Annual Report 2015/16

TERMA

ALLIES IN INNOVATION

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Central Business Register No. (VAT No.) 41 88 18 28
Founded 1 December 1949
Situated in Aarhus Municipality

Production: CBC

Images: European Space Agency, Lockheed Martin Corporation, Royal Danish Navy, David Bering, and Terma

Printing: Baurs Offset

Board of Directors
Flemming H. Tomdrup (Chairman)
Jørgen Huno Rasmussen (Deputy Chairman)
Anders Eldrup
Christina Grumstrup Sørensen
Bo Laursen
Martin Anders Hedegaard
Benny Daugaard Laursen

Executive Management
Jens Maaløe, President & CEO
Per Thiesen, Executive Vice President & CFOO
Steen M. Lynenskjold, Executive Vice President & CCO

Auditors
ERNST & YOUNG
Godkendt Revisionspartnerselskab

Annual General Meeting
The annual general meeting is to be held at the Group's address in Grenaa on 27 May 2016.

Meeting Chairman
Morten Halskov

Contents

Financial Highlights

CONSOLIDATED

DKK million	**2015/16**	2014/15	2013/14	2012/13	2011/12
Order intake	1,671	1,394	1,455 *	2,037 *	1,026
Order book, year-end	2,752 *	2,567 *	2,507 *	2,188 *	1,291
Revenue	1,486	1,308	1,137	1,140	1,338
EBITDA	207	174	159	130	182
Depreciation and amortization	107	74	75	57	76
Operating profit	100	100	84	73	106
Financial income and costs	(15)	(29)	(30)	(30)	(37)
Earnings before tax (EBT)	85	71	54	43	69
Profit for the year	**66**	**53**	**53**	**29**	**52**
Non-current assets	839	796	788	785	785
Current assets	846	742	698	747	724
Total assets	**1,685**	**1,538**	**1,486**	**1,532**	**1,509**
Equity	**572**	**491**	**490**	**440**	**422**
Provisions	149	127	123	137	135
Non-current liabilities other than provisions	344	394	440	399	487
Current liabilities other than provisions	620	526	433	557	464
NIBD	418	389	431	393	459
Cash flows from operating activities	120	133	50	128	153
Cash flows for investing activities	(139)	(81)	(77)	(52)	(80)
hereof investments in property, plant, and equipment	(66)	(35)	(28)	(12)	(42)
Cash flows from financing activities	17	(67)	(47)	(13)	24
Total cash flows	**(2)**	**(15)**	**(75)**	**63**	**97**
Financial Ratios:					
EBITDA margin	13.9	13.3	14.0	9.3	10.2
EBT margin	5.7	5.4	4.7	3.8	5.2
Return on investments	6.2	6.7	5.9	5.3	7.2
Liquidity ratio	136	141	161	134	156
Solvency ratio	33.9	31.9	33.0	28.7	28.0
Return on equity	12.5	10.8	11.4	6.8	12.9
Leverage ratio	2.0	2.2	2.7	3.7	3.3
Average number of full-time employees	**1,174**	**1,117**	**1,065**	**1,080**	**1,195**

** including five-year framework agreements relating to the F-35 Joint Strike Fighter program.*

Financial ratios are calculated in accordance with "Recommendations and financial ratios 2015" of the Danish Finance Society.

Definitions

EBITDA margin: $\frac{\text{EBITDA x 100}}{\text{Revenue}}$

Return on investments: $\frac{\text{Operating profit x 100}}{\text{Average operating assets}}$

Liquidity ratio: $\frac{\text{Current assets x 100}}{\text{Current liabilities other than provisions}}$

Return on equity: $\frac{\text{Profit for the year x 100}}{\text{Average equity}}$

EBT margin: $\frac{\text{Earnings before tax x 100}}{\text{Revenue}}$

Operating assets: Total assets less cash at bank and in hand, other interest-bearing assets (including stock), and equity interest in affiliated companies

Solvency ratio: $\frac{\text{Equity at year-end x 100}}{\text{Total liabilities at year-end}}$

Leverage ratio: $\frac{\text{NIBD x 100}}{\text{EBITDA}}$

Terma at a Glance

2015/16 IN NUMBERS

MAIN CONCLUSIONS

The fiscal year 2015/16 showed a positive development in all of Terma's business activities, which formed the basis for yet another satisfactory financial result. The order backlog at year-end of MDKK 2,752 provides for a comfortable business base in the fiscal year 2016/17 as well as the following years.

Order intake (DKK million)
1,671
Up from 1,394

Order book, year-end (DKK million)
2,752
Up from 2,567

Revenue (DKK million)
1,486
Up from 1,308

EBITDA (DKK million)
207
Up from 174

Earnings before tax (EBT) (DKK million)
85
Up from 71

Return on investments (%)
6.2
Down from 6.7

Leverage ratio
2.0
Down from 2.2

Equity (DKK million)
572
Up from 491

Management's Review 2015/16

Result for 2015/16

The fiscal year 2015/16 showed a positive development in all Terma business activities in the Aerospace, Defense, and Security industry. This formed the basis for yet another satisfactory financial result.

The order intake for the year was MDKK 1,671, resulting in an order backlog at year-end of MDKK 2,752. The order backlog provides for a comfortable business base in the fiscal year 2016/17 as well as the following years.

Revenue for the fiscal year was MDKK 1,486 as compared to MDKK 1,308 in the 2014/15 fiscal year, i.e. a year-over-year growth of 14% – a strong growth for the second year in a row.

92% of the revenue was generated outside Denmark. The defense market constitutes 69% of the revenue whereas the non-defense markets constitute 31%.

Earnings before tax increased to MDKK 85.4 from MDKK 71.2 in the fiscal year 2014/15. Recent years' efforts to manage risks and streamline processes and work flows in order to increase efficiency have contributed to a satisfactory overall result for the fiscal year 2015/16.

The net interest-bearing debt (NIBD) has increased compared to the fiscal year 2014/15 with MDKK 29 to MDKK 418, due to significant investments in the F-35 ramp-up as well as investments in product development.

The Board of Directors proposes a dividend payment of MDKK 10.

At year-end, total staff was 1,189 FTE, an increase of 43 FTE during 2015/16.

The Board of Directors and Executive Management greatly appreciate the dedication, commitment, and efforts of our employees worldwide.

Outlook for the 2016/17 Fiscal Year

In the fiscal year 2016/17, Terma expects a consolidated organic growth >10% in revenue with a derived growth in earnings before tax. The positive outlook is based on a solid order backlog to be delivered in the fiscal year 2016/17.

The U.S. and Europe will continue to be important markets to Terma, and we foresee a small but steady growth in these markets. However, the majority of our future growth will come from end customers in Asia Pacific and the Middle East.

Part of the sales will be exported to these regions through main contractors located in the U.S. and Europe.

Another significant growth driver for Terma will be the ramp-up in the F-35 program, however, this is subject to the outcome of the Danish fighter competition. In May 2016, the Danish Government announced its recommendation of the F-35 as replacement for Denmark's F-16s and recommended the acquisition of 27 F-35A fighter aircraft.

The debt level for 2016/17 is expected to be improved marginally, primarily due to working capital improvements offsetting higher investments.

Total staff is expected to increase by more than 100 FTE.

The overall strategy of Terma will continue to stand on two fundamental pillars:

1. Growing the top line
2. Breaking the cost curve

Business Activities

Terma provides mission critical solutions for the defense and aerospace industry. We are guided by one overall purpose: to deliver security for countries, alliances, and individuals. Security is a means to maintaining and developing prosperity and protecting human lives and sovereignty.

Terma consists of five Business Areas: Command, Control & Sensor Systems, Airborne Systems, Global Support & Services, Space, and Aerostructures.

Command, Control & Sensor Systems covers radar systems for coastal surveillance and traffic control in sea ports and airports and radars for wind turbine interference mitigation and obstruction light control. The activities also cover command, control, and communications solutions for naval vessels and air defense systems, self-protection systems for naval vessels as well as systems for security surveillance of critical infrastructures.

Airborne Systems covers self-protection, 3D-Audio, and Active Noise Reduction applications and applied aerostructures solutions for all types of military aircraft as well as Electronics Manufacturing Services for high-technology radar and power electronics solutions for aircraft and satellites.

Global Support & Services covers maintenance, support, and update of Terma products and solutions.

Space develops and supplies electronics, software, and services for satellites, space control centers, and for test and validation tasks related to development of new satellites and spacecraft.

Aerostructures designs and manufactures advanced metal and composite structures to the global defense and commercial aerospace markets.

Terma is active in more than 40 countries worldwide. In the recent year, Terma has opened a new presence in Brussels, Belgium, in addition to strengthening existing locations outside Denmark.

Within all business activities and programs, Terma utilizes nationally as well as internationally based suppliers and partners. Our global supplier list for production and project execution encompasses well over 700 suppliers.

As planned, Terma has successfully secured a two-year extension of the AQAP 2310, AQAP 2210, and AQAP 2110 certifications from the Danish Defence Acquisition and Logistics Organization (DALO) in addition to maintaining the AS9100 and ISO 9001 certifications from Bureau Veritas Certification. One or more of these international standards for Quality Management Systems in the aerospace and defense industry are required by most major customers. The AQAP certifications cover the Danish Terma sites, while the AS9100 and ISO 9001 certifications cover nine Terma facilities in four countries.

