TrueNoord

Regional Aircraft Leasing

Navigating turbulence

Annual Report 2020–21

TrueNoord Fleet

Portugália
2 Embraer E195

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Navigating turbulence

After several years of strong organic growth, TrueNoord's focus for the financial year 2020-2021 can be summed up in one word, disciplined. Although we observed the arrival of the ongoing pandemic with as much trepidation as any lessor, fortunately we were well prepared for the initial and continuing effects of the COVID-19 crisis which reverberated across the aviation sector with compounding severity. Years of controlled growth, fiscal prudence, and process improvement - underpinned by strong relationships with customers, investors, and financiers – has created our stable platform. This proved a bedrock throughout the year enabling us to constructively help our lessees across the globe and sustain our performance.

As the year progressed, global air traffic demand diverged by region and by country according to both the harshness of the pandemic and local travel restrictions. Airlines sought to minimise losses and adapting their fleets was one way to do this. Reduced demand meant that minimising the operating cost per trip became a 'new normal' modus operandi. This led to relatively stronger performance for smaller gauge aircraft. In this environment the regional aviation sector broadly sustained operational performance, and TrueNoord's policy of close collaboration and flexibility not only supported our current customer portfolio, but also attracted new top-tier carriers eager to innovate and adapt their fleets.

Within the confines of a circumspect and vigilant approach we have developed sophisticated and creative leasing solutions to meet new demands from the marketplace. Younger and new aircraft types with a capacity of 50-150 seats, that represent better environmental sustainability and provide efficiency benefits for the market demand they serve, form the mainstay of our asset portfolio.

Undoubtedly it has been a year of challenges, but also one of opportunities. Regional and domestic air transport is recovering faster than other market segments, exciting new technologies are on the horizon, and with an investment strategy designed to achieve strong, but risk-managed, growth TrueNoord will strengthen its position at the forefront of this specialist sector.

TrueNoord Fleet

Silver Airways
1 ATR 72-600

TrueNoord Fleet

BA CityFlyer
1 Embraer E190

Our profile

50
Aircraft in fleet

7.4yrs
Average age of fleet

2.5yrs
Average lease term remaining

29
Employees

8
Aircraft types

15
Lessees

Figures accurate up to 31st March 2021

Figures compared with last financial year: Up Down

Our marketplace

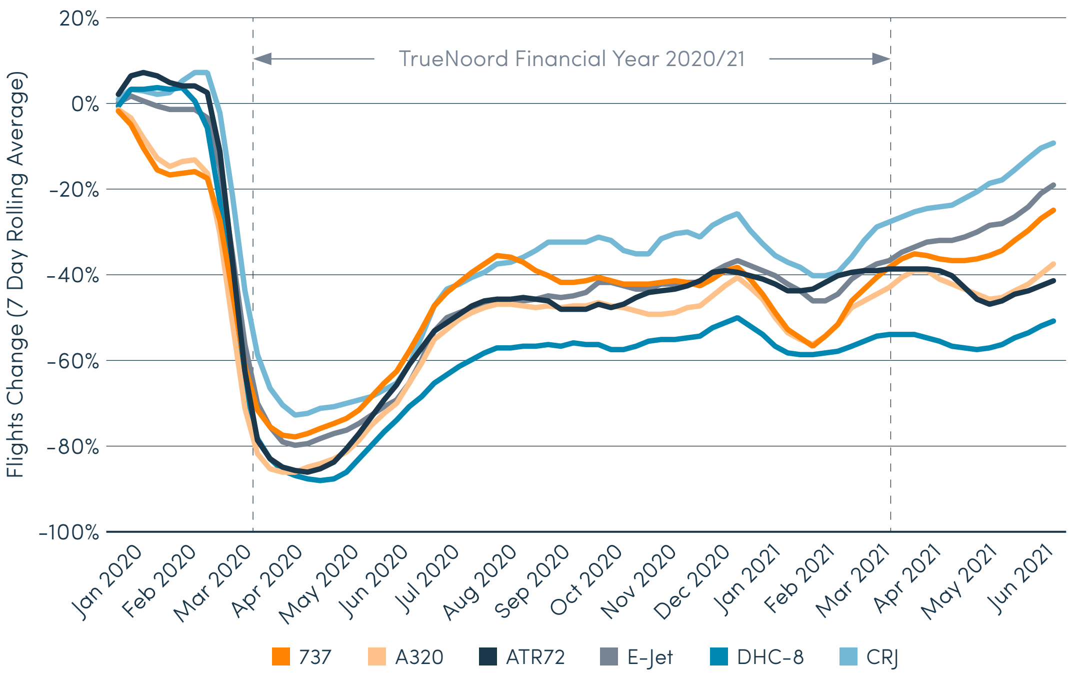
Regional aircraft with a capacity of 50-150 seats, including those increasingly described as crossover jets – the new generation of small Airbus and Embraer single aisle aircraft, are and will remain our market for the foreseeable future. We believe the ongoing pandemic has vindicated our view that big is not always best.

Not only do regional aircraft predominantly fly in less affected domestic markets and provide essential connectivity to remote regions, but for those airlines with multiple aircraft type fleets, smaller gauge regional aircraft are increasingly serving routes hitherto flown by larger mainstream narrowbodies.

We believe a portion of this change will be permanent, so the size and scope of our marketplace will continue to increase. The global fleet of Airbus and Boeing narrowbodies exceeds 18,000, compared to some 4,000 regional jets, so that even if only a fraction of this trend remains for the long-term it will represent a step change to the size of our marketplace.

The relative strength of the regional aircraft sector is underlined by the number of flights performed by various aircraft types since the onset of the global pandemic. The illustration below shows the collapse in air travel as measured by the number of flights performed (relative to the months immediately preceding the pandemic) was the most extreme that our industry has ever known. By the end of our financial year it was still 40% below the levels of early 2020. However, with the exception of older generation Dash 8-400 utilisation, regional aircraft types are either matching the recovery rate of their ubiquitous narrowbody A320 and 737 peers, or are exceeding them. There are many factors specific to each category of regional aircraft that have impacted their fortunes since March 2020.

All Airlines' 7 Day Rolling Average Flight Operations: January 2020 – June 2021



70-90 Seat Turboprops

The 70-90 seat turboprops largely operate in domestic markets, more so than regional jets. Turboprops dominate in Asia where (for example) Lion Air's subsidiary Wings Air, a TrueNoord lessee, is currently the world's largest ATR72 operator. Across much of that continent, pandemic related fortunes have ebbed and flowed according to very different spikes in local infection rates and associated (suddenly enforced) lockdown restrictions. In those nations that imposed strict regulations, domestic travel shut down with the exception of some essential connectivity or repatriation flights. In other countries, turboprop operations have remained the most active of all.

In Europe, turboprop operations were impacted more by the demise of Flybe and Eurowings' older generation Dash 8 fleet withdrawal, and Air Baltic's strategy to operate a single type fleet of A220s, rather than any COVID-19 related reaction. These events also caused some carriers to introduce services with other aircraft types on various vacated routes including ATR72s and in some cases 50-70 seater regional jets.

