# ANNUAL REPORT 2020.

TP Aerospace

# TABLE OF CON-TENTS

## 1 / Overview



## 2 / Business & Strategy



## 3 / Governance



## 4 / Financial Statements



## 5 / Other Information

Chapter 1

# OVERVIEW

# WHEELS AND BRAKES A TO Z

Maximizing aircraft utilization and keeping aircraft in the air is vital to any airline. A plane that is grounded due to maintenance issues is very costly for an operator, not only in terms of negative impact on reputation and loss of passenger goodwill, but also because of the downstream disruptions of a delay and even possible fines resulting from late arrivals.

To mitigate the risk, all aircraft are rigorously examined before every flight and operators continue to look for ways to optimize their operations and supply chain processes.

Wheels and brakes are amongst the highest cost drivers of all airframe components and require the most frequent removal and replacement. They represent a major challenge for all operators, particularly due to the many separate processes and logistics challenges required to effectively handle the job at hand.

Many wheel changes occur unscheduled, typically triggered by inspections made during every transit and where there may be as little as 30 minutes remaining to achieve an on-time departure. In such situations, every minute counts, and smooth recovery critically depends on a speedy response with immediate availability of components, positioned in the right location at the right time.

In contrast, brakes have a much more predictable maintenance schedule, and the number of landings in between overhaul does not vary much for any particular operator. However, the overhaul process for these components is highly specialized, and the units are heavy and difficult to move around. Therefore, most operators choose not to invest in brake overhaul capability themselves but instead look to outsource this process to a trusted service provider.

At TP Aerospace, we understand all of these challenges. We exist to make wheel and brake operations simpler by offering fully comprehensive solutions for aircraft operators worldwide. As a trusted and competent partner, we act as a one-stop-shop for our customers. No matter the situation, we have the knowledge, skills, and capabilities to provide the needed support. We confidently handle every customer's requirements, whether it is an operator looking for support on day-to-day requirements or in an AOG situation, or if it is a maintenance provider in need of easy and immediate access to components and piece parts.

As the leading aftermarket wheel and brake provider, we support the industry from our strategically located facilities around the world. We are certified to the highest quality standards throughout our organization, and we carry the largest ready-to-go wheel and brake inventory in the market.

What sets us apart, however, is our people: we call ourselves the Green Team. Together, we are a global organization passionate about aviation. We work hard every day to provide our customers with the best, most flexible, and highest quality solutions.

## A YEAR UNLIKE THE REST

According to Oliver Wyman, a global leader in management consulting, the global aviation industry lost over $188 billion in 2020 as a result of the COVID-19 pandemic and the subsequent widespread travel restrictions. At its lowest, the global fleet had only 13,000 aircraft in service, which was less than half the number of aircraft flying in January 2020 before the pandemic was declared. However, towards the end of the year, the market had recovered slightly from its lowest points in the spring of 2020.

## YOU'RE GROUNDED

Aircraft on Ground, or AOG, is an aviation term indicating that a maintenance issue is serious enough to prevent an aircraft from flying. Acquiring and fitting parts is time sensitive as the aircraft must return to service as quickly as possible to prevent delays or cancellations.

# 2020 RESULTS

**801**

Aircraft on contract
59 aircraft added in 2020

**285K**

Landings supported
via our most integrated program type

**268**

Unique customers
in 74 countries

**112**

USDm ready-to-go aircraft components
to support our customer portfolio

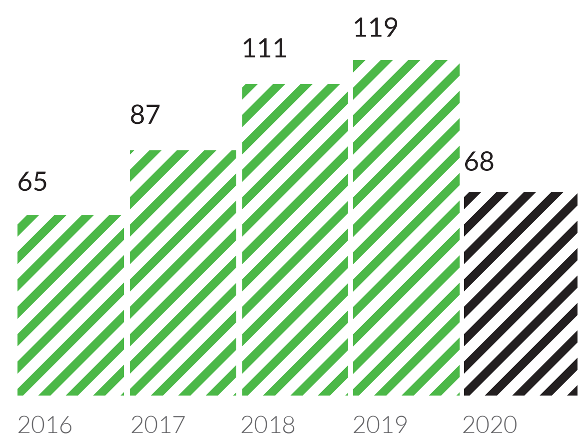
**11**

TP Aerospace locations
around the world

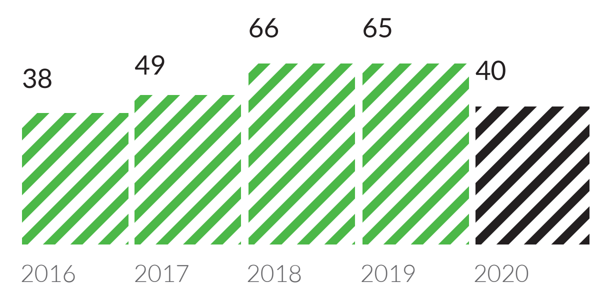
**228**

Green Team members
down from 284 in 2019

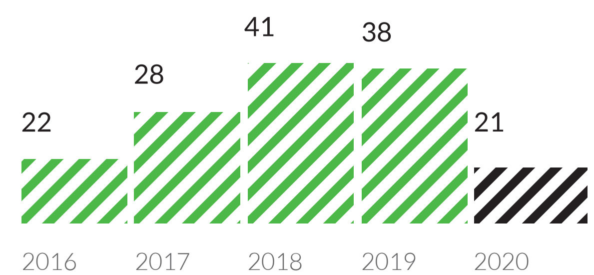
Revenue
(USDm)



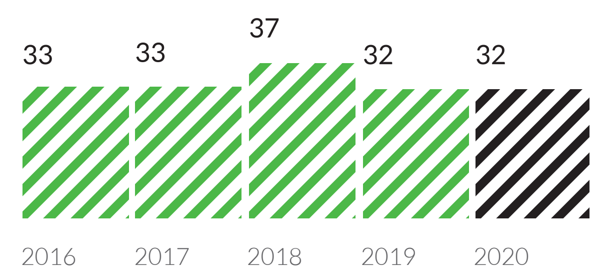

Gross Profit
(USDm)




EBITDA*
(USDm)




EBITDA margin*
(%)




*Before special items / Note: Treatment of comparison figures is explained in the section "Financial highlights and key figures"

# FINANCIAL HIGHLIGHTS AND KEY FIGURES

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **INCOME STATEMENT (USDm)** | | | | | |
| Revenue | 67.7 | 119.3 | 110.7 | 86.6 | 65.4 |
| Revenue growth (%) | -43,3% | 7.7% | 27.9% | 32.4% | 36.8% |
| Gross profit | 40.4 | 65.0 | 66.2 | 49.3 | 38.0 |
| Gross profit margin (%) | 59.8% | 54.5% | 59.8% | 56.9% | 58.1% |
| EBITDA before special items | 21.4 | 37.8 | 40.6 | 28.3 | 21.8 |
| EBITDA margin before special items (%) | 31.6% | 31.7% | 36.7% | 32.7% | 33.3% |
| EBITA before special items | 1.2 | 12.7 | 19.0 | 15.0 | 10.1 |
| EBITA margin before special items (%) | 1.8% | 10.6% | 17.2% | 17.4% | 15.4% |
| EBIT before special items | 0.4 | 12.1 | 18.7 | 14.8 | 10.1 |
| EBIT margin before special items (%) | 0.6% | 10.1% | 16.9% | 17.1% | 15.4% |
| Special items | 6.8 | 5.1 | 3.2 | 5.1 | 0.0 |
| EBIT after special items | -6.4 | 7.0 | 15.4 | 9.6 | 10.1 |
| EBIT margin after special items (%) | -9.5% | 5.8% | 14.0% | 11.1% | 15.4% |
| Profit before tax | -13.9 | 3.0 | 12.4 | 5.0 | 9.5 |
| Net profit for the year | -11.4 | 2.2 | 9.9 | 3.3 | 7.0 |
| Net profit for the year (%) | -16.8% | 1.8% | 8.9% | 3.8% | 10.7% |
| **BALANCE SHEET (USDm)** | | | | | |
| Total assets | 198.1 | 201.3 | 180.5 | 132.7 | 63.0 |
| Equity | 90.2 | 89.6 | 86.3 | 66.5 | 21.4 |
| Net interest-bearing debt | 76.7 | 73.6 | 61.9 | 51.7 | 28.7 |
| Invested capital | 122.1 | 119.0 | 103.8 | 71.9 | 50.8 |
| Net working capital | 62.1 | 67.9 | 69.6 | 46.0 | 32.6 |
| Total aircraft components | 112.2 | 111.5 | 93.5 | 63.5 | 48.1 |



| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **CASH FLOW (USDm)** | | | | | |
| Cash flow from operating activities | -2.7 | 5.3 | -8.0 | -13.8 | 1.2 |
| Cash flow from investment activities | -9.5 | -19.3 | -21.8 | -74.3 | -15.7 |
| Cash flow from financing activities | 11.5 | 13.6 | 31.8 | 88.3 | 14.8 |
| Net cash flow | -0.6 | -0.5 | 2.0 | 0.2 | 0.4 |
| Free cash flow | -12.1 | -14.0 | -29.8 | -88.1 | -14.5 |
| Free cash flow before change in aircraft components and IFRS16 lease liability | -12.8 | 5.3 | 8.4 | -72.6 | 6.9 |
| **EMPLOYEES** | | | | | |
| Number of employees (end of year) | 228 | 284 | 269 | 234 | 177 |
| **FINANCIAL RATIOS** | | | | | |
| Return on invested capital excluding goodwill (ROIC) (%) | 17.7% | 34.0% | 46.2% | 46.2% | 54.0% |
| Net interest-bearing debt to EBITDA | 3.6x | 1.9x | 1.5x | 1.8x | 1.3x |
| Equity ratio (%) | 45.5% | 44.5% | 47.8% | 50.1% | 34.0% |
| Return on Equity (ROE) (%) | -12.6% | 2.5% | 13.0% | 7.5% | 38.3% |

The changes in the legal structure of the Group in connection with CataCap and other investors assuming majority ownership of the Group on 27 April 2017 as well as the Group's adoption of the financial reporting framework IFRS, complicate the direct comparison of the 2017 and 2018 performance to previous years, where Danish GAAP was the financial reporting framework.

To provide transparency, the above reflects a pro forma overview of Group key figures with estimated full year 2017 figures and an estimated restatement of the 2014 to 2016 figures to IFRS.

Definitions of financial highlights and ratios are provided in the section "Other information

# 2020 IN A FLASH

### Entering distribution
With the inauguration of TP Aerospace Distribution, we added a third commercial business leg as a supplement to the existing trading and program business.

### Kick-off of SAS partnership
In early 2020, we kicked-off the largest partnership to date with Scandinavian Airlines (SAS), covering 124 aircraft.

### Russian facility opens for business
Our newest MRO facility located in Moscow, Russia, was approved by EASA in March. All Russian customers are now supported from this facility.

### Exclusive long term Honeywell distribution agreement
We landed the first exclusive OEM agreement as Honeywell appointed TP Aerospace exclusive distributor for B737 Classic wheel and brake parts.

### Japanese Regulatory approval
We secured the Japan Civil Aviation Bureau (JCAB) Approval under the arrangement between the Singapore and Japan aviation authorities, ensuring continued support into Japan.

### ASA-100 approval
Our Singapore site was successfully accredited to ASA-100 by the Aviation Suppliers Association (ASA), ensuring continued support in China after new regulatory requirements by the Chinese aviation authorities.

### 10 years in Germany
In early 2020, we celebrated the 10th anniversary of our operations in Germany, and the jubilee of employees who had been with us in Germany from the beginning.

# CHAIRMAN'S INSIGHT

The obstacles and challenges that 2020 brought along had devastating impacts on the global aviation industry. Like all other businesses, TP Aerospace was hit hard by the COVID-19 pandemic's impact on travel. However, we are confident that as the market slowly returns to its previous strength, TP Aerospace will be amongst the companies that will stand stronger.

The past year has been unlike anything we could have projected. We have seen how the entire world transitioned into lockdowns. For TP Aerospace, the impacts of the COVID-19 pandemic had significant consequences for our Green Sunrise strategy, and we experienced a setback in our growth plans.

Revenues dropped 43% compared to 2019. A figure that reflects the overall decline of the aviation industry in 2020. The results were driven by a significantly reduced activity level amongst our customers and customer loss due to bankruptcies, downsizing, or ceased operations. This, together with a stagnant trading market caused a significant decline in our earnings and profitability.

Despite the challenging market conditions, 2020 confirmed the strengths of TP Aerospace's business model and offerings. During the year, the company signed a total of 16 new programs, covering 59 aircraft, and the sales pipeline remained strong.


TP Aerospace also benefitted from the mix of customers within the Program Division, which secured a stable activity flow throughout the year. More than 35% of the program customers are cargo operators whose activity increased in 2020 compared to the previous years because of increased demand and a large drop in belly cargo capacity following grounding of passenger aircrafts.

Finally, TP Aerospace's operations, global network, and organizational structure have shown its ability to adjust the organization swiftly and efficiently to the new market conditions and reduced activity level. This was done with great respect and concern for all stakeholders involved, from employees to customers to owners, without compromising the service and promise to the customers.

Throughout the year, I have seen a remarkable willingness from the company's shareholders to support TP Aerospace through this time, and trust in Executive Management and the entire team at TP Aerospace to take the appropriate actions to mitigate the negative impacts of the pandemic. This trust was substantially reinforced as the Executive Management team recognized the potential impacts of COVID-19 early on and quickly and efficiently developed and executed a contingency plan without major disruption to the business.

Within the Board of Directors, we are confident in TP Aerospace's future, and we expect that in the changing industry dynamics, operators will increasingly start reconsidering their entire maintenance supply chain and sourcing strategy to find more effective solutions. This is the niche that TP Aerospace operates in and has proven very successful for over a decade.

In 2017, TP Aerospace signed the UN Global Compact, thereby committing to internationally recognized principles for responsible business conduct. Our commitment to this initiative intensified in 2020 as the drop in $CO_2$ emissions, caused by the decreasing activity level, has strengthened the industry's climate commitments. Therefore, we expect to see an even greater integration level between social, environmental, and ethical concerns and the daily business in TP Aerospace. This, together with a solid business model and some of the most competent employees in the industry, is a testament to the fact that TP Aerospace will be there to support its customers well into the future.

Flemming Jensen, Chairman

# LETTER FROM THE FOUNDERS

We started 2020 with a record-high number of aircraft under program contracts, an unparalleled number of ready-to-go assets on the shelves, and a dedicated team of employees committed to delivering products and services of the highest standard. But very early in the year, our foundation was shaken as the world, especially our industry, went into turmoil caused by the COVID-19 pandemic.

From the beginning of the outbreak, it was obvious that it would have a massive impact on our industry as the world's governments started to impose strict travel restrictions to prevent the continued rise in infection rates. However, it was also clear that our industry plays a vital role in the global infrastructure and emergency response by ensuring the international flow of medicine, food, hospital equipment, and protective gear. We have seen it as our utmost responsibility to help our customers and partners to continue to support this vital global infrastructure network during the year.

Like the rest of the industry, TP Aerospace was forced very early on to adjust our financial structure and take measures to ensure that the financial platform remained sustainable. As founders and shareholders, we are grateful for the support that TP Aerospace received in this process. This included our Board of Directors who stepped in very early to support the Executive Management, and all shareholders and banks who contributed to ensuring the financial foundation.

We are also grateful for the support provided by governments worldwide, who through grants and funds helped us through the months where activity was at its lowest and ultimately helped us protect jobs.

Finally, we are humbled and honored that many employees have taken the consequence of the decreasing demand and followed the Board of Directors and the Executive Management into a voluntary pay reduction through this difficult period. This action reflects the general attitude of our Green Team during the pandemic.

Throughout the year, everyone has shown tremendous loyalty and commitment to TP Aerospace through their willingness and ability to adapt to fast and sometimes comprehensive changes to their work life; whether it be reduced working hours, new work-from-home practices, furlough, distancing rules, or other. 2020 was nothing like we expected, but our appreciation of the Green Team was as high as ever.



We are preparing for steady increases in activity during 2021. Though many uncertainties remain, we expect the industry to start a slow recovery in the second half of next year, and we know that TP Aerospace and the entire Green team will be ready to eagerly respond to the increased activity.

Peter Lyager, CEO
Thomas Ibsø, President

# TP AEROSPACE IN BRIEF

**TP Aerospace** was born out of passion: a passion for aircraft, the destinations they reach and the endless opportunities they bring. Our passion gives us purpose.

### Who We Are

TP Aerospace is a leading supplier in the aviation industry, specializing in the recycling and reusing of aircraft wheels and brakes. We are determined to keep otherwise complex operations simple by offering tailor-made solutions to airlines operating fleets of all sizes and compositions.

Since 2008, the company has grown from a small start-up in Denmark to almost 230 people in 11 locations worldwide. Named after our prominent company color, we call ourselves the Green Team.

As a team, we have a clear vision to challenge the status quo and always look to create new ways of working and thinking for the benefit of our customers, our Green Team, and the society around us. With highly passionate people in all corners of our business, we are committed to delivering the best, most flexible, and most responsible solutions for airlines all over the world, anywhere, anytime.

### Business Model

The value of TP Aerospace is in the simplicity of our business model. Keeping our core business simple not only allows us to focus on what we are good at; it also enables increased focus on promoting a closed loop supply chain and circular resource flow for efficiency and returning value.

Operating mainly in the aftermarket, we acquire used serviceable wheels and brakes from various sources, including airlines and teardown companies. All sourced units are repaired or overhauled at one of our in-house MRO facilities, all of which are certified to the highest industry standards. This process is governed by strict regulations, which requires the proper approvals from aviation authorities and a strong quality culture.

Airworthy units are stored in one of our strategically located warehouses around the world. At any given point in time, TP Aerospace holds one of the world's largest ready-to-go inventories of wheels and brakes, ready for immediate delivery to our customers, wherever and whenever they need it

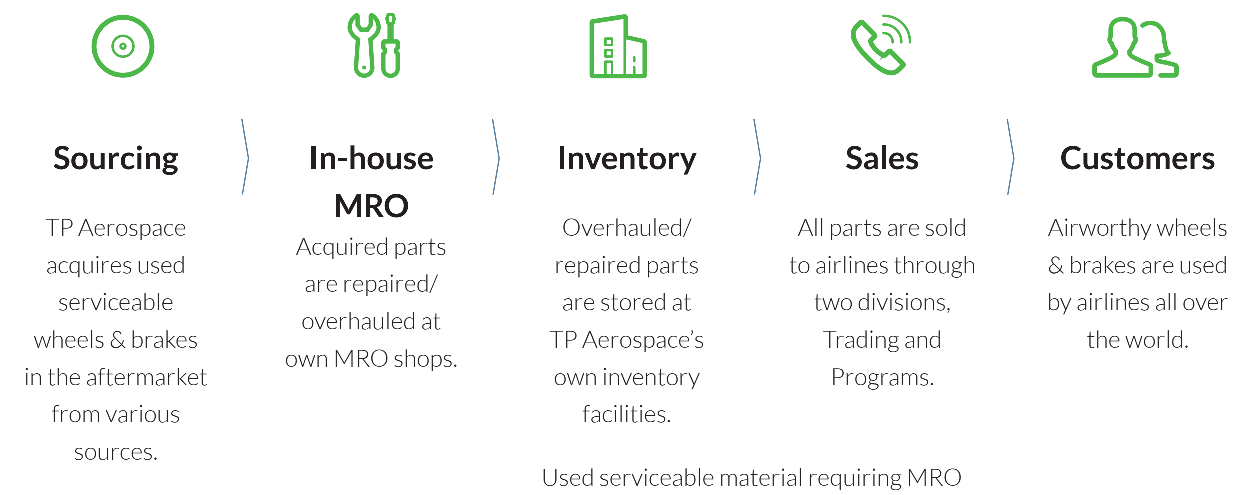
Based on the customers' needs, TP Aerospace provides aftermarket wheels and brakes either as a service to customers through a long-term program or as outright sales to a recurring customer base. Units returned to us after service from our program customers, go back into our MRO shops for repair. When parts are no longer serviceable, they are scrapped and recycled by one of our recycling partners.