BUSINESS AREAS

Command, Control & Sensor Systems

With revenue growth and a boosting radar sale, the fiscal year 2015/16 turned out successful for the Command, Control & Sensor Systems Business Area.

Terma's core radar markets, vessel traffic service (VTS) and coastal surveillance applications, continue to maintain a strong market position, and we witnessed a considerable growth in this segment.

Development of the new SCANTER 2200 radar, including redesigned compact antenna, was completed successfully. The radar performance has improved significantly compared to its predecessor SCANTER 2001, and the antenna is strengthened to withstand the increasing occurrences of severe weather conditions.

Terma achieved deliveries for the next generation of SCANTER 4103 for the Royal Danish Navy and Royal Navy. The transformation from high frequency transmitters with TW tubes to Solid State transistors is well under way and will strengthen the market position and will moreover fit options to existing customers.

Terma has teamed up with Tata Advanced Systems Ltd. (TASL) in the area of naval combat management systems and surface surveillance radars. the TASL/Terma team has been selected as supplier to the Indian Navy Surface Surveillance Radar (SSR) project, the first program for the Indian Navy to be governed under the new "Buy & Make (India)" principles. Contract negotiations are expected to be finalized during the first half of 2016.

The windfarm market is a new market for Terma's radar solutions where the objective is to detect small aircraft flying over large windfarms. Terma is able to provide solutions fulfilling this requirement and has experienced success with significant orders and the first delivery and safety approval in the world of radars of this kind for mitigating windfarm interference. The contract was issued by UK air traffic services provider NATS to Terma to provide wind turbine interference mitigation radars for use at the Chester Hawarden and Liverpool John Lennon airports.

The Windfarm Obstruction Light Control (OLC) solution addresses another new radar market for Terma where we were officially type approved in 2016 by DFS Deutsche Flugsicherung GmbH. This approval is expected to open the German market within this application. The OLC solution is further expected to be approved in the U.S. this year and achieve a commercial breakthrough.

In the naval command and control (C2) market, there is an emerging interest for smaller C2 systems to be used in policing and light combating vessels, and therefore, Terma has strengthened the focus on this segment. Terma has launched T.react CIP for critical infrastructure protection of airports, ports, and oil/gas installations. T.react CIP is based on advanced radar surveillance and detection algorithms coupled with automated camera control. This high performance solution has been well received in the market.

DALO has entered into an agreement with Terma on Integrated Air and Missile Defense. The aim is to provide DALO with study and advisory support within Ballistic Missile Defense (BMD) related to the Danish Government's decision to upgrade at least one of the IVER HUITFELDT class frigates with a BMD sensor and offer this capability to the NATO system.

Airborne Systems

The Airborne Systems Business Area is growing, supplying complete aircraft self-protection solutions (Electronic Warfare (EW) solutions) to large systems integrators and aircraft manufacturers worldwide.

A large contract was signed with Raytheon Company for the self-protection of a special mission aircraft. The program will position Terma within Raytheon Company for future self-protection systems solutions for the international market.

In addition, Terma is the preferred partner to Lockheed Martin Corporation for similar solutions on the C-130J transport aircraft to the international market. As a result of our good performance, Lockheed Martin Corporation granted Terma an award for 100% on-time delivery and zero-defects performance for deliveries to the C-130J aircraft.

In October 2014, Terma signed a contract with the U.S.-based IOMAX Corporation for the delivery of Terma's modular self-protection solution for 24 Archangel Aircraft to the United Arab Emirates. The contract is in ongoing delivery phase.

The existing airborne EW business is growing in a market driven by the increased tension in several parts of the world. A large U.S. Foreign Military Sales contract has been signed. This will secure uninterrupted hardware production for the coming years.

Terma's trusted and combat-proven Advanced Countermeasures Dispenser System (ACMDS) was released in a new re-engineered and upgraded version with advanced operational capabilities. The ACMDS is designed to coordinate, integrate, and operate mixed expendable countermeasures payloads on fixed-wing, transport, and large-body aircraft as well as rotary-wing platforms. The dispenser suite is controlled via Terma's AN/ALQ-213 EW Management Unit.

The Electronic Manufacturing Services area will grow significantly over the coming years, primarily due to continued supplies of radar electronics to Northrop Grumman Corporation within the F-35 program. In addition, Terma has secured contracts with Raytheon Company for the development and subsequent manufacture of power supplies for the NATO Evolved SeaSparrow Missile (ESSM) block 2 program.

Global Support & Services

In 2015, Global Support & Services was established as a separate Business Area within Terma. The new Business Area is growing the service business in all defense and security product areas of Terma.

Terma's Maintenance, Repair & Overhaul (MRO) capabilities are expanding in both The Netherlands and in the U.S. A strong and mature MRO capability together with a dedicated business development effort are important enablers for pursuing and capturing MRO services for third-party OEMs.

In the coming year, Terma will strengthen the global support and service footprint by establishing sales bridgeheads in both the Middle East and Asia Pacific, supplementing our strong position in Europe and the U.S.

Service capacity and capability near Terma's end users are also focus areas in the coming year, with expansion of especially our service partner portfolio.

Space

The worldwide space market is developing positively, and our product development over the last years has placed Terma in a comfortable position for a number of new opportunities in Europe, the U.S., and in the Far East. This applies to electronics and software solutions as well as Space Engineering Services.

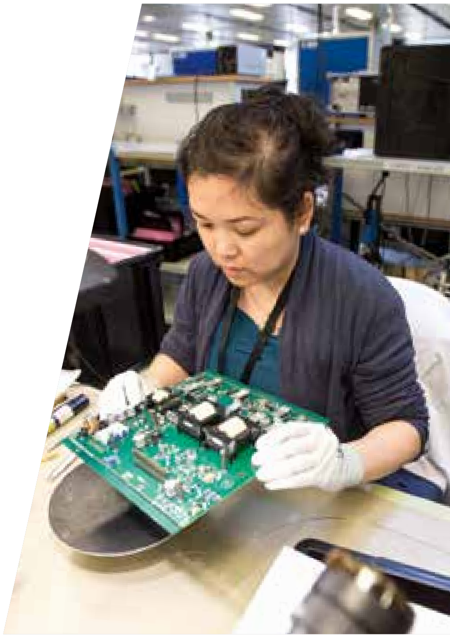
Major space missions pursued in the fiscal year 2015/16 have been the ESA missions for Earth observation as well as Euclid, ExoMars 2020, and Electra. Additionally, European military and commercial constellation programs have been pursued. For all missions, significant successes have been achieved, paving the way forward for a promising 2016/17 and the following years.

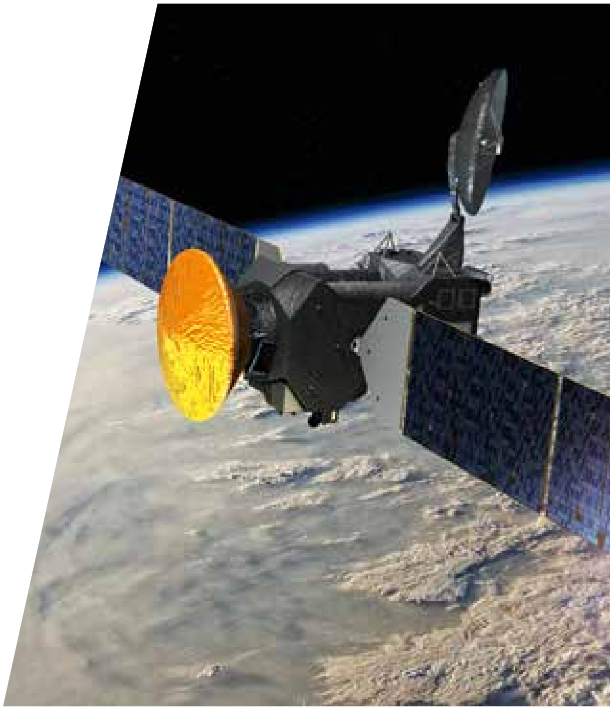
Contracts for the current generation of Star Trackers as well as a new generation of test and control systems have continued in 2015/16 with customers inside and outside Europe.

A new generation of Star Trackers will be launched soon. The new Star Tracker is based on technology which reduces the size and weight of the system's camera and computer.

Building on the power electronics delivered for the ExoMars 2016 mission, a new power electronic product has been successfully introduced and new contracts secured.

Terma is the prime contractor in the ASIM project – The Atmospheric Space Interactions Monitor – with the objective of measuring high altitude lightning in the upper atmosphere. The observatory will be launched to the International Space Station in 2017.





Terma develops the software which controls the Solar Orbiter's positioning and orbit. The satellite will implement observations close to the Sun, and Terma's software is crucial for the satellite's correct positioning relative to the Sun. Building on that success, a major software development has been secured for the ExoMars 2020 mission as well as for ESA's Earth observation programs.

