Nordic Aviation Capital A/S

Stratusvej 12
DK-7190 Billund

CVR no. 19 39 89 94

Annual report for the period 1 July – 31 December 2021

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

28 June 2022

Edward James Sheard
Chairman of the annual general meeting

Contents

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 of Nordic Aviation Capital A/S for the financial period 1 July – 31 December 2021.

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 2021 and of the results of the Company's operations for the financial period 1 July – 31 December 2021.

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 period and of the Company's financial position.

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

Billund, 28 June 2022
Executive Board:

Justin Andrew Bickle
Chief Executive Officer

Board of Directors:

Rodney John Sheridan Chairman	Martin Anthony Cooke	Paul Philip O'Donnell
Edward James Sheard	Justin Andrew Bickle	

Independent auditor's report

To the shareholders of Nordic Aviation Capital A/S

Opinion

We have audited the financial statements of Nordic Aviation Capital A/S for the financial period 1 July – 31 December 2021 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 2021 and of the results of the Company's operations for the financial period 1 July – 31 December 2021 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.

Material uncertainty related to going concern

We draw attention to note 2 of the financial statement, which indicates that the operations of the Company and the Nordic Aviation Capital Group (the Group) have been adversely affected due to the prolonged impact of COVID-19 on the regional aircraft market. As a result, the Group (including the Danish entity) has been in a comprehensive restructuring transaction with its equity holders and certain of its lenders, to restructure its debt obligations. As stated in note 2, the dependence of liquidity from Group, along with the other matters explained in note 2, indicate that material uncertainty exists that may cast significant doubt on the Company and the Group’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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.

Independent auditor's report

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 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.

— 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.

Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Fredericia, 28 June 2022
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

Management's review

Company details

Nordic Aviation Capital A/S
Stratusvej 12
7190 Billund
Denmark

Telephone:	+4576511200
Fax:	+4576511212
Website:	www.nac.dk

CVR no.:	19 39 89 94
Established:	26 June 1996
Registered office:	Billund
Financial period:	1 July – 31 December

Board of Directors

Rodney John Sheridan, Chairman
Martin Anthony Cooke
Paul Philip O'Donnell
Edward James Sheard
Justin Andrew Bickle

Executive Board

Justin Andrew Bickle, Chief Executive Officer

Auditor

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

Management's review

Financial highlights

USDm	2021	2020/21	2019/20	2018/19*	2017/18*
Key figures					
Revenue	20	34	43	34	31
Operating profit/loss	-104	-7	8	0	-1
Profit/loss from financial income and expenses	1	-13	7	8	129
Profit/loss for the period	-102	-40	31	4	122
Total assets	405	513	565	420	1,185
Equity	287	389	428	398	394
Investment in property, plant and equipment	0	20	54	0	3
Ratios					
Return on equity	-30.2%	-9.8%	7.4%	1.0%	36.8%
Solvency ratio	70.9%	75.8%	75.8%	94.8%	33.2%
Other key figures					
Average number of full-time employees	75	83	86	92	85

The financial ratios have been calculated as follows:

*The numbers for 2017/18 and 2018/19 have not been restated to account for the impact of IFRS 16.

Return on equity $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity ex. non-controlling interests at year-end x 100}}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Principal activities

Nordic Aviation Capital A/S's (the "Company") activities consist of providing shared services to the ultimate parent company, Nordic Aviation Capital Designated Activity Company ("NAC DAC") and its subsidiaries.The services are primarily hangar, inventory, building and technical and financial services.

Additionally, the Company has a portfolio of one aircraft, which is on lease with an external customer at period end.

In consideration of the volume of transactions with other Group members, this Management's review includes Group considerations. Accordingly, the sections below include Company information as well as commentary from the Group's annual report for the partial financial year 2021 July – December ("Group Annual Report").

The Company's activities are predominantly denominated in US Dollars ("$"), and this is the Company's functional currency. The financial statements are presented in $.

Development in activities and financial position

The Company's income statement covering 2021 July – December (the "2021 6m") shows a loss of USD 101,636 thousand as against a loss of USD 39,879 thousand for the 12-month period from 1 July 2020 through 30 June 2021.

Equity in the Company's balance sheet on 31 December 2021 stood at USD 286,959 thousand as against USD 388,595 thousand on 30 June 2021.

The COVID-19 pandemic and the travel restrictions adopted by governments worldwide have significantly impacted the aviation industry and the Group. This impact has been felt through an unprecedented reduction in the use of aircraft and a significant increase in the level of deferral requests and airlines being unable to make scheduled lease rental payments.

While recent months have witnessed the removal of widespread travel restrictions and increased demand for air travel, the COVID-19 pandemic is continuing to have a material impact on the aviation industry, and by extension the aircraft leasing sector. Consequently, the effects of COVID-19 continue to impact the Group and by that the Company as part of the Group.

The Group depends on the Company as a service company to provide shared services to other Group members through hangar, inventory technical and financial services. The Company, in turn, relies on the Group's ability to navigate the unprecedented challenges of Covid-19.

