# *JT3H ApS*

Teglholm Alle 15, DK-2450 København SV

# Annual Report for 2017/18

CVR No 37 30 42 39

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 1 /11 2018

Lars Thuesen
Chairman of the General Meeting

# Contents


| | Page |
|---|---|
| **Management's Statement and Auditor's Report** | |
| Management's Statement | 1 |
| Independent Auditor's Report | 2 |
| **Management's Review** | |
| Company Information | 5 |
| Financial Highlights | 6 |
| Management's Review | 7 |
| **Consolidated and Parent Company Financial Statements** | |
| Income Statement 1 September - 31 August | 17 |
| Balance Sheet 31 August | 18 |
| Statement of Changes in Equity | 21 |
| Cash Flow Statement 1 September - 31 August | 22 |
| Notes to the Financial Statements | 23 |

# Management's Statement

The Executive Board has today considered and adopted the Annual Report of JT3H ApS for the financial year 1 September 2017 - 31 August 2018.

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

In my opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 August 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017/18.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Kastrup, 1 November 2018

**Executive Board**

Lars Thuesen

# Independent Auditor's Report

To the Shareholder of JT3H ApS

**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 and of 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 JT3H ApS 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 (”the 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 Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

**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 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 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 judgement and maintain professional scepticism 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 and the Group'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 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

# Independent Auditor's Report

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 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<br>statsautoriseret revisor<br>mne18628 | Thomas Wraae Holm<br>statsautoriseret revisor<br>mne30141 |

# Company Information

| | |
|---|---|
| **The Company** | JT3H ApS<br>Teglholm Alle 15<br>DK-2450 København SV<br><br>CVR No: 37 30 42 39<br>Financial period: 1 September - 31 August<br>Incorporated: 15 December 2015<br>Municipality of reg. office: Copenhagen |
| **Executive Board** | Lars Thuesen |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>DK-2900 Hellerup |

# Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

| | Group | | |
|---|---|---|---|
| | 2017/18 | 2016/17 | 2015/16 |
| | MDKK | MDKK | MDKK |
| **Key figures** | | | |
| **Profit/loss** | | | |
| Revenue | 1,130 | 1,459 | 1,221 |
| Gross profit/loss | 218 | 374 | 90 |
| Operating profit/loss | 2 | -4 | -400 |
| Profit/loss before financial income and expenses | 8 | 9 | -400 |
| Net financials | -5 | 4 | -13 |
| Net profit/loss for the year | 3 | 12 | -413 |
| **Balance sheet** | | | |
| Balance sheet total | 189 | 242 | 403 |
| Equity | -434 | -450 | -468 |
| **Cash flows** | | | |
| Cash flows from: | | | |
| - operating activities | -37 | -133 | -157 |
| - investing activities | 16 | 39 | 18 |
| including investment in property, plant and equipment | 3 | 7 | 10 |
| - financing activities | -4 | 116 | 196 |
| Change in cash and cash equivalents for the year | -26 | 22 | 57 |
| Number of employees | 373 | 583 | 690 |
| Average number of Boeing 737 aircraft | 6.3 | 12.0 | 16.4 |
| Average number of ATR aircraft | 0 | 7 | 12 |
| Number of Boeing 737 aircraft, year end | 6 | 8 | 16 |
| Number of ATR aircraft, year end | 0 | 3 | 10 |
| **Ratios** | | | |
| Gross margin | 19.3% | 25.6% | 7.4% |
| Profit margin | 0.7% | 0.6% | -1.1% |
| Return on assets | 4.2% | 3.7% | -3.2% |
| Solvency ratio | -229.6% | -186.0% | -116.0% |
| Return on equity | N/A | N/A | N/A |

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

# Management’s Review

## Principal activities

The Group 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 Group's third operating year – was the first financial year following the successful turnaround completed in September 2017.

The Group 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 Group 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 Group 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 Group had 350 employees compared to 458 at the end of 2016/17. And finally, at the end of 2017/18 the Group had a fleet of 6 Boeing 737 NG aircraft compared to 8 Boeing 737 at the end of 2016/17.

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

The Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 Group 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 Group 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 Group'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 Group 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 Group'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 10).

The Group's capital resources and liquidity is further described in note 1 (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 Group's use of jet fuel implies a particular risk due to the significant fluctuations to which the market for jet fuel is subject. The Group aims at hedging the fuel prices by entering into hedging contracts corresponding to more than 90% of its consumption.

