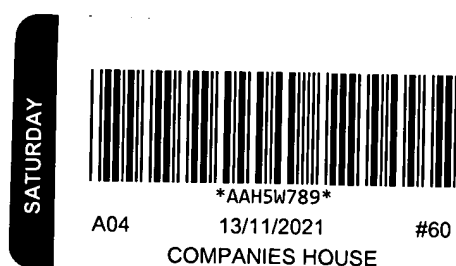


REGISTRATION NUMBER
FC025583
BR007867

NGC INTERNATIONAL, INC.

UNAUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020



NGC INTERNATIONAL, INC.
FINANCIAL STATEMENTS
UNAUDITED

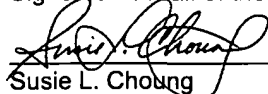
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NGC INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
UNAUDITED

\$ in thousands	December 31	
	2020	2019
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 3,787	\$ 2,366
Intercompany receivables	887	2,454
Prepaid expenses and other current assets	777	1,199
Total current assets	<u>5,451</u>	<u>6,019</u>
Non-current assets		
Property, plant and equipment, net	1,204	1,595
Right-of-use assets	722	1,005
Other assets	109	122
Intercompany receivables	12,860	13,414
Total assets	<u><u>\$ 20,346</u></u>	<u><u>\$ 22,155</u></u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 274	\$ 4,947
Other accruals	8,710	6,695
Income tax payable	246	594
Lease liabilities	277	288
Total current liabilities	<u>9,507</u>	<u>12,524</u>
Non-current liabilities		
Other accruals	938	—
Lease liabilities	501	771
Total liabilities	<u>10,946</u>	<u>13,295</u>
<u>Equity</u>		
Retained earnings (Note 2)	8,628	8,088
Other comprehensive income	772	772
Total equity	<u>9,400</u>	<u>8,860</u>
Total liabilities and equity	<u><u>\$ 20,346</u></u>	<u><u>\$ 22,155</u></u>

Signed on behalf of the board of directors


 Susie L. Choung

The accompanying notes are an integral part of these financial statements.

NGC INTERNATIONAL, INC.
STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
UNAUDITED

<i>\$ in thousands</i>	Year Ended December 31	
	2020	2019
Sales	\$ 13,680	\$ 24,773
Cost of sales	12,886	23,220
Gross profit	794	1,553
Total other income	42	289
Earnings before income taxes	836	1,842
Income tax expense	(296)	(384)
Net earnings	540	1,458
Other comprehensive loss	—	(6)
Comprehensive income	\$ 540	\$ 1,452

The accompanying notes are an integral part of these financial statements.

NGC INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
UNAUDITED

<i>\$ in thousands</i>	Year Ended December 31	
	2020	2019
Cash flows from operating activities		
Net earnings	\$ 540	\$ 1,458
<i>Adjustment for:</i>		
Depreciation and amortization	396	194
Cumulative translation	—	(6)
Depreciation of right-of-use assets	283	277
	<u>1,219</u>	<u>1,923</u>
<i>Changes in working capital:</i>		
Intercompany receivables	2,121	(3,790)
Prepaid expenses and other assets	718	(110)
Accounts payable and other liabilities	(2,349)	3,107
Net cash provided by operating activities	<u>1,709</u>	<u>1,130</u>
Cash flows from investing activities		
Payments for property, plant, and equipment	(5)	—
Net cash used in investing activities	<u>(5)</u>	<u>—</u>
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(283)	(277)
Net cash used in financing activities	<u>(283)</u>	<u>(277)</u>
Net increase in cash and cash equivalents	1,421	853
Cash and cash equivalents at beginning of the year	2,366	1,513
Cash and cash equivalents at end of the year	<u>\$ 3,787</u>	<u>\$ 2,366</u>

The accompanying notes are an integral part of these financial statements.

NGC INTERNATIONAL, INC.

NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

NGC International, Inc. (herein referred to as the Company) is a private company incorporated in the United States of America ("US"). The address of the Company is 2980 Fairview Park Dr. Falls Church, Virginia, 22042. The Company serves as an employer of corporate employees located outside the US and operates through its registered branches in Australia, Belgium, Canada, France, Germany, Switzerland and the United Kingdom.

The Company is a wholly-owned subsidiary of Northrop Grumman Overseas Services, Inc. The ultimate parent company is Northrop Grumman Corporation (NGC), incorporated in the State of Delaware, with principal offices in the State of Virginia. NGC is a leading global aerospace and defense company. NGC uses its broad portfolio of capabilities and technologies to create and deliver innovative platforms, systems and solutions in space; manned and autonomous airborne systems, including strike; strategic deterrence systems; hypersonics; missile defense; weapons systems; cyber; command, control, communications and computers, intelligence, surveillance and reconnaissance (C4ISR); and logistics and modernization.

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). All values are presented in US dollars, the Company's functional currency, and in thousands unless otherwise noted.

