
Danish Aerospace Company A/S

Hvidkærvej 31 A, Højme, DK-5250 Odense SV

Interim Financial Statements for the period 1 January - 30 June 2024

CVR No 12 42 42 48



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Interim Financial Statements of Danish Aerospace Company A/S for the period 1 January - 30 June 2024.

In our opinion the Interim Financial Statements have been prepared in accordance with the recognition and measurement criteria of the Danish Financial Statements Act and the disclosure and presentation requirements established by the Supervisory Board.

In our opinion the Interim Financial Statements give a true and fair view of the financial position at 30 June 2024 of the Company and of the results of the Company operations and cash flows for the period.

Odense, 26 August 2024

Executive Board

Thomas Axel Esbern Andersen

Board of Directors

Niels Thomas Heering
Chairman

Søren Bjørn Hansen

James Vernon Zimmerman

Practitioner's Statement on Compilation of Financial Statements

To the Management of Danish Aerospace Company A/S

We have compiled the Financial Statements of Danish Aerospace Company A/S for the period 1 January - 30 June 2024 on the basis of the Enterprise's accounting records and other information you have provided.

The Interim Financial Statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies.

We performed our work in accordance with ISRS 4410, Engagements to Compile Financial Information.

Based on our professional expertise, we have assisted you with the preparation and presentation of the Interim Financial Statements in accordance with the Danish Financial Statements Act. We have complied with relevant provisions of the Danish Act on Approved Auditors and Audit Firms and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), including the principles of integrity, objectivity, professional competence and due care.

The Interim Financial Statements and the accuracy and completeness of the information forming the basis of the compilation of the Interim Financial Statements are your responsibility.

As an engagement to compile financial information is not an assurance engagement, we are under no duty to verify the accuracy or completeness of the information you provided to us to compile the Interim Financial Statements. Accordingly, we express no audit opinion or review opinion as to whether the Interim Financial Statements have been prepared in accordance with the Danish Financial Statements Act.

Odense, 26 August 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kyhnav
State Authorised Public Accountant

Claus Damhave
State Authorised Public Accountant

Company Information

The Company

Danish Aerospace Company A/S
Hvidkærvej 31 A
Højme
DK-5250 Odense SV

CVR No: 12 42 42 48

Financial period: 1 January - 30 June

Municipality of reg. office: Odense

Board of Directors

Niels Heering, Chairman
Søren Bjørn Hansen
James Vernon Zimmerman

Executive Board

Thomas Axel Esbern Andersen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
DK-5230 Odense M

Income Statement 1 January - 30 June

	Note	1/1-2024 - 6/30-2024	1/1-2023 - 6/30-2023 *
		DKK	DKK
Revenue		9,563,144	9,919,857
Work on own account recognised in assets		560,547	567,433
Other operating income		610,643	1,162,276
Expenses for raw materials and consumables		-2,463,704	-1,756,195
Other external expenses		-1,809,077	-2,305,169
Gross profit/loss		6,461,553	7,588,202
Staff expenses	2	-8,113,687	-8,006,423
Profit/loss before interest, taxes, depreciation and amortization (EBITDA)		-1,652,134	-418,221
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-273,174	-382,130
Profit/loss before financial income and expenses (EBIT)		-1,925,308	-800,351
Income from investments in subsidiaries		-124,596	-202,288
Income from investments in associates		-2,391	-5,305
Financial income	3	271,210	189,060
Financial expenses	4	-621,564	-394,717
Profit/loss before tax		-2,402,649	-1,213,601
Tax on profit/loss for the period	5	500,646	211,261
Net profit/loss for the period		-1,902,003	-1,002,340

