

NKT Cables Group A/S

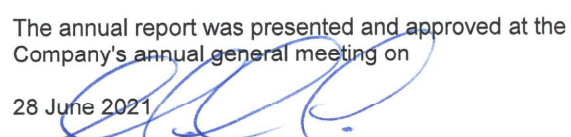
DK-Vibeholms Allé 20
2605 Brøndby

CVR no. 15 51 58 72

Annual report 2020

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

28 June 2021


Mark Skriver Nielsen
Chairman

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights	7
Operating review	8
Financial statements 1 January – 31 December	16
Income statement	16
Balance sheet	17
Statement of changes in equity	19
Notes	20

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NKT Cables Group A/S for the financial year 1 January – 31 December 2020.

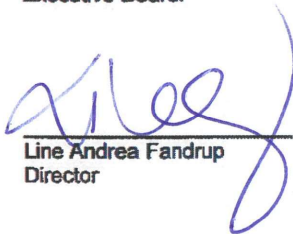
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Brøndby, 28 June 2021
Executive Board:

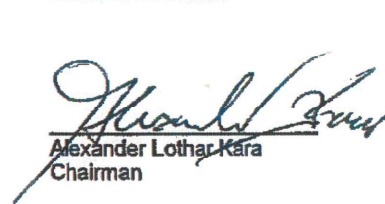


Line Andrea Fandrup
Director



Mark Skriver Nielsen
Director

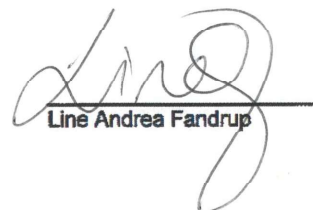
Board of Directors:



Alexander Lothar Kara
Chairman



Anders Steffen Jensen



Line Andrea Fandrup

Independent auditor's report

To the shareholder of NKT Cables Group A/S

Opinion

We have audited the financial statements of NKT Cables Group A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Independent auditor's report

Statement on the Management's review

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 28 June 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56



Kåre Kansonen Valtersdorf
State Authorised
Public Accountant
mne34490

NKT Cables Group A/S
Annual report 2020
CVR no. 15 51 58 72

Management's review

Company details

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

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Website: www.nktcables.com
E-mail: nktcables@nktcables.com

CVR no.: 15 51 58 72
Established: 1 October 1991
Registered office: Brøndby
Financial year: 1 January – 31 December

Board of Directors

Alexander Lothar Kara, Chairman
Anders Steffen Jensen
Line Andrea Fandrup

Executive Board

Line Andrea Fandrup, Director
Mark Skriver Nielsen, Director

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S
Denmark
CVR no. 33 96 35 56

Management's review

Financial highlights

EUR'000	2020	2019	2018	2017	2016
Key figures					
Gross profit/loss	9,622	12,017	6,501	-15,450	-15,284
Ordinary operating loss	-10,212	-7,122	-8,181	-24,935	-19,081
Loss from financial income and expenses	-16,032	-4,000	-2,049	-4,285	-5,089
Loss for the year	-21,043	-8,695	-7,902	-38,011	-36,532
Total assets					
Equity	526,960	774,504	803,497	781,157	682,196
Investment in property, plant and equipment	169,390	190,433	199,128	207,030	245,346
	0	7	293	718	0
Ratios					
Return on invested capital	-1.60%	-0.92%	-1.00%	-3.20%	-2.79%
Current ratio	-20.40%	2.91%	7.60%	4.30%	9.75%
Return on equity	-11.70%	-4.46%	-3.89%	-16.81%	-29.78%

The financial ratios have been calculated as follows:

Return on invested capital	$\frac{\text{Operating profit/loss}}{\text{Total assets}}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax}}{\text{Average equity}}$

Management's review

Operating review

Principal activities

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

Development in activities and financial position

General aspects:

The financial statements cover investments in the subsidiaries NKT (Denmark) A/S, NKT Group GmbH, NKT S.R.O., NKT Cables Spain S.L., NKT Ultra A/S, NKT Pty Ltd., NKT (Sweden) AB, Unique Vantage Ltd., NKT Lithuania, UAB, NKT HVC Holding AB, NKT Inc.