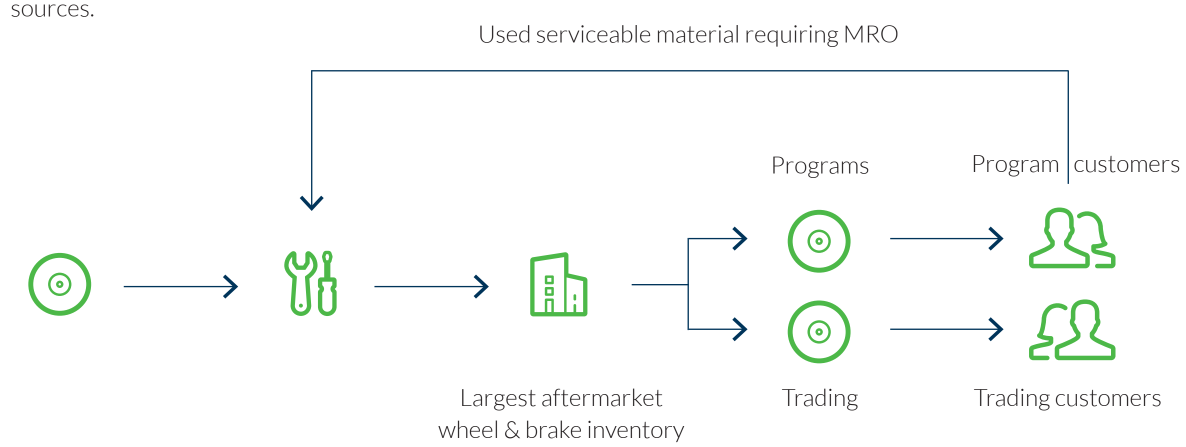
In 2020, we added a third commercial division to the business as we entered into distribution.

With TP Aerospace Distribution, we have extended our portfolio to not only include aftermarket wheels and brakes, but also factory new piece parts and assemblies as well as brake repair services on behalf of the OEMs.

### MRO

In the aerospace industry, Maintenance, Repair & Overhaul, or MRO, is widely used to describe aircraft maintenance activity. The vital role MRO plays in keeping supply chains running smoothly can be underestimated and unappreciated. The capacity to routinely maintain, repair, and overhaul components and the diligent monitoring of inventory and systems means supply chains are optimized to deliver products to customers on time and wherever they are required.




### Ownership

In the spring of 2017, the Danish private equity firm CataCap acquired a majority stake in TP Aerospace, enabling the company to unleash its growth ambitions while also strengthening its strategic and operational competencies.

Today, CataCap, together with co-investors Schroder Adveq and Kirk Kapital, holds majority ownership of close to 80%, while close to 20% is still held by the two founders, Thomas Ibsø and Peter Lyager, who also constitute the company's Executive Management team together with CFO & COO, Nikolaj Jacobsen. The remaining shares are held by Senior Management and key employees of the company.

# OUR GLOBAL TEAM


** ( ) indicates change in employee count from 2019*

# FINANCIAL REVIEW

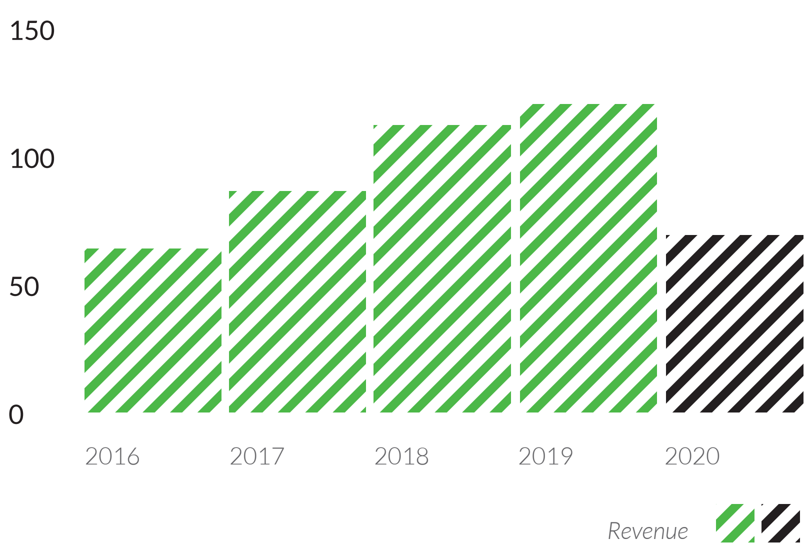
Since the beginning of 2020, the COVID-19 pandemic has changed the aviation industry's fundamentals through globally imposed travel restrictions and general travel concerns among the broader population. As the leading aftermarket wheels and brakes provider, the decrease in activity has also impacted TP Aerospace. Due to a diversified customer base with a high level of cargo airlines and a fast response in matching cost levels to the decreased activity levels, TP Aerospace managed to deliver positive EBITDA earnings in 2020 and a sustainable liquidity position entering 2021.

**Income statement**

Overall, 2020 revenue decreased by 43.3% to USD 67.7m compared to USD 119.3m in 2019. The Program Division decreased by 25.5% to USD 44.2m compared to USD 59.3m in 2019. The decrease was significantly less than the overall decrease in the aviation industry, where capacity (measured in available seat kilometers or ASKs) declined 68.1% and demand (revenue passenger kilometers or RPKs) fell by 65.9% compared to the full year of 2019. The main driver behind the better than industry performance was driven by the diversified portfolio, with 35% of total contracted aircraft being cargo operators. In 2020, the Cargo segment revenue grew by 26.4%, whereas the Passenger segment revenue decreased by 49.8%. The Program revenue was also positively impacted by the signing of two significant contracts with Scandinavia Airlines and ASL Belgium in late 2019. Within the Program Division, the EMEA region decreased by 22.7%, Americas by 17.4% and APAC by 47.1%. The better than industry performance in EMEA was driven by the full year impact of Scandinavian Airlines and ASL Belgium, whereas Americas was driven by the Cargo segment, which represented more than half of the revenue.

Revenue

(USDm)




Compared to 2019, revenue from existing customers declined by USD 24.1m equal to a decrease of 40.7%, whereas new customers signed during the year and the full year effect of customers signed in 2019 contributed with USD 9.0m in growth. Activity with existing customers was impacted by significant changes for all non-cargo customers. Despite the highly challenging market conditions, the Program Division ended the year with 801 aircraft on contract. Existing customers added 74 new aircraft to the portfolio and a further 59 aircraft were added by new customers. These increases almost counterbalanced the unfavorable impact of aircraft coming off contract due to various airline restructurings, and ordinary contract adjustments. Of our two program types, our Flat-Rate programs decreased by 20.7%, whereas the For-Less programs decreased by 29.9%.

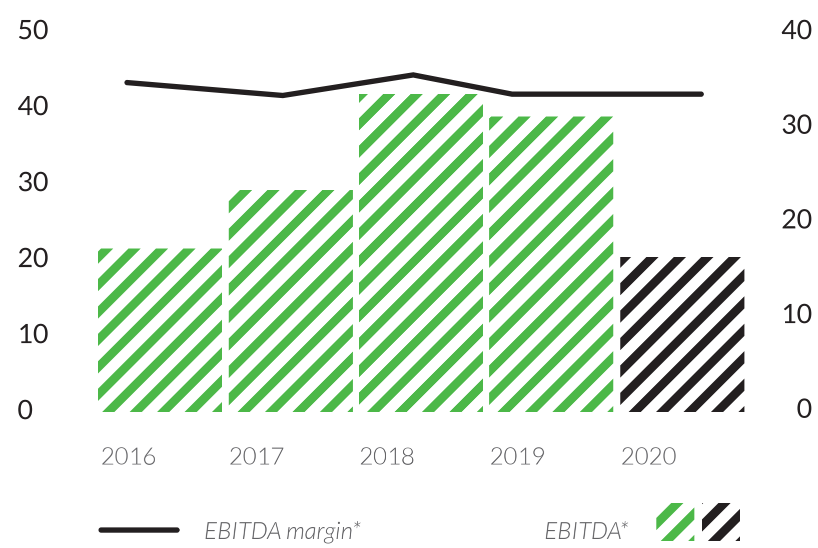
The Trading Division decreased by 63.1% to USD 21.0m compared to USD 56.8m in 2019. This division's main driver is aircraft transitions, where airlines return aircraft to lessors and the aircraft are transitioned to a new operator. There have been significantly fewer aircraft transactions in 2020 compared to previous years. The COVID-19 pandemic also impacted the division due to decreased activity and airlines delaying repair work to safeguard liquidity, by utilizing the remaining life of the wheel and brake pools by using components from parked and stored aircraft. EMEA and Americas experienced the highest decreases of 69.7% and 64.4%, respectively, whereas APAC decreased by 44.1%. Many parts of the world have been impacted by a second surge of COVID-19, whereas China has not experienced this to the same degree.

In 2020, TP Aerospace increased sales in China, which partly counterbalanced the revenue decrease compared to the remaining two regions. In 2019, the Trading Division sold aircraft components into 74 countries.

In 2020, TP Aerospace inaugurated a new Distribution Division and thereby invested further into being a one-stop-shop for wheels and brakes. The Distribution Division is selling new OEM assemblies and piece parts. In H2 of 2020, TP Aerospace signed an exclusive global distributorship with Honeywell International on the 737 Classic platform. As the division was only established near the end of 2020, revenue was low and equal to USD 0.7m. This is expected to grow in future years as the division matures.

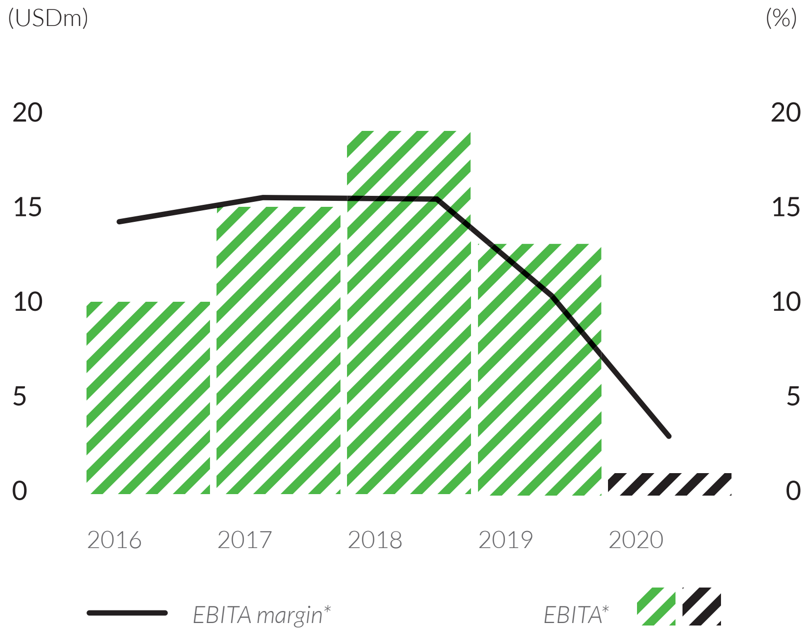
EBITDA & EBITDA margin*

(USDm) (%)




*Before special items

## EBITA & EBITA margin*

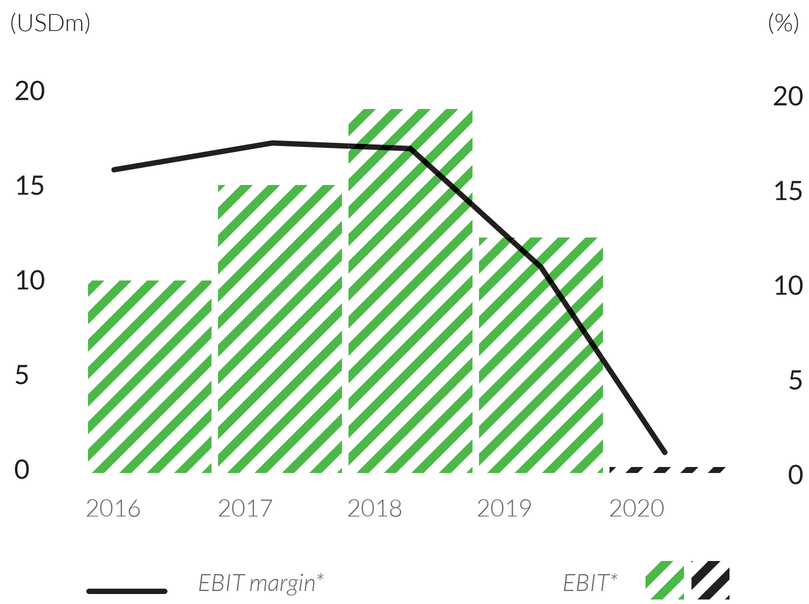



Gross profit for 2020 was USD 40.4m compared to USD 65.0m in 2019. The gross profit margin increased by 5.3 percentage points compared to 2019 and equaled 59.8%. The favorable development in gross profit margin was driven by a positive mix effect as a higher fraction of total sales was generated by the Program Division, which generates a higher margin. The gross profit margins within each division were at the same level as in 2019.

Staff Costs and Other External Expenses including Other Income was USD 19.1m compared to USD 27.2m in 2019, amounting to a decrease of USD 8.1m or 29.8%. The decrease was related to management actions to adjust the organization to the current activity level, the implementation of salary reductions and the application of government compensation schemes.

Earnings before interests, tax, depreciation, and amortization (EBITDA before special items) for 2020 amounted to USD 21.4m, which was USD 16.5 lower than in 2019. The EBITDA margin before special items was 31.6%, which was on par with 2019.

## EBIT & EBIT margin*




*Before special items

This was driven by the higher realized gross profit margin, which was primarily driven by the positive mix effect between divisions and the significant decrease in Staff and Other External Expenses including Other Income.

Earnings before interests, tax, and amortizations before special items (EBITA before special items) for 2020 amounted to USD 1.2m compared to USD 12.7m in 2019, thereby equal to a decrease of USD 11.5m. The lower activity in the Program Division decreased the MRO repair cost depreciation compared to last year by USD 6.1m, thereby reducing the decrease in the EBITA before special items compared to 2019.

Earnings before interest and tax before special items (EBIT before special items) for 2020 was USD 0.4m compared to USD 12.1m in 2019. The EBIT margin before special items was 0.6%.



Special items amounted to USD 6.8m, compared to USD 5.1m in 2019, and primarily included non-recurring expenses connected with one-off losses driven by COVID-19. These expenses covered loss on receivables and inventory, write down of a specific aircraft platform, site consolidation and redundancy cost related to layoffs. TP Aerospace also incurred expenses on non-recurring establishment costs of the new Green Sunrise MRO facility in Moscow, Russia.

Net financials for 2020 amounted to USD 7.5m compared to USD 3.9m in 2019. The increase was driven by increased net interest bearing debt (NIBD), which increased by USD 3.1m compared to last year, and a loss on foreign exchange rates, which was positive in 2019. The loss of foreign exchange rates was primarily driven by the depreciation of the US Dollar. As TP Aerospace was awarded the global exclusive distributorship of the 737 Classic platform, the company increased its inventory of aircraft components. This combined with the establishment costs of aircraft component pools in Q1 2020 to support primarily Scandinavia Airlines and ASL Belgium increased the NIBD.

Profit before tax was equal to USD -13.9m compared to USD 3.0 in 2019.

Tax on the profit for 2020 was an income of USD 2.5. The effective tax rate of the year equaled 18.2%.

Net profit for the year amounted to USD -11.4m compared to USD 2.2m in 2019.

### Assets

At December 31, 2020, TP Aerospace's total assets amounted to USD 198.1m compared to USD 201.3m in 2019 equal to a decrease of USD 3.2m. This was driven primarily by a decrease in receivables due to lower revenue compared to 2019. Aircraft components was on the same level as last year, which was composed of a decrease in the Trading Division inventory of USD 6.2m driven by low replenishment. This was counterbalanced by an increase in the Distribution Division inventory due to its inauguration and increases in the Program Division primarily driven by the establishment costs taken in Q1 2020 to support Scandinavian Airlines and ASL Belgium. At December 31, 2020, aircraft components equaled 112.2m of which USD 46.2m was treated as financial assets and USD 65.9m as inventory (accounting treatment is further explained in the section "Consolidated Financial Statements" under notes).

### Net working capital
Net working capital ended at USD 62.1m compared to USD 67.9m in 2019. The decrease was driven by decreases in both receivables and inventory, which was partly counterbalanced by a decrease in payables. The aircraft parts owned by TP Aerospace are all deemed to be current after having provided against one particular wide-body aircraft type deemed difficult to sell. The remaining aircraft platforms are not deemed to be obsolete.

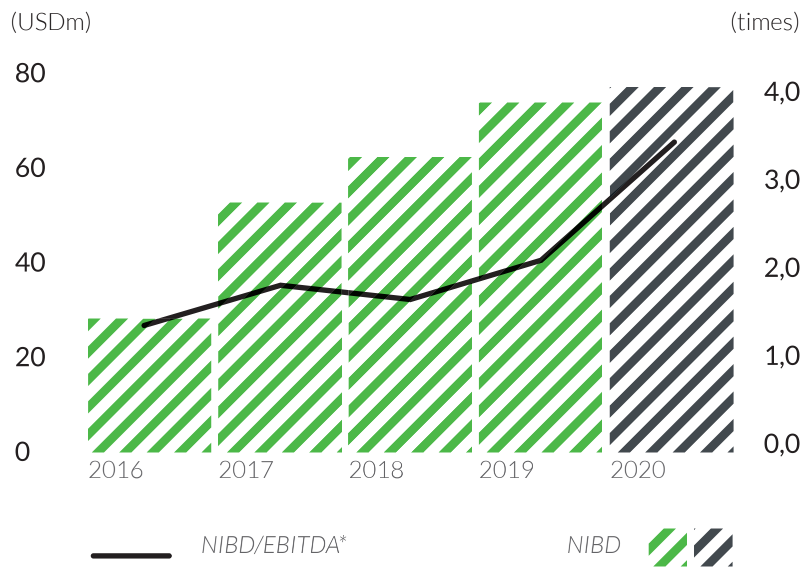
### Equity
Total equity amounted to USD 90.2m at December 31 2020, compared to USD 89.6m in 2019, equal to a change of USD 0.6m. This was driven by the 2020 result of USD -11.4m combined with a capital injection of USD 12m from the shareholders of TPA Holding II A/S.

### Net debt
The net interest-bearing debt amounted to USD 76.7m or 3.6x 2020 EBITDA before special items, compared to 73.6m or 1.9x EBITDA before special items at December 31, 2019.

### Return on invested capital (ROIC)
The return of invested capital excluding goodwill was equal to 17.7% compared to 34.0% in 2019. The lower EBITDA before special items drove the decrease in ROIC.

### Cash flow
Cash flow from operating activities was USD -2.7m compared to USD 5.3m in 2019. Free cash flow amounted to USD -12.1m compared to USD -14.0m in 2019. Before changes in aircraft components and IFRS16 lease liability free cash flow was equal to USD -12.8m.

### NIBD & NIBD/EBITDA*




### Outlook
Over the course of 2020, TP Aerospace adjusted the operating model to reflect the industry's current demand. Until demand returns and the world recovers from the COVID-19 pandemic, we will continue to operate our business in a way that ensures a sustainable financial position and, at the same time, take advantage of business opportunities that may arise.

With the current global roll-out of the COVID-19 vaccines, we expect to see a gradual return to an increased flying activity amongst our customers over 2021.

Even with the encouraging forecast, demand remains uncertain and makes it difficult to provide specific guidance on the coming fiscal year's financial performance. Our expectation is that the first half will remain relatively weaker due to the current surge in virus and new variants. We expect that as we approach the summer, demand will start to increase, and financials will improve in the second half of 2021.

### 2019 follow-up
In the 2019 annual report, the company's predictions of how COVID-19 would impact the financial performance in 2020 were at an early stage and characterized by a high level of uncertainty. Due to these circumstances, management was unable to communicate reliable expectations to the group's activity level and 2020 financial results.

*Before special items

Chapter 2

# BUSINESS & STRATEGY

# OUR STRATEGY - GREEN SUNRISE 2.0

The Green Sunrise strategy was launched in 2018 and presented an ambitious growth plan. Only a few years into the strategy period, the industry's dynamics changed significantly with the COVID-19 pandemic. To adapt to the changing dynamics, we updated the strategy, and at the end of 2020, we launched Green Sunrise 2.0; a calibrated version of the original strategy, still aiming at being the No. 1 choice of aircraft wheels and brakes worldwide.

Green Sunrise 2.0 is designed to secure TP Aerospace's competitiveness and market position. The strategy covers a five-year period and presents ambitious targets towards 2025. To achieve this, we place our customers at the core of everything we do. We have a mission to build strong partnerships with our customers to ensure that we are always on top of their needs and challenges, and that we are working closely together to find the right solutions.

While being a continued testament to TP Aerospace's ambitions of being the leading expert within our niche, the Green Sunrise 2.0 aims towards an even greater level of integration and synergy between our offerings to strengthen our role as a one-stop-shop and trusted partner for the industry on all matters related to aircraft wheels and brakes.

Thereby, our original focus on offering used serviceable wheels and brakes is now supported by the distribution of factory new wheels and brakes piece parts and assemblies through a newly established Distribution Division. The synergies between our three business units provide the foundation for the future direction of TP Aerospace within the aviation aftermarket.

