

Ten Cate Danmark A/S

Damsbovej 10  
5492 Vissenbjerg  
Denmark

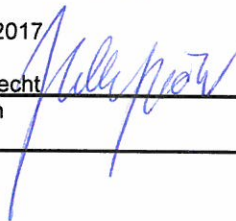
CVR no. 30 08 05 48

## Annual report 2016

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

24 May 2017

Helle Specht  
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 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.

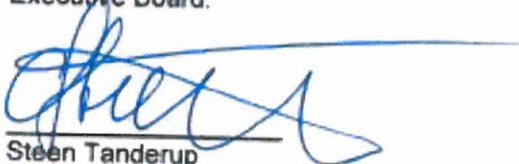
It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

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, 24 May 2017

Executive Board:

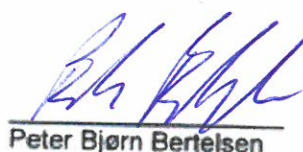


Steen Tanderup

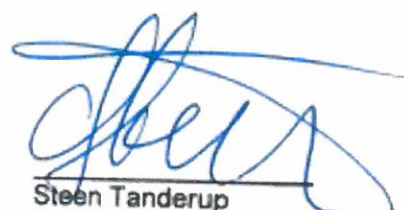
Board of Directors:



Helle Specht  
Chairman



Peter Bjørn Bertelsen



Steen Tanderup



## **Independent auditor's report**

### **To the shareholders of Ten Cate Danmark A/S**

#### **Opinion**

We have audited the financial statements of Ten Cate 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.

#### **Emphasis of matter regarding matters in the financial statements**

Without modifying our opinion we refer to note 2 to the financial statements which includes Management's statement on uncertainties about the measurement of investments in Ten Cate Active Protection ApS.

#### **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.

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



## Independent auditor's report

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, 24 May 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 Danmark A/S  
Annual report 2016  
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## Management's review

### Company details

Ten Cate Danmark A/S  
Damsbovej 10  
5492 Vissenbjerg  
Denmark

CVR no.:	30 08 05 48
Established:	6 December 2006
Registered office:	Assens
Financial year:	1 January – 31 December

### Board of Directors

Helle Specht, Chairman  
Peter Bjørn Bertelsen  
Steen Tanderup

### Executive Board

Steen Tanderup

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Bredskifte Allé 13  
8210 Aarhus V  
Denmark



## Management's review

### Operating review

#### The Company's business review

The purpose of the company is to do business as a holding company and other business which the Board of Directors considers appropriate.

#### Recognition and measurement uncertainties

Measurement of investments in group entities and deferred tax asset is associated with uncertainty. For more details about the uncertainties, reference is made to note 2 to the financial statements.

In connection with the financial reporting, Management prepared an impairment test. The result of the impairment test supports the carrying amount of the investments. Management expects that the subsidiaries will realise the budgets; however, due to the forward-looking nature of the impairment test, such realisation may be subject to uncertainty. Reference is made to note 2 to the financial statements for details on this uncertainty and assumptions for the impairment tests.

#### Development in activities and financial position

Within 2016 the ownership of the parent company, Royal TenCate has changed. Royal TenCate is no longer a listed company, but is operated as a private entity owned by equity investors headed by Glide Buy Out Partners. Ten Cate Danmark A/S sees this as a positive change.

In 2016, the Company realised a loss of DKK 95,047 thousand before tax against a negative of DKK 12,691 thousand last year. The result in 2016 is negatively impacted by the impairment loss on the investments of DKK 108,097 thousand. Further details are made in note 2 to the financial statements.

#### Post balance sheet events

The group have restructured and made a new holding company at 28th February 2017 which now owns Ten Cate Danmark A/S.

Other than that no events have occurred after the balance sheet date affecting the company's financial position significantly.



## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2016	2015
<b>Gross loss</b>		<u>-29,599</u>	<u>-40,435</u>
<b>Operating loss</b>		<u>-29,599</u>	<u>-40,435</u>
Other financial income	3	15,073,762	124,500
Other financial expenses	4	<u>-110,090,828</u>	<u>-12,774,894</u>
<b>Loss before tax</b>		<u>-95,046,665</u>	<u>-12,690,829</u>
Tax on profit/loss for the year	5	<u>227,466</u>	<u>-5,674,073</u>
<b>Profit/loss for the year</b>		<u><u>-94,819,199</u></u>	<u><u>-18,364,902</u></u>

### Proposed profit appropriation/distribution of loss

Retained earnings		<u>-94,819,199</u>	<u>-18,364,902</u>
		<u><u>-94,819,199</u></u>	<u><u>-18,364,902</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2016	2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Investments</b>	6		
Equity investments in group entities		53,967,091	162,064,371
		53,967,091	162,064,371
<b>Total fixed assets</b>		53,967,091	162,064,371
<b>Current assets</b>			
<b>Receivables</b>			
Receivables from group entities		2,074,000	0
Corporation tax	7	0	310,826
		2,074,000	310,826
<b>Cash at bank and in hand</b>		81,295	96,050
<b>Total current assets</b>		2,155,295	406,876
<b>TOTAL ASSETS</b>		56,122,386	162,471,247

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	8		
Share capital		60,003,000	60,003,000
Retained earnings		-29,394,126	65,425,073
<b>Total equity</b>		<u>30,608,874</u>	<u>125,428,073</u>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>	9		
Payables to group entities		24,000,000	36,300,000
		<u>24,000,000</u>	<u>36,300,000</u>
<b>Current liabilities other than provisions</b>			
Payables to group entities		1,027,360	708,176
Corporation tax		443,146	0
Other payables		43,006	34,998
		<u>1,513,512</u>	<u>743,174</u>
<b>Total liabilities other than provisions</b>		<u>25,513,512</u>	<u>37,043,174</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>56,122,386</u></u>	<u><u>162,471,247</u></u>

## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
<b>Equity at 1 January 2016</b>	60,003,000	65,425,073	125,428,073
Profit/loss for the year	0	-94,819,199	-94,819,199
<b>Equity at 31 December 2016</b>	60,003,000	-29,394,126	30,608,874

The changes in the share capital for the past five years can be specified as follows:

	2016	2015	2014	2013	2012
Balance at 1 January 2016	60,003,000	60,002,000	60,002,000	60,001,000	60,000,000
Cash capital increase	0	1,000	0	1,000	1,000
	60,003,000	60,003,000	60,002,000	60,002,000	60,001,000



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Ten Cate Danmark A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises as well as selected rules applying to reporting class C medium.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015.

— Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.

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

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Consolidated financial statements

In accordance with section 112 of the Danish Financial Statements Act, the company has decided not to prepare consolidated financial statements as Management considers the terms therefor to be complied with.

#### Reporting currency

The financial statements are presented in Danish kroner.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Income statement

###### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

###### Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to administration.

###### 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 as well as allowances and surcharges under the advance payment-of-tax scheme, etc.

Dividends from equity investments in group entities and associates measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

###### Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The parent company is the management company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax charge is allocated between the jointly taxed enterprises in proportion to their taxable income. Enterprises with tax losses receive joint taxation contributions from enterprises that have been able to use the tax losses to reduce their own taxable income.

Tax for the year comprises current corporation tax, joint taxation contributions for the year and changes in deferred tax for the year including changes resulting from



## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Balance sheet

#### Equity investments in group entities

Investments in subsidiaries are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

#### Impairment of fixed assets

Every year investments in subsidiaries are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

#### Cash and cash equivalents

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

#### Equity

##### *Dividend*

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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. 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.

As management company for all the entities in the joint taxation arrangement, the parent is liable for the subsidiaries' income taxes vis-avis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivables are recognised in the balance sheet as income tax receivable or payable.

