NKT (Denmark) A/S

Toftegårdsvej 25
4550 Asnæs

Annual Report
1 January 2016 – 31 December 2016

The annual report has been presented and approved on the Entity’s general meeting

30 May 2017

Chairman of the general meeting:

Morten Bang

Content

Entity details

Reporting Entity

NKT (Denmark) A/S	Phone:	+45 59661234
Toftegårdsvej 25	Fax:	+45 59661235
4550 Asnæs	E-mail:	info.dk@nkt.com
	Website:	www.nkt-dk.com

Registration/CVR-No:	25 71 15 48
Established:	9 November 2000
	Asnæs, the City of Odsherred
Reporting period:	01.01.2016 – 31.12.2016

Board of Directors

Roland Munkerod Andersen, (Chairman) CFO at NKT CABLES GROUP A/S
Jørgen Janus Roijer Hillerup, VP Group Legal at NKT A/S
Frida Mari Norrboom Sams, Director, NKT (Denmark) A/S

Niels-Henrik Dreesen, Dept. Manager, Maintenance, Employee elected member
Jimmi Bøje Nielsen, Machine Operator, Employee elected member

Board of Management

Dietmar Müller, Director
Frida Mari Norrboom Sams, Director
Jens Christian Nielsen, Director

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S,
Denmark

Statement by Management

The Board of Directors and the Board of Management have today considered and approved the Annual Report of NKT (Denmark) A/S for the financial year 1 January – 31 December 2016**.**

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 Entity's assets, liabilities and financial position at 31 December 2016 and the results of the Entity's operations for the financial year 1 January – 31 December 2016.

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

We recommend that the Annual Report for adaption at the annual general meeting.

Brøndby, 30 May 2017

Management:

Dietmar Müller	Frida Mari Norrbom Sams	Jens Christian Nielsen

Board of Directors:

Roland Munkerod Andersen Chairman	Jørgen Janus Roijer Hillerup	Frida Mari Norrbom Sams
Niels-Henrik Dreesen	Jimmi Bøje Nielsen	

The independent auditor’s report

To the shareholders of NKT (Denmark) A/S

Opinion

We have audited the financial statements of NKT (Denmark) 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.

Management's responsibilities 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.

The independent auditor’s report

Auditor’s responsibilities for the audit of the financial statements

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.

The independent auditor’s report

- 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

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Siggaard Hansen	Bjarne Iver Jørgensen
State-Authorised	State-Authorised
Public Accountant	Public Accountant

Management’s review

Financial Highlights

	2016 EUR’000	2015 EUR’000	2014 EUR’000	2013 EUR’000	2012 EUR’000
Key figures					
Revenue	115.308	137.822	137.360	201.749	188.687
Gross Profit	23.414	27.684	28.332	29.203	30.697
Earning before interest and tax (EBIT)	254	5.323	4.874	(460)	3.323
Financial items	(1.085)	(1.438)	(749)	(129)	265
Profit/loss for the year	(739)	2.986	3.118	(458)	2.798
EBIT margin	0,2	3,0	4,0	0,0	2,0
Revenue / Invested capital incl. goodwill	2,3	2,8	2,4	3,6	3,4
Return on Invested Capital (ROIC)	0,5	11,4	9,1	0,1	6,3
Equity ratio (%)	37,8	45,4	46,0	43,2	52,8
Equity	72.846	73.787	70.769	67.763	67.910
Total assets	192.889	162.649	153.863	156.996	128.703
Avg. Invested capital including goodwill	49.540	49.068	56.763	56.060	56.194
Net interest-bearing debt (NIBD)	24.633	22.921	23.500	1.507	22.046
Investments in tangible fixed assets	3.341	1.636	1.946	1.415	3.580

Key ratios are defined and calculated in accordance with the Danish Financial Analyst Association's "Anbefalinger & Nøgletal 2015".

