Annual Report
2019/20

TERMA
ALLIES IN INNOVATION

Terma A/S
Hovmarken 4
8520 Lystrup
Denmark
Central Business Register No. 41 88 18 28
Presented and approved on 28 May 2020
Meeting Chairman Niels Bundsgaard

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Situated in Aarhus Municipality

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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
ERNST & YOUNG
Godkendt Revisionspartnerselskab

Annual General Meeting
The annual general meeting is held at the Group's address in
Herlev on 28 May 2020.

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 2019/20 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 29 February 2020 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for 2019/20.

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, 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, 28 May 2020

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 2019 – 29 February 2020, 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 29 February 2020 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 2019 – 29 February 2020 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, 28 May 2020

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jes Lauritzen
State-Authorized Public Accountant
mne10121

Financial Highlights

CONSOLIDATED

DKK million	2019/20	2018/19	2017/18	2016/17	2015/16
Key Figures:					
Order intake	2,842	1,726	1,728	1,411	1,671
Order backlog, year-end	3,222*	2,297*	2,374*	2,431*	2,739*
Revenue	1,917	1,803	1,785	1,719	1,499
EBITDA before special items	274	277	298	288	220
Depreciation, amortization, and write-downs	(148)	(165)	(149)	(147)	(107)
Operating profit before special items	125	112	149	141	113
Financial income and costs	(16)	(17)	(25)	(21)	(28)
Earnings before special items and tax	110	95	124	120	85
Special items before tax**	0	(164)	(31)	0	0
Profit for the year	**94**	**(66)**	**72**	**91**	**66**
Non-current assets	1,088	995	935	899	839
Current assets	1,329	1,192	1,084	892	862
Total assets	**2,417**	**2,186**	**2,019**	**1,791**	**1,701**
Total equity	**680**	**579**	**663**	**562**	**572**
Subordinated loans	125	125	125	125	0
Capital base* **	**805**	**704**	**788**	**687**	**572**
Provisions	159	290	165	146	149
NIBD (excl. subordinated loans and Polish court case)****	264	357	489	306	418
Cash flows from operating activities	303	361	5	283	120
Cash flows for investing activities	(214)	(229)	(188)	(206)	(139)
hereof investments in property, plant, and equipment	(96)	(107)	(92)	(133)	(70)
Cash flows from financing activities	41	(36)	157	(36)	17
Total cash flows	**130**	**95**	**(26)**	**41**	**(2)**
Financial Ratios:					
EBITDA margin before special items	14.3	15.3	16.6	16.8	14.6
EBT margin before special items	5.7	5.2	7.0	7.0	5.7
Return on investments before special items	5.9	5.5	8.0	8.2	7.0
Liquidity ratio*****	127	149	161	135	135
Solvency ratio (capital base)	33.3	32.2	39.0	38.4	33.6
Return on equity	14.9	(10.7)	11.8	16.1	12.5
Leverage ratio****	1.0	1.3	1.6	1.1	1.9
Average number of full-time employees	**1,521**	**1,495**	**1,398**	**1,257**	**1,174**

* *Including framework agreements.*
** *Accounting for the Polish court case in 2018/19 influences Revenue, EBITDA, Operating profit, and Financial income and costs. Special items in 2018/19 primarily relate to the Polish court case.*
*** *Capital base is defined as equity and subordinated loans.*
**** *Leverage ratio and NIBD in 2019/20 impacted by provision for vacation pay in the transition period from old to new holiday act. Leverage ratio for 2019/20 excl. vacation pay equals 0.8.*
***** *Liquidity ratio in 2019/20 impacted by reclassification of provision for the Polish court case to current liabilities.*

Definitions of Financial Ratios:

EBITDA margin before special items:	EBITDA before special items x 100 / Revenue	EBT margin before special items:	Earnings before special items and tax x 100 / Revenue
Return on investments before special items:	Operating profit before special items x 100 / Average operating assets	Operating assets:	Total assets less cash at bank and in hand, and other interest-bearing assets
Liquidity ratio:	Current assets x 100 / Current liabilities other than provisions	Solvency ratio: (Capital base)	Capital base x 100 / Total assets at year-end
Return on equity:	Profit for the year x 100 / Average equity	Leverage ratio:	NIBD (excl. subordinated loans and Polish court case) / EBITDA before special items

Terma at a Glance

2019/20 IN NUMBERS

MAIN CONCLUSIONS

Revenue and in particular order intake were strong in 2019/20. EBT improved over 2018/19. Total cash flows were even stronger than in 2018/19, further improving the Net Interest Bearing Debt position as well as leverage ratio.

Order intake (DKK million)
2,842
Up from 1,726

Revenue* (DKK million)
1,917
Up from 1,803

Total cash flows (DKK million)
130
Up from 95

Return on investments (%)
5.9
Up from 5.5

Earnings before tax (EBT)* (DKK million)
110
Up from 95

EBITDA* (DKK million)
274
On par with 2018/19

Leverage ratio*
1.0
Down from 1.3

Net interest bearing debt (DKK million)
264
Down fom 357

** Revenue, EBT, EBITDA, and Leverage ratio in 2018/19 before special items*

Management's Review 2019/20

Result for 2019/20

The 2019/20 result was overall very strong, with improved financial performance in most areas. This includes record-high order book and revenue as well as an all-time low net interest-bearing debt (NIBD) position.

The order intake for the year was 2,842 MDKK (2018/19: 1,726 MDKK), resulting in an order backlog at year-end of 3,222 MDKK (2018/19: 2,297 MDKK). The order backlog provides for a comfortable business base in 2020/21 as well as in the following years.

The order intake for the year included several significant wins such as a 10-year contract for support, maintenance and development of the C-Flex Combat Management System used by the Royal Danish Navy, and orders of SCANTER radars for Canadian and Indian coastal surveillance systems. The U.S. Air National Guard (ANG) ordered a large quantity of our Pylon Integrated Dispense System (PIDS+). The order intake for the F-35 program was record-high with several multi-year agreements for both aerostructures and electronics as the production of aircraft ramps up. New multi-year agreements are expected in 2020/21 and in 2021/22.

Revenue for the fiscal year was 1,917 MDKK compared to 1,803 MDKK in 2018/19. 90% of the revenue was generated outside Denmark. The defense market constitutes 69% of the revenue.

EBITDA was 274 MDKK in 2019/20 compared to 277 MDKK in 2018/19.

Earnings before tax (EBT) was 110 MDKK in 2019/20 compared to 95 MDKK in 2018/19.

The net interest-bearing debt (NIBD) decreased markedly compared to 2018/19, from 357 MDKK to 264 MDKK.

At year-end, total staff was 1,596 Full-Time Employees (FTE). Like other high-tech companies, Terma is challenged by the general shortage of mainly software specialists.

The Board of Directors and Executive Management greatly appreciate the dedication, commitment, and efforts of our employees worldwide.

Effective 1 June 2019 Jes Munk Hansen took up the post as CEO & President of the Terma Group. He succeeded Jens Maaløe who retired at the end of May 2019 after 16 years as President & CEO of the Terma Group.

The Board of Directors wish to thank Jens Maaløe for his leadership and effort to develop Terma as a global company.

Outlook for 2020/21

The outlook in the base budget for 2020/21 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. While the duration and depth of the COVID-19 pandemic and its impact on Terma is uncertain, the impact is expected to be negative albeit moderate. Since the outbreak, Terma has taken measures to ensure safety of our employees and reasonably mitigate the operational impact.

As a matter of prudence and precaution, Terma operates with three 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.

CEO Jes Munk Hansen

With a disclaimer due to the COVID-19 uncertainties, Terma expects the F-35 program to be the major growth driver due to the ongoing ramp-up in production. Negotiations with Lockheed Martin and their major suppliers continue for future deliveries covering 2023-2027. The expected agreements will cover up to 1,100 aircraft through 2027 and are likely to be some of the largest frame contracts in Terma's history. The other main growth drivers are radars for vessel traffic service and coastal surveillance as well as command and control systems for naval vessels.

The strategy for Terma is built around the three strategic focus areas:
1. Grow the Topline
2. Break the Cost Curve
3. Organizational Development

Through execution of our strategic deployment process, several strategic themes and priorities have been identified to support the strategic focus areas; thereby enabling the execution of our strategy.

Transformation initiatives within Portfolio Management, Sales & Operations Planning, and Strategic Workforce Planning are implemented as foundation for executing our future strategic ambitions.

The Arctic region and Artificial Intelligence (AI) are two areas of major strategic interest to Terma.

The Arctic region is for many reasons becoming increasingly important which has led Denmark to increase the international collaboration with our Arctic nation partners. In December 2019, the Danish Prime Minister announced to dedicate 1.5 BDKK of the defense budget to the Arctic region. 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.

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.

To boost the area, we have established Terma AI Center of Excellence as 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.

