NKT (Denmark) A/S

Toftegaardsvej 25
4550 Asnæs
Denmark

CVR no. 25 71 15 48

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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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of NKT (Denmark) A/S for the financial year 1 January – 31 December 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 development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Asnæs, 27 May 2020
Executive Board:

Tue Vaaben Director	Tove Møller Nielsen Director

Board of Directors:

Roland Munkerod Andersen Chairman	Wilhelmus Garardus Eleonora Hendrikx	Mark Skriver Nielsen
John Erik Andersen Employee-elected member	Jimmi Bøje Nielsen Employee-elected member	

Independent auditor's report

To the shareholder of NKT (Denmark) A/S

Opinion

We have audited the financial statements of NKT (Denmark) A/S for the financial year 1 January – 31 December 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

Independent auditor's report

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

Independent auditor's report

Copenhagen, 27 May 2020
Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Lars Siggaard Hansen
State Authorised
Public Accountant
mne32208

Management's review

Company details

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

Telephone:	+45 5966 1234
Fax:	+45 5966 1235
Website:	www.nkt-dk.com
CVR no.:	25 71 15 48
Established:	9 November 2000
Registered office:	Asnæs
Financial year:	1 January – 31 December

Board of Directors

Roland Munkerod Andersen, Chairman
Wilhelmus Garardus Eleonora Hendrikx
Mark Skriver Nielsen
John Erik Andersen, Employee-elected member
Jimmi Bøje Nielsen, Employee-elected member

Executive Board

Tue Vaaben, Director
Tove Møller Nielsen, Director

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S
Denmark

Management's review

Financial highlights

EUR'000	2019	2018	2017	2016	2015
Key figures					
Revenue	119,444	140,992	136,172	115,308	137,822
Gross profit/loss	11,509	17,210	23,584	23,414	27,684
Ordinary operating profit/loss	-9,049	-4,010	-91	254	5,323
Financial items	-586	1,112	378	-1,085	-1,438
Profit/loss for the year	-7,410	-1,813	617	-739	2,986
Avg. invested capital including goodwill	53,544	58,176	53,785	49,540	49,068
Total assets	145,854	145,461	171,307	192,889	162,649
Equity	64,288	71,864	73,610	72,846	73,787
Investment in property, plant and equipment	988	1,536	1,154	3,341	1,636
Ratios					
Revenue / Invested capital incl. goodwill	2.2%	3.0%	2.5%	2.3%	2.8%
Return on invested capital	-5.1%	-6.8%	-0.2%	0.5%	11.4%
Equity ratio	38.8%	50.1%	43.0%	37.8%	45.4%

Financial ratios are calculated in accordance with the guidelines "Recomendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Revenue / avg. invested capital incl. goodwill (%) $\frac{\text{Revenue}}{\text{Avg. invested capital incl. goodwill}}$

Return on invested capital (ROIC) $\frac{\text{EBIT}}{\text{Total invested capital}}$

Equity ratio (%) $\frac{\text{Total equity}}{\text{Total assets}}$

Management's review

Operating review

Primary activities

NKT (Denmark) A/S develops, manufactures and promotes low-, middle- and high voltage cables, buildingwire cables and services related to these products. Scrapping of old cables is part of the business and support sustainability and environment. The entity supplies various customers in the Nordic and UK area market within Energy cables across most sectors in addition to some specialty cables like Rail and Flexibles. The market is driven by demand from the utility and building/construction sector.

Development in activities and financial position

In general, the activities within the construction sector have had a positive impact on the Company. The domestic market shows only little growth.
In 2019 the Danish entity went live with a new SAP system ("ICE") which impacted the ability to fulfill orders on time during Q2-Q3. The Implementation and stability has improved and will continue to improve in 2020.

For the subsidiaries in Norway the development in 2019 was largely aligned with expectations and the prior year. The financial performance in Poland in 2019 is considered satisfactory.

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

The Company's income statement for 2019 shows a loss of EUR -7,410 thousand as against a profit of EUR -1,813 thousand in 2018. Equity in the Company's balance sheet at 31 December 2019 stood at EUR 64,288 thousand as against EUR 71,864 at 31 December 2018. The result for the year is not considered satisfactory, and turnaround activities have been initiated in 2019, with a focus on addressing volume throughput, product mix and cost in general.

