time Oy, Rahtitie 3, FI-01530 Vantaa, Finland	100%

All subsidiaries are independent entities

	Consolidated		Parent Company	
	2018/19	2017/18	2018/19	2017/18
10 Receivable future maintenance				
Between 1 and 5 years	26.257	9.262	26.257	9.262
After 5 years	0	0	0	0
Long-term part of receivable future maintenance	26.257	9.262	26.257	9.262
Within 1 year	144.538	3.255	144.538	3.255
	170.795	12.517	170.795	12.517
11 Deposits				
Cost at 1. September	33.219	41.553	33.125	41.455
Additions	13.202	14.563	13.183	14.563
Disposals	-2.224	-23.206	-2.207	-23.202
Value adjustment for the year	2.218	309	2.218	309
	46.415	33.219	46.319	33.125

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DKK '000	Consolidated 2018/19	Consolidated 2017/18	Parent Company 2018/19	Parent Company 2017/18
12 Deferred tax asset				
Deferred tax 1. september	0	1.138	0	0
Adjustment regarding profit for the year	0	-1.138	0	0
Deferred tax 31. august	0	0	0	0
Deferred tax asset is regarding				
Other payables	0	0	0	0
Deferred tax 31. august	0	0	0	0
Other payables				

The Group has an unrecognised deferred tax asset of DKK 102 million in 2018/19

13 Corporation tax				
Corporation tax payable at 1 September	0	-690	0	0
Adjustment re previous years	0	1.139	0	0
Current tax for the year	0	-80	0	0
Corporation tax paid during the year	0	553	0	0
	0	922	0	0
14 Other receivables				
Positive value of hedging of future purchase and sale of fuel, CO2 quotas and foreign currency	0	10.935	0	10.935
Deposited as security for future fuel hedging	2.013	0	2.013	0
VAT	1.481	861	1.442	845
Other receivables	8.493	4.492	8.499	4.487
	11.987	16.288	11.954	16.267
15 Prepayments				
Prepaid leases	912	1.733	912	1.733
Prepaid fuel	1.128	621	1.128	621
Other production costs prepaid	67	6.922	67	6.922
Other prepayments	23.366	14.075	23.366	14.046
	25.473	23.351	25.473	23.322
16 Cash at bank and in hand				
Free cash	125.210	51.191	124.899	50.697
Deposited as security for forward exchange transactions etc	1.525	1.600	1.525	1.600
	126.735	52.791	126.424	52.297

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17 Equity

The share capital comprises 17,084,918 shares of nominally DKK 1 each comprising 5,886,303 A-shares and 11,198,615 B-shares. B-shares carry a preferential dividend right.

	Consolidated		Parent Company	
DKK '000	2018/19	2017/18	2018/19	2017/18
Proposed profit appropriation/distribution of loss				
Reserve for net revaluation under the equity method	0	0	615	362
Retained earnings	30.309	2.648	29.694	2.286
	30.309	2.648	30.309	2.648

18 Provision, aircraft maintenance

Comprises:

Provision for future aircraft maintenance	209.911	30.857	209.911	30.857
Provision for obligation to return	28.165	31.510	28.165	31.510
	238.076	62.367	238.076	62.367
Provision at 1 September	62.367	117.681	62.367	117.681
Utilised during the year/disposals	-72.347	-74.596	-72.347	-74.596
Provision for the year	248.056	19.282	248.056	19.282
	238.076	62.367	238.076	62.367
Within 1 year	50.805	25.588	50.805	25.588
Between 1 and 5 years	172.402	36.061	172.402	36.061
After 5 years	14.869	718	14.869	718
	238.076	62.367	238.076	62.367

19 Other provisions

Other provisions include provision for delay costs and for retention bonus to customers

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DKK '000	Consolidated 2018/19	Consolidated 2017/18	Parent Company 2018/19	Parent Company 2017/18
20 Loan from shareholders				
Within 1 year	0	0	0	0
Between 1 and 5 years	100.000	100.000	100.000	100.000
	100.000	100.000	100.000	100.000

The loans are not interest bearing. Terms of the loans are described in note 0

21 Long-term liabilities other than provisions

Credit institutions:				
Between 1 and 5 years	2.077	2.660	2.077	2.660
After 5 years	0	0	0	0
Long-term part of credit institutions	2.077	2.660	2.077	2.660
Within 1 year	701	701	701	701
	2.778	3.361	2.778	3.361
Other loan agreements:				
Between 1 and 5 years	90.000	256.993	90.000	256.993
Within 1 year	0	0	0	0
	90.000	256.993	90.000	256.993

Payments due within 1 year are recognised in current liabilities

Other liabilities are recognised in non-current liabilities other than provisions

