NKT

Annual Report 2022

We connect a greener world

Company Reg: 6272 5214

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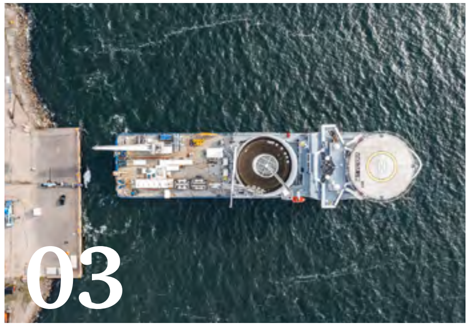


Cover photo

High-voltage offshore power cables stored on a turntable in NKT’s factory in Karlskrona, Sweden.

NKT’s reports for 2022

Sustainability Report
Remuneration Report
Corporate Governance Report

Introduction

As a company dedicated to power cable technology, NKT's purpose is to connect you, us and society to a greener world. With the global community moving towards clean and renewable energy, NKT delivers value by enabling sustainable energy transmission. NKT was founded more than 130 years ago and is today growing its business, driven by the electrification of societies and the transition to renewable energy. Together, we connect a greener world.

NKT Victoria is one of the world's most advanced and fuel-efficient cable-laying vessels. The two turntables on the vessel have a combined capacity of 9,000 tonnes high-voltage power cables.

NKT at a glance

Founded in

1891

Main production sites

10

Average number of employees

4,062

Cable-laying vessel

1

Registered shareholders

+31,000

Reduction of scope 1 and 2 carbon emissions since 2019

79%

NKT's main sites are located across Northern Europe

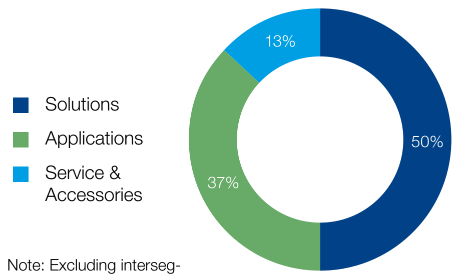
NKT's ReNew BOOST strategy will help enable the green transition

Let's Grow

Let's Innovate

Let's Drive Sustainability

Business lines, Revenue split (std. metal prices)



Note: Excluding interseg-ment transactions

Letter from the Chair and the CEO

Growing to enable a greener future and interconnected grid

The past year has been extraordinary. The world around us has become volatile with war, supply chain disruptions, high inflation, and in Europe, an energy crisis with associated price surges. These are all factors impacting households and companies. Although these undesired developments affect NKT, we are relieved to have steered the company through 2022 with satisfactory financial performance. Our results form the basis for further growth.

An interconnected power grid will enable the transition to renewable energy

It would be very hard to imagine our modern societies without a reliant supply of energy. The decarbonization of society through the ongoing transition to increased renewable energy generation can only be upheld if we ensure efficient supply of electricity. While the green transition has been high on the political agendas for several years, the energy crisis and risk of scarcity emerged as a key concern in 2022. The urgency to become independent of the supply of natural gas from Russia was fuelled by the war in Ukraine. A part of the solution will be to speed up the transition to renewable energy and build an interconnected power grid with upgraded, future-proof capacity to handle the increase in green electricity.

Renewable energy projects are being developed across the world. Northern Europe is a front runner on offshore wind and large interconnector projects. In the US, the transition is gaining speed and key projects such as Champlain Hudson Power Express, which will bring renewable hydro power from Canada to New York City, will drive the green transition forward. We expect to see even more ambitious projects in the coming years. Governments and power project developers should work to ensure predictability and efficient permitting processes for large infrastructure projects. An ambitious and long-term plan for upgraded and interconnected power grids globally is needed to ensure optimal transmission and use of renewable energy. Without a plan, the transition will stall.

We will grow and continue connecting a greener world

Upgraded and interconnected power grids will mean a significant increase in demand for particularly medium- and high-voltage power cable solutions. Current power cable production capacity across the world is not expected to be able to meet this increase in demand. In 2022, NKT launched an updated strategy building upon the previous strategy, which successfully returned the company to net profit in 2021.

With the updated strategy ReNew BOOST, NKT will grow the business to meet the increasing demand for power cable solutions. We want to be a responsible and sustainable supplier of power cable solutions needed for the transition to renewable energy. Our established market position and innovative skillset, as well as a strong focus on sustainability, form the foundation for an even stronger presence in the power cable industry.

In recent years NKT has demonstrated the ability to accelerate growth. From 2019 to 2022, we have grown our revenues organically by 15% every year. This has been a significant step-up compared to growth rates before this period. With the updated strategy, we will continue to lift the financial performance of the company and have upgraded the medium-term ambitions for 2025.

Investments are required for future growth

NKT is ready to invest across business lines. In Solutions, additional high-voltage DC (Direct Current) manufacturing capacity and capabilities has

been added in recent years to support profitable growth. Subject to new, significant high-voltage project awards, NKT is preparing to expand production and installation capacity even further to be able to meet the increasing market demand.

In the Applications and Service & Accessories business lines, we invest in technology, innovation and geographical expansions into new segments and markets to complement the existing presence in Europe.

In order to have flexibility to act on the growth opportunities, particularly in the high-voltage power cable market, NKT will propose to increase its share issuance authorization at the upcoming Annual General Meeting in March 2023.

During 2022, we reached key milestones within the current high-voltage investment programme. At the factory in Karlskrona, Sweden, the construction of a new extrusion tower was completed. The programme also included a new high-voltage power cable test centre and a new extrusion line at the factory in Cologne, Germany, as well as ongoing investments in new machinery and logistics. Further, various footprint changes to increase cost competitiveness across Applications and Service & Accessories werecompleted. Investing in people, technology and manufacturing capabilities will continue to be key to staying competitive and securing future success.

NKT is taking a leading position within sustainability

During the year, we continued our journey to net zero emissions by 2050. From 2019 to 2022, we have reduced our emissions by 79%, primarily driven by the switch to electricity originating from renewable energy sources at all production sites, but also through multiple other smaller initiatives. In 2022, we updated our sustainability strategy with long-term targets and commitments to ensure continued positive development.

Our target is to reduce our corporate CO_2e emissions by

90%

in 2030 compared to 2019. Up until 2022, we have achieved a reduction of 79%

Jens Due Olsen
Chair of the Board of Directors
NKT A/S

> **“We see a growing demand for power cables which are required to ensure optimal and reliable transmission of renewable energy”**
>
> Jens Due Olsen

Alexander Kara
President & CEO
NKT A/S

A significant part of NKT's carbon footprint is attributable to the supply chain and we are collaborating with key suppliers to reduce emissions from materials. A key achievement in 2022 was the agreement with project developers SSE Renewables, Equinor and Eni Plenitude, to produce power cables for the offshore wind farm, Dogger Bank C, using low-carbon copper sourced from Sweden. The initiative will reduce the carbon footprint of the high-voltage DC power cables by more than 35%.

As part of our commitment to connect a greener world based on responsible and ethical behaviour, NKT continues to promote safety, diversity and equality across the organization. During the year, NKT hosted the first global safety week to raise awareness of physical and psychological safety and our general principle to 'work safe or do not work at all'.

In 2022, the ESG board committee was established to provide oversight of ESG strategies and programmes with the overall purpose to support the sustainable growth of the company. We aspire to continue to advance and identify additional ESG actions in the coming years.

2022 provides a strong foundation for realizing growth ambitions

Our businesses emerge from 2022 with improving financial performance, a high-voltage order backlog, which reached a record level, and consequently an attractive position for further growth. The performance was achieved despite war, disruptions to global supply chains, high inflation, and in Europe, an energy crisis impacting many households and companies.

The agreement to divest NKT Photonics is pending authority approvals and expected to be completed around the end of Q1 2023. This marks the final step in the process to fully focus NKT on the core business of power cable solutions. The proceeds from the divestment will enable further profitable growth in NKT.

People, leadership and collaboration is our key to success

Our employees and leadership teams deserve a special thank you for a well-executed year despite the challenges of 2022. We would also like to extend a warm welcome to the more than 800 new colleagues that joined us during the year, adding skills and diversity to our company.

On behalf of the Board of Directors and the Executive Management, we extend our sincere thanks to all shareholders, customers and business partners. We value these strong relationships and attribute a large part of our success in 2022 to you. Now we look confidently into 2023 as we pursue our strategic priorities and continued growth ambitions. Together, we connect a greener world.

"Our employees are key to our continued success. We will continue to recruit and invest in talented people to support our growth journey"

Alexander Kara

Jens Due Olsen
Chair of the
Board of Directors
NKT A/S

Alexander Kara
President & CEO
NKT A/S

Key highlights 2022

NKT continued to improve its financial performance in 2022. The results were in the high end of the financial outlook provided at the beginning of the year and have strengthened NKT's foundation to grow further.

Revenue (std. metal prices), EUR

1,447m

EUR 1,263m in 2021.
Solutions and Applications contributed with improved revenues. Organic growth rates were 21% in Solutions, 19% in Applications and -11% in Service & Accessories. Revenues measured in market prices increased to EUR 2,079m in 2022 from EUR 1,828m in 2021

Operational EBITDA, EUR

155m

EUR 131m in 2021.
The increased earnings level was driven by Solutions, while Applications was flat compared to 2021 as higher revenues were offset by higher input costs and Service & Accessories decreased on the back of a high comparison base. Reported EBITDA increased to EUR 155m in 2022 from EUR 118m in 2021

Free cash flow (excl. acquisitions & divestments), EUR

109m

EUR -4.5m in 2021.
The positive earnings contribution and development in working capital outweighed the continuation of planned investments to upgrade the high-voltage production sites in 2022

RoCE

6.6%

3.4% in 2021.
RoCE increased due to the higher earnings contribution. This is expected gradually to improve in the years ahead when the anticipated earnings contributions from the record high-voltage order backlog and recent years' investments materialize

High-voltage order backlog, EUR

4.7bn

EUR 2.9bn at end-2021.
The record-high level was driven by project awards across technologies in 2022. The main contributors were the order for the SuedOstLink 2nd system in Germany and the turnkey contract for the Champlain Hudson Power Express in the USA. Both projects are large high-voltage DC transmission systems

Issuance of green hybrid securities , EUR

150m

Issued in September 2022.

The proceeds will be applied for financing sustainable investments in accordance with NKT's Green Finance Framework. The new green issuance replaced the existing EUR 150m hybrid securities that were redeemed

Note: All figures are from continuing operations

5-year financial highlights

Amounts in EURm	2022	2021	2020	2019	2018 [1]
Income statement					
Revenue	2,079	1,828	1,403	1,268	1,429
Revenue in std. metal prices** [3]	1,447	1,263	1,087	945	1,080
Operational EBITDA ** [6]	154.5	131.1	56.7	15.1	70.2
One-off items ** [5]	0.1	-12.7	-9.9	-12.0	-29.5
EBITDA	154.6	118.4	46.8	3.1	40.8
Amortization, depreciation and impairment	-85.4	-94.5	-85.2	-90.8	-79.4
Operational EBIT** [7]	69.1	36.6	-28.5	-75.7	-9.2
EBIT	69.2	23.9	-38.4	-87.7	-38.6
Financial items, net	9.1	-8.2	-11.5	-11.6	-7.7
Earnings before tax (EBT)	78.3	15.7	-49.9	-99.3	-46.3
Profit from continuing operations	55.1	11.9	-63.5	-78.5	-48.3
Profit from discontinued operations	7.3	-7.8	-11.0	2.5	2.0
Net result	62.4	4.1	-74.5	-76.0	-46.3
Cash flow					
Cash flow from operating activities	298.2	208.8	135.6	117.8	-46.4
Cash flow from investing activities	-204.8	-211.2	-90.8	-52.3	-49.1
hereof investments in P,P&E	*-156.1*	*-184.5*	*-61.3*	*-28.5*	*-23.7*
Free cash flow	93.4	-2.4	44.8	65.5	-95.5
Balance sheet					
Share capital	115.4	115.4	115.4	115.4	115.4
Group equity	1,143.8	1,159.9	1,076.4	803.8	895.6
Total assets	2,767.4	2,553.4	2,150.6	1,789.6	1,859.3
Net interest-bearing debt** [8]	-54.8	13.2	-25.9	242.2	248.3
Capital employed** [9]	951.1	1,173.1	940.0	942.0	1,065.3
Working capital** [10]	-303.0	-59.6	-164.5	-143.3	-16.2

Amounts in EURm	2022	2021	2020	2019	2018 [1]
Financial ratios and employees					
Operational EBITDA margin, continuing operations (std. metal prices)**	10.7%	10.4%	5.2%	1.6%	6.5%
Gearing (NIBD as % of Group equity)**	-5%	1%	-2%	30%	28%
NIBD relative to operational EBITDA** [11]	-0.4	0.1	-0.4	8.2	3.1
Solvency ratio (equity as % of total assets) ** [12]	41%	45%	50%	45%	48%
Return on capital employed (RoCE) ** [13]	6.6%	3.4%	-2.9%	-7.2%	-0.8%
Number of DKK 20 shares ('000)**	42,976	42,976	42,976	27,260	27,126
EPS, continuing operations, EUR [1]	1.1	0.1	-2.3	-3.2	-2.1
Diluted EPS, continuing operations, EUR [2]	1.1	0.1	-2.3	-3.2	-2.1
Equity value, EUR, per outstanding share** [14]	23	23	22	24	27
Market price, DKK, per share**	391	316	271	161	89
Average number of employees**	4,062	3,775	3,390	3,299	3,423

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases 1st January 2019.
[1-14] Definitions appear in Section 7.4 in the consolidated financial statements.
** Alternative performance measures

Financial outlook

2023

Revenues (in std. metal prices) are expected to be approx. EUR 1.75–1.85bn, and operational EBITDA is expected to be approx. EUR 185–215m.

The main contributor to the improved financial performance from 2022 to 2023 is expected to be Solutions, driven by the expanded production sites and execution of the large high-voltage order backlog.

Applications and Service & Accessories are also expected to contribute positively. However, Applications is entering 2023 with higher uncertainty than usual, given the fast-changing input cost environment and the weak construction sentiment due to the macroeconomic slowdown.

The financial outlook is based on several assumptions including:

- Satisfactory execution of high-voltage projects
- Award of additional high-voltage projects with financial impact in 2023
- Profitability improvement in Applications
- Satisfactory offshore power cable repair work activity
- Limited financial impact due to the uncertain global macroeconomic environment, supply chain challenges, and the high inflationary pressure

The financial outlook does not include discontinued operations and the potential accounting gain that will derive from the expected divestment of NKT Photonics.

Medium-term ambitions

In September 2022, NKT upgraded its medium-term financial ambitions to: Organic growth with a CAGR of above 12% from 2021-2025, operational EBITDA margin (std. metal prices) of approx. 12-16% by 2025, and RoCE of above 12% by 2025.

The medium-term ambitions are based on several assumptions including:

- Satisfactory execution of high-voltage projects
- Stable development of the global economy
- A competitive environment supporting the current favourable supply/demand balance
- Stable supply chain with limited disruptions and access to the required materials and services

All business lines are expected to contribute to the improved financial performance with Solutions expected to be the main contributor.

In Solutions, NKT needs to deliver satisfactory project execution of the record-high order backlog. Additionally, it is a prerequisite continuously to be successful in relevant high-voltage project tenders across market segments and to ensure that the projects awarded are based on satisfactory terms and conditions. Winning relevant orders will support optimal asset utilization.

In Applications, NKT aims to grow revenues based on its positioning in markets driven by sustainable growth trends. NKT will invest selectively in debottlenecking existing sites to facilitate growth. NKT needs to see continued improvements of operational and commercial excellence.

In Service & Accessories, the overall focus area is to maintain growth momentum. This will be achieved through various initiatives such as expanding geographical coverage and pursuing business opportunities. NKT should benefit from strengthening specialized competence centres.

Financial outlook 2023

Revenue (std. metal prices), EUR	Operational EBITDA, EUR
~1.75–1.85bn	~185–215m

Medium-term ambitions

Organic growth CAGR	Operational EBITDA margin (std. metal prices)	RoCE
>12% from 2021-2025	~12–16% by 2025	>12% by 2025

Divestment of NKT Photonics

In 2022, NKT entered into an agreement to divest NKT Photonics. The closing of the transaction is expected to take place around end-Q1 2023. Together with the previous divestment of its subsidiary LIOS, this completes the review of strategic alternatives for NKT Photonics.

Agreement to divest NKT Photonics

In June 2022, NKT entered into an agreement to divest NKT Photonics to Photonics Management Europe S.R.L, a 100% owned subsidiary of Hamamatsu Photonics K.K., which is a Japanese company engaged in developing photoelectric devices and application products. The transaction has a total enterprise value of approx. EUR 205m.

The closing of the transaction is subject to regulatory approvals being optained with remaining jurisdictions expected to take place around end-Q1 2023.

The agreement to divest NKT Photonics, together with the previous divestment of the subsidiary LIOS announced in March 2022, concluded the review of strategic alternatives with the objectives of maximizing value creation and positioning both NKT and NKT Photonics for long-term growth.

The divestment marks the final step in the process to fully focus NKT on its core business within power cable solutions, where NKT has ambitions to continue to grow in the coming years. The proceeds from the NKT Photonics divestment will be used to strengthen NKT's balance sheet and enable strategic, organic growth opportunities.

Financial performance in 2022

NKT Photonics' revenues grew organically by 23% in 2022 and increased to EUR 86.5m. The growth was driven by positive development in the Industrial and Medical & Life Science segments with particularly strong sales to semiconductor and ophthalmology customers.

Operational EBITDA in 2022 was EUR 8.8m, up from EUR 7.5m in 2021. The higher level was driven by the revenue growth, which outweighed higher input costs that impacted earnings negatively in 2022. NKT Photonics posted EBITDA of EUR 14.6m as one-off items were EUR 5.8m. These comprised costs associated with the divestment of EUR 2.2m and the accounting gain of EUR 8.0m related to the divestment of the LIOS sensing business.

For NKT Group, this led to a net result from discontinued operations of EUR 7.3m in 2022, compared to EUR -7.8m in 2021. This was due to the improved EBITDA and lower depreciations as assets held for sale are not depreciated.

In February 2022, NKT Photonics introduced the following financial outlook for 2022: Organic revenue growth of approx. 12-17%, and an EBITDA margin (adjusted to operational EBITDA margin following the accounting gain related to LIOS) of approx. 11-14%. The outlook was introduced before the divestment agreement was signed.

NKT Photonics did better than initial revenue expectations as organic growth was 23%, while the operational EBITDA margin was 10.2%.

For accounting and reporting purposes, NKT Photonics is presented as discontinued operations and assets held for sale in this report.

See more detailed financial information on discontinued operations in Section 6.3 on page 88.

Group review and markets

NKT is well positioned to take advantage of the significant growth opportunities that the green energy transformation implies for the power cable markets. In 2022, NKT launched its updated strategy ReNew BOOST that outlined ambitions to grow further.

High-voltage power cables are being loaded from the factory in Karlskrona, Sweden. This is one of the world's largest sea cable production plants (XLPE and MI).

Business model

NKT is connecting a greener world with high-quality cable solutions for on- and offshore power transmission.

Resources

People
NKT's core consists of a diverse, engaged and highly skilled workforce

Innovation
More than 130 years of pioneering the power cable industry with innovative technology for the future

Partners
NKT's business is built on long-standing relations and strong partnerships

Business

Value creation

A greener world
Sustainability is at the heart of NKT with a strong focus on connecting a greener world and delivering net-zero emissions by 2050

Societal value
NKT has a strong focus on ensuring equal opportunities in the organization, actively engaging in local communities and operating according to high safety standards

Customer value
NKT supports its customers with extensive experience, high quality solutions and services and strong project execution

Shareholder value
NKT is creating shareholder value trough business performance

Business lines

Solutions
Specialized in high-voltage power cable solutions for on- and offshore installation

Applications
Markets building wires, low- and medium-voltage power cable solutions

Service & Accessories
On- and offshore power cable services and a full portfolio of accessories for medium- and high-voltage power cable systems

Markets and megatrends

As a pure play power cable solutions provider, NKT serves the market with solutions to bring power from electricity generation to consumption.

This covers the high-voltage transmission and medium-voltage distribution power grids to lower voltage building wires. Across market segments, technological progress has been an important market driver to ensure efficient and safe allocation of power. Future growth is to a large degree expected to be driven by development of high-voltage DC technology, where NKT is among the leading companies.

As a result of several market drivers, the power cable market is growing and this is expected to continue in the years ahead. NKT is well-positioned to benefit from this positive trend since its offering includes power cable system and service solutions across all voltage and capacity levels.

Many areas and decisions are set to play an important role for the future market development. NKT sees three megatrends having the greatest impact on the power cable market in the coming years: **Sustainability**, **Electrification** and **Digitalization**.

Sustainability

As countries and companies seek to reach their sustainability targets, an increasing focus on renewable energy sources is expected.
In recent years, the yearly renewable energy additions have continuously increased. By 2050, approximately two thirds of the energy supply is expected to come from renewables[1], with the USA aiming for 30 GW offshore wind generation by 2030, and Europe for at least 60 GW by 2030 and 300 GW by 2050. The transition away from conventional power is high on the global agenda to reduce carbon emissions. This leads to significant market opportunities in the power cable industry[2]:

- Total annual energy investments are expected to surge to around EUR 5,000bn by 2030
- New global electricity generation capacity from wind is expected to be 3x from 2020 to 2030, with strongest growth expected from offshore wind
- New global electricity generation capacity from solar is expected to be 6x from 2020 to 2030

This development will highly impact several parts of the power cable market. Within the high-voltage market, DC (Direct Current) solutions will increase relative to AC (Alternating Current) as renewable energy sources will need to be connected to consumers over long distances. Further, medium-voltage power cables will be required from wind and solar parks to substations and beyond, and a power grid that can enable distribution of the renewable energy must also be ensured.

Apart from sustainability driving the overall electricity and power cable demand, NKT also sees that sustainability-related requirements will play a larger role in the supply chain. This will cover low-carbon solutions and environmentally friendly materials and compounds e.g. lead-free and halogen-free technical solutions.

Expected impact on power cable market segment

High-voltage	Low- and medium-voltage	Services
High	High	Medium

1 IEA Net Zero by 2050 – May 2021
2 IEA World Energy Outlook 10/2021, "Net Zero Pathway"; NKT desk research

Electrification

In an effort to reduce their carbon footprint, consumers and companies are demanding electrical power solutions to substitute traditional carbon-based power systems. Power grid operators must accommodate increased demand from non-traditional electrical power consumers such as electric vehicles, heat pumps and industrial motors. Electrification of cities and increased adoption of electrified public transportation will also require more power and will lead to more localized demand.

The result is an increase in power grid expansions and strengthening programmes for existing electrical grids. This is to manage the more volatile electrical supply-demand mix and changing distribution and micro-generation patterns. This will require more high- and medium-voltage power cable systems and services.

Expected impact on power cable market segment

High-voltage

High

Low- and medium-voltage

High

Services

Medium

Digitalization

Digitalization continues to be a major global efficiency driver across industries. For power cables, this impacts the demand for smart power cable solutions that support data collection and monitoring for optimization, and reduction of the risk of failure through preventive maintenance.

The impact of digitalization can most visibly be seen for the low- and medium-voltage segment, including solutions for the telecom power cable market. In addition, it is important to monitor operations within servicing of power cable systems. The unstable global geopolitical situation has led to an increased focus on securing critical infrastructure such as power cables so as to ensure stable conditions.

Apart from the power cables themselves, digitalization can be utilized as a lever for factory automatization, supply chain integration and improved customer interfaces. As such, digitalization continues to impact everything NKT does.

Expected impact on power cable market segment

High-voltage

Medium

Low- and medium-voltage

High

Services

Medium

Macroeconomic environment

Apart from the overall megatrends impacting the power cable market, the world has seen significant events in 2022. Market uncertainty increased due to Russia's invasion of Ukraine, which triggered an energy crisis in Europe. Globally there have been high inflation, volatile raw materials prices, rising interest rates and foreign-exchange fluctuations as a result of the uncertain economic landscape. Following the political and economic development in 2022, supply chains have been disrupted and sourcing of certain raw materials has become more challenging.

In the power cable market, this has increased companies' focus on protecting profitability margins and ensuring access to raw materials to meet customer demand. However, it has also strengthened the market outlook as the need to have stable energy supplies has been underlined.

The impact on the various market segments has differed and will be described in more detail in the Business line section.

ReNew BOOST strategy

In 2022, NKT introduced its updated strategy: ReNew BOOST. The strategic direction rests on three main pillars: growth, innovation and sustainability.

Let's Grow | Let's Innovate | Let's Drive Sustainability

Over the past few years, NKT has delivered improved performance across several parameters. The ReNew strategy launched in 2020 successfully returned NKT to net profit, strengthened the balance sheet and led to investments in growth.

Now it is time to progress further – to take advantage of the tailwinds in the form of strengthened megatrends that are supporting the future of NKT. The green transition is accelerating in Europe and other parts of the world, and electrification of societies is gaining pace.

The future of energy is green, and NKT will continue to play a central role in connecting a greener world with innovative power cable solutions and services. The three pillars of ReNew BOOST will guide NKT's strategic direction in the years to come.

Let's Grow

NKT will continue to support the green transition by selectively investing and expanding into new markets in all three business lines. NKT will continue its positive financial development, driven by the market opportunities expected from the green transition to renewable energy. In addition, the increased need for transmission security from the power source to the end-consumers will support growth. NKT is in a strong position to grow its business in a value-creating and profitable way.

NKT Lighthouse, a beacon of the green transition

In October 2022, NKT inaugurated its second extrusion tower at its high-voltage production site in Karlskrona, Sweden. The extrusion tower symbolizes NKT's leading role in the green transition and within advanced high-voltage technology. The tower will play a central role in the execution of the large high-voltage order backlog and prepare NKT for the expected increase in the high-voltage power cable market.

The tower is a key part of the company's ongoing investments across its business. These investments also included upgrades and expansions within all three business lines.

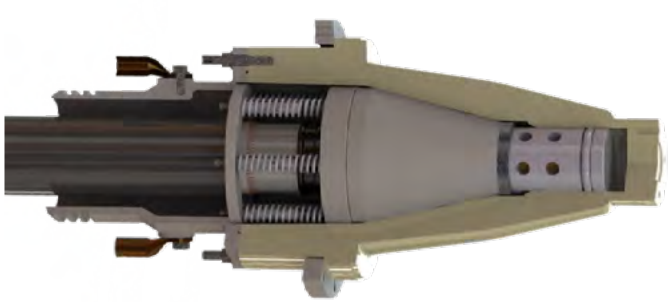
Let's Innovate

NKT will continue to deliver leading power cable products, services and solutions. There is and will continue to be a strong focus on innovation. This is to ensure that NKT's solutions are at the leading edge and support the requirements of the market and the green transition.

NKT will strengthen its position as one of the technologically leading companies in the power cable industry through innovations to meet customer demand. NKT is focused on developing the next generation of high-voltage power cable technology, including technology for deeper sea installation, dynamic cables, higher performance and lower losses. A focus area will be to continue strengthening internal capabilities as well as collaborating with key technology institutions and universities to develop new materials and state-of-the-art solutions.

New 145kV connector improves support for offshore wind

In 2022, the accessories business introduced its first outer cone T-Connector for 145kV. It has been designed to address the increase in voltage levels in offshore wind projects. The new T-connector will offer various advantages in power cable routing to switchgear and transformer stations when voltage levels are increasing on inter-array and tower cables. This expands NKT's current offering of offshore wind connectors.



Outer cone T-connector
for 145kV

Let's Drive Sustainability

NKT embeds sustainability in everything it does on the journey towards net zero emissions and aim to inspire and lead the industry in this direction. NKT will maintain a leading industry position in sustainability by executing on the sustainability strategy. The company has clear targets to reduce scope 1 and 2 emissions by 90% by 2030 from 2019, while also attracting and retaining diverse talent and becoming the preferred employer in the electrification industry.

NTK is already one of the most sustainability-focused power cable producers in the industry, but wants to do more. The transition to Net Zero is challenging, given the size of scope 3 emissions, but NKT is actively working with suppliers and customers to identify and implement more low-carbon solutions.

NKT executes the long-term strategy ImpACT for resolving global sustainability challenges in support of the Paris Agreement. ImpACT rests on three main pillars founded on responsible business processes: Climate Action, Circularity and Social Capital.

More information about NKT's efforts within ESG is available in the Sustainability Report 2022

Decarbonization targets

90%

reduction of scope 1 and 2 CO_2e emissions in 2030 compared to 2019

Net-zero

emissions by 2050

Diversity and inclusion targets

≥30%

female representation in the Group Leadership Team and the Extended Leadership Team by 2025

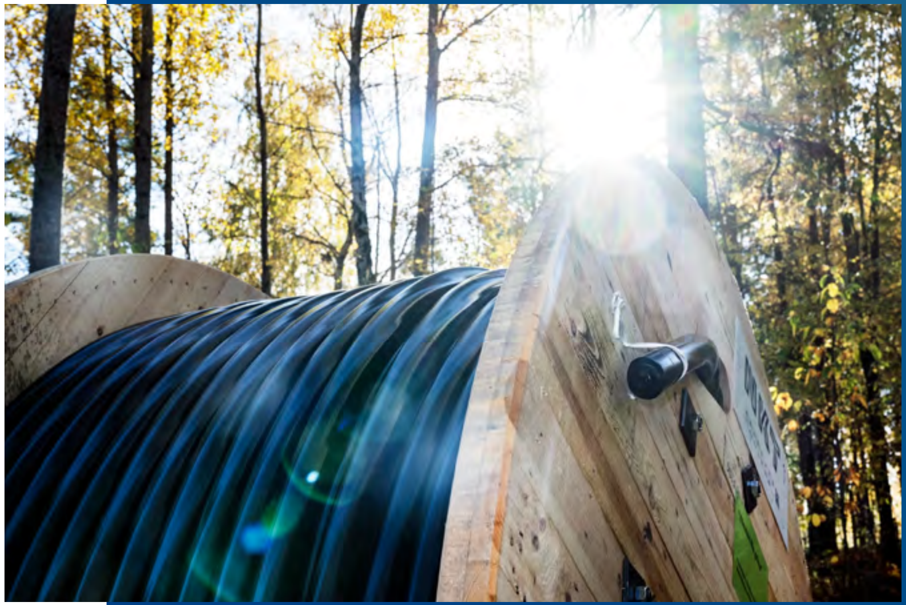
≥30%

share of female new-hires by 2025

1kV low-carbon power cables

NKT has begun designing, producing and installing 1kV power cables using low-carbon aluminium and polyolefins for the Swedish power grid. This initiative will significantly reduce the carbon footprint of the power cables and support growing customer demand for low-carbon solutions.

The aluminium is produced using an efficient electrolysis technology and renewable energy sources during production. As a result, the aluminium has a carbon footprint of 4 kg CO_2 per kg aluminium – less than a quarter of the global average (source: www.hydro.com). The power cable insulation and jacketing are made with low-carbon polyolefins manufactured with renewable feedstocks.