A central element of the strategy is to ensure that our operations are forward looking and that our growth is sustainable; we are in it for the long run, and we are determined to support our customers well into the future. Therefore, social and environmental concerns will be an increasing part of TP Aerospace's business model in the future.



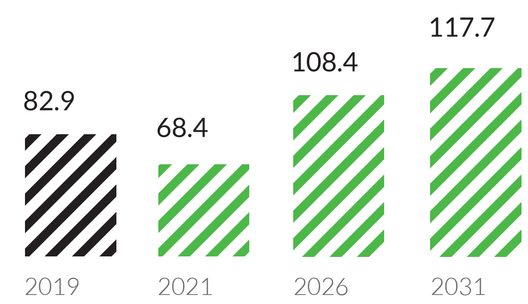
## Market Outlook

During 2020, the global demand for MRO services declined due the drastically reduced activity level. According to market reports*, 2020 global MRO spend was 45% below forecast and almost 40% below 2019.

Though COVID-19 remains a serious threat to air traffic going into 2021, the market is expected to start recovering in 2021, primarily driven by the rate of vaccine deployment. Over the next 5 years, the global commercial fleet is expected to grow significantly. The underlying demand for MRO services will increase accordingly and is expected to reach USD 108bn by 2026, compared to USD 82.9bn in 2019.

These figures confirm the future market potential, and the preconditions of the Green Sunrise strategy remain strong.

Global MRO market forecast (USD bn)




**Source: Oliver Wyman, forecast as of January 2021*

### HYPERLOCAL AND HIGHLY GLOBAL

A core element of our strategy is to build a strong global network of MRO facilities, customer support, and commercial teams, while also moving closer to our customers, thereby increasing our local presence with local capabilities and in-depth understanding and insight into the local culture, traditions, and business environment.

That is why we have hubs in all major regions, operated by our local Green Teams who support customers in the regions through physical proximity and a deep understanding of local culture and conditions. To reach our customers even closer to home, we are continuously evaluating the need and opportunity for TP Aerospace to open new MRO shops and support offices in various parts of the world. This aims to give our customers the experience and comfort of a local supplier but the benefits of a truly global partner.

# PROGRAMS

## TP Aerospace’s Program Division offers tailor-made solutions through full-service and all-inclusive programs to operators worldwide.

We offer two types of programs that differ in setup and structure, ensuring that all programs are designed to accommodate our customers’ short and long-term requirements while fully complying with their maintenance budgets.

2020 saw a historic number of operators that declared insolvency, ceased operations, or phased-out certain platforms. Despite this tendency, the Program Division succeeded in exiting 2020 with almost the same number of aircraft on contract as in 2019, with a slight reduction from 815 to 801 across 100 operators. This was attributed to our success in signing a significant number of new contracts during the year, where we added 16 new customers to the program customer portfolio, covering a total of 59 new aircraft. Additionally, we entered eight new countries, confirming our growing global reach and the global applicability of our program concept.

Building a diversified program customer portfolio has always been part of our efforts to reduce risk and ensure a broad reach within our Program Division. During 2020, our efforts to maintain a customer portfolio with a robust mix of different types of operators contributed to a stable activity level throughout the year. While operators of passenger aircraft experienced an unprecedented decrease in activity, the demand for freight increased. With more than 35% of the aircraft covered on a program contract being freighters, this counterbalanced the overall activity decrease.

Altogether, the above resulted in a year-end result of our Program Division of USD 44.2m, which was 25.5% below 2019, but significantly above the general trend in the global industry in 2020.



## Supporting our customers through a crisis

We have always worked hard to find simple, reliable, and flexible solutions for our customers. During 2020, when the pandemic impacted our customers, this proved particularly valuable for airlines supported by one of our programs. First, they enjoyed a steady flow of components, thereby securing smooth operations. Second, they had complete cost transparency provided by our pay-as-you-go all-inclusive concept, where monthly invoices reflect actual flight cycles. The need for an unhindered replacement flow of wheels and brakes remained a challenge for airlines, and our program concepts proved to provide our customers with a significant financial and operational advantage
.

Key to our program propositions is a guaranteed service-level and a close dialogue between TP Aerospace and our customers. As the pandemic increasingly challenged our customers’ operations during the year, we intensified our efforts to deliver elevated flexibility towards each of our customers to support them through a difficult time. Specific actions included expert assistance and guidance on cost optimizations and reduction of onsite stock.

### FLATE-RATE PROGRAMS

Our fully integrated, all-inclusive and plug’n’play cost-per-landing concept where the customer pays a fixed rate per landing.

### FOR-LESS PROGRAMS

The less integrated all-inclusive concept where the customer pays a fixed fee per exchange event.

# TRADING

With the largest ready-to-go inventory in the aftermarket, TP Aerospace's Trading Division has earned the position as the leading supplier of aircraft wheels and brakes on an outright and exchange basis, catering to both routine and AOG deliveries.

The COVID-19 pandemic impacted our Trading Division significantly in 2020, and the year ended with USD 21.0m in revenue vs. USD 56.8m in 2019.

However, during 2020, we significantly exceeded our sales expectations in China with a growth of more than 132% compared to 2019. This was achieved with support from our sales representative office in Shenzhen, which was established in 2019, and it confirms our rising foothold in this high growth country.

Similar to the Program Division, we also experienced a steady level of activity amongst freight operators within trading. Thus, the mix of trading customers changed from 2019, as cargo airline customers' relative share increased from 6% to almost 20% of the total sales.

The decreased trading volume in 2020 reflected a behavior amongst airlines to utilize remaining life on their components to the maximum and rotate their existing pools, thereby keeping new purchases and exchanges at a minimum. When activity levels return to normal, we expect to see an increasing demand for components as the airlines will need to restock their pools to normal levels.

Despite a difficult year where the Trading Division experienced the lowest demand in May and June, we did see a steady increase in activity towards the end of the year. However, the impacts of the pandemic are expected to continue to affect the trading business in 2021.

## Ready to support the return of the market

When and how the market returns to normal remains subject to uncertainty. However, the overall business model of TP Aerospace provides a strong foundation for the company's position when activity returns.

For TP Aerospace's Trading Division, stock availability will be key in supporting the market's return to normal. With the world's largest stock of aftermarket wheels and brakes, we continue to have unmatched availability of parts across all major platforms. Additionally, an increased focus in 2020 was on asset optimization to ensure that we have the right stock in the right locations to support the airlines as they reactivate their operations.

At end-year 2020, we had USD 112m worth of ready-to-go components on stock.

# DISTRIBUTION

## Through TP Aerospace Distribution, we have new OEM parts on stock ready for dispatch to customers worldwide with minimal lead time.

In 2020, we added a third commercial division to our business, with the establishment of TP Aerospace Distribution.

As a distributor, TP Aerospace has new OEM piece parts and assemblies ready for immediate dispatch to airlines, maintenance providers, and third-party customers worldwide. With the right stock, good pricing, minimal lead time, and extensive knowledge, TP Aerospace is a reliable distribution partner with superior customer support.

Entering the distribution business is an additional step towards becoming a one-stop-shop for wheels and brakes and represents an important milestone in our Green Sunrise strategy. With this step, we strengthen our value proposition towards our existing customers and build an additional value stream to complement the existing programs and trading businesses.

Key to the Distribution Division is our relationship to OEMs and we have a long history of building close partnerships with all OEMs in the industry. To continue to grow our distribution business, we will work to strengthen these relationships further and identify possibilities for mutual value-adding opportunities with our OEM partners.

The Distribution Division was established towards the end of 2020 and is expected to constitute a considerable part of the overall business over the coming years.

### AN EXCLUSIVE PARTNERSHIP

In October 2020, TP Aerospace was appointed as Honeywell's exclusive distributor for B737 Classic wheels and brakes parts.

The partnership allows TP Aerospace to supply all wheels and brakes parts related to the Boeing 737 Classic platform and guarantees that all 737 Classic operators running on Honeywell parts will always have immediate access to parts and components.

In addition to simplifying supply chain and logistics operations, we also maintain an inventory to support customers globally.

The exclusive contract was awarded to TP Aerospace due to our extensive market knowledge and strong global presence.

# PEOPLE & CULTURE

It is the people behind TP Aerospace that make the difference and enable us to reach our goals. We are determined to provide our people with the right work environment, competencies, and tools to succeed.

In TP Aerospace, our people are key to achieving operational excellence and to ensure that we continue to deliver the best, most efficient, and most responsible solutions to our customers, now and in the future. Therefore, we continue to increase our efforts to ensure that our internal competencies and skill levels match our current and future business.

As a result of COVID-19's impact on our industry, we reduced our global workforce in 2020 to adapt our organization to the abrupt decrease in activity. At year-end, our global headcount was 228, compared to 284 in 2019. This reduction came partly from the consolidation of MRO facilities and partly from general reductions within the organization. Despite the headcount reduction, the total workforce remained highly diverse, with 37 different nationalities.

As a company, we believe in individuality: personality matters. Therefore, we are committed to fostering and building a culture of respect, individuality, and inclusiveness which we believe is a cornerstone of our success. Throughout TP Aerospace, we work in a structured manner to continuously assess, define, and strengthen our culture. At the core of these initiatives lies an overarching understanding of our company values and continuous efforts to incorporate these values into the employee life cycle, from recruiting and on-boarding to development and termination.

In light of the employee reductions, extra focus was on securing the remaining workforce's safety and motivation in a continuously challenged market and ensuring that the unique culture which characterizes TP Aerospace continues to thrive. Amongst other initiatives, we implemented regular surveys to assess and employee motivation and perception of safety.



## Responding to the pandemic

The COVID-19 pandemic brought along new challenges for TP Aerospace as an employer. Throughout the year, extensive resources were spent on securing employees' safety, implementing new work procedures, protecting jobs, and keeping employee motivation high. For employees, 2020 was a year where everyone had to adapt quickly to changing regulations and guidelines from TP Aerospace and from local governments.

As the virus started spreading throughout the world in early 2020, the immediate focus was on protecting our employees from the virus. Where possible, employees were ordered to work from home to reduce the risk of spreading within our premises. Within a short period of time, our employees adapted to a new way of working that included limited social interaction with colleagues, increased need for communication, and distance leadership.

For employees who had to continue their work from our facilities, such as maintenance and warehouse workers, various initiatives were put in place to ensure their safety and business continuity. Some of these included the implementation of additional shift systems, social distancing guidelines, daily temperature checks, etc.

With highly global operations, we navigated various guidelines and recommendations from the different countries we operate in. Likewise, government support that was offered to industries affected by the pandemic varied in nature and length. Where possible, TP Aerospace accepted the offered government support to help protect jobs. Thereby, employees at several of our locations were furloughed for parts of 2020. In some countries, the furlough continues into 2021.

| Total headcount | Number of different nationalities | Average age |
|---|---|---|
| **228** | **37** | **41** |

Chapter 3

# GOVERNANCE

# CORPORATE GOVERNANCE

Our principles for good corporate governance are based on our Articles of Association and governed by our Board of Directors and our Executive Management team.

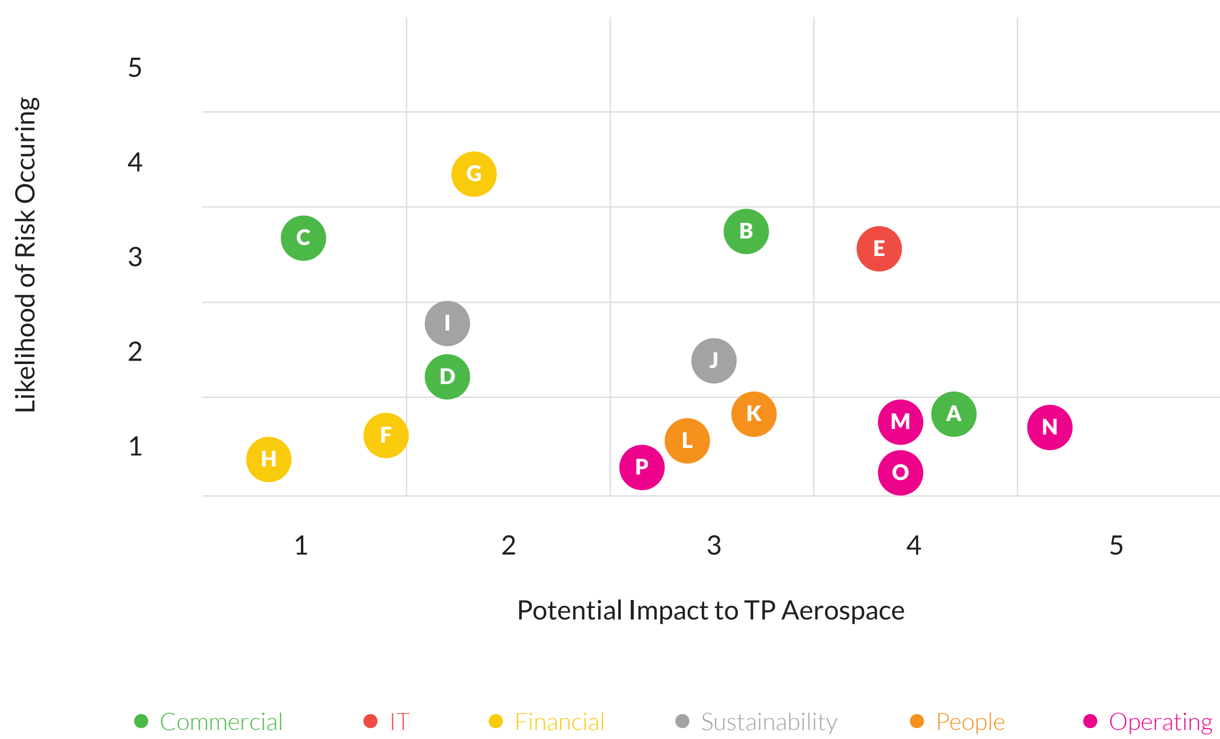
We align our corporate governance efforts with the "Recommendations on Corporate Governance" issued by the Danish Committee on Corporate Governance. This is achieved by maintaining an ongoing dialogue with our owners and other stakeholders, reporting results monthly, and facilitating an ongoing strategic development process that creates value for our stakeholders.

Furthermore, as our majority owner CataCap is a member of the Danish Venture Capital and Private Equity Association (DVCA), TP Aerospace must comply with the guidelines issued by the DVCA available at the DVCA's website www.dvca.dk. The guidelines released in June 2008, with subsequent modifications, recommend extended coverage in several areas in annual reports, including corporate governance, financial risk, employee relations and strategy.

# RISK MANAGEMENT

Risk management is fully integrated into our strategic considerations and operational activities. Thereby, risk management is a mindset that exists at all levels of our organization. With our risk management structure, we ensure proper and efficient management of identified risks and reduce uncertainty in reaching our business objectives.

## Risk Matrix




A Component availability
B Market risk
C Oil prices
D Customer Concentration
E IT security
F Liquidity
G Credit
H Currency
I Environmental
J Anti-corruption
K Qualified employees
L Occupational Health & Safety
M MRO Capacity
N Safety
O Asset security
P Quality



## COVID-19

The COVID-19 pandemic has been unprecedented, and its global reach has had a significant impact on the aviation industry.

As the pandemic hit global air transport in early 2020, TP Aerospace's primary responsibility was towards our employees, customers, and owners. The immediate focus was on protecting our employees and their families from the virus while ensuring business continuity and providing reliable support to our customers as they kept up the world's infrastructure.

To preserve jobs and protect liquidity, TP Aerospace accepted various government compensation packages in the countries in which we operate and furloughed employees at many of our locations.

Towards the second half of 2020, further initiatives were taken to scale the global organization to the reduced activity level. In addition to staff reductions, we consolidated our MRO activities in Dubai into our regional hub in Hamburg, and our MRO activities in Las Vegas were consolidated into our US hub in Orlando.

The pandemic has proven to drag on, and the consequences have been severe for the entire industry. Towards the end of the year, the industry remained exposed to the risk of a pandemic resurgence, which continues to create a level of uncertainty into 2021.

However, our business model has proven to be resilient against market disturbances, and by taking immediate action to preserve as many jobs as possible and protect liquidity, TP Aerospace has paved the way for a prompt return when the market normalizes.

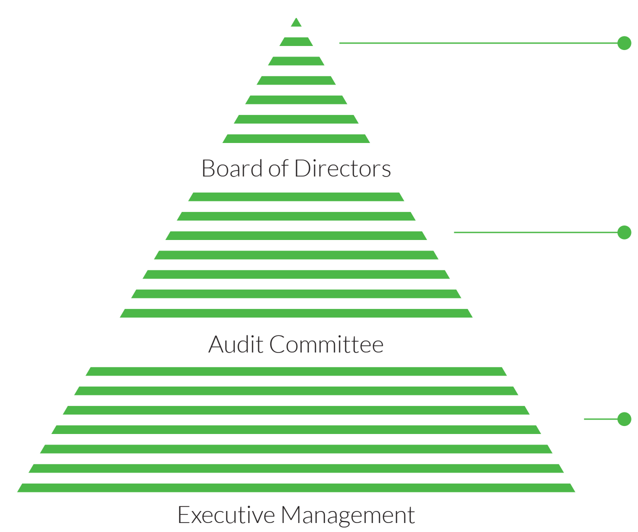
With a risk policy and procedures in place, we have a systematic approach to efficient risk management, allowing us to identify risk early and proactively work to prevent an increase in exposure.

Risk is continuously identified and monitored by the Executive Management and presented to the Audit Committee who monitors the risk management procedures.

Identified risks are assessed based on their potential impact on our business and the likelihood of the risk materializing. The most significant risks are reported to the Board of Directors.

The key risk areas related to TP Aerospace's business are presented on the left page and described further on the following pages.

## Risk Management Structure




- Approval of Risk Management Policy
- Review of essential risk areas

- Monitoring of risk management procedures and the development of key risks
- Reporting to the Board on compliance with Risk Management Policy
- Monitoring of the Executive Management's reporting to the Board concerning the development in the most essential risks

- Identification and monitoring of risk, including proposals for mitigation activities
- Continuously present changes to the risk picture to the Audit Committee
- Reporting of essential risk to the Board of Directors

| Risk | Description of risk | Risk control measures |
|---|---|---|
| **A** Component availability | Lack of available piece parts and wheels and brakes in the market could have an impact on our business model. | Our strong market position enables us to cooperate closely with key stakeholders in the industry to ensure a sufficient influx of components.<br>In the coming year, we expect component availability to increase further as a result of COVID-19. |
| **B** Market risk | Risk related to macro-economic trends as well as market and competitive trends. | Diversification is core to our strategy and is key to mitigating portfolio and market risk. With operations around the world, we have a high level of geographic diversity. Additionally, we secure industry diversity through our various offerings and contract portfolio spanning widely across passenger and freighter aircraft. |
| **C** Oil prices | High oil prices can have an impact on airlines' operating costs and profitability. | The potential impact for TP Aerospace is considered low due to limited correlation between oil prices and demand for MRO services. |
| **D** Customer Concentration | The risk of being dependent on a limited number of key customers, thus being more vulnerable to potential bankruptcies within our customer portfolio | We have a fragmented customer portfolio, which is continuously assessed to mitigate risk. |
| **E** IT security | Disruptions to our IT systems, especially cyber-attacks, pose a risk to our business and our industry in general. | Continuous improvements of procedures pertaining to cyber security, i.e. through Cyber Security Training, threat assessments, and contingency plans.<br>To mitigate the potential implications of an attack, we have a disaster recovery procedure in place. |
| **F** Liquidity | The risk of not being able to meet our future cash flow needs. | As part of mitigating the risk of COVID-19, TP Aerospace raised additional capital to secure sufficient liquidity.<br>If any additional liquidity is needed, our owners hold a strong financial position. |
| **G** Credit | The risk of incurring a financial loss if a customer or counterparty fails to fulfil their contractual obligations. | Our highly diverse and fragmented customer portfolio, credit, and collection policy including continuous risk assessments, allows us to take the necessary precautions to mitigate this risk. |
| **H** Currency | TP Aerospace's functional currency is USD, and currency risk from operations is mainly towards DKK and EUR. | The typical exposure towards currencies other than USD is minor, with DKK being the largest. |

# KEY RISK

| Risk | Description of risk | Risk control measures |
|---|---|---|
| **I** Environmental | The strong focus on climate change from authorities as well as the general public, impose increased requirements for reduced environmental impacts and creates a general uncertainty about the future legislative and operating environment. | We work in a structured way with our environmental efforts throughout TP Aerospace, as a means to always be ahead of any potential new regulatory requirements. We deem the risk to be low but are closely following the developments, as we acknowledge that the risk level may increase due to external circumstances. |
| **J** Anti-corruption | The risk of being involved in or associated with illegal or unethical acts within our company or value chain, potentially leading to criminal action towards TP Aerospace or reputational damage. | Through our Anti Bribery and Corruption Policy, we have defined the minimum standards of conduct that all employees must abide by.<br>As the materialization of this risk can depend on individuals within our company, our focus is on creating awareness, building schemes for reporting concerns, and communicating the consequences of any potential involvement by an employee. |
| **K** Qualified employees | With our growth plans and a projected shortage of skilled engineers and mechanics in our industry, we are at risk of facing an expertise gap, a drop in skill levels and an increase in operating costs resulting from higher wages. | Through various initiatives, we work to continue to raise the skill level of our workforce and strengthen our employer brand to attract the right talent. With the impacts of COVID-19, we expect the likelihood of this risk occurring to be reduced significantly, as the pool of available talent will increase as a result of industry layoffs. |
| **L** Occupational Health & Safety | The safety of our people is our highest priority, as incidences could have serious consequences for our people, operations and reputation. The biggest safety risk lies within our MRO shops. | Through our safety management system, we work to manage safety risks in the workplace by conducting regular risk assessments of the different workstations, implementing new policies and procedures, and by increasing employees' awareness of safety issues. |
| **M** MRO Capacity | The risk of our MRO capacity not meeting market demands or our sales level. | We have sufficient capacity worldwide to meet the current demand. By continuously optimizing our operational model and footprint, we continue to expand and scale our capacity to match market demands. |
| **N** Safety | Hull losses as well as liability for passenger injuries, environmental and third-party damage caused by aircraft accidents related to TP Aerospace. | We live up to the highest quality and safety standards of some of the world's most recognized aviation authorities, including the FAA and EASA.<br>In case of an incident, our Aviation Liability Insurance provides coverage for financial damages. |
| **O** Asset security | Damage to our stock could potentially have a critical financial impact on our business. | To ensure that we can always deliver to our customers, we maintain an appropriate stock level at various facilities worldwide. Thereby mitigating the potential risk of asset damage on our delivery performance.<br>Our assets and liabilities are generally covered by insurance taken out with first-class insurance companies. |
| **P** Quality | Failing to obtain or maintain the necessary approvals to stay in operation and defects in product quality. | Policies, procedures and systems are in place to ensure that our operations and products live up to the highest quality standards and to continuously assess and improve our procedures. |

# QUALITY MANAGEMENT

As a leader in the wheels and brakes aftermarket, we must deliver reliable and safe quality products and services. Quality is an integrated part of our business and cannot be considered independently from our operations.

