

SSTS A/S

Annual Report
for the year 2017

The Annual General Meeting adopted the annual report on 27.04.2018

Chairman of the General Meeting



Name

SSTS A/S
Nytov 5
1450 Copenhagen K
Denmark

Reg. no. 30 27 85 93

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Statement by the Board of Directors and Management

Today, the Board of Directors and the Management have discussed and approved the annual report of SSTS A/S for the financial year 2017.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at December 31, 2017 and of the results of the Group's and the Company's operations and cash flows for the financial year 2017.

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

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

Copenhagen, April 27th 2018

The Board of Directors:



Arnar Thorisson
Chairman



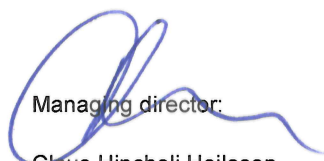
Tapio Kiiskinen



Claus Hincheli Hejlesen



Sigurdur Kiernan



Managing director:

Claus Hincheli Hejlesen

Independent Auditors' Report

To the shareholders of SSTS A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of SSTS A/S for the financial year 1 January – 31 December 2017. The consolidated financial statements and the parent company financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes including accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditors' Report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, April 27th 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR-no. 25 57 81 98



Anja Bjørnholt Lütcke
State Authorised
Public Accountant
mne26779

Management's review

Company information

SSTS A/S
Nytorv 5
1450 Copenhagen K

Phone: 33 48 07 00
Web: www.kilroy.net

CVR-nr.: 30 27 85 93
Founded: 1. January 2007
Registered in: Copenhagen K.
Accounting year: 1. january - 31. december

Board of directors:

Arnar Thorisson (Chairman)
Tapio Kiiskinen
Claus Hincheli Hejlesen
Sigurdur Kiernan

Managing Director:

Claus Hincheli Hejlesen

Auditors:

KPMG
Statsautoriseret Revisionspartnerskab
Dampfærgevej 28
2100 Copenhagen

Annual General Meeting:

The annual general meeting will take place on April 27th 2018 at the company address.

Keyfigures

	2017	2016	2015	2014	2013	
Profit & Loss Accounts (mDKK)						
Turnover	1.673	1.622	1.580	1.510	1.587	
EBITDA	40	52	52	49	55	
Ordinary operating profit (EBIT)	27	41	42	40	47	
Net financial income	17	25	8	8	5	
Profit before income tax (EBT)	44	66	50	47	52	
Net profit for the year	35	55	37	36	38	
Balance Sheet (mDKK)						
Cash and bonds	200	215	241	222	219	
Current assets	386	348	319	288	282	
Total assets	433	392	364	331	329	
Capital expenditure	16	13	13	4	25	
Equity	125	119	91	80	90	
Current liabilities	305	270	271	249	247	
Cash flow from operating activities	37	25	54	37	39	
Key Figures						
EBITDA - Margin (%)	EBITDA / Turnover	2,4	3,2	3,3	3,2	3,5
EBIT - Margin (%)	EBIT / turnover	1,6	2,5	2,6	2,6	2,9
Return on assets (%)	EBIT / total assets	6,3	10,4	11,4	12,0	14,2
Return on equity (%)	Net profit / average equity	28,2	45,7	40,4	44,5	42,2
Liquidity ratio (%)	Current assets / current liabilities	126,7	129,3	117,8	115,7	113,8
Equity ratio (%)	Equity / total assets	28,8	30,6	25,0	24,2	27,4
Earnings per share (DKK)	Net profit / number of shares	233,3	366,7	246,7	238,2	253,3
Cash flow per share (DKK)	Cash flow from operating activities / number of shares	246,7	166,7	360,0	225,3	262,1
Dividend (DKK million)		35,0	35,0	20,0	20,0	16,0
Average number of full-time employees (FTE)		383	369	348	336	337

Management's review

To the Board of Directors and shareholder of SSTS A/S

Main activities

SSTS' only activity is share holding of the KILROY Group. Extended information about the financial year 2017 can be found in the annual report for the KILROY Group on kilroy.net/about.

Development in activities, finances, and other events during the year

Through increases in turnover and improved earnings, the operating profit has increased, which is considered satisfactory.

Net sales for the Group totals to kDKK 1.673 (2016: kDKK 1.622). Profit after tax amount to tDKK 35.144 (2016: tDKK 54.602).