70-150 Seat Jets

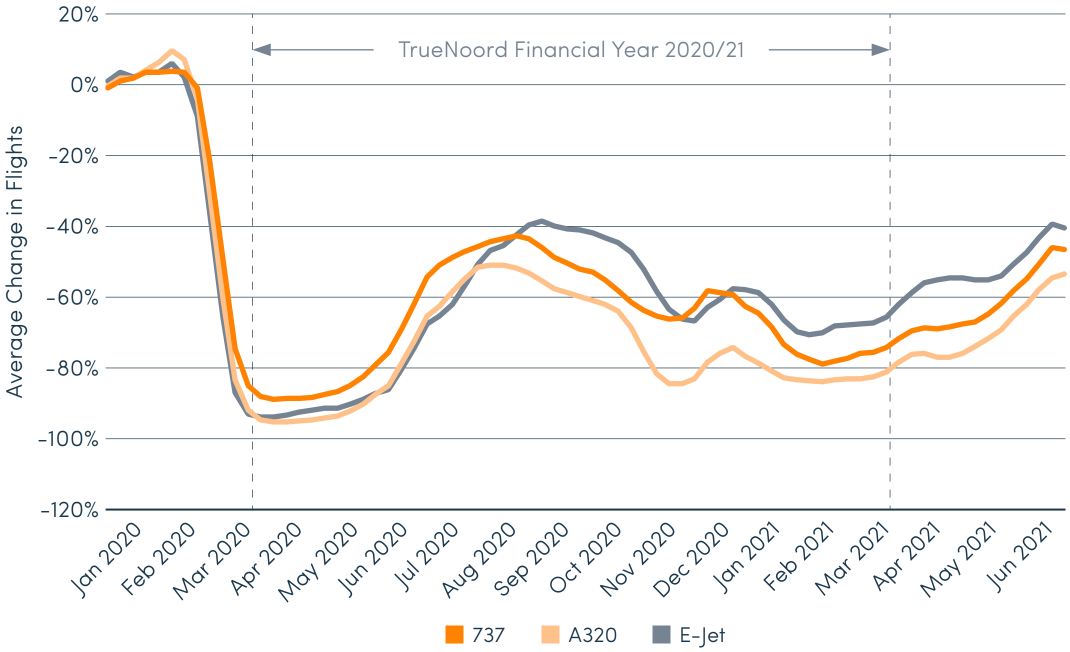
Although there is a 20 seat overlap between the larger turboprops and smaller regional jets, the larger capacity part of our market remains principally the domain of regional jets and the new generation of geared turbofan powered A220s and Embraer E2s. This segment continues to be highly influenced by the US market. The majority of regional jets up to 76 seats operate in North America and COVID-19 has accelerated their concentration in that region. Elsewhere, a diminishing core of primarily European carriers continue to operate sub-fleets of 70+ seat regional jets. With few exceptions, this capacity of regional jet constitutes only a small portion of the installed fleet in Asia, Latin America and Africa.

By contrast, at the larger end of the capacity spectrum above 90 seats, North American scope clause rules preclude the deployment of such aircraft within the regional affiliates of North American major carriers. This means that such aircraft have hitherto been less prevalent in this market. However, new generation A220s are now being adopted in mainline operations at Delta and low-cost operators including JetBlue; these aircraft offer the perfect capacity for many North American city pairs in the current recovering, but still lower demand, environment.

Furthermore, unlike previous generation aircraft where smaller capacity types were always at an economic disadvantage compared to larger ones, both the A220-300 and E195-E2 generation offer operating costs-per-seat and green credentials that can compete with the new A320NEO or 737MAX. As a consequence, we see growing interest from airlines to operate these aircraft. TrueNoord looks forward to adding these types to its portfolio.

In Europe, the E190 in particular is leading traffic recovery in the regional affiliates of major airlines as shown on page 10. For those with access to an existing fleet of such aircraft, many have maintained their reduced core networks with E-jets and in several cases have committed to continue their operation for longer than originally anticipated. For example, TrueNoord's lessee KLM Cityhopper continued to operate substantial parts of KLM's European network with E175s or E190s in place of larger 737s during parts of the pandemic. Finnair has adopted the same approach. Similarly Portugalia on behalf of TAP, a newly added customer during the year, has not only operated its existing fleet on previous A319 or A320 routes, but has grown its fleet of E-jets for this purpose. Elsewhere the Lufthansa Group has been operating a combination of CRJs, E-jets and A220s at its Swiss subsidiary in place of larger Airbus aircraft.

European Network Airlines' Flights 7 Day Rolling Average % Change: January 2020 – June 2021



Given the previously low penetration levels of regional jets in Australasia, we are witnessing an expansion of demand in parts of the region. Alliance Air has made a substantial commitment to used E-jets to operate for Qantas, and the fly-in fly-out special missions market for the mining industry is also seeing greater appetite. In addition, new operators of such aircraft, including Bamboo in Vietnam, have begun operating E-190s during the pandemic.

50 Seat Regional Jets and Turboprops

At the smaller 50 seat capacity level, not shown in the above chart, turboprops dominate in most of the world except the USA where many 50-seater jets remain. While the pandemic caused much of the US fleet to be temporarily parked, the return to service of these aircraft has lagged the domestic recovery of larger regional aircraft and narrowbody fleets. The 50 seat US fleet was already shrinking before March 2020 as it is ageing rapidly. High maintenance and re-entry to service costs are likely to mean that this fleet will continue to decline. Delta has already announced that 50 seaters will be retired within two years and American and United are reducing their fleets. However, as no obvious replacement exists, their retirement may be more gradual than currently expected.

At this stage the only remaining 50 seat aircraft in production at low levels is the ATR42-600. As a turboprop, it is uncertain whether the US market would absorb new turboprops to replace similar sized jets, but we believe that there may be some short distance markets that could do so although it would be a fraction of the size of the current jet market. Elsewhere a portion of the existing 30-50 seat market could also be replaced by the ATR42-600.

New Technology Aircraft

While the above mentioned small capacity segment may therefore be the least active over the coming years, it may become the most exciting over the next decades. There is broad agreement that electric and hydrogen propulsion systems will impact smaller aircraft many years before such technologies become feasible on larger regional or mainstream equipment. Considerable and therefore time consuming technological and certification barriers to entry remain before any such aircraft become common, but it is increasingly clear that this will impact regional lessors, including TrueNoord, many years before mainstream aircraft leasing platforms.

TrueNoord Fleet

Philippine Airlines
2 Dash 8-400

Our customers

TrueNoord's global client base experienced the impact of COVID-19 in a variety of ways over the course of the financial year. Although a few, including some global household names, experienced a near total shutdown, others were elevated to the position of becoming their larger partners' most active trading units. However, new customers came on board and the majority of our lessees accessed varying levels of support to maintain their services, albeit with reduced flight patterns.

IndiGo's ATR 72-600 fleet, of which five are leased from TrueNoord, were deployed to bring people home and transport medicines. This acknowledges the role played by regional aircraft in humanitarian efforts during the pandemic crisis and we observed many of our lessee airlines transporting medical provisions and other vital equipment to remote locations and sustaining critical supply chains.

