

Ten Cate Advanced Armour Danmark A/S

Damsbovej 10
5492 Vissenbjerg
Denmark


CVR no. 28 31 00 64

Annual report 2016

The annual report was presented and approved at the
Company's annual general meeting on

27/4 20 17

~~Steen Tanderup~~
chairman



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ten Cate Advanced Armour Danmark A/S for the financial year 1 January – 31 December 2016.

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 assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

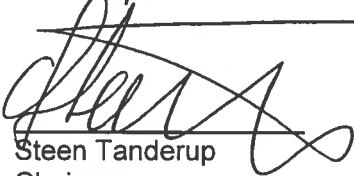
Vissenbjerg, 27 April 2017

Executive Board:



Helle Specht

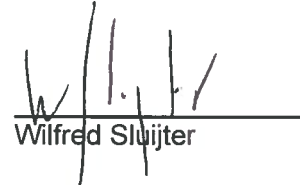
Board of Directors:



Steen Tanderup
Chairman



Peter Bjørn Bertelsen



Wilfred Sluijter



Independent auditor's report

To the shareholders of Ten Cate Advanced Armour Danmark A/S

Opinion

We have audited the financial statements of Ten Cate Advanced Armour Danmark A/S for the financial year 1 January – 31 December 2016 comprising 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 Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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.



Independent auditor's report

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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the 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 company 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 27 April 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant

Elife Savas
State Authorised
Public Accountant

Ten Cate Advanced Armour Danmark A/S
Annual report 2016
CVR no. 28 31 00 64

Management's review

Company details

Ten Cate Advanced Armour Danmark A/S
Damsbovej 10
5492 Vissenbjerg
Denmark

Telephone: +45 65 48 16 00
Fax: +45 65 48 16 08

CVR no.: 28 31 00 64
Registered office: Assens Kommune
Financial year: 1 January – 31 December

Board of Directors

Steen Tanderup, Chairman
Peter Bjørn Bertelsen
Wilfred Sluijter

Executive Board

Helle Specht

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

Management's review

Operating review

Principal activities

TenCate Advanced Armour Danmark A/S develops, designs and manufactures lightweight survivability solutions for personnel, land vehicles, naval vessels, aircraft, structures and fixed installations for the Danish and international markets.

Development in activities and financial position

In 2016, the ownership of the parent company, Royal TenCate was changed. Royal TenCate is no longer a listed company but operates as a private entity owned by equity investors headed by Gilde Buy Out Partners. TenCate Advanced Armour Danmark A/S considers this a positive change, and we plan to do what we believe is best for our customers, brand, culture and business.

TenCate Advanced Armour Danmark A/S enjoyed an increase in revenue in 2016. This is the result of intensified sales and project efforts generating increased revenue from new customers on the European markets, which remain under pressure. At the same time, Denmark invested in new technologies.

TenCate Advanced Armour Danmark A/S has significantly strengthened its market position as a strategic supplier to large OEM customers and in 2015 worked on securing long-term contracts. Concurrently, a targeted approach to projects for the Danish Armed Forces has resulted in TenCate Advanced Armour Danmark A/S being selected as supplier for the protection of Danish soldiers and military vehicles.

New production methods have been introduced, and more complex designs are part of the 2016 success story. The focus going forward is on increasing customer satisfaction by becoming able to offer a wider range of complex designs in an efficient manufacturing environment.

The Company reported an increase in profit before tax, going from EUR 86,562 in 2015 to EUR 912,187 in 2016. Profit for the year is considered satisfactory.

It is planned for 2017 to increase the level of industrialisation and competitiveness by investments in new production techniques and by industrial cooperation agreements with leading OEM customers on the development of processes and technology to the benefit of both parties.

TenCate will remain focused on quality management and works in accordance with requirements of the TS-16949 standard. The Company will strive to obtain a certification in accordance with the quality standard ISO9001:2015 and maintain its certification to the standard for environmental management, ISO 14001:2011.

Events after the balance sheet date

No events have occurred after the balance sheet date significantly affecting the Company's financial position.

