
SAS Ground Handling Denmark A/S

c/o Terminal 3, Københavns Lufthavn 3,
Ellehammersvej 3
DK-2770 Kastrup

Annual Report for 2016/17

CVR No 32 33 90 26

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/2 - 2018

Mürvet Sahin
Chairman

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Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of SAS Ground Handling Denmark A/S for the financial year 1 November 2016 - 31 October 2017 (2016/17).

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 October 2017 of the Company and of the results of the Company operations for 2016/17.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Kastrup, 27 February 2018

Executive Board

Hans Henrik Spangenberg
CEO

Board of Directors

Kjetil Håbjørg
Chairman

Anna Sofia Kördel

Lars Wigelstorp Andersen

Michael Henrik Marstrand
Staff Representative

Nikolaj Kristian Riber-Pedersen
Staff Representative

Independent Auditor's Report

To the Shareholders of SAS Ground Handling Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 October 2017, and of the results of the Company's operations for the financial year 1 November 2016 - 31 October 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SAS Ground Handling Denmark A/S for the financial year 1 November 2016 - 31 October 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Company 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control 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 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 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 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 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. 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 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.

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, 27 February 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kaare von Cappeln
State Authorised Public Accountant
mne 11629

Stine Würtz Strunge
State Authorised Public Accountant
mne 40046

Company Information

The Company

SAS Ground Handling Denmark A/S
c/o terminal 3
Københavns Lufthavn 3
DK-2770 Kastrup

CVR No: 32 33 90 26

Financial period: 1 November - 31 October

Incorporated: 27 June 2013

Financial year: 4th financial year

Municipality of reg. office: Tårnby

The Company is ISO 14001 Certified

Supervisory Board

Kjetil Håbjørg, Chairman
Anna Sofia Kördel
Lars Wigelstorp Andersen
Michael Henrik Marstrand
Nikolaj Kristian Riber-Pedersen

Executive Board

Hans Henrik Spangenberg

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

The development of the Company is described by the following financial highlights:

	<u>2016/17</u> <u>(12 mths)</u> TDKK	<u>2015/16</u> <u>(12 mths)</u> TDKK	<u>2014/15</u> <u>(12 mths)</u> TDKK	<u>2013/14</u> <u>(16 mths)</u> TDKK
<u>Key figures</u>				
<u>Profit/loss</u>				
Revenue	1.141.025	1.179.461	1.194.958	1.528.937
Operating profit/loss	-19.659	-453	436	123.042
Profit/loss before financial income and expenses	-19.659	-353	3.045	123.045
Net financials	-144	-113	344	-267
Net profit/loss for the year	-15.448	-270	2.692	92.549
<u>Balance sheet</u>				
Balance sheet total	297.595	319.972	324.294	362.349
Equity	110.994	126.442	126.712	124.020
Investment in property, plant and equipment	5.678	259	311	63.696
Number of employees	1.520	1.591	1.690	1.717
<u>Ratios</u>				
Gross margin	75,0%	74,0%	77,5%	77,7%
Profit margin	Neg.	Neg.	0,3%	8,0%
Return on assets	Neg.	Neg.	0,9%	34,0%
Solvency ratio	37,3%	39,5%	39,1%	34,2%
Return on equity	Neg.	Neg.	2,1%	52,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts, 2015. For definitions, see under accounting policies.

Management's Review

Main activity

The main activities of the company are ground handling (passenger and baggage) and air freight cargo handling.

Development in the year

The financial result after tax for the year 2016/17 showed a loss of MDKK 15,4 which is not satisfactory and below expected.

The market during the year has been under continued pressure with a continued downward pressure on prices. Air Berlin went into suspension of payment in August and LOT choose to enter into a new contract with Aviator during the year. Air India opened a new route from Delhi to Copenhagen and chose SAS Ground Handling as their ground handler for passenger and baggage service.

Knowledge resources

Our staff costs are the single most important cost and our competitiveness is dependent on our ability to recruit, educate and maintain employees with the right qualifications and experience. Consequently, this is an area constantly monitored.

Similarly, all departments continuously work on improving our performance by making use of LEAN tools.

Risks

When we are handling aircrafts there is a risk of incurring damage to the aircraft. Likewise, we handle airfreight and risks of damaging or loosing goods. The company is insured against such risks.

