NKT Holding A/S, Vibeholms Allé 25, DK-2605 Brøndby, Company Reg. No. 62 72 52 14

2016
Annual Report

CONTENTS

SUSTAINABILITY

NKT's annual statutory report on Corporate Social Responsibility is available at:

http://www.nkt.dk/media/99425/NKT-COP-2016.pdf

NILFISK AS DISCONTINUED OPERATIONS

Due to the intended split of NKT Holding, Nilfisk is treated as discontinued operations in the present Annual Report, which focuses on NKT's continuing business, comprising NKT Cables and NKT Photonics.

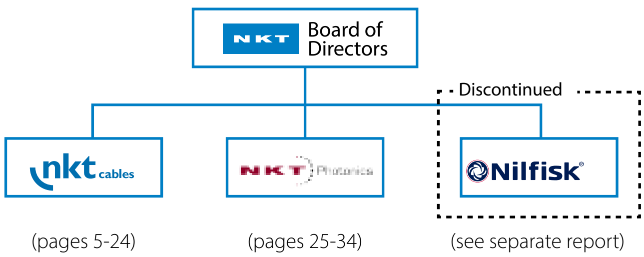
Nilfisk's financial performance is briefly presented on this page as well as on pages 36 (full-year 2016) and 38 (Q4 2016). For details, please consult the Nilfisk 2016 Annual Report at www.nilfisk.com.

The treatment of Nilfisk as discontinued operations is in accordance with IFRS and affects the present Annual Report accordingly:

Income Statement:
Nilfisk figures are excluded in 2016 and comparative figures are adjusted accordingly. Notes are based on NKT's continuing business and KPI's are presented for this continuing business.

Balance Sheet:
Nilfisk items are classified as assets held for distribution to owners at 31 December 2016. The 2015 Balance Sheet is unchanged. Notes exclude Nilfisk for 2016, while comparative figures for 2015 include Nilfisk. KPI's such as RoCE and NIBD leverage include discontinued operations.

Full specification of Nilfisk's Income and Balance Sheet statements is presented in Note 9.2.



NKT Group 2016 key financials

EURm	NKT Cables	NKT Photonics	Nilfisk (discontinued)
Revenue	750.4*	43.1	1,059
Operational EBITDA	72.5	6.3	116.8**
EBITDA	26.2	6.3	96.8
EBIT	-10.6	1.5	54.0

** Std. metal prices, ** before special items*

2016 - a landmark year

2016 was a historic and busy year for NKT: Execution on strategic initiatives, NKT Cables' acquisition of the ABB high-voltage cables business, and the announcement of our intent to split NKT Holding into two separate listed companies - Nilfisk and NKT. This was topped by both operational progress and increased earnings in all business units.

Satisfactory 2016 performance
Overall, financial performance for 2016 was satisfactory and in line with our Q3 guidance, with slightly better than expected EBITDA margins in all businesses. The results reflect execution on strategic initiatives established to create value for our shareholders.

The strategic focus in Nilfisk is growth. After a first-half 2016 with lower organic growth than anticipated, the development turned, leading to satisfactory performance and increasing profitability. However, as a leading player in the professional cleaning equipment industry and with the investments made, we see still further growth and earnings potential.

In NKT Cables, our focus remains on improved profitability. Driven by improved production performance in the Projects business, improved margin was achieved despite slightly lower organic growth than expected.

The trend of satisfactory development was repeated in NKT Photonics.

Strategic directions confirmed
During 2016 we continued the roll-out of our strategies launched in 2015.

In Nilfisk, our Accelerate strategy was adjusted in Q2 2016 in response to lower organic growth than anticipated, partly as a consequence of delayed expected benefits from significant investments in sales and service. We initiated a cost savings programme of EUR 35m and implemented a leaner organisational structure to further drive the focus on sales. We expect these initiatives to further strengthen Nilfisk and consolidate its position, not only as a market leader but also as a future standalone company.

The roll-out of EXCELLENCE 2020 in NKT Cables progressed as planned. Key portfolio decisions included a number of divestments of non-strategic segments, but most importantly the acquisition of ABB HV Cables. Based on a strong strategic rationale, this is the largest acquisition in the history of NKT Cables; it will allow the company to enter the DC market, which holds significant growth potential and is expected to drive the future of the global offshore wind industry and development of interconnector grids. Furthermore, the joint company will become a leading player in the on- and offshore high-voltage power cables business, providing innovative solutions based on both AC and DC technology.

When the transaction is closed - as expected in Q1 2017 - integration of the two businesses will be key to the landmark transformation of NKT Cables.

In NKT Photonics the journey towards commercialisation continued, enhanced by the acquisition of Fianium. This step will allow NKT Photonics to become a leading global industrial supplier of ultra-fast and super-continuum lasers and increase the number of OEM contracts.

Split of NKT Holding

As announced in September 2016, we intend to split NKT Holding into two separately listed entities, subject to closing of the acquisition of ABB HV Cables. This will result in two industry leaders equipped to be viable standalone entities: Nilfisk and NKT. The latter will consist of two autonomous companies: NKT Cables including ABB HV Cables, and NKT Photonics.

In the light of the upcoming separation we have decided to strengthen the Nilfisk management team. As Nilfisk CEO we have therefore appointed Hans Henrik Lund, who will take up his position no later than by the start of August this year. With more than 25 years' leadership experience from a number of global companies, Hans Henrik Lund has, we believe, the right profile to lead the company towards listing and also to further unleash its growth potential.

The split is expected to take place in second-half 2017 when we have the new CEO of Nilfisk on board. We will seek the mandate to proceed with the process at the Annual General Meeting scheduled for 21 April 2017.

2016 was a landmark year for NKT. The Board wishes to thank all employees for achieving our financial targets and for their engagement in the ongoing development of our companies and in the preparations for the future setup. We would also like to thank our shareholders, customers and business partners for the interest and trust they have shown us in 2016.

We look forward to an equally exciting 2017.

Jens Due Olsen
Chairman of the Board of Directors


nkt cables
POWER
TEAM

Purpose

Our passion brings power to life
In a globalised and interconnected world, everything depends on power. Without power there is no light in our cities, no trade between countries, no travel to friends abroad, and no communication across the globe. Power is the foundation of all the things we take for granted in modern civilisation. For more than 125 years, NKT Cables has played an important role in supplying energy to global societies and bringing power to life:

- Our cables ensure the physical transportation of energy
- We contribute to society by enabling transformation to sustainable energy
- We empower our organisation to become excellent and capture the essence of our business

Vision

By driving 'excellence' we will be the best power cable company by 2020 in the eyes of our customers and our people

>15%	#1	>80
RoCE	CUSTOMERS' PREFERRED CHOICE	EMPLOYEE TRUST INDEX

"Adding ABB HV Cables is a landmark in the transformation of NKT Cables"

Continued improved margins and company transformation

During 2016, NKT Cables continued its execution of the EXCELLENCE 2020 strategy focused on increased efficiency and profitability followed by targeted growth.

Our financial performance continued to improve. Since 2013, when the comprehensive transformation of NKT Cables was launched, we have recorded steadily increasing profitability; fuelled first by the DRIVE efficiency improvement programme and now by focus on functional excellence in everything we do. This year's improvement was based on lower revenue than in 2015, in line with expectations. RoCE improved further to 9.3%, continuing towards our target of >15% in 2020.

Progress in our EXCELLENCE 2020 strategic Must-Win battles and segment initiatives is on track. With a leaner and more agile organisational structure now introduced we are making significant advances towards strengthening our value-add as one of the leaders in the global power cables industry. In addition, we divested three non-focus business segments during the year, further professionalised our supply chain management and last, but not least, we entered into an agreement to acquire the ABB HV Cables business of the ABB Group.

Adding ABB HV Cables to our high-voltage cables business is a landmark in the transformation of NKT Cables, and it will place us among the best in the global high-voltage power transmission industry, one in which innovation and scale are paramount. ABB HV Cables is at the forefront of the DC high-voltage power cables market, and the integration will allow us to enter this market, which has strong growth potential. Our combined strength will position us to take active part in the development of the European grid infrastructure during the coming 10 years or more. Planning of the integration process has been in progress from the day the transaction was announced, with a view to immediate start the integration when approved by the EU authorities - expectedly in Q1 2017.

Overall, the 2016 development in NKT Cables was satisfactory. We are on track to reach our long-term strategic goals by 2020. We are, however, aware that significant strategic initiatives still need to be accomplished, and a successful integration of ABB HV Cables is crucial in order to reach our ambitions.

2016 has required extraordinary efforts throughout the company. I would like to take this opportunity to thank all employees for their strong commitment, hard work and dedication. In 2017 I look forward to continuing the journey and welcome all our new colleagues from ABB HV Cables.

Michael Hedegaard Lyng
President & CEO

Key financials

Amounts in EURm	2016	2015	2014	2013	2012
Income statement					
Revenue	1,003.7	1,211.9	1,173.0	1,205.7	1,144.4
Revenue in std. metal prices	750.4	857.5	812.8	807.6	727.6
Operational EBITDA	72.5	77.0	65.0	45.1	39.0
EBITDA	26.2	53.8	24.2	50.1	39.0
Depreciation and amortisation	-36.8	-39.6	-39.7	-40.1	-39.1
Impairment	-	-37.8	-1.7	-7.7	-
Operational EBIT	35.7	37.5	24.0	5.0	-0.1
EBIT	-10.6	-23.6	-17.2	2.3	-0.1
Financial items, net	-3.0	-9.9	-18.2	-21.3	-24.5
EBT	-13.6	-33.5	-35.4	-19.0	-24.6
Profit for the year	-22.3	-44.2	-27.5	-13.7	-17.4
Cash flow					
Cash flow from operating activities	33.7	102.6	128.2	-9.0	48.5
Cash flow from investing activites, excl. acq. & div.	-31.5	-21.2	-27.5	-28.9	-36.0
Free cash flow	2.2	81.4	100.7	-37.9	12.5
Balance sheet					
Capital employed	348.4	381.3	491.5	611.6	583.4
Working capital	57.8	87.1	129.6	225.5	172.0
Financial ratios and employees					
Organic growth	-10%	4%	-5%	4%	-4%
Gross margin*	43.4%	40.6%	39.3%	37.7%	37.3%
Operational EBITDA margin*	9.7%	9.0%	8.0%	5.6%	5.3%
RoCE	9.3%	8.2%	4.2%	0.8%	0.0%
Full-time employees, end of period	2,769	3,208	3,211	3,560	3,395

** Std.metal prices*

NKT Cables at a glance

2016 KEY EVENTS

- Acquisition of ABB's high-voltage cables business to create a leading AC and DC high-voltage power cables company
- Divestment of three non-strategic business segments: The Automotive business in the Czech Republic, all operations in China and the cabinets business in Germany
- Three new offshore high-voltage cables contracts secured, filling the order book until end-2018
- First to introduce new Halogen-Free Flame Retardant (HFFR) cables in Sweden
- EXCELLENCE 2020 strategy: Launch of new organisational structure to further drive efficiency and functional excellence

REVENUE*, EUR	OPER. EBITDA MARGIN*	RoCE
750m	9.7%	9.3%
2015: EUR 858m	2015: 9.0%	2015: 8.2%

HIGH-VOLTAGE BACKLOG, EUR	PRODUCTION SITES	EMPLOYEES
302m	9	~2,800
2015: EUR 235m	2015: 11	2015: ~3,200

* *Std. metal prices*

The power cables industry

The power cables industry in which NKT Cables operates chiefly consists of two types of businesses:

- **Projects**, "made to order" on- and offshore high-voltage power cables
- **Products**, "made to stock" low- and medium-voltage cables as well as building wires

PROJECTS: GLOBAL ENERGY TRANSFORMATION DRIVING HIGH-VOLTAGE CABLES DEMAND

The ongoing energy transformation is driven by megatrends such as technological breakthroughs, climate changes and resource scarcity, as well as urbanisation. This has led to a push for energy reduction targets and a review of means to reach these goals. While the technology to support these goals is developed, the infrastructure to implement the necessary changes is lagging behind.

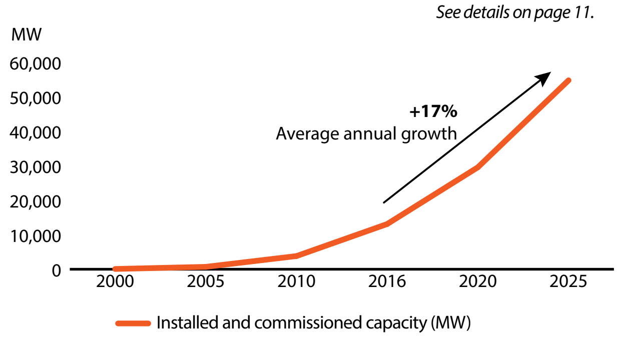
Offshore market: Renewable energy to become largest power source

Energy sources, such as wind, solar and waves, are expected to become the largest power source by 2030[1]. In Europe, this development is driven by;

- Continued political support
- Targets for renewable energy and national policies in e.g. Germany, United Kingdom and the Netherlands
- Innovations reducing the cost of low-carbon technologies

European offshore cables market outlook

See details on page 11.



Source: 4C Offshore wind farms database, January 2017

As part of this trend, the European offshore wind market is expected to grow by 17% annually through to 2025[2].

Onshore market: Energy infrastructure to be developed

The European high-voltage onshore market is expected to grow slightly in the next years, based on the following drivers:

- Renewable energy in remote locations requiring new interconnections and grid upgrades
- Public resistance against overhead lines leading to increased use of underground cables
- Advanced age of the European cable network necessitating maintenance and replacement works

Several large-scale projects, such as project 'Südlink' in Germany, are under consideration to expand the cable grid between North and South Germany by some 800 km route length and a significant portion of undergrounding of power cables.

Growing market for DC technology

Many future energy structure projects in the interconnectors segment are expected to be based on DC technology, e.g. the above-mentioned Südlink project. This is founded in the need to provide longer lengths of power cables to e.g. connect national grid. For cable lengths above 100 km, DC technology is preferred to minimise power loss. Due to drivers such as a political agenda to connect Europe and expansion of the renewable energy agenda, the DC market holds a significant growth potential. NKT Cables' acquisition of ABB HV Cables will provide access to this market, cf. page 19.

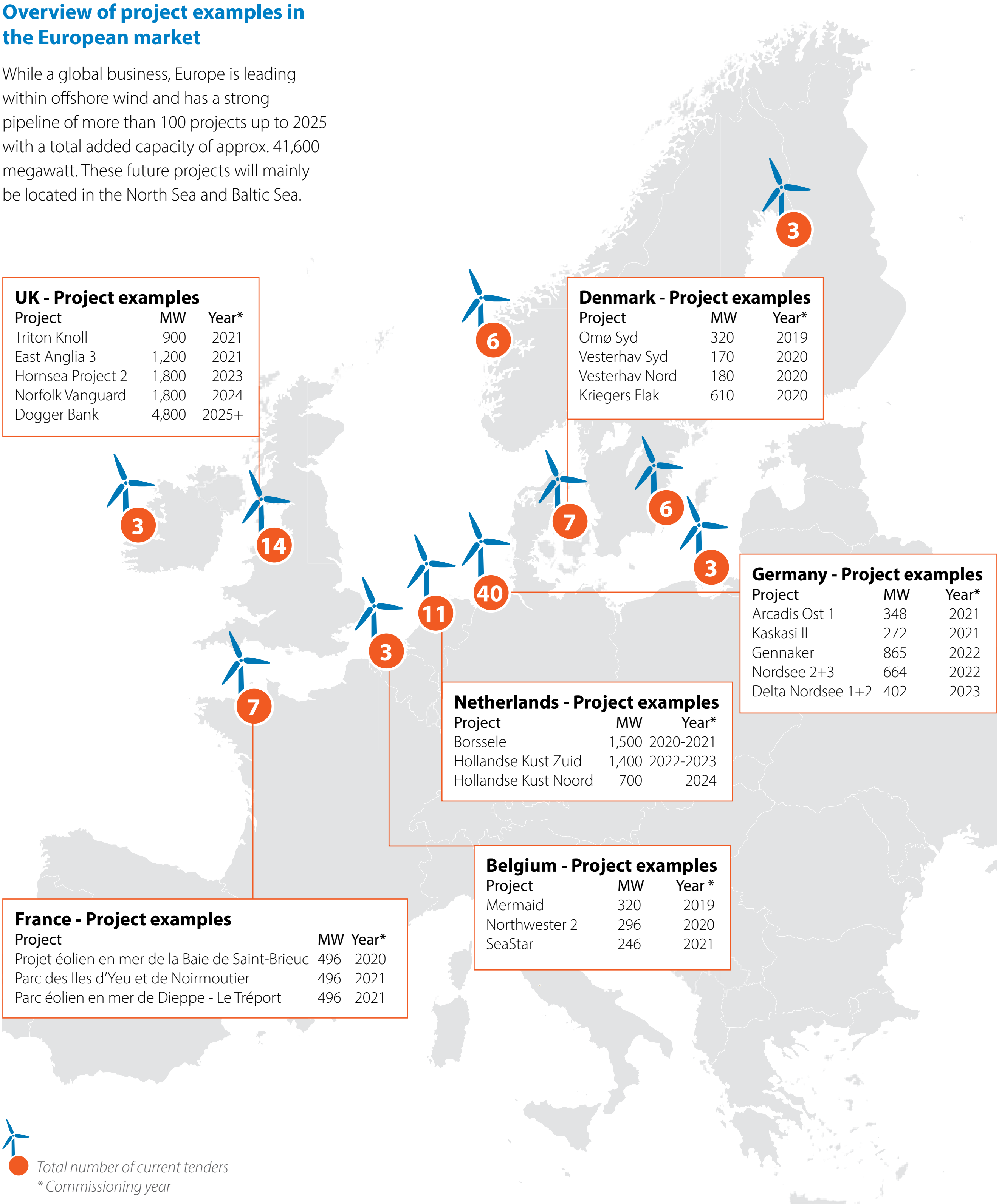
Key market differentiators

The Project business is global, and characterised by high complexity, significant technology know-how. The ability to deliver turnkey solutions, including onsite installations of offshore cables remains a core requirement. The size and complexity of offshore projects and the cyclical nature of the business makes it more volatile by nature.

1 *World Energy Outlook 2015, London, 10 November 2015*
2 *4C Offshore wind farms database*

Overview of project examples in the European market

While a global business, Europe is leading within offshore wind and has a strong pipeline of more than 100 projects up to 2025 with a total added capacity of approx. 41,600 megawatt. These future projects will mainly be located in the North Sea and Baltic Sea.



UK - Project examples

Project	MW	Year*
Triton Knoll	900	2021
East Anglia 3	1,200	2021
Hornsea Project 2	1,800	2023
Norfolk Vanguard	1,800	2024
Dogger Bank	4,800	2025+

Denmark - Project examples

Project	MW	Year*
Omø Syd	320	2019
Vesterhav Syd	170	2020
Vesterhav Nord	180	2020
Kriegers Flak	610	2020

Germany - Project examples

Project	MW	Year*
Arcadis Ost 1	348	2021
Kaskasi II	272	2021
Gennaker	865	2022
Nordsee 2+3	664	2022
Delta Nordsee 1+2	402	2023

Netherlands - Project examples

Project	MW	Year*
Borssele	1,500	2020-2021
Hollandse Kust Zuid	1,400	2022-2023
Hollandse Kust Noord	700	2024

Belgium - Project examples

Project	MW	Year *
Mermaid	320	2019
Northwester 2	296	2020
SeaStar	246	2021

France - Project examples

Project	MW	Year*
Projet éolien en mer de la Baie de Saint-Brieuc	496	2020
Parc des Iles d'Yeu et de Noirmoutier	496	2021
Parc éolien en mer de Dieppe - Le Tréport	496	2021

Total number of current tenders
** Commissioning year*

PRODUCTS: STABLE GROWTH OUTLOOK

Medium-voltage demand linked to upgrade of distribution network

The market for medium-voltage cable systems is characterised by moderate, but stable growth, average margin profile and a relatively low risk level. In general, demand is driven by grid maintenance, replacement of ageing infrastructure and change from overhead power lines to underground cables.

A few European markets have already completed this transformation, while most countries, such as Sweden and France, will continue tendering such projects. The competitive landscape is rather fragmented with competition among the major European cable players, regional cable suppliers, and suppliers from low-cost countries.

Construction industry drives development in low-voltage segments

The moderately cyclical market for low-voltage and building wire applications covers both higher-margin products with a high level of technology as well as low-margin commoditised products. In the higher-margin segments there is further potential to differentiate by product and service innovation to establish strongholds in niche markets.

NKT Cables' power cable markets

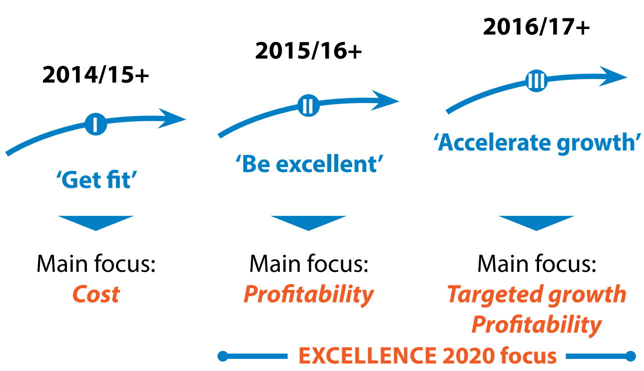
	Projects		Products		
	Accessories				
	AC/DC High-voltage offshore	**AC High-voltage onshore**	**Medium-voltage**	**Low-voltage**	**Building wire**
Market charateristics	Attractive market with growth potential	Market challenged by increasing share of small sized projects combined with commoditisation of lower voltage level	Fragmented commodity market under price and margin pressure		
Geographic scope	Global		National/ regional		
Key customers	• Transmission System Operator • Utilities • (Marine) contractors	• Transmission System Operator (TSO) • Distribution System Operator & utilities • Industry & contractors	• Utilities • Wholesalers • Industry • Renewables & OEMs	• Distributor & wholesalers • Installation • Contractors	
Voltage level	50-550kV	50-550kV	6-30kV	0.3-1kV	

EXCELLENCE 2020

Clear strategic direction for further value creation
The transformation of NKT Cables was initiated late 2013. Phase 1 was the launch of the DRIVE efficiency improvement programme designed to reduce costs and strengthen competitiveness. DRIVE was completed at end-2015, one year ahead of schedule, with successful execution of more than 90 savings levers, savings in excess of EUR 60m, and RoCE of 8.2%, up from 0% in 2012.

The EXCELLENCE 2020 strategy, launched in September 2015, defines the roadmap for phases 2 and 3 of the transformation: Be Excellent, primarily focused on maintaining and increasing profitability, and Accelerate Growth with emphasis on profitability and targeted attractive growth pockets to, all together, deliver RoCE above 15% by 2020.

Three-phased strategy



MUST-WIN BATTLES

As part of the EXCELLENCE 2020 strategy, four cross-organisational Must-Win battles have been identified as key to achieving NKT Cables' vision of becoming the best-in-class power cable company. In 2016 a number of significant initiatives were implemented to support this objective, e.g.:

Safety, People & Organisation

New organisational structure
In April 2016, a new Target Operating Model (TOM) was presented to meet the need for a leaner and more agile organisation to strengthen customer focus and leverage structural synergies and efficiencies. The new organisation is characterised by a divisional structure and function-based sub-structure.

As an example, operations will be consolidated in one divisional unit to harvest full synergy potentials such as process optimisation and capacity utilisation, as well as functional excellence and operational efficiencies. The same rationale lies behind the new business divisions: Solutions (high-voltage on-and offshore cables), Applications (building wires, low- and medium-voltage cables), and Specialties (accessories and railway). This setup is supported by Group Functions such as Finance, IT and HR.

The new structure is designed to foster cross-functional collaboration and facilitate establishment of Group excellence functions, such as Supply Chain, Lean, QHSE (Quality, Health, Safety, Environment), Commercial Excellence, Procurement and R&D. The new organisation was fully implemented on 1 January 2017.

Management team completed
During 2016, the Group Management team was completed and now comprises seven members representing each division as well as relevant support functions. All members possess industry-relevant backgrounds and extensive experience within executive management and global businesses.

Operational and Commercial Excellence

The transformation of NKT Cables' plant network towards operational excellence was launched by professionalising the supply chain management function. This step was taken to raise productivity, capacity utilisation and delivery capabilities, and to enhance customer service through centralised coordination and prioritisation of demand across the plants. Within commercial Excellence, NKT Cables continued its focus on price optimisation and initiated customer segmentation to improve service offerings to the customers.

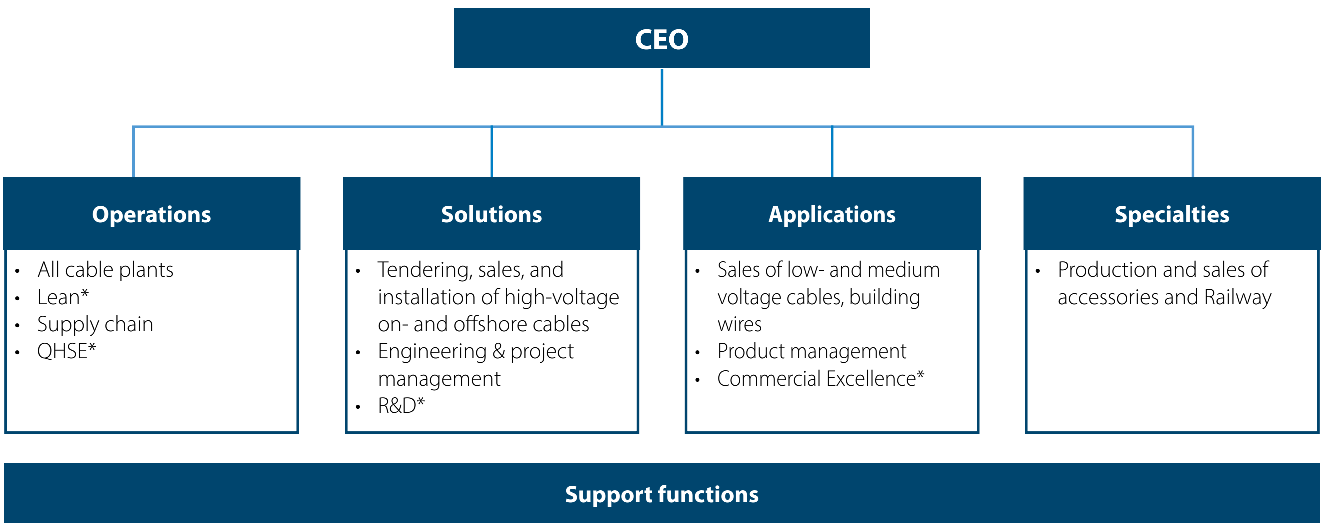
Material & product development

Work began on establishing a best-in-class R&D function to drive top-notch innovations in the markets. Initiatives include centralisation to ensure best practice and standardised processes across divisions, and establishment of true R&D portfolio management.

Digitalisation

Development of new services and platforms is expected to emerge significantly as a competitive edge. In 2016, in order to build on NKT Cables' know-how and assist the aim of becoming a leading solutions provider, the company started to integrate

Organisational structure as of 1 January 2017



** Shared functions across divisions*

excellence 2020

a uniform IT-platform in support of both commercial and operational excellence.

NKT Cables aims to capitalise on digitalisation and disruption drivers offering opportunities to develop or re-shape the power cable market. The company examined possibilities to connect to the global startup community and ecosystem. This is intended to further support the company in accelerating the development of new business and service models through frontier digitalised co-operations and strategic partnerships

SEGMENT INITIATIVES

In support of the Must-Win battles EXCELLENCE 2020 includes a detailed plan for each business segment. As the magnitude, scope and development potential of the segments differ, three distinct directions have been defined. Significant progress was recorded in 2016, and is further described on pages 16-18:

Develop and grow

- **High-voltage offshore**
  Agreement to acquire ABB's high-voltage DC power cables business which will become part of the Solutions division. Three major high-voltage offshore orders were secured

Focus on profitability

- **Medium-voltage and Automotive**
  Divestment of the non-core Automotive business

Turnaround

- **High-voltage onshore**
  Initiatives were taken and are set to continue
- **APAC**
  Loss-making operations in China were divested
- **Accessories**
  The Cabinets business was divested and turnaround completed to make the segment a future 'develop and grow' area

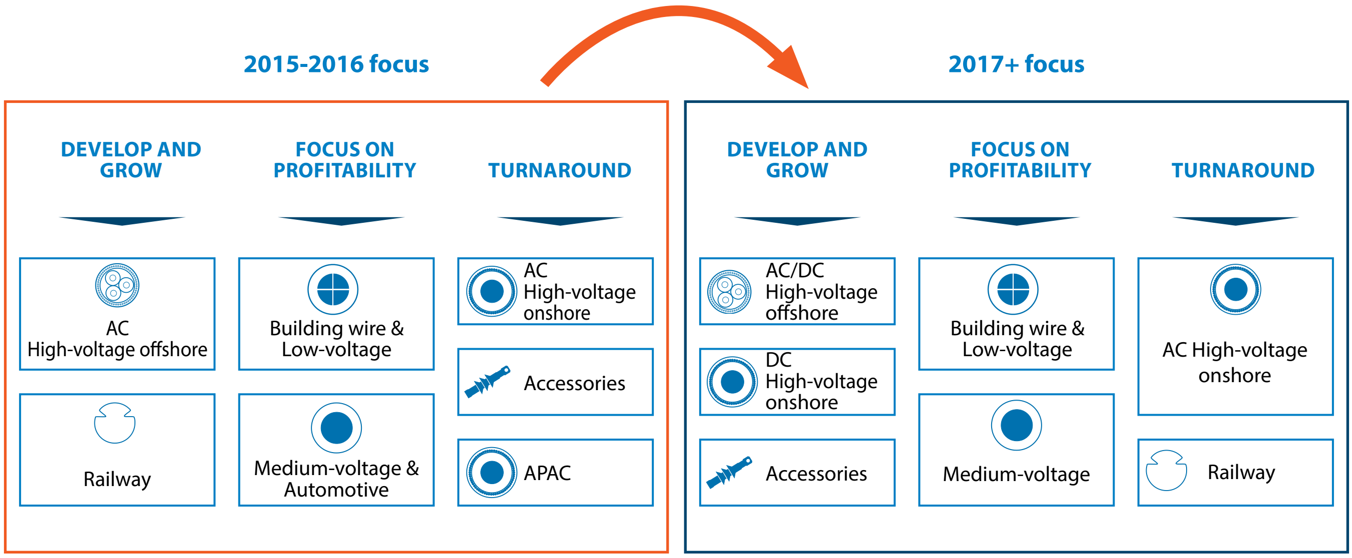
2017 initiatives

In 2017, further execution is planned on the segment initiatives, centred around five key actions:

1. Successful integration of the ABB HV Cables business into the Solutions division
2. Successful turnaround of the high-voltage onshore business,
3. Ensure profitable growth in Applications
4. Foster growth in the Accessories segment
5. Broaden the international reach of the Railway segment to mitigate low demand in current markets.

With regards to the Must-Win battles, selected actions relate to realising the potential of the new organisational structure, ensuring safety culture and improving employee engagement. Furthermore, NKT Cables will increase focus on digitalisation as described above.

Strategic segment directions



2016 business review

PROJECTS

ORGANIC GROWTH	REVENUE*, EUR
-25%	233m
2015: 15%	2015: EUR 309m

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

Financial development

Revenue decline in 2016 should be seen against a 2015 characterised by a high level of civil works services as part of the projects delivered during that year. In addition the composition of the current project portfolio generated lower revenue than the previous year. Furthermore revenue was impacted by delays caused by supplier quality issues.

Operational earnings development was primarily driven by continued challenges in the high-voltage onshore business where the current market environment is impacted by overcapacity, and the financial performance was lower than in 2015. NKT Cables has initiated significant turnaround measures to improve profitability. In the high-voltage offshore business the on-going projects were executed more efficiently than expected and the financial performance was better than anticipated.

