

NORDIC AVIATION CAPITAL

A/S

Orla Lehmannsgade 1, 4.
DK-7100 Vejle

CVR no. 19 39 89 94

Annual report 2023

The annual report was presented and approved at
the Company's annual general meeting on

29 May 2024

Frederik Stentebjerg
Chairman of the annual general meeting

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report for NORDIC AVIATION CAPITAL A/S for the financial year 1 January - 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Vejle, 28 May 2024
Executive Board:

Edward James Sheard
Director

Board of Directors:

Thomas Buskop
Chairman

Brian William Power

Edward James Sheard



Independent auditor's report

To the shareholder of NORDIC AVIATION CAPITAL A/S

Opinion

We have audited the financial statements of NORDIC AVIATION CAPITAL A/S for the financial year 1 January - 31 December 2023, comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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.



Independent auditor's report

- 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Fredericia, 28 May 2024

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised Public Accountant
mne33220

Michael Lund Siegumfeldt
State Authorised Public Accountant
mne28662

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Management's review

Company details

NORDIC AVIATION CAPITAL A/S
Orla Lehmannsgade 1, 4.
DK-7100 Vejle

Telephone:	76 51 12 00
Website:	www.nac.dk
CVR no.:	19 39 89 94
Established:	26 June 1996
Registered office:	Vejle
Financial year:	1 January - 31 December

Board of Directors

Thomas Buskop, Chairman
Brian William Power
Edward James Sheard

Executive Board

Edward James Sheard, Director

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Vesterballevej 27, 2.
DK-7000 Fredericia
CVR no. 25 57 81 98

Management's review

Financial highlights

USD'000	2023	2022	2021	20/2021	19/2020
Revenue	11,677	21,088	19,756	34,352	43,399
Gross profit/loss	5,859	-2,827	-12,361	11,010	29,614
Operating profit/loss	821	61,192	-104,372	-6,535	8,344
Profit/loss from financial income and expenses	14,161	29,429	1,280	-13,452	7,021
Profit/loss for the year	14,467	111,217	-101,636	-39,879	30,716
Total assets	467,169	469,675	405,393	512,681	564,873
Investments in property, plant and equipment	520	923	0	20,386	54,425
Equity	412,643	398,176	286,959	388,595	428,474
Return on equity	3.6%	32.4%	-30.2%	9.8%	7.4%
Solvency ratio	88.3%	84.8%	70.9%	75.8%	75.8%
Average number of full-time employees	20	50	75	83	86

The financial ratios have been calculated as follows:

Return on equity

$\text{Profit/loss after tax} \times 100 / \text{Average equity}$

Solvency ratio

$\text{Equity ex. non-controlling interests year end} \times 100 /$
 $\text{Total equity and liabilities at year end}$

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Management's review

Operating review

Principal activities

Nordic Aviation Capital A/S' (the Company) activities consist of providing shared services to the other members of the Group. The services are primarily investing, technical and financial services.

Additionally, the Company has an airplane on lease with an external customer. In consideration of the volume of transactions with other group members, the Management's review includes group considerations. Accordingly, the sections below include company information as well as commentary from the Nordic Aviation Capital DAC's annual report for the financial year January – December 2023 ('consolidated financial statements').

The Company's activities are predominantly denominated in USD, and this is the Company's functional currency. The financial statements are presented in USD.

Development in activities and financial position

Profit for the year (including comparison with forecasts previously announced)

The Company's income statement for 2023 shows a profit of USD 14,467 thousand as against a profit of USD 111,217 thousand in 2022. Equity in the Company's balance sheet at 31 December 2023 stood at USD 412,643 thousand as against USD 398,176 thousand at 31 December 2022.

- Revenue for the financial year 2023 reached a more stabilised level. And it shows a 45% decrease compared to the financial year 2022. The past financial year for the Company was characterised by a heavy decrease in airplane handling and close of hangar, causing a severe drop in revenue on an annualised basis compared to earlier years.
- Gross loss was by reduced 307% and is expected to be at a stabilised level compared to the financial year 2022 when production costs experienced an exceptional increase due to maintenance volume increases post-pandemic, required to bring the fleet to an airworthy condition.
- Administrative expenses show a negative variance of USD 69,057 thousand. This results from a reduction in staff costs due to staff decrease.
- Other financial income contains a gain; however, a decrease compared to a gain in 2022 due to the financial year 2022 containing a restructuring gain of USD 23.8 million.

