

Sunclass Airlines ApS
CVR no. 40 84 44 22

Annual report 2020/21

Financial year 01 October 2020 to 30 September 2021

2nd financial year

Approved by the annual general meeting of the Company on 9 March 2022

Chairman of the meeting

Torben Østergaard Andersen

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Company information

Company

Sunclass Airlines ApS

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Board of Directors

Lars Magnus Wikner, Chairman

Eva Elisabet Palm

Per Knudsen

Torben Østergaard Andersen

Hilde Ibrekk, employee elected

Per Tobias Curt Ögren, employee elected

Executive Board

Torben Østergaard Andersen, CEO

Bent Erlandsen

Carsten Schiøler

Auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

CVR no. 33 77 12 31

Management's Statement

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of Sunclass Airlines ApS for the financial year 1 October 2020 to 30 September 2021.

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 of the Company on 30 September 2021 and of the results of the Company's operations for the period 1 October 2020 to 30 September 2021.

Further, in our opinion, the Management's review provides a fair presentation of the development in the Company's activities and financial matters and the results of the Company's operations and financial position.

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

Tårnby, 9 March 2022

Executive Board

Torben Østergaard Andersen
CEO

Bent Erlandsen

Carsten Schiøler

Board of Directors

Lars Magnus Wikner
Chairman

Eva Elisabet Palm

Per Knudsen

Torben Østergaard Andersen

Hilde Ibrekk

Per Tobias Curt Ögren

Independent Auditor's Report

To the Shareholders of Sunclass Airlines ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Sunclass Airlines ApS at 30 September 2021, and of the results of the Company's operations for the financial year 1 October 2020 – 30 September 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sunclass Airlines ApS for the financial year 1 October 2020 – 30 September 2021, 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, 9 March 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen

State Authorised Public Accountant

mne28703

Management's review

Financial highlights

The Company's financial and operational performance can be described by these figures:

All amounts in DKK'000.000

Key Figures	2020/21	2019/20
Income statement		
Revenue	601	1.493
Gross Profit	234	84
Operating Profit	-177	-528
Results from net financials	-45	-12
Net profit before tax	-252	-540
Net profit for the year	-181	-475
Balance sheet		
Equity	-452	-349
Balance sheet total	958	792
Investments in intangible and tangible assets	16	275
Other financial ratios		
Staff (Full-time)	506	875
Aircraft	10	11
Passengers (1.000), one-way	188	728
Cabin factor (%)	62	91
Number of flying hours (Block hours)	8.313	20.251
Financial ratios %		
Gross margin	39	6
Profit margin	-29	-35
Solvency ratio	-47	-44
Return on equity	n/a	n/a

For definitions, see note 28 Accounting policies.

Management's review

Principal activity

The Company's principal activity consists of transporting charter passengers to and from popular holiday destinations and selling duty-free and non-duty-free goods on-board. A major part of the Company's revenue consists of charter revenue from group enterprises which sell package tours.

The Company is wholly owned by Nordic Leisure Travel Group Denmark A/S and the ultimate owner is the Swedish Company Nordic Leisure Travel Group HoldCo AB.

Development in the year

The COVID-19 outbreak in 2020 and 2021 have affected the business tremendously as the Group has not been able to carry out its business as normal due to travel restrictions from the authorities in the Nordics, across Europe and the world in general. In order to meet the new market conditions, we have adapted our business during the pandemic and introduced a "Safe Travel" concept, so our customers can travel safely on our Aircraft. During the pandemic, as always, our main focus has been to focus on our passengers. A comprehensive effort from the organization has therefore been made to constantly keep the information up to date on our NLTG Group tour operator websites regarding the requirements and rules of different countries as well as a constant communication through different channels when things suddenly change from one day to another. All to make customers feel safe before their trip and to make it as easy as possible to travel.

After a difficult start of the year with lots of travel restrictions and a high spread of infection we began to see a glimpse of light during spring. When the vaccination of the population accelerated in the Nordics, Covid-19 restrictions in the Nordics were successively eased and the EU Covid Certificate was introduced, we experienced a very positive trend in the bookings and the demand for travel. The demand was increased significantly in especially Denmark when the Government lifted the travel bans. Bookings increased to approximately 85% of a normal production with departures in July - October. We could see similar effects in Sweden and Norway when restrictions and travel bans were lifted. Underlying all our customer behaviour research show a very large, accumulated demand for travels in the future.

Even though COVID-19 has limited the NLTG Groups normal business, the Group has focused on preparations for the future as well as finalizing the restructuring program and operation adaptations initiated in financial year 2019/20.

During the financial year the NLTG Group and Company has applied for various types of Governmental COVID-19 support. This includes furlough support, fixed cost compensation and Government support loans, all with significant contribution to support the Company financially in overcoming the COVID-19 pandemic.