As a main rule, the Group enters into long-term flight agreements with charter companies. Hedging of fuel prices is made either by the Group 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 Group'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 Group's credit risks relate primarily to financial assets recognized in the balance sheet.

The Group 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 Group's subsidiaries, of these loans DKK 140 million was subordinated loans. Before the adoption date of the Annual Report 2017/18, the Group 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 the parent company. 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 Group's equity has been improved from negative 434 million to negative 286 million and the Group's drawn loan balance from shareholders and lenders has been reduced from DKK 357 million to DKK 209 million after the balance sheet.

# Management's Review

## Subsequent events (continued)

Also after the balance sheet date, the Group'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 Group. After the announcement TUI Nordic, started the process of dialogue and negotiations with Unions and other stakeholders, including the Group. Before the adoption date of the Annual Report 2017/18, the Group has entered into a final agreement with TUI Nordic allocating more short-haul European charter capacity to the Group 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 Group 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 Group'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 Group'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 Group's financial position.

## Outlook

As a result of the successful optimization of the core business and the expected growth in the coming year, the Group 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 Group, corporate social responsibility (CSR) is overall an obvious necessity for running a healthy business, and the Group 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 Group 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 Group.

Reporting on the Group'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 Group strives to create the best possible working environment for the Group's employees within their respective areas of employment.

The Group has various policies relating to working environment and working conditions. The Group's Employee Handbook contains a general corporate policy applying to all employees. Moreover, four different groups of employees in the Group 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 Group's employees and customers is a top-priority. The Group is certified to fly under the international safety standard IOSA, whose auditors regularly inspect safety in the various functions of the Group.

Moreover, the Group 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 Group 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 Group 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 Group will cooperate with the relevant union representative to reach a fair conclusion of the matter.

***Actions:***
The Group has in the financial year 2017/2018 re-negotiated the collective agreements with all employee groups in the Group, 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 Group 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 implemented to ensure a more fair distribution of holiday amongst the Group's flight crew and to contribute to a better work/life balance.

# Management's Review

## Corporate Social Responsibility (continued)

### Working Environment (continued)

Moreover, to make sure that all employees work in a safe and healthy environment, the Group 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 Group'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 Group's Working Environment Group has for the first time in the Group'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 Group's aircraft.

***Results:***
The Group did not experience more absence among the Group's employees in the 2017/18 financial year compared to the years before, and in the most stressful period of the Group'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 Group'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<br>2017/18 | 710<br>486 |
| Pilots | 2016/17<br>2017/18 | 1,035<br>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**

**Pilots**

| 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 Group 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 Group 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 Co2 emission, and as a responsible company, the Group is fervent to mitigate this impact on the environment. The key performance indicator for the Group's operations and activities is defined as a more efficient fuel operation, lowering the overall CO2 emissions of the Group's production.

The Group has an Environmental Policy that is communicated to all employees, contractors and suppliers. Moreover, the Group has an Environmental Management System (EMS) developed to manage significant environmental aspects to limit the impact on the environment. Since 2014, the Group 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 Group with tools for environmental management in general throughout the entire production and organization.

Reducing carbon dioxide is a pivotal aspect of the Group's environmental focus, as this by far is the single most relevant environmental denominator for the Group and the airline industry in general. In relation to our Co2 emission, the Group is registered and reported by the regulations in EU Decree 2003/87EC where airlines can choose to register and report their Co2 emission. In this connection, the Group has a goal of reducing the annual carbon dioxide emission from the Group'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 Group'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 Group works with economical altitudes on flights of more than one hour between 31,000 and 37,000 feet.

The Group's Security Manager is in charge of monitoring our ISO 14001:2015 certification as well as our Co2 reduction targets. In cooperation with the Environmental Committee, the Security Manager carries out the commitments of CO2 reduction and compliance with environmental related legislation and measures the outcome of the different projects and initiatives.

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

In the financial year 2017/18, the Group has succeeded with a large change in the airline's fleet that has had a positive impact on the Co2 emission from the Group's aircraft. Six aircraft of the type B737-300, five B737-400s and 11 ATR72s have been phased out, consolidating the Group'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 Group's fleet, a considerable reduction of Co2 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 Group in the financial year 2017/18 has managed to reach an annual Co2 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 Group has no specific policies on human rights.

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

# Management's Review

## Corporate Social Responsibility (continued)

**Target Ratio for Management**
The Group believes that an equal representation of gender among employees and Management is important to the overall sustainability of the Group.

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

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

The Group 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 Group's Board in this period.