Other definitions:		Formular:	Ratio express:
Revenue / Avg.invested capital incl. goodwill (%)	=	$\frac{\text{Revenue}}{\text{Avg.invested capital incl. goodwill}}$	Express the number of times the invested capital turns per year
Return on Invested Capital (ROIC)	=	$\frac{\text{EBIT}}{\text{Avg. Invested capital}}$	Express the return of investors capital
Equity ratio (%)	=	$\frac{\text{Total Equity}}{\text{Total assets}}$	Express the financial strength of the Entity
Avg. Invested capital including goodwill	=	$\frac{(\text{Equity-NIBD})^{\text{Dec16}} + (\text{Equity-NIBD})^{\text{Dec15}}}{2}$	Shows investors average invested capital

Vision/Mission

NKT (Denmark) A/S develops, manufacture and promote low-, middle- and high voltage cables, building wire cables and services related to these products. Scrapping of old cables is part of the business and support sustainability and environment.

The Entity supplies various customers within the energy sector, railway sector as well as building constructions and pursue the European market.

2016 key events

Profit & Loss
The result for the year (EBIT) ended at 0.3mEUR versus prior year of 5.3mEUR. The result is slightly lower than expected due to lower revenue to domestic customers as well as an increase in general cost.

Working Capital
The working capital increased mainly due to higher inventories. Both receivables and payables shows an increase which is related to ongoing projects.

Capital expenses
During the year there has been capitalized 3.3mEUR mainly in production equipment to be used in future optimization and efficiency.

Activities during 2016

In general the activities within the construction sector have had a positive impact on the Entity driven mainly by the Swedish market. The domestic market shows only little growth.

- NKT (Denmark) A/S have developed it's own drum system (Qaddy^{TM}) for building wire. The drums will ease the work for the users in the construction areas. The drum system was introduced in 2014 to the Nordic markets and is part of the positive development in selected markets.
- The domestic utility segment showed a slow-down due to less cable projects being carried through. The UK utility market was in 2016 less favourable as the Entity have had delivery constraints for selected cables causing less revenue on the UK market.

- In 2016 there was continued focus on the synergies between various locations and the plant in Falun which was acquired during 2013.
- For the subsidiaries in both Norway and Poland the development and earnings have been at the expected and satisfactoring level

Employees – policies and target for the under-represented gender

By the end of 2016 the Entity employed 294 which is 10 more that by the end of 2015. The company maintain and develop the employees via internal and external courses.

With reference to Danish Financial Statements Act section 99b using the derogation clause and refer to the 2016 Financial Statements for NKT A/S:
Page 41-43 - http://www.nkt.dk/media/99429/NKT-2016-Annual-Report.pdf

Corporate social responsibility (CSR)

With reference to Danish Financial Statements Act section 99a using the derogation clause and refer to the 2016 Financial Statements for NKT A/S:
http://www.nkt.dk/media/99429/NKT-2016-Annual-Report.pdf

Environment

The Entity is ISO14001 and OHSAS18001 certified. In general pollution from the manufacturing activities are low and CO2-emission is being reduced and CO2-footprint is evaluated with future capital expenditures. A “Safe first” program was introduced during 2016 in order to focus on and reduce accidents in the work environment. The Entity has a close contact to authorities in order to fulfill local requirements for the environment. There are no outstanding injunctions from authorities.

Research & Development

Business critical certificates are maintained in order to secure future supplies to specific geographical markets.

A new coordinated EU standard was published in 2015 that will become mandatory on 1 July 2017. The new standard concerns fire classification and test methods for cables used in buildings. During 2016 the company has developed and tested new cable types according to the new standard.

Risk management

The goal for the Risk Management is to identify, assess and prioritise risks followed by suitable reactions that mitigate, reduce or control the impact of unfortunate events. At NKT (Denmark) A/S risk management is a value adding tool to raise awareness of risks and to focus on steering the business in the best way on a day-to-day basis and in line with the strategy.