In March 2021, the travel retail business was separated from airline and moved into a 100% Sunclass Airlines ApS owned subsidiary, Airshoppen Travel Retail A/S. The aim is to enable both internal and external growth of the travel retail business.

187.612 one-way passengers from and to Sweden, Norway, Denmark, and Finland, were transported during the year, hereof 85% during the last four months of the financial year.

The fleet has been consistent with 8 A321 and 2 A330 aircraft throughout the year. Of the total of 10 aircraft, one A330 is owned and the remaining are all operational leased aircraft. At the financial year-end, the Company's fleet had an average age of twelve years.

The income statement shows a loss for the year of DKK 181 million. Management does not consider the results satisfactory as they do not meet the business plan for the year. However, the loss is what can be expected because of the COVID-19 pandemic.

The equity per 30 September 2021 is negative by DKK 452 million due to this and previous year's negative results.

Capital resources

Refer to note 1 in the Financial Statements.

Uncertainty relating to recognition and measurement

The accounting estimates and judgements, which may entail a risk of material adjustments in subsequent years are described in note 2 of the Financial Statements.

Unusual events

The financial position of the Company and the results of the activities of the Company for the financial year for 2020/21 have been materially affected by the COVID-19 pandemic by material reduction in revenue etc.

Special risks

Operating risks

Management does not consider Sunclass Airlines ApS to be exposed to any other special operating risks other than what is normal for an airline and geopolitical risks at the destinations, included in the flight program for the NLTG tour operators.

Financial risks

Sunclass Airlines ApS has a large cash flow in foreign currencies. The Company hedge this net exposure by making forward contracts. Similarly, the risk of fuel price fluctuations is hedged by financial commodity contracts (fuel swaps). Contracts to hedge future cash flows and fuel purchases are recognised directly in equity until the underlying transactions are realised.

The value of the financial contracts concluded on 30 September 2021 measured against the market prices on the same date is positive by DKK 26 million.

Changes in fuel prices and the USD exchange rate are adjusted in the seat prices and have no significant effect on the net profit or loss of the year as USD and fuel are hedged at a price level corresponding to the conditions agreed in the seat prices. This and hedging of other currency risk are part of the hedging policy of the Company to eliminate risks from fluctuations in the financial markets.

Environmental issues

Thomas Cook Airlines Scandinavia was one of the first airlines in the world to have obtained certification according to the standard and Sunclass Airlines acquired the system with other assets and intellectual rights from Thomas Cook Airlines Scandinavia. The airline was fully certified according to the ISO standard from 2010 until 2020. The environmental work is still conducted based on the principles and guidelines in the environmental standard.

The strategy is based on many years of environmental work experience and continues to support a wide focus across the business. Fuel consumption and thus CO₂ emissions during the reported fiscal year have been affected by the crisis. The average CO₂ emission per passenger kilometre was 76 grams in 2020/21. Under the conditions the industry has been under during the last year, it is still among the lowest carbon footprint per passenger kilometre in the entire aviation industry. The Company performs cabin waste segregation directly on board the aircraft and use electronic tablets as a work tool for pilots and cabin crew providing a significant reduction in fuel and emissions on aircraft.

The Company is subject to the European emissions trading system (EU-ETS), Energy Efficiency Directive (EU EED) and ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSIA). The Company is complying with the requirements and will submit filings and the monitoring plan according to the respective deadlines.

Corporate social responsibility

The Company does not have its own policies for environment, climate, and human rights. The Company is included in the reporting with the Group's ultimate parent Company, NLTG Holdco AB, which is published on https://dk.sunclassairlines.dk/media/2c8177fa-8538-4858-959c-3a4273053be7/YfKBTA/Website%20files%20for%20download/nltg_sustainability_report_2022_211228_low.pdf

Underrepresented gender – Policies and target figures

It is the Company's goal that the Board of Directors is composed in such a way that it is effectively able to perform its tasks related to strategy development, management, and control. We seek to nominate candidates whose profiles and skills are best suited for the Company taking into consideration the Company's activities, development, and challenges. Gender is considered when nominating candidates to the Board of Directors together with the Company's other recruitment criteria, including professional qualifications, industry experience, etc.

The Company has set a target for gender balance of the Company's board of directors. The aim is that the underrepresented gender is never lower than one fourth (25%) of the general meeting elected members. Currently 1 out of 4 owner elected members is a woman and thus, the target is achieved.

In addition, the Company has a policy to increase the share of the underrepresented gender among the Company's other management levels (Executive Board and Middle Management).

