

NORDIC DEFENCE INDUSTRIES A/S

Stenholm 11
9400 Nørresundby
Business Registration No
18032430

Annual report 01.10.2016 - 31.12.2017

The Annual General Meeting adopted the annual report on 20.02.2018

Chairman of the General Meeting

Name: Anne-Marie Vösu

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Entity details

Entity

NORDIC DEFENCE INDUSTRIES A/S

Stenholm 11

9400 Nørresundby

Central Business Registration No (CVR): 18032430

Registered in: Aalborg

Financial year: 01.10.2016 - 31.12.2017

Phone: 98171818

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Website: www.ndi.dk

Board of Directors

Anne-Marie Vösu, Chairman

Jan Rasmussen

Heino Lundgren

Executive Board

Henrik Nøjgaard, Managing Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Østre Havnepromenade 26, 4. sal

9000 Aalborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of NORDIC DEFENCE INDUSTRIES A/S for the financial year 01.10.2016 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.10.2016 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 20.02.2018

Executive Board

Henrik Nøjgaard
Managing Director

Board of Directors

Anne-Marie Vösu
Chairman

Jan Rasmussen

Heino Lundgren

Independent auditor's reports

To the shareholders of NORDIC DEFENCE INDUSTRIES A/S

Report on extended review of the financial statements

We have performed an extended review of the financial statements of NORDIC DEFENCE INDUSTRIES A/S for the financial year 01.10.2016 - 31.12.2017. The financial statements, which comprise the income statement, balance sheet, statement of changes in equity, notes and accounting policies, are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements. We conducted our extended review in accordance with the assurance engagement standard for small enterprises as issued by the Danish Business Authority and the standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act as issued by FSR - Danish Auditors.

This requires that we comply with the Danish Public Accountants Act and FSR – Danish Auditors' Code of Conduct and plan and perform procedures to obtain limited assurance about our opinion on the financial statements and that we perform specifically required supplementary procedures for the purpose of obtaining additional assurance about our opinion.

An extended review consists of making inquiries, primarily of management and, if appropriate, of other entity personnel, performing analytical procedures and specifically required supplementary procedures as well as evaluating the evidence obtained.

The procedures performed in an extended review are less in scope than in an audit, and accordingly we do not express an audit opinion on the financial statements.

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.10.2016 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

Independent auditor's reports

In connection with our extended review of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the extended review or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Aalborg, 20.02.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Birner Sørensen
State Authorised Public Accountant
Identification No (MNE) 11671

Management commentary

Primary activities

The planned employment of a new managing director was effectuated as of 01 September. Integration into the mother company and the two-way transfer of know-how is proceeding successfully. The company's activities included the development of new products, product innovation, marketing and sales.

Development in activities and finances

Activities

Saab and NDI are currently exploring the possibilities of having NDI carry production and manage the supply chain of a new product with certain properties similar to DAMDIC, which Saab is currently developing for the global market.

NDI is investigating the possibilities of taking over the support and service on a number of Saab products in service by the Danish customer.

Both activities will diversify the portfolio and equalize fluctuations in the demolition charge production.

Finances

Loss for the year 2016/17 amounted -550 thousand DKK.

The annual result is less than expected, due to extraordinary costs connected with the acquisition by Saab AB.

Events after the balance sheet date

Purchase orders for deliveries mid-2018 and with a value exceeding 10MDKK have been received during January 2018. Deviation from planned activities are therefore deemed inadvisable.

Income statement for 2016/17

	<u>Notes</u>	<u>(15 months) 2016/17 DKK</u>	<u>2015/16 DKK</u>
Revenue		5.759.729	10.730.286
Other operating income		36.595	165.159
Costs of raw materials and consumables		(483.416)	(2.035.007)
Other external expenses		<u>(4.090.776)</u>	<u>(2.523.743)</u>
Gross profit/loss		1.222.132	6.336.695
Staff costs	1	(1.627.151)	(2.999.586)
Depreciation, amortisation and impairment losses	2	<u>(306.529)</u>	<u>(651.204)</u>
Operating profit/loss		(711.548)	2.685.905
Other financial income		6.240	21.896
Other financial expenses		<u>0</u>	<u>(15.649)</u>
Profit/loss before tax		(705.308)	2.692.152
Tax on profit/loss for the year	3	<u>155.215</u>	<u>(595.449)</u>
Profit/loss for the year		(550.093)	2.096.703
Proposed distribution of profit/loss			
Retained earnings		<u>(550.093)</u>	<u>2.096.703</u>
		(550.093)	2.096.703

