NAC Aviation 2 A/S

Stratusvej 12,
DK-7190 Billund

CVR no. 35 48 71 90

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 NAC Aviation 2 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 matters discussed in the Management's review.

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

Billund, 28 June 2022
Executive Board:

Morten Kjærholm Mikkelsen
Chief Executive Officer

Board of Directors:

Edward James Sheard	Justin Andrew Bickle	Paul Philip O'Donnell
Martin Anthony Cooke		

Independent auditor's report

To the shareholder of NAC Aviation 2 A/S

Opinion

We have audited the financial statements of NAC Aviation 2 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

NAC Aviation 2 A/S
Stratusvej 12,
7190 Billund
Denmark

CVR no.:	35 48 71 90
Established:	23 September 2013
Registered office:	Billund
Financial period:	1 July – 31 December

Board of Directors

Edward James Sheard
Justin Andrew Bickle
Paul Philip O'Donnell
Martin Anthony Cooke

Executive Board

Morten Kjærholm Mikkelsen, Chief Executive Officer

Auditor

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

Management's review

Operating review

Principal activities

NAC Aviation 2 A/S (the Company) activities are to lease out its portfolio of aircraft under operating leases. The Company has a portfolio of four aircraft of which three was off leases beginning of the financial period.

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").

Development in activities and financial position

The Company's income statement for covering 2021 July – December (2021 6m) shows a loss of USD 3,713,754 against a loss of USD 23,642,552 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 negative of USD 22,917,361 against a negative of USD 19,203,607 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 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 Company aircraft leasing company is depended on providing lease of aircrafts to the costumers of the Group and relies on the Groups ability lease out the aircrafts and the Groups ability to navigate in 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, 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 alongside with the directors' plans for aircraft leasing for the business a confidence in the ability of the Company to meet its purpose and obligations.

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.

Management's review

Operating review

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.

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 support on balances, reference to which is made in note 12, and the Group's the Groups ability lease out the aircrafts.

The Company aircraft leasing company is depended on providing lease of aircrafts to the costumers of the Group and relies on the Groups ability lease out the aircrafts and relies on the Group's ability to navigate the unprecedented challenges of Covid-19.

On basis of the successfully emergence from Chapter 11 the Company is confident that the need of portfolio of aircraft will continue considering the business plan of the Group of continued growth and adapting the need of its customers e.g., conversion of some of the old fleet to cargo aircraft and new leases in 2022.

Management's review

Operating review

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.

Events after the balance sheet date

On June 1, 2022, NAC DAC successfully exited from the Chapter 11 restructuring process, having received confirmation of its Plan of Reorganization from the Bankruptcy 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.

As part of the groups emerge from Chapter 11, the shares of the Company will be transferred to NAC 29 DAC and the external debt will be extinguished and instead funding will be via intercompany debt.

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	Note	01/07 2021 - 31/12 2021	01/07 2020 - 30/06 2021
Revenue		570,000	725,250
Production costs		-2,401,789	-26,261,375
Gross loss		-1,831,789	-25,536,125
Distribution costs		-24,922	-55,832
Administrative expenses		-381,653	-632,540
Loss before financial income and expenses		-2,238,364	-26,224,497
Other financial income		1,723	753
Other financial expenses	4	-2,236,838	-4,006,730
Profit/loss before tax		-4,473,479	-30,230,474
Tax on profit/loss for the year	5	759,725	6,587,922
Profit/loss for the year		-3,713,754	-23,642,552

Proposed distribution of loss

Retained earnings		-3,713,754	-23,642,552

Financial statements 1 July – 31 December

Balance sheet

USD	Note	31/12 2021	30/06 2021
ASSETS			
Fixed assets			
Property, plant and equipment	6		
Airplanes		30,216,718	31,990,606
Total fixed assets		30,216,718	31,990,606
Current assets			
Receivables			
Trade receivables		66,681	160,990
Other receivables		118,448	0
Deferred tax asset		210,850	0
		395,979	160,990
Cash at bank and in hand		95,176	177
Total current assets		491,155	161,167
TOTAL ASSETS		30,707,873	32,151,773

Financial statements 1 July – 31 December

Balance sheet

USD	Note	31/12 2021	30/06 2021
EQUITY AND LIABILITIES			
Equity			
Contributed capital		90,541	90,541
Retained earnings		-23,007,902	-19,294,148
Total equity		-22,917,361	-19,203,607
Provisions			
Provisions for deferred tax		0	230,930
Total provisions		0	230,930
Liabilities other than provisions			
Non-current liabilities other than provisions	7		
Other payables		500,000	500,000
Current liabilities other than provisions			
Mortgage loans		32,043,310	32,043,310
Trade payables		37,956	0
Payables to group entities		20,521,312	18,474,657
Other payables		522,656	106,483
		53,125,234	50,624,450
Total liabilities other than provisions		53,625,234	51,124,450
TOTAL EQUITY AND LIABILITIES		30,707,873	32,151,773

Financial statements 1 July – 31 December

Statement of changes in equity

USD	Contributed capital	Retained earnings	Total
Equity at 1 July 2021	90,541	-19,294,148	-19,203,607
Transferred over the distribution of loss	0	-3,713,754	-3,713,754
Equity at 31 December 2021	90,541	-23,007,902	-22,917,361

Financial statements 1 July – 31 December

Notes

1 Accounting policies

The annual report of NAC Aviation 2 A/S for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

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.

