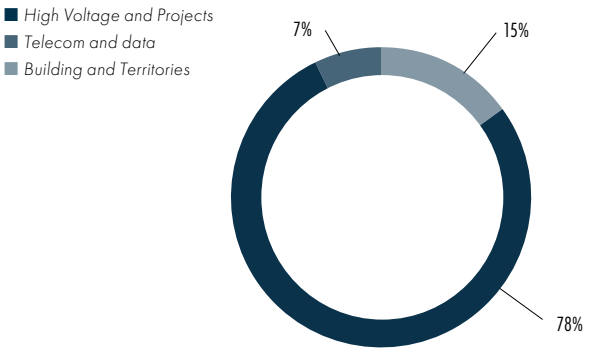
2019 ANNUAL REPORT
NEXANS NORWAY AS

Nexans
BRINGS ENERGY TO LIFE

Contents

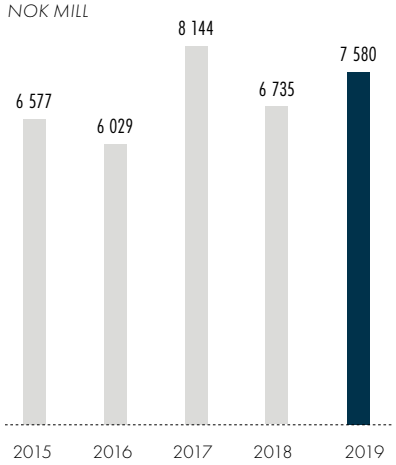
Key figures

SALES BY BUSINESS SEGMENT 2019



SALES

NOK MILL



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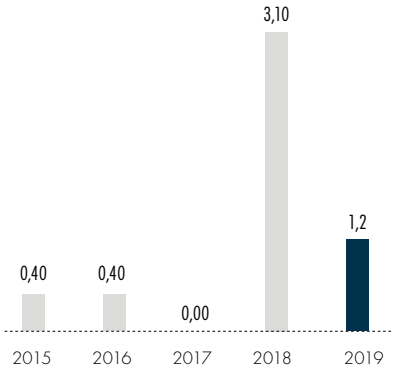
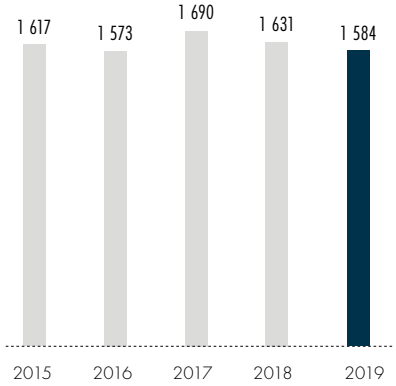
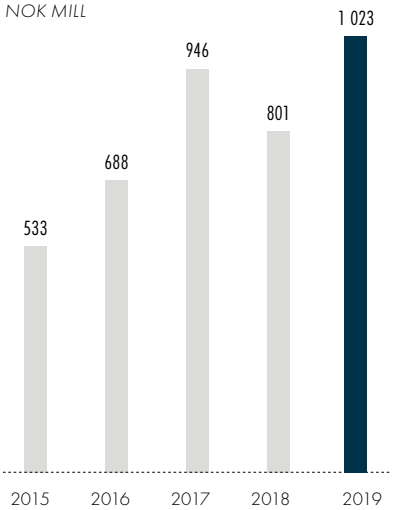


NO OF EMPLOYEES AT YEAR END



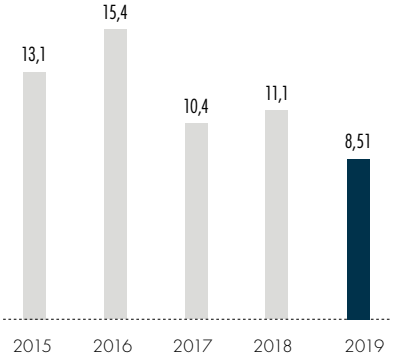
OPERATING PROFIT

NOK MILL



ORDER BACKLOG

NOK BILLION



Directors' report

Nexans Norway AS and its wholly owned subsidiaries, Nexans Skagerrak AS and Nexans Subsea Operations AS, (hereinafter "the Group" or "Nexans Norway") is part of the French Nexans group – one of the world's leading cable manufacturers. Nexans Norway AS is a wholly owned subsidiary of Nexans Participations SA in Paris. Nexans Norway's head office is in Oslo, Norway.

Nexans Norway AS is developing, manufacturing and marketing submarine, land and offshore cables for power and telecommunication transmission. Nexans Norway has manufacturing plants located in Rognan, Halden and Langhus. Nexans Norway has also secured production capacity at NVC in Japan, a fully owned subsidiary in the Nexans group, for production of submarine power cables. Nexans Skagerrak AS is engaged in transport, laying and installation of submarine power cables and owns the cable laying vessel C/S Nexans Skagerrak. Nexans Subsea Operations AS owns the contract for the construction of a new installation vessel.

Operating revenues increased with NOK 846 million (13%) compared to last year and ended at NOK 7.580 million in 2019. The increase in revenue is primarily a result of the plants operating at high capacity with efficient execution, whereas in 2018 there was available capacity especially in oil and gas and installation activities.

The Covid-19 outbreak has led to a significant slowdown in many markets. At the time of the Board of Directors' signing of this report, there is significant uncertainty concerning the financial impacts from the virus outbreak, both short- and long-term. The Board of Directors acknowledges that this situation might impact the company's activity. However, the company has at the time of reporting sufficient liquidity. The Board of Directors considers that at the date of signing the balance sheet, there is no significant risk that the going concern assumption does not hold.

MARKET

The Subsea business reported an organic growth of 13,4% in 2019. Efficient project execution increased the business line's profit margins. Manufacturing of subsea HV cables for the energy sector has been at full capacity and manufacturing of umbilicals for the Oil & Gas sector started to recover in 2019. Green energy is the driver of this successful year, both in term of interconnectors and offshore windfarms. Installation of Nordlink and East Anglia 1 have been finalized this year. This market continues to be buoyant in term of quotes and market perspective. A major contract has been signed with Ørsted, a Danish global market leader in developing offshore windfarms, to manufacture export HV cables to offshore windfarms in North America. Nexans Norway is supervising the new green field operations of Nexans in Charleston, USA. Nexans Subsea Operations placed an order of a new cable laying vessel to Ulstein in 2018, which is to be delivered spring 2021. This major investment is on track. A financing scheme has been signed with Eksportkreditt in Norway in May 2019.

Nexans Norway remains confident in the HV AC/DC market within both the offshore windfarm and interconnection segments in Europe. The North American market has shown signs of growth in the offshore windfarms segment. Oil & Gas operators continue to focus on cost reduction and cash generation, subcontracting more to EPCI contractors, but also starting to invest more in renewables.

Significant contracts have been awarded in 2019 allowing us to have the assets loaded in 2020.

In a flat residential building market, sales were stable on a reasonably high level. We saw a slight increase in sales In the public and private industry building market. For the industry and energy distribution cable markets the demand was good with somewhat increased margins. There has been a continued strong demand in the submarine distribution cable market and we have carried out a number of successful projects on time. As a matter of priority, we reduced our position in the onshore windfarm market to the advantage of frame contracts with Norwegian electric energy utility companies. Demand in telecom copper cables was reduced, as expected. This decline was in part compensated by increased fiber optic cable sales.

The submarine telecom cable market is very active. The demand for bandwidth continues to grow, resulting in a higher number of intercontinental links being under construction. This also provides positive spill-over effects into the regional markets.

In our special cable segment, the upturn in offshore O&G is confirmed, creating opportunities for our Rognan facility.

ORDER BACKLOG

The order intake was lower in 2019 than in 2018 and ended at NOK 4.271 million. The most significant contracts were Marjan Increment, Tortue and ESMA 7 repair.

Nexans Norway's order backlog at year-end amounts to NOK 8.509 million (NOK 11.468 million in 2018).

RESEARCH AND DEVELOPMENT

The Group expensed technical research and development (R&D) amounting to NOK 145 million in 2019 compared to NOK 199 million in 2018.

One main R&D achievement in 2019, was the qualification of 525 kV mass impregnated cables to be produced by our sister company in Japan and used in Nexans Norway's projects. A quick factory joint reducing the jointing time for mass impregnated cables has also been developed and qualified.

A non-destructive test based on ultrasound replacing gamma-ray inspection method of lead sheath splices has been developed in 2019. Among the benefits is the reduction of HSE risk for all personnel involved with the end of gamma-ray imaging. For the Oil & Gas industry a new umbilical design has been developed and qualified for deep waters.

The fiber optic submarine cable portfolio has been extended to achieve differentiated solutions to various system requirements. The product family now includes 3 different products for various fiber counts, fiber types and power feed capacity. 2019 achievements include qualification of up to 16 pairs of large effective fibers in cable for long haul repeater systems, as well as the qualification of a cost optimized cable for regional systems

PEOPLE AND ORGANIZATION

Total number of employees in Nexans Norway was 1.584 at year-end 2019. This is a decrease of 47 persons compared to the previous year.

The activity of Nexans Norway is organized in the following three Business Groups/Business Lines: Subsea and Land Systems Business Group, Submarine Telecom and Special Cables Business Line and Building & Territories and Telecom Business Line.

Nexans Norway is committed to ensuring equal career opportunities, including salaries, promotion and recruitment, for men and women. The work force of Nexans Norway consists of 86 % men and 14 % women. In graded positions in Nexans Norway 20,5 % are women. Personnel are recruited from professional communities where there traditionally are more men than women. Working time arrangements are influenced by position and not by gender.

Absence due to sick leave was 5.2% in 2019 compared to 5.1% in 2018.

The Group strives to ensure gender equality, equal opportunities and rights as well as preventing discrimination based on ethnicity, nationality, heritage, colour, language or religion.

HEALTH, SAFETY AND ENVIRONMENT

Nexans Norway is committed to continuously improving our health, safety and environment (HSE) performance. A healthy and safe work environment is important to us. Managers, employees and subcontractors receive regular HSE training to ensure satisfactory level of HSE competence in the company. We are concerned about our carbon footprint, and we are working continuously to optimize our utilization of resources, to use less materials and energy and reduce unsorted waste.

