



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 916 490 771
Organisasjonsform: Norskreg. utenlandsk foretak
Foretaksnavn: OSM AVIATION LTD
Forretningsadresse: Strandveien 50
1366 LYSAKER

Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Espen Høyby
Dato for fastsettelse av årsregnskapet: 05.05.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 11.08.2019



Resultatregnskap

Beløp i: USN	Note	2016	2015
RESULTATREGNSKAP			
Kostnader			
Lønnskostnad	2	39 801	
Administration expenses	2	31 660	
Sum kostnader		71 461	
Driftsresultat		-71 461	
Finansinntekter og finanskostnader			
Annen finansinntekt	6	3 980 798	
Sum finansinntekter		3 980 798	
Annen finanskostnad		15 665	
Sum finanskostnader		15 665	
Netto finans		3 965 133	
Ordinært resultat før skattekostnad		3 893 672	0
Skattekostnad på ordinært resultat	3	0	
Ordinært resultat etter skattekostnad		3 893 672	0
Årsresultat		3 893 672	0
Andre resultatkomponenter for IFRS-foretak		0	
Totalresultat		3 893 672	



Balanse

Beløp i: USN	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	8	5 960 443	
Investeringer i tilknyttet selskap	8	1 919 077	
Other short-term receivables from associated companies	7	250 485	
Intercompany short-term receivable	7	10 176	
Andre fordringer		1 425	
Sum finansielle anleggsmidler		8 141 606	
Sum anleggsmidler		8 141 606	0
Omløpsmidler			
Varer			
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	4	3 203	
Sum bankinnskudd, kontanter og lignende		3 203	
Sum omløpsmidler		3 203	0
SUM EIENDELER		8 144 809	0
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	5	135 000	
Other reserves		112 367	
Sum innskutt egenkapital	6	247 367	
Sum egenkapital		247 367	0



Balanse

Beløp i: USN	Note	2016	2015
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Other payables		48 753	
Intercompany short-term payable	7	2 084 228	
Short-term debt to associated companies	7	5 764 461	
Sum kortsiktig gjeld		7 897 442	
Sum gjeld		7 897 442	0
SUM EGENKAPITAL OG GJELD		8 144 809	0



OSM AVIATION LTD NUF

STATEMENT OF INCOME AND COMPREHENSIVE INCOME
Year ended 31 December 2016

OSM AVIATION LTD NUF
916 490 771

FINANCIAL STATEMENTS
31 December 2016



OSM AVIATION LTD NUF

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 US\$
Administration expenses	2	<u>(71,461)</u>
Operating profit		(71,461)
Financial Income	6	3,980,798
Financial Expenses		<u>(15,665)</u>
Profit before tax		3,893,672
Tax	3	<u>0</u>
Net profit for the year		<u>3,893,672</u>
Transferred to retained earnings	6	3,893,672
Other comprehensive income		
Other comprehensive income		<u>0</u>
Other comprehensive income for the year after tax		<u>0</u>
Total comprehensive income for the year		<u>3,893,672</u>



OSM AVIATION LTD NUF

	Note	US\$
ASSETS		
Non-current assets		
Investments in subsidiaries	8	5,960,443
Investments in associated companies	8	1,919,077
Total non-current assets		7,879,520
Current assets		
Other short-term receivables from associated companies	7	250,485
Intercompany short-term receivable	7	10,176
Other receivables		1,425
Cash at bank and in hand	4	<u>3,203</u>
		<u>265,289</u>
Total assets		<u>8,144,809</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	5	135,000
Other reserves		
Retained earnings		<u>112,367</u>
Total equity	6	<u>247,367</u>
Current liabilities		
Other payables		48,752
Intercompany short-term payable	7	2,084,228
Short-term debt to associated companies	7	5,764,461
Total current liabilities		<u>7,897,441</u>
Total liabilities		<u>7,897,441</u>
Total equity and liabilities		<u>8,144,809</u>

On 5 May 2017 the Board of Directors of OSM Aviation LTD authorised the financial statements for issue.

.....
Bjorn Tore Larsen
Director

.....
Terje Bodin Larsen
Director

.....
Jan Dahm
Director

.....
Bjorn Kjos
Director

Sign.