Balance Sheet

As of December 31, 2019, total assets represented EUR 145.854 thousand compared to end 2018 of EUR 145.461 thousand. Fixed assets were down by EUR 3.1 million from previous year.

Investments in subsidiaries are unchanged compared to 2018.

Inventories increased by EUR 526 thousand ending at EUR 33,636 thousand.

Equity

Equity is influenced by "Profit/loss for the year" as well as changes in the effective portion of the fair value of derivative financial instruments, which are recognised in a separate hedging reserve under equity.

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.

Management's review

Operating review

New products

Innovation is a key territory for NKT in a competitive environment and will ultimately provide customers with more efficient solutions. The continuation of R&D activity is an important enabler to maintain technological leadership in the power cable industry. Focus is on high-quality and cost-efficient solutions.

Capital resources

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

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

Outlook

The 2020 outlook for the Company is in line with that for the Parent Company. Revenue is expected to grow moderately in 2020 driven by a healthy demand and the ability to fulfill orders. Similarly EBITDA is forecasted to improve following a difficult year in 2019 after the ICE implementation however it will likely still be below expectations.
For the Danish Service entity the revenue and EBITDA is expected in line with 2019. No Sales from HV Solutions is budgeted through the Danish entity and hence a combined lower level is budgeted for 2019.
The company is monitoring the impact from Covid-19. The order book and demand is, as of April 2020, not reduced and it is expected that the Cable business will be less sensitive to the impact from Covid-19.

Particular risks

The goal for risk management is to identify, assess and prioritise risks followed by suitable reactions that mitigate, reduce or control the impact of unfortunate events. At NKT (Denmark) A/S, risk management is a value-adding tool to raise awareness of risks and to focus on steering the business in the best way on a day-to-day basis and in line with strategy.

At NKT (Denmark)' the main revenue streams origin from separate markets with independent market dynamics. This provides a natural risk diversification. The Projects segment - driven by major infrastructure developments - is to a large extent decoupled from the short-term developments of the general economy, whereas sales in the Product segment is closely linked to cyclical construction activities.

Metal and currency risk is measured and hedge accordingly.

Environmental matters

The Company is ISO14001 and OHSAS18001 certified. In general, pollution from the manufacturing activities are low, and CO_2 emission is being reduced, and the CO_2 footprint is evaluated against future capital expenditures. In 2018, the Company have completed transition to ISO 14001:2015 certification. The Company plan OHSAS 18001 transition to ISO 45001:2018 certification in 2020 and will start preparation in second half of 2019 .
The Company is in close contact with the authorities in order to fulfill local environmental requirements. There are no outstanding injunctions from authorities.

Management's review

Operating review

Corporate social responsibility

With reference to section 99a of the Danish Financial Statements Act section 99a using the exemption clause and refer to the 2019 Sustainability Report of NKT A/S:

www.nkt.com/sustainability-report-2019

Goals and policies for the underrepresented gender

With reference to section 99b of the Danish Financial Statements Act using the exemption clause and refer to the 2019 Sustainabilty Report of NKT A/S:

www.nkt.com/sustainability-report-2019

as well as NKT's annual UN Global Compact Communication on Progress report.

Research and development activities

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

Branches

NKT (UK) Ltd is controlled and consolidated by the Group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended 31 December 2019. This exemption is taken in accordance with Companies Act s479A. NKT (Denmark) A/S has provided a guarantee for the subsidiary for the current year.

