TERMA
ALLIES IN INNOVATION

ANNUAL REPORT 2020/21

Terma A/S
Hovmarken 4
8520 Lystrup
Denmark

Central Business Register No. 41 88 18 28
Presented and approved on 27 May 2021

Meeting Chairman: Niels Bundsgaard

Our Purpose:

Securing People Through Advanced Technology

Terma A/S
Hovmarken 4
8520 Lystrup
Denmark

T +45 87 43 60 00
F +45 87 43 60 01
www.terma.com
terma.hq@terma.com

Central Business Register No. 41 88 18 28
Founded 1 December 1949
Situated in Aarhus Municipality

Production: Klausen og Partners A/S

Images: European Space Agency, Lockheed Martin, Frederik Ahlefeldt-Laurvigen, David Bering, Royal Australian Navy, and Terma

Board of Directors
Flemming H. Tomdrup (Chairman)
Jørgen Huno Rasmussen (Deputy Chairman)
Karen-Marie Katholm
Carsten Dilling
Bo Laursen
Martin Anders Hedegaard
Benny Daugaard Laursen

Executive Management
Jes Munk Hansen, CEO & President
Per Thiesen, Executive Vice President & CFOO
Steen M. Lynenskjold, Executive Vice President & CCO

Auditors
EY Godkendt Revisionspartnerselskab

Annual General Meeting
The Annual Report was presented and approved at the annual general meeting of the Company at the Group's address on 27 May 2021.

Table of Contents

Statement by the Board of Directors and Executive Management

The Board of Directors and Executive Management have today discussed and approved the Annual Report of Terma A/S for the 2020/21 fiscal year.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated and Parent Company Financial Statements give a true and fair view of the Group's and Parent Company's financial position at 28 February 2021 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for 2020/21.

Further, we consider the Management's Review to present a fair disclosure of the development in the Group's and Parent Company's operations and financial conditions, the results for the year, the Group's cash flows, and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent Company face.

We recommend that the Annual Report be approved at the annual general meeting.

Herlev, 27 May 2021

EXECUTIVE MANAGEMENT:

Jes Munk Hansen
CEO & President

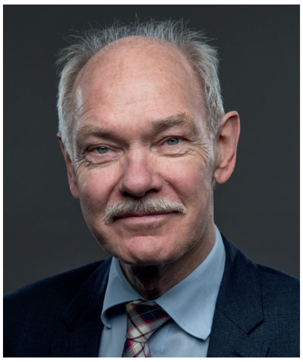
Per Thiesen
Executive Vice President & CFOO

Steen M. Lynenskjold
Executive Vice President & CCO

Executive Management, from left: Steen M. Lynenskjold, Jes Munk Hansen, Per Thiesen

BOARD OF DIRECTORS:

Flemming H. Tomdrup
Chairman



Jørgen Huno Rasmussen
Deputy Chairman

Karen-Marie Katholm

Carsten Dilling

Bo Laursen

Martin Anders Hedegaard

Benny Daugaard Laursen

Independent Auditor's Report

TO THE STOCKHOLDER OF TERMA A/S

Opinion

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Terma A/S for the fiscal year 1 March 2020 – 28 February 2021, which comprise Income Statement, Balance Sheet, Statement of Changes in Equity, and Notes, including Accounting Policies, for the Group and the Parent Company, and a Consolidated Cash Flow Statement. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 28 February 2021 and of the results of the Group's and the Parent Company's operations as well as the Consolidated Cash Flows for the fiscal year 1 March 2020 – 28 February 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and the Parent Company Financial Statements" (hereinafter collectively referred to as "the Financial Statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of the Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and contents of the Financial Statements, including the note disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's Review
Management is responsible for the Management's Review.

Our opinion on the Financial Statements does not cover the Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's Review.

Aarhus, 27 May 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen
State-Authorized Public Accountant
mne10121

Financial Highlights

CONSOLIDATED

DKK million	2020/21	2019/20	2018/19	2017/18	2016/17
KEY FIGURES					
Order intake	2,019	2,842	1,726	1,728	1,411
Order backlog, year-end	**3,171***	**3,222***	**2,297***	**2,374***	**2,431***
Revenue	**2,070**	**1,917**	**1,803**	**1,785**	**1,719**
EBITDA before special items	**321**	**274**	**277**	**298**	**288**
Depreciation, amortization, and write-downs	(151)	(148)	(165)	(149)	(147)
Operating profit before special items	170	125	112	149	141
Financial income and costs	(33)	(16)	(17)	(25)	(21)
Earnings before special items and tax	**137**	**110**	**95**	**124**	**120**
Special items before tax**	-	-	(164)	(31)	-
Profit for the year	116	94	(66)	72	91
Non-current assets	1,216	1,088	995	935	899
Current assets	1,333	1,329	1,192	1,084	892
Total assets	2,549	2,417	2,186	2,019	1,791
Total equity	731	680	579	663	562
Subordinated loans	125	125	125	125	125
Capital base***	856	805	704	788	687
NIBD (excl. subordinated loans)	438	398	357	489	306
Cash flows from operating activities	**185**	**303**	**361**	**5**	**283**
Cash flows for investing activities	(286)	(214)	(229)	(188)	(206)
Cash flows from financing activities	(11)	41	(36)	157	(36)
Total cash flows	**(112)**	**130**	**95**	**(26)**	**41**
FINANCIAL RATIOS:					
EBITDA margin before special items	15.5	14.3	15.3	16.6	16.8
EBT margin before special items	6.6	5.7	5.2	7.0	7.0
Return on investments before special items	**7.4**	**5.9**	**5.5**	**8.0**	**8.2**
Liquidity ratio	118	127	149	161	135
Solvency ratio (capital base)	33.6	33.3	32.2	39.0	38.4
Return on equity	16.4	14.9	(10.7)	11.8	16.1
Leverage ratio	**1.4**	**1.5**	**1.3**	**1.6**	**1.1**
Average number of full-time employees	**1,653**	**1,521**	**1,495**	**1,398**	**1,257**

* *Including framework agreements.*

** *Special items in 2018/19 primarily relate to the Polish court case.*

*** *Capital base is defined as equity and subordinated loans.*

Definition of Financial Ratios:

EBITDA margin before special items: $\frac{\text{EBITDA before special items x 100}}{\text{Revenue}}$

EBT margin before special items: $\frac{\text{Earnings before special items and tax x 100}}{\text{Revenue}}$

Return on investments before special items: $\frac{\text{Operating profit before special items x 100}}{\text{Average operating assets}}$

Operating assets: Total assets less cash at bank and in hand, and other interest-bearing assets

Liquidity ratio: $\frac{\text{Current assets x 100}}{\text{Current liabilities other than provisions}}$

Solvency ratio: (Capital base) $\frac{\text{Capital base x 100}}{\text{Total assets at year-end}}$

Return on equity: $\frac{\text{Profit for the year x 100}}{\text{Average equity}}$

Leverage ratio: $\frac{\text{NIBD (excl. subordinated loans)}}{\text{EBITDA before special items}}$

Terma at a Glance

2020/21

MAIN CONCLUSION

Revenue grew by 8% and exceeded 2 BDKK for the first time. EBT at 137 MDKK reflects an improvement of 25% over 2019/20 in a year impacted by COVID-19.

Transparency International
(Anti-Corruption index)
B
Up from F
(CSR Report 2020/21)

Order backlog
(DKK million)
3,171
on par with 2019/20

Revenue
(DKK million)
2,070
Up from 1,917

EBITDA
(DKK million)
321
Up from 274

Earnings before tax (EBT)
(DKK million)
137
Up from 110

Operating cash flow
(DKK million)
319
Up from 303
(excl. the Polish court case)

Return on investments
(%)
7.4
Up from 5.9

Leverage
(Ratio)
1.4
Down from 1.5

Management's Review 2020/21

2020/21 revenue grew by 8% and surpassed the 2 BDKK mark for the first time. Earnings were likewise record high, 25% above 2019/20.

The good results were achieved in a year dominated by COVID-19 which had a negative impact in several areas of the business; the service activities in the Support & Services Business Area experienced a reduction in activity, and some programs in the Surveillance & Mission Systems Business Area saw postponements. The negative business impacts were more than offset by other areas in the business, in particular the radar business and F-35 production. This is a result of a strong business portfolio.

The production facilities in Grenaa and Lystrup had COVID-19 cases that disrupted production. However, the cases were contained, and effective restrictions implemented. Since the outbreak more than a year ago, Terma has taken measures to ensure the safety of our employees and reasonably mitigate the operational impact.

Order intake for the year was 2,019 MDKK (2019/20: 2,842 MDKK), resulting in an order backlog at year-end of 3,171 MDKK (2019/20: 3,222 MDKK). The order backlog provides for a comfortable business base in 2021/22 as well as in the following years.

The order intake for the year included several significant wins such as a contract for the joint Belgian and Dutch replacement Mine Countermeasures vessel program. Our Security business did very well, with high order intake for coastal surveillance based on a large contract in the Middle East and multiple VTS contracts in Asia.

Terma was awarded a 10-year frame agreement in support of the U.S. Air Force to provide self-protection hardware, sustainment, and engineering services. It is Terma's largest award ever and further establishes Terma as a leading EW solutions provider and positions Terma for significant growth. The U.S. Air National Guard (ANG) ordered a large quantity of our Pylon Integrated Dispense System (PIDS+).

Revenue for the fiscal year was 2,070 MDKK compared to 1,917 MDKK in 2019/20. 93% of the revenue was generated outside Denmark. The defense market constitutes 71% of the revenue. EBITDA reached an unprecedented level of 321 MDKK in 2020/21 compared to 274 MDKK in 2019/20, an improvement of 17%.

Earnings before tax (EBT) were 137 MDKK in 2020/21 compared to 110 MDKK in 2019/20.

Operating cash flow for 2020/21 was 319 MDKK, excluding the extraordinary settlement of 134 MDKK related to the Polish court case provision mentioned in the 2019/20 annual accounts. Net interest-bearing debt (NIBD) was 438 MDKK by end-2020/21.

At year-end, total staff was 1,713 Full-Time Employees (FTE).

The Board of Directors and Executive Management greatly appreciate the dedication, commitment, and efforts of our employees worldwide, especially considering the unusual circumstances due to COVID-19.

Outlook for 2021/22

The outlook in the base budget for 2021/22 reflects an organic growth in revenue of approx. 10% with a corresponding increase in earnings. It is based on a robust level of revenue expected from firm orders. The COVID-19 pandemic persists and is expected to impact Terma also in 2021/22.

As a matter of prudence and precaution, Terma continues to operate with different scenarios to supplement the base budget in order to increase flexibility and scalability as well as to address the effects from potential disruptions to Terma's supply chain, manufacturing, and installations.

The F-35 program remains a key strategic element of Terma's business, while the new 10-year frame agreement in support of the U.S. Air Force is expected to be a major growth driver. The other main growth drivers are radars for vessel traffic service and coastal surveillance as well as command and control systems for naval vessels.

Next Mission Strategy

Terma's strategy is built around four strategic focus areas:

1. Customer Value Creation
2. Innovation & Product Portfolio
3. Business Excellence
4. People & Culture

Transformation initiatives within e.g. Product Portfolio Management, Cyber Security, Process Governance Model, and Organizational Transition are implemented as foundation for executing our future strategic ambitions.

The Arctic region continues to play an important role for the Kingdom of Denmark and for Terma. Denmark has increased the international collaboration with our Arctic nation partners.

The continued reinforcement of the Danish Defence with focus on the Arctic carries business opportunities for Terma together with the national defense industry, as well as with international partners.

Jes Munk Hansen, CEO & President

Artificial Intelligence (AI) and data-oriented technologies are major focus areas for Terma. Our customers are experiencing increasing complexity in their operations, and we see AI to provide enhanced automation and assisted decision making to help operators cope with more data and a need to make faster and more precise decisions.