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

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

The Group initiated, in the financial year 2016/2017, internal leadership training among the Group'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 Group's Senior Management is 83% male / 17% female and the current ratio in the Group's mid-level management is 73% male / 27% female.

**Table 4: Gender ratio in the Group'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%) |

# Income Statement 1 September - 31 August

| | Note | Consolidated 2017/18 | Consolidated 2016/17 | Parent Company 2017/18 | Parent Company 2016/17 |
|---|---|---|---|---|---|
| | | TDKK | TDKK | TDKK | TDKK |
| **Revenue** | 3 | **1,130,465** | **1,458,723** | **0** | **0** |
| Lease costs | | -771,086 | -196,726 | 0 | 0 |
| Production costs | | -55,305 | -864,152 | 0 | 0 |
| Other external expenses | | -86,508 | -23,798 | -3 | -39 |
| **Gross profit/loss** | | **217,566** | **374,047** | **-3** | **-39** |
| Staff expenses | 4 | -207,417 | -338,710 | 0 | 0 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | -8,575 | -39,025 | 0 | 0 |
| Other operating income | 5 | 5,983 | 12,591 | 0 | 0 |
| **Profit/loss before financial income and expenses** | | **7,557** | **8,903** | **-3** | **-39** |
| Financial income | 6 | 111 | 9,713 | 0 | 0 |
| Financial expenses | 7 | -4,943 | -6,144 | 0 | 0 |
| **Profit/loss before tax** | | **2,725** | **12,472** | **-3** | **-39** |
| Tax on profit/loss for the year | 8 | -80 | -144 | 0 | 0 |
| **Net profit/loss for the year** | | **2,645** | **12,328** | **-3** | **-39** |

# Balance Sheet 31 August

## Assets

| | Note | Consolidated 2017/18 | Consolidated 2016/17 | Parent Company 2017/18 | Parent Company 2016/17 |
|---|---|---|---|---|---|
| | | TDKK | TDKK | TDKK | TDKK |
| Software | | 4,350 | 5,922 | 0 | 0 |
| **Intangible assets** | 9 | **4,350** | **5,922** | **0** | **0** |
| Land and buildings | | 6,990 | 7,957 | 0 | 0 |
| Other fixtures and fittings, tools and equipment | | 807 | 1,961 | 0 | 0 |
| Aircraft | | 0 | 12,472 | 0 | 0 |
| Leasehold improvements | | 1,183 | 873 | 0 | 0 |
| Property, plant and equipment in progress | | 2,049 | 0 | 0 | 0 |
| Modification of leased aircraft | | 2,928 | 2,435 | 0 | 0 |
| **Property, plant and equipment** | 10 | **13,957** | **25,698** | **0** | **0** |
| Investments in subsidiaries | 11 | 0 | 0 | 0 | 0 |
| Receivables from group enterprises | 13 | 0 | 0 | 100,000 | 80,000 |
| Deposits | 13 | 33,219 | 41,553 | 0 | 0 |
| Receivable future maintenance | 12,13 | 3,255 | 11,570 | 0 | 0 |
| **Fixed asset investments** | | **36,474** | **53,123** | **100,000** | **80,000** |
| **Fixed assets** | | **54,781** | **84,743** | **100,000** | **80,000** |
| **Inventories** | | **6,505** | **10,291** | **0** | **0** |

# Balance Sheet 31 August *(continued)*

## Assets

| | Note | Consolidated 2017/18 TDKK | Consolidated 2016/17 TDKK | Parent Company 2017/18 TDKK | Parent Company 2016/17 TDKK |
|---|---|---|---|---|---|
| Trade receivables | | 6,898 | 5,787 | 0 | 0 |
| Other receivables | 14 | 34,769 | 6,256 | 18,481 | 0 |
| Receivable future maintenance | 12 | 9,262 | 38,973 | 0 | 0 |
| Deferred tax asset | 15 | 0 | 1,138 | 0 | 0 |
| Corporation tax | | 922 | 0 | 0 | 0 |
| Prepayments | 16 | 23,351 | 16,140 | 0 | 0 |
| **Receivables** | | **75,202** | **68,294** | **18,481** | **0** |
| **Cash at bank and in hand** | 17 | **52,879** | **78,417** | **88** | **91** |
| **Currents assets** | | **134,586** | **157,002** | **18,569** | **91** |
| **Assets** | | **189,367** | **241,745** | **118,569** | **80,091** |