Distribution of profit

Proposed distribution of profit

Retained earnings		-1,902,003	-1,002,340
		-1,902,003	-1,002,340

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Balance Sheet 30 June

Assets

	Note	6/30-2024 DKK	6/30-2023 * DKK	12/31-2023 (audited) DKK
Completed development projects		2,163,172	406,978	1,771,142
Acquired patents		1,118,064	859,869	1,022,221
Development projects in progress		964,721	1,378,158	833,581
Intangible assets	6	4,245,957	2,645,005	3,626,944
Other fixtures and fittings, tools and equipment		714,466	992,663	843,503
Leasehold improvements		304,900	414,717	359,497
Property, plant and equipment	7	1,019,366	1,407,380	1,203,000
Investments in subsidiaries	8	0	0	0
Investments in associates	9	12,667	18,986	15,058
Fixed asset investments		12,667	18,986	15,058
Fixed assets		5,277,990	4,071,371	4,845,002
Raw materials and consumables		0	6,956,909	0
Inventories		0	6,956,909	0
Trade receivables		5,641,223	3,198,408	6,522,858
Contract work in progress	10	15,789,772	22,162,290	16,906,938
Receivables from group enterprises		4,303,306	4,320,625	4,250,129
Other receivables		245,627	1,107,487	1,051,710
Corporation tax		334,209	122,472	334,209
Prepayments		344,251	346,043	247,900
Receivables		26,658,388	31,257,325	29,313,744
Cash at bank and in hand		49,791	37,851	83,506
Currents assets		26,708,179	38,252,085	29,397,250
Assets		31,986,169	42,323,456	34,242,252

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Balance Sheet 30 June

Liabilities and equity

	Note	6/30-2024 DKK	6/30-2023 * DKK	12/31-2023 (audited) DKK
Share capital		1,090,833	1,090,833	1,090,833
Reserve for development costs		2,439,756	1,392,404	2,031,683
Retained earnings		6,439,122	17,941,822	8,929,259
Equity		9,969,711	20,425,059	12,051,775
Provision for deferred tax		1,840,468	4,330,264	2,341,114
Provisions relating to investments in group enterprises	8	0	0	0
Provisions		1,840,468	4,330,264	2,341,114
Other payables		1,198,517	1,134,707	1,165,750
Long-term debt		1,198,517	1,134,707	1,165,750
Credit institutions		16,090,551	13,944,393	15,661,950
Prepayments received from customers		0	182,041	0
Trade payables		2,008,759	1,086,939	1,715,187
Contract work in progress, liabilities	10	0	0	0
Other payables		878,163	1,220,053	1,306,476
Deferred income		0	0	0
Short-term debt		18,977,473	16,433,426	18,683,613
Debt		20,175,990	17,568,133	19,849,363
Liabilities and equity		31,986,169	42,323,456	34,242,252
Key activities	2			
Contingent assets, liabilities and other financial obligations	13			
Accounting Policies	14			

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,090,833	2,031,683	8,929,259	12,051,775
Development costs for the period	0	437,227	-437,227	0
Depreciation, amortisation and impairment for the period	0	-29,154	29,154	0
Exchange adjustments relating to foreign entities	0	0	-180,061	-180,061
Net profit/loss for the period	0	0	-1,902,003	-1,902,003
Equity at 30 June	1,090,833	2,439,756	6,439,122	9,969,711

Cash Flow Statement 1 January - 30 June

	Note	1/1-2024 - 6/30-2024	1/1-2023 - 6/30-2023 *
		DKK	DKK
Net profit/loss for the period		-1,902,003	-1,002,340
Adjustments	12	249,869	584,118
Change in working capital	13	2,708,533	-7,591,999
Cash flows from operating activities before financial income and expenses		1,056,399	-8,010,221
Financial income		165,477	65,997
Financial expenses		-621,564	-394,717
Cash flows from operating activities		600,312	-8,338,941
Purchase of intangible assets		-686,580	-659,089
Purchase of property, plant and equipment		-18,209	-19,300
Cash flows from investing activities		-704,789	-678,389
Raising of loans from credit institutions		428,601	9,038,206
Loans to group enterprises		-357,839	-89,458
Cash flows from financing activities		70,762	8,948,748
Change in cash and cash equivalents		-33,715	-68,582
Cash and cash equivalents at 1 January		83,506	106,433
Cash and cash equivalents at 30 June		49,791	37,851
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		49,791	37,851
Cash and cash equivalents at 30 June		49,791	37,851

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Notes to the Interim Financial Statements

1 Key activities

Danish Aerospace Company A/S develops innovative technological solutions for the purpose of exploration of space and other extreme environments. The activities are comprised of design, development and manufacturing of medical monitoring and exercise equipment, as well as support in connection with preparations for and completion of human space flights. Danish Aerospace Company A/S is listed on Nasdaq First North Growth Market in Copenhagen.