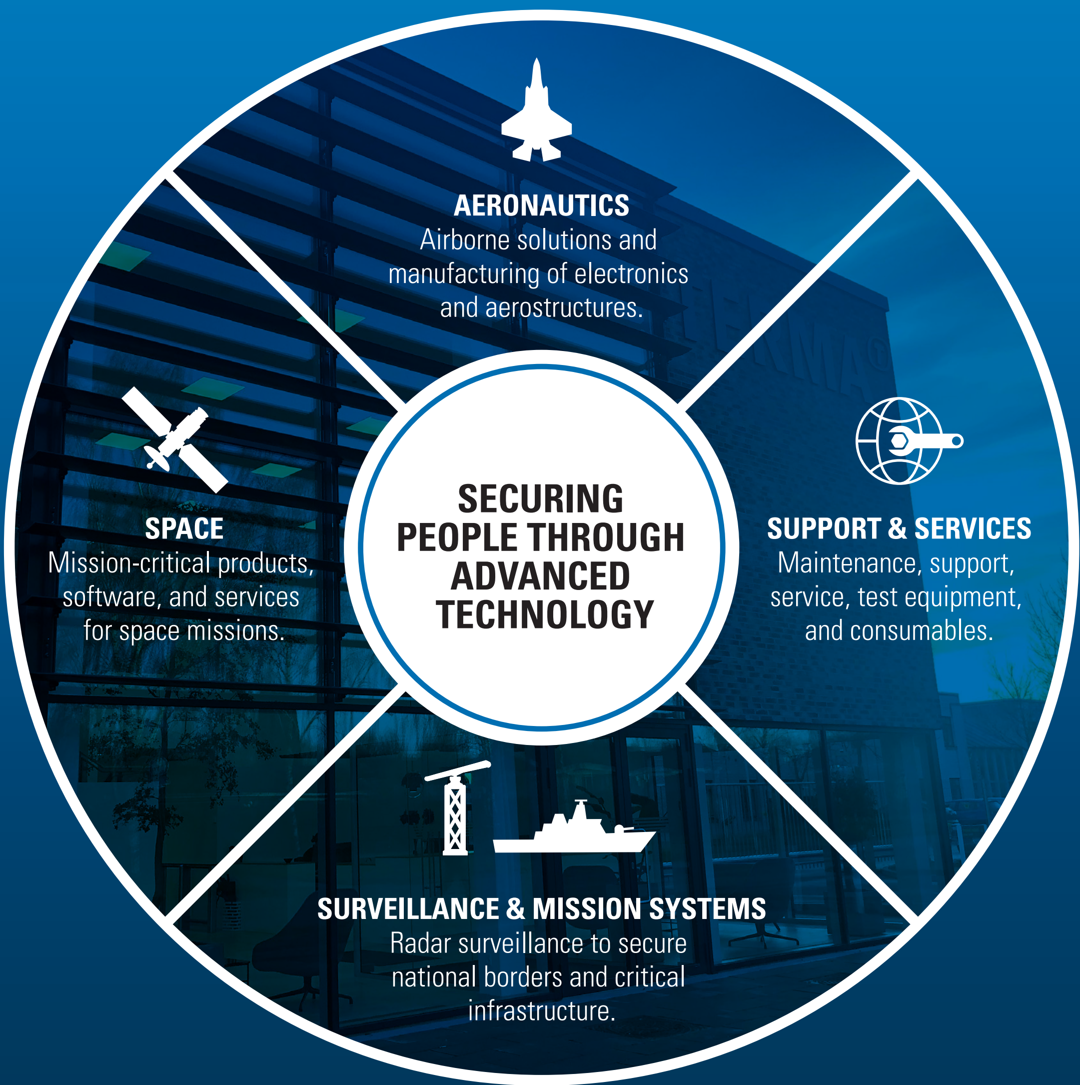
Terma's newly established AI Center of Excellence is a central hub for data-oriented competencies. The center is responsible for establishing AI as a core competency and facilitate the use of AI in our products and solutions.

New advanced functions based on AI are entering all our products, derived from our first successfully delivered AI implementation for the NATO Alliance Ground Surveillance program. AI will be part of our C-Flex products and of the new Joint Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), JIMAPS (Joint ISR Management, Analysis and Processing System) suite that supports operational requirements in all sections of the intelligence cycle, ranging from a fully distributed Joint C4ISR System to smaller tactical ISR Systems.

Business Activities

Terma provides mission-critical solutions for the aerospace, defense, and security industry. Terma is guided by one overall purpose: to deliver security for people using advanced technology. Security is a means to maintaining and developing prosperity and protecting human lives and sovereignty.

Terma consists of four Business Areas: Aeronautics, Surveillance & Mission Systems, Space, and Support & Services.



Aeronautics

Aeronautics provides a full range of manufacturing services within complex aerostructures and electronics, and solutions for aircraft self-protection and audio management.

The Aeronautics portfolio is balanced featuring long-term program positions with stable revenue base as well as higher-growth business to expand market presence. The global Aeronautics team is committed to delivering value through customer partnerships, innovative and affordable solutions, and profitable market-driven growth.

Terma is a world-class partner for advanced composites and metal aerostructures and is a key supplier to the world's largest defense program – F-35 Joint Strike Fighter. Over 600 F-35s have been delivered to customers around the world with more countries expected to join the program in the coming years. Through multi-year agreements, Terma delivers aerostructures to Lockheed Martin, BAE Systems, General Dynamics, Marvin Engineering Company, and Northrop Grumman from our production facilities in Grenaa and Lystrup, Denmark. Terma was the first company outside the U.S. allowed to provide sensitive components for the F-35 Electro-Optical Distributed Aperture System. In 2020/21, F-35 business drove record revenue and high production capacity utilization rates.

Terma self-protection systems continue to be adopted across many platforms, including the F-16, A-10, C-130, ISR special mission, and unmanned systems. More than 2,500 Terma AN/ALQ-213 electronic warfare controllers have been fielded around the world and are a critical component of our growth strategy. The recently awarded 10-year frame agreement with U.S. Air Force provides a rapid acquisition capability, increased access to international markets, and the ability to deliver next-generation advanced solutions.

Terma audio solutions are a leading provider of three-dimensional (3D) / active noise reduction (ANR) systems. Our 3D-Audio capability improves situational awareness and survivability by providing communications channel separation and directional threat warning to minimize response time. ANR capability reduces fatigue and increases communication clarity. Terma's 3D-Audio / ANR solutions are operational on the Danish, Dutch, and Belgian Air Forces and are being delivered to the U.S. Air National Guard F-16 and U.S. Air Force A-10.

Surveillance & Mission Systems

Surveillance & Mission Systems provides radars for coastal surveillance and traffic control in ports and airports, radars for naval vessels, as well as radars for wind turbine interference mitigation and obstruction light control. The activities also cover command, control, and communications solutions for naval vessels and air defense systems, self-protection systems for naval vessels, and systems for security surveillance of critical infrastructures.

The focus for our SCANTER radar products continues to be on reliable long-range detection of small targets in difficult weather conditions over water, on land, and in the air. SCANTER is the leading radar in the coastal surveillance and vessel traffic services segment.

Our radar technology has completed a significant upgrade, delivering more transmit power and significantly increased processing capacity that allows for better detection and ability to perform target classification, essential capabilities for reliable drone detection. Enhanced remote access to radars has been implemented, allowing for virtual Factory Acceptance Tests as well as remote setting-to-work and tuning of our radars.

Terma has supplied a significant number of obstruction light control systems in the U.S. as well as in European countries. Terma is authorized by both the U.S. Federal Aviation Administration (FAA) and corresponding European authorities.

In the naval radar domain, the SCANTER radars set the standard for surface surveillance and helicopter control. We continue to expand our customer base, most recently with a contract to the UK Royal Navy for their T-31 frigates that are based on the Royal Danish Navy Iver Huitfeldt frigate design.

Terma's C-Flex Patrol and C-Flex Combat Command and Control (C2) products continue to create significant market interest. The C2 and link technology, combined with SCANTER naval radars, create a powerful price/performance solution for Coast Guards and navy patrol/offshore patrol vessels, as well as for small to medium sized vessels.

Space

Space develops and supplies electronics, software, and services for satellites, space control centers, and for test and validation related to development of new satellites. The worldwide space market is developing positively, and our product development has placed Terma in a comfortable position for several new opportunities.

During 2020/21, major space missions were pursued covering European Space Agency (ESA) missions for Earth observation as well as Plato, Mars Return Orbiter 2020, European defense programs, and commercial constellation programs in the U.S. The Space Services area has evolved very positively in the period. For all missions, significant successes were achieved, building on established long-term agreements in both our electronics area and our software area, thus paving the way for a promising 2021/22 and the years to come.

Terma is the prime contractor for the ASIM project – the Atmosphere-Space Interactions Monitor – with the objective of measuring high altitude lightning in the upper atmosphere.

The observatory was launched in April 2018. It is performing excellently and still provides significant scientific results. An additional instrument is under analysis for extending the ASIM results.

Contracts for the current generation of Star Trackers, as well as a new generation of test and control systems, continued in 2020/21 with customers inside and outside Europe. The development of a new generation of Star Trackers is well underway, based on technology that reduces size and weight of the system's camera and computer.

Building on the power electronics delivered for the ExoMars 2016 mission and the BepiColombo mission, new power electronics product series were successfully introduced, and new contracts secured in the defense, Earth Observation Science, and the telecom markets.

Terma developed and delivered software that controls Solar Orbiter's positioning and orbit. The satellite will conduct observations close to the Sun. Terma's software is crucial for the satellite's correct positioning relative to the Sun. The satellite was launched in 2019 and is working perfectly with the Launch and Early Orbit Phase successfully closed early 2020. Building on that, a major software program is under development for the ExoMars 2022 mission as well as for ESA's Earth observation program JASON.

Support & Services

Support & Services provides maintenance, support, and update of Terma products and solutions based on our Terma Lifecare service concept.

With a global organization of expert service engineers, skilled field technicians, and a service portfolio comprising all key aspects of maintenance scaling from single unit installations to country-/fleetwide solutions, Terma is a proven service partner for customers relying on uninterrupted operation of vital solutions.

During 2020/21, Terma further developed the Terma Lifecare concept, targeting the Security and Naval areas, and with extended warranty options and other value added options enabling individual customer support and service demands, guaranteed response times, delivery, and turnaround times.

Terma launched its newest addition to its service offering, Lifecare Connect, a digital service space associated with Terma Lifecare. Lifecare Connect comes with three solutions: Connect Monitoring, Connect Server, and Connect Remote Support, which facilitates fast and easy maintenance support and monitoring of real-time system data.

Lifecare Connect is an integral part of the Terma Lifecare universe and a new business platform for value added customer services. The service ambition is to drive current and future business needs for digital access and insights based on data streaming from connected products in the field, enabling value added digital services and offering our customers a best in class digital customer experience.


TERMA
DALA

International Activities and Regions
Terma has organized its global businesses in four regions: Europe, North and Central America, Middle East and North Africa, and Asia Pacific.

Europe
Current European presence, next to Denmark, is anchored through our German, Dutch, and Brussels offices. Terma continued building its network with key partners in strategically important focus areas further promoting its capabilities and ensuring future competitiveness on the global market.

Order intake in Europe remained strong across all business areas despite the general challenges of COVID-19. Space showed strong performance with solid orders from ESA, ESO, Eumetsat, Ruag, and OHB. The capture of naval SCANTER 6000 radars for the Belgium / Netherlands MCM ships was a major win.

