NKT Photonics A/S

Central Business Registration No: 10 04 82 65
Blokken 84, 3460 Birkerød

Annual Report
2015

The Annual General Meeting adopted the annual report. Birkerød, 24 Maj 2016 ____________________________ Chairman of the General Meeting

Contents

Company Information

The company	NKT Photonics A/S Blokken 84 3460 Birkerød Central Business Registration No: 10 04 82 65 Financial year: 1 January – 31 December
Subsidiaries	NKT Photonics GmbH, Germany (100 %) NKT Photonics Inc., USA (100 %) NKT (Beijing) Photonics Technical Service Co. Ltd. (100%)
Board of Directors	Jens Maaløe Jørgen Janus Hillerup Michael Hedegaard Lyng Stig Nissen Knudsen Mikael Svalgaard
Executive Board	Basil Garabet
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of NKT Photonics A/S for the financial year 1 January to 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of its financial performance for the financial year 1 January to 31 December 2015.

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

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

Birkerød, 29 April 2016

Executive Board:

Basil Garabet
Chief Executive Officer

Board of Directors:

Jens Maaløe
Chairman

Jørgen Janus Hillerup

Michael Hedegaard Lyng

Stig Nissen Knudsen

Mikael Svalgaard

Independent auditor's reports

To the shareholders of NKT Photonics A/S

Report on the financial statements
We have audited the financial statements of NKT Photonics A/S for the financial year 1 January to 31 December 2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements 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 about whether the financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the financial statements give a true and fair view of the entity's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary
Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 29 April 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration no:. 33963556

Lars Siggaard Hansen State Authorised Public Accountant	Sumit Sudan State Authorised Public Accountant

Management Commentary

Financial highlights

mDKK	2015	2014	2013	2012	2011
Revenue	169,9	148,3	131,6	110,4	91,5
Gross Profit	90,8	72,9	63,4	52,9	41,8
Operating profit/(loss)	0,6	-3,3	-6,9	-4,6	-12,6
Financial items, net	-3,8	-2,6	-3,5	-3,9	-3,1
Result before tax	-3,2	-5,9	-10,4	-8,5	-15,7
Loss for the year	-1,9	-5,2	-8,5	-6,2	-11,8
Balance Sheet	141,9	144,5	150,8	147,7	130,6
Tangible Assets	18,6	19,9	24,1	14,8	13,1
Equity	-0,3	1,6	6,8	-3,7	2,2
Financial ratios %					
Gross Margin	53%	49%	48%	48%	46%
Solvency	0%	1%	5%	-3%	2%
Average number of employees	116	117	112	94	96

Definition of Financial ratios:

Gross Margin	Gross Profit x 100 / Revenue
Solvency	Equity x 100 / total assets

The ratios are calculated in accordance with the Danish Finance Association's "Recommendations & Financial Ratios 2015"

Management Commentary

The company's main activities
NKT Photonics' main products are light sources based on optical fibers for industrial applications and production of fibers being part of several of the company's self-produced lasers but also sold to third parties.

In Denmark, NKT Photonics manufacture fiber lasers with either a very high spectral purity or with a very wide colour spectrum. Fiber lasers are used as light sources for industrial products among others within security monitoring, seismology, spectroscopy, microscopy and light-based radar, also called LIDAR. Furthermore the lasers are in demand in research environments, e.g. for cooling atoms.

Development of operations and financials
In 2015 revenue was DKK 169.9m, compared to DKK 148.3m in 2014 - a growth of 14.6%. Result for the year amounts to a loss of DKK 1.9m against a loss of DKK 5.2m in 2014. During 2015, NKT Photonics invested considerable time and expenses to increase capacity and production efficiency, which at year-end, was higher than at the beginning of the year.

NKT Photonics has experienced growth among existing customers. Both in the segments of SuperK products and Koheras products NKT Photonics has experienced strong growth.

Significant development activities are ongoing and the cost of these activities have primarily been expensed. In total DKK 6.5m related to development activities was capitalized during 2015 as intangible assets - on development projects for new products within SuperK Imaging, aeroPULSE and Koheras products mainly used for optical sensing.

