

NKT (Denmark) A/S

DK-Toftegaardsvej 25
4550 Asnæs

CVR no. 25 71 15 48

Annual report 2020

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

26 May 2021


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 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.

Asnæs, 20 May 2021

Executive Board:



Carlos Fernandez de
Senespleda
Director




Tove Møller Nielsen
Director

Board of Directors:




Line Andrea Fandrup
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 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.

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.

Independent auditor's report

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, 20 May 2021

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR no. 33 96 35 56



Kåre Kansonen Valtersdorf

State Authorised

Public Accountant

mne34490

NKT (Denmark) A/S
Annual report 2020
CVR no. 25 71 15 48

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

Line Andrea Fandrup, Chairman
Wilhelmus Garardus Eleonora Hendrikx
Mark Skriver Nielsen
John Erik Andersen, Employee-elected member
Jimmi Bøje Nielsen, Employee-elected member

Executive Board

Carlos Fernandez de Senespleda, Director
Tove Møller Nielsen, Director

Auditor

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

Management's review

Financial highlights

EUR'000	2020	2019	2018	2017	2016
Key figures					
Revenue	118,484	119,444	140,992	136,172	115,308
Gross profit	14,680	11,509	17,210	23,584	23,414
Ordinary operating profit/loss	-7,819	-9,049	-4,010	-91	254
Financial items	-640	-586	1,112	378	-1,085
Profit/loss for the year	-6,440	-7,410	-1,813	617	-739
Avg. invested capital including goodwill	47,806	53,544	58,176	53,785	49,540
Total assets	138,076	145,854	145,461	171,307	192,889
Equity	57,195	64,288	71,864	73,610	72,846
Investment in property, plant and equipment	1,623	988	1,536	1,154	3,341
Ratios					
Revenue / Invested capital incl. goodwill	2.5%	2.2%	2.4%	2.5%	2.3%
Equity ratio	41.4%	44.1%	49.4%	43.0%	37.8%
Ordinary operating profit/loss / Total assets	-5.7%	-6.2%	-2.8%	-0.5%	0.1%

The financial ratios have been calculated as follows:

Revenue / Invested capital incl. goodwill

$$\frac{\text{Revenue}}{\text{Avg. invested capital incl. goodwill}}$$

Equity ratio

$$\frac{\text{Total equity}}{\text{Total assets}}$$

Ordinary operating profit/loss / Total assets

$$\frac{\text{EBIT}}{\text{Total invested capital}}$$

Management's review

Operating review

Primary activities

NKT (Denmark) A/S develops, manufactures and promotes low-voltage, middle-voltage and high-voltage cables, buildingwire cables and services related to these products. The entity serves various customers in the Nordic, UK and Netherlands markets within energy cables across most sectors in addition to some specialty cables like Flexibles. The market is driven by demand from the utility and building/construction sectors.

Development in activities and financial position

For the domestic market and the subsidiaries in Norway, the development in 2020 was aligned with expectations. The financial performance in Poland in 2020 is considered satisfactory.

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

The Company's income statement for 2020 shows a loss of EUR -6,440 thousand as against a loss of EUR -7,410 thousand in 2019. Equity in the Company's balance sheet at 31 December 2020 stood at EUR 57,195 thousand as against EUR 64,288 thousand at 31 December 2019.

The result for the year is not considered satisfactory, and turnaround activities will continue in 2021, with a focus on addressing volume throughput, product mix and cost in general.

Balance sheet

As of 31 December 2020, total assets represented EUR 138,076 thousand compared to end 2019 of EUR 145,854 thousand. Fixed assets were down by EUR 1,070 thousand from last year.

Equity investments in group entities are unchanged from 2019.

Inventories decreased by EUR 1.032 thousand ending at EUR 32,604 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.

NKT maintained stable production and delivery during the period, but restrictions imposed due to the pandemic challenged deliveries to some markets. Overall, the markets in Applications were negatively impacted by the COVID-19 pandemic in 2020.