In July 2023, the Company left its former office and hangar facilities in Billund and moved to new office facilities in Vejle.

Result for the year are within the range communicated in the financial statement for 2022.

Outlook

Financing

The Group's business activities, together with factors likely to affect its future development, performance, and position, are set out above along with the financial position. In addition, note 20 to the consolidated financial statements includes the objectives, policies and processes for managing financial risks; details of financial instruments and hedging activities; and the exposure to credit risks and liquidity risks, to the extent these existed on 31 December 2023.

2023 was a progressive year for the aviation industry and for the Group. Global airline seat capacity finished the year at 99% of 2019 levels. Given that in 2022, global seat capacity was at a mere 50% of historic levels, this return to near normality is a remarkable achievement.

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The recovery in travel bodes well for a return to normal growth patterns in 2024.

While the macroeconomic outlook appears to be stabilising, geopolitical tensions, including conflicts in Ukraine and the Middle East and ongoing disputes between China and the West, could further disrupt the aviation landscape. Careful review of exposure concentration and country risk will be crucial for mitigating risk.

The Group as well as the Company has continued to focus on the cost base in financial year 2023 and have seen reductions in production and staff-related costs. The Company, as a result of gains on sale of inventory and the movement into a more fit-for-purpose location in Vejle with corresponding cost reductions saw an increase in net income.

For 2024, it is expected that results will be profitable in the range of 2%-4% of net income. This is dependent on the mix of services required from the Group as a whole and the revenue generated from the aircraft on lease the guidance on outcome is difficult. In addition, it is expected there will be a one-off gain from a tax case settlement in Q1 2024.

The interest rate environment also impacts the raising of debt and profitability; however, the Group's debt is well structured, with 85% of its debt on its legacy fleet fixed or hedged until 2026, ensuring the business is in good shape heading into the new financial year.

The Company has a large receivable against the ultimate parent Nordic Aviation Capital DAC (NAC DAC). At 31 December 2023, this balance was USD 383.8 million. In early 2024, this debt was reduced to USD 84.7 million as of 29 February 2024 as a result of NAC DAC settling a large portion of its debt to the Company.

Considering the going concern assessment made by NAC DAC and after having considered the adequacy of the Company's operating cash flows and borrowing facilities, the Directors of the Company are satisfied that the financial statements are prepared on a going concern basis and that the Directors' plans for the business are realisable.

Events after the balance sheet date

No events have occurred after the balance sheet date of material importance to the annual report for 2023.

Statement on corporate social responsibility

This section is to cover the disclosure requirements pursuant to section 99a of Danish Financial Statements Act on corporate social responsibility.

Nordic Aviation Capital (NAC) has been through financial restructuring, organizational changes last few years. With a new management and new strategy to remain a global leader in regional aircraft leasing and expand into narrowbody aircraft, NAC also formed a multidisciplinary team to develop a robust ESG approach. It's a critical area of focus for our Company and our investors, airline customers, suppliers, employees, local communities and society at large.

For the financial year 2023,, we have not identified any substantially CSR risk, but we continue to have a high focus on our environmental impact and on how we as a company can work more sustainable.

NAC Integrity and Codes of Conduct

NAC aims to conduct business with an elevated level of integrity and in an honest, fair and trustworthy manner. The reputation and ethical practices of NAC are core to our business values and practices. The purpose of the NAC Business Code of Conduct and Specific Business Codes of Conduct, together with the compliance policies and procedures, is to provide a framework to ensure NAC and all NAC members act in accordance with the principles of the NAC Integrity Statement. This framework aims to provide a simple, transparent, and concise guide to how NAC and all NAC members can conduct NAC's business to those standards.