Financial review 2022

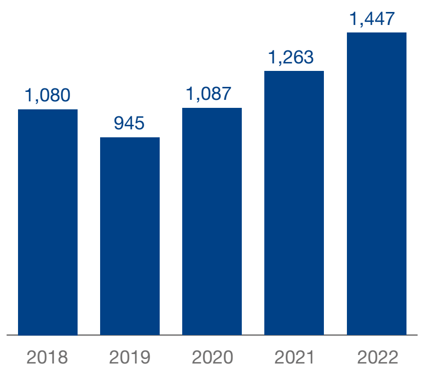
Revenues developed positively in 2022, driven by Solutions and Applications. This resulted in organic growth of 15%. The increased revenue drove up operational EBITDA, which grew satisfactorily from 2021 to 2022. Free cash flow was positive due to increased earnings and a favourable development in working capital that outweighed the continued execution of the planned investments.

Revenue development and organic growth

Amounts in EURm	
2021 revenue*	**1,263**
Currency effect	-20.7
Acquisition	14.5
Organic growth	190
2022 revenue*	**1,447**
Organic growth, %	15%

* Std. metal prices

Revenue* development
Amounts in EURm



Organic growth of 15% in 2022

Driven by growth in Solutions and Applications, NKT's revenues* increased by EUR 184m in 2022, to EUR 1,447m. Service & Accessories delivered revenues below last year's due to high activity in offshore repairs in 2021. The largest absolute increase in revenue* was delivered by Solutions, which saw higher activity, while growth in Applications was mainly due to increased prices on the back of increased inflation.

The revenue* performance was in the high end of the most recent 2022 financial outlook of EUR 1.4-1.45bn announced in November 2022 (the initial financial outlook was EUR 1.35-1.45bn).

Organic growth per business line was 21% for Solutions, 19% for Applications and -11% for Service & Accessories.

* Std. metal prices

The revenue measured in market prices was EUR 2,079m in 2022, against EUR 1,828m in 2021.

Improved operational EBITDA

The operational EBITDA of EUR 155m in 2022 was EUR 23.4m higher than in 2021. This was achieved despite negative developments in the European economy with high inflation and upward pressure on input costs. The operational EBITDA margin* was 10.7% in 2022 against 10.4% in 2021.

Solutions drove the increase in earnings due to higher revenues and satisfactory project execution. Applications was impacted by higher input prices in 2022. Despite the challenging economic environment, Applications delivered earnings in line with 2021.

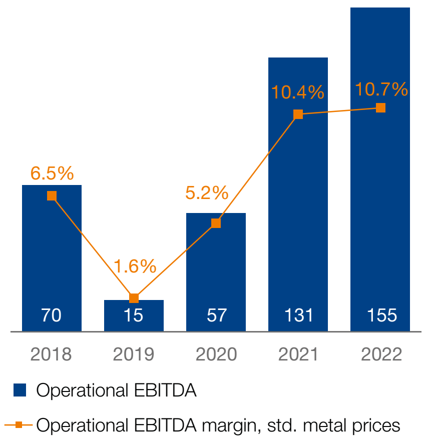
In 2021, Service & Accessories was positively impacted by high activity from offshore service assignments which resulted in higher earnings. The level of offshore repair activity normalized in

Realized figures versus financial outlook 2022

Amounts in EURm	Initial, Feb. 2022	Adjustment, Nov. 2022	Realized
NKT			
Revenue*	~1.35-1.45bn	~1.4-1.45bn	1,447m
Operational EBITDA	~130-155m	~140-155m	155m

* Std. metal prices

Operational EBITDA
Amounts in EURm



"The financial development in 2022 was satisfactory despite the macroeconomic slowdown and increasing inflation which impacted our input costs. We have managed to improve our financial performance through focused efforts across the company. We target a further strengthened financial position for NKT and continue to take part in the megatrends unfolding around us."

Line Fandrup
Chief Financial Officer, Executive Vice President

2022, and hence earnings were lower in 2022 than in 2021.

Operational EBITDA of EUR 155m in 2022 was in the high end of the most recently announced financial outlook of EUR 140-155m (the initial financial outlook was EUR 130-155m).

Total one-off items in 2022 amounted to EUR 0.1m, against EUR -12.7m in 2021. In 2022, NKT posted one-off items of EUR 1.2m relating to accounting gains arising from the acquisition of Ventcroft Ltd., and costs of EUR -1.1m related to the strategic review of NKT Photonics in Q1 2022.

Reported EBITDA increased from 118m in 2021 to EUR 155m in 2022, driven by the same parameters as the growth in operational EBITDA and improvements of one-offs of EUR 12.8m compared to last year.

Improved net result

EBIT amounted to EUR 69.2m in 2022, an improvement of EUR 45.3m from 2021. The increase was attributable to the same parameters as operational EBITDA and a lower depreciation and amortization level than in 2021.

Financial items were EUR 9.1m in 2022, against EUR -8.2m in 2021. While interests had a negative contribution in 2022, this was more than offset by foreign-exchange rate gains. Earnings before tax (EBT) improved to EUR 78.3m in 2022 from EUR 15.7m in 2021.

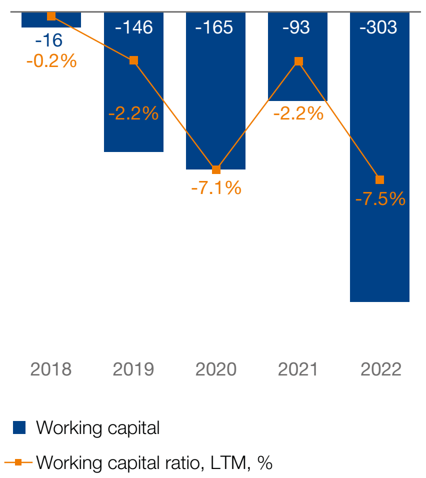
NKT's net result from continuing operations for 2022 amounted to EUR 55.1m, an increase of EUR 43.2m from 2021. The reported tax rate was 29.6%, against 24.0% in 2021.

Positive free cash flow due to earnings improvement and working capital development

Driven by the positive EBITDA contribution and improved working capital position, the cash flow from operating activities from continuing operations improved by 89.4m to EUR 298m in 2022.

The working capital level (from continuing operations) was EUR -303m at end-2022. This corresponded to an improvement of EUR 210m compared to end-2021. Unreal-

Working capital (from continuing operations)
Amounts in EURm



ized value adjustments of hedging instruments drove a decrease in working capital of EUR 33m, mainly due to a decrease in commodity prices in 2022. The hedging value adjustments have no cash impact. Exclusive of these adjustments, the underlying working capital still developed favourably in 2022.

The improved working capital was driven by Solutions due to the phasing of prepayments and milestone payments related to new and existing projects. The nature of the high-voltage market means that Solutions will normally improve its working capital when the order backlog increases.

The cash flow from investing activities from continuing operations, excluding acquisitions and divestments, amounted to EUR -189m in 2022, compared to EUR -213m in 2021. The investments mainly related to the ongoing ramp-up in Solutions with expansions and upgrades of the high-voltage factories in Karlskrona and Cologne.

NKT generated free cash flow from continuing operations, excluding acquisitions and divestments, of EUR 109m in 2022. This was an improvement from 2021, when the corresponding figure was EUR -4.5m.

Improved RoCE driven by growth in earnings

The improvement in earnings led to an increase in RoCE (from continuing operations) to 6.6% at end-2022, up from 3.4% at end-2021. Capital employed (from continuing operations) went down from EUR 1,053m at end-2021 to EUR 951m at end-2022, driven by the cash generation. RoCE is expected gradually to improve when the anticipated earnings contributions from the delivery of the high-voltage order backlog and recent years' investments materialize.

Liquidity, debt and equity

The positive cash flow in 2022 led to a positive net interest-bearing debt level of EUR -54.8m. This is an improvement of EUR 68.0m from end-2021.

Net interest-bearing debt relative to operational EBITDA amounted to -0.4x at end-2022, an improvement from 0.1x at end-2021.

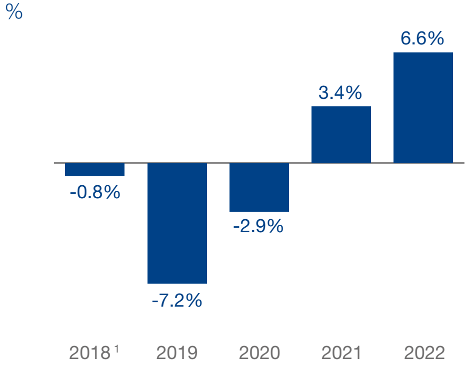
At end-2022, NKT had total available liquidity reserves of EUR 453m, comprising cash of EUR 262m (of which EUR 3.7m is related to assets held for sale) and undrawn credit facilities of EUR 191m.

At end-2022. the value of issued guarantees was EUR 1,231m, up from EUR 1,015m at end-2021. These were mainly provided in relation to high-voltage projects. The amount is expected to continue to grow as new projects are added to the high-voltage order backlog.

Group equity, including the green hybrid security issued in September 2022, amounted to EUR 1,144m. The solvency ratio was 41% end of 2022, compared to 45% end of 2021.

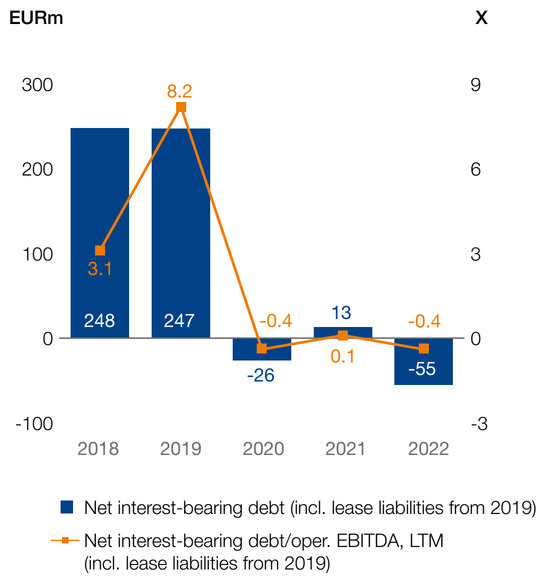
In 2022, NKT issued green hybrid securities with an aggregated principal amount of EUR 150m. The maturity date is in 3022, with a first call option in July 2026. This was used to redeem the existing EUR 150m hybrid securities (with maturity in 3018) that were issued in Q3 2018 by exercising the right of early redemption.

RoCE (from continuing operations)



[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases on 1 January 2019.

Net interest-bearing debt



Financial review Q4 2022

NKT reported positive financial development in Q4 2022 with improved revenues and earnings as a result of broad-based contributions from the three business lines.

Revenues* grew by EUR 99.1m to EUR 389m in Q4 2022 compared to Q4 2021. This corresponded to organic growth of 35%. All three business lines contributed with organic growth, with Solutions being the most significant contributor.

The revenue growth drove an increase in operational EBITDA to EUR 39.8m from EUR 13.7m in Q4 2021. This equalled a margin improvement of 5.5%-points.

Solutions

In Solutions, revenues* increased by EUR 78.1m from Q4 2021 to Q4 2022, equivalent to organic growth of 60%. The growth was driven by a higher activity level across the business line. NKT progressed various projects in the order backlog at different stages of execution including Borwin 5, Champlain Hudson Power Express, Dogger Bank A and B, Hertel-NY, Shetland and SuedLink.

The increased revenue level impacted profitability positively and Solutions delivered an increase of EUR 21.2m in operational EBITDA compared to Q4 2021. The operational EBITDA margin increased from 4.3% to 12.5%. The improvement was partly due to the negative impact from the closure of a commercial dispute of EUR 4m in Q4 2021.

Applications

In Applications, revenue* development was positive in Q4 2022 with organic growth of 25%. The higher revenue level was due to increased prices as NKT passed on the high inflationary pressure on several cost items, while volumes developed negatively. Ventcroft, which NKT acquired in January 2022, contributed with revenues* of EUR 3.9m in Q4 2022.

In the medium-voltage business, NKT grew revenues by both price increases and volume growth. The market continued to develop positively. The market for building wires and construction exposed 1kV power cables continued to be challenged in Q4 2022 reflecting construction sentiment slowdown in NKT's main countries. This impacted revenues negatively.

As a reaction to the higher input cost level, NKT has increased prices to protect earnings. In Q4 2022, the operational EBITDA was EUR 8.5m, up from EUR 6.4m in Q4 2021. The operational EBITDA margin for Q4 2022 was 5.9%, slightly above the level in the same quarter of 2021 in a traditionally seasonally low Q4.

Service & Accessories

Service & Accessories reported revenues* of EUR 46.1m in Q4 2022, which was EUR 2.9m lower than Q4 2021. The organic growth was 1%.

Despite the revenue development, operational EBITDA was EUR 11.5m which was EUR 5.6m above Q4 2021. This was mainly due to a reversal of warranty provisions of EUR 4.7m in Q4 2022 related to the high level of offshore repairs in 2021, combined with underlying satisfactory performance. The operational EBITDA margin increased by 12.9%-points from Q4 2021 to Q4 2022. Excluding the reversal of warranty provisions, the margin increase was 2.8%-points.

In the service business, the main contributor to the financial performance in Q4 2022 was high onshore maintenance and repair activity in Denmark and Germany. In addition, the demand for cable monitoring solutions grew revenues.

In Q4 2022, revenues deriving from the accessories business were largely on par with Q4 2021. The positive development in sales of high-voltage accessories was outweighed by lower sales of medium-voltage accessories.

Financial development in Q4

	Revenue*			Operational EBITDA			Oper. EBITDA margin*	
Amounts in EURm	Q4 2022	Q4 2021	Change	Q4 2022	Q4 2021	Change	Q4 2022	Q4 2021
Solutions	216.8	138.8	78.0	27.2	6.0	21.2	12.5%	4.3%
Applications	144.0	112.4	31.6	8.5	6.4	2.1	5.9%	5.7%
Service & Accessories	46.1	49.0	-2.9	11.5	5.9	5.6	24.9%	12.0%
Elimination of transactions between segments and non-allocated costs	-18.1	-10.5	-7.6	-7.5	-4.6	-2.9		
NKT	**388.8**	**289.7**	**99.1**	**39.7**	**13.7**	**26.0**	**10.2%**	**4.7%**

* Std. metal prices

Risk Management

Risk-taking is a natural part of doing business. NKT is fully committed to managing risks in accordance with good corporate governance and applies proven practices to the internal risk processes.

The company's main revenue streams originate from different segments of the power cable market with independent market dynamics. This income segmentation has the effect of spreading the risk. The Solutions business line is a long-term project and backlog driven business and has a higher degree of resilience to short-term developments in the general economic environment. The Applications business line is mainly driven by market benefits from ongoing optimization of the power grids by private and public stakeholders in the medium-voltage market, while construction development in both residential and non-residential building segments is driving the market for building wires. Finally, revenue in the Service & Accessories business line is to a certain degree dependent on large power cable repair projects.

As a global business, NKT is exposed to strategic, operational, compliance and financial risks that present potential threats to NKT's business objectives from the medium-term and long-term perspectives. The management of risks is an integral part of standard business operations and strengthens the governance model. The company's Enterprise Risk Management program follows best practices and is in accordance with the NKT Enterprise Risk Management principles.

The overall risk picture for the company is influenced by various internal and external factors. The key changes to the risk picture from 2021 to 2022 are described below.

The macroeconomic cycle and market turbulences have become significant drivers, which impact large parts of the business. The current European energy challenges and increasing inflation rate have influenced input costs to production. These challenges combined with the war in Ukraine have caused volatilities in supply chains. The COVID-19 risk has been limited due to the development of the pandemic in the EU and has only had a minor effect. A new risk of Market dynamics has been introduced this year with turbulent market dynamics influencing business, including the ongoing war in Ukraine. This has replaced the previous risk of Price pressure.

Specific financial risks, including risks related to currency, interest and raw material price changes, are described in more details in Section 5.6 on pages 82-86.

Risk management process

NKT operates a robust and efficient enterprise risk management programme that aims to identify, prioritize and manage key risks and monitor the mitigating actions. This enables NKT to manage the risks effectively.

The Enterprise Risk Management cycle includes biannual reporting to the Risk Board and Audit Committee. The mid-year reporting provides an update on the most critical risks and overall ERM development. The annual reporting provides a comprehensive overview of the company's risk position and perspectives on the overall impact of the risk profile on the company's direction, risk mitigating actions and future planning.

Risks are assessed by means of a two-dimension risk matrix based on impact and probability. The identified and quantified key risks are prioritized and visualized in a Risk Dashboard that highlights aggregated criticality and overall risk exposure to the Risk Board and Audit Committee.

The company´s key risks are described in detail in the overview on the following two pages including mitigations used to control the risks.

Risk management

Risk	1.	2.	3.	4.	5.
Risk identification	Project execution in high-voltage segment	Commodity price changes	Supplier interruption and raw material availability	New competitors entering home markets	Product claims
Risk description	Deficient project execution in HV segment due to unplanned and unexpected events, failures or delays during project phases.	Financial loss due to price fluctuations of commodities, components and services, driven by multiple factors including macroeconomic cycle and the war in Ukraine	Interruption of critical supplies or services from suppliers having an adverse effect on production flow. This risk is impacted by the macroeconomic cycle and the war in Ukraine.	Increased competition within NKT's current core European market by new competitors from inside/outside Europe.	Claims against NKT arising from defects in products or solutions.
Mitigation	▪ Risk management activities covering all the project phases. ▪ Adequate balancing of insurance, contract provisions and pre-production testing.	▪ Monitoring of commodity price indexes and forecasts. ▪ Hedging mechanisms for commodities, components and services. ▪ Forecasting tools to predict price index developments. ▪ Clear contractual agreements with customers and suppliers.	▪ Monitoring of the performance and reliability of key suppliers and availability of raw materials and components. ▪ Close working relationship with identified key suppliers to reduce risks and maintain inventory control. ▪ Investigating, qualifying and securing alternative sourcing opportunities.	▪ Monitoring of the global market and macroeconomic developments and dynamics and regulatory developments impacting cross-regional activities, such as trade barriers and anti-dumping regulations. ▪ Focus on quality, innovation and R&D. ▪ Proactive engagement in regulatory policy-making processes via industry associations to ensure fair competition within European markets.	▪ Monitoring of potential failures in production and/or product designs. ▪ Strengthening of quality awareness and control procedures throughout the production and cable laying operations. ▪ Systematic and structured root cause analysis of product issues and implementation of corrective actions.

Risk management

Risk	6.	7.	8.	9.	10.
Risk identification	Market dynamics	Compliance	Regulatory requirements	Cyber risk	Operational disruptions at factories
Risk description	Loss due to market dynamics influencing business operations. Risk is driven by macro- and microeconomic factors and an increasingly competitive landscape.	Non-compliance with anti-bribery and anti-corruption regulations, competition law, data privacy and trade controls impacting NKT's reputation and possible exclusion from tenders.	Changed or new regulatory requirements of environmental, social, local, political or other character impacting production or production methods. May adversely affect NKT's competitiveness.	Loss or failure of business-critical IT systems in production or key business administrative functions.	The inability to manufacture qualified products resulting in delays in delivery and claims.
Mitigation	▪ Monitoring of macro- and microeconomic developments, general market conditions and the competitive landscape. ▪ Establishing focused working groups, qualifying new markets and strengthening NKT's value proposition.	▪ Monitoring of regulatory developments and risk exposure. ▪ Compliance programme and procedures ensuring compliance with regulations and the ethical principles in the NKT Code of Conduct. ▪ Globally accessible whistleblower hotline allowing both NKT employees and third parties to report potential concerns. ▪ Enforcement of zero tolerance for breach	▪ Monitoring of regulatory developments. ▪ Proactive engagement in regulatory processes via industry associations. ▪ Maintaining strong focus on innovation and R&D to ensure timely and effective compliance with regulatory requirements.	▪ Monitoring of developments within the cybercrime landscape and of the robustness and stability of the IT infrastructure and security. ▪ Strengthening of cyber security, IT governance and infrastructure, including adequate security controls, monitoring processes of improvement actions and incident response capability.	▪ Establishing operational excellence and monitoring of operational performance for critical equipment and processes. ▪ Robust maintenance programmes across production and testing. ▪ Contingency plans in place to respond to incidents.

Business lines

NKT is divided into three business lines: Solutions, Applications, and Service & Accessories. Each serve separate areas of the power cable market.

NKT has more than 4,000 employees. This employee works in the high-voltage factory in Karlskrona, Sweden.

Business line organization

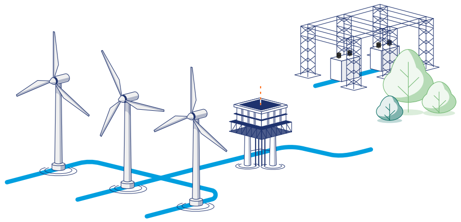
NKT's three business lines have the following main focus areas.

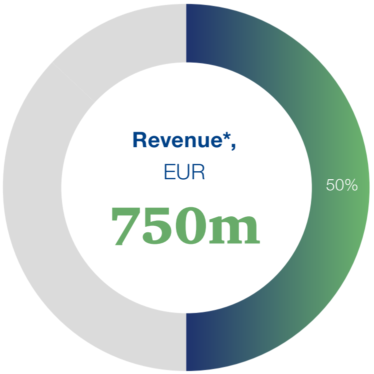
Solutions: Specialized in high-voltage power cable solutions for on- and offshore installation

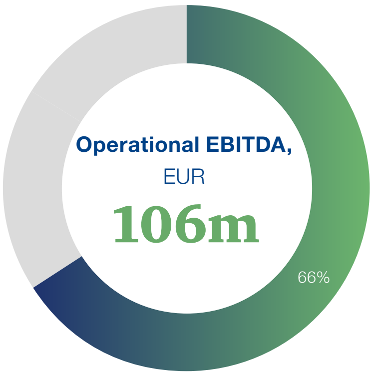
Applications: Markets building wires, low- and medium-voltage power cable solutions

Service & Accessories: Provides on- and offshore power cable services and markets a full portfolio of accessories for medium- and high-voltage power cable systems

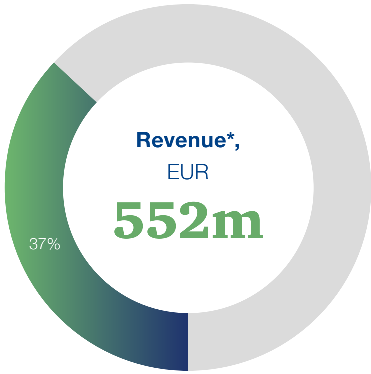
Solutions

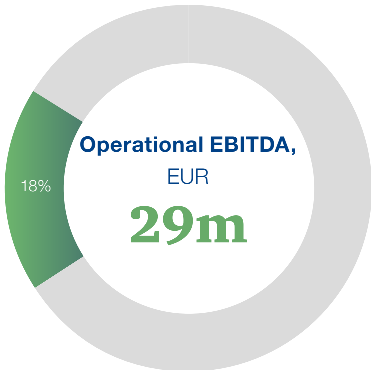




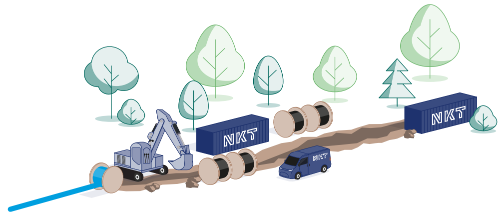


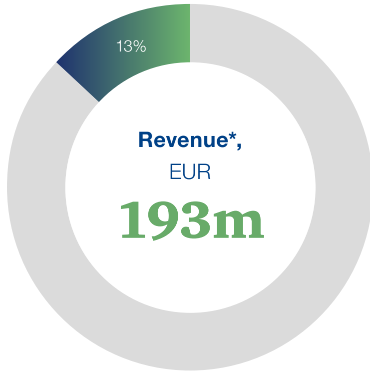
Applications

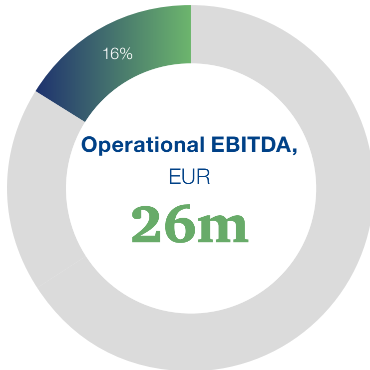




Service & Accessories







Revenue, std. metal prices, in 2022 (% of total NKT revenue) and Operational EBITDA in 2022 (% of total NKT operational EBITDA).
The figures exclude intersegment transactions and non-allocated costs.

Business line

Solutions

The transition to renewable energy and increased electrification continue to be key growth drivers for high-voltage power cable solutions. In 2022, NKT increased revenues and operational EBITDA in Solutions driven by the execution of orders awarded over recent years covering most power cable types. The high-voltage order backlog reached a record-high level with project awards across market segments.

Business line overview

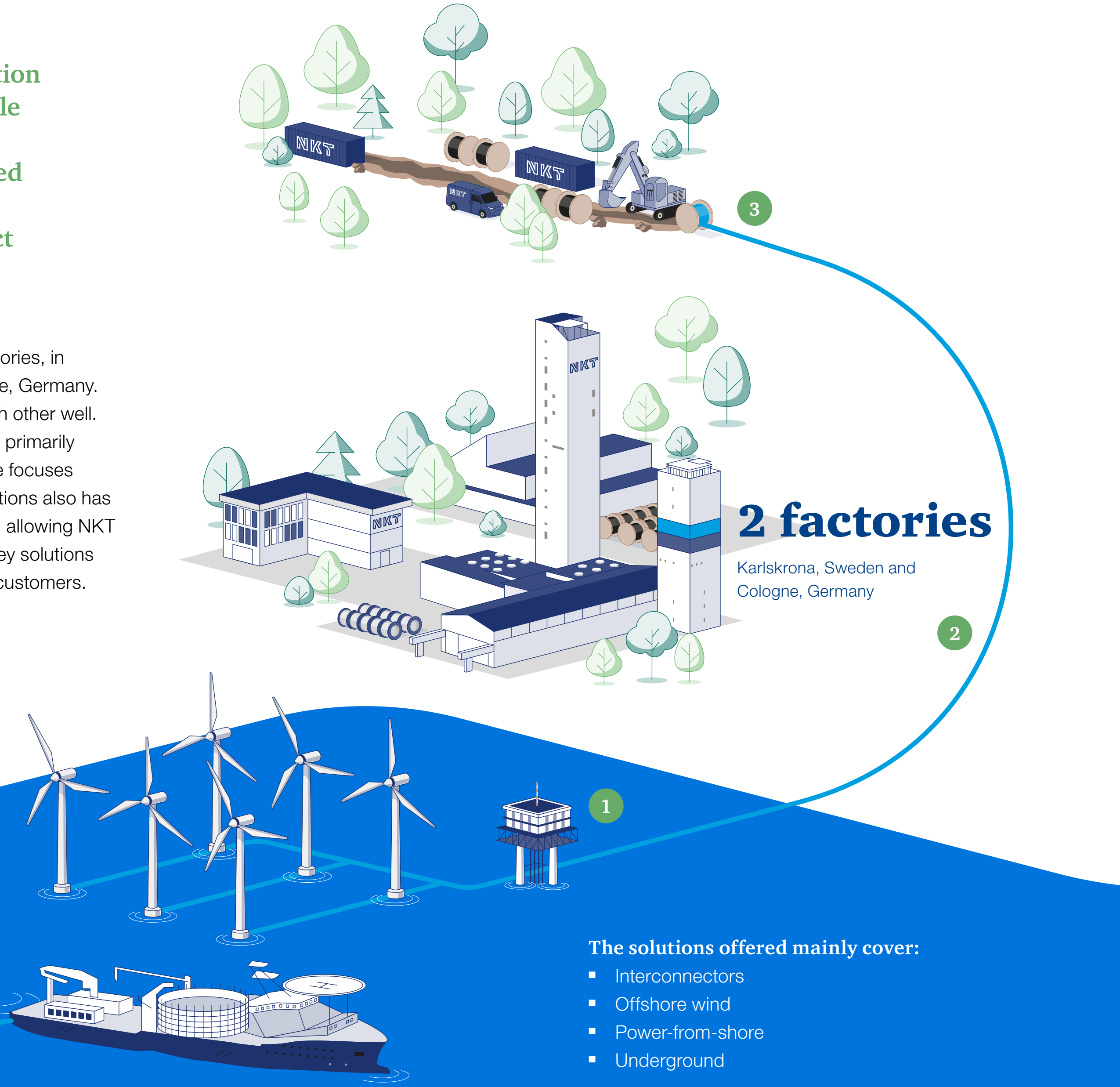
Solutions is the largest business line in NKT and serves the global high-voltage power cable market. The business line's broad offering covers technology leading solutions across voltage levels and technological specifications. NKT has built up competencies within this market for more than 130 years with numerous projects successfully delivered.

Solutions has two high-voltage factories, in Karlskrona, Sweden and in Cologne, Germany. The two factories complement each other well. In Karlskrona, the strategic focus is primarily on offshore projects, while Cologne focuses primarily on onshore projects. Solutions also has a cable-laying vessel, NKT Victoria, allowing NKT to offer complete end-to-end turnkey solutions that are increasingly requested by customers.

1 Offshore AC and DC power cable solutions

2 Onshore AC and DC power cable solutions

3 Installation offshore and onshore



1 vessel

NKT Victoria, cable-laying vessel

The solutions offered mainly cover:

- Interconnectors
- Offshore wind
- Power-from-shore
- Underground

Business line – Solutions

High-voltage market

Market overview

The high-voltage power cable market mainly encompasses projects that are engineered to order and demand a high level of expertise for successful implementation.

The market can be divided into different categories with differing characteristics and market dynamics. DC (Direct Current) solutions are primarily used for long-distance projects as this technology works more efficiently with lower losses over longer distances compared to AC (Alternating Current) technology. The solutions are either applied offshore or onshore.

In general terms, DC power cables are more complex and require higher technological capabilities and know-how compared to AC. Furthermore, offshore solutions will in general also be more complex than onshore due to more challenging cable design installation conditions.

The demand for power transmission over longer distances is increasing, as the source of energy being located further away from consumption. In addition, the power cable systems are also gradually required to transmit more power to support the increased electrification.

Market development in 2022

NKT estimates that the value of projects awarded in its addressable high-voltage power cable market for 2022 was around EUR 8bn, representing a step-up from around EUR 5bn in 2021.

"During 2022, we continued to play a central role in establishing the required, reliable infrastructure for the transmission of renewable energy. We grew our order backlog to a record level including our first significant US project, the Champlain Hudson Power Express, which will facilitate the transmission of hydropower from Canada to New York City. A milestone for NKT. In October, we inaugurated our new extrusion tower at our factory in Karlskrona. The growing order backlog has resulted in NKT initiating addition of further production capacity."

Michael C. Hjorth
Chief Commercial Officer HV Solutions, Executive Vice President

More than 80% of the projects covered long-distance DC interconnectors and DC offshore wind projects with the balance being AC projects. Geographically, the majority of projects were awarded in Europe, but the US market also contributed, as was already the case in 2021.