Income statement:

No dividends were received in 2020, which had a negative impact on the financial performance in the Company, reporting a loss of EUR 21.0 million in 2020 compared to a loss of EUR 8.7 million in 2019.

Equity:

No dividends were paid to the Parent Company, NKT Holding, in 2020, and no dividends are proposed for the 2021 financial year.

NKT accelerated its role in connecting a greener world

2020 was a successful year in which our contribution to the green transformation gained speed.

We won high-voltage orders worth EUR 2.3bn in 2020. Not only was this the largest amount in NKT's history, it was also driven by our world-leading high-voltage DC technology. Across our businesses we are well positioned to grasp the opportunities created by the green transformation. With the ongoing global expansion of power grids, electrification and e-mobility, the need for our products will continue to grow.

It was satisfactory to see that in 2020 we were able to improve financial performance in all our business lines and grow earnings. In our ambition to connect a greener world this is a good platform for the future. I am proud of these accomplishments in a year where a key focus was also to steer NKT safely through the COVID-19 pandemic. Across 2020, our priorities remained the same: to keep our people safe and ensure business continuity. I am grateful that due to early implementation of preventive measures, combined with flexibility and vigilance among our people, suppliers and customers, we have coped well and seen only modest impact.

All our power cable factories run on green electricity reducing our greenhouse gas emissions from electricity with 72% compared to 2019.

We also take responsibility for our own impact on climate change. Accordingly, we are the first major power cable manufacturer to sign up to the Science Based Target initiative with the aim of becoming a net-zero emissions company. Already now NKT has committed to reducing its own greenhouse gas emissions by an average of 5% annually.

Management's review

Operating review

Record high-voltage order intake, and investments in future growth

The approx. EUR 1.5bn order awards for two German interconnector projects, SuedLink and SuedOstLink in 2020, marked a historic moment for NKT. These awards underline the potential which high-voltage DC technology has for both the interconnector and offshore wind markets in the years ahead. The same technology was also in demand for the majority of our other significant order awards in Germany and the UK in 2020. I was also delighted that we were awarded our first project in the Mediterranean, an area which represents good growth opportunities for NKT. The orders awarded to NKT for the German interconnector projects also meant we took a strategically important step forward in 2020. In the period 2020-2022 we are investing to expand our high-voltage plants in Sweden and Germany to execute on these orders and to prepare the way for future growth opportunities.

Confirmed turnaround in Applications, and continued growth in Service & Accessories

Applications is on the right track to regain satisfactory profitability in the future, while continued focus on productivity, product mix, production footprint and cost efficiency remain fundamental. In 2020, earnings improved despite negative COVID-19 impact on demand in certain markets.

The Service & Accessories business line continued to perform, delivering double-digit organic growth. Service benefitted from our 10-day vessel guarantee to ensure faster repair of offshore power cable lines, while Accessories started building its two excellence hubs in Germany and Sweden to prepare for execution of the high-voltage DC interconnector projects and for future growth.

Satisfactory financial performance and strategy execution

Overall, NKT's financial performance in 2020 was in line with our expectations, with revenue and earnings even finishing at the high end of the outlook published at the start of the year. While the financial performance remained below the level of our medium-term ambitions, we firmly believe that we are on track to deliver further financial improvements. This is expected to be driven mainly by delivering strong execution, remaining cost-conscious, and exploiting the opportunities created by the green transformation. Our 2020 achievements and our trajectory towards further strengthening our financial platform for the future are outlined in our ReNew strategy which began rollout in 2020. Execution of this strategy is progressing to plan.

2021 ambitions: We Advance, Connect, Deliver and Care

In the past year, we also updated our shared beliefs. Combined with our purpose, these shared beliefs set out why we are here and how we want to progress going forward. Our four shared beliefs, We Advance, We Connect, We Deliver, and We Care, express the commitment and ambitions which we in the Group Leadership Team have for 2021 and beyond. We would like to thank all our people, suppliers, customers and shareholders for a truly extraordinary year and for their continued good collaboration. Together, we connect a greener world.

Solutions

Specializes in high-voltage power cable solutions. NKT provides a broad range of solutions for off- and onshore power transmission systems, and supplies both AC and DC power cables. Further, NKT offers complete and customized end-to-end turnkey solutions, including full installation services.