One customer constitutes a significant part of the total revenue.

Research and development

No research or development activities are currently carried out.

Corporate social responsibility

As part of the SAS Group, please refer to the SAS Group's Sustainability Report for 2016/17, which can be found on the following link:

<http://www.sasgroup.net/en/sas-sustainability-report-2016-2017/>

Management's Review

Gender balance in management

Board of directors

The Board of Directors appreciates the strength of having a diverse and broadly composed board representation. However, the pool and its relevance to actual available positions will always be depending on the specific requirements and characteristics of the positions as well as competences and interest for the positions. The SAS Group Management has undertaken activities to support a balanced gender representation which will affect the Board of Directors equally and hence the Board of Directors of SAS Ground Handling Denmark A/S will work towards having both genders represented on its Board of Directors by no later than 2018. The goal is specifically to ensure that at least 1 out of 4 members elected by the General Assembly is of the underrepresented gender. The goal was achieved during the year.

Management

Similar to the Board of Directors, management appreciates the strength of having a diverse and broadly composed management representation, including the representation of both genders. However, the pool and its relevance to actual available positions will always depend on the specific requirements and characteristics of the positions as well as interest and competences for the position.

SAS Ground Handling Denmark A/S considers itself subject to the "Policy for board representation of the underrepresented sex" as adopted by SAS Group Management on 20 October 2014.

Under this Policy, and given the current pool of gender representation in relevant positions, it is a target to ensure a representation of the underrepresented gender by at least 20 % to increase to around 40% by 2020.

To ensure this goal the SAS Group has:

1. Adopted the "SAS Recruitment Policy 2015" under which "our selection is always based on merits; this means selecting the candidate who best fits the competence profile whilst considering SAS' overall diversity aims [under the SAS Code of Conduct]". This policy is under continuous development and will, as part of SAS' long term diversity and inclusion strategy, be subject to update during 2018.
2. Initiated a people/talent review process, which calibrates and sets the performance and potential of leaders and senior specialists. In this process, we also evaluate which high potentials we have and how the planned succession looks like, i.e. whether we have appointed successors to critical positions, including whether women are among them (women being the underrepresented sex in the SAS Group).
3. Established a mentoring scheme under which SAS Group's General Management (GM) mentors seven staff members of which three are women and encourage them and other mentees to pursue management positions. A corresponding mentor/mentee scheme has been established outside this group.

Management's Review

Today, SAS Ground Handling Denmark A/S is represented by 1 woman on the Board, 2 women are in general management and 12 women are in mid-level management. The process of adapting the overall Policy for board representation of the underrepresented sex is a continuous process. Progress has been made in so far that initiatives to raise the number of potential female candidates for management positions have been taken and continue to be driven. The work with this type of diversity is ongoing, however it must be taken into account that the entire process is highly dependent on the interest of the relevant candidates who have the relevant skill sets.

Expectations for the year ahead

The market for the coming year is expected to remain stable, with a downward pressure on prices. It is expected this will result in a financial result below the this year's result.

Income Statement 1 November – 31 October

	<u>Note</u>	<u>1/11-2016 - 31/10-2017</u> TDKK	<u>1/11-2015 - 31/10-2016</u> TDKK
Revenue		1.141.025	1.179.461
Other operating income		0	100
Other operating expenses		-404	-2.091
Other external expenses		<u>-285.247</u>	<u>-304.848</u>
Gross profit/loss		855.374	872.622
Staff expenses	1	-871.606	-869.250
Depreciation and impairment of property, plant and equipment		<u>-3.427</u>	<u>-3.725</u>
Profit/loss before financial income and expenses		-19.659	-353
Financial income	2	9	96
Financial expenses	3	<u>-153</u>	<u>-209</u>
Profit/loss before tax		-19.803	-466
Tax on profit/loss for the year	4	<u>4.355</u>	<u>196</u>
Net profit/loss for the year		<u>-15.448</u>	<u>-270</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>-15.448</u>	<u>-270</u>
		<u>-15.448</u>	<u>-270</u>

