
Meggitt A/S

Porthusvej 4, DK-3490 Kvistgård

Annual Report for 1 January - 31 December 2015

CVR No 25 95 49 71

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
07/06 2016

Mickey Nielsen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Meggitt A/S for the financial year 1 January - 31 December 2015.

The Annual Report is 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 at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Kvistgård, 7 June 2016

Executive Board

Torsten Bove
CEO

Board of Directors

Annette Hobhouse
Chairman

Marina Louise Thomas

Torsten Bove

Independent Auditor's Report on the Financial Statements

To the Shareholder of Meggitt A/S

Report on the Financial Statements

We have audited the Financial Statements of Meggitt A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. 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 whether the Financial Statements are free from material misstatement.

An audit involves performing audit 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 misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 evaluating 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 financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 7 June 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Kim Tromholt
statsautoriseret revisor

Henrik Mikkelsen
statsautoriseret revisor

Company Information

The Company

Meggitt A/S
Porthusvej 4
DK-3490 Kvistgård

CVR No: 25 95 49 71
Financial period: 1 January - 31 December
Municipality of reg. office: Helsingør

Board of Directors

Annette Hobhouse, Chairman
Marina Louise Thomas
Torsten Bove

Executive Board

Torsten Bove

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Key figures					
Profit/loss					
Gross profit/loss	77.256	41.865	34.059	35.465	33.245
Operating profit/loss	20.704	-7.075	-997	3.808	6.954
Profit/loss before financial income and expenses	20.854	-7.225	-2.051	3.745	6.954
Net financials	-1.592	-1.476	-1.134	-1.064	-807
Net profit/loss for the year	15.219	-6.939	-2.071	2.033	4.598
Balance sheet					
Balance sheet total	114.731	96.560	95.386	45.281	41.762
Equity	50.113	36.782	12.321	14.391	14.358
Investment in property, plant and equipment	14.573	6.099	47.297	5.674	7.698
Number of employees	98	80	71	67	55
Ratios					
Return on assets	18,2%	-7,5%	-2,2%	8,3%	16,7%
Solvency ratio	43,7%	38,1%	12,9%	31,8%	34,4%
Return on equity	35,0%	-28,3%	-15,5%	14,1%	38,1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of Meggitt A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

The objects of the Company are to develop, produce and launch piezoceramic components along with other related activities.

Development in the year

The income statement of the Company for 2015 shows a profit of DKK 15,218,553, and at 31 December 2015 the balance sheet of the Company shows equity of DKK 50,112,563.

Expectations for the coming year

The result for 2016 is expected to show a profit above 2015

Research and development

Development activities primarily consist of development of special products.

External environment

The company has a developed strategy for handling environmental aspects as well as environmental politics and associated goals.

The company is ISO certified.

Intellectual capital resources

Production and delivery of special products constitutes part of the company's business case. This leads to high dependence on knowledge resources regarding employees, development and business processes.

In order to be able to deliver these products, it is essential that the company can recruit and keep employees with a high level of education and as well as employees with a technical background.

The company has implemented procedures and goals regarding this.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2015 DKK	2014 DKK
Gross profit/loss		77.255.756	41.865.332
Staff expenses	1	-49.061.743	-41.070.819
Profit/loss before depreciations		28.194.013	794.513
Depreciation, amortisation and impairment of property, plant and equipment		-7.490.387	-7.869.300
Other operating expenses		150.000	-150.000
Profit/loss before financial income and expenses		20.853.626	-7.224.787
Financial income	2	3.091.259	1.534.938
Financial expenses	3	-4.683.089	-3.011.363
Profit/loss before tax		19.261.796	-8.701.212
Tax on profit/loss for the year	4	-4.043.243	1.762.296
Net profit/loss for the year		15.218.553	-6.938.916

Distribution of profit

	2015 DKK	2014 DKK
Proposed distribution of profit		
Proposed dividend for the year	0	1.887.698
Retained earnings	15.218.553	-8.826.614
	15.218.553	-6.938.916