Nexans Norway experienced 3 injuries with absenteeism in 2019. This resulted in 45 days of absence. The corresponding figures for 2018 were 8 injuries and 228 days of absence. The LTI-value for 2019 was 1,0 compared to 3,1 in 2018. The TRIF value was 5,0 in 2019, compared to 7,4 in 2018. The positive trend in LTI- and TRIF-values is the result of our attention to HSE-management in 2019.

In addition to different levels of HSE training, the Behavior Based Safety (BBS) program was continued in 2019. The objective of BBS is to change and improve the safety behavior and mindset at all levels of the Nexans Norway organization. The positive trend experienced in 2018 has continued in 2019.

In 2019, work started on implementing a new risk management IT tool for incident reporting and risk management. This tool will give a potential for further improving HSE and quality performance through learning from incidents as well as risk management.

The Group actively works with the implementation and follow-up of the REACH Directive and "Environmental Highly Protected" - EHP. All Nexans Norway plants are EHP certified. The Group's activities in general have only a limited adverse effect on the environment. To the extent possible, waste is being sorted, recycled and/or destroyed. The sorted waste is at 89% (unchanged from 2018). Nexans is a member of RENAS, a national waste collection company for electro products, and since 2018 also a member of "Grønt Punkt Norge". Nexans Norway takes responsibility for all types of packaging through return systems approved by The Norwegian Environment Agency ("Miljødirektoratet").

Nexans Norway AS is certified according to ISO 9001,

ISO 14001 and ISO 45001. The Group's cable ship C/S Nexans Skagerrak is certified according to ISO 14001.

FINANCIAL RESULTS 2019

The financial statements have been prepared in accordance with simplified IFRS as defined by the Norwegian Accounting Act § 3-9 and accounting principles as applied by the Nexans group.

Operating revenues for Nexans Norway AS totalled NOK 7.580 million in 2019 compared to NOK 6.735 million in 2018, an increase of 13%. The increase in revenue is primarily a result of the plants operating at high capacity with efficient execution, whereas in 2018 there was available capacity especially in oil and gas and installation activities.

Operating profit amounted to NOK 1 023 million for the Group (NOK 914 million for Nexans Norway AS) in 2019, compared to NOK 801 million (NOK 654 million for Nexans Norway AS) in 2018.

Profit before taxes amounted to NOK 984 million (NOK 1.035 million for Nexans Norway AS) in 2019 compared to NOK 842 million (NOK 865 million for Nexans Norway AS) in 2018.

The Group has long-term interest-bearing debt amounting to NOK 514 million per year-end 2019, an increase from NOK 0 in 2018. Cash and bank deposits amounted to NOK 161 million at the end of 2019, an increase from last year of NOK 131 million. Current assets increased from NOK 4.196 million (NOK 3.846 million in Nexans Norway AS) at year-end 2018 to NOK 4.769 million (NOK 4.550 million in Nexans Norway AS) at year-end 2019. The net increase of NOK 573 million was a result of an increase in Receivables, mainly towards Nexans Central Treasury subsidiaries, and the previously mentioned increase in cash and cash equivalents. This is mainly driven by high operational cash-flow, turning customer accounts receivable into cash in the Group cash pool and receipt of prepayments on long-term contracts.

The Group's Current liabilities increased from NOK 3.272 million (NOK 3.303 million in Nexans Norway AS) in 2018 to NOK 3.392 million (NOK 3.402 million in Nexans Norway AS) at year-end 2019. The increase in current liabilities stem from a reduction in contract liabilities being offset by increased payable income tax.

The Group's equity ratio ended at 30.3% (29.2% in Nexans Norway AS), an increase from 28.4% (26.5% in Nexans Norway AS) in 2018. The increased equity is a result of a positive impact from other comprehensive income (cash flow and metal hedging) and the 2019 net profit, partly being offset by dividends paid in 2019. The impact of the mark to market of the derivatives is a temporary position that will not reflect the economical results in the future.

Cash from operations amounted to NOK 1.517 million (NOK 1.507 million in Nexans Norway AS) in 2019 compared to NOK 1.388 million (NOK 1.325 million in Nexans Norway AS) in 2018. The increase in cash from operations is mainly due to an increase in profit before taxes and net change in other balance sheet items, partly being offset by a reduction in advance payments from customers. The cash-flows from operating activities were used to finance capital expenditures in fixed assets of NOK 659 million, primarily to secure and increase production and installation capacity, including payments for the construction of the new vessel. Nexans Norway financed its investments with its own means and long-term debt in addition to the Nexans group cash pool arrangement. Net deposits with the Nexans Central Treasury subsidiaries increased by NOK 739 million to NOK 2.512 million in 2019. Net cash flow in 2019 was NOK 131 million.

FINANCIAL RISK

Nexans Norway has implemented procedures and systems to handle project risk and the Group's financial exposure, covering metal, currency and counterparty risk. As a principle, the Group avoids taking risks related to price fluctuations in foreign currencies and metals.

The Group's export sales are long-term (6-36 months) and predominately in foreign currencies. The exposure to foreign currency exchange rate variations is secured through currency forward contracts. Nexans may still lose future competitiveness if the Norwegian krone should strengthen considerably towards the currencies of our competitors

Exposure to metal price variations is secured through metal forward contracts or through price adjustment clauses in the customer contracts.

The accounting of the Group's construction contracts includes estimates assessed at the balance sheet date. The prerequisite for these estimates have not changed after the balance sheet date and it is the opinion of the Board of Directors that the estimates per 2019 are still valid.

Specific and continuous assessments are made of contractual counterparties within the Subsea and Land Systems Business

Line, and efforts are made to cover risks through structuring of payment terms, bank guarantees, or parent company guarantees. In addition, a substantial part of the credit risk related to the Market Lines Business Line's customers is insured through the Nexans group's credit insurance policy.

The Board of Directors find the cash position of the company as satisfactory. The cash management is based on rolling cash forecast that are updated on a continuous basis. The Group has established long-term debt in 2019 to finance the construction of a new cable laying vessel to be delivered in 2021.

ALLOCATION OF THE RESULTS FOR THE YEAR

Pursuant to section 4-5 of the Accounting Act, it is duly confirmed that the annual accounts have been prepared under the going concern assumption, and the Board of Directors confirm that the going concern assumption is valid.

The Group made a net income after tax for the year of NOK 766 million (NOK 818 million in Nexans Norway AS). Total comprehensive income after tax in 2019 amounted to NOK 1.023 million (NOK 1.060 million in Nexans Norway AS), ref Statement of comprehensive income.

The equity in the parent company amounts to NOK 2.202 million and consists of share capital (NOK 463 million), other paid-in capital (NOK 8 million) and other equity (NOK 1.732 million).

The Board of Directors propose the net result of the Nexans Norway Group, NOK 766 million, to be allocated to be distributed to dividends in 2020. Hence the Board of Director's propose the following allocation of the net result in Nexans Norway AS:

Dividend 766 million
Other equity 52 million

Oslo, 30 April 2020

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Mr. Vincent Dessale
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Vincent Guy Roger Dessale
Chairman

DocuSigned by:
Ragnhild Katteland
6A31DB93B6D04C8...

Ragnhild Apeland Katteland
Board member/ Chief Executive Officer

DocuSigned by:
Vegar Syrveit Larsen
8A82BEEB8026448...

Vegard Syrveit Larsen

DocuSigned by:
A Krister Granlie
A64731526FE446C...

Anders Krister Granlie

DocuSigned by:
Hans Petter Anker Bærem
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Hans Petter Anker Bærem

DocuSigned by:
Stian Volden
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Stian Volden

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Hanne Andresen

Income statement 1.1–31.12

Figures in NOK million		Nexans Norway AS		Consolidated	
	Note	2019	2018	2019	2018
OPERATING REVENUES	13,15,16	**7 580**	**6 735**	**7 580**	**6 735**
Raw materials and consumables	7	-4 109	-3 429	-3 809	-3 093
Payroll and related costs	4,9,12	-1 572	-1 637	-1 572	-1 637
Depreciation of fixed assets	8	-249	-179	-277	-208
Other operating costs	12,19	-737	-837	-899	-996
OPERATING COSTS		**-6 667**	**-6 081**	**-6 557**	**-5 934**
OPERATING PROFIT		**914**	**654**	**1 023**	**801**
Interest income from associated companies	3,16	10	5	11	7
Interest expense to associated companies	3,16	0	0	0	-2
Other financial income	3	161	251	17	81
Other financial expenses	3	-49	-45	-66	-45
NET FINANCIAL INCOME (LOSS)		**121**	**212**	**-39**	**41**
PROFIT BEFORE TAX		**1 035**	**865**	**984**	**842**
Taxes	10	-217	-160	-219	-159
NET PROFIT FOR THE YEAR	**11**	**818**	**705**	**766**	**682**

Statement of comprehensive income

Figures in NOK million		Nexans Norway AS		Consolidated	
	Note	2019	2018	2019	2018
PROFIT FOR THE YEAR		**818**	**705**	**766**	**682**
OTHER COMPREHENSIVE INCOME					
Remeasurement post-employment benefits	9,11	-8	-2	-8	-2
Cash flow hedges	11	284	-335	300	-328
IFRS 15 implementation	11	0	-58	0	-58
OTHER COMPREHENSIVE INCOME (LOSS) BEFORE TAX		**276**	**-395**	**291**	**-388**
Tax expense on other comprehensive income	10	**-34**	73	**-34**	70
OTHER COMPREHENSIVE INCOME (LOSS) AFTER TAX	**11**	**242**	**-322**	**257**	**-318**
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**1 060**	**383**	**1 023**	**364**
ATTRIBUTABLE TO (FROM) OWNERS OF THE PARENT		**1 060**	**383**	**1 023**	**364**