Our plan is that the gender composition of the Company's other management levels shall reflect the Company's requirements regarding skills and qualifications taking into consideration the policies from the Group framework. At the end of 2021, the gender composition of the Company's other management levels were 31% women and 69% men (was 39% women and 61% men the last year). This year's result is heavily influenced by the impacts of the Covid19 pandemic. It is our assessment that the initiatives will have a positive long-term effect on the gender composition, and therefore we find no cause to change the initiatives to increase the proportion of female managers.

Subsequent events

Refer to note 1 and 4 in the Financial Statements.

Expectations for the year ahead

The NLTG Group's short-term development will naturally be impacted by the COVID-19 pandemic and the associated business environment factors. To reduce the spread of infection on the journeys that are conducted, we continue to focus on complying with the requirements of the authorities involved and our own expanded safety measures implemented.

Market research shows that post COVID-19, a top priority for people is to travel again and some even more than before the pandemic. Safety and generous terms are important factors when traveling post COVID-19 and this is something that has been considered in our "Safe Travel" concept. A number of our own customer surveys as well as external surveys show that people long to travel and there is a huge, accumulated demand for travelling when the COVID-19 disease concern is reduced.

As most of the population in the Nordics and on our destinations have been vaccinated with the first doses, the NLTG Tour Operators have seen a positive effect in the bookings during the fall 2021. This was also reflected in the bookings for financial year 21/22. But things change fast and with new mutations, like the Omicron variant, restrictions were re-introduced during December 2021 where COVID-19 concerns still result in reduced demand for near future travels with departure in the beginning of 2022. We although see, once again, that demand for travelling is returning quickly when restrictions are eased. Also, clinical research now strongly indicate that the pandemic will very soon develop to an endemic disease.

Based on the above the management is still confident that the travel market will be normalized post COVID-19, it is merely a matter of timing in 2022 before this will materialize.

Due to the COVID-19 development in December 2021 the NLTG Group trading for winter 2021/22 will not recover to more normalized volumes as current capacity for winter is app. 50% of a normalized winter. Trading and capacity for October to December 2021, where demand and volume had recovered significantly, has performed well, and improved significantly to prior year. Summer 2022 program was launched in June 2021 and has booked well although with some delay in booking intake during January 2022 to a normalized year in some countries. We still see and expect a large, accumulated desire for our customers to travel abroad again why Summer 2022 volume and profitability is reaching a more normalized market.

The NLTG Group sales for the new financial year are although still sensitive to the COVID-19 pandemic but having more than 90% of our capacity within the EU, the Group management remain positive and is confident that business will recover significantly from the last financial year. We expect to report a revenue above 2 billion DKK in Sunclass Airlines and a positive operating profit for both the Group and Sunclass Airlines for the 2021/22 financial year.

Based on the latest outlook, management expect a small profit for 2021/22.

Foreign branches

The Company has the following foreign branches:

<u>Name</u>	<u>Registered office</u>
Sunclass Airlines ApS Swedish branch	105 20 Stockholm, Sweden
Sunclass Airlines ApS Norwegian branch	Flyterminalen, 2060 Gardermoen, Norway
Sunclass Airlines ApS Spanish branch	Aeropuerto de Palma de Mallorca, Palma de Mallorca, Spain
Sunclass Airlines ApS Portuguese branch	Praca Marques de Pombal 1, 1250-160 Lisbon, Portugal

Income statement	Note	2020/21 DKK'000	2019/20 DKK'000
Revenue	5	601.238	1.492.965
Production cost and cost of goods sold	3	-588.035	-1.566.295
Other income	3	277.236	233.904
Other external expenses		-56.022	-76.746
Gross Profit		234.417	83.828
Staff costs	6	-368.511	-577.431
Depreciation, amortisation and impairment	7	-42.802	-34.202
Operating Profit		-176.896	-527.806
Result from investment in subsidiaries	13	-29.325	0
Financial income	8	23	523
Financial expenses	9	-45.056	-12.984
Profit before tax		-251.254	-540.266
Tax on profit for the year	10	70.555	64.786
Net profit for the year		-180.699	-475.480

Assets	Note	2020/21 DKK'000	2019/20 DKK'000
Goodwill		162.207	183.797
Software		7.693	11.033
Intangible assets	11	169.900	194.830
Aircraft and spare parts		30.776	37.181
Buildings on leased land		862	1.659
Fixtures, fittings, tools and equipment		2.391	7.360
Property, plant and equipment	12	34.029	46.200
Investment in subsidiaries	13	19.175	200
Other receivables	14	5.934	7.873
Deposits	14	89.852	71.616
Financial fixed assets		114.961	79.689
Total fixed assets		318.890	320.718
Inventories	15	12.931	47.593
Trade receivables		2.789	23.542
Other receivables	16	327.159	160.365
Deferred tax asset	17	170.555	100.000
Receivables from affiliated companies	18	55.204	101.251
Prepayments	19	61.487	35.790
Receivables		617.194	420.947
Cash and cash equivalents		9.723	2.262
Total current assets		639.848	470.803
Total assets		958.738	791.521

