Terma Aerostructures A/S

Fabrikvej 1, 8500 Grenaa

Annual Report 2022/23

The Annual Report was presented and approved at the annual general meeting of the Company on 22 May 2023

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Chairman

Central Business Register No. 35 23 62 52

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Management's Review

Company Details

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Central Business Register No. 35 23 62 52
Founded 30 April 2013
Situated in Norddjurs Municipality

Board of Directors

Jes Munk Hansen (chairman)
Steen M. Lynenskjold
Per Thiesen

Management

Per Thiesen

Auditors

EY Godkendt Revisionspartnerselskab

Annual General Meeting

The annual general meeting is held at the Parent Company's address in Søborg on 22 May 2023.

Mangement's Review

Financial highlights

Key figures

MDKK	2022/23	2021/22	2020/21	2019/20	2018/19
Order intake	669	1,105	595	821	496
Order backlog, year-end	**1,171**	**1,320**	**1,053**	**1,207***	**953***
Revenue	**818**	**838**	**748**	**567**	**485**
EBITDA	**129**	**122**	**89**	**67**	**40**
Operating profit	96	93	64	42	12
Financial income and costs	-4	-11	-10	-11	-8
Earnings before special items and tax	**92**	**82**	**54**	**31**	**18**
Special items	-	-	-	-	-15
Earnings before tax (EBT)	92	82	54	31	3
Profit for the year	71	64	43	24	2
Non-current assets	238	256	238	197	185
Current assets	570	405	449	375	346
Total assets	809	661	687	572	531
Investments in property, plant, and equipment	14	44	54	28	13
Total equity	439	361	314	256	228
Current liabilities other than provisions	321	250	320	283	275
Financial Ratios					
EBT margin before special items	11.2	9.8	7.2	5.5	3.7
Return on investments	13.3	14.1	10.4	7.7	2.3
Liquidity ratio	178	162	140	132	126
Equity ratio	54.3	54.7	45.8	44.8	43.0
Return on equity	17.8	19.0	14.9	9.9	1.0
Average number of full-time employees	**532**	**546**	**520**	**421**	**384**

* Including framework agreements, e.g. the F-35 Joint Strike Fighter Program.

Financial ratios are calculated in accordance with "Recommendations and financial ratios" of the Danish Finance Society

Definitions to Financial Ratios:

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

Return on investment: $\frac{\text{Operating profit x 100}}{\text{Average operating assets}}$

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

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

Equity Ratio: $\frac{\text{Equity at the end of the year x 100}}{\text{Total liabilities at year-end}}$

Management's Review

Terma Aerostructures A/S (TAE) had solid financial results in 2022/23. Revenue for the fiscal year was 818 MDKK, 2% below 2021/22. Earnings before tax amounted to 92 MDKK, compared to 82 MDKK in 2021/22, a growth of 12%. The order intake of 669 MDKK resulted in an orderbook at year-end of 1,170 MDKK.

The increase in earnings is a result of improved efficiency and high utilization rates, despite temporary challenges with material shortages. On-time delivery was high and better than last year, with a lower Cost of Poor Quality. The performance and our firm commitment to quality is recognized by our customers and Terma recently won a prestigious Northrop Grumman supplier award.

The war in Ukraine resulted in sharp increases in energy prices and significant volatility in energy markets. Particularly the soaring electricity prices had an impact in 2022/23, since the production facility in Grenaa has a high consumption of electricity. We have consequently expedited plans to invest in renewables, installing 5,000 m2 of solar panels in the Grenaa factory. Several other initiatives were implemented to curtail energy consumption.

The Board of Directors and Management greatly appreciate the dedication, commitment, and efforts of the employees throughout the year and thank the entire team for the good results achieved.

Outlook for 2023/24
In 2023/24, revenue and earnings are expected to be slightly lower than 2022/23 due to lower activity on other revenue streams than the F-35 program. Elevated inflation is expected to persist throughout 2023/24. Inflations is primarily driven by increasing energy and material prices, but also increases in salaries and wages.