Terma is no newcomer to the use of AI in mission critical environments and has for several years provided AI-driven capabilities to NATO as well as incorporating AI for object recognition in SCANTER radar 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 countries, alliances, and individuals. 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 provides a full range of complex composites and aerostructures, aircraft self-protection and audio management solutions, and Electronics Manufacturing Services.

Terma headquarters in Lystrup

Surveillance & Mission Systems provides radar systems 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.

Space develops and supplies electronics, software, and services for satellites, space control centers, and for test and validation related to development of new satellites.

Support & Services provides maintenance, support, and update of Terma products and solutions as well as third-party OEM equipment.

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.

Terma has successfully renewed certifications to AS9100, the Aerospace & Defense standard for Quality Management Systems, for a three-year period on all 10 sites in five countries. Our sites in Singapore and Atlanta were successfully added to the certification, and the audits were completed with a very satisfactory result, and an improvement since last time was observed. 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.

Terma also maintained the National Aerospace and Defense Contractors Accreditation Program (NADCAP) special process approval for composites manufacturing and Non-Destructive Testing, and AQAP NATO quality standard certifications.

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

BUSINESS AREAS

Aeronautics

Customers continue to appreciate and depend on the Aeronautics Business Area's timely delivery of complex composite aerostructures, aircraft self-protection and Electronic Warfare systems, 3D-Audio management solutions, and Electronics Manufacturing Services. Together, the Aeronautics team, from the U.S. and in Denmark, remains close to our customers, focused on innovation, providing quality products that help ensure mission success.

Terma is a supplier to the world's largest defense program, the F-35 Joint Strike Fighter. Through multi-year agreements, Terma delivers composite structures to Lockheed Martin Corporation, BAE Systems, General Dynamics, United Technologies, and Northrop Grumman Corporation, and air to ground pylons to Marvin Engineering from our production facility in Grenaa, Denmark. From Lystrup, Denmark, Terma delivers advanced electronics to Northrop Grumman Corporation and Raytheon Technologies.

The F-35 program delivered 134 aircraft in 2019, a significant increase from delivering 91 in 2018, and is set to deliver 150 aircraft in 2020. As the strong demand for our products and services continues to increase, we are constantly monitoring our capacity with the objective of remaining an agile and available supplier to all aircraft in the program and to be able to respond to new business opportunities.

In pursuit of affordability, F-35 contracting has transitioned from lot-by-lot contracting towards long term agreements through 2027. In addition to the organic growth from aircraft quantity increase, an increased workshare of F-35 pylons was secured. Furthermore, accelerated orders for gun pods were received from General Dynamics, leading to a very high F-35 order intake for 2019/20.

Our self-protection systems are increasingly becoming the standard for combat aircraft. Terma was awarded a 5-year agreement for delivery of smart pylon solutions, with embedded countermeasures dispenser system and support for missile warning system, for U.S. Air National Guard F-16 aircraft. Terma delivers tailored solutions to both U.S. and international customers.

Terma North America secured a contract from Lockheed Martin Aeronautics (LMA) for the Air Combat Command C-130J. This multi-year contract is important as it sets a baseline for LMA's C-130J fleet's Defensive System Suite with Terma North America as the electronic warfare prime.

Terma's 3D-Audio/Active Noise Reduction solutions are growing beyond the Danish, Dutch, and Belgian Air Forces as well as the U.S. Air National Guard F-16s, with more than 450 systems delivered and more on contract. Terma North America has taken on the role of prime integrator for the Air National Guard (ANG) A-10 3D-Audio System (3DAS). Terma North America has been placed on a 5-year contract to supply and integrate 3DAS to the entire ANG fleet of A-10s.

Electronics Manufacturing Services achieved record order intake and improved profitability, both as a supplier to Northrop Grumman Corporation on the F-35 and as an electronics provider to Raytheon Technologies for the Evolved Sea Sparrow Missile program. Terma was the first company outside the U.S. allowed to provide sensitive components for the F-35 Electro-Optical Distributed Aperture System.

Surveillance & Mission Systems

Surveillance & Mission Systems has continued the strong performance, delivering revenue on par with last year and a record-high order intake.

For our radar products, the focus continues to be on reliable long-range detection of small targets in difficult atmospheric conditions; the trademark of our radars, establishing SCANTER as the leading radar for coastal surveillance and vessel traffic services. We continue to embed new functions while increasing support for digital services and lower life cycle costs. The order intake for coastal surveillance nearly tripled in 2019/20, with two large contracts for India and Canada on top of a large quantity of smaller more typical contracts.

Terma's 3D-Audio/Active Noise Reduction solutions include more than 450 systems delivered and more on contract.

For the F-35 program Terma delivers composite structures from our factory in Grenaa, Denmark

New advanced functions based on Artificial Intelligence (AI) are entering at our products.

Jes Munk Hansen and Captain Kim Bo Meier, DALO, signed a new 10-year contract covering Support, Maintenance and Development of the C-Flex Command and Control System.

The obstruction lights on large wind turbines warn aircraft but also causes light pollution for neighbors. SCANTER radars make it possible to only turn on the lights when an aircraft is nearby, limiting the light pollution with up to 97% during nighttime. The U.S. legislation now mandates such Aircraft Detection Lighting Solution (ADLS) systems in multiple states, and with a significant number of secured contracts, we are now building a full U.S. based delivery and support organization. Terma is authorized by both the U.S. Federal Aviation Administration (FAA) and European authorities and holds contracts in the U.S. as well as in European countries.

In the naval radar domain, the SCANTER radars set the standard for surface surveillance and helicopter control. The Indian Navy received the first SCANTER radars delivered by our Indian partner TATA in the first Buy & Make Indian Program. In the coming years, the Indian Navy will standardize their surface search radar on the locally assembled SCANTER radar.

Our C-Flex Patrol and C-Flex Combat Command and Control (C2) products continue to create significant market interest. Our C2 and link technology, combined with our SCANTER naval radars create a powerful price/performance solution for Coast Guards and navy patrol / offshore patrol vessels.

New advanced functions based on Artificial Intelligence (AI) are entering all our products, derived from our first successfully delivered AI implementation for the NATO Alliance Ground Surveillance program. AI will not only be part of our C-Flex products but is also part of our 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.

Critical Infrastructure Protection (CIP) continues to improve sales in the Middle East where Terma is now on contract to protect multiple critical infrastructures. The solution protects facilities from intruders on land and on water, using a combination of sensors and the Terma T.react CIP C2 System.

As drones are becoming more and more widespread in our environment, Terma is investing in developing a range of solutions aiming at drone detection and tracking as well as utilizing drones as an extended sensor. These new capabilities are being integrated into our existing products and applications.

Support & Services
Terma Support & Services provides support to and service of mission critical systems and solutions in all Terma defense and security product areas i.e. Aeronautics and Surveillance & Missions Systems. Terma pursues business by means of service contracts for third-party OEMs and investigates possibilities of service business expansion through strategic partnerships.

Terma launched a new service concept, Terma Lifecare, covering a broad palette of support and maintenance services relevant to owners of critical surveillance assets; agreements are shaped and scaled by selecting the level of service for each service element that best matches individual demands, enabling guaranteed response times, delivery times, and turnaround times for support, field services, spare parts and repair. Terma Lifecare provides protection through update and improvement services for our customers' investment, and it offers customers and end-users a predictable and lower total cost of ownership.

Terma focuses on expanding the service content of our products. Initiatives are taken to develop a portfolio of Digital Services enabling monitoring of the physical products, improved maintenance, and operational insights, but equally important enabling connectivity to and with our customers and end-users. Digital Services will be an integral part of the Terma Lifecare universe.