		2020/21	2019/20
Equity and liability	Note	DKK'000	DKK'000
Share capital		1.000	1.000
Reserve for net revaluation under the equity method		0	0
Hedging reserve		26.007	-52.513
Retained earnings		-478.104	-297.405
Proposed dividend for the financial year		0	0
Total equity		-451.097	-348.918
Aircraft maintenance provisions	20	361.553	183.517
Total provisions		361.553	183.517
Bank loan	21	583.332	367.000
Lease accruals	21	37.174	29.719
Deferred holiday pay	21	37.075	36.791
Long-term debt		657.581	433.510
Bank loan	21	116.668	43.000
Lease accruals	21	11.970	0
Trade payables		108.052	131.892
Payables to affiliated companies		23.906	8.148
Other payables	22	130.105	337.254
Deferred income		0	3.118
Short-term debt		390.701	523.412
Total debt		1.048.282	956.922
Total equity and liabilities		958.738	791.521

Additional notes

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Statement of changes in equity

DKK'000	Share capital	Hedging reserve	Retained earnings	Proposed dividends	Total
Equity at 01 October 2020	1.000	-52.513	-297.405	0	-348.918
Reversal of pre-tax adjustment of derivative financial instruments, 01 October 2020	0	52.513	0	0	52.513
Pre-tax adjustment of derivative financial instruments, 30 September 2021	0	26.007	0	0	26.007
Dividend paid	0	0	0	0	0
Net profit /loss for the year	0	0	-180.699	0	-180.699
Equity at 30 September 2021	1.000	26.007	-478.104	0	-451.097

The share capital is divided into 1,000,000 shares each of DKK 1.

Note 1 – Capital Resources

Sunclass Airlines ApS equity per September 30, 2021 is negative by DKK 452 million due to this and last year's negative result because of the Covid-19 pandemic. The Company is therefore covered by the Danish Companies Act's rules on capital losses. It is Management's assessment that equity will be restored in the future by capital contributions, earnings or a combination thereof.

Due to the Company's capital and liquidity conditions, the Company is dependent on continued liquidity from Group companies, including NLTG HoldCo AB. The Company has received a letter of support from Nordic Leisure Travel Group HoldCo AB, stating that Nordic Leisure Travel Group HoldCo AB will support Sunclass Airlines ApS to the extent necessary for the financial year 2021/22 and until 31 December 2022.

In the ongoing financial year, the cashflow headroom for the NLTG Group has developed satisfactorily and is significantly better than the "worst case" scenario, our additional financing facilities were based on when completed in Summer and Autumn 2020. At the end of the financial year the Group net debt was SEK 1.469 million resulting in a cash headroom above SEK 1.350 million.

During the financial year 2020/21, the ultimate shareholders of the NLGT Group have injected new capital in the form of cash into the NLTG Group corresponding to SEK 433 million. Subsequently, the ultimate shareholders have in January 2022 by contribution in kind injected further SEK 394 million. The contribution in kind comprises the shares in NLTG HH Holdco AB. In addition to this, the ultimate shareholders of the NLTG Group issued a capital commitment letter toward its main credit institution guaranteeing that the NLTG Group at certain reference dates fulfils certain covenants in respect of Minimum Equity, Liquidity and EBITDA. For the bank loan in Sunclass Airlines ApS, a specific covenant applies, refer to note 21. It is the assessment of Management that the specific covenant will be met.

The NLTG Group experiences a positive effect in future bookings especially in Denmark where restrictions are lifted. A similar trend is expected in Sweden and Norway when restrictions ease up. Because of Covid-19, Management expects a small profit for the financial year 2021/22. For subsequent years, Management expects that profits will grow further based on the strategic plans for the NLTG Group and the Company.

It is the assessment of the Executive Board and the Board of Directors that the Group and the Company, because of the above, has sufficient capital resources to continue operations and support Sunclass Airlines ApS. Management therefore submits the Annual Report on the assumption of going concern.

Note 2 – Uncertainty in recognition and measurement

The preparation of the Financial Statements requires Management to make estimates and judgments. These are the basis for recognition and measurement of the Company's income, expenses, assets and liabilities.

The applied estimates are based on historical data and other factors that Management considers appropriate under the given circumstances, but which are inherently uncertain or unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Company is subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates.

Further, the Company is subject to risks and uncertainties which can lead to the actual outcome differentiating from these estimates. This means that an estimate can be subject to significant uncertainty.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events that affects the current as well as future periods.