In celebration of the increase and diversity of TrueNoord's portfolio and global customer base of strong and stable lessees, TrueNoord completed another significant milestone during the year as the fleet reached fifty aircraft. However, the portfolio was re-shaped as the year progressed with a combination of sales, transitions and returns.

In a carefully orchestrated cross-party agreement, we acquired two Embraer E195s from Brazilian operator Azul with leases attached to Portugália, the Portuguese regional airline. BA Cityflyer became a new client when we purchased an Embraer E190 from Falko with lease attached.

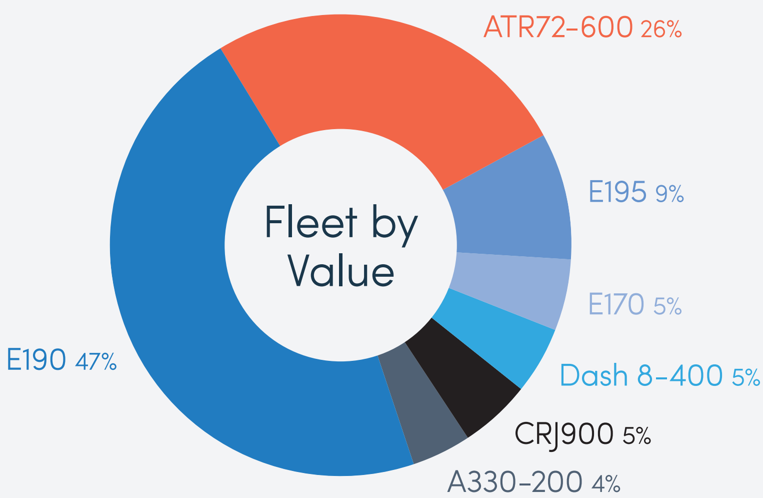
During the year, seven of our aircraft were redelivered from lessees of which some were natural lease expiries that were not driven by the pandemic. We also sold a CRJ200 to Shree Airlines in Nepal. The aircraft had finished its lease term with Spanish regional airline, Air Nostrum, and was the last such aircraft in our portfolio which is now focused on current and next generation regional jets and turboprops.

Subsequent Events

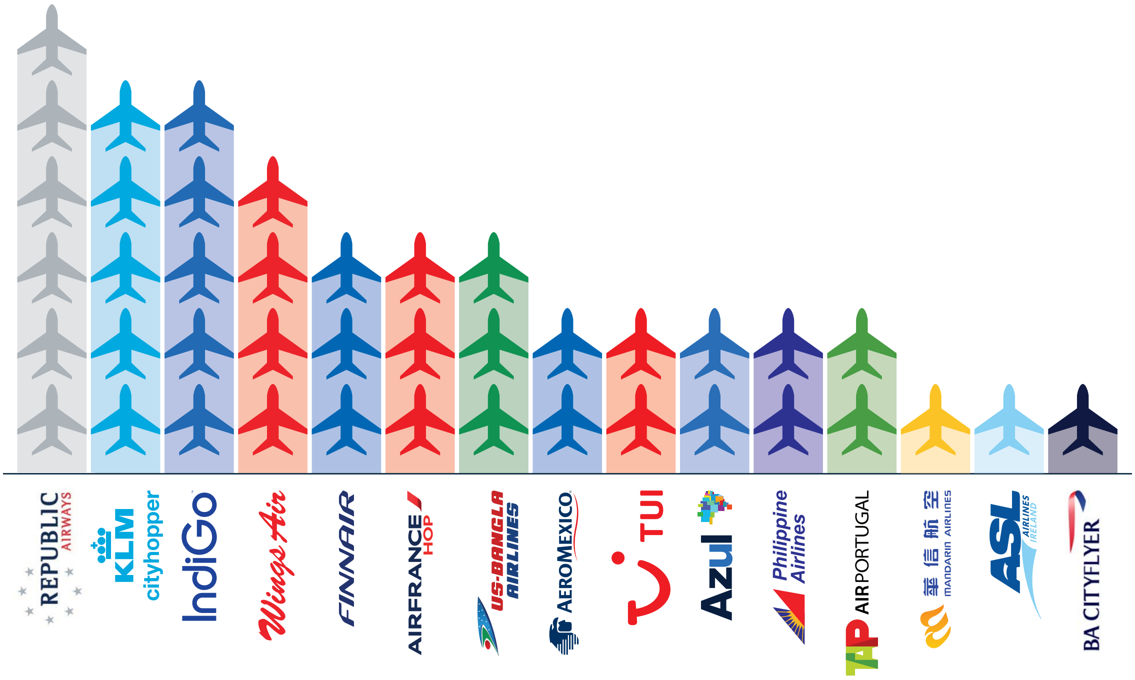
Shortly after the year end an ATR72-600, which was one of our re-delivered aircraft, joined the growing Silver Airways network across the south-eastern United States, Puerto Rico, the U.S. Virgin Islands and the Caribbean. Besides, the Company has grown its fleet by a further three factory new ATR72-600s leased to SKY express in Greece to serve its growing network of domestic and international destinations.

From 2020, TrueNoord began a process of negotiating lease extensions with six customers for aircraft that would otherwise have been returned in the following financial years of which the first extension was completed. The remaining five were agreed in the months succeeding the year end. This has had the effect of significantly increasing the average lease term remaining for our portfolio to 3.9 years.

In addition, a slow but accelerating recovery of the E190 market has enabled us to secure acceptable terms for the placement of two temporarily stored aircraft to airlines in the Asia Pacific region.

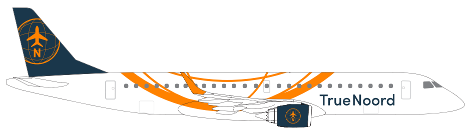


Our regional aircraft customers as at 31 March 2021



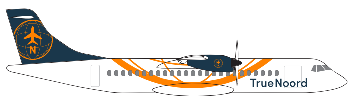
Our regional aircraft fleet as at 31 March 2021

EMBRAER



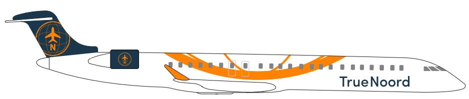
21 E190
6 E170
4 E195

ATR



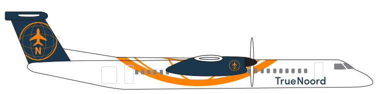
13 ATR72-600
1 ATR72-212

MHI RJ



2 CRJ900

DE HAVILLAND AIRCRAFT OF CANADA LIMITED



2 Dash 8-400

The next industry challenge

ESG Statement

While this last year has seen the most unprecedented period that our industry has ever faced, the aviation ecosystem cannot ignore the other major challenge of our times – its environmental footprint. Progress on environmental matters, social sustainability and robust governance have assumed increasingly enhanced importance not only at TrueNoord, but also for its shareholders and stakeholders including lessees, manufacturers, maintenance organisations and, not least, the travelling public.

