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TP Aerospace PRO ApS
Stamholmen 165 R
2650 Hvidovre
Central Business Registration No
32362249

Annual report 2016

The Annual General Meeting adopted the annual report on 10.03.2017

Chairman of the General Meeting

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Name: Michael Vilhelm Nielsen

Contents

Entity details

Entity
TP Aerospace PRO ApS
Stamholmen 165 R
2650 Hvidovre

Central Business Registration No: 32362249
Registered in: Hvidovre
Financial year: 01.01.2016 - 31.12.2016

Executive Board
Thomas Daniel Ibsø
Peter Jørgen Lyager

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 Copenhagen C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of TP Aerospace PRO ApS for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hvidovre, 10.03.2017

Executive Board

Thomas Daniel Ibsø Peter Jørgen Lyager

Independent auditor's report

To the shareholder of TP Aerospace PRO ApS

Opinion

We have audited the financial statements of TP Aerospace PRO ApS for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity’s financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 exits. 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:

Independent auditor's report

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 10.03.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jens Sejer Pedersen
State Authorised Public Accountant

Management commentary

Primary activities

TP Aerospace Group is the leading aftermarket supplier of wheels and brakes, carrying the largest ready-to-go inventory in the market for most Commercial, Regional and Commuter aircraft types. With locations in Copenhagen, Hamburg, Las Vegas, Orlando, Singapore, Dubai and Melbourne, we offer 24-7-365 support on sale and exchange through our Sales division and a full range of loan and lease packages, all-inclusive exchange with fixed price per event programs (LFL) and cost-per-landing programs (CFR) with fixed rates pr. cycle through our program division. All programs supported by our extensive in-house MRO capabilities, offering quality, simplicity and value.

TP Aerospace PRO ApS' activities consists of the Groups Program and lease activities within the EU Region.

Development in activities and finances

Revenue has increased from USD 8.9m in 2015 to USD 18.1m in 2016. The increase is primarily due to very strong growth in the number of customers and contracts during 2016.

EBITDA has increased from USD 1.4m in 2015 to USD 4.1m in 2016 corresponding to an increase in EBITDA of 187% showing even stronger growth than revenue. The EBITDA margin is increasing from 16% in 2015 to 22% in 2016.

Net result after tax for 2016 of USD 2.8m is an increase of USD 1.8m corresponding to an increase of 189% compared to 2015.

In 2016, TP Aerospace Group decided to transfer some program activities entered into by TP Aerospace PRO to other companies within the Group. The reason for the decision being to streamline the operations in the Group companies. In the period from January to September 2016, 7 CFR customers were transferred from TP Aerospace PRO ApS to TP Aerospace Asia Pte. Ltd. and 1 CFR customer was transferred from TP Aerospace PRO ApS to TP Aerospace Americas Corp.

For the same reason as mentioned above TP Aerospace PRO ApS received LFL program activities including 9 LFL customers from TP Aerospace Solutions ApS in the same period. The transfer is made at booked value, and difference if any, between the consideration and the carrying amount of the activities transferred are recognized in equity. The recognition is made at the date of transfer without restatement of comparative figures.

The assets of the company have increased significantly in 2016 due to high growth in inventories. Also investment in assets held for lease-out, recognised as property, plant and equipment is made. This is in line with the strategy of the company in which high level of inventories, and asset held for lease-out, is needed to support the growth of the company.

The management considers the result satisfactory.

Management commentary

Uncertainty relating to recognition and measurement
In the application of the Company's accounting policies, the Management of the Company is required to make accounting judgements, estimates and assumptions which form basis for the financial statements that are not readily apparent from other sources. Description of critical accounting judgement, estimates and assumptions are included in the section "Accounting policies".

Unusual circumstances affecting recognition and measurement
No unusual matters have affected the Financial Statement for 2016.

Outlook
Management expects the positive development of the company to continue during 2017.

Particular risks

Business risks

TP Aerospace is Part 145, ISO 9001 and AS 9120 approved. To retain this certification level there is continuing focus on quality and risk management.

Financial exposure

Management does not consider that the company has any financial exposure of significance.

Intellectual capital resources
As a consequence of the continuing growth of the Company, the number of employees has increased during 2016.

All employees in TP Aerospace go through continuous training and evaluation to increase the Company's knowledge level.