In 2022, progress continued on several project tenders across market segments and geographies.

Market outlook

Based on the current and expected tendering activity, NKT expects project awards to remain at a high level. The average addressable market in 2023 and 2024 is estimated by NKT to be at least EUR 8bn on average per year. The market size could potentially be larger depending on the development of several sizable projects. The market is currently moving in a direction of awarding projects earlier in order to secure available production slots among the power cable suppliers. The timing of the actual project awards will depend on various decisions for the individual projects.

In Europe, the war in Ukraine has further increased the need for reliable transmission of renewable energy as a substitute to fossil fuel sources such as natural gas. More power cable operators are looking to ensure a stable supply chain and are accelerating planning and execution of future projects.

Power cable solutions based on DC technology are expected to continue to constitute the majority of the market. However, AC projects will continue to play a role in the market as well. The projects are expected to span between the different project segments, mainly within interconnectors and offshore wind.

Geographically, NKT expects most project awards to be in Europe. There are strong political ambitions across Europe, which have been adopted in the European Green Deal. Outside of Europe, the market is also expected to develop positively. Both in North America and Asia, there is a movement towards increased use of renewable energy in the power grid, which will benefit the power cable market.

Business line – Solutions

Highlights in 2022

- Increase in revenues and earnings
- Record high-voltage order backlog driven by project awards across geographies
- Continued high tender activity across market segments
- Inauguration of a new extrusion tower in Karlskrona

750m
Revenue*, EUR
(2021: EUR 640m)

21%
Organic growth
(2021: 9%)

106m
Operational EBITDA, EUR
(2021: EUR 83.1m)

* Std. metal prices

Financial development

Increased revenues driven by execution of order backlog

Revenues* for Solutions increased by EUR 110m from 2021 to 2022, which corresponds to organic growth of 21%. Growth was due to the execution of a variety of orders with various technologies awarded in recent years. In addition, the growth was due to capacity expansions that will also gradually benefit revenues.

Revenues measured in market prices amounted to EUR 867m in 2022 compared to EUR 755m in 2021.

Increased operational EBITDA margin

The higher activity level resulted in improved operational EBITDA, which increased by 22.9m from 2021 to 2022. Earnings have continuously increased since 2019 as the utilization of assets has improved and project margins have developed positively. The execution of projects in 2022 has been at a satisfactory level. Inflationary pressure on various input cost items has impacted profitability and there are ongoing efforts to mitigate these increases. The operational EBITDA margin* improved from 13.0% in 2021 to 14.1% in 2022.

In 2022, NKT further progressed several projects through different stages of execution. These included interconnector projects, such as Atti-ca-Crete, Champlain Hudson Power Express, Shetland, SuedLink, SuedOstLink and Viking Link. Within offshore windfarms, the largest contributors were Borwin 5, Dogger Bank A and B as well as Ostwind 2, while various power-from-shore projects like Johan Sverdrup 2 and Troll West further progressed.

In 2022, NKT completed a number of high-voltage projects. This included the commissioning of the 220kV HVAC power cable system for the Hornsea 2 offshore wind farm located 89 km off the English east coast. The windfarm holds a central position in the transition to renewable energy in the UK.

NKT Victoria, the company's cable-laying vessel, had satisfactory deployment in 2022. This constituted a variety of assignments relating to project installations, including the Dogger Bank A, Johan Sverdrup 2, Shetland and Troll West projects.

Record-high order intake

NKT was awarded high-voltage projects with a value of around EUR 2.7bn in 2022. This was driven by the ongoing transition towards increased generation of renewable energy across Europe and North America. The largest order awards in 2022 were the following:

- The SuedOstLink 2nd system by the German transmission system operator 50 Hertz. The order is an extension of the SuedOstLink project adding a second, parallel transmission line and comprises supply and installation of 525kV XLPE high-voltage DC onshore power cable solutions.
- The turnkey contract for the Champlain Hudson Power Express. The contract includes engineering, manufacturing and installation of the high-voltage 400kV DC transmission line in the US with its partner in the project, CHPE LLC.
- The Canadian transmission line Hertel-New York, developed by Hydro-Québec, which is the transmission line that will connect to the CHPE transmission line. The contract will comprise the design and manufacturing of a 2 x 60 km 400kV high-voltage DC onshore cable system.
- Two power cable systems for the Draugen and Njord electrification projects by OKEA ASA and Equinor Energy AS, respectively. The awards comprise design, manufacturing and installation by the cable-laying vessel NKT Victoria of 123/145kV high-voltage AC offshore power cable systems. This will include a dynamic section to electrify the floating Njord platform.
- The turnkey cable system order for the electrification of the Hugin A (previously NOA) and Munin (previously Krafla) offshore fields in the Yggdrasil (previously NOAKA) area in the North Sea. The order was awarded by Equinor Energy AS on behalf of NOA Krafla Power from Shore JV and its owners Aker BP, Lotos and Equinor. The project comprises design, manufacturing and installation by the cable-laying vessel NKT Victoria of 145kV high-voltage AC power cables.

Business line – Solutions

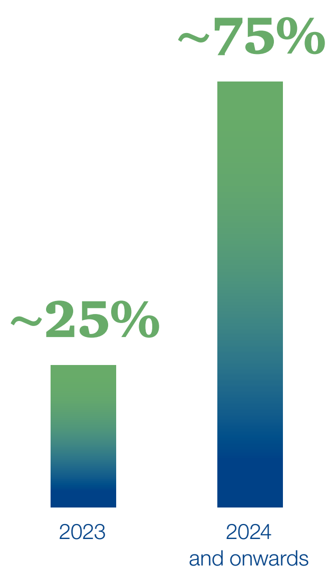
Largest high-voltage project awards for NKT in 2022

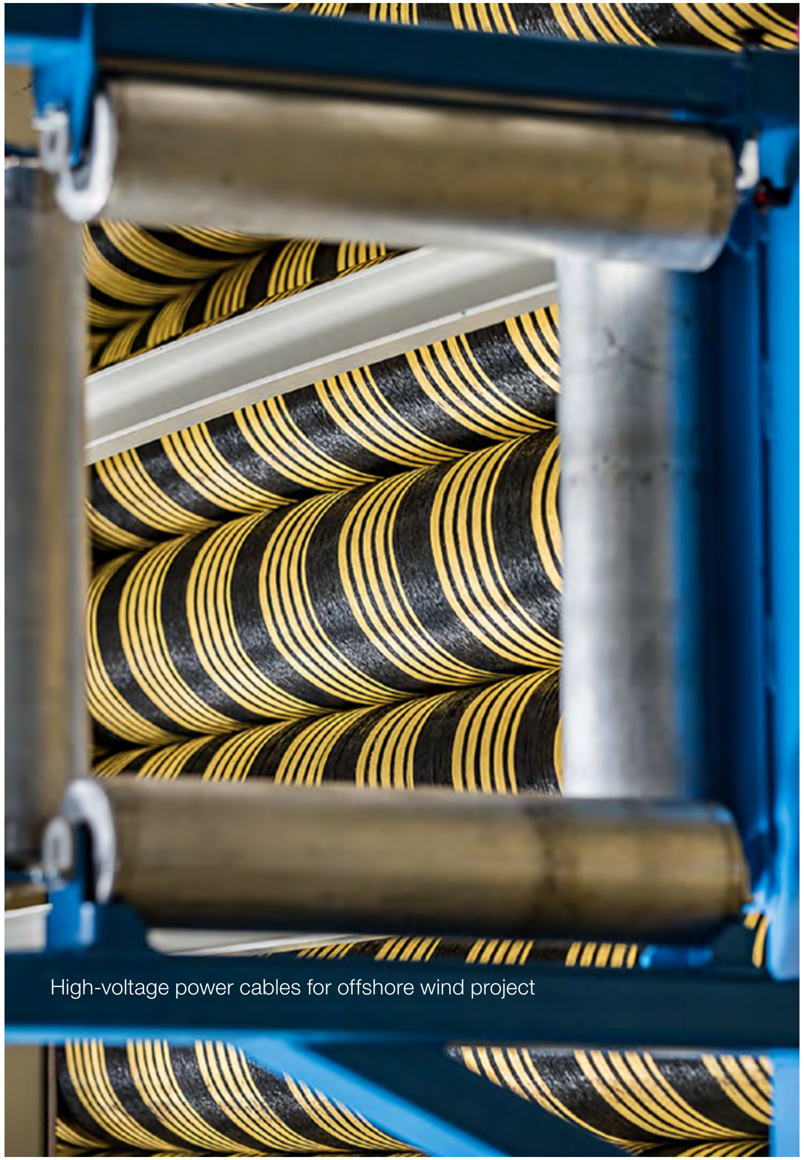
Project name	Announced	Size (EURm)	Type
Hugin A and Munin (NO)	Dec 2022	~155	Power-from-shore
Draugen and Njord (NO)	Dec 2022	~160	Power-from-shore
Hertel-New York (CA)	Oct 2022	~90	Interconnector
Champlain Hudson (US)	Jun 2022	>1,400	Interconnector
SuedOstLink 2nd system (DE)	May 2022	<700	Interconnector

Note: Project sizes are shown in market prices

High-voltage order backlog at a record level
At end-2022, the high-voltage order backlog was EUR 4.7bn (EUR 4.1bn in std. metal prices). Driven by the order awards during 2022, the order backlog increased by 1.8bn from the end of 2021. NKT expects around 25% of the order backlog to be realized in 2023, while the remaining approximately 75% is expected in 2024 and beyond.

Expected revenue distribution of the high-voltage order backlog (EUR 4.7bn) at the end of 2022




High-voltage power cables for offshore wind project

Business line – Solutions

ReNew BOOST strategy

As part of the company's ReNew BOOST strategy, Solutions will continue to offer complete and customised end-to-end turnkey solutions within high-voltage power cable solutions for interconnectors, offshore wind, and power-from-shore applications.

Solutions will grow with the attractive market opportunities driven by the green transition and the electrification of societies. The focus will be on the European market, but also on selective opportunities outside of Europe. NKT is regularly assessing further investments to address market demand.

Solutions will build upon and further develop its HVDC technology leading position to catalyse the further decarbonization of societies. An additional focus will also be on dynamic cable solutions to facilitate expected future demand from floating offshore wind farms as well as deep-water applications to allow longer interconnectors and more widely used power-from-shore solutions.

Solutions will continue to enhance the product portfolio and optimize operations to increase competitiveness. This will include a simplification of the product mix.

With the market growth prospects, NKT puts emphasis on ensuring that competent employees can be attracted and retained. This is key for delivering profitable growth.

NKT has already established itself as a leading provider of green and sustainable solutions. This has to be strengthened with further initiatives in the years ahead.

Employees in Karlskrona test laboratory

Solutions to grow with attractive market opportunities and maintain HVDC technology leadership

Let's grow

Focus on high-voltage DC and AC segment in Europe with selective global opportunities

Continued investment plans to grow with market demand and maintain market share

Let's innovate

Simplify operations and product portfolio to increase competitiveness

Maintain leadership in HVDC technology and develop floating wind, deep-sea and higher voltage systems

Let's drive sustainability

Focus on people and competences

Leading provider of green and sustainable solutions

Business line
Applications

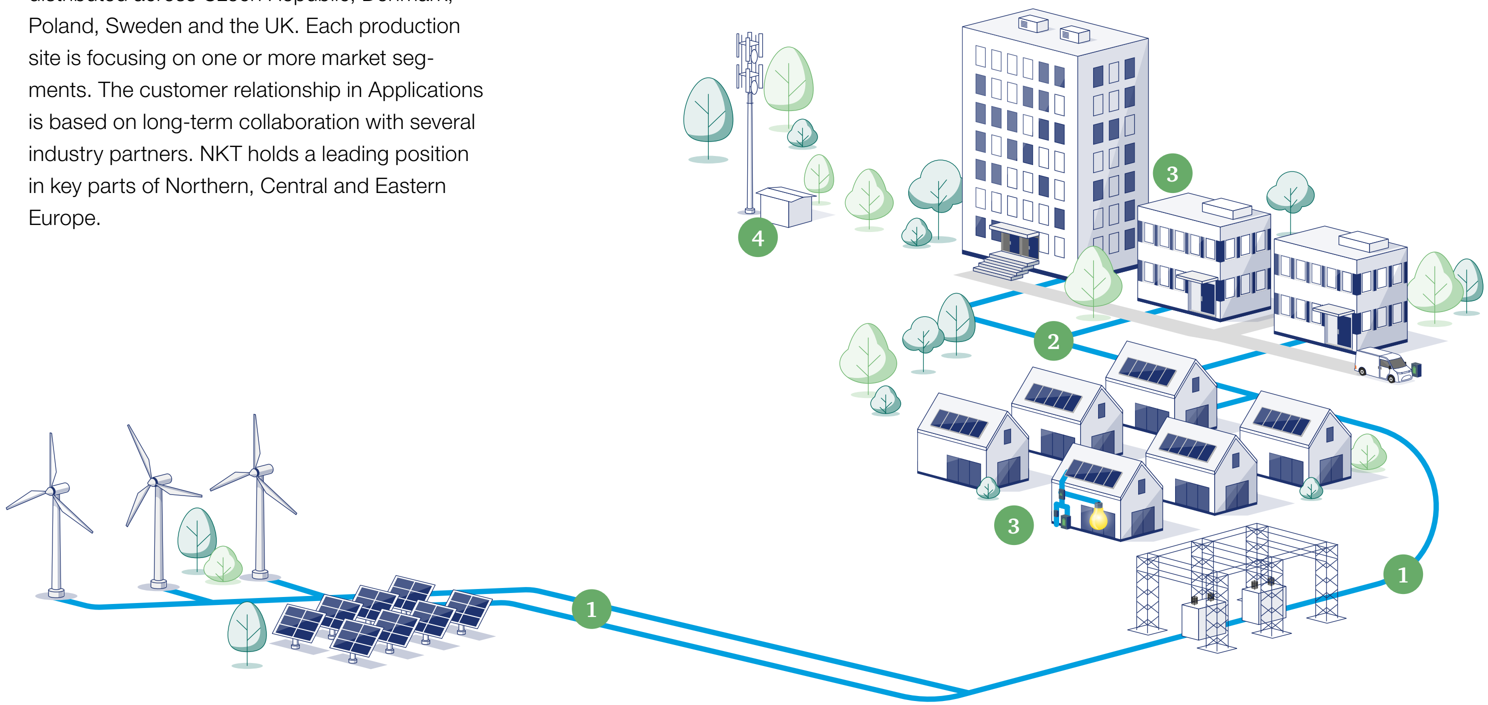
Increasing electrification of societies and the ongoing transition to renewable energy are important growth drivers for the low- and medium-voltage power cable markets. Applications is well positioned to take advantage of these opportunities. In 2022, the financial performance in Applications was impacted by increasing input cost levels and mixed market development. Revenues increased and the operational EBITDA development was flat compared to 2021. To strengthen its position within fire-resistant cable technology, NKT acquired UK-based Ventcroft in January 2022.

6 factories

Asnaes, Denmark
Falun, Sweden
Kladno, Czech Republic
Runcorn, United Kingdom
Velké Meziříčí, Czech Republic
Warszowice, Poland

Business line overview
Applications is active within the low- and medium-voltage power cable and telecom power cable markets. The product offering is broad, supporting both the building sector and the European power grids to meet the growing demand for renewable energy.

Applications' six main production sites are distributed across Czech Republic, Denmark, Poland, Sweden and the UK. Each production site is focusing on one or more market segments. The customer relationship in Applications is based on long-term collaboration with several industry partners. NKT holds a leading position in key parts of Northern, Central and Eastern Europe.



1. Medium-voltage cables
2. 1kV cables
3. Building wires
4. Telecom power cables

Applications

Low- and medium-voltage market

"We managed to maintain earnings at a stable level in 2022 despite a challenging macroeconomic situation with slowdown in the construction sentiment and increased input prices. This was steered through close cooperation with our suppliers and customers. Overall, our markets are driven by long-term sustainable growth trends and we are preparing ourselves to take advantage of them."

Will Hendrikx
Head of Applications, Executive Vice President

Market overview

The offerings in the low- and medium-voltage markets are less complex than for the high-voltage market. The number of competitors is greater and products are mainly "made-to stock" with differing specifications and designs from country to country. The competitive landscape is characterised by more local and regional competitors capable of complying with local technical regulation.

Medium-voltage power cable demand is primarily driven by the need for electrification and the transition to more renewable energy sources. These power cables are mainly used for the power distribution grid with a continuous need for grid reinforcement and expansion. NKT sees an increased need for more power due to growing demand for charging stations for electric vehicles, heat pumps and the general electrification and digitalization of society.

The transition to renewable energy sources is expected to include more onshore wind and solar power generation. This is expected to accelerate in Europe, which will drive demand for low- and medium-voltage power cable solutions.

Demand for the lower voltage power cables is generally more driven by the macroeconomic development and construction sentiment with building wires as the largest product line.

The telecom market is being positively impacted by the ongoing global rollout of the 5G telecom network. NKT is delivering power cables to support this build-out.

Market development in 2022

In 2022, the market development differed across the market segments and geographies NKT is operating in.

The market for medium-voltage power cables remained positive in 2022. The green transformation and the electrification of societies are positively influencing the investment levels of grid operators.

The market dynamics for building wires and construction-exposed 1kV power cables have changed during 2022. The market started out strong in the beginning of the year with solid growth on top of a favourable 2021. However, the slowdown in the European economy with high inflation and increasing interest rates has negatively impacted construction sentiment and the markets. This was particularly present in 2nd half 2022, when market demand deteriorated.

Market outlook

Overall, the forward-looking prospects for the low- and medium-voltage markets which NKT operates in are positive, driven by sustainable megatrends.

The positive market sentiment for medium-voltage power cables is expected to continue in 2023 and beyond. Consequently, NKT expects that market growth will be higher in the coming years compared to a growth rate of around 2% on average per year that has been recorded since 2019.

The market for building wires and construction-exposed 1kV power cables is expected to be challenged in 2023. This is due to the macroeconomic slowdown that also caused the market to deteriorate in the latter part of 2022. The uncertainty is higher than usual and it is challenging to assess when the market will turn around. The longer-term picture for the market remains positive, driven by the urbanization and electrification and energy renovation of residential and non-residential buildings.

Applications

Highlights in 2022

- Increased revenue level driven by price increases
- Operational EBITDA maintained stable despite high inflationary pressure on input costs
- Continued growing medium-voltage business driven by sustainable megatrends
- Acquisition of Ventcroft to strengthen fire-resistant power cable offering

552m
Revenue*, EUR
(2021: EUR 450m)

19%
Organic growth
(2021: 13%)

28.5m
Operational EBITDA, EUR
(2021: EUR 28.5m)

* Std. metal prices

Financial development

Higher revenue driven by price increases

In 2022, Applications increased revenue* by EUR 102m compared to 2021, corresponding to organic growth of 19%. The higher revenue level was due to increased prices as NKT had to respond to the high inflationary pressure on several cost items. Ventcroft, which NKT acquired in January 2022, contributed with revenues* of EUR 14.5m in 2022.

Revenues in market prices amounted to EUR 1,067m in 2022, against EUR 900m in 2021.

Operational EBITDA impacted by higher input prices

Despite the higher revenue, operational EBITDA of EUR 28.5m in 2022 was on par with the level in 2021, primarily as the sales price increases were offset by higher input costs. As a result of this development, the operational EBITDA margin* was 5.2% in 2022, against 6.3% in 2021. The financial performance differed substantially during 2022 with Q1 being the most profitable quarter.

Increased input prices experienced from the latter part of Q2 2022 particularly challenged profitability in Q3 2022. NKT was not able to fully compensate for the increased cost level. The main reason for the increase was the disturbance of global supply chains in the raw material area. NKT did among others decide to close deliveries from Russian suppliers, which increased purchase of metal for production in new markets located further away from Northern Europe.

NKT has been working to protect margins by gradually updating customer and supplier contracts in order to reflect the higher input prices and improve conditions. This led to an improvement of the profitability level in Q4 2022. Further input cost increases going into 2023 are being addressed to protect profitability.

Production footprint changes to improve profitability and output

As in previous years, NKT continued to implement efficiency initiatives aimed at improving profitability in Applications. In 2022, NKT completed the transition of building wire production from Denmark to the production facility in Poland. The transfer has progressed according to plan and has created a centre of excellence within building wires.

In addition, the production relocation of the lower range of high-voltage power cables from the high-voltage factory in Cologne to the site in Velké Meziříčí, Czech Republic, continued in 2022. Production from the Czech site will commence in 2023 and serve customers both in Solutions and Applications.

Mixed development across market segments

The positive development in the medium-voltage market in 2022 contributed to NKT's revenue development within this segment. NKT is well-positioned across various countries. This led to solid volume and price growth in 2022. The largest contributors were Denmark, Germany and Sweden.

In contrast, NKT recorded a decrease in revenues within building wires and construction-exposed 1kV power cables in 2022, mainly due to lower sales in Poland and Germany. This was a reflection of the market slowdown that NKT was not able to offset immediately. In addition, the markets were at high levels in the comparison period of 2021.

The telecom business contributed positively in 2022 due to the continued roll-out of the 5G network.

Acquisition of a supplier of fire-resistant power cables, Ventcroft Ltd

In January 2022, NKT acquired Ventcroft Ltd in the UK to strengthen its position within fire-resistant power cable technology. With this acquisition, NKT extended its portfolio of low-voltage power cables and building wires. The business has been integrated into NKT.

Applications

ReNew BOOST strategy

Applications will continue to grow its business and take advantage of the attractive market outlook. This includes the opportunities that will arise from the expected growth within onshore wind and solar power generation.

NKT will selectively invest in debottlenecking and adding capacity to the existing sites to increase output addressing the market opportunities. In addition, the product portfolio is intended to expand with a strong offering of renewable, fire-resistant and telecom power cable solutions.

In the past years, NKT has focused on operational and commercial excellence in order to improve profitability. These efforts will continue, ensuring an optimized market presence, pricing strategies to improve profitability and a cost efficient production setup.

Future Applications performance will be driven by growth and further operational improvements

Let's grow

Keep market share in core markets while increasing presence in non-core markets

Invest selectively into debottlenecking of existing sites and adding capacity

Let's innovate

Continue improvements and digitalization of operational and commercial excellence

Expand product portfolio of renewables and telecom power cable solutions

Let's drive sustainability

Increase focus on servicing the renewable market to support the green transition


Installation of onshore power cables for a project in Sweden

Business line

Service & Accessories

The Service & Accessories business line is driven by the same market drivers as Solutions and Applications. The financial performance was satisfactory in 2022, although revenues and operational EBITDA as expected were below the strong performance in 2021. Service & Accessories is preparing for further growth in the years ahead and continued its expansion initiatives.

5 service hubs

Brøndby, Denmark
Gdansk, Poland
Karlskrona, Sweden
Manchester, UK
Troisdorf, Germany

4 accessory factories

Alingsås, Sweden
Cologne, Germany
Gurgaon, India
Nordenham, Germany

Business Line Overview

Service & Accessories offers a variety of both offshore and onshore power cable accessories and services to maximise the utilization of power cable systems and ensure reliable and long-term performance.

In power cable services, NKT is a trusted partner for the whole lifecycle of a power cable system and has leading capabilities within repair, maintenance and operations services. The service organization is predominantly located in Denmark, Germany, Poland, Sweden and the UK.

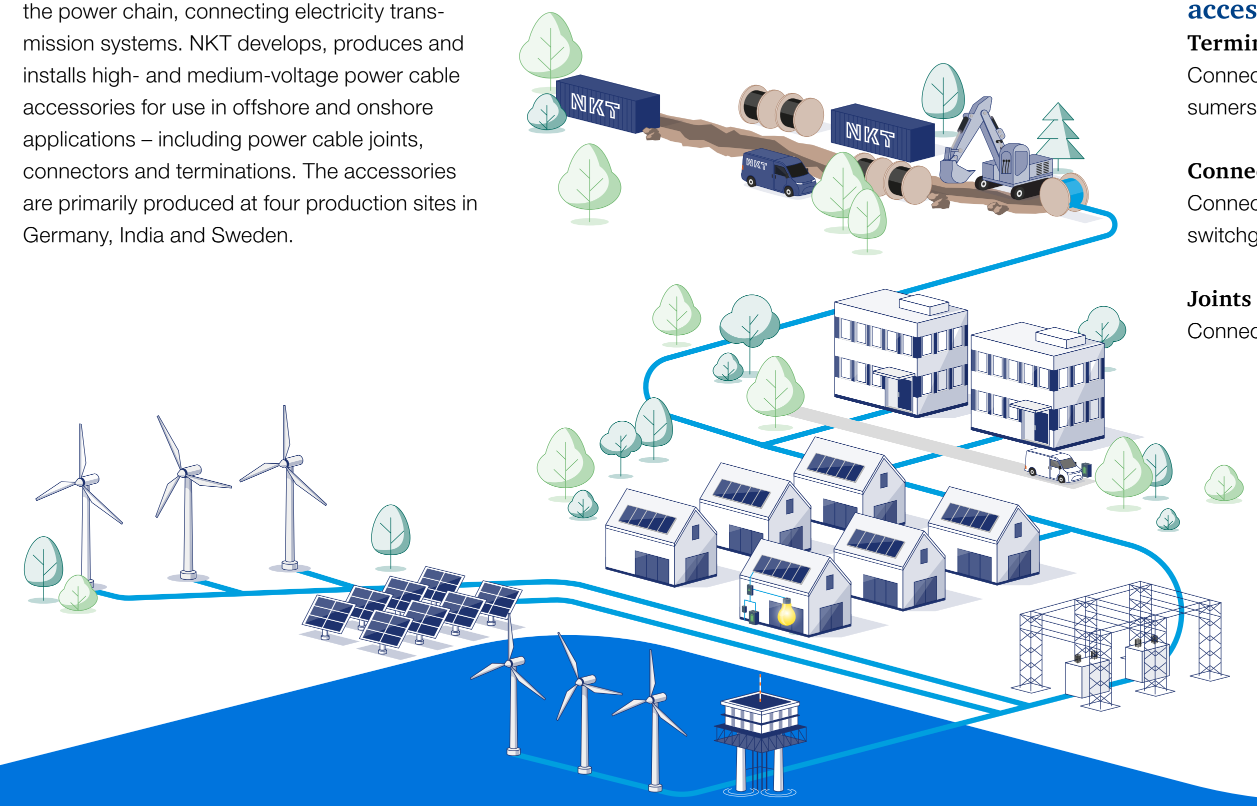
Power cable accessories are an essential link in the power chain, connecting electricity transmission systems. NKT develops, produces and installs high- and medium-voltage power cable accessories for use in offshore and onshore applications – including power cable joints, connectors and terminations. The accessories are primarily produced at four production sites in Germany, India and Sweden.

Power cable accessory offerings

Terminations
Connect cable ends to consumers or overhead lines

Connectors
Connect cable ends to switchgear or transformer

Joints
Connect two cable ends



Service & Accessories

"We have continued to strengthen our European position in 2022 to cater for the increasing market demand. The power grids in our societies are in need of refurbishment and maintenance as well as fast repair services in certain cases. NKT plays an important role in addressing this. Our power grid is critical infrastructure and a failure in a power cable is costly for the power cable owner."

Axel Barnekow Widmark
Head of Service, Executive Vice President

Market for power cable services and accessories

Market overview

Power cable services

The onshore market is operated by different providers, local companies, multinationals and some cable operators themselves. The market for onshore power cable services is driven by the need to maintain ageing infrastructure, particularly legacy technologies such as oil-filled and gas-filled power cables, but also for grid modernization and extension.

In the offshore segment only a few companies can provide a comprehensive service offering such as NKT. The increased demand for repair work on offshore power cables is supported by the growing number of cables. The urgent need for service that arises when a failure occurs, supports the demand for service agreements with cable owners to ensure a fast process when required.

Power cable accessories

The market development for accessories is closely linked to the general development of the medium- and high-voltage power cable markets.

The stability and reliability of the power grid is often determined by the quality of power cable accessories and the quality of installation. The accessories market for medium-voltage power cables is competitive, while there are fewer companies supplying the more complex accessories required for high-voltage power cables.

Market development in 2022

Power cable services

Power grid modernization and extensions have driven the demand for services in 2022. The number of offshore repair projects, which was very high in 2021, was back to a more normal level in 2022. Offshore repair services are, by their nature, challenging to forecast.

The unstable global geopolitical situation has increased the focus and need to secure critical infrastructure such as power cables. This has resulted in increased demand for cable monitoring services.

Power cable accessories

Both the medium- and high-voltage power cable accessories markets developed favourably. This is correlated to the overall positive development in the power cable markets. This was driven by increased investments within renewable energy projects such as offshore wind and the electrification of societies. In addition, the ongoing upgrades of power cable solutions require more complex accessories.

Market Outlook

Power cable services

The service market is expected to grow in the years ahead due to an increasing installed base of high-voltage power cables. At the same time, older cables are requiring extensive maintenance and ultimately decommissioning or replacement.

The offshore segment is expected to see particularly attractive growth as the installed base of offshore cables continues to accelerate.

Power cable accessories

The transition to renewable energy sources and the continued electrification of societies are driving the high- and medium-voltage power cable accessories in the same way as they drive the demand for overall power cable solutions. Initiatives to upgrade and maintain the power grids in NKT's addressable markets are also driving the demand for power cable accessories. The trend is set to continue and the market outlook in the years ahead is positive.

Service & Accessories

Highlights in 2022

- Decrease in revenues and earnings in 2022 as expected on a high comparison base
- Satisfactory development in service business
- Geographical expansion continued to position NKT for future growth
- Accessories business temporarily impacted negatively by higher costs associated with the ongoing consolidation of sites

193m
Revenue*, EUR
(2021: EUR 206m)

-11%
Organic growth
(2021: 48%)

25.7m
Operational EBITDA, EUR
(2021: EUR 32.8m)

* Std. metal prices

Financial development

Revenues lower against a high comparison base

The revenues for Service & Accessories decreased by EUR 13m from 2021 to 2022, corresponding to organic growth of -11%. The lower level was due to the high volume of repair work in the service business in 2021. As expected, this did not continue in 2022.

Profitability was impacted by lower activity and a higher cost level

In addition to the lower revenue level, operational EBITDA was also impacted by the cost level in the accessories business that was temporarily higher due to ongoing consolidation of high-voltage power cable accessory production. Operational EBITDA decreased to EUR 25.7m in 2022, compared to EUR 32.8m in 2021. The operational EBITDA margin for 2022 was 13.3%, compared to 15.9% in 2021.

Satisfactory development in service business

The financial development in the service business was satisfactory in 2022. The sustainable recurring revenues are gradually increasing as the market grows and NKT strengthens its footprint.

Revenues in 2022 were lower due to the reduced offshore repair work compared to 2021. The other areas of the business grew satisfactorily. NKT has performed well on several onshore service projects in 2022.

As part of its growth ambitions, NKT is continuously expanding its portfolio of service agreements with power cable owners. The portfolio was expanded further in 2022.