Environment

From an environmental perspective, we strive to achieve several goals with our fleet and customers. TrueNoord supports the uptake of the most environmentally efficient aircraft for the missions that our lessees undertake. For short sectors with low traffic volumes, this is usually a turboprop. For longer sectors, this is more likely to be a regional jet or a new generation crossover jet such as an A220 or Embraer E2. The larger variants of these aircraft in particular offer a green footprint benefit of up to 25% over older generation single aisle aircraft with a similar capacity. Until alternative propulsion sources become available, we see the regional aircraft fleet as part of the solution rather than the problem.

When we place current generation aircraft in the secondary market, we assess both their environmental performance relative to the aircraft they replace, if applicable, and their impact on local transport infrastructure. As such, if the provision of air services between any two points compared to alternative transport modes is more emissions friendly, TrueNoord can support the placement of used aircraft.

In the short-term and in addition to our existing process of measuring the carbon footprint of travel of employees and power consumption in our offices, TrueNoord will regularly measure and report the carbon footprint of our fleet. In addition, we will encourage the uptake of sustainable alternative fuels and, where possible, conduct ferry flights with SAF in future.

Social

The social benefit of air transport is of critical importance to TrueNoord. In our market, regional aircraft often provide an essential public service for mail, medical services and perishable items as well as supporting connectivity to peripheral and remote areas. In a broader context, air services to remote regions are generally accepted as an enabler of increased economic activity with many direct and indirect employment benefits along with multiple other social gains. If such air connectivity can be provided in an environmentally more efficient and therefore less emissions intensive way compared to slow or indirect alternatives, then both social and emissions benefits are met. This is especially applicable in some parts of the developing world where surface transport infrastructure is often ageing, unreliable and highly polluting.

Governance

During the ongoing pandemic, TrueNoord has continued to develop its governance procedures in line with industry best practice. With strong support from shareholders and the Board of Directors throughout, we adapted our business to support our employees and customers and third-party service providers. Our customers and the services they provide are of paramount importance and to that end we have supported a number of them including some deferral agreements/and consent to a small number of early returns of surplus aircraft.

At the same time, we have enhanced the capabilities of our team through improved learning and development programmes to enable our staff to better manage the COVID-19 induced challenges. This has included modest growth in the size of our team with a greater emphasis on cultural and educational diversity. For example, our 31 strong team now comprises 12 nationalities many of whom have educational and professional backgrounds spanning multiple countries.

TrueNoord Fleet $C0^2$ Footprint Report

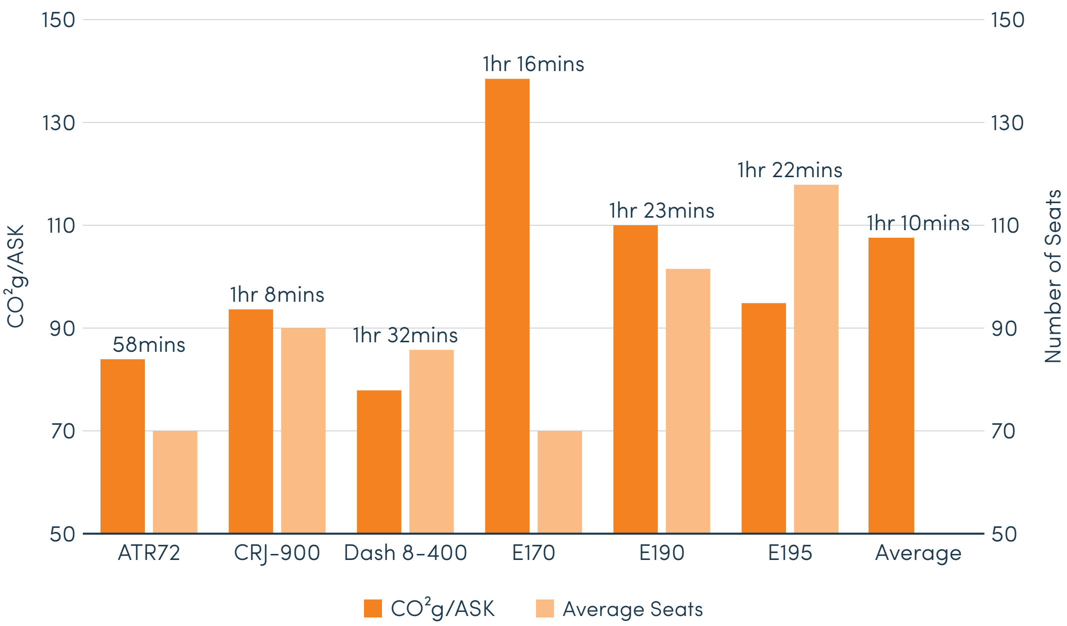
For the year 2020-2021, TrueNoord has measured the CO^2 emissions of its fleet for the first time and will continue to do so in future. In addition to utilisation reporting requirements under our leases, the wide availability of flight statistics now enables the generation of sufficiently representative emissions data.

Due to the pandemic, the number of flights performed by TrueNoord's fleet decreased from over 69,000 in the previous financial year to 32,600 during the current year, with the exception of our E195s where flights grew as the fleet increased from two to four aircraft. As a consequence, the total fleet $C0^2$ output plunged over the year.

As our industry recovers, the overall emissions reduction stated above will reverse, but it will take several years to reach 2019 levels as traffic levels will take time to recover. Since our turboprop and regional jets provide the ideal capacity to re-open many routes at efficient cost levels including fuel burn and therefore emissions, we expect a faster service re-entry of our fleet compared to the global fleet average.

Meanwhile, for the reduced number of flights performed in the current financial year the average fleet $C0^2$ emissions at 108g per available seat km (ASK) is similar to that of the previous year. Since the majority of emissions occur during the take-off and climb phases of any flight, the average flight time is a significant driver of CO^2/ASK. Shorter flights would generate more emissions although turboprops, particularly the ATR72, are considerably more fuel efficient and therefore generate less emissions for short flights compared to jets despite a longer flight time for the same journey. During the year, the average flight duration of the TrueNoord fleet stood at 1 hour and 10 minutes which was 3 minutes shorter than the previous year. This reflects the predominance of short-haul domestic and regional flights throughout the year so a marginal increase in CO^2/ASK would be expected. However, this was compensated for by the addition of two higher capacity E195s with below-average emissions and the sale of our last remaining relatively CO^2 intensive CRJ200 early in the year.

Average CO^2g Emissions per available seat km of aircraft in TrueNoord fleet and average flight time between April 2020 – March 2021



Chairman's statement

The words unprecedented and exceptional are often repeated carelessly and cheaply in general conversation, but for the year 2020-21 these would be appropriate terms for the travel industry in general, and specifically for both aircraft lessors and airlines in particular. For TrueNoord it has been no different except that due to good historical counterparty selection and creative and professional management we have had a relatively good year; our lease revenues have held up well. Obviously there have been a few exceptions, but in general terms we are in very good shape.

We are starting to see the first shoots of the recovery as the world's vaccine programmes take hold and travel starts to recover. There is no magic sauce for us, we continue to adopt a cautious approach to new deals aligned to a strict set of financial criteria. This may not bring quick and explosive expansion, but it is a path that leads us to steady growth and a secure future. Our near-term objective is to get our small number of grounded aircraft back with quality lessees. We have already had success with that and expect to report more good news soon.