Three significant high-voltage offshore orders

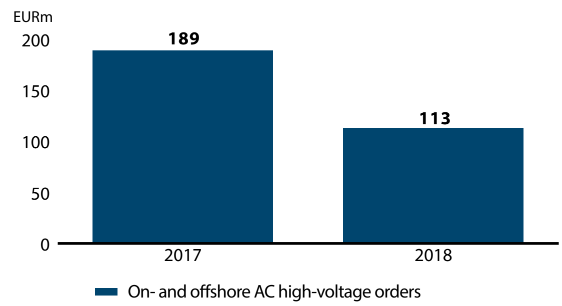
In 2016, NKT Cables was awarded orders for three high-voltage offshore wind farm projects: Hornsea Project One, Borssele Alpha and Kriegers Flak Combined Grid Solution.

Hornsea Project One will be the world's first gigawatt-scale offshore wind farm. For NKT Cables the project has a contract value of approx. EUR 139m and comprises the supply of 170 km of 220 kV AC submarine export cable ready for installation in early 2018.

The order for the Borssele Alpha grid connection system has a contract value of approx. EUR 77m. Awarded in a consortium with VBMS, this project comprises supply of 125 km of 220 kV AC submarine cable delivered ready for installation in late 2018. In addition to this, TenneT has separately awarded the option for delivery and installation of export cable systems for Borssele Beta, connecting the future Borssele 3 and 4 offshore wind farms to the grid. This option is subject to financial close.

NKT Cables has further signed a contract for the supply, laying and electrical installation of the submarine cables for the Kriegers Flak Combined Grid Solution (Kriegers Flak CGS), the world's first offshore interconnection between two national grids The contract value is approx. EUR 42m and comprises approx. 50 km of 150 kV AC high-voltage submarine cable to be in operation by end-2018.

Projects orders on hand



Orders on hand at all-time high level

With the current orders on hand, NKT Cables has an all-time high backlog that is predominantly driven by the contracts for high-voltage offshore AC cables, and the company has full visibility for offshore projects until end-2018. The pipeline of potential new projects is at a satisfactory level, and in general the offshore market is characterised by a high level of activity.

Supplier quality issues

Early in 2016, NKT Cables discovered quality issues with supplies of certain raw materials. These issues were entirely beyond NKT

* *Std. metal prices*

Cables' control and necessary corrective actions were taken by the supplier. Subsequent tests revealed that these issues have no impact on the product operational performance or lifetime. However, the planned production flow in 1st half 2016 was delayed due to the decision to remanufacture certain products as a preventive measure. A settlement is negotiated with the supplier.

Significant measures to improve high-voltage onshore profitability

In the high-voltage onshore segment, NKT Cables maintained a stable volume, albeit lower than expected. Overall, the European high-voltage AC onshore market is currently characterised by overcapacity with a number of mid- and small-size projects and only very few large-scale contracts. This has made it challenging to secure sufficient profitability. During 2016, NKT Cables completed the remaining three deliveries for a 400 km, 170 kV underground cable project in Northern Europe.

In 2016, following a start up of a turnaround process in the company's high-voltage onshore business, significant measures were taken to improve profitability, including reorganising and streamlining the way sales functions go to market and internally manage their sales performance. In addition, further focus was placed on more efficient project execution, and on improving the capacity utilisation of all high-voltage onshore production lines at the Cologne plant.

PRODUCTS

ORGANIC GROWTH	REVENUE*, EUR
0%	491m
2015: 5%	2015: EUR 497m

Products comprises the Nordics, Central Europe and Specialties. NKT Cables remains a leading player on the European market for building wires, low- and medium-voltage cables and accessories. Denmark, the Czech Republic and Sweden are strongholds, and the company also holds a significant market presence in selected parts of North and Central Europe. In the railway segment NKT Cables is the global leader, with Europe as the primary market.

Financial development

In the Products business 2016 revenue development was flat. A slight positive performance of 1% organic growth in the Nordics and Central Europe was driven primarily by the markets in Sweden and the Czech Republic offset by Specialties. Central Europe was positively impacted by the so-called "photoyear" effect creating demand from utilities for medium-voltage products during the first half of 2016 whereas towards the end of 2016 this demand started to fade. In the low-voltage segments several markets have been negatively impacted by overcapacity and by an influx of private label products causing pressure on prices. The Specialties business was impacted by negative growth due to slowdown in the global Railway market.

Improved operational earnings were driven by increased capacity utilisation and improved efficiency especially in Central Europe and positive impact from the turnaround implemented in the Specialties' accessories business. The Nordic markets were negatively impacted by challenges in the wholesale segment. During Q4 2016 NKT Cables' frame contract with Ericsson, valid since the acquisition of the company's cable factory in Sweden in 2013, expired. A new contract has been agreed, however, at less favourable terms.

First to market new HFFR building wires

In 2016, NKT Cables became the first cable provider to significantly launch a new range of Halogen-Free Flame Retardant (HFFR) building wires. The product range complies with a new, harmonised EU standard for testing and fire classification of building wires introduced in June 2016. The standard is included in the Construction Products Regulation (CPR) which is intended to ensure reliable information regarding the performance of products used in buildings.

Continued focus on ergonomic solutions

Demand for NKT Cables' Q-solutions, a series of ergonomic and user-friendly products for handling and transporting cables by hand, remained strong in 2016. The Q-series comprises three products, including the QADDY® drum trolley first introduced in Denmark in 2011 and now marketed throughout Europe.

Improved customer satisfaction

In 2015, NKT Cables introduced Net Promotor Score (NPS) which is a commonly used and recognised tool for monitoring customer feedback and triggering actions to improve customer satisfaction. Since the launch, an improved performance rating primarily relating to quality, delivery and service is recognised and development has been consistently positive in 2016.

Major frame contracts

In April 2016, NKT Cables was awarded a major three-year frame contract by Sweden's largest electrical utility, Ellevio. The contract

* *Std. metal prices*

covers the period 2016-2019 and includes an option for extension. In addition to executing on a number of existing frame contracts, further mid-term frame contracts with e.g. Vattenfall were signed both in the Nordics and Central Europe, while the overall trend in the industry is towards short-term contracts of 1-2 years.

Turnaround completed

A turnaround has been conducted of the accessories business within Specialties, in support of which the cabinets business was divested with effect from end-Q3. Improvements were implemented to further optimise production, improving sales mix and developing new products.

New accessory products launched for offshore market

In August 2016 , NKT Cables launched a new 72 kV connector that facilitates transmission of power from offshore wind farms and enables them to be energised before all wind turbines are installed. NKT Cables is one of only few global suppliers to market an extensive range of cable accessories ready for the growing 72 kV offshore segment, and more orders are in the pipeline.

Slowdown in Railway business

To mitigate lower demand in current markets, NKT Cables continued to extend its sales reach, from selected European markets to global sales and tendering. During 2016 the company was awarded the contract to supply overhead contact line for the Danish railways electrification project covering 2014-2026. A contract was also signed to supply overhead contact line material to the Norwegian national railway administrator, JBV.

Divestment of Automotive business

In October, NKT Cables entered into an agreement to divest its Automotive operations to the German-based Wilms Group. Although a profitable business servicing several large customers, Automotive was not core to NKT Cables. The divestment, which includes a plant in Vrchlabí, Czech Republic, with approx. 400 employees, is expected to close in Q1 2017.

APAC

ORGANIC GROWTH	REVENUE*, EUR
-34%	26m
2015: -37%	2015: EUR 52m

A comprehensive review was conducted to find a sustainable future setup for the APAC business. The review included strategic alternatives for the business. In Q3, with the expectation of a current-year EBIT loss of EUR 7m increasing into 2017, NKT Cables therefore announced the divestment of all operations in China to Srising Electric Co., Ltd., a high-tech solution provider for China's electrified railways industry. The divestment was closed in Q4 2016, resulting in writedown of EUR 30.8m.

NKT Cables' remaining presence in APAC comprises a sales entity in Australia which will be part of the Specialties division.

* *Std. metal prices*

ACQUISITION OF ABB'S HIGH-VOLTAGE POWER CABLES BUSINESS TO CREATE A LEADING AC/DC POWER CABLES COMPANY

In September 2016, NKT Cables announced the acquisition from the ABB Group of their high-voltage business, a leading player in high-voltage DC power cables. A strong strategic rationale formed the basis for the acquisition:

- **Creation of a leading AC/DC high-voltage power cables company in both the on- and offshore business**
  This acquisition will enable NKT Cables to enter the DC market which holds strong growth potential, and at the same time remain a strong, recognised partner in the AC market. The joint company will be well-positioned for the growing offshore wind industry and development of the European interconnector grid
- **Strong, complete product offering**
  Expansion of NKT Cables' portfolio with DC technology will broaden capabilities and the addressable market within offshore wind and interconnectors
- **Strong backlog and visibility**
  NKT Cables and ABB HV Cables both have strong order backlogs with visibility well into 2018
- **Best-in-class manufacturing facilities**
  The joint company will have two state-of-the-art high-voltage manufacturing facilities in Cologne, Germany, and Karlskrona, Sweden, respectively
- **Synergy potential**
  NKT Cables expects significant synergy potential from cross-utilisation of production facilities amounting to approx. EUR 30m by end-2018 on expected completion of the integration process
- **Strong cultural and organisational fit**
  The integration of ABB HV Cables which comprises approx. 900 employees primarily located in Sweden, is supported by an organisational fit rooted in a shared Nordic heritage and culture

The acquisition is expected to be closed in Q1 2017 conditional upon regulatory approvals and fulfilment of certain other conditions related to the transfer of ABB HV Cables. The acquisition represents a total enterprise value of EUR 836m, including ABB HV Cables' committed investment of EUR 124m in a new cable-laying vessel to be delivered and paid for in Q1 2017.

2016 financials

REVENUE*, EUR	ORGANIC GROWTH	OPER. EBITDA MARGIN*	RoCE
750m	-10%	9.7%	9.3%
2015: EUR 858m	2015: 4%	2015: 9.0%	2015: 8.2%

NKT Cables realised organic growth of -10% in 2016, in line with expectations specified in the Q3 Interim Report.

The Products business realised flat organic growth with positive performances in the Nordics and Central Europe, partly offset by lower revenue in Specialties. The Projects business realised organic growth of -25% against 2015 influenced by a high level of civil works and less revenue from the current product portfolio. APAC realised organic growth of -34%, primarily due to the inclusion of divested Chinese operations in the results for the first nine months.

The Automotive business in Central Europe is included in the full-year results and treated as an asset held for sale in the balance sheet. Closing of the divestment awaits approval from relevant authorities and is expected during Q1 2017.

Revenue development and organic growth

Amounts in EURm	
2015 revenue*	**857.5**
Currency effect	-5.6
Divestments	-14.6
2015 adjusted revenue*	**837.3**
Organic growth*	-86.9
2016 revenue*	**750.4**
Adjustment, metal prices	253.3
2016 revenue, market prices	**1,003.7**
Organic growth %	**-10%**

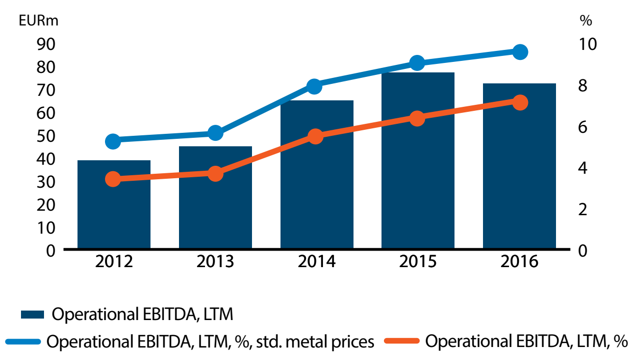
* *Std. metal prices*

Operational EBITDA margin up by 0.7%-points
Operational EBITDA, which is adjusted for one-offs to reflect the underlying earnings from operations, amounted to EUR 72.5m, down from EUR 77.0m in 2015. In the Projects business, operational EBITDA was impacted by lower earnings from the high-voltage onshore business. The divested operations in China also impacted earnings negatively.

Operational EBITDA margin* was 9.7%, compared with 9.0% in 2015, and up 0.4%-points from expectations specified in the Q3 Interim Report. The positive development related to a number of factors, including improved production performance and increased impact from cost- and efficiency initiatives.

One-off costs amounted to EUR 46.3m, of which EUR 30.8m was due to writedown of the divested operations in China, EUR 10.9m related to implementation of EXCELLENCE 2020, and EUR 4.6m related to the acquisition of ABB HV Cables. In 2015, one-offs amounted to EUR 23.2m, all related to the implementation of DRIVE.

Operational EBITDA

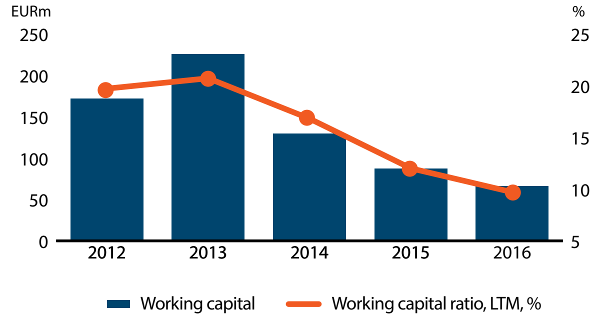


EBT and tax
Earnings before tax, EBT, amounted to EUR -13.6m for 2016, up from EUR -33.5m in 2015, both years being significantly impacted by one-offs. In 2016, one-offs amounted to EUR 46.3m and to EUR 61.1m in 2015, whereof EUR 37.9m related to impairment of operations in China and was adjusted in operational EBIT. Tax rate for 2016 was negative due to negative EBT. Adjusted for one-offs, tax rate was 27%.

See Note 2.4 on page 66.

Working capital
Working capital was EUR 57.8m against EUR 87.1m in 2015. Working capital ratio, LTM, was 9.6%, down 2.4%-points from 2015. The decrease was driven by the divested operations in China, which accounted for EUR 53.0m. Adjusted for this, working capital was up EUR 23.7m from a historically low level at end-2015, impacted by timing of project delivery in the Projects business.

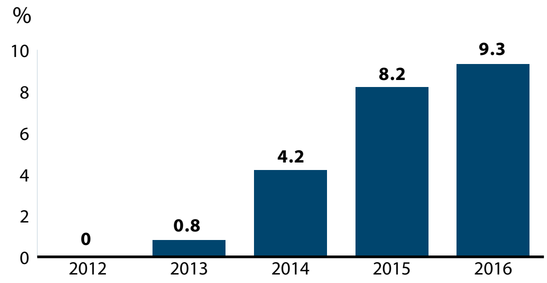
Working capital



See Note 5 on page 83.

Capital employed and RoCE
Capital employed was EUR 348.4m, compared with EUR 381.3m in 2015. This decrease was mainly due to the reduction in working capital resulting from divested operations in China. Driven by reduced capital employed, RoCE was 9.3% compared with 8.2% in 2015.

Return on capital employed



See Note 6.4 on page 90.

Cash flow
Cash flow from operating activities amounted to EUR 33.7m, down from EUR 102.6m in 2015. This development was driven by lower EBITDA impacted by one-offs and change in provisions.

Net investments in tangible and intangible fixed assets amounted to EUR -31.5m, against EUR -21.2m in 2015. Cash flow from divestments was EUR -3.0m compared with EUR 0.0m in 2015.

2017 outlook
For the current NKT Cables business, organic growth of 0-5% and operational EBITDA margin of approx. 9.5% is expected.

An updated outlook for the company, including the ABB HV Cables activities will be provided when closing of the transaction is completed, expectedly during Q1 2017. As part of this, expected one-off costs related to the transaction and integration will be specified.

Risk management

The goal for NKT Cables' Risk Management is to identify, assess and prioritise risks followed by suitable reactions that mitigate, reduce or control the impact of unfortunate events. NKT Cables sees risk management as 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.

In 2016, NKT Cables successfully navigated the risks and opportunities encountered during the year. NKT Cables' 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.

New Enterprise Risk Management model implemented
In 2016 a simplified ERM model was implemented, which ensures that risks are captured and treated by either the management of the divisions or by the support functions. The reporting structure follows the value chain of NKT Cables with group functions to cross-cover. This tailor-made reporting structure ensures awareness of risk and opportunities throughout the organisation, as well as the mitigating actions on these.

In 2017, the next steps are to embed the ERM in the divisional management meetings, being an integrated part of the management agenda.

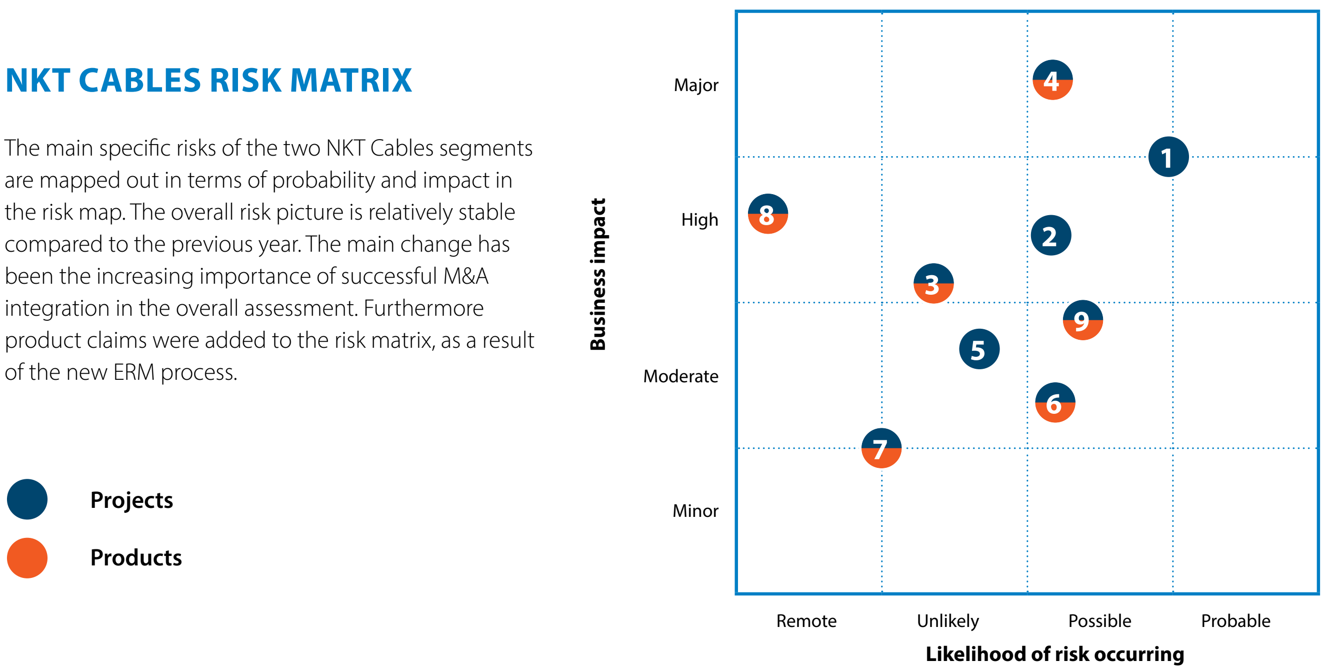
Responsibilities
The allocation of risk management responsibility in NKT Cables did not change in 2016. The formal responsibility rests with the Board of Directors, while close monitoring is carried out by the Group Management.

Corporate Governance, see page 41.

NKT Cables reporting structure

NKT CABLES RISK MATRIX

The main specific risks of the two NKT Cables segments are mapped out in terms of probability and impact in the risk map. The overall risk picture is relatively stable compared to the previous year. The main change has been the increasing importance of successful M&A integration in the overall assessment. Furthermore product claims were added to the risk matrix, as a result of the new ERM process.



	Risk	Monitoring	Mitigating action
1	Project execution	Major focus on risk management in all project phases (tender approval, start-up and execution)	Identified risks will be mitigated to the extent possible through insurance, contract provisions combined with pre-production testing
2	Operational breakdowns can be a risk especially for high-voltage offshore projects where delays may lead to penalties	Performance on bottleneck machines are closely monitored	Preventive maintenance particularly on bottleneck machines, to reduce the risk of breakdown. Furthermore, delivery terms in the offshore contracts should include sufficient mitigation provisions
3	Dependence on key suppliers can be a risk in case of delivery issues, quality issues or price increases	Monthly monitoring and evaluation of sustained negative trends in key supplier performance	Key suppliers are identified and risk evaluated periodically, based on critical parameters. Selective implementation of dual sourcing.
4	Product claims	Warranty claims are closely monitored to identify potential failures in either production or design of the products	Standardised production processes ensure continuous high quality of the products. Standard products are tested in connection with the design approval, whereas tailor-made products in the high-voltage business are tested both in connection with design and before delivery. In addition, contract provisions and insurance coverage are used to reduce the risk of claims to an acceptable level
5	M&A integration	Rigorous screening and due diligence processes. Close post-merger monitoring per function	Substantial involvement of key management competencies - both external and internal - to secure that expected synergies and economies of scale are achieved when the company integrates or merges acquired businesses
6	Pressure on sales prices in certain markets	Monitoring of profit margin development on relevant dimensions	Ongoing measures to optimise production and reduce cost prices. Active management of sales prices. Adjustment of capacity and costs if the above is not sufficient Develop product portfolio towards high-value products
7	Macro-economic development in Europe	Monitoring of GDP outlook, confidence indicators and order intake	Adjustment of capacity as well as sales and production planning must be an integrated part of driving the business
8	Compliance	Continuous risk monitoring via the ERM systems. Whistleblower system operated by external agency	Roll-out of enhanced Business Code of Conduct programme in 2016 including adequate training of employees. Whistleblower system expanded to include external business partners
9	Cyber risks	General security surveillance of cyber- and IT related risks	Cyber security risks and materiality assessment are conducted and controls implemented where threats are identified

NKT Cables management

Michael Hedegaard Lyng
President and CEO
Born 1969
Joined NKT Holding A/S in 2007
Joined NKT Cables in 2014

Oliver Schlodder
EVP, Specialties
Born 1980
Joined NKT Cables in 2013

Roland M. Andersen
CFO
Born 1968
Joined NKT Cables in 2015

Lika Thiesen
EVP, CHRO
Born 1975
Joined NKT Cables in 2015

Dietmar Müller
EVP, Operations
Born 1964
Joined NKT Cables 2016

Detlev Waimann
EVP, Solutions
Born 1966
Joined NKT Cables in 1994

Frida Norrbom Sams
EVP, Applications
Born 1971
Joined NKT Cables in 2016

NKT Photonics

Vision

Through optical fiber and laser technology, we deliver state-of-the-art commercial solutions in collaboration with our partners for the benefit of mankind.

Mission

We will lead the transformation of photonics products by setting new standards for fiber lasers and systems. Our products must have volume potential, with key optical functionalities embedded in optical fibers. We will strive to become the market leader wherever we engage, and we will thereby create a scalable and truly commercial business.

“In 2016, we took a major step towards becoming a leading industrial supplier”

Significant steps towards commercialisation

2016 was my first full year as CEO of NKT Photonics and we experienced a good year. Our financial performance was satisfactory and we achieved, and in many instances surpassed, a number of ambitious objectives, thus setting a new high bar for 2017.

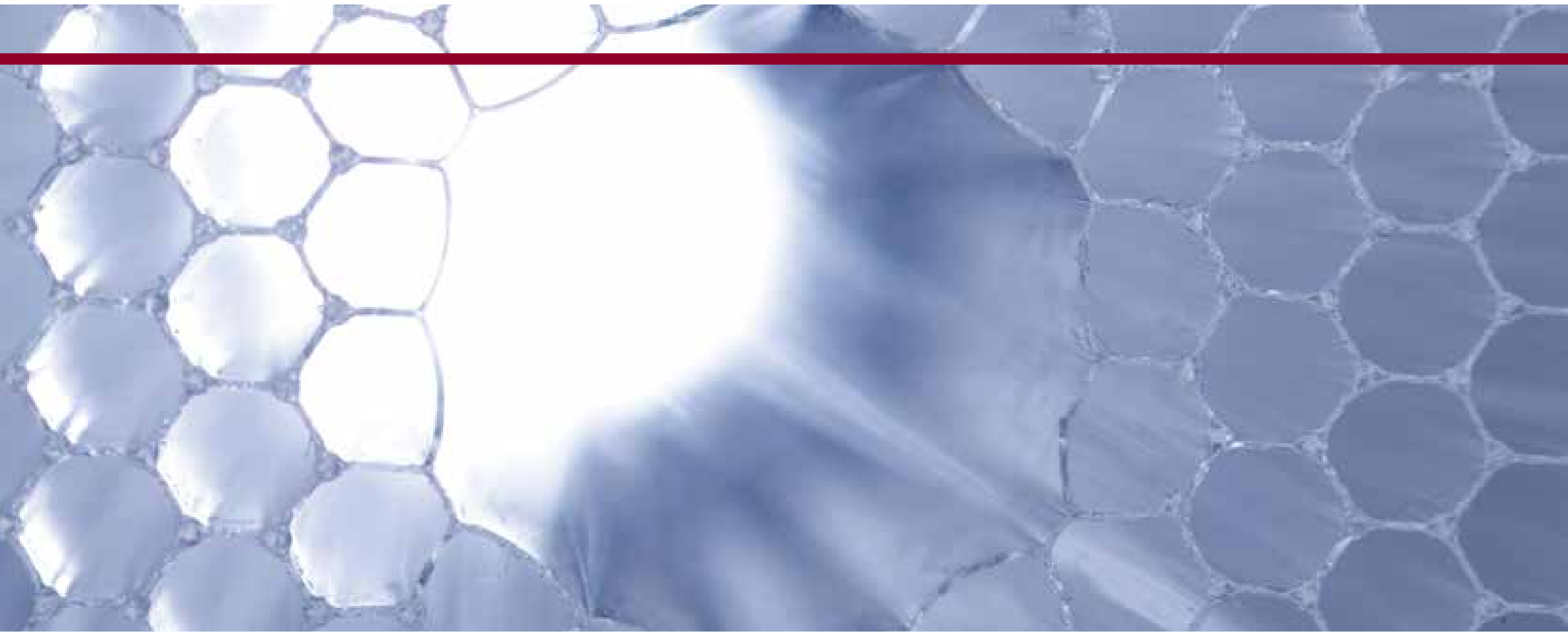
In 2016, we worked diligently to successfully integrate the LIOS Technology business into NKT Photonics. In March, we also acquired the UK company Fianium. We capitalised on our experience with LIOS Technology to make Fianium a successful integration, allowing us to take a significant step towards becoming a leading global industrial supplier of ultra-fast and supercontinuum fiber lasers.

2016 was also a transitional year in which the company migrated from a scientific laser and system manufacturer to a majority OEM manufacturer. At end-2016, we signed significant development and supply contracts with two major semiconductor equipment manufacturers, supporting our strategic target of increased commercialisation. Furthermore, we made our first shipments of supercontinuum lasers to one of the major global manufacturers of industrial microelectronics.

We could not have achieved this progress without the efforts of all our people throughout our organisation. Furthermore, to help our future growth, we have strengthened our team with new leadership roles in HR and IT, and in December we appointed our new CFO, Lasse Snejbjerg.

2016 has positioned NKT Photonics in a good place for further growth, and in 2017 I look forward to a year characterised by further commercialisation of our business.

Basil Garabet
President & CEO



Key financials

Amounts in EURm	2016	2015	2014	2013	2012
Income statement					
Revenue	43.1	40.6	39.1	35.7	31.8
Operational EBITDA	6.3	3.7	2.9	0.9	1.3
EBITDA	6.3	3.7	2.9	0.9	1.3
Depreciation and amortisation	-4.8	-3.6	-3.0	-2.2	-2.4
Impairment	-	-2.6	-0.5	-1.0	-
Operational EBIT	1.5	0.1	-0.6	-2.3	-1.1
EBIT	1.5	-2.5	-0.6	-2.3	-1.1
Financial items, net	-1.2	-0.5	-0.3	-0.7	-0.6
EBT	0.3	-3.0	-0.9	-3.0	-1.7
Profit for the year	0.2	-3.1	-0.9	-3.1	-1.4
Cash flow					
Cash flow from operating activities	-1.4	4.3	1.7	3.0	-1.3
Cash flow from investing activities	-3.3	-3.8	-3.2	-4.7	-3.6
Free cash flow, excl. acq./divest.	-4.7	0.5	-1.5	-1.7	-4.9
Balance sheet					
Capital employed	49.3	19.2	26.8	26.6	28.2
Working capital	18.5	8.5	11.7	11.5	11.0
Financial ratios and employees					
Organic growth	7%	9%	9%	13%	10%
Gross margin	70.9%	69.4%	67.7%	68.3%	68.2%
Overhead cost ratio	44.6%	45.5%	44.9%	48.6%	48.0%
Operational EBITDA margin	14.7%	9.6%	7.2%	2.3%	3.7%
RoCE	4.1%	0.4%	neg.	neg.	neg.
Full-time employees, end of period	240	174	209	205	182

Fast-growing photonics industry

The combined market for lasers and fiber optical sensors is worth more than EUR 13bn annually, and average growth over the last ten years has been approx. 6%. Worldwide, laser revenue increased by 7% in 2016. In 2016, growth in the segments relevant for NKT Photonics was primarily driven by micro material processing and medical with 24% and 12%, respectively.

In the industry an estimated 3% of suppliers generate approx. 70% of revenue, the remaining 30% being contributed by numerous small suppliers. Consolidation is ongoing in the industry which is currently in a process of transformation, away from laser types such as gas, dye and solid-state lasers towards fiber lasers. This transition is evident from the growth of large players in the industry, where the leading fiber laser manufacturer has reported annual growth of approx. 20% during the last five years.

The growth in the laser industry is driven by new and heightened demands in a number of other industries, such as microelectronics, semiconductors, life science, communication, solar energy and defense. In these industries, laser-based manufacturing techniques are replacing traditional tools as the requirements for precision and flexibility increase. The transformation is further driven by structural megatrends, such as a growing and ageing population and increasing technological complexity.

NKT Photonics - a leading player

The fiber lasers and sensors produced by NKT Photonics represent the industry's new-generation technology, and the company is perceived as being in the forefront of this development. While this technology still constitutes a small part of the total market, it is gaining ground and growing faster than the industry in general. NKT Photonics is the market leader in supercontinuum white light lasers which are used for imaging and metrology and provide the main fiber engine for the bulk of the ultra-fast fiber laser market. NKT Photonics is among the top 10% companies in the industry.

Unique IP position

The high-tech laser and sensing industry relies heavily on IP to protect market positions. NKT Photonics holds more than 350 patents and applications covering all core products in areas from fundamental technology and manufacturing to full laser and sensor systems and applications. In particular, the fiber technology used in many of the products is protected at a fundamental level, giving NKT Photonics a unique position in the market.

Megatrends to support growth in key markets

GROWING POPULATION
Resource scarcity and environmental pressure

- Transport infrastructure for energy and people drives demand for Sensing
- Increased energy needs and renewables drives demand for monitoring and optimisation of energy production

AGEING POPULATION
Increased health care costs

- Need for faster and cheaper medical instrumentation for mass screening, diagnostics and treatment

INCREASED TECHNOLOGY AND COMPLEXITY
Smaller structures

- Fiber lasers replacing older laser types (gas, dye, solid state)
- Need for transformation of manufacturing technology
- Higher requirements on precision and accuracy drive shift towards ultrafast lasers for measurements and processing

Commercialisation

NKT Photonics' business strategy is focused on commercialisation and profitable growth. The move away from primary focus on R&D environments towards further industrialisation is driven by significant growth potential from increasing adoption of fiber-based manufacturing in the industry. The strategy comprises five key elements:

- **Move up the value chain**
  In addition to supply of components, NKT Photonics will supply complete end-to-end optical solutions for customers in the three key segments.

  In 2016, the company increased resources and focus on software for its temperature-sensing products to enable customers to be provided with a complete monitoring solution, including advanced data interpretation, visualisation and integration of third-party sensors.

- **Partnerships and joint ventures**
  NKT Photonics is the technical leader within its key markets. Collaboration with companies with product offerings higher up the value chain will enable access to new markets with higher product volume. In 2016, several large new projects were initiated with industrial partners.