Strategy
TAE continues to work with and support Terma's Next Mission Strategy. The Business Excellence area is key, executed through these focus areas:
1.Safety
2.Quality
3.Delivery
4.Cost
5.People

A strong and rigorous governance around strategy deployment and shop floor Daily Management is applied. Safety always comes first and keeping our employees safe is a key priority. TAE's LTI (Lost Time Injuries) of 3.7 per million working hours is below the average for the Danish Manufacturing Industries at 10.5.

Focus on efficiency improvements will continue to ensure progression on the learning curve, in agreement with our key accounts.

Business Activities

Market Conditions
TAE is a world-class partner for advanced composites and metal aerostructures and is a key supplier to the world's largest defense program – F-35 Joint Strike Fighter. Around 900 F-35s have been delivered to customers around the world with more countries expected to join the program in the coming years. Through multi-year agreements, TAE delivers aerostructures to Lockheed Martin, BAE Systems, General Dynamics, Marvin Engineering Company, and Northrop Grumman from our production facility in Grenaa, Denmark.

TAE produce parts and components for the aircraft industries at an international level with strict focus on delivering high quality products, on-time delivery, and with a constant strive for cost reduction to ensure a healthy and profitable business.

The F-35 program has grown significantly over the years, and TAE's strong value proposition on structural composite components and Alternate Mission Equipment (AME) across our five key accounts has become a fundamental enabler for our strategic growth ambitions.

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The Business
Continuous investments have been made to increase and prepare the production capacity. New and major investments were made to ensure enough capacity to support the transition from LRIP to full-rate production.

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.

Risks
Elevated inflation is expected to persist throughout 2023/24 and constitute together with supply chain disruptions a risk to profitability and cash flow. Mitigating actions have been put in place.

TAE's main long-term risk relates to the overall political environment within the F-35 program. TAE is highly dependent on the development of this program; however, the risk is managed through continuous financial management and planning of resources.

We see a risk of short-term fluctuations in demands on the F-35 program due to changed ordering behavior from Lockheed Martin as they are converging from an Aircraft equivalent annual quantity procurement strategy towards a true to quantity – spot buy strategy.

In general, there are no significant credit risks relative to individual customers.

TAE primarily sells and buys in DKK, EUR, and USD currencies. Risks relative to other currencies than EUR and DKK are hedged by entering forward exchange contracts in connection with the acceptance and conclusion of contracts.

Corporate Social Responsibility and Equal Representations of Genders
The Group's CSR efforts are described in a separate Corporate Social Responsibility report, and TAE will support the initiatives accordingly. The report complies with the Danish Financial Statements Act section §99a and §99b, accompanies Terma's Communication on Progress to UN Global Compact, and represents our statements on CSR and underrepresented gender in the Group.

The CSR Report 2022/23 is available at: https://www.terma.com/who-we-are/our-reports/

Data Ethics Policy
Terma's policy on data ethics is integrated into the IT policy and GDPR set-up. The focus and handling of data ethics is handled through the following:
The IT Policy, which contains requirements for the handling of IT systems and data in Terma.

Terma's GDPR set-up, which supports the legislation's requirements for GDPR, including data collection and processing, data subjects' rights, and that there are requirements for subcontractors' use of data processing agreements.

Terma continuously educates employees on how to handle data and information entrusted to us by customers, suppliers and employees by continuously updating and informing employees about the above.

Events after the Balance Sheet Date
Following the end of the fiscal year, no significant events have occurred which affect the assessment of TAE's financial position as reported on 28 February 2023, or the annual report 2022/23.