NKT has two high-voltage production facilities in Germany and Sweden. Centrally situated in the north European market, these sites have sea and river access. This enables convenient and efficient logistics for offshore solutions around the world as well as ideal access to onshore opportunities in Europe. These production sites, combined with NKT's installation expertise and dedicated cable-laying vessel, make NKT a leading company in the high-voltage interconnector, offshore wind, and oil & gas segments.

Applications

Offers a broad range of low- and medium-voltage power cable solutions. NKT markets high-quality products that conform to regulatory requirements and high customer expectations and has developed ergonomic solutions that are easy to install. These solutions are important contributors to the ongoing electrification of societies. Telecom power cables are also developed and marketed with a view to addressing future opportunities in the rollout of 5G mobile networks.

Management's review

Operating review

Applications has five main production sites located in the Czech Republic, Denmark, Poland and Sweden. NKT holds strong positions in these markets. Further, NKT is relatively well placed in other European markets, such as Germany and Norway. The proximity of the production sites to the markets are important to ensure fast delivery and cost-efficient solutions.

Service & Accessories

Supplies off- and onshore power cable services and offers a full portfolio of power cable accessories across the medium- and high-voltage categories.

The Service business focuses on servicing high-voltage power cables. These generally require limited maintenance, but unfortunate events will occur due to external damage caused by anchor drag, excavation works, etc. This can lead to power cable failures. To avoid such events and to shorten potential downtime, monitoring solutions and rapid response are in demand. NKT provides these services from teams based in Denmark, Germany and Sweden.

Accessories are critical components in any power cable system. In the high-voltage market, NKT's technological competence is key as only a few suppliers can match the requirements that accessories must deliver. NKT provides market support for accessories from three production sites in Germany and Sweden.

Market overview

As a full-service partner in the power cable industry, NKT provides its customers in the energy sector with high-quality on-demand support to facilitate a safe and sustainable future in a world increasingly dependent on power.

High-voltage power cable market

The Solutions business line operates in the global high voltage power cable market.

The market mainly encompasses complex projects that are engineered-to-order and demand a high level of expertise for successful implementation. In some cases these projects even call for new R&D solutions as well as investment in both technology and production assets. As a project-driven segment, revenue and earnings streams are affected by the number and size of project awards in the market and may therefore fluctuate over time.

The high-voltage segment can be divided into two categories with slightly differing characteristics depending on technological solution and market dynamics:

1. High-voltage DC onshore/offshore and AC offshore power cable systems are primarily used in off-/onshore interconnector, offshore wind, and oil & gas projects. The recently awarded German Corridor Projects fall within this category. The increasing reliance on renewable energy means that more efficient, better connected and flexible power grids are required to offset periods when power generation is limited in some areas.
2. High-voltage AC onshore power cable systems are relevant for projects with voltages above 72kV used primarily for power transmission. The trend towards renewable power generation has increased the distance between the point of production and the point of consumption, as well as upgrade of existing power grids for the continuing urbanization and general electrification of societies.

Management's review

Operating review

The demand for high-voltage offshore AC power cable systems has declined in recent years due to the trend in the North Sea region of moving offshore wind parks further from shore. Over longer distances high-voltage DC technology offers better performance, and this has been reflected in a meaningful shift in volume from AC to DC in the last couple of years. While AC technology is expected to continue losing share to DC within some markets, there will be other emerging markets calling for traditional AC technology. NKT estimates the size of the AC offshore market opportunity to be above EUR 2bn, based on the tenders expected to come to market over the next five years.

Significant increase in market value in 2020

Driven particularly by the German Corridor Projects, the value of project awards in the high-voltage power cable market was significantly higher in 2020 than in previous years. Management estimates that the total award level in the market (addressable high-voltage power cable projects larger than EUR 5m each) amounted to around EUR 6bn. The majority of these project awards were DC technology, as they predominantly related to interconnector power cable projects and offshore wind export power cable projects of a significant distance.

Attractive market outlook supported by continued tender activity

As the transition to renewable energy gains pace globally, NKT expects the need for reliable high-quality power transmission systems to continue increasing. Several countries both inside and outside Europe have launched carbon reduction initiatives, including introducing more offshore wind into the power mix. Entering 2021, progress continues on several tenders across market segments and geographies.

