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Terma recently secured the first export order for the SCANTER 4100 to BAE Integrate Systems, UK. BAE is to supply the Royal Navy OPV with tactical display system, to which the surveillance radar will supply information.

In September 2005, Terma signed a contract to deliver SCANTER 4100 radars for Danish Off Shore Patrol Vessels which will be deployed from 2009.

Earlier this year, Terma signed a delivery contract with Lockheed Martin to provide the Soft Kill Weapon System for the first U.S. Navy Littoral Combat Ship.

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Terma A/S produces Command & Control Systems for warships and patrol vessels. The systems are balanced in complexity and cost, depending on the type of ships. Thus, they range from very small, single operator systems to large systems of 35+ operators. The Terma command system for naval ships is named “C-Flex”.

Terma is currently marketing a C-Flex configuration which has been optimized for cost efficient projects. It is considered the perfect solution for small Patrol Vessels and for Ocean Patrol Vessels, typically based on one to three operator consoles.

The patrol vessel system utilizes COTS hardware throughout. The system interfaces with electro-optical fire control, navigation system, and radar(s) have maintained all the initial powerful functionalities from higher end systems.

Like all Terma’s command systems, the C-Flex for patrol vessels is based on the unique T-Core® software developed by Terma.

C-FLEX Command System is considered the perfect solution for Patrol Vessels and for Ocean Patrol Vessels

C-FLEX is considered the perfect solution for Patrol Vessels and for Ocean Patrol Vessels

Typical system layout of C-Flex for small patrol vessels
Double Surveillance with New Advanced Radar

Terma’s new radar, SCANTER 4100, monitors both sea level and airspace. The first contract is signed with the Royal Danish Navy.

With a cruising range of 160 km and a unique ability to detect and maintain small targets under harsh weather conditions, Terma’s new SCANTER 4100 is particularly suitable for surveillance and rescue operations at sea. It is developed to monitor both sea level and airspace.

In September 2005, Terma signed a contract to deliver SCANTER 4100 radars for Danish Offshore Patrol Vessels which will be deployed from 2009. The contract is a result of a multi-annual development project between the Royal Danish Navy and Terma.

Low Visibility and High Sea
The principal tasks for the patrol vessel are sea surveillance, rescue service, fishery inspection, and enforcement of Danish sovereignty in the North Atlantic. Surveillance and rescues at sea are highly demanding in these parts of the world. The weather is unpredictable, and sometimes harsh. In particular in connection with search and rescue operations, the requirements for the radar to detect and maintain even small objects in low visibility and at high sea are high. Terma’s new SCANTER 4100 and existing SCANTER 2001 meet these requirements and are therefore particularly suitable for these purposes.

In addition, The SCANTER 4100 is also suitable for guiding helicopters to land on board the vessel under weather conditions which would normally exclude helicopter flights. Ultimately, it is a matter of life or dead during difficult rescue operations at sea.

In the last few years, the increasing focus on terror protection, smuggling, and, in some parts of the world, even hold-ups at sea intensify the demands for effective surveillance tools. Despite increased use of surveillance from planes and satellites, the radar is still the most reliable equipment for these types of surveillance jobs. Regardless of the weather condition, the navy vessels and coast guards are provided with reliable data about vessels and planes which have not made themselves known.

The SCANTER 4100 covers an interesting variety of jobs handled by the navy and the coast guards all over the world. On this background, Terma predicts great interest and demand for the new generation of radars.

The SCANTER 4100 systems are delivered to the Royal Danish Navy in 2008. It is the same type of radar, which Terma delivers to Royal Navy’s new Ocean Patrol Vessel which will be deployed in the South Atlantic in the summer of 2007.

<table>
<thead>
<tr>
<th>TARGET</th>
<th>DETECTION RANGE (Instrumental)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jet ski</td>
<td>Minimum 10 meter, Maximum Radar Horizon</td>
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<tr>
<td>Go-Fast speedboat</td>
<td>Minimum 10 meter, Maximum Radar Horizon</td>
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<tr>
<td>Zodiac</td>
<td>Minimum 10 meter, Maximum Radar Horizon</td>
</tr>
<tr>
<td>Fishing boat</td>
<td>Minimum 10 meter, Maximum Radar Horizon</td>
</tr>
<tr>
<td>Helicopter</td>
<td>Helo Deck on Vessel</td>
</tr>
<tr>
<td>F16</td>
<td>Minimum 100 meter, Maximum 100 Nm</td>
</tr>
<tr>
<td>Sea Skimmer missile</td>
<td>Minimum 10 meter, Maximum Radar Horizon</td>
</tr>
</tbody>
</table>
Terma is to supply 16 SCANTER 2001 Radar Systems for the surveillance of the coast and vessel traffic along the 750-km coastline of Portugal as subcontractor to the European Aeronautic Defence and Space Company, EADS.