Financial statements 1 January – 31 December

Income statement

EUR'000	Note	2019	2018
Revenue	2	119,444	140,992
Change in inventories of finis. goods/ work in progress		-84,617	-103,178
Other operating income		190	632
Other external costs		-23,508	-21,236
Gross profit		11,509	17,210
Staff costs	3	-17,757	-18,558
Depreciation, amortisation and impairment losses		-2,801	-2,662
Operating loss		-9,049	-4,010
Income from equity investments in group entities		413	2,067
Financial income	4	1,250	15
Financial expenses	5	-2,249	-970
Loss before tax		-9,635	-2,898
Tax on loss for the year		2,225	1,085
Loss for the year	6	-7,410	-1,813

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Intangible assets	7		
Completed development projects		162	227
Software		403	527
		565	754
Property, plant and equipment	8		
Land and buildings		3,456	3,315
Property, plant and equipment in progress		65	129
Plant and machinery		6,875	8,789
Fixtures and fittings, tools and equipment		31	1,878
		10,427	14,111
Investments	9		
Equity investments in group entities		20,213	20,213
Total fixed assets		31,205	35,078
Current assets			
Inventories			
Raw materials and consumables		8,891	11,037
Work in progress		4,004	3,826
Finished goods and goods for resale		20,741	18,248
		33,636	33,111
Receivables			
Trade receivables		19,811	18,227
Receivables from group entities		55,575	55,092
Other receivables		1,705	2,240
Deferred tax asset	10	3,468	1,609
Corporation tax		366	0
Prepayments	11	88	101
		81,013	77,269
Cash at bank and in hand		0	3
Total current assets		114,649	110,383
TOTAL ASSETS		145,854	145,461

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	12	31,201	31,201
Other reserves		-132	34
Reserve for development costs		127	227
Retained earnings		33,092	40,402
Total equity		64,288	71,864
Liabilities			
Non-current liabilities	13		
Mortgage loans		35,547	37,240
Current liabilities			
Current portion of non-current liabilities	13	1,912	2,143
Prepayments received from customers		35	35
Trade payables		26,883	16,545
Payables to group entities		5,613	5,255
Other payables		11,576	12,379
		46,019	36,357
Total liabilities		81,566	73,597
TOTAL EQUITY AND LIABILITIES		145,854	145,461

Financial statements 1 January – 31 December

Statement of changes in equity

EUR'000	Contributed capital	Other reserves	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2019	31,201	34	227	40,402	71,864
Transfers, reserves	0	0	-100	100	0
Transferred over the distribution of loss	0	0	0	-7,410	-7,410
Value adjustment of hedging instruments	0	-166	0	0	-166
Equity at 31 December 2019	31,201	-132	127	33,092	64,288

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of NKT (Denmark) A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

Omission of consolidated financial statements

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

Recognition and measurement in general

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 on 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 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)

Derivative financial instruments

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the Company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedges

Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying for recognition as a fair value hedge of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or hedged liability. Apart from foreign currency hedging, hedging of future payment flows according to a firm commitment is treated as fair value hedging.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Cash flow hedges

Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future payment flows are recognised in other comprehensive income in a separate hedging reserve under equity until the cash flows hedged influence the income statement. Gains or losses relating to such hedging transactions are then transferred from other comprehensive income and recognised in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognised in other comprehensive income is transferred to the income statement when the hedged cash flows influence the income statement.

If the hedged cash flows are no longer expected to be realised, the cumulative change in value is immediately transferred to the income statement.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Other derivative financial instruments

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised under financial items as they arise.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Income statement

Revenue

Revenue from sales of goods for resale and finished goods is recognised in the income statement when supply and transfer of risk to the buyer have taken place and the income can be reliably measured and is expected to be received.

Revenue from services which include service packages and extended warranties relating to products and contracts is recognised concurrently with the supply of those services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in the revenue.

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

Cost of sales

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise changes in these items which correspond to staff costs and other costs charged to the income statement during the year and which relate directly or indirectly to the cost of the items stated in the balance sheet.

Work performed by the Group and capitalized

Work performed by the Company and capitalised comprises income, which corresponds to staff costs and other costs charged to the income statement during the year and which relate directly or indirectly to the cost of non-current assets of own manufacture.

Costs of raw materials, consumables and goods for resale

Costs of raw materials, consumables and goods for resale refer to acquisitions and changes during the year in relevant inventory levels, including shrinkage, waste production and any write-downs for obsolescence.

Other operating income

Other operating income is recognised in the income statement as it is earned.

Other external costs

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

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

Staff costs

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

Depreciation and impairment losses

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

Income from equity investments in group entities

Income from investments in subsidiaries is recognised in the financial year in which the dividends are declared.

