Jet Time A/S

Annual Report 2017/18

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

1 November 2018

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Chairman Peter Schäfer

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

CVR No 29 42 42 25
Annual Report 2017/18

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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 2017 to 31 August 2018.

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 2018 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 September 2017 – 31 August 2018.

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, 1 November 2018

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 2018, 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 2017 - 31 August 2018 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 2017 - 31 August 2018, 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, 1 November 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob F Christiansen	Thomas Wraae Holm
State Authorised Public Accountant	State Authorised Public Accountant
mne18628	mne30141

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 1 November 2018.

Management's Review

Financial Highlights

DKKm	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	1,130.5	1,458.7	1,751.7	1,727.8	1,430.5
Gross profit	217.6	374.1	184.2	262.3	189.3
Profit/loss on ordinary operating activities	1.6	-3.6	-285.2	-139.1	-77.5
Profit/loss from financial income and expenses	-4.8	3.7	-12.8	5.4	-0.9
Profit/loss before tax	**2.7**	**12.5**	**-298.0**	**-133.8**	**-78.4**
Profit/loss for the year	**2.6**	**12.4**	**-298.7**	**-142.0**	**-62.6**
Balance sheet total	172.0	241.7	402.8	400.6	338.4
Equity	**-434.3**	**-450.3**	**-467.7**	**-165.2**	**-16.7**
Cash flows from operating activities	-36.8	-132.7	-165.3	10.3	-10.2
Cash flows from investing activities	15.8	38.9	-11.9	-30.5	-41.1
- Portion relating to investment in intangible assets and property, plant and equipment	7.2	-7.5	-15.1	-27.8	-22.4
Cash flows from financing activities	-4.5	115.9	178.4	-0.2	-21.0
Total cash flows	**-25.5**	**22.1**	**1.2**	**-20.4**	**-72.3**
Financial ratios					
Operating margin	0%	0%	-16%	-8%	-5%
Gross margin	19%	26%	11%	15%	13%
Current ratio	67%	72%	31%	35%	61%
Solvency ratio / equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.
Return on equity	Neg.	Neg.	Neg.	Neg.	Neg.
Average number of full-time employees	**373**	**583**	**711**	**645**	**474**
Average number of Boeing 737 aircraft	**6.3**	**12.0**	**16.4**	**16.8**	**15.8**
Average number of ATR aircraft	**0**	**7.2**	**12.3**	**10.9**	**3.7**
Number of Boeing 737 aircraft, year end	**6**	**8**	**16**	**18**	**16**
Number of ATR aircraft, year end	**0**	**3**	**10**	**13**	**8**

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 Northern European airlines who are offered long-term and medium-term capacity solutions as well as ad-hoc flights.
- Other medium-term and short-term air transport solutions.

Development in activities and financial matters

The financial year 2017/18 - the Company's twelfth operating year – was the first financial year following the successful turnaround completed in September 2017.

The Company has a strong focus on delivering on Jet Time Core Business Plan 2020 with two key business areas, namely Boeing Charter passenger flights in Europe and Boeing ACMI assignments for larger airlines in Northern Europe.

In line with Jet Time Core Business Plan 2020, the financial year 2017/18 has been a consolidation year with focus on optimization of the core business and long term profitability.

The Company has during the year continued the significant reduction of complexity and risk. Among others, a unified Boeing 737 NG aircraft fleet was implemented, leading to a positive impact on technical costs per flight hour. Further, the Company has succeeded to significantly increase the asset utilization, i.e. aircraft and crew utilization, which in turn has a positive impact on crew costs and aircraft costs.

On the other hand, the year was negatively impacted by extraordinary sub-charter costs during the summer season, in connection with a delayed aircraft import (fleet addition) in combination with a technical problem on an existing aircraft (AOG) in July 2018.

As a result, the total flight production in 2017/18 amounted to 28,454 block hours compared to 49,763 block hours in 2016/17. The average number of employees went down from 583 employees in 2016/17 to 373 in 2017/18. At the end of 2017/18, the Company had 350 employees compared to 458 at the end of 2016/17. And finally, at the end of 2017/18 the Company had a fleet of 6 Boeing 737 NG aircraft compared to 8 Boeing 737 at the end of 2016/17.

The Company's consolidated revenue in 2017/18 was DKK 1,130 million compared to DKK 1,459 million last year.

The Company showed a profit before tax of DKK 3 million in 2017/18, which compares to a profit before tax of DKK 13 million last year.

At year end 2017/18, the Company showed negative equity of DKK 434 million compared to negative equity of DKK 450 million last year.

Despite of the successful completion of the turnaround in September 2017; and despite 2017/18 being a consolidation year with successful focus on optimization of the core business and long term profitability; and despite delivering a profit of DKK 3 million, Management does not consider the result for 2017/18 as satisfactory.