* The parent company accounts are prepared in accordance with the Norwegian Accounting Act § 3-9 and Regulations for simplified IFRS (2008) issued by the Ministry of Finance on 21 January 2008. Please refer to the notes in the group accounts where appropriate.



OSM AVIATION LTD NUF

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Note	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2016		135,000	865,000	(13,852)	986,148
Repayment of share premium	14		(865,000)		(865,000)
Dividend paid	14			(3,767,453)	(3,767,453)
Comprehensive income					
Net profit for the year		-	-	3,893,672	3,893,672
Balance at 31 December 2016		<u>135,000</u>	<u>-</u>	<u>112,367</u>	<u>247,367</u>



OSM AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY Year ended 31 December 2016

1. Accounting Principles

Basis of preparation

These financial statements have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Regulations for simplified IFRS (2008) issued by the Ministry of Finance on 21 January 2008. This means that recognition and measurement complies with International Financial Reporting Standards (IFRS) and the presentation and disclosures are in accordance with the Norwegian Accounting Act and general accepted accounting practice.

An application for preparing the Financial Statements in English has been filed and were approved by the Norwegian Authorities at 13 March 2017.

These consolidated financial statements have been prepared under the historical cost convention and they are prepared in US Dollars.

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are accounted for at cost.

Other accounting Principles

For other accounting principles please refer to the notes in the group accounts above where appropriate.

2. Wage costs, number of employees, remuneration, loans to employees and auditor's fee

<i>Wage costs</i>	2016
Salaries	34,883
Social security expenses	4,918
Pension costs	0
Other payments	0
Total	<u>39,801</u>

The total number of employees in the company during the year: 1

The company is not required to have an occupational pension scheme in accordance with Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the law requirements.

Management remuneration

See note 6 to the consolidated financial statements.

<i>Auditor fee has been divided as follows:</i>	2016
Statutory audit fee	13,447
Other services	0

VAT is not included in the figures of auditor's fee.



OSM AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY Year ended 31 December 2016

3. Income taxes

	2016 US\$
Income tax charge - current year	<u>0</u>
Income tax expense	<u>0</u>

Specification of basis for deferred tax

<i>Losses available for offsetting against future taxable income</i>	
Balance at 1 January 2016	(5,900)
Charged against taxable income	<u>1,644</u>
Balance at 31 December 2016	<u>(4,256)</u>
Deferred tax asset (24%)	1,021

Deferred tax is not carried in the balance sheet at 31. December 2016.

4. Bank deposit

There are no restricted funds at 31.12.16

5. Share capital and shareholder information

Share capital:			
	Number of shares	Face value	Book value
The share capital as of 31.12 consists of one class of share	100 000	1.35	135,000
Shareholders per 31.12:			
	Ordinary shares	Ownership share	Voting rights
OSM Aviation Group Ltd.	50 000	50 %	50 %
Norwegian Air Resources Holding Ltd.	50 000	50 %	50 %

6. Owners equity

	Share capital	Premium fund	Other equity	Total
Owners' equity 01.01.	135,000	865,000	(13,852)	986,148
Repayment of premium	0	(865,000)	0	(865,000)
Dividend paid	0	0	(3,767,453)	(3,767,453)
Profit for the year	0	0	3,893,672	3,893,672
Owners' equity 31.12.	135,000	0	112,367	247,367



OSM AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY Year ended 31 December 2016

7. Balances with group companies and associated companies

Group companies:

Short-term Receivables	2016
OSM Aviation Spain ETT S.L.	10,176
Short-term Payables	2016
OSM Aviation Sweden AB	657,592
OSM Aviation Inc	865,000
OSM Aviation Management AS	561,636
	<u>2,084,228</u>

Associated companies:

Short-term Receivables	2016
Norwegian Air Resources Ltd.	181,455
OSM Aviation Group Ltd.	69,030
	<u>250,485</u>
Short-term Payables	2016
OSM Aviation AS	5,761,500
OSM Aviation UK Ltd.	2,961
	<u>5,764,461</u>