Deferred tax assets constituting DKK 10.4m consists primarily of tax losses carried forward from previous years and are expected to be offset against taxable profits in the calculation of joint taxable income for the NKT Group or of the Company.

Intellectual capital resources
The Company's staff represent a very high level of specialized knowledge and a significant portion has been educated on a PhD level. The Company has a high technical profile and has not previously had trouble attracting employees with sufficient skills from Denmark or abroad nor do expect this to be a problem in the future. Further the combined company knowledge is anchored in procedures and business processes, which continuously are expanded and strengthened.

Environmental impact
NKT Photonics environmental footprint is insignificant in production terms. The principal environmental impact relates to the use of our products.

Many of our products find application in solutions aimed at improving either environmental conditions, supply of goods, personal safety or human living conditions. Examples include facilitating development of new and improved medicines and diagnosis of diseases, safe use of oil and gas pipelines, quality control of food. Demands for greater environmental accountability, increased security and improved living conditions are thus important drivers in our business development.

Particular risks

Interest rate risk:
As the Company is primarily financed with floating rate loans, the Company has an interest rate risk towards changes in interest rates. A change of 1%-point will affect the profit/loss with approx. 1 mDKK.

Currency risk:
Activities in foreign countries has an impact on earnings, cash flows and equity as these are affected by exchange rates and interest rates in a number of currencies. The company's policy is to hedge major commercial foreign exchange risk, which is done on group level by the parent company, NKT Holding A/S.

Liquidity risk including capital position:
In 2015, the company has realized a loss of DKK 1.9m. Equity at 31 December 2015 is DKK -0.3m, which is less than half of the share capital. The company is thus subject to the capital loss provisions in the Companies Act § 119. The company expects to restore equity through operations in the coming years.

The Company's current assets excluding deferred tax assets exceed short term liabilities at 31 December 2015 with a total of DKK 47.6m. At 31 December 2015, the Company has a credit facility with NKT Holding A/S in the form of long-term debt, which amounts to DKK 94.1m which is due in June 2017. The company has the ability to draw up to DKK 150m on this facility. The facility is shared with the sister company LIOS GmbH and the maximum drawing right is based on the companies activity plans and are considered sufficient.

Based on this and the future outlook for operations and earnings, Management deems that the annual report for 2015 is prepared based on continuing operations.

Events after the balance sheet date

On March 31 2016 NKT Photonics has acquired Fianium Holdings Limited ("Fianium"), a global supplier of ultra-fast, high-power laser systems, headquartered in Southampton, UK. The transaction price amounts to GBP 21m, equivalent to approx. DKK 212m.
In 2015, Fianium realised revenue of GBP 7m (approx. DKK 71m) and had 54 employees.

The acquisition will strengthen NKT Photonics' global market position within ultra-fast and supercontinuum fiber lasers, combining the two companies' geographical coverage, manufacturing capabilities and complementary product portfolios. Furthermore, we will strengthen our development competences for innovative industrial solutions, improve service globally, and obtain synergies in sales and manufacturing.

No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Outlook for 2016

Besides the acquisition of Fianium 2016 growth in revenues is expected primarily through existing product lines, especially as a result of the sales potential within the current customer portfolio. Revenue is for 2016 expected to be up with 10% to 15% compared to 2015 and Profit before tax is expected to be positive in the range 0 to 5 mDKK.

Development and marketing activities will focus on market segments where we are already commercially established.

The expected performance is partly conditional to current markets - both in industrial lasers and within systems for research and development environments - not experiencing significant decline during 2016.

Accounting policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Referring to section 112 (1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements since the financial statements of NKT Photonics A/S and its subsidiaries is fully consolidated in the consolidated financial statements of NKT Holding A/S.

Referring to section 98b (3) of the Danish Financial Statements Act there has not been given information about remuneration to Management.

Referring to section 86 (4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement, as cash flow for the NKT Photonics A/S and its subsidiaries are included in the statement of cash flows in the consolidated financial statements of NKT Holding A/S.