Balance sheet at 31.12

Figures in NOK million		Nexans Norway AS		Consolidated	
ASSETS	Note	**2019**	**2018**	**2019**	**2018**
FIXED ASSETS – NON CURRENT	8	**1 872**	**1 607**	**2 793**	**1 796**
Shares in subsidiaries	20	1 039	419	0	0
Derivatives	2,3	77	31	85	38
FINANCIAL ASSETS – NON CURRENT		**1 116**	**449**	**85**	**38**
TOTAL NON-CURRENT ASSETS		**2 987**	**2 056**	**2 878**	**1 834**
INVENTORIES	7	**431**	**398**	**431**	**398**
Accounts receivable and other receivables	2,6,16	3 577	2 684	3 788	3 027
Contract Assets	15	235	567	235	567
TOTAL RECEIVABLES		**3 812**	**3 251**	**4 023**	**3 594**
Derivatives, current	2,3	147	167	154	173
Cash and cash equivalents	2,5	161	30	161	31
TOTAL CURRENT ASSETS		**4 550**	**3 846**	**4 769**	**4 196**
TOTAL ASSETS		**7 537**	**5 902**	**7 647**	**6 030**

Figures in NOK million		Nexans Norway AS		Consolidated	
	Note	**2019**	**2018**	**2019**	**2018**
EQUITY AND LIABILITIES					
Paid-in capital:					
Share capital	11	463	463	463	463
Other paid-in capital	11	8	8	8	8
Retained earnings:					
Other equity	11	1 732	1 092	1 847	1 244
SHAREHOLDER'S EQUITY	11	**2 202**	**1 562**	**2 317**	**1 715**
Warranty provision for long-term contracts	15	54	68	54	68
Deferred taxes	10	851	752	852	754
Derivatives, non current	2,3	49	88	53	93
Other long-term liabilities	14	841	0	841	0
Pension obligations	9	138	128	138	128
TOTAL NON-CURRENT LIABILITIES		**1 933**	**1 037**	**1 938**	**1 043**
Accounts payable	2,16	492	388	469	338
Contract Liabilities	15,16	1 758	1 827	1 758	1 827
Income tax payable	10	139	0	140	0
Public duties payable	2	112	120	112	120
Derivatives, current	2,3	145	242	149	246
Other short-term liabilities related parties	2,16	116	135	116	151
Other short-term liabilities	2,14	639	591	646	592
TOTAL CURRENT LIABILITIES		**3 402**	**3 303**	**3 392**	**3 272**
TOTAL EQUITY AND LIABILITIES		**7 537**	**5 902**	**7 647**	**6 030**

Statement of cash flows

Figures in NOK million		Nexans Norway AS		Consolidated	
	Note	2019	2018	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax		1 035	866	984	837
Depreciation of fixed assets	8	249	179	277	208
Losses from scrapping of assets	8	0	-2	0	-2
Finance income net	3	0	0	0	0
Taxes paid	10	0	41	0	41
Remeasurement postemployment benefits	9,10,11	2	-2	2	-2
Net change in inventories	7	-33	-30	-33	-30
Net change in receivables	2,6,16	-196	-115	-288	-111
Net change in accounts payable	2,16	104	-35	216	-85
Net change in advance payments from customers	15	-69	1 085	-69	1 085
Net change in derivatives	2,3	121	-44	121	-38
Financial assets at fair value through profit and loss	2,3	0	-32	0	-32
Foreign exchange gains/losses on operating activities	2,3	-18	1	-6	1
Other interest expenses	2,3	0	0	0	0
Net change in other balance sheet items	9,10,14,15,16	312	-586	312	-483
NET CASH FLOW FROM OPERATING ACTIVITIES		**1 507**	**1 325**	**1 517**	**1 388**
CASH FLOW FROM INVESTING ACTIVITIES					
Capital expenditures	8	-71	-182	-832	-238
Advance payment on capital expenditure	8	0	0	173	-250
Changes in other investments	20	-620	-327	0	0
Net change in other investments (incl. adv. payments to brokers)		0	0	0	2
NET CASH FLOW FROM INVESTING ACTIVITIES		**-690**	**-509**	**-659**	**-486**
CASH FLOW FROM FINANCING ACTIVITIES					
Net change in loan from group companies	16	-697	-420	-739	-503
Proceed from long-term debt	14	514	0	514	0
Payment on long and short-term borrowing	8,14	-55	0	-55	0
Dividends paid	11	-420	-425	-420	-425
Interest paid	3	-38	0	-38	0
Interest received	3	10	0	10	0
NET CASH FLOW FROM FINANCING ACTIVITIES		**-685**	**-845**	**-727**	**-928**
Effects of exchange rate changes on cash and cash equivalents		1	1	1	1
NET CHANGE IN CASH AND CASH EQUIVALENTS		**131**	**-28**	**131**	**-27**
Cash and cash equivalents at 01.01.		30	58	31	58
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**161**	**30**	**161**	**31**

Notes to the financial statements

1. Accounting principles

The consolidated accounts and the Nexans Norway AS accounts (the company) have been prepared and presented in accordance with simplified IFRS approved by the Ministry of Finance November 3 2014. From this follows that principles for measurement and recognition to the profit and loss accounts are according to IFRS, while the income statement, balance sheet and cash flow statements including notes are presented in accordance to the Norwegian Accounting Act's remaining sections, unless there are specific references to IFRS and its framework. In these instances, the IFRS framework is applied. The accounts are based on historic cost, except for hedging instruments (derivatives) which are appraised at fair value.

BASIS OF PREPARATION

Nexans Norway AS has applied all of the new standards and interpretations and amendments to existing standards that were mandatory for the first time in the fiscal year beginning January 1, 2019 and which were as follows:

IFRS 16, "Leases" requires lessees to account for leases covered by the standard by recognizing:
• Right-of-use assets, under fixed assets; and
• Lease liabilities, under debt, for future lease payments.

REVENUE RECOGNITION

Revenues from sales of goods and services are valued at fair value after deduction of VAT, return of equipment, rebates and discounts. Sales of goods are recognized in the income statement when the product is delivered to the customer, the customer has accepted the product and the ability of the customer to pay for the debts is satisfactory acknowledged. Sales of services are recognized in the period that the services are performed.

Sales and revenue from construction contracts are recognized in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union at December 31, 2018.

The revenue is recognized over time based on the weighted progress of the main activities within the contracts. The Contract value is allocated to the different activities based on the cost weight of the activities in relation to the overall cost of the contract ("POC weight") and then spread over time based on the estimated progress of the different activities ("POC%").

When it is probable that total costs will exceed total contract revenue, the expected total loss is recognized immediately in other operating costs. Expected losses are recognized in the other operating costs when the company has a present legal or constructive obligation as a result of past events related to the construction contracts; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The company reflects within the project margin also estimated future contractual penalties. Contractual penalties are recognized as a reduction of sales.

Down-payments received for construction contracts before the corresponding work is performed are recorded and included in the calculation of contract assets and liability.

FINANCIAL INSTRUMENTS

The company has applied IFRS 9, Financial instruments: Financial instruments are classified in the following categories:

1. Financial assets or financial liabilities at fair value through profit and loss
2. Loans and receivables
3. Other liabilities

Financial derivatives are classified as "financial assets or financial liabilities at fair value through profit and loss" unless they qualify for hedge accounting. For further explanation, see hedge accounting below.

Changes in fair value of financial instruments in the category "fair value through profit and loss" are presented in net financial income/expense. Financial instruments that originate with sales to customers are categorized as "Loans and receivables". Financial instruments categorized as "Loans and receivables" are carried at amortized cost. Financial instruments that originate as a result of trade with suppliers, loans from group companies or other parts of the daily operations are classified as "other liabilities". Financial instruments categorized as "Other liabilities" are carried at amortized cost

See note 2 for further information of how the company's financial instruments are classified at the balance sheet date.

All purchases and sales of financial instruments are recognised on the transaction date. The transaction costs are included in the cost price. Financial instruments at fair value through profit and loss are carried at fair value as observed in the market on the balance sheet date, not adjusted for any transaction costs.

HEDGING AND DERIVATIVES

Before a hedging transaction is carried out, the Group's finance department assesses whether a derivative (or possibly another financial instrument in the case of a currency hedge) is to be used to

- hedge the fair value of a recognised asset or liability or a firm commitment,
- hedge a future cash flow from a recognised asset, obligation, identified very probable future transaction or, in the case of a currency risk, a firm commitment or
- hedge a net investment in a foreign operation.

The company's criterion to classify a derivative as a hedging instrument is as follows:

1. The hedging is expected to be very effective because it counteracts changes in market value or cash flows of an identified asset. A hedging efficiency within the scope of 80-125 % is expected
2. The efficiency of the hedging is reliably measurable
3. There is adequate documentation at the entering of the hedging to show that the hedging is expected to be effective
4. For cash flow hedging, the future transaction must be highly probable
5. The hedging is evaluated on a running basis and has proven to be very efficient in the reporting periods the hedging is meant to cover

Hedging of currency exposure

Hedging is performed in connection with long-term projects with cash flows in foreign currencies. The expected cash flows are hedged when there is a signed contractual agreement.

The spot element in the forward foreign exchange contracts is designated as the hedging instrument in relation to changes in income and expenses related to long-term projects. Changes in the market value of a hedging instrument which satisfies the requirements to be a very effective cash flow hedge are booked directly against the OCI. The ineffective part of the hedging instrument is booked in the income statement as financial income or cost.

When the hedged cash flow results in booking of an asset or liability, any previous gain or loss recognised in OCI are reclassified from equity and included in the initial measurement of the asset or liability. For other cash flow hedges, gains or losses recognised in equity are reclassified to profit and loss in the same period as the cash flow making up the hedged object is recognised in profit and loss. When a hedging instrument no longer is effective, the booking of the hedging is terminated prospectively. In this case, the cumulative gain or loss on a hedging instrument recognised in equity, will be reversed when the hedged transaction actually happens.

If the hedged transaction is no longer expected to happen, any prior cumulative gain or loss on the hedging instrument recognised in OCI will be recycled and booked in the statement of profit and loss.

Hedging of metal derivatives

The company uses forward purchase and sale contracts executed primarily on the London Metal Exchange (LME) in order to reduce its exposure to fluctuations in the purchase price of non-ferrous metals (copper and lead) used in the company's manufacturing contracts. Metal derivatives that qualify for hedge accounting under IFRS 9 are accounted for using cash flow hedging. At the termination of the derivative, realised gain or loss is included as a part of the hedged object's acquisition cost.