8. Investments in subsidiaries and associated companies

Company name	Country of operation	Net equity at end of year	Profit/loss at end of year	% interest	Carrying value of investment
OSM Aviation Spain ETT, S.L	Spain	(157,149)	96,200	100	4,072
OSM Aviation Inc	USA	(87,837)	75,976	100	1
OSM Aviation HK Ltd	Hong Kong	22,763	11,232	100	1,317
OSM Aviation Pte Ltd	Singapore	133,101	131,150	100	7,561
OSM Aviation Management UK Ltd	UK	596,396	240,457	100	362,740
OSM Aviation Sweden AB	Sweden	2,462,863	1,780,368	100	4,459,534
OSM Aviation Crew AS	Norway	840,969	852,326	100	376,505
OSM Aviation Norway AS	Norway	158,482	(25,072)	100	138,832
OSM Aviation Management AS	Norway	270,786	238,384	100	12,163
OSM Aviation A/S	Denmark	745,539	214,780	100	482,948
OSM Aviation Crew AB	Sweden	(19,330)	(24,436)	100	0
OSM Aviation Denmark ApS	Denmark	(14,838)	(21,919)	100	8,426
OSM Aviation Germany GmbH	Germany	0	0	100	29,874
Norwegian Air Resources Asia Pte. Ltd.	Singapore	281,966	214,280	100	70,317
Goldcup 11589AB UA	Netherlands	0	0	100	6,153
		5,233,712	3,783,726		5,960,443
OSM Aviation AS	Norway	(438,683)	(1,074,441)	49	521,076
OSM Aviation UK ltd.	UK	(162,234)	266,689	49	1,528
Norwegian Air Resources Spain S.L.	Spain	1,241,749	458,821	49	813,439
Norwegian Air Resources Finland OY	Finland	756,758	86,551	49	583,034
		1,397,590	(262,380)		1,919,077



OSM AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY
Year ended 31 December 2016

9. Financial market risk

Interest rate risk

The company has no long-term interest bearing liabilities at 31.12.16.

Exchange rate risk

Currency fluctuations represent both a direct and an indirect financial risk for the company. The company is exposed to currency risk related to short-term liabilities held in foreign currencies.



Aviation Group

*It's all
about
people*

Altinn
v/Regnskapsregisteret
Brønnøysundregistrene
8910 Brønnøysund

21.08.2017

VEDR. INNSEDELSE AV ÅRSREGSKAP OSM AVIATION LTD NUF

Viser til brev av 12. august d.å., der innsendt årsregnskap for OSM Aviation Ltd NUF ikke ble godkjent, samt telefonsamtale med Regnskapsregisteret 16. august. I telefonsamtalen ble det opplyst at årsregnskapet ikke ble godkjent da det ikke kom klart nok fram at innsendte tall faktisk gjelder den norske filialen.

På grunn av dette legger vi ved dette skrevet for å bekrefte at tidligere innsendte årsregnskap i skjema R-002 samt vedlagte pdf gjelder den norske filialen av det kypriotiske selskapet OSM Aviation Ltd.

Dersom det skulle være ytterligere spørsmål eller uklarheter ikke nøl med å ta kontakt.

Med vennlig hilsen


Elisabet Rogdaberg

+47 976 44 087
elisabet.rogdaberg@osmaviation.com



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 07.03.2017	Vår dato 13.03.2017
Telefon 22078139	Deres referanse Johan Bringsverd	Vår referanse 2017/259066

ERNST & YOUNG AS
Kystveien 2 C
4841 Arendal

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for OSM Aviation Ltd, org. nr. 916 490 771

Vi viser til deres brev av 7. mars 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for OSM Aviation Ltd.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering OSM Aviation Ltd dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

OSM Aviation Ltd er en filial av OSM Aviation Ltd som er hjemmehørende på Kypros. OSM Aviation Ltd (NUF) er en tjenesteleverandør innen luftfartsindustrien, herunder utleie og formidling av personale til luftfartsvirksomhet. Selskapet er morselskap i OSM Aviation konsernet og har datterselskaper både i Norge og utenlands, herunder USA, UK, Europa og Asia. Arbeidsspråket er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan

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Besøksadresse:
Se www.skatteetaten.no
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Sentralbord
800 80 000
Telefaks
22 17 08 60



foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er en filial av et utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråk er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



OSM AVIATION LTD NUF

Strong growth based on a new standard in international aviation

The OSM Aviation group is continuing its strong growth, and operating revenues in 2016 amounted to USD 130.9 million. After USD 124.3 million in operating expenses, its profit before tax came to USD 6.5 million.