The real cause for excitement is the development of two major-trends, both of which will benefit the Company in the future. First, it's important to understand that, despite growth in recent years in the regional market, leasing remains relatively underdeveloped with less than 40% of aircraft on operating lease relative to around 50% of the narrowbody fleet. This gap will continue to shrink as airlines seek ways to offset risk, and the most efficient way of doing that is to transfer the ownership of their aircraft to specialist leasing companies who offer greater fleet flexibility and often better financing terms than can be achieved by the carriers themselves. The movement of regional leasing to around 50% over the next few years is inevitable and accelerating.

Secondly, with the well documented and increased COVID-19 induced default rate of airlines in the past period, there is likely to be a premium that reflects that risk which will increase once the current over-supply to the market has been absorbed.

Regional flying will be the first to recover and since the manufacturers have all either suspended or dramatically reduced production, this process may well occur quicker than we expect over the coming two years.

For TrueNoord, it may well be that we invest in portfolios in the future as we seek to accelerate growth and take advantage of the dislocated market. In whatever form opportunities may come we are well placed to handle the increased activity in the regional market and we continue to be available to provide financing solutions for airlines, which is our core business, and that will continue for the foreseeable future.

I would like to thank our management and our staff for what has been a near perfect performance over the last twelve months. Our strong market and financial position is in no small part down to their efforts and ingenuity – the Board, and myself in particular, are very grateful to them.

Nigel Turner
Chairman

Key financial highlights

$163.6m
$97.0m
Revenue (total)

$116.9m
$95.5m
Revenue (operating lease income)

$131.2m
$86.6m
EBITDA

$88.1m
$49.9m
EBIT

$63.4m
$21.3m
EBT

$1,074.1m
$1,030.3m
Total assets

$889.5m
$876.2m
Aircraft carrying value

$482.1m
$571.4m
Total debt

0.45
0.55
Total debt / Total assets

3.7
6.60
Total debt / EBITDA

2021 2020

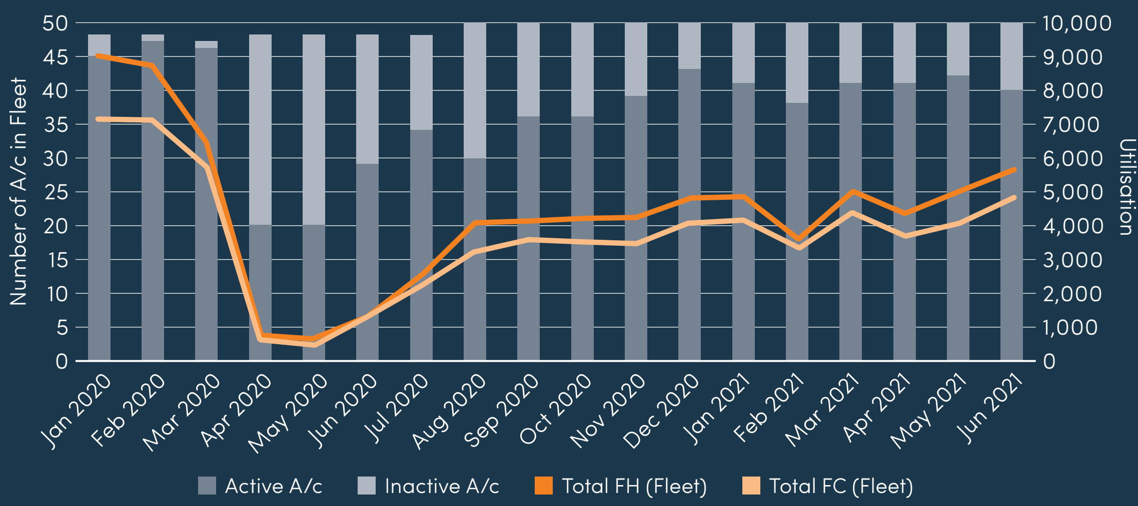
Figures as per 31st March 2021 Audited financials, before non-cash mark to market loss on interest rate swap.

Figures compared with last financial year: Up Down

CEO's statement

During our financial year, the effects of the COVID-19 pandemic on our industry and our valued customers were centre stage in almost every discussion and action we took. At the peak of the first wave in the first quarter of the financial year, over half of our fleet was inactive and utilisation had plunged to a small fraction of normal levels. Needless to say, if our customers were unable to fly our aircraft either due to lack of demand or enforced shutdowns they would have little revenue to pay fixed operating costs including lease rentals. As the year progressed, some were supported by their respective governments, but others faced unprecedented restructuring and in a few cases, administration proceedings.

TrueNoord Fleet Cumulative Monthly Utilisation



At TrueNoord, we were already seeing the impact of Covid-19 and assessing how best we could mitigate the initial effects on our stakeholders and above all our customers towards the end of the previous financial year. Like most other lessors, we were notified by several customers that our aircraft would be temporarily stored from the start of the current year. Despite travel restrictions, working from home and severe disruption for many of our customers, our asset management and technical teams performed beyond our expectations to ensure that our parked aircraft were appropriately stored and maintained in airworthy condition. Since our formation, we have continued to prioritise these functions as they remain core to protecting the value of our assets. In many cases our customers, who themselves were facing unprecedented circumstances, valued our assistance with storage and the associated maintenance arrangements.

Strong long-term customer relationships are a fundamental component of TrueNoord's business so, for the benefit of our lessees' long-term health and therefore our business, we agreed to a number of lease rent deferrals and a small amount of voluntary early aircraft redeliveries.

Our strong counterparty risk profile has served us well throughout the financial year. In addition, the quality of our lessees has enabled TrueNoord to maintain an above peer group average rental collection rate in excess of 75% throughout the reporting year.

Furthermore, our strong customer base has been able to return aircraft to service quicker than many as they have been able to maintain the necessary human and financial resources to do so. By the close of our financial year, almost 80% of our aircraft were active and flight hours reached 50% of pre-pandemic levels. According to CH-Aviation, this ranks TrueNoord 7th for the world's top 25 lessors with the most active aircraft in May 2021.

Top 15 lessors with the most active aircraft, May 2021*

*with more than 50 aircraft in the fleet

Throughout the pandemic we focused on existing customer relationships and also slowed the acquisition of additional aircraft in our portfolio during the year. We added three aircraft during our financial year leased to British Airways' Cityflyer operation and TAP's regional subsidiary Portugalia. This slower growth primarily reflects the lack of demand by airline customers for additional equipment during the year. It is not indicative of any restrictions to commit to, or complete, new business. TrueNoord remains very much open for new business and we intend to continue the expansion of our portfolio with quality lessees in the years to come.

Given this pandemic induced environment it is with great thanks to the efforts of our team that our operating lease income and total income continued to grow during the financial year to USD116.9 million and USD163.6 million representing growth of 22% and 69% respectively over the previous year. Part of this reflects new leases that commenced in the final quarter of 2020. Some voluntary early termination agreements brought forward previously contracted lease revenues.

Our EBIT has almost doubled from USD49.9 million to USD88.1 million over the reporting year.

