

NKT Cables Group A/S

Vibeholms Allé 20
2605 Brøndby
Denmark

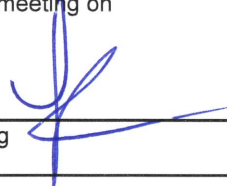
CVR no. 15 51 58 72

Annual report 2017

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

31 May 2018

Jørgen Janus Rojer Hillerup
chairman of the general meeting



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Entity details	5
Company details	5
Management's review	6
Operating review	6
Financial statements 1 January – 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes	15

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NKT Cables Group A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Brøndby, 31 May 2018
Executive Board:

Roland Munkeroed Andersen
Director

Michael Hedegaard Lyng
Director

Board of Directors:

Jens Peter Due Olsen
Chairman

Jørgen Janus Roijer
Hillerup

Michael Hedegaard Lyng

Independent auditor's report

To the shareholder of NKT Cables Group A/S

Opinion

We have audited the financial statements of NKT Cables Group A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 31 May 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Lars Siggaard Hansen
State Authorised
Public Accountant
MNE no. 32208

Bjarne Iver Jørgensen
State Authorised
Public Accountant
MNE no. 35659

NKT Cables Group A/S
Annual report 2017
CVR no. 15 51 58 72

Entity details

Company details

NKT Cables Group A/S
Vibeholms Allé 20
2605 Brøndby
Denmark

Telephone: +45 4348 2000
Fax: +45 4396 1820
Website: www.nktcables.com
E-mail: nktcables@nktcables.com

CVR no. 15 51 58 72
Registered office: Brøndby
Financial year: 1 January – 31 December

Board of Directors

Jens Peter Due Olsen, Chairman
Jørgen Janus Roijer Hillerup
Michael Hedegaard Lyng

Executive Board

Roland Munkerod Andersen, Director
Michael Hedegaard Lyng, Director

Auditor

Deloitte
Weidekampsgade 6
2300 Copenhagen S
Denmark

Annual general meeting

The annual general meeting will be held on 31 May 2018.

Management's review

Operating review

Principal activities

NKT Cables Group A/S serves as a holding company for the Group's activities and undertakes the tasks related thereto.

Development in activities and financial position

General:

The financial statements cover investments in the subsidiaries NKT (Denmark) A/S, NKT (Sweden) AB, nkt cables group GmbH, nkt cables s.r.o., nkt cables Espana SL, nkt cables Ultera a/s, nkt cables Australia Pty Ltd and Unique Vantage Ltd, along with their subsidiaries.

Income statement:

No dividend has been received in 2017.

Investments in subsidiaries:

During 2017 the subsidiaries in Denmark and Sweden have changed names but with no change in share structure nor -possessions. As of 30 April 2017 the Automotive business was divested. The divestment included a plant in Vrchlabí, Czech Republic, employing approx. 400 employees and manufacturing of automotive, flexible and special cables.

Equity:

No dividend was paid to the parent company NKT Holding in 2017 and no dividend is proposed for the 2017 financial year.

Projects

NKT Cables is well positioned in the European market for high-voltage on- and offshore power cable solutions. Especially in the offshore segment strong relationships have been developed with major customers. NKT is also capable of offering full turnkey offshore solutions, including marine installation services.

NKT executed on a number of high-voltage projects during 2017. In Q4 2017, NKT successfully commissioned and handed over the transmission links for two offshore wind farms, Nordgründe and Race Bank. Satisfactory progress was recorded on several projects from the order backlog, including the Hornsea Project One wind farm project in the UK, on which work is under way at both production sites.

The high-voltage AC onshore business continues to be negatively impacted by challenging market conditions in NKT core markets, where demand remains subdued. NKT has launched a number of improvement initiatives, including strengthening the sales organisation improved project execution in pursuit of increased production capacity utilization.

Development in high-voltage order backlog:

During 2017, projects awarded in the high-voltage market have been at a relatively low level and consequently the order intake for NKT in this segment has been lower than anticipated.

NKT has also been selected as the preferred supplier for two UK offshore wind projects, Triton Knoll and Moray East, with an estimated contract value of more than EUR 245m. These projects are not part of the order backlog as they are subject to finalizations and decisions by the project owners. Final investment decisions are expected in 2018.