Management's review

Operating review

Material uncertainties regarding going concern

Financing
The Group's aircraft financing comprises secured external financing and non-recourse group borrowings. As a member of the Group, the Company benefits from the support and a financial guarantee from NAC DAC and is also subject to Group lending requirements.

In response to the year over year challenges related to COVID-19, the Group, in December 2021, entered a voluntary restructuring process under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court").

A restructuring process under Chapter 11 of the U.S. Bankruptcy Code is not always recognized in Denmark, but as a subsidiary of NAC DAC, which entered the Chapter 11 restructuring process with almost all of its subsidiaries, the Company also entered Chapter 11 in December 2021.

The Group began their voluntary restructuring process under Chapter 11 of the U.S. Bankruptcy Code in the Court in December 2021.

The Chapter 11 restructuring prevented creditors from exercising remedies with respect to the Group's prior debt obligations, while the Group seeks to effectuate the financial restructuring transactions. It provided the Group with the opportunity to implement the financial restructuring transactions negotiated over most of the past year and continue to work with its lenders and other stakeholders to reduce its debt, rebalance costs, access new sources of financing, and continue operating, while adapting its business to the new reality. The Group sought to ensure financial sustainability and continue to generate value for its stakeholders.

The Group emerged from Chapter 11 in the second quarter of 2022 with approval from the Court and with a Court approved Chapter 11 plan of reorganization (the "Plan"). The Plan memorializes the Restructuring Support Agreement (the "RSA"), which had the support of equity holders and lenders holding approximately 95% of the Group's debt obligations.
The Company has, however, a receivable, from NAC DAC. The Company will not be requiring this unless, and only to the extent that, NAC DAC has available cash. Emergence from Chapter 11 leaves the Company in a position where the receivable is considered to hold its full value. At present, the Group is considering the creation of a dividend for the Company to NAC DAC, which would reduce the balance of the receivable.

Furthermore, the Company assesses its trade and other receivables balance by comparing historical receivable loss patterns with current and future forecasted credit conditions. When determining whether the credit risk of trade and other receivables has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Resulting from the significant uncertainty at group level, which was in a Chapter 11 process, at the time of the accounts, a provision was made against intercompany receivables for the period.

The Company has, in light of the restructuring and emergence from Chapter 11, the conversion of debt to equity and, a capital injection and new credit facility to the Group, a confidence that the receivable at NAC DAC holds its value and is repayable if needed and that the company will have the ability to meet its debt obligations.

Management's review

Operating review

In June 2020, the Danish tax authorities issued an upward adjustment to the taxable income of the Company for the years 2012-2016. The assessment is subject to a Mutual Agreement Procedure (MAP). This MAP process is expected to conclude within the next four years. In May 2021, SKAT agreed to a deferral of the outstanding balance and that the receivables from the Danish authorities are used to eliminate the debt from the principal of that eldest outstanding is paid first (FIFO). The rest of the debt is deferred to the end of the MAP process but no later than Q2 2025.

Following several months of diligence and extensive, arm’s-length negotiations with creditors and existing shareholders, NAC reached agreement with certain key creditor constituencies and existing shareholders on the terms of a crucial and comprehensive reorganization, which was memorialized in the RSA on 17 December 2021. NAC continued to negotiate with the remaining key creditor constituencies and executed a second and third amended and restated version of the RSA, on 13 January 2022 and 23 March 2022, respectively, which had the support of equity holders and lenders holding approximately 95% of the Group’s debt obligations.

The transactions agreed to in the RSA were incorporated in the Plan, which was confirmed by the Court on 19 April 2022. The terms of the financial transactions as incorporated into the Plan restructured the Group’s debt obligations, provided additional capital through a new equity right offering and new exit financing facility, and best positioned the Group for future growth and success as global economic and industry conditions continue to improve. The Group ultimately emerged from chapter 11 on 1 June 2022.

To accommodate the Group’s diverse creditor constituencies, the RSA provides a flexible structure by offering differing restructuring and recapitalization transactions specific to each (or multiple) ad hoc group of creditors, as reflected by the various bespoke term sheets. These transactions include, among others: (i) the Option A/D Equitization Restructuring Transaction; (ii) the Option C2 Restructuring Transaction; (iii) the Option E Restructuring Transaction, which includes the JOLCO Restructuring Transactions, the Investec NAC 8 Restructuring Transactions, the NAC 33/34 Transactions, and the EDC Exiting Restructuring Transaction; (iv) the EDC Reinstating Restructuring Transactions; (v) the ECA Restructuring Transactions; (vi) the NYL Restructuring Transactions; (vii) the Rights Offering; and (viii) the Exit Facility

- Option A/D Equitization Restructuring Transaction: the equitization of approximately $583 million in secured note obligations and facility agreements obligations held by holders of NAC 29 Funded Debt Claims, KfW Funded Debt Claims, and DB Nightjar Funded Debt Claims, in exchange for new equity to be issued by the reorganized parent, as well as the issuance of the debt by NAC 29 in the form of notes and/or term loans.
- Option C2 Restructuring Transaction: the amendment and restatement of that certain prepetition term loan credit agreement by and among NAC Aviation 27 Limited and the lenders thereto, partially guaranteed by NAC DAC as reorganized pursuant to the restructuring transactions (“Reorganized NAC DAC”).
- Option E Transaction: creditors that do not wish to retain a go-forward relationship with the Group have the option of an orderly exit with the transfer of silo collateral outside the Group.
- EDC Reinstating Restructuring Transactions: the amendment and restatement of certain EDC financing facilities.
- ECA Restructuring Transactions: the assumption and assignment of certain leveraged aircraft leases subject to certain modifications and the reinstatement of the outstanding principal plus accrued and unpaid interest under such amended leveraged leases as set forth in the RSA.
- NYL Restructuring Transactions: the assumption and assignment of the NYL Head Leases, subject to certain modifications as set forth in the RSA, together with the settlement of the outstanding claims arising under the NYL Financing Documents and certain other amounts.