Furthermore, NKT is strengthening its service offerings to expand its business and cater for the increasing market demand. During 2022, local service organizations were established and grown in Poland and the UK to serve the increasing demand in the European market.

The unstable global geopolitical situation, mainly due to Russia's invasion of Ukraine, has led to an increased focus on securing critical infrastructure such as power cables. NKT has experienced increased demand for monitoring services that is expected to continue into 2023.

Increased activity in the accessories business, but temporarily challenged by higher costs

In the accessories business, revenues increased in 2022. The positive development was mainly driven by increased sales of high-voltage accessories. The market continued to develop positively. In addition, NKT benefitted from a strengthened market presence in India.

The consolidation of high-voltage accessories' production to Alingsås, Sweden, from Cologne, Germany, continued in 2022. The transition led to temporary higher costs, especially in 1st half 2022. The transition is progressing and will lead to improved profitability going forward.

The accessories business has faced some headwind due to the global supply chain challenges leading to higher transportation costs and shortages of raw materials. Initiatives have been implemented to mitigate risks in order to protect earnings.

Service & Accessories

ReNew BOOST strategy

The future growth in Service & Accessories will be driven by relevant products and expertise in offerings to customers.

In the service business, NKT will continue its geographical expansion in Poland, the UK and establish presence in the USA. The ambition is to strengthen and grow the turnkey concept and increase relationships with offshore customers, ensuring NKT is the number one option when a power cable connection is damaged or out of order.

This will be supported by engagements into further service agreements, preventive maintenance programmes and more comprehensive power cable monitoring solutions.

The accessories business will grow by the same parameters as Solutions' high-voltage order backlog. Full focus is on ensuring successful execution of the projects. Further growth opportunities will come from third-party customers in new markets like the Middle East, India and other parts of Asia.

Growth opportunities will also arise on the back of the renewable energy transition. NKT will update its product portfolio to continue to address wider part of this market segment.

Future Service & Accessories growth will be driven by tailored products and expertise in service offerings

Let's grow

Increase services to existing customers

Expand geographical coverage

Pursue business opportunities such as renewables

Let's innovate

Strengthen specialized competence centers

Add new products to enter further customer segments

Drive commercial excellence, focusing on tender processes, pricing and efficiency

Let's drive sustainability

Focus on people and competences

Efficient repairs and preventive maintenance increases the flow and reliability of green power

Reliable service provider enables the green transition


Servicing a power cable

Governance

NKT's Board of Directors aims to possess experience in key fields and a mix of competencies that cover all critical aspects of the business. The Board includes a combination of members elected by the shareholders at the Annual General Meetings and employee-elected members. Four committees and a working committee are appointed by the Board to cover various areas of the business.

Office meeting in Karlskrona

Shareholder information

NKT A/S shares

The average daily turnover in NKT A/S shares on all trading markets was EUR 13m in 2022, compared to EUR 11m in 2021. The average daily trading volume was around 290,000 shares in 2022, against around 300,000 in the previous year. Nasdaq Copenhagen was the main trading market for the company's shares with 39% of the total traded volume in 2022.

At end-2022, the NKT A/S share price was DKK 391, compared to DKK 316 at end-2021, representing a total share price return of 24%. In the same period, the corresponding dividend-adjusted share price returns for the company's largest European competitors, Prysmian and Nexans, were 6% and 0%, respectively. The return of the Danish OMXC25 index, adjusted for dividends, was -12% in 2022.

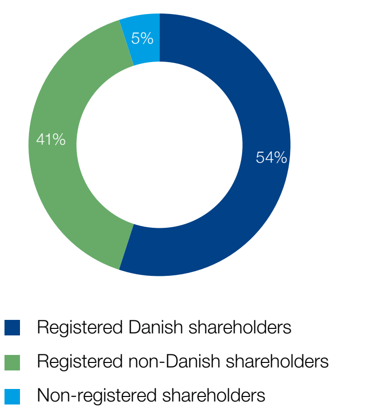
NKT A/S is a member of the Nasdaq Copenhagen Large Cap index.

The total share capital of NKT A/S consists of 42,976,036 shares, each with a nominal value of DKK 20, corresponding to a total nominal share capital of EUR 115m (DKK 859,520,720).

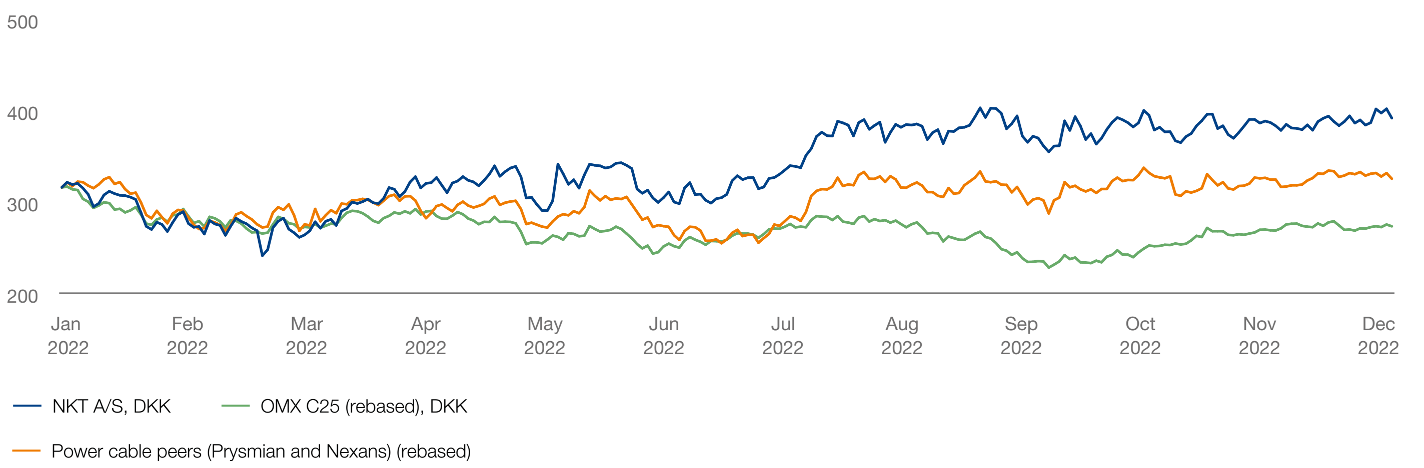
Dividend policy

The dividend policy of NKT A/S targets distribution of approximately one third of the net result for the year as dividend, provided that the capital structure allows this. Excess cash may be distributed as share buybacks or extraordinary dividends. No dividend payment is proposed in 2023 due to the need to continue to strengthen the capital structure based on the positive market outlook and the planned continued execution of investments.

NKT A/S shareholders at end-2022



NKT A/S share price development 2022



Shareholder structure

The NKT A/S share has one class of shares, with 100% free float and no dominant shareholders. At end-2022, the company had approx. 31,900 registered shareholders, compared to approx. 30,600 at end-2021. At end-2022, 95% of the total share capital was registered, on par with the level at end-2021. 54% of the share capital was registered by Danish shareholders, while 41% was registered by shareholders outside of Denmark.

At end-2022, two NKT A/S investors had reported shareholdings of 5.00–9.99%:

- ATP (Denmark)
- Greenvale Capital (UK)

NKT A/S shares held by the Board of Directors and Executive Management

The members of the Board of Directors held a total of 54,889 NKT A/S shares at the end of 2022, corresponding to a total market value of EUR 2.9m. Members of the Executive Management team owned 30,603 NKT A/S shares, equalling a market value of EUR 1.6m. As part of the long-term incentive programme, the Executive Management team has been awarded performance shares.

Persons deemed insiders and their relatives may only transact NKT A/S shares during a four-week window following the publication of financial statements, provided that no inside knowledge is possessed.

Ownership of NKT A/S shares (at end-2022)

Name	# of shares
Board members	
Jens Due Olsen	48,941
Rene Svendsen-Tune	5,333
Jens Maaløe	515
Stig Nissen Knudsen	100
Executive management	
Alexander Kara	30,603

Investor relations

NKT A/S seeks to maintain close dialogue with the market and its stakeholders by practising open, transparent, timely and consistent communication. The aim is to ensure that:

- Timely, relevant and consistent information is provided to all IR stakeholders to form the basis of a fair valuation of the NKT share price
- NKT A/S is perceived as a professional, proactive, reliable, accessible and transparent company
- Relevant IR information is shared with the Board of Directors
- Share liquidity and daily trading volume are high and a diversified shareholder base exists in terms of investment horizon, investment strategy and geographical distribution

In connection with the release of interim and annual reports an investor presentation is conducted as a live audiocast. Financial analysts, investors, the media and other stakeholders are invited to listen in and ask questions concerning the company.

In addition, NKT A/S meets with stakeholders at around 200-300 yearly physical and virtual meetings in Denmark and internationally, while private investors have an opportunity to meet the Board of Directors and the Executive Management at the company's AGM.

The Investor section on the NKT A/S website includes current and historical share information, presentations and a list of financial analysts who monitor the development in the company's shares. Interested parties can also subscribe to news releases.

More shareholder information is available at investors.nkt.com

NKT A/S shares – basic data

ID code: DK0010287663
Listing: Nasdaq Copenhagen, part of the Large Cap index
Share capital: EUR 115m (DKK 860m)
Number of shares: 43.0 million
Nominal value: DKK 20
Share classes: 1

Financial calendar 2023

23 Mar.	Annual General Meeting
10 May	Interim Report, Q1 2023
16 Aug.	Interim Report, Q2 2023
08 Nov.	Interim Report, Q3 2023

Corporate Governance

Management bodies

The management structure of the NKT Group comprises the Board of Directors, the Executive Management of the parent company NKT A/S and the Group Leadership Team.

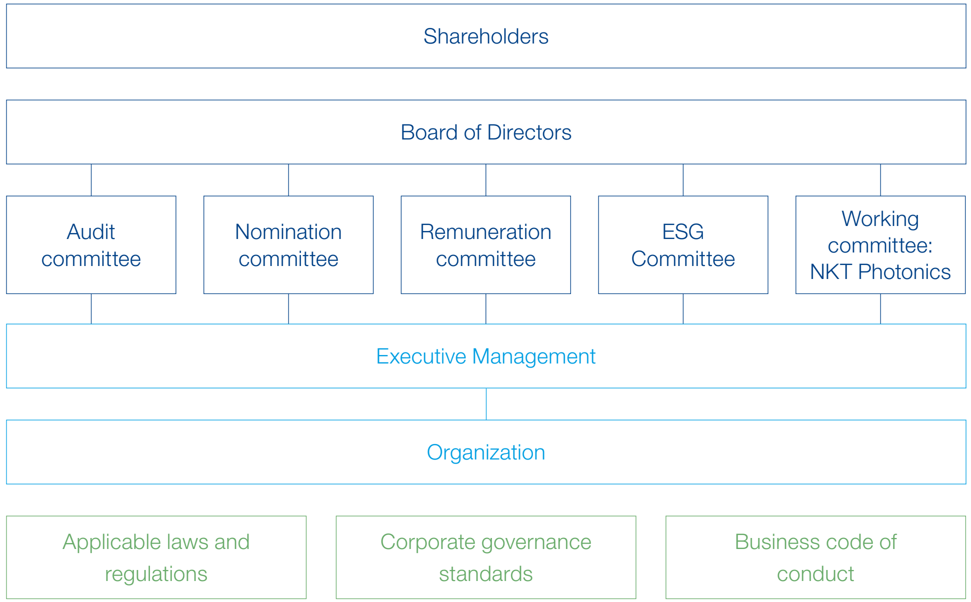
The Board of Directors

The Board of Directors consists of nine members. Six members are up for election every year at the Annual General Meeting, while three members are elected by the Danish employees for a four-year term. Five members were re-elected and one new member was elected at the AGM in March 2022. The employee-elected members were elected in 2022 at an ordinary election of employee representatives. Two new members were elected and one member was re-elected.

The AGM-elected Board members comprise two females and four males. The three employee-elected members comprise one female and two males. Of the six AGM-elected members, three live in Denmark, two in Finland and one in Germany. The following nationalities are represented: Danish, German, Finnish, and Dutch/Turkish. Two AGM-elected Board members have served for more than 12 years and are therefore not considered independent as defined by the Danish Corporate Governance recommendations. A minimum of six ordinary Board meetings are held annually.

The Board of Directors represents international business experience in the areas of industry, energy, infrastructure projects, technology, business development and finance and is deemed to possess the requisite competencies and seniority.

Corporate governance framework



Meetings in 2022	Board of Directors (11 meetings)	Audit Committee (10 meetings)	Remuneration Committee (4 meetings)	Nomination Committee (4 meetings)	ESG Committee (3 meetings)
Jens Due Olsen	11/11	1/1		1/1 (alternate)	3/3
René Svendsen-Tune	9/11			3/3*	
Karla Lindahl	10/11	10/10			
Jens Maaløe	10/11		1/4*	3/4*	
Andreas Nauen	11/11	9/9*	4/4		
Nebahat Albayrak	8/8*		2/2 (alternate)		3/3
Pernille Blume Simonsen	7/8*				
Stig Nissen Knudsen	11/11				
Christian Dyhr	7/8*				

* elected/appointed during 2022

Governance structure

The Executive Management of the parent company, NKT A/S, comprises two people: the CEO and the CFO. The CEO of NKT Photonics reports to the Board of Directors of NKT Photonics.

See pages 48–50 for particulars of the Board of Directors and see page 51 for the Group Leadership Team.

Corporate Governance

Committees

The Board of Directors has appointed a Chairmanship (Chair and Deputy Chair of the Board of Directors) and five committees: Audit, Remuneration, Nomination, ESG (Environment, Social, and Governance) and a NKT Photonics working committee. The committees are appointed for one year at a time and receive special remuneration approved by the AGM.

Together with the Executive Management, the Chairmanship and the Audit Committee Chair or the full Board of Directors also acts as final approver in the evaluation of the largest high-voltage projects in NKT's Solutions business line.

Audit Committee

The Audit Committee monitors the company's risk management, financial reporting, regulatory compliance and internal controls as defined in an annual plan and oversees the work of the external auditors. Its principal tasks are:

- To monitor the financial reporting process and compliance with existing legislation, standards and other regulations for listed companies relating to presentation and publication of financial reporting
- To monitor whether the company's internal control and risk management systems are properly designed and function effectively
- To monitor the statutory audit of the annual financial statements
- To monitor the independence of auditors, including in particular the provision of non-audit services to the company
- To make recommendations to the Board of Directors concerning the election of auditors
- To monitor the company's legal compliance programme, including the Business Code of Conduct, training and whistle-blower scheme
- To monitor cybersecurity measures
- To monitor the ESG reporting

Monitoring of internal control and risk management systems for financial reporting

The internal control and risk management systems for financial reporting are designed to ensure that the financial reporting presents a true and fair view of the company's results and financial position, without material misstatements, and in compliance with current financial legislation and accounting standards.

Framework

The Audit Committee systematically assesses material risks in relation to the financial reporting process, as well as compliance with related key internal controls. The Committee reviews the scope of the internal control system, also referred to as EuroSox, and monitors the design and the effectiveness of the internal controls on an ongoing basis.

The company's EuroSox framework is designed to reduce material risks in the financial reporting process and covers all material entities. The EuroSox framework is furthermore designed so that the key controls cover all major financial processes in the material subsidiaries.

The key controls comprise both manual and automated controls. The key controls are systematically tested in conjunction with controller visits performed by Group Finance or by external auditors.

Once a year the Audit Committee also assesses the need for an internal audit function. It is currently the Committee's opinion that such a function would not be required, as the present compliance and controlling structure provides an adequate level of overall compliance assurance.

Scope

In 2022, the Audit Committee focused particularly on the company's continued strengthening and expansion of its internal controls and compliance framework, including the ongoing automation of key process controls as well as the timeliness of the controls performed.

Furthermore, the Audit Committee reviewed the company's policies and procedures related to information security, treasury and tax. In 2022, the Audit Committee also monitored an audit tender conducted for the external audit.

Corporate Governance

Compliance

The Audit Committee performs general supervision of compliance with policies and guidelines related to risk management and financial reporting. This covers, among other things, policies for accounting, treasury, commodity hedging, insurance, financial resources and tax.

The Audit Committee also oversees the compliance programme, including the Business Code of Conduct as well as planned training.

The company further operates a whistle-blower scheme whereby employees and associated business partners can report suspected irregularities. The Chair of the Audit Committee is notified immediately of any incidents reported. In the event of incidents of a serious nature, an investigation is conducted and, if substantiated, appropriate disciplinary sanctions are implemented.

Terms of reference for the Audit Committee can be found at investors.nkt.com/corporate-governance/committee-composition

Remuneration Committee

The Remuneration Committee is responsible for establishing the remuneration policy for the Board of Directors and the Executive Management of NKT A/S, for proposing changes to the remuneration policy and for obtaining the approval of the Board of Directors prior to seeking shareholders' approval at the AGM. The remuneration policy contains guidelines for setting and approving the remuneration for the Board of Directors and the Executive Management.

The NKT A/S Board of Directors receives a fixed salary, while the Executive Management receives both a fixed salary and incentive pay. This structure ensures commonality of interest between the management and shareholders and motivates management to achieve the company's strategic goals.

All parties must receive fair remuneration which is commensurate with the duties assigned and which represents an attractive incentive for long-term commitment.

Terms of reference for the Remuneration Committee and the remuneration policy can be found at investors.nkt.com/corporate-governance/committee-composition

Board of Directors' remuneration

At the AGM in 2022 it was approved to increase the Board of Directors' remuneration from the 2021 level to an amount which was deemed competitive and comparable to that paid by Danish and European companies of similar size and complexity.

As in previous years, the Board of Directors will receive a base fee as well as fees for committee duties. The Chair of the Board of Directors will, however, not receive additional compensation for any committee duties.

The AGM-elected members of the Board of Directors will not participate in any of the company's incentive plans.

Remuneration of the Executive Management

The remuneration of the Executive Management consists of a fixed remuneration and short-term and long-term incentive pay. The fixed remuneration is set to be competitive but not excessive. The short-term and long-term incentive pay is based on financial measures and key performance indicators that directly link to the company's vision and strategic focus.

See Section 2.2–2.3 on pages 65–66 and the remuneration report published at investors.nkt.com/corporate-governance/statutory-reports

Nomination Committee

The Nomination Committee defines and assesses the qualifications required by the Board of Directors, the Executive Management and the Global Leadership Team and initiates an annual Board assessment.

Self-assessments

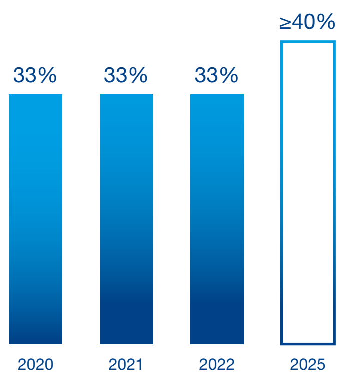
The purpose of the annual Board assessment is to evaluate the effectiveness of the Board of Directors, to define competencies required within the Board of Directors, to consider the contributions of individual members, and to identify future areas of focus. The Board assessment for the current election period was performed during the winter of 2022/23. It was made with assistance from external consultants.

The Board of Directors also performs an annual assessment of the Executive Management covering two main areas: interaction between the two parties and the competencies and performance of the Executive Management. This assessment can take the form of a general discussion by the Board of Directors or be supported by external consultants, after which the assessment findings are communicated by the Chair of the Board of Directors to the Executive Management.

Target figure for the under-represented gender

The Board of Directors wants to ensure that both genders are represented on the Board of Directors. The target in 2022 was to have at least two out of six members representing the under-represented gender among the members elected at the Annual General Meeting (AGM). This target was achieved for the Board of Directors of NKT A/S in 2020 and has been maintained in 2021 and 2022. A new target has been set to have at least 40% female representation on the Board of Directors by 2025. The focus on diversity and equal opportunity for both genders is described in NKT's Sustainability Report.

Female representation on Board of Directors



Terms of reference for the Nomination Committee can be found at investors.nkt.com/corporate-governance/committee-composition

ESG Committee

The ESG Committee prepares resolutions to be taken by the Board of Directors in fulfilling its responsibility for oversight of relevant ESG policies, strategies and programmes of the company as defined in an annual plan. Its principal tasks are:

- To review and provide oversight of programmes and make recommendations to the Board of Directors on the company's policies, strategies pertaining to ESG issues and associated impacts
- To ensure that appropriate policies are in place and working effectively to build and consistently protect the company's internal and external reputation through NKT's ESG Performance, Behaviours and Communication
- To monitor risk management associated with ESG issues
- To monitor the company's performance against relevant external sustainability (ESG) indices, including public reporting and a review of the company's annual CSR report

Scope

At the AGM in 2022, a new ESG Committee was established. During 2022, the ESG Committee has implemented an annual reporting plan and provided recommendations to the Board of Directors on a number of ESG-related matters, including the updated sustainability strategy.

Terms of reference for the ESG Committee can be found at investors.nkt.com/corporate-governance/committee-composition

Data Ethics

NKT respects all relevant data which is received or collected from its employees, customers and other stakeholders, and such data is handled in compliance with applicable laws and regulations and in accordance with internal ethical standards.

In 2021, NKT established a formal data ethics policy defining the overall approach to handling data and the foundation for ethical decision-making when adopting or developing new data-driven technologies.

Implementation of the data ethics policy and the strengthening of the data ethics principles have been ongoing during 2022. This will remain a focus point going forward, with further initiatives planned for 2023 as part of the overall data privacy compliance and data protection programme at NKT.

Corporate Governance

As a listed company on the Nasdaq Copenhagen Stock Exchange, NKT A/S is subject to rules governing share issuers and corporate governance recommendations. NKT A/S fulfils its obligations in respect of the latter either by compliance or by explanation of the reason for non-compliance.

NKT A/S complies with all 40 recommendations issued by the Danish Committee on Corporate Governance in December 2020.

NKT's Corporate Governance Report 2022 can be found at investors.nkt.com/corporate-governance/statutory-reports

Board of Directors

Jens Due Olsen

Chair
Born 1963
First elected in 2006
Not considered independent due to tenure

MSc. Econ, 1990

René Svendsen-Tune

Deputy Chair
Born 1955
First elected in 2016
Considered independent

BSc. Eng. (hon.)

Karla Lindahl

Born 1981
First elected in 2020
Considered independent

MA in EC Competition Law 2009
Master of Laws (LL.M) 2005

	Jens Due Olsen	René Svendsen-Tune	Karla Lindahl
NKT Committees:	▪ ESG Committee ▪ NKT Photonics (working committee)	▪ Nomination Committee, Chair ▪ NKT Photonics (working committee)	▪ Audit Committee
Board of Directors annual base remuneration:	DKK 1,125,000	DKK 750,000	DKK 375,000
NKT shares at 31 December 2022:	48,941	5,333	0
Other positions and directorships:	▪ BørneBasketFonden (non-profit foundation), Chair ▪ KMD A/S, Deputy Chair ▪ NIL Technology A/S, Chair ▪ European Energy, Chair	▪ Nilfisk Holding A/S, Deputy Chair (publicly listed company) ▪ Stokke AS, Chair	▪ KONE Corporation, Executive Vice President for the South Europe and Mediterranean region (publicly listed company)
Special qualifications:	▪ Industrial management ▪ Management of listed companies ▪ Economic and financial matters ▪ Risk management ▪ Technology	▪ International management ▪ Management of listed companies ▪ Specialist expertise in technology, service businesses, large account sales and strategy development with sustainability focus	▪ International and industrial management ▪ Expertise in leading service and project business and operations ▪ Expertise in strategy development and execution as well as competition and corporate law

Board of Directors

			
	Jens Maaløe Born 1955 First elected in 2004 Not considered independent due to tenure MSc. E.Eng. 1979, PhD. 1983	**Andreas Nauen** Born 1964 First elected in 2017 Considered independent BSc. Mechanical Eng. 1991	**Nebahat Albayrak** Born 1968 First elected in 2022 Considered independent LLM, International and European Law, 1993
NKT Committees:	▪ Remuneration Committee ▪ Nomination Committee ▪ NKT Photonics, Chair (working committee)	▪ Remuneration Committee, Chair ▪ Audit Committee, chair	▪ ESG Committee, Chair
Board of Directors annual base remuneration:	DKK 375,000	DKK 375,000	DKK 375,000
NKT shares at 31 December 2022:	515	0	0
Other positions and directorships:	▪ Poul Due Jensens Fond, Chair ▪ Grundfos Holding A/S, Chair of Technology Committee ▪ Danish Technology Institute, Chair ▪ Niras A/S, Chair	▪ Sandbrook Capital, USA, Operating Partner ▪ Havfram AS, Chair	▪ Fortum Oyj, Senior Vice President, Corporate Affairs, Sustainability and Safety and Security (publicly listed company) ▪ Nederlandse Spoorwegen, Supervisory Board member ▪ Topvrouwen.nl, Advisory Board member
Special qualifications:	▪ International and industrial management ▪ Management of listed companies ▪ Specialist expertise in technology and technological development	▪ International and industrial management ▪ Management of listed companies ▪ Finance expertise from project businesses applying IFRS ▪ Special expertise in technology, large infrastructure projects, renewable energy and wind power	▪ Senior leadership experience in the energy industry and energy transition ▪ International and industrial management ▪ Experience from the public and private sector ▪ Expertise in driving corporate sustainability strategy and performance ▪ Specialist in corporate Reputation Management and Branding ▪ Crisis management

Board of Directors

Pernille Blume Simonsen

Born 1983
Elected by the employees in 2022
Not considered independent due to employment with NKT

Lean specialist
NKT (Denmark) A/S

Christian Dyhr

Born 1974
Elected by the employees in 2022
Not considered independent due to employment with NKT

Warehouse coordinator
NKT Photonics A/S

Stig Nissen Knudsen

Born 1969
Elected by the employees in 2018, re-elected 2022
Not considered independent due to employment with NKT

MSc. E.Eng. 1996, PhD. 2002

Senior Production Engineer
NKT Photonics A/S

	Pernille Blume Simonsen	Christian Dyhr	Stig Nissen Knudsen
NKT Committees:			
Board of Directors annual base remuneration:	375,000	375,000	375,000
NKT shares at 31 December 2022:	0	0	100
Other positions and directorships:			
Special qualifications:			

Group Leadership Team

Executive Management

Alexander Kara
President & Chief Executive Officer
Nationality: German/Swiss
Born: 1961
Gender: Male
Joined NKT in 2019
Directorships: –
NKT shares at 31 December 2022: 30,603

Line Fandrup
Chief Financial Officer,
Executive Vice President
Nationality: Danish
Born: 1979
Gender: Female
Joined NKT in 2020
Directorships: –
NKT shares at 31 December 2022: 0

Kira Johnson
Chief Human Resources Officer,
Executive Vice President
Nationality: American/Danish
Born: 1974
Gender: Female
Joined NKT in 2021

Will Hendrikx
Head of Applications,
Executive Vice President
Nationality: Dutch
Born: 1964
Gender: Male
Joined NKT in 2020

Michael C. Hjorth
Chief Commercial Officer HV Solutions,
Executive Vice President
Nationality: Danish
Born: 1966
Gender: Male
Joined NKT in 1995-2012 and in 2017

Anders Jensen
Chief Technology Officer,
Executive Vice President
Nationality: Danish
Born: 1964
Gender: Male
Joined NKT in 1993-2013 and in 2018

Denis Schuler
Head of Accessories,
Executive Vice President
Nationality: Swiss
Born: 1973
Gender: Male
Joined NKT in 2023

Lukas Sidler
Head of HV Solutions Cologne,
Executive Vice President
Nationality: Swiss
Born: 1977
Gender: Male
Joined NKT in 2022

Claes Westerlind
Head of HV Solutions Karlskrona,
Executive Vice President
Nationality: Swedish
Born: 1982
Gender: Male
Joined NKT in 2017

Axel Barnekow Widmark
Head of Service,
Executive Vice President
Nationality: Swedish
Born: 1977
Gender: Male
Joined NKT in 2020

Financial statements

Customer Service employee in Velke Mezirici, Czech Rep.