Along Portugal’s Atlantic coast, the vessel traffic is dense, and the need for intensive and reliable surveillance is high in order to avoid pollution disasters and ship collisions. Several accidents with grounding tankers, resulting in extensive oil pollution and with terrible consequences for wildlife and the coastline environment prove the necessity of a well-functioning Vessel Traffic Service System. At the same time, the system is of strategic importance to the EU which has adopted a plan for the protection of EU borders (coastal surveillance) and to increase safety at sea and avoid pollution disasters.

Long-range Detection
The challenge involved in the project is that some of the radars must be able to detect ships 150 km out in the Atlantic Ocean, where the main seaways are located. To achieve this, some of the 16 SCANTER 2001 radar systems are installed on mountain tops along the coastline, one of which will be placed as high as 1,100 meters above sea level. The remaining radars will cover coastal areas as well as various ports which are not covered by the high-placed radars.

To accomplish the long-range target detection goal, Terma develops a new, large 21-feet antenna with improved gain. This new antenna will form an essential part of the high-placed radar sites. In order to detect ships from a long distance, the radar antennas must be placed as high as possible to provide a high gain. The project emphasizes Terma’s position as a leading supplier of radar equipment for the surveillance of coasts and vessel traffic.

The EADS Cooperation
With this contract for a comprehensive Vessel Traffic Service system, Terma continues its cooperation with EADS as main contractor on radar surveillance of ports and coastlines. The cooperation began with the supply of 11 systems for the port of Hamburg in 1997, followed by a number of radar systems for South Africa, Vietnam, Indonesia, and most recently 20 systems for Estonia. The contract for Portugal will be implemented during 2006 and 2007.
Terma SCANTER 4100 Surveillance Radar to the Royal Navy

The Terma SCANTER 4100 Surveillance Radar has been selected for the Royal Navy Ocean Patrol Vessel.

The Terma surveillance radar is part of the command and control system that BAE delivers to a new inspection and surveillance vessel with helicopter, a so-called OPV(H), Ocean Patrol Vessel (Helicopter). The vessel will be built on the British shipyard, VT Shipbuilding. The vessel will be deployed in 2007 in the South Atlantic. It will participate in the Royal Navy’s surveillance in the waters surrounding the Falkland Islands.

Terma’s SCANTER 4100 was selected as it applies the latest technology providing a balance between performance and price. The SCANTER 4100 has gained international recognition owing to its ability to detect and track small targets in all weather condition. In addition to its attractive design, it utilizes a joint TWT transmitter and individual Frequency Diversity Receivers with advanced signal processing based on a new concept for MTI processing (Moving Target Indication processing).

The SCANTER Features
SCANTER 4100 is the ship version of the SCANTER 4000 system which Terma is currently completing to the Royal Danish Navy for coastal surveillance.

The SCANTER 4000/4001 is a new digitalized radar concept combined with surveillance on sea level as well as airspace in the range of up to 160 km. The radar is like the existing SCANTER 2001 suitable for all kinds of surveillance from ships and along the coastline for detecting small targets in all weather conditions. The radar picture is reproduced in a high quality where clutter is eliminated.

The Royal Navy OPV(H) with a SCANTER 4100 to be deployed in 2008 in the South Atlantic.
Terma Radar Systems and Polish Telecommunication Research Institute PIT have just signed a contract with the Polish Border Guard, Straż Graniczna RP. The contract covers turnkey delivery, installation, training and warranty for SCANTER 2001 Frequency Diversity radar systems for fixed sites installation as well as a SCANTER 2001 for a mobile radar station.

The radar systems will be installed and set to work during 2006; the first system being handed over in January 2006. At present the radar sites along the Polish coastline are being prepared with new antenna towers and general system infrastructure to be established during the autumn of 2005.

With the Coastal Surveillance System being designed to cover 534 kilometers of the Baltic Sea coastline, the radar equipment will efficiently and reliably assist the officers of the Polish Border Guard with detecting and transmitting timely information to both local and central supervision centers regarding suspect items and persons crossing the border.

Excellent Performance
The SCANTER 2001 radar systems are already renowned all over the world for their unique ability to detect small targets in rough weather making them extremely well-suited for Coastal Surveillance purposes. Customers include the U.S. Coast Guard, Estonian Border Guard, The Royal Danish Navy, Spanish Guardia Civil, and many more.

For the Polish Border Guard system installation, the advanced Frequency Diversity version including the 21-feet High Gain Antenna has been chosen. The system features excellent performance against sea clutter and a unique ability to detect both small slow and small rapid targets, exactly what is used by intruders.