22 Corporation tax

Corporation tax payable at 1 September	-922	0	0	0
Adjustment re previous years	636	0	0	0
Current tax for the year	1.547	0	1.547	0
Corporation tax paid during the year	143	0	0	0
	1.404	0	1.547	0

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DKK '000	Consolidated 2018/19	Consolidated 2017/18	Parent Company 2018/19	Parent Company 2017/18
23 Other payables				
Deposited as security for future fuel hedging	0	7.013	0	7.013
Holiday pay and other staff-related payables	37.558	22.716	34.168	21.003
CO2 quotas	2.986	1.937	2.986	1.937
Other payables	42.005	19.487	42.004	19.487
	82.549	51.153	79.158	49.440
24 Fees paid to auditors				
Statutory audit	1.288	900	1.244	850
Other audit services	0	50	0	50
Tax assistance	195	170	140	150
Other services	230	971	230	971
	1.713	2.091	1.614	2.021
25 Contingencies etc				
Rent and lease obligations (operating leases) falling due after the balance sheet date	513.647	226.037	513.647	226.037
Falling after 5 years	18.120	0	18.120	0
Falling due within 5 years	354.695	152.713	354.695	152.713
Falling due within 1 year	140.832	73.324	140.832	73.324
Total obligations are grouped as follows:				
Aircraft leases	493.954	202.385	493.954	202.385
Rental of property, hangar, etc	13.186	16.652	13.186	16.652
Other leases	6.508	7.000	6.508	7.000
	513.647	226.037	513.647	226.037

In addition, Jet Time has signed leases for aircraft which will be delivered during the next financial year with a combined lease obligation of additional DKK 204 million

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26 Mortgages and collateral

The Company has issued priority mortgage of DKK 10.5 million with a remaining balance of DKK 2.7 million to a credit institution for a debt, secured in a building with a carrying amount of DKK 7 million.
The Company has issued second mortgage of DKK 40 million to a shareholder for a debt of DKK 55 million, secured in the same building.
As per balance sheet date the Company has an undrawn line of credit facilities of a total amount of DKK 25 million.
The Parent Company has provided an unlimited guarantee in favour of the Finnish subsidiary.

27 Hedging transactions

The Parent Company/Group have entered into contracts to hedge the Group's future transactions concerning purchase of fuel. As compared to the forward price at the balance sheet date, the contracts have a negative value of DKK 2,9 million, net.

Hedging transactions at 31 August 2019 break down as follows:

Transaction	Value DKKm	Payment/ maturity	Hedging transaction DKKm
Fuel hedges, DKK	2,9	0 - 14 måneder	72,9
	2,9		72,9

28 Related party disclosures

The following shareholders are registered in the Company's register of shareholders as holding at least 5% of the voting rights or at least 5% of the share capital:

JT3H ApS, Teglholm Allé 15, 2450 København SV

Jet Time A/S is part of the consolidated report for JT3H ApS

Reference is made to note 0 for transactions with related parties

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DKK '000	Consolidated 2018/19	Consolidated 2017/18
29 Cash flow statement - adjustments		
Amortisation of intangible assets and depreciation of property, plant and equipment	5.709	8.575
Gain and loss from sales of fixed assets	1.932	-2.601
Currency adjustment of fixed asset investments	-2.218	-309
Change in deferred tax	-922	0
Current tax for the year	1.551	80
Currency adjustment of investments in group entities	0	17
Other adjustments	-13.893	13.306
	-7.840	19.068
30 Cash flow statement - change in working capital		
Change in receivables	-154.002	18.750
Change in inventories	-1.056	3.786
Change in provisions	181.428	-53.088
Change in other short-term payables	64.665	-28.604
	91.035	-59.156

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Note 31 Accounting Policies

The Annual Report of Jet Time A/S for the period 1 September 2018 – 31 August 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

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

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company, Jet Time A/S, and enterprises in which Jet Time A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

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 group entities are set off against the proportionate share of the group entity's fair value of net assets and liabilities at the acquisition date.

Business combinations

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. Comparative figures are not restated for acquisitions or disposals.

Recognition and measurement

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

Liabilities are recognized 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.

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

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

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 recognized 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 recognized in the latest Financial Statements is recognized in the income statement as financial income or financial expenses.

Foreign group entities are considered separate entities. The income statements are translated at the average exchange rates for the year, and the balance sheet items are translated at the exchange rates at the balance sheet date. Currency translation differences arisen when translating foreign group entities' equity at the beginning of the year using the closing rate and when translating income statements from average exchange rates using the closing rate, are recognized directly in equity.