At NKT (Denmark)' the main revenue streams origin from separate markets with independent market dynamics. This provides a natural spread of risk. The Projects segment - driven by major infrastructure developments - is to a large extent decoupled from the short-term developments of the general economy, whereas sales in the Product segment is closely linked to cyclical construction activities.

Metal- and currency risk is measured and hedge accordingly.

2017 Outlook

The 2017 outlook for the company is in line with the parent company. The revenue is expected to have organic growth of approx. 0-5% and EBITDA is expected to growth 5-10%. For additional information om market trends etc. pls. refer to refer to the 2016 Financial Statements for NKT A/S: *Page 21 -http://www.nkt.dk/media/99429/NKT-2016-Annual-Report.pdf*

Events after the balance sheet date

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

2016 Financials

Profit and Loss

The total revenue ended at 115.3mEUR of which the export amounts to 62.3mEUR and thus showing a slightly higher share that prior year. The higher export share is due to a diminishing domestic sales. "Work in progress" is down with 5.2mEUR for 2016 versus end 2015 and is due to less work in progress related to "Construction contracts".

Other cost, including Staff cost has increased versus prior year mainly due to an increase in staff.

Profit/loss for the year ended at -0.7mEUR versus 3.0 mEUR in 2016 as a result of lower revenue and associated margin.

Balance Sheet

As of December 31, 2016, total assets amounts to 192.9mEUR, which is an increase versus end 2015 of 30.2mEUR. Inventories increased with 7.5mEUR and pre-payments made under construction contracts increased with 29.3mEUR. Fixed Assets and Trade receivables are at the same level as previous year.

Investments in subsidiaries are unchanged versus end 2015.

Trade Payables increased with 10.1mEUR ending at 30.3mEUR. Pre-payments from customers increased with 20.6mEUR related to Constructions contracts.

Equity

The Equity is influenced by “Profit/loss for the year” as well as changes in the effective portion of the fair value of derivative financial instruments, which are recognised in a separate hedging reserve under equity.

Accounting policies

The annual report has been prepared in accordance with the regulation applying to 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.

Consolidated financial statements

Referring to section 112 (1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The Entity is included in the consolidated financial statement for NKT A/S.

Recognition and measurement in general

Assets are recognized 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 recognized 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 of invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized 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 on 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

Accounting policies

payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the Entity has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedges

Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying for recognition as a fair value hedge of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or hedged liability. Apart from foreign currency hedging, hedging of future payment flows according to a firm commitment is treated as fair value hedging.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Cash flow hedges

Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future payment flows are recognised in other comprehensive income in a separate hedging reserve under equity until the cash flows hedged influence the income statement. Gains or losses relating to such hedging transactions are then transferred from other comprehensive income and recognised in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognised in other comprehensive income is transferred to the income statement when the hedged cash flows influence the income statement.

Accounting policies

If the hedged cash flows are no longer expected to be realised, the cumulative change in value is immediately transferred to the income statement.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Other derivative financial instruments

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised under financial items as they arise.

Income statement

Revenue

Revenue from sales of goods for resale and finished goods is recognised in the income statement when supply and transfer of risk to the buyer have taken place and the income can be reliably measured and is expected to be received.

Revenue from services which include service packages and extended warranties relating to products and contracts is recognised concurrently with the supply of those services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in the revenue.

Construction contracts with a high degree of individual adjustment are recognised as revenue by reference to the percentage of completion. The revenue therefore corresponds to the sales price of work performed during the year (the percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, the revenue is recognised only to the extent that costs incurred are likely to be recoverable.

Accounting policies

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprises changes in these items which correspond to staff costs and other costs charged to the income statement during the year and which relate directly or indirectly to the cost of the items stated in the balance sheet.

Work performed by the Group and capitalized

Work performed by the Entity and capitalized comprises income which corresponds to staff costs and other costs charged to the income statement during the year and which relate directly or indirectly to the cost of non-current assets of own manufacture.

Other operating income

Other operating income is recognized in the income statement as they are earned.