Management's review

Operating review

Term sheets for each of these options have been signed and agreed to by the various creditor groups. These terms and conditions were embodied in the Court-approved Plan and will allow the Group to continue to operate in the ordinary course on a go forward basis.

Material uncertainties regarding going concern

The Company is part of the Group and the Company's ability to continue as a going concern is dependent on financing provided by the Group, the repayment of outstanding balances, reference to which is made in note 12, and the Group's purchase of services from the Company.

The Company, as a service company, provides shared services to other Group members through hangar, inventory technical and financial services and relies on the Group's ability to navigate the unprecedented challenges of Covid-19.

On the basis of the successful emergence from Chapter 11 and considering the business plan of the Group for continued growth and adapting to the needs of its customers e.g., conversion of some of the old fleet to cargo aircraft and, later in 2022, diversifying the fleet with adjacent single-aisle aircraft, like Boeing 737s and Airbus A320s, the Company is confident that the need for its services of hangar, inventory, building and technical and financial services will continue.

In June 2020, the Danish tax authorities issued an upward adjustment to the taxable income of the Company for the years 2012-2016. The assessment is subject to a Mutual Agreement Procedure ("MAP"). This MAP process is expected to conclude within the next four years. In May 2021, SKAT agreed to a deferral of the outstanding balance and that the receivables from the Danish authorities are used to eliminate the debt from the principal of that eldest outstanding is paid first (FIFO). The rest of the debt is deferred to the end of the MAP process but no later than Q2 2025.

Furthermore, the fact that the Company has a large receivable at its ultimate parent company is a risk for the Company's ability to meet it debt obligations. However, the Group's restructuring and emergence from Chapter 11, the conversion of certain debt to equity, capital injection and new credit facility to the Group creates a confidence that the receivable will hold its full value and is repayable if needed and that the company will have ability to meet its debt obligations.

At present the Group is considering the creation of a dividend for the Company to NAC DAC, which would reduce the balance of the receivable.

In light of 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 on the future plans the Directors have for the business.

Outlook

With the emergence from Chapter 11 the Company as a subsidiary of the Group is also a part of the plans for growth for the Group. The future plans the Directors have for the business as a whole are still in early stages such that it is not currently possible to predict fair estimates for company performance. On that basis expected revenue and net result for 2022 is not included.

Management's review

Operating review

Corporate social responsibility

Since our founding in 1990, NAC has strived to make a difference for our customers, our partners and our people. NAC has a set of core values which have guided our lasting success. These values represent the essence of our beliefs, culture, and everyday actions. They are timeless guiding principles – the essential and enduring beliefs of our company, ingrained in our corporate culture. Through our core values, we have global guidance on how to act and behave. Our values unite us and create a sense of purpose and belonging.

Aligned to these values, NAC has a set of behaviors and policies in place which reflect its social and environmental concerns. All company policies are pragmatic and accessible to all team members via the company intranet site. We continuously assess our impact on our surroundings and seek to address mitigate/proactively any SR risk identified. This is done either directly or through industry /outside industry network.

For the 2021 6m, we have not identified any substantial CSR risk, but we continue to have a high focus on our environmental impact and on how we as a company can work more sustainably.

People and work environment

We are committed to providing positive, productive and encouraging working environments where all employees are valued and supported in being the best they can be.

Equality and dignity at work

NAC is committed to creating an environment promoting equality and dignity at work. We are inspired by the UN sustainable development goals and are dedicated to work actively on Goal 4, 5 and 8: Quality Education, Gender Equality and Decent Work and Economic growth. NAC wishes to "create” a workplace that provides equal opportunities for all employees and potential employees, where their integrity is always protected and respected".

NAC is committed to creating an environment promoting equality and dignity at work. NAC wishes to create a workplace that provides equal opportunities for all employees and potential employees, where their integrity is always protected and respected. Training and development continue to be a focus area during the financial year 2021/2022. The NAC online training platform: “NAC Learning” is now well established, providing easy access to learning opportunities for all team members.

In addition to this, NAC runs a Global online Leadership training program with emphasis on developing NAC leaders of the future and enabling cross-cultural knowledge-sharing. One of our priorities is to continue to provide people at every level within the business with ample development opportunities to enhance career progression and to ensure future competence requirements are identified and nurtured.

During 2021 including the 2021 6m, as part of the Global Leadership program, NAC has made Diversity training mandatory for all the leaders taking part. The purpose of the training is to create awareness of unconscious biases and support a working environment with equality and equal opportunities. For 2022 we will continue this training and further build awareness.