Terma is successfully part of the PEONEER and the INTERACT projects under the frameworks of the European Defence Industrial Development Programme (EDIDP) and the Preparatory Action on Defence Research (PADR).

North and Central America
The U.S. is the biggest market for Terma constituting 56% of total revenue. The U.S. remains a critical aspect of Terma's growth with the continuation of large programs such as the F-35 Joint Strike Fighter, emergence of next generation Self Protection Systems requirements, and continued interest in 3D Audio solutions. The presence of many key customers, including Lockheed Martin Aeronautics, Northrop Grumman Corporation, Marvin Engineering and Raytheon Technologies is instrumental in building relationships that nurture future business with these industry giants. The U.S. Air Force (USAF) and Foreign Military Sales (FMS) have continued to be an integral sales channel for aircraft and coastal surveillance alike.

Terma North America Inc. has increased its focus and progression within the "home market" strategy by deepening relationships with corporations and customers, particularly the target decision makers. Recognition and demand for U.S. engineering has only continued to increase, and Terma is investing to meet the market and customer expectations. As Terma's footprint in the U.S. continues to grow and capabilities mature, Terma North America will become more widely recognized as a "U.S. Home Market" for Terma products.

Middle East and North Africa

The past year has again seen solid sales of our radars for coastal surveillance, vessel traffic services, ground surveillance, airport surveillance, as well as sales and installation of T.react CIP systems across the Middle East and the North Africa region.

A number of opportunities on naval radars and C-Flex have been identified across the Middle East and North Africa region with numerous navies considering it for upgrade and newbuild programs.

During the early summer of 2020, a number of exports made by Terma to the UAE were drawn into question in the media, and as a consequence thereof, the Danish Business Authority initiated an investigation into the specific circumstances of the deliveries. In October, the authority concluded its investigation by transferring the matter to the police for their assessment of the relevance of raising charges against Terma due to Terma's export to the UAE of spare parts for the SCANTER 2001 radar; a commercial navigation radar which is neither classified as military nor a control-listed dual-use product.

The issue under investigation relates to the legal interpretation of the catch-all provisions of the EU Dual-Use Regulation and after the transfer of the issue to the police, the EU has confirmed that the interpretation applied by Terma is correct. The Danish Business Authority has fully acknowledged the determination delivered by the EU and has adjusted its guidelines accordingly.

We believe that these subsequent legal clarifications and the resulting adjustment in administrative policy have demonstrated that Terma has acted entirely within and in accordance with the law.

Asia Pacific

Terma opened two offices in Indonesia: a sales & business development office in Jakarta and a programs and support office in Surabaya. The region is hence covered from the regional headquarters in Singapore, an office in Delhi, and the two new Indonesian offices.

The economic outlook for Asia and the Pacific remains strong, and the region continues to be the most dynamic of the global economy, despite the COVID-19 pandemic. The economic growth in Asia Pacific is steering an expansion in infrastructure projects with investments in ports as well as coastal surveillance programs. These niche segments continue to be of great importance to Terma's business in the region.

National Security and military expansion remain a top priority in the region, nevertheless, some projects are being delayed due to the pandemic. The travel industry has been hit the hardest due to the restrictions, and as a direct outcome we see airport infrastructure modernization projects getting delayed. Furthermore, there has been limited progress on larger naval C2 procurements.

As a direct result of the pandemic, many countries have further fueled supporting own industries towards strategic markets such as defense & security by giving domestic companies incentives in their ambition to become self-reliant. This mandates foreign companies to increase local content and focus on transfer-of-technology (ToT). Terma's active support and formalization of its ToT strategy is giving us an edge in the market where our well-founded strategy has secured several programs.

The radar and Command & Control market remains important for Terma due to the increasing needs to protect the Exclusive Economic Zones and regional sovereignty.

Supply Chain & Quality Management

Terma's business is generated from customers and end users in more than 40 countries worldwide.

Within all business activities and programs, Terma broadly utilizes nationally as well as internationally based suppliers and partners. Our global supplier list for production and project execution encompasses well over 1,000 suppliers and partners.

During 2020/21 Supply Chain and Quality joined forces under one organization, Supply Chain & Quality Management. This will enable Terma to have an even bigger outreach and ability to service and challenge our most important customers and suppliers in the future.

Terma has successfully passed the surveillance audit of AS9100, the Aerospace & Defense standard for Quality Management Systems, on all 10 sites in five countries. As supplier of mission critical solutions to the aerospace, defense, and security industries, the AS9100 certification is essential to Terma, and more than 50% of our revenue is depending on Terma to maintain this certification.

Certification-wise, Terma is compliant with all applicable quality standards currently required in our markets and from our customers.

Risks

The experience gained during 2020/21 and the implemented measures, coupled with Terma's diverse business portfolio, are expected to dampen the COVID-19 effects on Terma. However, the long-term ramifications from COVID-19 are still uncertain, e.g. with regards to prioritization of Government spend, which may negatively impact Terma orders and pipeline.

Under normal circumstances, Terma's leading risk is execution of large programs. Terma seeks to reduce this risk by increased focus on contract management and financial control.

Terma's business is within a highly regulated market with export regulations for dual-use and military equipment. If the political environment in Denmark undertakes a different standpoint on export regulations than our partner nations, this becomes a business challenge. Terma invests a great deal of efforts into ensuring compliance with the complex regulations from UN, EU, and Danish authorities.

Terma has the required credit lines available and the support of our financial partners to implement the planned short-term and long-term activities and investments. Terma is minimally exposed to changes in interest rates.

Terma primarily sells and buys in DKK, EUR, and USD currencies. Risks relative to other currencies than EUR and DKK are hedged by entering into forward exchange contracts in connection with the acceptance and conclusion of contracts. In general, there is no significant credit risk relative to individual customers.

Corporate Social Responsibility & Equal Representation of Genders

Terma actively works with Corporate Social Responsibility (CSR), as we believe it is important to be responsible and accountable for the impacts of our business operations. Terma's CSR strategy Allies in Responsibility guides our CSR work. A detailed description of the activities and targets of the strategy, as well as our performance, can be found in our separate Corporate Social Responsibility Report 2020/21 available here:
https://www.terma.com/media/gs2bapqt/csrreport_2020-2021.pdf

The CSR report meets the requirements for CSR reporting as stated in the Danish Financial Statements Act, section 99a, as well as serves as our Communication on Progress to the UN Global Compact.

Representation of Gender in Management

Terma's description of equal representation of gender pursuant to the Danish Financial Statements Act, section 99b, can also be found in our CSR report available here:
https://www.terma.com/media/gs2bapqt/csrreport_2020-2021.pdf

Events after the Balance Sheet date

Following the end of the fiscal year, no significant events have occurred which affect the assessment of the Group's and Parent Company's financial position as reported on 28 February 2021.

Income Statement

1 MARCH - 28 FEBRUARY

DKK 1,000	Note	CONSOLIDATED 2020/21	CONSOLIDATED 2019/20	PARENT COMPANY 2020/21	PARENT COMPANY 2019/20
Revenue	3,4	**2,070,020**	**1,917,052**	**1,117,179**	**1,065,043**
Production costs	5	(1,637,880)	(1,511,047)	(909,646)	(866,291)
Gross Profit		**432,140**	**406,005**	**207,533**	**198,752**
Distribution costs	5	(138,054)	(152,265)	(105,836)	(119,114)
Administrative costs	5,6	(125,106)	(130,410)	(81,417)	(80,040)
Other operating income	7	1,830	2,619	63,563	50,234
Other operating costs	7	(701)	(720)	(8,362)	(7,702)
Operating profit		**170,109**	**125,229**	**75,481**	**42,130**
Result in subsidiaries after tax	8	-	-	67,754	63,829
Financial income	9	6,850	18,433	5,070	16,647
Financial costs	9	(39,641)	(34,028)	(27,206)	(19,661)
Earnings before tax (EBT)		**137,318**	**109,634**	**121,099**	**102,945**
Tax on profit	10	(21,721)	(15,992)	(5,807)	(9,100)
Result for the year		**115,597**	**93,642**	**115,292**	**93,845**
THE GROUP RESULT IS SPLIT AS FOLLOWS:					
Stockholder in Terma A/S		115,292	93,845		
Minority interest		305	(203)		
		115,597	93,642		
Proposed profit appropriation	25				

Balance Sheet

28 FEBRUARY

DKK 1,000	Note	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
ASSETS					
NON-CURRENT ASSETS					
INTANGIBLES					
Software		51,324	26,308	47,678	26,035
Software in process		12,740	17,984	4,454	10,648
Development projects completed		299,791	116,682	274,225	90,189
Development projects in process		253,771	366,562	181,603	303,736
	11	617,626	527,536	507,960	430,608
PROPERTY, PLANT, AND EQUIPMENT					
Land and buildings		314,327	307,724	314,327	307,724
Plant and machinery		189,999	180,508	39,780	39,245
Fixtures and fittings, tools and equipment		29,243	30,328	15,297	16,657
Property, plant, and equipment under construction		65,280	41,886	26,385	25,070
	12	598,849	560,446	395,789	388,696
INVESTMENTS					
Investments in subisdiaries		-	-	421,480	346,876
Loan to subsidiary		-	-	85,924	54,401
	8	-	-	507,404	401,277
Total non-current assets		**1,216,475**	**1,087,982**	**1,411,153**	**1,220,581**
CURRENT ASSETS					
INVENTORIES					
Raw materials and consumables		370,249	271,853	222,508	182,554
Work in process		132,091	126,050	104,493	89,495
Prepayments to suppliers		20,711	4,076	9,693	2,287
		523,051	**401,979**	**336,694**	**274,336**
RECEIVABLES					
Trade receivables		368,760	356,619	221,121	184,966
Construction contracts	13	241,330	281,284	100,585	98,593
Amounts owed by subsidiaries		-	-	48,097	111,185
Corporate tax receivables	14	5,208	4,001	-	-
Other receivables		51,443	25,565	11,610	7,336
Deferred tax asset	15	1,734	4,146	-	-
Prepayments	16	7,315	6,892	6,671	6,497
		675,790	**678,507**	**388,084**	**408,577**
Cash at bank and in hand		**133,740**	**248,993**	**94,307**	**226,991**
Total current assets		**1,332,581**	**1,329,479**	**819,085**	**909,904**
Total assets		**2,549,056**	**2,417,461**	**2,230,238**	**2,130,485**

DKK 1,000	Note	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
EQUITY AND LIABILITIES					
EQUITY					
Capital stock	17	18,000	18,000	18,000	18,000
Net revaluation according to the equity method		-	-	150,892	77,347
Reserve for development costs		-	-	274,931	207,861
Exchange rate adjustment and hedging instruments		6,394	(3,569)	(4,458)	(3,452)
Retained earnings		606,137	665,845	191,166	380,520
Proposed dividends		100,000	-	100,000	-
Terma A/S´stockholder part of equity		**730,531**	**680,276**	**730,531**	**680,276**
Minority interest		**267**	**(38)**	**-**	**-**
Total equity		**730,798**	**680,238**	**730,531**	**680,276**
PROVISIONS					
Warranty provisions	18	19,347	14,077	19,347	14,077
Provisions regarding construction contracts		5,573	3,436	3,325	184
Deferred tax	15	153,849	134,082	125,305	114,748
Other provisions		-	7,000	-	7,000
Total provisions		**178,769**	**158,595**	**147,977**	**136,009**
LIABILITIES OTHER THAN PROVISIONS					
NON-CURRENT LIABILITIES OTHER THAN PROVISIONS					
Subordinated loans	19	125,000	125,000	125,000	125,000
Credit institutions		109,848	156,840	109,848	156,840
Mortgage credit institutions		193,251	205,878	193,251	205,878
Other debt		84,507	40,922	59,438	29,286
	20	**512,606**	**528,640**	**487,537**	**517,004**
CURRENT LIABILITIES OTHER THAN PROVISIONS					
Current portion of non-current liabilities	20	58,911	53,238	58,911	53,238
Construction contracts	13	321,359	354,244	124,337	145,500
Prepayments received from customers		141,701	62,426	97,544	40,032
Trade payables		194,426	138,603	99,204	93,499
Amounts owed to Parent Company		119,241	59,763	119,241	59,763
Amounts owed to subsidiaries		-	-	168,402	122,228
Corporate tax	14	3,732	2,305	-	-
Polish court case		-	133,681	-	133,681
Other payables		287,513	245,728	196,554	149,255
		1,126,883	**1,049,988**	**864,193**	**797,196**
Total liabilities other than provisions		**1,639,489**	**1,578,628**	**1,351,730**	**1,314,200**
Total equity and liabilities		**2,549,056**	**2,417,461**	**2,230,238**	**2,130,485**