Financial statements 1 January – 31 December

Income statement

EUR	Note	2016	2015
Gross profit		6,019,452	5,749,711
Distribution costs	2	-1,043,808	-1,360,263
Administrative expenses	2	-4,148,798	-4,400,877
Operating profit/loss		826,846	-11,429
Other financial income		101,101	119,072
Other financial expenses		-15,760	-21,081
Profit before tax		912,187	86,562
Tax on profit/loss for the year	3	-201,236	-22,259
Profit for the year		710,951	64,303

Proposed profit appropriation

Proposed dividends for the financial year		0	2,010,050
Retained earnings		710,951	-1,945,747
		710,951	64,303

Financial statements 1 January – 31 December

Balance sheet

EUR	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets			
Acquired patents	4	23,009	30,805
		<u>23,009</u>	<u>30,805</u>
Property, plant and equipment			
Plant and machinery	5	397,763	567,150
Fixtures and fittings, tools and equipment		43,874	60,471
Property, plant and equipment in progress		237,672	119,495
		<u>679,309</u>	<u>747,116</u>
Total fixed assets		<u>702,318</u>	<u>777,921</u>
Current assets			
Inventories			
Raw materials and consumables		576,125	422,176
Work in progress		79,807	278,176
Finished goods and goods for resale		6,780	180,750
		<u>662,712</u>	<u>881,102</u>
Receivables			
Trade receivables		1,913,070	1,523,402
Receivables from group entities		306,449	219,299
Other receivables		138,420	94,024
Prepayments		153,317	140,522
		<u>2,511,256</u>	<u>1,977,247</u>
Cash at bank and in hand		<u>1,358,309</u>	<u>2,053,912</u>
Total current assets		<u>4,532,277</u>	<u>4,912,261</u>
TOTAL ASSETS		<u>5,234,595</u>	<u>5,690,182</u>

Financial statements 1 January – 31 December

Balance sheet

EUR	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	6		
Share capital		134,000	134,000
Retained earnings		2,139,506	1,421,624
Proposed dividends for the year		0	2,010,050
Total equity		<u>2,273,506</u>	<u>3,565,674</u>
Provisions			
Provisions for deferred tax		13,801	42,301
Total provisions		<u>13,801</u>	<u>42,301</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Banks, current liabilities		207,269	106,996
Trade payables		806,434	778,674
Payables to group entities		178,144	222,176
Corporation tax		279,057	48,680
Other payables		603,609	445,766
Deferred income		872,775	479,915
		<u>2,947,288</u>	<u>2,082,207</u>
Total liabilities other than provisions		<u>2,947,288</u>	<u>2,082,207</u>
TOTAL EQUITY AND LIABILITIES		<u><u>5,234,595</u></u>	<u><u>5,690,182</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

EUR	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividends</u>	<u>Total</u>
Equity at 1 January 2016	134,000	1,421,624	2,010,050	3,565,674
Distributed dividends	0	0	-2,010,050	-2,010,050
Transferred over the profit appropriation/distribution of loss	0	710,951	0	710,951
Exchange adjustment	<u>0</u>	<u>6,931</u>	<u>0</u>	<u>6,931</u>
Equity at 31 December 2016	<u>134,000</u>	<u>2,139,506</u>	<u>0</u>	<u>2,273,506</u>

There have been no changes in the share capital during the last five years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Ten Cate Advanced Armour Danmark A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises with opt-ins from reporting class C medium-sized entities.

All amounts are stated in EUR.

As from 1 January 2015, the Company has implemented Act no. 738 of 1 June 2015.

This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction.

Exchange differences arising between the transaction date and the date of payment are recognised in the income statement as a financial cost.

Receivables, payables and other monetary items denominated in foreign currencies are translated into EUR at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured at fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Gross profit

In the income statement, revenue, production expenses and other operating income have been aggregated into one item called 'gross margin', cf. section 32 of the Danish Financial Statements Act.

Production costs

Production costs include expenses incurred to generate the year's revenue. The item includes direct and indirect expenses relating to raw materials, consumables, labour, rent and leasing as well as depreciation of productive equipment.

Research costs, development costs not satisfying the criteria for capitalisation and amortisation/depreciation of capitalised development costs are also recognised under production costs.

Distribution costs

Distribution costs include expenses relating to sale and distribution in the year, including expenses relating to sales staff, advertising, exhibitions and amortisation/depreciation of assets that are related to sale and distribution of the company's products.