- **Refocused organic and acquisitive growth**
  At end-March 2016, NKT Photonics acquired the UK company Fianium, a significant step towards becoming a leading global industrial supplier of ultra-fast and supercontinuum lasers. The vast majority of products in the Fianium portfolio complement NKT Photonics' offerings in the Imaging & Metrology segment, while a small part of the portfolio has been incorporated in the Material Processing segment. The integration process has been completed and NKT Photonics now presents an enlarged product offering and strengthened development competences for industrial solutions. Sales and manufacturing synergies have also been generated, and customers are offered improved service and geographical presence.

  Work continues in 2017 on generating further synergies from common engineering platforms, manufacturing and purchasing.

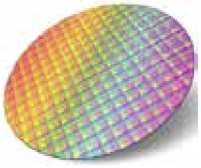
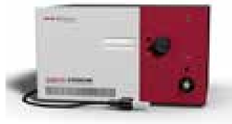
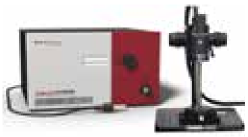
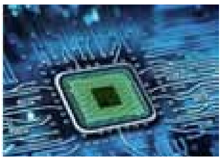
- **LEAN manufacturing**
  Part of the Fianium product range has been incorporated into NKT Photonics' LEAN manufacturing lines in Denmark, improving yield, quality and gross margins. NKT Photonics has also begun integrating all production sites within a single ERP system, streamlining manufacturing and purchasing.

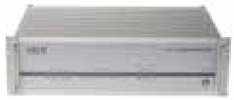
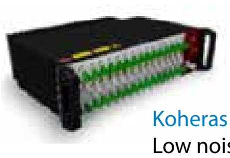
- **Fast introduction of new products**
  NKT Photonics introduced several new product to the market in 2016, including a completely new, long-range DTS (Distributed Temperature System) sensing system with dramatically increased sensing range, and new products in the Koheras BASIK, ADJUSTIK and BOOSTIK ranges.

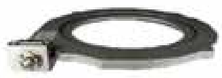
2020 FINANCIAL TARGETS

ANNUAL ORGANIC GROWTH	EBIT	RoCE
~10%	~15%	~20%

NKT Photonics business segments

Imaging & Metrology		Use	Products
Semiconductor Market size: EUR ~50m		• Metrology • Lithography	SuperK & Fianium White light lasers Lightsource imaging   SuperK OCT High resolution OCT Imaging system
Bio-imaging & Medical Market size: EUR ~750m		• Microscopy • Cancer diagnostics • OCT • Endoscopy • Ophthalmology	
Industrial metrology Market size: EUR ~150m		• Microelectronics • Sorting	

Sensing & Energy			
Energy Market size. EUR ~100m		• Power cables • Wind farms • Solar energy	 Lios DTS Distributed temperatur sensing Structural monitoring  Koheras Low noise lasers Light source for sensing
Security Market size: EUR ~100m		• Pipeline • Perimeter	
Structural monitoring Market size: EUR ~150m		• Tunnels • Metro lines	

Material Processing			
Industrial Market size: EUR ~275m		• Mobile • Electronics displays	aeroPULSE Ultrafast pulsed laser Material microprocessing   aeroGAIN Gain modules Material microprocessing
Medical Market size: EUR ~100m		• LASIK • Cataract	
Marking Market size: EUR ~200m		• Glass • Metal • Plastic	

2016 Financials

REVENUE, EUR	ORGANIC GROWTH	OPER. EBITDA MARGIN	RoCE
43.1m	7%	14.7%	4.1%
2015: EUR 40.6m	2015: 9%	2015: 9.6%	2015: 0.4%

NKT Photonics achieved organic growth of 7% in 2016, driven by Sensing & Energy.

Reported organic growth performance includes the activities of Fianium for the last nine months of 2016 and has been adjusted for the divestment of Fiber Processing activities on 31 August 2015.

EBITDA up by EUR 2.6m
EBITDA amounted to EUR 6.3m, up from EUR 3.7m in 2015. The positive development was driven primarily by higher revenue, which led to improved economies of scale across operations, and secondarily by improved product margins. Transaction costs related to Fianium amounted to EUR 0.2m.

EBITDA margin up by 5.1%-points
EBITDA margin was 14.7%, compared with 9.6% in 2015. After adjustment for the divestment of Fiber Processing activities, the improvement on last year was 3.1%-points, driven by strong performance in Sensing & Energy, economies of scale across operations and improved margins.

EBT and tax
Earnings before tax, EBT, amounted to EUR 0.3m, up from EUR -3.0m in 2015. Tax rate for 2016 was 33%. Adjusted for acquisition costs tax rate was 20%.

See Note 2.4 on page 66.

Working capital and cash flow
Working capital increased to EUR 18.5m at end-2016 compared with EUR 8.5m at end-2015. This significant increase mainly related to the acquisition of Fianium and strong back-end loaded revenue in 2016. Free cash flow was EUR -4.7m, down from EUR 0.5m last year, impacted by Fianium and the increase in working capital.

Capital employed and RoCE
Capital employed was EUR 49.3m compared with EUR 19.2m in 2015, driven by the acquisition of Fianium. RoCE was 4.1%, up from 0.4% last year, driven by an improved operational EBIT, which more than offset the effect from the increased capital employed.

See Note 6.4 on page 90.

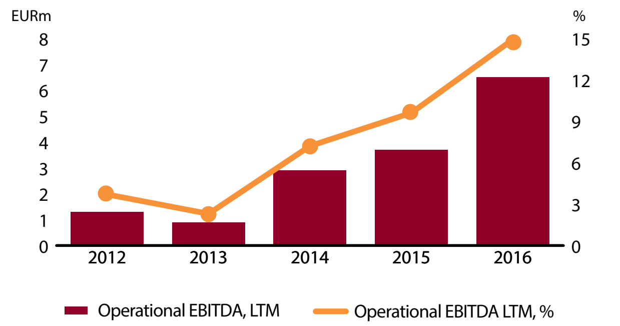
2017 outlook
NKT Photonics expects organic growth of approx. 10% and operational EBITDA margin of approx. 15%.

Revenue development and organic growth

Amounts in EURm	
2015 revenue	**40.6**
Currency effect	-0.5
Acquisitions*	6.2
Divestments	-6.0
2015 adjusted revenue	**40.3**
Organic growth	2.8
2016 revenue	**43.1**
Organic growth %	**7%**

**Based on proforma revenue 2015*

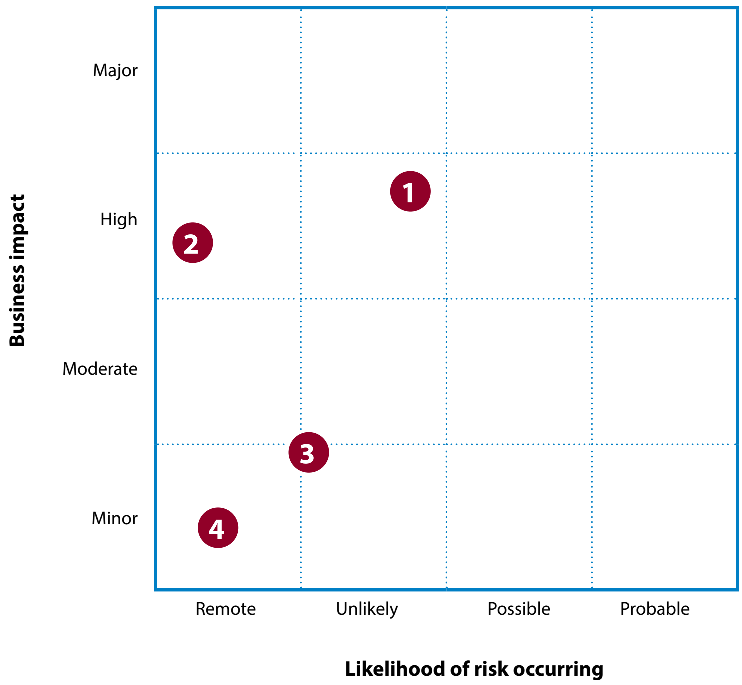
Operational EBITDA



Risk management

The transition of NKT Photonics from a business with main focus on R&D markets to one with higher industrial focus also impacts the company's management of risks and opportunities. NKT Photonics operates in a relatively complex market environment characterised by highly advanced and specialised products, and this presents particular challenges.

The management team and the Board of Directors of NKT Photonics continuously review the company's ERM model to ensure that at all times risk management is one step ahead of developments.



	Risk	Monitoring	Mitigating action
1	Current market leaders find alternatives to NKT Photonics that enable them to compete with new technology	Track the moves of both market leaders and customers	Ongoing development and improvement of offerings, and protection by patents, etc.
2	Dependence on key suppliers constitutes a risk in case of delivery issues, quality issues or price increases	Monitoring and evaluating negative trends in key supplier performance	Selective implementation of dual sourcing wherever possible, and avoidance of critical dependency on single source components as far as possible through design solutions
3	Attraction, motivation and retention of talent	Monitoring of talents from main photonics industry and educate clusters in order to attract talent, and further monitoring current personnel through employee engagement surveys	Co-operation with universities to ensure recognition among students and focus from schools
4	IP relating to commercial opportunities challenged either by infringements or lawsuits	Close monitoring of technology area by reviewing competitors' product offerings and by tracking the development and registration of IP outside the company	Pursue competitors violating IP, and continuously build on current IP strength by further IP development and registration

NKT Photonics management

Basil Garabet
President and CEO
Born 1959
Joined NKT Photonics in 2015

Lasse Snejbjerg
CFO
Born 1976
Joined NKT Holding in 2013
Joined NKT Photonics in 2017

Carsten L. Thomsen
VP Business Development
Born 1971
Joined NKT Photonics in 2004

Michael Stanley
VP Sales & Marketing
Born 1967
Joined NKT Photonics in 2011

Christian Vestergaard Poulsen
CTO
Born 1968
Joined NKT Photonics in 2001

Kim Per Hansen
Marketing Director
Born 1974
Joined NKT Photonics in 2001

Nicola Davies
HR Director
Born 1977
Joined NKT Photonics in 2016

Thomas Oldemeyer
GM and VP Sensing & Energy
Born 1965
Joined NKT Photonics in 2006

Group financials, Share, Governance and Management

Satisfactory 2016 financial performance

2016 OUTLOOK

Overall, NKT's financial performance was slightly above expectations specified in the Q3 Interim Report.

2016 expectations

	Initial	Specified in Q2	Specified in Q3	Realised
NKT				
- Organic growth	~0%	~0%	~neg. 2-3%	neg. 2%
- Operational EBITDA*	On par with 2015 (9.4%)	On par with 2015 (9.4%)	~9.6%	10.4%
NKT Cables				
- Organic growth	~neg. 5%	Unchanged	neg. 5-10%	neg.10%
- Operational EBITDA*	8-9%	~9.0%	9.0-9.3%	9.7%
NKT Photonics				
- Organic growth	~10%	Unchanged	Unchanged	7%
- Operational EBITDA	12-14%	Unchanged	Unchanged	14.7%
Nilfisk				
- Organic growth	0-5%	1-3%	Unchanged	3%
- Operational EBITDA	10-11%	10.0-10.5%	Unchanged	11.0%

NILFISK AS DISCONTINUED OPERATIONS

Due to the intended split of NKT Holding, Nilfisk is treated as a discontinued operations. For details of Nilfisk, please consult the Nilfisk 2016 Annual Report at www.nilfisk.com

* *Std. metal prices*

Business unit performance
NKT Cables realised organic growth of -10%. The Products business delivered flat organic growth while the Projects business recorded -25% and APAC -34%. Operational EBITDA margin* increased by 0.7%-points to 9.7%, driven by improved gross margins and production performance.

Organic growth in NKT Photonics was 7%, driven by positive performance in all three segments. Operational EBITDA margin increased by 5.1%-points, primarily driven by Sensing & Energy, economies of scale across operations and improved margins.

Nilfisk delivered overall organic growth of 3%, based on 5% in EMEA, 3% in the Americas and -7% for APAC. Operational EBITDA margin of 11.0% was above guidance specified in Q2 2016, primarily due to improved gross margin and lower overhead cost ratio.

Financial Items and Group earnings
Net financial items amounted to EUR 5.7m, compared with EUR 1.8m in 2015, driven by the accumulated currency differences attributable to the NKT Cables operations in China, which were reclassified from equity in connection with the divestment.

See Note 6.5 on page 91.

Earnings before tax, EBT, amounted to EUR -8.0m against EUR -27.7m in 2015, impacted by one-offs in both 2016 and 2015 of EUR 47.0m and EUR 63.7m, respectively.

Financing the acquisition of ABB HV Cables

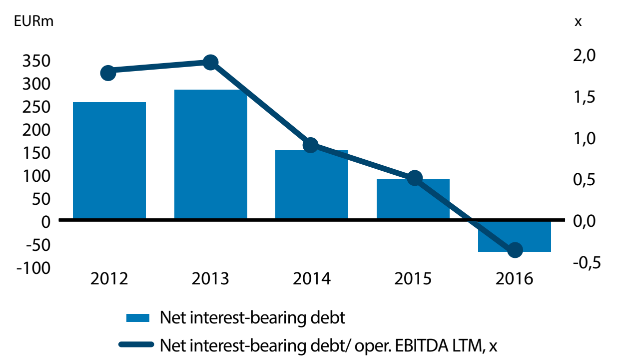
The acquisition of ABB HV Cables represents a total enterprise value of EUR 836m which is expected to be paid in Q1 2017. The acquisition will be financed partly by the capital increase of EUR 184.8m completed by NKT on 5 October 2016, and partly by committed credit facilities.

Debt, liquidity reserves and equity

As a result of the capital increase, net interest-bearing debt at end-2016 was negative, equal to a net cash position of EUR 68.4m. This corresponded to a net debt reduction of EUR 157.3m compared with end-December 2015. The reduction was primarily driven by the capital increase, but partly offset by acquisitions in Nilfisk and NKT Photonics.

At end-2016, NKT's total available liquidity reserves amounted to EUR 1,311.0m, comprising cash of EUR 158.3m and undrawn credit facilities of EUR 1,152.7m including EUR 635m dedicated to the acquisition of ABB HV Cables. Equity amounted to EUR 951.4m at end-2016, up from EUR 809.5m at end-2015 due to the completed capital increase. Solvency ratio was 54%, well above the internal target of minimum 30%.

Net interest-bearing debt



See Note 6 on page 88.

2017 outlook

NKT's outlook comprises separate guidance for each business unit.

The NKT Cables guidance covers the current business.
An updated outlook for the company, including the ABB HV Cables activities will be provided when closing of the transaction is completed, expectedly during Q1 2017. As part of this, expected one-off costs related to the transaction and integration will be specified.

To support growth above market level, Nilfisk expects to continue deploying front-end investments. Resources are also allocated to create competitive advantages e.g. by further development of digital technologies.

	Organic growth	Oper. * EBITDA margin
NKT Cables	0-5%	~ 9.5%*
NKT Photonics	~ 10%	~ 15%
Nilfisk (discontinued operations)**	2-4%	11.0-11.5%***

* *Std. metal prices*
** *For further details see the Nilfisk 2016 Annual Report*
*** *EBITDA margin before special items*

Improved Q4 2016 earnings driven by all business units

Q4 ORGANIC GROWTH

NKT Cables	-2%
NKT Photonics	10%
Nilfisk	8%
Total	**4%**

In Q4 2016, NKT Cables, positive organic growth of 8% for the Projects business was offset by -8% organic growth corresponding negative growth for the Products business. No organic growth was recorded for APAC as operations in China were divested in October 2016.

In NKT Photonics, positive organic growth for the Material Processing and Imaging & Metrology segments was partly offset by negative growth in the Sensing & Energy segment.

Nilfisk delivered organic growth of 10% in EMEA, 8% in the Americas and -9% for APAC.

Overall, operational EBITDA for the continuing business amounted to EUR 22.6m, up from EUR 17.7m in Q4 2015. Operational EBITDA margin* was 11.0%, compared with 7.9% in the same period last year, positively impacted by the current offshore project portfolio and the divestment of the loss-making operations in China.

Including discontinued operations, operational EBITDA amounted to EUR 53.1m compared with EUR 41.2m in 2015.

Q4 financial development by business unit

	Revenue*			Oper. EBITDA			Oper. EBITDA margin	
Amounts in EURm	**Q4 2016**	**Q4 2015**	**Change**	**Q4 2016**	**Q4 2015**	**Change**	**Q4 2016**	**Q4 2015**
NKT Cables	190.7	210.5	-19.8	18.4	15.2	3.2	9.6%	7.2%
NKT Photonics	16.2	12.7	3.5	6.0	3.3	2.7	37.0%	25.3%
Other	-0.7	-0.4	0.3	-1.8	-0.8	-1.0	-	
Total, continuing oper.	**206.2**	**222.8**	**-16.6**	**22.6**	**17.7**	**4.9**	**11.0%**	**7.9%**
Nilfisk	276.3	246.8	29.5	30.5	23.5	7.0	11.0%	9.5%
Total, incl. discontinued oper.	**482.5**	**469.6**	**12.9**	**53.1**	**41.2**	**11.9**	**11.0%**	**8.8%**

* *Std. metal prices*

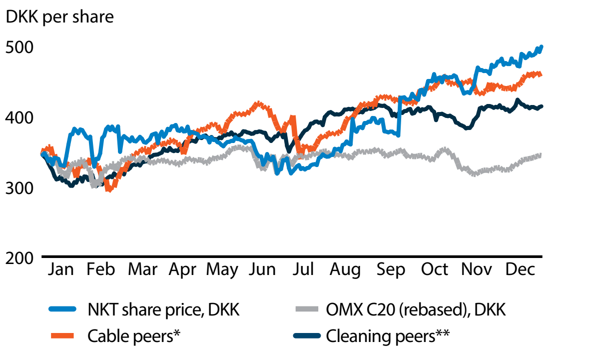
Shareholder information

NKT SHARES

The price of the NKT share increased by 40% in 2016, ending the year on DKK 498.90. During the same period the C20 CAP index increased by 2%. Including the effect of a dividend payment of DKK 4 per share made in April 2016, the NKT share yielded a total return of 41%. At end-2016, the total market value of NKT shares was DKK 13 billion.

As of 19 December 2016, NKT was included in the Nasdaq Copenhagen C25 Large Cap index.

NKT share price 2016



** NKT Cables peers are: Nexans S.A., Prysmian S.p.A., and General Cable Corp.*
*** Nilfisk peers are: Husqvarna AB, Stanley Black & Decker, Inc., Tennant Company, and the Toro Company.*

In 2016 the daily turnover in NKT shares on all trading markets averaged EUR 11.8m, against EUR 8.0m in 2015. The total turnover was EUR 3.0bn compared with EUR 2.0bn in 2015. An average of 224,000 NKT shares was traded daily in 2016, against 143,000 in 2015. Nasdaq Copenhagen is the main trading market for NKT shares with 45% of the total traded volume.

Equity issue

On 5 October 2016, NKT issued 9.99% new equity. This was in line with the authorisation from the Annual General Meeting to the Board of Directors to increase the share capital in four different situations, cf. Note 6.1. In total, 13.86% of the equity was sold to the market in an accelerated book building. This included 3.86% own shares held as treasury shares or acquired as part of the share buyback programme introduced on 26 February 2016. The share buyback programme was cancelled on 21 September 2016 as a consequence of NKT Cables' acquisition of ABB HV Cables and subsequent raise of equity.

Distribution to shareholders

NKT aims to give shareholders attractive cash returns on investment and at the same time to reinvest part of the profit in the Group's businesses. The distribution policy includes an annual dividend equal to one third of the profit for the year and share buybacks if capital structure allows. It is NKT's long-term target to maintain a capital structure of up to around 2.5x operational EBITDA. As a result of the intended split of the Group, new distribution and capital structure policies will be announced for each listed entity.

As notified on 21 September 2016 the Board of Directors has decided not to propose dividend for 2016 due to the above mentioned events.

Shareholders

The NKT share is 100% free float and with no dominant shareholders. At end-2016, NKT had approx. 17,300 registered shareholders, compared with approx. 19,900 the year before. 96% of the registered shareholders are Danish, compared with 97% in 2015.

NKT SHARES BASIC DATA

ID code:	DK0010287663
Listing:	Nasdaq Copenhagen, C25 LargeCap
Share capital:	EUR 72m (DKK 537m)
Number of shares:	26.8 million
Nominal value:	DKK 20
Share classes:	1

Shareholders

	2016	2015
Institutional investors, Denmark > DKK 1m	24%	16%
Institutional investors, outside Denmark > DKK 1m	44%	39%
Other registered shareholders, Denmark	19%	28%
Other registered shareholders, outside Denmark	4%	5%
Unregistered shareholders	9%	13%

The following investors have reported NKT shareholdings exceeding 5% of the share capital: ATP (Denmark), Nordea Funds Oy, Danish Branch and Kirkbi INVEST A/S (Denmark).

48% of the registered share capital, against 50% in 2015, was estimated to be held by shareholders in Denmark. 91% of the total share capital is registered, against 87% in 2015.

NKT shares held by the Board of Directors and Group Executive Director

At year-end 2016 the members of the NKT Board of Directors held a total of 4,930 NKT shares, corresponding to a total market value of EUR 0.3m. The Group Executive Director held a total of 104,798 shares, corresponding to a market value of EUR 7m, and a total of 197,169 share warrants exercisable in the period 2017-2020.

Persons deemed to possess inside knowledge and their relatives may only transact NKT shares during a period of six weeks after publication of financial statements provided that no such inside knowledge is possessed. The period of six weeks also applies to other announcements disclosing realised earnings and expected earnings development.

For number of shares held by the Board of Directors and the Group Executive Director, see pages 44-45.
For exercise prices, see Note 3.4 on page 71.

INVESTOR RELATIONS

NKT seeks to maintain close dialogue with the market and its stakeholders by practising open, transparent and consistent communication. The aim is to ensure that:

- Timely, relevant and consistent information is provided to all IR stakeholders to form the basis of a fair valuation of the NKT share
- NKT is perceived as a professional, proactive, reliable, accessible and transparent company
- Relevant IR information is shared with the Board of Directors
- Share liquidity and daily trading volume are high and that there is a diversified shareholder base in terms of investment horizon, investment strategy and geographical distribution.

At the release of interim and annual reports an investor presentation is conducted at a live audiocast. Financial analysts, investors, the media and other stakeholders are invited to listen in and ask questions concerning NKT.

In addition, NKT meets with a number of stakeholders at some 300 annual meetings and roadshows in Denmark and internationally, while private investors have an opportunity to meet the Board of Directors and the business unit managements at the AGM.

The investor's section on NKT's website includes current and historical share information, presentations and a list of financial analysts who monitor the development in NKT shares. Furthermore, interested parties can also subscribe to NKT news.

FINANCIAL CALENDAR

2017	
24 March	Deadline for receipt of resolutions for the AGM
21 April	Annual General Meeting
17 May	Interim Report, Q1
17 August	Interim Report, Q2
15 November	Interim Report, Q3

Corporate Governance

MANAGEMENT BODIES

The current NKT management structure consists of the Board of Directors, NKT Group Functions and the business unit management teams.

The Board of Directors

The Board of Directors consists of nine members. Six members are up for election every year at the Annual General Meeting (AGM) and three are employee-elected members serving four-year terms. At the AGM in March 2016 René Svendsen-Tune and Anders Runevad were elected to the Board.

The AGM-elected members currently comprise one woman and five men, the employee-elected members currently comprise one woman and two men. Of the six AGM-elected members, four live in Denmark, one lives in Sweden and one in Luxembourg. All the AGM-elected Board members have served 12 years or less and are considered independent as defined by the Danish Corporate Governance recommendations. A minimum of six ordinary Board meetings are held annually.

The Board of Directors represents international business experience in the areas of industry, energy, high technology and business development and is deemed to possess requisite competences and seniority.

NKT Group Functions

NKT's Group Executive Director holds executive management responsibility for the parent company, NKT Holding, and is also President and CEO of NKT Cables. The parent company is operated as a lean and cost-efficient executive office solely focusing on key shared functions and active ownership.

Business unit management teams

The CEOs of each business unit report to the Board of Directors. The responsibilities of the CEOs and their management teams include conduct of business and all operational matters, organisation, allocation of resources, establishing and implementing strategies and policies, direction-setting and ensuring timely reporting and provision of information to the Board of Directors.

See pages 44-45 for particulars of the Board of Directors and the Group Executive Director. See pages 24 and 34 respectively for the business unit management teams

Committees

The Board of Directors has appointed a chairmanship and six committees. All the committees report to the Board of Directors. NKT Holding acts as secretariat for the Audit, Nomination and Remuneration Committees.

Committee	Members*	Meetings*
Chairmanship	Jens Due Olsen (Chair), René Svendsen-Tune	N/A
Audit**	Jutta af Rosenborg (Chair), Jens Maaløe	8
Remuneration	Jutta af Rosenborg (Chair), Jens Maaløe	5
Nomination	Lars S. Sørensen (Chair), Jens Due Olsen	2
Nilfisk	Jens Due Olsen (Chair), Lars S. Sørensen	7
NKT Cables ***	Jens Due Olsen (Chair), René Svendsen-Tune	7
NKT Photonics	Jens Maaløe (Chair), Jens Due Olsen	4

* *Members and meetings held in the period AGM 2016-AGM 2017 Full terms of reference for the Audit, Remuneration and Nomination Committees can be found at www.nkt.dk*

** *Meetings are also attended by the CFOs of Nilfisk and NKT Cables. As a minimum, NKT's Group Executive Director participates when financial statements are discussed.*

*** *The Committee also acts as Tender Board which held three meetings in 2016*

Audit Committee

The purpose of the Audit Committee is to analyse and recommend on topics to be resolved by the Board of Directors. Its principal tasks are:

- To monitor the financial reporting process and compliance with existing legislation, standards and other regulations for listed companies relating to presentation and publication of financial reporting
- To monitor whether the company's internal control and risk management systems function efficiently
- To monitor the statutory audit of the annual financial statements
- To monitor the independence of auditors, including in particular the supply of non-audit services to the NKT Group
- To make recommendations to the Board of Directors concerning the election of auditors

The work of the Audit Committee is described in the terms of reference available at www.nkt.dk and is formalised in an annual plan approved by the Board of Directors.

Monitoring internal controls and risk management systems for financial reporting

NKT's internal controls and risk management systems for financial reporting are designed to ensure that the financial reporting presents a true and fair view of NKT's result and financial position, without material misstatements, and in compliance with current financial legislation and accounting standards.

Framework

The Audit Committee systematically assesses material risks relating to the financial reporting process, as well as compliance with related key internal controls. The Committee reviews the scope of the internal control system, also referred to as EuroSox, in June each year, and monitors the effectiveness of the internal controls in June and in January.

The EuroSox framework at NKT is designed to reduce material risks in the financial reporting process and covers all material entities in each of the business units. More than 90% of the Group's revenue is covered by the current scope of Eurosox. The remaining entities falling outside this scope are considered immaterial with regard to the risk of material errors in the Group financial statements.

The EuroSox framework is furthermore designed so that the key controls cover all major financial processes in the material subsidiaries of each of the business units. Key controls comprise both manual and IT-dependent controls.

The key controls are systematically tested in conjunction with controller visits performed by NKT Group controlling or by external audit. All key controls are tested at least once every three years in entities covered by EuroSox, as well as general IT controls.

Scope

In the present reporting period NKT continued its work of strengthening the EuroSox framework by increasing the efficiency of internal controls in newly acquired entities.

Compliance

The Audit Committee performs general supervision of compliance with policies and guidelines related to risk management and financial reporting. This covers i.a. policies for accounting, treasury, metal hedging and tax.

The Compliance Committee, facilitated by NKT and consisting of the CEOs of the business units, reviews and oversees the NKT Group's compliance programme, including the Business Code of Conduct and related compliance programmes. The Compliance Committee acts in collaboration and alignment with the Audit Committee.

NKT further operates a whistleblower scheme whereby employees and associated business partners can report irregularities. The Audit Committee is notified of incidents reported, and in the event of incidents of a serious nature the Chairman of the Audit Committee and the Chairman of the Board of Directors will be involved immediately.

Remuneration Committee

The primary purpose of the Remuneration Committee is to process a remuneration policy for the managements of NKT and the business units for submission to the Board of Directors. The Board of Directors' remuneration is subject to approval by the AGM.

The Board of Directors receives a fixed salary, while the Group Executive Director and the business unit management teams receive both a fixed salary and incentive pay. This structure ensures commonality of interest between the management and shareholders, and maintains management's motivation to achieve the strategic goals set. In 2015, the Remuneration Committee prepared a long-term incentive programme for the business unit managements. Due to the planned split of NKT, a new programme is under development.

Remuneration policy

NKT's remuneration policy contains guidelines for setting and approving the remuneration for the Board of Directors and the salaries for the Group Executive Director and business unit managements. All parties must receive competitive pay which is commensurate with the duties assigned and which represents an attractive incentive for long-term commitment. Severance arrangements related to 'Change of control' are described in Note 3.3. The remuneration policy was last presented to and adopted by the AGM in 2016. If the planned split of NKT is completed, a separate remuneration policy is planned to be developed and implemented in Nilfisk. The Board's remuneration for the coming year will also be proposed to the AGM for approval. The remuneration policy can be found at www.nkt.dk.

Board of Directors' remuneration 2017

At the AGM in 2017 NKT will propose that the remuneration for the Board of Directors be unchanged from 2016.

See Note 3.2 on page 69

Nomination Committee
The purpose of the Nomination Committee is to define and assess the qualifications required by the Board of Directors, the Group Executive Director and the business unit managements and to initiate an annual self-assessment within the Board.

Self-assessments
The purpose of the annual self-assessment is to define competences required within the Board of Directors, taking into account the contribution of the individual members, and to identify future areas of focus. The self-assessment for the current election period will be performed prior to the AGM in April 2017.

The Board of Directors also performs an annual assessment of the Group Executive Director covering two main areas: the interaction between both parties, and the competences of the Group Executive Director. The assessment takes the form of a general discussion by the Board, the assessment findings then being communicated by the Board Chairman to the Group Executive Director.

Target figure for the under-represented gender
The Board of Directors wishes to ensure that both men and women are represented on the Board. The target figure for the under-represented gender among AGM-elected Board members is minimum 17%, which corresponds to one person. This target was met in 2016. NKT's focus on diversity and equal opportunities for both genders is described in the annual UN Global Compact Communication on Progress report, which can be found at www.nkt.dk.

Business unit committees
The NKT Board of Directors has established a business unit committee for each business unit. The purpose of the committee is to deploy the competences of the Board more effectively through more direct involvement in operations. Each committee consists of two Board members with experience of the relevant industry dynamics, as well as representatives of NKT's Group Functions. Both strategic and operational issues, including strategic direction, financial and operational performance, significant investments and tenders are discussed at the meetings with view to delivering a more efficient, flexible and transparent decision-making process.

CORPORATE GOVERNANCE

As a listed company on the Nasdaq Copenhagen stock exchange, NKT is subject to rules governing share issuers and also to corporate governance recommendations. NKT fulfils its obligations in respect of the latter either by compliance or by explaining the reason for non-compliance.

See www.nkt.dk/Investors

NKT complies fully with 44 of the 47 recommendations, while complying partly or not complying with three recommendations. These three recommendations comprise:

Recommendation 3.1.4 that the company's Articles of Association should stipulate a retirement age for the members of the Board of Directors.
At the AGM on 21 March 2013 the Board of Directors proposed including in the company's Articles of Association a retirement age of 67 for Board members. This proposal was not adopted by the assembly, hence this recommendation is not complied with.

Recommendation 3.4.6 that the Board of Directors should establish a Nomination Committee chaired by the Chairman of the Board of Directors.
The Board of Directors has appointed a Nomination Committee consisting of two members of the Board of Directors, including the Chairman. The Chairman of the Board of Directors is, however, not the chairman of the Nomination Committee. As the Chairman of the Board of Directors is represented in all three business unit committees and is thereby actively engaged with the relevant managements, this recommendation is partly complied with. Furthermore, the Board believes that it is good governance for other members to constitute the chairman of this committee.