Management's Review

After the completion of the turnaround in September 2017, the key focus has been on optimization of core business and long term sustainable profitability – preparations for controlled growth are initiated

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

The Jet Time Core Business Plan 2020 with its two key business areas Boeing Charter and Boeing ACMI, is a simplified business model with focus on optimization of Jet Time's traditional core business and competences, which in turn is providing the foundation for a sustainable and profitable Jet Time going forward.

Of the two key business areas, Boeing Charter is by far the biggest. The share of revenue and the share of production (block hours) from Boeing Charter was 95% and 93% respectively in 2017/18, and the Company is a leading player in Nordic charter market with approx. 400,000 roundtrip charter passengers. The market share in Denmark is 13%, in Sweden 8% and in Finland 6%.

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.

The Boeing Charter customers include TUI, Thomas Cook, Bravo Tours, Gislev Rejser, Atlantis Rejser, Apollo, Club La Santa etc.

The Boeing ACMI customers include SAS, Norwegian, Finnair, airBaltic, air greenland, British Airways etc.

During the year, the Company has re-negotiated the collective agreements with all employee groups, namely the Danish Pilots (PAJ), Finnish Pilots (JTF Pilots ry), Finnish Cabin Crew (Napro), Danish Cabin Crew (JCU), Dansk Metal and HK. All the union agreements are based on Nordic framework conditions, providing stability and a strong basis for attracting and retaining employees towards 2020. Employee retention rates and sickness rates have improved significantly during the year, indicating a healthy work environment.

With the re-negotiation of the union agreements as well as the strong focus on consolidation and optimization of Jet Time's core business during the year, the Company has built a strong and stable platform providing the foundation necessary to manage controlled growth within Boeing Charter and Boeing ACMI going forward. Growth within Boeing Charter and Boeing ACMI, is expanding the business which the Company does best (more of the same) without adding complexity, which in turn will lead to economies of scale.

On this basis, the preparations for controlled growth were started towards the end of 2017/18, i.e. starting a hiring process for pilots and cabin crew for the home bases in Copenhagen and Helsinki, as well as starting a search for suitable Boeing 737 NG aircraft.

Management's Review

Capital resources and liquidity

Equity at 31 August 2017 was negative DKK 450 million. During the financial year 2017/18, equity has been improved with DKK 16 million leading to an equity at 31 August 2018 of negative DKK 434 million.

The Company has obtained extension to September 2020 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 2018:

- 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 257 million, off which DKK 190 million rank subordinate to other creditors.

The above loans are totaling DKK 382 million (DKK 357 million loans are drawn at the balance sheet date), of which subordinated loans amount to DKK 190 million. All of the above loans are expiring in September 2020 and no interest is payable on these loans.

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 2018/19.

Moreover, in Management's assessment the above financing agreements are providing the basis required to follow Jet Time Core Business Plan 2020 with positive earnings in 2018/19 and beyond.

Finally, the current lenders have expressed their continued support of the Company if Jet Time Core Business Plan 2020 is otherwise followed.

Towards the end of 2017/18, shareholders and lenders started a process with the aim of strengthening the Company's capital structure. After the balance sheet date, such firm agreement was executed, and the agreement is further described below in the Subsequent events section (page 12).

The Company's capital resources and liquidity is further described in note 0 (page 24).

Investments

The Group's investments for the year were DKK 5 million in total, comprising import or modification of operationally leased aircraft, DKK 4 million as well as investments in leased buildings, DKK 1 million.

Management's Review

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. 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.

Subsequent events

After the balance sheet date, shareholders and lenders have executed a firm 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. Before the adoption date of the Annual Report 2017/18, The Company has 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 remains a debt towards the parent company. No interest or installment is payable on this DKK 19 million loan. The loan is repayable in full upon six (6) months' notice to the end of a month. The loan is categorized as a subordinated share holder loan. Any repayment is to be made in USD. As a result of the above, the Company's equity has been improved from negative DKK 434 million to negative DKK 286 million and the Company's drawn loan balance from shareholders and lenders has been reduced from DKK 357 million to DKK 209 million after the balance sheet date.

Management's Review

Subsequent events (continued)

Also after the balance sheet date, the Company's largest customer TUI Nordic announced that they are pursuing more flexibility and more options for their customers, and as a result of this TUI Nordic is planning to allocate more short-haul European charter capacity to the Company. After the announcement TUI Nordic, started the process of dialogue and negotiations with Unions and other stakeholders, including the Company. Before the adoption date of the Annual Report 2017/18, the Company has entered into a final agreement with TUI Nordic allocating more short-haul European charter capacity to the Company in 2018/19. On a full year basis, the growth is corresponding to full production on two Boeing 737 NG aircraft, and the growth will be gradually phased in during 2018/19, i.e. one aircraft in November 2018 (Copenhagen base) and one aircraft in May 2019 (Helsinki base). When fully phased in, the growth corresponds to some 180,000 roundtrip passengers (corresponding to approx. 45% increase in charter passengers), and going forward the Company will then be delivering its "More than just a flight" product to approx. 600,000 roundtrip charter passengers. With this growth within the Boeing Charter business area, the Company's market share in Denmark is expected to increase to 19% (from 13%) and the market share in Finland is expected to increase to 15% (from 6%), while the market share in Sweden is expected to remain unchanged at 8%. In turn, this will lead to an average share of the total charter production (insourced charter production and outsourced charter production) of 14% across Denmark, Sweden and Finland. This will further cement the Company's position as a leading player in the Nordic charter market, and open up for additional strategic partnerships within the Boeing Charter business area.