Balance Sheet 31 December

Assets

	Note	2015 DKK	2014 DKK
Land and buildings		5.300.000	5.300.000
Other fixtures and fittings, tools and equipment		31.290.093	26.115.120
Leasehold improvements		29.322.504	31.689.460
Prepayments for property, plant and equipment		4.020.080	292.887
Property, plant and equipment	5	69.932.677	63.397.467
Deposits		1.201.014	1.201.014
Fixed asset investments	6	1.201.014	1.201.014
Fixed assets		71.133.691	64.598.481
Inventories	7	22.562.700	15.542.651
Trade receivables		7.650.568	9.198.161
Receivables from group enterprises		1.465.606	1.857.706
Other receivables		1.183.148	466.705
Deferred tax asset		0	864.174
Prepaid insurance and other prepayments		2.338.401	2.772.311
Receivables		12.637.723	15.159.057
Cash at bank and in hand		8.396.416	1.259.711
Currents assets		43.596.839	31.961.419
Assets		114.730.530	96.559.900

Balance Sheet 31 December

Liabilities and equity

	Note	2015 DKK	2014 DKK
Share capital		26.500.000	26.500.000
Retained earnings		23.612.563	8.394.010
Proposed dividend for the year		0	1.887.698
Equity	8	<u>50.112.563</u>	<u>36.781.708</u>
Provision for deferred tax		2.265.953	0
Other provisions	9	1.582.899	1.575.888
Provisions		<u>3.848.852</u>	<u>1.575.888</u>
Trade payables		5.620.798	2.625.071
Payables to group enterprises		48.014.372	50.364.990
Corporation tax		913.116	0
Other payables		6.220.829	5.212.243
Short-term debt		<u>60.769.115</u>	<u>58.202.304</u>
Debt		<u>60.769.115</u>	<u>58.202.304</u>
Liabilities and equity		<u>114.730.530</u>	<u>96.559.900</u>
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	11		

Notes to the Financial Statements

	<u>2015</u>	<u>2014</u>
	DKK	DKK
1 Staff expenses		
Wages and salaries	44.912.712	37.691.118
Pensions	3.338.952	2.689.778
Other social security expenses	810.079	689.923
	<u>49.061.743</u>	<u>41.070.819</u>
Average number of employees	<u>98</u>	<u>80</u>
2 Financial income		
Other financial income	145	66
Exchange rate adjustments	3.091.114	1.534.872
	<u>3.091.259</u>	<u>1.534.938</u>
3 Financial expenses		
Interest paid to group enterprises	1.961.688	2.385.337
Other financial expenses	153.079	241.501
Exchange rate adjustments	2.568.322	384.525
	<u>4.683.089</u>	<u>3.011.363</u>
4 Tax on profit/loss for the year		
Current tax for the year	913.116	0
Deferred tax for the year	3.130.127	-1.762.296
	<u>4.043.243</u>	<u>-1.762.296</u>

Notes to the Financial Statements

5 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Prepayments for property, plant and equipment
	DKK	DKK	DKK	DKK
Cost at 1 January	8.378.307	39.960.011	38.189.881	292.887
Additions for the year	0	0	0	14.573.202
Disposals for the year	0	0	-2.008.275	-547.605
Transfers for the year	0	8.986.214	1.312.190	-10.298.404
Cost at 31 December	<u>8.378.307</u>	<u>48.946.225</u>	<u>37.493.796</u>	<u>4.020.080</u>
Impairment losses and depreciation at 1 January	3.078.307	13.844.891	6.500.421	0
Depreciation for the year	0	3.811.241	3.679.146	0
Impairment and depreciation of sold assets for the year	<u>0</u>	<u>0</u>	<u>-2.008.275</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>3.078.307</u>	<u>17.656.132</u>	<u>8.171.292</u>	<u>0</u>
Carrying amount at 31 December	<u>5.300.000</u>	<u>31.290.093</u>	<u>29.322.504</u>	<u>4.020.080</u>

The property on Hejreskovvej 6, Kvistgård is expected to be sold and is measured at the expected net realisation value of DKK 5.3m as at 31 December 2015.

