
Aviator Airport Services Denmark A/S

Vestvej 4, DK-2770 Kastrup

Annual Report for 1 January - 31 December 2019

CVR No 62 71 40 18

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
7 /9 2020

Jo Alex Tanem
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Aviator Airport Services Denmark A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations for 2019.

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

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

Kastrup, 31 August 2020

Executive Board

Jens Bo Hansen
Managing Director

Board of Directors

Jo Alex Tanem
Chairman

Per Göran Wassberg

Lars Ove Wrist-Elkjær

Sanne Hartung Christensen
Staff Representative

Claus Nicki Thomsen
Staff Representative

Independent Auditor's Report

To the Shareholder of Aviator Airport Services Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Aviator Airport Services Denmark A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 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 Financials 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 misstate-

Independent Auditor's Report

ment, 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 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 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

Independent Auditor's Report

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, 31 August 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

René Otto Poulsen
State Authorised Public Accountant
mne26718

Anders Røjleskov
State Authorised Public Accountant
mne28699

Company Information

The Company

Aviator Airport Services Denmark A/S
Vestvej 4
DK-2770 Kastrup

Telephone: + 45 32 47 47 00
Facsimile: + 45 32 51 10 18

CVR No: 62 71 40 18
Financial period: 1 January - 31 December
Municipality of reg. office: Tårnby

Board of Directors

Jo Alex Tanem, Chairman
Per Göran Wassberg
Lars Ove Wrist-Elkjær
Sanne Hartung Christensen
Claus Nicki Thomsen

Executive Board

Jens Bo Hansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Profit/loss					
Gross profit/loss	222,040	249,878	189,207	183,491	207,990
Profit/loss before financial income and expenses	-14,232	27,821	-15,138	-30,561	-38,746
Net financials	-95	-764	-4,624	-1,785	-1,108
Net profit/loss for the year	-8,831	25,222	-18,458	-28,184	-39,854
Balance sheet					
Balance sheet total	116,820	120,509	93,667	65,112	56,859
Equity	34,499	43,330	18,108	-113,434	-85,250
Investment in property, plant and equipment	4,720	-1,379	-2,022	-536	1,177
Number of employees	437	419	413	391	463
Ratios					
Return on assets	-12.2%	23.1%	-16.2%	-46.9%	-68.1%
Solvency ratio	29.5%	36.0%	19.3%	-174.2%	-149.9%

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

Key activities

Aviator Airport Services Denmark A/S provides airport-related services for airlines and other actors at Copenhagen Airport. Aviator's overall aim is to provide customers with high, stable quality of delivery, with the help of knowledgeable and motivated employees, thereby creating the preconditions for good profitability and added value for its owners.

Development in the year

The income statement of the Company for 2019 shows a loss of TDKK 8,831, and at 31 December 2019 the balance sheet of the Company shows equity of TDKK 34,499.

The airline industry has continued focus on cost-reducing initiatives, which has influenced their suppliers, eg. the handling industry. Furthermore Airlines have increased their focus on quality, where ground handlers are important partners. This means that Aviators in 2019 has focused on reducing cost and improving quality at the same time to be able to meet Airline demands.

The past year and follow-up on development expectations from last year

The income statement of Aviator for 2019 shows a loss for the year of thousand DKK 8,831, which is thousand DKK 34,053 lower than the profit of thousand DKK 25,222 in 2018. The lower result is primarily related to the sale of the lounge activity in 2018. The result in ground handling follows the expectations in the turn around plan, that was launched in 2015.

Capital resources

At 31 December 2019 the balance sheet of Aviator shows an equity of thousand DKK 34,499 (2018: thousand DKK 42,676). Total assets amount to thousand DKK 116,820 (2018: thousand DKK 120,509). Aviator is a part of the cashpool in the Aviator Group.

Company management estimates that based on the group cashpool and expectations to 2020, the Company has sufficient cash resources available to continue its operation in 2020 and thereby being going concern.

Special risks

Aviator is exposed to a number of risk factors that are fully or partially beyond the company's control but that may impact earnings.

General economic situation

Aviators activities were significantly impacted by the spread of COVID-19 virus. Lockdowns are being enforced and prolonged across territories restricting daily operations. In April, May and June the traffic has decreased to nearly nothing.