NKT expects the value of relevant new high-voltage project awards (projects exceeding EUR 5m each) to be more than EUR 3bn in 2021. This expectation is subject to uncertainty as the pipeline includes a number of large projects with no fixed award date. Based on current tender activity, the potential project awards in the market are expected to span the interconnector, offshore wind, and oil & gas segments and to include both DC and AC solutions.

While the timing of future project awards is subject to uncertainty, particularly in the interconnector market, the prospective order awards are expected to continuously improve the supply and demand situation for power cable manufacturers in the years ahead.

Low and medium-voltage power cable market

NKT's Applications business line operates in the low- and medium-voltage market, primarily in northern, central and eastern Europe.

NKT holds the largest share of the market in Czech Republic, Denmark, Germany, Poland and Sweden, while other important markets are UK, Netherlands, France and Norway.

The offerings in the low- and medium-voltage market are less complex than in the high-voltage market, and the number of market players is higher. The products are typically "made-to-stock", with differentiated specifications and designs from country to country to match local requirements. Compared to the project-driven high-voltage market, demand in this segment is generally more aligned with macroeconomic development. The market can be divided into two categories with different characteristics:

- 1) Low-voltage: The market drivers for low-voltage cables and building wires are primarily construction industry sentiment and the need for further electrification of cities due to increased urbanisation.
- 2) Medium-voltage: Medium-voltage power cables serve the power distribution grid. As in the high-voltage market, the transition towards renewable energy plays an important role in the continuous need for power grid optimisation. This is further driven by the growing electrification of society and increasing power demand in expanding cities.

Management's review

Operating review

Mixed market development due to COVID-19 pandemic

While growth over time is expected to be positive in the low- and medium-voltage power cable markets, 2020 saw a slowdown due to the COVID-19 pandemic. Restrictions impacted transport of products across borders, power cable installation works, and further areas.

The market uncertainty impacted individual countries in different ways. The most severely affected markets included France and UK, where market development was negative. The Swedish market also slowed down. The market development was more stable in central and eastern Europe in countries such as Germany, Netherlands and Poland.

Uncertain near-term market conditions

Despite the expectation of growth in the low- and medium-voltage market in the years ahead, the outlook for 2021 is subject to uncertainty and will depend on developments in the COVID-19 pandemic and on the economic stimulation programs launched by the EU and governments.

NKT believes that the underlying megatrends driving the markets are in place. A recovery to normalized levels of activity is anticipated when the general economy again develops favorably.

Power cable service and accessories markets

The market for power cable services and accessories is growing with the increased electrification of societies.

In the accessories market, competitive pressure is greatest at the lowest voltage levels due to the higher complexity of accessories for high-voltage power cables.

The market potential for accessories is closely linked to the general development in the medium- and high-voltage power cable markets. The Accessories business is expected to benefit from the growth in renewable energy.

The market for servicing power cables is gradually growing with the expansion in the installed base of power cables.

The competitive landscape among service providers is diverse, with different companies offering different solutions. Power cable failures are costly for both offshore and onshore operators, and they are therefore increasingly demanding services that will improve the power cable efficiency along with solutions to help predict and mitigate power cable failures. If a failure occurs, power cable operation must be restored fast.

Moving forward, the growth in the service market will be driven by the installation of further power cables. However, the service market is expected to fluctuate depending on the number of large repairs to offshore high-voltage power cables.

Megatrends

The power cable industry covers market segments with a variety of characteristics and drivers. NKT focuses on trends in these markets to develop new solutions and offerings and has identified four megatrends expected to define the overall future market direction.

Sustainability

The global focus on climate change is moving societies towards increasing reliance on renewable energy sources. In several countries, the transition away from conventional coal and nuclear power towards renewable energy such as wind and solar is high on the political agenda and backed by an ambition to reduce carbon emissions in the years ahead. At EU level, the European Green Deal sets the direction for a sustainable EU economy with net-zero emissions of greenhouse gases by 2050.

Management's review

Operating review

The shift towards renewable energy is important for the power cable industry as it requires a power grid capable of handling the changes in the power generation mix, and a displacement of power production to, for example, offshore wind farms generating large quantities of power far away from the point of consumption.