Financial Statements

Income statement 1 March - 28 Februrary

DKK 1,000	Note	2022/23	2021/22
Revenue	3,4	818,452	837,917
Production costs	5	(648,486)	(680,322)
Gross Profit		169,966	157,595
Distribution costs	5	(39,189)	(35,381)
Administrative costs	5,6	(35,559)	(30,557)
Other operating income		356	1,335
Operating profit		95,574	92,992
Financial income	7	6,891	714
Financial costs	7	(10,847)	(11,609)
Earnings before tax (EBT)		91,618	82,097
Tax on profit	8	(20,182)	(18,059)
Profit for the year		71,436	64,038

Proposed profit appropriation 21

Balance Sheet 28 Februrary

DKK 1,000	Note	2023	2022
ASSETS			
Non-current assets			
Intangibles	9		
Software		1,707	2,336
Software in process		11,939	10,865
Development projects completed		26,799	27,754
Development projects in process		0	3,245
		40,445	44,200
Plant and equipment			
Plant and machinery	10	183,175	168,141
Fixtures and fittings, tools and equipment		2,527	1,997
Plant and equipment under construction		12,017	41,571
		197,719	211,709
Total non-current assets		238,164	255,909
Current assets			
Inventories			
Raw materials and consumables		134,444	114,112
Work in process		25,623	26,249
		160,067	140,361
Receivables			
Trade receivables		44,256	47,481
Construction contracts	11	44,177	23,791
Amounts owed by Parent Company		315,226	171,215
Other receivables		6,250	15,458
Prepayments and deferred charges		401	357
		410,310	258,302
Cash at bank and in hand		27	6,111
Total current assets		570,404	404,774
TOTAL ASSETS		808,568	660,683

Balance Sheet 28 Februrary

DKK 1,000	Note	2023	2022
EQUITY AND LIABILITIES	12		
Equity			
Capital stock		5,000	5,000
Reserve for development costs		8,248	9,719
Reserve for hedging instruments		(214)	(6,647)
Retained earnings		426,197	353,290
Total equity		439,231	361,362
Provisions			
Provisions regarding construction contracts		-	73
Deferred tax	13	23,248	24,344
Total provisions		23,248	24,417
Liabilities other than provisions			
Non-current liabilities other than provisions			
Other non-current liabilities	14	25,173	24,508
Current liabilities other than provisions			
Construction contracts	11	232,783	135,746
Trade payables		35,420	46,486
Amounts owed to affiliated companies		1,136	1,225
Other payables		51,577	66,939
		320,916	250,396
Total liabilities other than provisions		346,089	274,904
TOTAL EQUITY AND LIABILITIES		808,568	660,683
Accounting policies	1		
Special items	2		
Lease commitments	15		
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Statement of Changes in Equity

DKK 1,000	Note	Capital Stock	Reserve for development costs	Reserve for hedging instruments	Retained Earnings	Total
Equity at 1 March 2021		5,000	9,983	10,515	288,988	314,486
Changes in value of hedging instruments, etc. (after tax)		-	-	(17,162)	-	(17,162)
Result of the year	21	-	(264)	-	64,302	64,038
Equity at 1 March 2022		5,000	9,719	(6,647)	353,290	361,362
Changes in value of hedging instruments, etc. (after tax)		-	-	6,433	-	6,433
Result of the year	21	-	(1,471)	-	72,907	71,436
Equity at 28 February 2023		5,000	8,248	(214)	426,197	439,231

Notes

1. Accounting Policies

The Annual Report of Terma Aerostructures A/S for 2022/23 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. According to the derogation in § 86, section 4, a Cash Flow Statement has not been prepared. The Financial Statements of Terma Aerostructures A/S are included in the Consolidated Financial Statements of Terma A/S and of the Group Parent Company Thrige Holding A/S, Lystrup.

Recgonition 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.

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.

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 transation materializes, amounts previously recongized in other comprehensive income 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.

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.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are

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.

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, plant, and equipment.

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

Terma Aerostructures A/S is subject to the compulsory Danish joint taxation method and therefore taxed jointly with Thrige Holding A/S and the Group's Danish subsidiaries.

