

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
City Tower, Værkmestergade 2
8000 Aarhus C

Phone 89 41 41 41
Fax 89 41 42 43
www.deloitte.dk

A/S KELVIN HUGHES

Borupvang 3
2750 Ballerup
Business Registration No
36664916

**Annual report 01.08.2017
- 31.12.2017**

The Annual General Meeting adopted the annual report on 31.05.2018

Chairman of the General Meeting



Name: Christopher James Easteal

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Entity details

Entity

A/S KELVIN HUGHES

Borupvang 3

2750 Ballerup

Central Business Registration No (CVR): 36664916

Founded: 01.08.1976

Registered in: Ballerup

Financial year: 01.08.2017 - 31.12.2017

Board of Directors

Christopher James Easteal, chairman

Simon Patrick Martin Hughes

Russell Charles Gould

Executive Board

Russell Charles Gould

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of A/S KELVIN HUGHES for the financial year 01.08.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.08.2017 - 31.12.2017.

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

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

Ballerup, 31.05.2018

Executive Board

Russell Charles Gould

Board of Directors

Christopher James Easteal
chairman

Simon Patrick Martin Hughes

Russell Charles Gould

Independent auditor's reports

To the shareholders of A/S KELVIN HUGHES

Report on extended review of the financial statements

We have performed an extended review of the financial statements of A/S KELVIN HUGHES for the financial year 01.08.2017 - 31.12.2017. The financial statements, which comprise the income statement, balance sheet, statement of changes in equity, notes and accounting policies, are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Conclusion

Based on our extended review, in our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.08.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Management is responsible for the management commentary.

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

Independent auditor's reports

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 31.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556



Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Management commentary

Primary activities

The Company, A/S Kelvin Hughes, is part of the Kelvin Hughes Group of companies. The Group is a world leader in the design and supply of surveillance systems, and has been in the forefront for more than 250 years, supplying advanced navigation solutions and services around the globe. From solid state surveillance radars to instrumentation and integrated bridge display systems, Kelvin Hughes has a long tradition of innovation and engineering excellence and is a trusted and reliable partner to the world's navies and merchant shipping. That expertise is increasingly applied to the land domain where products designed and built by the Group safeguard borders, coastlines and civil infrastructure in many parts of the world.

Development in activities and finances

This financial statement constitutes of 5 months and the income statement for 2017 shows a loss of DKK 2,145,790 against DKK 3,781,236 in last financial year, and the balance sheet at 31 December 2017 shows equity of DKK 1,142,747.

The Kelvin Hughes group and the wider HENSOLDT group is global and Scandinavia, including Denmark, is strategically important in its medium and long term goals. We expect to see significant growth in complementary products and HENSOLDT are committed to investing into the commercial market that A/S Kelvin Hughes predominately operates in.

Group relations

Acquisition of the Kelvin Hughes group of companies by HENSOLDT Holding Germany GmbH

On 23 June 2017 a Sale & Purchase Agreement was signed between the shareholders of the then ultimate parent company, KH Holdco Limited, and HENSOLDT Holding Germany GmbH ("HENSOLDT") for the sale of 100% of the share capital in the Company. The acquisition was completed on 28 September 2017.

HENSOLDT is a provider of radar and IFF systems on airborne, naval and land platforms. It comprises the security and defence electronics activities of the Airbus Group, which were spun off in 2017 and have now entered the market as a new sensor house under the brand name of HENSOLDT. Its flagship product, the TRS series represents a new generation of radar systems for naval and land platforms and offers a detection capability without equal together with cutting edge AESA technology.

HENSOLDT has a strong position in the higher-end military and surveillance radar domains. Kelvin Hughes and HENSOLDT's portfolios and market access are highly complementary and we expect to see significant growth from this transaction. The Kelvin Hughes product portfolio will allow HENSOLDT to enter more price-sensitive markets and the security solutions will add value to the HENSOLDT products and bring it one step closer towards the strategic objective to develop into a Sensor Solutions provider.

The Company has changed its accounting reference date to 31 December to align with the HENSOLDT Group. These financial statements have therefore been prepared for the five month period ending 31 December 2017 and for this reason the amounts presented in the financial statements are not entirely comparable.