Balance Sheet 31 October

Assets

	<u>Note</u>	<u>31/10-2017</u> TDKK	<u>31/10-2016</u> TDKK
Plant and machinery		10.801	8.577
Other fixtures and fittings, tools and equipment		8.338	8.471
Leasehold improvements		<u>3.478</u>	<u>3.721</u>
Property, plant and equipment	5	<u>22.617</u>	<u>20.769</u>
Deposit		<u>3</u>	<u>3</u>
Fixed asset investments	6	<u>3</u>	<u>3</u>
Fixed assets		<u>22.620</u>	<u>20.772</u>
Inventories		<u>1.396</u>	<u>1.509</u>
Trade receivables		32.430	33.358
Receivables from group enterprises		224.645	245.705
Other receivables		5.208	7.505
Deferred tax asset	7	3.364	0
Prepayments		<u>6.438</u>	<u>9.507</u>
Receivables		<u>272.085</u>	<u>296.075</u>
Cash at bank and in hand		<u>1.494</u>	<u>1.616</u>
Currents assets		<u>274.975</u>	<u>299.200</u>
Assets		<u>297.595</u>	<u>319.972</u>

Balance Sheet 31 October

Liabilities and equity

	Note	<u>31/10-2017</u> TDKK	<u>31/10-2016</u> TDKK
Share capital		500	500
Retained earnings		<u>110.494</u>	<u>125.942</u>
Equity		<u>110.994</u>	<u>126.442</u>
Deferred tax liability	7	0	964
Accrued pension obligations	8	<u>1.834</u>	<u>2.223</u>
Provisions		<u>1.834</u>	<u>3.187</u>
Prepayments received from customers		91	81
Trade payables		28.202	30.549
Payables to group enterprises		14.244	17.225
Other payables		<u>142.230</u>	<u>142.488</u>
Short-term debt		<u>184.767</u>	<u>190.343</u>
Debt		<u>186.601</u>	<u>193.530</u>
Liabilities and equity		<u>297.595</u>	<u>319.972</u>
Contingent assets, liabilities and other financial obligations	9		
Related parties and Group information	10		
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Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 November 2016	500	125.942	126.442
Net profit/loss for the year	<u>0</u>	<u>-15.448</u>	<u>-15.448</u>
Equity at 31 October 2017	<u>500</u>	<u>110.494</u>	<u>110.994</u>

Notes to the Financial Statements

	<u>1/11-2016 -</u> <u>31/10-2017</u> TDKK	<u>1/11-2015 -</u> <u>31/10-2016</u> TDKK
1 Staff expenses		
Wages and salaries	765.516	762.246
Pensions	83.629	84.117
Other social security expenses	<u>22.461</u>	<u>22.887</u>
	<u>871.606</u>	<u>869.250</u>
Average number of employees	<u>1.520</u>	<u>1.591</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
2 Financial income		
Other financial income	4	0
Exchange rate	<u>5</u>	<u>96</u>
	<u>9</u>	<u>96</u>
3 Financial expenses		
Bank charges	74	69
Interest expenses	17	82
Interest expenses from group enterprises	0	14
Exchange rate	<u>62</u>	<u>44</u>
	<u>153</u>	<u>209</u>
4 Tax on profit/loss for the year		
Current tax for the year	0	-842
Deferred tax for the year	-4.328	1.270
Adjustment of tax concerning previous years	<u>-27</u>	<u>-624</u>
	<u>- 4.355</u>	<u>- 196</u>

Notes to the Financial Statements

5 Property, plant and equipment

	<u>Plant and machinery</u> TDKK	<u>Other fixtures and fittings, tools and equipment</u> TDKK	<u>Leasehold improvements</u> TDKK
Cost at 1 November	12.140	15.980	4.971
Additions for the year	3.319	2.204	156
Disposals for the year	<u>0</u>	<u>-1.953</u>	<u>0</u>
Cost at 31 October	<u>15.459</u>	<u>16.231</u>	<u>5.127</u>
Impairment losses and depreciation at 1 November	3.563	7.509	1.250
Depreciation for the year	1.095	1.933	399
Reversal of impairment and depreciation of sold assets	<u>0</u>	<u>-1.549</u>	<u>0</u>
Impairment losses and depreciation at 31 October	<u>4.658</u>	<u>7.893</u>	<u>1.649</u>
Carrying amount at 31 October	<u>10.801</u>	<u>8.338</u>	<u>3.478</u>