Consolidated financial statements

Revenue, EURm

2,079.0

1,827.9 in 2021

Cash flows, EURm

65.4

-38.7 in 2021

EBITDA, EURm

154.6

118.4 in 2021

Income statement

1 January – 31 December

Amounts in EURm	Note	2022	2021
Revenue	2.1	2,079.0	1,827.9
Other operating income		14.2	30.9
Work performed by the Group and capitalized		33.1	28.5
Costs of raw materials, consumables and goods for resale		-1,442.6	-1,241.6
Staff costs	2.2/2.3	-302.5	-311.5
Other costs	2.4/6.1/7.1	-226.6	-215.8
Earnings before interest, tax, depreciation and amortization (EBITDA)		**154.6**	**118.4**
Depreciation of property, plant and equipment	3.2	-62.7	-68.7
Amortization of intangible assets	3.1	-22.7	-25.8
Earnings before interest and tax (EBIT)		**69.2**	**23.9**
Financial income	5.5	72.3	65.8
Financial expenses	5.5	-63.2	-74.0
Earnings before tax (EBT)		**78.3**	**15.7**
Tax	2.5	-23.2	-3.8
Net result - continuing operations		**55.1**	**11.9**
Net result - discontinued operations	6.3	7.3	-7.8
Net result		**62.4**	**4.1**
To be distributed as follows:			
Equity holders of NKT A/S		53.8	-4.0
Hybrid capital holders of NKT A/S		8.6	8.1
Net result		**62.4**	**4.1**
Basic earnings - continuing operations, EUR, per share (EPS)		1.1	0.1
Diluted earnings - continuing operations, EUR, per share (EPS-D)		1.1	0.1
Basic earnings, EUR, per share (EPS)		1.3	-0.1
Diluted earnings, EUR, per share (EPS-D)		1.2	-0.1

The Board of Directors proposes a dividend for the year of DKK 0.0 per share (DKK 0.0 per share in 2021) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January – 31 December

Amounts in EURm	2022	2021
Net result	**62.4**	**4.1**
Other comprehensive income		
Items that may be reclassified to income statement:		
Foreign exchange adjustment, foreign companies	-44.8	-9.5
Cash flow hedges:		
Value adjustment for the year	71.4	226.1
Transferred to revenue	-14.2	-8.9
Transferred to costs of raw materials, consumables and goods for resale	-106.5	-67.2
Transferred to financial income	-2.1	-1.1
Tax on cash flow hedges	15.0	-38.8
Cost of hedging:		
Value adjustment for the year for transaction-related hedges	1.7	-24.9
Cumulative (gain)/loss from changes in the fair value of transaction-related hedged items reclassified to profit or loss	2.9	3.3
Tax on cost of hedging	-1.1	5.4
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	11.7	2.3
Tax on actuarial gains/losses	-3.7	-0.7
Total other comprehensive income	**-69.7**	**86.0**
Comprehensive income for the year	**-7.3**	**90.1**
To be distributed as follows:		
Equity holders of NKT A/S	-15.9	82.0
Hybrid capital holders of NKT A/S	8.6	8.1
Comprehensive income for the year	**-7.3**	**90.1**

Balance sheet

31 December

Amounts in EURm	Note	2022	2021
Assets			
Goodwill		350.4	404.4
Trademarks, patents and licences, etc.		39.4	54.4
IT software		31.2	42.2
Development projects completed		19.7	31.7
Intangible assets under development		87.7	89.0
Total intangible assets	3.1/3.3	**528.4**	**621.7**
Land and buildings		292.4	288.4
Manufacturing plant and machinery		297.9	257.5
Fixtures, fittings, tools and equipment		45.0	45.6
Property, plant and equipment under construction		209.5	191.4
Total property, plant and equipment	3.2/3.3	**844.8**	**782.9**
Other investments and receivables		0.8	0.8
Deferred tax	2.5	11.7	24.9
Total other non-current assets		**12.5**	**25.7**
Total non-current assets		**1,385.7**	**1,430.3**
Inventories	4.2	334.9	287.4
Receivables	4.3	522.5	528.9
Contract assets	4.4	98.2	97.3
Income tax receivable		3.3	8.8
Interest-bearing receivables		0.2	0.2
Cash at bank and in hand		258.5	200.5
Assets held for sale	6.3	164.1	0.0
Total current assets		**1,381.7**	**1,123.1**
Total assets		**2,767.4**	**2,553.4**

31 December

Amounts in EURm	Note	2022	2021
Equity and liabilities			
Share capital	5.1	115.4	115.4
Reserves		68.8	147.5
Retained comprehensive income		805.9	744.6
Equity attributable to equity holders of NKT A/S		**990.2**	**1,007.5**
Hybrid capital	5.3	153.6	152.4
Total equity		**1,143.8**	**1,159.9**
Deferred tax	2.5	54.9	71.8
Provisions and pension liabilities	3.4	52.7	62.5
Interest-bearing loans and borrowings	5.4	180.9	196.4
Total non-current liabilities		**288.5**	**330.7**
Interest-bearing loans and borrowings	5.4	14.9	17.5
Trade payables		351.0	341.8
Other liabilities	5.4	223.7	170.4
Contract liabilities	4.4	677.6	459.3
Income tax payable		9.6	10.5
Provisions	3.4	22.7	63.3
Liabilities associated with assets held for sale	6.3	35.6	0.0
Total current liabilities		**1,335.1**	**1,062.8**
Total liabilities		**1,623.6**	**1,393.5**
Total equity and liabilities		**2,767.4**	**2,553.4**

Cash flow statement

1 January – 31 December

Amounts in EURm	Note	2022	2021
Earnings before interest, tax, depreciation and amortisation (EBITDA)		154.6	118.4
Non-cash operating items:			
Change in provisions, gain and loss on sale of assets, etc.		-34.7	48.4
Changes in working capital	4.1	185.1	50.7
Cash flow from operations before financial items, etc.		**305.0**	**217.6**
Financial income received		50.1	43.2
Financial expenses paid		-41.6	-51.2
Income tax paid		-26.4	-4.5
Income tax received		11.1	3.7
Cash flow from operating activities from continuing operations		**298.2**	**208.8**
Acquisition of businesses	6.1	-15.7	0.0
Divestment of businesses	6.1	0.0	2.1
Investments in property, plant and equipment		-156.1	-184.5
Disposal of property, plant and equipment		2.0	0.1
Intangible assets and other investments, net		-35.0	-28.9
Cash flow from investing activities from continuing operations		**-204.8**	**-211.2**
Free cash flow from continuing operations		**93.4**	**-2.4**

Amounts in EURm	Note	2022	2021
Repayment of loans		-19.2	-23.3
Repayment of lease liabilities		-5.3	-5.2
Purchase of treasury shares		-2.5	0.0
Coupon payments on hybrid capital		-7.4	-8.1
Repurchase of hybrid capital	5.3	-63.3	0.0
Proceeds from issuance of hybrid capital	5.3	61.7	0.0
Cash flow from financing activities		**-36.0**	**-36.6**
Net cash flow for the year from continuing operations		**57.4**	**-39.0**
Net cash flow for the year from discontinued operations	6.3	8.0	0.3
Net cash flow for the year		**65.4**	**-38.7**
Cash at bank and in hand, 1 January		200.5	239.2
Currency adjustments		-3.7	0.0
Net cash flow for the year		65.4	-38.7
Cash at bank and in hand, 31 December		**262.2**	**200.5**
Of which classified as assets held for sale		3.7	0.0
Cash at bank and in hand from continuing operations, 31 December		**258.5**	**200.5**

The above cannot be derived directly from the income statement and the balance sheet.

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Treasury shares	Foreign exchange reserve	Cash flow hedge reserve	Cost of hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Hybrid Capital	Total equity
Equity, 1 January 2022	**115.4**	**0.0**	**-18.6**	**182.0**	**-16.2**	**0.3**	**744.6**	**0.0**	**1,007.5**	**152.4**	**1,159.9**
Other comprehensive income:											
Foreign exchange translation adjustments			-44.8						-44.8		-44.8
Value adjustment of hedging instruments:											
Value adjustment for the year				71.4	1.7				73.1		73.1
Transferred to revenue				-14.2					-14.2		-14.2
Transferred to consumption of raw materials				-106.5	2.9				-103.6		-103.6
Transferred to financial income				-2.1					-2.1		-2.1
Actuarial gains/losses on defined benefit pension plans							11.7		11.7		11.7
Tax on other comprehensive income				15.0	-1.1		-3.7		10.2		10.2
Total other comprehensive income	**0.0**	**0.0**	**-44.8**	**-36.4**	**3.5**	**0.0**	**8.0**	**0.0**	**-69.7**	**0.0**	**-69.7**
Net result							53.8		53.8	8.6	62.4
Comprehensive income for the year	**0.0**	**0.0**	**-44.8**	**-36.4**	**3.5**	**0.0**	**61.8**	**0.0**	**-15.9**	**8.6**	**-7.3**
Transactions with owners:											
Purchase of treasury shares		-2.5							-2.5		-2.5
Exercise of performance shares		1.6					-1.6		0.0		0.0
Share based payment							2.7		2.7		2.7
Coupon payments, hybrid capital									0.0	-7.4	-7.4
Issue of hybrid capital							-1.6		-1.6	150.0	148.4
Redeem of hybrid capital									0.0	-150.0	-150.0
Total transactions with owners in 2022	**0.0**	**-0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.5**	**0.0**	**-1.4**	**-7.4**	**-8.8**
Equity, 31 December 2022	**115.4**	**-0.9**	**-63.4**	**145.6**	**-12.7**	**0.3**	**805.9**	**0.0**	**990.2**	**153.6**	**1,143.8**

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Foreign exchange reserve	Cash flow hedge reserve	Cost of hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Hybrid Capital	Total equity
Equity, 1 January 2021	**115.4**	**-9.1**	**71.9**	**0.0**	**0.3**	**745.5**	**0.0**	**924.0**	**152.4**	**1,076.4**
Other comprehensive income:										
Foreign exchange translation adjustments		-9.5						-9.5		-9.5
Value adjustment of hedging instruments:										
Value adjustment for the year			226.1	-24.9				201.2		201.2
Transferred to revenue			-8.9					-8.9		-8.9
Transferred to consumption of raw materials			-67.2	3.3				-63.9		-63.9
Transferred to financial income			-1.1					-1.1		-1.1
Actuarial gains/losses on defined benefit pension plans						2.3		2.3		2.3
Tax on other comprehensive income			-38.8	5.4		-0.7		-34.1		-34.1
Total other comprehensive income	**0.0**	**-9.5**	**110.1**	**-16.2**	**0.0**	**1.6**	**0.0**	**86.0**	**0.0**	**86.0**
Net result						-4.0		-4.0	8.1	4.1
Comprehensive income for the year	**0.0**	**-9.5**	**110.1**	**-16.2**	**0.0**	**-2.4**	**0.0**	**82.0**	**8.1**	**90.1**
Transactions with owners :										
Coupon payments, hybrid capital								0.0	-8.1	-8.1
Share based payment						1.5		1.5		1.5
Total transactions with owners in 2021	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.5**	**0.0**	**1.5**	**-8.1**	**-6.6**
Equity, 31 December 2021	**115.4**	**-18.6**	**182.0**	**-16.2**	**0.3**	**744.6**	**0.0**	**1,007.5**	**152.4**	**1,159.9**

Sections

Significant judgements and estimates

Significant judgements and accounting estimates made by Management are included in the sections to which they relate with the purpose to increase legibility.

Sensitivity

Sensitivity analyses often accompany significant judgements and accounting estimates, and are included in the sections to which they relate with the purpose to increase legibility.

Accounting policy

Accounting policies are included in the sections to which they relate in order to facilitate understanding of the contents and the accounting treatment applied. Accounting policies not relating directly to individual sections are stated in Section 1.1.

Section 1 – Basis for preparation

This section provides the overall reporting framework applied in our consolidated financial statements. Specific accounting policies applied are described in the relevant sections, while new and upcomming legislastion is presented in note 1.2, and significant estimates and judgements exercised by management as part of the preparation of this Annual Report is described in note 1.3.

1.1 General accounting policies

Introduction

The 2022 Annual Report for NKT Group, comprising both the consolidated financial statements for NKT A/S and its subsidiaries (NKT Group) as well as the separate financial statements for the parent company, has been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

The Annual Report has been approved by the Board of Directors and Executive Management on 22 February 2023, an will be presented for approval by the shareholders at the Annual General Meeting on 23 March 2023.

Basis for preparation

The Annual Report is presented in EUR rounded to the nearest EUR 1,000,000 with one decimal. The Annual Report is prepared according to the historical cost principle with the exception that derivatives and financial instruments, classified as fair value through profit loss (FVTPL), are measured at fair value.

The accounting policies described below and in the individual sections have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures have not been restated.

As part of the preparation of the Annual Report, the Board of Directors and Executive Management have considered whether the financial statements can be presented on a 'going concern' basis. Based on future prospects, considering identified uncertainties and risks, expectations of future cash flows and existence of credit facilities it is concluded that, at the time of the approval of the Annual Report, the financial headroom is sufficient to manage the level of activity expected in 2023 for the NKT Group.

Applying materiality

IFRS contains extensive disclosure requirements. The specific disclosures required according to IFRS are stated in the Annual Report unless the disclosures are considered irrelevant or immaterial, in which case these are omitted or aggregated in order to increase focus on material drivers behind the financial performance.

With materiality in mind, the presentation throughout the financial statements focus on the accounting choices made to establish the NKT accounting policies as well as the significant estimates and judgement exercised by management, while avoiding the replication of more generic accounting policies and standards.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company (NKT A/S) and the individual subsidiaries' financial statements prepared according to NKT Group's accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which NKT obtains control, until the date that such control ceases.

All intercompany balances, income and expenses, unrealized gains and losses and dividends resulting from intercompany transactions are eliminated in full.

Foreign currency translation

Transactions in foreign currencies are initially recognized in the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All adjustments are recognized in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date, when the fair value is determined.

The assets and liabilities of foreign subsidiaries are translated into EUR at the rate of exchange prevailing at the reporting date, and their income statements are translated at average exchange rates. Exchange rate adjustments arising on translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that operation is recognized in the income statement.

Alternative performance measures (APMs)

The consolidated financial statement includes financial performance measures that are not defined according to IFRS.

These measures are considered to provide valuable information to stakeholders and Management. Since other companies might calculate these differently from NKT Group, they may not be comparable to the measures applied by other companies. These financial measures should therefore not be considered a replacement for performance measures as defined under IFRS, but rather as supplementary information. Alternative performance measures are defined in note 7.4 in more detail and some are reconciled to IFRS measures in note 2.1.

Section 1 – Basis for preparation

1.1 General accounting policies – continued

Reporting under the ESEF regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial statements of issuers with securities listed on the EU regulated markets.

The applied tagging by the Group has been prepared in accordance with the ESEF taxonomy included in the ESEF regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with the technical files included in the ZIP file nkt-2022-12-31-en.zip.

Presentation in the notes

§ **Accounting policy**

Apart from the more general accounting policy items presented above, specific accounting policies are included in the sections to which they relate in order to facilitate a better understanding of the contents and the accounting treatment applied.

1.2 Implementation of new and amended accounting standards and interpretations

New standards, interpretations and amendments adopted by NKT Group

NKT Group has adopted all new or amended standards (IFRS) and interpretations (IFRIC) as adopted by the EU and which are effective for the financial year 1 January – 31 December 2022.

On 1 January 2022, amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018-2020 became effective.

None of the amendments had a material impact on the NKT Group.

New standards, interpretations and amendments not yet adopted by NKT Group

IASB has issued a number of new or amended accounting standards and interpretations, some of which are not yet endorsed by EU, and which are not mandatory for reporting periods ending at 31 December 2022. NKT Group expect to implement these new and amended standards, when they become mandatory.

None of the standards and interpretations are expected to have a material impact on the NKT Group.

1.3 Significant estimates and judgements

When preparing this Annual Report, Management has made a number of accounting judgements in applying the accounting policies, which form the basis for the recognition and measurement of assets, liabilities and disclosures provided. Further, Management provides significant estimates regarding future developments. These are regularly reassessed based on historical experience and other factors, which Management assesses to be reliable, but which, by their nature, are associated with uncertainty and unpredictability.

Significant estimates and judgements are predominantly applied in relation to the recognition of revenue from construction contracts, impairment of goodwill and assessing the value of deferred tax assets. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise, but the assumptions are considered reasonable and reliable under the circumstances.

From Management perspective the following estimates and judgements are considered significant and the applied estimates and judgements are further described in the respective notes.

Note		Significant accounting estimate and judgement	Estimate/ Judgement	Impact assessment[1]
2.1	Segment information and revenue	Determine revenue recognition for projects (PoC)	Judgement and estimate	■■■■■
4.4	Contract assets and liabilities	Valuation of construction contracts	Judgement and estimate	■■■■■
2.5	Tax	Valuation of deferred tax assets	Judgement and estimate	■■■■
3.3	Impairment of assets	Estimate the value-in-use of intangible and tangible long-term assets	Estimate	■■■■
7.3	Contingent liabilities	Determine recognition and measurement of obligations	Judgement and estimate	■■■

[1] The numbers of boxes in the above assessment indicate the level of estimates and judgment applied, where five being the highest.

Presentation in the notes

Significant estimates

A description of the Significant judgements and accounting estimates provided by Management are included in the respective sections to which they relate.

Sensitivity

Sensitivity analyses often accompany significant judgements and accounting estimates, and are included in the sections to which they relate.

Section 2 – Profit for the year

This section relates to profit for the year, including revenue, segment information, staff costs, share-based payments, research and development costs and tax.

NKT

Operational EBITDA

154.5m

(131.1m in 2021)

Solutions

Operational EBITDA

105.9m

(83.1m in 2021)

Applications

Operational EBITDA

28.5m

(28.5m in 2021)

Service & Accessories

Operational EBITDA

25.7m

(32.8m in 2021)

2.1 Segment information and revenue

Amounts in EURm	Solutions	Applications	Service & Accessories	Non allocated	Intersegment transact.	Total NKT
2022						
Income statement						
Goods[1]	46.7	1,066.7	132.8	0.0	-38.2	1,208.0
Service, etc.[1]	16.9	0.0	7.3	0.0	-2.6	21.6
Construction contracts[2]	803.5	0.0	53.2	0.0	-7.3	849.4
Revenue (market prices)	**867.1**	**1,066.7**	**193.3**	**0.0**	**-48.1**	**2,079.0**
Adjustment of market prices to std. metal prices	-117.6	-514.7	-0.1	0.0	0.2	-632.2
Revenue (std. metal prices)	**749.5**	**552.0**	**193.2**	**0.0**	**-47.9**	**1,446.8**
Costs and other income, net (excl. one-off items)	-761.2	-1,038.2	-167.6	-5.6	48.1	-1,924.5
Operational EBITDA	**105.9**	**28.5**	**25.7**	**-5.6**	**0.0**	**154.5**
Depreciation, amortization and impairment	-64.3	-14.9	-4.2	-2.0	0.0	-85.4
Operational EBIT	**41.6**	**13.6**	**21.5**	**-7.6**	**0.0**	**69.1**
Working capital	**-437.2**	**89.7**	**36.2**	**8.3**	**0.0**	**-303.0**
2021						
Income statement						
Goods[1]	37.4	900.0	118.8	0.0	-21.2	1,035.0
Service, etc.[1]	15.2	0.0	6.7	0.0	-2.9	19.0
Construction contracts[2]	702.6	0.0	80.5	0.0	-9.2	773.9
Revenue (market prices)	**755.2**	**900.0**	**206.0**	**0.0**	**-33.3**	**1,827.9**
Adjustment of market prices to std. metal prices	-115.1	-449.8	-0.2	0.0	0.3	-564.8
Revenue (std. metal prices)	**640.1**	**450.2**	**205.8**	**0.0**	**-33.0**	**1,263.1**
Costs and other income, net (excl. one-off items)	-672.1	-871.5	-173.2	-13.3	33.3	-1,696.8
Operational EBITDA	**83.1**	**28.5**	**32.8**	**-13.3**	**0.0**	**131.1**
Depreciation, amortization and impairment	-69.1	-15.4	-4.4	-5.6	0.0	-94.5
Operational EBIT	**14.0**	**13.1**	**28.4**	**-18.9**	**0.0**	**36.6**
Working capital	**-152.8**	**64.3**	**22.6**	**-27.3**	**0.0**	**-93.2**

[1] Revenue from the sale of goods and services are recognized at a point in time.
[2] Revenue from construction contracts are recognized over time.

Section 2 – Profit for the year

2.1 Segment information and revenue – continued

Amounts in EURm	2022	2021
Reconciliation to net result		
Operational EBITDA	**154.5**	**131.1**
One-off items	0.1	-12.7
EBITDA	**154.6**	**118.4**
Depreciation, amortization and impairment	-85.4	-94.5
EBIT	**69.2**	**23.9**
Financial items, net	9.1	-8.2
EBT	**78.3**	**15.7**
Tax	-23.2	-3.8
Net result - continuing operations	**55.1**	**11.9**
Net result - discontinued operations	7.3	-7.8
Net result	**62.4**	**4.1**

Geographical information

	Revenue		Property, plant and equitment and intangible assets	
Amounts in EURm	**2022**	**2021**	**2022**	**2021**
Denmark	120.5	126.1	11.5	46.3
Germany	679.1	614.1	324.5	309.9
Sweden	154.8	150.4	837.3	833.8
UK	359.1	306.9	18.8	21.7
Poland	213.5	213.9	17.2	16.3
USA	99.6	4.4	0.1	6.9
Norway	90.4	108.4	87.9	90.5
Czech Republic	62.0	69.5	63.7	45.1
Other	300.0	234.2	12.2	34.1
Total	**2,079.0**	**1,827.9**	**1,373.2**	**1,404.6**

§ Accounting policy

Segment information
The segment information is based on internal management reporting and is presented in accordance with the Group's accounting policies.

Segment income and expenses and segment working capital comprise those items that are directly attributable to the individual segment and those items that can be reliably allocated to it. Other items are shown as non-allocated.

The reportable segments are generally referred to as business lines. The business lines consist of Solutions, Applications and Service & Accessories. For further details please refer to the Business review section of each business line. The Board of Directors assesses the operating results of the business lines separately to enable decisions concerning allocation of resources and measurement of performance.

Revenue from Goods and Service are recognized at a point in time and revenue from construction contracts are recognized over time.

Inter-segment transactions are performed on market terms.

No single customer accounts for more than 10% of the revenue.

The geographical disclosure of revenue is based on the country of delivery.

Other operating income comprises items of a secondary nature relative to the operations of the Group, including grant schemes, reimbursements and gains on sale of non-current assets, etc.

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

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

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

Other costs comprise external costs relating to production, sale and administration, as well as losses on disposal of tangible and intangible assets. Write-downs of receivables from sales are also included.

Significant judgements

Cable projects are to a certain degree measured based on management judgement in terms of when to recognize revenue and how to calculate the revenue in terms of stage-of-completion and estimated profit on each project. The estimates include a risk provision, which is based on an assessment of the specific risks that each project is exposed to. The stage-of-completion is based on costs incurred against estimated total project costs. In essence, the total project costs are therefore to a large extent based on estimates.

Assumptions for the recognition of revenue over time regarding larger cable projects are determined contract by contract. Control is transferred as the project progresses, based on assumptions such as:
- Deliveries being approved on an ongoing basis
- NKT Group's ability to provide products according to specification and the risk that the cable is rejected
- Customer takes over risk and legal title to the cable installation on an on-going basis, and
- Milestone payments from the customer.

Section 2 – Profit for the year

2.1 Segment information and revenue – continued

Projects

Revenue from the sale of cable projects accounted for as construction contracts comprises sale of onshore and offshore highly customized cables in Solutions, delivery of highly customized spare cables in Service and larger projects in NKT Photonics.

Projects are usually significant in amount, have a long lead time affecting the financial statements of more reporting periods and have a high degree of project management. Each project is normally considered one performance obligation as each project comprise highly interrelated and interdependent physical assets and services, such as production, installation and project management.

However, depending on the contract structure, the performance obligation may consist of more than one contract. Cable projects are often sold as fixed price contracts and revenue from these are therefore recognized over time by applying the percentage of completion (PoC) cost-to-cost method.

Payment terms of a cable project contract usually comprise the following payments:

- down payment from the customer at contract inception,
- progress payments, linked to project milestones,
- final payment upon completion and customer acceptance.

NKT Group will usually obtain payment guarantees to minimize counter party risk during the execution of cable projects.

Sale of products

Sale of products relates to the sale of smaller less customized cable projects, standardized cables and equipment. Small cable projects with little or no customization usually have a short lead time of less than one year. Each delivered product is considered one performance obligation. Most of the products are sold at a fixed price and revenue is usually recognized at the point in time when the control of the products transfers to the customers, usually upon delivery.

For standardized products, NKT Group is usually entitled to payment upon delivery, and payment terms vary by market but are usually short.

Service contracts

Service contracts comprise various service elements to support power cable efficiency and prevent or mitigate power cable failures and can include up to 365/24 hours support. Service delivered according to the contracts is considered as one performance obligation delivered over time. Revenue is accordingly recognized over the life of the contract. NKT Group is either entitled to payment once the service has been provided or on a periodic basis.

Spare parts and other repair work contracts are determined as one performance obligation. The transaction price is usually variable, depending on the produced output, and revenue is recognized over time, using the cost-to-cost method. In case of significant uncertainties related to measuring the revenue reliably, revenue is recognized according to payments. NKT Group is entitled to payment once the work or spare parts are delivered.

Providing new highly customized spare cables is defined as one performance obligation. The transaction price is usually fixed and revenue is typically recognized over time using the percentage of completion (PoC) cost-to-cost method.

The payment pattern for spare cables is similar to the pattern for cable projects described above and NKT Group will usually obtain payment guarantees to minimize the risk during the execution of the cable project.

§ Accounting policy

Revenue

Revenue from construction contracts with customers with a high degree of individual customization and no alternative use, are recognized as revenue over time, provided that NKT Group has secured an enforceable right to payment for work performed at any time. The revenue therefore corresponds to the sales price of work performed during the year (the percentage-of-completion method). See note 4.4 for further information concerning construction contracts.

Revenue from sale of goods for resale and finished goods is recognized in the income statement when control of the goods has transferred to the buyer, normally at delivery, and it is virtually certain that the income will be received.

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

Revenue is measured at the fair value of the expected consideration excluding VAT and taxes charged on behalf of third parties. In determining the transaction price, revenue is reduced by probable penalties and other claims and discounts that are payments to the customers. The transaction price is further adjusted for any variable elements of the transaction price. The variable amount is estimated at contract inception and revisited throughout the contract period. Variable income is recognized as revenue when it is highly probable that a reversal will not occur.

Section 2 – Profit for the year

2.2 Staff cost

Amounts in EURm	2022	2021
Wages and salaries	237.0	247.6
Social security costs	50.9	48.7
Defined contribution plans	14.6	15.2
Total	**302.5**	**311.5**
Average number of full-time employees	4,062	3,775

In 2022, staff costs in NKT Group decreased by 3%, and the average number of full-time employees increased by 8%. Staff costs was impacted by exchange rates and utilization of the restructuring provision recognised in 2021 regarding German activities (recognised as a one-off item in 2021).

In NKT Group, most employees are covered by pension schemes, primarily in the form of defined contribution-based plans managed by independent pension funds.

NKT Group's defined benefit plans, primarily relating to the activities in Germany, are recognized at the present value of the actuarially measured obligations. If a plan is not fully covered by plan assets, a plan liability is recognized in the balance sheet. Expenses relating to pension benefits are recognized as staff costs in the income statement. Actuarial gains or losses are recognized in other comprehensive income, EUR 11.7m (EUR 2.3m in 2021), see note 3.4 for more information.

Amounts in EURk	2022	2021
Remuneration to Executive Management		
Salary	1,469	1,300
Bonus	1,153	1,199
Pension	75	61
Long-term incentive	1,039	478
Other benefits	114	114
Total	**3,850**	**3,152**

Remuneration of Executive Management comprise fixed salary, short- and long-term bonus programs and other customary benefits. Long term bonus program consists of share-based payments programs. The accounting for share-based payments is presented in details in note 2.3.

Remuneration to Executive Management increased in 2022 compared to 2021, mainly due to higher salaries as well as the long-term bonus program, as the internal targets were fully met for the 2020 program (see note 2.3 Share-based payment). For more information on the development, refer to the Remuneration Report available at the website.

The Company has no related parties holding control. The Company's related parties comprise the NKT Group Leadership Team and their close family members. Related parties also include businesses in which the aforementioned have material interests.

Amounts in EURk	2022	2021
Remuneration to Board members		
Base remuneration	576	480
Audit committee	48	42
ESG committee	13	0
Nomination committee	24	20
Remuneration committee	33	20
NKT Photonics working committee	26	28
Total	**720**	**590**

§ Accounting policy

Staff costs comprise wages and salaries, remuneration, pensions, etc., and share-based payment for the company's employees, including Group Management. The Board of Directors does not receive share-based payment.

Wages and salaries, social security contributions, leave and sick leave, bonuses and non-monetary benefits are recognized in the financial year in which services are rendered by the employee. When NKT provides long-term employee benefits, the costs are accrued to match the rendering of services.

Termination benefits are recognized when an agreement has been reached between NKT and the employee and no future service is rendered by the employee in exchange for the benefits.

Section 2 – Profit for the year

2.3 Share-based payment

Long-term incentive programs for Executive Management and Group Leadership Team

The decision to award performance shares to the Executive Management, the Group Leadership Team (GLT) and selected employees is made each year at the discretion of the Board of Directors after recommendation from the Remuneration Committee. The awarded shares represent a conditional right to receive shares after a three-year performance period at nil payment. The Board of Directors may decide to make cash awards in a given year. The performance shares vest subject to continued employment and the achievement of certain performance targets over a three-year period.

For more information on the grant of performance shares, refer to the Group's Remuneration Report available on the website.

In 2022, a new performance share program was awarded to 18 participants (19 in 2021) with a vesting period of 3 years. All programs contain two key performance targets, one relating to operational EBITDA, and one relating to Total Shareholder Return (TSR). The total market value at award date was EUR 2.5m (EUR 2.0m in 2021).

For the 2020 program, both the TSR target and EBITDA target were met and 82.092 shares will vest in February 2023.

Costs relating to share-based payments in 2022 was EUR 2.7m (EUR 1.5m in 2021). The increased costs was mainly driven by an increased number of shares in later programs, but also because the EBITDA target for the 2020 program was reached in 2022, which was previously only expected to be partially reached.

Remaining value to be expensed relating to current programs is EUR 2.6m (EUR 2.3m in 2021). The weighted average remaining contractual life of performance shares at the end of the period was 1.1 years (1.2 years in 2021).

Assumptions

The value of each Performance shares Program (PSP) granted is calculated based on a number of assumptions including expected dividend payout during the vesting period, the volatility of NKT's share price (usually measured over a two year period), risk free interest rate and expected vesting period, usually 30-36 months. Apart from the expected dividend payout, which may vary in terms of actual payout, none of the assumptions listed have a material impact on the value of the PSP.

Performance shares outstanding	Executive management	Other employees	Total
1 January 2021	42,435	119,100	161,535
Shares granted during the year	28,631	41,125	69,756
Shares lapsed during the year	-3,118	-17,128	-20,246
31 December 2021	**67,948**	**143,097**	**211,045**
1 January 2022	67,948	143,097	211,045
Shares granted during the year	30,554	42,335	72,889
Shares lapsed during the year	-10,586	-50,908	-61,494
31 December 2022	**87,916**	**134,524**	**222,440**

§ Accounting policy

The share-based payments contain internal performance measures and external market return measures. At the grant date the value of services received in exchange for share-based payments are measured at the fair value. The fair value of share-based payments is estimated using a valuation model that takes into account the terms and conditions upon which granting took place. During the vesting period, the costs related to the plans are recognized as staff costs and an equal amount is recognized in equity. For the internal performance targets, costs are recognized over the vesting period based on the number of shares expected to vest, whereas for the market return elements, costs are recognized over the vesting period disregarding any changes in the number of shares expected to vest.

2.4 Research and development

Amounts in EURm	2022	2021
Research and development costs - staff costs	5.2	5.5
Research and development costs - other costs	32.1	27.3
Total research and development costs	37.3	32.8
Recognized as follows:		
Expensed in the income statement	6.0	7.1
Capitalized in the balance sheet	31.3	25.7
Total research and development costs	37.3	32.8

§ Accounting policy

Research costs are expensed in the income statement as they occur. Clearly defined and identifiable development projects are recognized as intangible assets provided that the following requirements are met: the technical feasibility, adequacy of resources and a potential future market can be demonstrated, it is intended to manufacture, market or utilize the project, the cost can be reliably determined, and there is reasonable certainty that the future earnings or net selling prices can cover the carrying amount as well as the development costs necessary to finalize the project. Other development costs are expensed in the income statement as incurred. Capitalized development projects are measured at cost less accumulated amortization and impairment losses. The cost includes wages, amortization and other costs relating to the Group's development activities. On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is usually 3–10 years. The amortization base is reduced by any impairment losses.

Section 2 – Profit for the year

2.5 Tax

Tax Approach

NKT Group complies with the tax legislation of the countries in which it operates and seeks to pay the right amount of tax in the countries where it creates value.

NKT Group only uses business structures that are driven by commercial consideration and have the genuine substance.

NKT Group does not operate in tax havens. In accordance with NKT Group's tax policy, any future operations in tax havens will be purely of commercial reasons.

NKT Group believes in collaboration and transparency regarding its tax matters and actively pursues opportunities to engage with tax authorities and other relevant stakeholders with the purpose of building trust through collaboration and openness.

NKT Group realized earning before tax (EBT) of EUR 78.3m (EUR 15.7 in 2021), which resulted in a reported tax rate of 29.6% (24.1% in 2021).

The reported tax rate of 29.6% was primarily impacted by changes to deferred tax assets in Germany and utilization of not recognized deferred tax assets in Denmark.