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

Outlook

As a result of the successful optimization of the core business and the expected growth in the coming year, the Company expects a profit for 2018/19 at a higher level than 2017/18, and a sustainable profit for 2019/20 and onwards.

Management's Review

Corporate Social Responsibility

To the Company, corporate social responsibility (CSR) is overall an obvious necessity for running a healthy business, and the Company strives in all respects to operate under social responsibility - not only in relation to flight activities, but also in relation to administration and day-to-day operations.

The Company has over the years implemented a number of policies and guidelines relating to its corporate social responsibility, e.g. in relation to the environment, safety and the daily work in the Company.

Reporting on the Company's policies, actions and results in relation to its social responsibility is made on the basis of these policies and guidelines as well as the overall requirements for annual reporting for companies such as Jet Time A/S.

Working Environment

The Company strives to create the best possible working environment for the Company's employees within their respective areas of employment.

The Company has various policies relating to working environment and working conditions. The Company's Employee Handbook contains a general corporate policy applying to all employees. Moreover, four different groups of employees in the Company are covered by collective agreements, and employees engaged in the same activities are generally guaranteed the same working conditions.

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

Moreover, the Company 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.

The Company 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.

The Company 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.

Actions:
The Company has in the financial year 2017/2018 re-negotiated the collective agreements with all employee groups in the Company, namely the Danish Pilots (PAJ), Finnish Pilots (JTF Pilots ry), Finnish Cabin Crew (Napro), Danish Cabin Crew (JCU), Dansk Metal and HK.

As part of ensuring a healthy working environment for the 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 better options to plan their private life. In this respect, a new holiday-bidding system has in the 2017/18 financial year been

Management's Review

Corporate Social Responsibility (continued)

Working Environment (continued)

implemented to ensure a more fair distribution of holiday amongst the Company's flight crew and to contribute to a better work/life balance.

Moreover, to make sure that all employees work in a safe and healthy environment, the Company has in the 2017/18 financial year conducted a large Workplace Evaluation (APV) where all employees have been invited to give their feedback on the Company's work environment – both the physical and the mental work environment. The feedback was submitted anonymously with an all-time high answering rate of 71%.

In addition to the APV, the Company's Working Environment Group has for the first time in the Company's history conducted an internal audit with focus on the physical environment where representatives from the group have visited and evaluated the physical workspace in the hangar, the Headquarter and on the Company's aircraft.

Results:
The Company did not experience more absence among the Company's employees in the 2017/18 financial year compared to the years before, and in the most stressful period of the Company's production, the absence amongst flight crew was at an all-time low compared to previous high seasons. Likewise, the number of bought days has in the 2017/18 financial year been reduced by more than half compared to the 2016/17 financial year.

As a result of the APV and the internal audits, four focus areas relating to all employees have been chosen for further work, namely, ***Communication, IT*****,** ***Responsibility of Areas*** **and Work/Life Balance.** Within these four focus areas, specific projects will be gradually implemented over the coming year, however, they have already resulted in improvements of the employee's working conditions. For example, the Company's Crew have received new winter jackets as part of their uniform to ensure a warmer and more comfortable working environment in the colder seasons.

Table 1: Bought Crew days per year

Group	Period	total number of bought days per year
Cabin Crew	2016/17	710
	2017/18	486
Pilots	2016/17	1,035
	2017/18	348

Table 2A: Crew Sick days Crew days per year/month

<u>Cabin Crew</u>

Month	sick days 16/17	sick days 17/18
May	197	90
June	221	97
July	170	116
August	209	163
TOTAL	**797**	**466**

Management's Review

Corporate Social Responsibility (continued)

Working Environment (continued)

Table 2B: Crew Sick days Crew days per year/month

<u>Pilots</u>

Month	**sick days 16/17**	**sick days 17/18**
May	31	21
June	37	18
July	44	19
August	33	24
TOTAL	**145**	**82**

The Company did not in the financial year 2017/18 receive any complaints from employees or others in relation to potential violation of labor rights.

The Environment

The Company is part of the airline industry that is known to put strain on the environment. The airline industry is said to be responsible for up to 3 % of the world's annual C02 emission, and as a responsible company, the Company is fervent to mitigate this impact on the environment. The key performance indicator for the Company's operations and activities is defined as a more efficient fuel operation, lowering the overall CO2 emissions of the Company's production.

The Company has an Environmental Policy that is communicated to all employees, contractors and suppliers. Moreover, the Company has an Environmental Management System (EMS) developed to manage significant environmental aspects to limit the impact on the environment. Since 2014, the Company has worked with environmental management under the ISO 14001:2015 certification and the EMS is established in accordance with ISO 14001:2015.