Accounting Estimates

The Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of sales and expenses during the reporting period. Estimates have been prepared using the most current and best available information; however, actual results could differ materially from those estimates.

Accounting Standards Updates

Accounting standards updates adopted and/or issued, but not effective until after December 31, 2020, are not expected to have a material effect on the Company's statement of financial position, statement of earnings and comprehensive income and/or cash flows.

Income Taxes

Provisions for income taxes are calculated on reported earnings before income taxes based on current tax law of the jurisdictions in which the Company conducts business. The Company is included in the NGC US Federal and State consolidated tax returns however the Company's foreign branches are also required to file tax returns in their local jurisdictions.

Income tax expense of \$296,000 and \$384,000 for 2020 and 2019, respectively, represents tax charges imposed on the Company's foreign branches. For US tax purposes, in the consolidated tax filing, income tax for the Company's foreign branches are accounted for as an foreign tax credit in NGC's consolidated tax filings.

Revenue Recognition

The Company provides services to affiliated entities. These transactions occur in the normal course of business and are approved by management. The Company is reimbursed for expenses incurred related to these services plus an agreed upon markup.

NGC INTERNATIONAL, INC.

Currency Translation

The assets and liabilities of the Company's foreign operations whose functional currency is other than the US dollar are translated at the exchange rates in effect on the reporting date. Transactions denominated in foreign currencies are translated into US dollars at the weighted average exchange rate during the period. The effect of these translation differences are reported in other comprehensive income/loss on the statement of financial position and the statement of earnings and comprehensive income.

Leases

The Company leases certain buildings and equipment. At contract inception the Company determines whether a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating lease balances are included in right-of-use assets and lease liabilities in the statement of financial position.

The Company recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses NGC's incremental borrowing rate based on the information available at commencement date to determine the present value of future payments and the appropriate lease classification. The Company defines the initial lease term to include renewal options determined to be reasonably certain. Management elected not to recognize a right of-use asset and a lease liability for leases with an initial term of 12 months or less; the Company recognize lease expense for these leases on a straight-line basis over the lease term. The Company elected the practical expedient to not separate lease components from nonlease components and applied that practical expedient to all material classes of leased assets.

Some of the Company's lease agreements contain incentives for tenant improvements or rent escalation clauses. For rent escalation clauses during the lease term, the Company records rental expense on a straight-line basis over the term of the lease. For lease incentives, the Company uses the date of initial possession as the commencement date, which is generally when the company is given the right of access to the space and begins to make improvements in preparation for intended use.

Intercompany Receivables

Intercompany transactions are approved by management and are expected to be settled in the normal course of business with no specific repayment terms.

Property, Plant and Equipment

Property, plant and equipment are depreciated over the estimated useful lives of individual assets or the length of the lease. Assets are generally depreciated using declining-balance methods and the straight-line method.

<i>\$ in thousands</i>	December 31	
	2020	2019
Computer Equipment:		
Machinery and other equipment	\$ 708	\$ 707
Leasehold improvements	1,096	1,092
Property, plant and equipment, at cost	1,804	1,799
Accumulated depreciation	(600)	(204)
Property, plant and equipment, net	\$ 1,204	\$ 1,595

NGC INTERNATIONAL, INC.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in banks and highly liquid instruments with original maturities of three months or less.

2. RETAINED EARNINGS

<i>\$ in thousands</i>	Year Ended December 31	
	2020	2019
Beginning of year	\$ 8,088	\$ 6,630
Net earnings	540	1,458
End of year	<u>\$ 8,628</u>	<u>\$ 8,088</u>

3. LEASES

Total Lease Cost

Total lease cost is included in cost of sales in the statement of earnings and comprehensive income and is recorded net of immaterial sublease income. Total lease cost is comprised of the following:

<i>\$ in thousands</i>	Year Ended December 31	
	2020	2019
Operating lease cost	\$ 310	\$ 319
Total lease cost	<u>\$ 310</u>	<u>\$ 319</u>

Supplemental Balance Sheet Information

Supplemental operating lease balance sheet information consists of the following:

<i>\$ in thousands</i>	December 31	
	2020	2019
Right-of-use asset	\$ 722	\$ 1,005
Current lease liabilities	277	288
Non-current lease liabilities	501	771
Total operating lease liabilities	<u>\$ 778</u>	<u>\$ 1,059</u>

Other Supplemental Information

Other supplemental operating lease information consists of the following:

	December 31	
	2020	2019
Weighted average remaining lease term	2.7 Years	3.6 Years
Weighted average discount rate	3.8 %	3.8 %

NGC INTERNATIONAL, INC.

Maturity of Lease Liabilities

Maturities of operating lease liabilities as of December 31, 2020 are as follows:

\$ in thousands

2021	\$	308
2022		283
2023		242
2024		—
2025		—
Thereafter		—
Total lease payments		833
Less: Imputed interest		(55)
Present value of operating lease liabilities	\$	<u>778</u>

4. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.