TAXES

Taxes in the income statement are comprised of payable tax and change in deferred tax liabilities / deferred tax assets. As of 01.01.2019 the tax rate in Norway was reduced to 22% from 23%. Deferred tax liabilities / deferred tax assets are calculated using 22 % based on taxable and deductible temporary differences between the carrying amount of assets or liabilities in the statement of financial position, and their tax basis. A deferred tax asset is recorded in the balance sheet to the extent that it is more likely than not that the tax asset will be utilised. The group has 2 subsidiaries that entered the Norwegian Tonnage Tax System in 2009 and 2017. The companies are compliant with the requirements to qualify for taxation as shipping companies as stipulated by the Norwegian tax law §§ 8-10.

CLASSIFICATION OF BALANCE SHEET ITEMS

Current assets and current liabilities include balances due within one year and items connected with the operating cycle. Other items are classified as non-current assets and non-current liabilities.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Receivables and debts in foreign currency are valued at the exchange rate at year-end, during the year it is valued at the month end exchange rate. To the extent that revenues and costs on long-term contracts are hedged by forward sales or purchases of foreign currency, these are in the income statement converted to the hedged spot rate.

INVENTORIES

Inventories, including work in progress, are valued at the lower of cost and fair value less costs to sell after provisions for obsolete inventories. The fair value less costs to sell is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale. Inventories are measured using the weighted average principle. Finished goods and work in progress include variable costs and fixed costs that can

be allocated to goods based on normal capacity. Obsolete inventories have been fully recognised as impairment losses.

FIXED ASSETS

Fixed assets are valued at cost and reduced with cumulative amortisation and depreciation. When assets are sold, the costs and cumulative amortisations and depreciations are reversed in the accounts, and any gain or loss from the sale is booked in the income statement. The cost for the asset is the purchase price, including fees and taxes and direct purchasing costs related to enable the asset to be used. Expenses occurring after the asset is taken into use, like repairs and maintenance, are normally booked as costs in the income statement. If increased profitability can be shown as a result of repair and maintenance, the expenses is booked in the balance sheet as a capital expenditure. Depreciation is calculated using the linear method over the following periods:

Buildings	20-30 years
Vessels	25 years
Classification of vessel	5 years
Machinery and equipment	10-30 years
Furniture, fixtures and vehicles	3-10 years
Software	3-5 years

Machinery is split into mechanical and electrical components. The latter has a depreciation period of ten years. The depreciation period and method is assessed yearly in order to secure that the method and the period used is in accordance with the economic realities for the asset. Equivalent assessment is made for the scrap value.

Fixed assets that are depreciated are assessed for impairment when indicators exist that future earnings cannot justify the value in the balance sheet. An impairment loss measured as the difference between the balance sheet value and the recoverable amount is booked in the income statement. The recoverable amount is the higher of actual value less estimated selling costs and the utility value. Reversals of impairment losses are done if assets previously impaired are put back in operation. The asset is then valued to the lower of book value at the time of write-down minus estimated depreciations in the period since the asset was written down and utility value. Any remaining value at the next classification will be written down.

Assets under construction are classified as fixed assets and are booked including costs related to the assets. Depreciation is not started until assets are ready for use.

TRADE RECEIVABLES

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. From time to time, Nexans will enter into a factoring agreement related to specifically identified accounts receivable. When the factoring contract terms indicate that the intention is to achieve a sale of the receivable, with a substantial transfer of the risks and rewards of ownership, then the receivables are derecognized upon transfer to the factoring counterparty. Any amounts receivable from the factoring agent to Nexans are classified as other short-term receivables.

LEASING AND CHANGE IN ACCOUNTING METHOD IFRS 16

IFRS 16, "Leases" – effective from January 1, 2019 – requires lessees to account for leases covered by the standard by recognizing:

- Right-of-use assets, under fixed assets; and
- Lease liabilities, under debt, for future lease payments.

The application of IFRS 16 also resulted in the following changes in presentation:

- In the income statement, lease payments, that were previously recognized as expenses within "Other operating cost ", are now recognized as (i) depreciation of the right-of-use asset, included in "Operating profit", and (ii) interest on the lease liabilities, included in "Other financial expenses".
- In the statement of cash flows, lease payments were previously all included in cash flows from operating activities, whereas in accordance with IFRS 16, the portion corresponding to the repayment of lease liabilities is now recognized under "Proceeds from (repayments of) long-term and short-term borrowings" and the portion corresponding to the payment of interest on lease liabilities is recognized under "Interest paid", with both of these portions recognized in cash flows from financing activities.

Nexans Norway AS has elected to use the modified retrospective approach for its transition to IFRS 16. Under this approach, comparative data is not restated and any cumulative effect of first-time application of the standard is recognized as an adjustment to equity at the date of initial application.

Nexans Norway AS has also applied the simplified options provided for in the standard. Consequently, lease payments corresponding to a low-value asset or a short-term lease (less than 12 months) have been recognized directly as expenses. The following practical expedients were also applied for the transition to IFRS 16:

- No assets or liabilities were recognized for leases with a residual term of less than 12 months from January 1, 2019.
- The discount rates applied at the transition date were based on the Nexans Group's incremental borrowing rate to which a spread was added to take into account the economic environments specific to each country. These

discount rates were determined taking into consideration the residual terms of the leases from the date of the Group's first-time application of IFRS 16, i.e., January 1, 2019.

The impact of applying IFRS 16 at January 1, 2019 resulted in a NOK 386 million increase in the Nexans Norway AS debt and a corresponding NOK 386 million increase in property, plant and equipment.

CASH FLOW STATEMENT

The cash flow statement is presented according to the indirect method. For the cash flow statement the financial expenses have been classified as an operating item and not as an finance activity. Cash and cash equivalents include cash and bank deposits. Deposits in the group cash pool arrangement are not included in Cash and cash equivalents.

RESEARCH AND DEVELOPMENT

All research expenditures are expensed as incurred. Development costs are capitalized if the costs meet defined requirements for capitalization. Capitalization assumes that the intangible asset that is being developed can be identified, and shown that it is probable that the development work will be successful, and that future economic advantages linked to the intangible asset will accrue to the company.

PENSION COSTS AND COMMITMENTS

For basic statutory plans and other defined contribution plans, expenses correspond to contributions made. No provision is recognized, as the group has no payment obligation beyond the contributions due for each accounting period.

For defined benefit plans, provisions are determined as described below and recognized under "pension obligations" in the balance sheet:

- Provisions are calculated using the projected unit credit method which sees each service period as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligations. These calculations take into account assumptions with respect to mortality, staff turnover, discounting, projections of future salaries and the return on plan assets
- Plan assets are measured at fair value at the year-end and deducted from the group's projected benefit obligation
- In accordance with IAS 19R, actuarial gains and losses resulting from experience adjustments and the effects of changes in actuarial assumptions are recognized as components of other comprehensive income that will not be classified to profit and loss, and are included in "Remeasurement postemployment benefits" within OCI
- The group analyses the circumstances in which minimum funding requirements in respect of services already received may give rise to a liability at year-end

When the calculation of the benefit obligation results in an asset for the group, the recognized amount (which is recorded under "pension obligations" in the financial statement) cannot exceed the present value of available refunds and reductions in future contributions to the plan, less the present value of any minimum funding requirements.

The financial component of the annual expense for pensions and other employee benefits (interest expense after deducting any return on plan assets calculated based on the discount rate applied for determining the benefit obligations) is included in pension costs (see note 9).

Settlement of pensions plans are booked in the profit and loss. The net obligation is measured on the closing date, and the net obligation is subsequently measured, the difference is booked as a gain (loss) in the profit and loss.

GOVERNMENT GRANTS

Government grants are recorded as a reduction to other operating expenses in the period covered by the subsidy.

CONSOLIDATION PRINCIPLES

Subsidiaries are all entities (including special purpose entities) over which the group has the control over. The Group controls an entity if and only if the Group has all the following:

a. power over the entity
b. exposure, or rights, to variable returns from its involvement with the entity
c. the ability to use its power over the entity to affect the amount of the Group's returns

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

Inter-company transactions, balances and unrealised gains and loss on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The purchase method of accounting is used to account for the acquisition of subsidiaries, associates and joint ventures. The investment is carried at cost price for the shares unless a write-down has been necessary. Group contributions, less tax, increase the cost price for the shares. Dividends/group contributions are recognized the same year as they are recognized in the subsidiary/associate/joint venture. When a dividend/group contribution materially exceeds retained earnings after the acquisition/purchase, the exceeding amount is considered repayment of invested capital and reduces the value of the investment on the balance sheet.

SHARE-BASED COMPENSATION

The Nexans group operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the company over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement.

ESTIMATES AND ASSUMPTIONS

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities. This particularly applies to the depreciation of tangible fixed assets, evaluations related to acquisitions and pension commitments, evaluation of progress used to calculate construction contracts recognised revenue and cost in addition asset and liability related to long term contracts. Future events may lead to these estimates being changed. Estimates and their underlying assumptions are reviewed on a regular basis and are based on best estimates and historical experience. Changes in accounting estimates are recognised during the period when the changes take place. If the changes also apply to future periods, the effect is divided among the present and future periods.

PROVISIONS

A provision is recognised when the Group has an obligation (legal or self-imposed) as a result of a previous event, it is probable (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically linked to the obligation.

The company uses different principles for provisions for warranty on standard products and construction contracts. The provision for standard products is based on the historical guarantee liabilities that have been settled compared with the total guarantee exposure over the same period for deliveries of standardized products. For non-standardized products, projects are grouped according to risk profile. Provisions are done per group after the same principle as for standardized products.

Restructuring provisions are recognised when the Group has approved a detailed, formal restructuring plan and the restructuring has either started or been publicly announced.

Payments from insurance claims are recognized when it is virtually certain that the company will receive the claim. The asset is recognized as a separate asset, independent from the damage from which the insurance is claimed.

SUBSEQUENT EVENTS

New information on the company's financial position on the end of the reporting period which becomes known after the reporting period is recorded in the annual accounts. Events after the reporting period that do not affect the company's financial position on the end of the reporting period but which will affect the company's financial position in the future are disclosed if significant.

CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are unlikely to be incurred. Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a benefit will be added to the Group.