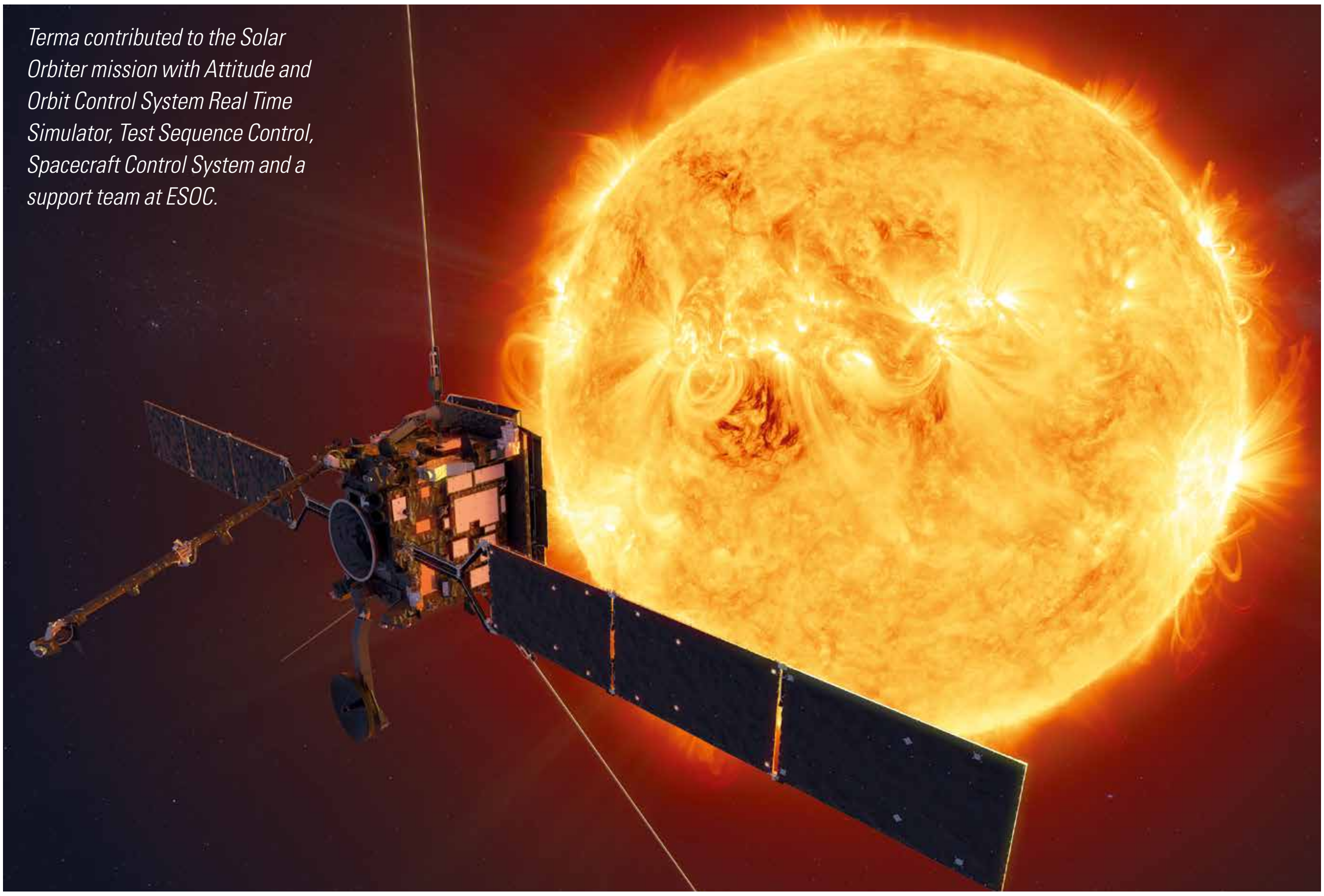
Space
The worldwide space market is developing positively, and our product development has placed Terma in a comfortable position for several new opportunities in Europe, the U.S., and in the Far East. This applies to electronics, software solutions, and space engineering services.

During 2019/20, major space missions were pursued covering European Space Agency (ESA) missions for Earth observation as well as Plato, ExoMars 2020, the telecom platform Electra, European defense programs, and commercial constellation programs. 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 2020/21 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 has provided significant scientific results.

Contracts for the current generation of Star Trackers, as well as a new generation of test and control systems, continued in 2019/20 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 and the telecom markets.



Terma contributed to the Solar Orbiter mission with Attitude and Orbit Control System Real Time Simulator, Test Sequence Control, Spacecraft Control System and a support team at ESOC.

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 2020 mission as well as for ESA's Earth observation program JASON.

The Terma Electrical Ground Support Equipment products, used to test satellites during assembly, have developed positively, with significant contracts for ESA Science and Earth Observation programs as well as for commercial constellations.

The Space Service area witnessed significant progress with the win of a frame contract for the European Southern Observatory covering the next three years.

INTERNATIONAL ACTIVITIES AND REGIONS

Market Development

Terma's Market Development organization is driving the internationalization and market development for Terma globally. Long-term relationships and a strong focus on partnerships are crucial to the Group and a Market Development key deliverable.

Market Development facilitates the global infrastructure with the establishment and operation of the regional offices. Our regional footprint gives Terma access to a wide network of customers, business partners, and new geographical markets.

Europe

In 2019/20, security and defense remained prominently on the political agenda in Europe, reflected in increasing defense budgets in all countries as well as continued and additional efforts by the European Union and NATO.

To further improve our engagement in the German market, Terma opened an office in Berlin in September 2019.

Terma continued its involvement in EU-funded defense R&D programs such as the Preparatory Action on Defence Research (PADR), and the European Defence Industrial Development Programme (EDIDP) with partners throughout Europe. Terma will maintain a focus on building partnerships on key R&D programs, particularly the European Defence Fund.

Industrial Cooperation and Partnerships is the function within Terma that supports our global business with industrial cooperation and offset obligations. Terma's strategic approach is a matter of forging the right connections with companies who can support Terma's business in the future.

In return, partners get access to our advanced supply chain, benefiting from our extensive network, joint marketing or developing new technology together. Being Allies in Innovation, the relation can take many forms, but always with the purpose of mutual long-term benefit.

North and Central America

The U.S. has remained the most important regional market for Terma due to large programs such as the F-35 Joint Strike Fighter, 3D-Audio Systems, our strong position on self-protection systems and the presence of many key partners, including Lockheed Martin Aeronautics, Northrop Grumman Corporation, and Raytheon Technologies. U.S. Foreign Military Sales (FMS) continued to be a key sales channel for aircraft self-protection systems and coastal surveillance radar systems.

Terma North America Inc., with its focus on creating a "home market" continued to strengthen closer cooperation with customers, as well as partners and decisionmakers. There was increased recognition of and demand for U.S. engineering expertise, production, as well as local service and support. Terma is investing in both capability expansion and product development at Terma North America in close cooperation with our primary customers and partners. Recognition as a U.S. company was increased by acting through a more U.S. focused branding effort.

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 several T.react CIP systems across the Middle East and the North Africa region.

With our latest sales and ongoing major projects, more than 13,500 km of coastline is set to be covered by our SCANTER radars.

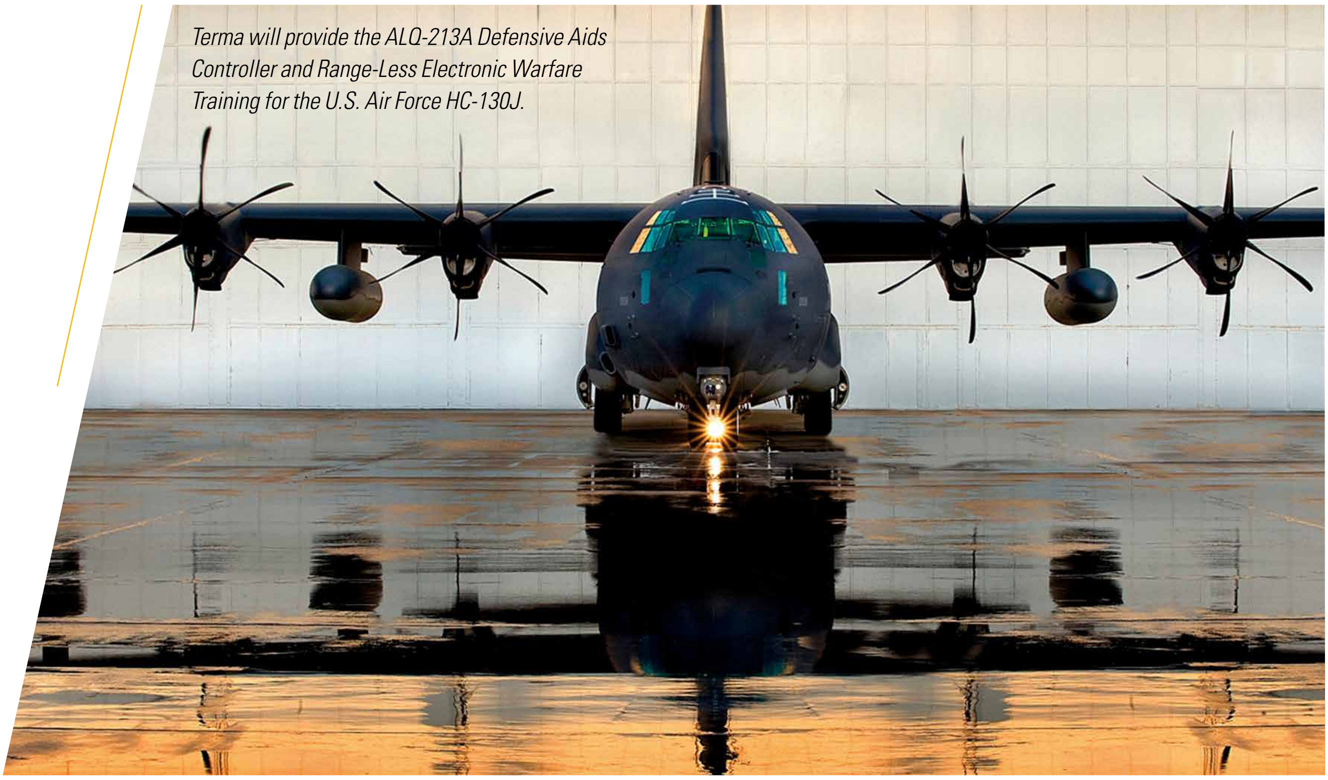
We see an increased interest in our naval application radars and C-Flex across the Middle East and the North Africa region with numerous navies considering it for upgrade and newbuild programs.