Attractive market potential:

Management's review

Operating review

Entering 2018, the tender activity remains intense in the high-voltage market and is expected to translate into new orders later in the year. NKT expects annual high-voltage order intake for 2018 to be higher than in 2017, which is primarily expected to derive from a higher level of DC projects awarded in the market. The growth expectation is subject to uncertainty due to the significant size of the DC projects and the exact timing of these, which can impact the distribution between the years.

Service business set to grow:

The Service & Accessories business line was established as part of the EXCELLENCE 2020 strategy. With the increase in installed cable kilometres across geographical markets, quick and reliable service is an area with solid growth potential.

In October 2017, NKT underlined its credentials as an offshore service operator when the company was awarded the turnkey repair order for the Skagerrak 2 cable between Norway and Denmark. The NKT Victoria cable-laying vessel was used for this task and the repair was accomplished quickly and successfully.

Products

Mixed revenue development across segments:

In 2017, organic growth in the Products business was largely flat in the main segments – low- and medium-voltage – but with regional differences. The reduction in revenue compared with 2016 was mainly due to the divestment of the Automotive business as of 30 April 2017.

In 2017, the strongest growth contributor for NKT was the Swedish market, where the performance was driven by solid construction sentiment and good execution in the medium-voltage segment. The sentiment in the Nordic region was generally positive, with revenue also increasing in Denmark. Furthermore, with solid growth performance in 2017, the UK is becoming an increasingly important medium-voltage market for NKT.

The German medium-voltage segment performed well in 2016, driven by increased demand from the utility segment. In 2017, as expected, the segment growth declined. The Polish market was also challenging during 2017, with overcapacity and increased competition in the low-voltage business. However, the market improved slightly towards the end of the year.

As expected, 2017 development in the telecom power cable business was negatively impacted by the renewed frame contract with Ericsson at less favorable terms. The new contract terms were effective from the end of 2016.

NKT selected for several frame contracts:

In the utility segment, NKT made successful bids for a number of frame contracts during 2017. NKT was selected as the preferred supplier for a few large contracts in Sweden and Germany. In late 2017 and early 2018 the company was also chosen as supplier for contracts in France, Iceland and Czech Republic.

The frame contracts won by NKT vary in size. The largest, a medium-voltage order with a production start date in early 2018 will generate revenue for the next four years. The award of this and the other frame contracts reflects long-standing customer relationships in which NKT has demonstrated proven technical expertise and delivered high-quality products.

During 2018, NKT eyes opportunities to receive further frame contracts with expected tender processes to run in its core markets.

EU Construction Product Regulation (CPR) effective from July 2017:

The European Construction Product Regulation (CPR), which aims to ensure reliable information on the

Management's review

Operating review

performance of products used in buildings in the EU, entered into force on 1 July 2017. As a high-quality cable provider with a range of halogen-free flame retardant (HFFR) building wires in its product portfolio, NKT is well-positioned to serve European markets and meet the elevated product requirements.

The manufacture of fire-retardant cables is associated with higher costs due to a more complex production process, and the result is safer cables for the users. The market understands and accepts the added production complexity, enabling NKT to maintain similar product margins.

In Sweden, where CPR enforcement has been stricter than in some other countries, NKT has received positive customer feedback on cable quality and usability.

Production efficiency a priority:

As a core part of the EXCELLENCE 2020 strategy, NKT has targeted operational excellence to ensure high production efficiency and reduced unit cost. The intention is to further leverage the production network of NKT with a unified approach across borders and product categories.

During 2017, several efficiency and planning initiatives were launched to raise throughput at existing factories. Initial results have been good, and further positive development is expected in the years to come.

In October 2017, NKT entered into a partnership agreement with an external maintenance provider with the target to ensure more efficient production and increase output at company factories.

The power cable market:

NKT operates across voltage levels in the power cable domain with leading positions in the various market segments. Overall, the power cable market - relevant for NKT - can be divided into two segments with diverse characteristics and competitive dynamics:

High-voltage power cables:

Complex projects and solutions in a global market with a continued requirement for investment in R&D. "Made-to-order" solutions with an attractive earnings margin profile, but a higher risk profile on project execution..