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Note 31 Accounting Policies (Continued)

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently 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 recognized asset or liability, are recognized in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities, are recognized in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognized 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 recognized in equity are recognized in the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement on a regular basis.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases), are recognized in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease, or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

Income statement

Revenue

Revenue is recognized based on completed flights, including income related to the flights.

Production costs

Production costs comprise e.g. costs of fuel, charges in connection with air transport and other costs of maintenance and operation of the aircraft fleet.

Lease costs

The Company has entered into agreements on operating leases of aircraft. Payments relating to operating leases are recognized in the income statement over the term of the lease.

Other external costs

Other external costs comprise rent and related costs, IT costs, travelling expenses, training and education costs, administrative expenses and marketing, etc.

Staff costs

Staff costs comprise wages, salaries, pension and social security costs to own staff. To the extent major maintenance work is performed in-house on own Aircraft, staff costs are capitalized.

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Note 31 Accounting Policies (Continued)

Other income / costs

Other income comprise income from secondary activities including gain/loss from sales of fixed assets.

Income from investments in group entities

The proportionate share of the results after tax of the individual group entities is recognized in the income statement of the Parent Company after full elimination 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 as well as extra payments and repayment under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax 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 recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity.

Balance sheet

Intangible assets

Software is measured at cost less accumulated amortisation and impairment losses.

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

Amortisation is provided on a straight-line basis over the assets' expected useful lives. The expected useful lives are 3-8 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement as amortisation.

Property, plant and equipment

Aircraft, modifications of aircraft as well as major maintenance work on aircraft on finance leases and own aircraft, buildings, leasehold improvements, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time as the asset is available for use. Borrowing costs are recognized in the income statement.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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Note 31 Accounting Policies (Continued)

Property, plant and equipment (Continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives. The expected useful lives are as follows:

Modifications, leased aircraft	Remaining term of the lease, however not exceeding 5 years
Maintenance, aircraft on finance leases and own aircraft	According to production intensity
Buildings	15 years
Installations in buildings	10 years
Leasehold improvements	3-5 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Gains and losses on the disposal of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement as other income.

Investments

Investments in group entities

Investments in group entities are measured according to the equity method.

Investments in group entities are measured at the proportionate share of the entities' 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 acquisition method.

Investments in group entities with negative net asset values are measured at DKK 0 (nil), and any amounts owed 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 recognized under provisions.

Net revaluation of investments in group entities is recognized in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from group entities which are expected to be adopted before the approval of the Annual Report of Jet Time A/S are not recognized in the reserve for net revaluation.

On acquisition of enterprises, the purchase method is applied, see Consolidated Financial Statements above.

Deposits

Deposits are initially recognized at cost. Subsequently, deposits denominated in foreign currencies are measured at the exchange rate at the balance sheet date.

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Note 31 Accounting Policies (Continued)

Impairment losses

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

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. If the recoverable amount is lower than the carrying amount, the asset is written down to its lower recoverable amount.

Inventories

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

The cost of goods for resale and raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

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

Receivable future maintenance comprises the contribution made to lessors for future maintenance work which is recognized to the extent that the payments are expected to be reimbursed at the time of incurrence of future maintenance costs.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognized 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 value of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized under other non-current assets 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 in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

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Note 31 Accounting Policies (Continued)

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries is recognized at cost in the reserve for net revaluation according to the equity method.

The reserve is eliminated in case of losses, realisation of investments or a change in accounting estimates.

Dividends

Proposed dividends for the year are recognized 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.

Provisions

Provision for aircraft maintenance comprises a provision for future maintenance work on aircraft on operating leases as well as provision for the costs of returning aircraft on operating leases.

Other provisions primarily comprise the costs of a few pending lawsuits, without material affect on the Annual Report or the Company’s financial position.

Provisions are initially recognized at cost and are subsequently measured at net realisable value or value in use.

Liabilities other than provisions

Financial liabilities are recognized 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 recognized in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

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 the establishment and of additions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from the establishment and acquisitions of enterprises are recognized in the cash flow statement from the date of acquisition/date of establishment. Cash flows from disposals of enterprises are recognized 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.

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Note 31 Accounting Policies (Continued)

Cash flows from investing activities

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

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 and short-term marketable securities which are subject to an insignificant risk of changes in value.

Segmentation

The Group is engaged in charter flights for package tour operators, ACMI flights on short- or long-term agreements with other airlines.

Segment information is disclosed in note 1.

Financial ratios

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

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

Operating margin: $\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Gross margin: $\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$

Current ratio: $\frac{\text{Current assets at year end x 100}}{\text{Total current liabilities at year end}}$

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

Return on equity: $\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

In accordance with section 101(4) of the Danish Financial Statements Act, financial highlights are presented solely for the Group.