These financial statements are prepared using the same accounting policies as last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency
Transactions in foreign currencies are translated at the transaction dates exchange rate. Exchange differences arising between the transaction date and the date of payment are recognized in the income statement as a financial item.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance date and the exchange rate when the receivable or payable was recognized in the income statement is recognized under financial income and expenses.

Fixed assets purchased in foreign currencies are recognized at the acquisition date at the exchange rate for the date of the transaction.

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

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. Do the future transaction results in the recognition of assets or liabilities, amounts previously recognized in equity are transferred to the cost of the asset or liability. Do the future transaction results in income or expenses, amounts previously recognized in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Income

Revenue
Revenue from sales of goods for resale and finished goods are recognized in the income statement when the delivery and transfer of risk has passed to the buyer. Revenue is recognized excl. VAT, taxes and discounts in connection with the sale.

Other operating income
Other operating income includes items of a secondary nature in relation to the Company's primary activities, including income from grants to cover development costs.

Costs for raw materials and consumables
Costs for raw materials and consumables comprise acquisitions and change in inventory of raw materials and consumables. This includes shrinkage, waste production and any write-downs for obsolescence.

Other external expenses
Other operating expenses include the costs of distribution, sales, advertising, administration, premises, bad debts etc.

Staff costs
Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc.

Financial income and expenses
Financial income and expenses comprise interest income and expenses, realized and unrealized gains and losses on foreign currency transactions and gains and losses on disposal of financial assets.

Income taxes
Tax for the year, which consists of current tax for the year and changes in deferred tax, is rec-

ognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

The Company participates in a joint taxation arrangement with NKT Holding A/S. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance Sheet

Intangible assets

Development projects
Development projects that are clearly defined and identifiable, where the technical feasibility, adequate resources and a potential future market or development opportunity can be demonstrated, and where the intention is to produce, market or use the outcome of the development project, are recognized as intangible assets if the cost can be measured reliably and it is probable that future earnings can cover the production, selling and administrative expenses and development costs. Other development costs are recognized in the income statement as incurred.

Development projects comprise costs, salaries and depreciation that are directly and indirectly attributable to the Company's development projects.

Developments costs recognized in the balance sheet are measured at cost less accumulated depreciation and impairment losses.

Completed projects are amortized on a straight-line basis over the estimated useful lives of the assets. Amortization period is usually 4-5 years and do not exceed 20 years.

Development and research costs that do not meet the criteria for capitalization are included in other external costs and expensed as incurred.

Patents and licenses etc.
Patents and licenses etc. are measured at cost less accumulated amortization and impairment losses. Patents are amortized over the patent period, and licenses are amortized over the contract period, not exceeding 5 years.

Profits and losses from the sale of intangible assets is calculated as the difference between the selling price less selling costs and the carrying amount at the time of sale. Profits or losses are recognized in the income statement as other operating income or other external costs.

Property, plant and equipment
Land and buildings, plant and machinery and other fixtures and equipment are measured at

cost less accumulated depreciation and impairment losses.

Depreciation is based on cost less estimated residual value at the end of useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use.

The cost of an asset is divided into separate components that are depreciated separately if the useful life of the individual components is different.

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings................................. ....10 years
Plant and machinery ....4-8 years
Other fixtures and fittings.. 4-5 years

Profits and losses from the sale of property, plant and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the time of sale.

Investments in subsidiaries
Investments in subsidiaries are measured at cost and are written down to the lower of recoverable amount and carrying amount.

To the extent that distributed dividends exceed the accumulated earnings after the acquisition date, the dividend is recognized as a reduction of the investment cost.

Impairment of fixed assets
The carrying value of intangible and tangible assets and investments in subsidiaries are assessed annually for indications of impairment beyond what is expressed through amortization and depreciation.

If there are indications of impairment need, an impairment test of each asset or group of assets is performed. The asset in question is then written down to its recoverable amount if this is lower than the carrying value.

The recoverable amount is the higher of net selling price and capital value. The capital value is calculated as the present value of the discounted cash flows deriving from use of the asset or asset group.

Inventories
Inventories are measured at cost under the FIFO method. Where the net realizable value is lower than cost, the item is written down to the lower value.