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The Codes of Conduct (and policies) cover;

- Business Code of Conduct
- Anti-Money Laundering
- Anti-Bribery and Anti-Corruption
- Sanctions and Export Control
- Fair Competition and Law
- Personal Data Protection
- Conflicts of Interest
- Information Security and Acceptable Use
- Diversity and Inclusion
- Global Whistleblowing

In 2023, NAC kept a series of compliance training platforms, and all employees completed annual training modules. NAC has had a third-party, completely anonymous whistleblowing system since 2023.

Impact on climate and environmental

NAC follows all mandatory requirements and guidelines regarding climate and environment. We comply with all relevant legislation and monitor the guidelines from EASA and ICAO. We have therefore decided not to have a separate policy regarding climate and environment.

NAC published its inaugural ESG report on its website in March 2023. In terms of environmental responsibility, we have decided to go beyond having LEED facilities and recycling to offset the CO₂ emissions of our aircraft ferry flights and employee long-haul travel. We have entered arrangements with our engine partners, GE Aerospace and Pratt & Whitney Canada, to buy CORSIA Compliant Carbon Credits from their approved suppliers. We are the first commercial aircraft lessor using their programs. In addition to offsetting, the CO₂ emissions from our aircraft ferry flights, in 2023, NAC became the first aircraft lessor to offer Sustainable Aviation Fuel (SAF) on their ATR aircraft deliveries. Finally, at the 2023 Paris Airshow, NAC signed up for 15x EVE eVTOL aircraft, showing our commitment to invest in zero-emissions aircraft to support the progress of the aviation industry.

Social and employee staff matters

Bullying and harassment, employee welfare

NAC is committed to providing a safe working environment for its employees with an environment free from bullying and harassment. The Company has in place both informal and formal procedures to deal with the issue of bullying or harassment at work. Policy and procedures are on Corporate Hub, the intranet, and trainings are provided to all staff members.

Started during the pandemic, NAC has adopted a permanent hybrid working arrangement of three-days in the office and two-days working remotely. By adopting this way of working post the pandemic, NAC balances employee flexibility with the greater efficiency of face-to-face communication.

In 2023, NAC relaunched Social Committee, which is volunteer-based team, supporting senior executive staff NAC to plan and organise employee events, volunteer works and activities to promote diversity.

For 2024, we will continue employee training programmes and conduct our annual policy review and upgrade as necessary.

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As well as treating people with dignity and respect, the Company strives to create a supportive environment in which all employees can reach their full potential regardless of differences in experience or education.

In 2023, NAC continued sponsoring International Aviation Women's Association and provided our female employees learning opportunities from the organisation where we will assist our female employees' career development.

Human rights

NAC follows all mandatory requirements and guidelines regarding Human Rights. We comply with all relevant legislation and monitor the guidelines from the UN. We have therefore decided not to have a separate policy regarding Human Rights but consider it a natural part of our values to care for others.

We encourage our team members to think of ways to support Human Rights for all globally.

Anti-Corruption

We are dedicated to act with integrity and to develop our business in a responsible manner. Our Anti-Corruption and Bribery policy is a no-tolerance policy and clearly outlines the acceptable actions about anti-corruption and bribery from our employees, suppliers and third parties.

Corporate compliance is important to NAC, and NAC ensures that its employees and contractors are trained in regulations affecting commercial businesses acting in an international environment. The corporate policies can always be found on NAC's Intranet.

As part of their onboarding program, new joiners will be required to take an e-learning course and tests to make sure they have the needed knowledge and understanding with respect to this policy.

Furthermore, NAC mandates all employees to go through multiple online training programmes which all participants pass the exam to complete. This series of training will be completed by all employees every year.

For 2023, no incidents of violation of the Company's anti-corruption and bribery policy were recorded, and in 2024 we will continue employee training programmes and conduct our annual policy review and upgrade as necessary.

Statement on goals and policies for the underrepresented gender

This section is to cover the disclosure requirements pursuant to section 99b of Danish Financial Statements Act on the underrepresented gender.