The Engineering Services evolved positively, highlighted by a high activity level for the European Space Research and Technology Centre (ESTEC) and framework contracts with the European Space Operations Centre (ESOC), the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT), and the European Southern Observatory (ESO).

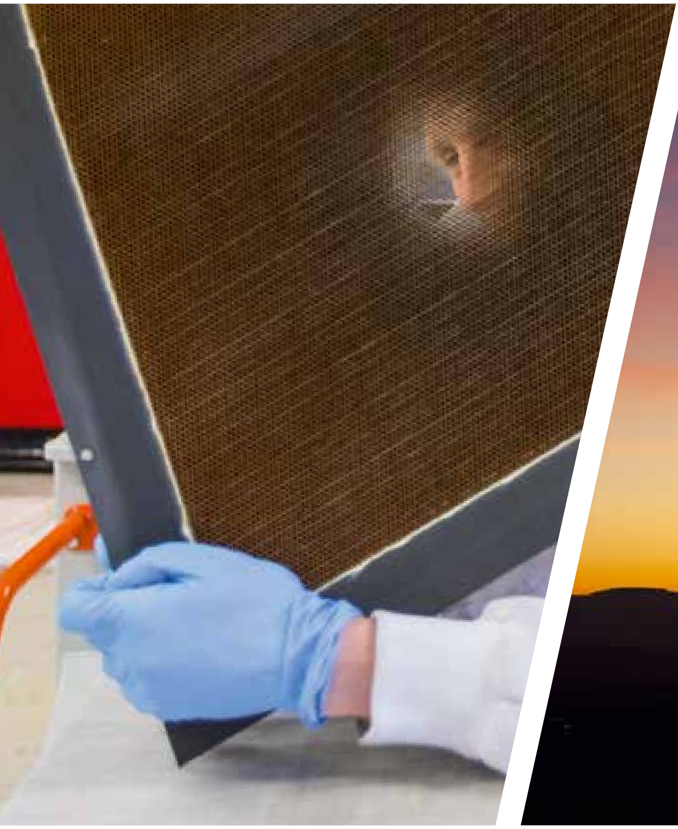
Aerostructures

Terma and in particular our facility in Grenaa has a special interest in the Danish fighter replacement program and the market opportunities provided by this competition. Following the Danish Government's recommendation that Denmark should aquire new F-35A fighter aircraft to replace the F-16 fleet, a final down-selection is expected in early summer 2016.

Terma has agreements and frequent dialogs with all three candidates:

- The F-35 Lightning II from Lockheed Martin Corporation, USA
- The A/F-18 Super Hornet from The Boeing Company, USA
- The Eurofighter Typhoon fronted by Airbus Defense & Security, Germany

The production of parts for the F-35 Lightning II progresses as planned, and further capacity expansions in the Grenaa facility have been initiated to match the short-term ramp-up of F-35 aircraft to be manufactured. The overall investment size, type, and timing obviously depend on the outcome of the Danish fighter campaign.



Currently, the production capability increases from the current level of 57 aircraft annually to a forecast of 136 aircraft annually in two years.

In 2012, Terma entered into a long-term agreement for F-35 LRIP6-11 production, and during 2016, initial talks about LRIP12-14 production will take place. The LRIP12-14 order intake will exceed more than 1 billion DKK.

In May 2015, Terma was awarded a contract for Boeing 777-200/300 structural empennage parts. Qualification takes place during 2016 with deliveries from 2017. This contract is a stepping-stone into the commercial aerostructures segment.

Intensive dialogs with Airbus concerning deliveries to their commercial business have been conducted, and plans are taking form.

In October 2015, groundbreaking for a new bonding facility including tool warehouse took place, and in May 2016, the building was handed over. Intensive planning for movement and preparation of new equipment has taken place, and the implementation will continue until 2018.

Another milestone in our partnership with Sikorsky Aircraft Corporation was agreed on in July 2015. The project includes design and production of a component for the S-92 helicopter. The component was a build-to-print component in aluminum; however, due to Terma's design and production capabilities, a solution for conversion into carbon fiber composite was awarded. This order confirms our strategy and capability of striving for continuous cost reduction for our customers. In 2012, Sikorsky Aircraft Corporation entered into a contract with DALO for the delivery of 9 MH-60R Seahawk helicopters. Delivery commences in 2016, providing interesting opportunities for further industrial participation.

INTERNATIONAL ACTIVITIES AND REGIONS

Market Development

Starting our journey in 1949, Terma has deep and proud roots in Denmark. This is our center as we do business around the world. Terma believes in international partnerships and strong strategic alliances. Rooted in a small country, we depend on our ability to reach out to partners – and create solutions together.

Terma works closely with national defense forces, public authorities, and international organizations around the world. Through these relationships, Terma has gained in-depth knowledge of and insight into our customers' working environments and an equally deep understanding of their challenges and needs.

In the coming years, Terma will continue the international expansion with the purpose of being closer to key customers and end users.

Europe

In addition to Denmark, Terma has European subsidiaries in The Netherlands, Germany, and United Kingdom as well as a liaison office in Belgium.

Terma The Netherlands focuses primarily on space activities and aircraft survivability equipment. Terma The Netherlands has a total staff of approx. 40 employees plus contractor support.

Space activities in The Netherlands include in-house turnkey system integration and development, specializing in spacecraft test, simulation, and in-orbit management systems together with the provisioning of highly specialized engineering consultants to ESTEC in Noordwijk, The Netherlands.

Terma and Woensdrecht Logistics Centre have worked together for many years to support the Royal Netherlands Air Force (RNLAF) fleet, through development and supply of advanced integrated self-protection systems currently installed on almost all RNLAF aircraft. The airborne EW service and support facility established on the Woensdrecht Air Base is fully operational and processes an expanding range of equipment from the Terma EW product lines.

Terma The Netherlands is one of the five Dutch enterprises that signed a Letter Of Intent with the Royal Netherlands Air Force to establish a Center of Excellence at Woensdrecht Air Base to support the F-35 program with specific focus on the so-called LM-STAR test capabilities and Maintenance, Repair & Overhaul (MRO).

In 2015, Terma opened an office in Brussels, Belgium, to work more closely with key partners and policy-makers within NATO, the EU institutions, industry organizations, and international partners.

Terma Germany focuses on space activities primarily related to ESOC, but also with a portfolio of activities spanning from ESTEC to EUMETSAT, further to ESO and to prime spacecraft manufacturing organizations. Terma Germany continues to provide customer on-site support staff covering a wider range of specialized tasks such as flight dynamics, spacecraft simulation operations, mission control systems tasks, and space-related engineering functions. Terma Germany has a total staff of approx. 65 employees.

Terma United Kingdom primarily focuses on space activities and is still in the start-up phase located at Harwell Oxford, initially established with the purpose of supplying engineering services to the UK space industry and ECSAT, the European Centre for Space Applications and Telecommunications.

North and Middle America

The Terma North America headquarters in the Washington D.C. area facilitates business growth through the proximity to key customers and business partners. Terma North America has increased its regional scope to include Mexico and parts of Central America plus the Caribbean.

Terma North America has a total staff of approx. 60 employees plus contractors with emphasis on software and systems engineering.

In 2015, Tom Burbage was appointed Chairman of the Board of Terma North America Inc., following an outstandingly distinguished career at Lockheed Martin Corporation where he, prior to his retirement in 2014, served as Executive Vice President and General Manager for the F-35 Program Integration. Tom Burbage served on active duty in the U.S. Navy, achieving the rank of Lieutenant Commander. After completing the Navy's Test Pilot School in 1975, he accumulated more than 3,000 hours in 38 types of military aircraft as a Naval Aviator and Test Pilot. He retired from the Navy Reserves in 1994 as a Captain.

In Warner Robins, Georgia, Terma North America's operation functions as part of the Airborne Systems business activities and develops and delivers aircraft self-protection systems to the U.S. Air Force, the U.S. Air National Guard, and the prime integrators Lockheed Martin Corporation, Northrop Grumman Corporation, Raytheon Company, and The Boeing Company.

Through participation in U.S. Foreign Military Sales programs, Terma North America, in collaboration with the U.S. Air Force, has supplied self-protection equipment to several international aircraft update programs and has completed contract negotiations for further Foreign Military Sales opportunities.

Terma North America continues its relationship with the U.S. Coast Guard to develop opportunities for new sales and maintenance of SCANTER radar systems for VTS applications. Furthermore, Terma is fielding more naval radars aboard the fleets of Mexico and Canada.

An emerging market for solutions to mitigate wind farm radar interference and light pollution drives new requirements for Terma radars.

Asia Pacific

Terma is managing the Asia Pacific region from a subsidiary in Singapore, a region generating a large growth potential for most of Terma's Business Areas.

Managed from Singapore, Terma (India) Pvt. Ltd. is an operating entity, within the defined boundaries of the Indian Companies Act. With this new Indian company in place, we plan to intensify our marketing and branding efforts in India whilst strengthening our in-country team.

The consolidated Asia Pacific region is a buzzing region with a multitude of defense and security opportunities ranging from upgrade and modernization programs to new programs, all being a testament to the economic growth the region is witnessing as well as the geopolitical tensions also being a reality of the region. In general, there is a positive regional outlook for surveillance applications within both the security and naval domains.