Low- and medium-voltage power cables:

Less complex products in a regional market with a more competitive environment. Typically, "made-to-stock" products with differentiated designs from country to country. Demand more correlated with the general macro-economic development compared to the high-voltage market.

New financial reporting structure as of 2018:

From 2018, NKT will change its financial reporting from the current Projects and Products segmentation to comprise three business segments: Solutions (high-voltage), Applications (low- and medium-voltage) and Service & Accessories (a new business line serving these areas across voltage levels).

The Service & Accessories business line has been created to focus and further accelerate growth in these areas which both offer attractive opportunities. The service market will grow as the installed base of power cables increases, added to which the majority of power cables are not currently covered by service agreements. In the accessories area NKT has a broad, innovative product portfolio across voltage levels that can serve as a growth generator in core markets and for expansion into new markets.

Management's review

Operating review

EXCELLENCE 2020

Launched in 2015, EXCELLENCE 2020 is the strategic roadmap by which NKT intends to become the best power cable company in the eyes of customers and employees. EXCELLENCE 2020 is a follow-up to the successful DRIVE programme, completed in 2015. DRIVE was the first phase (Get fit) of the company's strategic journey and focused on reducing costs.

During 2017, NKT embarked on the second phase of the journey (Be excellent). Operational and commercial excellence functions were established and developed across the company to further exploit the value potential. At the same time, the creation of a more focused NKT continued in 2017 with the divestment of the Automotive business.

The EXCELLENCE 2020 strategy consists of must-win battles to be won across the organization and a number of segment initiatives supporting each business segment.

Must-win battles:

In 2017, NKT delivered progress across all four cross-organisational must-win battles, paving the way for increased excellence. With a solid foundation in place NKT will continue to execute on these areas in 2018 and beyond.

Safety, People and Organization:

In 2017, a new target operating model was implemented in NKT aimed at strengthening customer focus and leveraging structural synergies and efficiencies. Three new business lines - Solutions (high-voltage), Applications (low- and medium-voltage) and Service & Accessories - were created and served by cross-company global support functions covering Operations, Technology, Finance and HR. This setup is designed to enable NKT to service its customers more efficiently and drive excellence.

The organizational setup introduced will enable excellence across the organization and ensure that NKT can deliver on the EXCELLENCE 2020 strategy. The new organization will be more efficient and be capable of increasing output and deliver better results by improved ways of working.

The excellence functions such as Supply Chain, Lean, QHSE (Quality, Health, Safety, Environment), Commercial Excellence, Procurement and R&D, have been established to deliver ongoing performance improvements in 2018 and beyond across the group. In 2018, a new shared service centre will be set up in Lithuania to create improved financial processes and a leaner and more efficient structure.

Operational and Commercial Excellence:

To minimize lead times to customers and increase production output NKT is focused on improving manufacturing capabilities through operational excellence. In 2017, Operations continued to improve factory efficiency across geographical markets. Headed by the Chief Operating Officer (COO), the factories are gradually optimizing production and implementing a best practice culture. The COO is responsible for all factories and the supply chain.

Excellence functions which are part of Operations, such as Lean, QHSE and Supply Chain, were further strengthened during 2017.

As part of the journey towards becoming a more customer-centric organization, NKT is continuously seeking to improve customer focus. With this in mind a new Vice President was appointed in 2017 with responsibility for commercial excellence. The dedicated Commercial Excellence function will drive excellence into an improved go-to-market approach.

Material and Product Development:

Innovation is a key territory for NKT in a competitive environment and will ultimately provide customers with more efficient solutions. The establishment of a stronger R&D function is an important enabler to

Management's review

Operating review

maintain technological leadership in the power cable industry. More than 120 R&D engineers, supported by modern testing facilities, are dedicated to supplying customers with tailored, high-quality, cost-efficient solutions.