Because of the market conditions at present within the business area of the Company, Management has, when presenting the Financial Statements, made significant estimates especially when performing.

- Impairment test of goodwill
- Determining whether an aircraft lease is an operating or finance lease
- Measurement of deferred tax asset
- Measurement of aircraft maintenance provisions

As described in Management's review, profit is expected again in the financial year 2022/23, which is based on a recurring demand for holiday travel.

Note 3 - Special Items

Special items comprise costs, which is special due to their size or nature e.g government grants, gain from sale of assets, redundancy costs and losses on fuel hedges due to COVID-19.

For the financial year 2020/21 the income statement includes fuel hedge losses due to cancelled production volumes and redundancy cost due to re-organizing the Company.

As of March 1, 2021 the Company sold net assets related to the travel retail business to the subsidiary Airshoppen Travel Retail A/S with a gain of DKK 8,5 million. The gain is reported as Other income in the income statement.

Compensations related to COVID-19 amounts to DKK 268 millions.

	2020/21 DKK '000	2019/20 DKK '000
Other income	277.236	233.904
Production costs and cost of goods sold	-19.200	-232.633
Staff costs	-43.151	0
	<u>214.885</u>	<u>1.271</u>
Losses on hedge instruments	-19.200	-159.414
Additional costs related to start of operations	0	-61.252
Additional costs related to sand storm Calima	0	-11.967
Redundancy cost	-43.151	0
Profit from sale of assets	8.543	0
Fixed cost compensation	230.348	170.000
Salary cost compensation	38.345	63.904
	<u>214.885</u>	<u>1.271</u>

Note 4 - Subsequent events

A part of the NLTG Group environmental strategy is to reduce the Carbon emission footprint in the Airline with 25% per passenger kilometer. Achieving this goal will require a renewal of parts of the fleet and management has accordingly entered an LOI with an Aircraft Lessor regarding a 12-year lease agreement for 2 A330-900neo widebody aircraft. The two aircraft are planned for delivery in FY23 and FY24 and will replace the current A330 aircraft in the fleet.

Please also see note 1.

No other subsequent events have occurred after the end of the financial year which could affect the Company's financial situation.

	2020/21 DKK '000	2019/20 DKK '000
Note 5 - Segment information		
Activities - primary segment		
Flight	561.245	1.312.328
Ancillary and other	39.993	180.637
	<u>601.238</u>	<u>1.492.965</u>
Geographical - secondary segment		
Scandinavia	601.238	1.492.965
	<u>601.238</u>	<u>1.492.965</u>
Note 6 - Staff Costs		
The total staff costs can be specified as follows :		
Wages and salaries	313.875	501.441
Pension contributions	37.147	33.188
Other social security costs	17.489	42.802
	<u>368.511</u>	<u>577.431</u>
Remuneration to Executive Board	<u>4.619</u>	<u>5.634</u>
Average number of employees (full-time)	<u>506</u>	<u>875</u>
No remuneration has been paid to the Board of Directors.		
Note 7 - Depreciation and amortisation		
Intangible assets	24.577	17.161
Property, plant and equipment	18.225	17.041
	<u>42.802</u>	<u>34.202</u>
Note 8 - Financial income		
Interest income, affiliated companies	0	523
Interest income, bank	18	0
Interest income, other	5	0
	<u>23</u>	<u>523</u>
Note 9 - Financial expenses		
Interest expenses, bank loan	41.054	8.903
Interest expenses, mortgage credit	0	149
Banking and warranty costs	387	5
Income tax surcharge	3	-3
Interest expenses, other	3.612	3.929
	<u>45.056</u>	<u>12.984</u>
Note 10 - Tax on profit for the year		
Change in deferred tax	<u>70.555</u>	<u>64.786</u>
Tax on profit for the year	<u>70.555</u>	<u>64.786</u>

Note 11 - Intangible assets

	Goodwill	Software	Total
Aquisition price at 01 October 2020	200.738	11.253	211.991
Additions during the financial year	0	5.300	5.300
Disposals during the financial year	0	-6.450	-6.450
Aquisition price at 30 September 2021	<u>200.738</u>	<u>10.103</u>	<u>210.841</u>
Amortisation at 01 October 2020	16.941	221	17.162
Amortisation for the financial year	21.590	2.987	24.577
Reversed amortisation on assets disposed during the financial year	0	-798	-798
Amortisation at 30 September 2021	<u>38.531</u>	<u>2.410</u>	<u>40.941</u>
Carrying amount at 30 September 2021	<u>162.207</u>	<u>7.693</u>	<u>169.900</u>