# Balance Sheet 31 August

## Liabilities and equity

| | Note | Consolidated | | Parent Company | |
|---|---|---|---|---|---|
| | | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | | TDKK | TDKK | TDKK | TDKK |
| Share capital | | 50 | 50 | 50 | 50 |
| Retained earnings | | -434,341 | -450,309 | -22 | -19 |
| **Equity** | | **-434,291** | **-450,259** | **28** | **31** |
| Provisions for aircraft maintenance | 19 | 62,367 | 117,681 | 0 | 0 |
| Other provisions | 20 | 17,101 | 14,875 | 0 | 0 |
| **Provisions** | | **79,468** | **132,556** | **0** | **0** |
| Credit institutions | | 2,660 | 3,530 | 0 | 0 |
| Other loan agreements | | 375,474 | 336,993 | 118,481 | 80,000 |
| **Long-term debt** | 21 | **378,134** | **340,523** | **118,481** | **80,000** |
| Credit institutions | 21 | 701 | 1,089 | 0 | 0 |
| Prepayments received from customers | | 53,117 | 55,547 | 0 | 0 |
| Trade payables | | 61,025 | 78,385 | 0 | 0 |
| Other loan agreements | 21 | 0 | 23,237 | 0 | 0 |
| Corporation tax | | 0 | 690 | 0 | 0 |
| Other payables | 22 | 51,213 | 59,977 | 60 | 60 |
| **Short-term debt** | | **166,056** | **218,925** | **60** | **60** |
| **Debt** | | **544,190** | **559,448** | **118,541** | **80,060** |
| **Liabilities and equity** | | **189,367** | **241,745** | **118,569** | **80,091** |

| | |
|---|---|
| Capital resources and liquidity | 1 |
| Subsequent events | 2 |
| Distribution of profit | 18 |
| Contingent assets, liabilities and other financial obligations | 23 |
| Related parties | 24 |
| Fee to auditors appointed at the general meeting | 25 |
| Accounting Policies | 29 |

# Statement of Changes in Equity

**Consolidated**

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| | TDKK | TDKK | TDKK |
| Equity at 1 September | 50 | -450,309 | -450,259 |
| Exchange adjustments relating to foreign entities | 0 | 17 | 17 |
| Value adjustment, hedging of future purchase and sale of fuel and foreign currency | 0 | 13,306 | 13,306 |
| Net profit/loss for the year | 0 | 2,645 | 2,645 |
| **Equity at 31 August** | **50** | **-434,341** | **-434,291** |

**Parent Company**

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| Equity at 1 September | 50 | -19 | 31 |
| Net profit/loss for the year | 0 | -3 | -3 |
| **Equity at 31 August** | **50** | **-22** | **28** |

The share capital consists of 50,000 shares of a nominal value of DKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 3 years.

# Cash Flow Statement 1 September - 31 August

| | Note | Consolidated 2017/18 | 2016/17 |
|---|---|---|---|
| | | TDKK | TDKK |
| Net profit/loss for the year | | 2,645 | 12,328 |
| Adjustments | 27 | 23,900 | 32,625 |
| Change in working capital | 28 | -59,156 | -180,380 |
| **Cash flows from operating activities before financial income and expenses** | | **-32,611** | **-135,427** |
| Financial income | | 111 | 9,713 |
| Financial expenses | | -4,943 | -6,144 |
| **Cash flows from ordinary activities** | | **-37,443** | **-131,858** |
| Corporation tax paid | | 553 | -851 |
| **Cash flows from operating activities** | | **-36,890** | **-132,709** |
| Purchase of intangible assets and property, plant and equipment | | -2,636 | -8,248 |
| Change in property, plant and equipment under construction | | -2,049 | 700 |
| Fixed asset investments made etc | | -14,564 | -2,891 |
| Sale of property, plant and equipment | | 11,890 | 14,466 |
| Sale of fixed asset investments etc | | 23,206 | 34,868 |
| **Cash flows from investing activities** | | **15,847** | **38,895** |
| Repayment of loans from credit institutions | | -1,258 | -10,997 |
| Loan from shareholders | | 20,000 | -217,394 |
| Lease obligations incurred | | 0 | -15,929 |
| Other loan agreements | | -23,237 | 360,230 |
| **Cash flows from financing activities** | | **-4,495** | **115,910** |
| **Change in cash and cash equivalents** | | **-25,538** | **22,096** |
| Cash and cash equivalents at 1 September | | 78,417 | 56,321 |
| **Cash and cash equivalents at 31 August** | | **52,879** | **78,417** |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 52,879 | 78,417 |
| **Cash and cash equivalents at 31 August** | | **52,879** | **78,417** |

# Notes to the Financial Statements

## 1 Capital resources and liquidity

The financial year 2017/18 - the Group's third 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 Group 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 Group's traditional core business and competences. The Jet Time Core Business Plan 2020 is providing the foundation for a sustainable and profitable Company going forward.

