

NKT Ultra A/S

Toftegårdsvej 25
4550 Asnæs
Denmark

CVR no. 15 51 58 80

Annual report 2019

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

28 May 2020

Mark Skriver Nielsen
chairman

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NKT Ultera A/S
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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 28 May 2020
Executive Board:

Mark Skriver Nielsen
Director

Board of Directors:

Roland Munkerod Andersen
Chairman

Mark Skriver Nielsen

Anders Steffen Jensen

Independent auditor's report

To the shareholders of NKT Ultera A/S

Opinion

We have audited the financial statements of NKT Ultera A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may

Independent auditor's report

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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 28 May 2020

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
Mark Skriver Nielsen
Anders Steffen Jensen

Executive Board

Mark Skriver Nielsen, 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. In 2019, Southwire announced the desire to exit this collaboration. NKT has the intention to pursue market opportunities independently and either purchase Southwire's stake in the collaboration or to terminate the collaboration.

Summary 2019

The development project "Installation and commissioning of the new cable type HTS Triax® FCL Cable" at ConEd in New York together with AMSC is formally closed without completing the installation. The customer has prioritized a larger project in Chicago and has selected a competitor. The company is not exposed to any remaining risk regarding this project.

A request from the German utility company SWM in Munich has resulted in a collaboration between the company, the major gas company Linde, the HTS wire supplier Theva 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 have prepared a technical project description in 2018 and has applied for project financing in 2019.

Outlook

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

In addition, there is potential for technology licensing based on the company's patent portfolio.

The company's cash balance, its plan to acquire Southwire's stake in the collaboration and the projected activity level in 2020 mean that a capital contribution of approximately 300 k€ is needed in 2020.

Parent NKT A/S has given a support letter to NKT Ultera A/S.

Events after the balance sheet date

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.

As of April 2020, 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.

Financial statements 1 January – 31 December

Income statement

EUR	Note	2019	2018
Gross profit/loss		<u>-141,347</u>	<u>45,044</u>
Operating profit/loss		<u>-141,347</u>	<u>45,044</u>
Financial income		1,293	0
Financial expenses	2	<u>-11</u>	<u>-41,772</u>
Profit/loss before tax		<u>-140,065</u>	<u>3,272</u>
Tax on profit/loss for the year		<u>31,244</u>	<u>-1,021</u>
Profit/loss for the year		<u><u>-108,821</u></u>	<u><u>2,251</u></u>
Proposed profit appropriation/distribution of loss			
Retained earnings		<u>-108,821</u>	<u>2,251</u>
		<u><u>-108,821</u></u>	<u><u>2,251</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR	Note	31/12 2019	31/12 2018
ASSETS			
Current assets			
Receivables			
	3		
Receivables from group entities		0	915
Deferred tax asset		78,658	54,158
Corporation tax		6,744	0
		<u>85,402</u>	<u>55,073</u>
Total current assets		<u>85,402</u>	<u>55,073</u>
TOTAL ASSETS		<u>85,402</u>	<u>55,073</u>
EQUITY AND LIABILITIES			
Equity			
	4		
Contributed capital		161,306	161,306
Retained earnings		<u>-237,013</u>	<u>-136,627</u>
Total equity		<u>-75,707</u>	<u>24,679</u>
Liabilities			
Current liabilities			
Banks, current liabilities		28,391	28,384
Trade payables		1,476	2,010
Payables to group entities		<u>131,242</u>	<u>0</u>
		<u>161,109</u>	<u>30,394</u>
Total liabilities		<u>161,109</u>	<u>30,394</u>
TOTAL EQUITY AND LIABILITIES		<u>85,402</u>	<u>55,073</u>

Financial statements 1 January – 31 December

Statement of changes in equity

EUR	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	161,306	-136,627	24,679
Other equity movements	0	8,435	8,435
Transferred over the profit appropriation	0	-108,821	-108,821
Equity at 31 December 2019	161,306	-237,013	-75,707

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of NKT Ultera A/S for 2019 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

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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	<u>2019</u>	<u>2018</u>
2 Financial expenses		
Interest expense to group entities	11	228
Exchange adjustments costs	<u>0</u>	<u>41,544</u>
	<u>11</u>	<u>41,772</u>

3 Receivables

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

4 Equity

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

All shares rank equally.

5 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.

6 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.

Financial statements 1 January – 31 December

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7 Events after balance sheet date

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.

As of April 2020, 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.