We are committed to continuously strengthening our quality culture to meet and exceed our customers' expectations.

We continue to raise the bar for quality and safety in aviation; we do so by identifying the industry's challenges and adopting best practices. This allows us to develop and improve our company's processes to ensure compliance with applicable regulations and customer requirements. We pride ourselves in how our commitment to quality is embedded in our company culture: a culture that empowers employees at all levels of the organization to proactively get involved and contribute to quality and safety management.

At TP Aerospace, our policy is to be certified to the industry's highest quality standards. Our Part 145 approvals combined with our AS9120 Rev. B accreditations allow us to drive and strengthen quality management and achieve goals. In 2020, we transitioned from AS9120 Rev. B single site approval to a multisite approval enabling us to gather all operations within one quality system and thereby further streamline our global processes and procedures and become more efficient.

In 2020, we continued the implementation of a global quality management software that was initially rolled out in 2019. We have streamlined all procedures related to auditing, training, reporting and document management to ensure maximum utilization of resources and further strengthen our quality culture through this software.



# CORPORATE RESPONSIBILITY

At TP Aerospace, corporate responsibility is an integral part of how we do business. It refers to how we work to not only create growth for our owners but also to create value for our employees, business partners, and society.

We acknowledge that our role and responsibility towards our stakeholders goes beyond short-term financial returns. Therefore, we have a responsibility to assess how our operations influence our surroundings and to reduce any negative impacts. To do this, we continue to work to make economic, social, and environmental concerns an increasing part of our day-to-day business activities and decision making at all organizational levels.

Over the past years, we have experienced increased interest and movement towards more sustainable operations within our industry. This is a movement that we expect to be accelerated further in light of the COVID-19 pandemic, and we are committed to continuing this journey with the rest of our industry by limiting our environmental impact, providing a safe and stimulating work environment, and delivering services to our customers of the highest quality and ethical standards.

With a clear vision in mind, we place high expectations upon ourselves to conduct business with the highest level of integrity and ethical, environmental, and social awareness within all areas of our business model, as described on page 19.

Since 2017, we have been a signatory to the UN Global Compact, the world's largest voluntary initiative within corporate responsibility. With this step, we committed to aligning our business strategy and operations with ten universally accepted principles within human rights, labor, environment, and anti-corruption and to take action to advance broader societal goals. Based on the UN Global Compact, our global Corporate Responsibility Policy from 2017 forms a framework for decision making throughout TP Aerospace, and we continuously strive to strengthen the level of integration between the policy and our everyday operations.

Based on our Corporate Responsibility Policy, our approach is built to continuously assess and optimize our operations and procedures to minimize the potential negative impact of our business activities and to contribute positively to the development within our four key areas:

- Human rights, including labor rights
- Health & safety at work
- Climate & environment
- Anti-corruption

UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

*This section serves as our Communication on Progress to the UN Global Compact and meets the requirements of the Danish Financial Statements Act sections 99a and 99b.*

# Human and labour rights

### Our policy

Our policy builds on the UN Guiding Principles on Business and Human Rights (UNGP). We use these guidelines as a framework for understanding human rights in a business context, whether our potential impact on human rights is internal, our employees, or external, people working within or being affected by the operations of our greater value chain.

We continuously conduct human rights due diligence to help address potential human rights risks linked to our business activities. The process includes the following steps: 1) identify and assess potential adverse impacts, 2) take action to prevent and mitigate risk and impacts, 3) track actions and ensure we follow up on potential risk and actual impacts, and 4) communicate our impacts and actions to affected stakeholders.

### Our actions

Our biggest potential impacts on human rights are related to a safe and healthy work environment (described further on the next page) and workplace discrimination.

At TP Aerospace, we consider diversity as a quality that develops different views, ideas, and analyses. Therefore, our policy is to actively promote diversity and inclusion to eliminate discrimination of any diversity traits, including gender, age, nationality, cultural background, and other diversity factors. We do so by assessing and optimizing all processes and procedures related to the employee lifecycle to ensure that we do not discriminate in hiring, developing, and termination processes.

In 2020, we had to terminate employees around the world due to the drastic decrease in market activity, and we undertook several initiatives to ensure that all decisions made in this process and at all locations were objective.

Working in an industry and sector that is traditionally male-dominated, we continuously strive for a more balanced gender representation throughout the company. Many of our efforts focus on our recruiting procedures. These include supporting our hiring managers and providing them with the right tools to avoid bias in selecting and developing processes. Similarly, we are committed to more balanced gender representation within our global management team. We strive to always have potential candidates of both genders when recruiting or promoting for a managerial position.

### Risk

Due to the nature of our business, we recognize a risk of not being objective in recruiting procedures, thus contributing to an industry culture not reflecting the surrounding world.

Additionally, with our highly diverse workforce comes a risk of people neglecting to respect and recognize each other's differences, leading to discriminatory behavior.

### Indicators

We wish to achieve a reasonable representation of both genders within the global management team. Our target is that the gender composition within the global management team should represent the overall gender profile of our general global workforce.

We also measure gender representation at our top level of the organization and within our Board of Directors. Our target towards was to have minimum one female board member by 2020.

### Performance

At year-end 2020, 18% of our global workforce was female and 82% male. To compare, 28% of the global management team was female. We are satisfied with our ability to promote the lesser represented gender in management positions; however, we acknowledge the challenge we face in our industry to attract female talent.

Our target to have one female Board member by 2020 was achieved already in 2019. To continue to promote a more balanced gender representation within our Board of Directors, we have defined a new target of two female board members by 2023.

# Health & safety at work

## Our policy

Health and safety at work is a top management priority at TP Aerospace. Our employees must always feel safe at work and never worry about being involved in an accident or experience a negative impact on their physical or mental health, because of their job.

Our policy is to always provide safe and healthy working conditions for our employees and make safety everyone's business. We are committed to continuously assessing our employees' perception of TP Aerospace as a workplace and addressing any challenges.

## Our actions

We continue to work to increase safety awareness throughout our organization, by engaging our employees in discussions regarding safety issues and conducting regular reviews of all workstations. Through annual anonymous workplace assessments, we continue to assess employees' perceptions of safety at TP Aerospace and take action accordingly.

During 2020, extensive resources were introduced to prevent the spread of COVID-19 within our organization. These efforts included implementing immediate work-from-home policies for all office employees around the world. For employees working within our production and warehouse facilities, we implemented daily temperature checks, awareness campaigns, social distancing guidelines, and two-shift systems to limit the number of people in contact with one another and ensure business continuity in case of infections within our teams.

As a result of the ongoing lockdowns and uncertainty caused by the COVID-19 pandemic, we have also increased focus on the mental health and wellbeing of our employees. People's private lives have been affected to various extents and uncertainty within the global aviation industry has also given rise to concerns about job security. Therefore, we implemented global regular motivation surveys to gain insight into our employees' motivation and perception of job security. The surveys will take place every three months throughout 2021 and are considered a supplement to our annual global workplace assessment.

## Risk

The key safety risk in TP Aerospace relates to accidents potentially occurring within our workshops or warehouses, where employees work with heavy components and machinery on a daily basis.

COVID-19 gave rise to several unprecedented risks during 2020. This includes the risk of falling ill with the virus, and the increased risk of mental health challenges as a result of lockdowns and general uncertainty.

## Indicators

We record all injuries occurring within TP Aerospace and have defined ambitious targets for lost time injuries, though we always strive for zero accidents throughout our operations.

We use data from our annual workplace assessments to measure our performance on safety, workload, ergonomics, motivation, and job satisfaction.

## Performance

In 2020, we stayed below our targets for lost time injuries.

We experienced isolated incidents of employees failing ill with COVID-19. Fortunately, no incidents were severe, and no contamination appeared to have happened within TP Aerospace's facilities.



# Environment & climate

## Our policy

We are committed to continuously assessing and optimizing our operations to minimize the environmental impact of our business and be fully compliant with environmental legislation wherever in the world we operate.

We want to contribute to more efficient use of resources and promote less waste, and all decisions we make must support this commitment.

## Our actions

During the year, we continued our efforts to become more energy efficient and minimize our environmental footprint. With the launch of Green Sunrise 2.0, we further strengthened our commitment to more sustainable operations.

Our activities were primarily targeted at energy consumption reductions, waste management, and transport optimizations.

Over the past years, we have invested in an MRO automatization project designed to become more efficient within our MRO facilities. These efforts continued into 2020, where more modern equipment and process automatizations have led to relative reductions in our energy use.

We work to ensure that all wheels and brakes, within our possession when they reach end-of-life, are scrapped responsibly through cooperation with external recycling partners.

Though we have seen a significant natural decrease in logistics activities because of the reduced activity level, we continued our focus on optimizing the transportation of goods between TP Aerospace, our customers and between sites. Our actions centered around using lower impact transportation modes, such as sea freight, where possible without compromising our commitment to our customers.

## Risk

Our main environmental risk relates to any potential unintentional impacts of our MRO activities. This includes the unintentional discharge of wastewater and non-optimal maintenance operations, leading to a higher energy consumption level and/or emissions.

Another potential risk relates to the scrapping of our components when they reach end-of-life.

Finally, inadequate planning of logistics activities may also pose an unnecessary risk to the environment.

## Indicators

We track our energy consumption and have a target to continuously increase energy efficiency within all our facilities. With Green Sunrise 2.0 we expect to see significant growth in activity level over the next five years compared to 2020 levels. To accommodate this growth, our future target will be to ensure that our growth in total energy consumption remains below the sales growth.

Additionally, we track and document the handling of all hazardous waste.

Furthermore, we continuously monitor our logistics activities to ensure optimal planning and use of the most environmentally efficient transport modes where possible.

## Performance

The energy efficiency in our MRO facilities remained stable in 2020.

During the year, we did not record any incidents relating to unintentional discharge of waste.

# Anti-Corruption

## Our policy

High business ethics are at the core of who we are, and we want to supply high-quality products to a market characterized by fair competition.

Our policy is to conduct business activities in an honest and ethical manner through acting transparently, professionally, fairly and with integrity in all business dealings and relationships no matter where we operate. Thus, we have a zero tolerance towards bribery and corruption in any form.

Our policy builds on the United Nations Convention against Corruption and various national laws, including the UK Bribery Act.

## Our actions

We continue our efforts to increase employees' awareness of bribery and corruption challenges.

With the publishing of our Anti Bribery & Corruption Policy and Procedure in 2019, we defined the minimum standards of conduct that all employees must abide by, and the duty to report any concerns or suspected breaches of the policy by others.

In 2020, we implemented mandatory online Anti-Bribery and Corruption training for all employees in relevant positions within TP Aerospace. This training is in line with our policy's principles, the UN Convention against Corruption and the UK Bribery Act and will take place once a year.

## Risk

Our greatest anti-corruption risk relates to non-compliance. Our increased risk of non-compliance derives from our highly global operations, causing us to be subject to various legislation schemes.

Additionally, in some cultures, it is customary for public or government officials to request unofficial fees for facilitating certain business activities. In TP Aerospace, these are considered facilitation payments and, therefore, a bribe, which is never tolerated.

## Indicators

We have a clear target to avoid any kind of violation of anti-corruption rules and legislation.

## Performance

TP Aerospace did not note any compliance violations in 2020.

There were no incidents reported through our whistleblower hotline.

# BOARD OF DIRECTORS

**Flemming Jensen**
*Chairman,*
*Born 1959, Appointed by CataCap, Member since 2017*
Flemming holds the position of CEO of DSB, the Danish Railways, but brings almost 30 years' experience from aviation. He is a trained pilot from the Royal Danish Air Force and spent almost 10 years as a fighter pilot. He entered the commercial aviation industry in the 80's, first with Sterling Airways and later SAS as Captain and Chief Pilot, respectively. Before joining DSB in 2015, Flemming had held the position of COO of SAS for several years.

**Peter Ryttergaard**
*Deputy Chairman,*
*Born 1970, Appointed by CataCap, Member since 2017*
Peter is a partner in the Danish private equity fund CataCap and has a strong operational background. He holds an Executive MBA from the Cranfield School of Management and a Master's in accounting from Copenhagen Business School. Throughout his career, he has gained extensive experience within private equity, but has also gained insight into the aviation industry as CFO of FLS Aerospace/SR Technics UK.

**Andrew Hoad**
*Member,*
*Born 1963, Appointed by CataCap, Member since 2017*
Andrew is an aviation veteran having been in the industry for more than half his life. He's particularly strong in the technical elements of aviation and holds a degree in Mechanical Engineering. Throughout his more than 30 years in the industry, Andrew has held various positions within Rolls-Royce, Cathay Pacific Airways/HAECO in Hong Kong and FLS Aerospace. Most recently, he comes from 14 years as Senior Vice President, Engineering, of Emirates in Dubai.



**Jesper Blom**
*Member,*
*Born 1969, Appointed by Peter Lyager and Thomas Ibso through their respective holding companies,*
*Member Since 2017*
Jesper has worked with TP Aerospace as an auditor and advisor before joining the Board of Directors in 2017. He holds a degree as a Chartered Accountant, and through various positions as auditor and advisor for e.g. Air Greenland, ST Aerospace, Aviator and the former Maersk Air, Jesper knows his way around aviation. Today, he holds the position as CFO of Theis Vine.

**Nina Fisker Olesen**
*Member,*
*Born 1991, Appointed by Kirk Kapital, Member Since 2019*
Nina holds a Master's in Business Administration, Finance and Accounting from Copenhagen Business School, and has held various finance positions from companies such as Novo Nordisk and Nordea. Since 2017, Nina has been employed with Kirk Kapital A/S, and currently holds the position of Investment Director.

**Vilhelm Hahn-Petersen**
*Member,*
*Born 1960, Appointed by CataCap, Member since 2017*
Vilhelm is a partner in the Danish private equity fund CataCap and he is experienced in strategic and operational management from both the Danish and international business environments. He holds a degree in political science from Aarhus University and has several years' experience from the aviation industry, first as CEO of FLS Aerospace and later as COO of easyJet.

**Michael Humphreys**
*Member,*
*Born 1964, Appointed by CataCap, Member since 2018*
Since obtaining a BSc. in Aeronautics and Astronautics from the University of Southampton, Mike has held a number of senior executive positions in aircraft MRO providers including CEO of FLS Aerospace, EVP of Component services at SR Technics and, most recently, President of Airinmar. Through more than 30 years' experience from the commercial aviation aftermarket, Mike has obtained strong skills in strategy and business development.

Peter Lyager

*CEO,*

*Born 1971*

Peter has held the position as CEO since the company's start in 2008. After completing his military service with the Royal Danish Navy, Peter acquired a B.Sc. in Economics and Business Administration from Copenhagen Business School. Today, he has 20 years of experience from the aviation industry and has held various positions at Leki Aviation and Deloitte prior to founding TP Aerospace.

# EXECUTIVE MANAGEMENT

Thomas Ibsø

*President,*

*Born 1975*

As founder, Thomas has held the position as President since 2008. He entered the aviation industry after completing his military service with the Danish Artillery Regiment. He has more than 20 years' industry experience, where his main focus has been on aftermarket sales and business development across a broad range of aviation products lines.

Nikolaj Lei Jacobsen

*COO & CFO*

*Born 1983*

Nikolaj joined TP Aerospace as CFO in March 2018 and has a strong background in corporate finance and strategy. He holds a MSc in Business Administration from Aarhus University, and is an International Finance Graduate from Novozymes. After more than five years in different finance positions, he spent three years with Chr. Hansen in the position of Finance Director and Divisional CFO, before embarking on a career in aviation with TP Aerospace.

Chapter 4

# FINANCIAL STATEMENT

# TABLE OF CONTENTS

## Consolidated Financial Statements



## Parent Company Financial Statements



## Signatures

Chapter 4

# CONSOLI-DATED FINANCIAL STATEMENTS

# KEY FIGURES

| | 2020 USD'000 | 2019 USD'000 | 2018 USD'000 | 2017 (8months) USD'000 |
|---|---|---|---|---|
| **Financial highlights** | | | | |
| **Profit and loss accounts** | | | | |
| Revenue | 67,665 | 119,26 | 110,722 | 64,427 |
| Gross profit* | 40,430 | 64,984 | 66,181 | 36,148 |
| Operating profit before special items | 414 | 12,059 | 18,679 | 11,115 |
| Operating profit after special items | -6,436 | 6,971 | 15,447 | 6,434 |
| Net financials | -7,469 | -3,927 | -3,090 | -3,684 |
| Profit for the period | -11,370 | 2,184 | 9,904 | 1,601 |
| **Balance sheet** | | | | |
| Non-current assets | 116,048 | 108,665 | 92,281 | 73,866 |
| Investments in tangible assets | 30,214 | 48,528 | 40,694 | 13,138 |
| Total assets | 198,079 | 201,329 | 180,482 | 132,662 |
| Total equity | 90,163 | 89,650 | 86,307 | 66,497 |
| **Cash flows** | | | | |
| Net cash flow from operating activities | -2,677 | 5,257 | -7,991 | -1,107 |
| Net cash flow from investing activities | -9,467 | -19,306 | -21,771 | -82,624 |
| Cash flow from financing activities | 11,523 | 13,577 | 31,754 | -84,529 |
| **Employees** | | | | |
| Average number of employees | 260 | 278 | 252 | 220 |
| **Key Ratios** | | | | |
| Gross margin (%) | 60.0% | 54.0% | 60.0% | 56.0% |
| Operating profit before special items margin (%) | 1.0% | 10.0% | 17.0% | 17.0% |
| Operating profit after special items margin (%) | -10.0% | 6.0% | 14.0% | 10.0% |
| Return on equity (%) | -12.6% | 2.5% | 13.0% | 2.4% |
| Equity ratio (%) | 45.5% | 44.5% | 47.8% | 50.1% |

*Gross profit is in the financial highlights calculated as revenue deducted with cost of sales.

TPA Holding I A/S was established at 8 March 2017, the consolidated figures for the financial year 2017 includes only the period 27 April - 31 December 2017.