NAC is committed to creating an environment which provides for equal opportunities for all staff and potential staff and promotes equality and dignity at work. All persons will be provided with equality of access to employment and encouraged and assisted to achieve their full potential. NAC seeks to apply the principles of equal opportunities at all stages of the employment relationship and is committed to eliminating discrimination or harassment because of "protected characteristics". Protected characteristics include:

- (a) sex/gender;
- (b) race, colour, nationality, ethnic or national origins;
- (c) pregnancy/ family status;
- (d) disability;
- (e) religious beliefs;
- (f) sexual orientation;

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(g) marital and civil partnership status;

(h) gender re-assignment;

(i) age;

(j) social or economic background; and

(k) membership of the travelling community

As well as treating people with dignity and respect the Company strives to create a supportive environment in which all employees can reach their full potential regardless of differences in experience or education.

Gender diversity

NAC is dedicated to maintaining a work environment where diversity and equal opportunities are available to all employees. We continuously strive to enhance diversity and mitigate gender underrepresentation.

In 2023, 60% of the new NAC hires were female, which augmented the percentage of our female employees in the total workforce to 41%, five percentage points higher than it was in 2022, twelve percentage points higher than in 2021 as NAC group. NAC views diversity and inclusion as one of the most important focus areas.

We are committed, until a balanced gender representation has been met, to have a positive bias toward female candidates when candidate competencies are at an equal level. In 2023, 48% of those who were promoted or transferred to new development opportunities in NAC were female colleagues.

Talent development

NAC offers internal and external training opportunities to employees to aid their development and advancement. The training undertaken covers from industry-specific technical training to business skills and leadership skills, and from e-learning to classroom training and practical training. Employees spend an average of 5.0 days/year on training and development. To help employees learn in their own pace, in 2023 NAC introduced a new e-learning platform available to all employees - combining all the training and development activities in average.

In 2023, NAC continued sponsoring International Aviation Women's Association and provided our female employees learning opportunities from the organisation where we will assist our female employees' career development.

Work environment

To attract and retain the best talent available, NAC is open to hire people in their hometown even if NAC does not have an existing office in that location. NAC's Executive Leadership Team are the case in point of this flexible remote-teamworking ethos, with the 9 of them being based in five different countries around the globe.

Gender composition in the Board of Directors and other management levels

	2023	2022	2021	20/2021	19/2020
Supreme management body					
Number of persons serving on the supreme management body	3	-	-	-	-
Share of the underrepresented gender serving on the supreme management body	0%	-	-	-	-
Target for the underrepresented gender on the supreme management body	33%	-	-	-	-
Annual figures for projected numbers	2024	-	-	-	-
Other management levels					
Number of persons serving on other management levels	9	-	-	-	-

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	2023	2022	2021	20/2021	19/2020
Share of the underrepresented gender on other management levels	22%	-	-	-	-
Target for the underrepresented gender on other management levels	33%	-	-	-	-
Annual figures for projected numbers	2026	-	-	-	-

Supreme management body

Under Danish legislation, NAC sets an objective to ensure the necessary development of the gender composition on the Board of Directors. Following adjustments in the Board of Directors in midst of the restructuring process, Nordic Aviation Capital A/S has three directors which are all male. We elected directors from a restructuring committee at that time, which resulted in all male directors. Our goal is that no gender should account for less than 33% of the members. We will plan to replace an existing director with a female candidate in 2024, which will bring Nordic Aviation Capital A/S at equal distribution in the directors, representing 33.33%, in 2024.

Other management levels

When referring to the Executive Management, we are addressing other management levels. NAC's Executive Management team consists of nine members and had 22% female representation in 2023. During 2023, NAC welcomed a new female executive replacing a male executive, however, we had one female executive deciding to depart. We seek to take on one new female Executive Management member in a few years and aim to reach equal distribution of at least 33.33% by 2026 at the latest.

Reporting on data ethics

This section is to cover the disclosure requirements pursuant to section 99d of Danish Financial Statements Act on Data Ethics.

NAC is committed to international compliance with personal data protection legislation, including Danish legislation, respecting individual privacy. Personal data protection is the foundation of a trustworthy business relationship and the reputation of NAC as an attractive employer.

In 2022, NAC published Personal Data Privacy and Code of Conduct, provided training to all staff members, and all employees went through a refresher course on the topics.

For the financial year 2023, we have not identified any substantial data privacy-related risks, and we continue to have a high focus on this area.

