NKT (Denmark) A/S

Toftegaardsvej 25
4550 Asnæs
Denmark

CVR no. 25 71 15 48

Annual report 2017

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

31 May 2018

Jørgen Janus Roijer Hillerup
chairman

Contents

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 (Denmark) 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 development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Asnæs, 31 May 2018
Executive Board:

Dietmar Müller Director	Frida Mari Norrbom Sams Director	Jens Christian Nielsen Director

Board of Directors:

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

Independent auditor's report

To the shareholder of NKT (Denmark) A/S

Opinion

We have audited the financial statements of NKT (Denmark) 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

Entity details

Company details

NKT (Denmark) A/S
Toftegaardsvej 25
4550 Asnæs
Denmark

Telephone:	+45 5966 1234
Fax:	+45 5966 1235
Website:	www.nkt-dk.com

CVR no.	25 71 15 48
Established:	9 November 2000
Registered office:	Asnæs, The city of Odsherred
Financial year:	1 January – 31 December

Board of Directors

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

Executive Board

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

Auditor

Deloitte
Weidekampsgade 6
2300 Copenhagen S
Denmark

Management's review

Financial highlights

EUR'000	2017	2016	2015	2014	2013
Key figures					
Revenue	136,172	115,308	137,822	137,360	201,749
Gross profit/loss	23,584	23,414	27,684	28,332	29,203
Ordinary operating profit/loss	-91	254	5,323	4,874	-460
Financial items	-378	-1,085	-1,438	-749	-129
Profit/loss for the year	617	-739	2,986	3,118	-458
Avg. invested capital including goodwill	53,785	49,540	49,068	56,763	56,060
Total assets	171,307	192,889	162,649	153,863	156,996
Equity	73,610	72,846	73,787	70,769	67,763
Investment in property, plant and equipment	1,154	3,341	1,636	1,946	1,415
Net interest-bearing debt (NIBD)	-16,907	-24,633	-22,921	-23,500	-1,507
Ratios					
Return on invested capital	-0.2%	0.5%	11.4%	9.1%	0.1%
Equity ratio	43.0%	37.8%	45.4%	46.0%	43.2%
Revenue / Invested capital incl.goodwill	2.5%	2.3%	2.8%	2.4%	3.6%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & Ratios". The financial ratios have been calculated as follows:

Revenue / Avg.invested capital incl. goodwill (%)	$\frac{\text{Revenue}}{\text{Avg.invested capital incl. goodwill}}$
Return on Invested Capital (ROIC)	$\frac{\text{EBIT}}{\text{Total capital invested}}$
Equity ratio (%)	$\frac{\text{Total equity}}{\text{Total assets}}$

Management's review

Operating review

Primary activities

NKT (Denmark) A/S develops, manufacture and promote low-, middle- and high voltage cables, buildingwire 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.

Development in activities and financial position

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.

- The domestic utility segment showed a slow-down due to less cable projects being carried through. The UK utility market was in 2017 favourable as the Entity have had deliveries for specific UK projects managed by an affiliated company.
- In 2017 continued focus on the synergies between various locations and the plant in Falun which was acquired during 2013. Synergies was also driven by a new organization implemented during 2017.
- For the subsidiaries in both Norway and Poland the development and earnings have been at the expected and satisfactory level

Profit/loss for the year (including comparison with forecasts previously announced)

The total revenue ended at 136.2mEUR of which the export amounts to 79.1mEUR and thus showing a higher share that prior year. The higher export share is due to higher revenue from the UK market. Other external cost has increased versus prior year mainly due to higher sales and promotion related activities and increased administrative cost. Income from Group entities increased versus 2016. As a result the profit/loss for the year ended at 0.6mEUR versus -0.7mEUR in 2016.

The result for the year (EBIT) ended at -0.1mEUR versus prior year of 0.3mEUR. The result is slightly lower than expected due to an increase in general cost.