6 Fixed asset investments

	Deposits DKK
Cost at 1 January	<u>1.201.014</u>
Cost at 31 December	<u>1.201.014</u>
Carrying amount at 31 December	<u>1.201.014</u>

Notes to the Financial Statements

	<u>2015</u>	<u>2014</u>
	DKK	DKK
7 Inventories		
Raw materials and consumables	3.232.108	1.376.197
Work in progress	12.410.193	9.540.199
Finished goods and goods for resale	6.920.399	4.626.255
	<u>22.562.700</u>	<u>15.542.651</u>

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend for the year</u>	<u>Total</u>
	DKK	DKK	DKK	DKK
Equity at 1 January	26.500.000	8.394.010	1.887.698	36.781.708
Ordinary dividend paid	0	0	-1.887.698	-1.887.698
Net profit/loss for the year	0	15.218.553	0	15.218.553
Equity at 31 December	<u>26.500.000</u>	<u>23.612.563</u>	<u>0</u>	<u>50.112.563</u>

The share capital consists of 26,500 shares of a nominal value of DKK 1,000. No shares carry any special rights.

	<u>2015</u>	<u>2014</u>
	DKK	DKK
9 Other provisions		
The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 529 (2014: kDKK 372) have been recognised for expected warranty claims.		
Provision for warranties	529.011	372.000
Provision for abandonment	847.188	997.188
Other provisions	206.700	206.700
	<u>1.582.899</u>	<u>1.575.888</u>

The provisions are expected to mature as follows:

Within 1 year	<u>1.582.899</u>	<u>1.575.888</u>
	<u>1.582.899</u>	<u>1.575.888</u>

Notes to the Financial Statements

	2015 DKK	2014 DKK
10 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	192.423	210.203
Between 1 and 5 years	211.260	111.272
	403.683	321.475
Rental agreements	7.120.804	10.425.823
Security		
The following assets have been placed as security with banks:		
Letter of indemnity totalling DKK 4,000k and mortgage deeds registered to the mortgagor totalling DKK 5,800k, providing security on land and buildings as well as other property, plant and equipment at a total carrying amount of	5.300.000	5.300.000
Contingent liabilities		
The company has no other contingent liabilities.		

Notes to the Financial Statements

11 Related parties and ownership

Transactions

Loan from affiliated company to Meggitt A/S. The loan has been entered into at arm's length.

The sale of goods to associates and affiliated companies has been effected at arm's length.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Meggitt International Ltd
Atlantic House, Aviation Park West, Bournemouth International Airport
Christchurch, Dorset
BH23 6EW, UK

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company .

The Group Annual Report may be obtained at the following address:

www.meggitt.com

Accounting Policies

Basis of Preparation

The Annual Report of Meggitt A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that previously been recognized in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Accounting Policies

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is measured excluding VAT and after rebate associated.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Under other external expenses are also research and development expenses not meeting the criteria for capitalisation, including expenses for maintenance of the existing product portfolio..

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production related..

Amortisation, depreciation and impairment

Amortisation, depreciation and impairment comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment for the year.

Accounting Policies

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of property, plant and equipment and provisions for abandonment.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised currency adjustments..

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	50	years
Other fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	5-10	years

Impairment of fixed assets

The carrying amounts of intangible assets and property, plants and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

Accounting Policies

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Government grants

Grants are recognized when the general conditions for recognition are met, and when the conditions attaching to the grants are met.

Subsidies granted to cover expenses are recognized in the income statement in the rate they earned.

Grants to investments in assets are recognized as reduction of the carrying amount of asset by the amount of grants.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Accounting Policies

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period within one year and provision for abandonment. Provisions for warranties are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

No cash flow statement has been prepared for the Meggitt A/S as the Company's cash flows are included in the Consolidated Cash Flow Statement, Meggitt PLC.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$