We incrementally added three new hires to the team, retained all of our existing staff, and made the decision to upgrade our financial and asset management IT platforms. These systems have undergone successful trials and are currently nearing final implementation that includes the necessary robust security protocols.

During the year we have continued to invest in our team both from a human resources perspective and the systems and structures to achieve greater efficiency. Initially, the vast majority of our team were required to work from home, and I would personally like to thank each and every member for coping so admirably and successfully with these enforced circumstances. We adopted flexible working patterns to minimise any negative impact on staff wellbeing and configured our office space to be as COVID-19 secure as reasonably possible. While we believe that office interaction will continue to be important after the pandemic, we will embrace the positive elements of flexible working in future years.

Anne-Bart Tieleman
CEO

Our people

Throughout the 2020-2021 financial year the TrueNoord team found new ways to work with customers, shareholders and suppliers alike. At our offices in Amsterdam, Dublin, London and Singapore we remained flexible with alternate working weeks, aligning with home-working to sustain our important collaborative processes alongside the delivery of customer support, financial, technical, and commercial services.

Our prudent strategy to limit new hires whilst the team firmly established core areas of expertise and knowledge-sharing proved a prescient decision as the year evolved. One of the significant positives to take from the COVID-19 experience has been the resounding evidence of respect for each other and the appreciation of mutual support. Colleagues who experienced illness or unforeseen pressures have been willingly cared for, and the underlying spirit at TrueNoord remains optimistic and forward looking.

As we prepare the business to leverage new opportunities and manage significant change, several key roles have been identified that will improve our in-house capabilities. These include strengthening expertise in the areas of risk management, investment, technical and legal compliance. The new roles will be spread across TrueNoord's global offices and mark the next step in priming the business to take its leadership role in the regional aircraft leasing arena to the next level.

Anne-Bart Tieleman
Chief Executive Officer

Nigel Turner
Chairman (Non-Executive)

Julien Millet
Chief Financial Officer

Richard Jacobs
Chief Commercial Officer

Joram Lietaert Peerbolte
General Counsel & COO

Abhineet Awasthi
Transaction Manager

Ahmed Akhtar Ali
Sales Associate – Europe

Angus von Schoenberg
Industry Officer

Arie Landwaart
Head of Administration


Bas Gerritsen
Technical Director


Caroline van der Meij
Office Manager


Carst Lindeboom
Sales Director Asia Pacific


Daniel Vasile
Technical Manager


Declan Fitzpatrick
Director (TrueNoord Ireland)


Enrique Wilson-Rae
Legal Counsel


Falcon Miao
Accounting Officer

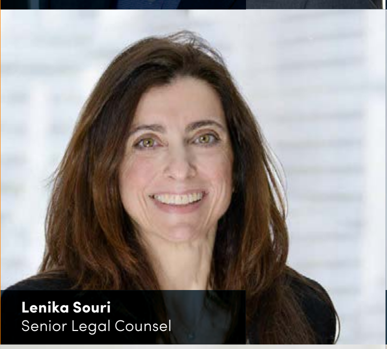

Garry Topp
Sales Director


Hugh Treharne
Senior Legal Counsel


Jack Bos
Technical Director


Juan Diego Escartín
Contract Manager


Kavita Jairam
Accounting & Control Officer


Lenika Souri
Senior Legal Counsel


Maarten Grift
Sales Support


Michael Adams
Sales Director Europe


Richard Wright
Financial Controller


Sibert van Leeuwen
Sales Manager


Pallavi Mund
Transaction Manager


Sushal Chopra
HR Consultant


Willy Smit
Accounting Officer

TrueNoord Fleet

KLM Cityhopper
5 Embraer E190

Financial statements

Company Information

Directors	Rayhan Robin Roy Davis Adam Michael McLain Anne-Bart Tieleman Julien Marc Alfred Millet Nigel Owen Turner
Registered office	5th Floor, St Albans House 57-59 Haymarket London SW1Y 4QX United Kingdom
Independent Auditor	Grant Thornton Chartered Accountants & Statutory Auditors 13-18 City Quay Dublin 2 Ireland
Bankers	HSBC 165 Fleet Street London EC4A 2DY United Kingdom Norddeutsche Landesbank 1 Wood Street London EC2V 7WT United Kingdom DVB (Bank SE) Schiphol Boulevard 255 1118 BH Schiphol The Netherlands ING Group Po Box 1800 1000 BV Amsterdam The Netherlands Bank of America 109 South Tyron Street Charlotte NC 29210 United States of America Citibank Canada Square London E14 5LB United Kingdom AIB (Allied Irish Banks) 7th floor, Adelaide Road Dublin 2 Ireland Credit Agricole CIB 12 place des Etats-Unis - CS 70052 92547 Montrouge France

Please note: The financial information in this report is extracted from the Group's full financial statements.

Strategic Report

For the financial year ended 31 March 2021

Principal activity

TrueNoord Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom. The principal activity of the Company is as a specialised regional aircraft lessor to commercial airlines.

These consolidated financial statements for the financial period ended 31 March 2021 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as "the Group").

The Directors are satisfied with the performance of the business in the financial year ended 31 March 2021, in terms of both growth and profitability from operating activities, and expect the Group to continue to acquire and lease aircraft in the forthcoming year.

Business review

The Directors recognise that the future success of the business is dependent on securing profitable leases, remaining profitable and effectively managing commercial and financial risks. The Directors have assessed these risks and have taken measures to manage them. Further details are provided under Principal risks and uncertainties. The Group has available funding from existing loan facilities, and equity financing is available to support the growth of the Group and Company and cover potential working capital requirements. For the year ended 31 March 2021, revenue increased as a result of continued aircraft fleet growth and increases in maintenance end of lease compensation. As at 31 March 2021, the Group owned 50 (2020: 47) aircraft. In addition, as at 31 March 2021, the Group has a significant amount of committed capital available to continue to expand its current fleet.

Going concern

These consolidated financial statements have been prepared assuming that the Group will be a going concern in the foreseeable future. The management of the Group do not intend to liquidate the Group or discontinue its operations. The Group expects to generate sufficient cash flows from the leases to be able to discharge its liabilities in the ordinary course of business.

During the year, the Group entered into agreements to purchase three additional aircraft which were leased under operating leases to third party airlines. The directors plan to enter into further agreements to purchase additional aircraft. It is expected that these new aircraft will be leased at a profit and will provide further cash flows to the Group and Company to help support its ongoing operations. The directors believe that the Group and the Company are a going concern and have sufficient resources to meet the day-to-day expenses of the Group and the Company.

The Directors recognise the uncertainty that exists around the possible future impact of COVID-19 on the Company and Group, its customers and the airline industry as a whole. The Directors have considered the adequacy of the Group and Company funding, borrowing facilities, cash flows and profitability for at least the next twelve months from the date of approval these financial statements. As at the date of signing these financial statements, there are sufficient cash flows projected for the next twelve months to enable the Group and Company to repay its debts as they fall due. The sufficiency of financial resources available to the Group and Company are dependent upon continued access to existing credit facilities and availability of equity funding. The Directors believe that the Group and Company have sufficient financial resources, including shareholders' continued support and commitment to the financial stability of the Group, together with long-term airline lease contracts. On this basis, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Please note: The financial information in this report is extracted from the Group's full financial statements.