Balance Sheet

As of December 31, 2017, total assets amounts to 171.3mEUR, which is a decrease versus end 2016 of 21.6mEUR. The reduction is mainly driven by lower receivables and pre-payments made under construction contracts as well as lower receivables from affiliated companies. Fixed Assets are lower with 3.0mEUR versus previous year.

Investments in subsidiaries are unchanged versus end 2016.

Inventories increased with 7.3mEUR ending at 35.1mEUR. The increase is in both raw materials and finished goods.

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.

Management's review

Operating review

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.

New products

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 maintain technological leadership in the power cable industry. Focus is on high-quality and cost efficient solutions.

Capital resources

Capital resources are available via the Parent company to the Entity for investment in fixed assets and product development and play an important role in helping to achieve the key priorities.

Outlook

The 2018 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 on market trends etc. pls. refer to the 2017 Financial Statements for NKT A/S:

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Particular risks

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.

Environmental matters

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. During late 2017 the Entity started preparation for new ISO standards and expect to be ready and re-certified during 2018. The Entity has a close contact to authorities in order to fulfill local requirements for the environment. There are no outstanding injunctions from authorities.

Corporate social responsibility

With reference to Danish Financial Statements Act section 99a using the derogation clause and refer to the 2017 Financial Statements for NKT A/S:

Management's review

Operating review

https://investors.nkt.com/static-files/55446515-9097-4199-8885-ab41e0140145

Goals and policies for the underrepresented gender

With reference to Danish Financial Statements Act section 99b using the derogation clause and refer to the 2017 Financial Statements for NKT A/S:

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as well as NKTs annual UN Global Compact Communication on Progress report.

Research and development activities

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

During 2017 a EU standard (CPR) was implemented. The company has developed and tested new cable types during 2016 and beginning of 2017 according to the new standard. The new standard concerns fire classification and test methods for cables used in buildings.

Financial statements 1 January – 31 December

Income statement

EUR'000	Note	2017	2016
Revenue	2	136,172	115,308
Cost of goods sold		-95,656	-76,162
Other operating income		947	310
Other external costs		-17,879	-16,042
Gross profit		23,584	23,414
Staff costs	3	-19,575	-19,717
Depreciation, amortisation and impairment	4	-4,100	-3,443
Operating profit/loss		-91	254
Income from equity investments in group entities		1,607	214
Financial income		3	236
Financial expenses	5	-1,232	-1,535
Profit/Loss before tax		287	-831
Tax on profit/loss for the year	6	330	92
Profit for the year	7	617	-739

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets	8		
Completed development projects		292	25
Development projects in progress		0	423
Software		101	97
		393	545
Property, plant and equipment	9		
Land and buildings		3,656	3,938
Property, plant and equipment in progress		0	164
Plant and machinery		9,554	12,065
Fixtures and fittings, tools and equipment		1,892	1,972
		15,102	18,139
Investments	10		
Equity investments in group entities		20,213	20,213
		20,213	20,213
Total fixed assets		35,708	38,897
Current assets			
Inventories			
Raw materials and consumables		13,164	9,598
Work in progress		4,485	3,417
Finished goods and goods for resale		17,475	14,823
		35,124	27,838
Receivables			
Trade receivables		14,649	12,488
Receivables from group entities		61,145	71,824
Construction contracts	11	0	7,945
Other receivables		2,134	646
Deferred tax asset	12	650	365
Prepayments	13	21,893	32,875
		100,471	126,143
Cash at bank and in hand		4	11
Total current assets		135,599	153,992
TOTAL ASSETS		171,307	192,889