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS 1 JANUARY - 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Revenue | 3 | 67,665 | 119,267 |
| Cost of sales | | -27,235 | -54,283 |
| **Gross profit** | | **40,430** | **64,984** |
| Other Income | 4 | 3,602 | 0 |
| Other external expenses | | -5,692 | -7,981 |
| Staff costs | 5 | -16,983 | -19,185 |
| Depreciation, amortisation and impairment losses | 6 | -20,943 | -25,759 |
| **Operating profit before special items** | | **414** | **12,059** |
| Special items | 8 | -6,850 | -5,088 |
| **Operating profit after special items** | | **-6,436** | **6,971** |
| Finance income | 9 | 1,753 | 4,681 |
| Finance costs | 10 | -9,222 | -8,608 |
| **Profit before tax** | | **-13,905** | **3,044** |
| Tax on profit for the year | 11 | 2,535 | -860 |
| **Profit for the period** | | **-11,370** | **2,184** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Profit for the period | | -11,370 | 2,184 |
| *Other comprehensive income* | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | |
| Exchange differences on translation of subsidiaries (net) | | -51 | -45 |
| Fair value changes for the year, cash flowhedge | 24 | -50 | -143 |
| Income tax relating to these items | | 11 | 31 |
| **Other comprehensive income for the period, net of tax** | | **-90** | **-157** |
| **Total comprehensive income for the period** | | **-11,460** | **2,027** |



# CONSOLIDATED BALANCE SHEET 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Intangible assets | 12 | 52,551 | 48,847 |
| Property, plant and equipment | 13, 14 | 61,269 | 59,818 |
| Deferred tax asset | 15 | 2,228 | 0 |
| **Total non-current assets** | | **116,048** | **108,665** |
| Inventory | 16 | 65,950 | 69,414 |
| Trade receivables | 17 | 11,635 | 17,821 |
| Other receivables | | 2,432 | 2,976 |
| Prepayments | | 243 | 62 |
| Cash | | 1,771 | 2,391 |
| **Total current assets** | | **82,031** | **92,664** |
| **Total assets** | | **198,079** | **201,329** |

# CONSOLIDATED BALANCE SHEET 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Share capital | 19 | 651 | 651 |
| Share premium | | 64.441 | 64,441 |
| Reserve for exchange rate translation | | -67 | -16 |
| Reserve for cash flow hedges | | -47 | -8 |
| Retained earnings | | 25,184 | 24,581 |
| **Total equity** | | **90,163** | **89,650** |
| Borrowings | 20 | 72,070 | 71,653 |
| Lease liability | 14, 20 | 6,396 | 7,774 |
| Provisions | 21 | 1,659 | 2,261 |
| Deferred tax liabilities | 15 | 0 | 632 |
| **Total non-current liabilities** | | **80,125** | **82,320** |
| Borrowings | 20 | 6,437 | 3,592 |
| Lease liability | 14, 20 | 2,296 | 2,245 |
| Trade payables | | 11,618 | 14,934 |
| Current income tax liabilities | | 477 | 761 |
| Payables to group enterprises | | 400 | 351 |
| Other payables | | 5,873 | 6,504 |
| Prepayments from customers | | 690 | 972 |
| **Total current liabilities** | | **27,791** | **29,359** |
| **Total liabilities** | | **107,916** | **111,679** |
| **Total equity and liabilities** | | **198,079** | **201,329** |



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital USD'000 | Share premium USD'000 | Reserve for exchange rate translation USD'000 | Reserve for cash flow hedges USD'000 | Retained earnings USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|
| Equity at 31.12.2018 | 651 | 64,441 | 29 | 104 | 21,082 | 86,307 |
| Profit for the period 01.01.2019 - 31.12.2019 | 0 | 0 | 0 | 0 | 2,184 | 2,184 |
| Fair value change in the year, cashflow hedges | 0 | 0 | 0 | -112 | 0 | -112 |
| Exchange differences regarding subsidiaries in another currency | 0 | 0 | -45 | 0 | 0 | -45 |
| Total comprehensive income for the period | 0 | 0 | -45 | -112 | 2,184 | 2,027 |
| *Transactions with owners in their capacity as owners* | | | | | | |
| Group contribution | 0 | 0 | 0 | 0 | 1,315 | 1,315 |
| Total transactions with owners in their capacity as owners | 0 | 0 | 0 | 0 | 1,315 | 1,315 |
| **Equity at 31.12.2019** | **651** | **64,441** | **-16** | **-8** | **24,581** | **89,650** |
| Profit for the period 01.01.2020 - 31.12.2020 | 0 | 0 | 0 | 0 | -11,370 | -11,370 |
| Fair value change in the year, cashflow hedges | 0 | 0 | 0 | -39 | 0 | -39 |
| Exchange differences regarding subsidiaries in another currency | 0 | 0 | -51 | 0 | 0 | -51 |
| Total comprehensive income for the period | 0 | 0 | -51 | -39 | -11,370 | -11,460 |
| *Transactions with owners in their capacity as owners* | | | | | | |
| Group contribution | 0 | 0 | 0 | 0 | 11,973 | 11,973 |
| Total transactions with owners in their capacity as owners | 0 | 0 | 0 | 0 | 11,973 | 11,973 |
| **Equity at 31.12.2020** | **651** | **64,441** | **-67** | **-47** | **25,184** | **90,163** |

# CONSOLIDATED CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Operating profit after special items | | -6,436 | 6,971 |
| Depreciations and amortisations | 29 | 4,916 | 3,950 |
| Change in net working capital | 27 | 5,182 | 1,781 |
| Cash flows from primary operating activities | | 3,662 | 12,702 |
| Interests and currency exchanges paid | | -5,730 | -4,235 |
| Income taxes paid | | -609 | -3,210 |
| **Net cash flow from operating activities** | | **-2,677** | **5,257** |
| Payments for property, plant and equipment | | -4,795 | -15,802 |
| Payments for intangible assets | | -4,184 | 0 |
| Other non-cash changes | | -487 | -3,504 |
| **Net cash flow from investing activities** | | **-9,466** | **-19,306** |
| Proceeds from borrowings | 28 | 1,523 | 11,922 |
| Proceeds from intergroup borrowings | | 49 | -1,166 |
| Group contribution | | 11,973 | 1,315 |
| Lease liability | | -2,022 | 1,506 |
| **Cash flow from financing activities** | | **11,523** | **13,577** |
| **Net cash flow for the year** | | **-620** | **-472** |
| Cash and cash equivalents, beginning of the year | | 2,391 | 2,863 |
| **Cash and cash equivalents at end of the year** | | **1,771** | **2,391** |

# NOTES

# 1. ACCOUNTING POLICIES

The consolidated accounts include the parent company TPA Holding I A/S and subsidiaries in which TPA Holding I A/S directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling interest.

The Consolidated Financial Statements for TPA Holding I A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class C (large).

The accounting policies applied remain unchanged from last year.

## General information on recognition and measurement

The Financial statements have been prepared under the historical cost method.

## Change in accounting estimates

There has been no changes in accounting estimates in the financial year 2020.

## New standards implemented in the financial year

No significant new IFRSs or IFRIC interpretations have been implemented in 2020 affecting the recognition and measurement in the Financial Statements.

## New standards not yet effective

There are no IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Company.

## Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

On consolidation, elimination is made of intra-group income and costs, shareholdings, intra-group balances and dividend and realised and unrealised profits or losses on transactions between the consolidated companies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

## Foreign currency translation

### Functional and presentation currency

Items in the financial statements of each of the reporting companies of the Group are measured in the currency of the primary economic environment in which the company operates (the functional currency).

The financial statements are presented in Dollars (USD), due to the Group's international activities, which is also the parents functional currency. The financial statements have been rounded to the nearest thousand.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

### Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

**a)** Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
**b)** Income and expenses for each income statement are translated at average exchange rates; and
**c)** All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group.

Identifiable assets, liabilities and contingent liabilities of acquired businesses are measured initially at fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

## Revenue

In the trading business revenues consist of sale of repaired or overhauled wheels and brakes to different types of aircrafts. In the program business the group delivers repaired or overhauled wheels or brakes to its customers either as a service (CFR) or as sale of the repaired or overhauled wheel or brakes (LFL). In the program business, the group exchanges the core units of the wheel or brake (core asset) with its customers core unit and the sale therefore consists of the repair or overhaul of the wheel or brake. Other revenue consists of leasing out wheels and brakes to aircrafts and of maintenance, repair or overhaul of wheels or brakes for customers (MRO).

Sale of goods in trading, Distribution, LFL business and MRO
Sale are recognized at a point in time, when control of the wheels or brakes has transferred to the customer, being when they are delivered to the customer and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the wheels and brakes are handed over to the customer at the company's shop or when the customer takes delivery from an in-house stock of parts and thereby accepts the products in accordance with the sales contract. In the MRO business revenue is recognized, when the maintenance, repair or overhaul is finalised, delivered and invoiced to the customer.

Distribution revenue contains of factory new piece parts and assemblies as well as brake repair services on behalf of the OEMs. In the Distribution business revenue is recognized, when the piece parts and assemblies are delivered and invoiced to the customer.

There is no volume discounts or other variable payments in these contracts and no element of financing. Revenue are therefore recognized with the amount specified in the contract.
A receivable is recognized at this point, as this is the point in time where the sales transaction is unconditional, because only the passage of time is required before the payment is due.

Sale of services in the CFR business
The CFR business provides services in the form of repair and overhaul of wheels and brakes. Revenue from providing services is recognized over time in the period in which the services are rendered. In the CFR business, the service is delivered over the period, where the customer uses the wheels and brakes on its planes. Revenue is recognized based on the amount of cycles (landings) the customers has incurred with the wheels and brakes in the given period.

Any increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The group fulfil their performance obligations upon delivery at one point in time or over a short period of time. The payment terms follow the industry and are individually negotiated. No contracts have a significant financing element and no contracts comprise variable consideration elements. The group has no obligations for returns and refunds.

## Cost of sales of goods

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs. Such costs include amounts for the restoration liability the Group has for the customer owned assets that could be included in some CFR programs(mutual pools), based on an estimate of the expected expenses.

## Other external expenses

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



## 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.

## Staff costs

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

## Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to intangible assets and property, plant and equipment comprise depreciation, amortisation 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 intangible assets as well as property, plant and equipment.

## Special items

Special items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

## Finance income

Finance 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.

## Finance expenses

Finance 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.

## Income tax and deferred tax

The company is jointly taxed with the parent company CC Green Wall Invest ApS and other Danish companies. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are taxed under the Danish Tax Payment Scheme. Additions, deductions and allowances are recognised under financial income or financial costs.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities andtheir carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Intangible assets

### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU's, or groups of CGU's, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### Customer Contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives of 10 years.

### Software

Software is measured at cost less accumulated amortisation. Software is amortised on a straightline basis over theuseful life, which is estimated at 3 years.



### Rights

Rights are measured at cost less accumulated amortisation. Rights are amortised on a straight line basis over the useful life, which is estimated at 10 years, which is in accordance with the period of the underlaying agreement of which the rights referred to.

## Impairment of non-financial assets

Intangible assets that have an indefinite useful life (Goodwill) are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairment of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## Property, plant and equipment

Leasehold improvements, assets held for lease and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprise acquisition price and costs directly related to the acquisition until such time as the assets are ready for use.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values over their estimated useful lives, as follows:

**Leasehold improvements** ........... **3-5 years**

**Other fixtures and fittings, tools and equipment** ......... **3-20 years**

**Assets held for lease-out** .............. **20 years**

**Buildings** .................. **20 years**

**Core units for wheels and brakes, included in other fixtures and fittings** ........ **20 years**

Depreciation on assets, listed below, is calculated using a production based method to allocate their cost over their estimated useful lifs. The depreciation is calculated based on the actual usage of the asset (MRO).

The average cycles - useful life - is estimated based on historical data and contractual conditions in which the assets are used. The useful life for each individual asset types is as follows:

**MRO, Steel brakes (CFR)**
**1,840 - 2,040 cycles**

**MRO, Carbon brakes (CFR)**
**1,025 - 1,225 cycles**

**MRO, Wheels (CFR)**
**190 - 290 cycles**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses arising from disposal of property, plant and equipment are calculated as the difference between the sales price less sales costs and the carrying amount at the time of sale. Gains and losses are recognised in the profit and loss account as other operating income or other operating costs.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement when the impairment is identified.

## Leases and lease obligations

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease obligation
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

**Extension and termination options**
Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts.

The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

## Inventories

Inventories are measured at the lower of cost on the basis of standard cost price and net realisable value.
Cost consists of purchase price plus delivery cost.

Cost prices of goods sold are calculated based on the sales price (or the estimated sales price for group internal sales) and the assumed fixed gross margin. The net realisable value of the inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

## Receivables

Receivables are initially recognised at fair value adjusted for any transaction costs. Subsequently, receivables are measured at amortised cost, as the receivables are assets held for collection of cash flows, where the cash flows represents solely payments of principal and interest. Amortised cost usually corresponds to the nominal value. Write-down is made to net realisable value to provide for expected losses.

For trade receivables the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## Prepayments

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



## Equity

**Reserve for exchange rate translation**
The reserve for exchange adjustments consists of exchange rate differences that occur when translating the foreign subsidiaries financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for exchange adjustments of that foreign subsidiary is recognised in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

**Reserve for cash flow hedges**
The reserve for hedge accounting consists of the effective portion of gains and losses on hedging instruments designated as cash flow hedges.

**Dividend distribution**
Dividends are recognised as a liability at the time of adoption at the general meeting.

## 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.

## Borrowings

Borrowings are initially recognised at fair value, net of transaction expenses incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

## Other liabilities

Other debt or liabilities covering trade creditors and other debt are recognised at amortized cost, which usually corresponds to the nominal value.

## Prepayments received from customers (contract liabilities)

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

Contract liabilities represent mainly obligations in relation to CFR programmes where there may be an obligation to maintain, repair and overhaul (MRO) customer owned units.

## Statement of cash flow

The cash flow statement shows the consolidated cash flows during the year distributed on operating, investing and financing activities, changes in cash and cash equivalents at the beginning and at the end of the year.

Cash flows from operating activities are calculated using the indirect method and comprise profit for the year adjusted for non-cash items, changes in working capital, interest paid and received etc., and payments of corporate tax.

Cash flows from investing activities comprise payments in connection with acquisitions and divestment of businesses and purchase and sale of enterprises, activities and fixed asset investments as well as purchase, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases, and short term bank debt.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares, and payment of dividend.

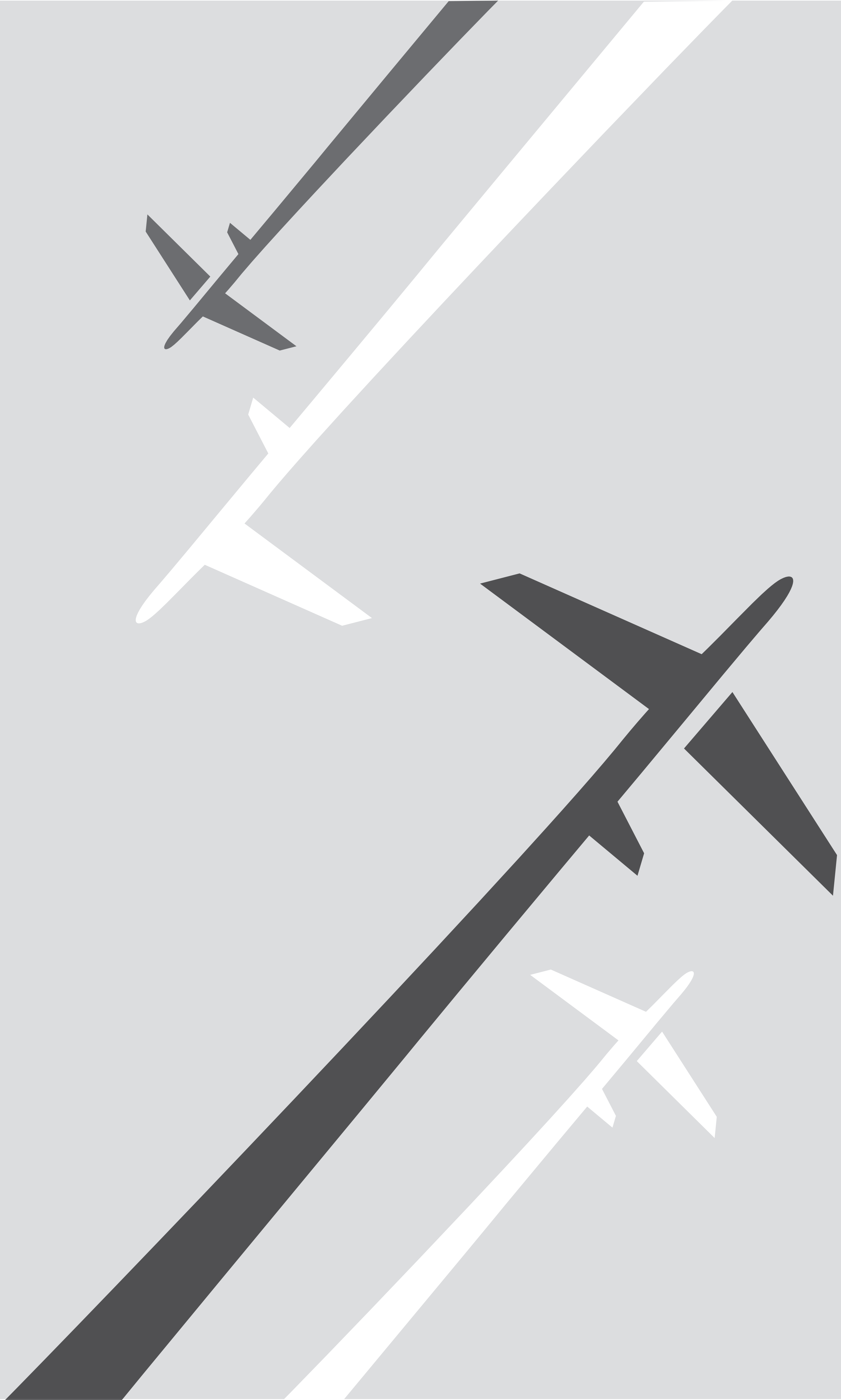
## Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and bank deposits.

## Consolidated Key Figures

The key figures and financial ratios have been prepared on a consolidated basis. The financial ratios have been calculated in accordance with the following definitions:

- Gross margin is calculated as the gross profit divided by net revenue.
- Operating profit before special items margin is calculated as the operating profit before special items margin divided by net revenue.
- Operating profit after special items margin is calculated as the operating profit after special items margin divided by net revenue.
- Return on equity is calculated as the profit or loss for the year after tax divided by the average equity.
- Equity ratio is calculated as the equity divided by the total assets.



# 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Group is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

## Customer relations

The value of customer relations and the expected useful life are assessed based on long-term and stable relations with the customers and the expected related profitability.

The measurement is based on the expected cash flows from customer relations, costs relating to invested capital, the tax effect and a calculated discount rate.

The carrying amount of customer relations is USD 4,079k at 31 December 2020.

## Impairment test of goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

The estimates and assumptions are based on historical experience and other factors, such as management but as by nature it is uncertain and unpredictable. Due to the risks and uncertainties which the group is subject to, actual outcomes may differ from the estimates made.

Goodwill amounts to USD 46,139k and no impairment losses has been recognised in 2020. Information on the impairment test are disclosed and described in note 12.

## Property, plant and equipment (depreciation period)

The Group recognises its core units as property, plant and equipment with respect to core units included as part of the Group's programme activities. Core units used for the Group's programme activities are subject to impairment during their useful lives that ends, at the same time as the aircraft platform it services, is terminated.

The depreciation period has been determined at 20 years for these core units with a residual value of 20%.,Management's estimate of the expected useful lives is based on historical experience and market data factors, but is naturally subject to uncertainty.

The depreciation periods for core units are reassessed every year.

Costs for maintenance, repair and overhaul (MRO) of wheels and brakes are capitalised as part of fixed assets related to the enterprises' CFR programme activities and are in average depreciated over 190 - 290 cycles in respect of the wheels, 1,025 - 1,225 cycles in respect of the steel brakes and 1,840 - 2,040 cycles in respect of the carbon brakes.

The average cycles have been determined based on historical data, corresponding to useful life for wheels, steel brakes and carbon brakes, respectively.

The number of cycles, for which depreciation of maintenance, repair and overhaul (MRO) is made, will be reassessed every year.

## Valuation of inventory

Inventory is stated at the lower of cost or market value. The Group determines cost using the first-in, first out method. The Group analyses its inventory levels periodically and writes down inventory to its net realizable value if it has become obsolete, has a cost basis in excess of its expected net realizable value or is in excess of expected demand (obsolescence). There were write downs of USD 3.2 million related to obsolescence as of 31 December 2020 (2019: USD 1.2 million).

## 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 for such restoration liabilities include an amount counterbalancing the expected expenses. The amount is based on an estimate.