Asia Pacific

The Asia Pacific region is an energetic market with a host of Defense and Security opportunities ranging from upgrade and modernization programs to new build initiatives.

The Asia Pacific nations are supporting own defense industries by giving domestic companies incentives to manufacture products locally and in turn also mandating foreign companies to increase local content and transfer-of-technology (ToT). Terma's active support and formalization of its ToT strategy is giving it an edge in the market where our strategy has secured several programs.

The radar and Command & Control market is important for Terma due to the increasing needs to protect the Exclusive Economic Zones and regional sovereignty. The naval segment continues its growth in Asia Pacific where we have several strategic leads that will pave the way forward for our Command & Control technologies in the years to come.



Terma will provide the ALQ-213A Defensive Aids Controller and Range-Less Electronic Warfare Training for the U.S. Air Force HC-130J.

The economic growth in Asia Pacific is steering an expansion in infrastructure projects with investments in airports and seaports as well as coastal surveillance programs. These niche segments continue to be of great importance to our business in the region. Last year, we secured a record-high order intake within these niche segments with several strategic wins including a large coastal surveillance program.

2019/20 yet again cemented our position in this region. To further strengthen our foothold, we expect to open a local office in Indonesia in 2020/21.

Risks

In relation to COVID-19, Terma has established two task forces to safeguard the health of our employees and to manage the business impacts of the pandemic. Terma aims to maintain its operations running, however the constantly developing pandemic has resulting consequences that are not within Terma's control, and impact to our business and the ecosystem we operate in is not entirely preventable or avoidable. There will likely be consequences to programs, deliverables, and services despite all our efforts to secure business continuity, but Terma remains committed to delivering on our agreements to the extent possible. We believe that a close dialogue between Terma and our partners is the best way to identify appropriate mitigating measures against anticipated risks, as and when such risks will develop.

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. The primary business model for Terma is as a supplier of technology in a business-to-business transaction where the end user in most cases is a government authority. Terma is increasingly developing into a trusted, sole-source technology supplier where our customers are relying on our ability to supply. If Denmark undertakes a different political standpoint on export regulations than our partner nations, this becomes a business challenge for Terma. 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. The interest risk is hedged via fixed-rate mortgage loans and interest swaps.

Terma primarily sells and buys in DKK, EUR, and USD currencies. Risks relative to USD 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. This year, we have developed a new CSR strategy called Allies in Responsibility, which you can read more about in our separate Corporate Social Responsibility Roadmap & Report. Significant for this year's report is the presentation of our roadmap which describes our CSR efforts for the coming years.

Our CSR Roadmap & Report meets the requirements for CSR reporting as stated in the Danish Financial Statements Act, section 99a. Moreover, it also serves as our Communication on Progress to the UN Global Compact.

For more information on our CSR efforts and strategy including aims, activities, and targets, please consult the CSR Roadmap & Report available at:
https://www.terma.com/static/csr_report2019-20/index.html

Terma's description of equal representation of gender pursuant to the Danish Financial Statements Act section 99b can also be found in our CSR Roadmap & Report available at:
https://www.terma.com/static/csr_report2019-20/index.html

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 29 February 2020.

In April 2020, the Polish Court of Appeal delivered its judgment in the dispute which Terma filed in 2014 against the Polish Ministry of National Defence for breach of contract. Despite the fact that Terma has a strong case from a legal perspective, the court ruled in favor of the Polish Ministry of Defence. The judgment is in line with the provision made in 2018/19, hence the event does not have any impact on the result for 2019/20, yet the provision has been reclassified in the Balance Sheet to Current Liabilities.

While the duration of the COVID-19 pandemic and its impact on Terma is uncertain, the impact is expected to be negative albeit moderate. Since the outbreak, Terma has taken measures to ensure safety of our employees and reasonably mitigage the operational impact.

Income Statement

1 MARCH - 29 FEBRUARY

DKK thousand	Note	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
Revenue	3,4	**1,917,052**	**1,803,358**	**1,065,043**	**1,096,506**
Revenue concerning the Polish court case		*0*	*(77,945)*	*0*	*(77,945)*
Revenue, total		*1,917,052*	*1,725,413*	*1,065,043*	*1,018,561*
Production costs	2,5	(1,511,047)	(1,457,831)	(866,291)	(892,302)
Gross Profit		**406,005**	**267,582**	**198,752**	**126,259**
Distribution costs	2,5	(152,265)	(154,932)	(119,114)	(124,760)
Administrative costs	2,5,6	(130,410)	(110,442)	(80,040)	(65,973)
Other operating income	7	2,619	1,494	50,234	43,783
Other operating costs	7	(720)	(312)	(7,702)	(7,319)
Other operating costs concerning the Polish court case	2	*0*	*(15,851)*	*0*	*(15,851)*
Other operating costs, total		*(720)*	*(16,163)*	*(7,702)*	*(23,170)*
Operating profit		**125,229**	**(12,461)**	**42,130**	**(43,861)**
Result in subsidiaries after tax	8	-	-	63,829	13,861
Financial income	9	18,433	16,311	16,647	16,209
Financial costs	9	(34,028)	(33,451)	(19,661)	(23,532)
Financial costs concerning the Polish court case	2	*0*	*(39,885)*	*0*	*(39,885)*
Financial costs, total		*(34,028)*	*(73,336)*	*(19,661)*	*(63,417)*
Earnings before tax (EBT)		**109,634**	**(69,486)**	**102,945**	**(77,208)**
Tax on profit	2,10	(15,992)	3,091	(9,100)	10,923
Result for the year		**93,642**	**(66,395)**	**93,845**	**(66,285)**
The Group result is split as follows:					
Stockholder in Terma A/S		93,845	(66,285)		
Minority interest		(203)	(110)		
		93,642	(66,395)		
Proposed profit appropriation	26				

Balance Sheet

29 FEBRUARY

DKK thousand	Note	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
ASSETS					
Non-current assets					
Intangibles					
Software		26,308	29,967	26,035	29,945
Software in process		17,984	12,602	10,648	10,051
Development projects completed		116,682	158,273	90,189	128,988
Development projects in process		366,562	276,456	303,736	234,278
	11	**527,536**	**477,298**	**430,608**	**403,262**
Property, plant, and equipment					
Land and buildings		307,724	274,383	307,724	274,383
Plant and machinery		180,508	171,464	39,245	30,721
Fixtures and fittings, tools and equipment		30,328	29,209	16,657	15,355
Property, plant, and equipment under construction		41,886	42,340	25,070	31,147
	12	**560,446**	**517,396**	**388,696**	**351,606**
Investments					
Investments in subisdiaries		-	-	346,876	289,147
Loan to subsidiary		-	-	54,401	52,311
	8	**-**	**-**	**401,277**	**341,458**
Total non-current assets		**1,087,982**	**994,694**	**1,220,581**	**1,096,326**
Current assets					
Inventories					
Raw materials and consumables		271,853	263,684	182,554	164,677
Work in process		126,050	120,680	89,495	89,581
Prepayments to suppliers		4,076	125	2,287	125
		401,979	**384,489**	**274,336**	**254,383**
Receivables					
Trade receivables		356,619	358,409	184,966	196,829
Construction contracts	13	281,284	302,523	98,593	124,595
Amounts owed by subsidiaries		-	-	111,185	65,017
Corporate tax receivables	14	4,001	362	0	0
Other receivables		25,565	20,748	7,336	9,895
Deferred tax asset	15	4,146	3,921	0	0
Prepayments	16	6,892	6,817	6,497	6,505
		678,507	**692,780**	**408,577**	**402,841**
Cash at bank in hand		**248,993**	**114,377**	**226,991**	**105,739**
Total current assets		**1,329,479**	**1,191,646**	**909,904**	**762,963**
Total assets		**2,417,461**	**2,186,340**	**2,130,485**	**1,859,289**