Management's review

Operating review

Bullying and harassment

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. More information is available in the local handbook.

NAC has previously conducted a work environment assessment (in Danish APV) and during the 2021 6m continued to do so and conducted a global working remote assessment. Our surveys have focused both on mental and physical wellbeing at work. The results of both surveys were very positive and showed a social and friendly work environment. It also showed both the advantages and disadvantages from working remote. NAC has during the year taken additional steps to ensure a caring work environment.

These steps include:

- Resilience training
- Social, virtual events as bingo, cook together and beer tasting
- Outdoor yoga and Pilates
- Motivational speakers giving sessions on wellbeing, nutrition, and work-life balance
- Monthly town-hall meetings
- Walk and talk sessions within the teams
- Breakfast on Thursdays

The UN 17 sustainable development goals. Goal 3 and goal 8: Good Health, Wellbeing and Decent Work and Economic Growth offers inspiration on good practice and how NAC can and will approach a good work environment for all our team members.

Operating review

For 2022, we will continue to offer relevant activities that support a welcoming working environment and the wellbeing of all team members. Furthermore, we have decided to continue to offer our team members the option to work remote part of their work week. This will allow our team members a higher degree of flexibility, while still being part of the social life lived at the office.

Climate and environment

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. Internally as a natural part of our value “caring”, we encourage our team members to think of ways to lessen our environmental impact.

Management's review

Operating review

Anti-corruption policy

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 nti-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.

For the 2021 6m no incidents of violation of the Company's anti-corruption and bribery policy were recorded.

For 2022, NAC will continue to ensure awareness of our Anti-Corruption policies. Training will be offered to new joiners and, where relevant, additional training offered to existing employees.

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.

Gender composition in the Board of Directors and Management

Board of Directors

Under Danish legislation, NAC sets an objective to ensure the necessary development of the gender composition on the Board of Directors. Our ambition is that no gender should account for less than 25% of our members. Following adjustments in the Board of Directors early spring 2021, the current Board now consist of six male board members.

During the Chapter 11 process, the temporary board of directors had no female representation. NAC is aware of this imbalance and will work actively on having a more gender-balanced board of directors again. We will in our recruitment actively favour female candidates.

Globally 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.

Looking back on the previous year we can ascertain that we have not fulfilled our ambition yet to take at least one new female board member onboard.

During the recent year our focus has been on the restructuring process and making sure that NAC going forward would be a player on the Aircraft leasing market and would emerge stronger from the process.
When looking a year ahead we will target to maintain the female gender distribution in our Executive Senior Management group on 20%. Within a 2- year timeframe we will seek to have this percentage raised to 30%. NAC is operating in a male dominated business, but we can assure that we will strive to make a reasonable gender distribution in our Executive Senior Management group and board always with the best interest for NAC in mind.

Management's review

Operating review

Managers

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.

During the 2021 6m, we continued our focus on having a work environment which would attract and retain female representatives at management positions. This has primarily included flexible working hours and offering internal leadership training for talents.

GDPR

The processing of personal data is not a critical part of and neither closely linked to the companies' business activities. As a B2B company with very few transactions with private customers, the company only processes personal data in respect of customers and suppliers to a very limited extent – and only for customer/supplier administration purposes. The processing of personal data mainly relates to the internal activities involving employees' personal data for HR administration purposes.

Thus, we do not use data to track movements or consumer preferences of any private individuals, nor do we use machine learning, AI, or similar to profile customers, employees, or other private individuals.

Events after the balance sheet date

On June 1, 2022, NAC successfully emerged from the Chapter 11 restructuring process, having received confirmation of its Plan from the Court on April 19, 2022. The Group emerged well-positioned for the future having eliminated $4.1bn of debt, while significantly enhancing its liquidity, with access to approximately $537m in additional capital to fund operations and growth opportunities.

Moreover, reference is made to note 2, in which the Company´s financial situation is described in further detail.

Financial statements 1 July – 31 December

Income statement

USD'000	Note	01/07 2021 - 31/12 2021	01/07 2020 - 30/06 2021
Revenue	4	19,756	34,352
Production costs	5	-32,117	-23,342
Gross profit/loss		-12,361	11,010
Administrative expenses	5	-92,011	-17,545
Loss before financial income and expenses		-104,372	-6,535
Income from equity investments in group entities		0	-20,330
Other financial income	6	5,431	3,143
Other financial expenses	7	-4,151	-16,595
Loss before tax		-103,092	-40,317
Tax on profit/loss for the year	8	1,456	438
Loss for the period	9	-101,636	-39,879

Financial statements 1 July – 31 December

Balance sheet

USD'000	Note	31/12 2021	30/06 2021
ASSETS			
Fixed assets			
Property, plant and equipment	10		
Buildings		14,825	15,191
Fixtures and fittings, tools and equipment		84	171
Aircraft		2,290	24,079
Prepayments for property, plant and equipment		0	31,980
		17,199	71,421
Investments	11		
Equity investments in group entities		73	73
Deposits		0	8,582
		73	8,655
Total fixed assets		17,272	80,076
Current assets			
Inventories			
Consumables		1,046	1,285
Receivables			
Trade receivables		17	88
Receivables from group entities	12	384,998	428,323
Other receivables		416	29
Prepayments	13	343	2,131
		385,774	430,571
Cash at bank and in hand		1,301	749
Total current assets		388,121	432,605
TOTAL ASSETS		405,393	512,681