## Revenue

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.

For assets 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 related to CFR programs are depreciated over the useful life until the next exchange calculated for wheels, steel brakes and carbon brakes in all CFR programs, this period is based on historical data.

# 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| *The group has recognised the following amounts of revenue in the statement of profit and loss:* | | |
| Revenue from contracts with customers | 65,840 | 116,144 |
| Other revenue, MRO revenue | 1,825 | 3,123 |
| **Total** | **67,665** | **119,267** |

| Programmes 2020 | CFR USD'000 | LFL USD'000 | Leasing USD'000 | Total USD'000 |
|---|---|---|---|---|
| Revenue | 23,942 | 17,354 | 2,867 | 44,163 |
| **Total** | **23,942** | **17,354** | **2,867** | **44,163** |
| *Timing of revenue recognition* | | | | |
| At point in time | 0 | 17,354 | 0 | 17,354 |
| Over time | 23,942 | 0 | 2,867 | 26,809 |
| **Total** | **23,942** | **17,354** | **2,867** | **44,163** |



| Programmes 2019 | CFR USD'000 | LFL USD'000 | Leasing USD'000 | Total USD'000 |
|---|---|---|---|---|
| Revenue | 30,206 | 24,759 | 4,345 | 59,310 |
| **Total** | **30,206** | **24,759** | **4,345** | **59,310** |
| *Timing of revenue recognition* | | | | |
| At point in time | 0 | 24,759 | 0 | 24,759 |
| Over time | 30,206 | 0 | 4,345 | 34,551 |
| **Total** | **30,206** | **24,759** | **4,345** | **59,310** |

| Trading and Maintenance 2020 | Distribution USD'000 | Trading USD'000 | Maintenance, repair and overhaul USD'000 | Total USD'000 |
|---|---|---|---|---|
| Revenue | 711 | 20,966 | 1,825 | 23,502 |
| **Total** | **711** | **20,966** | **1,825** | **23,502** |
| *Timing of revenue recognition* | | | | |
| At point in time | 711 | 20,966 | 1,825 | 23,502 |
| Over time | 0 | 0 | 0 | 0 |
| **Total** | **711** | **20,966** | **1,825** | **23,502** |

| Trading and Maintenance 2019 | | | | |
|---|---|---|---|---|
| Revenue | 0 | 56,834 | 3,123 | 59,957 |
| **Total** | **0** | **56,834** | **3,123** | **59,957** |
| *Timing of revenue recognition* | | | | |
| At point in time | 0 | 56,834 | 3,123 | 59,957 |
| Over time | 0 | 0 | 0 | 0 |
| **Total** | **0** | **56,834** | **3,123** | **59,957** |

| | Programmes | Trading and Maintenance | Total |
|---|---|---|---|
| **Total 2020** | **USD'000** | **USD'000** | **USD'000** |
| Revenue | 44,163 | 23,502 | 67,665 |
| **Total** | **44,163** | **23,502** | **67,665** |
| *Timing of revenue recognition* | | | |
| At point in time | 17,354 | 23,502 | 40,856 |
| Over time | 26,809 | 0 | 26,809 |
| **Total** | **44,163** | **23,502** | **67,665** |
| **Total 2019** | | | |
| Revenue | 59,310 | 59,957 | 119,267 |
| **Total** | **59,310** | **59,957** | **119,267** |
| *Timing of revenue recognition* | | | |
| At point in time | 24,759 | 59,957 | 84,716 |
| Over time | 34,551 | 0 | 34,551 |
| **Total** | **59,310** | **59,957** | **119,267** |



| | Europe | Americas | Asia | Total |
|---|---|---|---|---|
| **2020** | **USD'000** | **USD'000** | **USD'000** | **USD'000** |
| Revenue | 39,424 | 14,372 | 12,044 | 65,840 |
| Other revenue, MRO revenue | 46 | 131 | 1,648 | 1,825 |
| **Total** | **39,470** | **14,503** | **13,692** | **67,665** |
| *Timing of revenue recognition* | | | | |
| At point in time | 16,755 | 14,381 | 9,720 | 40,856 |
| Over time | 22,716 | 122 | 3,972 | 26,810 |
| **Total** | **39,471** | **14,503** | **13,692** | **67,666** |
| **2019** | | | | |
| Revenue from contracts from customers | 70,630 | 23,439 | 22,075 | 116,144 |
| Other revenue, lease revenue | 237 | 313 | 2,573 | 3,123 |
| **Total** | **70,867** | **23,752** | **24,648** | **119,267** |
| *Timing of revenue recognition* | | | | |
| At point in time | 44,741 | 23,264 | 16,711 | 84,716 |
| Over time | 26,127 | 488 | 7,936 | 34,551 |
| **Total** | **70,868** | **23,752** | **24,647** | **119,267** |

There was no revenue recognised in the current reporting period that relates to performance obligations that were satisfied in a prior year.

The group has recognised the following revenue-related contract liabilities:

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| **Contract liabilities - Programme, CFR** | | |
| Opening balance | 2,261 | 1,077 |
| Net additions | (602) | 1,184 |
| **Closing balance** | **1,659** | **2,261** |

There were no significant changes in the contract liability balances during the reporting period.

Revenue recognised that was included in the contract liability balance at the beginning of the period:

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Programme, CFR | 0 | 0 |
| **Total** | **0** | **0** |

The Group has not realised any contract liability costs in the period.

# 4. OTHER INCOME

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Government grants | 3,602 | 0 |
| **Total** | **3,602** | **0** |

Government grants does primarily contain income from relief packages.

# 5. STAFF COSTS

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Wages and salaries | 15,545 | 17,499 |
| Pensions | 453 | 580 |
| Other social security costs | 1,607 | 1,397 |
| Other staff costs | 367 | 960 |
| Transferred to special items | -989 | -1,251 |
| **Total** | **16,983** | **19,185** |
| Average number of employees | 260 | 278 |



Key Management Compensation

Key Management includes Board of Directors and Executive Board. The compensation paid or payables to key management for employee services is shown below:

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Wages and salaries | 1,048 | 1,130 |
| Pensions | 42 | 51 |
| Other staff costs | 1 | 1 |
| **Executive board** | **1,091** | **1,182** |
| Remuneration of management in total: | | |
| Executive Board | 1,091 | 1,182 |
| Board of Directors | 95 | 167 |
| **Total** | **1,186** | **1,349** |

Shares program

In 2019 & 2020 Employees, management and board of TP Aerospace have been offered the opportunity to purchase shares in TPA Green Manco ApS, which is a shareholder of TP Aerospace group. The participants acquired the shares at an estimated market price. If an employee leaves the group before an exit, the company has an option to buy the shares back at an estimated market price. Because the program does not have any negative effect on the company, no expense is recognized in the income statement.

The following table shows the number of shares granted and outstanding at the beginning and end of the reporting period:

| Number of shares | 2020 | 2019 |
|---|---|---|
| As at 1 January | 195,544 | 195,544 |
| Granted during the year | 7,128 | 0 |
| Forfeited during the year | -4,169 | 0 |
| **As at 31 December** | **198,503** | **195,544** |

# 6. AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Amortisation | 830 | 640 |
| Depreciation | 20,113 | 25,119 |
| **Total** | **20,943** | **25,759** |

# 7. AUDIT FEES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| PwC | | |
| Statutory audit | 91 | 110 |
| Tax assurance services | 7 | 11 |
| Other services | 36 | 84 |
| **Total** | **134** | **205** |
| Other auditors | | |
| Statutory audit | 42 | 35 |
| Other services | 0 | 0 |
| **Total** | **42** | **35** |



# 8. SPECIAL ITEMS

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Non-recurring write-downs of receivables | 3,314 | 1,630 |
| Net losses related to new operations in UK, Thailand, Malaysia and Russia | 316 | 2,285 |
| Non-recurring restructuring of the organisation including management | 778 | 225 |
| Non-recurring write-downs of trading inventory | 1,948 | 0 |
| Cost due to government restrictions | 458 | 0 |
| Moving and upgrading MRO shop in Orlando | 0 | 948 |
| **Total** | **6,850** | **5,088** |

# 9. FINANCIAL INCOME

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Interest income | 289 | 89 |
| Interest from group companies | 0 | 20 |
| Exchange rate adjustments | 1,464 | 4,572 |
| **Total** | **1,753** | **4,681** |

# 10. FINANCIAL EXPENSES

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Interest expenses | 3,703 | 4,260 |
| Interest to group companies | 13 | 0 |
| Exchange rate adjustments | 5,506 | 4,348 |
| **Total** | **9,222** | **8,608** |



# 11. TAX ON PROFIT FOR THE YEAR

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | 128 | 725 |
| Current tax on profits for previous years | 197 | 379 |
| Total current tax expense | 325 | 1,104 |
| Deferred tax: | | |
| Temporary differences | -2,860 | -244 |
| **Total deferred tax assets** | **-2,860** | **-244** |
| **Income tax expenses for the period** | **-2,535** | **860** |
| Income tax expenses are specified as follows: | | |
| Calculated 22.0% tax on profit for the year before income tax | -3,059 | 670 |
| Tax effects of: | | |
| Higher/lower tax rate in subsidiaries | -59 | -178 |
| Tax of profits for previous years | 0 | 379 |
| Tax on other comprehensive income | -11 | -31 |
| Non-deductible expenses | 594 | 20 |
| **Total** | **-2,535** | **860** |
| Effective tax rate | 18% | 28% |

# 12. INTANGIBLE ASSETS

| | Software USD'000 | Goodwill USD'000 | Customer contracts USD'000 | Rights USD'000 | Total USD'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 01.01.2019 | 0 | 46,139 | 3,490 | 0 | 49,629 |
| Additions during the year | 172 | 0 | 0 | 0 | 172 |
| At 31.12.2019 | 172 | 46,139 | 3,490 | 0 | 49,801 |
| **Amortisation and impairment:** | | | | | |
| At 01.01.2019 | 0 | 0 | 582 | 0 | 582 |
| Amortisation for the year | 23 | 0 | 349 | 0 | 372 |
| At 31.12.2019 | 23 | 0 | 931 | 0 | 954 |
| **Carrying amount 31.12.2018** | **149** | **46,139** | **2,559** | **0** | **48,847** |
| **Cost:** | | | | | |
| At 01.01.2020 | 172 | 46,139 | 3,490 | 0 | 49,801 |
| Additions during the year | 7 | 0 | 0 | 4,184 | 4,191 |
| At 31.12.2020 | 179 | 46,139 | 3,490 | 4,184 | 53,992 |
| **Amortisation and impairment:** | | | | | |
| At 01.01.2020 | 23 | 0 | 931 | 0 | 954 |
| Amortisation for the year | 33 | 0 | 349 | 105 | 487 |
| At 31.12.2020 | 56 | 0 | 1,280 | 105 | 1,441 |
| **Carrying amount 31.12.2020** | **123** | **46,139** | **2,210** | **4,079** | **52,551** |

## Impairment test for goodwill

Goodwill is monitored by management at the level of TPA Holding I A/S as one CGU.

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the entity is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a nine-year period.

Cash flows beyond the nine-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the entity operates.



Key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows:

| | |
|---|---|
| Assumptions at 31.12.2020 | |
| Average sales growth (% annual growth rate) from year 2021 to year 2023 | 36,1% |
| Average sales growth (% annual growth rate) from year 2024 to year 2029 | 7,9% |
| EBITA margin (%) from year 2021 to year 2023 | 8,0% |
| EBITA margin (%) from year 2024 to year 2029 | 13,0% |
| Marginal tax rate (%) | 22,0% |
| Long term growth rate (%) | 1,5% |
| Pre-tax discount rate (%) | 10,2% |
| Assumptions at 31.12.2019 | |
| Average sales growth (% annual growth rate) from year 2020 to year 2028 | 8,7% |
| EBITA margin (%) | 14,0% |
| Marginal tax rate (%) | 22,0% |
| Long term growth rate (%) | 2,0% |
| Pre-tax discount rate (%) | 8,7% |

### Description of assumptions

Average sales growth is the average annual growth rate over the forecast period, which is based on past performance and management's expectations of market development.

Projection of the revenue is based on existing and new sales and whether this supports passenger or cargo demand. Existing passenger sales is based on leading industry expects view on the return profile of the passenger activity. In terms of existing cargo this is projected based on dialog with the customers and expectations going forward. New customers both within the passenger and cargo segment is based on historic growth combined with TP Aerospace's current pipeline. Growth is larger in the short term due to the low baseline driven by the COVID-19 impact, therefore the average annual sales growth is broken down in two periods.

EBITA margin is the average margin as a percentage of revenue over the forecast period. It is based on the current sales margin levels and expectations to sales mix and the expectation that the budgeted increasing level of activity will have a positive spill-over effect on the Company's EBITA margin. EBITA margin is expected to increase from the current level driven by the increased activity mentioned above, therefore the EBITA margin is broken down in two periods.

Marginal tax rate is the expected rate over the nine-year forecast period. It is based on current Danish tax legislation.

### Sensitivity to changed assumptions

The calculated value in use of the cash-generating unit is considerably higher than the carrying amount, and the prepared impairment test shows that goodwill and customer relations are not impaired. In Management's opinion, no reasonable likely change to the above-mentioned assumptions will imply that the carrying amount of the cashgenerating unit will exceed the value in use significantly.

# 13. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings USD'000 | Other fixtures and fittings, tools and equipment USD'000 | Leasehold improvements USD'000 | Total USD'000 |
|---|---|---|---|---|
| Cost: | | | | |
| At 01.01.2019 | 10,189 | 41,141 | 1,490 | 52,820 |
| Exchange differences | 0 | -48 | -1 | -49 |
| Additions during the year | 3,527 | 44,738 | 263 | 48,528 |
| Disposals during the year | 0 | -26,251 | 0 | -26,251 |
| At 31.12.2019 | 13,716 | 59,580 | 1,752 | 75,048 |
| Amortisation and impairment: | | | | |
| At 01.01.2019 | 1,820 | 7,686 | 80 | 9,585 |
| Exchange differences | 0 | 8 | 0 | 8 |
| Depreciation for the year | 2,134 | 22,820 | 222 | 25,175 |
| Reversal regarding disposals | 0 | -19,538 | 0 | -19,538 |
| At 31.12.2019 | 3,954 | 10,976 | 302 | 15,230 |
| **Carrying amount 31.12.2019** | **9,762** | **48,604** | **1,449** | **59,818** |
| Cost: | | | | |
| At 01.01.2020 | 13,716 | 59,580 | 1,752 | 75,048 |
| Exchange differences | 148 | 455 | 3 | 606 |
| Regulation | 0 | 4,199 | 0 | 4,199 |
| Reclasification | 0 | -407 | 407 | 0 |
| Additions during the year | 695 | 29,424 | 95 | 30,214 |
| Disposals during the year | -404 | -27,660 | -1,135 | -29,199 |
| At 31.12.2020 | 14,155 | 65,591 | 1,122 | 80,868 |
| Amortisation and impairment: | | | | |
| At 01.01.2020 | 3,954 | 10,976 | 302 | 15,230 |
| Exchange differences | 0 | 142 | 3 | 145 |
| Regulation | 0 | 4,199 | 0 | 4,199 |
| Depreciation for the year | 2,264 | 18,016 | 247 | 20,527 |
| Reversal regarding disposals | -404 | -19,864 | -234 | -20,502 |
| At 31.12.2020 | 5,814 | 13,469 | 319 | 19,599 |
| **Carrying amount 31.12.2020** | **8,341** | **52,122** | **803** | **61,269** |



# 14. LEASES

Amounts recognised in the balance sheet

The balance show the following amounts relating to leases:

| | Land and buildings USD'000 | Total USD'000 |
|---|---|---|
| Right-of-use assets | | |
| Carrying amount 1 January 2019 | 8,235 | 8,325 |
| Additions | 3,527 | 3,527 |
| Depreciation for the year | -2,128 | -2,128 |
| **Carrying amount 31 December 2019** | **9,634** | **9,634** |
| Right-of-use assets | | |
| Carrying amount 1 January 2020 | 9,634 | 9,634 |
| Exchange differences | 148 | 148 |
| Additions | 695 | 695 |
| Depreciation for the year | -2,258 | -2,258 |
| **Carrying amount 31 December 2020** | **8,219** | **8,219** |

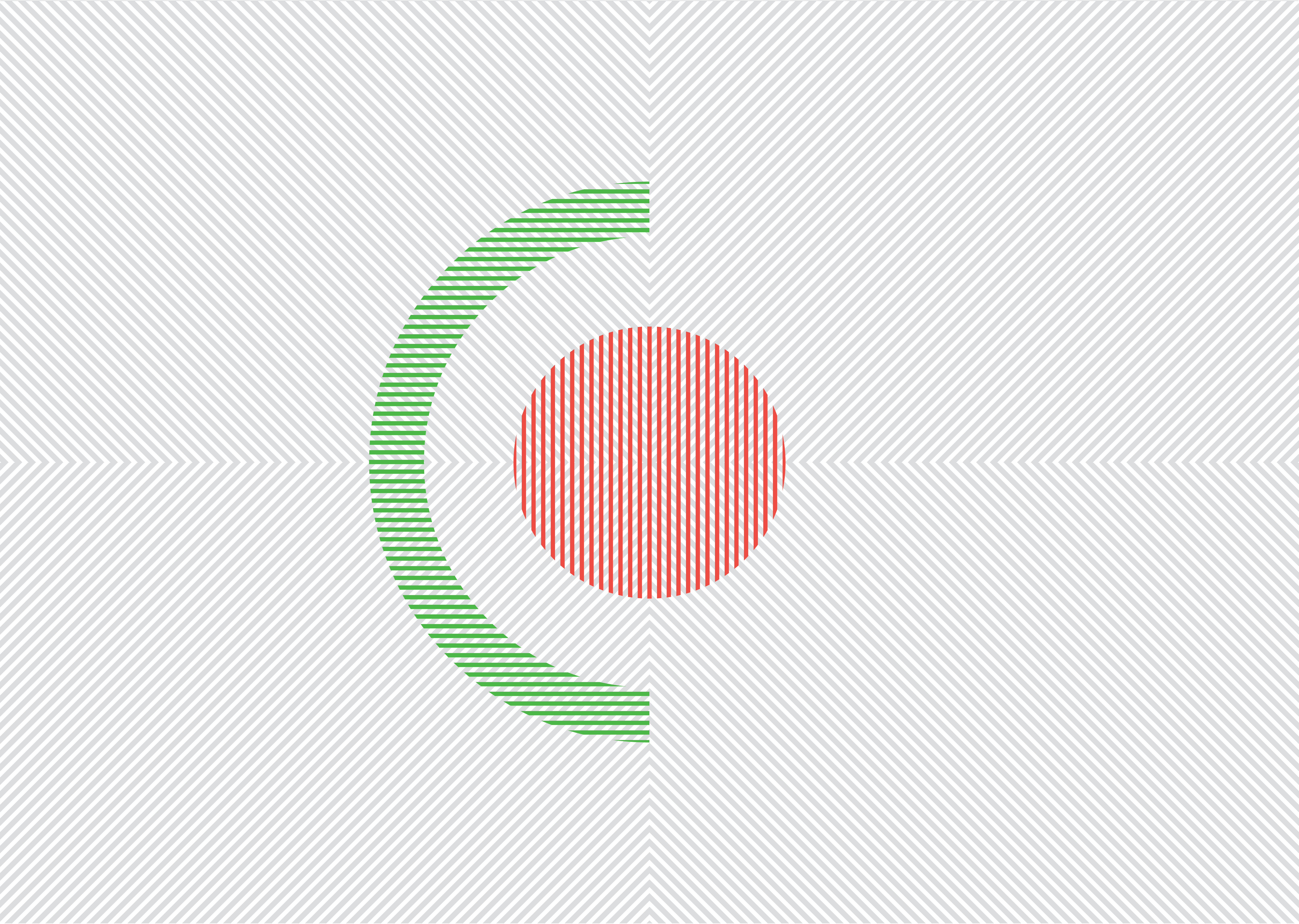
| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Lease liability | | |
| Non-current | 6,396 | 7,774 |
| Current | 2,296 | 2,245 |
| **Total** | **8,692** | **10,019** |

Right-of-use assets not recognised in the balance sheet under the two exemption rules, short-term and low-value leases, amounts to USD 72k.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | | |
|---|---|---|
| Depreciation charge of right-of-use assets | | |
| Land and buildings | 2,258 | 2,128 |
| **Total** | **2,258** | **2,218** |
| Interest expense | | |
| Expenses relating to leases | 376 | 330 |
| **Total** | **376** | **330** |



# 15. DEFERRED TAX

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Deferred tax at 01.01 | -632 | -876 |
| Deferred tax recognised in the income statement | 2,860 | 244 |
| **Deferred tax at 31.12** | **2,228** | **-632** |
| **Deferred tax relates to:** | | |
| Intangible assets | -253 | -316 |
| Property, plant and equipment | -1,020 | -897 |
| Provisions | 337 | 454 |
| Amortisation costs | 218 | 119 |
| Other liabilities | 0 | 8 |
| Tax loss carry-forward | 2,946 | 0 |
| **Total** | **2,228** | **-632** |
| Of which presented as deferred tax asset in 2020 and as deferred tax liabilities 2019 | -2,228 | 632 |

The recognised tax asset is primary attributable to tax loss carry-forward, in the coming years the Danish joint taxation group expects earnings and taxable income to be positive and has accordingly recognised deferred tax asset at 31 December 2020.