The Group has obtained extension to September 2020 of all existing loans from shareholders and lenders, ensuring Jet Time 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 Group 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 Group'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.

# Notes to the Financial Statements

## 1 Capital resources and liquidity (continued)

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 Group is comprised with the rules on capital loss in the Danish Companies Act. In Management's assessment, the Group 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 Group's capital structure. After the balance sheet date, such agreement has been executed by shareholders and lenders. As a result of this agreement, the Group's equity has been improved from negative 434 million to negative 286 million after the balance sheet date. The agreement is further described in the Subsequent events section (note 2).

## 2 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 Group's subsidiaries, of these loans DKK 140 million was subordinated loans. Before the adoption date of the Annual Report 2017/18, the Group has received a tax-free group contribution, on an amount of DKK 148 million, as a remission of debts from the parent company. 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 Group's equity has been improved from negative 434 million to negative 286 million and the Group's drawn loan balance from shareholders and lenders has been reduced from DKK 357 million to DKK 209 million after the balance sheet.

Also after the balance sheet date, the Group'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 Group. After the announcement TUI Nordic, started the process of dialogue and negotiations with Unions and other stakeholders, including the Group. Before the adoption date of the Annual Report 2017/18, the Group has entered into a final agreement with TUI Nordic allocating more short-haul European charter capacity to the Group 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 Group 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

# Notes to the Financial Statements

## 2 Subsequent events (continued)

business area, the Group'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 Group'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 Group's financial position.

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |
| **3 Revenue** | | | | |
| **Business areas** | | | | |
| Charter and ad hoc | 1,077,813 | 1,029,977 | 0 | 0 |
| ACMI | 52,652 | 344,796 | 0 | 0 |
| Cargo | 0 | 83,950 | 0 | 0 |
| | **1,130,465** | **1,458,723** | **0** | **0** |
| **4 Staff expenses** | | | | |
| Wages and salaries | 185,053 | 304,836 | 0 | 0 |
| Pensions | 19,411 | 29,616 | 0 | 0 |
| Other social security expenses | 2,953 | 4,258 | 0 | 0 |
| | **207,417** | **338,710** | **0** | **0** |
| Including remuneration to the Executive Board and Board of Directors of: | | | | |
| Executive Board | 6,140 | 8,701 | 0 | 0 |
| Board of Directors | 248 | 440 | 0 | 0 |
| | **6,388** | **9,141** | **0** | **0** |
| **Average number of employees** | **373** | **583** | **0** | **0** |

# Notes to the Financial Statements

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |
| **5 Other operating income** | | | | |
| Gain from sale of fixed assets | 5,983 | 10,825 | 0 | 0 |
| Discharged lease debt | 0 | 1,766 | 0 | 0 |
| | **5,983** | **12,591** | **0** | **0** |
| **6 Financial income** | | | | |
| Interest income, credit institutes | 55 | 18 | 0 | 0 |
| Other financial income | 56 | 57 | 0 | 0 |
| Exchange adjustments | 0 | 9,638 | 0 | 0 |
| | **111** | **9,713** | **0** | **0** |
| **7 Financial expenses** | | | | |
| Interest expenses, credit institutes | 382 | 920 | 0 | 0 |
| Other financial expenses | 558 | 5,224 | 0 | 0 |
| Exchange adjustments, expenses | 4,003 | 0 | 0 | 0 |
| | **4,943** | **6,144** | **0** | **0** |
| **8 Tax on profit/loss for the year** | | | | |
| Current tax for the year | -1,058 | 1,283 | 0 | 0 |
| Deferred tax for the year | 1,138 | -1,138 | 0 | 0 |
| Adjustment of tax concerning previous years | 0 | -1 | 0 | 0 |
| | **80** | **144** | **0** | **0** |

# Notes to the Financial Statements

## 9 Intangible assets

**Consolidated**

| | Software |
|---|---|
| | TDKK |
| Cost at 1 September | 9,230 |
| Cost at 31 August | 9,230 |
| Impairment losses and amortisation at 1 September | 3,308 |
| Amortisation for the year | 1,572 |
| Impairment losses and amortisation at 31 August | 4,880 |
| **Carrying amount at 31 August** | **4,350** |