Urbanization

With people increasingly moving to the cities, the demographic landscape is gradually changing and the power grids in and around these population centres will need continuous upgrading. This includes both the transmission and distribution of power to households and the organization of power within new buildings. With its broad portfolio of low- to high-voltage power cable solutions, NKT expects to be an important contributor to power grid expansion and upgrade in the countries where it operates.

As an example, NKT was in 2019 selected to supply power cable systems to the Beckomberga-Bredäng power grid expansion in Stockholm, Sweden. The full project comprises a planned expansion of the local power grid to meet rising power demand due to the city's population growth.

E-mobility

Globally, there is increasing transition towards electric vehicles. This trend is primarily driven by the focus on greener solutions and decreased reliance on fossil fuels. The transition requires power to be instantly available and easily accessible from the power grids. As the number of electric vehicles rises, the power grids will have to be expanded and upgraded to meet the increasing electrification of societies.

Power grid expansion to support this trend fits well into NKT's product offering, particularly in the Applications business line, where an extensive array of medium-voltage power cable solutions will be important for power distribution.

Digitization

We live in an increasingly digital world. This will also be reflected in a growing need for digital solutions for the power cable industry and for smarter power grids. The impact will take place in different areas of the market, such as increased data collection, monitoring, and control of power cable systems to optimize the power grids.

NKT offers power cable solutions with sensors to monitor and collect data and continues to develop further solutions for the years ahead.

ReNew strategy

NKT has realized several strategic milestones in recent years, including the acquisition of ABB HV Cables and several divestments to create a more focused business. On this basis, NKT's purpose is to connect a greener world by enabling sustainable energy transmission.

While NKT is viewed as holding strong market positions, there are areas within technological, operational and financial performance which hold potential for improvement. These areas are the key focus of the ReNew strategy launched in 2020.

New overall business strategy

Given NKT's situation, the markets where NKT operates, current megatrends and past lessons, NKT's new business strategy – ReNew – is based on four principles:

1. Business line driven

This means that NKT's advancement will come from the business lines and not from group functions. The business lines will drive NKT forward and the group functions will enable this direction.

Management's review

Operating review

2. Improved business performance

ReNew places specific focus on improving internal business performance. It is a balanced strategy: Focus is given to NKT's customers and markets, but there is also focus on internal capabilities to deliver top products and services for customers and on how to deliver on customer promises.

3. Action-, decision- and implementation-oriented

This means that focus is on big-ticket items in business lines, and implementation is part of strategy and not detached. All implementation plans are feasible and realistic. With ReNew, strategy implementation will be a focus for management.

4. Near-term focus

For this strategy, NKT has applied a short-term focus. If turnaround comes sooner, NKT will adjust accordingly. The company works with concrete bottom-up plans that have been assessed as realistic within a near-term perspective.

Strategic initiatives

Renew is built around three key pillars: Fix and restart. Invest. Grow. These pillars are detailed in the business line strategies.

Fix and restart NKT:

Tackle, address and resolve key internal issues. This is the basis for successful operation of the business and delivery to customers.

Invest in NKT:

Prepare NKT for tomorrow: Invest in high-voltage technology to maintain technological leadership. Upgrade Applications' production plants. Expand Accessories capacities. Prepare NKT for delivery of German Corridor Projects.

Grow NKT:

Enter growing markets: Benefit from green transformation, widen Accessories' global footprint, and provide more services in home markets.

Sustainability

NKT is connecting a greener world by delivering the power cable technology essential to the global transition to renewable energy.

The company is committed to supporting the environment through sustainable business processes rooted in the business code of conduct. In 2020 the corporate sustainability journey continued with initiatives minimizing the environmental impact of its operations, driving a safety culture and promoting diversity and inclusion.

As a key step in reducing the corporate carbon footprint, NKT committed to become a net-zero emissions company by 2050. To fully focus on reaching this target NKT committed to the Science Based Target initiative providing a scientifically based method to validate the corporate climate strategy. Another significant step supporting this commitment was to ensure that all power cable factories is powered by electricity originating from renewable energy leading to a 72% reduction in greenhouse gas emissions from electricity compared to 2019. An important element of NKT's journey towards net-zero emissions is to decarbonize the supply chain, which accounts for a significant part of the corporate greenhouse gas emissions and a supplier engagement program has been launched to drive the decarbonization.