DKK thousand	Note	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
EQUITY AND LIABILITIES					
Equity					
Capital stock	17	18,000	18,000	18,000	18,000
Net revaluation according to the equity method		-	-	77,347	19,618
Reserve for development costs		-	-	207,861	163,792
Translation adjustments and hedging instruments		(3,569)	(11,044)	(3,452)	(6,224)
Retained earnings		665,845	572,000	380,520	383,770
Proposed dividends		0	0	0	0
Terma A/S´stockholder part of equity		**680,276**	**578,956**	**680,276**	**578,956**
Minority interest		**(38)**	**165**	**0**	**0**
Total equity		**680,238**	**579,121**	**680,276**	**578,956**
Provisions					
Warranty provisions	18	14,077	11,866	14,077	11,866
Provisions regarding construction contracts		3,436	17,993	184	613
Provision for Polish court case	19	0	133,681	0	133,681
Deferred tax	15	134,082	126,194	114,748	113,621
Other provisions		7,000	0	7,000	0
Total provisions		**158,595**	**289,734**	**136,009**	**259,781**
Liabilities other than provisions					
Non-current liabilities other than provisions					
Subordinated loans	20	125,000	125,000	125,000	125,000
Credit institutions		156,840	197,171	156,840	197,171
Mortgage credit institutions		205,878	195,037	205,878	195,037
Other debt		40,922	0	29,286	0
	21	**528,640**	**517,208**	**517,004**	**517,208**
Current liabilities other than provisions					
Current portion of non-current liabilities	21	53,238	23,437	53,238	23,437
Construction contracts	13	354,244	253,875	145,500	78,450
Prepayments received from customers		62,426	56,098	40,032	34,122
Trade payables		138,603	160,295	93,499	106,821
Amounts owed to Parent Company		59,763	54,743	59,763	54,743
Amounts owed to subsidiaries		-	-	122,228	49,909
Corporate tax	14	2,305	4,074	0	0
Polish court case	19	133,681	0	133,681	0
Other payables		245,728	247,755	149,255	155,862
		1,049,988	**800,277**	**797,196**	**503,344**
Total liabilities other than provisions		**1,578,628**	**1,317,485**	**1,314,200**	**1,020,552**
Total equity and liabilities		**2,417,461**	**2,186,340**	**2,130,485**	**1,859,289**

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Statement of Changes in Equity

1 MARCH – 29 FEBRUARY

CONSOLIDATED

DKK thousand	Note	Capital stock	Translation adjustments and hedging instruments	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
Equity at 1 March 2018		**18,000**	**7,072**	**638,285**	**0**	**663,357**	**0**	**663,357**
Results for the year		-	-	(66,285)	-	(66,285)	(110)	(66,395)
Addition		-	-	-	-	0	275	275
Translation adjustment relating to foreign entity (before tax)		-	5,188	-	-	5,188	0	5,188
Tax on translation adjustments relating to foreign entity		-	(783)	-	-	(783)	-	(783)
Changes in value of hedging instruments, etc. (before tax)		-	(28,873)	-	-	(28,873)	0	(28,873)
Tax on changes in value of hedging instruments		-	6,352	-	-	6,352	0	6,352
Equity at 1 March 2019		**18,000**	**(11,044)**	**572,000**	**0**	**578,956**	**165**	**579,121**
Results for the year		-	-	93,845	-	93,845	(203)	93,642
Translation adjustment relating to foreign entity (before tax)		-	3,104	-	-	3,104	0	3,104
Tax on translation adjustments relating to foreign entity		-	(460)	-	-	(460)	-	(460)
Changes in value of hedging instruments, etc. (before tax)		-	6,194	-	-	6,194	0	6,194
Tax on changes in value of hedging instruments		-	(1,363)	-	-	(1,363)	0	(1,363)
Equity at 29 February 2020		**18,000**	**(3,569)**	**665,845**	**0**	**680,276**	**(38)**	**680,238**

PARENT COMPANY

DKK thousand	Note	Capital stock	Net revaluation according to the equity method	Reserve for development costs	Translation adjustments and hedging instruments	Retained earnings	Proposed dividends	Total
Equity at 1 March 2018		**18,000**	**30,097**	**98,690**	**(6,274)**	**522,844**	**0**	**663,357**
Dividends received from subsidiaries		-	(6,220)	-	0	6,220	-	0
Results for the year	26	-	13,861	65,102	-	(145,248)	-	(66,285)
Translation adjustment relating to foreign entity (before tax)		-	1,676	-	3,558	(46)	-	5,188
Tax on translation adjustments relating to foreign entity		-	-	-	(783)	-	-	(783)
Changes in value of hedging instruments, etc. (before tax)		-	(25,379)	-	(3,494)	-	-	(28,873)
Tax on changes in value of hedging instruments		-	5,583	-	769	-	-	6,352
Equity at 1 March 2019		**18,000**	**19,618**	**163,792**	**(6,224)**	**383,770**	**0**	**578,956**
Dividends received from subsidiaries		-	(10,803)	-	-	10,803	-	0
Results for the year	26	-	63,829	44,069	-	(14,053)	-	93,845
Translation adjustment relating to foreign entity (before tax)		-	1,014	-	2,090	-	-	3,104
Tax on translation adjustments 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 29 February 2020		**18,000**	**77,347**	**207,861**	**(3,452)**	**380,520**	**0**	**680,276**

Cash Flow Statement

1 MARCH – 29 FEBRUARY

DKK thousand	Note	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19
Earnings before tax		**109,634**	**(69,486)**
Adjustments:			
Depreciation, amortization, and write-downs, etc		149,155	165,357
Provisions		(5,346)	142,088
Net financial income and costs		15,595	17,140
		159,404	**324,585**
Changes in working capital	27	**59,753**	**149,523**
Cash flows generated from operations before financial items		**328,791**	**404,622**
Financial income, received		18,282	16,142
Financial costs, paid		(34,309)	(33,029)
Cash flows from operations before tax		**312,764**	**387,735**
Corporate tax paid	14	(10,259)	(27,149)
Cash flows from operating activities		**302,505**	**360,586**
Capitalized development costs	11	(117,813)	(123,665)
Acquisitions of software, property, plant, and equipment	27	(95,517)	(106,539)
Cash flows from investing activities		**(213,330)**	**(230,204)**
Repayments, non-current liabilities		(23,065)	(9,447)
Proceeds, new non-current liabilities		23,376	23,100
Minority interest - capital injection		0	275
Changes in non-current other debt		40,922	0
Changes in current interest bearing debt		0	(51,624)
Loan from parent company		(141)	1,692
Cash flows from financing activities		**41,092**	**(36,004)**
Net cash flows from operating, investing, and financing activities		**130,267**	**94,378**
Current cash at 1 March		114,377	19,049
Exchange rate variations on current cash		4,349	950
Current cash at 29 February		**248,993**	**114,377**

Notes

1. ACCOUNTING POLICIES

The Annual Report of Terma A/S for 2019/20 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.

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 currency translation
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, patents, and software licenses
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 8 years.

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.

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 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, losses related to construction contracts in process, and the court case in Poland. 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.

1. ACCOUNTING POLICIES, CONTINUED

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.

Provision for the Polish court case covers expected costs regarding the court case in Poland.

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 net realizable value.

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 observable 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 the year has not been impacted by circumstances which according to the Management deviate from being a part of the operational activities.

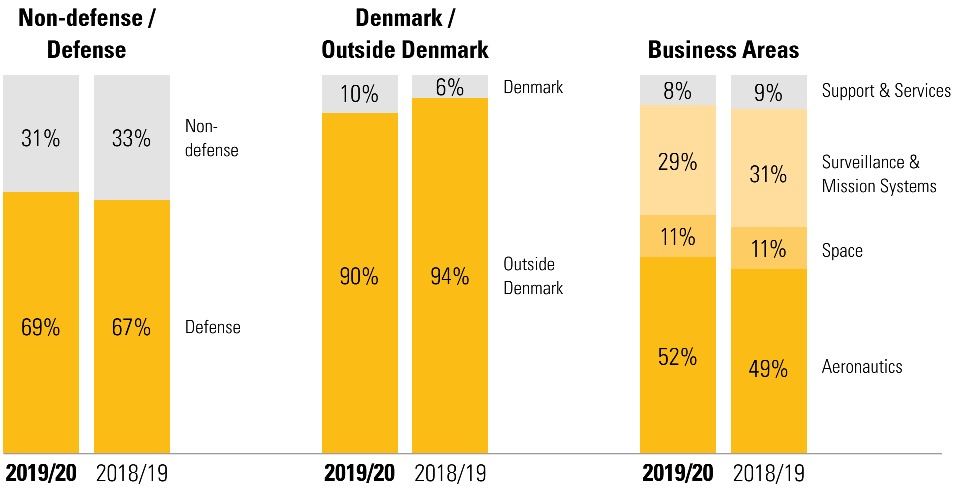
Results for the previous year were impacted by special items with a total of 136,536 tDKK.

