
ST Engineering Aerospace Solutions A/S

Amager Strandvej 392, DK-2770 Kastrup

Annual Report for 1 January - 31 December 2021

CVR No 28 50 10 48

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
1 /8 2022

Henrik Eilif Schlotfeldt
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ST Engineering Aerospace Solutions A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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

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

Copenhagen, 1 August 2022

Executive Board

Henrik Eilif Schlotfeldt

Board of Directors

Lam Wai Meng Jeffrey
Chairman

Lit Yoke Suan

Goh Poh Loh

Kieran Gerard Butler

Independent Auditor's Report

To the Shareholder of ST Engineering Aerospace Solutions A/S

Qualified Opinion

In our opinion, excepting the potential effects of the matter described in the Basis for qualified opinion paragraph, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ST Engineering Aerospace Solutions A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Qualified Opinion

The Company has in the financial year received inventory items from its UK subsidiary with a total net realization value of EUR 1.3 million as of 31 December 2021. The UK subsidiary is with-out activity and the transfer has been made at EUR 0. The Company has recognized the inventory items to net realization value of EUR 1.3 million and the gain from the writ-up is recognized as income from Investments in subsidiaries.

As the transfer has been performed with-out any formal agreement or payment, we have not been able to obtain sufficient and appropriate audit documentation for the ownership or valuation of the inventory items recognized at a value of EUR 1.3 million or the recognized income from Investments in subsidiaries. Consequently, we have not been able to determine whether any changes to these amounts are necessary.

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 qualified opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Hellerup, 1 August 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild

State Authorized Public Accountant

mne33262

Company Information

The Company

ST Engineering Aerospace Solutions A/S
Amager Strandvej 392
DK-2770 Kastrup

CVR No: 28 50 10 48

Financial period: 1 January - 31 December

Municipality of reg. office: Tårnby

Board of Directors

Lam Wai Meng Jeffrey, Chairman
Lit Yoke Suan
Goh Poh Loh
Kieran Gerard Butler

Executive Board

Henrik Eilif Schlotfeldt

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2021 TEUR	2020 TEUR	2019 TEUR	2018 TEUR	2017 TEUR
Key figures					
Profit/loss					
Operating profit/loss	-567	-8,501	-12,931	-20,532	-17,274
Profit/loss before financial income and expenses	-567	-9,452	-12,930	-22,994	-18,811
Net financials	839	-8,693	-3,011	-2,462	-1,537
Net profit/loss for the year	272	-18,145	-15,941	-22,994	-18,811
Balance sheet					
Balance sheet total	46,677	44,130	54,778	56,819	72,046
Equity	-88,479	-88,634	-70,523	-54,715	-31,563
Investment in property, plant and equipment	3,203	5,874	1,252	1,169	1,764
Number of employees	72	79	87	93	97
Ratios					
Return on assets	-1.2%	-21.4%	-23.6%	-40.5%	-26.1%
Solvency ratio	-189.6%	-200.8%	-128.7%	-96.3%	-43.8%
Return on equity	-0.3%	22.8%	25.5%	53.3%	84.3%

The ratios have been prepared in accordance with the definitions described under accounting policies.

Management's Review

Principal activities

The Company's purpose is, directly or indirectly through shareholdings in other companies, to perform repair and overhaul of aircraft components and sale of assets and expendables for commercial aircrafts.

Profit/loss for the year

The income statement of the Company for 2021 shows a profit of TEUR 272, and at 31 December 2021 the balance sheet of the Company shows negative equity of TEUR 88,479.

Development in activities and financial position

The company baseload of business come from long term contracts valid for next 3-5 years. The contracts is expected to contribute considerably to the overall revenue. In 2021, the company has consolidated its position as a strategic and important service-provider in its segment.

The strategy focusing on MRO activities has proved successful, and the company expects the development from MRO activities to be increasing in the coming years, where the company's other activities will be kept at the same level or be wound up.

Investments

Apart from investments in ordinary operations, no significant investments were made in 2021.

Capital resources

The Company is financed by intra-group credit facilities and the shareholder has confirmed, through a letter of support, that they will provide funds if necessary for a period of at least until the approval of the 2022 financial statements.

