

NKT Ultera A/S

Toftegårdsvej 25
4550 Asnæs

Annual report
1 January 2016 - 31 December 2016

**The annual report has been presented and
approved on the company's general meeting the**

30/05/2017

Morten Bang
Chairman of general meeting

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Company information

Reporting company NKT Ultra A/S
Toftegårdsvej 25
4550 Asnæs

CVR-nr: 15515880
Reporting period: 01/01/2016 - 31/12/2016

Auditor Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S
DK Denmark
CVR-nr: 33963556
P-number: 1017192430

Statement by Management

The Board of Directors and the Management have today considered and approved the annual report of NKT Ultra A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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

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

Brøndby, the 30/05/2017

Management

Jørgen Janus Roijer Hillerup
Director

Detlev Waimann

Board of directors

Michael Hedegaard Lyng
Chairman

Jørgen Janus Roijer Hillerup

Roland Munkerod Andersen

The independent auditor's report on financial statements

To the shareholders of NKT Ultra A/S

Opinion

We have audited the financial statements of NKT Ultra A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management 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.

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

Auditor's responsibility

Our objectives are to obtain reasonable assurance about 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 taken 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 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.
- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 in 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, 30/05/2017

Lars Siggaard Hansen
State-Authorised Public Accountant
Deloitte Statsautoriseret
Revisionspartnerselskab
CVR: 33963556

Bjarne Iver Jørgensen
State-Authorised Public Accountant
Deloitte Statsautoriseret
Revisionspartnerselskab
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Management's Review

Purpose

The company has a development collaboration with the U.S. cable manufacturer Southwire Company. The purpose of the collaboration is to develop and market superconducting cable systems in collaboration with academic and industrial partners.

Summary 2016

The product "HTS Triax® FCL Cable" transmits high power at low voltage with the functionality to limit fault currents in the event of failures in the electric grid. It has been manufactured and shipped to the U.S.A. The system has not yet been installed due to continued re-negotiations regarding the projects financing. The expected installation date is now in 2018.

Ultera's test system at the "Bixby Substation" in Columbus, OH, has been removed after a successful conclusion of the testing and evaluation. The larger grid components such as transformer and breakers have been sold to American Electric Power co. The 200 m long superconducting cable has been sent for recycling of the metals.

The Dutch grid operator Tennet has started a tendering procedure for sourcing, installing and operating a 3.4 km long 110 kV HTS cable system in Enschede, N.L., if certain budget targets can be met. Ultera has started a technical and economical investigation together with strategic component suppliers regarding an optimal product offering for this application.

Expectations for 2017

The development project "Installation and commissioning of the new cable type HTS Triax® FCL Cable" to ConEd in New York together with AMSC is put on hold until further notice from the customer. Ultera's deliveries have been invoiced and paid and there is therefore no economical risk for Ultera regarding this project.

In the U.S., the Department of Homeland Security is looking to support a 5 km installation in a major American city, using AMSC Co as a main contractor. AMSC has named the competitor Nexans as preferred cable supplier for this project. This reduces the company's chances of profitable sales in the U.S. in 2017.

There are opportunities for commercial sales in Europe on a continued limited scale. The company plans an upgrade of the product portfolio to 110 kV in response to these opportunities, in particularly targeting a project with Tennet.

There is in addition a potential for technology licensing based on the company's patent portfolio.

No need for capital contribution is expected in 2017.

Events after the balance sheet date

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

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B. There have been options of certain rules in reporting class C.

The financial statements are presented in EUR.

The accounting policies applied for these financial statements are consistent with those applied 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 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 date 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.

Income statement

Other external expenses

Other external expenses include expenses to the Company's ordinary activities. Development cost is recognised in the income statement when paid and is part of other external expenses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises and currency gains.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, and currency losses.

Income taxes

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.

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

The parent company NKT Holding A/S is the administrative company for the joint taxation scheme 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.

Balance sheet

Receivables

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

Cash

Cash comprises bank deposits.

Other financial liabilities

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

Income statement 1 Jan 2016 - 31 Dec 2016

	Disclosure	2016 EUR	2015 EUR
Other external expenses		-90,885	-67,620
Gross Result		-90,885	-67,620
Profit (loss) from ordinary operating activities		-90,885	-67,620
Other finance income	1	4,586	25,722
Other finance expenses	2	-20,296	-14,075
Profit (loss) from ordinary activities before tax		-106,595	-55,973
Tax expense		23,569	14,418
Profit (loss)		-83,026	-41,555
Proposed distribution of results			
Retained earnings		-83,026	-41,555
Proposed distribution of profit (loss)		-83,026	-41,555

Balance sheet 31 December 2016

Assets

	Disclosure	2016	2015
		EUR	EUR
Receivables from associates		93,677	188,472
Receivables	3	93,677	188,472
Cash and cash equivalents		943	26
Current assets		94,620	188,498
Total assets		94,620	188,498

Balance sheet 31 December 2016

Liabilities and equity

	Disclosure	2016 EUR	2015 EUR
Contributed capital	4	161,306	161,306
Retained earnings		-68,165	13,517
Total equity		93,141	174,823
Trade payables		1,479	2,953
Payables to associates		0	10,722
Short-term liabilities other than provisions, gross		1,479	13,675
Liabilities other than provisions, gross		1,479	13,675
Liabilities and equity, gross		94,620	188,498

Statement of changes in equity 1 Jan 2016 - 31 Dec 2016

	Contributed capital	Retained earnings	Total
	EUR	EUR	EUR
Equity, beginning balance	161,306	13,517	174,823
Profit (Loss)		-83,026	-83,026
Revaluations		1,344	1,344
Equity, ending balance	161,306	-68,165	93,141

Disclosures

1. Other finance income

	2016	2015
	EUR	EUR
Exchange rate adjustments	4,586	25,722
	<u>4,586</u>	<u>25,722</u>

2. Other finance expenses

	2016	2015
	EUR	EUR
Financial expenses from group enterprises	2,473	11,215
Exchange rate adjustments	17,823	2,860
	<u>20,296</u>	<u>14,075</u>

3. Receivables

The company owns a 50% stake in the partnership, Ultera GP, which is based in Georgia, USA. The GP has a profit and equity of EUR 0.

4. Contributed capital

Share capital of DKK 1.200.000 is divided into shares of DKK 100 or multiples thereof.

	EUR
Changes in share capital the last 5 years:	
Share capital 2012.01.01.	147,906
Increase 2015, capital increase	13,400
Share capital, end of year	<u>161,306</u>

5. Disclosure of contingent liabilities

The Company is jointly registered for VAT purposes with NKT (Denmark) A/S, NKT Cables Group A/S and NKT Holding A/S and is jointly liable for VAT liabilities. The company is part of a Danish joint taxation with NKT Holding A/S as a management company and liable therefore according to the corporate tax Act rules to that effect from the financial year 2013 for income taxes, etc. for the jointly taxed enterprises and from and with 1. July 2012 also for any obligations to bear the withholding tax on interest, royalties and dividends for these companies.

6. Disclosure of ownership

Ownership

The company has registered the following shareholders holding more than 5% of the voting rights or nominal value:

NKT Cables Group A/S, Vibeholms Allé 25, 2605 Brøndby.

The company is wholly owned by NKT Holding A/S, Vibeholms Allé 25, 2605 Brøndby

Related parties

Information on transactions with related parties has been omitted with reference to the Danish Financial Statements Act 70, as it is included in the consolidated accounts of NKT Holding A/S.

Group relations

Included in the consolidated financial statements of: NKT Holding A/S, Vibeholms Allé 25, 2605 Brøndby.