During 2017, NKT launched the world's first 640 kV extruded DC underground cable system, which had been successfully tested and qualified. This underlined the company's market-leading position in the high-voltage segment. NKT is engaged in ongoing initiatives to develop next-level AC and DC power cables featuring, e.g., different materials and with reduced loss of power.

Digitalization:

In 2017, NKT established a digital hub in Berlin to accelerate and explore new business and service models. The intension is to ensure that NKT remains at the forefront of technological development.

The first digitalization projects have been initiated and will gradually be commercialized. The projects will address customer pain points by using smart and novel solutions. Opportunities will be identified to improve the way NKT operates in certain areas for the benefit of the customers.

Internally, NKT will begin implementing a uniform IT platform to improve data transparency and process automation across factories and geographical markets. The roll-out will be important for supporting the newly established supply chain functions across the company.

Events after the balance sheet date

The Management is not aware of any other subsequent matters that could be of material importance to the Group's financial position.

Financial statements 1 January – 31 December

Income statement

EUR'000	Note	2017	2016
Gross loss		<u>-15,450</u>	<u>-15,284</u>
Staff costs	2	-6,595	-3,797
Impairment of financial assets		<u>-2,890</u>	<u>-16,011</u>
Operating loss		-24,935	-35,092
Results from equity investments in group entities		-10,990	0
Financial income	3	199	5,436
Financial expenses	4	<u>-4,484</u>	<u>-10,525</u>
Loss before tax		-40,210	-40,181
Tax on loss for the year	5	<u>2,199</u>	<u>3,649</u>
Loss for the year		<u><u>-38,011</u></u>	<u><u>-36,532</u></u>
Proposed distribution of loss			
Retained earnings		<u><u>-38,011</u></u>	<u><u>-36,532</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	2017	2016
ASSETS			
Fixed assets			
Property, plant and equipment	6		
Property, plant and equipment in progress		718	0
		<u>718</u>	<u>0</u>
Investments	7		
Equity investments in group entities		755,742	636,252
Receivables from group entities		0	3,356
		<u>755,742</u>	<u>639,608</u>
Total fixed assets		<u>756,460</u>	<u>639,608</u>
Current assets			
Receivables			
Trade receivables		445	359
Receivables from group entities		16,255	14,154
Other receivables		241	6,826
Deferred tax asset		7,070	5,292
Prepayments		22	36
		<u>24,033</u>	<u>26,667</u>
Cash at bank and in hand		<u>664</u>	<u>15,921</u>
Total current assets		<u>24,697</u>	<u>42,588</u>
TOTAL ASSETS		<u><u>781,157</u></u>	<u><u>682,196</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
	8		
Contributed capital		26,939	26,939
Retained earnings		180,091	218,407
Total equity		<u>207,030</u>	<u>245,346</u>
Liabilities			
Current liabilities			
Trade payables		17,019	7,574
Payables to group entities		555,325	427,915
Other payables		1,783	1,361
		<u>574,127</u>	<u>436,850</u>
Total liabilities		<u>574,127</u>	<u>436,850</u>
TOTAL EQUITY AND LIABILITIES		<u><u>781,157</u></u>	<u><u>682,196</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2017	26,939	218,407	245,346
Exchange adjustment	0	-305	-305
Transferred over the distribution of loss	<u>0</u>	<u>-38,011</u>	<u>-38,011</u>
Equity at 31 December 2017	<u><u>26,939</u></u>	<u><u>180,091</u></u>	<u><u>207,030</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of NKT Cables Group A/S for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in of specific provisions for reporting class C.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of NKT Cables Group A/S and group entities are included in the consolidated financial statements of NKT A/S, Vibeholms Allé 20, 2605 Brøndby, CVR no. 62725214.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Differences arising between the rates of exchange on the transaction date and on the date of payment are recognized in the income statement as financial items.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities, including management fees, rental income and gains from the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the Company's staff.

Financial income

Financial income comprises dividends etc received from other investments, interest income, including interest income from receivables from group enterprises, currency gains as well as tax relief under the Danish Tax Prepayment Scheme etc.

Impairment of fixed assets

Impairment of financial assets comprises impairment of investments in subsidiaries.