Financial statements 1 July – 31 December

Balance sheet

USD'000	Note	31/12 2021	30/06 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	747	747
Retained earnings		286,212	387,848
Total equity		286,959	388,595
Liabilities			
Non-current liabilities	15		
Lease obligations		15,510	49,673
Corporation tax		74,096	62,587
Other payables		0	1,623
Deposits		0	80
		89,606	113,963
Current liabilities			
Current portion of non-current liabilities	15	23,591	6,169
Trade payables		205	972
Other payables		5,032	2,982
		28,828	10,123
Total liabilities		118,434	124,086
TOTAL EQUITY AND LIABILITIES		405,393	512,681

Financial statements 1 July – 31 December

Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Total
Equity at 1 July 2021	747	387,848	388,595
Transferred over the distribution of loss	0	-101,636	-101,636
Equity at 31 December 2021	747	286,212	286,959

Financial statements 1 July – 31 December

Notes

1 Accounting policies

The annual report of Nordic Aviation Capital A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

Due to change in accounting periods in the NAC Group the company has changed the accounting period accordingly. The year 01/07 2021 to 31/12 2021 comprises of 6 months. The comparative figures comprises of 12 months.

Omission 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, Registered number 567526.

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 , Ireland, Registered number 567526.

Reporting currency

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 6.26. For the year 2019/20, the DKK/USD exchange rate at the balance sheet date was 6.66.

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 subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

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1 **Accounting policies (continued)**

Income statement

Revenue

The Company leases aircraft 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 aircraft 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.

Generally, lease contracts require a lessee to redeliver aircraft in specified maintenance condition (normal wear and tear excepted), with reference to major life-limited components of the aircraft. 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 aircraft recognised as current assets) and maintenance of aircraft.

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.

Income from equity investments in group entities and participating interests (including associates)

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.

Financial statements 1 July – 31 December

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1 Accounting policies (continued)

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.

Tax on profit/loss 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.

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, aircraft 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
Aircraft	25-30 years
Fixtures and fittings, tools and equipment	5 years

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1 Accounting policies (continued)

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.

Prepayments for property, plant and equipment, comprise payments regarding future acquisitions of aircraft.

Investments

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.

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 an 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.

Financial statements 1 July – 31 December

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1 Accounting policies (continued)

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.

Prepayments

Prepayments comprise the prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash comprises bank deposits.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Equity

Dividends

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

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1 Accounting policies (continued)

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

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 net realisable value.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly with regard to the organisation of the sale of goods and services.

2 Material uncertainties regarding going concern

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

Additionally, the Company has a portfolio of one aircraft, which is still on lease with an external customer at period end.

Financial statements 1 July – 31 December

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The Group's aircraft financing comprises secured external financing and non-recourse group borrowings. As a member of the Group, the Company benefits from the support and a financial guarantee from NAC DAC and is also subject to Group lending requirements.

In response to the year over year challenges related to COVID-19, the Group, in December 2021, entered a voluntary restructuring process under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court").

A restructuring process under Chapter 11 of the U.S. Bankruptcy Code is not always recognized in Denmark, but as a subsidiary of NAC DAC, which entered the Chapter 11 restructuring process with almost all of its subsidiaries, the Company also entered Chapter 11 in December 2021.

The Group began their voluntary restructuring process under Chapter 11 of the U.S. Bankruptcy Code in the Court in December 2021.

The Chapter 11 restructuring prevented creditors from exercising remedies with respect to the Group's prior debt obligations, while the Group seeks to effectuate the financial restructuring transactions. It provided the Group with the opportunity to implement the financial restructuring transactions negotiated over most of the past year and continue to work with its lenders and other stakeholders to reduce its debt, rebalance costs, access new sources of financing, and continue operating, while adapting its business to the new reality. The Group sought to ensure financial sustainability and continue to generate value for its stakeholders.

The Group emerged from Chapter 11 in the second quarter of 2022 with approval from the Court and with a Court approved Chapter 11 plan of reorganization (the "Plan"). The Plan memorializes the Restructuring Support Agreement (the "RSA"), which had the support of equity holders and lenders holding approximately 95% of the Group's debt obligations.

The Company has, however, a receivable, from NAC DAC. The Company will not be requiring this unless, and only to the extent that, NAC DAC has available cash. Emergence from Chapter 11 leaves the Company in a position where the receivable is considered to hold its full value. At present, the Group is considering the creation of a dividend for the Company to NAC DAC, which would reduce the balance of the receivable.

Furthermore, the Company assesses its trade and other receivables balance by comparing historical receivable loss patterns with current and future forecasted credit conditions. When determining whether the credit risk of trade and other receivables has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Resulting from the significant uncertainty at group level, which was in a Chapter 11 process, at the time of the accounts, a provision was made against intercompany receivables for the period.