Key financial performance indicators

Revenue, profit after tax (before gains/(losses) on unrealised foreign exchange and fair value movements on interest rate swaps), total loans and borrowings, and non-current assets are key indicators of the performance of the Group.

- Revenue: US$ 163,582,284 (2020: US$ 97,004,683)
- Profit after tax (before gains/ (losses) on unrealised foreign exchange and fair value movements on interest rate swaps): US$ 55,590,539 (2020: US$ 19,658,823)
- Loans and borrowings: US$ 475,956,424 (2020: US$ 562,588,289)
- Non-current assets: US$ 938,555,513 (2020: US$ 963,657,008)

Principal risks and uncertainties

Asset values

Aircraft and engines are subject to value fluctuations driven by market supply and demand which will have an impact on the assets of the Group. If demand for aircraft and engines decreases, market lease rates may fall. Should this condition continue for an extended period, it could affect the market value of the aircraft and engines and may result in an impairment charge.

Exposure to the commercial airline industry

As a supplier to the airline industry, the Group is exposed to the financial condition of the airline industry as it leases all of its aircraft to commercial airlines. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases, natural disasters, fuel costs and the demand for air travel. To the extent that any of these factors adversely affect the airline industry they may result in (i) downward pressure on lease rates and aircraft values, (ii) higher incidences of lessee defaults, restructuring and repossessions and (iii) inability to lease aircraft on commercially acceptable terms.

The ongoing COVID-19 virus has resulted in a reduction in global travel which has impacted the activities of the Company and Group as a lessor to airlines. The Directors recognise the uncertainty that exists around the possible continued future impact of COVID-19 on the Company and Group, its customers and the airline industry as a whole. The Company continues to work closely with its airline customers and to monitor and mitigate the impact of the virus on the activities of the Group and Company.

Leasing of aircraft

In order to continue to generate profits and cash flows, the Group, as an owner and lessor of aircraft, must address risks associated with (i) the re-leasing of aircraft subject to market and competitive conditions at lease end dates, (ii) funding and performance of maintenance activities, (iii) government and enviornment regulations relating to aircraft and their operation, and (iv) ongoing risks relating to finance and ownership of aircraft. Improper management of any of these risks could adversely affect the financial performance, position and growth potential of the Group.

Exposure to credit and liquidity cashflow risks

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's lease receivables from customers.

The aircraft and engines are leased by the Group to airlines worldwide. The airline industry is cyclical, economically sensitive and highly competitive. A key determinant of the Group's success is the financial strength of its lessees and their ability to react to and cope with the competitive environment in which they operate. If a lessee airline experiences financial difficulties this may result in a default and the early termination of the lease. The Directors mitigate this risk through comprehensive credit reviews of potential customers prior to entering into a new lease and on-going credit monitoring of customer airlines during the course of the leases. Where appropriate, the Group also collects maintenance reserves and security deposits from its lessees.

Some lessee airlines have experienced financial difficulties resulting from the COVID-19 pandemic. This resulted in a number of lessees making requests for rent deferrals. On-going credit monitoring and negoiations with customer airlines during and post year end has enabled the Group to stablise rent collection rates to an acceptable level and at a rate in excess of Group competitors in the marketplace.

Liquidity risk

The Group's aircraft are financed primarily by debt from third parties, borrowings from related parties, capital contributions, and the Group therefore has commitments to repay interest and principal. The Group is dependent upon the ongoing receipt of operating lease revenues in order to meet these debt servicing obligations. The Group's cash flow risk in respect of suppliers and service providers is also minimal as the Group aims to pay service poviders in accordance with the stated terms.

Section 172 Statement

From the perspective of the Directors, the matters for consideration under section 172 of the Companie Act 2006 ("s172") have been considered to an appropriate extent by the Group. Such consideration is included in the statements set out below, noting the Directors' duty under s172 to act in good faith to promote the success of the Group and Company for the benefit of its shareholders but having regard amongst other matters to the following:

- the likely consequences of any decision in the long term;
- the interests of the Group's and Company's employees;
- the need to foster the Group's and Company's business relationships with customers and others;
- the impact of the Group's and Company's operations on the community and the environment;
- the desirability of the Group and Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group and Company.

For the Group, compliance is one of its cornerstone values and forms the basis for all decisions and activities. It is the key to integrity in conducting business and as a global company. The Directors are committed to ensuring that all business is carried out in full accordance with the law as well as internal rules and principles.

The Board of Directors of the Group, both individually and together, confirmed that they have acted in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1) (a-f) of the Act) in the decisions taken during the year ended 31 March 2021. The following paragraphs summarise how the directors fulfil their duties:

- As the Board of Directors, the directors' intention is to behave responsibly and ensure that management operate the business in a responsible manner.
- As the Board of Directors, the directors are committed to openly engage with the Group's shareholders. It is important to the directors that shareholders understand the Group's strategy and objectives, so these must be clearly communicated, feedback heard and issues or questions raised properly considered.
- As the Group's services provided grow, the directors' risk environment also becomes more complex. It is therefore important that the directors effectively identify, evaluate, manage and mitigate the risks the Group faces. For details of the Group's principal risks and uncertainties, please see previous paragraphs of our Group strategic report.
- The Group's employees are vital to the services provided by the Group. The Group aims to be a responsible employer in its approach to the pay and benefits for its employees. For the business to succeed, the Group needs to manage its employees' performance and develop talent while ensuring the Group operates as efficiently as possible. The health and safety of the Group's employees is very important to the Group.
- In order to grow the business, the Group needs to develop and maintain strong business relationships. The Group values all of its suppliers and customers.

Future Developments

For the financial year 2021/2022, the Group expects to continue expanding its fleet and leasing activities.

The Group will continue to manage the effects of the current coronavirus crisis on its business. The Group's business is driven by demand for regional air travel. The ultimate disruption which may be caused by the outbreak remains uncertain. The Directors, however, recognise the uncertainty that exists around the possible ongoing impact of COVID-19 on the Company and Group, its customers, and the airline industry as a whole and continue to monitor and mitigate the impact of the virus on the activities of the Group and Company.

This report was approved by the board on 14 July 2021 and signed on its behalf.

Anne-Bart Tieleman
Director

Consolidated statement of comprehensive income

For the year ended 31 March

	2021 US$	2020 US$
Revenue	**163,582,284**	97,004,683
Expenses		
Administrative expense	**(26,806,060)**	(10,740,575)
Depreciation expense	**(40,696,312)**	(34,060,037)
Profit from operating activities	**96,079,912**	52,204,071
Finance income/(expense)		
Interest income	**4,933**	96,513
Interest expense	**(26,411,907)**	(28,686,792)
Amortisation of debt issuance costs	**(2,460,644)**	(2,659,629)
Fair value loss on derivative financial instrument	**9,187,392**	(20,699,659)
Loss on disposal of subsidiary	**(2,600,991)**	-
Profit before tax	**73,798,695**	254,504
Taxation charge	**(11,621,751)**	(1,295,340)
Profit/(loss) for the financial year	**62,176,944**	(1,040,836)
Other comprehensive income for the financial year		
Exchange differences on translation of foreign operations	**(1,184,564)**	359,368
Total comprehensive income/ (loss) for the financial year	**60,992,380**	(681,468)
Profit/(loss) for the financial year attributable to:		
Non-controlling interests	**1,188,972**	378,578
Owners of the parent	**60,987,972**	(1,419,414)
	62,176,944	(1,040,836)
Total comprehensive profit/(loss) for the financial year attributable to:		
Non-controlling interests	**1,188,972**	368,185
Owners of the parent	**59,803,408**	(1,049,653)
	60,992,380	(681,468)

Please note: The financial information in this report is extracted from the Group's full financial statements.