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 provides the company with tools for environmental management in general throughout the entire production and organization.

Reducing carbon dioxide is a pivotal aspect of the Company's environmental focus, as this by far is the single most relevant environmental denominator for the Company and the airline industry in general. In relation to our C02 emission, the Company is registered and reported by the regulations in EU Decree 2003/87EC where airlines can choose to register and report their C02 emission. In this connection, the Company has a goal of reducing the annual carbon dioxide emission from the Company's fleet by 0.25 % annually.

Management's Review

Corporate Social Responsibility (continued)

The Environment (continued)

Actions:
To reduce fuel consumption, winglets are installed on all of the Company's aircraft, which improves up-thrust and optimizes fuel economy. The winglets cut off 3-4 % of the fuel consumption of an aircraft. Moreover, the Company works with economical altitudes on flights of more than one hour between 31,000 and 37,000 feet.

The Company's Security Manager is in charge of monitoring our ISO 14001:2015 certification as well as our C02 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.

An annual internal and external audit makes sure that the Company lives up to the Company's ISO 14001:2015 certification.

In the financial year 2017/18, the Company has succeeded with a large change in the airline's fleet that has had a positive impact on the C02 emission from the Company's aircraft. Six aircraft of the type B737-300, five B737-400s and 11 ATR72s have been phased out, consolidating the Company's fleet as a unified fleet consisting of six B737 NGs of the type -700 and -800 only, which are more fuel efficient than the -300 and -400 aircraft type.

Results:
After the unification of the Company's fleet, a considerable reduction of C02 emissions per used seat has been seen compared to previous years. 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 the Company in the financial year 2017/18 has managed to reach an annual C02 reduction of 2.93% per used seat per flight compared to the financial year 2015/16 (100%).

Table 3: Annual CO2 Reduction pr. used seat pr. flight

Financial Year	Total CO2 emission [Tons]	Total Airborne Hours	CO2 per Ab Hour [tons / Hour]	Annual reduction Target	Annual target CO2 per Ab Hour	Actual Develop-ment CO2 per used pax	Year on year target
2016/17	186,666,018	24,436	7,639	0.25%	7,561	98.45%	99.75%
2017/18	189,555,962	24,780	7,650	0.25%	7,619	97.07%	99.50%

Human Rights
The Company has no specific policies on human rights.

Anti-Corruption
The Company has no specific policies on anti-corruption.

Management's Review

Corporate Social Responsibility (continued)

Target Ratio for Management

The Company believes that an equal representation of gender among employees and Management is important to the overall sustainability of the Company.

Board of Directors

At the end of the financial year 2017/18, the Company's Board of Directors comprised of two male non-owners members and one male owner.

The Company has a target of by 2020 to have at least one person of each gender represented on the Company's Board of Directors.

The Company has not in the financial year 2017/2018 reached the target of gender representation on the Board, as there have been no additions or recruitments for the Company's Board in this period.

Senior Management

The Company's Senior Management is defined by the Company's Executive Team comprising the CEO, CFO, VP Commercial, VP Flight Operation, VP Technical and VP Management Support. At the end of the financial year 2017/2018, the Executive Team consisted of five male and one female member.

The Company has an ambition to by 2020 increase female representation in the Company's Senior Management by at least one more female member of the Executive Team.

The Company has not reached this target of increased female representation among the Company's Executive Team in the financial year 2017/2018.

The Company 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 2017/2018 financial year been further developed and implemented to a wider group, also including Functional Leaders and Specialist.

The current ratio in the Company's Senior Management is 83% male / 17% female and the current ratio in the Company's mid-level management is 73% male / 27% female.

Table 4: Gender ratio in the Company's Senior Management

Financial Year	**Male**	**Female**	**Total**
2016/17	5 members (83%)	1 member (17%)	6 members (100%)
2017/18	5 members (83%)	1 member (17%)	6 members (100%)

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Income Statement

DKK '000	Note	Consolidated 2017/18	Consolidated 2016/17	Parent Company 2017/18	Parent Company 2016/17
Revenue	1	1,130,465	1,458,723	1,130,429	1,454,715
Production costs		-771,086	-864,152	-771,086	-862,194
Lease costs		-55,305	-196,726	-55,305	-196,726
Other external costs		-86,505	-23,759	-102,900	-55,428
Gross profit		217,569	374,086	201,138	340,368
Staff costs	2	-207,417	-338,710	-191,383	-305,778
Amortisation, depreciation and impairment losses	7.8	-8,575	-39,025	-8,575	-39,025
Profit/loss on ordinary operating activities		1,577	-3,649	1,180	-4,436
Other income	3	5,983	12,591	5,983	12,591
Profit/loss before interests and tax		7,560	8,942	7,163	8,156
Income from investments in group entities		0	0	362	555
Other financial income	4	111	9,713	60	9,713
Other financial expenses	5	-4,943	-6,144	-4,937	-6,057
Profit/loss on ordinary activities before tax		2,728	12,511	2,648	12,367
Tax on profit/loss for the year	6	-80	-144	0	0
Profit/loss for the year		2,648	12,367	2,648	12,367
Proposed profit appropriation/distribution of loss	17				