The cost of finished goods and work in progress comprises raw materials, consumables, direct labor costs and indirect production costs. Indirect production costs comprise indirect materials and labor costs, costs of maintenance of and depreciation and impairment losses on machinery, factory buildings and equipment applied for the manufacturing process as well as costs for production administration and management.

The net realizable value of inventories is calculated as the estimated selling price less any costs of completion and costs incurred to execute sale. Net realizable value is determined taking into account marketability, obsolescence and the development in expected sales price.

Receivables
Receivables are measured at amortized cost, usually equaling nominal value less provisions for bad debts.

Provision is made for bad and doubtful debts where there is believed to exist objective evidence that a receivable or a portfolio of receivables are impaired. If there is objective evidence that an individual receivable is impaired, the provision is made on an individual level.

Receivables for which there is no objective evidence of impairment on individually level are assessed on a portfolio basis for objective evidence of impairment. Portfolios are primarily based on the debtor's domicile and credit in accordance with the Company's credit risk management policy. The objective indicators used for portfolios, are based on historical loss experience.

Impairment losses are calculated as the difference between the carrying value of accounts receivable and the present value of expected cash flows, including the realization of - if any - collateral received. As the discount rate, the effective rate for each receivable or portfolio is used.

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

Warranty provisions
Warranty provisions include expected warranty costs. Warranty provisions are recognized when it is a result of a past event and has a legal or constructive obligation and it is probable that the obligation will cause an outflow of economic resources.

Warranty provisions are measured at net realizable value or at fair value, when the fulfilment of the obligation in time is expected to be far in the future.

Corporation tax and deferred tax
Deferred tax is measured using the balance sheet liability method on all temporary differences between accounting and tax values of assets and liabilities.

Deferred tax assets, including the tax value of carry-forward tax losses are recognized under other non- current assets at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

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

Income Statement

Note		2015 DKK	2014 DKK'000
1	Revenue	169.932.258	148.307
2	Other operating income	8.138.816	5.822
	Costs of raw materials and consumables	-52.938.914	-47.752
	Other external expenses	-34.360.670	-33.432
	Gross Profit	**90.771.490**	**72.945**
3	Staff costs	-72.503.613	-61.593
7	Amortization intangible assets	-10.973.024	-7.694
8	Depreciation tangible assets	-6.744.671	-6.955
	Operating Profit/(Loss)	**550.182**	**-3.297**
4	Financial income	3.111	1.045
5	Financial expenses	-3.772.869	-3.606
	Result before tax	**-3.219.577**	**-5.858**
6	Tax	1.304.812	628
	Loss for the year	**-1.914.764**	**-5.230**

Proposed distribution

	Retained earnings	**-1.914.764**	**-5.230**

Balance sheet at 31 December

Note		2015 DKK	2014 DKK'000
	Assets		
	Fixed assets		
	Intangible assets		
7	Development projects completed	20.402.722	26.135
7	Development projects in progress	5.562.344	3.724
7	Patents and licenses etc.	574.641	1.188
		26.539.707	**31.048**
	Property, plant and equipment		
8	Land and buildings	2.554.148	2.919
8	Plant and machinery	14.386.017	15.034
8	Property, plant and equipment in progress	1.666.905	1.945
		18.607.070	**19.898**
	Fixed asset investments		
9	Investments in subsidiaries	1.009.169	162
	Deposits	412.023	365
		1.421.192	**528**
	Total Fixed assets	**46.567.969**	**51.473**
	Current assets		
	Inventories		
	Raw materials and consumables	22.641.735	23.111
	Work in progress	4.338.138	2.461
	Finished goods	5.036.836	7.330
	Total inventories	**32.016.709**	**32.902**
	Current assets		
	Trade receivables	29.451.228	29.232
	Receivables from subsidiaries	16.625.295	10.492
10	Deferred tax	9.946.558	15.858
	Other receivables	4.014.716	2.836
11	Prepayments	3.225.906	1.734
	Total Receivables	**63.263.703**	**60.153**
	Cash	**10.509**	**12**
	Total Current assets	**95.290.921**	**93.067**
	Total assets	**141.858.890**	**144.540**