Financial statements 1 July – 31 December

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The Company has, in light of the restructuring and emergence from Chapter 11, the conversion of debt to equity and, a capital injection and new credit facility to the Group, a confidence that the receivable at NAC DAC holds its value and is repayable if needed and that the company will have the ability to meet its debt obligations.

In June 2020, the Danish tax authorities issued an upward adjustment to the taxable income of the Company for the years 2012-2016. The assessment is subject to a Mutual Agreement Procedure (MAP). This MAP process is expected to conclude within the next four years. In May 2021, SKAT agreed to a deferral of the outstanding balance and that the receivables from the Danish authorities are used to eliminate the debt from the principal of that eldest outstanding is paid first (FIFO). The rest of the debt is deferred to the end of the MAP process but no later than Q2 2025.

Following several months of diligence and extensive, arm's-length negotiations with creditors and existing shareholders, NAC reached agreement with certain key creditor constituencies and existing shareholders on the terms of a crucial and comprehensive reorganization, which was memorialized in the RSA on 17 December 2021. NAC continued to negotiate with the remaining key creditor constituencies and executed a second and third amended and restated version of the RSA, on 13 January 2022 and 23 March 2022, respectively, which had the support of equity holders and lenders holding approximately 95% of the Group's debt obligations.

The transactions agreed to in the RSA were incorporated in the Plan, which was confirmed by the Court on 19 April 2022. The terms of the financial transactions as incorporated into the Plan restructured the Group's debt obligations, provided additional capital through a new equity right offering and new exit financing facility, and best positioned the Group for future growth and success as global economic and industry conditions continue to improve. The Group ultimately emerged from chapter 11 on 1 June 2022.
To accommodate the Group's diverse creditor constituencies, the RSA provides a flexible structure by offering differing restructuring and recapitalization transactions specific to each (or multiple) ad hoc group of creditors, as reflected by the various bespoke term sheets. These transactions include, among others: (i) the Option A/D Equitization Restructuring Transaction; (ii) the Option C2 Restructuring Transaction; (iii) the Option E Restructuring Transaction, which includes the JOLCO Restructuring Transactions, the Investec NAC 8 Restructuring Transactions, the NAC 33/34 Transactions, and the EDC Exiting Restructuring Transaction; (iv) the EDC Reinstating Restructuring Transactions; (v) the ECA Restructuring Transactions; (vi) the NYL Restructuring Transactions; (vii) the Rights Offering; and (viii) the Exit Facility.

- Option A/D Equitization Restructuring Transaction: the equitization of approximately \$583 million in secured note obligations and facility agreements obligations held by holders of NAC 29 Funded Debt Claims, KfW Funded Debt Claims, and DB Nightjar Funded Debt Claims, in exchange for new equity to be issued by the reorganized parent, as well as the issuance of the debt by NAC 29 in the form of notes and/or term loans.
- Option C2 Restructuring Transaction: the amendment and restatement of that certain prepetition term loan credit agreement by and among NAC Aviation 27 Limited and the lenders thereto, partially guaranteed by NAC DAC as reorganized pursuant to the restructuring transactions ("Reorganized NAC DAC").
- Option E Transaction: creditors that do not wish to retain a go-forward relationship with the Group have the option of an orderly exit with the transfer of silo collateral outside the Group.
- EDC Reinstating Restructuring Transactions: the amendment and restatement of certain EDC financing facilities.
- ECA Restructuring Transactions: the assumption and assignment of certain leveraged aircraft leases subject to certain modifications and the reinstatement of the outstanding principal plus accrued and unpaid interest under such amended leveraged leases as set forth in the RSA.

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- NYL Restructuring Transactions: the assumption and assignment of the NYL Head Leases, subject to certain modifications as set forth in the RSA, together with the settlement of the outstanding claims arising under the NYL Financing Documents and certain other amounts.

Term sheets for each of these options have been signed and agreed to by the various creditor groups. These terms and conditions were embodied in the Court-approved Plan and will allow the Group to continue to operate in the ordinary course on a go forward basis.

Material uncertainties regarding going concern

The Company is part of the Group and the Company's ability to continue as a going concern is dependent on financing provided by the Group, the repayment of outstanding balances, reference to which is made in note 12, and the Group's purchase of services from the Company.

The Company, as a service company, provides shared services to other Group members through hangar, inventory technical and financial services and relies on the Group's ability to navigate the unprecedented challenges of Covid-19.

On the basis of the successful emergence from Chapter 11 and considering the business plan of the Group for continued growth and adapting to the needs of its customers e.g., conversion of some of the old fleet to cargo aircraft and, later in 2022, diversifying the fleet with adjacent single-aisle aircraft, like Boeing 737s and Airbus A320s, the Company is confident that the need for its services of hangar, inventory, building and technical and financial services will continue.

In June 2020, the Danish tax authorities issued an upward adjustment to the taxable income of the Company for the years 2012-2016. The assessment is subject to a Mutual Agreement Procedure ("MAP"). This MAP process is expected to conclude within the next four years. In May 2021, SKAT agreed to a deferral of the outstanding balance and that the receivables from the Danish authorities are used to eliminate the debt from the principal of that eldest outstanding is paid first (FIFO). The rest of the debt is deferred to the end of the MAP process but no later than Q2 2025.