JUDGMENTS

The management has, when preparing the financial statements, made certain significant assessments based on critical judgment when it comes to application of the accounting principles. The following notes include the Group's assessments regarding:

Control of an entity, note 2
Pension, note 9
Long-term contracts and warranty provisions, note 15

2. Financial instruments

FINANCIAL INSTRUMENTS CATEGORIZED ACCORDING TO IFRS 9

The tables below give an overview of the company's financial instruments and their values on the balance sheet as defined by their IFRS 9 categories

2019 – Figures in NOK million	Nexans Norway AS			
ASSETS	Loans and receivables	Financial assets at fair value through P&L	Derivatives used for hedging	TOTAL
Derivatives – Financial assets non current		0	77	77
Derivatives – Current assets		38	109	147
Accounts receivables and other receivables	3 577			3 577
Cash and cash equivalents	161			161
TOTAL	**3 737**	**38**	**186**	**3 961**
LIABILITIES	Other financial liabilities	Financial liabilities at fair value through P&L	Derivatives used for hedging	TOTAL
Accounts payable	492			492
Other short-term liabilities group	116			116
Derivatives – Non-current liabilities			49	49
Derivatives – Current liabilities		78	67	145
Other short-term financial liabilities	751			751
TOTAL	**1 359**	**78**	**116**	**1 553**

2018 – Figures in NOK million	Nexans Norway AS			
ASSETS	Loans and receivables	Financial assets at fair value through P&L	Derivatives used for hedging	TOTAL
Derivatives - Financial assets non current		0	31	31
Derivatives - Current assets		25	142	167
Accounts receivables and other receivables	2 684			2 684
Cash and cash equivalents	30			30
TOTAL	**2 713**	**25**	**173**	**2 912**
LIABILITIES	Other financial liabilities	Financial liabilities at fair value through P&L	Derivatives used for hedging	TOTAL
Accounts payable	388			388
Other short-term liabilities group	135			135
Derivatives – Non-current liabilities			88	88
Derivatives – Current liabilities		42	201	242
Other short-term liabilities	710			710
TOTAL	**1 233**	**42**	**289**	**1 565**

2019 – Figures in NOK million	Consolidated			
ASSETS	Loans and receivables	Financial assets at fair value through P&L	Derivatives used for hedging	TOTAL
Derivatives – Financial assets non current			85	85
Derivatives – Current assets		38	116	154
Accounts receivables and other receivables	3 788			3 788
Cash and cash equivalents	161			161
TOTAL	**3 949**	**38**	**201**	**4 188**
LIABILITIES	Other financial liabilities	Financial liabilities at fair value through P&L	Derivatives used for hedging	TOTAL
Accounts payable	469			469
Other short-term liabilities group	116			116
Derivatives – Non-current liabilities			53	53
Derivatives – Current liabilities		78	72	149
Other short-term liabilities	759			759
TOTAL	**1 344**	**78**	**124**	**1 546**

2018 – Figures in NOK million	Consolidated			
ASSETS	Receivables	Financial assets at fair value through P&L	Derivatives used for hedging	TOTAL
Derivatives – Financial assets non current			38	38
Derivatives – Current assets		25	148	173
Accounts receivables and other receivables	3 027			3 027
Cash and cash equivalents	31			31
TOTAL	**3 059**	**25**	**186**	**3 269**
LIABILITIES	Other financial liabilities	Financial liabilities at fair value through P&L	Derivatives used for hedging	TOTAL
Accounts payable	338			338
Other short-term liabilities group	151			151
Derivatives – Non-current liabilities			93	93
Derivatives – Current liabilities		42	204	246
Other short-term liabilities	712			712
TOTAL	**1 200**	**42**	**297**	**1 539**

FAIR VALUE ESTIMATION

The group has adopted IFRS 13 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the group's assets and liabilities that are measured at fair value at December 31, 2019. The only financial instrument at fair value over the income statement are the derivatives contracts.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise metal derivatives traded on the LME classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value

Note that all of the resulting fair value estimates are included in level 2.

December 31, 2019 – Figures in NOK million		Nexans Norway AS		
ASSETS	Level 1	Level 2	Level 3	TOTAL
Financial assets at fair value through p/l				
– Trading derivatives		38		38
Derivatives used for hedging	35	151		186
TOTAL ASSETS	**35**	**189**		**224**
LIABILITIES				
Financial liabilities at fair value through p/l				
– Trading derivatives		78		78
Derivatives used for hedging	28	88		116
TOTAL LIABILITIES	**28**	**166**		**193**

December 31, 2018 – Figures in NOK million		Nexans Norway AS		
ASSETS	Level 1	Level 2	Level 3	TOTAL
Financial assets at fair value through p/l				
– Trading derivatives		25		25
Derivatives used for hedging	12	161		173
TOTAL ASSETS	**12**	**186**		**198**
LIABILITIES				
Financial liabilities at fair value through p/l				
– Trading derivatives		42		42
Derivatives used for hedging	53	237		289
TOTAL LIABILITIES	**53**	**278**		**331**

December 31, 2019 – Figures in NOK million	Consolidated			
ASSETS	Level 1	Level 2	Level 3	TOTAL
Financial assets at fair value through p/l				
– Trading derivatives		38		38
Derivatives used for hedging	35	166		201
TOTAL ASSETS	**35**	**204**		**239**
LIABILITIES				
Financial liabilities at fair value through p/l				
– Trading derivatives		86		86
Derivatives used for hedging	28	89		116
TOTAL LIABILITIES	**28**	**174**		**202**

December 31, 2018 – Figures in NOK million	Consolidated			
ASSETS	Level 1	Level 2	Level 3	TOTAL
Financial assets at fair value through p/l				
– Trading derivatives		25		25
Derivatives used for hedging	12	174		186
TOTAL ASSETS	**12**	**199**		**211**
LIABILITIES				
Financial liabilities at fair value through p/l				
– Trading derivatives		42		42
Derivatives used for hedging	53	244		297
TOTAL LIABILITIES	**53**	**286**		**338**

DERIVATIVES

Figures in NOK million	Nexans Norway AS			
	2019		2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Forward foreign exchange contracts – cash flow hedges	151	88	161	237
Embedded derivatives	0		0	
Forward foreign exchange contracts – held for trading	38	78	25	42
Forward metal contracts – cash flow hedges	35	28	12	53
TOTAL	**224**	**193**	**198**	**331**
Non-current portion:				
Forward foreign exchange contracts – held for trading				
Forward foreign exchange contracts – cash flow hedges	60	33	27	77
Forward metal contracts – cash flow hedges	18	16	4	11
TOTAL	**77**	**49**	**31**	**88**
CURRENT PORTION	**147**	**145**	**167**	**242**

Figures in NOK million	Consolidated			
	2019		2018	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Forward foreign exchange contracts – cash flow hedges	166	89	174	244
Embedded derivatives	0	0	0	0
Forward foreign exchange contracts – held for trading	38	86	25	42
Forward metal contracts – cash flow hedges	35	28	12	53
TOTAL	**239**	**202**	**211**	**338**
Non-current portion:				
Forward foreign exchange contracts – held for trading				
Forward foreign exchange contracts – cash flow hedges	67	37	34	82
Forward metal contracts – cash flow hedges	18	16	4	11
TOTAL	**85**	**53**	**38**	**93**
CURRENT PORTION	**154**	**149**	**173**	**246**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The ineffective portion recognised in the profit and loss that arises from unrealised cash flow hedges amounts to a gain of NOK 15,3 million (a loss of NOK 2,7 million in 2018).

There was no ineffectiveness to be recorded from forward metal contract hedges. The fair values are derived using quoted LME-prices on the balance sheet date for metal contracts, and observable market prices for foreign exchange contracts.

FORWARD FOREIGN EXCHANGE CONTRACTS

The notional principle amounts of the outstanding forward foreign exchange contracts per December 31, 2019 are NOK 2 566 million (NOK 2 956 million in 2018). Gains and losses recognised in the hedging reserve in equity (see note 11) on forward foreign exchange contracts as of December 31, 2019 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

FINANCIAL MARKET RISK

Nexans Norway has implemented procedures and systems to handle project risk and the company's financial exposure, covering metal, currency and counterparty risk. To handle counterparty risk the company has credit insurance and

factoring programs of major project receivables. As a principle, the company avoids taking risks related to price fluctuations in foreign currencies and metals, and there is therefore no material exposure against currency rate changes or changes in metal prices.

i. Currency risk: The group operates internationally and is therefore exposed for currency risk, mostly American dollars and Euros. The currency risk pertains to future transactions, recognized assets and liabilities The risk is addressed through internal systems for hedging
ii. Price risk: The group is exposed to changes in metal prices. The risk is partially offset through internal systems of hedging with the purchase of LME commodity contracts
iii. Floating and fixed interest rate risk: The group has limited exposure to interest rate carrying assets or liabilities. Thus the operating profits of the group are not significantly exposed to changes in interest rates and the risks are not economically hedged with external derivative contracts

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, improved timing of cash collection on accounts receivable from factoring agreements and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines. The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

2019 – Figures in NOK million	Nexans Norway AS			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	492			
Other short-term liabilities group	116			
Derivatives		193		
Other short-term liabilities	751			

2018 – Figures in NOK million	Nexans Norway AS			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	388			
Other short term liabilities group	135			
Derivatives		331		
Other short term liabilities	710			

2019 – Figures in NOK million	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	469			
Other short-term liabilities group	116			
Derivatives		202		
Other short-term liabilities	759			

2018 – Figures in NOK million	Consolidated			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accounts payable	338			
Other short term liabilities group	151			
Derivatives		331		
Other short term liabilities	711			

3. Financial revenues and costs

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Interest income from associated companies	10	5	11	7
Other interest income	6	3	6	3
Foreign exchange gains	1 010	1 198	1 010	1 198
Foreign exchange losses	-1 005	-1 120	-1 005	-1 120
Received dividends	150	170	6	0
FINANCIAL REVENUES	**171**	**257**	**28**	**88**
Interest expense to associated companies	0	0	0	-2
Other interest costs	-31	-8	-31	-10
Other Finance cost	-19	-37	-36	-37
FINANCIAL COSTS	**-49**	**-45**	**-67**	**-48**
NET FINANCIAL INCOME	**121**	**212**	**-39**	**41**

4. Specification of payroll and related costs

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Wages and salaries	1 256	1 299	1 256	1 299
Social security tax	180	194	180	194
Pension costs	109	101	109	101
Other benefits	27	43	27	43
PAYROLL COSTS	**1 572**	**1 637**	**1 572**	**1 637**

5. Cash and bank deposits

The company has bank guarantees for NOK 102,5 million as security for total liability due to responsibilities for employees tax deductions.