Balance sheet at 31 December

Note		2015	2014
		DKK	DKK'000
	Liabilities		
	Equity		
	Share Capital	15.200.253	15.200
	Retained earnings	-15.549.781	-13.628
	Total equity	**-349.528**	**1.572**
12	Warranty	1.329.640	2.204
	Total provisions	**1.329.640**	**2.204**
18	Payables to subsidiaries	94.052.647	102.836
	Deffered income	9.526.127	10.611
13	**Total Long term liabilities**	**103.578.773**	**113.447**
	Trade payables	15.273.086	10.467
	Payables to subsidiaries	396.559	173
14	Prepayments	6.001.191	4.946
	Other liabilities	15.629.168	11.731
	Total Short term liabilities	**37.300.004**	**27.317**
	Total liabilities	**140.878.778**	**140.764**
	Total equity and liabilities	**141.858.890**	**144.540**

15 Unrecognised rental and lease commitments
16 Contingent liabilities and pledges
17 Related parties
18 Capital position and resources

Statement of changes in equity

	Share capital	Retained earnings	Total equity
Equity at 1 January 2015 (DKK)	**15.200.253**	**-13.628.125**	**1.572.128**
Adjustment of foreign exchange forward contracts at fair value hedges of future purchases and sales in foreign currencies	0	-6.891	-6.891
Loss for the year	-	-1.914.764	-1.914.764
Equity at 31 December 2015	**15.200.253**	**-15.549.781**	**-349.528**

Changes in share capital in the past five financial years:

DKK'000	**2015**	**2014**	**2013**	**2012**	**2011**
Balance at 1 January	15.200	15.200	14.255	14.255	11.995
Capital increase cash	0	0	945	0	2.260
Share capital at 31 December	15.200	15.200	15.200	14.255	14.255

Notes

Note		2015	2014
		DKK	DKK'000
1	**Revenue**		
	Revenue inland	1.496.585	1.160
	Revenue abroad	168.435.674	147.147
	Total revenue	169.932.258	148.307
2	**Other operating income**		
	Grants, etc.	8.138.816	5.822
	Total other operating income	8.138.816	5.822
3	**Staff costs**		
	Wages and salaries	68.417.975	61.991
	Pensions	6.795.451	6.738
	Other social security costs, etc.	1.250.370	845
	Staff costs Gross Total	76.463.796	69.574
	Capitalized development costs	-3.960.183	-7.980
	Total staff costs expensed	72.503.613	61.593
	Average number of employee	116	117
4	**Financial income**		
	Other interest income, etc.	3.111	1.045
	Total financial income	3.111	1.045
5	**Financial expenses**		
	Interest expenses to subsidiaries	2.994.224	3.580
	Other interest expenses, etc.	778.646	26
	Total financial expenses	3.772.869	3.606
6	**Tax**		
	Current tax	-482.496	3.141
	Deferred tax	1.315.900	-1.613
	Change in prior years' deferred taxes	-6.744.978	-5.243
	Adjustment to prior years' joint taxation	7.216.386	4.343
	Tax	1.304.812	628

Note		Development projects completed	Development projects in progress	Patents and licenses etc.
7	**Intangible fixed assets**			
	Cost 1 January 2015	42.605.163	3.724.381	34.625.932
	Additions	0	6.465.119	0
	Transferred	4.627.156	-4.627.156	0
	Cost 31 December 2015	47.232.319	5.562.344	34.625.932
	Amortization and impairment losses 1 January 2015	-16.470.110	0	-33.437.754
	Amortization and impairment losses	-10.359.487	0	-613.537
	Amortization 31 December 2015	-26.829.597	0	-34.051.291
	Carrying amount 31 December 2015	**20.402.722**	**5.562.344**	**574.641**