Management's Review

Political risks

The aviation industry may be severely affected by external events such as terrorist threats or political instability. Strikes can affect Aviators capability to deliver negatively over shorter periods of time.

Credit risks

Credit risk is limited to accounts receivable. Today's increasing competition in the airline industry could result in airlines collapsing, which may affect Aviator in the form of losses.

Targets and expectations for the year ahead

Even though Aviator has sought for support packages provided by government 2020 will be a difficult year in a financial perspective. At the moment traffic prognoses for the rest of 2020 are very uncertain – and therefore it is not possible to give exact indications on financial performance in 2020.

External environment

Aviator works systematically to reduce negative effects on both environment and working environment under the conditions that Aviator operate.

Copenhagen Airport has set out a strategy to reduce negative environmental impact. Aviator goes along that strategy and will during 2020 replace a part of our diesel-tractors with electrical-tractors.

Intellectual capital resources

Aviators services are subject to significant quality and security demands. Training of staff in these areas is therefore a significant cost.

Uncertainty relating to recognition and measurement

Impairment tests of fixed assets have been made – and no need for write-downs are identified by management. Furthermore management has assessed that future cash flow is sufficient to avoid future write-downs.

Aviator has included a deferred tax asset of DKK thousand 8,000 due to expectations of positive taxable income over the coming 4 years. In this is included the use of tax loss carried forward and positive taxable income in Danish sister companies that are part of the joint taxation.

The deferred tax asset is subject to significant uncertainties, but as valuation is based on Management's best evaluation of future taxable income in Aviator and their Danish sister companies.

Management's Review

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Subsequent events

Aviators activities were significantly impacted by the spread of COVID-19 virus. Lockdowns are being enforced and prolonged across territories restricting daily operations. In April, May and June the traffic has decreased significantly. This has made it necessary to reduce the number of employees which lead to a reduction of 289 employees at the end of June 2020.

The spread of Covid-19 will impact the evaluations related to impairment tests, credit losses etc. The pandemic started in Denmark after year-end 2019 and is a new issue that will have consequences in a financial perspective over the coming years.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> TDKK	<u>2018</u> TDKK
Gross profit/loss		222,040	249,878
Staff expenses	4	-233,311	-218,889
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-2,961</u>	<u>-3,168</u>
Profit/loss before financial income and expenses		-14,232	27,821
Financial income	5	1,102	441
Financial expenses		<u>-1,197</u>	<u>-1,205</u>
Profit/loss before tax		-14,327	27,057
Tax on profit/loss for the year	6	<u>5,496</u>	<u>-1,835</u>
Net profit/loss for the year		<u>-8,831</u>	<u>25,222</u>

Balance Sheet 31 December

Assets

	Note	2019 TDKK	2018 TDKK
Plant and machinery		9,031	7,410
Other fixtures and fittings, tools and equipment		357	218
Leasehold improvements		46	60
Property, plant and equipment	7	9,434	7,688
Receivables from group enterprises		0	34,497
Deposits		2,442	2,406
Fixed asset investments	8	2,442	36,903
Fixed assets		11,876	44,591
Trade receivables	14	24,128	27,069
Receivables from group enterprises		65,478	40,679
Other receivables		1,416	982
Deferred tax asset	11	8,000	4,000
Corporation tax receivable from group enterprises		1,496	0
Prepayments	9	3,584	2,778
Receivables		104,102	75,508
Cash at bank and in hand		842	410
Currents assets		104,944	75,918
Assets		116,820	120,509

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TDKK	2018 TDKK
Share capital		700	700
Retained earnings		33,799	42,630
Equity		34,499	43,330
Lease obligations		2,040	0
Payables to group enterprises		0	1,336
Other payables		7,588	0
Long-term debt	12	9,628	1,336
Credit institutions		5,009	7,533
Lease obligations	12	171	626
Trade payables		14,183	12,684
Payables to group enterprises	12	1,946	1,472
Corporation tax		0	658
Other payables	12	50,910	51,728
Deferred income	13	474	1,142
Short-term debt		72,693	75,843
Debt		82,321	77,179
Liabilities and equity		116,820	120,509
Capital resources and Going concern	1		
Uncertainty relating to recognition and measurement	2		
Subsequent events	3		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	700	42,630	43,330
Net profit/loss for the year	0	-8,831	-8,831
Equity at 31 December	700	33,799	34,499

Notes to the Financial Statements

1 Capital resources and Going concern

The Financial Statements have been presented on a going concern basis. In order to ensure this assumption, the Company has received a Letter of Comfort from Aviator Airport Alliance AB concerning infusion of the necessary liquidity and capital up to 12 months from the approval of the Financial Statements.

