

Nordic Defence Industries A/S
Central Business Registration No
18032430
Stenholm 11
9400 Nørresundby

Annual report 2015/16

The Annual General Meeting adopted the annual report on 21.02.2017

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: 18032430
Registered in: Aalborg Kommune
Financial year: 01.10.2015 - 30.09.2016

Phone: 98171818
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Board of Directors

Anne-Marie Vösu, Chairman
Peter Bøgh Sørensen
Heino Lundgren

Executive Board

Bert Åke Johansson, Managing Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Gøteborgvej 18
9200 Aalborg SV

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 01.10.2015 - 30.09.2016.

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 30.09.2016 and of the results of its operations for the financial year 01.10.2015 - 30.09.2016.

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, 21.02.2017

Executive Board

Bert Åke Johansson
Managing Director

Board of Directors

Anne-Marie Vösu
Chairman

Peter Bøgh Sørensen

Heino Lundgren

Independent auditor's reports

To the owners of Nordic Defence Industries A/S

Report on the financial statements

We have audited the financial statements of Nordic Defence Industries A/S for the financial year 01.10.2015 - 30.09.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements 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 based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30.09.2016 and of the results of its operations for the financial year 01.10.2015 - 30.09.2016 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Aalborg, 21.02.2017

Deloitte

Statsautoriseret Revisionspartnerselskab

Lars Birner Sørensen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

Primary activities

The company's activities have included the development of new products, product innovation, marketing and sales of both own products and products the company has acquired exclusive rights to.

Development in activities and finances

Profit for the year 2015/16 amounted 2,097 thousand DKK.

In October 2016 SAAB AB acquired Nordic Defence Industries A/S.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

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.

Changes in accounting policies

The accounting policies are changed for contract work in progress, where the recognition criteria are adapted. Previously contract work in progress where measured at the selling price of the work performed. The selling price were measured based on the stage of completion. Contract work in progress are now measured at the lower of costs incurred and net realisable value less prepayments received. Profit of the contracts is because of that now recognized in connection with the completion of the contract.

	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
Profit/loss from ordinary activities before tax	(135)	0
Tax on profit/loss from ordinary activities	30	0
Profit/loss for the year	(105)	0
Balance sheet	(105)	0
Equity	(105)	0

The accounting policies applied to these financial statements are consistent with those applied last year, except for the change described above.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

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, including gains from the sale of equipment.

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 write-downs 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 write-downs 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.

Amortisation, depreciation 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.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, net capital 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.

Income taxes

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.

The Entity is jointly taxed with all other group entities. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc. comprise development projects completed with related intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 5 years. For development projects protected by intellectual property rights,

Accounting policies

the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

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.

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 write-downs 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.

Accounting policies

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 tax-based value of assets and liabilities, for which the tax-based value of assets 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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

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

Income statement for 2015/16

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Revenue		10,730,286	8,768,534
Other operating income		165,159	1,723
Costs of raw materials and consumables		(2,035,007)	(1,785,276)
Other external expenses		(2,523,743)	(2,370,588)
Gross profit/loss		6,336,695	4,614,393
Staff costs	1	(2,999,586)	(3,079,379)
Depreciation, amortisation and impairment losses	2	(651,204)	(607,092)
Operating profit/loss		2,685,905	927,922
Other financial income		21,896	23,929
Financial expenses from group enterprises		0	(138,208)
Other financial expenses		(15,649)	(2,438)
Profit/loss from ordinary activities before tax		2,692,152	811,205
Tax on profit/loss from ordinary activities	3	(595,449)	(194,324)
Profit/loss for the year		2,096,703	616,881
Proposed distribution of profit/loss			
Dividend for the financial year		0	600,000
Retained earnings		2,096,703	16,881
		2,096,703	616,881

Balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Completed development projects		0	0
Intangible assets	4	0	0
Other fixtures and fittings, tools and equipment		274,568	1,386,819
Leasehold improvements		268,896	365,359
Property, plant and equipment	5	543,464	1,752,178
Fixed assets		543,464	1,752,178
Raw materials and consumables		1,670,436	2,192,355
Inventories		1,670,436	2,192,355
Trade receivables		4,955,079	372,939
Contract work in progress		425,000	0
Receivables from group enterprises		789,637	0
Deferred tax assets		48,547	0
Other short-term receivables		1,090	39,379
Prepayments		114,028	140,588
Receivables		6,333,381	552,906
Cash		1,669,883	3,119,687
Current assets		9,673,700	5,864,948
Assets		10,217,164	7,617,126