Equity is per December 31, 2017 calculated at kDKK 124.613 (2016: kDKK 119.354) and total assets are kDKK 433.201 (2016: kDKK 391.827).

The company has sold treasury shares of 2% of the total share capital and don't hold own shares anymore.

Uncertainty relating to recognition and measurement

There have not been any uncertainty regarding recognition and measurement in the annual report.

Risk assessment

Operating globally, the travel industry is by nature affected by numerous risks. The majority of these are beyond our control, such as war, terror, natural disasters and political unrest.

Each year brings new and sometimes extraordinary challenges to the travel industry. Every link in the value chain is constantly challenged, either by traditional suppliers, new players or by the customers themselves. As in many other industries, the Internet has created an atmosphere of "direct trading is cheapest." We address this challenge by constantly focusing on internal training and customer service, and by making value-addition tangible and apparent to customers.

The financial risk of doing business in multiple countries and currencies is reduced through cautious execution by the KILROY Group's cash management function, which has established policies to ensure that currency exposure is mitigated to the extent possible.

KILROY Group only hedges commercial exposures. The primary financial instruments include currency forward contracts.

Dividend

At an extraordinary general meeting in April 2017 it was decided to distribute kDKK 35.000 in extraordinary dividends.

Organization

The average number of employees (full-time equivalents) was 383. There will continuously be invested in significant resources in training and upgrading of the Group's operating companies.

Corporate Social Responsibility (CSR)

It is a goal of the KILROY Group that employees, suppliers and customers all do their best to support the neighbouring community and, to the extent possible, limit any negative impact on the environment.

By its very nature, the KILROY Group business promotes understanding and respect among cultures. However, our business also involves a significant amount of air travel, and this carries an inevitable environmental impact. Our suppliers of hotel accommodation, cars and other ground products also make varying impact.

The KILROY Group has a formalized CSR strategy named "Walk-the-Talk". It defines goals for climate, sourcing, suppliers, social responsibility, human rights and animal welfare.

Our CSR policy aims to ensure that all our companies and employees act as good corporate citizens with due respect for differences in culture, history and economy. We encourage climate-friendly yet profitable investments with necessary consideration of human and labour rights.

Due to other priorities, the focus areas of 2017 did not get the attention that was originally intended. Therefore the focus areas of 2018 will remain as those for the previous year.

The strategy and policy can be found on kilroy.net/policies

Events after the balance sheet date and outlook for 2018

No material events have occurred after the balance sheet date that would affect the assessment of the Annual Report for 2017.

The expectation for 2018 is that the group will deliver a turnover in the range of DKK 1.7-1.8 billion and an EBITDA in the range of DKK 39-43 million, except for any external events beyond the Group's control.

Profit & Loss Account 1 January to 31 December 2017

	Notes	Group		Parent	
		2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Operating income:					
Turnover	1	1.672.954	1.621.875	0	0
Cost of products		-1.395.628	-1.350.228	0	0
Gross profit		<u>277.326</u>	<u>271.647</u>	<u>0</u>	<u>0</u>
Operating expenses:					
Salaries and other personnel expenses	2	-166.446	-157.922	0	0
Other operating expenses	3	-70.803	-61.663	-21	-42
		<u>-237.249</u>	<u>-219.585</u>	<u>-21</u>	<u>-42</u>
EBITDA		40.077	52.062	-21	-42
Depreciations and amortizations	4	-12.768	-11.338	0	0
EBIT		27.309	40.724	-21	-42
Dividend from subsidiaries		-	-	36.500	33.000
Financial income, net	5	16.735	25.108	-316	-732
Net financial income		<u>16.735</u>	<u>25.108</u>	<u>36.184</u>	<u>32.268</u>
EBT		44.044	65.832	36.163	32.226
Tax	6	-8.900	-11.230	74	170
Net profit for the year	7	<u>35.144</u>	<u>54.602</u>	<u>36.237</u>	<u>32.396</u>