Top Priority
As Poland entered the EU, the end-user, the Polish Border Guard, has assumed new responsibilities, including the supervision of the Baltic Sea borders while ensuring free and easy flow of travellers and merchandise.

Being part of EU’s outer border, the extensive Polish coastline became significant for the entire European Community. Combined with the increasing focus on combating terror and illegal migration on a worldwide basis, protection of the Polish coastline and inner European waters has
become top priority in the security efforts of the EU. The project is therefore to a large extent funded within the European PHARE programme.

Together with the Italian company, SELEX Sistemi Integrati S.p.A. – formerly AMS, PIT will be the system integrator of the new radar systems that form an essential part of the Polish Baltic Sea coastal surveillance system.

Przemysłowy Instytut Telekomunikacji (Telecommunications Research Institute, PIT)

Przemysłowy Instytut Telekomunikacji was established in 1934 as a state institution. It is currently the largest Polish research and development center and if also a manufacturer and supplier of command and control systems (C2I) and radar equipment for Polish Ministry of Defense and for other countries’ customers. Furthermore, PIT is active within research and development, design, production, installation and service of command, control communication and intelligence systems, radar equipment, radar antennas, radar reconnaissance systems, and microwave devices.

In Poland, PIT is the sole supplier of microwave ferrite assemblies and microwave travelling tubes both for domestic and international customers.

PIT has long-time experience in technical cooperation with domestic and international well-known radar and system companies (Boeing, Lockheed Martin, Northrop Grumman, AMS, LRDE, etc.) and is therefore well prepared for cooperation on international markets.

SCANTER 2001 Dual Transceiver
Frequency Diversity
Decoy Launching System for U.S. Navy Littoral Combat Ship

Terma recently signed a delivery contract with Lockheed Martin to provide the Terma Soft Kill Weapon System (SKWS) to the first U.S. Navy Littoral Combat Ship (LCS).

For the U.S. Navy LCS, Terma will deliver SKWS DL-12T lightweight launchers with eight different firing directions. This feature provides full 360-degree defense coverage for effective placement of the full range of existing Infra Red (IR) and Radio Frequency (RF) decoys, a solution superior to standard 130 mm outfits.

The LCS will provide the U.S. Navy with transformational capabilities in the coastal areas with an agile, highly maneuverable monohull design. Ensuring littoral battle space and dominance, the ship’s first missions will include mine warfare, anti-submarine warfare, and surface warfare. Construction of the first LCS began in early February 2005, and the Lockheed Martin team will deliver the first ship to the U.S Navy in late 2006.

The system is open and flexible and has been designed for easy integration into the ship’s command and control system for combat management and electronic warfare. Terma has developed a unique automatic ammunition identification system which shortens the loading cycle and prevents the potential devastating effect when using the wrong decoy.

Best Decoy Defense on Modern Naval Ships
The Terma Naval Decoy System is an intelligent and comprehensive decoy system solution. It includes launchers, electronics equipment, software algorithms, and a control unit with an intuitive user interface. It is an excellent fit for modern warships as it will provide a passive defense against airborne threats and an option for torpedo defense.

In order to achieve the best decoy defense on modern naval ships today, it is important to evaluate not only the parameters of the ship, but also assess which decoy solutions will provide the best ship protection.

Continuous Decoy Development in 130 mm
The 130 mm decoy caliber is by far the most popular system worldwide. Therefore, the user is guaranteed an unsurpassed range of decoys and continuous development of new features and increased performance.

Originally, the SKWS was developed in cooperation with the Royal Danish Navy for its corvette and frigate ships.
Today’s naval sea and air surveillance systems must provide means to cost-effectively, automatically, and reliably detect and track surface targets as well as targets in the air.

Recent intensive design and development has enabled Terma to offer a complete radar system package, the SCANTER 4100, including high-performance antennas, advanced signal processing, and automatic target tracking, tailored to cope with the above challenges.

The SCANTER 4100 is designed to provide optimum performance with respect to both sea and air targets. As this has always been a challenge, compromises must be accepted.

**Basic Radar Requirements**

The requirements to radar systems for sea and air surveillance are

- Simultaneous, continuous coverage from very short to medium and long range combined with high resolution and high sensitivity.
- High antenna gain and narrow beam-width in order to obtain sufficient range coverage, sufficient weather penetration and reduced susceptibility to noise.
- Efficient sea clutter suppression by means of MTI processing (Moving Target Indication).
- Fully automatic operation and ideally a system coping under all weather conditions.
- Automatic initiation and tracking of sea and air targets from 0 NM to radar horizon, and the supply of accurate plot and track data to a Local Area Network for distribution to bridge displays and command systems consoles.