Accounting policies	1
Special Items	2
Contingent liabilities and security	21
Related parties	22
Events after the Balance Sheet date	23
Financial instruments and financial risks	24

Statement of Changes in Equity

1 MARCH - 28 FEBRUARY

CONSOLIDATED

DKK 1,000	Note	Capital stock	Reserve for exchange rate adjustment and hedging instruments	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
Equity at 1 March 2019		**18,000**	**(11,044)**	**572,000**	**-**	**578,956**	**165**	**579,121**
Results for the year		-	-	93,845	-	93,845	(203)	93,642
Exchange rate adjustment relating to foreign entity (before tax)		-	3,104	-	-	3,104	-	3,104
Tax on exchange rate adjustment relating to foreign entity		-	(460)	-	-	(460)	-	(460)
Changes in value of hedging instruments, etc. (before tax)		-	6,194	-	-	6,194	-	6,194
Tax on changes in value of hedging instruments		-	(1,363)	-	-	(1,363)	-	(1,363)
Equity at 1 March 2020		**18,000**	**(3,569)**	**665,845**	**-**	**680,276**	**(38)**	**680,238**
Results for the year		-	-	15,292	100,000	115,292	305	115,597
Declared dividend		-	-	(75,000)	-	(75,000)	-	(75,000)
Exchange rate adjustment relating to foreign entity (before tax)		-	(12,866)	-	-	(12,866)	-	(12,866)
Tax on exchange rate adjustment relating to foreign entity		-	1,777	-	-	1,777	-	1,777
Changes in value of hedging instruments, etc. (before tax)		-	26,990	-	-	26,990	-	26,990
Tax on changes in value of hedging instruments		-	(5,938)	-	-	(5,938)	-	(5,938)
Equity at 28 February 2021		**18,000**	**6,394**	**606,137**	**100,000**	**730,531**	**267**	**730,798**

PARENT COMPANY

DKK 1,000	Note	Capital stock	Reserve for net revaluation according to the equity method	Reserve for development costs	Reserve for exchange rate adjustment and hedging instruments	Retained earnings	Proposed dividends	Total
Equity at 1 March 2019		**18,000**	**19,618**	**163,792**	**(6,224)**	**383,770**	**-**	**578,956**
Dividends received from subsidiaries		-	(10,803)	-	-	10,803	-	-
Results for the year	25	-	63,829	44,069	-	(14,053)	-	93,845
Exchange rate adjustment relating to foreign entity (before tax)		-	1,014	-	2,090	-	-	3,104
Tax on exchange rate adjustment relating to foreign entity		-	-	-	(460)	-	-	(460)
Changes in value of hedging instruments, etc. (before tax)		-	4,729	-	1,465	-	-	6,194
Tax on changes in value of hedging instruments		-	(1,040)	-	(323)	-	-	(1,363)
Equity at 1 March 2020		**18,000**	**77,347**	**207,861**	**(3,452)**	**380,520**	**-**	**680,276**
Dividends received from subsidiaries		-	(5,178)	-	-	5,178	-	-
Results for the year	25	-	67,754	67,070	-	(119,532)	100,000	115,292
Exchange rate adjustment relating to foreign entity (before tax)		-	(4,789)	-	(8,077)	-	-	(12,866)
Declared dividend		-	-	-		(75,000)		(75,000)
Tax on exchange rate adjustment relating to foreign entity		-	-	-	1,777	-	-	1,777
Changes in value of hedging instruments, etc. (before tax)		-	20,203	-	6,787	-	-	26,990
Tax on changes in value of hedging instruments		-	(4,445)	-	(1,493)	-	-	(5,938)
Equity at 28 February 2021		**18,000**	**150,892**	**274,931**	**(4,458)**	**191,166**	**100,000**	**730,531**

Cash Flow Statement

1 MARCH - 28 FEBRUARY

DKK 1,000	Note	CONSOLIDATED 2020/21	2019/20
Earnings before tax		**137,318**	**109,634**
Adjustments:			
Depreciation, amortization, and write-downs, etc.		151,805	149,155
Provisions		408	(5,346)
Poland Court case, paid		(89,064)	-
Net financial income and costs		32,791	15,595
		95,940	**159,404**
Changes in working capital	26	**46,277**	**59,753**
Cash flows generated from operations before financial items		**279,535**	**328,791**
Financial income, received		7,616	18,282
Poland Court case, interest paid		(44,617)	-
Financial costs, paid		(39,455)	(34,309)
Cash flows from operations before tax		**203,079**	**312,764**
Corporate tax paid	14	(17,978)	(10,259)
Cash flows from operating activities		**185,101**	**302,505**
Capitalized development costs	11	(147,774)	(117,813)
Acquisitions of software, property, plant, and equipment	26	(137,866)	(95,517)
Cash flows from investing activities		**(285,640)**	**(213,330)**
Repayments, non-current liabilities		(53,946)	(23,065)
Proceeds, new non-current liabilities		-	23,376
Changes in non-current other debt		43,585	40,922
Loan from Parent Company		(665)	(141)
Cash flows from financing activities		**(11,026)**	**41,092**
Net cash flows from operating, investing, and financing activities		**(111,565)**	**130,267**
Current cash at 1 March		248,993	114,377
Exchange rate variations on current cash		(3,688)	4,349
Current cash at 28 February		**133,740**	**248,993**

Notes

1. ACCOUNTING POLICIES

The Annual Report of Terma A/S for 2020/21 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The Consolidated Financial Statements of Terma A/S are included in the Consolidated Financial Statements of the Parent Company, Thrige Holding A/S, Lystrup.

Recognition and measurement of derivative financial instruments are made in accordance with International Financial Reporting Standards (IFRS), cf. the Danish Financial Statements Act, § 37 section 5.

Effective from the financial year 2020/21, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. Apart from this, the accounting policies are consistent with those of last year.

Consolidated Financial Statements
The Consolidated Financial Statements comprise the Parent Company Terma A/S and subsidiaries over which Terma A/S has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or, in some other way, controls the subsidiary.

The Consolidated Financial Statements have been prepared as a consolidation of the Financial Statements of the Parent Company and subsidiaries, prepared according to the Group's accounting policies. On consolidation, intra-group income and costs, stockholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

Entities acquired or formed during the year are recognized in the Consolidated Financial Statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognized in the Consolidated Income Statement until the date of disposal or winding-up. The comparative figures are not restated for entities acquired, disposed of, or wound up.

Foreign exchange rate adjustment
Transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the Income Statement as financial income or financial costs.

Receivables, payables, and other monetary items denominated in foreign currencies, which are not settled on the Balance Sheet date, are translated at the exchange rates at the Balance Sheet date. The difference between the exchange rates at the Balance Sheet date and at the date at which the receivable or payable arose or was recognized in the latest Financial Statements is recognized in the Income Statement as financial income or financial costs.

Upon recognition of subsidiaries that are foreign entities, the Income Statements are translated at an average rate of exchange for the month, and the Balance Sheet items are translated at the exchange rates at the Balance Sheet date. Currency differences arising upon translation of foreign subsidiaries' equity at the beginning of the year to the exchange rates at the Balance Sheet date and upon translation of Income Statements from the average rates of exchange to the exchange rates at the Balance Sheet date are recognized directly in the equity.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognized in the equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rate at the Balance Sheet date. Non-monetary items are translated at the exchange rate at the date of acquisition or the time of the subsequent revaluation or impairment of the asset. The items in the Income Statement are translated at the exchange rate at the date of transaction. However, items derived from non-monetary items are translated at the historical conversion rate of the non-monetary item.

Derivative financial instruments
Derivative financial instruments are initially recognized in the Balance Sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the Income Statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognized directly in other receivables or other payables and in the equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts which were previously recognized in the equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or costs, amounts previously recognized in the equity are transferred to the Income Statement in the period in which the hedge item affects the profit or loss.

Changes in the effective portion of the fair value of derivative financial instruments that are designated and qualify as hedge accounting are recognized in the hedging reserve within equity. When the hedged transaction materializes, amounts previously recognized in the hedging reserve are transferred to the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the Income Statement on a regular basis.

1. ACCOUNTING POLICIES, CONTINUED

INCOME STATEMENT

Revenue
Revenue comprises the deliveries for the year and the value of construction contracts in process with significant customization.

Revenue from contract work in process with an insignificant degree of customization is recognized in the Income Statement when the transfer of risk to the customer has taken place. Any discounts allowed are deducted from the revenue.

Construction contracts with significant customization are recognized as revenue by reference to the percentage of completion method, which means that revenue corresponds to the selling price of work performed during the year.

Production costs
Production costs comprise costs, including depreciation, amortization, and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, depreciation of production plants, and other production costs.

Production costs also comprise research and development costs that do not qualify for capitalization and amortization of capitalized development costs. Production costs also comprise provisions for losses on construction contracts.

Distribution costs
Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions, and depreciation are recognized as distribution costs.

Administrative costs
Administrative costs comprise costs incurred during the year for the Management and administration, including costs related to administrative staff, office premises and office expenses, and depreciation.

Leases
Payments relating to operating leases are recognized in the Income Statement over the term of the lease. The Company's total liabilities relating to operating leases are disclosed in the notes.

Other operating income and costs
Other operating income and costs comprise items secondary to the principal activities, including gains and losses on disposal of intangibles and property, plant, and equipment. In the Parent Company, other operating income also comprises management fees from subsidiaries.

Profit in subsidiaries
The individual subsidiaries' profit after tax is recognized in the Income Statement for the Parent Company following elimination of intra-group gains/losses.

Financial income and costs
Financial income and costs comprise interest income and costs, gains and losses on receivables, payables, and other transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year
The Parent Company is subject to the compulsory Danish joint taxation method for the Thrige Holding Group's Danish subsidiaries. Subsidiaries are part of the joint taxation from the time of the consolidation in the Group's Financial Statements and until the time when they are left out of the consolidation.

Thrige Holding A/S is the administrative company for the joint taxation, and as a consequence, it settles all tax payments with the authorities.

The current Danish corporate income tax is allocated by payment of the joint taxation contribution between the jointly taxed companies relative to the taxable income. In this respect, companies with tax loss receive joint taxation contributions from companies which have used this loss to reduce their own tax profit.

Tax for the year comprises current tax for the year, the joint taxation contribution, and changes in deferred tax. The tax expense relating to the profit for the year is recognized in the Income Statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in the equity.

BALANCE SHEET

Intangibles
Development projects comprise costs, salaries, and amortization directly attributable to the development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources, and a potential future market or development opportunities can be evidenced, and where it is intended to produce, market, or use the project, are recognized as intangibles, provided that the cost can be measured reliably, and that there is sufficient assurance that future earnings can cover production costs, selling costs, administrative costs, and development projects. Other development projects in process are recognized in the Income Statement when incurred.

Capitalized development projects are recognized at cost less accumulated amortization and impairment losses.