Balance Sheet as at 31 December 2017

	Notes	Group		Parent	
		2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Assets:					
Software		21.278	13.892	0	0
Goodwill		15.784	18.788	0	0
Total intangible fixed assets	4	37.062	32.680	0	0
Land and buildings		690	776	0	0
Leasehold improvements		2.803	3.884	0	0
IT hardware and other equipments		4.024	3.952	0	0
Total property, plant and equipment	4	7.517	8.612	0	0
Shares in subsidiaries	8, 13	-	-	37.400	37.400
Shares in associated companies	8	2.478	2.389	0	0
Total financial fixed assets		2.478	2.389	37.400	37.400
Total non-current assets		47.057	43.681	37.400	37.400
Inventories		1.438	1.251	0	0
Trade receivables		73.795	55.709	0	0
Amounts due from affiliated companies		7.817	2.007	0	0
Tax receivables		621	1.693	74	170
Other receivables		11.571	3.062	0	0
Prepaid expenses and accrued income	9	54.318	48.890	0	0
Intra group loans		36.520	20.529	0	0
Bonds and securities		89.343	113.312	0	0
Cash and cash equivalents		110.721	101.693	532	252
Total current assets		386.144	348.146	606	422
Total assets		433.201	391.827	38.006	37.822

Balance Sheet as at 31 December 2017

		Group		Parent	
	Notes	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Equity:					
Share capital		15.000	15.000	15.000	15.000
Reserve for own shares		-1.038	-6.769	-1.038	-6.769
Retained earnings		110.651	111.123	18.457	17.220
Total equity	10	124.613	119.354	32.419	25.451
Provisions:					
Other provisions		28	0	0	0
Deferred tax	6	3.696	2.804	0	0
Total provisions		3.724	2.804	0	0
Current liabilities:					
Tax payable		0	0	0	0
Trade creditors		199.740	168.839	0	0
Loans from group entities		0	0	5.579	12.366
Other payables		24.162	26.098	8	5
Accrued liabilities	11	80.962	74.732	0	0
Total current liabilities		304.864	269.669	5.587	12.371
Total liabilities		304.864	269.669	5.587	12.371
Total equity and liabilities		433.201	391.827	38.006	37.822
Contingent assets, liabilities and collaterals	12				
Subsidiaries	13				
Related parties	14				
Accounting policies	15				

Statement of changes in Equity

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Share capital at the beginning of the year	15.000	15.000	15.000	15.000
Capital adjustments	0	0	0	0
Share capital at the end of the year	15.000	15.000	15.000	15.000
Reserve for own shares beginning of the year	-6.769	-15.283	-6.769	-15.283
Additions	0	0	0	0
Disposals	5.731	8.514	5.731	8.514
Reserve for own shares at the end of the year	-1.038	-6.769	-1.038	-6.769
Retained earnings at the beginning of the year	111.123	91.342	17.220	19.824
Exchange rate and other adjustments	-616	179	0	0
Extraordinary dividend paid during the year	-35.000	-35.000	-35.000	-35.000
Net result of the year	35.144	54.602	36.237	32.396
Retained earnings at the end of the year	110.651	111.123	18.457	17.220
Total equity	124.613	119.354	32.419	25.451

The share capital comprises of 150.000 shares of DKK 100 each.
There has been no changes to issued capital during the past five years.

Cash Flow Statement

	Group	
	2017	2016
	(tDKK)	(tDKK)
Cash flows from operating activities:		
Profit for the year - before net finance income	27.309	40.724
Adjustment for:		
Depreciations and amortizations	12.768	11.338
Exchange rates and other adjustments	-1.523	-627
Working capital	38.554	51.435
Change in inventories	-187	686
Change in receivables	-36.816	-14.706
Change in other provisions	28	0
Change in trade creditors	30.901	1.505
Change in other liabilities	6.294	-3.974
Cash flow from operating activities before financial items	38.774	34.946
Net interest income	4.713	3.628
Paid taxes	-6.689	-13.554
	36.798	25.020
Cash flow from investing activities:		
Purchase/sale of shares	15.320	0
Loan to affiliated companies	-5.807	
Purchase/sale of bond	23.969	-43.421
Net purchase of plant, operating equipment etc.	-16.071	-12.889
Cash flow from investing activities	17.411	-56.310
Cash flow from financial activities:		
Own shares	5.731	8.514
Loans to subsidiaries	-15.991	0
Dividends paid/received	-34.921	-29.310
Cash flow from financial activities	-45.181	-20.796
Net cash flow from operating, investing and financing activities	9.028	-52.086
Cash and cash equivalents at the beginning of the year	101.693	153.779
Cash and cash equivalents at the end of the year	110.721	101.693

Notes

1. Turnover

	Group		Parent	
	2017 (mDKK)	2016 (mDKK)	2017 (mDKK)	2016 (mDKK)
Belgium	39	27	0	0
Denmark	789	788	0	0
Finland	143	151	0	0
Iceland	38	38	0	0
Netherlands	227	203	0	0
Norway	247	238	0	0
Poland	16	0	0	0
Sweden	174	177	0	0
Total turnover	1.673	1.622	0	0