## 10 Property, plant and equipment

**Consolidated**

| | Land and buildings | Other fixtures and fittings, tools and equipment | Aircraft | Leasehold improvements | Property, plant and equipment in progress | Modification of leased aircraft |
|---|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 September | 9,608 | 4,717 | 21,286 | 1,247 | 0 | 5,556 |
| Additions for the year | 0 | 0 | 0 | 579 | 2,049 | 2,058 |
| Disposals for the year | 0 | 0 | -21,286 | 0 | 0 | 0 |
| Cost at 31 August | 9,608 | 4,717 | 0 | 1,826 | 2,049 | 7,614 |
| Impairment losses and depreciation at 1 September | 1,651 | 2,756 | 8,814 | 374 | 0 | 3,121 |
| Depreciation for the year | 967 | 1,154 | 3,049 | 269 | 0 | 1,565 |
| Impairment and depreciation of sold assets for the year | 0 | 0 | -11,863 | 0 | 0 | 0 |
| Impairment losses and depreciation at 31 August | 2,618 | 3,910 | 0 | 643 | 0 | 4,686 |
| **Carrying amount at 31 August** | **6,990** | **807** | **0** | **1,183** | **2,049** | **2,928** |

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

# Notes to the Financial Statements

| | Parent Company | |
|---|---|---|
| | 2017/18 | 2016/17 |
| | TDKK | TDKK |
| **11 Investments in subsidiaries** | | |
| Cost at 1 September | 0 | 0 |
| Cost at 31 August | 0 | 0 |
| Value adjustments at 1 September | 0 | 0 |
| Exchange adjustment | 17 | -4 |
| Net profit/loss for the year | 2,648 | 21,325 |
| Fair value adjustment of hedging instruments for the year | 13,306 | 5,070 |
| Revaluations of the year, net | -15,971 | -26,391 |
| Value adjustments at 31 August | 0 | 0 |
| **Carrying amount at 31 August** | **0** | **0** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Votes and ownership |
|---|---|---|
| Jet Time A/S, Amager Strandvej 390-392, DK-2770 Kastrup | Denmark | 100% |

## 12 Receivable future maintenance

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |
| Within 1 year | 9,262 | 38,973 | 0 | 0 |
| Between 1 and 5 years | 3,255 | 11,353 | 0 | 0 |
| After 5 years | 0 | 217 | 0 | 0 |
| | **12,517** | **50,543** | **0** | **0** |

# Notes to the Financial Statements

## 13 Other fixed asset investments

| | Consolidated | | Parent Company |
|---|---|---|---|
| | Deposits | Receivable future maintenance | Receivables from group enterprises |
| | TDKK | TDKK | TDKK |
| Cost at 1 September | 41,553 | 50,543 | 80,000 |
| Exchange adjustment | 309 | 0 | 0 |
| Additions for the year | 14,563 | 6,090 | 20,000 |
| Disposals for the year | -23,206 | -44,116 | 0 |
| Within 1 year | 0 | -9,262 | 0 |
| Cost at 31 August | 33,219 | 3,255 | 100,000 |
| **Carrying amount at 31 August** | **33,219** | **3,255** | **100,000** |

## 14 Other receivables

Other receivables consists of positive value of hedging of future purchase and sales of fuel, CO2 quotas and foreign currency. Furthermore other receivables consist of short-term loans, VAT, deposits for fuel hedging etc.

## 15 Provision for deferred tax

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |
| Other payables | 0 | -1,138 | 0 | 0 |
| Adjustment regarding profit for the year | -1,138 | 0 | 0 | 0 |
| Tax loss carry-forward | 1,138 | 0 | 0 | 0 |
| Transferred to deferred tax asset | 0 | 1,138 | 0 | 0 |
| | **0** | **0** | **0** | **0** |
| **Deferred tax asset** | | | | |
| Calculated tax asset | 0 | 1,138 | 0 | 0 |
| **Carrying amount** | **0** | **1,138** | **0** | **0** |

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

# Notes to the Financial Statements

## 16 Prepayments

Prepayments consist of prepaid expenses concerning leases, fuel and other prepaid production costs.