All these aspects form an integral part of the SCANTER 4100 Radar system concept. In addition, Terma has been successful in keeping a low cost structure which makes the SCANTER 4100 well suited to meet the needs of surface ships, ranging from patrol boats to Ocean Patrol Vessels, frigates, and other major surface combatants. Life cycle costs have become a major issue to customers all over the world. It is well understood and recognized, and Terma’s products are known to fulfil the expectations.
T-Core: Flexible Software Platform for Combat Management Systems

With its generic platform, T-core is a fresh approach to software design which offers you unseen freedom in final design, look and feel of your Combat Management Systems (CMS). It is Terma’s fourth generation of C4I software, which can provide the base of any CMS.

The system executes real-time data operations and holds all the basic functions that must be included in any navy, army or air force system, providing situational awareness, data communication, and control of weapons, sensors, and other units.

The T-core system can be delivered as a complete CMS to the end-user or as a license to the T-Core Software platform on an OEM basis to build your own in-country CMS. It enables the end-users to rapidly build an open and modular system, where subsystems may be upgraded independently.

T-Core features
Terma’s thorough know-how in integrating customized combat management systems has led to the T-Core system which is based on a truly reusable system including features like:

- Flexibility
- Scalability
- Reliability
- Modifiability
- Portability
- Security
- Affordability

Operational Implementations
T-Core was originally developed for the Royal Danish Navy’s C4I upgrade program of its Standard Flex ships and for the new Flexible Support Ships and Patrol Ships. The first ship set was delivered and installed in December 2003, and the system went into operation in the first quarter of 2004.

Currently, the Danish Army STINGER-based air defense system, DALLADS, is undergoing an upgrade based on T-Core technology.

By and large, the T-Core system has proven to be a viable contender for battle management systems in army vehicles and an excellent tool in support of network centric operations right from the individual soldier to battalion tactical headquarters.
Naval Competencies and Experiences

Working with Naval customers requires a broad spectrum of expertise. Understanding user requirements and not least understanding all the technical disciplines are vital in order to create solutions for today’s navy.

The prime solution for Terma is the Combat Management Systems or C4I (Command and Control Systems), but in fact the knowledge from C4I and microwave technology has also enabled Terma to develop and sell our SCANTER radar system, SKWS Naval Decoy system (SKWS: Softkill Weapon System) worldwide.

A less known segment is our solutions related to missiles, including missile production, missile launch controllers, and missile test equipment.

The Evolved SeaSparrow Missile (ESSM) is the preferred self-defense missile within NATO, and Terma produces prime components for this missile. The Evolved Missile Launch Controller for the Raytheon MK-56 system is developed by Terma and was one of the first systems to go into service with ESSM.

For supporting both ESSM and the RIM-7 SeaSparrow Missile, Terma has developed a fully computerized test set, providing full test coverage with go/no-go indication and detailed log indications in case of error detection.

A key enabler for the missile solutions has been the cooperation with Boeing for the Harpoon Missile Simulator. The requirements included harsh environmental requirements and internal temperature management solution.

SeaSparrow and Harpoon missile simulators for pre-load of launch systems on a wide range of platforms
We Provide Mission Customized Solutions

Terma develops and markets high-tech solutions, systems, and products for civilian and military applications. Terma A/S is headquartered at Lystrup near Århus, Denmark. Terma is a 100 percent Danish owned company.

Terma’s high-tech solutions and products are developed and designed for use in extreme mission critical environments and situations, where human lives and valuable material assets are at stake.

Terma’s business areas cover:

- Aerostructures for aircraft
- Airborne Systems, including
  - Self-protection systems for aircraft
  - Audio systems solutions
  - Reconnaissance systems for fighter aircraft
  - Electronics manufacturing
- Integrated Systems, including
  - Self-protection systems for naval vessels
  - Command and control systems for navy, army, and air force applications
- Radar surveillance systems
- Solutions, services, and products for space applications
- Air traffic management systems
- IT services.

In Denmark, Terma facilities are located at Lystrup, Grenaa, and Herlev (Copenhagen).

Terma’s international locations include Leiden, The Netherlands; Besozzo, Italy; Darmstadt near Frankfurt, Germany; Washington, DC and Warner Robins, GA, USA.

Terma A/S was established in 1949. For many years, Terma has worked closely with 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 environment and an equally deep understanding of their situations and needs.

Terma is fully owned by the Thomas B. Thrigé Foundation.

Financial Highlights

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<td>Order book, year-end</td>
<td>228</td>
<td>241</td>
<td>278</td>
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Number of full-time employees
- Average for the year  
  1,034  1,010  945  855  850