2. Salaries and other personnel expenses

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Wages and salaries	141.687	135.121	0	0
Pensions	8.509	7.953	0	0
Other social security costs	6.456	5.524	0	0
Total salaries and related expenses	156.652	148.598	0	0
Other personnel costs	9.794	9.324	0	0
Total salaries and other personnel expenses	166.446	157.922	0	0

Average number of employees (full year equivalents) 383 369 0 0

Information on remuneration of managers is omitted with reference to section 98b(3) of the Danish Financial Statements Act.

3. Fees to auditors appointed at the general meeting

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Statutory	1.104	889	8	6
Tax assistance	72	72	0	0
Other fees	283	0	0	0
	1.459	961	8	6

4. Non-current assets

GROUP	Goodwill (tDKK)	Land and buildings (tDKK)	Leasehold improve- ments (tDKK)	IT and other equipment (tDKK)	IT-software (tDKK)	Total (tDKK)
Cost at the beginning of 2017	56.593	1.297	7.868	9.617	46.489	121.864
Reclassification	0	0	0	-386	386	0
Exchange rate adjustments	-244	0	-49	-39	0	-332
Additions in year	0	0	188	2.019	13.864	16.071
Disposals in year	0	0	0	0	0	0
Cost at the end of 2017	56.349	1.297	8.007	11.211	60.739	137.603
Depreciations and amortizations at the beginning of 2017	-37.805	-521	-3.984	-5.665	-32.597	-80.572
Reclassification	0	0	0	-17	17	0
Exchange rate adjustments	244	0	39	34	-1	316
Disposals in year	0	0	0	0	0	0
Depreciations and amortizations in year	-3.004	-86	-1.259	-1.539	-6.880	-12.768
Depreciations and amortizations at the end of 2017	-40.565	-607	-5.204	-7.187	-39.461	-93.024
Carrying amount at the end of 2017	15.784	690	2.803	4.024	21.278	44.579
Carrying amount at the end of 2016	18.788	776	3.884	3.952	13.892	41.292

Notes, continued:

5. Financial income, net

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Financial income	16.735	25.108	0	0
Sales of shares in associated companies	0	0	0	0
Financial expenses	0	0	-316	-732
Financial income, net	16.735	25.108	-316	-732

Of the parent company's financial expenses, tDKK 316 is interest to subsidiaries (2016: tDKK 439).

6. Tax

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Current tax charge	7.526	11.124	-74	-170
Adjustments to previous year's tax charge	488	-37	0	0
Change in deferred tax and other changes	886	142	0	0
	8.900	11.229	-74	-170
Tax related to financial instruments included in equity	0	-69	0	0
Total tax	8.900	11.160	-74	-170
Deferred tax at the beginning of 2017	2.804	2.694	0	0
Exchange rate and other adjustments	31	-32	0	0
Change in deferred tax, net	861	142	0	0
Deferred tax at the end of 2017	3.696	2.804	0	0
Paid corporate taxes	6.519	13.374	-170	-110

The deferred tax liability is based on the temporary difference between the book value and the statutory value of assets and liabilities. The parent company is taxed jointly with the Danish subsidiaries. The Danish companies are jointly and severally liable for the joint taxation.

7. Proposed appropriation of net result

	Parent	
	2017 (tDKK)	2016 (tDKK)
Retained earnings at the beginning of the year	13.644	16.248
Extraordinary dividend paid during the year	-35.000	-35.000
Net profit for the year	36.237	32.396
Retained earnings at the end of the year	14.881	13.644

8. Shares in associated companies and subsidiaries

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Cost at the beginning of the year	2.389	5.754	37.400	37.400
Exchange rates adjustments	89	-12	0	0
Purchase of shares and capital contributions	0	0	0	0
Disposals of shares	0	-3.353	0	0
Book value at the end of the year	2.478	2.389	37.400	37.400

9. Prepaid expenses and accrued income

Deferred expenses and earned, but not paid incentives.

10. Equity - treasury shares

The treasury share capital comprises 7.500 shares of DKK 100 each. All shares rank equally. There are no restrictions on the negotiability and no limitation of voting rights.