As per 15 January 2021, the NKT recycling facility was divested and acquired by KMT's Danish subsidiary KMT Kabel Danmark A/S (KMT Denmark) taking over all fixed assets, employees and customers at NKT's plant in Stenlille.

Management's review

Operating review

As of April 2021, we have not to the best of our knowledge experienced any material impact of COVID-19, 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.

To adjust to decreasing prices and increased competition, NKT has decided to consolidate the production of buildingwire in Warszowice and the production and production equipment will gradually be moved from Asnæs to Warszowice during the year with the full transfer expected to be completed between end of December 2021 and end of March 2022. This will lead to a reduction of 59 blue- and white-collar positions in Asnæs. Asnæs will remain the logistical hub for buildingwire for the Nordic markets and will in addition focus on production of medium-voltage (MV) cables.

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 with focus on high-quality, customer-centric and cost-efficient solutions.

Capital resources

Capital resources are available via the Parent company to NKT (Denmark) A/S for investment in fixed assets and product development and play an important role in helping to achieve the key priorities.

The Parent Company, NKT A/S, has issued a support letter to NKT (Denmark) A/S.

Outlook

For the Applications business, revenue is expected to grow moderately in 2021 driven by healthy demand and new market opportunities in especially the medium-voltage segment. Similarly, EBITDA is forecasted to further improve from new market opportunities and continued cost focus. For the Danish Service entity, revenue and EBITDA are expected to be in line with previous year. The Company is monitoring the impact from COVID-19. Order book and demand are, as of April 2021, not affected, and the cable business is expected to be only modestly sensitive to the impact from COVID-19.

Environmental matters

The Company is ISO14001 and ISO 45001 certified. In general, pollution from the manufacturing activities is low, and CO2 emission is being reduced and footprint evaluated against future capital expenditures. In 2020, the Company has made a reduction in CO2 emission and the CO2 footprint from renewable energy. Further, the Company has initiated a change of illumination in the manufacturing area to LED lights to reduce energy consumption.

The Company is in close contact with the authorities in order to fulfill local environmental requirements. There are no outstanding injunctions from authorities.

Corporate social responsibility

With reference to section 99a of the Danish Financial Statements Act using the exemption clause, the Company refers to the 2020 Sustainability Report of NKT A/S:

www.nkt.com/about-us/sustainability

Management's review

Operating review

Goals and policies for the underrepresented gender

With reference to section 99b of the Danish Financial Statements Act using the exemption clause, the Company refers to the 2020 Sustainability Report of NKT A/S:

www.nkt.com/about-us/sustainability

Diversity

With reference to section 107d of the Danish Financial Statements Act using the exemption clause, the Company refers to the 2020 Sustainability Report of NKT A/S:

www.nkt.com/about-us/sustainability

Research and development activities

Business critical certificates are maintained in order to secure future supplies to specific geographical markets. The main focus for 2020 has been on the development of fire retardant cables according to CPR regulations.

Branches

NKT (UK) Ltd is controlled and consolidated by the Group, where the Directors have relied on the exemption from audit of the financial statements for the year ended 31 December 2020. This exemption is in accordance with section 479A of the Companies Act. NKT (Denmark) A/S has provided a guarantee for the subsidiary for the current year.

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) A/S 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 risks are measured and hedged accordingly.

Financial statements 1 January – 31 December

Income statement

EUR'000	Note	2020	2019
Revenue	2	118,484	119,444
Changes in inventories of finished goods and work in progress		-83,832	-84,617
Other operating income		1,296	190
Other external costs		-21,268	-23,508
Gross profit		14,680	11,509
Staff costs	3	-19,825	-17,757
Depreciation, amortisation and impairment losses		-2,155	-2,801
Other operating costs		-519	0
Operating loss		-7,819	-9,049
Income from equity investments in group entities		235	413
Financial income	4	6,263	1,250
Financial expenses	5	-7,138	-2,249
Loss before tax		-8,459	-9,635
Tax on loss for the year		2,019	2,225
Loss for the year	6	-6,440	-7,410