In the security market, an important milestone for the region was the win of an oil rig project in Indonesia using a SCANTER 2200. We expect this to be the door opener for additional radar sales, not only in Indonesia but for the Asia Pacific region in general for this niche application area.

In 2014, Terma was contracted to deliver 114 coastal surveillance radar systems including antennas to an Asian customer. Terma's delivery comprises 57 SCANTER 2202 radar systems including 18ft antennas and 57 SCANTER 2001[i] with 18ft antennas. At each of the 57 sites, two radar systems will be installed. Deliveries are ongoing and represent the first operational installment of the new SCANTER 2200 radar series.

Another important security market penetration has been into the Vietnamese market where we have sold the first coastal surveillance radar, SCANTER 5000, to the Vietnamese Navy. The outlook is positive for further sales of Terma products across Vietnam.

In the naval domain, we had a breakthrough with the Royal Malaysian Navy for the SCANTER 6002 radar. We also managed to open a new key account with the Indonesian Coast Guard which selected our SCANTER 6002 radar.

We are currently closely monitoring and examining the South Korean market in particular, which appears to be a market where Terma's niche products cater quite well to the multitude of potential modernization and new programs in the country.

Middle East and North Africa

The regional liaison office in Abu Dhabi in the United Arab Emirates (UAE) has continuously worked on identifying and supporting ongoing sales campaigns as well as identified a potential local business partner in the past year.

A long-term partnering agreement to demonstrate and market T.react CIP – the new product for critical infrastructure protection – has been signed with Abu Dhabi-based Atlas Telecom, a company that delivers technology and applications in turnkey solutions to governments and businesses in the region. As part of the agreement, Atlas Telecom has a live demonstration setup.

Risks

Terma's most important operational risk is execution of large programs. The Group seeks to reduce this risk by increased focus on contract management as well as a tight financial control.

Terma has the required committed credit lines available and the support of our financial partners to implement the planned short-term and long-term activities and investments.

Terma is minimally exposed to changes in interest rates. The interest risk is hedged via fixed-rate mortgage loans and interest contracts.

The Group primarily sells and buys in DKK, EUR, and USD currencies. Risks relative to USD are hedged by entering into forward exchange contracts in connection with the acceptance and conclusion of contracts.

In general, there is no significant credit risk relative to individual customers.

In January 2014, Terma A/S terminated a contract with the Polish Armaments Inspectorate (IU), the Ministry of National Defence, regarding the supply of Aircraft Survivability Equipment for Polish helicopters of the Mi-17 and

Mi-24 types. Subsequently, Terma has taken out a writ of summons against the Polish Ministry of National Defence. The dispute between Terma and IU relates to contractual matters. It has not been possible to reach a compromise and form common grounds for a successful way forward. As part of the court proceedings, the Polish Ministry of National Defence has filed a counter claim covering liquidated damages and repayment of the advanced payment made according to the contract. It is the opinion of the Executive Management that the outcome of the dispute with the Polish Armaments Inspectorate will not affect the financial position apart from what is already recognized in the Assets and Liabilities in the Balance Sheet at 29 February 2016.

Events after the Balance Sheet Date

Following the end of the fiscal year, no significant events have occurred which affect the assessment of the Group's and Parent Company's financial position as reported on 29 February 2016 and in the 2015/16 Annual Report.

Corporate Social Responsibility and Equal Representation of Genders

Statutory report on Corporate Social Responsibility pursuant to the Danish Financial Statements Act section 99a

Based on Terma's values of working with integrity, showing passion, and working globally, we wish to impact our industry and society in a positive way. Terma's Corporate Social Responsibility (CSR) program takes place in close interaction with customers, partners, employees, the local community, and the world around us.

Inspired by the industry's approach to CSR, Terma has formulated five long-term goals which act as our points of reference for ensuring that our business activities comply with good Corporate Social Responsibility. The report on CSR activities in the fiscal year 2015/16 which forms an integral part of the Management's Review is available at http://www.terma.com/static/csr_report2015-16/index.html

Policy to Target an Equal Representation of Genders pursuant to the Danish Financial Statements Act section 99b

The policy on Equal Representation of Genders in the fiscal year 2015/16 which forms an integral part of the Management's Review is available at http://www.terma.com/static/csr_report2015-16/index.html

Accounting Policies

The Annual Report of Terma A/S for 2015/16 has been prepared in accordance with the provisions applying to class C enterprises (large) under the Danish Financial Statements Act. The Consolidated Financial Statements of Terma A/S are consolidated in the Consolidated Financial Statements of the Parent Company, Thrige Holding A/S, Lystrup.

The accounting policies used in the preparation of the Financial Statements are consistent with those of last year.

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company Terma A/S and subsidiaries over which Terma A/S has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or, in some other way, controls the subsidiary.

The Consolidated Financial Statements have been prepared as a consolidation of the Financial Statements of the Parent Company and subsidiaries, prepared according to the Group's accounting policies. On consolidation, intra-group income and costs, stockholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

Entities acquired or formed during the year are recognized in the Consolidated Financial Statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognized in the Consolidated Income Statement until the date of disposal or winding-up. The comparative figures are not restated for entities acquired, disposed of, or wound up.

Foreign Currency Translation

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 recognized in the Income Statement as financial income or financial costs.

Receivables, payables, and other monetary items denominated in foreign currencies, which are not settled on the Balance Sheet date, 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 recognized in the latest Financial Statements is recognized in the Income Statement as financial income or financial costs.

Upon recognition of subsidiaries that are foreign entities, the Income Statements are translated at an average rate of exchange for the month, and the Balance Sheet items are translated at the exchange rates at the Balance Sheet date. Currency translation differences arising upon translation of foreign subsidiaries' equity at the beginning of the year to the exchange rates at the Balance Sheet date and upon translation of Income Statements from the average rates of exchange to the exchange rates at the Balance Sheet date are recognized directly in the equity.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognized in the Consolidated Financial Statements in the equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rate at the Balance Sheet date. Non-monetary items are translated at the exchange rate at the date of acquisition or the time of the subsequent revaluation or impairment of the asset. The items in the Income Statement are translated at the exchange rate at the date of transaction. However, items derived from non-monetary items are translated at the historical conversion rate of the non-monetary item.

Derivative Financial Instruments

Derivative financial instruments are initially recognized in the Balance Sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the Income Statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognized directly in other receivables or other payables and in the equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts which were previously recognized in the equity are transferred at the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or costs, amounts previously recognized in the equity are transferred to the Income Statement in the period in which the hedge item affects the profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the Income Statement on a regular basis.

Changes in the fair value of derivative financial instruments used for the hedging of net investments in foreign entities are recognized directly in the equity.

INCOME STATEMENT

Revenue
Revenue comprises the deliveries for the year and the value of construction contracts in process with significant customization.

Revenue from contract work in process with an insignificant degree of customization is recognized in the Income Statement when the transfer of risk to the customer has taken place. Any discounts allowed are deducted from the revenue.

Construction contracts with significant customization are recognized in the revenue when reaching the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Production Costs
Production costs comprise costs, including depreciation, amortization, and salaries, incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, depreciation of production plants, and other production costs.

Production costs also comprise research and development costs that do not qualify for capitalization and amortization of capitalized development costs.

Production costs also comprise provisions for losses on construction contracts.

Distribution Costs
Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions, and depreciation are recognized as distribution costs.

Administrative Costs
Administrative costs comprise costs incurred during the year for the Management and Administration, including costs related to administrative staff, office premises and office expenses, and depreciation.

Other Operating Income and Costs
Other operating income and costs comprise items secondary to the principal activities, including gains and losses on disposal of intangibles and property, plant, and equipment. In the Parent Company, other operating income also comprises management fees from subsidiaries.

Profit in Subsidiaries
The individual subsidiaries' profit after tax is recognized in the Income Statement for the Parent Company following elimination of intercompany gains/losses.

Financial Income and Costs
Financial income and costs comprise interest income and costs, gains and losses on receivables, payables, and other transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on Profit for the Year
The Parent Company is subject to the compulsory Danish joint taxation method for the Thrige Holding Group's Danish subsidiaries. Subsidiaries are part of the joint taxation from the time of the consolidation in the Group's Financial Statements and until the time when they are left out of the consolidation.

Thrige Holding A/S is the administrative company for the joint taxation, and as a consequence, it settles all tax payments with the authorities.

The current Danish corporate income tax is allocated by payment of the joint taxation contribution between the jointly taxed companies relative to the taxable income. In this respect, companies with tax loss receive joint taxation contributions from companies which have used this loss to reduce their own tax profit.

Tax for the year comprises current tax for the year, the joint taxation contribution, and changes in deferred tax. The tax expense relating to the profit for the year is recognized in the Income Statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in the equity.

BALANCE SHEET

Intangibles

Development Projects

Development projects comprise costs, salaries, and amortization directly or indirectly attributable to the development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources, and a potential future market or development opportunities can be evidenced, and where it is intended to produce, market, or use the project, are recognized as intangibles, provided that the cost can be measured reliably, and that there is sufficient assurance that future earnings can cover production costs, selling costs, administrative costs, and development projects. Other development projects in process are recognized in the Income Statement when incurred.