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Balance Sheet

		Consolidated		Parent Company	
DKK '000	Note	31AUG18	31AUG17	31AUG18	31AUG17
ASSETS					
Non-current assets					
Intangible assets	7				
Software		4,350	5,922	4,350	5,922
		4,350	5,922	4,350	5,922
Property, plant and equipment	8				
Aircraft		0	12,472	0	12,472
Modifications of leased aircraft		2,928	2,435	2,928	2,435
Buildings		6,990	7,957	6,990	7,957
Leasehold improvements		1,183	873	1,183	873
Fixtures and fittings, tools and equipment		807	1,961	807	1,961
Property, plant and equipment under construction		2,049	0	2,049	0
		13,957	25,698	13,957	25,698
Investments					
Investments in group entities	9	0	0	7,670	7,291
Receivable future maintenance	10	3,255	11,570	3,255	11,570
Deposits	11	33,219	41,553	33,125	41,455
		36,474	53,123	44,050	60,316
Total non-current assets		54,781	84,743	62,357	91,936
Current assets					
Inventories					
Inventories		6,505	10,291	6,505	10,291
		6,505	10,291	6,505	10,291
Receivables					
Trade receivables		6,898	5,787	6,898	5,787
Deferred tax asset	12	0	1,138	0	0
Receivable future maintenance	10	9,262	38,973	9,262	38,973
Corporate tax	13	922	0	0	0
Other receivables	14	16,288	6,256	16,267	6,206
Prepayments	15	23,351	16,140	23,322	16,132
		56,721	68,294	55,749	67,098
Cash at bank and in hand	16	52,791	78,326	52,297	78,123
Total current assets		116,017	156,911	114,551	155,512
Total assets		170,798	241,654	176,908	247,448

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Balance Sheet

		Consolidated		Parent Company	
DKK '000	Note	31AUG18	31AUG17	31AUG18	31AUG17
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	6,925	6,546
Retained earnings		-451,404	-467,375	-458,329	-473,921
Total equity		-434,319	-450,290	-434,319	-450,290
Provisions					
Provision, aircraft maintenance	18	62,367	117,681	62,367	117,681
Other provisions	19	17,101	14,875	17,101	14,875
Total provisions		79,468	132,556	79,468	132,556
Non-current liabilities other than provisions					
Loan from shareholders	20	100,000	80,000	100,000	80,000
Credit institutions	21	2,660	3,530	2,660	3,530
Other loan agreements	21	256,993	256,993	256,993	256,993
		359,653	340,523	359,653	340,523
Current liabilities other than provisions					
Credit institutions	21	701	1,089	701	1,089
Other loan agreements	21	0	23,237	0	23,237
Trade payables		61,025	78,385	60,647	77,758
Prepayments received from customers		53,117	55,547	53,117	55,547
Payables to group entities		0	0	8,201	15,757
Corporate tax	22	0	690	0	0
Other payables	23	51,153	59,917	49,440	51,271
		165,996	218,865	172,106	224,659
Total liabilities other than provisions		525,649	559,388	531,759	565,182
Total equity and liabilities		170,798	241,654	176,908	247,448

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Statement of Changes in Equity

	Consolidated		
DKK '000	Share capital	Retained earnings	Total
Equity at 1 September 2016	17,085	-484,808	-467,723
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	5,070	5,070
Currency adjustment Jet Time OY	0	-4	-4
Transferred, see profit appropriation/distribution of loss	0	12,367	12,367
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 31 august 2018	17,085	-451,404	-434,319

	Parent Company			
	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 September 2016	17,085	5,995	-490,803	-467,723
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	0	5,070	5,070
Currency adjustment Jet Time OY	0	-4	0	-4
Transferred, see profit appropriation/distribution of loss	0	555	11,812	12,367
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 31 august 2018	17,085	6,925	-458,329	-434,319

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

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Cash Flow Statement

DKK '000	Note	Consolidated 31AUG18	Consolidated 31AUG17
Profit/loss for the year		2,648	12,367
Adjustments	30	19,068	36,193
Changes in working capital	31	-59,156	-180,410
Cash generated from operations (operating activities) before net financials		-37,440	-131,850
Company tax paid		553	-851
Cash flows from operating activities		-36,887	-132,701
Investments in intangible assets and property, plant and equipment		-2,636	-8,248
Changes in property, plant and equipment under construction		-2,049	700
Disposal of tangible assets		11,890	14,466
Fixed asset investments		-14,564	-2,891
Disposal of fixed asset investments		23,206	34,868
Cash flows from investing activities		15,847	38,895
Credit institutions		-1,258	-10,997
Lease obligation		0	-15,929
Loan from shareholders		20,000	-137,394
Other loan agreements		-23,237	280,230
Cash flows from financing activities		-4,495	115,910
Cash flows for the year		-25,535	22,105
Cash and cash equivalents at 1 September		78,326	56,221
Cash and cash equivalents at 31 August		52,791	78,326

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

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0 Capital resources and liquidity

The financial year 2017/18 - the Company's twelfth operating year – was the first financial year following the successful turnaround completed in September 2017. The realized profit after tax in 2017/18 amounts to DKK 3 million and equity at 31 August 2018 was negative with 434 million.