8	Property, plant and equipment	Land and buildings	Plant and machinery	Property, plant and equipment in progress
	Cost 1 January 2015	3.375.101	96.588.376	1.944.780
	Additions	0	1.070.892	4.383.176
	Transferred	0	4.661.051	-4.661.051
	Dispos als	0	-4.736.795	0
	Cost 31 December 2015	3.375.101	97.583.525	1.666.905
	Depriciation and impairment losses 1 January 2015	-456.069	-81.554.515	0
	Depriciation and impairment losses	-364.884	-6.376.439	0
	Depreciation of assets sold	0	4.733.446	0
	Depriciation 31 December 2015	-820.953	-83.197.507	0
	Carrying amount 31 December 2015	**2.554.148**	**14.386.017**	**1.666.905**

		2015 DKK	2014 DKK'000
9	**Investments in subsidiaries**		
	Cost 1 January	181.244	19
	Addition	846.957	162
	Cost 31 December	1.028.201	181
	Impairment losses 1 January	19.032	19
	Impairment losses 31 December	19.032	19
	Carrying value 31 December 2015	**1.009.169**	**162**

Name		Domicile	Result for the year DKK'000	Equity DKK'000
NKT Photonics GmbH	(100% owned)	Köln, Germany	954	-1.086
NKT Photonics Inc.	(100% owned)	New Jersey, USA	84	654
NKT (Beijing) Photonics Technical Service Co. Ltd.	(100% owned)	Beijing, China	0	1.009

		2015 DKK	2014 DKK'000
10	**Deferred tax**		
	Deferred tax 1 January	15.858.131	13.128
	Deferred tax for the year	-5.911.573	2.730
	Deferred tax 31 December	9.946.558	15.858

Deferred taxes consist primarily of tax losses carried forward from previous years which are expected to be offset against taxable profits in the calculation of taxable income for the NKT Group or the Company.

11 **Prepayments - receivables**

These prepayments consistes primarily of incurred costs relating to subsequent financial years and accrued income from funded projects.

12 **Warranty**

NKT Photonics A/S typically provide 1-2 years warranty on certain products. The Group recognized a provision of DKK 1,330 K (2014: DKK 2,204 K) for expected warranty claims on the basis of the latest valid experience on the level of repairs and returns.

13 **Total long term liabilities**
Long term liabilities do not include any liabilities beyond 5 years maturity

14 **Prepayments**
Prepayments consistes primarily of income for recognition in subsequent financial years, short term development costs, deffered income from sold warranty and accrued income from funded projects.

15 **Unrecognised rental and lease agreements**
Rental commitments under operating lease agreements amounts to DKK 2,499,668 (2014: DKK 3.883 K), of which DKK 2,307,192 is due in 2016. Upon termination of the lease until 31 December 2022 the company has an obligation on DKK 2,554,148 by vacating.

16 **Contingent liabilities**
The Company participates in a Danish joint taxation arrangement in which NKT Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc. for the companies included in the joint taxation. For the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

17 **Related parties**
NKT Photonics A/S' related parties include the following:

Controlling interest:
NKT Holding A/S, Brøndby (98%)
Vibeholms Allé 25
2605 Brøndby

The Company's financial statements is fully consolidated in the consolidated financial statements of NKT Holding A/S. The consolidated financial statements may be obtained by contacting the company on the website www.nkt.dk.

Ownership
The following shareholders are registered as holding more than 5% of the voting share capital or more than 5% of the nominal value of the share capital:

NKT Holding A/S, Brøndby (98%)
Vibeholms Allé 25
2605 Brøndby

18 **Capital position and resources**
In 2015 the company has realized a loss of DKK 1.9m. Equity at 31 December 2015 is DKK -0.3m, which is less than half of the share capital. The company is thus subject to the capital loss provisions in the Companies Act § 119. The company expects to restore equity through operations in the coming years.

The Company's current assets excluding deferred tax assets exceed short term liabilities at 31 December 2015 with a total of DKK 47.6m. At 31 December 2015, the Company has a credit facility with the Parent Company in the form of long-term debt, which amounts to DKK 94.1m which is due in June 2017. The company has the ability to draw up to DKK 150m on this facility. The facility is shared with the sister company LIOS GmbH and the maximum drawing right is based on the companies activity plans and are considered sufficient.

Based on this and the future outlook for operations and earnings, Management deems that the annual report for 2015 is prepared based on continuing operations.