Environmental performance
TP Aerospace acknowledges its community responsibility. Operating in the aftermarket, re-use of parts is an integrated part of our strategy.

Research and development activities
To support the growth strategy of the company, TP Aerospace Group continues to develop its product platform, capacity, capability and global footprint. In 2016 the Group has opened repair facilities in Melbourne, Australia and Dubai, United Arab Emirates.

Events after the balance sheet date
No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016

	Notes	2016 USD'000	2015 USD'000
Revenue		18.139	8.905
Cost of sales		(12.247)	(7.092)
Other external expenses		(1.504)	(270)
Gross profit/loss		**4.388**	**1.543**
Staff costs	1	(742)	(365)
Depreciation, amortisation and impairment losses		(181)	(4)
Operating profit/loss		**3.465**	**1.174**
Other financial income		70	135
Other financial expenses	2	(440)	(268)
Profit/loss before tax		**3.095**	**1.041**
Tax on profit/loss for the year	3	(691)	(255)
Profit/loss for the year		**2.404**	**786**
Proposed distribution of profit/loss			
Retained earnings		2.404	786
		2.404	**786**

Balance sheet at 31.12.2016

	Notes	2016 USD'000	2015 USD'000
Other fixtures and fittings, tools and equipment		7.037	193
Property, plant and equipment	4	**7.037**	**193**
Fixed assets		**7.037**	**193**
Raw materials and consumables		15.173	5.912
Inventories		**15.173**	**5.912**
Trade receivables		2.634	2.287
Receivables from group enterprises		4.191	169
Deferred tax		152	74
Other receivables		35	35
Prepayments		1.039	757
Receivables		**8.051**	**3.322**
Cash		**3**	**23**
Current assets		**23.227**	**9.257**
Assets		**30.264**	**9.450**

Balance sheet at 31.12.2016

	Notes	2016 USD'000	2015 USD'000
Contributed capital		25	25
Retained earnings		3.797	1.848
Equity		**3.822**	**1.873**
Other provisions	5	618	421
Provisions		**618**	**421**
Bank loans		337	232
Prepayments received from customers		0	8
Trade payables		1.155	277
Payables to group enterprises		22.682	5.348
Joint taxation contribution payable		668	311
Other payables		982	980
Current liabilities other than provisions		**25.824**	**7.156**
Liabilities other than provisions		**25.824**	**7.156**
Equity and liabilities		**30.264**	**9.450**
Contingent assets	6		
Contingent liabilities	7		
Mortgages and securities	8		
Transactions with related parties	9		
Group relations	10		

Statement of changes in equity for 2016

	Contributed capital USD'000	Retained earnings USD'000	Total USD'000
Equity beginning of year	25	2.168	2.193
Corrections of errors	0	(320)	(320)
Adjusted equity, beginning of year	**25**	**1.848**	**1.873**
Effect of mergers and business combinations	0	(2.084)	(2.084)
Effect of divestments of entities etc	0	1.501	1.501
Tax of equity postings	0	128	128
Profit/loss for the year	0	2.404	2.404
Equity end of year	**25**	**3.797**	**3.822**

Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. A provisions is made including an amount counter-balancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets. However, the liability has not been recognised in previous years. The recognition affected the Company’s equity negatively by USD 320t at 1 January 2016 while the performance for 2015 was negatively affected by USD 180t.

Notes

	2016 USD'000	2015 USD'000
1. Staff costs		
Wages and salaries	721	367
Pension costs	31	18
Other social security costs	(10)	(20)
	742	**365**

	2016 USD'000	2015 USD'000
2. Other financial expenses		
Financial expenses from group enterprises	352	151
Interest expenses	66	17
Exchange rate adjustments	22	100
	440	**268**

	2016 USD'000	2015 USD'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	314	300
Change in deferred tax for the year	377	(43)
Effect of changed tax rates	0	(2)
	691	**255**

Notes

	Other fixtures and fittings, tools and equipment USD'000
4. Property, plant and equipment	
Cost beginning of year	234
Additions	7.049
Disposals	(24)
Cost end of year	**7.259**
Depreciation and impairment losses beginning of the year	(41)
Depreciation for the year	(184)
Reversal regarding disposals	3
Depreciation and impairment losses end of the year	**(222)**
Carrying amount end of year	**7.037**

5. Other provisions

Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions include an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets.