Recommendation 4.1.2 on variable components of remuneration.
NKT considers that it is only reasonable to claim repayment of variable remuneration components in instances where an obligation for such repayment would follow from generally applicable principles of Danish law. Accordingly, NKT does not consider it necessary or appropriate to include a specific clause in its remuneration policy to cover repayment of variable components of remuneration in exceptional cases, hence this recommendation is partly complied with.

Group Management

BOARD OF DIRECTORS

				
	Jens Due Olsen	**René Svendsen-Tune**	**Jens Maaløe**	**Jutta af Rosenborg**
	Chairman	**Deputy Chairman**		
	Born 1963, Denmark First elected in 2006 MSc. Econ1990	Born 1955, Denmark First elected in 2016 BSc. Eng. (hon.)	Born 1955, Denmark First elected in 2004 MSc. E.Eng. 1979, PhD. 1983	Born 1958, Denmark First elected in 2015 State-Authorised Public Accountant 1992 MSc. Business Economics and Auditing 1987
NKT Committees	Nomination **(M)** Nilfisk **(C)** NKT Cables **(C)** NKT Photonics **(M)**	NKT Cables **(M)**	Remuneration **(M)** Audit **(M)** NKT Photonics **(C)**	Audit **(C)** Remuneration **(C)**
Other positions and directorships		CEO, GN Store Nord A/S and GN Audio A/S	President & CEO, Terma A/S	
	• Bladt Industries A/S **(C)** • Heptagon Advanced Micro Optics Inc. **(ACC)** • Cryptomathic A/S • Gyldendal A/S • PFA pension A/S **(C** of AC and investment committee) • Royal Unibrew A/S • KMD A/S • Auris Luxembourg III S.A. Advisory Board **(C)** • BørneBasketFonden **(C)**		• Grundfos Holding A/S • Poul Due Jensen's Fond	• Aberdeen Asset Management PLC **(ACC)**, (Remuneration **CM**v, (Risk Committee **M)**, (Nomination **(M)** • JPMorgan European Investment Trust plc • PGA European Tour **(A & Risk CC)** • Det Danske Klasselotteri A/S **(C)**
NKT shares at end-2016	1,500 (2015: 1,500)	2,000 (2015: 0)	515 (2015: 515)	0 (2015: 0)
Special qualifications	• Industrial management • Management of listed companies • Specialist expertise in economic and financial matters	• International management • Management of listed companies • Specialist expertise in technology, service businesses and large account sales	• Industrial management • Management of listed companies • Specialist expertise in technology and technological development	• International management • Optimisation of business processes • Risk management • Finance and controlling

(C) = *Chairman,* **(DC)** = *Deputy Chairman,* **(M)** = *Member,* **(ACC)** = *Audit Committee Chairman,* **(ACM)** = *Audit Committee Member*

Further details on remuneration to the Board of Directors are found on page 69.
Further details on NKT's committees are found on page 43.

Anders Runevad

Born 1960, Denmark
First elected in 2016
MSc. E.Eng.1984

CEO, Vestas Wind Systems A/S

- General Council of the Confederation of Danish Industries **(M)**
- MHI Vestas Offshore Wind **(DC)**

0 (2015: 0)

- International management
- Management of listed companies
- Specialist expertise in large infrastructure projects

Lars Sandahl Sørensen

Born 1963, Denmark
First elected in 2013
MSc. Int. Business and Management

Nomination **(C)**
Nilfisk **(M)**

Group Director & COO, SAS

- General Council of the Confederation of Danish Industries **(M)**
- SEDK **(DC)**
- Wexøe Holding A/S
- Industriens Fond
- VEGA

685 (2015: 685)

- International services management
- Management of listed companies
- Specialist expertise in corporate trading, international business development, leadership development in various industrial sectors, sales and marketing

Niels-Henrik Dreesen*

Born 1957, Denmark
First elected in 2012

Production Engineering Manager, NKT Cables

NKT shares end-2015:
125 (2015: 125)

René Engel Kristiansen *

Born 1968, Denmark
First elected in 2014
MS.E.Eng. 1994

Product Line Manager, NKT Photonics A/S

NKT shares end-2015:
105 (2015: 5)

Gitte Toft Nielsen*

Born 1964, Denmark
First elected in 2014

Finance Assistant, Nilfisk A/S

NKT shares end-2015:
0 (2015: 0)

GROUP EXECUTIVE DIRECTOR

Michael Hedegaard Lyng

Born 1969, Denmark
Joined NKT in 2007
MSc. Business Administration, Accounting and Auditing 2001
EMBA 2011

Member of Executive Management 2008
President and CEO NKT Cables 2014

Directorships:
- Burmeister & Wain Scandinavian Contractor A/S
- Investeringsselskabet Luxor A/S

NKT shares at end-2016: 104,789 (2015: 1,489)

** Elected by the employees*

Group Management's statement

The Group Management has today discussed and approved the Annual Report of NKT Holding A/S for the financial year 1 January - 31 December 2016.

The Annual Report has been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU, and Danish disclosure requirements for listed companies.

In our opinion the consolidated financial statements and the Company's financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January - 31 December 2016.

Management's review contains in our opinion a true and fair review of the development in the Group's and the Company's operations, financial circumstances and results for the year, and of the Company's financial position, and describes the material risks and uncertainties affecting the Group and the Company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, 21 February 2017

The 2016 Annual Report is presented in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and Danish disclosure requirements for the annual reports of listed companies. Statements in the report concerning the future reflect the Group Management's current expectations with regard to future events and financial results. Statements concerning the future are naturally subject to uncertainty and the results achieved may therefore differ from expectations. Issues which may cause such differences include, but are not limited to, economic and financial market developments, legislative and regulatory changes in NKT markets, developments in product demand, competitive conditions, and energy and raw material prices.

See also the sections on risk management on pages 22 and 33, Note 6.6 on page 91, and Note 8.4 on page 103.

Group Executive Director

Michael Hedegaard Lyng

Board of Directors

Jens Due Olsen, Chairman

René Svendsen-Tune, Deputy Chairman

Niels-Henrik Dreesen

René Engel Kristiansen

Jens Maaløe

Gitte Toft Nielsen

Jutta af Rosenborg

Anders Runevad

Lars Sandahl Sørensen

Independent auditor's report

TO THE SHAREHOLDERS OF NKT HOLDING A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of NKT Holding A/S for the financial year 1 January 2016 to 31 December 2016, which comprise the income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December2016 and of the Group's and the Parent's financial performance and cash flows for the financial year 1 January 2016 to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January2016 to 31 December2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF CONSTRUCTION CONTRACTS (WORK IN PROGRESS)

Refer to notes 1.1, 2.2 and 5.2 in the consolidated financial statements

Significant judgements are required by Management in determining stage of completion and estimated profit on each project, including assessment of provisions for specific project risks. Minor changes in the stage of completion and specific project risks can have a significant impact on the valuation and recognition of construction contracts and income for the year.

Accordingly, the valuation of construction contracts especially relating to high voltage off-shore contracts is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have assessed the relevant internal controls for construction contracts primarily relating to contract acceptance, change orders, monitoring of project development, cost incurred and estimation of costs to complete and assessment of specific project risks.

We obtained from Management an overview of the Group's construction contracts at 31 December 2016 relating to high voltage off-shore contracts covering both in progress and completed contracts during the year. Based on assessed project risk and materiality, we selected a sample of contracts where we obtained the underlying contracts, including change orders, original budget and any changes made to original budgets, including estimates of costs to complete, project reports and overview of the risk register and corresponding risk provision, where deemed relevant by us.

For the selected contracts, we assessed and challenged Management's assumptions for determining stage of completion with due consideration to its assessment of project risks and risk provisions and estimated profit through interviews with project controllers, project management, legal department and management representatives as well as our understanding and assessment of the contract terms, associated project risks, including valuation of change orders under discussion with customers and final acceptance. Additionally, we attended project steering committee meetings where the project performance, cost to complete and project risk register, including likelihood of the risk materialising, were discussed and assessed in detail. Furthermore, we performed retrospective reviews of completed contracts, including assessment of project risk and development and utilisation of risk provisions to assess the completeness and accuracy of Management's assumptions applied throughout the contract period.

CARRYING VALUE OF GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Refer to notes 1.1, 4.1, 4.2 and 4.3 in the consolidated financial statements

Currently the NKT Cables Group high voltage on-shore business is due to the unsatisfactory financial performance going through a turnaround, including the related high voltage property, plant and equipment in Germany. The determination of recoverable amount for the NKT Cables Group, including the high voltage on-shore business, is based on the value-in-use derived from future free net cash flow based on budgets and the strategy for the coming years and cash flows from the terminal period. Significant judgement is required by Management in determining value-in-use, including cash flow projections based on financial budgets for 2017 and financial forecasts for 2018-2020, discount rate and growth rate in the terminal period.

Accordingly, the carrying value of goodwill, intangible assets and property, plant and equipment relating to the NKT Cables Group, including the high voltage on-shore business, is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have obtained and evaluated Management's determination of future cash flow forecasts for the NKT Cables Group, including the high voltage on-shore business, and the underlying process by which they were drawn up, including the mathematical accuracy of the cash flow models and agreeing future growth, investment and margin assumptions to the latest Board approved budget for 2017 and financial forecasts for 2018-2020. We used our valuation specialist to assist us in evaluating the appropriateness of key market-related assumptions in Management's valuation models, including discount rates and terminal growth rates. We assessed the reasonableness of Management's future forecasts of growth, investments and margins included in the cash flow forecasts in the light of the historical accuracy of such forecasts and the current operational results.

In assessing the level of headroom at the NKT Cables Group, including the high voltage on-shore business, including related high voltage property, plant and equipment in Germany, we performed downside sensitivity analysis around the key assumptions, using a range of higher discount rates and lower terminal growth rates.

VALUATION OF DEFERRED TAX ASSETS

Refer to notes 1.1 and 2.4 in the consolidated financial statements

The valuation of deferred tax asset is based on the recoverable value of tax losses carried forward as well as the part of deductible temporary tax differences expected to be utilised within a foreseeable future. Significant judgement is required by Management in determining the recoverable value, including projections of future taxable income, based on financial budgets for 2017 and financial forecasts for 2018-2021.

Accordingly, the valuation of deferred tax assets is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have, in assessing the valuation of deferred tax assets, obtained and evaluated Management's expectations of generating future taxable profits in the foreseeable future, especially for Germany, and the underlying process by which they were drawn up, including the mathematical accuracy of the models, and agreeing future growth and margin assumptions to the latest Board approved budget for 2017 and financial forecasts for 2018-2021 as well as the expected related utilisation of the deferred tax asset. We assessed the reasonableness of Management's determination of expected future taxable profits in the light of the historical accuracy of such forecasts and the current operational results in Germany.

In assessing the level of headroom, we performed downside sensitivity analysis around the key assumptions by using a range of lower growth rates and margin.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the management's review

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Management's responsibility for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exits. 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 consolidated financial statements and these parent financial statements.

As part of an audit in accordance with International Standards on Auditing and 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 consolidated financial statements and the parent 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 Group's and the Parent'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 the preparation of the consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 21 February 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Anders Vad Dons State-Authorised Public Accountant	Lars Siggaard Hansen State-Authorised Public Accountant

Consolidated financial statements

Income statement

1 January - 31 December

Amounts in EURm	Note	2016	2015
Revenue	2.1/2.2	1,046.1	1,252.1
Other operating income		18.0	6.5
Changes in inventories of finished goods and work in progress		-3.2	-8.3
Work performed by the Group and capitalised	2.3	4.5	4.8
Costs of raw materials, consumables and goods for resale		-685.5	-864.6
Staff costs	3.1	-180.8	-187.7
Other costs	2.3/7.1/8.1	-171.1	-148.6
Shares of profit after tax in associates		-0.1	-0.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**27.9**	**54.1**
Depreciation and impairment of property, plant and equipment	4.3	-33.0	-72.3
Amortisation and impairment of intangible assets	4.2	-8.6	-7.4
Impairment of goodwill	4.2	0.0	-3.9
Earnings before interest and tax (EBIT)		**-13.7**	**-29.5**
Financial income	6.5	39.3	43.3
Financial expenses	6.5	-33.6	-41.5
Earnings from operations before tax (EBT)		**-8.0**	**-27.7**
Tax on operations	2.4	-9.5	-12.8
Profit for the year from continuing operations		**-17.5**	**-40.5**
Profit for the year from discontinued operations	9.2	29.6	41.7
Profit for the year		**12.1**	**1.2**
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		12.1	1.0
Profit attributable to non-controlling interest		0.0	0.2
		12.1	**1.2**
Basic earnings, EUR, per share (EPS)		0.5	0.0
Diluted earnings, EUR, per share (EPS-D)		0.5	0.0
Earning from continuing operations, EUR, per share (EPS)		-0.7	-1.7
Diluted earnings from continuing operations, EUR, per share (EPS-D)		-0.7	-1.7

The Board of Directors proposes a dividend for the year of DKK 0.0 per share (2015: DKK 4.0 per share) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January - 31 December

Amounts in EURm	2016	2015
Profit for the year	**12.1**	**1.2**
Other comprehensive income		
Items that may be reclassified to income statement:		
Foreign exchange adjustment, foreign companies	-6.6	15.0
Transferred to financial income	-4.8	0.0
Value adjustment of hedging instruments:		
Value adjustment for the year	6.0	4.4
Transferred to costs of raw materials, consumables and goods for resale	1.5	-11.3
Transferred to financial expenses	2.4	-3.3
Fair value adjustment of available for sale securities	0.3	0.6
Tax on comprehensive income	-0.5	0.6
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	-6.4	2.6
Tax on actuarial gains/losses	1.8	-0.9
Total other comprehensive income	**-6.3**	**7.7**
Comprehensive income for the year	**5.8**	**8.9**
To be distributed as follows:		
Comprehensive income attributable to equity holders of NKT Holding A/S	5.8	8.8
Comprehensive income attributable to non-controlling interest	0.0	0.1
	5.8	**8.9**

Balance sheet

31 December

Amounts in EURm	Note	2016	2015
Assets			
Intangible assets	4.1/4.2		
Goodwill		27.0	194.8
Trademarks, etc.		0.0	13.0
Customer-related assets		2.6	14.4
Development projects completed		11.5	42.0
Patents and licences, etc.		13.8	34.3
Development projects in progress		18.6	34.7
		73.5	**333.2**
Property, plant and equipment	4.1/4.3		
Land and buildings		122.5	148.7
Manufacturing plant and machinery		121.6	151.3
Fixtures, fittings, tools and equipment		16.3	45.9
Property, plant and equipment under construction, incl. prepayments		12.4	21.3
		272.8	**367.2**
Other non-current assets			
Investments in associates		0.1	16.8
Other investments and receivables		1.2	7.3
Deferred tax	2.4	34.7	62.5
		36.0	**86.6**
Total non-current assets		**382.3**	**787.0**
Inventories	5.1	142.1	342.5
Receivables	5.2	207.2	490.7
Income tax receivable		2.0	5.1
Cash at bank and in hand		127.8	58.3
Assets classified as held for sale	9.1	52.7	0.0
Assets classified as held for distribution to owners	9.2	833.0	0.0
Total current assets		**1,364.8**	**896.6**
Total assets		**1,747.1**	**1,683.6**

Balance sheet

31 December

Amounts in EURm	Note	2016	2015
Equity and liabilities			
Equity			
Share capital	6.7	72.0	64.9
Reserves		29.9	31.6
Retained comprehensive income		849.5	699.1
Proposed dividends		0.0	13.0
Total equity attributable to equity holders of NKT Holding A/S		951.4	808.6
Non-controlling interest		0.0	0.9
Total equity		**951.4**	**809.5**
Non-current liabilities			
Deferred tax	2.4	8.0	42.9
Pension liabilities	4.4	53.1	55.0
Provisions	4.5	12.8	19.6
Interest-bearing loans and borrowings	6.2/6.3/6.6	83.0	143.9
		156.9	**261.4**
Current liabilities			
Interest-bearing loans and borrowings	6.2/6.3/6.6	10.5	11.6
Trade payables and other liabilities	5.3/6.3/6.6	273.5	554.2
Income tax payable		7.3	6.6
Provisions	4.5	15.8	40.3
Liabilities associated with assets classified as held for sale	9.1	24.6	0.0
Liabilities associated with assets classified as held for distribution to owners	9.2	307.1	0.0
		638.8	**612.7**
Total liabilities		**795.7**	**874.1**
Total equity and liabilities		**1,747.1**	**1,683.6**

Cash flow statement

1 January - 31 December

Amounts in EURm	Note	2016	2015
Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations		27.9	54.1
Earnings before interest, tax, depreciation and amortisation (EBITDA) from discontinued operations	9.2	96.8	97.9
		124.7	152.0
Non-cash operating items:			
Profit on sales of non-current assets, used and increase of provisions, and			
other non-cash operating items, etc.		-9.2	2.7
Changes in working capital		57.6	41.7
Cash flow from operations before financial items, etc.		173.1	196.4
Financial income received		33.8	36.4
Financial expenses paid		-38.2	-43.8
Income tax paid		-14.8	-15.8
Cash flow from operating activities		**153.9**	**173.2**
Acquisition of businesses	7.1	-53.3	-29.1
Divestment of business	7.1	-3.0	6.0
Investments in property, plant and equipment		-40.7	-39.0
Disposal of property, plant and equipment		3.5	3.9
Intangible assets and other investments, net		-38.5	-29.7
Cash flow from investing activities		**-132.0**	**-87.9**
Free cash flow		**21.9**	**85.3**
Changes in non-current loans from credit institutions		-53.8	-35.7
Changes in current loans from credit institutions		-0.4	-43.6
Non-controlling interest, dividend, etc.		-4.4	0.0
Dividends paid		-13.1	-13.0
Dividend, treasury shares		0.1	0.0
Cash from disposal of treasury shares / share buyback programme		11.0	0.0
Cash from issue of new shares / exercise of warrants		139.5	11.3
Cash flow from financing activities		**78.9**	**-81.0**
Net cash flow for the year		**100.8**	**4.3**
Cash at bank and in hand, 1 January		58.3	50.1
Currency adjustments		-1.0	3.9
Net cash flow for the year		100.8	4.3
Cash at bank and in hand, 31 December*		**158.1**	**58.3**
*Including cash classified as held for sale / distribution to owners of:	9	30.3	

Statement of changes in equity

Amounts in EURm	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Non-controlling interest	Total equity
Equity, 1 January 2015	**64.2**	**19.9**	**4.7**	**0.9**	**698.7**	**12.8**	**801.2**	**0.8**	**802.0**
Foreign exchange translation adjustments		15.1					15.1	-0.1	15.0
Value adjustment of hedging instruments:									
Value adjustment for the year			4.4				4.4		4.4
Transferred to consumption of raw materials			-11.3				-11.3		-11.3
Transferred to financial expenses			-3.3				-3.3		-3.3
Fair value adjustment of available for sale securities				0.6			0.6		0.6
Actuarial gains/losses on defined benefit pension plans					2.6		2.6		2.6
Tax on actuarial gains/losses					-0.9		-0.9		-0.9
Tax on other comprehensive income		-0.8	1.5	-0.1			0.6		0.6
Total other comprehensive income	**0.0**	**14.3**	**-8.7**	**0.5**	**1.7**	**0.0**	**7.8**	**-0.1**	**7.7**
Profit for the year					-12.0	13.0	1.0	0.2	1.2
Comprehensive income for the year	**0.0**	**14.3**	**-8.7**	**0.5**	**-10.3**	**13.0**	**8.8**	**0.1**	**8.9**
Dividends paid					-0.2	-12.8	-13.0		-13.0
Share-based payment					0.3		0.3		0.3
Exercise of warrants	0.7				10.6		11.3		11.3
Total transactions with owners in 2015	**0.7**	**0.0**	**0.0**	**0.0**	**10.7**	**-12.8**	**-1.4**	**0.0**	**-1.4**
Equity, 31 December 2015	**64.9**	**34.2**	**-4.0**	**1.4**	**699.1**	**13.0**	**808.6**	**0.9**	**809.5**
Equity, 1 January 2016	**64.9**	**34.2**	**-4.0**	**1.4**	**699.1**	**13.0**	**808.6**	**0.9**	**809.5**
Foreign exchange translation adjustments		-6.6					-6.6		-6.6
Transferred to financial income		-4.8					-4.8		-4.8
Value adjustment of hedging instruments:									
Value adjustment for the year			6.0				6.0		6.0
Transferred to consumption of raw materials			1.5				1.5		1.5
Transferred to financial expenses			2.4				2.4		2.4
Fair value adjustment of available for sale securities				0.3			0.3		0.3
Actuarial gains/losses on defined benefit pension plans					-6.4		-6.4		-6.4
Tax on actuarial gains/losses					1.8		1.8		1.8
Tax on other comprehensive income		1.3	-1.8	0.0			-0.5		-0.5
Total other comprehensive income	**0.0**	**-10.1**	**8.1**	**0.3**	**-4.6**	**0.0**	**-6.3**	**0.0**	**-6.3**
Profit for the year					12.1	0.0	12.1	0.0	12.1
Comprehensive income for the year	**0.0**	**-10.1**	**8.1**	**0.3**	**7.5**	**0.0**	**5.8**	**0.0**	**5.8**
Dividends paid					-0.1	-13.0	-13.1		-13.1
Dividend, treasury shares					0.1		0.1		0.1
Issue of shares	6.5				129.3		135.8		135.8
Share issue costs					-3.8		-3.8		-3.8
Share buyback programme					-41.8		-41.8		-41.8
Disposal of treasury shares					52.8		52.8		52.8
Acquisition/disposal non-controlling interest					-3.5		-3.5	-0.9	-4.4
Share-based payment					3.0		3.0		3.0
Exercise of warrants	0.6				6.9		7.5		7.5
Total transactions with owners in 2016	**7.1**	**0.0**	**0.0**	**0.0**	**142.9**	**-13.0**	**137.0**	**-0.9**	**136.1**
Equity, 31 December 2016	**72.0**	**24.1**	**4.1**	**1.7**	**849.5**	**0.0**	**951.4**	**0.0**	**951.4**

Notes

! - Significant judgements and estimates

Significant judgements and accounting estimates made by Management are included in the notes to which they relate with the purpose to increase legibility.

± - Sensitivity

Sensitivity analyses often accompany significant judgements and accounting estimates, and are included in the notes to which they relate with the purpose to increase legibility.

§ - Accounting policy

Accounting policies are included in the notes to which they relate in order to facilitate understanding of the contents and the accounting treatment applied. Accounting policies not relating directly to individual notes are stated in Note 1.1.

Note 1

1 - BASIS FOR PREPARATION

This section describes the applied reporting framework, including a definition of materiality for disclosures as well as any changes in the accounting policies.

1.1 - GENERAL ACCOUNTING POLICIES

NKT Holding A/S is a public limited company domiciled in Denmark. The Annual Report for the period 1 January - 31 December 2016 comprises both the consolidated financial statements for NKT and its subsidiaries (the Group) and separate financial statements for the parent company.

The 2016 Annual Report for NKT was prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and Danish disclosure requirements for listed companies.

Basis for preparation

The Annual Report is presented in EUR rounded to the nearest EUR 1,000,000 with one decimal.

The Annual Report was prepared according to the historical cost principle, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments in a trading portfolio and financial instruments designated as available for sale.

Except for that stated under 'Changes to accounting policies', the accounting policies described in the individual notes have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures are not restated. As the standards and interpretations implemented did not influence the balance sheet as at 1 January 2015 and associated notes, the opening balance sheet and associated notes have been omitted.

Definition of materiality

The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required according to IFRS are stated in the Annual Report unless the disclosures concerned are considered irrelevant or immaterial for financial decisions made by the financial statement users.

Changes to accounting policies

NKT has implemented the standards and interpretations effective for 2016. The implementation of standards and interpretations has not influenced recognition and measurement in 2016 or is expected to influence future financial years.

Significant judgements and estimates

When preparing the Annual Report, Group Management makes a number of accounting estimates, judgements and assumptions which form the basis for recognition and measurement of assets and liabilities.

The judgements, estimates and assumptions made are based on historical experience and other factors which Group Management assesses to be reliable, but which, by their nature, are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Particular risks referred to in the 'Risk management' sections of Group Management's review and in Note 6.6 Financial risks to the consolidated financial statements as well as Note 8.4 Contingent liabilities, may have substantial influence on the financial statements.

Significant accounting estimates and judgements:

	Note
Deferred tax	2.4
Impairment test	4.1
Pension liabilities	4.4
Provisions	4.5
Inventories	5.1
Construction contracts	5.2
Credit risk	6.6
Contingent liabilities	8.4
Discontinued operations and assets held for sale	9

Going concern

Group Management is required to decide whether the financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flow, existence of credit facilities, etc., Group Management is of the opinion that there are no factors giving reason to doubt whether NKT can continue operating for at least 12 months from the balance sheet date.

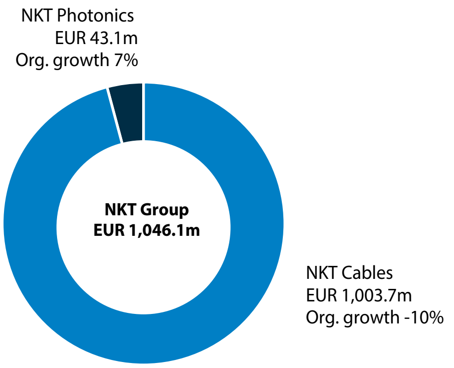
Note 2

2 - PROFIT FOR THE YEAR

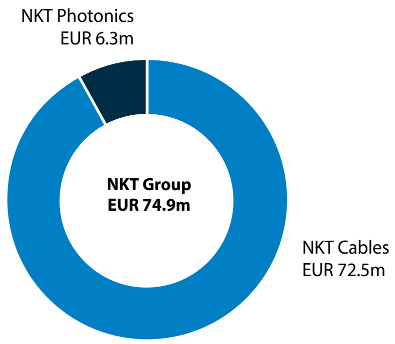
This note relates to profit for the year, including revenue, segment information, research and development costs, corporate tax and deferred tax.

Key developments 2016

Revenue



Operational EBITDA



NKT Cables realised organic growth of -10% and revenue of EUR 1,003.7m in 2016. Organic growth was driven by Projects, which realised -25%, and APAC, which realised -34%, while Products delivered flat growth. Operational EBITDA was EUR 72.5m and operational EBITDA margin, in std. metal prices, was 9.7%. Compared to last year, operational EBITDA decreased by EUR 4.5m, driven by the current offshore project portfolio and by the loss-making operations in China which were included for the first nine months of the year.

NKT Photonics realised organic growth of 7% and revenue of EUR 43.1m. Organic growth was adjusted for the impact of the Fiber Processing operations divested in 2015. Furthermore, organic growth relating to Fianium, acquired in 2016, was included based on pro forma figures. In 2016, EBITDA was EUR 6.3m and margin 14.7%. Compared with last year, EBITDA improved by EUR 2.6m and margin by 5.1%-points. This was partly an effect of the divestment of the Fiber Processing business, and partly an effect of better operational performance and improved product margins.

§ - Accounting policy

Segment information
The segment information is based on internal management reporting and is presented in accordance with the Group's accounting policies.

Segment income and expenses and segment assets and liabilities comprise those items that are directly attributable to the individual segment and those items that can be reliably allocated to it. All items have been attributed to the Group's business segments.

Segment assets comprise the non-current assets used directly in segment operations, including tangible and intangible assets and investments in associates, as well as the current assets used directly in segment operations, including inventories, trade and other receivables, prepaid expenses, and cash.

Segment liabilities are those liabilities resulting from segment operations, including trade payables and other payables.

The reportable segments are generally referred to as business units. The business units consist of Nilfisk, NKT Cables and NKT Photonics.

Each business unit operates independently of the others, with separate brands and managements, as each unit has different customers and end-users and is based on different technologies and market strategies. A further description of the business units is included in Group Management's review.

Group Management assesses the operating results of the business units separately to enable decision to be made concerning allocation of resources and measurement of performance.

Inter-segment transactions are performed on market terms and no single customer accounts for more than 10% of the revenue. The reportable segments are identified without aggregation of operating segments.

Other operating income
Other operating income comprises items of a secondary nature relative to the operations of the enterprise, including grant schemes, reimbursements and gains on sale of non-current assets, and negative goodwill on acquisition of subsidiaries. Gains on disposal of tangible and intangible assets are determined as the selling price less selling costs and the carrying amount at the time of sale.

Change in inventories of finished goods and work in progress
Change 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 capitalised
Work performed by the Group and capitalised 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.

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 writedowns for obsolescence.