On this basis, Management has presented the Financial Statements on a going concern basis.

2 Uncertainty relating to recognition and measurement

Management has recognised a deferred tax asset of DKK 8,000k based on Management's expectations for future positive taxable incomes and the jointly taxed companies' expected utilisation of joint taxation losses. Management's expectations for future positive taxable incomes are based on budgets and forecasts for the years 2020-2023.

The recognition of the deferred tax asset of DKK 8,000k is subject to uncertainty as the recognition is based on Management's best estimate of budgeted taxable incomes and the jointly taxed companies' expected utilisation of joint taxation losses.

Notes to the Financial Statements

3 Subsequent events

The implications of COVID-19 with many governments across the world deciding to close down their countries will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

In consequence, the assessments of impairment indications and other estimates made by Management at 31 December 2019 are based on information available at year-end 2019, which may differ from the cash flows etc. expected by Management at the time of adoption of the Annual Report.

Management has not subsequently noted any material changes in the valuation of assets and liabilities, except for a material risk of an impairment write down of Deferred Tax Asset.

The Company's business is significantly affected by the spread of the COVID-19 virus. The closure of Denmark has led to a decrease in the level of activity by more than 80% compared to the same period last year.

Management has prepared and implemented a comprehensive plan to minimize the effects of the crisis on the Company, among other things through participation in the government's support packages for wage compensation and compensation for fixed costs. The Company is in dialogue with customers and suppliers about changed prices etc.

In 2020, the Company has carried out a restructuring of its business to secure the business foundation for the future. The employee capacity has as part hereof been adjusted. Management assesses that, as a consequence of the implemented cost savings and the changed business foundation, the Company will have a positive operational result in the financial year 2021.

Despite the mentioned implications of COVID-19, Management still considers the cash resources reasonable, referring to comments in note 1.

Notes to the Financial Statements

	2019 <u>TDKK</u>	2018 <u>TDKK</u>
4 Staff expenses		
Wages and salaries	205,649	192,684
Pensions	19,455	17,366
Other social security expenses	3,863	5,069
Other staff expenses	4,344	3,770
	<u>233,311</u>	<u>218,889</u>
Average number of employees	<u>437</u>	<u>419</u>
<p>In accordance with section 98(b)(3) of the Danish Financial Statements Act, remuneration of the Executive Board is not separately shown.</p>		
5 Financial income		
Interest received from group enterprises	963	259
Other financial income	43	80
Exchange gains	96	102
	<u>1,102</u>	<u>441</u>
6 Tax on profit/loss for the year		
Current tax for the year	-1,496	657
Deferred tax for the year	-4,000	1,000
Adjustment of tax concerning previous years	0	178
	<u>-5,496</u>	<u>1,835</u>

Notes to the Financial Statements

7 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	51,098	1,381	1,135	53,614
Additions for the year	4,515	205	0	4,720
Disposals for the year	-25,392	-392	-554	-26,338
Cost at 31 December	<u>30,221</u>	<u>1,194</u>	<u>581</u>	<u>31,996</u>
Impairment losses and depreciation at 1 January	43,688	1,163	1,075	45,926
Depreciation for the year	2,882	66	14	2,962
Reversal of impairment and depreciation of sold assets	-25,380	-392	-554	-26,326
Impairment losses and depreciation at 31 December	<u>21,190</u>	<u>837</u>	<u>535</u>	<u>22,562</u>
Carrying amount at 31 December	<u>9,031</u>	<u>357</u>	<u>46</u>	<u>9,434</u>
Including assets under finance leases amounting to	<u>5,442</u>	<u>0</u>	<u>0</u>	<u>5,442</u>