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	14		
Contributed capital		31,201	31,201
Other reserves		-33	-180
Reserve for development costs		292	0
Retained earnings		42,150	41,825
Total equity		73,610	72,846
Liabilities other than provisions			
Non-current liabilities other than provisions	15		
Mortgage loans		37,969	41,930
		37,969	41,930
Current liabilities other than provisions			
Current portion of non-current liabilities		3,902	3,803
Prepayments received from customers		22,080	29,506
Trade payables		17,977	30,282
Payables to group entities		6,858	4,544
Other payables	16	8,911	9,978
		59,728	78,113
Total liabilities other than provisions		97,697	120,043
TOTAL EQUITY AND LIABILITIES		171,307	192,889

Financial statements 1 January – 31 December

Statement of changes in equity

	Contributed capital	Other reserves	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2017	31,201	-180	0	41,825	72,846
Transfers, reserves	0	0	292	-292	0
Transferred over the profit appropriation	0	0	0	617	617
Value adjustment of hedging instruments	0	147	0	0	147
Equity at 31 December 2017	31,201	-33	292	42,150	73,610

Financial statements 1 January – 31 December

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1 Accounting policies

The annual report of NKT (Denmark) A/S for 2017 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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 (Denmark) A/S and group entities are included in the consolidated financial statements of NKT A/S, Vibeholms Allé 20, 2605 Brøndby, CVR no. 62725214.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of NKT A/S, Vibeholms Allé 20, 2605 Brøndby, CVR no. 62725214.

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 notbeen settled on the balance sheet date are translated using the exchange rate at the balance sheetdate. 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 recognized in the income statement as financial income or financial expenses.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 instrumentsnet. 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.

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.

Financial statements 1 January – 31 December

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1 **Accounting policies (continued)**

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.

Cost of sales

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.

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 operating income

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Other external 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 from sales are also included.

Staff costs

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

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 equity investments in group entities

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 on profit/loss for the year

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.

Financial statements 1 January – 31 December

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1 **Accounting policies (continued)**

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.

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 and fittings, tools 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.

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.

Equity investments in group entities

Equity investments in group entities are measured at cost. When the recoverable amount is lower than cost, write down is made to the recoverable amount.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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 and deferred income

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.

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1 Accounting policies (continued)

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.

Corporation tax and 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.

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.

2 Segment information

EUR'000	2017	2016
Domestic	57,108	53,054
Abroad	79,064	62,254
	136,172	115,308

With reference to ÅRL § 96, 1 NKT (Denmark) A/S do not publish the information of sales of products on specific markets due to local competition. Information of the overall segmentation is available in the Annual Report of the parent company.

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3 Staff costs

EUR'000	2017	2016
Staff costs		
Wages and salaries	17,536	17,723
Pensions	1,817	1,778
Other	222	216
	19,575	19,717
Average number of full-time employees	286	283

Staff costs of the Group and the Parent Company include remuneration of the Parent Company's Executive Board of EUR 169 thousand (2016: EUR 795 thousand).

EUR'000	2017	2016

4 Depreciation, amortisation and impairment

Land and buildings	379	415
Manufacturing plant and machinery	2,811	2,111
Software	95	179
Development	57	43
Fixtures, fittings, tools and equipment	758	695
	4,100	3,443

5 Financial expenses

Interest expense to group entities	6	143
Other	1,156	1,057
Exchange losses	70	335
	1,232	1,535

6 Tax on profit/loss for the year

Current tax for the year	0	-44
Deferred tax for the year	-326	-224
Adjustment of tax concerning previous years	-4	176
	-330	-92

7 Proposed profit appropriation/distribution of loss

Retained earnings	617	-739

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8 Intangible assets

EUR'000	Completed development projects	Development projects in progress	Software	Total
Cost at 1 January 2017	371	423	5,339	6,133
Transfers for the year	324	-423	99	0
Cost at 31 December 2017	695	0	5,438	6,133
Amortisation and impairment losses at 1 January 2017	-346	0	-5,242	-5,588
Amortisation for the year	-57	0	-95	-152
Amortisation and impairment losses at 31 December 2017	-403	0	-5,337	-5,740
Carrying amount at 31 December 2017	292	0	101	393

Completed development projects

During 2017 a EU standard (CPR) was implemented. The company has developed and tested new cable types during 2016 and beginning of 2017 according to the new standard. The new standard concerns fire classification and test methods for cables used in buildings.