Note 12 - Property, plant and equipment	Aircraft and Spare Parts	Buildings	Fixtures, etc	Total
Aquisition price at 01 October 2020	51.266	2.436	9.539	63.241
Additions during the financial year	9.458	0	858	10.317
Disposals during the financial year	0	0	-6.822	-6.822
Aquisition price at 30 September 2021	<u>60.724</u>	<u>2.436</u>	<u>3.576</u>	<u>66.736</u>
Depreciation at 01 October 2020	14.085	777	2.179	17.041
Depreciation for the financial year	15.863	797	1.564	18.225
Reversed depreciation on assets disposed during the financial year	0	0	-2.559	-2.559
Depreciation at 30 September 2021	<u>29.948</u>	<u>1.574</u>	<u>1.184</u>	<u>32.707</u>
Carrying amount at 30 September 2021	<u>30.776</u>	<u>862</u>	<u>2.391</u>	<u>34.029</u>

Aircraft and spare parts comprise aircraft-related assets owned by the Company.

Note 13 - Investments in subsidiaries**Investments in subsidiaries**

Aquisition price at 01 October 2020	200
Additions during the financial year	48.300
Aquisition price at 30 September 2021	<u>48.500</u>
Revaluation at 01 October 2020	0
Profit/loss for the year	-29.325
Revaluation af 30 September 2021	<u>-29.325</u>
Carrying amount at 30 September 2021	<u>19.175</u>

Name	Location	Ownership	Share capital
Sunclass Airways A/S	Copenhagen, Denmark	100%	100
Airshoppen Travel Retail A/S	Copenhagen, Denmark	100%	1.000

There has been no activities in Sunclass Airways A/S during the financial year and the company is in liquidation.

Note 14 - Receivables and Deposits	Other receivables	Deposits
Aquisition price at 01 October 2020	7.873	71.616
Additions during the financial year	231	9.431
Reclassification	0	11.999
Disposals during the financial year	-2.170	-3.488
Currency adjustment	0	294
Aquisition price at 30 September 2021	<u>5.934</u>	<u>89.852</u>

Note 15 - Inventories	2020/21 DKK '000	2019/20 DKK '000
Goods for resale	0	36.984
Spare Parts	12.931	10.609
	<u>12.931</u>	<u>47.593</u>

Note 16 - Other receivables

Unrealised gains on currency contracts	26.346	8.025
Government grants	9.734	84.624
Lessor receivables	278.153	50.782
Other receivables	12.926	16.934
	<u>327.159</u>	<u>160.365</u>
Hereof due after one year	<u>229.324</u>	<u>50.782</u>

Note 17 - Deferred tax asset

Fixed assets	-31.140	-38.770
Derivatives	0	29.156
Trade receivables	226	188
Prepayments	-6.654	-6.903
Aircraft maintenance provisions	18.348	40.374
Lease liability	10.812	5.464
Tax losses carry-forward	178.963	70.491
	<u>170.555</u>	<u>100.000</u>

Assumptions for valuation of the deferred tax asset of DKK 170 million are NLTG group growth strategy generated earning increases including increased fleet utilization, fleet renewal and other measures with impact in the company, and current tax legislation and rate.

	2020/21	2019/20
	DKK '000	DKK '000
Note 18 - Receivables from affiliated companies		
Trade receivables from affiliated companies	12.890	32.791
Cash, affiliated companies	42.314	68.461
	<u>55.204</u>	<u>101.252</u>

The Company is included in a cash pool agreement with other Nordic group companies through the Group's primary banker in Denmark, Norway and Sweden.

Note 19 - Prepayments

Flight insurance prepayment	12.909	7.316
Lease prepayment	7.633	5.380
CO2 prepayment	0	10.166
Prepayments to vendors	31.239	0
Other prepaid expenses	9.706	12.928
	<u>61.487</u>	<u>35.790</u>

	Aircraft maintenance
Note 20 - Aircraft maintenance provisions	
Provisions at 01 October 2020	183.517
Additional provision in the year	46.051
Reclassification	210.249
Utilised in the year	-20.101
Unused provision released to profit and loss	-43.904
Currency adjustment	-14.260
Provisions at 30 September 2021	<u>361.553</u>

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Company's aircraft in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of an aircraft with major overhauls typically occurring between 2 and 10 years. The aircraft maintenance provisions are reassessed at least annually in the normal course of business with a corresponding adjustment made to either non-current assets (aircraft and aircraft spare parts) or aircraft costs which is included in Production costs and cost of goods sold.