6. Accounts receivable/other receivables

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Accounts receivable	874	770	959	1 030
Provisions for bad debt	0	0	0	0
ACCOUNTS RECEIVABLE NET	**874**	**770**	**959**	**1 030**
Advance payments	316	224	316	224
Short-term interest bearing loans to related parties	0	0	0	0
Group bank accounts	2 387	1 690	2 512	1 773
ACCOUNT RECEIVABLE AND OTHER RECEIVABLES	**3 577**	**2 684**	**3 788**	**3 027**

The company had no realized losses on receivables in 2019 (NOK 0 million in 2018). The company has historically had very few losses on accounts receivable. The company considers no further impairments are necessary. The company has set up a factoring program, where the amount of sold receivable is capped at NOK 354 million.

As of December 31, 2019, trade receivables of NOK 127 million (NOK 218 million in 2018) were past due but not impaired. The past due receivables relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Up to 3 months	108	205	108	205
More than 3 months	19	13	19	13

7. Inventories

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Raw materials	112	111	112	111
Work in progress	105	87	105	87
Finished goods	214	200	214	200
INVENTORIES	**431**	**398**	**431**	**398**
Obsolescence is included with	-22	-21	-22	-21

8. Fixed assets

2019 – Figures in NOK million	Nexans Norway AS								
	Software	Machinery, equipment, etc.	Vessels and vessel equipment etc	Buildings	Land	Construction in progress	Research & Development	Right of use asset (1)	TOTAL
Acquisition cost at 01.01	90	2 437	205	760	7	70	16	0	3 585
Reclassification	2	164	-109	2		23	-16	0	67
Capital expenditure during year	11	38	1	0		20	0	392	462
Disposals during year	0	0	0	0			0	0	(0)
ACQUISITION COST AT 31.12	**104**	**2 639**	**98**	**762**	**7**	**113**	**0**	**392**	**4 114**
ACCUMULATED DEPRECIATIONS AT 31.12	**49**	**1 621**	**91**	**423**	**0**	**0**	**0**	**59**	**2 243**
NET BOOK VALUE AT 31.12	**55**	**1 018**	**7**	**339**	**7**	**113**	**0**	**332**	**1 872**
DEPRECIATION DURING YEAR	**17**	**147**	**4**	**22**	**0**	**0**	**0**	**59**	**249**
Ordinary rates of depreciation	33 %	10-35%	5% -10%	3-5%					

1) Right of use asset from the application of IFRS16 "leases" using the modified approach see Note 1. The right of use is primary related to real estate leases appr. NOK 275 million.

2019 – Figures in NOK million	Consolidated								
	Software	Machinery, equipment, etc.	Vessels and vessel equipment etc	Buildings	Land	Construction in progress	Research & Development	Right of use asset (1)	TOTAL
Acquisition cost at 01.01	90	2 518	452	760	7	137	16	0	3 980
Reclassification	2	149	-109	2	0	23	-16	0	52
Capital expenditure during year	11	38	1	0	0	781	0	392	1 223
Disposals during year	0	0	0	0	0	0	0	0	0
ACQUISITION COST AT 31.12	**104**	**2 705**	**345**	**762**	**7**	**941**	**0**	**392**	**5 255**
ACCUMULATED DEPRECIATIONS AT 31.12	**49**	**1 633**	**297**	**423**	**0**	**0**	**0**	**59**	**2 461**
NET BOOK VALUE AT 31.12	**55**	**1 072**	**48**	**339**	**7**	**941**	**0**	**332**	**2 793**
DEPRECIATION DURING YEAR	**17**	**151**	**29**	**22**	**0**	**0**	**0**	**59**	**277**
Ordinary rates of depreciation	33 %	10-35%	5% -10%	3-5%					

2018 – Figures in NOK million	Nexans Norway AS								
	Software	Machinery, equipment, etc.	Vessels and vessel equipment etc	Buildings	Land	Construction in progress	Research & Development	Right of use asset (1)	TOTAL
Acquisition cost at 01.01	60	2 517	43	677	7	227	0		3 531
Reclassification	0	-62	152	63		-169	0		(16)
Capital expenditure during year	30	83	19	22		11	16		182
Disposals during year	0	-102	-9	-2			0		(112)
ACQUISITION COST AT 31.12	**90**	**2 437**	**205**	**760**	**7**	**70**	**16**		**3 585**
ACCUMULATED DEPRECIATIONS AT 31.12	**32**	**1 413**	**132**	**401**	**0**	**0**	**0**		**1 978**
NET BOOK VALUE AT 31.12	**58**	**1 023**	**73**	**359**	**7**	**70**	**16**		**1 607**
DEPRECIATION DURING YEAR	**11**	**132**	**15**	**21**	**0**	**0**	**0**		**179**
Ordinary rates of depreciation	33 %	10-35%	5% -10%	3-5%					
Annual rental expenses			377	65					

2018 – Figures in NOK million	Consolidated								
	Software	Machinery, equipment, etc.	Vessels and vessel equipment etc	Buildings	Land	Construction in progress	Research & Development	Right of use asset (1)	TOTAL
Acquisition cost at 01.01	60	2 602	310	677	7	239			3 894
Reclassification	0	-63	168	63	0	-170	0		-1
Capital expenditure during year	30	83	19	22	0	67	16		238
Disposals during year	0	-104	-45	-2	0	0	0		-151
ACQUISITION COST AT 31.12	**90**	**2 518**	**452**	**760**	**7**	**137**	**16**		**3 980**
ACCUMULATED DEPRECIATIONS AT 31.12	**32**	**1 464**	**288**	**401**	**0**	**0**	**0**		**2 185**
NET BOOK VALUE AT 31.12	**58**	**1 054**	**164**	**359**	**7**	**137**	**16**		**1 796**
DEPRECIATION DURING YEAR	**11**	**144**	**33**	**21**	**0**	**0**	**0**		**208**
Ordinary rates of depreciation	33 %	10-35%	5% -10%	3-5%					
Annual rental expenses			41	65					

The disposal of Assets under construction is a transfer to the other asset classes as the assets are completed, and is included in this year's capital expenditure.

Nexans Norway also has available production facilities in NVC, a Japanese subsidiary in the Nexans Group. NVC is a contract manufacturer for Nexans Norway AS.

9. Pension costs and net pension obligations

The company has pension plans for its employees. Pension obligations linked with insurance plans are covered through Storebrand. The company also has unsecured pension obligations in addition to pension obligations covered under insurance plans. These obligations are supplementary pensions over and above 12G and early retirement pensions. Actuarial gains and losses are recognized immediately according to IAS19R. The subsidiaries have no employees and there are no related pension costs or obligations. Hence the figures for the parent company and the group are identical.

PRINCIPAL ACTUARIAL ASSUMPTIONS

	2019	2018
Discount rate	2,50 %	2,85 %
Expected return on pension plan assets	n/a	n/a
Rate of salary increases	n/a	n/a
Rate of price inflation	0,00 %	0,00 %
Rate of pension increase	0 %	0 %
Post-retirement mortality table	K2013	K2013

PENSION COST FOR THE YEAR

Figures in NOK million	2019	2018
Current service cost	0	-8
Past Service Cost – Curtailments	0	0
Interest cost	4	4
Interest income	0	-1
NET PENSION COSTS	**4**	**-4**
Actuarial (gains) / losses immediately recognized	8	2
TOTAL PENSION COST RECOGNIZED IN THE OCI	**8**	**2**
Cumulative amount of actuarial (gains) / losses recognized	364	356

The company decided in 2016 to close the remaining active pension plan over and above 12G from January 1st 2017. The benefits were frozen at the date of closure.
Net pension cost above includes payroll tax.

CHANGE IN DEFINED BENEFIT OBLIGATION

Figures in NOK million	2019	2018
Defined benefit obligation at end of prior year	137	168
Current service cost	-	-
(Gain) / loss on settlements	-	-
Interest expense	4	4
Benefit payments from plan	-	-
Benefit payments from employer	-	-
Disbursements from Plan Assets	(1)	-
Disbursements Directly Paid by the Employer	(2)	(2)
Past Service Cost – Curtailments	-	-
Effect of changes in demographic assumptions	-	-
Effect of changes in financial assumptions	8	(6)
Effect of experience adjustments	(0)	4
Settlements	-	(33)
DEFINED BENEFIT OBLIGATION AT END OF YEAR	**146**	**137**

CHANGE IN FAIR VALUE OF PLAN ASSETS

Figures in NOK million	2019	2018
Fair value of plan assets at end of prior year	8	36
Interest income	0	1
Employer contributions	0	0
Benefit payments from plan	-	-
Settlements payments from plan	-	-
Taxes paid from plan assets	-	-
Return on Plan Assets Greater / (Less) than Discount Rate	(0)	(4)
Settlements	-	(25)
	7	**8**

Cost for the defined benefit plan in 2019 was NOK 4 million, exclusive tax while there was an Income of NOK 4 million in 2018 due to a settlement gain of NOK 8 million. Related payroll tax is booked as cost in the same period as the defined benefit plan costs. Costs for the AFP-program were NOK 22 million in 2019 (21 million in 2018). Payroll tax for the AFP Program was NOK 3,0 million in 2019 (NOK 3,0 million in 2018). Expected contributions to the plan in 2020 are NOK 22,9 million. The company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law.

CHANGE IN NET DEFINED PENSION LIABILITY

Figures in NOK million	2019	2018
Net defined benefit liability (asset) opening balance	128	132
Defined benefit cost included in P&L	4	(4)
Total remeasurements included in OCI	8	2
Employer contributions	(0)	(0)
Employer direct benefit payments	(2)	(2)
NET DEFINED PENSION LIABILITY	**138**	**128**

The pension plan assets are booked at fair value. 100% of the company's pension plan assets at the year-end are invested in insurance contracts. The plan assets gave a return of NOK 0,2 million in 2019. Nexans Norway closed the last active pension plan 31.12.2016.

Nexans Norway AS has a defined contribution plan for pension at 31st of December 2019. All employees hired as from 1st of February 2004 are included in the defined contribution plan.