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Income statement

USD'000	Note	2023	2022
Revenue	2	11,677	21,088
Production costs	3,4	-5,818	-23,915
Gross profit/loss		5,859	-2,827
Administrative expenses	3,5	-5,038	64,019
Operating profit		821	61,192
Other operating income		0	14,621
Profit before financial income and expenses		821	75,813
Income from investments in group entities		4,114	0
Other financial income	6	19,106	36,350
Other financial expenses		-4,945	-6,921
Profit before tax		19,096	105,242
Tax on profit for the year	7	-4,629	5,975
Profit for the year	8	14,467	111,217

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Balance sheet

USD'000	Note	31/12 2023	31/12 2022
ASSETS			
Fixed assets			
Property, plant and equipment			
Land and buildings	9	463	636
Fixtures, fittings, tools and equipment		0	0
Airplanes		1,766	2,029
		<u>2,229</u>	<u>2,665</u>
Investments			
Equity investments in group entities	10	73	73
Total fixed assets		<u>2,302</u>	<u>2,738</u>
Current assets			
Inventories			
Raw materials and consumables		812	2,163
Receivables			
Trade receivables		159	325
Receivables from group entities		463,135	463,383
Other receivables		24	731
		<u>463,318</u>	<u>464,439</u>
Cash at bank and in hand		<u>737</u>	<u>335</u>
Total current assets		<u>464,867</u>	<u>466,937</u>
TOTAL ASSETS		<u><u>467,169</u></u>	<u><u>469,675</u></u>

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Balance sheet

USD'000	Note	31/12 2023	31/12 2022
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	747	747
Retained earnings		411,896	397,429
Total equity		<u>412,643</u>	<u>398,176</u>
Provisions			
Provisions for deferred tax		353	398
Total provisions		<u>353</u>	<u>398</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Corporation tax	12	43,417	62,480
Lease obligations		340	0
Deposits		80	80
		<u>43,837</u>	<u>62,560</u>
Current liabilities other than provisions			
Trade payables		584	179
Payables to group entities		2,650	297
Corporation tax	12	4,473	3,380
Lease obligations	12	116	636
Other payables, including taxes payable		2,318	3,917
Deferred income		195	132
		<u>10,336</u>	<u>8,541</u>
Total liabilities other than provisions		<u>54,173</u>	<u>71,101</u>
TOTAL EQUITY AND LIABILITIES		<u><u>467,169</u></u>	<u><u>469,675</u></u>

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Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2023	747	397,429	398,176
Transferred over the profit appropriation	0	14,467	14,467
Equity at 31 December 2023	747	411,896	412,643

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Notes

1 Accounting policies

The annual report of NORDIC AVIATION CAPITAL A/S for 2023 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The financial statements are presented in USD as the Company's most significant transactions are settled in USD. At the balance sheet date, the DKK/USD exchange rate was 674. For the year 2022 the DKK/USD exchange rate at the balance sheet date was 697.

Omission of presentation of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of NORDIC AVIATION CAPITAL A/S and group entities are included in the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Nordic Aviation Capital Designated Activity Company.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Income statement

Revenue

The Company leases airplane principally under operating leases and records rental income on a straightline basis over the life of the lease as it is earned. In some cases, lease agreements provide for rentals based on airplane usage which may be calculated based on hours or on cycles operated. The Company accounts for lease rentals under such agreements on a basis that represents the time pattern in which revenue is earned.

Most of the Company's lease contracts require lease payments to be paid in advance. Additional payments are paid in arrears. Rentals received but unearned at the reporting date are recorded as deferred income.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Generally, lease contracts require a lessee to redeliver airplane in specified maintenance condition (normal wear and tear excepted), with reference to major life-limited components of the airplane. To the extent that such components are redelivered in a different condition than specified, there is generally an end-of-lease compensation adjustment for the monetary difference. Amounts received or paid as part of these redelivery adjustments are recorded as lease rental income on lease termination. The Company recognises amounts recorded as maintenance payments that are not expected to be reimbursed to lessees as revenue.

Other revenue comprises group fee from group entities.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year. Such costs include direct costs of acquisition/value adjustments (regarding airplane recognised as current assets) and maintenance of airplane.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, management, office premises, office expenses and amortisation/depreciation of assets used for administrative purposes.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of equity investments in group entities.