Capitalized development projects are recognized at cost less accumulated amortization/impairments or recoverable amount, if this is lower.

Following the completion of the development work, capitalized development projects in process are amortized concurrently with the sale of the developed products, alternatively on a straight-line basis over the estimated useful life.

Gains and losses on the disposal of development projects are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the Income Statement under other operating income and 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/impairments. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subcontractors, and wages and salaries.

The cost of a total asset is divided into separate elements which are depreciated separately if the useful life of the individual elements varies.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	10-50 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-7 years

Major production plants used for the production of aircraft components are depreciated based on the units of production method, typically over 10 years. The annual depreciation corresponds to the actual units produced during the year. An annual reassessment is made of the expected aggregate units of production.

Depreciation is recognized in the Income Statement as production costs, distribution costs, and administrative costs, respectively.

Gains and losses on the disposal of property, plant, and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognized in the Income Statement as other operating income or other operating costs, respectively.

Impairment of Non-Current Assets

The carrying amount of intangibles and property, plant, and equipment as well as equity interests in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortization.

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.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Investments in Subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured in the Balance Sheet at the subsidiaries' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealized intra-group profits and losses.

Net revaluation of investments in subsidiaries is shown as a reserve for net revaluation according to the equity method under equity to the extent that the carrying value exceeds the cost. Subsidiary dividends are transferred from the net revaluation to the distributable reserves at the time of distribution.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than the cost, inventories are written down to this lower value. Cost comprises purchase price plus delivery costs.

Finished goods and work in process are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries, and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings, and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale, and is determined taking into account marketability, obsolescence, and development in expected selling price.

Receivables

Receivables are measured at amortized cost. Write-down is made to meet expected losses based on an individual assessment.

Construction Contracts

Construction contracts are measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion at the Balance Sheet date and total expected income from the individual contract work. When the selling price of a contract cannot be measured reliably, the selling price is measured at the costs incurred or at net realizable value, if this is lower.

The individual construction contract is recognized in the Balance Sheet under either receivables or liabilities, depending on the net amount of the selling price less prepayments. Net assets are constituted by the sum of the construction contracts where the selling price of the work performed exceeds the amount which has been invoiced on account. Net liabilities are constituted by the sum of the construction contracts where the amount which has been invoiced on account exceeds the selling price.

Selling costs and costs incurred in securing contracts are recognized in the Income Statement when incurred.

Prepayments and Deferred Charges

Prepayments and deferred charges, recognized under current assets, comprise costs incurred concerning subsequent fiscal years.

Equity – Dividends

Dividends are recognized as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Current Tax and Deferred Tax

Current tax payable and receivable is recognized 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.

Payable and receivable joint tax contributions are recognized in the Balance Sheet under balances for the Parent Company.

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 recognized on temporary differences relating to goodwill which is not deductible for tax purposes and other items in which temporary differences – excluding acquisitions – have arisen on the date of acquisition, without affecting the profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability, respectively. Adjustment is made to deferred tax resulting from elimination of unrealized intra-group profits and losses.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized at the expected value of their utilization, either as a set-off against tax on future income or as set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the Balance Sheet date.

Provisions

Provisions comprise anticipated costs related to warranties and losses related to construction contracts in process. Provisions are recognized when, as a result of past events, the Group has a legal or a constructive obligation, and it is probable that settlement of the obligation will result in an outflow of financial resources.

Warranties comprise obligations to make good any defects within the warranty period. Provisions for warranties are measured at net realizable value and recognized based on past experience.

If it is probable that the total costs related to a construction contract will exceed the total income, the expected total loss of the construction contract is recognized as a provision.

Liabilities other than Provisions

Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the Income Statement over the term of the loan.

Other liabilities are measured at amortized cost.

CASH FLOW STATEMENT

The Cash Flow Statement shows the Group's cash flows from operating, investing, and financing activities for the year, the year's changes in cash as well as the Group's cash at the beginning and end of the year.

Cash Flows from Operating Activities

Cash flows from operating activities are calculated as the Group's profit adjusted for non-cash operating items, changes in working capital, corporate tax paid, and receivable/joint taxation contribution.

Cash Flows for Investing Activities

Cash flows for investing activities comprise payments in connection with capitalized development costs (cash effect), and acquisitions and disposals of other intangibles, property, plant, and equipment, and investments.

Cash Flows from Financing Activities

Cash flows from financing activities comprise payments to and from the Group's stockholders and related costs as well as raising of loans and repayment of interest-bearing debt.

Cash at Bank and in Hand

Cash at bank and in hand comprises cash reduced by current borrowings in credit institutions.

SEGMENT INFORMATION

Revenue has been allocated according to business segments and geographical markets.

FINANCIAL RATIOS

Financial ratios are calculated in accordance with "Recommendations and financial ratios 2015" of the Danish Finance Society.

Definitions of the financial ratios appear in Financial Highlights – Consolidated.

Statement by the Board of Directors and Executive Management

The Board of Directors and Executive Management have today discussed and approved the Annual Report of Terma A/S for the 2015/16 fiscal year.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated and Parent Company Financial Statements give a true and fair view of the Group's and Parent Company's financial position at 29 February 2016 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the 2015/16 fiscal year.

Further, we consider the Management's Review to present a fair disclosure of the development in the Group's and Parent Company's operations and financial conditions, the results for the year, cash flows, and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent Company face.

We recommend that the Annual Report be approved at the annual general meeting.

Grenaa, 27 May 2016

Executive Management

Jens Maaløe
President & CEO

Per Thiesen
Executive Vice President & CFOO

Steen M. Lynenskjold
Executive Vice President & CCO

Board of Directors

Flemming H. Tomdrup
Chairman

Jørgen Huno Rasmussen
Deputy Chairman

Anders Eldrup

Christina Grumstrup Sørensen

Bo Laursen

Martin Anders Hedegaard

Benny Daugaard Laursen




Independent Auditor's Report

TO THE STOCKHOLDERS OF TERMA A/S

Independent Auditor's Report on the Consolidated and Parent Company Financial Statements

We have audited the Consolidated and Parent Company Financial Statements of Terma A/S for the 1 March 2015 – 29 February 2016 fiscal year. The Consolidated and Parent Company Financial Statements include Accounting Policies, Income Statement, Balance Sheet, Notes for the Group as well as the Parent Company, and Consolidated Cash Flow Statement. The Consolidated and Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the Consolidated and Parent Company Financial Statements

Management is responsible for the preparation of Consolidated and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that the Management determines is necessary to enable the preparation of Consolidated and Parent Company 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 Consolidated and Parent Company 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 as to whether the Consolidated and Parent Company Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence for the amounts and disclosures in the Consolidated and Parent Company Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated and Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of Consolidated and Parent Company 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the Consolidated and Parent Company Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated and Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 29 February 2016 and of the results of the Group's and Parent Company's operations and Consolidated cash flows for the 1 March 2015 – 29 February 2016 fiscal year in accordance with the Danish Financial Statements Act.

Statement on the Management's Review

Pursuant to the Danish Financial Statements Act, we have read the Management's Review. We have not performed any further procedures in addition to the audit of the Consolidated and Parent Company Financial Statements. On this basis, it is our opinion that the information provided in the Management's Review is consistent with the Consolidated and Parent Company Financial Statements.

Aarhus, 27 May 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Jesper Ridder Olsen
State-Authorized Public Accountant

Jes Lauritzen
State-Authorized Public Accountant

Income Statement

1 MARCH - 29 FEBRUARY

DKK thousand	Note	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Revenue	1, 2	**1,486,000**	**1,307,814**	**974,366**	**852,975**
Production costs	3	(1,159,352)	(991,636)	(766,254)	(654,101)
Gross profit		**326,648**	**316,178**	**208,112**	**198,874**
Distribution costs	3	(137,193)	(132,994)	(102,844)	(101,428)
Administrative costs	3, 4	(90,198)	(82,711)	(53,066)	(48,742)
Ordinary operating profit		**99,257**	**100,473**	**52,202**	**48,704**
Other operating income	5	1,437	1,718	32,715	30,228
Other operating costs	5	(465)	(1,806)	(3,455)	(4,894)
Operating profit		**100,229**	**100,385**	**81,462**	**74,038**
Profit in subsidiaries after tax	10	-	-	16,558	12,628
Financial income	6	9,027	11,784	7,905	14,812
Financial costs	6	(23,829)	(40,986)	(25,704)	(32,883)
Earnings before tax (EBT)		**85,427**	**71,183**	**80,221**	**68,595**
Tax on profit	7	(18,938)	(18,196)	(13,732)	(15,608)
Profit for the year		**66,489**	**52,987**	**66,489**	**52,987**
Proposed profit appropriation					
Proposed dividends				10,000	10,000
Reserve for net revaluation according to the equity method				16,230	14,540
Retained earnings				40,259	28,447
				66,489	**52,987**