# 16. INVENTORIES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Finished goods | 69,197 | 70,632 |
| **Total inventories** | **69,197** | **70,632** |
| Less: Provision for inventory reserves | -3,247 | -1,218 |
| **Total net inventories** | **65,950** | **69,414** |

The cost of inventories recognised as an expense and included in 'Cost of sales' amounted to USD 23,599k.

Provision for inventory reserves amounts to USD 3,247k at 31 December 2020. Provision for inventory reserves are carried out based on a write-down model used by the Group as a whole. The write-down principles are based on comparison of the book value per part number and internal market data for net realisable value. Write-downs of inventories are made when the book value is above net realisable value.

# 17. TRADE RECEIVABLES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Trade receivables and other receivables at 31.12 | 12,818 | 18,522 |
| Less provision for impairment of trade receivables | -1,183 | -701 |
| **Trade receivables net** | **11,635** | **17,821** |

Movement on the Group provision for impairment of trade receivables are as follows:

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Opening balances | 701 | 1,489 |
| Allowances during the year | 1,392 | 321 |
| Write-offs during the year | -887 | -1,040 |
| Reversed allowances | -23 | -69 |
| **Impairment of trade receivables at 31.12** | **1,183** | **701** |

Allocation of receivables past due but not impaired by maturity period are as follows:

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Up to 30 days | 1,517 | 4,203 |
| Between 31 and 90 days | 1,074 | 2,898 |
| More than 90 days | 2,769 | 2,212 |
| **Overdue net receivables at 31.12** | **5,359** | **9,313** |

Expected credit losses

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. The credit risk is generally considered immaterial.



# 18. FAIR VALUES

Financial instruments measured at fair value can be divided into three levels:
Level 1 - Quoted prices in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability
Level 3 - Inputs for the asset or liability that are not based on observable market data.

The fair value of bank borrowings does not differ significantly from the carrying amount. The fair value of derivatives are calculated on level 2 in the fair value hierarchy using direct quotes.

**Fair value measurements at 31 December 2020**

| | Quoted prices (Level 1) USD'000 | Significant other observable inputs (Level 2) USD'000 | Significant unobservable inputs (Level 3) USD'000 | Total USD'000 |
|---|---|---|---|---|
| Interest rate swap | 0 | -59 | 0 | -59 |
| Interest rate cap | 0 | 0 | 0 | 0 |
| **As at 31.12.2020** | **0** | **-59** | **0** | **-59** |

**Fair value measurements at 31 December 2019**

| | Quoted prices (Level 1) USD'000 | Significant other observable inputs (Level 2) USD'000 | Significant unobservable inputs (Level 3) USD'000 | Total USD'000 |
|---|---|---|---|---|
| Interest rate swap | 0 | -9 | 0 | -9 |
| Interest rate cap | 0 | 0 | 0 | 0 |
| **As at 31.12.2019** | **0** | **-9** | **0** | **-9** |

Fair values are approximately the same as the carrying amounts.

# 19. SHARE CAPITAL

The share capital comprise 4,449,950 shares of a nominal value of USD 0.15 each. No shares carry any special rights.

| | Number of shares | Nominal value USD'000 |
|---|---|---|
| Changes in share capital: | | |
| Share capital at 08.03.2017 | 500,000 | 73 |
| Capital increase at 27.04.2017 | 3,949,950 | 578 |
| **Share capital at 31.12.2020** | **4,449,950** | **651** |

Capital management
The group's objectives when managing capital are to secure the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. Any surplus liquidity is used to reduce debt.

The board of directors monitors the share and capital structure to ensure that the group's capital resources support the strategic goals.



# 20. BORROWINGS

The borrowings comprise of acquisition related loans as well as revolving facilities to fund the ongoing operations. There are covenants attached to the loan facilities.

| | Effective interest rate | Currency | Maturity | Carrying amount USD'000 |
|---|---|---|---|---|
| Loan from credit institution | 3,3% - 5,6% | DKK, USD | 26 November 2022 | 40,207 |
| Term Loan | 4,4% - 6,2% | USD | 26 May 2022 | 8,978 |
| Revolving Facility | 4,2% - 5,8% | DKK, EUR, USD | 26 November 2022 | 29,322 |
| **Total bank borrowings at 31.12.2020** | | | | **78,507** |
| Loan from credit institution | 3,0% - 6,8% | DKK, USD | 26 November 2022 | 30,581 |
| Term Loan | 6,0% - 6,2% | USD | 26 May 2022 | 8,838 |
| Revolving Facility | 5,8% - 6,8% | DKK, EUR, USD | 26 November 2022 | 35,826 |
| **Total bank borrowings at 31.12.2019** | | | | **75,245** |

Loan from credit institutions and revolving facilities are structured with commitment cancellation to reflect the Green Sunrise strategy. The terms and conditions of the term loan and revolving facility were renegotiated in March 2020.

Loan from credit institutions starts repayment as of 26 May 2020 and is paid in full at maturity.

Term Loan is repayable in instalments as of 27 April 2019 to 26 May 2022.

Revolving facilities starts repayment as of 26 may 2022 and is paid in full at maturity.

# 21. 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 Group 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.

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Provisions at 01.01 | 2,261 | 1,077 |
| Additions during the year | -602 | 1,184 |
| **Provisions at 31.12** | **1,659** | **2,261** |



# 22. RELATED PARTIES

The group is controlled by TPA Holding II ApS, which is controlled by CC Green Wall Invest ApS. The groups ultimate parent is CataCap I K/S.
"Key management compensation" is disclosed in note 5

The following transactions were carried through with related parties:

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Transactions with CataCap I K/S: | | |
| Cost from CataCap I K/S | 14 | 0 |
| **Total** | **14** | **0** |
| Transactions with CC Green Wall Invest ApS: | | |
| Settlement of taxes in joint taxation | 7 | 1,590 |
| Interest income | 17 | 17 |
| Proceeds from borrowings | 57 | 1,653 |
| Repayment of borrowings | 113 | 157 |
| **Total** | **194** | **3,417** |
| Transactions with TPA Holding II A/S: | | |
| Proceeds from borrowings | 7 | 62 |
| Repayment of borrowings | 0 | 1,321 |
| Group contribution | 11,973 | 1,315 |
| Interest income | 1 | 64 |
| Interest expenses on borrowings | 0 | 18 |
| **Total** | **11,981** | **2,780** |
| Transactions with Dancing Monkey ApS: | | |
| Proceeds from borrowings | 3,500 | 2,000 |
| Repayment of borrowings | 5,500 | 0 |
| Purchase of goods | 200 | 0 |
| **Total** | **9,200** | **2,000** |

Dancing Monkey ApS is controlled by Peter Lyager and Thomas Ibsø, which is part of the executive management of TP Aerospace Group.

# 23. COMMITMENTS AND CONTINGENT LIABILITIES

## Contingent liabilities

### Joint taxation

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. for the Danish companies of the TP Aerospace Group. The total amount of corporation tax payable is disclosed in the Annual Report of CC Green Wall Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustment of corporation taxes and withholding taxes may increase the Groups liability.

### Charges and security

As security for borrowings, as well as group companies' bank commitments, security in share capital, inventory, tangible assets and goodwill, regarding the Group companies TP Aerospace PRO ApS, TP Aerospace Solutions ApS, TP Aerospace Holding A/S and TPA Holding I A/S nominal USD 15.5m, is effective.

### Guarantee obligations

The Group has issued a guarantee of payment between the Danish Group companies TP Aerospace PRO ApS, TP Aerospace Solutions ApS, TP Aerospace Holding A/S and TPA Holding I A/S and the Groups credit institutions.

# 24. FINANCIAL RISK MANAGEMENT

## Financial risk factors

The group's activities expose it to a variety of financial risks: currency risk, interest risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The Financial risks of the group are managed centrally. The overall risk management guidelines and policies have been approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Group management manages contracts and risk exposures in accordance with the guidelines and policies and reports to the board of directors on a regular basis.

## Market risk

### Foreign exchange risk

As a consequence of the Group's structure, most net sales and expenditure in foreign currency are set off against each other, so that the Group is not exposed to major exchange-rate risks.

The groups revenue and expenses are mostly in the functional currency of the operating entity creating a natural currency hedge. Consequently, the group treasury's risk management policy is not to hedge foreign exchange rate risks.

The main borrowings are in USD or DKK. Board of Directors have decided not to hedge borrowings in DKK and the groups main currency risk is therefore related to loan in DKK.

### Sensitivity analysis

The group is primarily exposed to changes in DKK/USD exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from expenses and loans in DKK.

| Impact on post tax profit | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| DKK/USD exchange rate – increase 10% | 3,722 | 2,544 |
| DKK/USD exchange rate – decrease 10% | -3,722 | -3,109 |

All other variables are held constant.



### Interest rate risk

The group's interest rate risk arises from long-term borrowings related to the acquisitions. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to hedge as a minimum 67% of the cash flow interest rate risk on the term loan A. The Group uses interest rate swaps to hedge this risk.

### Sensitivity analysis

Profit or loss is sensitive to higher/lower interest from borrowings and fair value changes of interest rate derivatives as a result of changes in interest rates. The sensibility analysis are calculated after the impact of the hedging instruments.

| Impact on post tax profit | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Interest rates – increase by 100 basis points | -467 | -553 |
| Interest rates – decrease by 100 basis points | 111 | 553 |

All other variables are held constant.

### Credit risks

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. For accounts over a certain size group management has to be consulted.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a high credit rating are accepted. For customers individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The maximum exposure corresponds to the carrying amount of receivables. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information. The credit risk is generally considered immaterial.

### Hedging

The group's activities expose it to foreign currency risk and interest rate risk. In order to minimise any adverse effects on the financial performance of the group, derivative financial instruments, such as interest rate swaps are used to fix variable future cash flows. These instruments reduce the uncertainty of interest payments. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through OCI and will be recognised in profit or loss when the hedged item affects profit or loss. This will effectively result in recognising interest expense at a fixed interest rate for the hedged loans.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates.

No other sources of ineffectiveness emerged from these hedging relationships.

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items. Interest rate swap contract assets and liabilities are included in the 'Other receivables' and 'Other payables' line items in the consolidated statement of financial position respectively.

There was no ineffectiveness during 2020 in relation to the interest rate swaps.

| | Notional principal USD'000 | Amount recognised in OCI USD'000 | Fair value USD'000 |
|---|---|---|---|
| Interest rate swaps - cash flow hedge | 8,978 | -50 | -59 |
| **As at 31.12.2020** | **8,978** | **-50** | **-59** |
| Interest rate swaps - cash flow hedge | 8,838 | -143 | -7 |
| **As at 31.12.2019** | **8,838** | **-143** | **-7** |



| Derivative financial instruments – interest rate swaps | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Carrying amount ((-) Liability) | -59 | -9 |
| Maturity Date | 27 May 2022 | 26 May 2022 |
| Hedge ratio | 40,8% | 67% |
| Weighted average hedged rate for the year | 1.81% | 1.81% |

### Liquidity

Cash flow forecasting is performed on group level by management. Management monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) or any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.

The group has undrawn borrowing facilities of USD 7,935m that together with the USD 1,771 in cash, gives af a total of USD 9,706m available for settling future operating activities and to settle capital commitments.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

For floating rate borrowings, the rate at the balance sheet date has been applied.

| Non-derivatives | Less than 1 year USD'000 | 1-5 years USD'000 | >5 years USD'000 | Total USD'000 |
|---|---|---|---|---|
| As at 31.12.2019 | | | | |
| Borrowings | 7.369 | 77.664 | 0 | 85.033 |
| Lease liability | 2.346 | 7.314 | 1.458 | 11.118 |
| Trade payables | 14.934 | 0 | 0 | 14.934 |
| Other payables | 6.504 | 0 | 0 | 6.504 |
| **Total** | **31.153** | **84.978** | **1.458** | **117.589** |
| As at 31.12.2020 | | | | |
| Borrowings | 10.415 | 76.922 | 0 | 87.337 |
| Lease liability | 2.293 | 5.792 | 1.958 | 10.043 |
| Trade payables | 11.041 | 577 | 0 | 11.618 |
| Other payables | 3.749 | | | 3.749 |
| **Total** | **27.498** | **83.291** | **1.958** | **112.747** |

# 25. FINANCIAL ASSETS AND LIABILITIES

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| **Financial assets** | | |
| **Financial assets at amortised cost:** | | |
| Trade receivables | 11,635 | 17,821 |
| Other receivables | 2,432 | 2,976 |
| Prepayments | 243 | 62 |
| Cash | 1,771 | 2,391 |
| *Financial assets at fair value over other comprehensive income:* | | |
| Interest rate swaps | 0 | 0 |
| **Total** | **16,081** | **23,250** |
| **Financial liabilities** | | |
| **Financial liabilities at amortised cost:** | | |
| Borrowings | 78,507 | 75,245 |
| Lease liability | 8,692 | 10,019 |
| Trade payables | 11,618 | 14,934 |
| Other payables | 5,873 | 6,504 |
| Prepayments from customers | 690 | 972 |
| Financial liabilities at fair value over profit and loss: | | |
| Interest rate swaps | 59 | 9 |
| **Total** | **105,439** | **107,683** |

The carrying amount of the Group's financial assets at Fair Value Through Profit & Loss as disclosed in note 24 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.



# 26. EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date of importance to the Annual Report.

# 27. CHANGES IN NET WORKING CAPITAL

No events have occurred after the balance sheet date of importance to the Annual Report.

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Changes in inventories | 3,464 | -4,871 |
| Changes in trade receivables | 6,186 | -1,855 |
| Changes in other receivables and prepayments | 363 | 1,537 |
| Changes in trade payables, other payables and prepayments from customers | -4,831 | 6,970 |
| **Total** | **5,182** | **1,781** |

# 28. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Proceeds from borrowings | 1,523 | 15,513 |
| Repayment of borrowings | 0 | -3,591 |
| **Total** | **1,523** | **11,922** |

# 29. DEPRECIATIONS AND AMORTISATIONS

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Depreciations and amortizations from Note 6 | 20,943 | 25,759 |
| Depreciations related to MRO | -16,027 | -21,809 |
| **Total** | **4,916** | **3,950** |

Depreciation relating to MRO on the CFR activities has a direct impact on the Group's cash flows, and are therefore adjusted in the cash flow statement for the financial year 2020



# 30. EXEMPTION FROM AUDIT OF FOREIGN SUBSIDIARIES

The German subsidiary TP Aerospace Technics GmbH made use of the exemption option in accordance with § 264 par. 3 HGB (German Commercial Code) concerning the obligation to prepare notes and a management report as well as to audit and to disclosure the annual financial statements and the management report for fiscal year 2020.

TP Aerospace Technics UK Ltd is exempt from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The group has given a guarantee in respect of the subsidiary company's debts.

Chapter 4

# PARENT COMPANY FINANCIAL STATEMENTS

# PROFIT AND LOSS (PARENT COMPANY) 1 JANUARY - 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| General and administrative expenses | | -13 | -26 |
| **Operating profit** | | **-13** | **-26** |
| Finance income | 3 | 335 | 524 |
| Finance costs | 4 | -559 | -827 |
| **Profit before income tax** | | **-237** | **-329** |
| Income tax expenses | 5 | 70 | 73 |
| **Profit for the period** | | **-167** | **-256** |



# STATEMENT OF COMPREHENSIVE INCOME (PARENT COMPANY) 1 JANUARY - 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Profit for the period | | -167 | -256 |
| Fair value changes for the year, cash flowhedge | | -50 | -143 |
| Income tax relating to these items | | 11 | 31 |
| **Other comprehensive income for the period, net of tax** | | **-39** | **-112** |
| **Total comprehensive income for the period** | | **-206** | **-368** |

# BALANCE SHEET (PARENT COMPANY) 31 DECEMBER

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Investment in subsidiaries | 6 | 87,848 | 75,875 |
| Deferred tax asset | 7 | 83 | 7 |
| **Financial assets** | | **87,931** | **75,882** |
| **Total non-current assets** | | **87,931** | **75,882** |
| Receivables from group enterprises | 10 | 7,988 | 8,092 |
| Other receivables | | 0 | 0 |
| Income tax receivable | | 8 | 106 |
| **Receivables** | | **7,996** | **8,198** |
| **Cash** | | **8** | **8** |
| **Total current assets** | | **8,004** | **8,206** |
| **Total assets** | | **95,935** | **84,088** |
| Share capital | 8 | 651 | 651 |
| Share premium | | 64,441 | 64,441 |
| Reserve for cash flow hedges | | -47 | -8 |
| Retained earnings | | 21,897 | 10,091 |
| **Total equity** | | **86,942** | **75,175** |
| Borrowings | 9 | 5,305 | 5,246 |
| **Total non-current liabilities** | | **5,305** | **5,246** |
| Borrowings | | 3,591 | 3,592 |
| Other payables | | 97 | 75 |
| **Total current liabilities** | | **3.688** | **3,667** |
| **Total liabilities** | | **8,993** | **8,913** |
| **Total equity and liabilities** | | **95,935** | **84,088** |



# STATEMENT OF CHANGES IN EQUITY (PARENT COMPANY)

| | Share capital USD'000 | Share premium USD'000 | Reserve for cash flow hedges USD'000 | Retained earnings USD'000 | Total USD'000 |
|---|---|---|---|---|---|
| Equity at 01.01.2019 | 651 | 64,441 | 104 | 9,032 | 74,228 |
| Profit for the period 01.01.2019 - 31.12.2019 | 0 | 0 | 0 | -256 | -256 |
| Fair value change in the year | 0 | 0 | -112 | 0 | -112 |
| **Total comprehensive income for the period** | **0** | **0** | **-112** | **-256** | **-368** |
| *Transactions with owners in their capacity as owners* | | | | | |
| Group contribution | 0 | 0 | 0 | 1,315 | 1,315 |
| **Equity at 31.12.2019** | **651** | **64,441** | **-8** | **10,091** | **75,175** |
| Profit for the period 01.01.2020 - 31.12.2020 | 0 | 0 | 0 | -167 | -167 |
| Fair value change in the year | 0 | 0 | -39 | 0 | -39 |
| **Total comprehensive income for the period** | **0** | **0** | **-39** | **-167** | **-206** |
| *Transactions with owners in their capacity as owners* | | | | | |
| Group contribution | 0 | 0 | 0 | 11,973 | 11,973 |
| **Equity at 31.12.2020** | **651** | **64,441** | **-47** | **21,897** | **86,942** |

# CASH FLOW STATEMENT (PARENT COMPANY) 1 JANUARY - 31 DECEMBER

| | Notes | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|---|
| Operating profit | | -13 | -26 |
| Change in net working capital | 13 | 22 | -146 |
| Cash flows from primary operating activities | | 9 | -172 |
| Interests received | | 2 | 56 |
| Interests paid | | -523 | -643 |
| **Net cash flow from operating activities** | | **-512** | **-759** |
| Group contribution | | -11,973 | -1,315 |
| **Net cash flow from investing activities** | | **-11,973** | **-1,315** |
| Repayment of borrowings | | 0 | -3,592 |
| Intergroup borrowings | | 512 | 4,355 |
| Group contribution | | 11,973 | 1,315 |
| **Cash flow from financing activities** | | **12,485** | **2,078** |
| Net cash flow for the year | | 0 | 4 |
| Cash and cash equivalents, beginning of the year | | 8 | 4 |
| **Cash and cash equivalents, end of the year** | | **8** | **8** |

# NOTES

Notes

# 1. ACCOUNTING POLICIES

The Financial Statements for the parent company, TPA Holding I ApS have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union as well as additional Danish disclosure requirements applying to entities of reporting class B.

## New standards

The annual report is prepared according to standards and interpretations effective for financial years beginning on 1 January 2020. No standards or interpretations have been adopted early.
The parent company has the same accounting policies for recognition and measurement as Group. The parent company's accounting policies deviate from the Group's accounting policies as described below. For a detailed description of the group's accounting policies please refer to the consolidated financial statements, Note 1.

