

NKT Ultera A/S

Toftegårdsvej 25
4550 Asnæs
Denmark

CVR no. 15 51 58 80

Annual report 2018

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

24 May 2019

Morten Bang
chairman

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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 Ultera A/S for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Asnæs, 24 May 2019
Executive Board:

Morten Bang
Director

Board of Directors:

Roland Munkerod Andersen
Chairman

Morten Bang

Anders Steffen Jensen

Independent auditor's report

To the shareholders of NKT Ultera A/S

Opinion

We have audited the financial statements of NKT Cables Group A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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.

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.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

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, 24 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56

Lars Siggaard Hansen
State Authorised
Public Accountant
mne32208

NKT Ultera A/S
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Management's review

Company details

NKT Ultera A/S
Toftegårdsvej 25
4550 Asnæs
Denmark

CVR no.:	15 51 58 80
Established:	1 October 1991
Registered office:	Asnæs
Financial year:	1 January – 31 December

Board of Directors

Roland Munkerod Andersen, Chairman
Morten Bang
Anders Steffen Jensen

Executive Board

Morten Bang, Director

Auditor

Deloitte
Weidekampsgade 6
2300 Copenhagen S
Denmark

Management's review

Operating review

Purpose

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

Summary 2018

The development project "Installation and commissioning of the new cable type HTS Triax® FCL Cable" to ConEd in New York together with AMSC is put on hold until further notice from the customer. Due to the prioritization of the customer towards a larger project in Chicago where the customer has selected a competitor, the project is no longer expected to be completed. The company is not exposed to any remaining risk regarding this project.

The Dutch grid operator Tennet has executed a tendering procedure in 2017 and 2018 for installing a 110 kV HTS cable system in the Netherlands. The tendering procedure was terminated due to insufficient budget resources in relation to the offers received from the company and two competitors, Nexans and LS.

A request from a German utility company has resulted in a collaboration between the Company and a major gas company, an HTS wire supplier and two academic institutes regarding the development of a 500 MW, 110 kV solution for a bottle-neck problem in the utility's grid. The collaboration partners prepared a technical project description in 2018 and will apply for project financing.

Outlook

There is opportunity for commercial sales in Europe. The company continues to pursue such opportunities, in particularly targeting a project with a main city utility in Europe.

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

The company's cash balance, lack of liabilities in the New York project and projected activity level in 2019 means that no need for capital contribution is expected in 2019.

Financial statements 1 January – 31 December

Income statement

EUR	Note	2018	2017
Gross profit/loss		<u>45,044</u>	<u>-121,805</u>
Operating profit/loss		<u>45,044</u>	<u>-121,805</u>
Financial income		0	31,568
Financial expenses	2	<u>-41,772</u>	<u>-421</u>
Profit/loss before tax		<u>3,272</u>	<u>-90,658</u>
Tax on profit/loss for the year	3	<u>-1,021</u>	<u>19,945</u>
Profit for the year		<u><u>2,251</u></u>	<u><u>-70,713</u></u>
Proposed profit appropriation/distribution of loss			
Retained earnings		<u><u>2,251</u></u>	<u><u>-70,713</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR	Note	31/12 2018	31/12 2017
ASSETS			
Current assets			
Receivables	4		
Receivables from group entities		915	10,514
Deferred tax asset		54,158	55,179
		<u>55,073</u>	<u>65,693</u>
Total current assets		<u>55,073</u>	<u>65,693</u>
TOTAL ASSETS		<u>55,073</u>	<u>65,693</u>
EQUITY AND LIABILITIES			
Equity			
Contributed capital	5	161,306	161,306
Retained earnings		-136,627	-138,878
Total equity		<u>24,679</u>	<u>22,428</u>
Liabilities			
Current liabilities other than provisions			
Banks, current liabilities		28,384	41,786
Trade payables		2,010	1,479
		<u>30,394</u>	<u>43,265</u>
Total liabilities		<u>30,394</u>	<u>43,265</u>
TOTAL EQUITY AND LIABILITIES		<u>55,073</u>	<u>65,693</u>
Contractual obligations, contingencies, etc.	6		
Related party disclosures	7		

Financial statements 1 January – 31 December

Statement of changes in equity

EUR	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	161,306	-138,878	22,428
Transferred over the profit appropriation	0	2,251	2,251
Equity at 31 December 2018	161,306	-136,627	24,679

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of NKT Ultera A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act with options of certain rules in reporting class C.

The financial statements are presented in EUR.

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the 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 recognized in the income statement as financial items.

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

Income statement

Other external costs

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

Financial income

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial expenses

Financial expenses comprise interest expenses, including interest expenses from payables to group enterprises, and currency losses.

Tax on profit/loss for the year

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

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

The Parent Company, NKT A/S, serves as the administration 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 income. Companies with tax losses receive joint contributions from companies that have been able to use these losses to reduce their own taxable incomes.

Balance sheet

Receivables

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

Other financial liabilities

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

Financial statements 1 January – 31 December

Notes

EUR	2018	2017
2 Financial expenses		
Interest expense to group entities	228	372
Exchange adjustments costs	41,544	49
	<u>41,772</u>	<u>421</u>
3 Tax on profit/loss for the year		
Current tax for the year	0	-19,945
Deferred tax for the year	1,021	0
	<u>1,021</u>	<u>-19,945</u>

4 Receivables

The Company holds a 50% stake in the partnership, Ultera GP, which is based in Georgia, USA. The GP is profitable and holds equity of EUR 0.

5 Equity

The contributed capital consists of 12.000 shares of a nominal value of EUR 13 each.

All shares rank equally.

6 Contractual obligations, contingencies, etc.

Contingent liabilities

The Company is jointly registered for VAT purposes with NKT (Denmark) A/S, NKT Cables Group 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 for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

7 Related party disclosures

NKT Ultera A/S' related parties comprise the following:

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the contributed capital:

NKT Cables Group A/S, Vibeholms Allé 20, 2605 Brøndby.

The company is wholly owned by NKT A/S, Vibeholms Allé 20, 2605 Brøndby.