6. Contingent assets

The Company has contingent assets of total USD 1,851t. Contingent assets consist of irrevocable con-tracted future revenue related to lease-out of assets. Irrevocable contracted future revenue is USD 1,388t for 2017 and USD 463t for 2018.

7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which TP Aerospace Holding A/S (registration no. 31 60 34 20) serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Notes

8. Mortgages and securities

As security for bank loans, as well as group companies' bank commitments, floating charge nominal DKK 19,6m (USD 2,8m) in fixed assets, inventories, and receivables, is effective. Furthermore the Company acts as guarantor for bank commitments held by group companies (TP Aerospace Holding Group).

The Company is unlimitedly liable to an external third party guarantor who has provided security to credit institutions having granted credit facilities to companies of the TP Aerospace Group.

9. Transactions with related parties

From and to the affiliated company, is bought aircraft parts and sold aircraft parts, where trade is made outside normal market conditions.

10. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
TP Aerospace Holding A/S, Hvidovre, Denmark

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

The financial statements have been presented in USD. Exchange rate is 7.05 as of 31 December 2016 and 6.83 as of 31 December 2015.

Material errors in previous years
Lending of assets included in the programs by customers (mutual pool) occasionally in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. A provision is made including an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets. However, the liability has not been recognised in previous years. The recognition affected the Company's equity negatively by USD 320t at 1 January 2016 while the performance for 2015 was negatively affected by USD 180t.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Critical accounting judgement, estimates and assumptions
In the application of the Company's accounting policies, Management is required to make accounting judgements, estimates and assumptions that are not readily apparent from other sources in order to serve as the basis for the preparation of the financial statements. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Accounting policies

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change affects both current and future periods.

In particular, the accounting judgements, estimates and assumptions relate to the following matters:

- Revenue related to programs are recognised as a service exclusive of the value of the core assets that are exchanged during delivery within the program as they are considered exchange of assets of similar nature and value. Cost of the delivered core asset is transferred for recognition as cost of the core asset received. Costs related to maintenance, repair and overhaul (MRO) of the goods delivered are expensed on delivery.

- For goods to be included in programs, the allocation of total cost between the core element and the MRO element, respectively, is determined at the first exchange based on an estimate.

- The sales value of the CFR programs is recognised concurrently with the customer's use of the asset delivered (per cycle). Cost of goods sold related to CFR programs are expensed over the expected average period until the next exchange calculated for wheels and brakes in all CFR programs, respectively.

- Inventories are recognised at cost less write-down to net realisable value in case of impairment. The estimate of the required write-downs is made on the basis of an assessment of the individual characteristics and historical sales patterns for the inventories in the perspective of a value loss over time. In addition, further write-downs are made to the extent that impairment is indicated specifically.

- Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions for such restoration liabilities include an amount counterbalancing the expected expenses. The amount is based on an estimate.

Business combinations
Intercompany transfers of company ownership are recognised in accordance with the book value method by which the transfer is made at book value, and differences, if any, between the consideration and the carrying amount of the activities transferred are recognised in equity. The recognition is made at the date of transfer, without restatement of comparative figures.

Income statement
Revenue
Revenue related to sale and lease out of aircraft parts is recognized in revenue when delivery is made and risk has passed to the buyer. Revenue related to the programs are recognised exclusive of the value of the core assets that are exchanged during delivery within the program. Revenue therefore consist of revenue generated from maintenance, repair and overhaul and not exchange. Revenue is recognised net of VAT, duties and sales discounts.

Accounting policies

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs. Such costs include an amount counterbalancing, if any, the restoration liability on asset lend by customers (mutual pool) in connection with CFR program activities, based on an estimate of the expected expenses. For programs, cost of the delivered core asset is transferred for recognition as cost of the core asset received

Other external expenses
Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, loss on receivables, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs
Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses
Amortisation, depreciation and impairment losses relating to, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with TP Aerospace Solutions ApS and the parent TP Aerospace Holding A/S. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Assets held for lease-out	20 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise of incurred costs related to CFR program activities and prepayments in advance for subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Other provisions

Lending of assets included in the programs by customers (mutual pool) occasionally in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions include an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets.

The provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.