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2020	31/12 2019
ASSETS			
Fixed assets			
Intangible assets	7		
Completed development projects		97	162
Software		284	403
		<u>381</u>	<u>565</u>
Property, plant and equipment	8		
Land and buildings		4,186	3,456
Property, plant and equipment under construction		355	65
Plant and machinery		4,975	6,875
Fixtures and fittings, tools and equipment		25	31
		<u>9,541</u>	<u>10,427</u>
Investments	9		
Equity investments in group entities		20,213	20,213
		<u>20,213</u>	<u>20,213</u>
Total fixed assets		<u>30,135</u>	<u>31,205</u>
Current assets			
Inventories			
Raw materials and consumables		9,884	8,891
Work in progress		3,226	4,004
Finished goods and goods for resale		19,494	20,741
		<u>32,604</u>	<u>33,636</u>
Receivables			
Trade receivables		9,366	19,811
Receivables from group entities		52,063	55,575
Other receivables		8,249	1,705
Deferred tax asset	10	4,641	3,468
Corporation tax		973	366
Prepayments	11	45	88
		<u>75,337</u>	<u>81,013</u>
Total current assets		<u>107,941</u>	<u>114,649</u>
TOTAL ASSETS		<u>138,076</u>	<u>145,854</u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	12	31,201	31,201
Other reserves		-785	-132
Reserve for development costs		127	127
Retained earnings		26,652	33,092
Total equity		57,195	64,288
Liabilities			
Non-current liabilities			
Mortgage loans	13	33,695	35,547
Other payables		1,464	0
		35,159	35,547
Current liabilities			
Current portion of non-current liabilities	13	1,876	1,912
Prepayments received from customers		0	35
Trade payables		16,559	26,883
Payables to group entities		10,041	5,613
Other payables		17,246	11,576
		45,722	46,019
Total liabilities		80,881	81,566
TOTAL EQUITY AND LIABILITIES		138,076	145,854

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 2020	31,201	-132	127	33,092	64,288
Transferred over the distribution of loss	0	0	0	-6,440	-6,440
Value adjustment of hedging instruments	0	-653	0	0	-653
Equity at 31 December 2020	31,201	-785	127	26,652	57,195

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of NKT (Denmark) A/S for 2020 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.

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.

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 statements 1 January – 31 December

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1 Accounting policies (continued)

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment, which is 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 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.

Current Danish income tax is shared between the jointly taxed companies in proportion to their taxable income. 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 Company. 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, which are 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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

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.

Prepayments

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

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.

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1 Accounting policies (continued)

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 recognised as other non-current assets at the expected value of their utilisation, 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 the elimination of unrealised intra-group 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 crystallise as current tax.

Financial liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, the liabilities are measured at amortised cost.

Other financial liabilities are measured at net realisable value.

Prepayments from customers

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

2 Segment information

EUR'000	2020	2019
Domestic	56,544	56,148
Abroad	61,940	63,296
	118,484	119,444

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.

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3 Staff costs

EUR'000	2020	2019
Wages and salaries	17,496	15,404
Pensions	1,769	1,811
Other social security costs	560	542
	<u>19,825</u>	<u>17,757</u>
Average number of full-time employees	<u>264</u>	<u>248</u>

Staff costs of the Group and the Parent Company include remuneration of the Company's Executive Board of EUR 0 thousand (2019: EUR 0 thousand).

All costs are covered by the Parent Company.