	1/1-2024 - 6/30-2024	1/1-2023 - 6/30-2023 *
	DKK	DKK
2 Staff expenses		
Wages and salaries	7,560,110	7,413,251
Pensions	470,417	440,610
Other social security expenses	83,160	102,820
Other staff expenses	0	49,742
	8,113,687	8,006,423
Average number of employees	27	27
3 Financial income		
Interest received from group enterprises	95,800	120,628
Other financial income	175,410	68,432
	271,210	189,060
4 Financial expenses		
Other financial expenses	621,564	394,717
	621,564	394,717
5 Tax on profit/loss for the period		
Current tax for the year	0	0
Deferred tax for the year	-500,646	-211,261
	-500,646	-211,261

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Notes to the Interim Financial Statements

6 Intangible assets

	Completed development projects DKK	Acquired patents DKK	Development projects in progress DKK	Total DKK
Cost at 1 January	6,214,043	4,654,990	833,581	11,702,614
Additions for the period	429,407	126,033	131,140	686,580
Cost at 30 June	6,643,450	4,781,023	964,721	12,389,194
Impairment losses and amortisation at 1 January	4,442,901	3,632,769	0	8,075,670
Amortisation for the period	37,377	30,190	0	67,567
Impairment losses and amortisation at 30 June	4,480,278	3,662,959	0	8,143,237
Carrying amount at 30 June	2,163,172	1,118,064	964,721	4,245,957

The Company's portfolio of internal development projects comprises a new generation of exercise and medical monitoring equipment for astronauts. The expectation is that the improved and new products may be sold to commercial private aerospace companies such as ESA and NASA. The depreciation periods have been adjusted to the expected sales periods. Projects in progress are progressing as planned and the Company has sufficient resources to complete the projects within 1-2 years from balance date.

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Total DKK
Cost at 1 January	4,219,027	1,491,598	5,710,625
Additions for the period	18,209	0	18,209
Cost at 30 June	4,237,236	1,491,598	5,728,834
Impairment losses and depreciation at 1 January	3,375,524	1,132,101	4,507,625
Depreciation for the period	147,246	54,597	201,843
Impairment losses and depreciation at 30 June	3,522,770	1,186,698	4,709,468
Carrying amount at 30 June	714,466	304,900	1,019,366

Notes to the Interim Financial Statements

	6/30-2024 DKK	6/30-2023 DKK	12/31-2023 (audited) DKK
8 Investments in subsidiaries			
Cost at 1 January	5,536,239	5,592,666	5,592,667
Disposals for the period	0	-56,427	-56,427
Cost at 30 June	<u>5,536,239</u>	<u>5,536,239</u>	<u>5,536,239</u>
Value adjustments at 1 January	-11,448,242	-11,296,133	-11,090,201
Exchange adjustment	-180,061	121,170	173,969
Net profit/loss for the period	-124,596	-202,289	-568,351
Adjustment of intra-group profits	0	0	-20,086
Reversals for the year of revaluations in previous years	0	262,360	56,427
Value adjustments at 30 June	<u>-11,752,897</u>	<u>-11,114,892</u>	<u>-11,448,242</u>
Equity investments with negative net asset value amortised over receivables	<u>6,216,658</u>	<u>5,578,653</u>	<u>5,912,003</u>
Carrying amount at 30 June	<u>0</u>	<u>0</u>	<u>0</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Danish Aerospace Medical Company A/S	Odense, DK	DKK 500,000	100%
Danish Aerospace Company - North America, Inc.	USA	USD 1,000	100%