The completion of the turnaround has resulted in a significant reduction of complexity and risk. The Company has a strong focus on delivering on Jet Time Core Business Plan 2020 - with its two key business areas Boeing Charter and Boeing ACMI - which is a simplified business model with focus on optimization of the Company's traditional core business and competences. The Jet Time Core Business Plan 2020 is providing the foundation for a profitable Company going forward.

The Company has obtained extension to September 2020 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 2018:
• 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 257 million, off which DKK 190 million rank subordinate to other creditors.

The above loans are totaling DKK 382 million (DKK 357 million loans are drawn at the balance sheet date), of which subordinated loans amount to DKK 190 million. All of the above loans are expiring in September 2020 and no interest is payable on these loans.

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 2018/19.

Moreover, in Management's assessment the above financing agreements are providing the basis required to follow Jet Time Core Business Plan 2020 with positive earnings in 2018/19 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 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 2018/19 and the business plan for 2018/19 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.

Moreover, shareholders and lenders have towards the end of 2017/18 started a process with the aim of strengthening the Company's capital structure. After the balance sheet date, such agreement has been executed by shareholders and lenders. As a result of this agreement, the Company's equity has been improved from negative DKK 434 million to negative DKK 286 million and the Company's drawn loan balance from shareholders and lenders has been reduced from DKK 357 million to DKK 209 million after the balance sheet date. The agreement is further described in the Subsequent events section (page 12).

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		Consolidated		Parent Company	
	DKK '000	2017/18	2016/17	2017/18	2016/17
1	**Revenue**				
	Business areas:				
	Charter and ad hoc	1,077,813	1,029,977	1,077,777	1,025,969
	ACMI	52,652	344,796	52,652	344,796
	Cargo	0	83,950	0	83,950
		1,130,465	1,458,723	1,130,429	1,454,715
2	**Staff Costs**				
	Wages and salaries	185,053	304,984	172,690	277,411
	Pension	19,411	29,616	16,197	24,974
	Other social security costs	2,953	4,258	2,496	3,540
		207,417	338,857	191,383	305,925
	Capitalised concerning major maintenance work performed in-house	0	-147	0	-147
		207,417	338,710	191,383	305,778
	Average number of full-time employees	373	583	330	521
	Number of full-time employees at 31 August	350	458	311	406
	Remuneration of the Board of Directors	248	440	248	440
	Remuneration of the Executive Board	6,140	8,701	6,140	8,701
	Remuneration of the Executive Board and Board of Directors	6,388	9,141	6,388	9,141
3	**Other income**				
	Gain from sale of fixed assets	5,983	10,825	5,983	10,825
	Discharged lease debt	0	1,766	0	1,766
		5,983	12,591	5,983	12,591

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		Consolidated		Parent Company	
	DKK '000	2017/18	2016/17	2017/18	2016/17
4	**Other financial income**				
	Interest income, credit institutions	55	18	55	18
	Foreign exchange adjustments	0	9,638	0	9,638
	Other interest income	56	57	5	57
		111	9,713	60	9,713
5	**Other financial expenses**				
	Interest expenses, credit institutions	382	920	382	920
	Foreign exchange adjustments	4,003	0	4,003	0
	Other interest expenses	558	5,224	552	5,137
		4,943	6,144	4,937	6,057
6	**Tax on profit/loss for the year**				
	Current tax	1,058	-1,283	0	0
	Adjustment re previous years	0	1	0	0
	Adjustment of deferred tax	-1,138	1,138	0	0
		-80	-144	0	0

7	**Intangible assets**	Consolidated/Parent Company
		Software
	Cost at 1. September 2017	9,631
	Additions	0
	Disposals	0
	Cost at 31. August 2018	9,631
	Impairment losses and amortisation at 1. September 2017	3,709
	Impairment losses and amortisation	1,572
	Amortisation, disposed assets	0
	Impairment losses and amortisation at 31. August 2018	5,281
	Carrying amount at 31. August 2018	4,350

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8 Property, plant and equipment

	Consolidated/Parent Company		
DKK '000	Own aircraft	Modification of leased aircraft	Total aircraft
Cost at 1. September 2017	63,462	16,288	79,750
Additions	0	2,058	2,058
Disposals	-63,462	0	-63,462
Cost at 31. August 2018	0	18,346	18,346
Impairment losses and amortisation at 1. September 2017	50,990	13,853	64,843
Depreciation and impairment losses	3,049	1,565	4,614
Depreciation, disposed assets	-54,039	0	-54,039
Impairment losses and amortisation at 31. August 2018	0	15,418	15,418
Carrying amount at 31. August 2018	0	2,928	2,928

Gain from sale of aircraft owned by the Company is included in Other income, DKK 2.4 million.