In 2022, NKT Group paid on net amount of EUR 15.3m in corporate income tax compared to paying a net amount of EUR 0.4m in 2021.

Earnings realised in NKT Group's Danish companies resulted in payable corporate tax of EUR 3.3m after utilizing tax losses carried forward (EUR 0.3m in 2021).

Amounts in EUR	2022	2021
Tax recognized in the income statement		
Current tax	11.1	7.6
Current tax, adj. prior years	1.5	-0.3
Deferred tax	13.6	-4.9
Deferred tax, adj. prior years	-3.0	1.4
	23.2	**3.8**
Tax rate for the year	29.6%	24.1%
Reconciliation of tax:		
Calculated 22.0% tax on earnings before tax	17.2	3.4
Tax effect of:		
Foreing tax rates relative to Danish tax rate	-5.0	-2.8
Non-taxable income/ non-deductible expenses, net	-4.1	1.6
Adjustment for previous years	-1.5	1.1
Value adjustment of tax assets	16.6	0.5
	23.2	**3.8**

Amounts in EURm	2022	2021
Deferred tax, 1 January, net	-46.9	-17.8
Tax recognized in other comprehensive income	10.2	-34.1
Addition from acquisitions	-0.9	0.0
Deferred tax recognized in income statement	-10.6	3.9
Transferred to payable tax	0.0	0.5
Transferred to assets held for sale	2.4	0.0
Foreign exchange adjustment	2.6	0.6
Deferred tax, 31 December, net	**-43.2**	**-46.9**
Recognized deferred tax:		
Deferred tax assets, 31 December	11.7	24.9
Deferred tax liabilities, 31 December	-54.9	-71.8
Deferred tax, 31 December, net	**-43.2**	**-46.9**
Specification on deferred tax assets and liabilities:		
Intangible assets	-22.7	-22.0
Tangible assets	-13.3	-16.3
Other non-current assets	1.4	1.7
Current assets	-65.1	-81.1
Non-current liabilities	5.8	8.0
Current liabilities	13.7	4.1
Tax losses	128.7	130.6
Valuation allowance, unrecognized tax assets	-92.7	-81.7
Other	1.0	9.8
Deferred tax, 31 December, net	**-43.2**	**-46.9**

Section 2 – Profit for the year

2.5 Tax – continued

Significant estimates

The measurement of deferred tax assets and liabilities is based on the corporate tax rate applicable in the years when the assets and liabilities are expected to be utilized. The measurement of the tax assets is based on budgets and estimates for the coming years, which by nature are subject to uncertainty. As a result, there can be a substantial difference between the expected use of the tax asset and actual use of the tax asset related to previous years in the consolidated income statement.

The majority of the deferred tax assets relate to NKT Group's German tax unit. The utilization of the German tax asset is depending on a successful turn-around of high-voltage business. The tax losses carried forward from the German tax unit increased from EUR 311.8m in 2021 to EUR 387.9m in 2022. The total deferred tax value amounts to EUR 124.1m. NKT Group has recognized a deferred tax hereof of EUR 30.7m at year-end (EUR 29.9m in 2021).

The tax losses carried forward in the Danish tax unit were fully utilized during 2022.

The tax losses carried forward at end-2022 in the Swedish tax unit sums up to EUR 6.3m, which lead to a deferred tax asset of EUR 1.3m (EUR 11.2m in 2021). Further, a deferred tax asset of EUR 11.3 relating to interest carried forward has been recognized (EUR 12.0m in 2021). The deferred tax asset has been fully offset against a deferred tax liability.

Tax losses in Germany and Sweden has no expiry date.

NKT Group reported a net deferred tax liability of EUR 43.2m (EUR 46.9m in 2021). The development mainly relates to deferred tax liability related to hedge accounting recognized in other comprehensive income and deferred tax liability related to timing differences in revenue recognition in Germany and utilization of tax losses carried forward in Denmark and Sweden.

Management judgement regarding deferred tax assets and provision for uncertain tax positions

Deferred tax assets relating to tax losses carried forward are recognized when Management assesses that these can be utilized in a foreseeable future. The assessment is performed at the reporting date considering local tax legislation and Management's business plans. Planned changes to capital structure are included in the assessment.

As the NKT Group conducts business around the world, tax and transfer pricing disputes with local tax authorities may occur. When assessing the expected outcome of these possible disputes, NKT Group applies IFRIC 23 'Uncertainty over Income Tax Treatments' and methods directed herein when making provisions for uncertain tax positions. As this is an assessment, the actual obligations may deviate and will depend on the result of litigations and settlements with the tax authorities. Any taxes relating to tax disputes are included in 'Income tax receivables', 'Income tax payables' and 'Deferred tax' based on an assessment of the most likely outcome of the disputes.

Accounting policy

Current income tax

Tax for the period, consists of the year's current tax, change in deferred tax and adjustments related to previous years. Tax for the period is recognized in the income statement including the effect of coupon payments on the hybrid capital. Tax relating to other items are recognized in other comprehensive income.

Current tax payable and receivable is recognized in the balance sheet as tax estimated on taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

Deferred tax

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to buildings and goodwill that for tax purposes do not qualify for depreciation and amortization, respectively, nor on other items where temporary differences – except for acquisitions – arose at the acquisition date without influencing either net earnings or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Group Management's planned use of the assets or settlement of the liabilities, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are recognized at their expected utilization value within the foreseeable future.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and liabilities and intends to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously.

Section 3 – Non-current assets and liabilities

NKT Group's investments in non-current assets form a basis for the Group's operation and non-current liabilities arising as a result thereof. The non-current liabilities in this section are regarded as non interest-bearing.

Investment ratio*

13%

(18% in 2021)

Headroom in impairment test

831m

(303m in 2021)

Capex

125.7m

(165.7m in 2021)

* Investment ratio is calculated as additions for continuing operations in % of revenue SP

3.1 Intangible assets

Amounts in EURm	Goodwill	Trademarks, patents and licences etc.	IT software	Development projects completed	Intangible assets under development	Total Intangible assets
Cost, 1 January 2021	412.1	101.6	62.0	80.3	79.2	735.2
Additions	0.0	0.0	0.1	0.1	36.6	36.8
Disposals	-1.3	0.0	-1.4	-1.6	0.0	-4.3
Transferred between classes of assets	0.0	0.0	21.5	5.2	-26.7	0.0
Exchange rate adjustments	-6.4	-1.2	0.0	-0.5	-0.1	-8.2
Costs, 31 December 2021	**404.4**	**100.4**	**82.2**	**83.5**	**89.0**	**759.5**
Amortization and impairment, 1 January 2021	-1.3	-38.1	-32.2	-36.7	0.0	-108.3
Amortization for the year	0.0	-8.2	-9.1	-16.9	0.0	-34.2
Disposals	1.3	0.0	1.4	1.6	0.0	4.3
Exchange rate adjustments	0.0	0.3	-0.1	0.2	0.0	0.4
Amortization and impairment, 31 December 2021	**0.0**	**-46.0**	**-40.0**	**-51.8**	**0.0**	**-137.8**
Carrying amount, 31 December 2021	**404.4**	**54.4**	**42.2**	**31.7**	**89.0**	**621.7**
Cost, 1 January 2022	404.4	100.4	82.2	83.5	89.0	759.5
Disposal of subsidiary	0.0	-1.7	0.0	-7.7	-2.3	-11.7
Additions	0.0	0.0	1.1	0.2	39.3	40.6
Disposals	0.0	0.0	0.0	-0.4	-0.1	-0.5
Transferred between classes of assets	0.0	0.0	1.5	8.8	-10.3	0.0
Transferred to assets held for sale	-25.3	-26.9	-7.8	-17.9	-24.4	-102.3
Exchange rate adjustments	-28.7	-5.6	-0.4	-3.2	-3.5	-41.4
Costs, 31 December 2022	**350.4**	**66.2**	**76.6**	**63.3**	**87.7**	**644.2**
Amortization and impairment, 1 January 2022	0.0	-46.0	-40.0	-51.8	0.0	-137.8
Disposal of subsidiary	0.0	1.2	0.0	5.8	0.0	7.0
Amortization for the year	0.0	-6.3	-8.5	-11.6	0.0	-26.4
Disposals	0.0	0.0	0.0	0.4	0.0	0.4
Transferred to assets held for sale	0.0	22.3	2.7	12.3	0.0	37.3
Exchange rate adjustments	0.0	2.0	0.4	1.3	0.0	3.7
Amortization and impairment, 31 December 2022	**0.0**	**-26.8**	**-45.4**	**-43.6**	**0.0**	**-115.8**
Carrying amount, 31 December 2022	**350.4**	**39.4**	**31.2**	**19.7**	**87.7**	**528.4**

Section 3 – Non-current assets and liabilities

3.1 Intangible assets – continued

§ Accounting policy

Goodwill is initially recognized in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses and is not amortized.

The carrying amount of goodwill is allocated to NKT Group's cash-generating units at the acquisition date. Cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing NKT Group, and identification of operating segments based on the presence of segment managers, Group Management finds that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during testing for impairment are the reportable segments.

Other intangible assets, which includes IT software, trademarks, patents and licences, are measured at cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter.

Expected useful life is determined as follow:

Trademarks, patents and licences, etc.	3 –15 years
IT software	3 – 8 years

3.2 Property, plant and equipment

Right-of-use assets are recognized as follows:

Amounts in EURm	Land and buildings	Manu-facturing plant and machinery	Fixtures, fittings, tools and equipment	Total
Carrying amount, 1 January 2021	36.4	8.2	0.7	45.3
Addition for the year	11.0	0.0	0.7	11.7
Depreciation of right-of-use assets	-6.6	-1.0	-0.4	-8.0
Exchange rate adjustments	-0.2	-0.1	-0.1	-0.4
The carrying amount of right-of-use assets, 31 December 2021	**40.6**	**7.1**	**0.9**	**48.6**
Carrying amount, 1 January 2022	40.6	7.1	0.9	48.6
Addition for the year	1.8	0.0	0.0	1.8
Disposals for the year	0.5	0.0	0.0	0.5
Disposal of subsidiaries	-0.5	0.0	0.0	-0.5
Depreciation of right-of-use assets	-5.4	-1.0	-0.4	-6.8
Transferred to assets held for sale	-6.5	0.0	0.0	-6.5
Exchange rate adjustments	-1.0	0.0	0.0	-1.0
The carrying amount of right-of-use assets, 31 December 2022	**29.5**	**6.1**	**0.5**	**36.1**

Amounts recognized in the income statement:

Amounts in EURm	2022	2021
Costs relating to other immaterial leases including short term and low value leases, recognized in the income statement	7.8	7.1

Lease liabilities and interests relating to recognized lease contracts are included in Section 5.4 and 5.5 respectively. Future minimum lease payments relating to leases not recognized in the balance sheet amount to EUR 11.6m (EUR 13.4m in 2021).

§ Accounting policy

Contracts relating to leased equipment are usually made for a fixed period, whereas lease contracts for buildings and land in some instances include an option to extend the lease. When assessing the life of the leases, NKT considers the non-cancellable lease term and options to extend the lease where it is reasonably certain to extend. The lease period of offices and sales buildings are assessed to be approximately 3-10 years, for production facilities 5-10 years and for land up to 20 years. For other assets the lease term is equal to the non-cancelable lease period and extensions are not considered. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments related to short-term leases and leases of low-value assets continue to be recognized on a straight-line basis as an expense in the income statement. Low-value assets mainly comprise minor buildings, cars, forklifts, IT-equipment and other office equipment.

NKT Group has no leases where the rent is variable depending on revenue, etc. Some contracts are exposed to future increases in variable lease payments based on an index or rate, which are included in the lease liability when they take effect.

Section 3 – Non-current assets and liabilities

3.2 Property, plant and equipment – continued

Amounts in EURm	Land and buildings	Manu-facturing plant and machinery	Fixtures, fittings, tools and equipment	Property, plant and equipment under con-struction	Total property, plant and equipment
Cost, 1 January 2021	396.5	636.2	120.9	56.4	1,210.0
Additions	13.4	5.4	10.4	173.8	203.0
Disposals	-2.0	-2.3	-1.8	0.0	-6.1
Transferred between classes of assets	0.2	34.2	2.8	-37.2	0.0
Exchange rate adjustments	2.5	1.5	-0.8	-0.8	2.4
Cost, 31 December 2021	**410.6**	**675.0**	**131.5**	**192.2**	**1,409.3**
Depreciation and impairment, 1 January 2021	-104.7	-374.3	-72.6	-0.8	-552.4
Depreciation for the year	-16.7	-42.8	-15.4	0.0	-74.9
Disposals	1.7	2.1	1.8	0.0	5.6
Exchange rate adjustments	-2.5	-2.5	0.3	0.0	-4.7
Depreciation and impairment, 31 December 2021	**-122.2**	**-417.5**	**-85.9**	**-0.8**	**-626.4**
Carrying amount, 31 December 2021	**288.4**	**257.5**	**45.6**	**191.4**	**782.9**
Cost, 1 January 2022	410.6	675.0	131.5	192.2	1,409.3
Additions	4.2	20.6	2.6	134.5	161.9
Additions from business combinations	6.4	12.7	0.2	1.6	20.9
Disposals	-0.4	-7.3	-2.2	-1.3	-11.2
Disposal of subsidiaries	-1.6	-0.3	-3.9	0.0	-5.8
Transferred between classes of assets	33.4	53.2	16.2	-102.8	0.0
Transferred to assets held for sale	-20.9	-16.5	-9.5	-3.4	-50.3
Exchange rate adjustments	-13.9	-10.2	-5.8	-11.3	-41.2
Cost, 31 December 2022	**417.8**	**727.2**	**129.1**	**209.5**	**1,483.6**
Depreciation and impairment, 1 January 2022	-122.2	-417.5	-85.9	-0.8	-626.4
Depreciation for the year	-15.5	-37.7	-12.4	0.0	-65.6
Disposals	0.2	7.1	2.4	0.8	10.5
Disposal of subsidiaries	1.1	0.0	3.4	0.0	4.5
Transferred to assets held for sale	8.7	13.7	5.8	0.0	28.2
Exchange rate adjustments	2.3	5.1	2.6	0.0	10.1
Depreciation and impairment, 31 December 2022	**-125.4**	**-429.3**	**-84.1**	**0.0**	**-638.8**
Carrying amount, 31 December 2022	**292.4**	**297.9**	**45.0**	**209.5**	**844.8**

§ Accounting policy

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

Depreciation is done on a straight-line basis over the expected useful life of the assets, as follows:

Buildings	10 – 50 years
Manufacturing plant and machinery	4 – 20 years
Fixtures, fittings, tools and equipment	3 – 15 years
Vessel	20 years
Land is not depreciated	

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately.

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

Section 3 – Non-current assets and liabilities

3.3 Impairment test

Result of the annual impairment test

At 31 December 2022, the carrying amount of goodwill, other intangible assets and tangible assets were tested for impairment. The impairment test showed no impairment for 2022 (no impairment in 2021).

The recoverable amount per cash-generating unit exceeded the carrying amount of goodwill, other intangible assets and other assets allocated to the cash-generating unit with the following amounts at 31 December:

Headroom in EURm	2022	2021
Cash-generating units		
Solutions	831	303
Service & Accessories	120	152

Cash-generating units

Cash-generating units identified in NKT Group are similar to the operating segments, being Solutions, Applications and Service & Accessories. These are considered to be the lowest level of cash-generating units as defined by management.

The definition of cash-generating units is based on the smallest identifiable group of assets that together generate cash inflows from continued use and which are independent of the cash flows from other assets or groups of assets.

The definition of cash-generating units complies with the managerial structure and the internal financial reporting in NKT Group. For impairment test purposes, tangible assets and intangible assets are allocated to the respective cash-generating units.

Significant estimates

Goodwill

Goodwill has been allocated to the cash-generating units according to the split presented below. The goodwill level in Applications was immaterial and the assumptions for the impairment test of goodwill are not described any further for this cash-generating unit. The carrying amount of goodwill was as follows:

Amounts in EURm	2022	2021
Solutions	298.1	323.3
Applications	6.7	6.5
Service & Accessories	45.6	49.3
NKT Photonics	-	25.3
Total	**350.4**	**404.4**

Key Assumptions

The recoverable amount is based on a value-in-use calculation. For all cash-generating units, the calculation uses cash flow projections (budget period) based on financial budget for 2023 and financial forecasts for 2024–2028, hence a 6 year budget period. Significant parameters in these estimates are revenue growth, EBITDA margin, discount rate, working capital and growth expectations for the terminal period.

The discount rate has been revised for each cash-generating unit to reflect the latest market assumptions for the risk-free rate based on a 5-year German government bond, the equity risk premium and the cost of debt.The long-term growth rate for the terminal period is based on the expected growth in the world economy as well as long-term development for the industries and markets in which the cash-generating units operate.

Group Management determines, as illustrated on the following page, the expected annual growth rate in the budget period, the expected margins based on historical experience and the assumptions about expected market developments. These assumptions are by nature subject to uncertainty, which is why attention to the sensitivity analysis provided is recommended.

Accounting policy

Goodwill, intangible assets with indefinite useful lives and development projects are tested at least annually for impairment, and furthermore when a trigger event occurs.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated. The recoverable amount is generally computed as the present value of the expected future net cash flows from the business or activity (cash-generating unit) to which goodwill is allocated.

Other non-current assets

The carrying amount of other non-current assets is tested when a trigger event occurs which could indicate an impairment, in which case, the recoverable amount of the asset is determined. The recoverable amount is the fair value of the asset less anticipated cost of disposal, or its value-in-use, whichever is the higher.

The value-in-use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset is part.

Recognition of impairment loss in the income statement

Impairment is recognized if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount. The impairment is recognized in the income statement and impairment of goodwill is recognized in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment of other assets is reversed in the event of changes having taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortization if the asset had not been impaired.

Section 3 – Non-current assets and liabilities

3.3 Impairment test – continued

Solutions	Budget period		Terminal period	
	2022	2021	2022	2021
Key assumptions[1]				
Average revenue growth rate	13.0%	13.3%	-	-
Average EBITDA margin	17.5%	14.0%	-	-
Growth rate	-	-	2.0%	1.5%
Average working capital ratio	-46.3%	-20.4%	-	-
Discount rate after tax	10.0%	6.8%	10.0%	7.8%
Discount rate before tax	13.3%	9.1%	13.3%	10.4%
Sensitivity				
Discount rate after tax			19.2%	9.9%
Growth rate			-16.7%	-3.1%
Change in EBITDA			-49.7%	-20.0%

In 2022, Solutions was awarded additional high-voltage cable projects maintaining the high backlog, ensuring a high level of activity during the budget period. Management assesses that NKT will be one of the key beneficiaries of the global expansion in green technology over the world. These will be the main drivers for the growth in Solutions from 2023 and onwards. The continued growth in renewable power generation is an important driver in the attractive outlook for the high-voltage market. Progress continues on several tenders across market segments and geographies, where NKT still views Europe as its largest market opportunity, but more projects are coming particularly in the US as well as in Asia.

Following the awards in 2022, NKT still expects the value of high-voltage project awards in relevant markets to stay at a high level for a long term. Assessing future awards to NKT is although by nature subject to uncertainty, and the value-in-use calculation of the Solution cash-generating unit is sensitive to changes in the actual share of projects awarded to NKT. However, the large backlog provides higher certainty regarding the future revenue and earnings.

[1] In 2021 NKT applied two different discount rates for the budget and terminal period respectively. Due to normalization in the financial markets, where negative interests are no longer observed, the discount rates no longer differentiate between the budget period and the terminal period.

Service & Accessories	Budget period		Terminal period	
	2022	2021	2022	2021
Key assumptions[1]				
Average revenue growth rate	4.6%	0.3%	-	-
Average EBITDA margin	11.9%	12.7%	-	-
Growth rate	-	-	2.0%	1.0%
Average working capital ratio	13.2%	11.3%	-	-
Discount rate after tax	9.7%	6.5%	9.7%	7.5%
Discount rate before tax	13.1%	8.8%	13.1%	10.1%
Sensitivity				
Discount rate after tax			21.4%	25.5%
Growth rate			-24.2%	-50.0%
Change in EBITDA			-60.7%	-71.1%

The market for servicing power cables is gradually growing, and the competitive landscape among service providers is diverse, with different companies offering different solutions. Power cable failures are costly for both on- and offshore operators, and if an incident does occur, power cable operation must be restored as fast as possible, hence the increasing interest in service agreements. The customers increasingly demand services that will enable them to improve power cable efficiency and solutions that can help predict, prevent and mitigate power cable failures. 2021 was a very positive year for Service, driven by an unusual high level of repair jobs. While not expected at the same level as 2021, the Service market is expected to see attractive growth in the years ahead, driven by the installation of further power cables both off- and onshore in line with the megatrends driving the power cable market. However, the market will fluctuate during this period depending on the number of large offshore cable repairs.

Accessories deliver necessary components of power cable systems, and their market is therefore closely linked to that for medium- and high-voltage power cables. The market is therefore expected to increase and NKT expects to reach even more markets over the coming years. As with power cables, competitive pressure for Accessories is greatest at the lowest voltage levels due to the increasing complexity of accessories for higher voltage application.

NKT Photonics	Budget period	Terminal period
	2021	2021
Key assumptions[1]		
Average revenue growth rate	10.6%	-
Average EBITDA margin	19.0%	-
Growth rate	-	2.0%
Average working capital ratio	13.5%	-
Discount rate after tax	7.7%	8.7%
Discount rate before tax	10.1%	11.4%
Sensitivity		
Discount rate after tax		10.3%
Growth rate		0.4%
Change in EBITDA		-9.0%

In June 2022, NKT Photonics was transferred to assets held for sale. Consequently, no impairment test based on value-in-use has been performed in 2022. Reference is made to note 6.3 for further information of NKT Photonics. In 2021, the impairment test for NKT Photonics resulted in a headroom of EUR 22m based on the key assumptions illustrated above.

Sensitivity to changes in assumptions

The sensitivity analysis presented for each cash-generating unit in the tables above, considers when a change in a given assumption will decrease the value-in-use to the extend that the value-in-use equals the carrying amount. Changes in more assumptions at once is not considered. The general assumption, that NKT will be awarded its fair share of future projects, is not considered separately.

It is Management's assessment that likely changes in the key assumption will not cause the carrying amount of goodwill to exceed the recoverable amount. However, to show the headroom between the carrying amount and the recoverable amounts, a sensitivity analysis has been included, with focus on discount rate, growth rate and EBITDA in terminal period.

Section 3 – Non-current assets and liabilities

3.4 Provisions and pension liabilities

Amounts in EURm	Warranty provision	Restructuring provision	Other provisions	Pension liabilities, net	Total
Provisions, 1 January 2022	6.9	14.7	50.4	53.8	125.8
Additions in the year	0.5	0.1	14.2	1.1	15.9
Used during the year	-0.1	-5.3	-11.2	-1.9	-18.5
Reversed during the year	-4.9	-0.3	-27.7	0.0	-32.9
Transfer to assets held for sale	-1.1	0.0	0.0	0.0	-1.1
Exchange rate adjustment	-0.4	0.0	-1.7	0.0	-2.1
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	-11.7	-11.7
Provisions, 31 December 2022	**0.9**	**9.2**	**24.0**	**41.3**	**75.4**
Provisions are recognized in the balance sheet as:					
Non-current liabilities	0.0	4.4	7.0	41.3	52.7
Current liabilities	0.9	4.8	17.0	0.0	22.7
	0.9	**9.2**	**24.0**	**41.3**	**75.4**

Actuarial gains related to the pension liabilities are recognized in other comprehensive income. The pension liability also include other long term benefits relating to anniversary bonuses, etc., amounting to EUR 2.0m (EUR 1.9m in 2021). At the end of 2022, there were no plan assets to be offset in the present value of the liability.

Actuarial assumptions applied	2022	2021
Discount rate	3.4%	1.1%
Future salary increases	3.0%	3.0%
Future pension increases	2.2%	2.0%

Sensitivity analysis

The table below shows the sensitivity of the liability to changes in key assumptions for the measurement of the pension liabilities, net. The analysis is based on the changes in the applied key assumptions considered reasonably likely provided the other parameters in the calculation are unchanged.

Amounts in EURm	2022	2021
+0.5%-point in discount rate	-2.2	-3.5
-0.5%-point in discount rate	2.5	3.9
+0.5%-point in future pension increase	2.2	3.4
-0.5%-point in future pension increase	-2.0	-3.1

A change in the salary increase of 0.5%-points is not considered to have a material effect.

§ Accounting policy

The provisions recognized are Management's best estimate of the amount required to settle the obligation. Warranty provisions are recognized in connection with the sale of goods and services based on the level of warranty expenses incurred in previous years. Contingent warranty commitments are recognized in connection with business combinations. Restructuring costs are recognized under liabilities when a detailed, formal restructuring plan is announced to the affected parties on or before the balance sheet date. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the Group's unavoidable costs for meeting its contractual obligations. Provisions for dismantling are measured at the present value of the expected cost at the balance sheet date. The present value of the costs is included in the cost of the relevant tangible assets and depreciated accordingly. The addition of interests on provisions are recognized in the income statement under financial expenses.

For the Group's defined benefit plans, an annual actuarial calculation (the Projected Unit Credit Method) of the present value of future benefits payable under the plan is provided. The present value is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment within the Group. The actuarial present value less the fair value of any plan assets is recognized in the balance sheet under pension liabilities.

Pension expenses and other long-term employee benefits are recognized in the income statement based on actuarial estimates and financial expectations at the start of the year. Actuarial gains or losses are recognized in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognized if it offsets cumulative actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

Section 4 – Working capital

NKT Group's working capital represents the assets and liabilities necessary to support the day-to-day operations. Working capital is defined as current assets less current liabilities, excluding interest-bearing items and provisions.

NKT

Working capital

-303.0m

(-93.2m in 2021)

Solutions

Working capital

-437.2m

(-152.8m in 2021)

Applications

Working capital

89.7m

(64.3m in 2021)

Service & Accessories

Working capital

36.2m

(22.6m in 2021)

4.1 Changes in working capital in cash flow

Amounts in EURm	2022	2021
Inventory	-62.0	-40.7
Trade receivables and other receivables	-71.2	-69.3
Contract assets and contract liabilities	225.2	57.0
Trade payables and other liabilities	93.1	99.6
Effect of discontinued operations	0.0	4.1
Total	**185.1**	**50.7**

The numbers in the table above cannot be derived directly from the balance sheet.

Amounts in EURm	2022	2021
Reconciliation to change in working capital in cash flow		
Working capital 1 January	-59.6	-137.1
Reclassification of discontinued operations 1 January	-33.6	0
Working capital 31 December	-303.0	-59.6
Change in working capital based on balance sheet	-209.8	77.5
Effect of unrealized hedges reported on Equity	18.7	-127.3
Effect of discontinued operations	0.0	4.1
Effect of changes in current tax	4.6	4.2
Effect of changes in exchange rates, etc.	1.4	-1.0
Change in working capital based on cash flow statement	**-185.1**	**-50.7**

4.2 Inventories

Amounts in EURm	2022	2021
Raw materials, consumables and goods for resale	154.5	127.9
Work in progress	73.2	69.7
Finished goods	107.2	89.8
Inventories, 31 December	**334.9**	**287.4**
Write-down of inventories, 1 January	17.0	21.8
Write-down of inventories for the year	1.0	3.0
Disposals from sales	0.0	-1.6
Scrapping	-7.1	-6.2
Transfer to assets held for sale	-3.5	0
Write-down of inventories, 31 December	**7.4**	**17.0**

§ Accounting policy

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

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

Finished goods and work in progress are measured at cost, comprising direct costs and production overheads.

Section 4 – Working capital

4.3 Receivables

In NKT Group, receivables comprise trade and other receivables from external companies, other receivables from derivative financial instruments and prepayments. Receivables are measured at amortized cost, which in all material respects corresponds to fair value and nominal value.

Amounts in EURm	2022	2021
Trade receivables	208.7	212.6
Other receivables incl. derivatives	283.1	266.7
Prepayments	30.7	49.6
Receivables	**522.5**	**528.9**

Of the receivables, EUR 0.1m are expected to be received later than 12 months (EUR 1.3m in 2021).

Impairment on trade receivables amounted to 1% of trade receivables unchanged from 1% in 2021. For further information on credit risks, please see Section 5.6.

Development in provision for bad debt

Amounts in EURm	2022	2021
Trade receivables, gross	211.4	215.8
Provision for bad debt		
Provision for bad debt, 1 January	3.2	3.8
Additions during the year	0.6	1.4
Reversed during the year	-0.6	-1.2
Used during the year	-0.3	-0.9
Transferred to assets held for sale	-0.2	0.0
Exchange rate adjustments	0.0	0.1
Provision for bad debt, 31 December	**2.7**	**3.2**
Trade receivables, net	**208.7**	**212.6**

In 2022, credit losses recognized in the income statement count for 0.0% of total revenue (0.1% of total revenue in 2021). The expected loss rates are updated at every reporting date.

§ Accounting policy

Trade receivables are at initial recognition measured at their transaction price less allowance for expected credit losses over the lifetime and are subsequently measured at amortized cost adjusted for changes to the expected credit losses. Expected credit losses at initial recognition are calculated for portfolios of receivables that share credit risk characteristics and is based on historical experience and, when applicable, adjusted for factors that are specific to the debtors and general economic conditions. The portfolios are primarily based on the debtor's domicile and credit rating in accordance with NKT Groups credit risk management policy, see Section 5.6.

When there is an indication of impairment, expected credit losses are calculated at individual level and when there are no reasonable expectations of recovering, the receivable is written off in part or entirely.

The allowances for expected credit losses and write-offs for trade receivables are recognized in the income statement as Other costs.

Section 4 – Working capital

4.4 Contract assets and liabilities

Contract assets comprise the sales value of work performed on construction contracts, where NKT Group does not yet possess an unconditional right to payment, as the work performed has not been approved by the customer. Contract liabilities comprise contractual unconditional invoicing for work not yet performed.

Amounts in EURm	2022	2021
Construction contracts		
Contract value of work in progress	1,614.3	1,859.9
Progress billing	-2,155.4	-2,156.9
	-541.1	**-297.0**
Recognized as contract assets	98.2	97.3
Recognized as contract liabilities	-639.3	-394.3
	-541.1	**-297.0**
Construction contracts	639.3	394.3
Prepayments for construction contracts	19.9	27.0
Other prepayments from customers	18.4	38.0
Total contract liabilities	**677.6**	**459.3**

Amounts in EURm	2022	2021
Contract assets, 1 January	**97.3**	**21.3**
Addition from revenue recognized	40.1	85.6
Transferred to receivables	-30.5	-13.0
Transferred to assets held for sale	-2.1	0.0
Exchange rate adjustments	-6.6	3.4
Contract assets, 31 December	**98.2**	**97.3**
Contract liabilities, 1 January	**459.3**	**296.5**
Decrease from revenue recognized	-331.7	-179.2
Prepayments received	562.3	344.6
Transferred to assets held for sale	-0.5	0.0
Exchange rate adjustments	-11.8	-2.6
Contract liabilities, 31 December	**677.6**	**459.3**
Expected recognition of revenue:		
Within 1 year	468.4	281.0
Within 1-5 years	209.2	178.3
After 5 years	0.0	0.0
	677.6	**459.3**

§ Accounting policy

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. If the value of work performed exceeds progress billings, the excess is recognized as contract assets. and if progress billings exceed the value of work performed, the deficit is recognized as contract liabilities. Prepayments from customers are recognized under contract liabilities.