Balance Sheet

29 FEBRUARY

DKK thousand	Note	CONSOLIDATED 2016	CONSOLIDATED 2015	PARENT COMPANY 2016	PARENT COMPANY 2015
ASSETS					
Non-current assets					
Intangibles					
Software		27,834	4,309	27,758	4,291
Software in process		0	3,503	0	3,503
Development projects completed		294,818	352,467	252,056	306,016
Development projects in process		142,077	82,402	142,077	82,402
	8	**464,729**	**442,681**	**421,891**	**396,212**
Property, plant, and equipment					
Land and buildings		223,870	215,867	223,870	215,867
Plant and machinery		112,410	110,078	25,360	13,583
Fixtures and fittings, tools and equipment		10,427	10,733	5,686	6,257
Property, plant, and equipment under construction		27,162	16,870	22,721	16,781
	9	**373,869**	**353,548**	**277,637**	**252,488**
Investments					
Investments in subsidiaries	10	-	-	282,800	297,618
		-	-	282,800	297,618
Total non-current assets		**838,598**	**796,229**	**982,328**	**946,318**
Current assets					
Inventories					
Raw materials and consumables		180,049	159,630	129,297	111,092
Work in process		101,116	126,918	75,144	106,323
On-account payments from customers		(16,280)	(20,666)	(14,693)	(19,382)
Prepayments to suppliers		16,201	9,384	16,201	9,384
		281,086	**275,266**	**205,949**	**207,417**
Receivables					
Trade receivable		271,857	226,918	93,590	118,115
Construction contracts	11	263,385	206,036	130,747	147,516
Amounts owed by Parent Company		0	3,167	0	3,167
Amounts owed by subsidiaries		-	-	139,040	12,858
Amounts owed by Group companies		0	155	0	155
Corporate tax receivable	15	1,433	203	0	0
Other receivables		12,097	11,786	3,816	5,550
Deferred tax asset	13	2,294	1,444	0	0
Prepayments and deferred charges		9,511	10,259	12,004	12,760
		560,577	**459,968**	**379,197**	**300,121**
Cash at bank and in hand		**4,525**	**6,839**	**94**	**94**
Total current assets		**846,188**	**742,073**	**585,240**	**507,632**
Total assets		**1,684,786**	**1,538,302**	**1,567,568**	**1,453,950**

DKK thousand	Note	CONSOLIDATED 2016	2015	PARENT COMPANY 2016	2015
EQUITY AND LIABILITIES					
Equity					
Capital stock		18,000	18,000	18,000	18,000
Net revaluation according to the equity method		-	-	21,032	9,230
Retained earnings		543,776	463,008	522,744	453,778
Proposed dividends		10,000	10,000	10,000	10,000
Total equity	12	**571,776**	**491,008**	**571,776**	**491,008**
Provisions					
Warranty commitments		9,993	10,150	9,993	10,150
Provisions regarding construction contracts		3,423	4,647	3,328	4,634
Deferred tax	13	135,729	112,679	121,060	99,169
Total provisions		**149,145**	**127,476**	**134,381**	**113,953**
Liabilities other than provisions					
Non-current liabilities other than provisions					
Credit institutions		139,437	172,458	139,437	172,458
Mortgage credit institutions		204,099	221,222	204,099	221,222
	14	**343,536**	**393,680**	**343,536**	**393,680**
Current liabilities other than provisions					
Current portion of non-current liabilities	14	10,270	2,364	10,270	2,364
Construction contracts	11	136,766	126,922	116,967	115,179
Prepayments received from customers		56,351	54,177	35,040	21,012
Trade payables		113,205	92,845	86,599	69,367
Amounts owed to Parent Company		58,564	0	58,564	0
Amounts owed to subsidiaries		-	-	58,898	96,142
Corporate tax	15	3,970	1,902	0	0
Other payables		241,203	247,928	151,537	151,245
		620,329	**526,138**	**517,875**	**455,309**
Total liabilities other than provisions		**963,865**	**919,818**	**861,411**	**848,989**
Total equity and liabilities		**1,684,786**	**1,538,302**	**1,567,568**	**1,453,950**
Contingent liabilities and security	16				
Related party disclosures	17				

Cash Flow Statement

1 MARCH – 29 FEBRUARY

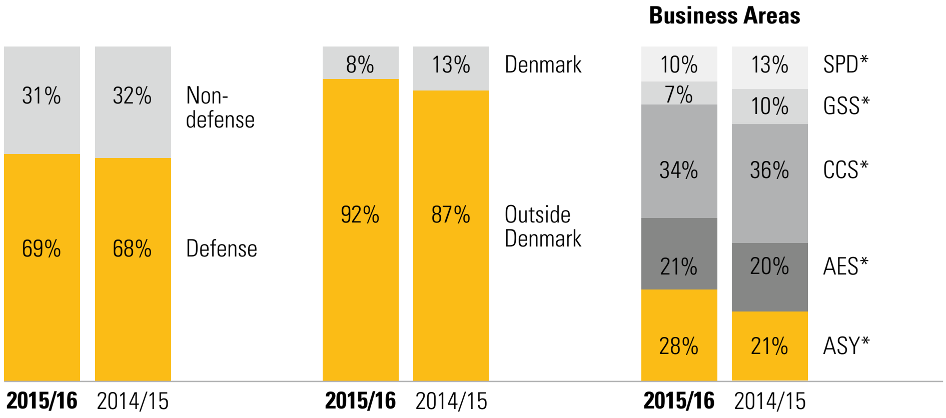
DKK thousand	Note	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15
Profit from ordinary activities before tax		**85,427**	**71,183**
Adjustments:			
Depreciation and amortization, etc.		106,698	74,032
Reversed provisions		(1,381)	5,464
Financial income and costs		14,801	29,202
		120,118	**108,698**
Changes in working capital:			
Inventories		(16,070)	(30,715)
Receivables		(98,952)	(27,824)
Construction contracts and prepayments from customers		12,440	34,075
Trade payables and other payables		45,783	26,027
		(56,799)	**1,563**
Cash flows generated from operations (operating activities)		**148,746**	**181,444**
Net financial items, paid and received		(15,111)	(30,019)
Cash flows from operations before tax		**133,635**	**151,425**
Corporate tax paid	15	(14,017)	(18,273)
Cash flows from operating activities		**119,618**	**133,152**
Capitalized development costs	8	(68,760)	(46,644)
Acquisition of software, property, plant, and equipment	9	(69,920)	(34,775)
Cash flows for investing activities		**(138,680)**	**(81,419)**
Repayments, non-current liabilities		(42,238)	(56,529)
Loan from Parent Company		68,986	0
Dividends paid		(10,000)	(10,000)
Cash flows from financing activities		**16,748**	**(66,529)**
Net cash flows from operating, investing, and financing activities		**(2,314)**	**(14,796)**
Cash at bank and in hand at 1 March		6,839	21,635
Cash at bank and in hand at 29 February		**4,525**	**6,839**

The Cash Flow Statement cannot be directly derived from the Balance Sheet and the Income Statement.

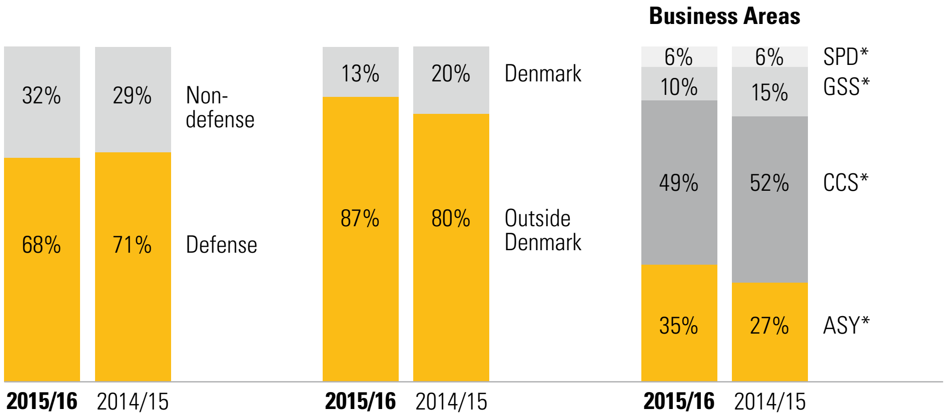
Notes

1. SEGMENT INFORMATION - REVENUE

CONSOLIDATED



PARENT COMPANY



** SPD = Space. GSS = Global Support & Services. CCS = Command, Control & Sensor Systems. AES = Aerostructures. ASY = Airborne Systems.*

2. REVENUE

	CONSOLIDATED		PARENT COMPANY	
DKK thousand	**2015/16**	2014/15	**2015/16**	2014/15
Goods and services	637,316	559,309	510,279	446,904
Construction contracts	848,684	748,505	464,087	406,071
	1,486,000	**1,307,814**	**974,366**	**852,975**

3. STAFF COSTS

DKK thousand	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Parent Company Board of Directors emoluments and Executive Management remuneration	7,491	5,590	7,491	5,590
Wages and salaries	643,834	597,228	403,905	374,771
Pensions and other social security costs	68,252	64,730	37,782	36,100
Other staff costs	5,208	4,913	3,656	3,444
	724,785	**672,461**	**452,834**	**419,905**
Average number of full-time employees	1,174	1,117	721	688

Consolidated and Parent Company: The remuneration for 2015/16 for the Executive Management amounted to tDKK 6,216 and for the Board of Directors to tDKK 1,275.