4 Financial income

EUR'000	2020	2019
Interest income from group entities	1	12
Other financial income	3	2
Exchange gains	<u>6,259</u>	<u>1,236</u>
	<u>6,263</u>	<u>1,250</u>

5 Financial expenses

Interest expense to group entities	731	392
Other financial costs	605	904
Exchange losses	<u>5,802</u>	<u>953</u>
	<u>7,138</u>	<u>2,249</u>

6 Proposed distribution of loss

Retained earnings	<u>-6,440</u>	<u>-7,410</u>
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7 Intangible assets

EUR'000	Completed development projects	Software	Total
Cost at 1 January 2020	695	5,884	6,579
Disposals for the year	-370	-4,305	-4,675
Cost at 31 December 2020	325	1,579	1,904
Amortisation and impairment losses at 1 January 2020	-533	-5,481	-6,014
Amortisation for the year	-65	-119	-184
Amortisation and impairment losses for the year on assets sold	370	4,305	4,675
Amortisation and impairment losses at 31 December 2020	-228	-1,295	-1,523
Carrying amount at 31 December 2020	97	284	381

8 Property, plant and equipment

EUR'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2020	22,213	65	82,494	688	105,460
Additions for the year	1,068	355	200	0	1,623
Disposals for the year	-85	0	-5,380	-197	-5,662
Transfers for the year	3	-65	62	0	0
Cost at 31 December 2020	23,199	355	77,376	491	101,421
Depreciation and impairment losses at 1 January 2020	-18,757	0	-75,619	-657	-95,033
Exchange rate adjustment	0	0	4	-4	0
Depreciation for the year	-341	0	-1,626	-2	-1,969
Reversed depreciation and impairment losses on assets sold	85	0	4,840	197	5,122
Depreciation and impairment losses at 31 December 2020	-19,013	0	-72,401	-466	-91,880
Carrying amount at 31 December 2020	4,186	355	4,975	25	9,541

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9 Investments

EUR'000	Equity investments in group entities
Cost at 1 January 2020	20,213
Cost at 31 December 2020	20,213
Carrying amount at 31 December 2020	20,213

Name/legal form	Registered office	Voting rights and ownership interest	Equity EUR'000	Profit/loss for the year EUR'000
Subsidiaries:				
NKT S.A.	Poland	100%	21,257	3,496
NKT AS.	Norway	100%	3,548	699
NKT (UK) Ltd.	UK	100%	493	88
			25,298	4,283

10 Deferred tax assets

EUR'000	31/12 2020	31/12 2019
Deferred tax at 1 January	3,468	1,609
Adjustment of deferred tax concerning previous years	48	1,843
Adjustment of the year	1,125	16
	4,641	3,468

11 Prepayments

EUR'000	31/12 2020	31/12 2019
Other costs	45	88

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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 2020	Repayment, first year	Outstanding debt after five years
Mortgage loans	35,571	1,876	22,908
	<u>35,571</u>	<u>1,876</u>	<u>22,908</u>
EUR'000		<u>2020</u>	<u>2019</u>

14 Fees to auditor appointed at the general meeting

Audit	53	51
Other services	<u>0</u>	<u>13</u>
	<u>53</u>	<u>64</u>

15 Contractual obligations, contingencies, etc.

Guarantee Commitments and Contingent liabilities

By way of an accession letter dated 23 March 2020, NKT (Denmark) 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

Land and buildings	3,884	3,127
Manufacturing plant and machinery	4,755	6,470

Operating lease obligations

Rental obligations relating to rent, IT equipment and cars	2,774	2,474
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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 dividends 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.

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

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 2020. This exemption is relied upon in accordance with section 479A of the Danish Companies Act. NKT (Denmark) A/S has provided a guarantee for the subsidiary for the current year.

Related party transactions

In accordance with section 98c (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 Disclosure of events after the balance sheet date

To adjust to decreasing prices and increased competition, NKT has decided to consolidate the production of buildingwire in Warszowice and the production and production equipment will gradually be moved from Asnæs to Warszowice during the year with the full transfer expected to be completed between end of December 2021 and end of March 2022. This will lead to a reduction of 59 blue- and white-collar positions in Asnæs. Asnæs will remain the logistical hub for buildingwire for the Nordic markets and will in addition focus on production of medium-voltage (MV) cables.