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

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

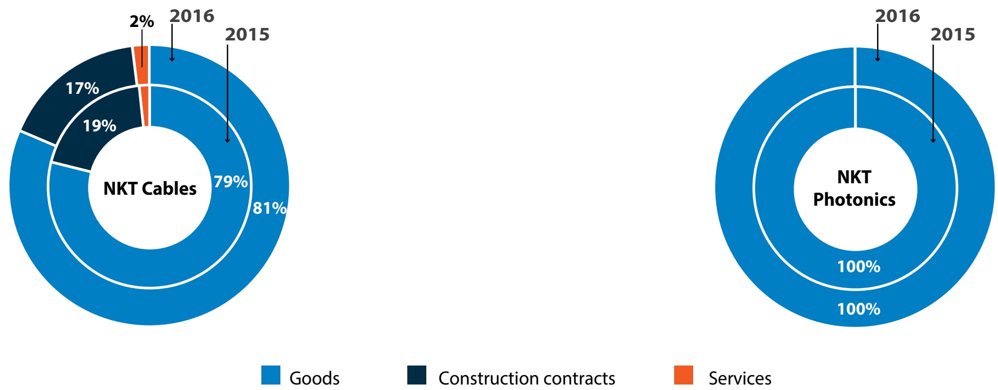
2.1 - SEGMENT INFORMATION

2016 **Amounts in EURm**	NKT Cables	NKT Photonics	Parent company etc.	Total reportable segments	Nilfisk Discontinued operations	Inter-segment transact.	Total NKT Group
Income statement							
Revenue from external customers	1,003.7	42.4	0.0	1,046.1		0.0	1,046.1
Inter-segment revenue	0.0	0.7	0.0	0.7		-0.7	0.0
Total revenue	1,003.7	43.1	0.0	1,046.8		-0.7	1,046.1
Revenue in std. metal prices	750.4	43.1	0.0	793.5		-0.7	792.8
Costs and other income, net (excl. one-off items)	-931.1	-36.8	-3.9	-971.8		0.7	-971.1
Share of profits after tax of associates	-0.1	0.0	0.0	-0.1		0.0	-0.1
Operational EBITDA	72.5	6.3	-3.9	74.9		0.0	74.9
One-off items	-46.3	0.0	-0.7	-47.0		0.0	-47.0
EBITDA	26.2	6.3	-4.6	27.9		0.0	27.9
Depreciation and amortisation	-36.8	-4.8	0.0	-41.6		0.0	-41.6
Impairment loss	0.0	0.0	0.0	0.0		0.0	0.0
Segment result (EBIT)	-10.6	1.5	-4.6	-13.7		0.0	-13.7
Financial income	11.9	0.0	30.8	42.7		-3.4	39.3
Financial expenses	-14.9	-1.2	-20.9	-37.0		3.4	-33.6
EBT	-13.6	0.3	5.3	-8.0		0.0	-8.0
Tax	-8.7	-0.1	-0.7	-9.5		0.0	-9.5
Profit for the year from continuing operations	-22.3	0.2	4.6	-17.5		0.0	-17.5
Profit for the year from discontinued operations					29.6		29.6
Profit for the year	-22.3	0.2	4.6	-17.5	29.6	0.0	12.1
Balance sheet							
Assets							
Goodwill	12.9	14.1	0.0	27.0		0.0	27.0
Other intangible assets	28.8	17.7	0.0	46.5		0.0	46.5
Property, plant and equipment	269.8	3.0	0.0	272.8		0.0	272.8
Investments in associates	0.1	0.0	0.0	0.1		0.0	0.1
Other non-current assets	0.9	0.3	315.2	316.4		-315.2	1.2
Deferred tax	40.7	0.1	-6.1	34.7		0.0	34.7
Inventories	133.1	9.0	0.0	142.1		0.0	142.1
Receivables incl. tax	192.7	19.2	0.3	212.2		-3.0	209.2
Cash at bank and in hand	136.1	7.1	253.7	396.9	169.7	-438.8	127.8
Assets held for sale / distribution to owners	52.7	0.0	0.0	52.7	833.0	0.0	885.7
Segment assets	867.8	70.5	563.1	1,501.4	1,002.7	-757.0	1,747.1
Equity and liabilities							
Equity	233.0	5.1	486.2	724.3	227.1	0.0	951.4
Non-current liabilities							
Deferred tax	6.0	1.3	0.7	8.0		0.0	8.0
Pension liabilities	53.1	0.0	0.0	53.1		0.0	53.1
Provisions	10.5	2.3	0.0	12.8		0.0	12.8
Interest-bearing loans and borrowings	211.8	0.0	0.1	211.9	191.4	-320.3	83.0
Current liabilities							
Interest-bearing loans and borrowings	41.7	51.3	75.3	168.3	275.8	-433.6	10.5
Trade payables, other liabilities and tax	271.8	10.0	0.8	282.6	1.3	-3.1	280.8
Provisions	15.3	0.5	0.0	15.8	0.0	0.0	15.8
Liabilities held for sale / distribution to owners	24.6	0.0	0.0	24.6	307.1	0.0	331.7
Segment equity and liabilities	867.8	70.5	563.1	1,501.4	1,002.7	-757.0	1,747.1
Other Information							
Cash flow from operations, excl. finance and tax	36.4	-1.4	-0.2	34.8	138.3	0.0	173.1
Additions to property, plant, equipment & intangibles	30.8	3.3	0.0	34.1	44.8	0.0	78.9
Average number of full-time employees	3,067	236	18	3,322	5,636	0	8,958

2015 **Amounts in EURm**	NKT Cables	NKT Photonics	Parent company etc.	Total reportable segments	Nilfisk Discontinued operations	Inter-segment transact.	Total NKT Group
Income statement							
Revenue from external customers	1,211.9	40.2	0.0	1,252.1		0.0	1,252.1
Inter-segment revenue	0.0	0.4	0.0	0.4		-0.4	0.0
Total revenue	1,211.9	40.6	0.0	1,252.5		-0.4	1,252.1
Revenue in std. metal prices	857.5	40.6	0.0	898.1		-0.4	897.7
Costs and other income, net (excl. one-off items)	-1,134.8	-36.9	-3.4	-1,175.1		0.4	-1,174.7
Share of profits after tax of associates	-0.1	0.0	0.0	-0.1		0.0	-0.1
Operational EBITDA	77.0	3.7	-3.4	77.3		0.0	77.3
One-off items	-23.2	0.0	0.0	-23.2		0.0	-23.2
EBITDA	53.8	3.7	-3.4	54.1		0.0	54.1
Depreciation and amortisation	-39.6	-3.6	0.0	-43.2		0.0	-43.2
Impairment loss	-37.8	-2.6	0.0	-40.4		0.0	-40.4
Segment result (EBIT)	-23.6	-2.5	-3.4	-29.5		0.0	-29.5
Financial income	12.4	0.2	35.5	48.1		-4.8	43.3
Financial expenses	-22.3	-0.7	-23.3	-46.3		4.8	-41.5
EBT	-33.5	-3.0	8.8	-27.7		0.0	-27.7
Tax	-10.7	-0.1	-2.0	-12.8		0.0	-12.8
Profit for the year from continuing operations	-44.2	-3.1	6.8	-40.5		0.0	-40.5
Profit for the year from discontinued operations					41.7		41.7
Profit for the year	-44.2	-3.1	6.8	-40.5	41.7	0.0	1.2
Balance sheet							
Assets							
Goodwill	20.6	0.2	0.0	20.8	174.0	0.0	194.8
Other intangible assets	22.1	6.5	0.0	28.6	109.8	0.0	138.4
Property, plant and equipment	306.2	3.2	0.0	309.4	57.8	0.0	367.2
Investments in associates	0.2	0.0	0.0	0.2	16.6	0.0	16.8
Other non-current assets	0.9	0.3	258.5	259.7	6.1	-258.5	7.3
Deferred tax	46.1	1.4	-5.5	42.0	20.5	0.0	62.5
Inventories	148.5	6.1	0.0	154.6	187.9	0.0	342.5
Receivables	284.6	10.9	1.3	296.8	200.3	-1.3	495.8
Cash at bank and in hand	81.4	2.0	276.8	360.2	170.5	-472.4	58.3
Segment assets	910.6	30.6	531.1	1,472.3	943.5	-732.2	1,683.6
Equity and liabilities							
Equity	257.5	2.8	346.2	606.5	203.0	0.0	809.5
Non-current liabilities							
Deferred tax	14.4	0.6	0.7	15.7	27.2	0.0	42.9
Pension liabilities	49.1	0.0	0.0	49.1	5.9	0.0	55.0
Provisions	11.5	0.2	0.0	11.7	7.9	0.0	19.6
Interest-bearing loans and borrowings	160.4	0.0	50.1	210.5	182.2	-248.8	143.9
Current liabilities							
Interest-bearing loans and borrowings	46.2	18.4	130.9	195.5	298.3	-482.2	11.6
Trade payables and other liabilities	344.8	8.4	3.2	356.4	205.6	-1.2	560.8
Provisions	26.7	0.2	0.0	26.9	13.4	0.0	40.3
Segment equity and liabilities	910.6	30.6	531.1	1,472.3	943.5	-732.2	1,683.6
Other Information							
Cash flow from operations, excl. finance and tax	112.9	3.6	-3.8	112.7	83.7	0.0	196.4
Additions to property, plant, equipment & intangibles	22.6	3.4	0.0	26.0	44.0	0.0	70.0
Average number of full-time employees	3,215	198	19	3,432	5,463	0	8,895

2.2 - REVENUE

Revenue composition



The composition of revenue showed only small changes in 2016. NKT Cables increased its revenue share from goods relative to construction contracts due to relatively higher negative growth in the Projects business. Revenue from Services remained at the same level. Please see business unit reviews in the Management's review for further information on revenue development.

Amounts in EURm	2016	2015
Goods	860.5	997.6
Construction contracts	167.1	235.4
Services etc.	18.5	19.1
	1,046.1	1,252.1

Geographical information, revenue

Amounts in EURm	2016	2015
Germany	270.7	335.6
UK	127.4	76.3
Sweden	125.6	120.6
Poland	108.4	125.3
Czech Republic	70.2	85.4
Denmark	64.2	69.4
China	36.3	88.2
Slovakia	35.0	34.6
Norway	20.6	26.1
Netherlands	15.6	105.8
Other	172.1	184.8
	1,046.1	1,252.1

Revenue breakdown is based on the geographical location of customers.

§ - Accounting policy

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 that 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.

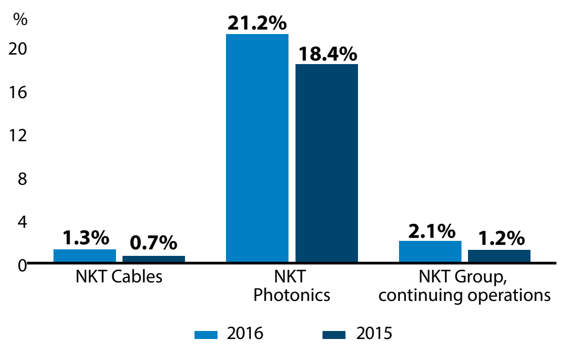
Construction contracts with a high degree of individual adjustment are recognised as revenue by reference to the percentage of completion. The revenue therefore corresponds to the sales price of work performed during the year (the percentage of completion method). When the outcome of a construction contract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

See Note 5.2 for further information concerning construction contracts.

2.3 - RESEARCH AND DEVELOPMENT COSTS

	NKT Cables		NKT Photonics		NKT Group	
Amounts in EURm	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Research and development costs - staff costs	3.6	3.7	6.9	5.6	10.5	9.3
Research and development costs - other costs	9.5	4.2	2.3	2.0	11.8	6.2
Total research and development costs	13.1	7.9	9.2	7.6	22.3	15.5
Recognised as follows:						
Expensed in income statement	1.6	2.1	6.9	5.1	8.5	7.2
Capitalised in balance sheet	11.5	5.8	2.3	2.5	13.8	8.3
	13.1	7.9	9.2	7.6	22.3	15.5

R&D ratio (% of revenue)



Total R&D costs increased by EUR 6.8m compared with last year due to higher spending in both business units. Photonics accounted for 41% of the total spend, having a cost ratio in line with last year, and NKT Cables accounted for the remaining 59% spend. In NKT Cables, part of development costs is related to specific customer projects and is therefore not recognised as development cost. An example of this is the Hornsea project, where costs regarding corrosion investigations were expensed as incurred. Additional investigations regarding corrosion continued to be classified as research and development costs.

§ - Accounting policy

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential future market or internal utilisation can be demonstrated, and where it is intended to manufacture, market or utilise the project, are recognised as intangible assets provided the cost can be reliably determined, and provided there is also adequate certainty that the future earnings or net selling prices can cover the carrying amount as well as the development costs necessary for finalising the project. 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 Group's development activities.

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 amortisation period is usually 3-10 years. The amortisation base is reduced by any impairment losses.

2.4 - TAX

REPORTED TAX RATE (ADJUSTED FOR ONE-OFFS)	CASH TAX RATE (ADJUSTED FOR ONE-OFFS)
24%	24%
(2015 = 29%)	(2015 = 15%)

Reported tax rate and cash tax rate (paid tax compared with earnings before tax) was negative due to negative EBT, which was impacted by one-off items. Adjusted for those, tax rates were 24% respectively.

NKT Cables realised negative earnings before tax, EBT, which resulted in a negative reported tax rate and cash tax rate. Adjusted for one-offs tax rates were 27% respectively.

NKT Photonics recorded a tax rate adjusted for one off's of 20% and a tax cash rate of 9%.

For 2017, both the reported tax rate and the cash tax rate are expected to be around 24%.

Breakdown of tax expenses by business segments appears in Note 2.1. See Statement of changes in equity for details of tax relating to the individual items in other comprehensive income.

Earnings realised in the Group's Danish companies resulted in payable corporate tax of EUR 1.1m in 2016, as the majority of the taxable income was offset by tax losses carried forward. Globally, NKT paid EUR 14.8m in corporate income tax in 2016 compared to EUR 15.8m in 2015.

Amounts in EURm	2016	2015
Tax on continuing operations recognised in the income statement:		
Current tax	10.3	-0.2
Deferred tax	-0.8	13.0
	9.5	12.8
Tax rate for the year	-118.7%	-46.2%
Reconciliation of tax on continuing operations:		
Calculated 22.0% (23.5%) tax on earnings before tax	-1.8	-6.5
Tax effect of:		
Foreign tax rates relative to Danish tax rate	0.6	-1.6
Non-taxable income/non-deductible expenses, net	10.8	1.7
Adjustment for previous years	-0.8	-1.2
Non-recoverable withholding taxes	0.0	1.4
Value adjustment of tax assets	0.7	19.0
	9.5	12.8

! - Significant judgements and estimates

The measurement of deferred tax assets and liabilities is based on the corporate tax rate applicable in the years when the assets and liabilities are expected to be utilised. The measurement of the tax assets is based on budgets and estimates for the coming years which are naturally subject to some uncertainty.

The majority of the deferred tax assets relate to NKT Cables German tax unit, where previous years one off's costs in relation to Excellence 2020 increased the tax losses carried forward. The utilisation of the German tax asset is depending on a successful turn-around of the high-voltage on-shore business in NKT Cables, as described on page 17. The tax losses carry forward from the German Tax units decreased to EUR 95m in 2016 from EUR 129m in 2015, resulting in a decrease in deferred tax value to EUR 30.5m in 2016 from a deferred tax value of EUR 41m in 2015.

The tax value of the losses carried forward were EUR 41.1m and the group's total net deferred tax assets of EUR 26.7m are expected to be utilised within five years.

Amounts in EURm	**2016**	**2015**
Recognised deferred tax assets and liabilities:		
Deferred tax assets, 1 January	62.5	81.0
Deferred tax liabilities, 1 January	-42.9	-44.6
Addition from acquisitions	-1.3	-3.3
Foreign exchange adjustment	0.4	0.7
Tax recognised in other comprehensive income	1.4	-0.3
Deferred tax recognised in income statement continuing operations	-0.6	-10.4
Deferred tax recognised in income statement discontinued operations	-0.8	-4.2
Transferred from payable tax	-0.7	0.7
Transferred to liabilities associated with assets held for sale	1.4	0.0
Transferred to liabilities associated with assets held for distribution to owners	7.3	0.0
Deferred tax, 31 December, net	26.7	19.6
Recognised deferred tax:		
Deferred tax assets, 31 December	34.7	62.5
Deferred tax liabilities, 31 December	-8.0	-42.9
Deferred tax, 31 December, net	26.7	19.6

Amounts in EURm	**2016**		**2015**	
Specification of deferred tax assets and liabilities:	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	6.8	-7.5	8.3	41.7
Tangible assets	3.7	-10.7	17.7	12.5
Other non-current assets	1.1	-0.3	0.1	0.2
Current assets	80.5	-2.9	183.0	5.0
Non-current liabilities	11.1	-0.2	13.9	16.0
Current liabilities	1.1	-86.9	12.5	173.2
Tax losses	41.1	0.0	64.3	0.0
Recapture of trading losses	0.0	-0.7	0.0	7.9
Valuation allowance, unrecognised tax assets	-9.5	0.0	-23.7	0.0
	135.9	-109.2	276.1	256.5
Set off in legal tax units and jurisdictions	-101.2	101.2	-213.6	-213.6
Total continuing operations	34.7	-8.0	62.5	42.9

§ - Accounting policy

Tax for the year, consisting of the year's current tax and change in deferred tax, is recognised in profit for the year, in other comprehensive income or directly in equity.

Current tax payable and receivable is recognised in the balance sheet as tax estimated on taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

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. However, deferred tax is not recognised on temporary differences relating to buildings and goodwill that for tax purposes do not qualify for depreciation and amortisation, respectively, nor on other items where temporary differences - except for acquisitions - arose at the acquisition date without influencing either net earnings or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Group Management's planned use of the assets or settlement of the liabilities, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carryforward, are recognised under other non-current assets at their expected utilisation value, by offset against tax on future income, or by offset against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and liabilities and intends to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealised intra-Group profits and losses.

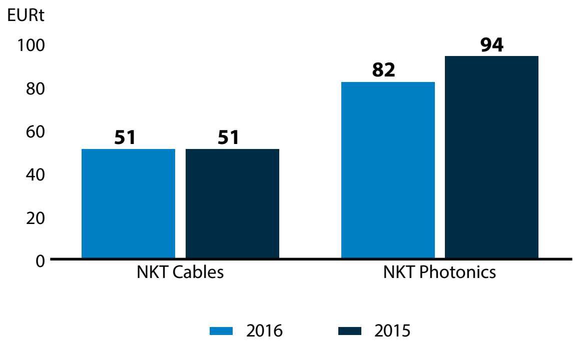
Note 3

3 - REMUNERATION

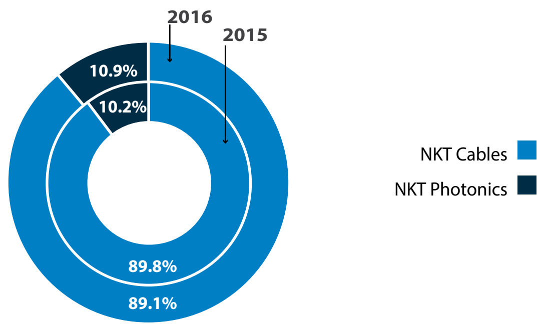
This note relates to remuneration for Group Management and employees, including warrants plans for the Group Executive Director and employees.

Key developments 2016

Cost per full-time employee



Staff cost per business unit



3.1 - STAFF COSTS

Amounts in EURm	2016	2015
Wages and salaries	149.8	155.5
Social security costs	23.9	25.2
Defined contribution plans	5.3	5.2
Defined benefit plans	1.6	1.5
Share-based payments, NKT Holding A/S	0.2	0.3
Total continuing operations	180.8	187.7
Average number of full-time employees	3,322	3,432

Staff costs decreased by 4%, driven by a reduction in the number of employees, the average number decreasing by 3%.

§ - Accounting policy

Staff costs comprise wages and salaries, remuneration, pensions, etc., and share-based payment for the company's employees, including Group Management. The Board of Directors does not receive share-based payment.

3.2 - REMUNERATION TO BOARD OF DIRECTORS

Remuneration to Board of Directors

Amounts in EURm	2016	2015
Board of Directors' remuneration	0.7	0.7

Remuneration approved at the Annual General Meeting in 2016 with effect from Q2 2016 is shown in the table below. Members of the Board of Directors are not granted warrants and do not receive variable remuneration components. Base remuneration must be commensurate with that of comparable listed companies.

Remuneration to Board members - election period 2016/2017

		Committees						
Amounts in EURt	**Base remuneration**	**Audit**	**Nomi-nation**	**Remune-ration**	**NKT Cables**	**NKT Photonics**	**Nilfisk**	**Total remuneration**
Jens Due Olsen, Chairman	121		7		27	10	27	192
René Svendsen-Tune, Deputy Chairman	81				13			94
Jens Maaløe	40	13		7		20		80
Jutta af Rosenborg	40	27		13				80
Anders Runevad	40							40
Lars Sandahl Sørensen	40		13				13	66
Niels-Henrik Dreesen*	40							40
René Engel Kristiansen*	40							40
Gitte Toft Nielsen*	40							40
Total remuneration 2016	**482**	**40**	**20**	**20**	**40**	**30**	**40**	**672**

** Elected by the employees*

3.3 - REMUNERATION TO EXECUTIVE MANAGEMENT

Remuneration policy

A remuneration policy has been formulated defining the guidelines for determining and approving remuneration for the Group Executive Director of NKT Holding and the business unit managements. The remuneration for the Board of Directors is approved prospectively for one year at a time at the Annual General Meeting. The Management's salary is reviewed every 12 months. The components which form part of the Management's salary package, and all material adjustments thereof, are approved by the Board of Directors based on discussions and recommendation by the Remuneration Committee. Empowered by a mandate from the Annual General Meeting, the Board of Directors also approves the basis for calculating and granting of any share-based incentive plans and determines their ceilings. An overall remuneration policy is submitted to the Annual General Meeting for approval.

Yearly remuneration to management (per year-end 2016)

Amounts in EURt	Members	Salary and pension	Bonus max.	Long-term incentive	Other benefits	Total
NKT Group Executive Director						
Michael Hedegaard Lyng*	1	726	252	254	40	1,272
NKT Cables management Group*	6	1,823	772	278	102	2,975
NKT Photonics management Group	1	322	81	447 **	5	855
Total		**2,871**	**1,105**	**979**	**147**	**5,102**

* CEO, Michael Hedegaard Lyng's remuneration is included in salary from NKT Holding A/S. Total remuneration to Group Executive Director Michael Hedegaard Lyng in 2016 was EUR 1,009t. 2015: EUR 1,332t.

**Maximum yearly cash bonus. Bonus is calculated per year-end 2019. If the equity value of the business is increased with at least 100% a bonus of EUR 1.3m will be paid. If the equity value is increased with 200% a maximum bonus of EUR 2.0m will be paid.

Composition of remuneration

The Management's remuneration consists of a fixed base salary, including pension and other customary non-monetary benefits such as a company car. The remuneration further includes short-term and long-term incentive programmes.

NKT utilises both short-term and long-term incentive pay to ensure an optimal balance between short-term optimisation and long-term value creation for the benefit of the company and its shareholders.

Short-term incentive

The annual cash bonus payment is contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement. The criteria for granting of bonus may be realisation of specified revenue or earnings targets or execution of individual assignments, including for example material acquisitions or divestments, etc.

Long-term incentive

In NKT Holding, the Group Executive Director's long-term incentive pay is comprised by annually granted warrants. The value of warrants

	Short-term incentive		Long-term incentive	
	Share	Type	Share	Type
NKT Holding	<30%	Cash bonus	<35%	Warrants
NKT Cables	<50%	Cash bonus	<25%	Phantom share
NKT Photonics	<30%	Cash bonus	<140%	Cash bonus*

*Cf. table above.

is calculated using the Black-Scholes formula and may amount to a maximum of 35% of the Executive Director's fixed annual salary including pension. The warrants may be exercised not earlier than three years and not later than five years after granting. The incentive plan appears in Note 3.4 to the consolidated financial statements and is disclosed directly to Nasdaq Copenhagen.

For Management of the business units, the long-term incentive pay is based on value added to the business units viewed over a number of years. The value of the incentive is measured according to the development in earnings and interest-bearing debt in the business units. The value of the long-term incentive programme is estimated based on an adjusted Black-Scholes formula corresponding to 25% of the annual fixed salary.

The long-term incentive plans for the business units comprise cash plans for which provision is made in the financial statements.

Term of notice

The term of notice for the Group Executive Director is 18 months. In conjunction with changes of control or level of activity, the above term of notice is extended for a transitional period by a further six months. Beyond this there is no separation benefit plan for the Group Executive Director.

With regard to warrants, please refer also to Note 3.4.

Terms of notice for business unit management are generally 12 months.

§ - Related parties

The company has no related parties who hold control.

The company's related parties comprise NKT Group Management and their close family members.

Related parties also include businesses in which the aforementioned have material interests. Related parties further include associates; cf. the Group companies in Note 7.2.

3.4 - WARRANTS PLAN FOR EXECUTIVE MANAGEMENT AND EMPLOYEES

An incentive plan has been established for NKT Holding employees that conveys entitlement to subscribe for NKT shares at a price based on the market price at the grant date, plus interest calculated from grant date to exercise date. It is the Board of Directors, empowered by a mandate from the Annual General Meeting, which approves the basis for calculation and allocation of any share-based incentive plans and establishes their ceilings.

In 2016, warrants were exercised by subscription of a total of 211,650 new shares (2015: 251,850) at a price of EUR 35 (2015: EUR 45). The share price at subscription was EUR 49.

In all cases condition of exercise is three years' employment.

The value of the warrants plan is calculated based on the Black-Scholes formula and was EUR 11.9m at year-end 2016 (2015: EUR 7.6m). This includes EUR 4.0m (2015: EUR 2.7m) for the value of the Group Executive Director's warrants plan. The values have been calculated assuming an interest rate of -0.5% (2015: -0.2%), volatility of 28% (2015: 25%) and duration of 3 years. Future volatility is estimated based on calculations of historic volatility over 12 months.

NOTE 3
REMUNERATION

Outstanding warrants 2016:		Exercise price DKK	Group Executive Director Michael Hedegaard Lyng	Other	Total
Outstanding warrants					
Granted in December 2010:	1 January		31,000	58,900	89,900
	Exercised	329.7	-31,000	-56,100	-87,100
	Forfeited		0	-2,800	-2,800
	31 December		0	0	0
Granted in November 2011 [1] :	1 January		28,100	12,100	40,200
	Exercised	233.9	-28,100	0	-28,100
(Exercise 2017)	31 December	229.9	0	12,100	12,100
Granted in January 2013 [1] :	1 January		44,200	196,100	240,300
	Exercised	215.8/211.8	-44,200	-52,250	-96,450
(Exercise 2017/2018)	31 December	211.8	0	143,850	143,850
Granted in January 2014 [2] :	1 January		83,740	52,602	136,342
(Exercise 2017/2018/2019)	31 December	308.2	83,740	52,602	136,342
Granted in January 2015 [2] :	1 January		113,429	41,123	154,552
(Exercise 2018/2019/2020)	31 December	395.4	113,429	41,123	154,552
Total:	Warrants, 1 January		300,469	360,825	661,294
	Exercised		-103,300	-108,350	-211,650
	Forfeited		0	-2,800	-2,800
	31 December		197,169	249,675	446,844
Outstanding warrants 2015:	Warrants, 1 January		196,940	570,002	766,942
	Granted		113,429	41,123	154,552
	Exercised		-9,900	-241,950	-251,850
	Forfeited		0	-8,350	-8,350
	31 December		300,469	360,825	661,294

[1] The exercise periods are determined as two weeks after publication of the company's annual financial report and two weeks after publication of the Q2 interim report.

[2] The exercise periods are determined as two weeks after publication of the company's annual financial report and two weeks after publication of the interim reports.

Each warrant grants entitlement to subscribe for one share of a nominal value of DKK 20 at the exercise price.
Dividend payments after 1 January 2017 and until the date when the shares are received are deducted from the exercise price.

§ - Accounting policy

The Group's incentive plans include a share warrants plan. The value of services received in exchange for warrants granted is measured at the fair value of these warrants.

The fair value is measured at the grant date and recognised in the income statement under staff costs over the vesting period and with a similar amount recognised directly in equity as an owner transaction.

On initial recognition of the warrants an estimate is made of the number of warrants expected to vest. This estimate is subsequently revised for changes and total recognition is therefore based on the number of warrants ultimately vested.

The fair value of warrants granted is estimated using a warrant pricing model that takes into account the terms and conditions upon which granting took place.

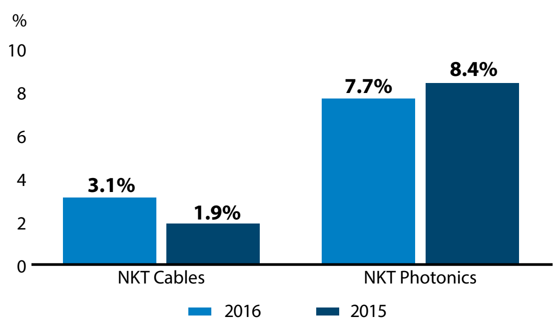
Note 4

4 - NON-CURRENT ASSETS AND LIABILITIES

This note covers NKT's investments in non-current assets that form a basis for the company's operations, and non-current liabilities arising as a result thereof. The non-current liabilities in this section are regarded as non interest-bearing and comprise employee pension benefits and provisions. Interest-bearing liabilities are covered in Note 6, Capital structure.

Key developments 2016

Investment ratio (% of revenue)



Geographical information, property, plant and equipment and intangible assets

Amounts in EURm	2016	2015
Germany	217.2	220.8
Czech Republic	65.7	64.8
Denmark	35.3	28.2
UK	16.8	0.7
Netherlands	12.6	13.4
Poland	12.0	13.5
Sweden	10.6	10.9
Other	0.3	6.5
Total continuing operations	370.5	358.8
Transferred to assets held for sale	-24.2	0.0
Discontinued operations	0.0	341.6
	346.3	700.4

Comparative figures for 2015 have been adjusted for Nilfisk's discontinued operations and therefore only include continuing operations.

NKT Cables is a relatively capital-intensive company. A certain level of investment in the fixed asset base is required each year to ensure efficient production and a minimum of downtime. NKT Cables invested a slightly higher percentage of revenue than in 2015.

NKT Photonics has a high level of investment due to its scientific nature and development of high-tech products. The company's production facilities in Denmark are relatively new and have been up-scaled and modernised, which lowers maintenance and upgrade spending. Investments are mainly related to R&D and patents and licences. The ratio of investment is in line with last year.

4.1 - IMPAIRMENT TEST

NKT Cables consists of three business segments: Projects, Products and APAC. For the Projects segment, favourable market growth is anticipated as the European energy sector is facing major restructuring towards sustainable energy. The market for Products segment is fragmented by the inclusion of many types of cables. The markets are generally mature, and future growth is expected to be moderate. NKT Cables' APAC market is no longer considered material for the Group due the divestment in 2016 of operations in China. Please see Note 7.1 for further information on acquisitions/divestments.

NKT Photonics operates in the laser industry within three segments: Imaging & Metrology, Sensing & Energy, and Material Processing. The laser industry is generally expecting above-average growth, and fiber lasers - which is the technology used by NKT Photonics - is a high-growth area within this industry.

Impairments recognised as one-offs

Amounts in EURm	2016	2015
NKT Cables		
Impairment of intangible assets	0.0	1.5
Impairment of tangible assets	0.0	36.3
Impairment of tax asset	0.0	10.8
NKT Cables total impairment loss	0.0	48.6
NKT Photonics		
Impairment of goodwill	0.0	2.6

For impairment test purposes, tangible assets are allocated to cash-generating units, and goodwill is allocated to groups of cash-generating units.

§ - Accounting policy

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. Development projects in progress are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the business or activity (cash-generating unit) to which goodwill is allocated.

Other non-current assets

The carrying amount of other non-current assets is reviewed annually for indication of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the fair value of the asset less anticipated cost of disposal, or its value in use, whichever is the higher. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset is part.

Recognition of impairment loss in the income statement

Impairment is recognised if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. The impairment is recognised in the income statement under depreciation and impairment. Impairment of goodwill is recognised in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment of other assets is reversed in the event of changes having taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortisation if the asset had not been impaired

! - Significant judgements and estimates

Goodwill

Goodwill has been tested for impairment of the smallest group of cash-generating units in NKT on which goodwill is monitored and which is not larger than the reportable segment. Goodwill has been allocated to two independent segments: NKT Cables and NKT Photonics. The carrying amount of goodwill 31 December was as follows:

Amounts in EURm	2016	2015
NKT Cables	12.9	20.6
NKT Photonics	14.1	0.2
	27.0	20.8

For NKT Cables the decrease in goodwill from 2015 to 2016 relates to the upcoming sale of the Automotive business, where goodwill has been classified as an asset held for sale.

For NKT Photonics the increase in goodwill from 2015 to 2016 relates to the acquisition of Fianium during 2016. Please see Note 7.1 for further information on acquisitions/divestments.

The recoverable amount is based on a value in use calculation. For both NKT Cables and NKT Photonics, the calculation uses cash flow projections based on financial budgets for 2017 and financial forecasts. For NKT Cables the financial forecasts cover 2018-2022, while those for Photonics cover 2018-2019. NKT Cables' pre-tax discount rate amounts to 10.5%, and a post-tax discount rate of 7.5% has been applied. For Photonics, a pre-tax discount rate of 12.8% and a post-tax discount rate of 10.0% have been applied. Similarly, a growth rate of 2.5% was applied for NKT Cables in the terminal period, while that applied for Photonics was 3.0%. The growth rate is estimated not to exceed the long-term average growth rates for the markets in which NKT Cables and Photonics operate.

Key assumptions

	NKT Cables	NKT Photonics
Cash flows	Revenue and gross profit are estimated to increase from 2017 to 2022. The development in revenue is based on the market outlook described in Management's Review page 12	Revenue and gross profit are estimated to increase from 2017 to 2020. The development in revenue is based on the market outlook described in Management's Review page 31
Capital expenditure	Yearly average investment follows depreciation for the periods 2017-2022 and for the terminal period	The ratio of Investments as well as depreciation to revenue are expected to decline over the period 2017 to 2020 as a result of the initial scaling up of production capacity towards industrial customers
Working capital	A stabil working capital ratio of 5.9% of revenue from 2017 and onwards	A stabil working capital ratio of 20% of revenue from 2017 and onwards

± - Sensitivity

Sensitivity to changes in assumptions:
Group Management believes that likely changes in the key assumptions will not cause the carrying amount of goodwill to exceed the recoverable amount. To show the headroom between the carrying amount and the recoverable amounts, a sensitivity analysis has been included, with focus on discount rate, long-term growth rate and EBITDA.