10. Taxes

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
DEFERRED TAX FROM TEMPORARY DIFFERENCES				
Deferred tax over P&L				
Long-term construction contracts	-3 803	-4 134	-3 803	-4 134
Tangible fixed assets	-359	-331	-359	-331
Tax loss carried forward	0	717	0	717
Pension obligations	81	79	81	79
Restatement and netting of closed curtailment effects	0	0	0	-
Other items	199	79	197	85
TOTAL TEMPORARY DIFFERENCES OVER P&L	**-3 881**	**-3 590**	**-3 884**	**-3 584**
Deferred tax over OCI				
Remeasurement postemployment benefits through OCI	58	50	58	50
Restatement and netting of closed curtailment effects	-	0	0	0
Unrealised gains and losses from derivates	-45	121	-60	108
TOTAL TEMPORARY DIFFERENCES OVER OCI	**13**	**170**	**-2**	**158**
BASIS FOR DEFERRED TAX ASSETS / LIABILITIES	**-3 868**	**-3 420**	**-3 886**	**-3 426**
DEFERRED TAX/DEFERRED TAX ASSET FROM TEMPORARY DIFFERENCES 22% (23%)	**-851**	**-787**	**-856**	**-788**
Effect due to changes in tax rate over P&L	-	36	0	36
Effect due to change in tax rate over OCI	-	-2	0	-2
DEFERRED TAX LIABILITY IN THE BALANCE SHEET	**-851**	**-752**	**-856**	**-754**
Deferred tax related to items recognized through P&L	-853	-790	-854	-788
Deferred tax related to closed curtailment effects – netted	232	232	232	232
Deferred tax asset related to items recognized in OCI	3	39	0	36
Deferred tax asset related to closed curtailment effects – netted	-232	-232	-232	-232
DEFERRED TAX ASSET/TAX LIABILITY FROM TEMPORARY DIFFERENCES 22% (23%)	**-851**	**-752**	**-856**	**-752**

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
RECONCILIATION OF TAX EXPENSE				
Income before tax	1 035	866	984	837
Permanent differences	-163	-164	-13	6
Income under tonnage tax system	-	-	(99)	(150)
Taxable financial gain / loss tonnage tax scheme	-	-	4	-
TAX BASE FOR THE YEAR	**872**	**701**	**876**	**692**
Calculated tax – 22% (23%)	-192	-161	-193	-159
Prior year adjustments	-11	0	-11	0
Impact of foreign taxation	-14	-34	-14	-34
Impact change in tax rate	0	35	0	35
TAX EXPENSE FOR THE YEAR 22% (23%)	**-217**	**-160**	**-219**	**-158**
RECONCILLIATION OF EFFECTIVE TAX RATE				
22% (23%) of profit before tax	228	199	217	192
22% (23%) of permanent differences	-36	-38	-25	-33
Prior year adjustments	11	-	11	-
Foreign tax	14	34	14	34
Effect due to change of tax rate	0	-35	0	-35
TAX EXPENSE IN THE P&L	**217**	**160**	**219**	**158**
Effective tax rate	20,9 %	18,5 %	22,2 %	18,5 %
THE TAX COST COMPRISES OF:				
Taxes payable	-139	0	-140	0
Foreign tax	-14	-34	-14	-34
Deferred tax related to closed curtailment effects - netted	0	0	0	0
Change in deferred tax balance this year	-64	-112	-64	-110
Reclassification / prior year adjustment	0	-14	0	-14
TOTAL TAX COST	**-217**	**-160**	**-219**	**-158**

Net deferred tax liabilities as of 31.12.2019 were calculated with tax rate of 22%. The effect on tax expenses is specified in the table above in both the OCI and P&L. In 2019 the deferred tax in OCI and P&L from curtailment effects for the closed pension schemes were netted.

Nexans Skagerrak AS, a wholly owned subsidiary, entered the Norwegian tonnage tax system in 2009. On entry the company had to recognize a taxable gain. The gain must be recognized using declining balance method, by 20 % each year.

11. Equity

NEXANS NORWAY AS – Figures in NOK million	Share capital	Other paid-in capital options	Comprehensive income	Retained earnings	TOTAL
BALANCE AT 31. DECEMBER 2018	**463**	**8**	**-247**	**1 337**	**1 562**
CHANGES DURING YEAR:					
Net profit for the year				818	818
Extraordinary dividends paid				-420	-420
Proposed dividends				0	0
Effect of metal hedging			37		37
Effect of cash flow hedging in 2019			211		211
Netting of frozen curtailment effects			-	0	0
Remeasurement of post employment benefit obligation			(7)		-7
BALANCE AT 31. DECEMBER 2019	**463**	**8**	**-6**	**1 735**	**2 202**

NEXANS NORWAY AS – Figures in NOK million	Share capital	Other paid-in capital options	Comprehensive income	Retained earnings	TOTAL
BALANCE AT 31. DECEMBER 2017	**463**	**8**	**75**	**1 058**	**1 604**
CHANGES DURING YEAR:					
Net profit for the year				705	705
Extraordinary dividends paid				-425	-425
Effect of metal hedging			-272		-272
Effect of cash flow hedging in 2018			-3		-3
Impact of IFRS 15			-45		-45
Netting of frozen curtailment effects			0	0	0
Remeasurement of post employment benefit obligation			-2		-2
BALANCE AT 31. DECEMBER 2018	**463**	**8**	**-247**	**1 337**	**1 562**

CONSOLIDATED – Figures in NOK million	Share capital	Other paid-in capital options	Comprehensive income	Retained earnings	TOTAL
BALANCE AT 31. DECEMBER 2018	**463**	**8**	**-243**	**1 485**	**1 715**
CHANGES DURING YEAR:					
Net profit for the year				766	766
Extraordinary dividends paid				-420	-420
Proposed dividends				0	0
Effect of metal hedging			37		37
Effect of cash flow hedging in 2019			225		225
Netting of frozen curtailment effects			0	0	0
Remeasurement of post employment benefit obligation			-7		-7
BALANCE AT 31. DECEMBER 2019	**463**	**8**	**12**	**1 831**	**2 315**

CONSOLIDATED – Figures in NOK million	Share capital	Other paid-in capital options	Comprehensive income	Retained earnings	TOTAL
BALANCE AT 31.12.2017	**463**	**8**	**75**	**1 228**	**1 774**
CHANGES DURING YEAR:					
Net profit for the year				682	682
Paid in capital					0
Extraordinary dividends paid				-425	-425
Effect of metal hedging			-272		-272
Effect of cash flow hedging in 2018			1		1
Impact of IFRS 15			-45	0	-45
Netting of frozen curtailment effects			0	0	0
Remeasurement of post employment benefit obligation			-2		-2
BALANCE AT 31.12.2018	**463**	**8**	**-243**	**1 485**	**1 715**

The company's share capital is NOK 462,6 million, consisting of 462 600 common shares with a nominal value of NOK 1000 each. The shares are 100 % owned by Nexans Participations SA in France.

COMPREHENSIVE INCOME

Pensions in the table below are items that will not be reclassified to profit and loss, whereas "Hedging" in the same table are Items that may be subsequently reclassified to profit and loss.

Figures in NOK million	Nexans Norway AS				Consolidated			
	Hedging	IFRS 15	Pensions	Total	Hedging	IFRS 15	Pensions	Total
At January 1, 2018	112		(37)	75	112		-37	75
Actuarial gains and losses			(2)	-2			-2	-2
Reclassification		(45)		-45			0	0
Cash flow hedges				0		-45		-45
– Fair value gains in year	-335			-335				
– Tax on fair value gain	60			60	-328			-328
– Transfers to P&L or assets				0	57			57
– Tax on transfers to P&L or assets				0				
AT 31. DECEMBER 2018	**-163**	**(45)**	**(39)**	**-247**	**-159**	**-45**	**-39**	**-243**
Actuarial gains and losses			(8)	-8			-8	-8
Reclassification of Curtailment effects to retained earnings				0			0	0
IFRS 15 Implementation				0				0
Cash flow hedges								
– Fair value gains in year	284			284	300			300
– Tax on fair value gain	-35			-35	-34			-34
AT 31. DECEMBER 2019	**86**	**(45)**	**(47)**	**-6**	**107**	**-45**	**-47**	**14**

Nexans Norway AS is consolidated by Nexans SA in France. Office address: 4 allée de l'Arche, CS70088, 92070 Paris La Défense Cedex, France. The consolidated financial statement is available on: http://www.nexans.com or can be obtained by contacting the above address.

12. Remuneration to the board of directors, the chief executive officer (CEO) and the auditor or Nexans Norway AS

Remuneration to the CEO and the rest of the board of directors are included in the accounts with:

	CEO
Salaries	1 884 510
Bonus related to previous years	481 438
Other remuneration	219 047
Pension cost	125 691
Performance shares	346 391

The CEO and the Board of Directors have not received any remuneration for their services on the board during 2019. The Chairman of the Board of Directors is employed by another wholly-owned subsidiary of Nexans SA while the other member of the Board of Directors are employed by Nexans Norway AS.

Reported costs for audit fees amount to NOK 1 496 163 (1 569 363 for the group) in 2019. Fees for other attestation services amount to NOK 0. Fee for tax related services amount to NOK 0 and fee for other audit related services amount to NOK 0. All amounts are excluding VAT.

13. Operating revenues by geographical distribution and business area

Figures in NOK million	Nexans Norway AS and Consolidated			
	2019	%	2018	%
Norway	3 272	43 %	2 956	34 %
Remaining Scandinavia	392	5 %	442	4 %
Great Brittain	1 181	16 %	1 944	20 %
Italy	93	1 %	265	8 %
Spain	365	5 %	51	0 %
France	154	2 %	34	0 %
Remaining Europe	871	11 %	127	6 %
East Asia	437	6 %	176	5 %
Middle East	116	2 %	523	4 %
North America	354	5 %	178	10 %
Rest of the World	344	5 %	39	8 %
TOTAL	**7 580**	**100 %**	**6 735**	**100 %**
Energy networks	352	5 %	333	5 %
Fiber communication cables	287	4 %	246	4 %
Installation cables	2 393	32 %	610	9 %
High voltage cables and Hybrid underwater cables	4 003	53 %	5 049	75 %
Special Telecom	544	7 %	496	7 %
TOTAL	**7 580**	**100 %**	**6 735**	**100 %**

Operating revenues are allocated based on where the customer is located.