Balance sheet at 30.09.2016

	<u>Notes</u>	<u>2015/16 DKK</u>	<u>2014/15 DKK</u>
Contributed capital	6	1,000,000	1,000,000
Retained earnings		2,406,677	294,377
Proposed dividend		0	600,000
Equity		<u>3,406,677</u>	<u>1,894,377</u>
Provisions for deferred tax		0	28,415
Provisions		<u>0</u>	<u>28,415</u>
Income tax payable		672,411	782,361
Non-current liabilities other than provisions		<u>672,411</u>	<u>782,361</u>
Bank loans		22,197	0
Trade payables		279,643	304,762
Debt to group enterprises		4,395,488	4,041,244
Income tax payable		782,361	171,938
Other payables		658,387	394,029
Current liabilities other than provisions		<u>6,138,076</u>	<u>4,911,973</u>
Liabilities other than provisions		<u>6,810,487</u>	<u>5,694,334</u>
Equity and liabilities		<u><u>10,217,164</u></u>	<u><u>7,617,126</u></u>
Contingent liabilities	7		
Assets charged and collateral	8		

Statement of changes in equity for 2015/16

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1,000,000	309,974	600,000	1,909,974
Ordinary dividend paid	0	0	(600,000)	(600,000)
Profit/loss for the year	0	2,096,703	0	2,096,703
Equity end of year	1,000,000	2,406,677	0	3,406,677

Notes

	2015/16 DKK	2014/15 DKK
1. Staff costs		
Wages and salaries	2,743,148	2,813,557
Pension costs	132,390	103,000
Other social security costs	54,373	61,979
Other staff costs	69,675	100,843
	2,999,586	3,079,379
	2015/16 DKK	2014/15 DKK
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	651,204	607,092
	651,204	607,092
	2015/16 DKK	2014/15 DKK
3. Tax on ordinary profit/loss for the year		
Current tax	672,411	766,767
Change in deferred tax for the year	(76,962)	(570,735)
Effect of changed tax rates	0	(1,708)
	595,449	194,324
		Completed development projects DKK
4. Intangible assets		
Cost beginning of year		360,630
Disposals		(360,630)
Cost end of year		0
Amortisation and impairment losses beginning of year		(360,630)
Reversal regarding disposals		360,630
Amortisation and impairment losses end of year		0
Carrying amount end of year		0

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
5. Property, plant and equipment		
Cost beginning of year	3,143,457	568,027
Additions	59,694	0
Disposals	(2,121,167)	0
Cost end of year	1,081,984	568,027
Depreciation and impairment losses beginning of the year	(1,756,638)	(202,668)
Depreciation for the year	(554,742)	(96,463)
Reversal regarding disposals	1,503,964	0
Depreciation and impairment losses end of the year	(807,416)	(299,131)
Carrying amount end of year	274,568	268,896

	Number	Par value DKK	Nominal value DKK
6. Contributed capital			
Aktier	1,000	1,000.00	1,000,000
	1,000		1,000,000

	2015/16 DKK	2014/15 DKK	2011 DKK	2010 DKK	2009 DKK
Changes in contributed capital					
Contributed capital beginning of year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Contributed capital end of year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

7. Contingent liabilities

According to completed contracts the company has liability of the guarantor.

Notes

The Company participates in a Danish joint taxation arrangement in which Jess Otzen Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2012/13 for income taxes etc. for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

8. Assets charged and collateral

As security for all bank debt are provided company charge, nom. DKK 1,120 Thousand.

Company charge covers 50% of the booked value of receivables from sales and services, raw materials and consumables and other fixtures and fittings, tools and equipment. 50% of the booked value of these assets amounts DKK 3,500 Thousand.

In connection with SAAB AB's acquisition of Nordic Defence Industries A/S the company charge is cleared.