8 Fixed asset investments

	Deposits
	TDKK
Cost at 1 January	2,406
Additions for the year	36
Cost at 31 December	<u>2,442</u>
Carrying amount at 31 December	<u>2,442</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

	2019 TDKK	2018 TDKK
10 Distribution of profit		
Retained earnings	-8,831	25,222
	-8,831	25,222
11 Deferred tax asset		
Deferred tax asset at 1 January	4,000	5,000
Amounts recognised in the income statement for the year	4,000	-1,000
Deferred tax asset at 31 December	8,000	4,000

The total deferred tax asset amounts to DKK 34,740k of which DKK 31,585k relates to tax losses carried forward. Management estimate that the recognised tax asset of DKK 8,000k will be utilised within the coming 4 years against future taxable income in the group taxation. The deferred tax asset is based on Management's expectations according to budgets and forecasts for the years 2020-2023 and is subject to uncertainty, referring to comments in note 1.

12 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:

	2019 TDKK	2018 TDKK
Lease obligations		
After 5 years	1,114	0
Between 1 and 5 years	926	0
Long-term part	2,040	0
Within 1 year	171	626
	2,211	626
Payables to group enterprises		
Between 1 and 5 years	0	1,336
Long-term part	0	1,336
Other short-term debt to group enterprises	1,946	1,472
	1,946	2,808

Notes to the Financial Statements

12 Long-term debt (continued)

	<u>2019</u> TDKK	<u>2018</u> TDKK
Other payables		
Between 1 and 5 years	7,588	0
Long-term part	7,588	0
Other short-term payables	50,910	51,728
	<u>58,498</u>	<u>51,728</u>

13 Deferred income

Deferred income comprises payments received in respect of income relating to financial lease to be recognised in subsequent years.

Notes to the Financial Statements

	2019 TDKK	2018 TDKK
14 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	2,060	2,045
Between 1 and 5 years	7,150	7,960
After 5 years	0	1,110
	9,210	11,115
Rental premises lease obligations, period of non-terminability 3-6 months (2018: 3-18 months).	1,674	8,214

Other contingent liabilities

Trade receivables recognised with DKK 24,128k (2018: DKK 27,069k) are part of a group factoring agreement and is pledged for debt according to the group agreement to credit institutions. According to the factoring agreement the Company has issued a guarantee to jointly and severally to indemnify credit institutions any loss suffered.

The Company is jointly taxed with other Danish Companies of the Aviator group. The Company and the other Companies subject to joint taxation have unlimited joint and several liability for Danish corporation taxes.

Notes to the Financial Statements

15 Related parties

Transactions

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

The Company's intercompany transactions including transfer of the lounge activities has during the year been entered into at arm's length.

Consolidated Financial Statements

The Company is included in the Group Annual Report of:

<u>Name</u>	<u>Place of registered office</u>
Avia Solutions Group PLC, ultimate parent	28 Oktovriou, ENGOMI BUSINESS CENTER BLC E, Flat/Office 111, Egkomi, 2414, Nicosia, Cyprus
Aviator Airport Alliance AB, direct parent	Stockholm-Arlanda, Sweden

The Company's direct parent does not prepare consolidated financial statements. The Company's ultimateparent, which prepares consolidated financial statements into which the Company is incorporated as a subsidiary, is Avia Solutions Group PLC.

The Group Annual Report of Avia Solutions Group PLC, ultimate parent may be obtained at the following address:

28 Oktovriou, ENGOMI BUSINESS CENTER BLC E, Flat/Office 111, Egkomi, 2414, Nicosia, Cyprus

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Aviator Airport Services Denmark A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TDKK.

Cash flow statement

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

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Leases

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 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.

Income Statement

Revenue

Revenue from rendering of services is recognised when the risks and rewards relating to the services have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

16 Accounting Policies (continued)

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish Aviator Group entities. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

16 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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:

Production buildings	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

Fixed asset investments

Fixed asset investments consist of deposits and long term receivables from group enterprises.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Deferred tax assets and liabilities

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

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

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

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

Deferred income

Deferred income comprises payments received in respect of income relating to financial lease to be recognised in subsequent years.

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$