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Other fixtures and fittings, tools and equipment		176.177	274.568
Leasehold improvements		148.318	268.896
Property, plant and equipment	4	324.495	543.464
Fixed assets		324.495	543.464
Raw materials and consumables		1.985.000	1.670.436
Inventories		1.985.000	1.670.436
Trade receivables		1.242.583	4.955.079
Contract work in progress	5	0	425.000
Receivables from group enterprises		0	789.637
Deferred tax		102.975	48.547
Other receivables		0	1.090
Joint taxation contribution receivable		100.787	0
Prepayments		15.295	114.028
Receivables		1.461.640	6.333.381
Cash		4.699.059	1.669.883
Current assets		8.145.699	9.673.700
Assets		8.470.194	10.217.164

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Contributed capital	6	1.000.000	1.000.000
Retained earnings		<u>6.544.767</u>	<u>2.406.677</u>
Equity		<u>7.544.767</u>	<u>3.406.677</u>
Income tax payable		<u>0</u>	<u>672.411</u>
Non-current liabilities other than provisions		<u>0</u>	<u>672.411</u>
Bank loans		0	22.197
Prepayments received from customers		438.693	0
Trade payables		72.195	279.643
Payables to group enterprises		0	4.395.488
Income tax payable		0	782.361
Other payables		<u>414.539</u>	<u>658.387</u>
Current liabilities other than provisions		<u>925.427</u>	<u>6.138.076</u>
Liabilities other than provisions		<u>925.427</u>	<u>6.810.487</u>
Equity and liabilities		<u>8.470.194</u>	<u>10.217.164</u>
Contingent liabilities	7		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.000.000	2.406.677	3.406.677
Group contributions etc	0	4.688.183	4.688.183
Profit/loss for the year	0	(550.093)	(550.093)
Equity end of year	1.000.000	6.544.767	7.544.767

Notes

	2016/17	2015/16
	DKK	DKK
1. Staff costs		
Wages and salaries	1.587.223	2.743.148
Pension costs	0	132.390
Other social security costs	26.973	54.373
Other staff costs	12.955	69.675
	1.627.151	2.999.586
Average number of employees	3	6
	2016/17	2015/16
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	306.529	651.204
	306.529	651.204
	2016/17	2015/16
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	(100.787)	672.411
Change in deferred tax	(54.428)	(76.962)
	(155.215)	595.449

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
4. Property, plant and equipment		
Cost beginning of year	1.081.984	568.027
Additions	<u>87.560</u>	<u>0</u>
Cost end of year	<u>1.169.544</u>	<u>568.027</u>
Depreciation and impairment losses beginning of year	(807.416)	(299.131)
Depreciation for the year	<u>(185.951)</u>	<u>(120.578)</u>
Depreciation and impairment losses end of year	<u>(993.367)</u>	<u>(419.709)</u>
Carrying amount end of year	<u>176.177</u>	<u>148.318</u>
	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
5. Contract work in progress		
Contract work in progress	<u>0</u>	<u>425.000</u>
	<u>0</u>	<u>425.000</u>
	<u>Par value DKK</u>	<u>Nominal value DKK</u>
6. Contributed capital	<u>Number</u>	
Aktier	<u>1.000</u>	<u>1.000.000</u>
	<u>1.000</u>	<u>1.000.000</u>
7. Contingent liabilities		
Rent commitments amount to 125 TDKK per quarter to 30/9 2020.		

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Non-comparability

The company has revised financial year, why the current financial year comprises 15 months, while comparative figures comprise 12 months.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue at completion of the contract.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Accounting policies

Other financial income

Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-7 years
Leasehold improvements	7 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Residual values represent zero DKK.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

Accounting policies

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the costs incurred less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Accounting policies

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.