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |

## 17 Cash at bank and in hand

| | | | | |
|---|---|---|---|---|
| Free cash | 51,279 | 76,817 | 88 | 91 |
| Deposited as security for forward exchange transactions etc | 1,600 | 1,600 | 0 | 0 |
| | **52,879** | **78,417** | **88** | **91** |

## 18 Distribution of profit

| | | | | |
|---|---|---|---|---|
| Retained earnings | 2,645 | 12,328 | -3 | -39 |
| | **2,645** | **12,328** | **-3** | **-39** |

# Notes to the Financial Statements

## 19 Provision, aircraft maintenance

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 TDKK | 2016/17 TDKK | 2017/18 TDKK | 2016/17 TDKK |
| *Comprises:* | | | | |
| Provision for future aircraft maintenance | 30,857 | 84,428 | 0 | 0 |
| Provision for obligation to return | 31,510 | 33,253 | 0 | 0 |
| | **62,367** | **117,681** | **0** | **0** |
| Provision at 1 September | 117,681 | 227,591 | 0 | 0 |
| Utilised during the year/disposals | -74,596 | -89,326 | 0 | 0 |
| Provision for the year | 19,282 | -20,584 | 0 | 0 |
| | **62,367** | **117,681** | **0** | **0** |
| Within 1 year | 25,588 | 75,557 | 0 | 0 |
| Between 1 and 5 years | 36,061 | 41,342 | 0 | 0 |
| After 5 years | 718 | 782 | 0 | 0 |
| | **62,367** | **117,681** | **0** | **0** |

## 20 Other provisions

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

## 21 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |
| **Credit institutions** | | | | |
| After 5 years | 0 | 732 | 0 | 0 |
| Between 1 and 5 years | 2,660 | 2,798 | 0 | 0 |
| Long-term part | 2,660 | 3,530 | 0 | 0 |
| Within 1 year | 701 | 1,089 | 0 | 0 |
| | **3,361** | **4,619** | **0** | **0** |
| **Other loan agreements** | | | | |
| Between 1 and 5 years | 375,474 | 336,993 | 118,481 | 80,000 |
| Long-term part | 375,474 | 336,993 | 118,481 | 80,000 |
| Within 1 year | 0 | 23,237 | 0 | 0 |
| | **375,474** | **360,230** | **118,481** | **80,000** |

Other loan agreements are not interest bearing. Long term loans are expiring in September 2020 and include subordinated loans, as described in note 1. The capital owners in the Group has subordinated loan capital of DKK 190 million. The subordinated loan may be repaid if it is considered to be sound taking account of the Group's operating and financial position. It is the Board of Directors that decides hereby.

Payments due within 1 year are recognised in current liabilities.
Other liabilities are recognised in non-current liabilities other than provisions.

# Notes to the Financial Statements

| | Consolidated | | Parent Company | |
|---|---|---|---|---|
| | 2017/18 | 2016/17 | 2017/18 | 2016/17 |
| | TDKK | TDKK | TDKK | TDKK |
| **22 Other payables** | | | | |
| Deposited as security for future fuel hedging | 7,013 | 0 | 0 | 0 |
| Holiday pay and other staff-related payables | 22,716 | 45,200 | 0 | 0 |
| $CO_2$ quotas | 1,937 | 1,260 | 0 | 0 |
| Other accrued expenses | 19,547 | 10,848 | 60 | 60 |
| Negative value of hedging of future purchase and sale of fuel and foreign currency | 0 | 2,669 | 0 | 0 |
| | **51,213** | **59,977** | **60** | **60** |

## 23 Contingent assets, liabilities and other financial obligations

**Rental and lease obligations**

| | | | | |
|---|---|---|---|---|
| Lease obligations under operating leases. Total future lease payments: | | | | |
| Within 1 year | 73,324 | 74,065 | 73,324 | 74,065 |
| Between 1 and 5 years | 152,713 | 183,261 | 152,713 | 183,261 |
| After 5 years | 0 | 16,009 | 0 | 16,009 |
| | **226,037** | **273,335** | **226,037** | **273,335** |
| Total obligations are grouped as follows: | | | | |
| Aircraft leases | 202,385 | 241,587 | 202,385 | 241,587 |
| Rental of property, hangar, etc | 16,652 | 20,545 | 16,652 | 20,545 |
| Other leases | 7,000 | 11,204 | 7,000 | 11,204 |

In addition, the Group has signed leases for aircraft which will be delivered during the next financial year with a combined lease obligation of additional DKK 288 million.

# Notes to the Financial Statements

## 23 Contingent assets, liabilities and other financial obligations (continued)

**Other contingent liabilities**

The Group 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 Group has issued second mortgage of DKK 40 million to a shareholder for a debt of DKK 55 million, secured in the same building.