9 Property, plant and equipment

EUR'000	Land and buildings	Property, plant and equipment in progress	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	21,655	164	81,497	4,244	107,560
Additions for the year	83	0	375	696	1,154
Disposals for the year	0	0	-980	-95	-1,075
Transfers for the year	14	-164	150	0	0
Cost at 31 December 2017	21,752	0	81,042	4,845	107,639
Depreciation and impairment losses at 1 January 2017	-17,717	0	-69,432	-2,272	-89,421
Depreciation for the year	-379	0	-2,811	-758	-3,948
Reversed depreciation and impairment losses on assets sold or scrapped	0	0	755	77	832
Depreciation and impairment losses at 31 December 2017	-18,096	0	-71,488	-2,953	-92,537
Carrying amount at 31 December 2017	3,656	0	9,554	1,892	15,102

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10 Investments

EUR'000	2017	2016
Cost at 1 January 2017	20,213	20,213
Cost at 31 December 2017	20,213	20,213
Carrying amount at 31 December 2017	20,213	20,213

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			EUR'000	EUR'000
NKT S.A.	Poland	100%	15,493	647
NKT as	Norway	100%	4,157	1,184
NKT UK Ltd.	Great Britain	100%	290	54
			19,940	1,885

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.

EUR'000	2017	2016

11 Construction contracts

Selling price of work performed	110,294	142,590
Progress billings	-110,294	-134,645
	0	7,945

12 Deferred tax

Deferred tax at 1 January	365	275
Adjustment of deferred tax concerning previous years	0	-176
Adjustment of the year	326	224
Tax on equity transactions	-41	42
	650	365

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13 Prepayments

EUR'000	2017	2016
Prepaid on construction contracts	21,665	32,442
Other costs	228	433
	21,893	32,875

14 Equity

The contributed capital consists of 232,000 shares of a nominal value of DKK 1,000 each.

All shares rank equally.

15 Non-current liabilities other than provisions

EUR'000	Total debt at 31/12 2017	Repayment, first year	Outstanding debt after five years
Mortgage loans	41,871	3,902	22,048
	41,871	3,902	22,048

16 Other payables

EUR'000	2017	2016
VAT and other taxes	223	742
Vacation allowance	2,491	2,522
Wages, salaries and withholding taxes	1,065	1,488
Returnable drums	4,808	4,505
Other	324	721
	8,911	9,978

17 Fees to auditor appointed at the general meeting

Audit	54	53
Other Services	0	8
	54	61

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18 Contractual obligations, contingencies, etc.

EUR'000	2017	2016
Contingent liabilities		
Land and buildings	3,191	3,385
Manufacturing plant and machinery	8,970	11,428
	12,161	14,813
Operating lease obligations		
Rental obligations relating to rent, IT equipment and cars	2,766	3,477

The Company 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 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 company 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.

19 Derivative financial instruments

As per 31 December 2017 there are forward foreign exchange transactions hedges the Company's commercial currency exposure within the agreed currency policy and metal futures to hedge future metal.

	Notional amount		Gains and losses recognised in equity	
EUR'000	2017	2016	2017	2016
Forward foreign exchange transactions	7,363	9,466	1,999	763
Metal futures	1,523	3,014	1,755	1,723

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

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20 Related party disclosures

NKT (Denmark) A/S' related parties comprise the following:

Control

NKT CABLES GROUP A/S, Vibeholms Allé 20, 2605 Brøndby

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

NKT (Denmark) A/S is part of the consolidated financial statements of NKT A/S, Vibeholms Allé 20, 2605 Brøndby, CVR no. 62 72 52 14

The consolidated financial statements of NKT A/S can be obtained by contacting the company at the addresses above.

Related party transactions

In accordance with section 98 c (7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.