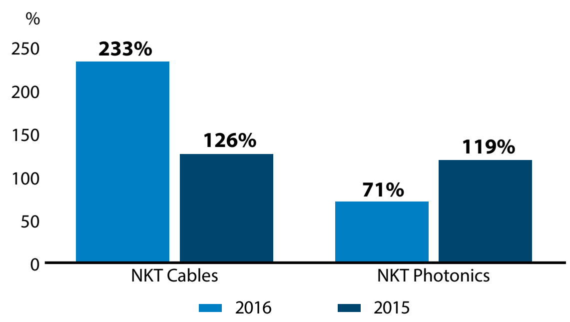
	Assumptions used when calculating value in use (starting point)		Assumptions used when calculating value in use (starting point)		Assumptions must change as follows before the carrying amount equals the value in use		Assumptions must change as follows before the carrying amount equals the value in use	
	NKT Cables		NKT Photonics		NKT Cables		NKT Photonics	
Sensitivity analysis, goodwill	2016	2015	2016	2015	2016	2015	2016	2015
Post-tax discount rate	7.50%	7.50%	10.00%	10.00%	13.10%	12.30%	12.70%	25.40%
Growth rate in terminal period	2.50%	2.50%	3.00%	3.00%	-9.30%	-3.70%	-0.60%	<-15%
Change in EBITDA	-	-	-	-	<-15%	<-15%	<-15%	<-15%

4.2 - INTANGIBLE ASSETS

For NKT Cables the investment ratio increased to more than double the amortisation level. Additions were driven by development of IT infrastructure.

For NKT Photonics the investment ratio decreased in line with the company's commercialisation, with a slight reduction expected in the relative share of R&D.

Investment ratio (% of amortisations excl. goodwill)



Breakdown of additions of intangible assets for the business units:

Amounts in EURm	2016	2015
NKT Cables	11.9	5.9
NKT Photonics	2.5	2.6
Total continuing operations	14.4	8.5
Nilfisk, discontinued operations	24.2	22.3
	38.6	30.8

§ - Accounting policy

Goodwill

Goodwill is initially recognised in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing Group, and identification of operating segments based on the presence of segment managers, Group Management finds that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during testing for impairment are the reportable business units shown. The reportable units are comprised by the Group's operating units without aggregation (Note 2.1 Segment information).

Other intangible 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 direct costs relating to the individual development projects

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

Trademarks, etc.	3-20 years
Customer-related assets	3-15 years
Development projects	3-10 years
Patents and licences, etc.	5-15 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 amortisation period is usually 3-10 years. The basis of amortisation is reduced by impairment losses.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter.

Intangible assets with an indefinite useful life are not amortised but are tested annually for impairment.

Amounts in EURm	Goodwill	Trademarks etc.	Customer related assets	Completed development projects	Patents and licences etc.	Development projects in progress	Total
Costs, 1 January 2015	179.2	18.3	32.1	122.9	87.2	29.5	469.2
Additions through business combinations	9.3	8.0	8.6	0.0	5.7	0.0	31.6
Additions	0.0	0.0	0.0	4.8	3.6	22.4	30.8
Disposals	-3.2	-1.2	-0.4	-2.8	-0.5	-1.9	-10.0
Transferred between classes of assets	0.1	0.1	0.1	13.1	2.6	-15.7	0.3
Exchange rate adjustments	10.7	0.4	1.0	3.8	1.9	0.5	18.3
Costs, 31 December 2015	196.1	25.6	41.4	141.8	100.5	34.8	540.2
Amortisation and impairment, 1 January 2015	0.0	-12.2	-24.3	-83.5	-56.5	-1.0	-177.5
Amortisation for the year, continuing operations	0.0	0.0	0.0	-5.2	-1.7	0.0	-6.9
Impairment, continuing operations	-3.9	0.0	0.0	0.0	-0.4	-0.1	-4.4
Amortisation for the year, discontinued operations	0.0	-1.3	-2.2	-10.8	-6.6	0.0	-20.9
Impairment, discontinued operations	0.0	0.0	-0.2	-0.2	-0.1	0.0	-0.5
Disposals	2.6	1.2	0.4	2.7	0.5	1.0	8.4
Exchange rate adjustments	0.0	-0.3	-0.7	-2.8	-1.4	0.0	-5.2
Amortisation and impairment, 31 December 2015	-1.3	-12.6	-27.0	-99.8	-66.2	-0.1	-207.0
Carrying amount, 31 December 2015	**194.8**	**13.0**	**14.4**	**42.0**	**34.3**	**34.7**	**333.2**
Costs, 1 January 2016	196.1	25.6	41.4	141.8	100.5	34.8	540.2
Additions through business combinations	19.9	5.9	9.4	0.0	13.7	0.0	48.9
Additions	0.0	0.0	0.0	3.3	2.8	32.5	38.6
Disposals	-0.8	-1.6	-2.3	-6.1	-7.8	-0.3	-18.9
Transferred between classes of assets	0.1	0.0	0.0	25.0	2.1	-27.0	0.2
Exchange rate adjustments	2.4	-0.2	0.0	1.5	0.1	0.4	4.2
Transferred to assets held for sale	-7.8	0.0	0.0	0.0	-1.0	0.0	-8.8
Transferred to assets held for distribution to owners	-181.6	-29.3	-35.8	-124.8	-72.2	-21.8	-465.5
Costs, 31 December 2016	28.3	0.4	12.7	40.7	38.2	18.6	138.9
Amortisation and impairment, 1 January 2016	-1.3	-12.6	-27.0	-99.8	-66.2	-0.1	-207.0
Amortisation for the year, continuing operations	0.0	-0.1	-0.2	-5.5	-2.8	0.0	-8.6
Amortisation for the year, discontinued operations	0.0	-1.9	-3.3	-12.0	-8.6	0.0	-25.8
Impairment, discontinued operations	0.0	-1.1	-0.2	-1.5	-0.3	0.0	-3.1
Disposals	0.0	0.8	2.1	5.5	5.6	0.1	14.1
Exchange rate adjustments	0.0	0.0	-0.1	-1.3	-0.4	0.0	-1.8
Transferred to assets held for sale	0.0	0.0	0.0	0.0	1.0	0.0	1.0
Transferred to assets held for distribution to owners	0.0	14.5	18.6	85.4	47.3	0.0	165.8
Amortisation and impairment, 31 December 2016	-1.3	-0.4	-10.1	-29.2	-24.4	0.0	-65.4
Carrying amount, 31 December 2016	**27.0**	**0.0**	**2.6**	**11.5**	**13.8**	**18.6**	**73.5**

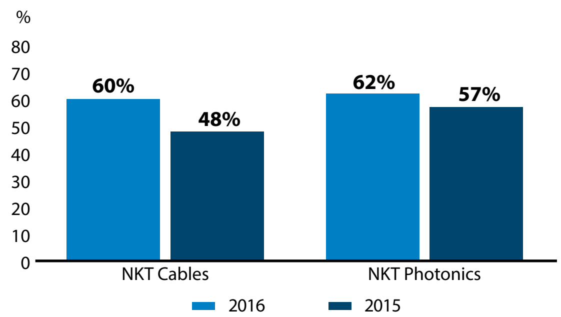
Regarding impairment test, please refer to Note 4.1.

Additions through business combinations relates to NKT Photonics' acquisition of Fianium. Transferred to assets held for sale refers to the expected sale of the Automotive business. Transferred to assets held for distribution to owners relates to the expected split of NKT Holding. For further comments relating thereto, please see Note 7.1 Acquisitions/divestments of businesses and Note 9 Discontinued operations and assets held for sale.

4.3 - PROPERTY, PLANT AND EQUIPMENT

In NKT Cables the investment ratio increased to 60%, mainly impacted by investments in bottleneck machines in MV and HV production. Investments remains considerable below a depreciation level, which was impacted by the investments in the Cologne factory back in 2011 and 2012 .

Investment ratio (% of depreciations)



In NKT Photonics the investment ratio showed a minor increase but continued on a stable level.

Breakdown of additions of property, plant and equipment for the business units:

Amounts in EURm	2016	2015
NKT Cables	18.9	16.7
NKT Photonics	0.8	0.8
Total continuing operations	19.7	17.5
Nilfisk, discontinued operations	20.6	21.7
	40.3	39.2

§ - Accounting policy

Land and buildings, manufacturing plant and machinery, fixtures, fittings, tools and equipment, and other property, 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.

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 life of the assets/components, as follows:

Buildings	10-50 years
Manufacturing plant and machinery	4-20 years
Fixtures, fittings, tools and equipment	3-15 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.

Amounts in EURm	Land and buildings	Manufacturing plant and machinery	Fixtures, fittings and equipment	Assets under construction incl. prepaym.	Total
Costs, 1 January 2015	226.1	399.5	173.1	19.3	818.0
Additions through business combinations	0.0	0.3	2.6	0.0	2.9
Additions	0.5	3.2	13.8	21.7	39.2
Disposals	-1.0	-7.0	-12.8	-0.3	-21.1
Transferred between classes of assets	0.7	11.8	6.1	-18.9	-0.3
Exchange rate adjustments	3.2	5.6	4.3	0.1	13.2
Costs, 31 December 2015	229.5	413.4	187.1	21.9	851.9
Depreciation and impairment, 1 January 2015	-60.7	-218.7	-131.2	0.0	-410.6
Depreciation for the year, continuing operations	-6.2	-23.9	-6.2	0.0	-36.3
Impairment, continuing operations	-12.8	-22.4	-0.3	-0.5	-36.0
Depreciation for the year, discontinued operations	-0.9	-1.3	-10.6	0.0	-12.8
Transferred between classes of assets	-0.2	0.0	0.2	0.0	0.0
Disposals	0.4	6.7	10.3	0.0	17.4
Exchange rate adjustments	-0.4	-2.5	-3.4	-0.1	-6.4
Depreciation and impairment, 31 December 2015	-80.8	-262.1	-141.2	-0.6	-484.7
Carrying amount, 31 December 2015	**148.7**	**151.3**	**45.9**	**21.3**	**367.2**
Costs, 1 January 2016	229.5	413.4	187.1	21.9	851.9
Additions through business combinations	0.0	0.6	0.2	0.0	0.8
Additions	1.7	4.1	16.6	17.9	40.3
Disposals	-20.5	-44.9	-14.7	-1.1	-81.2
Transferred between classes of assets	1.3	5.5	12.5	-19.6	-0.3
Exchange rate adjustments	-1.6	-3.4	-1.1	-0.1	-6.2
Transferred to assets held for sale	-13.8	-24.2	-2.7	-1.2	-41.9
Transferred to assets held for distribution to owners	-22.1	-17.4	-136.6	-5.5	-181.6
Costs, 31 December 2016	174.5	333.7	61.3	12.3	581.8
Depreciation and impairment, 1 January 2016	-80.8	-262.1	-141.2	-0.6	-484.7
Depreciation for the year, continuing operations	-5.8	-21.3	-5.9	0.0	-33.0
Depreciation for the year, discontinued operations	-0.8	-1.4	-11.5	0.0	-13.7
Impairment, discontinued operations	0.0	-0.1	-0.1	0.0	-0.2
Transferred between classes of assets	0.0	0.1	-0.1	0.0	0.0
Disposals	18.6	40.9	12.8	0.6	72.9
Exchange rate adjustments	1.2	2.4	0.5	0.1	4.2
Transferred to assets held for sale	5.9	17.5	2.1	0.0	25.5
Transferred to assets held for distribution to owners	9.7	11.9	98.4	0.0	120.0
Depreciation and impairment, 31 December 2016	-52.0	-212.1	-45.0	0.1	-309.0
Carrying amount, 31 December 2016	**122.5**	**121.6**	**16.3**	**12.4**	**272.8**

Regarding impairment test, please refer to Note 4.1.

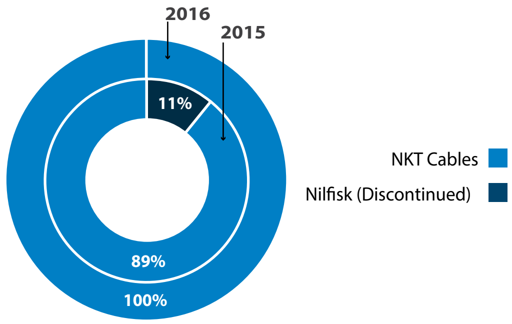
Additions through business combinations relates to NKT Photonics' acquisition of Fianium. Transferred to assets held for sale refers to the expected sale of the Automotive business. Transferred to assets held for distribution to owners relates to the expected split of NKT Holding. For further comments relating thereto, please see Note 7.1 Acquisitions/divestments of businesses and Note 9 Discontinued operations and assets held for sale.

4.4 - PENSION LIABILITIES

Most employees in the Group are covered by pension schemes, primarily in the form of defined contribution-based plans or alternatively defined benefit plans. The Group companies contribute to these plans either directly or through independently administered pension funds. The nature of such schemes varies according to legislative and regulatory regimes and tax rules and economic conditions in the countries where the employees work, and the contributions are usually based on employee salary and seniority. The liability relates to pensions for already retired staff as well as for employees retiring in the future.

The Group's defined benefit plans primarily relate to Germany. If a plan is not fully hedged, a plan liability is recognised in the consolidated balance sheet. In accordance with accounting policy, expenses relating to pension benefits are recognised as employee benefits.

Share of net plan liabilities



Net liabilities recognised in the balance sheet:

Amounts in EURm	2016 Present value of obligation	2016 Fair value of plan assets	2016 Obligation, net	2015 Present value of obligation	2015 Fair value of plan assets	2015 Obligation, net
Obligation at 1 January	76.9	23.1	53.8	78.7	21.1	57.6
Recognised in staff costs in income statement:						
Current service cost	0.5		0.5	0.5		0.5
Calculated interest cost/income	1.1	0.0	1.1	1.0	0.0	1.0
Curtailments and settlements, etc.	0.0		0.0	0.0		0.0
Total	1.6	0.0	1.6	1.5	0.0	1.5
Recognised in profit from discontinued operations in income statement:						
Total	1.0	0.7	0.3	0.2	0.7	-0.5
Recognised in other comprehensive income:						
Actuarial gain/loss from changes in financial assumptions	8.1	1.7	6.4	-3.0	-0.4	-2.6
Foreign exchange adjustments, etc.	-2.7	-2.6	-0.1	1.8	1.3	0.5
Total	5.4	-0.9	6.3	-1.2	0.9	-2.1
Other changes:						
Contributions to plans	0.2	1.0	-0.8	0.3	1.1	-0.8
Benefits paid	-2.2	-0.4	-1.8	-2.6	-0.7	-1.9
Total	-2.0	0.6	-2.6	-2.3	0.4	-2.7
Recognised plan liabilities net, at 31 December	82.9	23.5	59.4	76.9	23.1	53.8
Other long-term employee benefits	1.2	0.0	1.2	1.2	0.0	1.2
Transferred to liabilities held for distribution to owners	-31.0	-23.5	-7.5			
Recognised at 31 December	53.1	0.0	53.1	78.1	23.1	55.0

! - Significant judgements and estimates

Principal actuarial assumptions at the balance sheet date (as weighted averages)	**2016**	**2015**
Discount rate	1.7%	2.3%
Future salary increases	3.0%	3.0%
Future pension increases	2.0%	2.0%

± - Sensitivity

The table below shows the sensitivity of the liability to changes in the key assumptions for the measurement of the liability at the balance sheet date.
The analysis is based on changes in the applied key assumptions considered reasonably likely provided the other parameters in the calculation are unchanged.

	2016	**2015**
0.5% point rise in discount rate	-3.8	-3.4
0.5% point fall in discount rate	4.3	3.9
0.5% point rise in future salary increases	0.3	0.3
0.5% point fall in future salary increases	-0.3	-0.3

The anticipated duration of the plan liability, expressed as a weighted average, was 15 years at end-2016 (2015: 15 years).
The Group's expected contribution to defined benefit plans in 2017 amounts to EURm 1.8.

§ - Accounting policy

The Group has contracted pension plans and similar arrangements with the majority of its employees.

Liabilities in respect of defined contribution-based pension plans, where the Group makes fixed regular payments to independent pension companies, are recognised in the income statement in the period to which they relate. Any contributions outstanding are recognised in the balance sheet under other payables.

In the case of defined benefit plans, an annual actuarial calculation (the Projected Unit Credit Method) is made of the present value of future benefits payable under the plan. The present value is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under employee benefits.

Pension expenses for the year are recognised in the income statement based on actuarial estimates and financial expectations at the start of the year. Differences between calculated interest on plan assets and the realised values at the end of the year are designated actuarial gains or losses and recognised in other comprehensive income.

If a pension plan constitutes a net asset, the asset, is only recognised if it offsets cumulative actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

Other long-term employee benefits are similarly recognised by actuarial calculation. Actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include anniversary bonuses.

4.5 - PROVISIONS

Amounts in EURm	Warranties	Restructuring	Other	Total
Provisions, 1 January 2016	32.3	8.8	18.8	59.9
Additions through business combinations	0.2	0.0	0.0	0.2
Disposal of business	-3.0	0.0	0.0	-3.0
Provisions made during the year	14.9	3.3	3.1	21.3
Used during the year	-16.5	-5.8	-3.1	-25.4
Reversed during the year	-2.3	-1.3	-0.7	-4.3
Foreign exchange adjustment	-0.1	-0.1	-0.6	-0.8
Transferred to liabilities associated with assets held for distribution to owners	-11.8	0.0	-7.5	-19.3
Provisions, 31 December 2016	13.7	4.9	10.0	28.6
Provisions are recognised in the balance sheet as:				
Non-current liabilities	4.6	0.0	8.2	12.8
Current liabilities	9.1	4.9	1.8	15.8
	13.7	4.9	10.0	28.6

! - Significant judgements and estimates

Warranty commitments relate to NKT Cables' Project segment. The liability is based on an individual assessment.

Other provisions mainly relate to NKT Cables provision for restoring the site in Cologne.

§ - Accounting policy

Provisions are recognised when the Group has a legal or a constructive obligation as a result of events arising at or before the balance sheet date and it is likely that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Group Management's best estimate of the amount required to settle the obligation.

When measuring provisions, the costs required to settle the obligation are discounted if they significantly affect the measurement of the liability. A pre-tax discount rate is applied that reflects the current market interest rate and the specific risks relating to the obligation. Changes in present values during the year are recognised under financial expenses.

Warranty commitments are recognised in step with sale of goods and services based on the level of warranty expenses incurred in previous years.

Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan is announced to the affected parties on or before the balance sheet date.

Provisions relating to restructuring measures in acquired companies are only included in goodwill when a restructuring liability exists for the acquisition at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the Group's unavoidable costs for meeting its contract obligations.

Provisions for dismantling production installations and restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied which reflects the current market interest rate. The obligations are included as they occur and continuously adjusted to reflect changed requirements and price levels, etc. The present value of the costs is included in the cost of the relevant tangible assets and depreciated accordingly. The increase in the present value over time is recognised in the income statement under financial expenses.

Note 5

5 - WORKING CAPITAL

NKT's working capital represents the assets and liabilities necessary to support the company's day-to-day operations. Working capital is defined as current assets less current liabilities, excluding interest-bearing items and provisions, but including derivatives which hedge working capital elements with currency exposure.

Composition and drivers

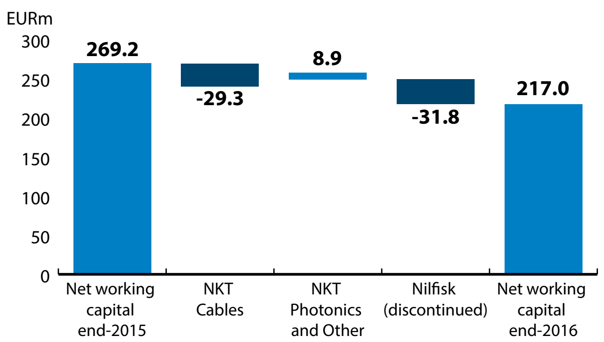
NKT Cables' operations are by definition highly capital-intensive as the manufacture of cables calls for expensive raw materials such as copper and aluminium. Furthermore, working capital is volatile in the Projects division, but to some extent predictable, and large sums may be tied up for lengthy periods as payments are linked to production stages and general contract terms. This requires funding to be flexible and available to support this type of activity.

In 2016, working capital was affected by Nilfisk inventory classified as held for distribution. NKT Cables' working capital was impacted by the divestment of operations in China and by transfer of Automotive inventory to assets held for sale.

NKT's working capital is only to a minor degree impacted by NKT Photonics.

Key developments 2016

Working capital development



NKT reduced working capital by EUR 52.2m from EUR 269.2 at end-2015 to EUR 217.0m at end-2016. The working capital ratio, LTM, decreased by 1.9%-points from 15.9% in 2015 to 14.0% in 2016.

The development, both in absolute and relative terms, LTM, was driven by decreases for both NKT Cables and Nilfisk, while NKT Photonics showed an increase. NKT Cables recorded a reduction of EUR 29.3m and a decrease of 2.4%-points compared with last year. Nilfisk reported a reduction of EUR 31.8m and a decrease of 2.8%-points against 2015. NKT Photonics recorded an increase of EUR 8.6m in absolute terms but a decrease of 1.2%-points compared to last year.

NOTE 5
WORKING CAPITAL

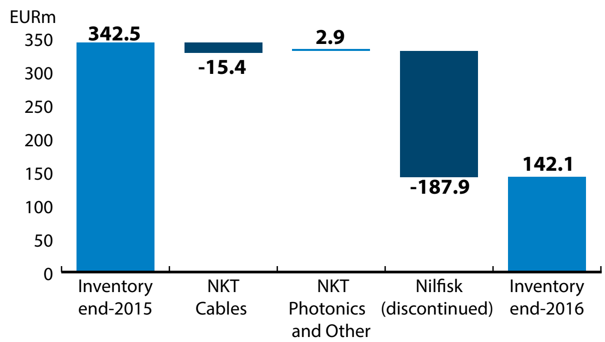
Working capital

Amounts in EURm	NKT Cables			Nilfisk discontinued			Group		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Inventories	145.8	148.5	-2.7	173.3	187.9	-14.6	328.1	342.5	-14.4
Trade receivables	122.2	177.6	-55.4	178.2	163.9	14.3	313.4	351.3	-37.9
Construction contracts	30.6	36.3	-5.7	-	-	-	30.6	36.3	-5.7
Other assets	53.7	69.4	-15.7	28.1	27.4	0.7	83.8	98.0	-14.2
Trade payables	-183.6	-212.2	28.6	-130.8	-109.3	-21.5	-316.1	-323.3	7.2
Other liabilities	-110.9	-132.5	21.6	-107.2	-96.5	-10.7	-222.8	-235.6	12.8
Working capital	57.8	87.1	-29.3	141.6	173.4	-31.8	217.0	269.2	-52.2
Working capital ratio (LTM)	9.6%	12.0%	-2.4%	17.7%	20.5%	-2.8%	14.0%	15.9%	-1.9%

5.1 - INVENTORIES

The Group's business units carry inventory to support their operations. Continuous efforts are made to reduce inventory levels while maintaining customer service through short lead times.

Inventories development



Amounts in EURm	2016	2015
Raw materials, consumables and goods for resale	61.2	52.9
Work in progress	35.4	36.2
Finished goods	58.2	65.5
Transferred to assets held for sale	-12.7	
Inventories continuing operations	142.1	154.6
Inventories discontinued operations	-	187.9
	142.1	342.5
Impairments on inventories, continuing operations, 1 January	20.2	15.6
Impairments on inventories for the year expensed in the income statement	0.5	5.9
Disposals from sales	-5.1	-1.3
Scrapping	0.0	0.0
Impairments on inventories, continuing operations, 31 December	15.6	20.2

Overall inventory development compared with 2015 was affected by Nilfisk inventory classified as asset held for distribution to owners.

NKT Cables reduced its inventory in the period from end-2015 to end-2016. The reduction was influenced by the divestment of operations in China and by the upcoming divestment of the Automotive business, where the inventory is classified as assets held for sale.

NKT Photonics maintained a stable inventory level compared with last year.

! - Significant judgements and estimates

Inventory writedowns are carried out if the net realisable value is lower than costs, e.g. in case of obsolescence. Currently no business unit is exposed to material impairment in inventories.

§ - Accounting policy

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 cost, comprising purchase price plus delivery costs.

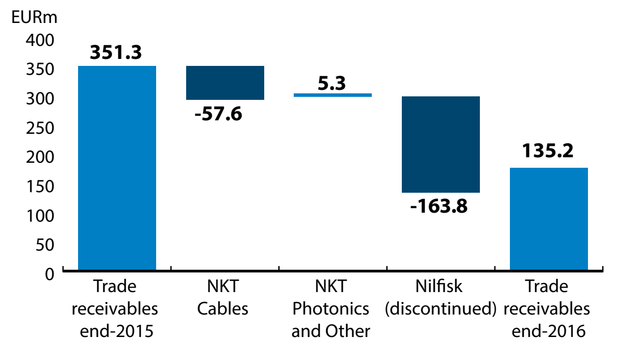
Finished goods and work in progress are measured at costs, which comprises costs of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings 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.

5.2 - RECEIVABLES

In NKT, receivables comprise trade and other receivables from external and associated companies, construction contracts, other receivables from derivative financial instruments and prepayments. Receivables are measured at amortised cost, which in all material respects corresponds to fair value and nominal value.

Trade receivables development



Overall receivables development compared to 2015 was affected by Nilfisk receivables classified as asset held for distribution to owners.

In NKT Cables, trade receivables were reduced in the period from end-2015 to end-2016. The reduction was influenced by divestment of operations in China and by the upcoming divestment of the Automotive business, where receivables have been classified as assets held for sale. Net construction contracts decreased slightly but remained at a stable level.

Amounts in EURm	2016	2015
Trade receivables	135.2	187.3
Construction contracts	30.6	36.3
Other receivables incl. derivative financial instruments	51.7	22.9
Prepayments	3.7	47.7
Transferred to assets held for sale	-14.0	0.0
Receivables continuing operations	207.2	294.2
Receivables discontinued operations	0.0	196.5
	207.2	490.7
Of which receivables falling due later than 12 months from the balance sheet date	0.4	8.4
Construction contracts:		
Contract value of work in progress	247.0	544.6
Progress billings	-247.2	-542.8
	-0.2	1.8
Construction contracts are recognised thus:		
Recognised as assets	30.6	36.3
Recognised as liabilities	-30.8	-34.5
	-0.2	1.8
Payments withheld	0.0	0.0

Disclosure of credit risks and impairment of trade receivables is included in Note 6.6.

Writedowns on trade receivables amounted to 1%. For further information on credit risks, please see Note 6.6.

NOTE 5
WORKING CAPITAL

! - Significant accounting estimates and judgements:

Construction contracts relating to NKT Cables are to a certain degree measured based on management judgement in terms of stage of completion and estimated profit on each project, which affects the value recognised in the balance sheet. The estimate includes a risk provision, which is based on the specific risk that each project is exposed to. A significant part of the risk provision is either utilised or released after the Final Acceptance Test, and thus projects carry a high uncertainty until completion. The stage of completion is based on costs incurred against budget. In essence, the total budget costs is therefore to a large extent based on estimates and judgement calls.

§ - Accounting policy

Receivables are measured at amortised cost. Writedown for bad and doubtful debts is made where an objective indication of impairment is considered to exist for an individual receivable or a portfolio of receivables.

Receivables for which there is no objective indication of impairment at individual level are assessed for such indication on a portfolio basis. The portfolios are primarily based on the debtor's domicile and credit rating in accordance with the NKT Group's credit risk management policy. The objective indicators applied to portfolios are based on historical loss experience.

If an objective indication of impairment exists for a portfolio, an impairment test is carried out in which the expected future cash flows are estimated on the basis of historical loss experience adjusted for current market conditions and individual conditions relating to the specific portfolio.

Impairment losses are determined as the difference between the carrying amount and the fair value of the expected cash flows, including recoverable amounts of any security received. The effective interest rate applied on initial recognition is used as the discount rate for the receivable or portfolio.

Calculation of interest recognition on impaired receivables is based on the impaired amount using the effective rate of interest for the specific receivable or portfolio.

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 a 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 on 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.

Prepaid expenses

Prepaid expenses are measured at cost.

5.3 - TRADE PAYABLES AND OTHER LIABILITIES

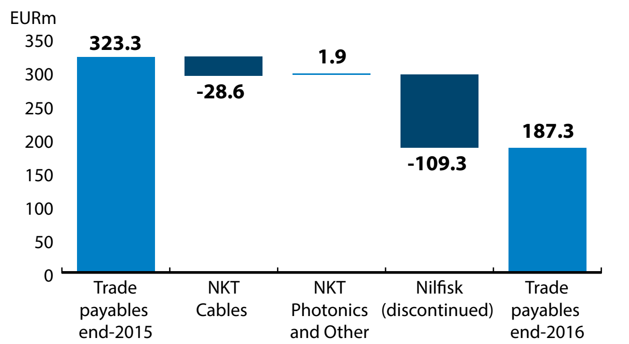
Trade payables and other liabilities comprise trade payables, other payables including VAT, employee-related payables, and derivative financial instruments. Liabilities and prepayments related to construction contracts and other prepayments and deferred income are also included.

The graph below displays the development in trade payables only.

Overall trade payables and other liabilities development compared with 2015 were affected by Nilfisk trade payables and other liabilities classified as liabilities associated with assets held for distribution to owners.

In NKT Cables, trade payables and other liabilities were reduced from end-2015 to end-2016. The reduction was affected by divestment of operations in China and by the upcoming divestment of the Automotive business, where trade payables and other liabilities have been classified as liabilities held for sale.

Trade payables development



Amounts in EURm	2016	2015
Trade payables	187.3	214.4
Other payables (VAT, employee-related tax, holiday pay, derivative financial instruments, etc.)	71.7	88.1
Construction contracts (cf. Note 5.2)	30.8	34.5
Prepayments from customers	4.2	14.8
Deferred income	1.8	2.8
Transferred to liabilities held for sale	-22.3	0.0
Total continuing operations	273.5	354.6
Total discontinued operations	0.0	199.6
	273.5	554.2

§ - Accounting policy

Liabilities are measured at amortised cost. Deferred income is measured at cost.

If progress billings and anticipated losses exceed the value of a construction contract in progress the deficit is recognised in trade payables and other liabilities.

Prepayments from customers are recognised under trade payables and other liabilities.

Note 6

6 - CAPITAL STRUCTURE

This note covers NKT's capital structure, financing costs and financial risks. NKT's policy is to maintain a capital structure that supports the Group's strategic goals to deliver value and profitable growth. NKT operates with solid financial reserves that allow economic and strategic flexibility.

NKT intends to be perceived as a company with an investment-grade credit profile and therefore maintains a capital structure within defined targets for solvency, gearing and EBITDA leverage. In periods when capital structure targets are satisfied NKT's cash flows are used for value-adding investments/acquisitions and shareholder distributions. If capital structure targets are exceeded, cash flow is prioritised to repay debt.

To maintain an adequate capital structure the announced acquisition of ABB HV Cables will be financed by both equity and debt, which in October 2016 led to an equity offering equal to 13.86% of share capital, raising proceeds of EUR 184.8m. Since the equity proceeds exceeded the net debt position, NKT will temporarily operate with a net cash position until the acquisition is paid for on legal closing.

At the end of 2016, solvency ratio was 54% (above internal minimum target of 30%). Gearing and EBITDA leverage ratios are temporarily negative due to the negative net debt position.

Key developments 2016

EQUITY SOLD

EUR 185m

in October 2016

AVAILABLE LIQUIDITY RESOURCES OF

EUR 1,311m

Incl. EUR 635m dedicated to ABB acq.

NET INTEREST-BEARING DEBT

EUR -68m

reduced by EUR 157m

AVERAGE FUNDING RATE OF

2.5%

On par with 2.6% in 2015

6.1 - CHANGES IN CAPITAL STRUCTURE, FINANCING, ETC.

Capital structure was impacted by preparations for the acquisition of ABB HV Cables that will be financed by equity and debt. In October 2016 NKT issued 9.99% new shares and sold own shares equal to 3.87% of the share capital resulting in a net proceed of EUR 184.8m. The equity transaction increased NKT's equity and solvency ratio to EUR 951.4m and 54% end of 2016 compared to EUR 809.5m and 48% end of 2015. The remaining part of the acquisition price of EUR 836m is financed by a committed credit facility that is readily available at closing.