The Group 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 Group has an undrawn line of credit facilities of a total amount of DKK 25 million.

The Group has provided an unlimited guarantee in favour of the Finnish subsidiary.

## 24 Related parties

| | Basis |
|---|---|
| **Controlling interest** | |
| Lars Thuesen | IC King Street<br>St. James<br>London<br>SW1Y 6QG<br>United Kingdom |

Reference is made to note 1 for transactions with related parties.

## 25 Fee to auditors appointed at the general meeting

| | Consolidated 2017/18 TDKK | Consolidated 2016/17 TDKK | Parent Company 2017/18 TDKK | Parent Company 2016/17 TDKK |
|---|---|---|---|---|
| **PricewaterhouseCoopers** | | | | |
| Audit fee | 950 | 1,130 | 50 | 30 |
| Other assurance engagements | 50 | 100 | 0 | 0 |
| Tax advisory services | 170 | 190 | 0 | 0 |
| Other services | 971 | 3,783 | 0 | 0 |
| | **2,141** | **5,203** | **50** | **30** |

## 26 Hedging transactions

The 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.

Fuel hedging transactions at 31 August 2018 break down as follows:

| | |
|---|---|
| Fuel Hedges, MDKK | 10.9 |
| Value of hedging transaction, Payment / maturity, 0 - 14 months | 69.7 |

## 27 Cash flow statement - adjustments

| | Consolidated 2017/18 TDKK | Consolidated 2016/17 TDKK |
|---|---|---|
| Financial income | -111 | -9,713 |
| Financial expenses | 4,943 | 6,144 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 5,974 | 28,200 |
| Tax on profit/loss for the year | 80 | 144 |
| Other adjustments | 13,014 | 7,850 |
| | **23,900** | **32,625** |

# Notes to the Financial Statements

## 28 Cash flow statement - change in working capital

| | Consolidated | |
|---|---|---|
| | 2017/18 | 2016/17 |
| | TDKK | TDKK |
| Change in inventories | 3,786 | 4,565 |
| Change in receivables | 18,750 | 110,433 |
| Change in other provisions | -53,088 | -212,189 |
| Change in trade payables, etc | -28,604 | -83,189 |
| | **-59,156** | **-180,380** |

# Notes to the Financial Statements

## 29 Accounting Policies

The Annual Report of JT3H ApS for 2017/18 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.

The Consolidated and Parent Company Financial Statements for 2017/18 are presented in TDKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised 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 recognised 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.

### Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, JT3H ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company’s investments in the consolidated subsidiaries are set off against the Parent Company’s share of the net asset value of subsidiaries stated at the time of consolidation.

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

**Business combinations**

***Acquisitions***

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.

**Leases**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised 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 alternative borrowing rate 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 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. Exchange differences 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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

# Notes to the Financial Statements

**29 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.

### Revenue

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 3.

## Income Statement

### Revenue

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

### Production and lease costs

The Group 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.

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.

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

### Other external expenses

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

### Staff expenses

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.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Other operating income and expenses

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

### Income from investments in subsidiaries

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 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.

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

## 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, buildings, leasehold improvements, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and 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.

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.

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:

Buildings and installations: 10-15 years
Leasehold improvements: 3-5 years
Other fixtures and fittings, tools and equipment: 3-5 years
Modifications, leased aircraft: Remaining term of the lease, however not exceeding 5 years
Aircraft: According to production intensity over a period of up to 8 years with an expected residual value

Depreciation period and residual value are reassessed annually.

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

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.

**Impairment of fixed assets**

The carrying amounts of intangible assets and 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.

**Investments in subsidiaries**

Investments in subsidiaries are recognised and measured under 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 JT3H ApS are not recognized in the reserve for net revaluation.

On acquisition of enterprises, the purchase method is applied.

**Deposits**

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

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

**Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value. Where the net realisable value is lower than the cost, inventories are written down to this lower value.

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.

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

**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 prepaid expenses concerning costs incurred concerning subsequent financial years.

**Equity**

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.

***Dividend***

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.

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

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.

**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 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 recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

**Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

**Financial debts**

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

**Deferred income**

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

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

## Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

**Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

**Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

**Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from 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.

The cash flow statement cannot be immediately derived from the published financial records.

# Notes to the Financial Statements

**29 Accounting Policies** (continued)

## Financial Highlights

**Explanation of financial ratios**

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