Following the completion of development projects, capitalized development costs are amortized concurrently with the sale of the developed products, alternatively on a straight-line basis over the estimated useful life. The amortization period is usually 5-15 years. The amortization profile is reevaluated on an annual basis.

Patents and software licenses are measured at cost less accumulated depreciation and impairment loss. Patents are depreciated on a straight-line basis over the remaining patent period, and software licenses are depreciated over the contract period, however, not longer than 10 years.

1. ACCOUNTING POLICIES, CONTINUED

Gains and losses on the disposal of development projects, patents, and software licenses are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the Income Statement under other operating income and other operating costs, respectively.

Property, plant, and equipment
Land and buildings, plant and machinery, and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subcontractors, and wages and salaries. No interest is included.

The cost of a total asset is divided into separate elements which are depreciated separately if the useful life of the individual elements varies.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	10-50 years
Plant and machinery	3-20 years
Fixtures and fittings, tools and equipment	3-7 years

The basis of depreciation is based on cost reduced by the residual value of the asset at the end of its useful life and impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognized.

In case of changes in the depreciation period or the residual value, the effect on the amortization charges is recognized prospectively as a change in accounting estimates.

Depreciation is recognized in the Income Statement as production costs, distribution costs, and administrative costs, respectively.

Gains and losses on the disposal of property, plant, and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognized in the Income Statement as other operating income or other operating costs, respectively.

Investments in subsidiaries
Investments in subsidiaries are measured according to the equity method. Investments in subsidiaries are measured in the Balance Sheet at the subsidiaries' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealized intra-group profits and losses.

Net revaluation of investments in subsidiaries is shown as a reserve for net revaluation according to the equity method under equity to the extent that the carrying value exceeds the cost. Subsidiary dividends are transferred from the net revaluation to the distributable reserves at the time of distribution.

Impairment of non-current assets
The carrying amount of intangibles and property, plant, and equipment as well as equity interests in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortization.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognized impairment will only be reversed if the reason for impairment no longer exists.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than the cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in process are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings, and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale, and is determined taking into account marketability, obsolescence, and development in expected selling price.

Receivables
Receivables are recognized initially at fair value and subsequently measured at amortized cost less impairment losses. The impairment assessment is based on the Expected Credit Loss model (ECL).

The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes.

The stages determine how impairment losses are measured and the effective interest is applied. For trade receivables, the Group applies the simplified approach, which permits the use of lifetime ECL.

Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due.

1. ACCOUNTING POLICIES, CONTINUED

Regarding Group intercompany loans, impairment losses will be recognized based on 12-month or lifetime ECL depending on whether a significant increase in credit risk has arisen since initial recognition.

Construction contracts
Construction contracts are measured at the selling price of the work performed. The impairment assessment is based on the ECL model, cf. above.

The selling price is measured on the basis of the stage of completion at the Balance Sheet date and total expected income from the individual contract work. When the selling price of a contract cannot be measured reliably, the selling price is measured at the costs incurred or at net realizable value, if this is lower.

The individual construction contract is recognized in the Balance Sheet under either receivables or liabilities, depending on the net amount of the selling price less payables. Net assets are constituted by the sum of the construction contracts where the selling price of the work performed exceeds the amount which has been invoiced on account. Net liabilities are constituted by the sum of the construction contracts where the amount which has been invoiced on account exceeds the selling price.

Selling costs and costs incurred in securing contracts are recognized in the Income Statement when incurred.

Prepayments
Prepayments recognized under current assets comprise costs incurred concerning subsequent fiscal years.

Equity
Reserve for net revaluation according to the equity method (Parent Company)
Net revaluation of investments in subsidiaries is recognized at cost in the reserve for net revaluation according to the equity method. The reserve cannot be recognized at a negative amount.

Reserve for exchange rate adjustment and hedging instruments
The reserve comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into DKK including exchange differences on loans considered to be a part of the net investment or as hedging of the net investment and contains also the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised. The tax effect on these transactions has also been included.

Reserve for development costs (Parent Company)
The reserve for development costs comprises recognized development costs reduced by amortizations and taxes. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognized development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividend
Dividend proposed is recognized as a liability at the date when they are adopted at the general meeting (declaration date). Dividend during the year (extraordinary) or dividend expected to be distributed for the year are disclosed separately under equity.

Current tax and deferred tax
Current tax payable and receivable is recognized in the Balance Sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Payable and receivable joint tax contributions are recognized in the Balance Sheet under balances for the Parent Company.

Deferred tax is measured using the Balance Sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where different tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively. Adjustment is made to deferred tax resulting from elimination of unrealized intra-group profits and losses.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized at the expected value of their utilization, either as a set-off against tax on future income or as set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the Balance Sheet date.

Provisions
Provisions comprise anticipated costs related to warranties and losses related to construction contracts in process. Provisions are recognized when, as a result of past events, the Group has a legal or a constructive obligation, and it is probable that settlement of the obligation will result in an outflow of financial resources.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured at net realizable value and recognized based on past experience.

If it is probable that the total costs related to a construction contract will exceed the total income, the expected total loss of the construction contract is recognized as a provision.

Other provisions cover expected costs in relation to settlements.

Liabilities other than provisions
Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the Income Statement over the term of the loan.

Other liabilities are measured at amortized cost, which in general match net realizable value.

1. ACCOUNTING POLICIES, CONTINUED

Fair value
Fair value measurements are based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximizes the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierachy, see below:

LEVEL 1: Value in an active market for similar assets/liabilities

LEVEL 2: Value based on recognized valuation methods on the basis of obser-vable market information

LEVEL 3: Value based on recognized valuation methods and reasonable estimates (non-observable market information).

Cash Flow Statement
The Cash Flow Statement shows the Group's cash flows from operating, investing, and financing activities for the year, the year's changes in cash as well as the Group's cash at the beginning and end of the year.

Cash flows from operating activities
Cash flows from operating activities are calculated as the Group's profit adjusted for non-cash operating items, changes in working capital, corporate tax paid, and receivable/joint taxation contribution.

Cash flows for investing activities
Cash flows for investing activities comprise payments in connection with capitalized development costs (cash effect) and acquisitions and disposals of other intangibles, property, plant, and equipment, and investments.

Cash flows from financing activities
Cash flows from financing activities comprise payments to and from the Group's stockholders and related costs as well as raising of loans and repayment of interest-bearing debt.

Current cash
Current cash includes cash in hand and bank deposits.

Segment information
Revenue has been allocated according to business segments and geographical markets.

2. SPECIAL ITEMS

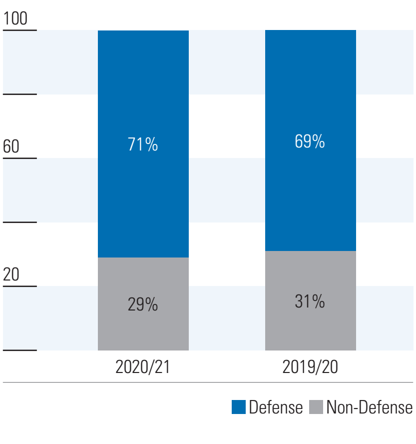
Special items comprise significant income and costs of a special character in relation to the Group's operating activities generating income, i.e. costs in connection with comprehensive restructuring of processes and fundamental structural modifications and related gains and losses on disposals which will be of significance over a period of time. Special items also comprise other significant one-off expenses, which according to Management are not a part of the normal operating activities of the Group.

The profit for this year and last year has not been impacted by circumstances which according to the Management deviate from being a part of the operational activities.

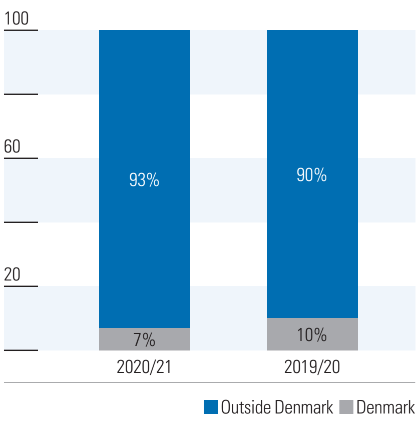
3. SEGMENT INFORMATION, REVENUE

CONSOLIDATED

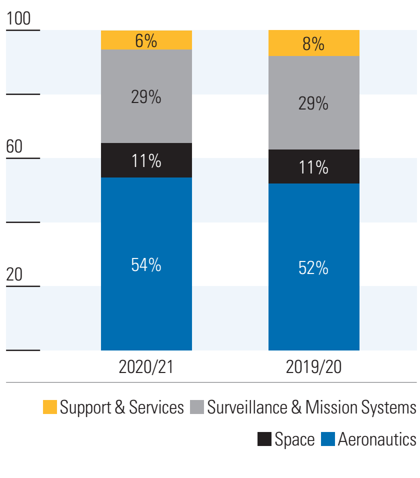
DEFENSE/NON-DEFENSE



DENMARK / OUTSIDE DENMARK



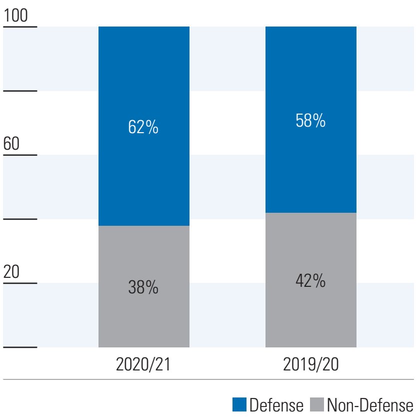
BUSINESS AREAS



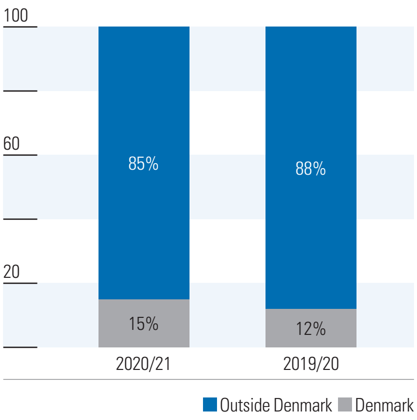
3. SEGMENT INFORMATION, REVENUE, CONTINUED

PARENT COMPANY

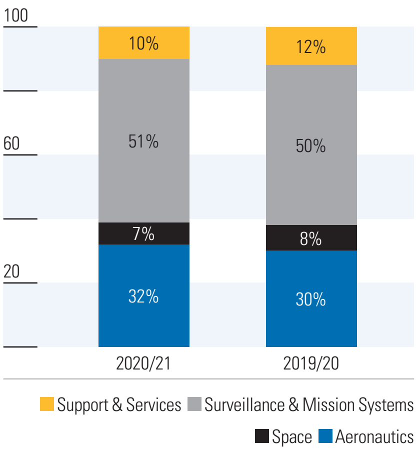
DEFENSE/NON-DEFENSE



DENMARK / OUTSIDE DENMARK



BUSINESS AREAS



4. REVENUE

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2020/21	2019/20	2020/21	2019/20
Goods and services	606,180	594,287	525,572	470,931
Construction contracts	1,463,840	1,322,765	591,607	594,112
	2,070,020	**1,917,052**	**1,117,179**	**1,065,043**

5. STAFF COSTS

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2020/21	2019/20	2020/21	2019/20
Parent Company Board of Directors emoluments	1,750	1,538	1,750	1,538
Remuneration to Management registered in the Central Business Register	14,233	13,553	14,233	13,553
Wages and salaries	978,127	872,580	567,510	523,879
Pensions	60,020	55,612	39,716	39,412
Other social security costs	54,225	45,867	12,985	10,440
	1,108,355	**989,150**	**636,194**	**588,822**
Average number of full-time employees	1,653	1,521	875	867

Incentive programs have been established for the Management and employees in managerial positions. The programs comprise the possibility of settlement in cash depending on achievement of specific targets. The programs run mainly annually.