#### 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.

#### 2 Disclosure of material uncertainties regarding recognition and measurement

An impairment test has been prepared for the investments in Ten Cate Advanced Armour Denmark A/S and Ten Cate Active Protections ApS.

The impairment test for Ten Cate Advanced Armour Danmark A/S is based on a DCF model using projected free cash flows. Based on the impairment test the value of the investment in Ten Cate Advanced Armour Danmark A/S and the value of the investment in Ten Cate Active Protection ApS has been impaired with a total of DKK 108.097 thousand.



## Financial statements 1 January – 31 December

### Notes

The recoverable amount determined in connection with the impairment test is based on a "value in use" approach based on the expected net cash flows and future expectations.

The subsidiary, Ten Cate Active Protection ApS, is a development business and has therefore not generated sufficient historical income to support the value of the investments. The impairment test is based on projected sales. If the expected external sale and sale linked to intercompany royalty agreement are not realised as soon as expected, future tests will indicate a need for impairment write-down. Management assesses that the strategies adopted and the sales opportunities for Ten Cate Active Protection ApS support the carrying amount at 31 December 2016.

As the above circumstances are based on earnings projections, the measurement of the assets is associated with uncertainty.

#### 3 Financial income

DKK	2016	2015
Dividends from equity investments	15,073,762	0
Exchange gain	0	124,500
	<u>15,073,762</u>	<u>124,500</u>

#### 4 Financial expenses

DKK	2016	2015
Impairment of financial assets	108,097,280	0
Interest expense group entities	1,993,548	12,774,071
Other financial expenses	0	823
	<u>110,090,828</u>	<u>12,774,894</u>

#### 5 Tax on profit/loss for the year

DKK	2016	2015
Estimated tax charge for the year	-445,092	0
Deferred tax adjustments in the year	0	6,179,224
Tax adjustments, prior years	217,626	-505,151
	<u>-227,466</u>	<u>5,674,073</u>

## Financial statements 1 January – 31 December

### Notes

#### 6 Investments

DKK	Equity investments in group entities
Cost at 1 January 2016	<u>345,180,371</u>
Cost at 31 December 2016	345,180,371
Value adjustments at 1 January 2016	<u>183,116,000</u>
Impairment losses for the year	<u>108,097,280</u>
Value adjustments at 31 December 2016	291,213,280
<b>Carrying amount at 31 December 2016</b>	<u><u>53,967,091</u></u>

Subsidiaries	Domicile	Interest	Equity DKK	Profit/loss DKK
Ten Cate Active Protection ApS	Vissenbjerg, Danmark	100,00%	-5,496,417	-4,677,582
Ten Cate Advanced Armour Danmark A/S	Vissenbjerg, Danmark	100,00%	<u>16,937,620</u>	<u>5,296,585</u>
			<u>11,441,203</u>	<u>619,003</u>

#### 7 Deferred tax

DKK	2016	2015
Tax loss	<u>0</u>	<u>8,460,188</u>
Write down to assessed value	<u>0</u>	<u>-8,460,188</u>
	<u>0</u>	<u>0</u>

#### 8 Equity

The share capital consists of 60.003 shares of a nominal value of DKK 1.000 each.

#### 9 Non-current liabilities other than provisions

The expiration date of this credit facility agreement is 31st December 2017.

KTC has agreed to extend the repayment of the loan for further period of not less than twelve months.

## Financial statements 1 January – 31 December

### Notes

#### 10 Contractual obligations, contingencies, etc.

##### Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

#### 11 Contingent assets

At the end of 2016 the Company has a tax asset of 8,541 DKK thousand. The tax asset has not been recognized in the annual report for 2016 due to the uncertainty as to application of the tax losses.

#### 12 Related party disclosures

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

##### Control

Ten Cate Advanced Armour Holding B.V. holds the majority of the share capital in the Company.

Ten Cate 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 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 by contacting the Company or at the following website: [www.tencate.com](http://www.tencate.com).