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

Balance Sheet

Intangibles

Development projects comprise cost, 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 6-15 years.

Software licenses are measured at cost less accumulated depreciation and impairment loss. Software licenses are depreciated over the contract period, however, not longer than 10 years.

Gains and losses on the disposal of development projects 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.

Plant and equipment

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 as follows:

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 acquistion 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 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.

Impairment of non-current assets

The carrying amount of intangibles, plant, and equipment 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 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 company 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 development costs

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.

Hedging instrument reserve

The reserve contains the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised. The tax effect on these transactions has also been included.

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.

The deferred tax is measured according to the tax rules and tax rates applicable at the Balance Sheet date.

Provisions

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

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.

Liabilities other than provisions

Other liabilities are measured at amortized cost, which in general match 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).

Segment information

Revenue has been allocated according to business segments and geographical markets. Segment information complies with accounting policies, risks, and internal financial management of the Group.

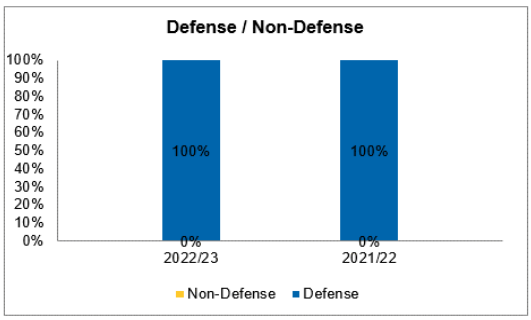
2. Special items

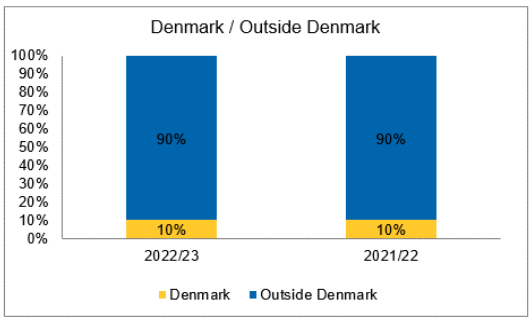
Special items comprise significant income and cost of a special character in relation to the Company's operating activities generating income, i.e. costs in connection with comprehensive restructuring of processes and fundamental structural modifications and related gains and losses on disposals which will be of significance over a period of time.

Special items also comprise other significant one-off expenses which according to the Management are not a part of the operating activities of the Company.

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

3. Segment information, revenue





4. Revenue

DKK 1,000	2022/23	2021/22
Goods and services	7,419	21,762
Construction contracts	811,033	816,155
	818,452	837,917

5. Staff costs

DKK 1,000		
Wages and salaries	238,891	247,061
Pensions	18,858	19,305
Other social security costs	6,190	7,898
	263,939	274,264
Average number of full-time employees	532	546

The Board of Directors do not receive any remuneration. The Management consisted of 1 person so the remuneration for the Management has not been disclosed according to section 986 of the Danish Financial Statement Act.

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

6. Fees paid to auditors

With reference to the Danish Financial Statements Act § 96, section 3, fees paid to auditors are not reported. The fees are included in the Consolidated Financial Statements of Terma A/S.

7. Financial income and costs

DKK 1,000	2022/23	2021/22
Intra-group interest, current assets	2,518	-
Exchange rate variations and hedging income	4,373	714
Financial income	6,891	714
Intra-group interest, current liabilities	188	1,766
Other interest	4	-
Bank charges	800	376
Exchange rate variations and hedging costs	9,855	9,467
Financial costs	10,847	11,609
Net financial income and costs	(3,956)	(10,895)
Current joint taxation contribution/current tax	23,092	16,368
Deferred tax adjustments for the year	(1,096)	(3,149)
Total tax	21,996	13,219
Tax on profit or loss	20,182	18,059
Tax on changes in equity	1,814	(4,840)
	21,996	13,219