Since its foundation in 2013, OSM Aviation has established itself as a world leader in its field. The company, which has specialised in recruiting, employing, training and administering airline crew, had 2 514 pilots and cabin crew at 31 December 2016. The business is pursued in 14 countries, and the company has nine international airlines as customers.

OSM Aviation is setting a new standard in international aviation, based on the Nordic model of an orderly labour market. Collaboration with local unions and the right to collective bargaining have been important for developing the company. It therefore entered into an agreement in early 2017 with the International Transport Workers' Federation (ITF). This recognises the right of employees to organise, and lays the basis for representation and the right to collective bargaining. Through collective pay agreements with unions in the respective countries, OSM Aviation contributes to ensuring that its workforce enjoys permanent employment with competitive pay and conditions, while providing the airlines with the capacity, expertise and quality they require.

Norwegian Air Resources Holding acquired 50 per cent of the shares in OSM Aviation during September 2016. These two companies have collaborated closely since 2013, and have unified their resources through this agreement to put further weight behind the development of OSM Aviation. The agreement lays the basis for OSM Aviation to expand its international operations by also offering its services to airlines other than Norwegian. That thereby builds further on a familiar model in international aviation, whereby airlines purchase both technical support and other ground services from specialist companies which may be wholly or partly owned by a competitor.

Overview of the business

OSM Aviation Ltd ("OSM Aviation" or "the company") was incorporated in 2013 as a private limited liability company under the Cyprus Companies Law. OSM Aviation is headquartered in Limassol, Cyprus.

The company established a branch in Norway in late 2015, which was registered in the Norwegian Company Register on 6 February 2016 under the name OSM Aviation Ltd NUF.

The consolidated financial statements and the directors' report for the year ended 2016 form the first annual report for OSM Aviation as a group. The OSM Aviation group (or "the group") consists of the company, hereunder the Norwegian branch office (OSM Aviation Ltd NUF), and the company's subsidiaries for the year ending 31 December 2016.

Principal activities

The principal activities of the company are the holding of investments and the provision of crewing services to airlines.

OSM Aviation Ltd was founded as an offshoot of OSM Marine. It offers total crew management to the air industry, from recruitment and training to planning and execution. At 31 December 2016, the group employed 2 514 air crew and was present in 14 countries.



OSM AVIATION LTD NUF

Financial review

The following financial review is based on the consolidated financial statements of OSM Aviation Ltd and its subsidiaries (the group). The statements have been prepared in accordance with simplified International Financial Reporting Standards (IFRS) as adopted by the EU, as well as with the Norwegian Accounting Act.

In the view of the board, the income statement, the statements of comprehensive income, changes in equity and cash flow, the balance sheet and the notes provide satisfactory information about the operations and position of the group and the parent company at 31 December 2016.

The financial figures are presented in US dollars, which is the group's functional currency.

(Comparative consolidated figures for 2015 are not available. See the description above.)

Income statement

The group's total revenues comprise the provision of services and other income. Consolidated total revenues in 2016 amounted to USD 130.9 million, with provision of services amounting to USD 129.7 million. The UK, Spain and the USA are the largest markets for OSM Aviation at present, and thereby also the source of the majority of its revenues.

Total operating expenses, including depreciation, were USD 124.3 million. Aircraft crew expenses accounted for 90 per cent of the total.

The group's operating profit amounted to USD 6.6 million. The share of results in associated companies was a loss of USD 0.4 million, offset by USD 0.3 million in financial income. Profit before tax for 2016 was USD 6.5 million.

Net profit for the year was USD 5.0 million.

Financial position, financing and liquidity

Total non-current assets at 31 December amounted to USD 4.8 million, while total current assets came to USD 13.9 million. Current assets comprise cash, bank deposits, trade receivables and other receivables, and represent some 75 per cent of total assets. The group holds advances from customers as collateral for the trading balances. The fair value of trade and other receivables due within one year approximates to their carrying amounts as presented above.