Consolidated statement of financial position

As at 31 March

	2021 US$	2020 US$
Non-current assets		
Maintenance assets	**64,616,485**	64,616,485
Goodwill	**11,461,910**	11,461,910
Property, plant and equipment	**830,465,734**	816,708,528
End of lease receivable	**32,011,384**	67,217,722
Deferred tax asset	**-**	3,652,363
Total non-current assets	**938,555,513**	963,657,008
Current assets		
End of lease receivables	**39,964,939**	23,581,203
Cash and cash equivalents	**75,594,896**	31,535,410
Trade and other receivables	**19,991,515**	11,583,027
Total current assets	**135,551,350**	66,699,640
Total assets	**1,074,106,863**	1,030,356,648
Equity		
Share capital	**555,490**	510,481
Share premium	**379,568,269**	291,213,278
Translation reserve	**911,433**	2,095,997
Accumulated profit/(loss)	**56,785,029**	(4,202,943)
Non-controlling interests	**-**	698,759
Total equity	**437,820,221**	290,315,572
Non-current liabilities		
Security deposits	**6,643,520**	7,857,701
Maintenance reserves	**31,871,793**	26,921,839
Loans and borrowings	**426,518,777**	400,492,828
Lease liabilities	**691,720**	563,477
Deferred end of lease income	**32,011,385**	67,217,722
Derivative financial liability	**20,026,969**	29,214,361
Deferred tax liability	**7,871,197**	-
Total non-current liabilities	**525,635,361**	532,267,928

Please note: The financial information in this report is extracted from the Group's full financial statements.

	2021	2020
	US$	US$
Current liabilities		
Lease liabilities	**534,684**	272,379
Deferred end of lease income	**39,964,939**	23,581,203
Loans and borrowings	**49,437,647**	162,095,461
Trade and other payables	**14,849,791**	16,667,856
Corporation tax liability	**1,364,806**	402,476
Maintenance reserves	**4,099,414**	1,818,141
Security deposits	**400,000**	2,935,632
Total current liabilities	**110,651,281**	207,773,148
Total liabilities	**636,286,642**	740,041,076
Total equity and liabilities	**1,074,106,863**	1,030,356,648

These financial statements were approved by the Board of Directors on 14 July 2021 and were signed on its behalf by:

Anne-Bart Tieleman, Director

Consolidated statement of cash flows

For the year ended 31 March

	2021 **US$**	2020 US$
Profit/(loss) before tax	**73,798,695**	254,504
Adjustments for:		
Movement in working capital	**(17,485,288)**	(3,175,409)
Movement in maintenance reserve	**7,231,227**	6,345,097
Movement in security deposits	**(4,547,813)**	-
Loss on disposal of subsidiary	**2,600,991**	-
Gain on sale of fixed assets	**-**	(500,000)
Amortisation of debt issuance cost	**2,460,644**	2,659,629
Depreciation expense	**40,696,312**	34,060,037
Interest expense	**26,411,907**	28,686,792
Interest income	**(4,933)**	(96,513)
Income taxes paid	**(144,153)**	(15,134)
Foreign exchange	**(1,184,564)**	419,062
Fair value movement on interest rate swap	**(9,187,392)**	20,699,659
Other non-cash items	**3,009,485**	-
Net cash from operations	**123,655,118**	89,337,724
Cash flows from investing activities		
Proceeds from security deposits	**798,000**	1,738,214
Interest received	**4,933**	96,513
Addition of maintenance assets	**-**	(2,527,379)
Addition of fixed assets	**(51,406,426)**	(223,010,451)
Proceeds from disposals of fixed assets	**-**	1,500,000
Cash flows on disposal of subsidiary	**(1,500,119)**	-
Net cash used in investing activities	**(52,103,612)**	(222,203,103)
Cash flows from financing activities		
Interest paid	**(26,936,550)**	(27,798,466)
Proceeds from issue of share capital	**45,009**	36,206
Proceeds from issue of share premium	**88,354,991**	62,363,124
Debt issuance cost paid	**-**	(5,011,012)
Proceeds from lease liabilities	**390,548**	-
Receipt of loan borrowings	**93,474,739**	162,114,007
Repayment of loan borrowings	**(182,820,756)**	(55,997,694)
Net cash provided by financing activities	**(27,492,020)**	135,706,165
Net increase in cash and cash equivalents	**44,059,486**	2,840,786
Opening cash and cash equivalents	**31,535,410**	28,694,624
Cash and cash equivalents at end of financial year	**75,594,896**	31,535,410

Please note: The financial information in this report is extracted from the Group's full financial statements.

TrueNoord Fleet

US-Bangla
3 ATR 72-600

The future of regional travel in Europe

Is it time for some blue sky thinking?

There is a wide consensus that the world's aviation landscape will permanently change due to the long-term legacies of COVID-19. Whatever the short-term brings regarding the speed and extent of passenger recovery, global trends suggest that long-term demand and growth may be lower than in recent decades as customer behaviour evolves.

From a business travel perspective, digitalisation could also fuel growth. Improved virtual communications may mean that service industry employees or contractors no longer need to daily commute to their places of work. Companies could then reduce their fixed-cost floor space needs and maybe even relocate some functions to more remote areas to reduce traditional city-centre costs. This in turn could further fuel local and regional air travel demand. Consequently, while traffic, especially higher-yield business traffic, may suffer in the short-term, any significant digitally-powered structural demographic shift towards more ruralisation for workforces should boost air transport demand in future.

However, at its heart, the regional airline industry needs to continue improving its performance to approach carbon neutrality. This not only means adopting the most environmentally efficient aircraft for their needs, but also improving performance at all operational levels including air traffic management; maintenance; recycling; and the use of sustainable alternative fuels.

Most importantly the air transport industry needs to communicate its environmental credentials more effectively. Although the messaging on a business-to-business and governmental level is improving, effective business to consumer communication remains almost absent. The revolution afforded by alternative electric, or hydrogen-based propulsion systems, will be available on regional aircraft far sooner than on larger platforms, thereby heralding a new era in the evolution of flight. So finding fresh ways to educate and elevate informed decision making is a global opportunity.

Ultimately, changes in customer behaviour could positively benefit regional carriers. This will be particularly impactful if regular competitive services can be offered to the correct remote locations, and consumers understand the fair environmental cost of availing such connectivity.


TrueNoord

TrueNoord
Regional Aircraft Leasing

info@truenoord.com truenoord.com

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