Note 21 - Long Term debt	2020/21 DKK '000	2019/20 DKK '000
The bank loan is falling due as follows:		
Within 1 year	116.668	43.000
Between 1 and 5 years	583.332	367.000
After 5 years	0	0
	<u>700.000</u>	<u>410.000</u>
Lease accruals is falling due as follows:		
Within 1 year	11.970	0
Between 1 and 5 years	31.460	20.865
After 5 years	5.714	8.854
	<u>49.144</u>	<u>29.719</u>
The deferred holiday pay is falling due as follows:		
Within 1 year	486	0
Between 1 and 5 years	6.402	0
After 5 years	30.673	36.791
	<u>37.561</u>	<u>36.791</u>

Covenants applying to the bank financing include earning measures. It is the assessment of Management, that these will be met based on the latest expected development.

Note 22 - Other payables

Holiday pay obligation	20.350	32.469
Withholding tax payable and other staff-related costs	96.255	97.198
VAT and duties payable	0	146
Unrealised loss on fuel and currency contracts	339	60.538
Realised loss on fuel and currency contracts	0	132.526
Other payables	13.161	14.377
	<u>130.105</u>	<u>337.254</u>

Note 23 - Contingent liabilities, securities etc	2020/21 DKK '000	2019/20 DKK '000
Total lease commitments (operating lease) due for payment		
Within 1 year	223.352	191.384
Between 1 and 5 years	854.987	987.626
After 5 years	369.243	348.235
	<u>1.447.582</u>	<u>1.527.245</u>
 The total lease commitments can be specified as follows:		
Lease of aircraft and spare parts	1.441.062	1.483.439
Lease of buildings, hangar area, etc	5.252	42.712
Other leases	1.267	1.094
	<u>1.447.582</u>	<u>1.527.245</u>
 Bank guarantees	<u>12.836</u>	<u>20.271</u>

The ultimate controlling shareholder NLTG HoldCo AB has a RCF facility of 1.000 million SEK and a EKN facility of 785 million SEK in DNB Bank ASA , whereas Sunclass Airlines ApS has signed as guarantor for the facility together with other companies in the Group.

Shares in the subsidiary Airshoppen Travel Retail A/S has been pledged as security for bank debt.

There are no other securities.

The lease commitments regarding aircraft and spare parts have been translated from USD using the exchange rate at balance sheet date

The Company is included in a joint taxation with other Danish group companies. Thereby, the Company is jointly and severally liable for income tax with the other Danish Group Companies.

Note 24 - Auditor fee

Referring to the Danish Statements Act § 96, sub section 3, information on fees to Auditors elected on a general meeting, has been omitted. We refer to the financial statement of NLTG HoldCo AB.

Note 25 - Currency risk and use of derivative financial instruments

Sunclass Airlines ApS uses hedging instruments to hedge non-recognised transactions.

Forecast transactions

Sunclass Airlines ApS uses forward exchange contracts to hedge expected currency risks relating to purchase of goods in the coming year.

	Contractual value	Gains and losses recognised in equity and expected to be realised after the balance sheet date.
Forward exchange contracts, within 1 year	198.934	6.051
Forward exchange contracts, after 1 year	0	0
Fuel swaps, within 1 year	132.253	19.957
Fuel swaps, after 1 year	0	0
	<u>331.187</u>	<u>26.007</u>

Note 26 - Related parties

Parties exercising control

Controlling shareholder: Nordic Leisure Travel Group Denmark A/S
 Kay Fiskers Plads 9, 4
 2300 København S
 Denmark
 Cvr.nr.: 18809036

Ultimate controlling shareholder: NLTG HoldCo AB
 Box 16116
 SE-103 23 Stockholm
 Org.nr.: 559222-2789

Consolidated financial statements

The company's immediate parent company Nordic Leisure Travel Group Denmark A/S does not prepare consolidated financial statements. Sunclass Airlines ApS and subsidiaries are included in the consolidated financial statements of the ultimate parent company NLTG HoldCo AB, Sweden.

The consolidated financial statements for NLTG HoldCo AB can be obtained at:

NLTG HoldCo AB
 Rålambsvägen 17
 112 59 Stockholm
 Sweden

Related party transactions

The Company's intercompany transactions and normal management remuneration has during the year been entered into at arm's length basis.

	2020/21 DKK '000	2019/20 DKK '000
Note 27 - Proposed distribution of profit		
Transferred to retained earnings	-180.699	-475.480
Dividends to the shareholder	0	0
	<u>-180.699</u>	<u>-475.480</u>

Note 28 - Accounting policies

The Annual Report is presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of Reporting Class C

The Annual Report is presented in Danish kroner (DKK) 1,000.

Cash flow statement

In accordance with section 86 (4) of the Danish Financial Statement Act no cash flow statement has been prepared, whereas this is included in a cash flow statement for NLTG Holdco AB, Sweden.