In a year shaped by the Covid-19 pandemic, NKT has continued to strengthen the corporate safety culture through dedicated initiatives leading to a decrease in the Lost Time Injury Rate. NKT is promoting diversity and inclusion across the company and has set a corporate target of minimum 30% female leaders in the Board of Directors, the Group Leadership Team and the Extended Leadership Team by 2024.

Management's review

Operating review

As a signatory to the UN Global Compact, NKT conducts business in accordance with the UN Sustainability Development Goals defining the most central global challenges which is reflected in the corporate sustainability strategy.

Capital resources and financing

At 31 December 2020 the Company's equity stood at EUR 171.6 million. The Company's current liabilities including cash pool with NKT A/S of EUR 101.0 million exceed current assets of EUR 19.3 million at 31 December 2020 with a net total of EUR 81.7 million. At 31 December 2020, the Company has a credit facility with NKT A/S, and NKT A/S – ultimate Parent Company – has issued a support letter confirming that NKT A/S will continue to provide NKT Cables Group A/S with liquidity for the next 12 months to support the use of the going concern assumption for the Company.

Events after the balance sheet date

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

Management monitors the development of the current COVID-19 health situation closely and the impact on our business and employees. We are following governmental guidelines throughout the world and adjusting our daily work and routines accordingly to minimize the spread and impact of the disease.

NKT maintained stable production and delivery during the period, but restrictions imposed due to the pandemic challenged deliveries to some markets. Market activity relating to high-voltage project awards was not materially impacted by the COVID-19 pandemic, and despite COVID-19 restrictions our high-voltage order intake was record high. Overall, the markets in Applications were negatively impacted by the COVID-19 pandemic in 2020. The Accessories business recorded reduced sales in certain non-European markets due to restrictions related to the COVID-19 pandemic.

As of April 2021, we have not, to the best of our knowledge, experienced any material impact on our business, financial performance or our customers' ability to pay. However, Management acknowledges increased uncertainty related to the future and are taking measures to reduce costs and increase liquidity buffers.

Diversity

NKT Cables Group A/S is firmly committed to equal treatment for all employees regardless of gender, age or nationality, and specific actions have been initiated to increase the share of leaders of the underrepresented gender in senior management. This is outlined in the Diversity and Inclusion Policy of the Parent Company, NKT A/S, also applicable for NKT Cables Group A/S.

At board level, a target representation of 30% for 2020 has been set for the underrepresented gender among members elected at the Annual General Meeting.

Financial statements 1 January – 31 December

Income statement

EUR'000	Note	2020	2019
Gross profit		9,622	12,017
Staff costs	2	-19,432	-18,877
Depreciation, amortisation and impairment losses		<u>-402</u>	<u>-262</u>
Operating loss		-10,212	-7,122
Other financial income	3	706	941
Other financial expenses	4	<u>-16,738</u>	<u>-4,941</u>
Loss before tax		-26,244	-11,122
Tax on loss for the year		<u>5,201</u>	<u>2,427</u>
Loss for the year	5	<u><u>-21,043</u></u>	<u><u>-8,695</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2020	31/12 2019
ASSETS			
Fixed assets			
Intangible assets	6		
Trademarks		42	0
Software		1,102	872
		<u>1,144</u>	<u>872</u>
Property, plant and equipment	7		
Land and buildings		428	489
Fixtures and fittings, tools and equipment		252	304
		<u>680</u>	<u>793</u>
Investments	8		
Equity investments in group entities		505,842	755,842
Total fixed assets		<u>507,666</u>	<u>757,507</u>
Current assets			
Receivables			
Trade receivables		2	916
Receivables from group entities		5,000	2,650
Other receivables		188	768
Deferred tax asset	9	10,220	8,715
Corporation tax		3,754	1,466
Prepayments	10	130	1,553
		<u>19,294</u>	<u>16,068</u>
Cash at bank and in hand		<u>0</u>	<u>929</u>
Total current assets		<u>19,294</u>	<u>16,997</u>
TOTAL ASSETS		<u><u>526,960</u></u>	<u><u>774,504</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	26,939	26,939
Retained earnings		<u>142,451</u>	<u>163,494</u>
Total equity		<u>169,390</u>	<u>190,433</u>
Liabilities			
Non-current liabilities			
Payables to group entities	12	253,000	0
Other payables		<u>1,337</u>	<u>0</u>
		<u>254,337</u>	<u>0</u>
Current liabilities			
Trade payables		2,426	3,607
Payables to group entities	12	95,306	574,643
Other payables		<u>5,501</u>	<u>5,821</u>
		<u>103,233</u>	<u>584,071</u>
Total liabilities		<u>357,570</u>	<u>584,071</u>
TOTAL EQUITY AND LIABILITIES		<u><u>526,960</u></u>	<u><u>774,504</u></u>