In the opinion of the Board of Directors and the Managing Director, the Company's capital resources are adequate.

Uncertainty regarding recognition and measurement

In the financial statements, no deferred tax asset was recognised at 31 December 2021 (unchanged from previous year). Up to this year, the Company has realized operating losses for several years but is expected to be profitable going forward

Unusual events

Also in 2021, the aviation industry together with the rest of the world, is still struggling with the effects of COVID 19 pandemic and this has impacted the aero industry ever since its origin. It has impacted STEAS result for 2021, and we expect to still have consequences impacting the industry.

Management's Review

Branches

Headquarter and administration is in Copenhagen, Denmark.

Our main branch for STEA Solutions Aerostructures MRO capabilities is centralised in our Stockholm based facility. Our team of aerostructures specialists have through dedication, innovation, and experience provided quality MRO services to the aviation community across the globe.

External environment

The external environment was impacted by the unprecedented pandemic, and among the toughest crises that many businesses had to manage, likewise for ST Engineering Aerospace Solutions. It upended the plans we had laid out for 2021 and put to test our Business Continuity plans.

The world today is not quite the same as before the pandemic. We are surrounded by more uncertainties, a wider drive for digital transformation enabled by technological advances, greater need for workforce competency to be better prepared for sustainable solutions.

Financial risks

The Company's activities are exposed to currency risk, interest rate risk and credit risk. Interest rate risk has been reduced as a consequence of the reduced external financing.

The Managing Director is responsible for outlining the objectives and underlying principles of financial risk management for the Company. On this basis, policies have been implemented with regard to risk identification and measurement, exposure of limits and hedging strategies, handling of financial risks and exposure measurement against limits set.

Currency risks

Currency risk is primarily related to exposures to DKK, SEK and USD in connection with the Company's operations. The Company manages this risk by entering into forward exchange contracts.

Management's Review

Outlook

The company is a significant player in the MRO market, the company has proven its strategy focus on the MRO market. It is our belief that our business platform is strong but we have no intention of stopping here. The Company will continue to focus on developing new product lines and on consolidating existing product lines.

In 2022, the Company will continue to invest in new repair capabilities that will become key products in the aviation industry for the years to come. On this basis, the Company plans to become a significant and competitive player in the industry going forward. Planned investments include the continuation of the capability development of new generation aircraft products.

The Company is at a stage where it has reduced its cost structure and developed its sales activities to a level where it is possible to take market shares from competitors and to secure a steady growth. The market for aircraft maintenance has been impacted by Corona virus and it is management's assessment that the whole aviation industry will still be affected with a reduced capacity until 2024.

Our overall expectations is a positive result of MEUR 2 for the year 2022.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2021 TEUR	2020 TEUR
Gross profit/loss		5,729	2,343
Staff expenses	3	-4,201	-6,545
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-2,095	-2,550
Other operating expenses	5	0	-2,700
Profit/loss before financial income and expenses	5	-567	-9,452
Income from investments in subsidiaries	5	1,288	-7,000
Financial income	6	1	1
Financial expenses	7	-450	-1,694
Profit/loss before tax		272	-18,145
Tax on profit/loss for the year		0	0
Net profit/loss for the year		272	-18,145

Balance Sheet 31 December

Assets

	Note	2021 TEUR	2020 TEUR
Development projects		97	96
Intangible assets	8	97	96
Lease assets		4,803	5,836
Plant and machinery		2,765	2,935
Other fixtures and fittings, tools and equipment		7	30
Rotables		6,867	6,661
Leasehold improvements		1,816	1,994
Property, plant and equipment in progress		1,625	679
Property, plant and equipment	9	17,883	18,135
Investments in subsidiaries	10	0	0
Fixed assets		17,980	18,231
Inventories	11	5,152	2,867
Trade receivables		1,899	1,844
Contract work in progress	12	6,506	4,428
Receivables from group enterprises		13,404	14,023
Other receivables		480	817
Receivables		22,289	21,112
Cash at bank and in hand		1,256	1,920
Currents assets		28,697	25,899
Assets		46,677	44,130