Costs of raw materials, consumables and goods for resale

Costs of raw materials, consumables and goods for resale refer to acquisitions and changes during the year in relevant inventory levels, including shrinkage, waste production and any write downs for obsolescence.

Other costs

Other costs comprise external costs relating to production, sale and administrations, as well as losses on disposal of tangible and intangible assets. Losses on disposal of tangible assets are determined as the selling price less selling costs and the carrying amount at the time of sale. Write downs of receivables form sales are also included.

Staff costs

Staff costs comprise wages and salaries, pensions for the Entity’s employees.

Accounting policies

Depreciation and write down

Depreciation, amortisation and impairment comprise amortisation of intangible assets, depreciation of property, plant and equipment, and impairment charges for the year.

Income from investments in subsidiaries

Income from investments in subsidiaries are recognized in the financial year in which the dividend is declared.

Financial income and expenses

Financial income and expenses comprises interest income and expenditure, gains and losses on securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities.

Tax

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

The parent company NKT 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 tax 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 recognized in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognized directly in equity.

Accounting policies

Balance sheet

Intangible assets

Intellectual property rights, etc. includes ongoing and completed development projects and software with associated intellectual property rights, acquired intellectual property rights and prepayments for intangible fixed assets.

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential market or internal utilisation can be demonstrated, and where it is intended to manufacture, market or utilise the project, are recognised in intangible assets, provided the costs can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of raw materials, consumables and goods for resale, staff costs, other costs and amortisation, and also the development costs. Other development costs are expensed in the income statement as incurred.

Capitalised development projects are measured at cost less accumulated amortisation and impairment losses. The cost includes wages, amortisation and other costs relating to the Entity's development activities.

Intangible assets are amortised on a straight-line basis over the expected useful life which is:

Software	5 years
Development projects	5 - 10 years

On completion of the development work, development projects are amortised on a straight-line basis over their estimated useful life from the date the asset is available for use. The basis of amortisation is reduced by impairment losses.

Property, plant and equipment

Land and buildings, production plant and machinery, fixtures and fittings, and other plant and equipment, are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time as the asset is ready for use. The cost of self-constructed assets comprises costs of materials, components, subcontractors and wages. The cost is supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilised.

The cost of assets held under finance leases is stated at the fair value of the assets or the present value of the future minimum lease payments, whichever is the lower. For calculation of the present value, the interest rate implicit in the lease or the Group’s alternative rate of interest is applied as the discount rate.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Group. The carrying amount of the replaced parts is recognised in the balance sheet and recognised in the income statement. All other costs relating to ordinary repair and maintenance are recognised in the income statement as incurred.

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is effected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	10-25 years
Plant and machinery	8-15 years
Fixtures, fittings and equipment	4-8 years

Land is not depreciated.

The basis of depreciation is calculated according to the residual value less impairment losses. The residual value is determined at the acquisition date and reviewed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Accounting policies

Property, plant and equipment under construction and prepayments therefore are measured at cost. When ready for use the asset is transferred to the relevant category and depreciated.

Investments in associates

Investments in associates are measured at cost. When the recoverable amount is lower than cost, write down is made to the recoverable amount.

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 by 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.

Inventories

Inventories are measured at cost in accordance with the FIFO method or at a weighted average. If the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at costs, comprising purchase price plus delivery costs.

Accounting policies

Finished goods and work in progress are measured at costs, which comprises costs of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management. In the case of qualifying assets, specific and general borrowing costs directly relating to production of the relevant asset are recognised in the costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortized cost less write down for bad and dubious debts.

Work performed associates to Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts are characterised by a high degree of individualisation in the design of the goods produced. It is furthermore a requirement that before commencement of the work a binding contract is signed that will result in fine or compensation in case of subsequent cancellation.

The contract value is measured according to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an assessment of the work performed, normally calculated as the ratio of expenses incurred to total anticipated expenses relating to the contract concerned.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the contract value is measured as the costs incurred which are likely to be recoverable.