14. Other liabilities

Figures in NOK million	Nexans Norway AS		Consolidated	
OTHER SHORT TERM LIABILITIES	**2019**	**2018**	**2019**	**2018**
Other short-term liabilities	270	190	277	191
Short-term warranties	0	79	0	79
Salary related accruals	297	269	297	269
Other project related accruals	2	45	2	45
Restructuring reserve	10	7	10	7
Lease liability current (1)	54	0	54	0
Interest bank loan	6	0	6	0
TOTAL OTHER SHORT-TERM LIABILITIES	**639**	**591**	**646**	**592**

Figures in NOK million	Nexans Norway AS		Consolidated	
OTHER LONG-TERM LIABILITIES	**2019**	**2018**	**2019**	**2018**
Long-term warranties	61	68	61	68
Lease liability non current (1)	283	0	283	0
Bank loan (2)	514	0	514	0
Capitalized upfront fee related to bank loan (2)	-17	0	-17	0
TOTAL OTHER LONG-TERM LIABILITIES	**841**	**68**	**840**	**68**

1) These debts are as a result of the appliaction of IFRS 16 from 1, January 2019 see note 1 under leasing.
2) The amount recognized as bank loan and capitalized upfront fee is related to borrowing associated with financing the construction of a cable laying vessel in one of Nexans Norway AS sudsidiaries Nexans Subsea AS.

15. Long-term contracts and warranty provisions

Figures in NOK million	Nexans Norway AS			
SALES FOR 2019 ARE AS FOLLOWS Sales (in millions of NOK)	Building & Territories	High Voltage & Projects	Telecom &Data	Total
Performance obligations satisfied at a point in time	1 100	5 936	544	7 580
Performance obligations satisfied over time	-	-	-	-
NET SALES AT CURRENT METAL PRICES	**1 100**	**5 936**	**544**	**7 580**
Performance obligations satisfied at a point in time	1 100			1 100

Figures in NOK million	2019		2018	
	Sales of goods	Goods and services contracts	Sales of goods	Goods and services contracts
Contract assets	-	235		567
Contract liabilities		1 758	58	1 827

The NOK 263 million increase in contract liabilities, net of contract asset, reflects:

- Billing of items included in the opening balance (negative impact of appr NOK 480 million)
- Reduction in timing differences between the satisfaction of the performance obligation and Nexans Norway AS obtaining enforceable rights to payment (negative impact of appr. NOK 640 million), partly offset by

i) A net decrease in advance received, (positive impact of appr. NOK 100 milllion), and
ii) Revenue recognized by the percentage of completion method on projects in progress at the beginning of the year (positive impact of NOK 760 million)

GOODS AND SERVICES CONTRACTS

Contract assets correspond mainly to revenue recognized in respect of services rendered but not yet invoiced at the period-end.

Amounts recorded in "Contract assets" are transferred to "Trade receivables" when the Nexans Norway AS obtains an enforceable right to payment.

UNSATISFIED PERFORMANCE OBLIGATIONS

Sales of goods

Due to the nature of the business, performance obligations related to sales of goods are satisfied within the short term. Consequently, no details are provided of unsatisfied performance obligations.

Goods and services contracts

Goods and services contracts mainly concerns the Nexans Norway AS high-voltage cable and umbilical cable activities and submarine telecom. 85 % of the amount of unsatisfied performance obligations for these activities should be satisfied over the next two years.

16. Related parties (Nexans)

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Sales to Nexans companies	97	71	97	71
Purchase from Nexans companies	939	1 152	639	816
Accounts receivables from Nexans companies	63	60	61	58
Loans to Nexans companies	2 389	1 690	2 514	1 690
Acquired sales- still not invoiced	0	0	0	0
Other short term liabilities to Nexans companies	116	29	116	29
Accounts payables to Nexans companies	54	108	20	59
Interest income from Nexans Companies	10	5	11	5
Interest expense from Nexans companies	0	0	0	0

Nexans Norway AS cooperates with the Nexans Group in research and development and the company pays an R&D charge to a common financing pool. Nexans Norway does also receive financing from that pool for its own R&D work. Nexans Norway AS pays charges to Nexans for administrative services and for cooperation regarding exports.

17. Research and development

The company has spent NOK 145 million on R&D in 2019 (NOK 199 million in 2018).

18. Government grants

The company has received NOK 7 million in 2019 out of NOK 8,2 approved (NOK 14,6 million in 2018) in subsidies from Norges Forskningsråd and NOK 13,6 million approved in subsidies from EU Best Parth project. The approved amounts from Norges Forskningsråd and EU Best Parth project as been recognized in the income statement for 2019.

Amounts received are reported as a reduction of other operating expenses.

19. Other operating costs

Figures in NOK million	Nexans Norway AS		Consolidated	
	2019	2018	2019	2018
Rental expenses	18	105	18	105
Travel expenses	78	79	78	79
Consultants and other services	288	279	288	279
Repair and maintenance	57	90	57	90
Tools and supplies	80	199	80	199
Sales and marketing cost	25	27	25	27
Restructuring cost	13	0	13	0
Other costs	179	58	342	217
OTHER OPERATING COSTS	**737**	**837**	**899**	**996**

Rental expenses are excluding the rental of boat from Skagerak AS NOK 300 mill which is presented as a part of raw material and consumbles.

20. Investment in subsidiaries

	Aquired	Office	Ownership	Voting rights
Nexans Skagerrak AS	01.12.08	Oslo	100%	100%
Nexans Saudi Contracting	01.02.10	Oslo	90%	90%
Nexans Subsea Operations	09.08.17	Oslo	100%	100%

21. Claims and contingencies

On April 7, 2014, Nexans France SAS and Nexans, société anonyme, were notified of the European Commission's decision which found that Nexans France SAS had directly participated in a breach of European antitrust legislation in the submarine and underground high-voltage power cable sector.

In early July 2014, Nexans France SAS paid 70.6 million euro fine imposed on it by the European Commission. Nexans, société anonyme, was held jointly liable for the payment of a portion of the fine imposed by the European Commission. Nexans France SAS and Nexans, société anonyme have appealed the European Commission's decision to the General Court of the European Union.

The appeal was dismissed on July 12, 2018. Nexans France SAS and the Nexans, société anonyme then lodged an appeal before the European Court of Justice. This action is still pending, with the Advocate General's Opinion and the subsequent judgment expected during the first half of 2020.

Certain investigations are still pending outside of Europe. No investigation by competition authorities, and in particular by Norwegian competition authorities, have been conducted against Nexans Norway.

As an indirect consequence of the European Commission's decision, certain Group entities received in April 2019, claims from customers filed before the courts in the United-Kingdom, the Netherlands and Italy against Nexans and other defendants.

In addition, one of the Group's competitors, which has been subject to follow-on damage claims in the United Kingdom

since 2015, has filed a contribution claim against the other cable producers sanctioned by the European Commission, including Nexans France SAS and Nexans S.A. The contribution claim is currently stayed, pending the result of the main proceedings.

Nexans, société anonyme has recorded a sufficient contingency provision to cover all the investigations mentioned above as well as damages claims by customers based on management's assumptions that take into account the consequences in similar cases and currently available information.

As communicated by Nexans, société anonyme, there is still uncertainty as to the extent of the risks related to potential claims and/or fines and an unfavorable outcome of the antitrust proceedings and/or investigations, as well as the associated consequences, may have a material adverse effect on the results and thus the financial position of the Nexans Group.

22. Subsequent events

The Covid-19 outbreak has led to a significant slowdown in many markets. There is high uncertainty related to how this will impact the Norwegian and International markets in both the short and long term. Governments in Norway and abroad are continuously releasing relief packages to support business in this very critical period.

At the time of the Board of Directors' approval of this annual report, there is significant uncertainty concerning the financial impacts from the virus outbreak, both short- and long-term. The Board of Directors acknowledges that this situation might impact the company's activity. However, the company has at the time of reporting sufficient liquidity. The Board of Directors considers that at the date of signing the balance sheet, there is no significant risk that the going concern assumption does not hold.

Oslo, 30 April 2020

DocuSigned by:
Mr. Vincent Dessale
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Vincent Guy Roger Dessale
Chairman

DocuSigned by:
Ragnhild Katteland
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Ragnhild Apeland Katteland
Board member/ Chief Executive Officer

DocuSigned by:
Vegar Syrveit Larsen
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Vegard Syrveit Larsen

DocuSigned by:
A Krister Granlie
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Anders Krister Granlie

DocuSigned by:
Hans Petter Anker Bærem
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Hans Petter Anker Bærem

DocuSigned by:
Stian Volden
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Stian Volden

DocuSigned by:
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Hanne Andresen

MAZARS

To the Shareholders' Meeting of

Nexans Norway AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nexans Norway AS (the Company), in our opinion:

- The financial statements are prepared in accordance with the law and regulations
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9.
- The accompanying financial statements give a true and fair view of the financial position of the group as at December 31, 2019, and (of) its financial performance and its cash flows for the year then ended in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet at 31 December 2019, income statement, statement of comprehensive income, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the financial statements of the group, which comprise the balance sheet at 31 December 2019, income statement, statement of comprehensive income, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards 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 as required by laws and regulations, 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.

MAZARS

Other Information

Management is responsible for the other information. The other information comprises the information included in Directors' report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, 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 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 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 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 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.

Refer to https://revisorforeningen.no/revisjonsberetninger which contains a description of Auditor's responsibilities.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MAZARS

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo,30.04.2020
Mazars Revisjon AS

Rune Jalving
State Authorized Public Accountant


Nexans
BRINGS ENERGY TO LIFE


Nexans

ABOUT NEXANS AND NEXANS NORWAY

Nexans Norway AS is a leading supplier of power, telecommunications, installations and heating cables in Norway, and is among the world's leading manufacturers of offshore control cables and high-voltage submarine cables. The company's head office is in Oslo, and it has manufacturing plants at Rognan, Langhus and Halden. The company has nearly 1,600 employees and is a part of the Nexans Group which has an industrial presence in 40 countries and commercial activities worldwide. Nexans employs close to 26,000 people and is listed on the Paris stock exchange.

More information on www.nexans.no

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