Financial income and expenses

Financial income and expenses comprises interest income and expenditure, gains and losses on securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities.

Tax on profit/loss for the year

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

The Parent Company, NKT A/S, is the administrative company for the joint taxation scheme and consequently settles all payments of corporate income tax with the tax authorities.

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

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognised directly in equity.

Financial statements 1 January – 31 December

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1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Intellectual property rights, etc. includes ongoing and completed development projects and software with associated intellectual property rights, acquired intellectual property rights and prepayments for intangible fixed assets.

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential market or internal utilisation can be demonstrated, and where it is intended to manufacture, market or utilise the project, are recognised in intangible assets, provided the costs can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of raw materials, consumables and goods for resale, staff costs, other costs and amortisation, and also the development costs. Other development costs are expensed in the income statement as incurred.

Capitalised development projects are measured at cost less accumulated amortisation and impairment losses. The cost includes wages, amortisation and other costs relating to the Company's development activities.

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

Software	5 years
Development projects	5 - 10 years

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

Property, plant and equipment

Land and buildings, production plant and machinery, fixtures and fittings, and other plant and equipment, are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time as the asset is ready for use. The cost of self-constructed assets comprises costs of materials, components, subcontractors and wages. The cost is supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilised.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Group. The carrying amount of the replaced parts is recognised in the balance sheet and recognised in the income statement. All other costs relating to ordinary repair and maintenance are recognised in the income statement as incurred.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is effected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	10 - 25 years
Plant and machinery	8 - 15 years
Fixtures and fittings, tools and equipment	4 - 8 years

Land is not depreciated.

The basis of depreciation is calculated according to the residual value less impairment losses. The residual value is determined at the acquisition date and reviewed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Property, plant and equipment under construction and prepayments therefore are measured at cost. When ready for use, the asset is transferred to the relevant category and depreciated.

Equity investments in group entities

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

Impairment of fixed assets

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

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

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method or at a weighted average. If the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at costs, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at costs, which comprises costs of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management. In the case of qualifying assets, specific and general borrowing costs directly relating to production of the relevant asset are recognised in the costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortized cost less write-down for bad and dubious debts.

Work performed in relation to construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts are characterised by a high degree of individualisation in the design of the goods produced. It is furthermore a requirement that before commencement of the work, a binding contract is signed that will result in fine or compensation in case of subsequent cancellation.

The contract value is measured according to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an assessment of the work performed, normally calculated as the ratio of expenses incurred to total anticipated expenses relating to the contract concerned.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the contract value is measured at the costs incurred which are likely to be recoverable.

Where the contract value of work performed exceeds progress billings and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the contract value of a construction contract, the deficit is recognised in trade payables and other liabilities.

Costs relating to sales work and securing contracts are recognised in the income statement as incurred unless they are directly attributable to a specific contract and it is probable at the time the costs are occurred that the contract will materialise.

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1 Accounting policies (continued)

Prepayments and deferred income

Prepayments recognised under assets include incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash at bank and in hand

Cash and cash equivalents comprise cash and bank balances.

Interest-bearing loans

Payables to credit institutions, etc,. are recognised at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised costs using 'the effective interest method', the difference between the proceeds and the nominal value therefore being recognised in the income statement under financial expenses over the term of the loan.

Corporation tax and deferred tax

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

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

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

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

Financial liabilities

Financial liabilities are recognized initially at the proceeds received net of transaction expenses incurred. In subsequent periods the liabilities are measured at amortized cost.

Other financial liabilities are measured at net realizable value.

Prepayments from customers

Received prepayments from customers include amounts received from customers prior to delivery.

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2 Segment information

EUR'000	2019	2018
Domestic	56,148	59,413
Abroad	63,296	81,579
	119,444	140,992

With reference to section 96 of the Danish Financial Statements Act, NKT (Denmark) A/S does not publish information on sales of products on specific markets due to local competition. Information of the overall segmentation is available in the Annual Report of the Parent Company.

3 Staff costs

	2019	2018
Wages and salaries	15,404	16,280
Pensions	1,811	2,078
Other social security costs	542	200
	17,757	18,558
Average number of full-time employees	248	265

Staff costs of the Group and the Parent Company include remuneration of the Company's Executive Board of EUR 0 thousand (2018: EUR 187 thousand).