The functional currency of the parent Company is USD. The financial statement have been rounded to the nearest thousand.

## Dividend

Dividend from investments in subsidiaries are recognised as income in the parent company profit and loss account in the year where the dividends are declared.

## Investments in subsidiaries

Investments in subsidiaries are measured at cost.

Impairment tests are performed on subsidiaries if events or changes in circumstances indicate that their carrying amount may not be recoverable. If cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.



# 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The company is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

## Impairment of investment in subsidiary

The group tests, if there are indicators of impairment, whether investment in subsidiary has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units will be determined based on value-in-use calculations. These calculations require the use of estimates.

For a description of other significant accounting estimates, assumptions and uncertainties please refer to the consolidated financial statements, stated in note 2.

It is the managements judgement that no critical accounting estimates and judgements are made with regards to the accounting principles of the parent company, except for the above described.

# 3. FINANCIAL INCOME

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Other interest | 2 | 56 |
| Interest income from group enterprises | 333 | 468 |
| **Total** | **335** | **524** |

# 4. FINANCIAL EXPENSES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Interest expenses | 501 | 769 |
| Other financial expenses | 58 | 58 |
| **Total** | **559** | **827** |



# 5. TAX ON PROFIT FOR THE YEAR

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | -8 | -75 |
| Current tax profits for previous years | 14 | 0 |
| **Total current tax expense** | **6** | **-75** |
| Deferred tax: | | |
| Origination and reversal of temporary differences | -76 | 2 |
| **Total deferred tax assets** | **-76** | **2** |
| **Income tax expenses for the period** | **-70** | **-73** |
| Income tax expenses are specified as follows: | | |
| Calculated 22.0% tax on profit for the year before income tax | -52 | -72 |
| Tax effects of: | | |
| Adjustments in respect of prior years | -18 | -1 |
| **Total** | **-70** | **-73** |
| Effective tax rate | 30% | 22% |

# 6. INVESTMENT IN SUBSIDIARIES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Cost: | | |
| At 01.01 | 83,222 | 81,907 |
| Additions during the year | 11,973 | 1,315 |
| At 31.12 | 95,195 | 83,222 |
| Impairment: | | |
| At 01.01 | 7,347 | 7,347 |
| Impairment charge | 0 | 0 |
| At 31.12 | 7,347 | 7,347 |
| **Carrying amount 31.12** | **87,848** | **75,875** |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Vote and ownership |
|---|---|---|
| TP Aerospace Holding A/S | Hvidovre, Denmark | 100% |
| TP Aerospace Solutions ApS | Hvidovre, Denmark | 100% |
| TP Aerospace Distribution ApS | Hvidovre, Denmark | 100% |
| TP Aerospace PRO ApS | Hvidovre, Denmark | 100% |
| TP Aerospace Asia Pte. Ltd. | Singapore | 100% |
| TP Aerospace Americas Corp | Las Vegas, US | 100% |
| TP Aerospace Technics LLC | Orlando, US | 100% |
| TP Aerospace Technics NV LLC | Las Vegas, US | 100% |
| TP Aerospace Technics GmbH | Norderstedt, Germany | 100% |
| TP Aerospace Asia Technics Pte. Ltd. | Singapore | 100% |
| TP Aerospace Malaysia Sdn. Bhd. | Kuala Lumpur, Malaysia | 100% |
| TP Aerospace Technics FZE | Dubai, UAE | 100% |
| TP Aerospace Technics Pty Ltd. | Melbourne, Australia | 100% |
| TP Aerospace Technics UK LTD. | United Kingdom | 100% |
| TP Aerospace (Thailand) Co., Ltd. | Bangkok, Thailand | 100% |
| TP Aerospace Technics Russia | Moscow, Russia | 100% |



# 7. DEFERRED TAX

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Deferred tax at 01.01. | 7 | 9 |
| Deferred tax recognised in the income statement | 76 | -2 |
| **Deferred tax 31.12.** | **83** | **7** |
| Deferred tax relates to: | | |
| Amortisation cost, Bank debt | 37 | 7 |
| tax loss carry-forward | 46 | 0 |
| **Total** | **83** | **7** |

The recognised tax asset is primary attributable to tax loss carry-forward, in the coming years the Danish joint taxation group expects earnings and taxable income to be positive and has accordingly recognised deferred tax asset at 31 December 2020.

# 8. SHARE CAPITAL

For a specification of share capital please refer to the consolidated financial statements, Note 19.

# 9. BORROWINGS

For a specification of the Company's borrowings, please refer to the consolidated financial statements, Note 20.

# 10. RELATED PARTIES

The company is controlled by TPA Holding II ApS. The company's ultimate parent is CataCap I K/S.
Key management compensation" is disclosed in note 5 in the consolidated financial statement.

**The following transactions were carried through with related parties:**

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Transactions with CC Green Wall Invest ApS: | | |
| Proceeds from borrowings | 102 | 79 |
| **Total** | **102** | **79** |
| Transactions with TPA Holding II A/S: | | |
| Interest expense | 3 | 2 |
| Group contribution | 11,973 | 1,315 |
| **Total** | **11,976** | **1,317** |
| Transactions with TP Aerospace Holding A/S: | | |
| Interest income | 332 | 483 |
| Repayment of borrowings | 20 | 0 |
| Proceeds from borrowings | -563 | -4,204 |
| Group contribution | -11,973 | -1,315 |
| **Total** | **-12,184** | **-5,036** |

*Expected credit losses – Receivables from group enterprises*
At year end TPA Holding I A/S had receivables from group enterprises on USD 7,988k (2019: USD 8,092k).
The impairment provision on the receivables from group enterprises are considered as immaterial.

# 11. COMMITMENTS AND CONTINGENT LIABILITIES

## Contingent liabilities

### Joint taxation

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc. for the Danish companies of the TP Aerospace Group. The total amount of corporation tax payable is disclosed in the Annual Report of CC Green Wall Invest ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustment of corporation taxes and withholding taxes may increase the Groups liability.

### Charges and security

As security for bank loans, as well as group companies' bank commitments, security in share capital regarding the subsidiary TP Aerospace Holding A/S nominal USD 0,3m, is effective.

### Guarantee obligations

TPA Holding I A/S has issued a guarantee of payment between the Parent Company TPA Holding II A/S and Nordea Danmark, Filial af Nordea Bank AB (publ), Sverige.

Furthermore TPA Holding I A/S has issued a guarantee of payment between the subsidiaries TP Aerospace PRO ApS, TP Aerospace Solutions ApS and TP Aerospace Holding A/S and Nordea Danmark, Filial af Nordea Bank AB (publ), Sverige.



# 12. EVENTS AFTER THE BALANCE SHEET

No events have occurred after the balance sheet date of importance to the Annual Report.

# 13. CHANGES IN NET WORKING CAPITAL

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Changes in other receivables | 0 | -134 |
| Changes in trade and other payables | 22 | -12 |
| **Total** | **22** | **-146** |

# 14. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Cash flow from financing activities at 01.01 | 8,977 | 12,569 |
| Proceeds from borrowings | 0 | 0 |
| Repayment of borrowings | 0 | -3,592 |
| **Cash flow from financing activities at 31.12** | **8,977** | **8,977** |

# 15. CAPITAL MANAGEMENT

For a description of capital management please refer to the consolidated financial statements, Note 19.

Chapter 4

# SIGNATURES

# MANAGEMENT'S STATEMENT

The Boards of Directors and the Executive Board have today considered and adopted the Annual Report of TPA Holding I A/S for the financial year 01.01.2020 - 31.12.2020.

The Consolidated Financial Statements and the Parent Company Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Group and the Parent Company, and of the results of the Group and the Parent Company's operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

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.

Hvidovre, 10 February 2021

## Executive Board

Peter Jørgen Lyager

Thomas Daniel Ibsø

Nikolaj Lei Jacobsen

## Board of Directors

Jens Flemming Jensen
*Chairman*

Peter Ryttergaard
*Deputy Chairman*

Andrew Hoad

Jesper Abildskov Blom

Vilhelm Eigil Hahn-Petersen

Michael John Humphreys

Nina Fisker Olesen

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
TPA Holding I A/S

## Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements for the financial year 01.01.2020 - 31.12.2020 of TPA Holding I A/S, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("financial statements").

## 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 Group in accordance with the International Ethics Standards Board for 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.

## 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.

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 Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 Group's and the Parent 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 Group or the Parent 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 judgment and maintain professional skepticism 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.

- 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 10 february 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Torben Jensen
State Authorised Public Accountant
*mne18651*

Thomas Baunkjær Andersen
State Authorised Public Accountant
*mne35483*

Chapter 5

# OTHER INFORMATION

# DEFINITION OF KEY FIGURES AND FINANCIAL RATIOS

| Definition | Description |
|---|---|
| EBITDA | Earnings before interest, tax, depreciation, amortisation and impairment losses as well as profit from sale of property, plant and equipment and amortisation of intangible assets. |
| EBITDA margin | EBITDA as a % of net revenue. |
| EBIT | Earnings before interest and tax. |
| EBIT margin | EBIT as a percentage of net revenue. |
| Net interest-bearing debt | Mortgage debt and debt to credit institutions less cash at bank and in hand, interest-bearing current investments and receivables. |
| Net working capital | Inventories + receivables - current liabilities except for corporation tax receivable/payable as well as mortgage debt and debt to credit institutions. |
| Invested capital | Equity, including minority interests + net interest-bearing debt at year-end |
| Free cash flow | Cash flow from operating activities less net investments in property, plant and equipment and plus dividends from associates. |
| Return on invested capital excluding goodwill (ROIC) | EBITDA before special items as a percentage of average invested capital, excluding goodwill. |
| Net interest-bearing debt/ EBITDA before special items | The ratio of net interest-bearing debt at year end to EBITDA. |
| Equity ratio | Equity at year end as a percentage of total assets. |
| Return on equity (ROE) | Consolidated profit after tax as a percentage of average equity. |
| Aircraft components | Wheel and brake components regardless of accounting treatment including piece parts. |
| Special items | See Special items note under the “Financial Statements” section. |

# ADDITIONAL MANAGEMENT DUTIES OF THE BOARD

### Flemming Jensen

| Company | Function |
|---|---|
| TPA Holding I A/S | Chairman |
| TPA Holding II A/S | Chairman |
| TP Aerospace Holding A/S | Chairman |
| DSB | Executive Management |
| Copenhagen Industry Employer Confederation | Board member |
| The Confederation of Danish Industry | Member of the Central Board |



### Peter Ryttergaard

| Company | Function |
|---|---|
| Ryttergaard Invest A/S | Board of Directors, Executive Management |
| Buldus ejendomme ApS | Executive Management |
| Investeringsselskabet af 27/12 1985 ApS | Executive Management |
| Kjærulff Pedersen A/S | Board Member |
| CataCap Management A/S | Board Member |
| CataCap OP ApS | Executive Management |
| CataCap DM ApS | Executive Management |
| CataCap DM II ApS | Executive Management |
| CC II Management Invest 2017 GP ApS | Executive Management |
| CataCap General Partner I ApS | Executive Management |
| CataCap General Partner II ApS | Board Member |
| CC Explorer Invest ApS | Board Member |
| HB-Care Leasing ApS | Board Member |
| CC Sky Invest ApS | Board Member, Executive Management |
| Altantic HoldCo Limited | Deputy Chairman |
| Altantic OfferCo Limited | Deputy Chairman |
| CC Globe Invest ApS | Executive Management |
| CC Tool Invest ApS | Board Member, Executive Management |
| G.S.V. Holding A/S | Deputy Chairman |
| G.S.V. Materieludlejning A/S | Deputy Chairman |
| CC Oscar Invest ApS | Board Member, Executive Management |
| CC Oscar Holding I A/S | Board Member |
| CASA A/S | Board Member |
| Casa ManCo ApS | Executive Management |

# ADDITIONAL MANAGEMENT DUTIES OF THE BOARD

### Peter Ryttergaard

| Company | Function |
|---|---|
| CC Green Wall Invest ApS | Board Member, Executive Management |
| TPA Holding I A/S | Deputy Chairman |
| TPA Holding II A/S | Deputy Chairman |
| TP Aerospace Holding A/S | Deputy Chairman |
| TPA Green ManCo ApS | Executive Management |
| CC Lingo Invest ApS | Board Member, Executive Management |
| LW ManCo ApS | Executive Management |
| CC Fly Invest ApS | Executive Management |
| Rekom ManCo ApS | Executive Management |
| Aerfin Holdings Limited | Deputy Chairman |
| Aerfin Limited | Deputy Chairman |



### Jesper Blom

| Company | Function |
|---|---|
| Artha Holding A/S | Board member |
| Artha Kapital forvaltning Fondsmæglerskab A/S | Board member |
| Ferdinand Holding 2017 ApS | Executive Management |
| TP Aerospace Holding A/S | Board member |
| TPA Holding I A/S | Board member |
| TPA Holding II A/S | Board member |
| Cashflow Holding ApS | Board member |
| Theis Vine ApS | Board member |

### Nina Fisker Olesen

| Company | Function |
|---|---|
| TP Aerospace Holding A/S | Board member |
| TPA Holding I A/S | Board member |
| TPA Holding II A/S | Board member |

# ADDITIONAL MANAGEMENT DUTIES OF THE BOARD

### Andrew Hoad

| Company | Function |
|---|---|
| TPA Holding I A/S | Board Member |
| TPA Holding II A/S | Board Member |
| TP Aerospace Holding A/S | Board Member |
| TD Aerospace (UK) Ltd | Executive Management |
| Aerfin Ltd | Board Member |
| Aerfin Holdings Ltd | Board Member |
| Atlantic Offer Company Ltd | Board Member |
| Atlantic HoldCo Ltd | Board Member |

### Michael Humphreys

| Company | Function |
|---|---|
| TPA Holding I A/S | Board Member |
| TPA Holding II A/S | Board Member |
| TP Aerospace Holding A/S | Board Member |
| GHF Advisory Ltd. | Executive Management |
| Aerfin Ltd | Board Member |
| Aerfin Holdings Ltd | Board Member |
| Atlantic HoldCo Limited | Board Member |
| Atlantic OfferCo Limited | Board Member |



### Vilhelm Hahn-Petersen

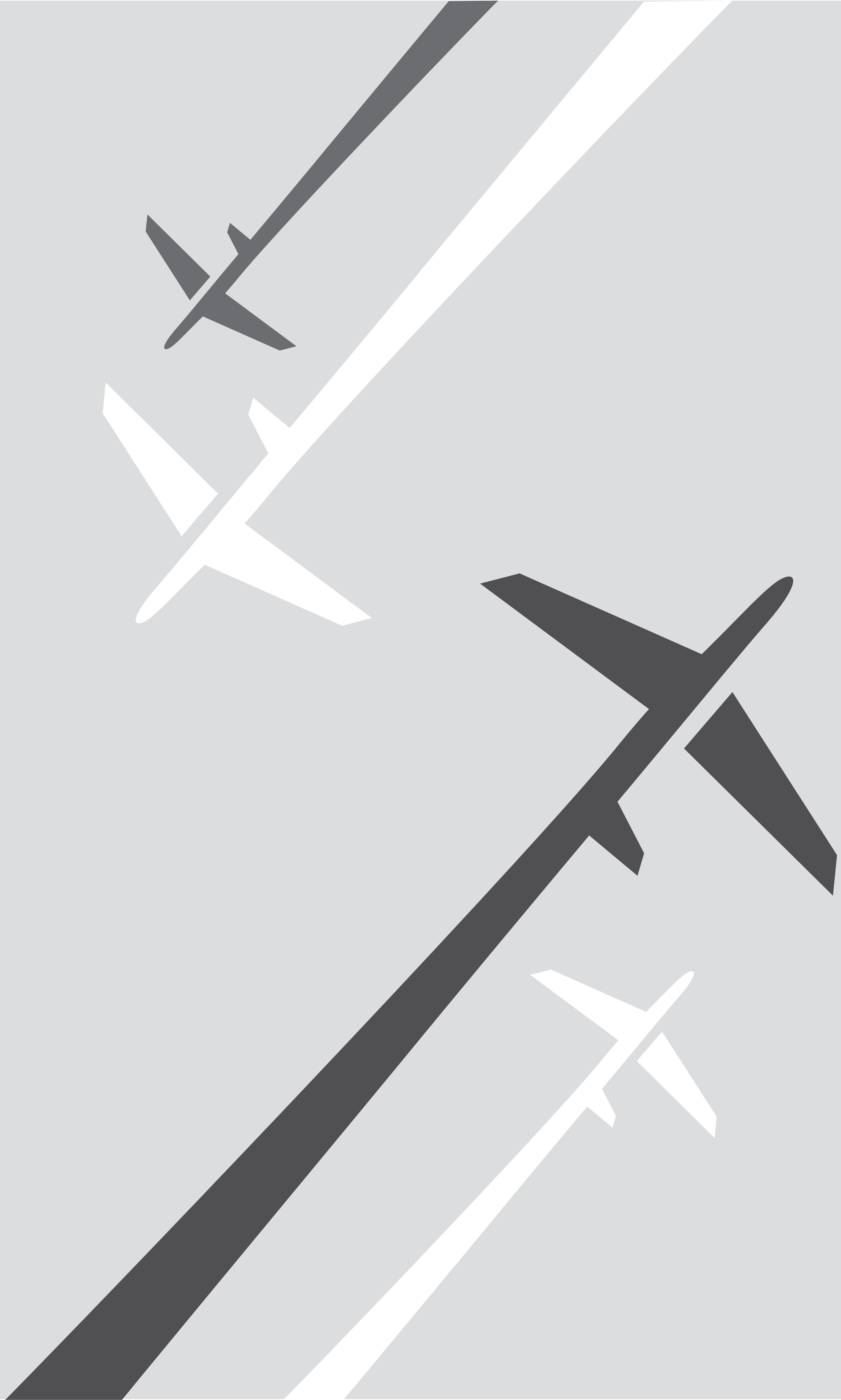
| Company | Function |
|---|---|
| Myco ApS | Executive Management |
| Airhelp Limited. | Board Member |
| CataCap Management A/S | Board Member |
| CataCap OP ApS | Executive Management |
| CataCap DM ApS | Executive Management |
| CataCap DM II ApS | Executive Management |
| CC II Management Invest 2017 GP ApS | Executive Management |
| CATACAP GENERAL PARTNER I ApS | Executive Management |
| CataCap General Partner II ApS | Board Member |
| CC Track Invest ApS | Executive Management, Board Member |
| Lyngsoe Systems Holding A/S | Board Member |
| Lyngsoe Systems A/S | Board Member |
| CC Explorer Invest ApS | Board Member |
| CC Tool Invest ApS | Board Member |
| G.S.V. Holdiing A/S | Board Member |
| G.S.V. Materieludlejning A/S | Board Member |
| CC Globe Invest ApS | Executive Management |
| Atlantic HoldCo Limited | Board Member |
| Atlantic OfferCo Limited | Board Member |
| Aerfin Holdings Limited | Board Member |
| Aerfin Limited | Board Member |
| CC Oscar Invest ApS | Board Member |
| CC Oscar Holding I A/S | Deputy Chairman |
| CASA A/S | Deputy Chairman |

# ADDITIONAL MANAGEMENT DUTIES OF THE BOARD

## Vilhelm Hahn-Petersen

| Company | Function |
|---|---|
| Casa ManCo ApS | Executive Management |
| CC Green Wall Invest ApS | Chairman |
| TPA Holding I A/S | Board Member |
| TPA Holding II A/S | Board Member |
| TP Aerospace Holding A/S | Board Member |
| TPA Green ManCo ApS | Executive Management |
| CC Lingo Invest ApS | Chairman |
| LW ManCo ApS | Executive Management |
| Rekom Group A/S | Deputy Chairman |
| Rekom ManCo ApS | Executive Management |
| CC Fly Invest ApS | Executive Management |
| CC Fly Holding I ApS | Deputy Chairman |
| CC Fly Holding II A/S | Deputy Chairman |

# COMPANY DETAILS



### The Company
**TPA Holding I A/S**
c/o TP Aerospace
Stamholmen 165R
2650 Hvidovre
Telephone: +45 8993 9929

CVR no.: 38473492
Registered in Hvidovre
Financial period:
1 January - 31 December 2020

Website: www.tpaerospace.com
Email: sales@tpaerospace.com

### Board of Directors
Flemming Jensen
Peter Ryttergaard
Andrew Hoad
Jesper Blom
Nina Fisker Olesen
Vilhelm Hahn-Petersen
Michael Humphreys

### Executive Management
Peter Lyager
Thomas Ibsø
Nikolaj Lei Jacobsen

### Auditor
**PricewaterhouseCoopers**
Statsaut. Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

CVR no.: 33771231

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