Total shareholders' equity was USD 2.1 million at 31 December, corresponding to an equity ratio of 11.3 per cent. Non-current liabilities were USD 0.4 million. Current liabilities were USD 16.2 million, of which USD 14.9 million represented trade and other payables. The group had no credit facilities or interest-bearing debt at 31 December 2016.

The company is financed by a combination of equity, prepayments from customers and a long-term shareholder loan.

The board of directors considers the financial position to be strong.

Cash flow

Net cash flows from operational activities amounted to USD 7,9 million. Net cash flows from investing activities in 2016 was USD -2,3 million. Net cash flows from financing activities came to USD -4,6 million.

Research and development

The group recognised no expenses nor balance sheet items related to research and development in 2016. However, forward-looking and efficient solutions for communication with and management of the workforce are under continuous development.



OSM AVIATION LTD NUF

Financial risk and risk management

The group's performance is subject to a variety of risks. Some of these are within its control, and others not. The group monitors the position closely and continuously, with a heavy emphasis on developing plans to keep business risk at minimum.

Financial risk factors

The group's principal financial liabilities, other than derivatives, comprise borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the group's operations. The group has non current loan receivables, trade and other receivables and cash which derive directly from its operations. It also holds available-for-sale investments. The group is exposed to market, credit, liquidity and capital risk. The risk management policies used by the group to manage these risks are discussed below.

Market price risk

Market risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate as a result of changes in market prices. Market prices comprise two types of risk: interest-rate and currency. Financial instruments affected by market risk include borrowings, deposits and available-for-sale investments.

Interest-rate risk

Interest-rate risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate as a result of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to its borrowings with floating interest rates. The group's management monitors interest-rate fluctuations on a continuous basis and has entered into interest swaps which reduce the interest-rate risk.

Credit risk

Credit risk is the risk that a counterparty will be unable to meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Trade-receivable risk is managed by each business unit, subject to the group's established policy. Outstanding trade receivables are regularly monitored, and overdue items of considerable size are followed up by the responsible key account handlers. The requirement for an impairment is analysed at each reporting date, both on an individual basis for significant amounts per client and also in overall terms on the basis of historical data about the amounts actually incurred. The group holds advances from customers as collateral. The group regards the concentration of risk with respect to trade receivables as low. This is based on historical data which show virtually no losses arising from trade receivables. Credit risk for cash balances with banks and financial institutions is considered to be low on the basis of the procedure which requires that all cash balances and hedges are held in financial institutions with high credit quality.

Liquidity risk

Liquidity risk is the risk which arises when the maturity of assets and liabilities fail to match. While an unmatched position potentially enhances profitability, it can also increase the risk of losses. The group has procedures which aim to minimise such losses. These include maintaining sufficient cash and other highly liquid current assets.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes to foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency which is not the group's measurement currency. The group's exposure to the risk of changes in foreign exchange rates relates primarily to its operational activities (when revenue or expense is in a different currency than the group's functional currency) and to its net investment in foreign subsidiaries. The group manages part of its foreign currency risk by hedging transactions over the next 24-month period to minimise risk related to expenses in currencies other than the group's functional currency. Significant transactions which are certain are hedged without any time limit. The group's management monitors exchange rate fluctuations on a continuous basis and acts accordingly.



OSM AVIATION LTD NUF

Going concern

The consolidated financial statements have been prepared on the assumption that the group is a going concern. This assumption is based on the group's level of cash and short-term deposits at 31 December, available credit facilities and forecast cash flows. The company is financed by a combination of equity, prepayments from customers and a long-term shareholder loan.

The board has also confirmed that the going concern assumption holds good on the basis of the group's budgets and long-term strategic forecasts for the years to come.

Parent company results and allocation of net profit

The board proposes that the net profit of USD 3 893 672 in parent company OSM Aviation Ltd NUF be allocated as follows:

Transferred to retained earnings: USD 3 893 672

Corporate social responsibility

OSM Aviation is subject to reporting requirements on corporate social responsibility pursuant to section 3-3c of the Norwegian Accounting Act.