All expenses are covered by parent company.

4 Financial income

Interest income from group entities	12	14
Other financial income	2	0
Exchange gains	1,236	1
	1,250	15

5 Financial expenses

Interest expense to group entities	392	468
Other financial costs	904	428
Exchange losses	953	74
	2,249	970

6 Proposed distribution of loss

Retained earnings	-7,410	-1,813

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7 Intangible assets

EUR'000	Completed development projects	Software	Total
Cost at 1 January 2019	695	5,884	6,579
Cost at 31 December 2019	695	5,884	6,579
Amortisation and impairment losses at 1 January 2019	-468	-5,357	-5,825
Amortisation for the year	-65	-124	-189
Amortisation and impairment losses at 31 December 2019	-533	-5,481	-6,014
Carrying amount at 31 December 2019	162	403	565

8 Property, plant and equipment

EUR'000	Land and buildings	Property, plant and equipment in progress	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	21,759	129	82,336	4,782	109,006
Additions for the year	451	65	453	19	988
Disposals for the year	0	0	-421	-4,113	-4,534
Transfers for the year	3	-129	126	0	0
Cost at 31 December 2019	22,213	65	82,494	688	105,460
Depreciation and impairment losses at 1 January 2019	-18,444	0	-73,547	-2,904	-94,895
Depreciation for the year	-313	0	-2,287	-12	-2,612
Reversed depreciation and impairment losses on assets sold	0	0	215	2,259	2,474
Depreciation and impairment losses at 31 December 2019	-18,757	0	-75,619	-657	-95,033
Carrying amount at 31 December 2019	3,456	65	6,875	31	10,427

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9 Investments

EUR'000	Equity investments in group entities
Cost at 1 January 2019	20,213
Cost at 31 December 2019	20,213
Carrying amount at 31 December 2019	20,213

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			EUR'000	EUR'000
NKT S.A.	Poland	100%	19,087	1,896
NKT as	Norway	100%	3,307	296
NKT UK Ltd.	Great Britain	100%	437	68
			22,831	2,260

The figures above are stated in accordance with IFRS and are based on the enterprises' internal reporting to NKT Cables group A/S adjusted for amortisation of goodwill, where relevant.

The disclosures above may therefore differ significantly from the financial statements published by the companies concerned, which are presented in accordance with local accounting standards.

EUR'000	31/12 2019	31/12 2018
10 Deferred tax		
Deferred tax at 1 January	1,609	650
Adjustment of deferred tax concerning previous years	1,843	-105
Adjustment of the year	16	1,064
	3,468	1,609
11 Prepayments		
Other costs	88	101

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12 Equity

The contributed capital consists of 232,000 shares of a nominal value of EUR 134 each.

All shares rank equally.

13 Non-current liabilities other than provision

EUR'000	Total debt at 31/12 2019	Repayment, first year	Outstanding debt after five years
Mortgage loans	37,459	1,912	25,807
	37,459	1,912	25,807

EUR'000	2019	2018

14 Fees to auditor appointed at the general meeting

Audit	51	54
Other Services	13	0
	64	54

15 Contractual obligations, contingencies, etc.

Contingent liabilities

Land and buildings	3,127	2,933
Manufacturing plant and machinery	6,470	8,264

Operating lease obligations

Rental obligations relating to rent, IT equipment and cars	2,474	3,890

The Company is jointly registered for VAT purposes with NKT Ultera 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 it 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., for the jointly taxed entities, and from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the Joint taxation arrangement is disclosed in the administration company's financial statements.

The Company is a party to an arbitration case, whose outcome is not expected to affect results for the year or to impact the financial position.

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16 Related party disclosures

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

Control

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

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

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

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

Other related parties

NKT (U.K) Ltd. is controlled and consolidated by the Group, where the Directors have relied on the exemption from having an audit of its financial statements for the year ended 31 December 2019. This exemption is relied upon in accordance with the Danish Companies Act, section 479A. NKT (Denmark) A/S has provided a guarantee for the subsidiary for the current year.

Related party transactions

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

17 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.