Consolidated financial statements

The subsidiaries of the Company have had no activities in the financial year. With reference to section 111 (1) of the Danish Financial Statements Act, the Company has not prepared Consolidated Financial Statements. Reference is made to the Consolidated Financial Statements of NLTG Holdco AB, Sweden.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

Accounting policies

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

Leasing

Leases in terms of which the Company 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 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 recognized in the income statement on a straight-line basis over the lease term. If the cumulative expense exceeds the payments made in the period, the amount is included in lease accruals.

Foreign currency translation

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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.

Accounting policies

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured in the balance sheet at cost and subsequently at fair value. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments that are classified as and meet the requirements for fair value hedging of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments that are classified as and meet the requirements for hedging of future transactions are recognised directly in equity. When the hedged transactions are realised, the changes are recognised in the relevant items.

Income statement

Revenue

Income from the sale of charter flights is recognised in the income statement on the departure date. Income from the sale of duty-free and non-duty-free goods, included and reported as "Ancillary and Other", is recognised in the income statement on delivery date. Revenue is recognised exclusive of VAT, taxes and sales discounts and is measured at fair value of the fixed consideration.

Segment information on revenue

Information on business segments and geographical segments is based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Production costs and cost of goods sold

Production costs and cost of goods sold include direct costs incurred in achieving the revenue.

Accounting policies

Other external expenses

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

Staff costs

Staff costs include salaries, pensions, and other social security costs of all employees of the Company and its branches.

Depreciation and impairment losses

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

Government grants

Governments grants, eg. government aid programmes, are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them, and there is reasonable assurance, that the Company will receive the grant.

Government grants are recognized in the income statement on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, or immediately if the grant is not conditioned by incurring future expenses or investments. Government grants related to acquiring an asset is recognized as deferred income.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including government grants, gains and losses on intangible and property, plant and equipment.

Financials

Interest income and expenses comprise interest on loans and realised and unrealised foreign exchange adjustments.

Accounting policies

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Nordic Leisure Travel Group Holding Denmark A/S acts as the management Company in the Tax Group. Provision for and payment of the aggregate Danish tax of the taxable income of the Danish subsidiaries are made by Nordic Leisure Travel Group Holding Denmark A/S.

Balance sheet

Intangible fixed assets

Goodwill and software acquired is measured at cost less accumulated amortisation.

Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Software is amortised on a straight-line basis over its useful life, which is assessed at a maximum of four years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Tangible fixed assets

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

Accounting policies

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. 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 period and residual value are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Buildings on leased sites are depreciated on a straight-line basis over the expected economic life, but not exceeding expiry of the guaranteed lease term for the site. Installations are depreciated over fifteen years, always provided that the installations will be completely depreciated at the same time as the building.

Operating equipment and fixtures are depreciated on a straight-line basis over the expected useful life, i.e. normally 3-5 years. Aircraft and spare parts including aircraft-related assets and improvements owned by the Company are depreciated on a straight-line basis over the expected useful life, i.e. normally up to fifteen years.

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.

Accounting policies

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries. Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Fixed-asset investments

Deposits are recognised at acquisition cost calculated at cost.

Inventories

Inventories comprise goods for resale and spare parts and are measured at costs based on an approximated FIFO method or at net realisable value, whichever is the lower. The net realisable value of stocks is calculated at the amount that they are expected to fetch when sold in normal operation, less selling and completion costs. The net realisable value is calculated with due consideration of negotiability, obsolescence, and the development of the expected selling price.

The cost of goods for resale includes the purchase price plus delivery costs.

Accounting policies

Receivables

Receivables are measured at amortised cost, which corresponds to nominal value, less write-downs to meet expected losses.

Payments to aircraft lessors regarding future maintenance is recognised as Other receivables within current assets.

Short-term net deposits with group enterprises are recognised in receivables.

Prepayments

Prepayments under assets include expenses incurred but concerning the subsequent financial year.

Equity

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Aircraft maintenance provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions have been made to cover the costs incurred by contractual maintenance obligations for leased aircrafts. The provisions are calculated based on flight hours at the USD exchange rate on the balance sheet date.

Maintenance costs incurred are deducted in provisions.

Accounting policies

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.

Other financial liabilities

Other financial liabilities are recognised at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income under liabilities includes payments received but recognised in the income statement in the subsequent financial year. Deferred income over 1 year is classified as long term.

Accounting policies

Financial highlights

The financial ratios have been prepared in accordance with the definitions below.

Other financial ratios

Aircraft = Average number of aircraft in the fleet for the year

Cabin factor =
$$\frac{\text{Guests} \times 100}{\text{Seats flown}}$$

Number of flying hours (Block hours) = In-flight production hours

Financial ratios (%)

Gross margin =
$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin =
$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

Solvency ratio =
$$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$$

Return on equity =
$$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity adjusted for dividend payment}}$$