4. FEES PAID TO AUDITORS

	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Total fees to EY can be specified as follows:				
Statutory audit	909	923	645	645
Other assurance engagements	11	16	11	16
Tax and VAT	525	722	414	632
Other non-audit services	161	280	130	254
	1,606	**1,941**	**1,200**	**1,547**
Total fees to other auditors can be specified as follows:				
Audit	393	358	0	0
Tax and VAT	225	267	0	17
Other non-audit services	835	299	452	0
	1,453	**924**	**452**	**17**

5. OTHER OPERATING INCOME AND COSTS

	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Management fees	1,000	1,034	26,769	24,278
Rental income	437	573	5,946	5,950
Gain on disposal of non-current assets	0	111	0	0
Other operating income	**1,437**	**1,718**	**32,715**	**30,228**
Loss on disposal of non-current assets	332	1,674	35	1,672
Costs related to premises rented out	133	132	3,420	3,222
Other operating costs	**465**	**1,806**	**3,455**	**4,894**

6. FINANCIAL INCOME AND COSTS

	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Included in financial income and costs are:				
Interest income from subsidiaries	-	-	1,477	3,059
Interest costs to subsidiaries	-	-	4,324	5,261
Interest costs to Parent Company	1,028	201	1,028	201

7. TAX

DKK thousand	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Joint taxation contribution/current tax	4,784	5,301	(3,286)	4,445
Tax adjustment regarding previous years	(232)	0	(232)	0
Deferred tax	23,735	(749)	23,406	6,646
Reduced tax percentage, effect on deferred tax	(1,491)	(792)	(1,515)	(633)
Total tax	**26,796**	**3,760**	**18,373**	**10,458**
Specified as follows:				
Tax on profit	18,938	18,196	13,732	15,608
Tax on changes in equity	7,858	(14,436)	4,641	(5,150)
	26,796	**3,760**	**18,373**	**10,458**

8. INTANGIBLES

CONSOLIDATED

DKK thousand	Software	Software in process	Development projects, completed	Development projects, in process	Total
Cost at 1 March 2015	8,912	3,503	630,651	82,402	725,468
Additions	24,586	0	0	68,760	93,346
Transfers	3,503	(3,503)	9,085	(9,085)	0
Disposals	0	0	(16,481)	0	(16,481)
Cost at 29 February 2016	**37,001**	**0**	**623,255**	**142,077**	**802,333**
Amortizations and impairments at 1 March 2015	4,603	0	278,184	0	282,787
Amortizations	4,564	0	66,734	0	71,298
Disposals	0	0	(16,481)	0	(16,481)
Amortizations and impairments at 29 February 2016	**9,167**	**0**	**328,437**	**0**	**337,604**
Carrying value at 29 February 2016	**27,834**	**0**	**294,818**	**142,077**	**464,729**

PARENT COMPANY

DKK thousand	Software	Software in process	Development projects, completed	Development projects, in process	Total
Cost at 1 March 2015	8,849	3,503	573,361	82,402	668,115
Additions	24,496	0	0	68,760	93,256
Transfers	3,503	(3,503)	9,085	(9,085)	0
Disposals	0	0	(16,481)	0	(16,481)
Cost at 29 February 2016	**36,848**	**0**	**565,965**	**142,077**	**744,890**
Amortizations and impairments at 1 March 2015	4,558	0	267,345	0	271,903
Amortizations	4,532	0	63,045	0	67,577
Disposals	0	0	(16,481)	0	(16,481)
Amortizations and impairments at 29 February 2016	**9,090**	**0**	**313,909**	**0**	**322,999**
Carrying value at 29 February 2016	**27,758**	**0**	**252,056**	**142,077**	**421,891**

9. PROPERTY, PLANT, AND EQUIPMENT

CONSOLIDATED

DKK thousand	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Property, plant, and equipment under construction	Total
Cost at 1 March 2015	390,242	314,786	96,329	16,870	818,227
Foreign currency translation adjustments	0	266	393	0	659
Transfers	7,353	9,517	0	(16,870)	0
Additions	10,108	13,340	4,974	27,162	55,584
Disposals	(119)	(3,308)	(3,621)	0	(7,048)
Cost at 29 February 2016	**407,584**	**334,601**	**98,075**	**27,162**	**867,422**
Depreciation and impairments at 1 March 2015	174,375	204,708	85,596	0	464,679
Foreign currency translation adjustments	0	201	321	0	522
Depreciations	9,423	20,306	5,339	0	35,068
Disposals	(84)	(3,024)	(3,608)	0	(6,716)
Depreciations and impairments at 29 February 2016	**183,714**	**222,191**	**87,648**	**0**	**493,553**
Carrying amount at 29 February 2016	**223,870**	**112,410**	**10,427**	**27,162**	**373,869**
Depreciated over	10-50 years	3-10 years	3-7 years		

PARENT COMPANY

Cost at 1 March 2015	311,943	98,254	68,600	16,781	495,578
Transfer	7,353	9,428	0	(16,781)	0
Additions	10,108	8,821	2,144	22,721	43,794
Disposals	(119)	(1,598)	(695)	0	(2,412)
Cost at 29 February 2016	**329,285**	**114,905**	**70,049**	**22,721**	**536,960**
Depreciations and impairments at 1 March 2015	96,076	84,671	62,343	0	243,090
Depreciations	9,423	6,472	2,715	0	18,610
Disposals	(84)	(1,598)	(695)	0	(2,377)
Depreciations and impairments at 29 February 2016	**105,415**	**89,545**	**64,363**	**0**	**259,323**
Carrying amount at 29 February 2016	**223,870**	**25,360**	**5,686**	**22,721**	**277,637**
Depreciated over	10-50 years	3-10 years	3-7 years		

10. INVESTMENTS IN SUBSIDIARIES

DKK thousand	
Cost at 1 March 2015	278,443
Disposals during the year	(9,361)
Additions during the year	110
Cost at 29 February 2016	**269,192**
Net revaluations at 1 March 2015	19,175
Translation adjustments at the beginning of the year	556
Dividends paid	(14,310)
Changes in value of hedging instruments (after tax)	8,989
Disposals during the year	(17,360)
Profit for the year	16,558
Net revaluations at 29 February 2016	**13,608**
Carrying amount at 29 February 2016	**282,800**

Name	Registered office	Ownership	Capital stock
Terma Aerostructures A/S	Grenaa, Denmark	100%	5,000 tDKK
Terma GmbH	Darmstadt, Germany	100%	51 tEUR
Terma B.V.	Leiden, The Netherlands	100%	750 tEUR
Terma North America Inc.	Delaware, USA	100%	150 tUSD
Terma Singapore Pte. Ltd.	Singapore, Singapore	100%	100 tSGD
Terma (UK) Ltd.	London, United Kingdom	100%	10 tEUR
Terma (India) Pvt. Ltd.	Delhi, India	99.9%	1,000 tINR

11. CONSTRUCTION CONTRACTS

	CONSOLIDATED		PARENT COMPANY	
DKK thousand	**2016**	2015	**2016**	2015
Selling price of construction contracts	1,525,081	1,229,275	1,072,433	830,012
Invoiced on account	(1,398,462)	(1,150,161)	(1,058,653)	(797,675)
	126,619	**79,114**	**13,780**	**32,337**
Recognized as follows:				
Construction contracts (assets)	263,385	206,036	130,747	147,516
Construction contracts (liabilities)	(136,766)	(126,922)	(116,967)	(115,179)
	126,619	**79,114**	**13,780**	**32,337**

12. EQUITY

DKK thousand	CONSOLIDATED 2015/16	2014/15
Equity at 1 March	491,008	490,112
Dividends paid	(10,000)	(10,000)
Profit for the year carried forward	56,489	42,987
Proposed dividends	10,000	10,000
Translation adjustment relating to foreign entity	893	5,157
Changes in value of hedging instruments, etc. (before tax) *	31,244	(61,684)
Tax on changes in value of hedging instruments	(7,858)	14,436
Equity at 29 February	**571,776**	**491,008**

** All USD contracts are hedged. The development is primarily due to USD forward contracts.*

DKK thousand	Capital stock	Net revaluation according to the equity method	Profit carried forward	Proposed dividends	Total
CONSOLIDATED					
Equity at 1 March 2015	18,000	-	463,008	10,000	491,008
Dividends paid	-	-	-	(10,000)	(10,000)
Profit for the year carried forward	-	-	56,489	10,000	66,489
Translation adjustment relating to foreign entity	-	-	893	-	893
Changes in value of hedging instruments, etc. (after tax)	-	-	23,386	-	23,386
Equity at 29 February 2016	**18,000**	**-**	**543,776**	**10,000**	**571,776**
PARENT COMPANY					
Equity at 1 March 2015	18,000	9,230	453,778	10,000	491,008
Dividends paid	-	-	-	(10,000)	(10,000)
Dividends received from subsidiaries	-	(14,310)	14,310	-	0
Profit for the year carried forward	-	16,230	40,259	10,000	66,489
Translation adjustment relating to foreign entity	-	893	-	-	893
Changes in value of hedging instruments, etc. (after tax)	-	8,989	14,397	-	23,386
Equity at 29 February 2016	**18,000**	**21,032**	**522,744**	**10,000**	**571,776**

Capital stock consists of:

1 stock at MDKK 18

The capital stock has remained unchanged during the preceding five years.