8. Corporate tax payable

DKK 1,000	2022/23	2021/22
Corporate income tax payable at 1 March	-	-
Tax for the year/joint tax contribution	23,092	16,368
Transferred to intra-group balances	(23,092)	(16,368)
Corporate tax payable at 28 February	-	-

9. Intangibles

DKK 1,000	Software	Software in process	Development projects, completed	Development projects, in process	Total
Cost at 1 March 2022	3,867	10,865	68,445	3,245	86,422
Additions	353	1,380	-	-	1,733
Transfers	306	(306)	3,245	(3,245)	-
Disposals	-	-	-	-	-
Cost at 28 February 2023	4,526	11,939	71,690	-	88,155
Amortizations and impairment at 1 March 2022	1,531	-	40,691	-	42,222
Amortizations and impairments	1,288	-	4,200	-	5,488
Disposals	-	-	-	-	-
Amortizations and impairments at 28 February 2023	2,819	-	44,891	-	47,710
Carrying value at 28 February 2023	1,707	11,939	26,799	-	40,445
Amortized over	3-10 years		6-15 years		

Development projects

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

- Physical products or product platforms based on a set of technologies
- 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.

Recognition and measurement in the financial statements

It is a prerequisite for capitalization

that an explicit sales evaluation exists describing whether the asset in itself or in a modified form may form the basis of repeated sales to one or more customers

that the technological challenges are described and that ressource requirements of the development projects are described

that a financial impact analysis is made

Development projects are valued at cost less accumulated amortization and write-downs, or recoverable amount if this is lower.

Capitalized development costs are amortized concurrently with the sale of the developed products and platforms or on a straight-line basis over the estimated useful life.

The amortization profile is determined based on a business case, and the amortization base comprises both existing and expected orders. An estimated useful life of usually no more than 10 years is attached to the amortization profile, adjusted according to the investment amount. The amortization profile is reevaluated on an annual basis.

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 11-13% 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.

10. Plant and equipment

DKK 1,000	Plant and machinery	Fixtures and fittings, tools and equipment	Plant and equipment under construction	Total
Cost at 1 March 2022	377,925	11,835	41,571	431,331
Additions	2,742	1,096	9,692	13,530
Transfers	38,736	510	(39,246)	-
Disposals	(369)	-	-	(369)
Cost at 28 February 2023	419,034	13,441	12,017	444,492
Depreciation and impairments at 1 March 2022	209,784	9,838	-	219,622
Depreciations	26,444	1,076	-	27,520
Disposals	(369)	-	-	(369)
Depreciations and impairments at 28 February 2023	235,859	10,914	-	246,773
Carrying amount at 28 February 2023	183,175	2,527	12,017	197,719
Depreciated over	3-20 years	3-7 years		

11. Construction contracts

DKK 1,000	2023	2022
Selling price of construction contracts	1,651,590	1,292,941
Invoiced on account	(1,840,196)	(1,404,896)
Construction contracts at 28 February	(188,606)	(111,955)
Recognized as follows:		
Construction contracts (assets)	44,177	23,791
Construction contracts (liabilities)	(232,783)	(135,746)
	(188,606)	(111,955)

12. Equity

The capital stock consists of 5,000 stock with nomial value each of 1,000 DKK. None of the stock have special rights. The capital stock has remained unchanged during the preceding five years.

13. Deferred tax

DKK 1,000	2023	2022
Deferred tax at 1 March	24,344	27,493
Adjustments for the year	(1,096)	(3,149)
Deferred tax at 28 February	23,248	24,344
Recognized as follows:		
Intangible assets	5,896	6,820
Plant and equipment	18,977	17,989
Construction contracts	0	(16)
Other payables	(1,625)	(449)
Deferred tax at 28 February	23,248	24,344
Expected timeframe for elimination of deferred tax liabilities:		
0-1 years	2,190	3,739
1-5 years	5,373	9,282
>5 years	15,685	11,323
	23,248	24,344