Income from equity investments in group entities

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities, gain related to debt restructuring.

Tax on profit for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they are excluded from the consolidation.

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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1 Accounting policies

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Buildings, airplanes and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	22 years
Fixtures, fittings, tools and equipment	5 years
Airplanes	25-30 years

The useful life and residual value are reassessed annually. Changes are accounted for as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as production costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

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1 Accounting policies

Investments

Dividends from equity investments in group entities and associates measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss is recognised on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

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1 Accounting policies

Cash at bank and in hand

Cash comprises bank deposits.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Company's accounting policies, risks and internal financial management.

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2 Segment information

Activities - primary segment

USD'000	Lease income	Engine reserve	Workshop sales	Other income & Group Fee	Total
2023					
Revenue	364	182	1.391	9.740	11,677
2022					
Revenue	360	504	182	20.042	21,088

Geographical - secondary segment

USD'000	South and Central America	Europe	Asia Pacific	North America	Total
2023					
Revenue	544	11.036	97	0	11,677
2022					
Revenue	866	20.219	0	3	21,088

3 Staff costs

USD'000	2023	2022
Wages and salaries	4,083	9,235
Pensions	79	154
Other social security costs	10	54
	<u>4,172</u>	<u>9,443</u>
Staff costs are recognised in the financial statements as follows:		
Production costs	1,045	3,347
Administrative expenses	3,127	6,096
	<u>4,172</u>	<u>9,443</u>
Average number of full-time employees	<u>20</u>	<u>50</u>

Staff costs include remuneration of the Company's Executive Board and Board of Directors, USD 209 thousand for 2022.

According to section 98b (3) of the Danish Financial Statements Act, remuneration to the Executive Board and Board of Directors is only disclosed for the comparative figures 2022.

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4 Special items

Special items comprise significant income and costs of a special nature in relation to the Company's usual income generating operating activities. Special items also comprise costs related to restructuring and gains and losses from the disposal of fixed assets that are of significant importance over time. Moreover, other significant non-recurring costs are included in special items.

Specification of special items, including where they are included in the income statement:

USD'000	<u>2023</u>	<u>2022</u>
Production costs		
Impairment of land and buildings	0	-14,357
	<u>0</u>	<u>-14,357</u>
USD'000	<u>2023</u>	<u>2022</u>
Administrative expenses		
Impairment of receivables	0	74,110
	<u>0</u>	<u>74,110</u>
USD'000	<u>2023</u>	<u>2022</u>
Other financial income		
Debt restructuring gain	0	23,852
	<u>0</u>	<u>23,852</u>

5 Fees to auditors appointed at the annual general meeting

Pursuant to section 96(b) of the Danish Financial Statements Act, fees paid to the Company's auditors appointed at the general meeting have not been disclosed.

6 Other financial income

USD'000	<u>2023</u>	<u>2022</u>
Interest income from group entities	19,062	30,686
Other interest income	39	2
Exchange gains	5	5,662
	<u>19,106</u>	<u>36,350</u>

7 Tax on profit for the year

USD'000	<u>2023</u>	<u>2022</u>
Current tax for the year	4,386	1,924
Deferred tax adjustment for the year	-44	0
Adjustment of tax concerning previous years	287	398
Adjustment of deferred tax concerning previous years	0	-8,297
	<u>4,629</u>	<u>-5,975</u>

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8 Proposed profit appropriation

USD'000	2023	2022
Retained earnings	14,467	111,217
	<u>14,467</u>	<u>111,217</u>

9 Property, plant and equipment

USD'000	Land and buildings	Fixtures, fittings, tools and equipment	Airplanes	Property, plant and equipment in progress and prepayments for property, plant and equipment	Total
Cost at 1 January 2023	17,579	2,218	36,813	14,741	71,351
Additions	520	0	0	0	520
Cost at 31 December 2023	<u>18,099</u>	<u>2,218</u>	<u>36,813</u>	<u>14,741</u>	<u>71,871</u>
Depreciation and impairment at 1 January 2023	-16,943	-2,218	-34,784	-14,741	-68,686
Depreciation for the year	-693	0	-263	0	-956
Depreciation and impairment at 31 December 2023	<u>-17,636</u>	<u>-2,218</u>	<u>-35,047</u>	<u>-14,741</u>	<u>-69,642</u>
Carrying amount at 31 December 2023	<u>463</u>	<u>0</u>	<u>1,766</u>	<u>0</u>	<u>2,229</u>
Assets held under finance leases	456	0	0	0	456