	Buildings	Leasehold improve-ments	Fixtures, fittings, tools and equipm.	Assets under construction
Cost at 1. September 2017	12,430	1,247	6,432	0
Additions	0	579	0	2,049
Disposals	0	0	0	0
Cost at 31. August 2018	12,430	1,826	6,432	2,049
Impairment losses and amortisation at 1. September 2017	4,473	374	4,471	0
Depreciation and impairment losses	967	269	1,154	0
Depreciation, disposed assets	0	0	0	0
Impairment losses and amortisation at 31. August 2018	5,440	643	5,625	0
Carrying amount at 31. August 2018	6,990	1,183	807	2,049

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DKK '000	Parent Company 2017/18	Parent Company 2016/17
9 Investments in group entities		
Cost at 1. September	745	745
Additions	0	0
Cost at 31. August	745	745
Value adjustment at 1. September	6,546	5,995
Profit for the year	362	555
Foreign exchange adjustment	17	-4
Value adjustment at 31. August	6,925	6,546
Carrying amount at 31. August	7,670	7,291

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

All subsidiaries are independent entities.

	Consolidated 2017/18	Consolidated 2016/17	Parent Company 2017/18	Parent Company 2016/17
10 Receivable future maintenance				
Between 1 and 5 years	3,255	11,353	3,255	11,353
After 5 years	0	217	0	217
Long-term part of receivable future maintenance	3,255	11,570	3,255	11,570
Within 1 year	9,262	38,973	9,262	38,973
	12,517	50,543	12,517	50,543
11 Deposits				
Cost at 1. September	41,553	75,844	41,455	75,718
Additions	14,563	2,891	14,563	2,891
Disposals	-23,206	-34,868	-23,202	-34,840
Value adjustment for the year	309	-2,314	309	-2,314
	33,219	41,553	33,125	41,455

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		Consolidated		Parent Company	
	DKK '000	2017/18	2016/17	2017/18	2016/17
12	**Deferred tax asset**				
	Deferred tax 1. september	1,138	0	0	0
	Adjustment regarding profit for the year	-1,138	1,138	0	0
	Deferred tax 31. august	0	1,138	0	0
	Deferred tax asset is regarding				
	Other payables	0	1,138	0	0
	Deferred tax 31. august	0	1,138	0	0

The Group has an unrecognised deferred tax asset of DKK 103,6 million in 2017/18.

13	**Corporation tax**				
	Corporation tax payable at 1 September	-690	0	0	0
	Adjustment re previous years	1,139	0	0	0
	Current tax for the year	-80	0	0	0
	Corporation tax paid during the year	553	0	0	0
		922	0	0	0
14	**Other receivables**				
	Positive value of hedging of future purchase and sale of fuel, CO2 quotas and foreign currency	10,935	297	10,935	297
	Deposited as security for future fuel hedging	0	3,539	0	3,539
	VAT	861	432	845	405
	Other receivables	4,492	1,988	4,487	1,965
		16,288	6,256	16,267	6,206
15	**Prepayments**				
	Prepaid leases	1,733	3,318	1,733	3,318
	Prepaid fuel	621	3,931	621	3,931
	Other production costs prepaid	6,922	5,407	6,922	5,407
	Other prepayments	14,075	3,484	14,046	3,476
		23,351	16,140	23,322	16,132
16	**Cash at bank and in hand**				
	Free cash	51,191	76,726	50,697	76,523
	Deposited as security for forward exchange transactions etc	1,600	1,600	1,600	1,600
		52,791	78,326	52,297	78,123

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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	2017/18	2016/17	2017/18	2016/17
Proposed profit appropriation/distribution of loss				
Reserve for net revaluation under the equity method	0	0	362	555
Retained earnings	2,648	12,367	2,286	11,812
	2,648	12,367	2,648	12,367

18 Provision, aircraft maintenance

Comprises:

Provision for future aircraft maintenance	30,857	84,428	30,857	84,428
Provision for obligation to return	31,510	33,253	31,510	33,253
	62,367	117,681	62,367	117,681
Provision at 1 September	117,681	227,591	117,681	227,591
Utilised during the year/disposals	-74,596	-89,326	-74,596	-89,326
Provision for the year	19,282	-20,584	19,282	-20,584
	62,367	117,681	62,367	117,681
Within 1 year	25,588	75,557	25,588	75,557
Between 1 and 5 years	36,061	41,342	36,061	41,342
After 5 years	718	782	718	782
	62,367	117,681	62,367	117,681

19 Other provisions

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

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DKK '000	Consolidated 2017/18	Consolidated 2016/17	Parent Company 2017/18	Parent Company 2016/17
20 Loan from shareholders				
Within 1 year	0	0	0	0
Between 1 and 5 years	100,000	80,000	100,000	80,000
	100,000	80,000	100,000	80,000

The loans are not interest bearing. Terms of the loans have been changed as described in note 0.