13. DEFERRED TAX

DKK thousand	CONSOLIDATED 2015/16	CONSOLIDATED 2014/15	PARENT COMPANY 2015/16	PARENT COMPANY 2014/15
Deferred tax at 1 March	111,235	113,564	99,169	93,737
Transferred to corporate tax payable	0	(701)	0	(581)
Foreign currency translation adjustments	(44)	(87)	0	0
Adjustment for the year	23,735	(749)	23,406	6,646
Reduced tax percentage	(1,491)	(792)	(1,515)	(633)
Deferred tax at 29 February	**133,435**	**111,235**	**121,060**	**99,169**
Recognized as follows:				
Deferred tax asset	(2,294)	(1,444)	0	0
Deferred tax liabilities	135,729	112,679	121,060	99,169
	133,435	**111,235**	**121,060**	**99,169**
Deferred tax relates to:				
Intangibles	96,613	96,789	86,709	85,977
Property, plant, and equipment	29,538	27,467	18,770	16,136
Current assets	22,461	9,673	22,004	8,630
Liabilities other than provisions	(9,977)	(17,944)	(1,731)	(6,824)
Tax loss carryforward	(5,200)	(4,750)	(4,692)	(4,750)
	133,435	**111,235**	**121,060**	**99,169**

14. NON-CURRENT LIABILITIES OTHER THAN PROVISIONS

CONSOLIDATED/PARENT COMPANY

DKK thousand	Long-term liabilities	Current share of long-term liabilities	Loans outstanding after five years
Credit institutions	139,437	0	0
Mortgage credit institutions	204,099	10,270	161,651
	343,536	**10,270**	**161,651**

15. CORPORATE TAX PAYABLE

DKK thousand	CONSOLIDATED 2015/16	2014/15	PARENT COMPANY 2015/16	2014/15
Corporate tax payable at 1 March	1,699	1,556	0	0
Transferred from deferred tax	0	701	0	581
Tax for the year/joint taxation contribution	4,784	5,301	(3,286)	4,445
Corporate tax paid during the year	(14,017)	(18,273)	(10,766)	(14,838)
Transferred to intra-group balances	10,071	12,414	14,052	9,812
Corporate tax payable at 29 February	**2,537**	**1,699**	**0**	**0**
Recognized as follows:				
Corporate tax receivable	(1,433)	(203)	0	0
Corporate tax payable	3,970	1,902	0	0
	2,537	**1,699**	**0**	**0**

16. CONTINGENT LIABILITIES AND SECURITY

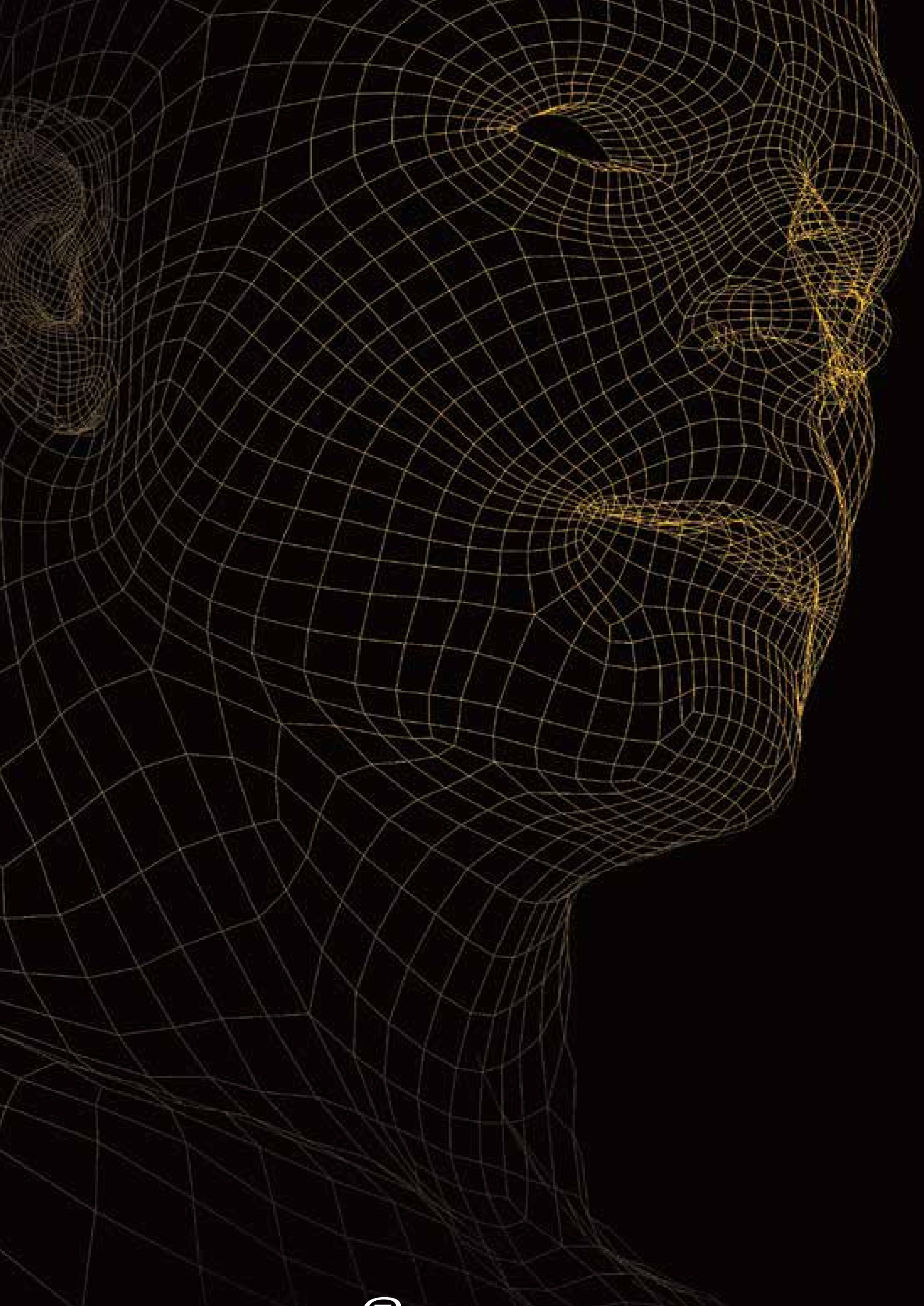
DKK thousand	CONSOLIDATED 2016	CONSOLIDATED 2015	PARENT COMPANY 2016	PARENT COMPANY 2015
Contingent liabilities				
Lease liabilities (operating leases) falling due within five years No lease liabilities are due after more than five years.	21,079	24,230	5,677	5,965
The Group's Danish companies are jointly liable for joint registration of VAT.				
Terma A/S is a party, as the plaintiff, to a court dispute with the Polish Ministry of National Defence regarding an EW program. Our claim is MDKK 164. Early 2015, a counter claim was filed to the defendant amounting to approx. MDKK 116 (MPLN 64), including repayment of the advanced payment. It is the opinion of the Executive Management that the outcome of the court dispute will not negatively affect the Group's and the Parent Company's financial position as reflected in the Balance Sheet at 29 February 2016.				
Terma A/S including Danish subsidiaries is jointly taxed with Thrige Holding A/S. Within the taxation group, the Company is jointly and severally liable in line with the other Group members for payment of corporate income tax and withholding tax in Denmark. As of 2013/14, the net obligations of the jointly taxed companies towards the Danish Central Tax Administration (SKAT) appear from the Thrige Holding A/S (CVR No. 26 31 16 83) annual accounts. Any corrections to the joint taxation income and withholding tax appearing at a later time may result in the Company being liable for a larger amount.				
Security				
The following assets have been provided as security for mortgage loans: Carrying amount of land and buildings	223,870	215,867	223,870	215,867
Other property, plant, and equipment estimated to be comprised by the collateral, cf. the provisions of the Danish Registration of Property Act	122,837	120,811	31,046	19,840
Terma A/S – acting as the Parent Company – has issued a letter of intent to third parties in connection with the establishment of credit facilities for its subsidiaries at a total amount of	-	-	37,142	36,336

17. RELATED PARTY DISCLOSURES

Terma A/S is a wholly owned subsidiary of Thrige Holding A/S (CVR No. 26 31 16 83), which is wholly owned by the Thomas B. Thrige Foundation (CVR No. 10 15 62 11).

Terma A/S' related parties exercising significant influence comprise the Board of Directors, Executive Management, managerial staff, and their family members. Further, related parties comprise companies in which the above-mentioned persons have substantial interests.

Apart from the intra-group transactions which have been eliminated in the Consolidated Financial Statements and the usual remuneration and emoluments, no transactions have been concluded relative to the Board of Directors, Executive Managers, managerial staff, major stockholders, or other related parties.



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