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10 Investments

USD'000	Equity investments in group entities
Cost at 1 January 2023	6,811
Cost at 31 December 2023	6,811
Revaluations at 1 January 2023	-6,738
Revaluations at 31 December 2023	-6,738
Carrying amount at 31 December 2023	73

Name/legal form	Registered office	Equity interest	Equity USD'000	Profit/loss for the year USD'000
Equity investments in group entities:				
Nac Aviation 3	Ireland	100%	-12,509	-2,803
Nac Aviation 4	Ireland	100%	92,042	10,435
Nac Aviation 6	Ireland	100%	2,418	160
Nac Aviation 10	Ireland	100%	-20,903	13,850
Nac Aviation 11	Ireland	100%	-531	1,349
Nac Aviation 16	Ireland	100%	777	27
Nac Aviation 17	Ireland	100%	-21,556	5,536
Nac Aviation 18	Ireland	100%	103	10,316
Nac Aviation 20	Ireland	100%	-37,658	-4,362
Nac Aviation 21	Ireland	100%	-9,464	4,696
Nac Aviation 23	Ireland	100%	-100,558	1,024
Nac Aviation 27	Ireland	100%	-83,193	-9,372
Nordic Aviation Contractor	Ireland	100%	14,297	-2,870
NK Leasing	Ireland	100%	2,808	8,800
Nordic Aviation Capital Pte	Singapore	100%	3,556	1,086
Nordic Aviation Financing One Pte	Singapore	100%	10,183	18,695
NAC Aviation France 1	France	100%	586	36
NAC Aviation France 5	France	100%	93	20
NAC Aviation France 6	France	100%	77	-63
NAC Aviation Cyprus 1	Cyprus	100%	1,395	681
NAC Aviation Cyprus 3	Cyprus	100%	-86	-16
Merlano	Cyprus	100%	-438	-34
NAC Aviation UK 2	United Kingdom	100%	41	-9
Nordic Aviation Financing ApS	Billund	100%	6,708	648
			-151,812	57,830

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10 Investments

The figures for the entities above are based on the last published annual reports for the year end 31 December 2022, except for Nordic Aviation Financing ApS where 2023 financial statement is available.

11 Contributed capital

Contributed capital consists of 4,500 shares of a nominal value of DKK 1000 each.

All shares rank equally.

12 Non-current liabilities other than provisions

USD'000	31/12 2023	31/12 2022
Tax payables:		
0-1 year	4,473	3,380
1-5 year	43,138	62,480
>5 year	279	0
	<u>47,890</u>	<u>65,860</u>
Lease obligations:		
0-1 year	116	636
1-5 year	340	0
	<u>456</u>	<u>636</u>
Deposits:		
1-5 year	80	80
	<u>80</u>	<u>80</u>
Total financial debts	<u><u>48,426</u></u>	<u><u>66,576</u></u>
The financial debts are recognized in the balance sheet as follows:		
Long-term debt	43,837	62,560
Short-term debt	4,589	4,016
	<u>48,426</u>	<u>66,576</u>

13 Contractual obligations, contingencies, etc.

Contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for the payment of income taxes as well as for withholding taxes on interest, royalties and dividends falling due for payment. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Group's Danish entities are jointly and severally liable for the joint registration concerning VAT.

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14 Related parties disclosure

NORDIC AVIATION CAPITAL A/S' related parties comprise the following:

Control

Nordic Aviation Capital Designated Activity Company, Gardens International, Henry Street, Limerick, Ireland.

Nordic Aviation Capital Designated Activity Company holds the majority of the contributed capital in the Company.

Nordic Aviation Capital A/S is part of the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland, which is both the smallest and largest Group, in which the Company is included as a subsidiary.

The consolidated financial statements of Nordic Aviation Capital Designated Activity Company can be obtained at the address above.

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.