Notes to the Interim Financial Statements

	6/30-2024 DKK	6/30-2023 DKK	12/31-2023 (audited) DKK
9 Investments in associates			
Cost at 1 January	40,000	40,000	40,000
Cost at 30 June	40,000	40,000	40,000
Value adjustments at 1 January	-24,942	-15,709	-15,709
Net profit/loss for the period	-2,391	-5,305	-9,233
Value adjustments at 30 June	-27,333	-21,014	-24,942
Carrying amount at 30 June	12,667	18,986	15,058

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Aquaporin Space Alliance ApS	Odense, DK	DKK 80,000	50%

	6/30-2024 DKK	6/30-2023 * DKK	12/31-2023 (audited) DKK
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10 Contract work in progress

Selling price of work in progress	68,233,678	59,258,342	63,875,427
Payments received on account	-52,443,906	-37,096,052	-46,968,489
	15,789,772	22,162,290	16,906,938
Recognised in the balance sheet as follows:			
Contract work in progress recognised in assets	15,789,772	22,162,290	16,906,938
Prepayments received recognised in debt	0	0	0
	15,789,772	22,162,290	16,906,938

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Notes to the Interim Financial Statements

	1/1-2024 - 6/30-2024	1/1-2023 - 6/30-2023 *
	DKK	DKK
11 Cash flow statement - adjustments		
Financial income	-271,210	-189,060
Financial expenses	621,564	394,717
Depreciation, amortisation and impairment losses, including losses and gains on sales	273,174	382,129
Income from investments in subsidiaries	124,596	202,288
Income from investments in associates	2,391	5,305
Tax on profit/loss for the period	-500,646	-211,261
	249,869	584,118
12 Cash flow statement - change in working capital		
Change in inventories	0	-2,418,225
Change in receivables	2,810,507	-3,564,615
Change in trade payables, etc	-101,974	-1,609,159
	2,708,533	-7,591,999

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Notes to the Interim Financial Statements

	6/30-2024 DKK	6/30-2023 * DKK	12/31-2022 (audited) DKK
13 Contingent assets, liabilities and other financial obligations			
Charges and security			
Credit facilities are secured by a mortgage on following assets:			
Corporate mortgage in the company's receivables, inventory, fixed assets, equipment and intangible fixed assets for a total of DKK 12.000k. The carrying amount of pledged assets for credit facilities amounts to	31,923,711	33,310,270	33,895,788

Contingent liabilities

The Company has a rent obligation of DKK 311k in the period of interminability.

The Company has an accumulated lease obligation of DKK 22k.

A statement of support has been submitted from the company's management to the subsidiary. This must ensure that the company is able to continue operations and meet its obligations as they fall due.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group amounts to DKK 0. 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 adjustments of corporation taxes and withholding taxes may increase the Company's liability.

*) Comparative figures for the period 1/1-2023 - 6/30-2023 have not been restated for material errors in previous years.

Notes to the Interim Financial Statements

14 Accounting Policies

The Interim Financial Statements of Danish Aerospace Company A/S for the period 1 January - 30 June 2024 have been prepared in accordance with the accounting principles applied to the 2023 Annual report and the Interim financial statements for the period 1 January 2023 - 30 June 2023.

In the Annual Report for 2023 a material error in previous years was corrected. The material error was due to an error in the model for assessing the stage-of-completion of work-in-progress. In the Annual Report for 2023, the correction was made via the opening equity and comparative figures were restated. In the Interim Financial Statement for the period 1 January - 30 June 2024 the comparative figures for 30 June 2023 have not been restated.

The Interim Financial Statements for the period 1 January - 30 June 2024 are presented in DKK.

Recognition and measurement

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

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

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

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

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Interim Financial Statements which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

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

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

Income Statement

Revenue

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

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

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

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

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the period.

Financial income and expenses

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

Tax on profit/loss for the period

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

The Company is jointly taxed with affiliated Danish companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

Balance Sheet

Intangible assets

Development projects and patents

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5-10 years.

Patents are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 20 years.

Property, plant and equipment

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

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

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

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

Other fixtures and fittings, tools and equipment	5-8 years
Leasehold improvements	8 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

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

Contract work in progress

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

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

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

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

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

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

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

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the period broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the period.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the period adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Notes to the Interim Financial Statements

14 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the financial records

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