Accounting policies

Where the contract value of work performed exceeds progress billings and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the contract value of a construction contract, the deficit is recognised in trade payables and other liabilities.

Costs relating to sales work and securing contracts are recognised in the income statement as incurred unless they are directly attributable to a specific contract and it is probable at the time the costs are occurred that the contract will materialise.

Prepayments

Prepayments recognized under assets include incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash at bank and in hand

Cash and cash equivalents comprise cash and bank balances.

Interest-bearing loans

Payables to credit institutions, etc. are recognised at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods the financial liabilities are measured at amortised costs using 'the effective interest method', the difference between the proceeds and the nominal value therefore being recognised in the income statement under financial expenses over the term of the loan.

Financial liabilities

Financial liabilities are recognized initially at the proceeds received net of transaction expenses incurred. In subsequent periods the liabilities are measured at amortized cost.

Other financial liabilities are measured at net realizable value.

Prepayments from customers

Received prepayments from customers include amounts received from customers prior to delivery.’

Cash flow Statement

According til section 86(4) of the Danish Financial Statements Act, a cash flow statement has not been prepared.

Income statement 1 January 2016 – 31 December 2016

	Notes	2016 EUR'000	2015 EUR'000
Revenue	1	115.308	137.822
Changes in inventories of finished goods, work in progress and goods for resale		(5.235)	3.267
		110.073	141.089
Work performed for an account and capitalised		100	122
Other operating income		210	1.575
Costs of raw materials, consumables and goods for resale		(70.927)	(101.267)
Other external costs		(16.042)	(13.835)
Gross profit/loss		**23.414**	**27.684**
Staff costs	2	(19.717)	(18.800)
Earnings before interest, tax, depreciation (EBITDA)		**3.697**	**8.884**
Depreciation, amortisation and impairment losses, property, plant, equipment and intangible assets	3	(3.443)	(3.561)
Earnings before interest and tax (EBIT)		**254**	**5.323**
Income from investments in group enterprises		214	238
Other financial income	4	236	8
Other financial expenses	5	(1.535)	(1.684)
Earnings before tax		**(831)**	**3.885**
Tax on profit/loss from ordinary activities	6	92	(899)
Profit/loss for the year		**(739)**	**2.986**

Proposed distribution of profit/loss		
Retained earnings	(739)	2.986
	(739)	**2.986**

Balance sheet 31 December 2016

	Notes	2016 EUR'000	2015 EUR'000
Acquired concessions, patents, licenses, trademarks and similar rights		97	276
Completed development projects		25	68
Development projects in progress and prepayments		423	159
Intangible assets	7	**545**	**503**
Land an buildings		3.938	4.185
Plant and machinery		12.065	12.306
Other fixtures, fittings, tools and equipment in progress		1.972	1.661
Property, plant and equipment in progress		164	440
Tangible assets	8	**18.139**	**18.592**
Investments in group enterprises	9	20.213	20.213
Deferred assets	10	365	275
Fixed asset investments		**20.578**	**20.488**
Fixed assets		**39.262**	**39.583**
Inventories	11	**27.838**	**20.382**
Trade receivables		12.488	13.368
Work performed associated to construction contracts	12	7.945	4.147
Receivables from group enterprises		71.824	74.238
Other receivables		646	6.544
Prepayments	13	32.875	4.336
Total receivables		**125.778**	**102.633**
Cash at bank and in hand		**11**	**51**
Total current assets		**153.627**	**123.066**
Total assets		**192.889**	**162.649**

Balance sheet 31 December 2016

	Notes	2016 EUR'000	2015 EUR'000
Share capital	14	31.201	31.201
Reserves		(180)	22
Retained comprehensive income		41.825	42.564
Total equity		**72.846**	**73.787**
Interest-bearing loans	15	41.930	45.499
Non-current liabilities other than provisions		**41.930**	**45.499**
Interest-bearing loans		3.803	3.802
Prepayments from customers		29.506	8.954
Trade payables		30.282	20.175
Trade payables from group enterprises		4.544	1.656
Other payables	16	9.978	8.776
Current liabilities other than provisions		**78.113**	**43.363**
Liabilities other than provisions		**120.043**	**88.862**
Total equity and liabilities		**192.889**	**162.649**