Financial statements 1 January – 31 December

Statement of changes in equity

EUR'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	26,939	163,494	190,433
Transferred over the distribution of loss	0	-21,043	-21,043
Equity at 31 December 2020	26,939	142,451	169,390

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of NKT Cables Group A/S for 2020 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

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

The financial statements are presented in EUR'000.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of NKT Cables Group A/S and group entities are included in the consolidated financial statements of NKT A/S, Vibeholms Allé 20, 2605 Brøndby, CVR no. 62 72 52 14.

Omission of cash flow statement

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

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Other operating income

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

Other external costs

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

Staff costs

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

Impairment of fixed assets

Impairment of financial assets comprises impairment of investments in subsidiaries.

Financial income

Financial income comprises dividends, etc. received from other investments, interest income, including interest income from receivables from group entities, currency gains as well as tax relief under the Danish on-account tax scheme, etc.

Financial expenses

Financial expenses comprise interest expenses, including interest expenses from payables to group entities, currency losses as well as tax surcharges under the Danish on-account tax scheme, etc.

Income taxes

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

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

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

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Intangible assets includes software and are measured at cost less accumulated amortisation and impairment losses.

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

Software	5 years
Trademarks	5 years

The useful life and residual value are reassessed annually with a scrap value of 0. Changes are treated as accounting estimates, and the effect on amortisation is recognised prospectively.

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

Property, plant and equipment

Land and buildings and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life with a scrap value of 0. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	10-25 years
Fixtures and fittings, tools and equipment	4-8 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Land is not depreciated.

Depreciation is recognised in the income statement as depreciation, amortisation and impairment losses.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Investments in group entities

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

Receivables

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

Deferred tax

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

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

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

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

Income tax payable or receivable

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

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash

Cash comprises bank deposits.

Other financial liabilities

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

Financial statements 1 January – 31 December

Notes

2 Staff costs

EUR'000	2020	2019
Wages and salaries	17,831	17,118
Pensions	1,519	1,664
Other social security costs	82	95
	<u>19,432</u>	<u>18,877</u>
Average number of full-time employees	<u>114</u>	<u>101</u>

Staff costs of the Group and the Parent Company include remuneration of the Parent Company's Executive Board of EUR 1,007 thousand (2019: EUR 1,279 thousand).

3 Financial income

Interest income from group entities	705	941
Exchange gains	1	0
	<u>706</u>	<u>941</u>

4 Financial expenses

Interest expense to group entities	16,690	4,933
Other financial costs	43	0
Exchange adjustments costs	5	8
	<u>16,738</u>	<u>4,941</u>

5 Proposed distribution of loss

Retained earnings	<u>-21,043</u>	<u>-8,695</u>
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Financial statements 1 January – 31 December

Notes

6 Intangible assets

EUR'000	Trademarks	Software	Total
Cost at 1 January 2020	0	1,031	1,031
Additions for the year	46	515	561
Cost at 31 December 2020	46	1,546	1,592
Amortisation and impairment losses at 1 January 2020	0	-159	-159
Amortisation and impairment losses for the year on assets sold			
Amortisation and impairment losses for the year on assets sold	-4	-285	-289
Amortisation and impairment losses at 31 December 2020	-4	-444	-448
Carrying amount at 31 December 2020	42	1,102	1,144