Furthermore, the fact that the Company has a large receivable at its ultimate parent company is a risk for the Company's ability to meet it debt obligations. However, the Group's restructuring and emergence from Chapter 11, the conversion of certain debt to equity, capital injection and new credit facility to the Group creates a confidence that the receivable will hold its full value and is repayable if needed and that the company will have ability to meet its debt obligations.

At present the Group is considering the creation of a dividend for the Company to NAC DAC, which would reduce the balance of the receivable.

In light of 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 on the future plans the Directors have for the business.

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3 Special items

Special items comprise significant costs of a special nature in relation to the Company's usual income-generating operating activities. Special items also comprise costs related to impairment of PDP (Classified as property, plant and equipment in progress), investments and receviables.

As mentioned in the Management's review, profit/loss was affected by impairment of PDP, investments and receviables. This matter deviates from Management's assessment of what is part of the Company's operating activities.

Special items, including their recognition in the income statement, are speficied as follows:

USD'000	01/07 2021 - 31/12 2021	01/07 2020 - 30/06 2021
Income from equity investments		
Impairment of investments	0	20,330
Production costs		
Impairment of PDP	6,725	8,016
Impairment of Airplanes	20,021	0
Administration costs		
Impairment of receviables	74,602	0

4 Segment information

Lease income	180	360
Engine reserve	110	351
Workshop sales	101	178
Other income & Group Fee	19,365	33,463
	19,756	34,352

Breakdown of revenue by geographical segments

Asia and the Pacific	0	8
Europe	19,428	33,573
South and Central America	328	711
North America	0	57
Africa and Middle East	0	3
	19,756	34,352

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USD'000	01/07 2021 - 31/12 2021	01/07 2020 - 30/06 2021

5 Staff costs and incentive schemes

Wages and salaries	9,028	16,907
Pensions	140	358
Other social security costs	26	67
	9,194	17,332
Average number of full-time employees	75	83
Staff costs are recognised in the financial statements as follows:		
Production	1,683	3,603
Administration	7,511	13,729
	9,194	17,332

Staff costs include remuneration of the Company's Executive Board and Board of Directors, USD 467 thousand.

6 Other financial income

Interest income from group entities	746	3,141
Other financial income	13	2
Exchange adjustments	4,672	0
	5,431	3,143

7 Other financial expenses

Other financial costs	4,151	8,500
Exchange adjustments costs	0	8,095
	4,151	16,595

8 Tax on profit/loss for the year

Current tax for the year	-1,456	0
Deferred tax for the year	0	-438
	-1,456	-438

9 Proposed distribution of loss

Retained earnings	-101,636	-39,879

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10 Property, plant and equipment

USD'000	Land and buildings	Fixtures and fittings, tools and equipment	Airplanes	Property, plant and equipment in progress	Total
Cost at 1 July 2021	16,656	2,534	36,813	39,996	95,999
Disposals for the year	0	-234	0	-25,255	-25,489
Cost at 31 December 2021	16,656	2,300	36,813	14,741	70,510
Depreciation and impairment losses at 1 July 2021	-1,465	-2,363	-12,634	-8,016	-24,478
Impairment losses for the year	0	0	-20,021	-6,725	-26,746
Depreciation for the year	-366	-25	-1,868	0	-2,259
Reversed depreciation and impairment losses on assets sold	0	172	0	0	172
Depreciation and impairment losses at 31 December 2021	-1,831	-2,216	-34,523	-14,741	-53,311
Carrying amount at 31 December 2021	14,825	84	2,290	0	17,199
Assets held under finance leases	14,825	0	0	0	0

11 Investments

USD'000	Equity investments in group entities
Cost at 1 July 2021	20,937
Cost at 31 December 2021	20,937
Revaluations at 1 July 2021	-20,864
Revaluations 31 December 2021	-20,864
Carrying amount at 31 December 2021	73

USD'000	Deposits
Cost at 1 July 2021	8,582
Disposals for the year	-8,582
Cost at 31 December 2021	0
Carrying amount at 31 December 2021	0