Four mandates have been issued by the Annual General Meeting related to capital structure management:

The share capital may, by resolution of the Board of Directors, be increased by issue of shares to a maximum nominal amount of DKK 50m in the period until 25 March 2020.

For the period until 31 March 2021 the Board of Directors is authorised to arrange for acquisition of the Company's own shares up to a nominal value of 10% of the share capital.

The Board of Directors is authorised to issue warrants to the management and employees of NKT, and companies consolidated with NKT, which gives a right of subscription of a total nominal amount of DKK 19,022,120 shares (951,106 shares of DKK 20 each).

In the period until 29 March 2017 loans may be raised against bonds or debt instruments in one or several transactions with a right for the lender to convert his claim to shares, each of a nominal value of DKK 20, up to a maximum nominal amount of DKK 44m (2.2 million new shares, corresponding to just under 10% of the share capital).

6.2 - NET INTEREST-BEARING DEBT

Amounts in EURm	2016	2015
Net interest-bearing debt comprises:		
Non-current loans	83.0	143.9
Current loans	10.5	11.6
Loans classified as held for distribution to owners	2.9	0.0
Other interest-bearing items included in trade payables and other payables	0.9	2.1
Interest-bearing debt, gross	97.3	157.6
Interest-bearing items included in receivables	-7.6	-10.4
Cash at bank and in hand	-127.8	-58.3
Cash classified as held for sale	-28.5	0.0
Cash classified as held for distribution to owners	-1.8	0.0
Net interest bearing debt	-68.4	88.9

Net interest-bearing debt at end-2016 was negative, equal to a net cash position of EUR 68.4m. This corresponded to a net debt reduction of EUR 157.3m compared with end-December 2015. The reduction was primarily driven by a capital increase of EUR 184.8m completed at 5 October 2016, however partly offset by acquisitions in Nilfisk and NKT Photonics.

The net cash balance of EUR 68.4m consisted of a cash position of EUR 165.7m and interest-bearing debt of EUR 97.3m. The debt position covered Danish mortgage loans that were found not due for cancellation in the expected short period of time between the capital increase in October 2016 and the completion of the ABB HV Cables acquisition.

The mortgage loans are in DKK, where 50% of the loan amount is subject to floating and 50% to fixed interest rates.

6.3 - PAYABLES TO CREDIT INSTITUTIONS AND OTHER PAYABLES

Payables to credit institutions are predominantly based on floating interest rates and are measured at amortised cost. The carrying amount therefore corresponds in all material respects to fair value and nominal value.

Other payables are measured at amortised cost, which corresponds in all material respects to fair value and nominal value.

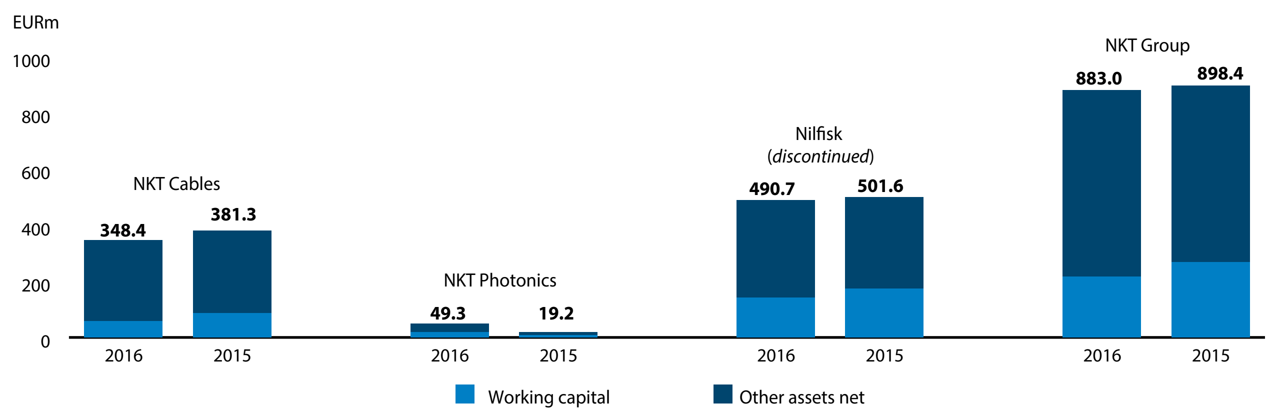
§ - Accounting policy

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 cost 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.

Payables to credit institutions also include the capitalised residual lease obligation on finance leases measured at amortised cost.

6.4 - CAPITAL EMPLOYED

Capital employed



Capital employed decreased by EUR 15.4m from 2015 to 2016, driven by significantly lower working capital, however partly offset by an increase in other assets net.

Return on capital employed for NKT Cables was 9.3% compared with 8.2% last year. The increase was driven by a reduction of EUR 75.0m in average capital employed compared with 2015.

Return on capital employed for NKT Photonics was 4.0% compared with 0.4% last year. The increase was driven by an improvement in operational EBIT, which more than offset the increase in capital employed compared with 2015.

6.5 - FINANCIAL ITEMS

The net financial items represented a profit of EUR 5.7m in 2016 compared with 1.8m in 2015. The increase is caused by a combination of higher interest income and income related to currency regulation and hedging activity.

Net interest income was EUR 3.3m in 2016 compared with 2.1m in 2015, while a comparison of gains on foreign exchange and derivative financial instruments with corresponding losses on these items revealed a net gain of EUR 2.4m in 2016, against a similar gain of 0.1m in 2015. Although the Group's most significant currency exposures were neutralised by hedging activity, currency adjustments from unhedged cash flows caused modest foreign exchange gains or losses. The EUR 2.4m net gain in 2016 is within the expected range of the Group's hedging policy and should be seen in the context of the significant sales in foreign currency.

	Financial income		Financial expenses	
Amounts in EURm	**2016**	**2015**	**2016**	**2015**
Interest etc. relating to financial assets/liabilities measured at amortised cost	13.9	12.7	10.6	10.6
Foreign exchange gains/losses	21.0	29.4	11.8	15.0
Gains/loss on derivative financial instruments	4.4	1.2	11.2	15.5
Capital gains/losses on securities	0.0	0.0	0.0	0.4
Total from continuing operations	39.3	43.3	33.6	41.5

§ - Accounting policy

Financial income comprises interest, dividends, gains on securities, receivables and transactions denominated in foreign currencies, amortisation of financial assets, and allowances under the Danish tax prepayment scheme, etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, and surcharges under the Danish tax prepayment scheme, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

6.6 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

NKT's risk management policy

The NKT Group is exposed to and manages a number of financial risks by virtue of its operations, investments and financing activities. As a matter of policy the Group does not actively speculate in financial risks.

The risk management policy is defined by NKT Holding and managed by Group Treasury. The general principle is that only financial risk exceeding a defined risk threshold is hedged. The risk thresholds are defined to provide the NKT Group with sufficient risk protection while taking hedging costs into consideration.

The NKT Group uses a number of financial instruments, such as forwards, swaps, and options to hedge exposures relating to currency, interest rates, and commodities. At the end of 2016 and 2015 no option contracts were active.

The financial risks are divided into:

1. Currency risks
2. Interest rate risks
3. Credit risks
4. Liquidity risks
5. Raw material price risks

Currency risks

With presence in several countries the NKT Group is exposed to currency risks that have considerable influence on the income statement and balance sheet.

Currency risks refer to the risks of losses (or opportunities for gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets, and liabilities denominated in currencies other than the functional currency of the individual Group businesses.

Management and hedging of existing and anticipated currency risks are initiated by the individual business units within the framework of existing policies and executed by Group Treasury.

Translation risks relating to net investments in subsidiaries

As a basic principle the hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted directly in other comprehensive income. For the most significant investments (above EUR 15m) in foreign currency, excluding EUR/DKK, a rate of exchange which is 10% lower than the actual exchange rate for CZK and GBP would reduce the Group's equity (continuing operations) by EUR 8.6m, compared to EUR 19.1m (inclusive discontinued operations) in 2015. Currency risks relating to other investments in foreign entities are not significant.

Net financing

Significant currency risks relating to receivables and payables that influence the Group's net income are hedged. Balances with credit institutions are denominated in the functional currency of the businesses concerned. The Group had no significant currency risks relating to receivables and payables in foreign currency at 31 December 2016 and at 31 December 2015, and the Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

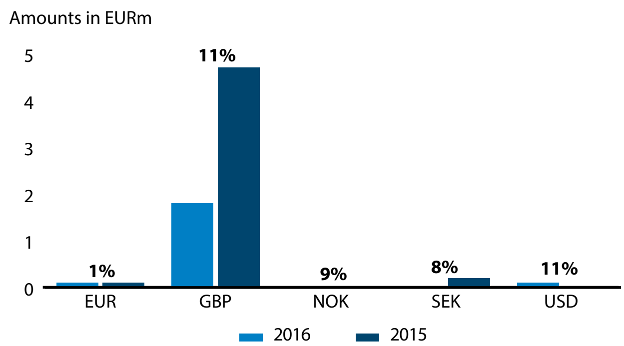
Future cash flows

The Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the individual Group businesses. Hedging of these currency risks is based on assessments of the likelihood of the future transaction being performed and whether the associated currency risk is significant.

Expected cash flows with significant currency risk are systematically hedged on a 12-14 month rolling basis. However, currency risks from project-related sales are considered on an individual basis. The fair value of the effective part of the hedge is recognised in other comprehensive income on a continuous basis. The table below shows net outstanding forward exchange hedging contracts at 31 December for the Group which are used for and fulfil the conditions for hedge accounting of future transactions.

The fair value of the current portfolio of effective hedging contracts will impact other comprehensive income if currency rates change. The sensitivity analyses shown in the chart below assume currency rate changes equal to the individual currency's historic volatility. The analysis shows that for instance an 11% change in the GBP/DKK rate will change other comprehensive income by EUR 1.8m. Comparative figures for 2015 have been calculated using the same percentage change (annual volatility as at 31 December 2016) as stated for 2016.

Currency sensitivity analysis



Forward exchange contracts relate to hedging of product sales/ purchase. During the year nothing significant was recognised under financial items due to ineffective hedge contracts.

Outstanding FX hedging contracts	**2016**		**2015**	
Amounts in EURm	Notional value[1]	Recog. in other compr. income	Notional value[1]	Recog. in other compr. income
EUR	-5.9	0.0	-5.0	0.0
GBP	-16.5	2.1	-42.3	1.1
NOK	-0.1	0.0	-0.5	0.0
SEK	-0.4	0.0	-1.9	0.0
USD	0.8	0.1	-0.1	0.0
Total, continuing operations	-22.1	2.2	-49.8	1.1

[1] Forward exchange contracts with positive notional values are purchases of the relevant currency; negative notional values are sales.

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows concerning the Group's interest-bearing assets and liabilities. At year-end the Group's NIBD was EUR -68.4m, meaning interest-bearing assets exceeded interest-bearing debt. By comparison, at year-end 2015 the Group's NIBD was by EUR 88.9m.

As NIBD was negative at the end of 2016, no interest rate hedging was in place at year-end.

Credit risks

The Group's credit risks relate partly to receivables and cash at bank and in hand, and partly to derivative financial instruments with positive fair value. The maximum credit risk attached to financial assets corresponds to the values recognised in the balance sheet.

The Group has no material risks relating to a single customer or partner. The Group's policy for acceptance of credit risks entails ongoing credit rating of important customers and other partners. Insurance cover and similar measures to hedge receivables are rarely applied as the Group historically has had only few material losses.

Amounts in EURm	2016	2015
Receivables from sales and services, gross -continuing operations	136.8	198.6
Impairment for bad and doubtful debts:		
1 January	11.3	11.8
Disposal through business divestment	-10.4	0.0
Exchange rate adjustment	-0.8	0.6
Writedowns for year included in income statement in 'Other costs'	1.6	0.7
Reversal of impairment for the year included in income statement in 'Other costs'	-0.1	-0.1
Realised losses during year	0.0	-1.7
Impairment, 31 December - continuing operations	1.6	11.3
Receivables from sales and services, net - continuing operations	135.2	187.3

Impairments amount to EUR 1.6m compared with EUR 11.3m at year-end 2015. The decrease is due to the divestment of NKT Cables' operations in China.

Receivables overdue not individually impaired

Amounts in EURm	2016	2015
Up to 30 days	11.7	13.6
Between 30 and 60 days	1.4	2.5
Between 60 and 120 days	0.9	7.7
More than 120 days	4.0	18.2
	18.0	42.0

! - Significant judgements and estimates

Impairments are due to individual review for impairment arising from customer insolvency and anticipated insolvency and to mathematically computed impairments based on classification of debtors according to maturity.

Liquidity risks

It is the Group's policy to maintain adequate cash resources to implement planned operating activities and to be able to operate effectively in the event of unforeseen fluctuations in liquidity.

The Group's cash resources consist of cash, cash equivalents and undrawn credit facilities. The latter consists primarily of committed but also of uncommitted facilities.

At end-2016, NKT's total available liquidity resources amounted to EUR 1,311m, including EUR 635m dedicated to the acquisition of ABB HV Cables.

Except for the dedicated facilities relating to the acquisition, the average duration of the remaining committed credit facilities at

Strong liquidity reserves

Cash resources

Amounts in EURm	2016	2015
Committed (>3 years)	353.0	586.2
Committed (1-3 years)	796.1	-
Committed (<1 year)	7.4	7.4
Committed, total	1,156.5	593.6
% of total	0.9	0.8
Uncommitted	92.6	107.4
% of total	0.1	0.2
Total	1,249.1	701.0
Cash	158.3	58.3
Drawn	-96.4	-155.5
Cash resources	1,311.0	603.8

December 31 was 2.9 years and no significant committed facilities mature before 2019.

Credit agreements embody 'change of control' provisions whereby significant credit facilities can be cancelled if a shareholder or shareholder group gains control over NKT or if NKT is no longer listed on Nasdaq Copenhagen.

Apart from the dedicated facilities concerning the acquisition of ABB HV Cables, the NKT Group's credit facilities are not subject to financial covenants but are subject to some non-financial covenants of conventional nature.

Maturity of Group liabilities

Amounts in EURm	2016						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	Total
Forward contracts	3.4						3.4
Credit institutions	10.5	7.2	7.5	7.7	7.6	53.0	93.5
Other financial liabilities	268.3						268.3
Total, continuing operations	282.2	7.2	7.5	7.7	7.6	53.0	365.2

	2015						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	Total
Forward contracts	5.6						5.6
Credit institutions	9.8	7.5	7.5	7.4	47.6	73.6	153.4
Other financial liabilities	432.4						432.4
Total, continuing operations	447.8	7.5	7.5	7.4	47.6	73.6	591.4

The above items do not include interest. The forward contracts are recognised at fair value and the discount element is considered insignificant as a result of short maturity. Payables to credit institutions are consequently recognised in the balance sheet at the amounts stated above.

Raw material price risks

Raw material price risks exist primarily in relation to NKT Cables, and comprise the effect of changes in raw material prices on Group net income. In situations where changes in raw material prices cannot be transferred to customers, the Group uses financial instruments to hedge the price risks.

Exposures and hedging of current and expected future raw material risks are managed by the business units based on adopted Group guidelines. As at 31 December 2016, NKT Cables had current financial hedging instruments relating to future metal supplies of a value of EUR 23.3m (2015: EUR 40.2m) with a positive fair value of EUR 3.8m (2015: negative fair value of EUR 3.2m).

It is estimated that, all other things being equal, a 10% rise in raw material prices would influence the NKT Group's other comprehensive income by around EUR 2.3m for forward transactions for metal supplies at 31 December 2016 (2015: EUR 4.0m). The fair value of the effective part of the hedge is recognised on a continuous basis in other comprehensive income as hedge of future cash flows. Impact of ineffectiveness on the income statement was negligible during the year.

Fair values

Financial instruments measured at fair value in the balance sheet are designated as belonging to one of the following three categories (the 'fair value hierarchy'):

- Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Input, other than listed prices on Level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)
- Level 3: Input for the asset or liability which is not based on observable market data (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments. The fair value at 31 December 2016 and 2015 of NKT's forward transactions is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

Categories of financial instruments - carrying amount

Amounts in EURm	2016	2015
Financial assets, continuing operations:		
Hedging portfolio (derivative financial instruments)	8.2	3.2
Loans and receivables	325.2	281.8
Financial assets available for sale	1.1	1.1
Financial liabilities, continuing operations:		
Hedging portfolio (derivative financial instruments)	3.4	5.6
Financial liabilities, measured at amortised cost	361.8	585.8

Financial assets available for sale are measured at fair value and considered immaterial.

§ - Accounting policy

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 company 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.

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.

Net investment hedges
Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates and which effectively hedge currency fluctuations in these enterprises are recognised in the consolidated financial statements directly in other comprehensive income in a separate translation reserve.

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.

Certain contracts contain characteristics of derivative financial instruments. Such embedded derivatives are recognised separately and measured at fair value if they differ significantly from the contract, unless the entire contract is recognised and measured at fair value.

6.7 - SHARE CAPITAL

Number of DKK 20 shares ('000)	2016	2015
Shares, 1 January	24,186	23,934
Increase in capital by exercise of warrants	212	252
Issue of new shares	2,437	0
Shares, 31 December	26,835	24,186
Treasury shares, 1 January	77	77
Share buy back programme	871	0
Disposal of treasury shares	-948	0
Treasury shares, 31 December	0	77
Shares outstanding, 31 December	26,835	24,109

Share capital has been increased and treasury shares have been sold in order to maintain a prudent capital structure following the purchase agreement to acquire ABB HV Cables and the decision to split NKT Holding into two separately listed companies.

NKT's share capital consists of shares with a nominal value of 20 DKK each. No shares carry special rights. NKT's Articles of Association specify no limits in respect of ownership or voting right, and NKT is unaware of any agreements in this regard.

Distribution of dividend to shareholders of NKT Holding A/S has no tax consequences for the company.

§ - Accounting policy

Dividend is recognised as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity. Interim dividend is recognised as a liability at the date when the decision to pay such dividend is made.

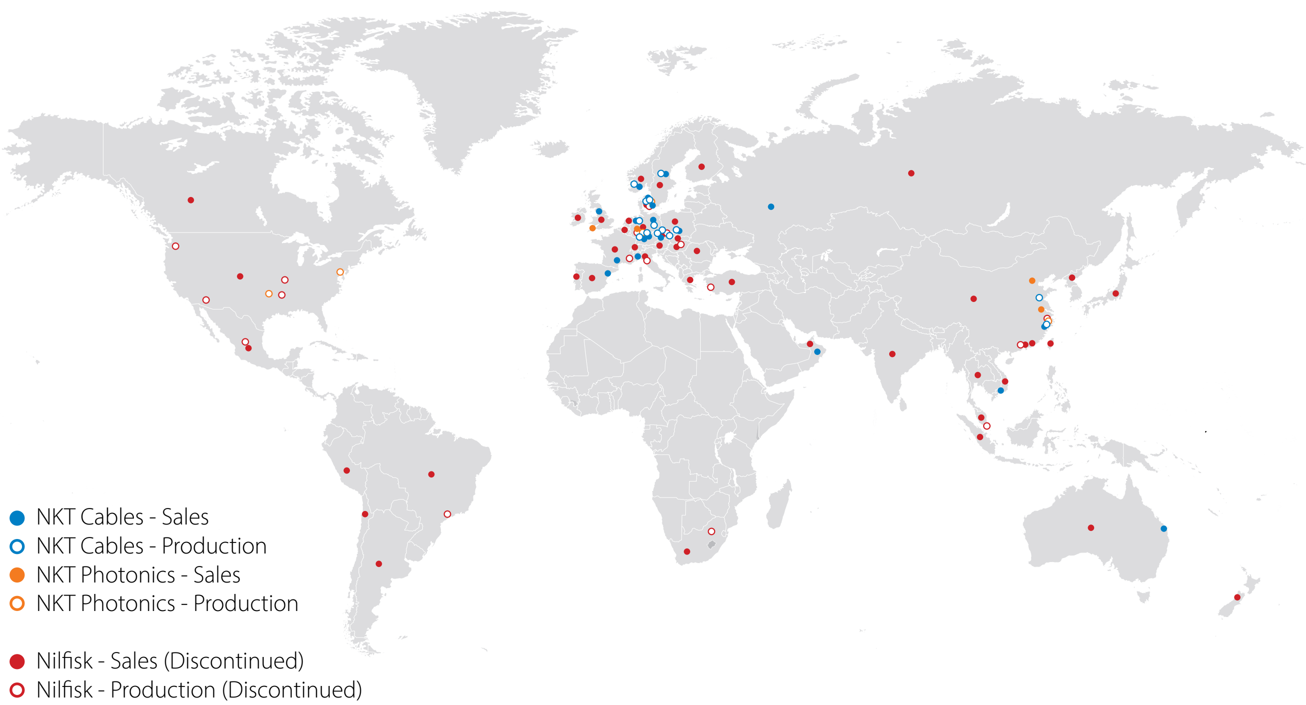
Acquisition costs, consideration received, and dividends relating to treasury shares, are recognised directly in retained comprehensive income in equity.

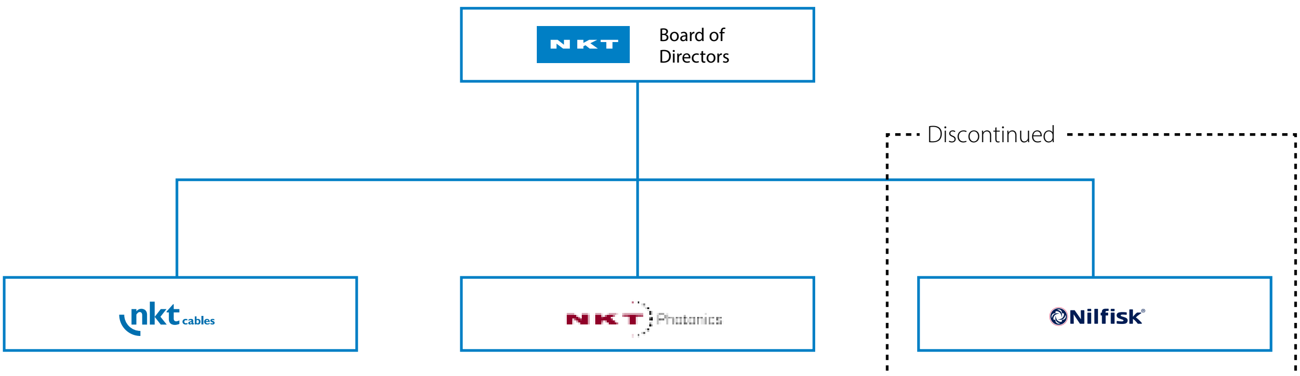
Proceeds from sales of treasury shares and from issue of shares in NKT Holding A/S relating to exercise of warrants or employee shares are recognised directly in retained comprehensive income in equity and share capital.

Note 7

7 - GROUP STRUCTURE

This note describes acquisitions and divestments of businesses during the year and NKT's structure at end-2016.





7.1 - ACQUISITIONS/DIVESTMENTS OF BUSINESSES

2016:

Acquisitions

Effective at 31 March 2016, NKT Photonics acquired Fianium Holdings Ltd. Fianium Holdings Ltd. supplies both ultra-fast and supercontinuum fiber lasers and has a strong presence in the US, combined with a global distribution network.

Amounts in EURm		Fianum NKT Photonics acquisition
Non-current assets	Intangible assets	12.3
	Tangible assets	0.2
	Deferred tax	1.3
Current assets	Inventories	2.3
	Receivables	1.4
	Cash at bank and in hand	0.2
Non-current liabilities	Deferred tax	-2.5
	Provisions	-0.6
Current liabilities	Interest-bearing loans and borrowings	-0.7
	Payables and provisions	-1.9
	Net assets acquired	12.0
	Goodwill	13.9
	Purchase consideration	25.9
	Cash acquired	-0.2
	Deferred contingent purchase consideration	-1.3
	Cash purchase consideration	24.4
	Interest-bearing loans and borrowings acquired	0.7
	Total effect on net interest bearing debt	25.1
	Direct purchase costs	0.2
	Revenue recognised in 2016	3.6
	Recognised profit after tax in 2016	-1.3
	Proforma revenue 12 month	5.8
	Proforma profit 12 month	-1.7

Purchase agreement

NKT Cables has entered into a purchase agreement to acquire ABB HV Cables, a wholly owned business of the ABB Group, at an enterprise value of EUR 712m (DKK 5.3bn). Including ABB HV Cables' committed investment of EUR 124m (DKK 0.9bn) in a new, cutting-edge cable-laying vessel to be delivered and paid for in Q1 2017, the total enterprise value amounts to EUR 836m (DKK 6.2bn).

ABB HV Cables is a leading supplier in the premium segment of AC and DC high-voltage cable systems for on- and offshore power transmission. In 2015, ABB HV Cables revenue was EUR 472m (DKK 3.5bn). The closing of the transaction is subject to regulatory approval and is expected to take place in Q1 2017. In 2016 NKT Cables incurred expenses of EUR 4.6m related to purchase costs.

Divestments

In October 2016, NKT Cables divested all its Chinese business activities to Srising Technology Co. The divestment was in line with NKT Cables EXCELLENCE 2020 strategy and allows NKT Cables to focus on its core businesses within power cables for the construction industry, utilities, high-voltage on- and offshore projects and railway outside Asia. The consideration (recognised as receivables) amounted to EUR 8.3m and the loss was EUR 30.8m, which was included in other costs.

Divestment to be closed after the balance sheet date

In October 2016, NKT Cables entered into an agreement to divest its Automotive cable activities to a subsidiary of the German-based Wilms Group. The activities cover automotive cables, flexible cables and special cables and include a plant located in Vrchlabí, Czech Republic, with around 400 employees. The closing of the transaction is subject to regulatory approval and is expected to take place in Q1 2017.

Divestments

Amounts in EURm		NKT Cables China divestment
Non-current assets	Intangible assets	-0.3
	Tangible assets	-5.3
Current assets	Inventories	-9.3
	Receivables	-46.9
	Cash at bank and in hand	-3.0
Non-current liabilities	Interest-bearing loans and borrowings	6.1
Current liabilities	Payables and provisions	25.0
	Net assets disposed	-33.7
	Direct cost	-5.4
	Consideration recognised as receivables	8.3
	Loss from divestment of operations *	-30.8

* Loss from divestment of operations is recognised as Other costs (impairment of receivables etc.) in the income statement

§ - Accounting policy

Businesses acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition/formation. Businesses sold or wound up are recognised in the consolidated financial statements until the date of disposal. In the case of acquisitions where NKT Holding A/S directly or indirectly gains control of the business acquired, the purchase method is used. The identifiable assets, liabilities and contingent liabilities of the acquisition are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The date of acquisition is the date at which NKT Holding A/S directly or indirectly gains actual control of the business acquired. Positive differences (goodwill) between on the one side the purchase consideration, the value of minority interests in the acquisition and the fair value of any previously acquired equity investments, and on the other side the fair value of the acquired identifiable assets, liabilities and contingent liabilities, are recognised as goodwill under intangible assets. Goodwill is not amortised but a test for impairment is carried out at least once a year. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment tests. Goodwill and fair value adjustments relating to acquisition of a foreign entity having a functional currency other than the Group's presentation currency are treated as assets and liabilities belonging to the foreign entity and, on first-time recognition, are translated into the functional currency of that entity at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

The purchase consideration for a business consists of the fair value of the agreed consideration in the form of acquired assets, assumed liabilities, and issued equity instruments. If parts of the purchase consideration are contingent upon future events or fulfilment of agreed conditions, this part of the purchase consideration is recognised at fair value at the date of acquisition. Costs relating to business combinations are expensed directly in the income statement as incurred.

If uncertainty exists at the date of acquisition as to identification or the measurement of acquired assets, liabilities or contingent liabilities, or as to the determination of the purchase consideration, first-time recognition is based on values stated provisionally. If identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities subsequently proves to have been incorrect at first-time recognition, the calculation is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated. Thereafter goodwill is not adjusted. Revised estimates of contingent purchase consideration are recognised in the income statement.

On whole or partial disposal of wholly owned foreign entities where control is relinquished, the currency adjustments which are recognised in other comprehensive income and which are attributable to the entity are reclassified from other comprehensive income to the profit/loss for the year together with gains or losses arising from the disposal.

On disposal of part-owned foreign subsidiaries the part of the translation reserve relating to minority interests is not transferred to the income statement.

Gains or losses on disposal of winding up of subsidiaries and associates are stated as the difference between the selling price or disposal sum and the carrying amount of net assets, including goodwill, at the time of sale, and selling or winding up costs.

7.2 - GROUP COMPANIES

Group companies	Domicile
NKT Cables Group	
Denmark	
NKT Cables Group A/S	Denmark
NKT Cables A/S	Denmark
NKT Cables Ultera A/S	Denmark
Europe	
NKT Cables Group GmbH	Germany
NKT Cables Verwaltungs GmbH	Germany
NKT Cables GmbH & Co. KG	Germany
NKT Cables GmbH Nordenham	Germany
VGK1 GmbH	Germany
Zweite NKT Cables GmbH	Germany
NKT Immobilien Verwaltung GmbH	Germany
NKT Zweite Immobilien GmbH & Co. KG	Germany
NKT Cables s.r.o.	Czech Rep.
NKT Cables Automotive s.r.o.	Czech Rep.
NKT Cables Spain S.L.	Spain
NKT Cables Holding AB	Sweden
NKT Cables AB	Sweden
NKT Cables AS	Norway
NKT Cables Ltd.	UK
NKT Cables S.A.	Poland
NKT Cables Warszowice Sp. z.o.o.	Poland
NKT Cables LLC	Russia
NKT Cables Nederland B.V.	Netherlands
Middle East	
NKT Cables DMCC	Dubai
Asia/Pacific	
NKT Cables Australia Pty Ltd	Australia
Unique Vantage Ltd.	Hong Kong
Associates	
Ultera GP (50%)	US

Group companies	Domicile
Photonics Group	
Denmark	
NKT Photonics A/S	Denmark
Europe	
LIOS Technology GmbH	Germany
NKT Photonics GmbH	Germany
Fianium Holdings Ltd.	UK
Fianium Ltd.	UK
America	
LIOS Technology Inc.	US
NKT Photonics Inc.	US
FOPS - Fiber Optic Pipeline Solutions LLC	US
Fianium Inc.	US
Asia/Pacific	
NKT (Beijing) Photonic Technical Service Co., Ltd.	China
Fianium Asia Ltd.	Hong Kong

Equity shares are wholly owned except where (xx%) appear after the company.

Companies without material interest and dormant companies are omitted from the list.