Construction contracts are characterized by a high degree of customization in the design of the cables produced. It is furthermore a requirement that before commencement of the work, a binding contract is signed that will result in a fine or compensation in case of subsequent cancellation. The contract value is measured according to the stage-of-completion, which is determined on the basis of an assessment of the work performed, calculated as the ratio of expenses incurred compared to total anticipated expenses on the contract concerned. When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognized as a provision.

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

! Significant estimates

Construction contracts are measured based on Management's judgement in terms of stage-of-completion and estimated profit on a project-by-project approach to estimate the expected selling prices which affect the value recognized in the balance sheet. The estimate includes a risk provision, which is based on an assessment of the specific risk that each project is exposed to. Therefore, the recognition of revenue and related contract assets and liabilities are subject to uncertainty. Management's estimates are based on the most likely outcomes of the projects.

Section 5 – Capital structure and financial risk management

NKT's Capital structure targets are related to solvency (ratio of minimum 30%) and operational EBITDA leverage (ratio up to 1.0x).

Financial risk management mainly relates to managing the risks related to currency, commodities and interest rate risks relating to the financing.

NKT
Solvency ratio

41%

(45% in 2021)

NKT
Operational EBITDA leverage

-0.4x

(0.1x in 2021)

5.1 Share capital

NKT A/S' share capital consists of shares with a nominal value of DKK 20 each. No shares carry special rights. NKT A/S' Articles of Association specify no limits in respect of ownership or voting right, and Group Management is unaware of any agreements in this regard.

Distribution of dividend to shareholders of NKT A/S has no tax consequences for the company.

As per 31 December 2022 share capital comprised 42,976,036 shares of nominal value of DKK 20 per share. Share capital has been unchanged in 2022 and 2021. During 2022, 75,000 treasury shares were purchased of which 16,055 are held at 31 December 2022.

Mandates issued by the shareholders at the General Meeting in relation to the Group's capital structure:

1. The share capital may, by resolution of the Board of Directors, be increased by issue of shares to a maximum nominal amount of DKK 256m in the period until 30 April 2025. The mandate was granted on the Annual General Meeting in June 2020, and consequently subsequent the first capital increase in 2020. With the second increase in December 2020 of DKK 215m, the remaining amount of the authorization is DKK 41,119,820.

2. For the period until 31 March 2026 the Board of Directors is authorized to arrange for acquisition of the Company's own shares up to a nominal value of 10% of the share capital. The purchase price for such shares may not deviate more than 10 per cent from the price quoted on Nasdaq Copenhagen at the time of acquisition. The price quoted at the time of acquisition shall mean Nasdaq Copenhagen closing price - all transactions at 5 p.m.

3. In the period until 30 April 2025 loans may be raised against bonds or debt instruments in one of several transactions with a right for the lender to convert this claim to shares, each of a nominal value of DKK 20, up to a maximum nominal amount of DKK 128m (6.4 million new shares). This mandate is equally capped to DKK 41,119,820 due to the capital increases in 2020.

§ Accounting policy

Dividend is recognized as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity. Interim dividend is recognized as a liability at the date when the decision to pay such dividend is made.

Acquisition costs, consideration received, and dividends relating to treasury shares, are recognized directly in retained comprehensive income in equity.

5.2 Earnings per share

Amounts in EURm	2022	2021
Profit attributable to equity holders	53.8	-4.0
Weighted average number of ordinary shares adjusted for the effect of dilution	43,094,255	43,090,596
Basic earnings - continuing operations, EUR, per share (EPS)	1.1	0.1
Diluted earnings - continuing operations, EUR, per share (EPS-D)	1.1	0.1
Basic earnings per share, EUR	1.3	-0.1
Diluted earnings per share, EUR	1.2	-0.1

There has been no transactions between the balance sheet date and the date of publication of this Annual Report, that have significantly changed the number of shares or potential shares in NKT A/S.

Section 5 – Capital structure and financial risk management

5.3 Hybrid capital

For 2022, hybrid capital comprise issued bonds from September 2022 of EUR 150m. For 2021, hybrid capital comprose issued bonds from September 2018 of EUR 150m. In 2022, the hybrid capital from September 2018 was called and settled and a new hybrid bond was issued.

The issued hybrid capital in both 2022 and 2021 have been accounted for as a hybrid capital reserve in equity. The classification is based on the special characteristics of the hybrid bond, where the bondholders are subordinate to other creditors, and NKT A/S may defer and ultimately decide not to pay the coupon. Any deferred coupons outstanding in 3022 will be cancelled. However, deferred coupon payments become payable if NKT A/S decides to pay dividends to shareholders. Coupon payments are recognized in equity. For further details on the hybrid capital for 2022 and 2021 please see table below.

As the principal of the securities ultimately falls due in 3022 (3018 in 2021), its discounted fair value is zero due to the terms of the securities. Therefore, a liability of zero has been recognized in the balance sheet, and the full amount of the proceeds have been recognized as equity. Coupon payments are recognized in the statement of cash flows in the same way as dividend payments within financing activities.

Hybrid bonds	2022	2021
Nominal value of hybrid capital	EUR 150.0m	EUR 150.0m
Classification in financial statement	Equity	Equity
Issued	Sept. 2022	Sept. 2018
Maturing	July 3022	Sept. 3018
First call date	1 July 2026	12 Sept. 2022[1]
Interests:		
For the first four years	7.240%	5.375%
For the following years	Resets to the 4-year EUR swap rate prevailing at that time plus 5%	Resets to the 4-year EUR swap rate prevailing at that time plus 10.225%

[1] The hybrid capital in 2021 was called and settled in 2022.

In connection with the issue of the new hybrid capital in 2022, holders of the previous hybrid capital had the option to roll-over their investment in the new hybrid capital without any cash transactions. Therefore, the cash flow from the issue and repurchase of hybrid capitals are less than the nominal amount of the hybrids. Below is a specification of the cash flow related to the hybrid capital transactions in 2022.

Cash flow from new hybrid capital	2022
Issue of new hybrid capital	150.0
Costs associated with new hybrid capital	-1.6
Transferring of former hybrid holders to new hybrid capital	-86.7
Proceeds from issurance of hybrid capital	**61.7**
Repayment of previous hybrid capital	-150.0
Transferring of former hybrid holders to new hybrid capital	86.7
Repurchase of hybrid capital	**-63.3**

On 11 August 2022, NKT A/S announced the notice of early redemption of all of its outstanding hybrid securities due 3018 with redemption date 12 September 2022. As per 11 August 2022, the hybrid was therefore treated as an interest-bearing liability and no longer as an equity instrument. Consequently, the interests on the hybrid for the period up until 11 August 2022 are treated as dividend on the equity and interests for the period after 11 August 2022 until redemption date are treated as financial items.

§ Accounting policy

Hybrid capital is treated in accordance with the rules on compound financial instruments based on the characteristics of the bonds. The notional amount, which constitutes a liability, is recognized at present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. The part of the hybrid capital that is accounted for as a liability is measured at amortized cost. The carrying amount is zero on initial recognition and due to the 1,000-year term of the hybrid capital, amortization charges will only have an impact on the income statement for the years at the end of the 1,000-year term of the hybrid capital.

Coupon payments are accounted for as dividends and are recognized directly in equity when the obligation to pay arises.

The obligation to pay coupon payments is at the discretion of Group Management and deferred coupon lapses upon maturity of the hybrid capital. Coupon payments are recognized in the statement of cash flows in the same way as dividend payments within financing activities.

On redemption of the hybrid capital, the payment will be distributed between liability and equity, applying the same principles as used when the hybrid capital was issued. The difference between the payment on redemption and the net proceeds received on issue is recognized directly in equity as the debt portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

On the date on which the Board of Directors decides to exercise an option to redeem the hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified to loans and borrowings. The reclassification will be made at the market value of the hybrid capital at the date the decision is made. Following the reclassification, coupon payments and exchange rate adjustments will be recognized in the income statement as financial income or expenses.

Section 5 – Capital structure and financial risk management

5.4 Net interest-bearing debt

Net interest-bearing debt

Net interest-bearing debt incl. liabilities associated with assets held for sale end 2022 was EUR -54.8m (EUR 13.2m end-2021), corresponding to an decrease of EUR 68.0m. The decrease was driven by the improved result as well as improved working capital.

In addition to the hybrid security mentioned in note 5.3 and Revolving Credit Facility (RCF) mentioned in note 5.6, NKT Group has mortgage debt of EUR 139.8m (EUR 154.3m in 2021).

Net interest-bearing debt includes debt related to capitalized lease contracts of EUR 37.6m (EUR 50.2m in 2021). Of this amount, EUR 32.1m was recognized as non-current (EUR 42.5m in 2021), and EUR 5.5m as current debt (EUR 7.7m in 2021). In 2022, payments related to capitalized lease contracts amounted to EUR 7.1m (EUR 9.4m in 2021), of which EUR 5.3m was installments on the debt (EUR 7.3m in 2021) and the remaining amount, EUR 1.8m (EUR 2.1m in 2021), was interest expenses recognized in financial items in the income statement.

Amounts in EURm	2022	2021
Net interest-bearing debt comprise:		
Non-current loans	180.9	196.4
Current loans	14.9	17.5
Interest-bearing debt, gross	**195.8**	**213.9**
Interest-bearing receivables	0.2	0.2
Cash at bank and in hand	258.5	200.5
Net interest-bearing debt	**-62.9**	**13.2**
Net interest-bearing debt presented as assets held for sale	8.1	0.0
Net interest-bearing debt incl. assets held for sale	**-54.8**	**13.2**

Changes in current loans, non-current loans and lease liabilities

Amounts in EURm	1 January	Changes from cash flow	Changes in leases	Acquisitions of business	Liabilities associated with assets held for sale	Effect of changes in exchange rates	31 December
Current and non-current loans[1], 2022	213.9	-5.9	-4.5	5.5	-8.6	-4.6	195.8
Current and non-current loans[1], 2021	213.4	-5.6	4.1	0.0	0.0	2.0	213.9

[1] Current and non-current loans include leasing liabilities

Section 5 – Capital structure and financial risk management

5.4 Net interest-bearing debt – continued

Changes in current loans, non-current loans and lease liabilities

Amounts in EURm	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
2022					
Interest-bearing loans and borrowings[1]	14.9	35.6	24.1	121.2	195.8
Hereof leasing liabilities	*5.5*	*8.0*	*6.0*	*18.1*	*37.6*
Trade payables	351.0				351.0
Prepayments	18.4				18.4
Derivative Financial liabilities	76.6				76.6
Other payables	147.1				147.1
Total	**608.0**	**35.6**	**24.1**	**121.2**	**788.9**
2021					
Interest-bearing loans and borrowings[1]	17.5	39.0	36.6	120.8	213.9
Hereof leasing liabilities	*7.7*	*12.3*	*7.9*	*22.3*	*50.2*
Trade payables	341.8				341.8
Prepayments	7.8				7.8
Derivative Financial liabilities	14.6				14.6
Other payables	155.8				155.8
Total	**537.5**	**39.0**	**36.6**	**120.8**	**733.9**

[1] Interest-bearing loans and borrowings include leasing liabilities recognized in the balance sheet, but not short-term and low-value leases. These are specified in note 3.2.

The items in the table do not include interest. The forward contracts are recognized at fair value and the discount element is considered insignificant because of short maturity.

Interest-bearing loans and borrowings are consequently recognized in the balance sheet at the amounts stated in the table. Interest-bearing loans and borrowings are predominantly based on floating interest rates and are measured at amortized cost. The carrying amount therefore in all material aspects corresponds to fair value and nominal value.

§ Accounting policy

Interest-bearing loans and borrowings are recognized at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods the financial liabilities are measured at amortized cost using 'the effective interest method', and the difference between the proceeds and the nominal value is therefore being recognized in the income statement under financial expenses over the term of the loan.

Interest-bearing loans and borrowings also include the capitalized residual lease obligations on finance leases measured at amortized cost.

5.5 Financial items

	Financial income		Financial expenses		Net financial items	
Amounts in EURm	2022	2021	2022	2021	2022	2021
Interest etc. relating to financial assets/liabilities measured at amortized cost	2.2	4.8	-6.4	-9.1	-4.2	-4.3
Interest expenses on leases	0.0	0.0	-1.8	-1.8	-1.8	-1.8
Total interest	**2.2**	**4.8**	**-8.2**	**-10.9**	**-6.0**	**-6.1**
Foreign exchange gains/losses	50.4	20.5	-53.1	-17.3	-2.7	3.2
Gain/loss on derivative financial instruments	19.7	40.5	-1.9	-45.8	17.8	-5.3
Total currency gain/losses	**70.1**	**61.0**	**-55.0**	**-63.1**	**15.1**	**-2.1**
Total financial items	**72.3**	**65.8**	**-63.2**	**-74.0**	**9.1**	**-8.2**

Financial income and expenses comprise interest, dividends, gain/loss on securities, receivables and transactions denominated in foreign currencies, amortization of financial assets and liabilities, allowances under the Danish tax prepayment scheme, as well as changes in the fair value of derivative financial instruments not designated as hedges.

§ Accounting policy

Changes in market values of currency and interest rate derivatives not entered into with the purpose of hedging an exposure, are recognized in financial income or expenses respectively.

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments

Financial risk management policy

NKT is exposed to and manages several financial risks due to its operations, investments and financing activities. The risk policy does not allow for speculation in financial risks.

The risk management policy is managed by Group Treasury. The general principle is that all known risks are hedged, though with acceptance of an open position within a defined threshold. The risk thresholds are defined at a level, that insure NKT is sufficiently protected against any risk, while providing Group Treasury room for managing risks efficiently.

NKT uses financial instruments, such as forwards, swaps and interest rate caps to hedge exposures relating to currency, interest rates, and commodities. While options are also available as instruments, no option contracts are active at the end of 2022 (none in 2021).

The financial risks, as described further below, are divided into:

1. Currency risks
2. Interest rate risks
3. Raw material price risks
4. Credit risks
5. Liquidity risks

Currency risks

With presence in several countries NKT is exposed to currency risks that may have considerable influence on the income statement and balance sheet. Currency risks refer to the risks of losses (or opportunities for gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets and liabilities denominated in currencies other than the functional currency of the individual businesses. Quantification and identification of existing and anticipated currency risks are the responsibility of the individual businesses, while the actual hedging is executed by Group Treasury.

NKT does not hedge the currency risks related to net investments in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted directly in other comprehensive income.

The principal currency exposure relates to sales and purchases in currencies other than the functional currency of the businesses. Hedging of these currency risks are based on an assessment of the likelihood of the future transaction being performed and materiality.

Expected cash flows with significant currency risk are hedged as they become known. Currency risks from project-related sales are considered on an individual basis. The fair value of the effective part of the hedge is recognized in other comprehensive income on a continuous basis.

The table on the next page shows net outstanding forward exchange hedging contracts as at 31 December for NKT, which are used for and fulfil the conditions for hedge accounting of future transactions.

The fair value of the total portfolio of currency hedge contracts will impact other comprehensive income if currency rates change. The effect of a 10% increase in selected currency rates is shown in the table to the right.

As NKT currently only uses forwards and spots to hedge the FX risks, and only designate the spot element, the likelihood of inefficiency is low, through possible if changes in expected cashflows from projects are not reflected correctly in the hedges.

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows concerning interest-bearing assets and liabilities.

In 2022 no interest rate swaps were made. In 2021 an interest rate hedge of EUR 30m was made in form of an interest rate swap with a fixed rate of -0.3375 maturing in March 2026.

As of end-2022, the market value of the interest rate derivatives was EUR 7.6m (EUR 0.8m in 2021).

Sensitivity analysis - financial instruments

EURm		2022		2021	
Risk	Price change	Effect on earnings before tax	Effect on equity before tax	Effect on earnings before tax	Effect on equity before tax
SEK	10%	-43.7	62.5	11.4	-3.1
	-10%	43.7	-62.5	-11.4	3.1
GBP	10%	0.3	-22.8	0.0	3.1
	-10%	-0.3	22.8	0.0	-3.1
NOK	10%	0.0	2.6	0.2	-3.8
	-10%	0.0	-2.6	-0.2	3.8
USD	10%	0.0	-29.4	-0.2	2.6
	-10%	0.0	29.4	0.2	-2.6
CZK	10%	-0.8	-0.4	3.4	0.0
	-10%	0.8	0.4	-3.4	0.0
PLN	10%	3.6	0.0	-7.2	0.0
	-10%	-3.6	0.0	7.2	0.0
Copper	10%	0.0	54.5	0.0	62.3
	-10%	0.0	-54.5	0.0	-62.3
Lead	10%	0.0	1.9	0.0	1.5
	-10%	0.0	-1.9	0.0	-1.5
Aluminium	10%	0.0	-1.1	0.0	0.9
	-10%	0.0	1.1	0.0	-0.9
Gas-oil	10%	0.0	2.3	0.0	1.8
	-10%	0.0	-2.3	0.0	-1.8
Interest rate	1%-point	0.0	0.8	0.0	0.8
	-1%-point	0.0	-0.8	0.0	-0.8

The table above shows a sensitivity analysis of the exposures in currency, commodities and interest rates assuming effective hedge accounting is continued to be applied. The presented effects are from the financial instruments only (all things being equal). When also considering the development of the underlying exposure the future income statement effects, will be fully or partially offset as hedge accounting is applied.

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments – continued

Cash flow hedges related to the most significant currencies			Average exchange rate[1]		Notional value Local currency in million		Notional value EURm		Fair value EURm	
Local currency			**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
SEK[2]	Buy	Less than 1 year	0.0943	0.0927	7,661.54	334.18	722.30	30.99	-35.8	1.3
		More than 1 year	0.0938	0.0915	8,963.35	23.82	840.94	2.18	-37.8	0.1
	Sell	Less than 1 year	0.0926	0.0963	6,873.45	6.96	636.51	0.67	20.6	
		More than 1 year	0.0940		3,431.63		322.62		15.1	
USD	Buy	Less than 1 year	0.9410	0.8445	562.29	25.43	529.13	21.48	-9.5	0.7
		More than 1 year	0.9486	0.8631	281.06	19.70	266.62	17.00	-10.6	
	Sell	Less than 1 year	0.9697	0.8494	542.51	64.73	526.09	54.98	25.1	-1.6
		More than 1 year	0.9341	0.8382	617.35	10.35	576.67	8.68	15.8	-0.2
GBP	Buy	Less than 1 year	1.1522	1.1570	104.12	42.90	119.97	49.63	-3.3	1.0
		More than 1 year	1.1626	1.1458	35.24	31.32	40.97	35.98	-1.7	0.6
	Sell	Less than 1 year	1.1551	1.1398	144.55	80.20	166.98	91.41	5.1	-3.1
		More than 1 year	1.1702	1.1364	196.46	19.93	229.90	22.64	9.8	-0.5
NOK	Buy	Less than 1 year	0.0975	0.0980	329.04	130.00	32.08	12.74	-1.7	0.1
		More than 1 year	0.1028	0.0975	151.65	295.00	15.59	28.76	-1.4	-0.3
	Sell	Less than 1 year	0.1020		191.14		19.49		1.6	
		More than 1 year	0.0988	0.0988	14.75	40.00	1.46	4.00	0.1	0.1
CAD	Buy	Less than 1 year	0.7137		24.00		17.13		-0.7	
		More than 1 year								
	Sell	Less than 1 year	0.7413		67.96		50.38		4.0	
		More than 1 year	0.7500		45.30		33.98		3.4	
Cash flow hedges reported as assets									**74.5**	**4.4**
Cash flow hedges reported as liabilities									**76.4**	**6.2**

[1] EUR/Local currency

[2] For hedges in Local currency/SEK the SEK part has been tranferred to EUR, and a value of the SEK part has been calculated.

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments – continued

Raw material price risks

Raw material price risks primarily relate to metals and plastics used in the cable production. When changes in raw material prices cannot be transferred to customers, NKT uses financial instruments to hedge the price risks. NKT has, due to the larger order backlog, a high amount of raw material derivatives to cover the risks related to the large future purchases of especially copper. Exposures and hedging of current and expected future raw material risks are managed by the businesses based on adopted Group guidelines. Hedging of awarded projects are done at the time of award and adjusted according to changes in production plans.

NKT hedge raw material via LME. Changes in the fair value of the hedging instrument should offset changes in the value of the underlying item because the reference prices are the same for the hedging instrument and the hedged item. NKT applies cost of hedging, whereby the forward points are recognized in other comprehensive income and transferred with the effective hedge when the hedged transaction occurs.. For the hedge of plastic, ineffectiveness will arise as this is hedged via a gas-oil proxy hedge. Ineffectiveness because of differences in the change between gas-oil and plastic are considered insignificant.

As at 31 December 2022, NKT A/S had current financial hedging instruments relating to future raw material supplies of a value of EUR 908.6m (EUR 468.6m in 2021) with a positive fair value of EUR 170.6m (positive value of EUR 225.2m in 2021).

Sensitivity to the development (+/- 10%) in raw material prices was presented in the table on page 82. The table to the right provides an overview of the cash flow hedges related to raw materials.

Cash flow hedges related to raw materials			Average rate EUR/ton		Notional value EURm		Fair value EURm	
Commodity			31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Copper	Buy	Less than 1 year	5,961	5,882	528.6	321.0	169.6	147.3
		More than 1 year	7,485	5,516	301.2	231.7	15.6	123.7
	Sell	Less than 1 year	6,421	5,733	-119.4	100.5	-26.9	-47.4
		More than 1 year		5,371		14.9		-8.9
Lead	Buy	Less than 1 year	1,843	1,677	20.0	18.6	4.0	4.3
		More than 1 year	1,897	1,721	10.2	3.1	1.7	0.7
	Sell	Less than 1 year	1,885	1,647	-3.2	8.0	-0.5	-1.9
		More than 1 year		1,872		1.4		
Aluminium	Buy	Less than 1 year	2,349	1,778	13.3	9.2	-0.8	4.0
		More than 1 year						
	Sell	Less than 1 year	2,312	1,563	-24.9	2.7	1.1	-1.6
		More than 1 year						
Gas-oil	Buy	Less than 1 year	620	420	20.4	6.6	5.5	2.6
		More than 1 year	613	412	13.0	8.3	1.5	2.5
	Sell	Less than 1 year	634	578	-2.0	2.1	-0.6	-0.1
		More than 1 year	847	573	-2.9	0.3	0.6	
Cash flow hedges reported as assets							**171.0**	**225.8**
Cash flow hedges reported as liabilities							**0.2**	**0.6**

§ Accounting policy

NKT mainly apply hedge accounting for financial instruments related to currency, raw materials as well as interest rates for loans. The hedges normally hedge the risk one-to-one with the hedged item. Only gas-oil hedges for the hedging of the price risk of plastic differs from this principle, as Group Treasury here determine the ratio necessary to hedge the price risk for plastic.

The Group designates the share of the fair value of a forward contract that is related to cash price for metals and spot price for FX hedges (i.e. excluding the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts. In accordance with the cost of hedging principle all fair values related to the forward element of the hedging contract is recognized in other comprehensive income and accumulated in the cost of hedging reserve. As the hedged items are transaction-related, the forward element is reclassified to the profit or loss when the hedged item affects profit or loss, and in the same line item as the hedged item.

Fair value changes for cash flow hedges considered effective, are recognized in other comprehensive income in the hedging reserve. For each reporting date, effectiveness is considered and if the future cash flows are no longer expected to materialize, the accumulated value reported in the hedge reserve is reclassified to financial items in the income statement. In all other cases the accumulated value is reclassified to the income statement in the same line as the hedged item.

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments – continued

Cash flow hedge reserve

Amounts in EURm	Foreign exchange risk hedging	Interest rate risk hedging	Commodity risk hedging	Total
Balance at 1 January 2021	**-0.4**	**-0.1**	**72.4**	**71.9**
Gain arising from changes in fair value of hedging instruments	5.7	0.9	220.2	226.8
Income tax related to gains recognized in other comprehensive income	-1.3	-0.2	-55.7	-57.2
Gain reclassified to profit or loss - hedged items have affected profit or loss	-8.9	0.0	-68.3	-77.2
Income tax related to amounts reclassified to profit or loss	1.8	0.0	16.6	18.4
Exchange rate adjustments	-0.2	0.0	-0.5	-0.7
Balance at 31 December 2021	**-3.3**	**0.6**	**184.7**	**182.0**
Gain/(loss) arising from changes in fair value of hedging instruments during the period	0.9	6.7	72.9	80.5
Income tax related to gains/(losses) recognized in other comprehensive income during the period	-0.2	-1.5	-10.2	-11.9
(Gain)/loss reclassified to profit or loss - hedged items have affected profit or loss	3.0	0.0	-125.8	-122.8
Income tax related to amounts reclassified to profit or loss	-0.6	0.0	27.5	26.9
Exchange rate adjustments	-0.1	0.0	-9.0	-9.1
Balance at 31 December 2022	**-0.3**	**5.8**	**140.1**	**145.6**

Cost of hedging reserve

Amounts in EURm	Foreign exchange risk hedging	Interest rate risk hedging	Commodity risk hedging	Total
Balance at 1 January 2021	**0.0**	**0.0**	**0.0**	**0.0**
Loss arising from changes in fair value of hedging instruments	-1.4	0.0	-23.4	-24.8
Income tax related to loss recognized in other comprehensive income	0.4	0.0	5.8	6.2
Loss reclassified to profit or loss - hedged items have affected profit or loss	0.0	0.0	3.3	3.3
Income tax related to amounts reclassified to profit or loss	0.0	0.0	-0.8	-0.8
Exchange rate adjustments	0.0	0.0	-0.1	-0.1
Balance at 31 December 2021	**-1.0**	**0.0**	**-15.2**	**-16.2**
Gain/(loss) arising from changes in fair value of hedging instruments during the period	1.3	0.0	0.4	1.7
Income tax related to gains/(losses) recognized in other comprehensive income during the period	-0.3	0.0	-0.1	-0.4
(Gain)/loss reclassified to profit or loss - hedged items have affected profit or loss	0.0	0.0	2.9	2.9
Income tax related to amounts reclassified to profit or loss	0.0	0.0	-0.7	-0.7
Exchange rate adjustments	0.0	0.0	0.0	0.0
Balance at 31 December 2022	**0.0**	**0.0**	**-12.7**	**-12.7**

Of the fair values recorded in other comprehensive income, EUR 0.6m is expected to be recorded in Revenue (EUR 3.6m in 2021) and EUR 132.3m (EUR 161.5m in 2021) is expected to be recorded in Cost of raw materials, consumables and goods for resale.

Categories of financial instruments

Amounts in EURm	2022	2021
Financial assets		
Measured at amortized costs:		
Receivables	273.2	308.8
Contract assets	98.2	97.3
Interest bearing receivables	0.2	0.2
Measured at fair value through profit /loss:		
Other investments and receivables	0.8	0.8
Cash at bank and in hand	258.5	200.5
Derivative financial instruments	249.3	220.1
Financial liabilities		
Measured at amortized costs:		
Trade payables and other liabilities	502.1	497.6
Interest-bearing loans and borrowings	195.8	213.9
Measured at fair value through profit /loss:		
Derivative financial instruments	76.6	14.6

In the table above, financial instruments are presented in the categories which determine, how they will be recognized in the financial statements.

§ Accounting policy - continued

Fair value changes of financial instruments used to hedge the change in fair value of an asset or liability is recorded in the income statement in the same line item as the changes in value of the hedged asset or liability is recognized in.

Hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted for directly in other comprehensive income.

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments – continued

Measuring fair value

Financial instruments measured at fair value in the balance sheet are designated as belonging to one of the following three categories (the 'fair value hierarchy'):

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input, other than listed prices on Level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Input for the asset or liability which is not based on observable market data (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments. The fair value at 31 December 2022 and 2021 of NKT Group's forward transactions are measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

No financial instruments was moved from one level to another in the year (no move in 2021 either).

Liquidity risks

It is NKT Group's policy to maintain adequate liquidity resources to implement planned operating activities and to be able to operate effectively in the event of unforeseen fluctuations in liquidity. NKT Group's liquidity resources consist of cash, cash equivalents and undrawn committed credit facilities (RCF).

The current RCF of EUR 200m has in 2022 been extended with one year, so it matures in November 2025. The mortgage loan portfolio matures in 2032 and 2033.

The RCF is the only financing instrument subject to financial covenants. NKT Group's financing contains change of control clauses, which comes into effect if a shareholder or shareholder group gains control over NKT A/S or if NKT A/S is no longer listed at Nasdaq Copenhagen.

It is Group Management's opinion, that the financial headroom is sufficient to manage the level of activity expected in 2023 for the NKT Group.

Liquidity resources

Amounts in EURm	2022	2021
Committed facilities (>3 years)	0.0	0.0
Committed facilities (1-3 years)	200.0	200.0
Committed facilities (<1 year)	0.0	0.0
Total commited facilities	200.0	200.0
Uncommitted facilities	0.0	0.0
Total facilities	**200.0**	**200.0**
Cash	258.5	200.5
Utilized facilities	-9.0	-5.4
Cash classified as assets held for sale	3.7	0.0
Liquidity recources	**453.2**	**395.1**

Credit risks

NKT's credit risks relate partly to receivables, contract assets and cash at bank and in hand, and partly to derivative financial instruments with positive fair value. The maximum credit risk attached to financial assets correspond to the values recognized in the balance sheet.

NKT has no material risks relating to a single customer or partner. NKT's policy for acceptance of credit risks entails ongoing monitoring and credit rating of important customers and other partners. NKT obtains prepayments or bank guarantees from customers, when considered needed. Thus, insurance cover and similar measures to hedge receivables are rarely applied as NKT historically has had only few material losses.

Section 6 – Group structure

6.1 Acquisition and divestment of businesses

Amounts in EURm	2022
Acquisitions	
Non-current assets	20.9
Current assets	6.7
Non-current liabilities	-7.3
Current liabilities	-3.3
Acquired net assets	**17.0**
Gain on business acquisition	-1.2
Purchase price	**15.8**
Acquired cash and cash equivalents	-0.1
Cash flow used for acquisition	**15.7**

Acquisitions:
On 10 January 2022, NKT acquired 100% of the shares in Ventcroft Ltd, a UK based company. The considerations were transferred in full and there is no contingent considerations. Ventcroft Ltd are specialized in fire-resistant building wires and low-voltage power cables, and the acquisition was made in order to strengthen the product portfolio and is an important step in the NKT strategy to grow the business. Ventcroft Ltd will be a part of the Applications segment.

The acquisition consists of net assets of EUR 17.0m predominantly related to tangible assets and working capital. No intangible assets have been recognized from the acquisition. As the purchase price is below the net asset value, as well as below the equity value of the company at the time of acquisition, a gain of EUR 1.2m has been recognized in the Income Statement in the line Other Operating Income. Acquisition-related costs of EUR 0.2m are recognized in Other costs etc. in the income statement of the Applications segment.