Financial expenses

Financial expenses comprise interest expenses, including interest expenses from payables to group enterprises, currency losses as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

The Company is covered by the Danish regulations on compulsory joint taxation of the NKT Group's Danish companies.

The parent company NKT A/S serves as the administrative company in a joint taxation arrangement and consequently settles all payments of corporate income tax with the tax authorities.

The current Danish income tax is shared between the jointly taxed companies in proportion to their taxable incomes. Companies with tax losses receive joint contributions from companies that have been able to use these losses to reduce their own taxable incomes.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Investments in group enterprises

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

Receivables

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

Deferred tax

Deferred tax is measured according to the balance-sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward, are recognized under other non-current assets at the expected value of their utilization, either as a set-off against tax on future income or by set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is adjusted for elimination of unrealized intragroup profits and losses.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Financial statements 1 January – 31 December

Notes

EUR'000	<u>2017</u>	<u>2016</u>
2 Staff costs		
Wages and salaries	6,050	3,554
Pensions	534	237
Other	11	6
	<u>6,595</u>	<u>3,797</u>
Average number of full-time employees	<u>34</u>	<u>15</u>
3 Financial income		
Interest income from group entities	162	623
Other	37	4,813
	<u>199</u>	<u>5,436</u>
4 Financial expenses		
Interest expense to group entities	4,483	10,524
Other	1	1
	<u>4,484</u>	<u>10,525</u>
5 Tax on profit/loss for the year		
Current tax for the year	-86	-4,858
Deferred tax for the year	-2,113	1,209
	<u>-2,199</u>	<u>-3,649</u>
6 Property, plant and equipment		
EUR'000		Property, plant and equipment in progress
Cost at 1 January 2017		0
Additions for the year		<u>718</u>
Cost at 31 December 2017		<u>718</u>
Carrying amount at 31 December 2017		<u>718</u>

Financial statements 1 January – 31 December

Notes

7 Investments

EUR'000	Equity investments in group entities	Receivables from group entities	Total
Cost at 1 January 2017	640,147	3,356	643,503
Disposals	-38,196	-3,356	-41,552
Capital contribution	160,576	0	160,576
Cost at 31 December 2017	762,527	0	762,527
Impairment losses at 1 January 2017	-3,895	0	-3,895
Disposals for the year	-2,890	0	-2,890
Impairment losses at 31 December 2017	-6,785	0	-6,785
Carrying amount at 31 December 2017	755,742	0	755,742

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
			EUR'000	EUR'000
Subsidiaries:				
NKT Denmark a/s	Denmark	100%	75,286	-983
NKT cables group GmbH	Germany	100%	483,687	14,224
NKT s.r.o.	Czech Republic	100%	39,484	1,172
NKT Espana SL	Spain	100%	293	13
NKT Ultera a/s	Denmark	100%	77	-23
NKT Australia Pty Ltd	Australia	100%	4,684	-454
NKT Sweden AB	Sweden	100%	18,110	1,060
Unique Vantage Ltd.	China	100%	-1,886	-130
			619,735	14,879

The figures above are stated in accordance with IFRS and are based on the enterprises' internal reporting to NKT cables group a/s adjusted for amortisation of goodwill, where relevant.

The disclosures above may therefore differ significantly from the financial statements published by the companies concerned, which are presented in accordance with local accounting standards.

8 Equity

The contributed capital consists of 200.001 shares of a nominal value of EUR 13 each.

All shares rank equally.

Financial statements 1 January – 31 December

Notes

9 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly registered for VAT purposes with NKT (Denmark) a/s, nkt cables Ultera a/s and NKT A/S and is jointly liable for VAT liabilities.

The Entity participates in a Danish joint taxation arrangement in which NKT A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

EUR'000	2017	2016
Other contingent liabilities towards Parent and subsidiaries	<u>0</u>	<u>80,300</u>

10 Related party disclosures

NKT Cables Group A/S' related parties comprise the following:

Control

NKT A/S, Vibeholms Allé 20, 2605 Brøndby

NKT A/S holds the majority of the contributed capital in the Company

NKT Cables Group A/S is part of the consolidated financial statements of NKT A/S, Vibeholms Allé 20, 2605 Brøndby.