6. FEES TO AUDITORS

DKK 1,000	CONSOLIDATED 2020/21	2019/20
TOTAL FEES TO EY CAN BE SPECIFIED AS FOLLOWS:		
Statutory audit	928	826
Other assurance engagements	176	49
Tax and VAT	829	656
Other non-audit services	705	605
Total	**2,638**	**2,136**

7. OTHER OPERATING INCOME AND COSTS

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2020/21	2019/20	2020/21	2019/20
Management fees	1,045	1,036	55,562	41,628
Profit on disposal of minor assets	297	1,172	-	1,172
Profit on disposal of non-current assets	-	9	-	9
Rental income	488	402	8,001	7,425
Other operating income	**1,830**	**2,619**	**63,563**	**50,234**
Costs related to disposal of minor assets	-	76	-	-
Loss on disposal of non-current assets	569	512	412	-
Costs related to premises rented out	132	132	7,950	7,702
Other operating costs	**701**	**720**	**8,362**	**7,702**

8. INVESTMENTS

	PARENT COMPANY	
DKK 1,000	Investments in subsidiaries	Loan to subsidiary
Cost at 1 March 2020	269,529	56,000
Additions	1,059	39,600
Cost at 28 February 2021	**270,588**	**95,600**
Net revaluations at 1 March 2020	77,347	(1,599)
Exchange rate adjustment	(4,789)	(8,077)
Dividends paid	(5,178)	-
Changes in value og hedging instruments (after tax)	15,758	-
Results for the year	67,754	-
Net revaluations at 28 February 2021	**150,892**	**(9,676)**
Carrying amount at 28 February 2021	**421,480**	**85,924**

8. INVESTMENTS, CONTINUED

NAME	REGISTERED OFFICE	OWNERSHIP	CAPITAL STOCK
Terma Aerostructures A/S	Grenaa, Denmark	100%	5,000 tDKK
Terma GmbH	Darmstadt, Germany	100%	51 tEUR
Terma B.V.	Leiden, The Netherlands	100%	750 tEUR
Terma North America Inc.	Delaware, USA	100%	150 tUSD
Terma Singapore Pte. Ltd.	Singapore, Singapore	100%	100 tSGD
PT Terma Technologies Indonesia	Jakarta/Indonesia	99.6%	10,000 tIDR
Terma (UK) Ltd.	London, United Kingdom	100%	10 tEUR
Terma (India) Pvt. Ltd.	Delhi, India	99.9%	1,000 tINR
Terma France SAS	Paris, France	100%	10 tEUR
Terma Middle East Trading LLC	Abu Dhabi, UAE	49%	300 tAED

All information regarding investment in subsidiaries including but not limited to percentage ownership, country of incorporation, and countries of operation, is current and updated on at least an annual basis, and is complete at the time of the publication of the Annual Report.

9. FINANCIAL INCOME AND COSTS

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2020/21	2019/20	2020/21	2019/20
Intra-group interest, current assets	-	-	3,223	1,756
Other interest	590	430	337	426
Exchange rate variations and hedging income regarding hedging instruments	6,260	18,003	1,510	14,465
Financial income	**6,850**	**18,433**	**5,070**	**16,647**
Intra-group interest, current liabilities	361	472	1,203	1,164
Interest on subordinated loans	5,625	5,625	5,625	5,625
Interest to credit institutions, non-current liabilities	6,608	7,427	6,608	7,427
Interest to credit institutions, current liabilities	1,288	1,095	1,288	1,090
Other interest	1,943	-	1,806	-
Guarantee expenses and bank charges	2,882	1,484	2,295	1,147
Exchange rate variations and hedging costs regarding hedging instruments	20,934	17,925	8,381	3,208
Financial costs	**39,641**	**34,028**	**27,206**	**19,661**

10. TAX

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2020/21	2019/20	2020/21	2019/20
Joint tax contribution/current tax	4,065	10,013	(5,036)	8,756
Deferred tax	21,817	7,802	10,559	1,127
Total Tax	**25,882**	**17,815**	**5,523**	**9,883**
SPECIFIED AS FOLLOWS:				
Tax on profit	21,721	15,992	5,807	9,100
Tax on changes in equity	4,161	1,823	(284)	783
	25,882	**17,815**	**5,523**	**9,883**

11. INTANGIBLES

DKK 1,000	Software	Software in process	Development projects, completed	Development projects, in process	Total
			CONSOLIDATED		
Cost at 1 March 2020	69,302	17,984	709,987	366,562	1,163,835
Foreign exchange rate adjustment	(1)	-	(422)	(5,641)	(6,064)
Additions	28,177	7,710	-	147,774	183,661
Disposals	(3,326)	-	(45,821)	-	(49,147)
Transfers	12,954	(12,954)	254,924	(254,924)	-
Cost at 28 February 2021	**107,106**	**12,740**	**918,668**	**253,771**	**1,292,285**
Amortizations and impairments at 1 March 2020	42,994	-	593,305	-	636,299
Foreign exchange rate adjustment	-	-	(42)	-	(42)
Amortizations and impairments	16,114	-	71,435	-	87,549
Disposals	(3,326)	-	(45,821)	-	(49,147)
Amortizations and impairments at 28 February 2021	**55,782**	**-**	**618,877**	**-**	**674,569**
Carrying value at 28 February 2021	**51,324**	**12,740**	**299,791**	**253,771**	**617,626**
Amortized over	3-10 years		5-15 years		

DKK 1,000	Software	Software in process	Development projects, completed	Development projects, in process	Total
			PARENT COMPANY		
Cost at 1 March 2020	68,851	10,648	643,836	303,736	1,027,071
Additions	27,586	3,760	-	130,383	161,729
Disposals	(3,326)	-	(38,705)	-	(42,031)
Transfers	9,954	(9,954)	252,515	(252,515)	-
Cost at 28 February 2021	**103,065**	**4,454**	**857,646**	**181,603**	**1,146,768**
Amortizations and impairments at 1 March 2020	42,816	-	553,647	-	596,463
Amortizations and impairments	15,897	-	68,479	-	84,376
Disposals	(3,326)	-	(38,705)	-	(42,031)
Amortizations and impairments at 28 February 2021	**55,387**	**-**	**583,421**	**-**	**638,808**
Carrying value at 28 February 2021	**47,678**	**4,454**	**274,225**	**181,603**	**507,960**
Amortized over	3-10 years		5-15 years		

Development projects

Development projects comprise large and small projects in all Terma's Business Areas. Investments are made in the development of:

- Physical products or product platforms based on a set of technologies
- Software platforms, generic or actual applications
- Production processes with future profitability, supporting provision of one or more of the other assets.

A development project is initiated based on an assessment of the business potential described in a business case. Terma uses a gateway model ensuring ongoing follow-up of the development projects.

All development projects are evaluated to ensure that future earnings justify the carrying amount. An annual impairment test of the individual development project will ensure this, in which the discounted expected cash flow is compared with the carrying amount. Ongoing projects are discounted with a WACC of 13-15% after tax, and finished projects are discounted with a WACC of 9-13% after tax.

Sensitivity analysis

An increase in the WACC percentage of 1% will decrease the discounted value of the projects, but they will all remain within the carrying amount.

12. PROPERTY, PLANT, AND EQUIPMENT

	CONSOLIDATED				
DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 March 2020	545,043	483,832	120,468	41,886	1,191,229
Foreign exchange rate adjustment	-	(778)	(2,516)	-	(3,294)
Transfers	17,357	13,576	985	(31,918)	-
Additions	6,506	29,673	11,926	55,312	103,417
Disposals	(1,075)	(8,396)	(10,978)	-	(20,449)
Cost at 28 February 2021	**567,831**	**517,907**	**119,885**	**65,280**	**1,270,903**
Depreciation and impairments at 1 March 2020	237,319	303,324	90,140	-	630,783
Foreign exchange rate adjustment	-	(778)	(1,758)	-	(2,536)
Depreciations	16,912	33,672	13,054	-	63,638
Disposals	(727)	(8,310)	(10,794)	-	(19,831)
Depreciations and impairments at 28 February 2021	**253,504**	**327,908**	**90,642**	**-**	**672,054**
Carrying amount at 28 February 2021	**314,327**	**189,999**	**29,243**	**65,280**	**598,849**
Depreciated over	10-50 years	3-20 years	3-7 years		

	PARENT COMPANY				
DKK 1,000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 March 2020	466,744	150,835	75,336	25,070	717,985
Transfers	17,357	6,157	911	(24,425)	-
Additions	6,506	7,148	4,587	25,740	43,980
Disposals	(1,075)	(4,611)	(8,111)	-	(13,797)
Cost at 28 February 2021	**489,532**	**159,529**	**72,722**	**26,385**	**748,168**
Depreciation and impairments at 1 March 2020	159,020	111,590	58,679	-	329,289
Depreciations	16,912	12,703	6,857	-	36,472
Disposals	(727)	(4,544)	(8,111)	-	(13,382)
Depreciations and impairments at 28 February 2021	**175,205**	**119,749**	**57,425**	**-**	**352,379**
Carrying amount at 28 February 2021	**314,327**	**39,780**	**15,297**	**26,385**	**395,789**
Depreciated over	10-50 years	3-10 years	3-7 years		

13. CONSTRUCTION CONTRACTS

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2021	2020	2021	2020
Selling price of construction contracts	2,540,735	2,687,255	1,347,060	1,674,936
Invoiced on account	(2,620,764)	(2,760,215)	(1,370,812)	(1,721,843)
Construction contracts at 28 February	**(80,029)**	**(72,960)**	**(23,752)**	**(46,907)**
RECOGNIZED AS FOLLOWS:				
Construction contracts (assets)	241,330	281,284	100,585	98,593
Construction contracts (liabilities)	(321,359)	(354,244)	(124,337)	(145,500)
	(80,029)	**(72,960)**	**(23,752)**	**(46,907)**

14. CORPORATE TAX PAYABLE

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2021	2020	2021	2020
Corporate tax payable at 1 March	(1,696)	3,712	-	-
Tax for the year/joint tax contribution	4,065	10,013	(5,036)	8,756
Corporate tax paid during the year	(17,978)	(10,259)	(13,654)	(4,716)
Transferred to intra-group balances	14,132	(5,162)	18,690	(4,040)
Corporate tax payable at 28 February	**(1,477)**	**(1,696)**	**-**	**-**
RECOGNIZED AS FOLLOWS:				
Corporate tax receivable	(5,209)	(4,001)	-	-
Corporate tax payable	3,732	2,305	-	-
	(1,477)	**(1,696)**	**-**	**-**

15. DEFERRED TAX

DKK 1,000	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Deferred tax at 1 March	129,936	122,273	114,748	113,621
Foreign currency translation adjustment	362	(139)	-	-
Adjustment for the year	21,817	7,802	10,557	1,127
Deferred tax at 28 February	**152,115**	**129,936**	**125,305**	**114,748**
RECOGNIZED AS FOLLOWS:				
Deferred tax (assets)	(1,734)	(4,146)	-	-
Deferrred tax (liabilities)	153,849	134,082	125,305	114,748
	152,115	**129,936**	**125,305**	**114,748**
DEFERRED TAX RELATES TO:				
Intangibles	98,459	92,890	91,055	86,705
Property, plant and equipment	45,969	40,634	29,280	23,505
Current assets	31,776	30,711	32,531	30,043
Provisions	(1,540)	(1,540)	(1,540)	(1,540)
Liabilities other than provisions etc.	(22,549)	(32,759)	(26,021)	(23,965)
	152,115	**129,936**	**125,305**	**114,748**

EXPECTED TIMEFRAME FOR ELIMINATION OF DEFERRED TAX LIABILITIES:	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
0-1 year	961	(11,158)	(3,251)	(9,532)
1-5 years	85,380	66,084	72,512	60,900
>5 years	65,774	75,010	56,044	63,380
	152,115	**129,936**	**125,305**	**114,748**

16. PREPAYMENTS

DKK 1,000	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Insurance premiums	278	195	702	195
Rent	702	618	278	618
Tax on real property	504	501	433	431
IT licenses, short term	4,008	3,945	4,008	3,945
Other prepayments	1,823	1,633	1,250	1,308
Prepayments at 28 February	**7,315**	**6,892**	**6,671**	**6,497**

17. EQUITY

CAPITAL STOCK CONSISTS OF:

1 stock at MDKK 18.
The capital stock has remained unchanged during the preceding 5 years.
The Company does not hold any own shares at the Balance Sheet date. Buying or selling own shares have not taken place during the financial year, either.