Contingent liabilities	17
Derived financial instruments	18
Notes, not referred to in the accounts	19

Statement of change in equity for 2016

	Contributed capital EUR'000	Reserves for derived financial instruments EUR'000	Retained earnings EUR'000	Total EUR'000
Equity beginning of year	31.201	22	42.564	73.787
Value adjustment of hedging instruments	0	(202)	0	(202)
Retained earnings	0	0	(739)	(739)
Equity end of year	**31.201**	**(180)**	**41.825**	**72.846**

Share capital has been unchanged for the last 5 years.

Notes

	2016 EUR'000	2015 EUR'000
1. Revenue		
Domestic	53.054	69.149
Abroad	62.254	68.673
	115.308	**137.822**
In net sales, the production value of current contracts is included with	**0**	**5.691**
2. Staff costs		
Wages and salaries	17.723	16.890
Pensions	1.778	1.671
Social costs	216	239
	19.717	**18.800**
Remuneration to the Entity's Executive Board	795	532
Number of employees at year end	294	284
Average number of employees	283	275
3. Depreciation of property, plant, equipment and intangible assets		
Land and buildings	415	395
Manufacturing plant and machinery	2.111	2.229
Software	179	209
Development	43	74
Fixtures, fittings, tools and machinery	695	654
	3.443	**3.561**
4. Financial income		
Interest	**236**	**8**

Notes

	2016 EUR'000	2015 EUR'000
5. Financial expenses		
Interest	1.057	1.198
Interest to group enterprises	143	256
Exchange rate loss	335	230
	1.535	**1.684**
6. Tax on operations		
Joint taxation contribution for the year	(44)	499
Changes related to previous years	176	127
Changes in deferred tax for the year	(224)	273
	(92)	**899**

	Software EUR'000	Development projects completed EUR'000	Development projects in progress including prepayments EUR'000
7. Intangible assets			
Cost at 1 January	5.339	371	159
Additions	0	0	264
Disposals	0	0	0
Transferred to (from) other items	0	0	0
Cost at 31 December	**5.339**	**371**	**423**
Depreciations at 1 January	(5.063)	(303)	0
Disposals	0	0	0
Depreciations for the year	(179)	(43)	0
Depreciations at 31 December	**(5.242)**	**(346)**	**0**
Carrying amount at 31 December	**97**	**25**	**423**

Notes

	Land and buildings EUR'000	Manufacturing plant and machinery EUR'000	Fixtures, fittings, tools and equipment EUR'000	Property, plant and equipment under construction including prepayments EUR'000
8. Tangible assets				
Cost at 1 January	21.487	80.254	4.085	440
Additions	168	1.563	1.006	164
Disposals	0	(760)	(847)	0
Transferred to (from) other items	0	440	0	(440)
Cost at 31 December	**21.655**	**81.497**	**4.244**	**164**
Depreciation at 1 January	(17.302)	(67.948)	(2.424)	0
Depreciation for the year	(415)	(2.111)	(695)	0
Disposals	0	627	847	0
Depreciation at 31 December	**(17.717)**	**(69.432)**	**(2.272)**	**0**
Carrying amount at 31 December	**3.938**	**12.065**	**1.972**	**164**

Notes

	2016 EUR’000	2015 EUR’000
9. Investments in associates		
Cost at 1 January	20.213	20.213
Cost at 31 December	**20.213**	**20.213**

	Registered in	Corporate Form	Equity interest/ Ownership	Equity EUR’000	Profit/loss EUR’000
nkt cables S.A.	Poland	S.A.	100%	14.053	1.485
nkt cables as	Norway	As	100%	5.745	893
nkt cables Ltd.	Great Britain	Ltd.	100%	240	59

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.