Nilfisk Group - Discontinued operations

Group companies	Domicile
Denmark	
Nilfisk A/S	Denmark
Europe	
Nilfisk GmbH	Austria
Nilfisk N.V./S.A.	Belgium
Nilfisk s.r.o.	Czech Rep.
Nilfisk Oy	Finland
Nilfisk S.A.S.	France
Jungo Voirie S.A.S.	France
Nilfisk GmbH	Germany
Nilfisk Hellas S.A.	Greece
Nilfisk Production Kft.	Hungary
Nilfisk Commercial Kft.	Hungary
Nilfisk Ltd	Ireland
Nilfisk S.p.A.	Italy
Nilfisk B.V.	Netherlands
Nilfisk AS	Norway
Nilfisk Polska Sp. Z.o.o.	Poland
Nilfisk Lda	Portugal
Nilfisk-Advance S.R.L.	Romania
Nilfisk LLC	Russia
Nilfisk s.r.o.	Slovakia
Nilfisk S.A.	Spain
Nilfisk AB	Sweden
Nilfisk AG	Switzerland
Nilfisk Profesynonel Temizlik Ekipmanlari Tic. A.S.	Turkey
Nilfisk Ltd.	UK
Floor Cleaning Machines Ltd.	UK
North and Central America	
Nilfisk Canada Company	Canada
Nilfisk U.S Holding Inc.	US
Nilfisk Inc.	US
Hathaway North America Inc.	US
Hydro Tek Systems, Inc.	US
Nilfisk Pressure-Pro, LLC.	US
Nilfisk de Mexico S. De R.L. de C.V.	Mexico
Nilfisk de Mexico Services S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing Services S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing S. de R.L. de C.V.	Mexico

Group companies	Domicile
South America	
Nilfisk-Advance S.R.L.	Argentina
Nilfisk Equipamentos de Limpeza Ltda.	Brazil
Nilfisk S.A.	Chile
Nilfisk S.A.C	Peru
Africa	
Nilfisk Pty. Ltd.	South Africa
Industro-Clean (Cape) (Pty) Ltd.	South Africa
Asia/Pacific	
Nilfisk Pty. Ltd.	Australia
Kerrick Distributors (Aust) Pty. Ltd.	Australia
Nilfisk Ltd.	Hong Kong
Nilfisk India Private Ltd.	India
Nilfisk Inc.	Japan
Dongguan Viper Cleaning Equipment Co. Ltd.	China
Nilfisk Cleaning Equipment (Shanghai) Co. Ltd	China
Nilfisk Professional Cleaning Equipment (Suzhou) Co. Ltd.	China
Nilfisk Korea Co. Ltd.	Korea
Nilfisk Sdn Bhd	Malaysia
Nilfisk Limited	New Zealand
Kerrick Industries Limited	New Zealand
Nilfisk Pte. Ltd.	Singapore
Nilfisk Ltd.	Taiwan
Nilfisk Co. Ltd.	Thailand
Nilfisk Company Ltd.	Vietnam
Associates	
M2H S.A. (44%)	France
CFM Lombardia S.r.l. (33%)	Italy
Rottest A.S. (50%)	Turkey

Note 8

8 - OTHER NOTES

This Note contains other statutory notes and notes considered less essential to the understanding of the NKT Group's financial development.

8.1 - FEES TO AUDITOR ELECTED AT THE ANNUAL GENERAL MEETING

Amount in EURm	2016	2015
Deloitte :		
Statutory audit	1.4	1.4
Audit-related services	-	-
Tax and VAT advice	0.5	0.1
Other services	3.4	1.6
Total continuing and discontinued operations	5.3	3.1

8.2 - EVENTS AFTER THE BALANCE SHEET DATE

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

8.3 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards, amendments and interpretations of relevance to NKT Group have been adopted by the IASB and adopted by the EU. The standards are not yet effective and will therefore not be implemented in the Annual Reports until they take effect.

- *IFRS 15: "Revenue from Contracts with Customers"* New standard on revenue recognition. The standard may potentially affect revenue recognition in a number of areas depending on the industry in which the entity operates, including:
  - The timing of revenue recognition
  - Recognition of variable consideration
  - Allocation of revenue from multi-element arrangements
  - Recognition of revenue from licence rights
  - Up-front fees
  - Additional disclosure requirements

The standard will be effective for financial years beginning on or after 1 January 2018. NKT has assessed the effect of the new standard, and it is expected that it will only have insignificant effect on recognition and measurement of revenue.

- *IFRSv9: "Financial Instruments" - on the measurement and classification of financial assets and liabilities.* The number of classification categories for financial assets is reduced to three: amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). Entities taking the fair value option are required under IFRS 9 to present the share of the fair value change for the period which is attributable to changes in the entity's own credit risk in other comprehensive income. Further, the impairment model for financial assets is changed to a model based on expected credit losses under which changes to the credit risk imply changes to the provision for bad debts. The hedge accounting rules are relaxed so as to be aligned with the entity's risk management practices. The standard will be effective for financial years beginning on or after 1 January 2018. NKT has assessed the effect of the standard and it is only expected to have minor effects on recognition and measurement of financial instruments. Provisions for impairment of financial assets is expected to cause a slightly higher level of provisions but no significant effect on the income statement. IFRS 9's changes to classification and measurement, and its new rules for hedge accounting, are expected to have no effect on recognition and measurement at the time of implementation.

The IASB has issued the following new standards, amendments and new interpretations which could be relevant to NKT, but which have not yet been adopted by the EU:

- *IFRS 16: "Leases".* New standard on the accounting treatment of leases. Going forward, the lessee is required to recognise all leases as a lease liability and a lease asset in the balance sheet. The standard will be effective for financial years beginning on or after 1 January 2019. NKT expects to implement the new standard when it takes effect. The impact of the new standard is currently being assessed by the company and limited effect is expected

8.4 - CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS

! - Significant judgements and estimates

The Group is a party to various disputes and inquiries from authorities whose outcome is not expected to materially affect profit for the year and the financial position. In connection with disposal of companies in previous years, guarantees have been provided which are not expected to materially affect profit for the year.

On 2 April 2014 NKT received a fine of EUR 4m following the investigation conducted by the European Commission into alleged price-fixing activities in the power cables industry, cf. Company Announcement No. 8 2014. By defining NKT as a 'fringe player' - as the only European manufacturer - the European Commission explicitly established that the role of NKT was substantially limited. This is further emphasised by the fact that NKT was the only European manufacturer to receive a 10% reduction on the fine amount. While the European Commission has assessed that NKT's role was substantially limited and the fine is considerably smaller than those imposed on other cable manufacturers, NKT disagrees with the Commission's decision and has therefore filed an appeal. As a consequence of the Commission's decision, NKT and other power cable producers face exposure to claims for damages in proceedings brought by customers or other third parties, including two claims that have been filed by National Grid and Scottish Power, respectively, in the UK. In line with its appeal against the Commission's decision, NKT contests any civil damages claim that is based on this decision.

During 2016 NKT Cables were notified of claims due to break downs on two offshore cable systems. Although there are no indications that other cable systems are at risk, NKT Cables has as a precautionary and proactive measure decided to analyse and test other similar cable systems. Customers which might be impacted by this issue has been contacted. Analysis and tests are ongoing. Provisions for costs related hereto have in 2016 been made on the projects impacted by the break down.

The remuneration for the business unit managements includes 'Change of Control' provisions (significant changes in ownership structure).

In a few cases the Group's foreign companies are subject to special tax schemes to which certain conditions are attached. As at 31 December 2016 these conditions were complied with.

Securities

Amounts in EURm	2016	2015
Carrying amount of assets provided as security for credit institutions:		
Land and buildings	79.6	86.6
Plant and machinery	48.8	65.8
Liabilities secured on assets	102.7	105.9

Securities relates primarily to mortgage loans and can only be effectuated in certain cases of default to credit institutions.

Contractual obligations, continuing operations

Amounts in EURm	2016	2015
Contractual obligations relating to purchase of buildings and production plants	6.9	3.5
Contractual obligations relating to purchase ABB HV Cables (conditional upon approval)	836.0	0.0
Operating lease commitments:		
The Group leases property and production equipment, etc., under operating leases		
Lease commitments relate principally to property		
The leases are indexed annually and contain no special purchasing rights, etc.		
Interminable minimum lease payments are specified as follows:		
Within 0-1 year	8.5	8.1
Within 1-5 years	18.6	20.0
After 5 years	33.3	36.5
	60.4	64.6
Lease payments expensed in income statement	8.5	10.6

§ - Accounting policy

Contingent liabilities
Disclosure concerning contingent assets and liabilities and when they must be recognised takes place against the background of evaluations of the expected outcome of the individual issues. These evaluations are based on legal opinions of the agreements contracted, which in significant issues also include opinions obtained from external advisors, including lawyers.

Assets are recognised when it is virtually certain that the issue will have a positive outcome for the company. A liability is recognised when it is likely that, at the balance sheet date, there will be an outflow from the Group's financial resources and when the liability can be reliably stated. If this is not the case, the matter is disclosed in the notes to the financial statements. Decisions relating to such situations may in future accounting periods lead to realised gains or losses that may differ significantly from the recognised amounts or disclosures.

Contractual liabilities - leasing
Lease commitments are divided for accounting purposes into finance leases and operating leases.

A finance lease is one that in all material respects transfers risks and benefits relating to ownership of the leased asset. Other leases are designated operating leases.

The accounting treatment of assets held under a finance lease and the associated liability are described in the section on property, plant and equipment and in the section on financial liabilities, respectively.

Rental payments made under an operating lease are recognised on a straight-line basis over the term of the lease.

Assets leased out under operating leases are recognised, measured and presented in the balance sheet in the same way as the Group's other assets of similar type.

8.5 - DEFINITIONS

1. **Revenue at standard prices** - Revenue at standard prices for copper and aluminium is set at EUR/tonne 1,550 and EUR/tonne 1,350 respectively.

2. **Organic growth** - Absolute organic sales growth (standard price) as a percentage of prior-year adjusted revenue (standard price). Organic growth is a measure of growth, excluding the impact of exchange adjustments from year-on-year comparisons, and including acquisitions and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation, and for divestments revenue for the prior year is removed from the calculation.

3. **Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA)** - Earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for one-off items.

4. **Operational earnings before interest and tax (Oper. EBIT)** - Earnings before interest and tax adjusted for one-off items.

5. **Net interest-bearing debt** - Cash, investments and interest-bearing receivables less interest-bearing debt. Specified in Note 6.2.

6. **Capital employed** - Group equity plus net interest-bearing debt. Specified in Note 6.4.

7. **Working capital** - Current assets minus current liabilities (excluding interest-bearing items and provisions).

8. **Net interest-bearing debt relative to operational EBITDA** - Operational EBITDA is calculated including discontinued operation (excl. profit from disposal).

9. **Solvency ratio (equity as a percentage of total assets)** - Equity excl. non-controlling interest as a percentage of total assets.

10. **Return on capital employed (RoCE)** - Operational EBIT as a percentage of average capital employed.

11. **Earnings, EUR per outstanding share (EPS)** - Earnings attributable to equity holders of NKT Holding A/S relative to average number of outstanding shares.

12. **Equity value, EUR per outstanding share** - Equity attributable to equity holders of NKT Holding A/S per outstanding share at 31 December. Dilutive effect of warrants plan for Group Management and employees is not included in this ratio.

Financial ratios

Gearing	Net interest-bearing debt x 100	Group equity
Solvency ratio	Equity excl. non-controlling interest x 100	Total assets
Return on Capital Employed (RoCE)	Operational EBIT	Average capital employed
Earnings Per Share (EPS)	Earnings attr. to equity holders of NKT Holding A/S	Average number of shares outstanding
Earnings Per Share Diluted (EPS-D)	Earnings attr. to equity holders of NKT Holding A/S	Diluted average number of shares
Book Value Per Share (BVPS)	Equity excl. non-controlling interest	Number of shares

Note 9

9 - DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Due to the intended split of NKT Holding into two listed entities, Nilfisk is treated as discontinued operations.

NKT Cables has entered into an agreement to divest its Automotive cable activities. The closing of the transaction is expected to take place in Q1 2017. Assets and associated liabilities of these activities is classified as held for sale.

§ - Accounting policy

Discontinued operations constitute an major line of business, whose activities and cash flows are clearly distinguishable, operationally and in financial reporting terms, from the rest of the business. The entity has either been disposed of or is held for sale, and the sale is expected to be completed within one year in accordance with a formal plan. Discontinued operations also include businesses which in connection with the acquisition are designated as 'held for sale'.

Net results of discontinued operations, net value adjustments of related assets and liabilities, and profits/losses on sales are presented in a separate line in the income statement with restatement of comparative figures. Revenue, costs, value adjustments and tax of discontinued operations are disclosed in the notes. Assets and liabilities relating to discontinued operations are presented in separate lines in the balance sheet without restatement of comparative figures, and main items are specified in the notes.

Operating, investment and financing cash flows relating to the discontinued operations are disclosed in a note.

! - Significant judgements and estimates

The classification of Nilfisk as discontinued operations and NKT Cables Automotive Cable activities classified as held for sale are based on management judgment of the probability of the transactions to be carried out as planned. It is management judgment that both transactions are highly probable to be carried out as planned.

9.1 - ASSETS HELD FOR SALE

NKT Cables Automotive Cable activities:

Assets and associated liabilities held for sale

Amounts in EURm	2016
Intangible assets	7.8
Property, plant and equipment	16.4
Inventories	12.7
Receivables	14.0
Cash at bank and in hand	1.8
Total assets held for sale	**52.7**
Deferred tax	1.4
Total Non-current liabilities	**1.4**
Trade payables and other liabilities	23.2
Total current liabilities	**23.2**
Total liabilities associated with assets held for sale	**24.6**

9.2 - DISCONTINUED OPERATIONS AND ASSETS HELD FOR DISTRIBUTION TO OWNERS

Nilfisk:

Income statement

Amounts in EURm	2016	2015
Revenue	1,058.5	971.5
Costs and other income	-961.7	-873.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**96.8**	**97.9**
Depreciation, amortisation and impairment	-42.8	-34.2
Financial items, net	-11.0	-7.9
Earnings from operations before tax (EBT)	**43.0**	**55.8**
Tax on operations	-13.4	-14.1
Profit for the year from discontinued operations	**29.6**	**41.7**
Earning from discontinued, EUR, per share (EPS)	1.2	1.7

Cash flow

	2016	2015
Cash flow from operating activities	115.1	59.8
Cash flow from investing activities	-69.6	-67.4
Cash flow from financing activities	-23.8	-15.5
Net cash flow from discontinued operations	**21.7**	**-23.1**

Assets and associated liabilities held for distribution to owners

	2016	2015
Intangible assets	299.7	283.8
Property, plant and equipment	61.6	57.8
Other non-current assets	57.6	43.2
Inventories	173.3	187.9
Receivables	212.3	200.3
Cash at bank and in hand	28.5	21.2
Total assets held for distribution to owners	**833.0**	**794.2**
Deferred tax	41.0	27.2
Pension liabilities	7.5	5.9
Provisions	6.8	7.9
Interest -bearing loans and borrowings	0.2	0.3
Total Non-current liabilities	**55.5**	**41.3**
Interest-bearing loans and borowings	2.7	1.8
Trade payables and other liabilities	248.9	131.1
Total current liabilities	**251.6**	**132.9**
Total liabilities associated with assets held for distribution to owners	**307.1**	**174.2**

Income statement and comprehensive income

1 January - 31 December

Amounts in EURm	Note	2016	2015
Income statement			
Dividends from subsidiaries		0.0	172.5
Sale of services		3.5	3.6
Revenue		**3.5**	**176.1**
Staff costs	3	-4.8	-4.8
Other costs	4	-3.1	-2.7
Operating earnings (EBIT)		**-4.4**	**168.6**
Financial income	5	30.9	37.3
Financial expenses	6	-21.4	-30.1
Earnings before tax (EBT)		**5.1**	**175.8**
Tax	7	-0.6	-1.9
Profit for the year		**4.5**	**173.9**
Statement of comprehensive income			
Profit for the year		4.5	173.9
Other comprehensive income:			
Items that may be reclassified to income statement:			
Value adjustment of hedging instruments transferred to financial expenses		1.5	0.0
Tax		-0.3	0.0
Total comprehensive income		**5.7**	**173.9**
Proposed distribution			
Proposed dividend of DKK 0.0 per share (2015: DKK 4.0 per share)		0.0	13.0
Transferred to retained comprehensive income		5.7	160.9
		5.7	**173.9**

Balance sheet

31 December

Amounts in EURm	Note	2016	2015
Assets			
Non-current assets			
Investments in subsidiaries	8	401.9	616.8
Receivables from subsidiaries		669.9	593.9
		1,071.8	**1,210.7**
Total non-current assets		**1,071.8**	**1,210.7**
Current assets			
Receivables from subsidiaries		4.9	5.2
Other receivables		7.5	6.8
Income tax receivable		0.4	0.0
Cash at bank and in hand		91.4	24.3
Shares in Nilfisk held for distribution to owners		216.1	0.0
		320.3	**36.3**
Total assets		**1,392.1**	**1,247.0**
Equity and liabilities			
Equity			
Share capital		72.0	64.9
Retained comprehensive income		1,031.3	882.0
Proposed dividends		0.0	13.0
Total equity		**1,103.3**	**959.9**
Non-current liabilities			
Deferred tax	9	0.7	0.7
Credit institutions, etc.	10	0.1	49.1
		0.8	**49.8**
Current liabilities			
Credit institutions, etc.	10	0.0	0.0
Payables to subsidiaries	10	211.9	228.1
Trade payables and other liabilities	10	6.1	7.3
Income tax payable		0.0	1.9
Liabilities associated with assets held for distribution to owners		70.0	
		288.0	**237.3**
Total liabilities		**288.8**	**287.1**
Total equity and liabilities		**1,392.1**	**1,247.0**

Cash flow statement

1 January - 31 December

Amounts in EURm	Note	2016	2015
Operating earnings (EBIT) before depreciation		-4.4	168.6
Non-cash items		0.2	0.3
Changes in working capital		3.4	-0.2
Cash flow from operations before financial items		-0.8	168.7
Financial income received		30.9	37.3
Financial expenses paid		-21.3	-24.7
Cash flow from ordinary operations		8.8	181.3
Income tax paid		-3.3	-2.8
Cash flow from operating activities		**5.5**	**178.5**
Increase of capital in subsidiaries		-3.3	-249.8
Changes in loans to/from subsidiaries		-23.6	126.0
Cash flow from investing activities		**-26.9**	**-123.8**
Changes in non-current loans		-49.0	-27.5
Changes in current loans		0.0	-1.2
Dividend paid		-13.1	-13.0
Dividend on treasury shares		0.1	0.0
Cash from disposal of treasury shares / share buyback programme		11.0	0.0
Cash from issue of new shares / exercise of warrants		139.5	11.3
Cash flow from financing activities		**88.5**	**-30.4**
Net cash flow		**67.1**	**24.3**
Cash at bank and in hand, 1 January		24.3	0.0
Net cash flow		67.1	24.3
Cash at bank and in hand, 31 December		**91.4**	**24.3**

Statement of changes in equity

1 January - 31 December

Amounts in EURm	Share capital	Retained comprehensive income	Proposed dividends	Total equity
Equity at 1 January 2015	**64.3**	**710.3**	**12.8**	**787.4**
Changes in equity in 2015:				
Other comprehensive income for the year		0.0		0.0
Profit for the year		160.9	13.0	173.9
Total comprehensive income for the year		160.9	13.0	173.9
Dividend paid		-0.2	-12.8	-13.0
Share-based payment		0.3		0.3
Exercise of share warrants	0.6	10.7		11.3
Total changes in equity in 2015	**0.6**	**171.7**	**0.2**	**172.5**
Equity at 31 December 2015	**64.9**	**882.0**	**13.0**	**959.9**
Equity at 1 January 2016	**64.9**	**882.0**	**13.0**	**959.9**
Changes in equity in 2016:				
Other comprehensive income for the year		1.2		1.2
Profit for the year		4.5	0.0	4.5
Total comprehensive income for the year		5.7	0.0	5.7
Proceeds from issue of new shares	6.5	129.3		135.8
Share issue costs		-3.8		-3.8
Proceeds from sale of treasury shares		52.8		52.8
Share buyback programme		-41.8		-41.8
Dividend paid		-0.1	-13.0	-13.1
Dividend, treasury shares		0.1		0.1
Share-based payment		0.2		0.2
Exercise of share warrants	0.6	6.9		7.5
Total changes in equity in 2016	**7.1**	**149.3**	**-13.0**	**143.4**
Equity at 31 December 2016	**72.0**	**1,031.3**	**0.0**	**1,103.3**

Notes 1-13

NKT Holding A/S functions as a holding company for the Group's activities and undertakes the tasks related thereto. For description of the enterprise's activities, etc., please refer to the Group Management's review.

1 - ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty
Determining the carrying amount of certain assets and liabilities requires estimates of how future events will influence the value of these assets and liabilities at the balance sheet date. Estimates that are significant for the financial reporting for the parent company are made by establishing indication of impairment and reversal of writedown on investments in subsidiaries. The estimates used are based on assumptions which by Group Management are considered to reliable, but which by nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise.

Furthermore, the company is subject to risks and uncertainties which may lead to actual results differing from these estimates. Particularly, risks relating to the NKT Group are included in the notes to the consolidated financial statements and sections on risk management in the Group Management's review.

Accounting judgements
It is the opinion of Group Management that in the application of the parent company's accounting policies, no judgements other than 'estimation uncertainty' are made that can materially influence the amounts recognised in the annual report.

Due to the intended split of NKT Holding, shares of Nilfisk A/S and associated liabilities are presented in separate lines in the balance sheet as distribution to owners. See also Note 9 to the consolidated financial statement.

2 - FINANCIAL RISKS, FINANCIAL INSTRUMENTS AND MANAGEMENT

Management of capital structure at NKT Holding A/S is performed for the Group as a whole and no operational targets or policies are therefore established independently for the parent company. See Note 6.6 to the consolidated financial statements and the section 'Risk management' in the Group Management's review.

Categories of financial instruments:

Amounts in EURm	2016	2015
Financial assets:		
Hedging portfolio (derivative financial instruments)	9.2	10.7
Loans and receivables	764.9	619.5
Financial liabilities:		
Hedging portfolio (derivative financial instruments)	10.1	12.9
Financial liabilities, measured at amortised cost	208.0	273.5

The parent company's payables fall due as follows:

2016	Within 1 year	1-2 years	4-5 years	> 5 years	Total
Credit institutions, etc.	0.0	0.0	0.1	0.0	0.1
Other financial liabilities	218.0	0.0	0.0	0.0	218.0
	218.0	0.0	0.1	0.0	218.1

2015	Within 1 year	1-2 years	4-5 years	> 5 years	Total
Credit institutions, etc.	0.0	0.0	39.1	10.0	49.1
Other financial liabilities	237.3	0.0	0.0	0.0	237.3
	237.3	0.0	39.1	10.0	286.4

3 - STAFF COSTS

Remuneration to the Group Executive Management, as well as warrant plans for Group Executive Management and employees can be found in the note 3 to the consolidated financial statements.

Amounts in EURm	2016	2015
Wages and salaries	4.2	4.1
Defined contribution plans	0.4	0.4
Share-based payments	0.2	0.3
	4.8	4.8
Average number of full-time employees	18	19

4 - FEES TO AUDITOR ELECTED AT THE ANNUAL GENERAL MEETING

Amounts in EURm	2016	2015
Deloitte :		
Statutory audit	0.1	0.1
Other services	0.1	0.0
	0.2	0.1

5 - FINANCIAL INCOME

Amounts in EURm	2016	2015
Interest from subsidiaries	17.2	18.8
Foreign exchange gains	13.7	18.5
	30.9	37.3

6 - FINANCIAL EXPENSES

Amounts in EURm	2016	2015
Interest, etc. relating to financial liabilities measured at amortised cost	4.7	4.5
Interest to subsidiaries	2.1	2.0
Loss on derivative financial instruments	6.5	14.0
Foreign exchange losses	8.1	4.1
Capital loss on securities	0.0	0.4
Impairment of investments and receivables in subsidiaries*	0.0	5.1
	21.4	30.1

*Related to divestment of Fiber Processing business.

7 - TAX

Amounts in EURm	2016	2015
Current tax	0.6	1.9
Deferred tax	0.0	0.0
	0.6	1.9
Reconciliation of tax:		
Tax at 22.0%/23.5% of earnings before tax	1.1	41.3
Tax effect:		
Non-taxable dividend income etc.	-0.7	-40.8
Non-deductable impairment	0.0	1.2
Non-deductable expenses	0.2	0.2
	0.6	1.9

8 - INVESTMENTS IN SUBSIDIARIES

Amounts in EURm	2016	2015
Cost, 1 January	668.1	418.3
Acquisition of non controlling interest in NKT Photonics A/S	1.2	0.0
Capital contribution	2.1	249.8
Disposal	-10.4	0.0
Shares in Nilfisk A/S transferred to held for distribution to owners	-216.1	0.0
Cost, 31 December	444.9	668.1
Impairment, 1 January	-51.3	-48.4
Impairment (related to divestment of Fiber Processing business)	0.0	-2.9
Disposal	8.3	0.0
Impairment, 31 December	-43.0	-51.3
Book value, 31 December	401.9	616.8

Subsidiaries	Domicile	Ownership 2016	Ownership 2015
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk A/S	Brøndby, Denmark	100%	100%
NKT Photonics A/S	Birkerød, Denmark	100%	98%
LIOS Technology GmbH	Germany	100%	100%

Companies without material interest and dormant companies are omitted from the list.

9 - DEFERRED TAX LIABILITIES

Amounts in EURm	2016	2015
1 January	0.7	1.0
Prior year adjustment	0.0	0.0
Change in recapture of trading losses	0.0	-0.3
31 December	0.7	0.7
Deferred tax relates to:		
Recapture of trading losses	0.7	0.7
	0.7	0.7

10 - PAYABLES TO CREDIT INSTITUTIONS AND OTHER LIABILITIES

Payables to credit institutions are predominantly subject to floating interest rates and measured at amortised cost. The carrying amount therefore in all material respects corresponds to fair value and nominal value.

Other payables are measured at amortised cost, which in all material respects corresponds to fair value and nominal value.

11 - CONTINGENT LIABILITIES

For 2016, EUR 0.2m (2015: EUR 0.2m) is charged to the income statement as operational leasing.

The term of notice for the Group Executive Director is 18 months. In conjunction with significant changes of control or level of activity the above terms of notice will be extended for a transitional period of a further 6 months. Beyond this there is no separation benefit plan for the Group Executive Director. See Note 3.3 to the consolidated financial statements.

The parent company is taxed jointly with all Danish subsidiaries. As an administration company, the parent company is liable with the other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group. Any adjustments to the taxable joint taxation income may increase the amount for which the parent company is liable. The parent company is further liable for VAT under the joint registration with NKT Cables A/S.

Amounts in EURm	2016	2015
Guarantees for subsidiaries	122.1	166.0
Liability in respect of subsidiary company credit facilities under the cash pool	566.0	515.1
Leasing agreements for property, etc.	0.1	0.1
Of which payable within:		
0-1 years	0.1	0.1
1-5 years	0.0	0.0

12 - RELATED PARTIES

In addition to the comments in Note 3.2 and Note 3.3 to the consolidated financial statements the parent company's related parties comprise subsidiaries with affiliated undertakings.

The company's subsidiaries and affiliated undertakings can be found in Note 7.2 to the consolidated financial statements. No related parties have control over the company. Transactions with affiliated undertakings comprised the following:

Amounts in EURm	2016	2015
Transactions with subsidiaries:		
Sale of services	3.4	3.4
Interest received, net	15.1	16.8
Receivables, non-current	669.9	593.9
Receivables, current	4.9	5.2
Payables	211.9	228.1
Dividends received	0.0	172.5
Capital contribution	2.1	249.8

13 - ACCOUNTING POLICIES

The annual financial statements for the parent company are included in the Annual Report in pursuance of the requirements of the Danish Financial Statements Act.

The annual financial statements for the parent company are prepared in accordance with International Financial Reporting Standards adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

Changes to accounting policies

The changes have not influenced recognition and measurement in the financial statements of the parent company. See description in Note 1.1 to the consolidated financial statements.

Description of accounting policies

In relation to the accounting policies described for the financial statements of the Group (see Note 1.1 to the consolidated financial statements), the accounting policies of the parent company differ in the following:

Foreign currency translation

Translation adjustment of balances considered part of the total net investment in undertakings that have a functional currency other than DKK are recognised in the annual financial statements for the parent company under financial items in the income statement.

Revenue

Dividends from investments in subsidiaries are recognised in the income statement of the parent company in the year the dividends are declared. If the dividend distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

Investments in subsidiaries

Investments in subsidiaries are measured at acquisition costs. If there is indication of impairment, impairment testing is carried out as described in the accounting policies for the consolidated financial statements. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax

The parent company is jointly taxed with all Danish subsidiaries. NKT Holding A/S is the administration company for the joint taxation and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognised under income tax related to net profit. Tax payable and tax receivable are stated under current assets/liabilities. Joint tax contributions payable and receivable, respectively, are recognised separately in the balance sheet. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilised. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption).

References to notes to the consolidated financial statements

For the following notes, see information in the consolidated financial statements:

- Share capital - see Note 6.7 to the consolidated financial statements.
- Events after the balance sheet date - see Note 8.2 to the consolidated financial statements.
- Accounting standards issued but not yet effective - see Note 8.3 to the consolidated financial statements.

Group 5-year financial highlights

Amounts in EURm	2016	2015	2014	2013	2012
Income statement					
Revenue	1,046.1	1,252.1	1,211.8	1,241.3	1,176.1
Revenue in std. metal prices [1)]	792.8	897.7	851.6	843.2	759.3
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) [3)]	74.9	77.3	63.1	41.5	35.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	27.9	54.1	22.3	44.0	35.8
Depreciation and impairment of property, plant and equipment	-33.0	-72.3	-37.7	-43.0	-36.3
Amortisation and impairment of intangible assets	-8.6	-11.3	-7.2	-8.0	-5.2
Operational earnings before interest and tax (Oper. EBIT) [4)]	33.3	34.2	18.6	-1.8	-5.7
Earnings before interest and tax (EBIT)	-13.7	-29.5	-22.6	-7.0	-5.7
Financial items, net	5.7	1.8	-2.8	-6.6	-11.3
Earnings before tax (EBT)	-8.0	-27.7	-25.4	-13.6	-17.0
Profit for the year from continuing operations	-17.5	-40.5	-20.2	-11.1	-14.1
Profit for the year from discontinued operation	29.6	41.7	58.1	45.1	229.7
Profit for the year	12.1	1.2	37.9	34.0	215.6
Profit attributable to equity holders of NKT Holding A/S	12.1	1.0	37.9	33.8	215.3
Cash flow					
Cash flow from operating activities	153.9	173.2	212.4	73.2	150.6
Cash flow from investing activities	-132.0	-87.9	-49.7	-93.2	192.5
hereof investments in property, plant and equipment	-40.7	-39.0	-32.6	-34.4	-48.9
Free cash flow	21.9	85.3	162.7	-20.0	343.1
Balance sheet					
Share capital	72.0	64.9	64.2	64.3	64.2
Equity attributable to equity holders of NKT Holding A/S	951.4	808.6	801.2	760.7	769.1
Non-controlling interest	0.0	0.9	0.8	0.9	0.9
Group equity	951.4	809.5	802.0	761.6	770.1
Total assets	1,747.1	1,683.6	1,656.1	1,744.3	1,736.4
Net interest-bearing debt [5)]	-68.4	88.9	152.4	283.4	256.2
Capital employed [6)]	883.0	898.4	954.4	1,045.0	1,026.3
Working capital [7)]	217.0	269.2	301.0	377.5	323.4
Financial ratios and employees					
Operational EBITDA margin, continuing operations (std. metal prices)	9.4%	8.6%	7.4%	4.9%	4.7%
Gearing (net interest-bearing debt as % of Group equity)	-7%	11%	19%	37%	33%
Net interest-bearing debt relative to oper. EBITDA [8)]	-0.4	0.5	0.9	1.9	1.8
Solvency ratio (equity as % of total assets) [9)]	54%	48%	48%	44%	44%
Return on capital employed (RoCE) [10)]	11.7%	10.1%	9.4%	6.7%	6.2%
Number of DKK 20 shares ('000)	26,835	24,186	23,934	23,930	23,888
Earnings continuing oper., EUR, per outstanding share (EPS) [11)]	-0.7	-1.7	-0.8	-0.5	-0.6
Earnings, EUR, per outstanding share (EPS) [11)]	0.5	0.0	1.6	1.4	9.1
Dividend paid, DKK, per share	4.0	4.0	3.5	8.0	2.0
Equity value, EUR, per outstanding share [12)]	35	34	34	32	32
Market price, DKK, per share	499	357	332	268	204
Average number of employees	8,958	8,895	9,078	8,899	8,867

[1) - 12)] Definitions appear in Note 8.5 to the consolidated financial statements.

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NKT is founded in 1891 and has been listed on Nasdaq Copenhagen since 1898. NKT has a proven track record of successful long-term development of industrial businesses through exercise of active ownership. Strategic focus, targeted investments and stringent financial governance combined with acquisitions are key elements to grow the businesses and to achieve superior value creation for its shareholders. NKT's businesses are active within professional cleaning equipment (Nilfisk), power cables (NKT Cables) and high-tech photonic products (NKT Photonics).