2. SPECIAL ITEMS, CONTINUED

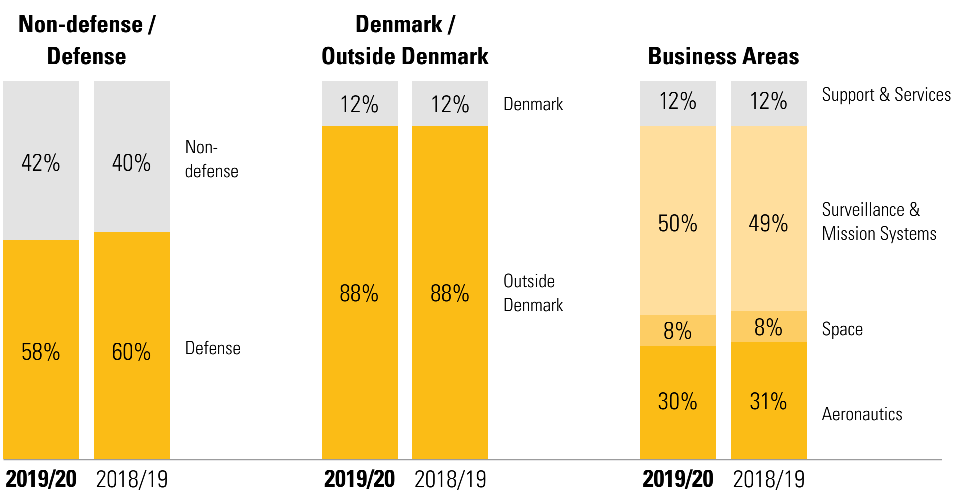
DKK thousand	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
Revenue	0	77,945	0	77,945
Production costs	0	26,374	0	11,374
Distribution costs	0	2,611	0	2,611
Administrative costs	0	1,131	0	1,131
Other operating costs	0	15,851	0	15,851
Financial costs	0	39,885	0	39,885
Result in subsidiaries	0	0	0	11,700
Total before tax	**0**	**163,797**	**0**	**160,497**
Tax	0	(27,261)	0	(23,961)
Total	**0**	**136,536**	**0**	**136,536**

3. SEGMENT INFORMATION, REVENUE (EXCLUDING THE POLISH COURT CASE)

CONSOLIDATED



PARENT COMPANY



4.	**REVENUE**	CONSOLIDATED		PARENT COMPANY	
	DKK thousand	**2019/20**	2018/19	**2019/20**	2018/19
	Goods and services	594,287	656,407	470,931	532,884
	Construction contracts	1,322,765	1,146,951	594,112	563,622
		1,917,052	**1,803,358**	**1,065,043**	**1,096,506**

5.	**STAFF COSTS**				
	Parent Company Board of Directors emoluments	1,538	1,650	1,538	1,650
	Remuneration to Management registered in the Central Business Register	13,553	10,082	13,553	10,082
	Wages and salaries	872,580	828,779	523,879	528,660
	Pensions	55,612	52,573	39,412	38,951
	Other social security costs	45,867	40,279	10,440	10,302
		989,150	**933,363**	**588,822**	**589,645**
	Average number of full-time employees	1,521	1,495	867	895

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 PAID TO AUDITORS**		
	Total fees to EY can be specified as follows:		
	Statutory audit	826	816
	Other assurance engagements	49	77
	Tax and VAT	656	904
	Other non-audit services	605	668
	Total	**2,136**	**2,465**

7.	**OTHER OPERATING INCOME AND COSTS (EXCLUDING THE POLISH COURT CASE)**				
	Management fees	1,036	1,053	41,628	36,461
	Profit on disposal of minor assets	1,172	0	1,172	0
	Profit on disposal of non-current assets	9	0	9	0
	Rental income	402	441	7,425	7,322
	Other operating income	**2,619**	**1,494**	**50,234**	**43,783**
	Costs related to disposal of minor assets	76	0	0	0
	Loss on disposal of non-current assets	512	179	0	64
	Costs related to premises rented out	132	133	7,702	7,255
	Other operating costs	**720**	**312**	**7,702**	**7,319**

8. INVESTMENTS

DKK thousand	PARENT COMPANY Investments in subsidiaries	Loan to subsidiary
Cost at 1 March 2019	269,529	56,000
Additions	0	0
Cost at 29 February	**269,529**	**56,000**
Net revaluations at 1 March 2019	19,618	(3,689)
Translation adjustments	1,014	2,090
Dividends paid	(10,803)	-
Changes in value og hedging instruments (after tax)	3,689	-
Results for the year	63,829	-
Net revaluations at 29 February 2020	**77,347**	**(1,599)**
Carrying amount at 29 February 2020	**346,876**	**54,401**

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
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

DKK thousand	CONSOLIDATED **2019/20**	2018/19	PARENT COMPANY **2019/20**	2018/19
Intra-group interest, current assets	0	0	1,756	2,695
Other interest	430	0	426	0
Exchange rate variations and hedging income regarding hedging instruments	18,003	16,311	14,465	13,514
Financial income	**18,433**	**16,311**	**16,647**	**16,209**
Intra-group interest, current liabilities	472	463	1,164	957
Interest on subordinated loans	5,625	5,625	5,625	5,625
Interest to credit institutions, non-current liabilities	7,427	4,618	7,427	4,618
Interest to credit institutions, current liabilities	1,095	6,538	1,090	6,504
Guarantee expenses and bank charges	1,484	2,425	1,147	1,998
Exchange rate variations and hedging costs regarding hedging instruments	17,925	13,782	3,208	3,830
Financial costs	**34,028**	**33,451**	**19,661**	**23,532**

10. TAX

Joint tax contribution/current tax	10,013	11,118	8,756	(3,115)
Deferred tax	7,802	(19,779)	1,127	(7,794)
Total Tax	**17,815**	**(8,661)**	**9,883**	**(10,909)**
Specified as follows:				
Tax on profit	15,992	(3,091)	9,100	(10,923)
Tax on changes in equity	1,823	(5,570)	783	14
	17,815	**(8,661)**	**9,883**	**(10,909)**

11. INTANGIBLES

CONSOLIDATED

DKK thousand	Software	Software in process	Development projects, completed	Development projects, in process	Total
Cost at 1 March 2019	63,743	12,602	720,727	276,456	1,073,528
Foreign currency translation	0	0	83	1,668	1,751
Additions	5,733	14,448	0	117,813	137,994
Disposals	(9,240)	0	(40,198)	0	(49,438)
Transfers	9,066	(9,066)	29,375	(29,375)	0
Cost at 29 February 2020	**69,302**	**17,984**	**709,987**	**366,562**	**1,163,835**
Amortizations and impairments at 1 March 2019	33,776	0	562,454	0	596,230
Amortizations and impairments	18,437	0	71,049	0	89,486
Disposals	(9,219)	0	(40,198)	0	(49,417)
Amortizations and impairments at 29 February 2020	**42,994**	**0**	**593,305**	**0**	**636,299**
Carrying value at 29 February 2020	**26,308**	**17,984**	**116,682**	**366,562**	**527,536**
Amortized over	3-5 years		5-15 years		

PARENT COMPANY

DKK thousand	Software	Software in process	Development projects, completed	Development projects, in process	Total
Cost at 1 March 2019	63,590	10,051	656,821	234,278	964,740
Additions	5,630	9,468	0	96,671	111,769
Disposals	(9,240)	0	(40,198)	0	(49,438)
Transfers	8,871	(8,871)	27,213	(27,213)	0
Cost at 29 February 2020	**68,851**	**10,648**	**643,836**	**303,736**	**1,027,071**
Amortizations and impairments at 1 March 2019	33,645	0	527,833	0	561,478
Amortizations and impairments	18,390	0	66,012	0	84,402
Disposals	(9,219)	0	(40,198)	0	(49,417)
Amortizations and impairments at 29 February 2020	**42,816**	**0**	**553,647**	**0**	**596,463**
Carrying value at 29 February 2020	**26,035**	**10,648**	**90,189**	**303,736**	**430,608**
Amortized over	3-5 years		5-15 years		

11. INTANGIBLES, CONTINUED

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 thousand	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant, and equipment under construction	Total
Cost at 1 March 2019	496,433	458,916	121,856	42,340	1,119,545
Foreign currency translation adjustments	0	305	925	0	1,230
Transfers	21,724	16,022	242	(37,988)	0
Additions	26,929	24,297	13,590	37,534	102,350
Disposals	(43)	(15,708)	(16,145)	0	(31,896)
Cost at 29 February 2020	**545,043**	**483,832**	**120,468**	**41,886**	**1,191,229**
Depreciation and impairments at 1 March 2019	222,050	287,452	92,647	0	602,149
Foreign currency translation adjustments	0	300	582	0	882
Depreciations	15,292	31,161	12,500	0	58,953
Disposals	(23)	(15,589)	(15,589)	0	(31,201)
Depreciations and impairments at 29 February 2020	**237,319**	**303,324**	**90,140**	**0**	**630,783**
Carrying amount at 29 February 2020	**307,724**	**180,508**	**30,328**	**41,886**	**560,446**
Depreciated over	10-50 years	3-20 years	3-7 years		