14. Non-current liabilities other than provisions

DKK 1,000	Liabilities	Fair value	Nominal value	Long-term liabilities	Short-term liabilities	Loans outstanding after 5 years
Other non-current liabilities	25,173	25,173	25,173	25,173	-	25,173
28 February 2023	25,173	25,173	25,173	25,173	-	25,173

15. Lease commitments

DKK 1.000	2023	2022
Lease commitments		
Operational lease falling due within 5 years	6,095	5,150
Operational lease falling due after 5 years	337	617

The Company has entered into a rent agreement with the Parent Company Terma A/S, valid until 1 March 2024. The annual rent amounts to 8.683 tDKK (2021/22: 8,346 tDKK), and as of 28 February 2023, the termination period is 6 months, and the total commitment amounts to 4.342 tDKK (2021/22: 4,173 tDKK).

16. Events after the balance sheet date

Following the end of the fiscal year, no significant events have occured which affect the assessment of the Company's financial position as reported on 28 February 2023, or the annual report 2022/23.

17. Charges and security

No assets have been charged or otherwise provided as security for bankers or others.

18. Contingent liabilities

The Company is jointly taxed with Thrige Holding A/S and the other Danish subsidiaries in the Group. 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. 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.

19. Related parties

Related parties of Terma Aerostructures A/S consist of:

Constituting control
Terma A/S, 8520 Lystrup, 100% ownership.

Terma A/S is a 100% owned subsidiary of Thrige Holding A/S (CVR no. 26 31 16 83), Lystrup, which again is 100% owned by Thomas B. Thriges Fond (CVR-no. 10 15 62 11), Søborg.

Other related parties
The Company's related parties exercising significant influence comprise the Board of Directors, 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

DKK 1,000	2022/23	2021/22
Sale to Parent Company	109,291	74,306
Purchase from Parent Company	31,645	29,480
Purchase from Group companies	10,244	13,085
Purchase of services from Parent Company	58,576	45,891
Rent paid to Parent Company	8,683	8,346
Interest paid to Parent Company	-	1,616
Interest paid by Parent Company	2,518	-
Interest paid to Group company	188	150
Reinvoicing of cost to Parent Company	1,158	560
Reinvoicing of cost from Parent Company	2,742	3,475
Reinvoicing of cost to Group Company	46	-
Reinvoicing of cost from Group company	93	146
Receivable from parent company	315,226	171,215
Debt to Group company	1,136	1,225

20. Financial instruments and financial risk

Through its operations, Terma Aerostructures A/S is exposed to certain financial risks; these financial risks relate to and are defined as follows:

Liquidity risk	The risk that the Company is not able to meet its future cash flow needs
Credit risk	The risk of incurring a financial loss if a customer or counterpart fails to fulfill its contractual obligations
Market risk	The risk of losses in financial positions arising from movements in interest, raw material prices, and currency rates

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 Company's risk relating to changes in currency rates and interest rates.

Liquidity risk

Related business activity	Implication	Risk mitigation	Impact
The Group is exposed to liquidity risk due to ongoing normal business activities, and repayment of loans.	*Effect: Medium* *Threat: Low*	Liquidity is managed at Group level. Liquidity forecasts are produced and updated regularly based on forecasts on operational cash flows, and investment commitments.	The Company has entered into a cash pool arrangement with the Parent Company Terma A/S, and a current liquidity surplus or deficit will be lent to or borrowed from Terma A/S on market conditions. It is the Management's opinion that the Company 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.