Its employees are the company's most important resource, and OSM Aviation has therefore adopted a business model which is intended to protect the rights of the workforce. To ensure these rights, the company entered into an agreement with the International Transport Workers' Federation (ITF) in early 2017. This recognises the right of employees to organise, and lays the basis for representation and collective bargaining on pay and conditions. Through collective pay agreements with unions in the respective countries, OSM Aviation contributes to ensuring that its workforce enjoys permanent employment with competitive pay and conditions.

To ensure that the company's customers, employees and partners, as well as government agencies and organisations, feel confident about OSM Aviation's commitment to operating its business in accordance with responsible, ethical and sound corporate and business principles, the company has established a code of conduct for corporate social responsibility (CSR).

The CSR code of conduct applies to all employees and directors in the group. By agreement, it may also be extended to apply to independent consultants, intermediaries or others acting on behalf of OSM Aviation. This document provides a framework for the conduct regarded as responsible by OSM Aviation, and defines the individual responsibilities of employees through a combination of broad principles and specific requirements.

The code of conduct is a guideline which outlines the principles on which day-to-day work is based.

Employees, organisation and equal opportunities

The group had 2 626 employees at 31 December 2016, divided between its operating companies in a total of 14 countries. Through negotiations with employee unions, the group wants to make provision for long-term and secure jobs, where its employees in the various countries are offered competitive pay and working conditions.

The group promotes a productive working environment and does not tolerate disrespectful behaviour. OSM Aviation is an equal opportunity employer. No discrimination is accepted in hiring, compensation, training, promotion, termination or retirement based on ethnic and national origin, religion, gender or other distinguishing characteristics. OSM Aviation will not use forced or any form of involuntary labour or employ any people below the legal minimum age.



OSM AVIATION LTD NUF

OSM Aviation offers equal pay and conditions of employment to employees in comparable positions in the respective countries, regardless of gender. The company operates in a sector characterised by a traditional gender division. While the majority of cabin personnel are women, men are over-represented among the pilots. Since cabin crew represent a clear majority of all employees in OSM Aviation, the company employs more women than men.

All the directors are men.

Health, safety, the environment and quality (HSEQ)

The group has implemented a health, safety, environmental and quality (HSEQ) management system with the goal of minimising the risk of injuries to people and harm to the environment. The group's management system is based on internationally recognised standards and is supported by management commitment, personal accountability, training and performance measurement. The group's management system is certified pursuant to ISO 9001.

The working environment in the group is considered to be good.

No significant accidents involving crew or other employees occurred during the year.

Sickness absence for the group corresponds to 5.5 per cent of total working days.

The company's operations do not pollute the natural environment.

Outlook

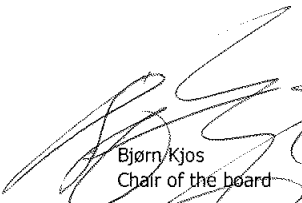
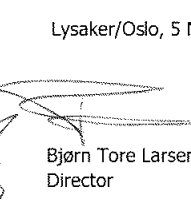
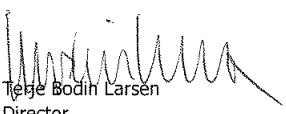

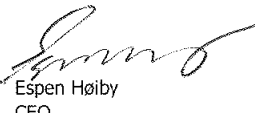
Airline passenger traffic has experienced tremendous growth over several years, and this expansion is expected to continue in the time to come. This implies a huge demand for airline crew, both pilots and cabin personnel, in the years to come. Since OSM Aviation is working to become the leading provider of crew management services in the airline industry, it is confident of taking a fair share of this growth. That is further strengthened by OSM Aviation's entry into a joint venture with Norwegian Air with effect from 1 September 2016. This joint venture strengthens the existing strong partnership with Norwegian Air, and OSM Aviation will participate in the growth Norwegian expects through a substantial increase in aircraft over the next few years.

In addition, OSM Aviation is working to improve its partnerships with other existing customers, and pursuing a continuous process of attracting new customers.

The board of directors and CEO

OSM Aviation Ltd NUF

Lysaker/Oslo, 5 May 2017

 Bjørn Kjos Chair of the board	 Bjørn Tore Larsen Director	 Terje Bodin Larsen Director
 Jan Dahm Simonsen Director	 Espen Høiby CEO	