	Number of shares		Nominal value		% of share capital	
	2017	2016	2017 (tDKK)	2016 (tDKK)	2017	2016
Treasury shares						
1 January	3.000	7.500	300	750	2	5
Additions in year	0	0	0	0	0	0
Disposals in year	-3.000	-4.500	-300	-450	-2	-3
31 December	0	3.000	0	300	0	2

11. Advance payments

Primarily prepayments from travel ordered for 2018.

Notes, continued:

12. Contingent assets, liabilities and secured debt

	Group		Parent	
	2017 (tDKK)	2016 (tDKK)	2017 (tDKK)	2016 (tDKK)
Rent and lease obligations within one year	13.956	12.929	-	-
Rent and lease obligations between one and five years	41.984	39.828	-	-
The KILROY Group has issued guarantees/letters of credit, which are secured by an equal cash pledge of deposits	47.265	46.587	-	-

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

13. Subsidiaries

	Country of incorporation	Share Capital (tDKK)	Profit for the year (tDKK)	Equity (tDKK)	Capital share
KILROY International A/S	Denmark	17.839	35.867	125.474	100%

14. Related parties

Related parties are Eignarhaldsfélagið KILROY ehf., which owns and controls more than 50% of the shares in SSTS A/S. Other related parties are KILROY International A/S' management.

SSTS A/S is a part of the consolidated annual report of Islenskar Fjarfesting ehf., which is both the smallest and the largest group in which the Company is included as a subsidiary.

Eignarhaldsfélagið KILROY ehf is situated in Iceland.

The consolidated financial statements of Islenskar Fjarfesting ehf. can be obtained by contacting the company, at islenskjarfesting.is.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

• Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered as part of senior management responsibilities, thus part of their ordinary remuneration."

Notes, continued:

15. Accounting Policies

General

The Annual Report for 2017 for SSTS A/S is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class large-C companies.

The consolidated accounts are presented in Danish kroner (DKK thousand), which is the Parent Company's functional currency.

The accounting policies used in the preparation of the financial statements are consistent with those of last year. There has been minor reclassifications between current receivables. Comparative figures have been restated accordingly.

Consolidated Accounts

The consolidated accounts comprise the parent company, SSTS A/S, and consolidated accounts of KILROY International A/S in which the parent company controls more than 50% of the voting rights, directly or indirectly.

The consolidated accounts are prepared by adding items of a similar nature in the accounts of SSTS A/S and the consolidated accounts of KILROY International A/S.

Subsidiary accounts that are included in the consolidated accounts are prepared in accordance with the accounting policies of the parent company.

Profit and loss statements of foreign subsidiaries are translated into Danish kroner (DKK) using the average exchange rates for the year. Balance sheet items are translated at the exchange rate at the end of the year.

Exchange rate adjustments of the equity of foreign subsidiaries at the beginning of the year, and exchange rate adjustments of the profit and loss accounts from average rates to year-end rates, are posted against the Group shareholders' equity. In the consolidation of the accounts, intercompany income and expenses, intercompany accounts, and intercompany profits and losses are eliminated. The parent company's share in a subsidiary is calculated as its share of the subsidiary's net assets.

Companies in which the Group holds between 20% and 50% of the share capital without having obtained significant influence are considered as associated companies and are valued at the share of the net asset value.

Upon acquisition of a subsidiary, the share of the net assets is calculated according to the Group's accounting policies. If the purchase price deviates from the value of the net assets, the difference is, to the extent possible, allocated to the assets or liabilities that have a higher or lower value. In addition, provisions are made for the expenses incurred at the time of purchase.

Goodwill in connection to acquisitions is capitalised and amortised over a maximum 20-year period.

Newly acquired or established companies are included in the consolidated accounts from the date when control is obtained.

Divested companies are included up to the date of disposal.

Other financial assets include investments in non-controlled companies.

Profit and Loss Account

Turnover

Turnover includes the year's sales of travel products, other services and incentives from suppliers.

Revenues from individual-focused products are booked at the time of invoicing, regardless of departure date.

Revenues from group travel products are booked in the accounting period that coincides with the departure date of the trip.

Cost of products

Cost of products comprises invoiced and accrued cost of travel related products and other services incurred by generated revenue of the year.

Sales and administrative costs

These are costs incurred indirectly from distributing travel products and other services sold during the year. Also included are other overhead costs, e.g., office premises, office expenses, IT and all costs for web-technology with an assessed lifetime of less than 3 years.

Notes, continued:

Personnel costs

Personnel costs comprise expenses incurred during the year for all management, sales consultants and administrative staff.