18. WARRANTY PROVISIONS

	CONSOLIDATED		PARENT COMPANY	
DKK 1,000	2021	2020	2021	2020
Warranty provisions at 1 March	14,077	11,866	14,077	11,866
Used during the year	(2,492)	(4,249)	(2,492)	(4,249)
Unused warranty provisions, reversed	(5,584)	(1,164)	(5,584)	(1,164)
Provisions for the year	13,346	7,624	13,346	7,624
Warranty provisions at 28 February	**19,347**	**14,077**	**19,347**	**14,077**
EXPECTED MATURITY FOR WARRANTY PROVISIONS				
0-1 year	9,799	7,163	9,799	7,163
>1 years	9,548	6,914	9,548	6,914
	19,347	**14,077**	**19,347**	**14,077**

19. SUBORDINATED LOANS

Terma A/S has obtained a subordinated convertible loan from the ultimate Parent Company, the Thomas B. Thrige Foundation, with a total nominal value of 125 MDKK. The interest rate is fixed at 4.5%. The loan expires 1 March 2022 without further notice. Once a year in February, the loan can be fully or partly converted into shares in Terma A/S based on current value. However, not less than a share price of 100 per share amounting to 100.

20. NON-CURRENT LIABILITIES OTHER THAN PROVISIONS

	CONSOLIDATED					
DKK 1,000	Liabilities	Fair value	Nominal value	Long-term liabilities	Short-term liabilities	Loans outstanding after five years
Subordinated loans	125,000	125,000	125,000	125,000	-	-
Credit institutions	156,087	156,166	156,166	109,848	46,239	-
Mortgage credit institutions	205,923	210,859	208,100	193,251	12,672	141,116
Other debt	84,507	84,507	84,507	84,507	-	84,507
28 February 2021	**571,517**	**576,532**	**573,773**	**512,606**	**58,911**	**225,623**

	PARENT COMPANY					
DKK 1,000	Liabilities	Fair value	Nominal value	Long-term liabilities	Short-term liabilities	Loans outstanding after five years
Subordinated loans	125,000	125,000	125,000	125,000	-	-
Credit institutions	156,087	156,166	156,166	109,848	46,239	-
Mortgage credit institutions	205,923	210,859	208,100	193,251	12,672	141,116
Other debt	59,438	59,438	59,438	59,438	-	59,438
28 February 2021	**546,448**	**551,463**	**548,704**	**487,537**	**58,911**	**200,554**

	CONSOLIDATED					
DKK 1,000	Liabilities	Fair value	Nominal value	Long-term liabilities	Short-term liabilities	Loans outstanding after five years
Subordinated loans	125,000	125,000	125,000	125,000	-	-
Credit institutions	197,522	197,601	197,601	156,840	40,682	-
Mortgage credit institutions	218,434	222,441	220,772	205,878	12,556	154,422
Other debt	40,922	40,922	40,922	40,922	-	35,726
29 February 2020	**581,878**	**585,964**	**584,295**	**528,640**	**53,238**	**190,148**

	PARENT COMPANY					
DKK 1,000	Liabilities	Fair value	Nominal value	Long-term liabilities	Short-term liabilities	Loans outstanding after five years
Subordinated loans	125,000	125,000	125,000	125,000	-	-
Credit institutions	197,522	197,601	197,601	156,840	40,682	-
Mortgage credit institutions	218,434	222,441	220,772	205,878	12,556	154,422
Other debt	29,286	29,286	29,286	29,286	-	25,339
29 February 2020	**570,242**	**574,328**	**572,659**	**517,004**	**53,238**	**179,761**

2020/21	CONSOLIDATED			
DKK 1,000	29 Feb. 2020	Cash flow	Non-monetary changes	28 Feb. 2021
Non-current liabilities other than provisions	528,640	(15,152)	(882)	512,606
Current liabilities other than provisions	113,001	65,151	-	178,152
Liabilities other than provisions from financing activities	**641,641**	**49,999**	**(882)**	**690,758**

20. NON-CURRENT LIABILITIES OTHER THAN PROVISIONS, CONTINUED

DEBT TO FINANCIAL INSTITUTIONS

	2021				
DKK 1,000	Average nominal interest rate	Average effective interest rate	Currency	Fixed interest rate	Carrying amount
MORTGAGE LOANS:					
Variable rate loans	0.95	0.80	DKK	6 months	27,013
Fixed rate loans	2.20	2.42	DKK	11-21 years	166,238
Mortgage loans total	**2.02**	**2.18**			**193,251**
LOANS FROM BANKS:					
Fixed interest rate loans	1.15	1.15	EUR		109,848
Loans from banks total	**1.15**	**1.15**			**109,848**
Credit institutions total at 28 February					**303,099**

	2020				
DKK 1.000	Average nominal interest rate	Average effective interest rate	Currency	Fixed interest rate	Carrying amount
MORTGAGE LOANS:					
Variable rate loans	0.95	0.75	DKK	3-6 months	29,607
Fixed rate loans	2.01	2.26	DKK	16-22 years	176,271
Mortgage loans total	**1.85**	**2.04**			**205,878**
LOANS FROM BANKS:					
Fixed interest rate loans	1.15	1.15	EUR		156,840
Loans from banks total	**1.15**	**1.15**			**156,840**
Credit institutions total at 29 February					**362,718**

21. CONTINGENT LIABILITIES AND SECURITY

CONTINGENT LIABILITIES

DKK 1,000	CONSOLIDATED 2021	CONSOLIDATED 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Lease liabilities (operating leases) at 28 February falling due within 5 years (annual cost 15,165 tDKK)	36,007	43,516	7,300	10,525
Lease liabilities at 28 February due after more than 5 years	-	1,055	-	-
Terma A/S including Danish subsidiaries is jointly taxed with Thrige Holding A/S, Within the taxation group, the Company is jointly and severally liable in line with the other Group members for payment of corporate income tax and withholding tax in Denmark, As of 2013/14, the net obligations of the jointly taxed companies towards the Danish Central Tax Administration (SKAT) appear from the Thrige Holding A/S (CVR No, 26 31 16 83) annual accounts, Any corrections to the joint taxation income and withholding tax appearing at a later time may result in the Company being liable for a larger amount.				
Terma A/S is jointly and severally liable for joint registration concerning VAT with the Parent Company Thrige Holding A/S, the ultimate Parent Company the Thomas B, Thrige Foundation, and the Group Company Thrige-Titan A/S,				
On behalf of the Terma Group, third parties have issued performance and advance payment bonds at at total of	175,353	145,657	175,353	143,153
Included in the amount are customer advances reflected in the balance sheet	89,480	92,980	89,480	92,338
Through customer projects in various countries, Terma A/S is contractually committed to certain offset obligations	17,735	-	17,735	-
SECURITY The following assets have been provided as security for mortgage loans:				
Carrying amount of land and buildings	314,327	307,724	314,327	307,724
Other property, plant, and equipment estimated to be comprised by the collateral, cf, the provisions of the Danish Registration of Property Act	284,522	252,722	81,462	80,972
Terma A/S has issued a letter of intent to third parties in connection with the establishment of credit facilities for its subsidiaries at a total amount of:	-	-	47,640	51,567

22. RELATED PARTIES

Terma A/S is a wholly owned subsidiary of Thrige Holding A/S (CVR No. 26 31 16 83), which is wholly owned by the Thomas B. Thrige Foundation (CVR No. 10 15 62 11), jointly referred to as the Owners.

Terma A/S' related parties exercising significant influence comprise the Board of Directors, Executive Management, managerial staff, and their family members. Further, related parties comprise companies in which the above-mentioned persons have substantial interests.

TRANSACTIONS WITH RELATED PARTIES:

	CONSOLIDATED	
DKK 1,000	2020/21	2019/20
Sale of services to the Owners	1,010	995
Sale of services to Group companies	35	42
Interest paid to the Owners	6,077	6,097
Reinvoicing of costs to the Owners	-	9
Reinvoicing of costs to Group Company	-	2
Debt to Owners	119,241	63,575
Subordinated loan from the Owners	125,000	125,000

	PARENT COMPANY	
DKK 1,000	2020/21	2019/20
Sale to Group companies	279,109	285,041
Purchase from Group companies	81,361	56,924
Sale of services to the Owners	1,010	987
Sale of services to Group companies	55,743	40,934
Rent from Group companies	7,513	7,023
Interest paid to Group companies	751	692
Interest paid from Group companies	3,222	1,756
Interst paid to the Owners	6,077	6,097
Reinvoicing of costs to Group companies	6,771	5,040
Reinvoicing of costs from Group companies	1,293	2,507
Receivable from Group companies	48,097	111,185
Debt to Owners	119,241	63,575
Debt to Group companies	168,402	119,517
Subordinated loans from the Owners	125,000	125,000
Dividend declared to Parent companies	75,000	-
Dividend paid from Group companies	5,178	10,803

23. EVENTS AFTER THE BALANCE SHEET DATE

Following the end of the fiscal year, no significant events have occurred which affect the assessment of the Group's and Parent Company's financial position as reported on 28 February 2021.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Through its operations, the Terma Group is exposed to a certain financial risk; this financial risk relates to and is defined as follows:

LIQUIDITY RISK	The risk that theTerma Group is not able to meet its future cash flow needs
CREDIT RISK	The risk of incurring a financial loss if a customer or counterparty fails to fulfill its contractual obligations
MARKET RISK	The risk of losses in financial positions arising from movements in interest, currency rates, and raw material prices to which the group is exposed

Policies and objectives for handling financial risks are regularly assessed and approved by the Board of Directors.

Sensitivity analyses and stress tests are performed. Sensitivity information reported is calculated at Balance Sheet date and comprises only sensitivity relating to financial instruments, so the amounts disclosed do not necessarily give a complete picture of the Group's risk relating to changes in currency rates and interest rates.

There are no changes to the Group's exposure to and management of financial risk since last year.

LIQUIDITY RISK

RELATED BUSINESS ACTIVITY	IMPLICATION	RISK MITIGATION	IMPACT
The Group is exposed to liquidity risk due to ongoing normal business activities, significant investments, and to a lesser extent to repayment of mortgage loans. Cash management is vital in relation to fulfill requirements from financial institutions.	Effect: Medium Threat: Low	Liquidity is managed at Group level. Liquidity forecasts are produced and updated regularly based on forecasts on operational cash flows, CAPEX, and investment commitments. Flexibility in the Group's loan portfolio is secured by having different institutions, terms, and expiry. The Group's loan agreements include covenants (leverage ratio). The agreements do not include clauses where cash security has to be pledged.	The Group's liquidity reserve consists of an unsecured overdraft facility for multi-currency short-term financing needs as well as a committed 1-year loan facility. Similar to 2019/20, there has been no breach of covenants during the year. It is the Management's opinion that the Group has sufficient financial resources to settle obligations as they become due.