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TEUR	2020 TEUR
Share capital	13	60,912	60,912
Reserve for hedging transactions		-35	82
Retained earnings		-149,356	-149,628
Equity		-88,479	-88,634
Lease obligations		3,861	4,638
Payables to group enterprises		100,467	100,370
Other payables		176	176
Long-term debt	15	104,504	105,184
Lease obligations	15	1,062	1,253
Trade payables		4,074	1,942
Payables to group enterprises	15	21,496	19,605
Other payables	15	4,020	4,780
Short-term debt		30,652	27,580
Debt		135,156	132,764
Liabilities and equity		46,677	44,130
Going concern	1		
Subsequent events	2		
Distribution of profit	14		
Contingent assets	17		
Related parties	18		
Accounting Policies	19		

Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	60,912	82	-149,628	-88,634
Fair value adjustment of hedging instruments	0	-117	0	-117
Net profit/loss for the year	0	0	272	272
Equity at 31 December	60,912	-35	-149,356	-88,479

Notes to the Financial Statements

1 Going concern

The Company's equity is negative with the amount of EUR 88 million as of 31st of December 2021. The Company's current assets amounts to EUR 29 million and the short term liabilities amounts to EUR 31 million. The shareholder has provided a letter of support in which further funding is confirmed if required to continue the Company's operations and meet its obligation for a period of at least until the approval of the 2022 financial statements.

Based on this, the annual report is presented on the assumption of going concern.

2 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

3 Staff expenses

	<u>2021</u> TEUR	<u>2020</u> TEUR
Wages and salaries	2,826	5,005
Pensions	461	458
Other social security expenses	902	795
Other staff expenses	12	287
	<u>4,201</u>	<u>6,545</u>
Average number of employees	<u>72</u>	<u>79</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

4 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	<u>2,095</u>	<u>2,550</u>
	<u>2,095</u>	<u>2,550</u>

Notes to the Financial Statements

	<u>2021</u> TEUR	<u>2020</u> TEUR
5 Special items		
Write-downs of current assets, that exceed normal write-downs	0	-2,700
Impairment of subsidiaries	1,288	-7,000
Covid-19 salary compensation received	0	455
Covid compensation is included in Gross Profit	<u>1,288</u>	<u>-9,245</u>
6 Financial income		
Other financial income	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>
7 Financial expenses		
Interest paid to group enterprises	264	1,481
Other financial expenses	147	57
Exchange adjustments, expenses	<u>39</u>	<u>156</u>
	<u>450</u>	<u>1,694</u>
8 Intangible assets		
		<u>Development projects</u> TEUR
Cost at 1 January		96
Additions for the year		<u>1</u>
Cost at 31 December		<u>97</u>
Carrying amount at 31 December		<u>97</u>

Notes to the Financial Statements

9 Property, plant and equipment

	Lease assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Rotables	Leasehold improvements	Property, plant and equipment in progress
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cost at 1 January	8,727	4,521	335	14,417	2,516	679
Additions for the year	0	0	0	2,257	0	946
Disposals for the year	0	0	0	-4,191	0	0
Cost at 31 December	8,727	4,521	335	12,483	2,516	1,625
Impairment losses and depreciation at 1 January	2,891	1,586	305	7,756	522	0
Depreciation for the year	1,033	311	23	550	178	0
Reversal of impairment and depreciation of sold assets	0	-141	0	-2,690	0	0
Impairment losses and depreciation at 31 December	3,924	1,756	328	5,616	700	0
Carrying amount at 31 December	4,803	2,765	7	6,867	1,816	1,625

10 Investments in subsidiaries

	2021 TEUR	2020 TEUR
Cost at 1 January	7,000	7,000
Cost at 31 December	7,000	7,000
Value adjustments at 1 January	-7,000	0
Revaluations for the year, net	0	-7,000
Value adjustments at 31 December	-7,000	-7,000
Carrying amount at 31 December	0	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Airline Rotables (UK Holdings) Limited	Stansted, UK	3.079.680	100%	0	0