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Name	Legal form	Domicile	Equity	Profit/loss for the year
Subsidiaries:			USD'000	USD'000
Nordic Aviation Financing	ApS	Billund	6,133	196
NAC Aviation 2	A/S	Billund	-22,917	-3,713
NAC Aviation 3	A/S	Billund	-3,260	-755
NAC Aviation 3	Ltd	Ireland	5,948	875
NAC Aviation 4	Ltd	Ireland	94,423	17,697
NAC Aviation 6	Ltd	Ireland	2,332	-155
NAC Aviation 8	Ltd	Ireland	-43,073	-22,089
NAC Aviation 9	Ltd	Ireland	26,404	2,340
NAC Aviation 10	Ltd	Ireland	10,585	4,454
NAC Aviation 11	Ltd	Ireland	5,952	1,354
NAC Aviation 16	Ltd	Ireland	798	80
NAC Aviation 17	Ltd	Ireland	20,371	8,331
NAC Aviation 18	Ltd	Ireland	4,657	500
NAC Aviation 20	Ltd	Ireland	9,867	-371
NAC Aviation 21	Ltd	Ireland	-8,243	1,420
NAC Aviation 22	Ltd	Ireland	4,005	-90
NAC Aviation 23	Ltd	Ireland	-9,438	-3,995
NAC Aviation 25	Ltd	Ireland	41,149	-2,725
NAC Aviation 26	Ltd	Ireland	-2,860	-2,806
NAC Aviation 27	Ltd	Ireland	-9,971	-7,142
Nordic Aviation Contractor	Ltd	Ireland	40,139	-15,896
NK Leasing	Ltd	Ireland	15,812	-856
Nordic Aviation Leasing Pte	Ltd	Singapore	1,190	-23
Nordic Aviation Leasing Two Pte	Ltd	Singapore	3,011	-496
Nordic Aviation Leasing Six Pte	Ltd	Singapore	4,840	-3,706
Nordic Aviation Leasing Seven Pte	Ltd	Singapore	67,264	-42,970
Nordic Aviation Leasing Eight Pte	Ltd	Singapore	165	-3,441
Nordic Aviation Leasing Nine Pte	Ltd	Singapore	15,914	-3,307
Nordic Aviation Leasing Eleven Pte	Ltd	Singapore	27,856	3,454
Nordic Aviation Leasing Twelve Pte	Ltd	Singapore	-5	1
Nordic Aviation Leasing Fourteen Pte	Ltd	Singapore	3,515	1,052
Nordic Aviation Leasing Fifteen Pte	Ltd	Singapore	34	3
Nordic Aviation Leasing Sixteen Pte	Ltd	Singapore	10,958	313
Nordic Aviation Leasing Seventeen Pte	Ltd	Singapore	2,169	560
Nordic Aviation Leasing Eighteen Pte	Ltd	Singapore	2,884	910
Nordic Aviation Leasing Nineteen Pte	Ltd	Singapore	523	175
Nordic Aviation Leasing Twenty Pte	Ltd	Singapore	2,607	807
Nordic Aviation Leasing Twentyone Pte	Ltd	Singapore	2,080	-199

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Nordic Aviation Leasing Twentytwo Pte	Ltd	Singapore	1,864	706
Nordic Aviation Leasing Twentythree Pte	Ltd	Singapore	865	701
Nordic Aviation Leasing Twentyfour Pte	Ltd	Singapore	983	761
Nordic Aviation Leasing Twentyfive Pte	Ltd	Singapore	3,785	1,708
Nordic Aviation Leasing Twentysix Pte	Ltd	Singapore	-2	0
Nordic Aviation Leasing Twentyseven Pte	Ltd	Singapore	2,197	1,714
Nordic Aviation Leasing Twentyeight Pte	Ltd	Singapore	2,943	-555
Nordic Aviation Leasing Twentynine Pte	Ltd	Singapore	-5	-1
Nordic Aviation Capital Pte	Ltd	Singapore	1,885	1,003
Nordic Aviation Financing one Pte	Ltd	Singapore	5,775	1,391
NAC Aviation France 1	SAS	France	94	-504
NAC Aviation France 5	SAS	France	-320	-460
AC Aviation France 6	SAS	France	212	-392
NAC Aviation Cyprus 1	Ltd	Cyprus	2,466	-1,351
NAC Aviation Cyprus 3	Ltd	Cyprus	-64	-6
Merlano	Ltd	Cyprus	-375	-47
NAC Aviation UK 2	Ltd	United Kingdom	94	7
The following subsidiaries are owned at 50%				
NK Operations	Ltd	Ireland	11,562	1,567

The figures for the Danish entities are based on the annual reports for the year 01.07.2021 - 31.12.2021.

The figures for the entities in France and Cyprus are based on the annual reports for the year 01.07.2020 - 30.06.2021.

The figures for other entities are based on the annual reports for the year 01.07.2019 - 30.06.2020, as other annual reports are not yet available.

12 Receivables from group entities

In the general interests of Nordic Aviation Capital A/S (NAC A/S) and its group of companies, Nordic Aviation Capital A/S has issued a letter of support stating that repayment of the outstanding intercompany balance will not be required unless and only to the extent that the intercompany counterpart has available cash, subject to any fiduciary duties and obligations of the Directors of NAC A/S to NAC A/S's creditors and other constituents, and also subject to the terms of any financial restructuring transaction and/or proceeding. Furthermore, reference is made in note 2 which describes material uncertainties regarding going concern.

13 Prepayments

Prepayments are costs related to the financial year 2021/22 such as insurance, bonus, etc.

14 Equity

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

All shares rank equally.

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15 Non-current liabilities

USD'000	31/12 2021	30/06 2021
Deposits		
0-1 years	80	0
1-5 years	0	80
	80	80
Lease obligations:		
0-1 years	23,511	3,526
1-5 years	1,952	16,324
>5 years	13,557	19,495
	39,020	39,345
Other payables, including taxes payable:		
0-1 years	0	2,643
1-5 years	74,096	78,064
	74,096	80,707
Total liabilities	113,196	120,132

16 Related party disclosures

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.