6 Fixed asset investments

	<u>Deposit</u> TDKK
Cost at 1 November	3
Disposals for the year	<u>0</u>
Cost at 31 October	<u>3</u>
Carrying amount at 31 October	<u>3</u>

Notes to the Financial Statements

	<u>31/10-2017</u> TDKK	<u>31/10-2016</u> TDKK
7 Provision for deferred tax		
Pension Obligations	-403	-489
Restructuring Obligations	-290	0
Bad debt	-3	-26
Tangible fixed assets	1.666	1.505
Net operating loss carryovers	-4.334	-26
Transferred to deferred tax asset	<u>3.364</u>	<u>-964</u>
	<u>0</u>	<u>0</u>
Deferred tax asset 1 November	-964	306
Recognized in income statement	<u>4.328</u>	<u>-1.270</u>
Deferred tax liability/asset as at 31 October	<u>3.364</u>	<u>-964</u>
8 Accrued pension obligations		
Accrued pension obligation primo	2.223	2.564
Disposal for the year	<u>-389</u>	<u>-341</u>
Total	<u>1.834</u>	<u>2.223</u>
9 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	54.578	52.261
Between 1 and 5 years	164.036	130.929
After 5 years	<u>76.994</u>	<u>28.690</u>
	<u>295.608</u>	<u>211.880</u>

Notes to the Financial Statements

Contingent liabilities

The Company is jointly taxed with all controlled Danish companies within the SAS Group. The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income.

The Company has entered into defined contribution pension plans with employees. In connection with termination of employment, certain employee groups are entitled to severance payment calculated as the capitalized value of the remaining contributions in the period to originally agreed retirement date. In the event of the Company no longer being part of SAS Group, payment is due for these employees. The maximum obligation of the Company is approximately MDKK 18.3, of which MDKK 1.8 is provided in the balance sheet.

10 Related parties and Group information

Controlling interest

Related parties with controlling interest comprises SAS AB, Frösundaviks Allé 1, 195 87 Stockholm, Sweden.

Transactions

Transactions with closely related parties are done at market conditions

Consolidated Financial Statements

SAS Ground Handling Denmark A/S is included in the consolidated Financial Statements of SAS AB, Stockholm. The consolidated accounts are available at:

<http://www.sasgroup.net/en/category/investor-relations/financial-reports/annual-reports/>.

11 Fee to the auditor elected by the general Assembly

The fee to the auditor is not disclosed in accordance with the Danish Financial Statement Act section 96(3).

12 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting Policies

Basis of Preparation

Financial Statements of SAS Ground Handling Denmark A/S for 2016/17 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 remain unchanged from last year. Financial Statements for 2016/17 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of SAS AB, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenue is recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost as recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement.

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

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Financial Statements Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in terms of which the Company 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 Company.

The remaining lease obligation is capitalised and recognised 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 recognised in

the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Segment information

Segment information is presented in respect of revenue distributed on business segment based on the Company's risks and returns and its internal financial reporting system. The Company has only one business segment; ground handling and only one geographical market as the Company only operates in Denmark

Revenue

Revenue consists of ground handling revenue, which is core business of SAS Ground Handling Denmark A/S as well as other revenue, which consist of peripheral sources of income.

Revenue from sale of goods and services is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Accounting Policies

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with all controlled Danish companies within the SAS Group. The actual Danish taxation is allocated between the jointly taxed companies in accordance with to their taxable income (full allocation with reimbursement concerning taxable loss).

Balance Sheet

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Accounting Policies

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	5-40 years

The residual value and the useful life of an asset is reviewed at the end of each reporting period.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories consist of spareparts, and are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions, equipment and interest.

Pensions

The Company has entered into defined contribution pension plans with employees. In connection with termination of employment, certain employee groups are entitled to severance payment calculated as the capitalized value of the remaining contributions in the period to originally agreed retirement date. In the event of the Company no longer being part of SAS Group, payment is due for these employees.

Accounting Policies

Equity

Dividend

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement.

Prepayments received from customers

Prepayments received from customers comprises payments received in respect of income in subsequent years.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognized as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Profit before interest} \times 100}{\text{Revenue}}$
Return of assets	$\frac{\text{Profit before interest} \times 100}{\text{Average total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$