Investments are classified as financial assets at fair value through profit or loss (financial derivatives) or as loans and receivables. The classification depends on the purpose for which the investments were acquired.

Financial assets classified at fair value through profit or loss are investments that are measured and reported at fair value in the internal management reporting. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in trade receivables and other receivables in the statement of financial position.

The Group's loan portfolio consists of a traditional mortgage loan, a European Investment Bank loan, and a loan from the Parent Company (intra-group balance).

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

In addition, the Company has subordinated loans of 125 MDKK.

At year-end February 2021, cash and bank deposits amounted to MDKK 134. In addition to cash and bank deposits, an unsecured overdraft facility for multi-currency short-term financing needs as well as a committed 1-year loan facility are in place.

Below is a maturity analysis of the financial liabilities at year-end, 28 February 2021 and 29 February 2020.

	2021				2020			
DKK 1,000	Carrying amount/ contractual cashflow	0-1 year	1-5 years	>5 years	Carrying amount/ contractual cashflow	0-1 year	1-5 years	>5 years
NON-DERIVATS:								
Subordinated loans	125,000	-	125,000	-	125,000	-	125,000	-
Credit institutions	156,087	46,239	109,848	-	197,522	40,682	156,840	-
Mortgage credit institutions	205,923	12,672	52,135	141,116	218,434	12,556	51,456	154,422
Other debt	84,507	-	-	84,507	40,922	-	5,196	35,726
Current liabilities other than provisions	1,067,972	1,067,972	-	-	987,009	987,009	-	-
DERIVATS:								
Forward contracts	(18,315)	(13,154)	(5,161)	-	7,445	7,445	-	-
Interest swaps	1,041	1,041	-	-	2,296	2,296	-	-
	1,622,215	**1,114,770**	**281,822**	**225,623**	**1,578,628**	**1,049,988**	**338,492**	**190,148**

CREDIT RISK

RELATED BUSINESS ACTIVITY	IMPLICATION	RISK MITIGATION	IMPACT
The Group is exposed to credit risk from receivables and from balances with banks. Risk related to receivables occurs when customers do not pay as agreed. Credit risk with balances in banks occurs when it is uncertain if the bank is capable of settling its obligations as they become due.	Effect: Medium Threat: Low	The Group conducts credit assessments of new customers and partners. Customers outside Europe and North America are individually assessed and due to the assessment, the trade is handled on letter of credit or with up- front payments. Credit insurance from EKF is used if deemed necessary. The Group minimizes risk from banks by using banks with proper ratings.	In general, there is no significant credit risk relative to individual customers. In 2020/21, the Group reversed a financial loss on debtors of 0.3 MDKK. The Group does not expect any loss on trade receivables, construction contracts, or amounts owed by subsidiaries. Therefore, there has not been recognized any ECL loss.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

In 2019/20, there was an impairment of receivables of 1.4 MDKK within the Asia Pasific region, during 2020/21, 0.3 MDKK of this impairment was reversed due to partial payment from the customer. 6% of the receivables exceeded payment terms with more than 1 month.

Accounts receivable from sales are specified as follows:

DKK 1,000	2021	2020
Europe	154,441	147,206
North America	70,857	139,238
Asia Pacific	107,476	56,962
Middle East and North Africa	35,886	8,076
Rest of world	100	5,137
Accounts receivable at 28 February	**368,760**	**356,619**

Overdue Accounts Receivable:

DKK 1,000	2021	2020
Up to 1 month	48,622	45,034
Between 1 and 2 months	3,241	12,078
More than 2 months	19,736	13,662
Overdue accounts receivable at 28 February	**71,599**	**70,774**

INTEREST RATE RISK

RELATED BUSINESS ACTIVITY	IMPLICATION	RISK MITIGATION	IMPACT
Due to financing of investments and normal business operations, the Group is exposed to risk concerning fluctuations in the interest rate. The primary risk is related to fluctuations in CIBOR.	Effect: Medium Threat: Low	It is the Group's policy to have long-term borrowings to a large extent at fixed rates. Net interest rate risks may be hedged via interest rate swaps and related instruments, if assessed as advantageous. The Group uses cash pool arrangements to net funds on deposit with debt to minimize interest payments.	59% of total interest-bearing debt excluding subordinated loans is fixed rated (2019/20 it was 73%). The effective interest rate of this part of the debt is 1.8% (2019/20 it was 1.7%). Please refer to note 20 for information about subordinated loans.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

The exposure to floating interest rates at Balance Sheet date 28 February 2021 and 29 February 2020 are as follows:

DKK 1,000	2021 Notional principal amount	2021 Value adjustment recognized in equity after tax	2021 Fair value	2021 Expected life	2020 Notional principal amount	2020 Value adjustment recognized in equity after tax	2020 Fair value	2020 Expected life
Interest rate swap	33,741	(680)	(1,041)	1 year	36,218	(1,638)	(2,296)	2 years

Changes in market values on derivatives could cause calls of further pledge or cash distribution, but the risk is considered insignificant, and we have sufficient credit lines with our financial counterparties. The Group has unutilized facilities including cash totalling 583 MDKK (2019/20: 469 MDKK).

Sensitivity of interest rate risk

The calculated effect based on a 1%-point interest rate increase would affect profit/(loss) by 0.2 MDKK (2019/20: 1.5 MDKK) and equity by 0.1 MDKK (2019/20: 1.2 MDKK).

A 1%-point interest rate decrease would as a minimum have a corresponding inverse effect (however, not below zero interest rates).

CURRENCY RISK

RELATED BUSINESS ACTIVITY	IMPLICATION	RISK MITIGATION	IMPACT
The Group is exposed to currency risk due to selling in USD and EUR, buying in EUR, USD, and GBP, loan taken in EUR, and net investments in subsidiaries with functional currency in EUR, INR, and AED.	Effect: Medium Threat: Low	It is the Group's policy to use derivative instruments to hedge currency risks, and forward exchange contracts are entered into in connection with the acceptance and conclusion of contracts. EUR cash flow is used for repaying loan in EUR but otherwise not hedged due to Danish fixed exchange rate policy against EUR. Net investments in foreign subsidiaries are not hedged.	The effect from currency risk originates mainly from USD cash flows. The company has hedged the currency risk in accordance with the Group's policy. As in 2019/20, the Group has only used derivative financial instruments to hedge exchange rate risks.

The operating and reporting currency is DKK and thus, all amounts are recorded and reported in DKK.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

At year-end, the Group held the following derivatives:

DKK 1,000

Currency	Payable/ maturity date	Receivables	Credit institutions	Liabilities other than provisions	Hedged by forward exchange contracts and currency swaps	Net position
2021						
USD	<1 year	91,921	-	(100,896)	15,703	6,728
GBP	<1 year	31	-	(7,501)	7,124	(346)
CAD	<1 year	7	-	-	-	7
SEK	<1 year	-	-	(64)	52	(12)
NOK	<1 year	-	-	(16)	-	(16)
EUR	<1 year	298,039	(46,239)	-	-	251,800
EUR	>1 year	-	(109,927)	-	-	(109,927)
INR	<1 year	503	-	(296)	-	207
SGD	<1 year	478	-	(4,228)	-	(3,750)
AED	<1 year	1,521	-	(455)	(898)	168
CHF	<1 year	-	-	-	-	-
AUD	<1 year	-	-	(761)	761	-
2020						
USD	<1 year	247,492	-	(131,513)	25,225	141,204
GBP	<1 year	10	-	(9,026)	8,609	(407)
CAD	<1 year	75	-	-	-	75
SEK	<1 year	-	-	(17)	-	(17)
NOK	<1 year	-	-	(47)	-	(47)
EUR	<1 year	204,048	(40,682)	(170,536)	-	(7,170)
EUR	>1 year	-	(156,919)	-	-	(156,919)
INR	<1 year	454	-	(272)	-	182
SGD	<1 year	571	-	(5,193)	-	(4,622)
AED	<1 year	2,618	-	(714)	(1,608)	296
CHF	<1 year	-	-	(286)	-	(286)
AUD	<1 year	-	-	(1,745)	1,745	-

Sensitivity of currency risk

To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on the Balance Sheet date. Other things being equal and after tax, sensitivity to fluctuations in USD at Balance Sheet date based on a 10% decrease in currency exchange rates against DKK would result in a net profit/(loss) of (0.7) MDKK (2019/20: (9.1) MDKK) and affect equity by 0 MDKK (2019/20: 0 MDKK). The total effect on Equity after tax would be (0.5) MDKK (2019/20: (7.1) MDKK). The effect of a 10% increase in the currency exchange rates against DKK would have a corresponding inverse effect.

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

Exchange rate contracts at year-end:

		Contractual value		Fair value		Gains and losses recognized in the equity	
DKK 1,000	Period	2021	2020	2021	2020	2021	2020
AED	0-1 year	1,330	2,234	(15)	(81)	(1)	(11)
AED	1-5 years	-	-	-	-	-	-
AUD	0-1 year	(1,311)	(4)	77	6	-	31
AUD	1-5 years	-	(1,423)	-	(57)	-	-
GBP	0-1 year	(15,911)	(9,495)	741	431	-	-
GBP	1-5 years	(773)	(13,602)	(4)	611	-	-
USD	0-1 year	287,717	341,813	9,456	(21,183)	10,260	(4,808)
USD	1-5 years	109,939	225,198	1,991	(4,625)	4,027	(1,020)
		380,991	**544,721**	**12,246**	**(24,898)**	**14,286**	**(5,808)**
Tax						4,029	(1,637)
Total before tax						**18,315**	**(7,445)**

Fair value of financial instruments is related to observable input (level 2).

Categories of financial instruments:

DKK 1,000	2020/21	2019/20
FINANCIAL ASSETS:		
Financial derivatives used for hedging purposes	93,473	250,120
Receivables and cash at bank and in hand	502,500	605,612
FINANCIAL LIABILITIES:		
Financial derivatives used for hedging purposes	109,613	142,998
Financial liabilities measured at amortized costs	571,517	581,878

RAW MATERIALS PRICE RISK

RELATED BUSINESS ACTIVITY

The Group is exposed to risk concerning raw material prices due to raw material as aluminum and composite materials forming part of the products sold.

IMPLICATION

Effect:
Medium

Threat:
Low

RISK MITIGATION

Raw material price risk has until now not been hedged. The impact on the financial result is immaterial as major parts of raw materials are bought in accordance with customers' requirements and their "Right to buy" agreements. These agreements are firm fixed prices in USD in 3-5 years.

The development in raw material prices is followed continuously.

IMPACT

The developments in raw material prices have had an immaterial impact on the Group's financial results in 2019/20 and 2020/21.

25. PROPOSED PROFIT APPROPRIATION

	PARENT COMPANY	
DKK 1,000	2020/21	2019/20
Proposed dividends	100,000	-
Reserve for net revaluation according to the equity method	67,754	63,829
Reserve for development costs	67,070	44,069
Retained earnings	(119,532)	(14,053)
	115,292	**93,845**

26. CHANGES IN WORKING CAPITAL AND INVESTMENTS

	CONSOLIDATED	
DKK 1,000	2020/21	2019/20
Inventories	(121,072)	(17,490)
Receivables	1,513	18,137
Construction contracts and prepayments from customers	46,390	106,697
Trade payables and other payables	119,446	(47,591)
	46,277	**59,753**
ACQUISITION OF SOFTWARE, PROPERTY, PLANT AND EQUIPMENT		
Additions to software, property, plant, and equipment (note 11 and 12)	139,303	122,531
Hereof trade payables to be paid in the following financial year	(35,381)	(33,944)
Trade payables beginning of year	33,944	6,930
Paid concerning addition to property, plant, and equipment	**137,866**	**95,517**

www.terma.com

TERMA

ALLIES IN INNOVATION