7 Property, plant and equipment

EUR'000	Land and buildings	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2020	605	413	1,018
Cost at 31 December 2020	605	413	1,018
Depreciation and impairment losses at 1 January 2020	-116	-109	-225
Depreciation for the year	-61	-52	-113
Depreciation and impairment losses at 31 December 2020	-177	-161	-338
Carrying amount at 31 December 2020	428	252	680

Financial statements 1 January – 31 December

Notes

8 Investments

EUR'000	Equity investments in group entities
Cost at 1 January 2020	762,627
Capital decrease in NKT Group GmbH	-250,000
Cost at 31 December 2020	512,627
Impairment losses at 1 January 2020	-6,785
Impairment losses at 31 December 2020	-6,785
Carrying amount at 31 December 2020	505,842

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			EUR'000	EUR'000
NKT (Denmark) A/S	Denmark	100%	58,711	-6,794
NKT Group GmbH	Germany	100%	307,648	7,138
NKT S.R.O.	Czech Republic	100%	29	-1,654
NKT Cables Spain S.L.	Spain	100%	330	11
NKT Ultera A/S	Denmark	100%	24	100
NKT Cables Australia Pty Ltd.	Australia	100%	4,967	69
Unique Vantage Ltd.	China	100%	-10	0
NKT Lithuania UAB	Lithuanis	100%	413	133
NKT HV Cables AB	Sweden	100%	192,201	6,481
NKT Inc. (USA)	North America	100%	-302	69
NKT (Sweden) AB	Sweden	100%	-2,000	-4,448
			562,011	1,105

9 Deferred tax assets

EUR'000	31/12 2020	31/12 2019
Deferred tax at 1 January	8,715	6,253
Deferred tax adjustment for the year in the income statement	1,418	1,969
Deferred tax adjustment concerning previous years	87	493
	10,220	8,715

Financial statements 1 January – 31 December

Notes

At 31 December 2020, a significant part of the recognised deferred tax asset of EUR 14 million relates to tax loss carryforwards. In its valuation assessment of the deferred tax asset, the Company has assumed continued joint taxation with NKT Photonics.

10 Prepayments

For both 2020 and 2019, the figures relate to prepaid costs.

11 Equity

The contributed capital consists of 200,001 shares of a nominal value of EUR 135 each.

All shares rank equally.

12 Payables to group entities

The figures include cash pool of EUR 82,382 thousand for 2020 and EUR 574,137 thousand for 2019.

Non-current part of payables to group entities relates to loan of EUR 253,000 thousand to NKT A/S.

13 Contractual obligations, contingencies, etc.

Guarantee Commitments and Contingent liabilities

By way of an accession letter dated 23 March 2020, NKT Cables Group A/S agreed to become an Additional Guarantor to the Facility Agreement originally dated 20 August 2018 and amended and restated on 24 February 2020 entered into by NKT A/S with Danske Bank A/S, Nordea Danmark, Filial af Nordea Bank Abp, Finland and Nykredit Bank A/S, which provides a multicurrency revolving loan facility available to NKT A/S.

Contingent liabilities

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

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

EUR'000	<u>31/12 2020</u>	<u>31/12 2019</u>
Operating lease obligations		
Rental obligations related to rent, IT equipment and cars	<u>131</u>	<u>1,834</u>

Financial statements 1 January – 31 December

Notes

14 Related party disclosures

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

Control

NKT A/S, Vibeholms Allé 20, 2605 Brøndby

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

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

15 Disclosure of events after the balance sheet date

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

Management monitors the development of the current COVID-19 health situation closely and the impact on our business and employees. We are following governmental guidelines throughout the world and adjusting our daily work and routines accordingly to minimize the spread and impact of the disease.

NKT maintained stable production and delivery during the period, but restrictions imposed due to the pandemic challenged deliveries to some markets. Market activity relating to high-voltage project awards was not materially impacted by the COVID-19 pandemic, and despite COVID-19 restrictions our high-voltage order intake was record high. Overall, the markets in Applications were negatively impacted by the COVID-19 pandemic in 2020. The Accessories business recorded reduced sales in certain non-European markets due to restrictions related to the COVID-19 pandemic.

As of today, we have not to the best of our knowledge experienced any material impact on our business, financial performance or our customers' ability to pay, however, Management acknowledges increased uncertainty related to the future and are taking measures to reduce costs and increase liquidity buffers.