Below is a maturity analysis of the financial liabilities at year-end, 28 February 2023 and 28 February 2022:

	2023				2022			
DKK 1,000	Carrying amount/ contractual cash flow	<1 year	>1 year <5 years	>5 years	Carrying amount/ contractual cash flow	<1 year	>1 year <5 years	>5 years
Liabilities other than provisions	346,089	320,916	-	25,173	274,904	250,396	-	24,508

Credit risk

Related business activity	Implication	Risik mitigation	Impact
The Company is exposed to credit risk from receivables and from balances with Group companies and Parent Company. Risks related to receivables occur when customers do not pay as agreed.	*Effect: Medium* *Threat: Low*	The Company conducts credit assessments of new customers and partners. Customers outside Europe and North America are individually assessed and based on the assessment, the trade may be handled on letter of credit. Credit insurance from EKF is used if deemed necessary.	In general, there is no significant credit risk relative to individual customers. In 2022/23, the Company has not incurred any financial loss on debtors. The Company does not expect any loss on trade receivables, construction contracts, or amounts owed by Group companies.

In 2022/23, there was no impairment of receivables. 2% of the receivables exceeded payment terms with more than one month.

Accounts receivable from sales are specified as follows:

DKK 1,000	2023	2022
Europe	3,448	4,047
North and central Amerika	40,808	43,434
Accounts receivable at 28 February	44,256	47,481

Overdue accounts receivable:

DKK 1,000	2023	2022
Up to 1 month	3,950	13,888
Between 1 and 2 months	619	2,627
More than 2 motnhs	83	855
Overdue accounts receivable at 28 February	4,652	17,370

Interest rate risk

The Company has entered into a cash pool arrangement with the Parent Company Terma A/S, and a current liquidity surplus or deficit will be loaned to or borrowed from Terma A/S on market conditions.

Sensitivity to interest rate risk

A 1%-point increase in the interest rate would effect the profit/loss by 3.1 MDKK (2021/22: 1.7 MDKK) and the equity by 2.4 MDKK (2021/22: 1.3 MDKK).

A 1%-point decrease of the interst rate would have a corresponding inverse effect. However, not below zero interest rates.

Currency risk

The financial statement is reported in DKK.

Related business activity	Implication	Risik mitigation	Impact
The Company is exposed to currency risk primarily related to buying and selling in DKK, EUR, and USD.	Effect: High Threat: Low	It is the Company's policy to use derivative instruments to hedge currency risks, especially USD cash flows, and forward exchange contracts are entered into in connection with the acceptance and conclusion of contracts.	The effect from currency risk originates mainly from cash flows in connection with buying and selling in USD. The Company has hedged these currency risks in accordance with the Group's policy. As in 2022/23, the Company has only used derivative financial instruments to hedge exchange rate risks.

At year-end the company held the following derivative financial instruments:

2022/23 Currency (DKK 1,000)	Payable / maturity date	Receiv-ables	Liabilities other than provisions	Hedged by forward exchange contracts	Net position
USD	<1 year	34,656	(20,058)	(15,662)	(1,064)
EUR	<1 year	27	(8,749)	-	(8,722)
GBP	<1 year	10	(5,631)	-	(5,621)
		34,693	(34,438)	(15,662)	(15,407)

2021/22

Currency (DKK 1,000)	Payable/ maturity date	Receiv-ables	Liabilities other than provisions	Hedged by forward exchange contracts	Net position
USD	<1 year	27,377	(16,324)	(12,278)	(1,225)
EUR	<1 year	26	(9,800)	-	(9,774)
GBP	<1 year	11	(2,002)	1,991	-
		27,414	(28,126)	(10,287)	(10,999)

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 0 MDKK (2021/22: 0 MDKK) and affect equity by 0 MDKK (2021/22: 0 MDKK). The effect of a 10% increase in the currency translation rates against DKK would also result in a net profit/(loss) of 0 MDKK.