PARENT COMPANY

DKK thousand	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant, and equipment under construction	Total
Cost at 1 March 2019	418,134	139,817	80,336	31,147	669,434
Transfers	21,724	5,927	55	(27,706)	0
Additions	26,929	13,767	7,284	21,629	69,609
Disposals	(43)	(8,676)	(12,339)	0	(21,058)
Cost at 29 February 2020	**466,744**	**150,835**	**75,336**	**25,070**	**717,985**
Depreciation and impairments at 1 March 2019	143,751	109,096	64,981	0	317,828
Depreciations	15,292	11,170	6,037	0	32,499
Disposals	(23)	(8,676)	(12,339)	0	(21,038)
Depreciations and impairments at 29 February 2020	**159,020**	**111,590**	**58,679**	**0**	**329,289**
Carrying amount at 29 February 2020	**307,724**	**39,245**	**16,657**	**25,070**	**388,696**
Depreciated over	10-50 years	3-10 years	3-7 years		

13. CONSTRUCTION CONTRACTS

DKK thousand	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Selling price of construction contracts	2,687,255	2,893,544	1,674,936	1,757,342
Invoiced on account	(2,760,215)	(2,844,896)	(1,721,843)	(1,711,197)
Construction contracts at 29 February	**(72,960)**	**48,648**	**(46,907)**	**46,145**
Recognized as follows:				
Construction contracts (assets)	281,284	302,523	98,593	124,595
Construction contracts (liabilities)	(354,244)	(253,875)	(145,500)	(78,450)
	(72,960)	**48,648**	**(46,907)**	**46,145**

14. CORPORATE TAX PAYABLE

	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Corporate tax payable at 1 March	3,712	92	0	0
Tax for the year/joint tax contribution	10,013	11,118	8,756	(3,115)
Corporate tax paid during the year	(10,259)	(27,149)	(4,716)	(21,092)
Transferred to intra-group balances	(5,162)	19,651	(4,040)	24,207
Corporate tax payable at 29 February	**(1,696)**	**3,712**	**0**	**0**
Recognized as follows:				
Corporate tax receivable	(4,001)	(362)	0	0
Corporate tax payable	2,305	4,074	0	0
	(1,696)	**3,712**	**0**	**0**

15. DEFERRED TAX

	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Deferred tax at 1 March	122,273	142,153	113,621	121,415
Foreign currency translation adjustments	(139)	(101)	0	0
Adjustment for the year	7,802	(19,779)	1,127	(7,794)
Deferred tax at 29 February	**129,936**	**122,273**	**114,748**	**113,621**
Recognized as follows:				
Deferred tax (assets)	(4,146)	(3,921)	0	0
Deferrred tax (liabilities)	134,082	126,194	114,748	113,621
	129,936	**122,273**	**114,748**	**113,621**
Deferred tax relates to:				
Intangibles	92,890	86,845	86,705	80,638
Property, plant and equipment	40,634	38,508	23,505	22,664
Current assets	30,711	29,618	30,043	33,528
Provisions	(1,540)	(20,635)	(1,540)	(20,635)
Liabilities other than provisions	(32,759)	(12,063)	(23,965)	(2,574)
	129,936	**122,273**	**114,748**	**113,621**
Expected timeframe for elimination of deferred tax liabilities:				
0-1 year	(11,158)	7,721	(9,532)	13,751
1-5 years	66,084	48,445	60,900	43,359
>5 years	75,010	66,107	63,380	56,511
	129,936	**122,273**	**114,748**	**113,621**

16. PREPAYMENTS

DKK thousand	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Insurance premiums	195	673	195	481
Rent	618	280	618	280
Tax on real property	501	505	431	429
IT licenses, short term	3,945	3,581	3,945	3,581
Other prepayments	1,633	1,778	1,308	1,734
Prepayments at 29 February	**6,892**	**6,817**	**6,497**	**6,505**

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

DKK thousand	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Warranty provisions at 1 March	11,866	11,772	11,866	11,772
Used during the year	(4,249)	(5,976)	(4,249)	(5,976)
Unused warranty provisions, reversed	(1,164)	(573)	(1,164)	(573)
Provisions for the year	7,624	6,643	7,624	6,643
Warranty provisions at 29 February	**14,077**	**11,866**	**14,077**	**11,866**
Expected maturity for warranty provisions:				
0-1 year	7,163	8,381	7,163	8,381
>1 years	6,914	3,485	6,914	3,485
	14,077	**11,866**	**14,077**	**11,866**

19. POLISH COURT CASE

In April 2020, the Polish Court of Appeal delivered its judgment. Total costs is in line with the provision made in 2018/19. More information on the Polish court case can be found in the Management's Review and note 22.

20. 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.

21. NON-CURRENT LIABILITIES OTHER THAN PROVISIONS

DKK thousand	CONSOLIDATED 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	0	0
Credit institutions	197,522	197,601	197,601	156,840	40,682	0
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	0	35,726
29 February 2020	**581,878**	**585,964**	**584,295**	**528,640**	**53,238**	**190,148**
	PARENT COMPANY					
Subordinated loans	125,000	125,000	125,000	125,000	0	0
Credit institutions	197,522	197,601	197,601	156,840	40,682	0
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	0	25,339
29 February 2020	**570,242**	**574,328**	**572,659**	**517,004**	**53,238**	**179,761**
	CONSOLIDATED/PARENT COMPANY					
Subordinated loans	125,000	125,000	125,000	125,000	0	0
Credit institutions	208,777	208,916	208,916	197,171	11,606	17,409
Mortgage credit institutions	206,868	211,657	209,402	195,037	11,831	146,146
28 February 2019	**540,645**	**545,573**	**543,318**	**517,208**	**23,437**	**163,555**

DKK thousand	CONSOLIDATED 28 February 2019	Cash flow	Non-monetary changes	29 February 2020
Non-current liabilities other than provisions	517,208	11,159	273	528,640
Current liabilities other than provisions	78,180	34,821	0	113,001
Liabilities other than provisions from financing activities	**595,388**	**45,980**	**273**	**641,641**

21. NON-CURRENT LIABILITIES OTHER THAN PROVISIONS, CONTINUED

Debt to financial institutions DKK thousand	Average nominal interest rate	Average effective interest rate	Currency	Fixed interest period	Carrying amount
	2020				
Mortgage loans:					
Variable rate loans	0.95	0.75	DKK	6 months	29,607
Fixed rate loans	2.01	2.26	DKK	11-21 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**
	2019				
Mortgage loans:					
Variable rate loans	0.95	0.91	DKK	3-6 months	51,967
Fixed rate loans	2.42	2.69	DKK	16-22 years	143,070
Mortgage loans total	**2.02**	**2.21**			**195,037**
Loans from Banks:					
Fixed interest rate loans	1.15	1.15	EUR		197,171
Loans from banks total	**1.15**	**1.15**			**197,171**
Credit institutions total at 28 February					**392,208**

22. CONTINGENT LIABILITIES AND SECURITY

DKK thousand	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Lease liabilities (operating leases) at 29 February falling due within 5 years (annual cost 15,165 tDKK)	43,516	43,579	10,525	5,497
Lease liabilities at 29 February due after more than 5 years	1,055	3,026	0	0

On April 3, 2020 the Polish Court of Appeal delivered its judgment which generally decided in favor of the Polish Ministry of Defence, Terma's counterpart, with the exception of an amount claimed as liquidated damages. The amount in question totals 33 MDKK plus statutory interest. There is a risk that the Polish Ministry of Defence will appeal this part of the decision to the Polish Supreme Court. Terma may in that event appeal the verdict against Terma as well, to protect our interest optimally.

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.

DKK thousand	CONSOLIDATED 2020	CONSOLIDATED 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
On behalf of the Terma Group, third parties have issued performance and advance payment bonds at at total of	145,657	74,205	143,153	72,766
Included in the amount are customer advances reflected in the balance sheet	92,980	12,704	92,338	11,266
Security The following assets have been provided as security for mortgage loans: Carrying amount of land and buildings	307,724	274,383	307,724	274,383
Other property, plant, and equipment estimated to be comprised by the collateral, cf. the provisions of the Danish Registration of Property Act	252,722	243,013	80,972	77,223
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:	-	-	51,567	50,399

23. 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 thousand	**2019/20**	2018/19
Sale of services to the owners	995	985
Sale of services to Group Companies	42	41
Interest paid to the Owners	6,097	6,088
Reinvoicing of costs to the owners	9	28
Reinvoicing of costs to Group Company	2	2
Debt to owners	63,575	54,743
Subordinated loan from the Owners	125,000	125,000

	PARENT COMPANY	
DKK thousand	**2019/20**	2018/19
Sale to Group companies	285,041	260,857
Purchase from Group companies	56,924	55,807
Sale of services to the Owners	987	985
Sale of services to Group companies	40,934	35,588
Rent from Group companies	7,023	6,881
Interest paid to Group companies	692	494
Interest paid from Group companies	1,756	2,695
Interst paid to the Owners	6,097	6,088
Reinvoicing of costs to Group companies	5,040	8,642
Reinvoicing of costs from Group companies	2,507	2,251
Receivable from Group companies	111,185	65,017
Debt to Owners	63,575	54,743
Debt to Group companies	119,517	49,909
Subordinated loans from the Owners	125,000	125,000
Dividend paid from Group companies	10,803	6,221

24. 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 29 February 2020.