Management commentary

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.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016/17 DKK</u>
Gross profit		247.687	4.713.884
Distribution costs		-146.490	-2.001.922
Administrative expenses		<u>-2.228.252</u>	<u>-6.476.602</u>
Operating profit/loss		-2.127.055	-3.764.640
Other financial income	2	0	-2.804
Other financial expenses	3	<u>-18.735</u>	<u>-13.792</u>
Profit/loss before tax		-2.145.790	-3.781.236
Tax on profit/loss for the year		<u>0</u>	<u>0</u>
Profit/loss for the year		<u>-2.145.790</u>	<u>-3.781.236</u>
Proposed distribution of profit/loss			
Retained earnings		<u>-2.145.790</u>	<u>-3.781.236</u>
		<u>-2.145.790</u>	<u>-3.781.236</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016/17 DKK</u>
Plant and machinery		0	986
Property, plant and equipment	4	0	986
Other receivables		17.273	17.273
Fixed asset investments	5	17.273	17.273
Fixed assets		17.273	18.259
Manufactured goods and goods for resale		0	2.946
Inventories		0	2.946
Trade receivables		839.047	2.300.485
Receivables from group enterprises		13.373.397	13.060.564
Other receivables		303.992	215.822
Prepayments		6.142	15.727
Receivables		14.522.578	15.592.598
Cash		23.107	279.827
Current assets		14.545.685	15.875.371
Assets		14.562.958	15.893.630

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016/17 DKK</u>
Contributed capital	6	1.500.000	1.500.000
Retained earnings		<u>-357.253</u>	<u>1.788.537</u>
Equity		<u>1.142.747</u>	<u>3.288.537</u>
Other provisions	7	<u>929.018</u>	<u>539.313</u>
Provisions		<u>929.018</u>	<u>539.313</u>
Other payables		36.213	126.759
Deferred income		<u>41.104</u>	<u>141.461</u>
Non-current liabilities other than provisions		<u>77.317</u>	<u>268.220</u>
Trade payables		0	119.883
Payables to group enterprises		12.365.002	11.626.531
Other payables		<u>48.874</u>	<u>51.146</u>
Current liabilities other than provisions		<u>12.413.876</u>	<u>11.797.560</u>
Liabilities other than provisions		<u>12.491.193</u>	<u>12.065.780</u>
Equity and liabilities		<u>14.562.958</u>	<u>15.893.630</u>
Unrecognised rental and lease commitments	8		
Group relations	9		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1.500.000	1.788.537	3.288.537
Profit/loss for the year	0	-2.145.790	-2.145.790
Equity end of year	1.500.000	-357.253	1.142.747

Notes

	<u>2017</u>	<u>2016/17</u>
1. Staff costs		
Number of employees at balance sheet date	<u>2</u>	<u>9</u>
Average number of employees	<u>2</u>	<u>9</u>
	<u>2017</u>	<u>2016/17</u>
	<u>DKK</u>	<u>DKK</u>
2. Other financial income		
Other interest income	<u>0</u>	<u>-2.804</u>
	<u>0</u>	<u>-2.804</u>
	<u>2017</u>	<u>2016/17</u>
	<u>DKK</u>	<u>DKK</u>
3. Other financial expenses		
Other interest expenses	<u>18.735</u>	<u>13.792</u>
	<u>18.735</u>	<u>13.792</u>
		<u>Plant and machinery DKK</u>
4. Property, plant and equipment		
Cost beginning of year		<u>310.831</u>
Cost end of year		<u>310.831</u>
Depreciation and impairment losses beginning of year		-309.845
Depreciation for the year		<u>-986</u>
Depreciation and impairment losses end of year		<u>-310.831</u>
Carrying amount end of year		<u>0</u>

Notes

	Other receivables DKK
	<u>DKK</u>
5. Fixed asset investments	
Cost beginning of year	<u>17.273</u>
Cost end of year	<u>17.273</u>
Carrying amount end of year	<u>17.273</u>

	Number	Par value DKK	Nominal value DKK
	<u>Number</u>	<u>DKK</u>	<u>DKK</u>
6. Contributed capital			
Share capital	<u>1.500</u>	1000	<u>1.500.000</u>
	<u>1.500</u>		<u>1.500.000</u>

7. Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, decided and published restructurings, etc.

	2017 DKK	2016/17 DKK
	<u>DKK</u>	<u>DKK</u>
8. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	<u>14.700</u>	<u>321.355</u>

9. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

HENSOLDT Holding GmbH, Willy-Messerschmitt-Straße 3, 82024 Taufkirchen, Germany

Accounting policies

Reporting class

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

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

Non-comparability

The Company has during the year changed financial year as the Company now is part of a new Group with year end as of 31 December. This causes that the profit and loss consists of 5 months and the comparison figures contains 12 months.

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.

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 rate 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, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income.

Accounting policies

Revenue

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

Production costs

Production costs comprise cost of sales for the financial year, including ordinary write-down of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortization, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

Plant and machinery and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

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:

Plant and machinery 3-10 years

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

Receivables

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

Inventories

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

Cost consists of purchase price plus delivery costs.

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, decided and published restructurings, etc.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Accounting policies

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructurings in the acquired enterprise that were decided and published at the takeover date at the latest.

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.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.