Exchange rate contracts

DKK 1,000		Contractual value		Fair value		Gains and losses recognized in the equity	
Exchange rate contracts	Period	2023	2022	2023	2022	2023	2022
AUD	0-1 year	-	-	-	-	-	-
AUD	1-5 years	-	-	-	-	-	-
GBP	0-1 year	-	-	-	-	-	-
GBP	1-5 years	-	-	-	-	-	-
USD	0-1 year	333,657	272,293	(8,741)	(4,885)	(198)	(4,052)
USD	1-5 years	159,641	142,164	(2,343)	(5,416)	(16)	(2,593)
		493,298	414,457	(11,084)	(10,301)	(214)	(6,645)
Tax						(60)	(1,875)
Total before tax						(274)	(8,520)

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

Categories of financial instruments:

DKK 1,000	2022/23	2021/22
Financial assets:		
Receivables and cash at bank and in hand	44,283	53,592
Derivative financial instruments	-	-
Financial liabilities:		
Financial liabilities measured at amortized cost	-	-
Derivative financial instruments	274	8,520

Raw material price risk

Related business	Implication	Risk mitigation	Impact
The Company is exposed to risk concerning raw material as aluminium and composite materials forming part of the products sold.	Effect: Medium Threat: Medium	Raw material price risk has until now not been hedged. The impact on the financial result is immaterial as major parts of raw materials are bought in accordance with customers' requirement 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 Company’s financial results in 2021/22 and 2022/23.

21. Proposed profit appropriation

DKK 1,000	2022/23	2021/22
Proposed profit appopriation		
Reserve for development costs	(1,471)	(264)
Retained earnings	72,907	64,302
	71,436	64,038

Statements and Reports

Statement by the Board of Directors and Management

The Board of Directors and Management have today discussed and approved the Annual Report of Terma Aerostructures A/S for the 2022/23 fiscal year.

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

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 28 February 2023 and of the results of the Company's operations for the 2022/23 fiscal year.

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

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

Søborg, 22 May 2023

Management:

Per Thiesen
General Manager

Board of Directors:

Jes Munk Hansen
Chairman

Steen M. Lynenskjold

Per Thiesen

Statements and Reports

Independent Auditor's Report

To the stockholder of Terma Aerostructures A/S

Opinion

We have audited the Financial Statements of Terma Aerostructures A/S for the fiscal year 1 March 2022 – 28 February 2023 which comprise Income Statement, Balance Sheet, Statement of Changes in Equity and Notes, including Accounting Policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 28 February 2023 and of the results of the Company's operations for the fiscal year 1 March 2022 – 28 February 2023 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 Company 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 determins is necessary to enable the preparation of the 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 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 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 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 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 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.

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.

Søborg, 22 May 2023

EY Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28

Jes Lauritzen
State-Authorized Public Accountant
mne10121

PENNEO

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Per Thiesen
General Manager
Serienummer: 34a3e503-dd82-4ec3-a69a-b43a91c439c9
IP: 193.163.xxx.xxx
2023-05-25 13:03:45 UTC
Mit ID

Per Thiesen
Board Member
Serienummer: 34a3e503-dd82-4ec3-a69a-b43a91c439c9
IP: 193.163.xxx.xxx
2023-05-25 13:08:13 UTC
Mit ID

Steen Michael Lynenskjold
Board Member
Serienummer: 179122a1-02b9-4207-a80f-65ec8771e5ee
IP: 77.241.xxx.xxx
2023-05-25 14:06:57 UTC
Mit ID

Jes Carøe Munk Hansen
Chairman of the Board
Serienummer: cb31f32f-f98a-4ad6-bf39-bbd30d073b24
IP: 193.163.xxx.xxx
2023-05-26 04:52:25 UTC
Mit ID

Jes Lauritzen
State-Authorized Public Accountant
Serienummer: CVR:30700228-RID:1269340745888
IP: 194.239.xxx.xxx
2023-05-26 07:00:42 UTC
NEM ID

Niels Henrik Bundsgaard
Chairman
Serienummer: 0c9ec651-9735-4fbe-9670-4d9be81683de
IP: 193.163.xxx.xxx
2023-05-26 10:57:54 UTC
Mit ID

Penneo dokumentnøgle: 7DYS5-7D60J-WUECE-SO8WH-5CWIX-L01Q8