Administrative expenses

Administrative expenses include expenses incurred in the year for purposes of managing and administering the company, including expenses relating to administrative staff, management, office premises/expenses as well as amortisation/depreciation of assets used for administrative purposes.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year, Net financials include interest income and expenses, exchange gains and losses as well as allowances and surcharges under the advance-payments of tax scheme, etc.

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Other intangible assets include acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	7-10 years
Fixtures and fittings, tools and equipment	4-7 years
Leasehold improvements	6-7 years
Acquired IP rights	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

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.

Leases

All leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable is impaired. If there is objective indication that an individual receivable has been impaired, writedown is made on an individual basis.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Prepayments and deferred income

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash at bank and in hand

Cash at bank and in hand comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised 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.

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 alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Prepayments and deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January – 31 December

Notes

EUR	2016	2015
2 Staff costs		
Wage/salaries	2,348,577	2,068,007
Pensions	41,253	164,509
Other social security costs	188,311	63,238
	<u>2,578,141</u>	<u>2,295,754</u>
Average number of full-time employees	<u>35</u>	<u>33</u>
3 Tax on profit for the year		
Estimated tax charge for the year	229,736	48,680
Deferred tax adjustments in the year	-28,500	-23,516
Tax adjustments, prior years	0	202
Change in tax rate	0	-3,107
	<u>201,236</u>	<u>22,259</u>
4 Intangible assets		
EUR		Acquired patents
Cost at 1 January		<u>39,424</u>
Cost at 31 December 2016		<u>39,424</u>
Amortisation and impairment losses at 1 January 2016		<u>-8,619</u>
Exchange adjustment		93
Amortisation		<u>-7,889</u>
Amortisation and impairment losses at 31 December 2016		<u>-16,415</u>
Carrying amount at 31 December 2016		<u>23,009</u>

Financial statements 1 January – 31 December

Notes

5 Property, plant and equipment

EUR	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2016	2,473,501	398,666	119,495	2,991,662
Additions in the year	69,879	31,674	118,177	219,730
Cost at 31 December 2016	2,543,380	430,340	237,672	3,211,392
Depreciation and impairment losses at 1 January 2016	-1,906,351	-338,195	0	-2,244,546
Exchange adjustments	1,891	221	0	2,112
Depreciation	-241,157	-48,492	0	-289,649
Depreciation and impairment losses at 31 December 2016	-2,145,617	-386,466	0	-2,532,083
Carrying amount at 31 December 2016	397,763	43,874	237,672	679,309

6 Equity

The Company's share capital has remained unchanged at EUR 134,000 over the past five years.

The share capital consists of 1.000 shares of value of DKK 1,000 each. No shares carry special rights.

7 Contractual obligations, contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with other Danish group companies. As a group company, together with the other companies included in the joint taxation, the Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the jointly taxed unit. The jointly taxed entities' total known net liability to the Danish tax authorities is disclosed in the financial statements of the administrative company, Ten Cate Danmark A/S (CVR No. 30 08 05 48). Any subsequent corrections to the joint taxation income and withholding taxes, etc. may result in an increased liability for the Company.

Other financial obligations

EUR	2016	2015
Rent and lease liabilities	<u>2,662,507</u>	<u>2,508,007</u>

Financial statements 1 January – 31 December

Notes

The Company has entered into operating leases and tenancy agreements at the following amounts:

Industrial buildings: Remaining term of 11 years with an average yearly payment of EUR 341 thousand, totaling EUR 2,533 thousand.

Other: Remaining term of up to 36 months with an average yearly payment of EUR 31 thousand, totaling EUR 94 thousand.

The Company has entered into a foreign exchange forward of GBP 920 thousand and a swap of GBP 1,580 thousand.

8 Related party disclosures

Ten Cate Advanced Armour Danmark A/S' related parties comprise the following:

Control

Ten Cate Danmark A/S holds the majority of the share capital in the Company.

Ten Cate Advanced Armour Danmark A/S is part of the consolidated financial statements of Tennessee Acquisition B.V., Holland, which is the smallest group in which the Company is included as a subsidiary.

Ten Cate Advanced Armour Danmark A/S is part of the consolidated financial statements of Tennessee Acquisition Holding B.V., Holland, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Tennessee Acquisition Holding B.V. can be obtained from the Company or at the following website: www.tencate.com.