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 6.56. For the year 2020/21, the DKK/USD exchange rate at the balance sheet date was 6.26.

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.

Income statement

Revenue

Revenue comprises payments made under operating leases and income from the sale of aircraft, and is recognised in the income statement when the transfer of risk to the buyer has taken place and the income can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

The Company records supplemental amounts that are not expected to be reimbursed during the lease as lease revenue when the Group has reliable information that it will not be required to make reimbursements of the amounts collected based on utilization and a maintenance forecasting model that estimates the maintenance inflows and outflows through the lease expiration date.

Production costs

Production costs include costs incurred in generating revenue for the year. Such costs include direct and indirect costs for the purchase and maintenance of aircraft.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

Distribution costs

Distribution costs include costs incurred in preparation for entering into lease contracts, promotional activities and shipment of aircraft.

Administrative expenses

Administrative expenses include costs incurred for the management and administration of the Company.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is jointly taxed with Nordic Aviation Capital A/S, the Company's direct parent.. The current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax. 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:

Airplanes	25-30 years

Financial statements 1 July – 31 December

Notes

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.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Cash at bank and in hand

Cash comprise 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

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Financial statements 1 July – 31 December

Notes

1 Accounting policies (continued)

Income taxes

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. Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

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

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

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Maintenance reserves

In many aircraft operating lease contracts, the lessee has the obligation to make periodic payments which are calculated based on the utilisation of airframes, engines and other major life-limited components (supplemental amounts). In such contracts, upon the lessee presenting invoices evidencing the completion of qualifying maintenance on the aircraft, the Group reimburses the lessee for the cost of the maintenance up to a maximum of the supplemental amounts received with respect to such work unless otherwise indicated in the lease contract.

Financial statements 1 July – 31 December

Notes

2 Material uncertainties regarding going concern

NAC Aviation 2 A/S (the Company) activities are to lease out its portfolio of aircraft under operating leases. The Company has a portfolio of four aircraft of which three was off leases beginning of the financial period.

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.

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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.
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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.

Financial statements 1 July – 31 December

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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.
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- 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.

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 support on balances, reference to which is made in note 12, and the Group's the Groups ability lease out the aircrafts.

The Company aircraft leasing company is depended on providing lease of aircrafts to the costumers of the Group and relies on the Groups ability lease out the aircrafts and relies on the Group's ability to navigate the unprecedented challenges of Covid-19.

On basis of the successfully emergence from Chapter 11 the Company is confident that the need of portfolio of aircraft will continue considering the business plan of the Group of continued growth and adapting the need of its customers e.g., conversion of some of the old fleet to cargo aircraft and new leases in 2022.

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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.

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 aircraft. Moreover, other significant non-recurring costs are included in special items.

As mentioned in the Management's review, profit/loss from the year was affected by impairment of aircraft. 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 specified as follows:

USD	01/07 2021 - 31/12 2021	01/07 2020 - 30/06 2021
Production costs:		
Impairment of aircraft	1,384,752	23,062,274

4 Other financial expenses

Interest expense to group entities	355,225	1,186,528
Other interest expenses	1,881,613	2,792,855
Exchange rate changes	0	27,347
	2,236,838	4,006,730

5 Tax on profit/loss for the year

Deferred tax for the year	759,725	6,587,922
	759,725	6,587,922

6 Property, plant and equipment

USD	Airplanes
Cost at 1 July 2021	74,287,385
Additions for the year	252,017
Cost at 31 December 2021	74,539,402
Depreciation and impairment losses at 1 July 2021	-42,296,779
Impairment losses for the year	-1,384,752
Depreciation for the year	-641,153
Depreciation and impairment losses at 31 December 2021	-44,322,684
Carrying amount at 31 December 2021	30,216,718

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7 Non-current liabilities other than provisions

USD	31/12 2021	30/06 2021
Lease obligations:		
0-1 years	500,000	500,000
Total liabilities other than provisions	500,000	500,000

8 Contractual obligations, contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Nordic Aviation Capital A/S, the Company's direct parent, which serves as management company, and together with other jointly taxed group entities, the Company has joint and several liability for the payment of income taxes as well as withholding taxes on interest, royalties and dividends.

9 Mortgages and collateral

Aircraft with a carrying amount of USD 30,217 thousand at 31 December 2021 has been provided as collateral for aircraft financing of USD 32,043 thousand.

10 Related party disclosures

NAC Aviation 2 A/S' related parties comprise the following:

Control

Nordic Aviation Capital A/S, Stratusvej 12, 7190 Billund, Denmark.

Nordic Aviation Capital A/S, Stratusvej 12, 7190 Billund, Denmark, holds the majority of the contributed capital in the Company.

NAC Aviation 2 A/S is part of the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland, which is the smallest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Nordic Aviation Capital Designated Activity Company can be obtained by contacting the companies at the addresses above.