From the acquisition date to 31 December 2022, Ventcroft Ltd contributed positively to the results with a revenue of EUR 22.2m and a profit of EUR 0.4m. Had the acquisition occurred on 1 January 2022, the impact for the period until 31 December 2022 on revenue and profit would in all material aspects have been similar.

There were no acquisitions in 2021.

Divestments:
On 10 March 2022 NKT Photonics divested its sensing business, LIOS. The proceeds from the sale were EUR 19.7m, and the gain was EUR 8.0m, which is recognized in Other operating income in the income statement. The business was a part of the NKT Photonics segment prior to the divestment, and the gain is accordingly included in this segment, why reference is made to note 6.3.

On 15 January 2021, NKT divested the recycling business in Stenlille, Denmark. The proceeds from the sale was EUR 2.1m and the gain was EUR 1.8m. The business was a part of the Applications segment prior to the divestment, and the gain is accordingly included in this segment.

6.2 Group companies

Group companies	Domicile
NKT Group	
Denmark	
NKT Cables Group A/S	Denmark
NKT (Denmark) A/S	Denmark
NKT Invest A/S	Denmark
Europe	
NKT Group GmbH[1]	Germany
NKT Verwaltungs GmbH	Germany
NKT GmbH & Co. KG	Germany
NKT GmbH	Germany
Zweite NKT GmbH	Germany
NKT s.r.o.	Czech Republic
NKT (Ibérica) S.L.	Spain
NKT (Sweden) AB	Sweden
NKT HV Cables AB	Sweden
NKT AS	Norway
NKT HVC AS	Norway
NKT (U.K.) Ltd.	UK
NKT HVC Ltd.	UK
Ventcroft Ltd.	UK
NKT S.A.	Poland
NKT HVC B.V.	Netherlands
NKT HV Cables GmbH	Switzerland
NKT Lithuania, UAB	Lithuania
America	
NKT, Inc	US

Group companies	Domicile
Middle East	
NKT Middle East DMCC	Dubai
Asia/Pacific	
NKT Pty Ltd	Australia
NKT South Asia Private Limited	India
NKT Operations India Private Limited	India
NKT Photonics Group	
Denmark	
NKT Photonics A/S	Denmark
Europe	
NKT Photonics Technology GmbH	Germany
Advanced Laserdiode Systems A.L.S. GmbH	Germany
NKT Photonics Switzerland GmbH	Switzerland
NKT Photonics Holding Ltd	UK
NKT Photonics Ltd	UK
NKT Photonics AB	Sweden
America	
NKT Photonics Inc.	US
Asia/Pacific	
NKT Photonics (Zhenzhen) Co., Ltd.	China
NKT Photonics Korea Co., Ltd.	Republic of Korea
Fianium Asia Ltd.	Hong Kong

All Group companies are wholly owned.
Companies without material interest and dormant companies are omitted from the list.

[1] The Group has applied Section 264b of the German Commercial Code ("Handelsgesetzbuch") by which NKT Group GmbH is exempted from filing local financial statement.

Section 6 – Group structure

6.3 Discontinued operations and assets held for sale

Amounts in EURm	2022	2021
Profit for the year – discontinued operations		
Revenue	86.5	80.1
Costs and other income, net	-79.9	-72.6
Gain from sale of business	8.0	0.0
Earnings before interest, tax, depreciation and amortization (EBITDA)	**14.6**	**7.5**
Depreciation and amortization	-6.6	-14.6
Earnings before interest and tax (EBIT)	**8.0**	**-7.1**
Financial items, net	0.1	-4.2
Earnings before tax (EBT)	**8.1**	**-11.3**
Tax	-0.8	3.5
Net result - discontinued operations	**7.3**	**-7.8**
NKT' share hereof	7.3	-7.8
Basic earnings - discontinued operations, EUR, per share (EPS)	0.2	-0.2
Diluted earnings - discuntinued operations, EUR, per share (EPS-D)	0.2	-0.2

Earnings before interest, tax, depreciation and amortization (EBITDA)	**14.6**	**7.5**
One-off items	5.8	0.0
Operational EBITDA	**8.8**	**7.5**

One-off items for discontinued operations in 2022 comprise costs associated with the divestment of EUR 2.2m and the accounting gain of EUR 8.0m related to the divestment of the LIOS sensing business recognized in Q1 2022.

Cash flows from discontinued operations		
Cash flow from operating activities	-22.1	-1.0
Cash flow from investing activities	2.5	-14.3
Cash flow from financing activities	21.5	15.6
Net cash flow from discontinued operations	**1.9**	**0.3**

Amounts in EURm	2022	2021
Balance sheet items		
Non-current assets	100.7	0.0
Current assets	63.3	0.0
Assets held for sale	**164.1**	**0.0**
Non-current liabilities	13.3	0.0
Current liabilities	22.4	0.0
Liabilities associated with assets held for sale	**35.6**	**0.0**

Intangible assets held for sale related to NKT Photonics amount to EUR 69.7m and property, plant and equipment amount to EUR 30.7m. In connection with the classification to discontinued operations and assets held for sale no impairment was recognized.

§ Accounting policy

Discontinued operations represent a separate major line of businesses intended to be disposed within 12 months. The results of discontinued operations are presented separately in the income statement and the cash flow statement with restatement of comparative figures.

Assets and liabilities held for sale from discontinued operations are presented as separate items in the balance sheet with no restatement of comparative figures. Elimination between continuing and discontinued operations is presented to reflect continuing operations as post-separation, which includes elimination of interest and loans.

Assets and liabilities from discontinued operations and assets held for sale are measured at the lower of carrying amount and fair value less cost of disposal. Impairment test is performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated or amortized.

Section 7 – Other notes

7.1 Fees to the auditor elected at the Annual General Meeting

Amounts in EURm	2022	2021
Deloitte:		
Statutory audit	1.2	1.0
Other assurance	0.0	0.1
Other service	0.0	0.0
Total	**1.2**	**1.1**

In 2022, audit fee for other services of EUR 0.1m related to issue of the new hybrid capital has been reported directly to retained earnings on the equity. This amount is not included in the table above.

7.2 Events after the balance sheet date

Management is not aware of any subsequent matters that could be of material importance to NKT Group's financial position.

7.3 Contingent assets and liabilities and pledges

The NKT Group is a party to various disputes and inquiries from authorities whose outcome is not expected to materially affect profit for the year and the financial position. In connection with disposal of companies in previous years, guarantees have been provided which are not expected to materially affect net result. Further, NKT is a party to various insurance claims as well as customer claims whose outcome is still uncertain and not recognized in the financial statement at the balance sheet day.

NKT Group is jointly liable for Danish corporate taxes on dividend, interest and royalties together with Nilfisk up until the demerger in October 2017. In a few cases the NKT Group's foreign companies are subject to special tax schemes to which certain conditions are attached. As at 31 December 2022 these conditions were complied with.

Guarantees

As part of our commercial activities NKT has provided guarantees mainly relating to high-voltage projects, which is to cover for the risk relating to our performance inherent in such projects, the quality and delays.

At 31 December 2022 the value of issued guarantees was EUR 1,231.2m (EUR 1,014.6m in 2021). At the balance sheet date none of the issued guarantees are expected to materialize.

Pledges

Non-current assets with carrying amount of EUR 388.0m (EUR 368.8m in 2021) have been pledged as security for mortgage loans of total EUR 146.0m (EUR 152.1m in 2021).

Amounts in EUR	2022	2021
Carrying amount of assets pledged as collateral for credit institutions:		
Land and buildings	197.0	207.0
Plant and machinery	50.9	47.7
Property, plant and equipment under construction	140.1	114.1
Total	**388.0**	**368.8**
Liabilities related to pledged assets	146.0	152.1

Significant judgments

Disclosures for contingent assets and liabilities and when they must be recognized is derived from evaluations of the expected outcome of the individual issues. These evaluations are based on legal opinions of the agreements contracted, which in significant instances also include opinions obtained from external advisors, including lawyers.

Section 7 – Other notes

7.4 Definitions

The Group operates with the following performance measures which are calculated in accordance with the Danish Finance Society's guidelines:

Performance measures defined by IFRS:

1. **Earnings, EUR per outstanding share (EPS)** – Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares.

2. **Diluted earnings, EUR per outstanding share (EPS)** – Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares, including the dilutive effect of outstanding share programmes.

Further the group presents the following performance measures not defined according to IFRS (non-GAAP measures) in the Annual Report:

3. **Revenue at standard metal prices** – Revenue at standard metal prices for copper and aluminium is set at EUR/tonne 1,550 and EUR/tonne 1,350 respectively.

4. **Organic growth** – Revenue growth (standard metal price) as a percentage of prior-year adjusted revenue (standard metal price). Organic growth is a measure of growth, excluding the impact of exchange rate adjustments, acquisitions and divestments.

5. **One-off items** – Consist of non-recurring income and cost related to acquisitions, divestments, integration, restructuring, severance and other one-time items.

6. **Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA)** – Earnings before interest, tax, depreciation and amortization (EBITDA) excluding one-off items.

7. **Operational earnings before interest and tax (Oper. EBIT)** – Earnings before interest and tax excluding one-off items.

8. **Net interest-bearing debt** – Cash and interest-bearing receivables less interest-bearing debt. Specified in Section 5.4. Hybrid capital is not included in net interest-bearing debt.

9. **Capital employed** – Group equity plus net interest-bearing debt.

10. **Working capital** – Current assets minus current liabilities (excluding interest-bearing items and provisions).

11. **Net interest-bearing debt relative to operational EBITDA** – Calculated as net interest-bearing debt as defined in point 8 relative to operational EBITDA for continuing operations as defined in point 6.

12. **Solvency ratio (equity as a percentage of total assets)** – Equity incl. hybrid capital as a percentage of total assets.

13. **Return on capital employed (RoCE)** – Operational EBIT for continuing operations as a percentage of average of the last five quarters of capital employed for continuing operations.

14. **Equity value, EUR per outstanding share** – Equity attributable to equity holders of NKT A/S per outstanding share at 31 December. Dilution effect of outstanding share programmes is excluded.

Financial ratios

Gearing	$\frac{\text{Net interest-bearing debt x 100}}{\text{Group equity}}$
Solvency ratio	$\frac{\text{Equity x 100}}{\text{Total assets}}$
Return on Capital Employed (RoCE)	$\frac{\text{Operational EBIT}}{\text{Average last five quarters of capital employed}}$
Earnings Per Share (EPS)	$\frac{\text{Earnings attr. to equity holders of NKT A/S}}{\text{Average number of shares outstanding}}$
Earnings Per Share Diluted (EPS-D)	$\frac{\text{Earnings attr. to equity holders of NKT A/S}}{\text{Diluted average number of shares}}$
Book Value Per Share (BVPS)	$\frac{\text{Equity}}{\text{Number of shares}}$

Parent company financial statements

Statement of comprehensive income

1 January – 31 December

Amounts in EURm	Note	2022	2021
Other costs	2	-7.9	-5.9
Earnings before interest and tax (EBIT)		**-7.9**	**-5.9**
Financial income	3	148.2	112.0
Financial expenses	4	-26.8	-55.4
Earnings before tax (EBT)		**113.5**	**50.7**
Tax	5	-24.0	-9.4
Net result		**89.5**	**41.3**
Other comprehensive income			
Items that may be reclassified to income statement:			
Foreign exchange adjustment		0.0	0.7
Value adjustment of hedging instruments		6.7	1.0
Tax		-1.4	-0.2
Total other comprehensive income for the year		**5.3**	**1.5**
Comprehensive income for the year		**94.8**	**42.8**

Balance sheet

31 December

Amounts in EURm	Note	2022	2021
Assets			
Investment in subsidiaries	6	377.1	402.7
Receivables from subsidiaries	9	1,384.8	1,226.5
Deferred tax	5	0.4	0.4
Total non-current assets		**1,762.3**	**1,629.6**
Receivables from subsidiaries		14.3	6.8
Other receivables	9	281.0	72.6
Cash at bank and in hand		176.7	0.3
Assets held for sale		28.3	0.0
Total current assets		**500.3**	**79.7**
Total assets		**2,262.6**	**1,709.3**
Equity and liabilities			
Share capital		115.4	115.4
Treasury shares		-0.9	0.0
Foreign exchange reserve		1.0	1.0
Hedging reserve		5.9	0.6
Retained comprehensive income		1,296.5	1,216.1
Equity attributable to equity holders of NKT A/S		**1,417.9**	**1,333.1**
Hybrid capital		153.6	152.4
Total equity		**1,571.5**	**1,485.5**
Interest-bearing loans	9	0.4	54.7
Total non-current liabilities		**0.4**	**54.7**
Payables to subsidiaries	9	434.2	92.8
Trade payables and other liabilities	9	256.5	76.3
Total current liabilities		**690.7**	**169.1**
Total liabilities		**691.1**	**223.8**
Total equity and liabilities		**2,262.6**	**1,709.3**

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Treasury shares	Foreign exchange reserve	Hedging reserve	Retained compreh. income	Proposed dividends	Total	Hybrid Capital	Total equity
Equity, 1 January 2021	**115.4**	**0.0**	**0.3**	**-0.2**	**1,181.4**	**0.0**	**1,296.9**	**152.4**	**1,449.3**
Other comprehensive income:									
Other comprehensive income for the year			0.7	1.0			1.7		1.7
Tax on other comprehensive income				-0.2			-0.2		-0.2
Total other comprehensive income	**0.0**	**0.0**	**0.7**	**0.8**	**0.0**	**0.0**	**1.5**	**0.0**	**1.5**
Net result					33.2		33.2	8.1	41.3
Comprehensive income for the year	**0.0**	**0.0**	**0.7**	**0.8**	**33.2**	**0.0**	**34.7**	**8.1**	**42.8**
Transactions with the owners:									
Capital increase	0.0				0.0		0.0		0.0
Coupon payments, hybrid capital							0.0	-8.1	-8.1
Exercise of warrants	0.0				0.0		0.0		0.0
Share based payment					1.5		1.5		1.5
Total transactions with owners in 2021	**0.0**	**0.0**	**0.0**	**0.0**	**1.5**	**0.0**	**1.5**	**-8.1**	**-6.6**
Equity, 31 December 2021	**115.4**	**0.0**	**1.0**	**0.6**	**1,216.1**	**0.0**	**1,333.1**	**152.4**	**1,485.5**
Equity, 1 January 2022	**115.4**	**0.0**	**1.0**	**0.6**	**1,216.1**	**0.0**	**1,333.1**	**152.4**	**1,485.5**
Other comprehensive income:									
Other comprehensive income for the year				6.7			6.7		6.7
Tax on other comprehensive income				-1.4			-1.4		-1.4
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**5.3**	**0.0**	**0.0**	**5.3**	**0.0**	**5.3**
Net result					80.9		80.9	8.6	89.5
Comprehensive income for the year	**0.0**	**0.0**	**0.0**	**5.3**	**80.9**	**0.0**	**86.2**	**8.6**	**94.8**
Transactions with the owners:									
Coupon payments, hybrid capital							0.0	-7.4	-7.4
Issue of hybrid capital					-1.6		-1.6	150.0	148.4
Redeem of hybrid capital							0.0	-150.0	-150.0
Purchase of treasury shares		-2.5					-2.5		-2.5
Excercise of performance shares		1.6			-1.6		0.0		0.0
Share based payment					2.7		2.7		2.7
Total transactions with owners in 2022	**0.0**	**-0.9**	**0.0**	**0.0**	**-0.5**	**0.0**	**-1.4**	**-7.4**	**-8.8**
Equity, 31 December 2022	**115.4**	**-0.9**	**1.0**	**5.9**	**1,296.5**	**0.0**	**1,417.9**	**153.6**	**1,571.5**

Cash flow statement

1 January – 31 December

Amounts in EURm	2022	2021
Earnings before interest and tax (EBIT)	-7.9	-5.9
Changes in working capital	-32.1	-7.8
Cash flow from operations before financial items	**-40.0**	**-13.7**
Financial income received	167.6	104.1
Financial expenses paid	-46.4	-47.5
Income tax paid/received	-22.0	0.7
Cash flow from operations	**59.2**	**43.6**
Change in loans to/from subsidiaries	237.5	-202.4
Cash flow from investing activities	**237.5**	**-202.4**
Changes in interest-bearing loans	-108.8	-8.0
Purchase of treasury shares	-2.5	0.0
Coupon payments on hybrid capital	-7.4	-8.1
Repurchase of hybrid capital	-63.3	0.0
Proceeds from issuance of hybrid capital	61.7	0.0
Cash flow from financing activities	**-120.3**	**-16.1**
Net cash flow for the year	**176.4**	**-174.9**
Cash at bank and in hand, 1 January	0.3	175.2
Net cash flow for the year	176.4	-174.9
Cash at bank and in hand, 31 December	**176.7**	**0.3**

The above cannot be derived directly from the income statement and the balance sheet.

Notes

1 Accounting policies, estimates and judgements

The annual financial statements for the parent company are included in the Annual Report in pursuance of the requirements of the Danish Financial Statements Act. The annual financial statements for the parent company have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

The changes, as described in the consolidated financial statements, have not influenced recognition and measurement in the financial statements of the parent company in 2022. See the description of the changes in note 1.2 to the consolidated financial statements.

In relation to the accounting policies described for in note 1.1 in the consolidated financial statements, the accounting policies of the parent company differ in the following:

Foreign currency translation

Translation adjustment of balances considered part of the total net investment in subsidiaries that have a functional currency other than EUR are recognized in the annual financial statements for the parent company under financial items in the income statement.

Dividend from investments in subsidiaries

Dividends from investments in subsidiaries are recognized in the income statement of the parent company in the year the dividends are declared. If the dividend distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

Investments in subsidiaries

Investments in subsidiaries are measured at costs. Impairment test is carried out, if indications for impairment exist. Where the carrying amount exceeds the recoverable amount, the value is written down to the recoverable amount.

Tax

The parent company is jointly taxed with all Danish subsidiaries within the NKT Group. NKT A/S (parent company) is the administration company for the joint taxation and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit, and recognized separately in the balance sheet. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

References to notes in the consolidated financial statements

The following notes in the consolidated financial statements provide further information:

- 1.2 Accounting standards issued but not yet effective
- 5.1 Share capital
- 5.3 Hybrid capital
- 7.2 Events after the balance sheet date

NKT A/S (parent company) operates as a holding company for the Group's activities and undertakes the tasks related thereto. For description of the enterprise's activities, etc., please refer to the Group Management's review.

Accounting estimates and judgements

When preparing the financial Statements for NKT A/S, a number of accounting estimates and judgements are made that affect the income statement and balance sheet. Estimates are regularly reassessed by management on the basis of historical experience and other relevant factors.

Estimates that are significant for the parent company are related to valuation of investments in subsidiaries. The estimates used are based on assumptions which Group Management consider to be reliable, but which by nature are uncertain and unpredictable.

2 Other costs

Amounts in EURm	2022	2021
Wages and salaries	1.1	1.1
Bonus	0.9	0.8
Long-term incentive programs	0.8	0.4
Total staff costs	**2.8**	**2.2**
Statutory audit	0.2	0.1
Fees to the auditor elected at the Annual General Meeting	**0.2**	**0.1**
Legal services	3.3	1.9
Other costs	1.6	1.8
Total other costs	**7.9**	**5.9**

In 2022 audit fee for other services of EUR 0.1m related to issuing of the new hybrid capital has been reported directly to retained earnings on the equity. This amount is not included in the figures above.

For remuneration for the Board of Directors reference is made to note 2.2. Average number of employees in 2022 comprise 1 person (1 person in 2021), being the CEO of NKT A/S.

3 Financial income

Amounts in EURm	2022	2021
Interest from banks	19.0	0.0
Interest from subsidiaries	68.3	59.4
Foreign exchange gains	24.5	10.3
Gains on derivatives	36.4	42.3
	148.2	**112.0**

Notes

4 Financial expenses

Amounts in EURm	2022	2021
Interest to subsidiaries	-1.6	-0.9
Foreign exchange losses	-19.0	-7.9
Loss on derivatives	-0.6	-42.5
Interest, etc. relating to financial liabilities measured at amortised cost	-5.6	-4.1
	-26.8	**-55.4**

5 Tax

Amounts in EURm	2022	2021
Current tax	24.0	9.4
Deferred tax	0.0	0.0
Income tax for the year	**24.0**	**9.4**
Reconciliation of tax:		
Tax at 22.0% of earnings before tax	25.0	11.2
Tax effect:		
Adjustments for previous years	0.0	-0.1
Non-deductable expenses	-1.0	-1.7
	24.0	**9.4**

6 Investments in subsidiaries

Amounts in EURm	2022	2021
Cost, 1 January	445.7	444.2
Addition from share-based payments	2.7	1.5
Transferred to assets held for sale	-28.3	0.0
Cost, 31 December	420.1	445.7
Impairment, 1 January	-43.0	-43.0
Impairment, 31 December	-43.0	-43.0
Book value, 31 December	**377.1**	**402.7**

Subsidiaries	Domicile
NKT Cables Group A/S	Brøndby, Denmark
NKT Photonics A/S	Birkerød, Denmark
NKT Invest A/S	Brøndby, Denmark

The above subsidiaries are all owned 100% by NKT A/S.

For information regarding assets held for sale, please refer to note 6.3 in the consolidated financial statements.

7 Contingent liabilities

The parent company is jointly taxed with all Danish subsidiaries. As an administration company, the parent company is liable with the other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group. Any adjustments to the taxable joint taxation income may increase the amount for which the parent company is liable. The parent company is further liable for VAT under the joint registration with NKT (Denmark) A/S.

The parent company has issued guarantees for subsidiaries of EUR 3,999.0m (EUR 2,632.6m in 2021). In addition to the guarantees for subsidiaries, the parent company has issued guarantees related to various commercial activities. However, it is not possible to assess the amount of these contingent liabilities. Further, the parent company has a guarantee related to the subsidiaries credit facilities under the cash pool of EUR 1,571.3m (EUR 581.7m in 2021).

8 Related parties

In addition to the comments in note 2.2 to the consolidated financial statements, the parent company's related parties comprise subsidiaries including their affiliates. The subsidiaries and their affiliated can be found in note 6.2 to the consolidated financial statements. No related parties have control over the parent company. Transactions with affiliated comprised:

Amounts in EURm	2022	2021
Interest received, net	66.7	58.5
Paid joint tax contribution, net	-16.8	0.0
Receivables, non-current	1,384.8	1,226.5
Receivables, current	14.3	6.8
Payables	434.2	92.8
Management fee	-4.4	-3.5
Hedging	17.4	6.6

Notes

9 Financial risk, financial instruments and management

Management of capital structure at NKT A/S (parent company) is performed for the Group as a whole and no operational targets or policies are therefore established independently for the parent company. See note 5.6 to the consolidated financial statements and the sections 'Risk management' in the Business Line sections.

In September 2022 NKT A/S has repaid the former hybrid capital of EUR 150m and issued a new hybrid capital of EUR 150m. Both the former and the new hybrid capital have been accounted for as part of equity. For more information refer to note 5.3 in the consolidated financial statements.

Categories of financial instruments:

Amounts in EURm	2022	2021
Financial assets		
Measured at amortized cost:		
Receivables from subsidiaries	1,384.8	1,226.5
Measured at fair value through profit/loss:		
Derivative financial instruments[1]	281.0	72.6
Financial liabilities		
Measured at amortized cost:		
Interest-bearing loans and borrowings	0.4	54.7
Payables to subsidiaries	434.2	76.9
Trade payables and other liabilities	6.7	2.9
Measured at fair value through profit/loss:		
Derivative financial instruments[2]	249.8	73.3

[1] Included in Other receivables
[2] Included in Trade payables and other liabilities

Maturity of financial liabilities:

Amounts in EURm	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
2022					
Interest-bearing loans and borrowings	0.4	0.0	0.0	0.0	0.4
Payables to subsidiaries	434.2	0.0	0.0	0.0	434.2
Trade payables and other liabilities	256.5	0.0	0.0	0.0	256.5
	691.1	**0.0**	**0.0**	**0.0**	**691.1**
2021					
Interest-bearing loans and borrowings	0.0	0.0	54.7	0.0	54.7
Payables to subsidiaries	92.8	0.0	0.0	0.0	92.8
Trade payables and other liabilities	76.3	0.0	0.0	0.0	76.3
	169.1	**0.0**	**54.7**	**0.0**	**223.8**

10 Payables to credit institutions and other liabilities

Payables to credit institutions, which predominantly are subject to floating interest rates, as well as Other payables are measured at amortized cost. The carrying amount therefore in all material respects corresponds to fair value and nominal value.

Changes in current and non-current loans:

Amounts in EURm	1 January	Changes from cash flow	Effect of changes in exchange rates	31 December
Current and non-current loans, 2022	54.7	-54.3	0.0	0.4
Current and non-current loans, 2021	62.2	-8.0	0.5	54.7

Statements

Group

Group Management's statement

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of NKT A/S for the financial year 1 January – 31 December 2022.

The Annual Report has been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU, Danish disclosure requirements for listed companies and, with the file nkt-2022-12-31-en.zip, in all material respects, in compliance with the ESEF Regulation.

In our opinion the consolidated financial statements and the Company's financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January – 31 December 2022.

We also find that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group, and a description of major risks and elements of uncertainty faced by the Group.

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, 22 February 2023

Executive Management

Alexander Kara
President & CEO

Line Andrea Fandrup
CFO

Board of Directors

Jens Due Olsen
Chair

René Svendsen-Tune
Deputy Chair

Nebahat Albayrak

Christian Dyhr*

Stig Nissen Knudsen*

Karla Lindahl

Jens Maaløe

Andreas Nauen

Pernille Blume Simonsen*

* Employee-elected member

Independent auditor's report

To the shareholders of NKT A/S

Report on the consolidated financial statements and the parent financial statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of NKT A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022, and of the results of their operations and cash flows for the financial year 01.01.2022 - 31.12.2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of NKT A/S for the first time on 21.03.2013 for the financial year 2013. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 10 years up to and including the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2022 - 31.12.2022. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of construction contracts

Refer to notes 1.3, 2.1 and 4.3 in the consolidated financial statements.

Significant judgements are required by Management in determining stage of completion and estimating profit on each project, including assessment of provisions for specific project risks. Minor changes in the stage of completion and specific project risks can have a significant impact on the valuation and recognition of construction contracts and revenue for the year.

Accordingly, the valuation of construction contracts especially relating to high voltage offshore contracts (Solutions) is considered to be a key audit matter.

How the matter was addressed in our audit

Based on our risk assessment, we have assessed and tested the relevant internal controls for construction contracts primarily relating to contract acceptance, change orders, monitoring of project development, costs incurred and estimation of costs to complete and assessment of specific project risks.

We obtained from Management an overview of the Group's construction contracts at 31 December 2022 relating to high voltage offshore contracts covering both in progress contracts as of year-end and contracts completed during the year. Based on assessed project risks and materiality, we selected a sample of contracts where we obtained the underlying contracts, including change orders, original budget and any changes made to original budgets, including estimates of costs to complete, project reports and overview of the risk register and corresponding risk provision, where deemed relevant by us.

For the selected contracts, we assessed and challenged Management's assumptions for determining stage of completion with due consideration to its assessment of project risks and risk provisions and estimated profit/loss through interviews with project controllers, project management, legal department and management representatives as well as our understanding and assessment of the contract terms, associated project risks, including valuation of change orders under discussion with customers and final acceptance. Additionally, we attended project steering committee meetings at which project performance, cost to complete and project risk register, including likelihood of the risk materialising, were discussed and assessed in detail.

For the selected completed contracts, we performed retrospective reviews of assessment of project risk and development and utilisation of risk provisions to assess the completeness and estimation accuracy of Management's assumptions applied throughout the contract period.

Impairment test of non-current assets
Refer to notes 1.3, 3.1, 3.2, and 3.3 in the consolidated financial statements.

The recoverable amount of non-current assets in the Group's high voltage power cable business (Solutions) is dependent on the expected increase in operational EBITDA and that the operational EBITDA level can be sustained in the long term. The determination of recoverable amount for Solutions is based on the value-in-use derived from future free net cash flow based on budgets and the strategy for the coming years and free net cash flows from the terminal period. Significant judgement is required by Management in determining value-in-use, including cash flow projections based on financial budgets for 2023 and financial forecasts for 2024-2028, and growth rate in the terminal period and the discount rate to be applied.

Accordingly, the carrying value of non-current assets for Solutions is considered to be a key audit matter.

How the matter was addressed in our audit
Based on our risk assessment, we have obtained and evaluated Management's determination of future cash flow forecasts for Solutions and the underlying process by which they were drawn up, including the mathematical accuracy of the valuation models applied and agreeing future growth, investments and margin assumptions to the latest Board approved budget for 2023 and financial forecasts for 2024-2028. We used our valuation specialists to assist us in evaluating the appropriateness of key market-related assumptions in Management's valuation models, including discount rates and terminal growth rates. We assessed and challenged key assumptions applied in Management's future forecasts of growth, investments and margins included in the cash flow forecasts.

In assessing the level of headroom at Solutions level we performed downside sensitivity analyses around the key assumptions, using a range of higher discount rates, lower terminal growth rates and lower EBITDA levels.

Valuation of deferred tax assets
Refer to notes 1.3 and 2.5 in the consolidated financial statements.

Majority of the Group's deferred tax assets relates to the German subsidiaries tax unit. The valuation of the German deferred tax asset is based on an assessment of the recoverable value of tax losses carried forward as well as the part of deductible temporary tax differences expected to be utilised within a foreseeable future. Significant judgement is required by Management in determining the recoverable value, including projections of future taxable income, based on financial budgets for 2023 and financial forecasts for 2024-2027.

Accordingly, the valuation of deferred tax assets is considered to be a key audit matter.

How the matter was addressed in our audit
Based on our risk assessment, we have, in assessing the valuation of deferred tax assets, obtained and evaluated Management's expectations of generating future taxable profits in the foreseeable future in Germany, and the underlying process by which they were drawn up, including the mathematical accuracy of the models, and agreeing future growth and margin assumptions to the latest Board approved budget for 2023 and financial forecasts for 2024-2027 as well as the expected related utilisation of the deferred tax asset. We assessed and challenged the reasonableness of Management's determination of expected future taxable profits in the light of Management's plans for improving the operational results in Germany.

In assessing the valuation of deferred tax assets, we performed downside sensitivity analysis around the key assumptions by using a range of lower growth rates and margins.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to

enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent 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.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of NKT A/S we performed procedures to express an opinion on whether the annual report of NKT A/S for the financial year 01.01.2022 - 31.12.2022 with the file name nkt-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of NKT A/S for the financial year 01.01.2022 - 31.12.2022 with the file name nkt-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 22.02.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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NKT is signatory to:

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Science Based Targets initiative.
A commitment to become a net zero emissions company.

United Nations Global Compact.
A pledge to implement universal sustainability principles.

Europacable Industry Charter.
A commitment towards superior quality.