In April 2020, the Polish Court of Appeal delivered its judgment in the dispute which Terma filed in 2014 against the Polish Ministry of National Defence for breach of contract. Despite the fact that Terma has a strong case from a legal perspective, the court ruled in favor of the Polish Ministry of Defence. The judgment is in line with the provision made in 2018/19, hence the event does not have any impact on the result for 2019/20, yet the provision has been reclassified in the Balance Sheet to Current Liabilities.

While the duration and depth of the COVID-19 pandemic and its impact on Terma is uncertain, the impact is expected to be negative albeit moderate. Since the outbreak, Terma has taken measures to ensure safety of our employees and reasonably mitigate the operational impact.

25. 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 the Terma 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 Terma 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. Similar to 2018/19, 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.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

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).

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

At year-end February 2020, cash and bank deposits amounted to MDKK 249. In addition to cash and bank deposits, an unsecured overdraft facility for multi-currency short-term financing needs is in place.

Below is a maturity analysis of the financial liabilities at year-end, 29 February 2020 and 28 February 2019.

	2020				2019			
DKK thousand	Carrying amount/ contractual cash flow	0-1 year	1-5 years	>5 years	Carrying amount/ contractual cash flow	0-1 year	1-5 years	>5 years
Non-derivats:								
Subordinated loans	125,000	0	125,000	0	125,000	-	125,000	-
Credit institutions	197,522	40,682	156,840	0	208,777	11,606	179,762	17,409
Mortgage credit institutions	218,434	12,556	51,456	154,422	206,868	11,831	48,891	146,146
Other debt	40,922	0	5,196	35,726	0	0	0	0
Current liabilities other than provisions	987,009	987,009	-	-	760,890	760,890	-	-
Derivats:								
Forward contracts	7,445	7,445	-	-	12,696	12,696	-	-
Interest swaps	2,296	2,296	-	-	3,254	3,254	-	-
	1,578,628	**1,049,988**	**338,492**	**190,148**	**1,317,485**	**800,277**	**353,653**	**163,555**

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 payment. 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 2019/20, the Group has incurred a financial loss on debtors of 1.4 MDKK. In 2018/19, there was a minor loss. Both losses incurred within the Asia Pasific area. 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.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

In 2019/20, there was an impairment of receivables of 1.4 MDKK within the Asia Pasific region. 7% of the receivables exceeded payment terms with more than 1 month.

	CONSOLIDATED	
DKK thousand	**2020**	2019
Accounts receivable from sales are specified as follows:		
Europe	147,206	192,822
North America	139,238	119,384
Asia Pacific	56,962	36,153
Middle East and North Africa	8,076	8,805
Rest of world	5,137	1,245
Accounts receivable at 29 February	**356,619**	**358,409**
Overdue Accounts Receivable:		
Up to 1 month	45,034	16,480
Between 1 and 2 months	12,078	4,262
More than 2 months	13,662	8,247
Overdue accounts receivable at 29 February	**70,774**	**28,989**

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.	73% of total interest-bearing debt excluding subordinated loans is fixed rated (2018/19 it was 75%). The effective interest rate of this part of the debt is 1.7% (2018/19 it was 1.8%). Please refer to note 20 for information about subordinated loans.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

The exposure to floating interest rates at Balance Sheet date 29 February 2020 and 28 February 2019 are as follows:

	2020				2019			
DKK thousand	Notional principal amount	Value adjustment recognized in equity after tax	Fair value	Expected life	Notional principal amount	Value adjustment recognized in equity after tax	Fair value	Expected life
Interest rate swaps	36,218	(1,638)	(2,296)	2 years	38,620	(2,375)	(3,254)	3 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 469 MDKK (2018/19: 340 MDKK).

Sensitivity of interest rate risk
The calculated effect based on a 1%-point interest rate increase would affect profit/(loss) by 1.5 MDKK (2018/19: 0 MDKK) and equity by 1.2 MDKK (2018/19: 0 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: High 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 2018/19, 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.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

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

DKK thousand

Currency	Payable/ maturity date	Receivables	Credit institutions	Liabilities other than provisions	Hedged by forward exchange contracts and currency swaps	Net position
2020						
USD	<1 year	325,287	-	(131,513)	(48,619)	145,155
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	0
2019						
USD	< 1 year	227,605	-	(101,708)	(40,226)	85,671
GBP	< 1 year	169	-	(8,636)	8,475	8
SEK	< 1 year	-	-	(296)	-	(296)
EUR	< 1 year	218,979	(11,606)	(110,098)	-	97,275
EUR	> 1 year	-	(197,310)	-	-	(197,310)
INR	< 1 year	456	-	(326)	-	130
SGD	< 1 year	735	-	(2,178)	-	(1,443)
AED	< 1 year	2,816	-	(743)	(1,481)	592

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 translation rates against DKK would result in a net profit/(loss) of (9.1) MDKK (2018/19: (3.3) MDKK) and affect equity by (5.4) MDKK (2018/19: (5.2) MDKK). The total effect on Equity after tax would be (11.3) MDKK (2018/19: (6.7) MDKK). The effect of a 10% increase in the currency translation rates against DKK would have a corresponding inverse effect.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS, CONTINUED

Exchange rate contracts at year-end:

DKK thousand

		Contractual value		Fair value		Gains and losses recognized in the equity	
Currency	Period	**2020**	2019	**2020**	2019	**2020**	2019
AED	0-1 year	2,234	1,421	(81)	(107)	(11)	(39)
AED	1-5 years	0	635	0	(48)	0	(19)
AUD	0-1 year	(4)	0	6	0	31	0
AUD	1-5 years	(1,423)	0	(57)	0	0	0
GBP	0-1 year	(9,495)	0	431	0	0	0
GBP	1-5 years	(13,602)	0	611	0	0	0
USD	0-1 year	341,813	291,498	(21,183)	(20,648)	(4,808)	(7,879)
USD	1-5 years	225,198	109,411	(4,625)	(3,301)	(1,020)	(1,966)
		544,721	**402,965**	**(24,898)**	**(24,104)**	**(5,808)**	**(9,903)**
Tax						(1,637)	(2,793)
Total before tax						**(7,445)**	**(12,696)**

DKK thousand	**2019/20**	2018/19
Fair value of financial instrument is related to observeable input (level 2).		
Categories of financial instruments		
Financial assets:		
Financial derivatives used for hedging purposes	327,915	230,590
Receivables and cash at bank and in hand	605,612	472,786
Financial liabilities:		
Financial derivatives used for hedging purposes	142,998	111,087
Financial liabilities measured at amortized costs	581,878	540,645

RAW MATERIAL PRICE RISK

Related business activity	Implication	Risk mitigation	Impact
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.	Effect: Low Threat: Low	Raw material price risk has until now not been hedged. The impact on the financial results 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.	The developments in raw material prices have had an immaterial impact on the Group's financial results in 2018/19 and 2019/20.

26. PROPOSED PROFIT APPROPRIATION

DKK thousand	PARENT COMPANY 2019/20	2018/19
Proposed dividends	0	0
Reserve for net revaluation according to the equity method	63,829	13,861
Reserve for development costs	44,069	65,102
Retained earnings	(14,053)	(145,248)
	93,845	**(66,285)**

27. CHANGES IN WORKING CAPITAL AND INVESTMENTS

DKK thousand	CONSOLIDATED 2019/20	2018/19
Changes in working capital:		
Inventories	(17,490)	(63,826)
Receivables	18,137	50,874
Construction contracts and prepayments from customers	106,697	106,190
Trade payables and other payables	(47,591)	56,285
	59,753	**149,523**
Acquisition of software, property, plant, and equipment		
Additions to software, property, plant, and equipment (note 11 and 12)	122,531	98,979
Hereof trade payables to be paid in the following financial year	(33,944)	(6,930)
Trade payables beginning of year	6,930	14,490
Paid concerning addition to property, plant, and equipment	**95,517**	**106,539**

ALLIES IN INNOVATION

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