	2016 EUR’000	2015 EUR’000
10. Deferred tax		
Deferred tax at 1 January	275	682
Correction to deferred/actual tax current year	(176)	(127)
Adjustment of deferred tax for the year	224	(273)
Adjustment of deferred tax on equity for the year	42	(7)
Deferred tax at 31 December	**365**	**275**

Deferred tax is primary related to intangible, fixed assets and work performed for other companies.

Notes

	2016 EUR'000	2015 EUR'000
11. Inventories		
Raw materials and consumables as well as merchandise	9.598	7.376
Work in progress	3.417	3.012
Finished goods	14.823	9.994
	27.838	**20.382**

12. Work performed for other companies		
Sales value of construction contracts	142.590	81.137
On account invoiced on construction contracts	(134.645)	(76.990)
	7.945	**4.147**

13. Prepayments		
Prepaid on construction contracts	32.442	3.185
Other costs	433	1.151
	32.875	**4.336**

14. Share capital

The share capital is DKK 232,000,000 divided into 232,000 shares each with a nominal value of DKK 1,000 – or multiple thereof.

15. Interest-bearing loans		
Interest-bearing loans of this:		
1 – 5 years	15.750	15.730
> 5 years	26.180	29.769
	41.930	**45.499**

Notes

	2016 EUR'000	2015 EUR'000
16. Other payables		
VAT and other taxes	742	238
Holiday pay	2.522	2.394
Wages, salaries and withholding taxes	1.488	1.492
Returnable drums	4.505	4.494
Financial derivates	0	5
Other	721	153
	9.978	**8.776**

	2016 EUR'000	2015 EUR'000
17. Contingent liabilities		
Rental obligations relating to rent, IT equipment and cars	3.477	4.460
Of which for payment within 1 year	994	1.163
Book value of assets provided for collateral for credit institutions:		
Land and buildings	3.385	3.599
Manufacturing plant and machinery	11.428	11.850
Obligations secured by collateral of assets	**14.813**	**15.449**

The Entity is jointly registered for VAT purposes with nkt cables Ultera a/s, nkt cables group 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.

The Entity is a party to an arbitration case, whose outcome is not expected to affect the profit for the year and when assessing the financial position.

Notes

18. Derived financial instruments

As per 31 December 2016 there are forward foreign exchange transactions hedges the Entity's commercial currency exposure within the agreed currency policy and metal futures to hedge future metal.

	Fair value of the hedges 31.12.2016 EUR'000	Unrea-lised gain(+)/ losses (-) EUR'000
Forward foreign exchange transactions are expensed in the income statement	9.466	(60)
Metal futures transactions are recognized in the income statement	3.014	203
Included in the income statement		**143**
Forward foreign exchange transactions: hedging of future cash flows	763	(58)
Metal futures: hedging of future cash flows	1.723	(173)
Included in equity		**(231)**
Total		**(88)**

Value adjustments regarding hedging of future cash flows are recognized directly in equity.

Notes

	2016 EUR'000	2015 EUR'000

19. Notes, not referred to in the accounts

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 A/S.

Fees to auditors elected by the general meeting

	2016 EUR'000	2015 EUR'000
Audit	**53**	**53**
Other Services	8	24
	61	77
Overprovided in 2015	**(34)**	**0**

Part of a Group

With reference to Danish Financial Statements Act section 71 note the financial statements are incorporated in the 2016 consolidated Financial Statements for NKT A/S (Central Business Registration No: 62725214). With reference to Danish Financial Statements Act section 112 para 1 no consolidated Financial Statements are issued for NKT (Denmark) A/S.

Owner	**Located in**	**Share capital**
NKT CABLES GROUP A/S	Brøndby	100%

Subsidiaries

* Subsidiary

nkt cables S.A.	Poland	100%
* nkt cables Warszowice Sp. z o.o.	Poland	100%
nkt cables as	Norway	100%
nkt cables Ltd	Great Britain	100%