21 Long-term liabilities other than provisions

	Consolidated 2017/18	Consolidated 2016/17	Parent Company 2017/18	Parent Company 2016/17
Credit institutions:				
Between 1 and 5 years	2,660	2,798	2,660	2,798
After 5 years	0	732	0	732
Long-term part of credit institutions	2,660	3,530	2,660	3,530
Within 1 year	701	1,089	701	1,089
	3,361	4,619	3,361	4,619
Other loan agreements:				
Between 1 and 5 years	256,993	256,993	256,993	256,993
Within 1 year	0	23,237	0	23,237
	256,993	280,230	256,993	280,230

Payments due within 1 year are recognised in current liabilities.

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

22 Corporation tax

	Consolidated 2017/18	Consolidated 2016/17	Parent Company 2017/18	Parent Company 2016/17
Corporation tax payable at 1 September	0	259	0	0
Adjustment re previous years	0	-1	0	0
Current tax for the year	0	1,283	0	0
Corporation tax paid during the year	0	-851	0	0
	0	690	0	0

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		Consolidated		Parent Company	
	DKK '000	2017/18	2016/17	2017/18	2016/17
23	**Other payables**				
	Negative value of hedging of future purchase and sale of fuel and foreign currency	0	2,669	0	2,669
	Deposited as security for future fuel hedging	7,013	0	7,013	0
	Holiday pay and other staff-related payables	22,716	45,200	21,003	36,576
	CO2 quotas	1,937	1,260	1,937	1,260
	Other payables	19,487	10,788	19,487	10,766
		51,153	59,917	49,440	51,271
24	**Fees paid to auditors**				
	Statutory audit	900	1,100	850	1,000
	Other audit services	50	100	50	100
	Tax assistance	170	190	150	190
	Other services	971	3,783	971	3,783
		2,091	5,173	2,021	5,073
25	**Contingencies etc**				
	Rent and lease obligations (operating leases) falling due after the balance sheet date	226,037	273,335	226,037	273,335
	Falling due within 5 years	152,713	183,261	152,713	183,261
	Falling due within 1 year	73,324	74,065	73,324	74,065
	Total obligations are grouped as follows:				
	Aircraft leases	202,385	241,587	202,385	241,587
	Rental of property, hangar, etc	16,652	20,544	16,652	20,544
	Other leases	7,000	11,204	7,000	11,204
		226,037	273,335	226,037	273,335

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 288 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.
The Company has issued collateral of DKK 10 million in an aircraft to a shareholder for a debt of DKK 25 million.
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 positive value of DKK 10.9 million, net. The positive net value has been recognised in equity.

Hedging transactions at 31 August 2018 break down as follows:

Transaction	Value DKKm	Payment/ maturity	Hedging transaction DKKm
Fuel hedges, DKK	10.9	0 - 14 måneder	69.7
	10.9		69.7

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, Toldbodgade 87, 1253 København K

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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29 Subsequent events

Reference is made to the Management's Review, page 12 for details regarding subsequent events

DKK '000	Consolidated 2017/18	Consolidated 2016/17
30 Cash flow statement - adjustments		
Amortisation of intangible assets and depreciation of property, plant and equipment	8,575	39,025
Gain and loss from sales of fixed assets	-2,601	-10,825
Currency adjustment of fixed asset investments	-309	2,314
Interest on finance lease	0	470
Current tax for the year	80	144
Currency adjustment of investments in group entities	17	-4
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	13,306	5,070
	19,068	36,193

31 Cash flow statement - change in working capital

	2017/18	2016/17
Change in receivables	18,750	110,433
Change in inventories	3,786	4,565
Change in provisions	-53,088	-212,189
Change in other short-term payables	-28,604	-83,219
	-59,156	-180,410

Financial Statements 1 September – 31 August

Notes

Note 32 Accounting Policies

The Annual Report of Jet Time A/S for the period 1 September 2017 – 31 August 2018 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' 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.

Financial Statements 1 September – 31 August

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Note 32 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 our own Aircraft staff costs are capitalized.

Financial Statements 1 September – 31 August

Notes

Note 32 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.

Financial Statements 1 September – 31 August

Notes

Note 32 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:

Aircraft	According to production intensity over a period of up to 8 years with an expected residual value
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.

Financial Statements 1 September – 31 August

Notes

Note 32 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.

Financial Statements 1 September – 31 August

Notes

Note 32 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.

Deferred income

Deferred income comprises negative goodwill, see the description of consolidation practice, as well as consideration for warrants.

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.

Financial Statements 1 September – 31 August

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Note 32 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 as well as cargo flights.

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	$\frac{\text{Current assets, year end x 100}}{\text{Total current liabilities, year end}}$
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.