Notes to the Financial Statements

	<u>2021</u> TEUR	<u>2020</u> TEUR
11 Inventories		
Raw materials and consumables	4,019	2,277
Work in progress	<u>1,133</u>	<u>590</u>
	<u>5,152</u>	<u>2,867</u>
12 Contract work in progress		
Selling price of work in progress	<u>6,506</u>	<u>4,428</u>
	<u>6,506</u>	<u>4,428</u>
13 Equity		
<p>The share capital consists of 4,536,966 shares of a nominal value of DKK 100. No shares carry any special rights.</p> <p>There have been no changes in the share capital during the last 5 years.</p>		
14 Distribution of profit		
Retained earnings	<u>272</u>	<u>-18,145</u>
	<u>272</u>	<u>-18,145</u>

Notes to the Financial Statements

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2021</u> TEUR	<u>2020</u> TEUR
Lease obligations		
Between 1 and 5 years	3,861	4,638
Long-term part	3,861	4,638
Within 1 year	1,062	1,253
	4,923	5,891
Payables to group enterprises		
Between 1 and 5 years	100,467	100,370
Long-term part	100,467	100,370
Other short-term debt to group enterprises	21,496	19,605
	121,963	119,975
Other payables		
Between 1 and 5 years	176	176
Long-term part	176	176
Other short-term payables	4,020	4,780
	4,196	4,956

16 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to: TEUR -35.

17 Contingent assets

Contingent assets

The unrecognised deferred tax asset relating to the Danish activities amounted to approximately EUR 47 million at 31 December 2021 (31 December 2020: EUR 47 million). The deferred tax asset primarily relates to tax losses carried forward.

Notes to the Financial Statements

18 Related parties

Basis

Controlling interest

ST Engineering RHQ Ltd.	Immediate parent
ST Engineering Ltd.	Ultimate parent

Transactions

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

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

ST Engineering RHQ Ltd.

Consolidated Financial Statements

The Company is included in the Group annual report of the Parent Company of the largest and smallest group:

Name	Place of registered office
ST Engineering Ltd.	Company Registration Number 1981 05870H 540 Airport Road, Paya Lebar Singapore 539938

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of ST Engineering Aerospace Solutions A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Taking into account the true and fair view of the annual report, certain reclassifications have been made to the balance sheet and notes. Comparative figures have been adjusted accordingly.

The Financial Statements for 2021 are presented in TEUR.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of ST Engineering Ltd., the Company has not prepared consolidated financial statements.

Cash flow statement

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

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Lease assets

On initial recognition, lease assets are measured at the amount of the initial measurement of the lease liabilities, any lease payments made before the commencement date less any lease incentives received, and any initial direct costs incurred by the lessee.

Notes to the Financial Statements

19 Accounting Policies (continued)

Subsequently, lease assets are measured at cost less accumulated depreciation and impairment losses.

Lease assets are depreciated over the lower of the lease term and the useful life of the underlying assets.

Depreciation begins at the commencement date. Lease assets are written down to the lower of recoverable amount and carrying amount. Lease assets are adjusted upon remeasurement of the lease liabilities; see above in the lease liability section

Lease assets are recognised as fixed assets within the asset item in which the underlying assets of the lease would be recognised if the Company owned them.

Lease liabilities

On initial recognition, lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

On subsequent measurement, lease liabilities are adjusted for accrued interest and repayments made. Lease liabilities are remeasured and the corresponding lease assets are similarly adjusted when there is a change in the lease term or there is a lease modification that is not accounted for as a separate lease.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Notes to the Financial Statements

19 Accounting Policies (continued)

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Income Statement

Revenue

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

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Gross profit/loss

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including write-downs of current assets, that exceed normal write-downs and Covid-19 compensation.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary. Income from investments in subsidiaries includes impairment costs as well.

Financial income and expenses

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

Tax on profit/loss for the year

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Balance Sheet

Intangible assets

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

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Aircraft components	8-25 years
Leasehold improvements	3-20 years
Plant and machinery	2-15 years
Other fixtures and fittings, tools and equipment	2-3 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Notes to the Financial Statements

19 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Notes to the Financial Statements

19 Accounting Policies (continued)

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$