Result from shares in subsidiaries

Net profits in subsidiaries contains only of received dividend by the cost method.

Financial income and expenses

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

Tax

SSTS A/S is jointly taxed with Danish subsidiaries, in accordance with the Danish rules on mandatory joint taxation. Danish subsidiaries are either included or excluded in the joint taxation at the same time as they are included or excluded in the consolidation.

The parent company is the administrative company under the joint taxation scheme and, accordingly, pays all income taxes to the tax authorities. The jointly-taxed Danish companies are taxed under the on-account tax scheme.

The current Danish corporation tax is allocated among the jointly-taxed Danish companies in proportion to their taxable income (full absorption with refunds for tax losses). Tax for the year comprises current tax, joint taxation and changes in deferred tax for the year, including adjustments to tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Corporate tax on account is recognized in the balance sheet under current assets.

Deferred tax is provided under the liability method, and covers all temporary differences between accounting and tax values of the assets and liabilities.

Deferred tax is, furthermore, provided for re-taxation of tax-deductible losses realised in non-Danish associated companies, if the re-taxation is expected to be realised by the associated companies' departure from the Danish joint taxation scheme.

The tax value of tax loss carry-forwards will be set off against deferred tax liabilities to the extent that the tax losses and other tax assets are expected to be utilised in the future taxable income. Deferred tax is calculated according to applicable tax laws and according to the expected tax rate.

Balance Sheet

Intangible assets

Goodwill is initially recognised in the balance sheet at cost as described under consolidated accounts. Goodwill is amortised on a straight-line basis over the estimated useful life time determined on the basis of Management's experience within the individual business areas.

Software comprises external development cost of substantial IT systems that are capitalised over their estimated useful life.

Depreciation is calculated on a straight-line basis of the cost according to the following guidelines, based on the estimated economic life of the asset:

- Software 3-5 years
- Goodwill 3-20 years

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Assets are written down if their value has depreciated and cannot be seen as appreciating in the near future.

Depreciation is calculated on a straight-line basis of the cost according to the following guidelines, based on the estimated economic life of the asset:

- Buildings 33-50 years
- Leasehold improvements 5 years
- IT and other equipment 3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Notes, continued:

Investments

Participating interests in subsidiaries and associated companies are measured at cost. When the cost exceeds the recoverable amount, write down is made to this lower value.

Inventories

Goods for resale are measured at cost price.

Write-downs are made according to obsolescence and other forms of value depreciation.

Receivables

Receivables are stated at amortized cost net of provisions for possible losses.

Prepaid expenses

Prepaid expenses are measured at cost.

Intra group loans

Intra group loans are measured at amortized cost, with deduction of a value adjustment for bad debts, if necessary. The proceeds are recognized in financial income.

Bonds and securities

Publicly traded bonds are stated at the market value at year-end. Investments hold-to-maturity are measured at fair value. Realised and unrealised gains and losses are included in the profit and loss account.

Equity - treasury shares

Treasury shares are recognised at cost.

Other provisions

Other provisions include an estimated liability, which will presumably lead to an outflow of resources.

Financial liabilities

These are stated at net realisable value, if not stated otherwise.

Rent and leasing

The Group have entered into operational rental agreements for offices and equipment for multi-year periods.

Rental and leasing expenses are stated in the profit and loss account for the applicable period.

The aggregate rental and leasing liability is stated under contingent liabilities.

Currency conversion

Accounts in foreign currency are stated at the exchange rate at year-end. Gains and losses are included in financial items.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as or qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the assets or liabilities. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Changes in the fair value of derivative financial instruments used for hedging of net investments in separate foreign subsidiaries or associates are recognised directly in equity; see above.

Notes, continued:

Cash Flow Statement

The cash flow statement is presented according to the indirect method, based on the operating profit.

The cash flow statement shows the Group's cash flow for the year and is divided into cash flow from operating, investing and financial activities.

Cash flow from operating activities covers cash flow from the year's operations, adjusted for operating items of a non-cash nature and changes in working capital.

Working capital includes current assets less liquid assets and current, non-interest bearing liabilities and dividends.

Cash flow from investing activities covers cash flow in connection with the purchase and sale of fixed assets, including participating interests and other long-term securities.

Cash flow from financing activities covers payments to and from shareholders, together with the raising of, and repayment of, interest-bearing liabilities.

Liquid assets are cash holdings, money market deposits in banks, and marketable securities stated under current assets.