NKT

Annual Report 2021 We connect a greener world

Company Reg: 6272 5214

Contents

Introduction

Group

Business overview

NKT

NKT Photonics

Group overview

Group

Financial statements

Group

Statements

Group

NKT Annual Reports 2021

Read more in:

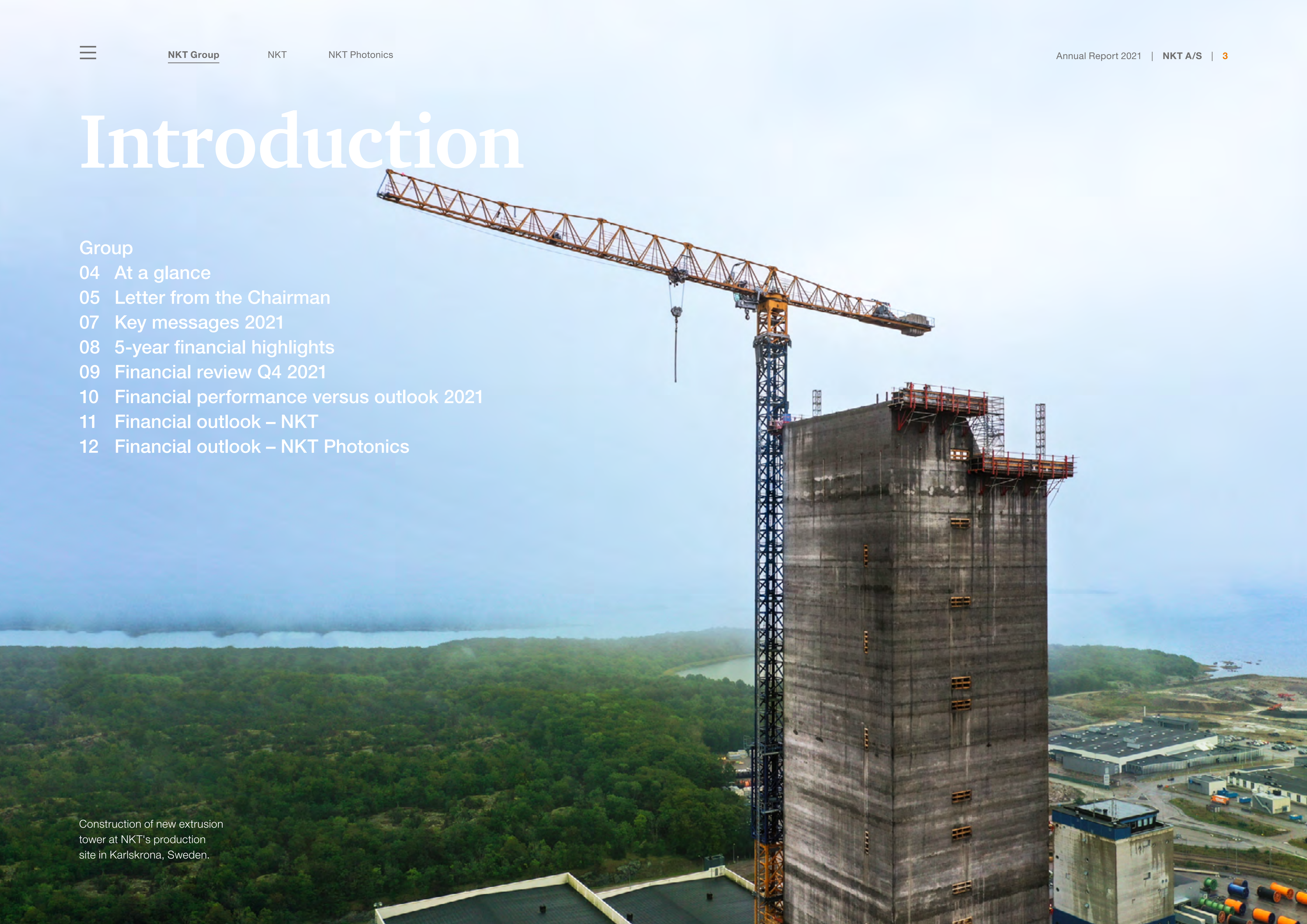
Sustainability Report

Remuneration Report

Corporate Governance Report

Introduction

Group



Construction of new extrusion tower at NKT's production site in Karlskrona, Sweden.

NKT Group at a glance

NKT Group consists of two standalone companies: NKT, a leading provider of power cable solutions, and NKT Photonics, a leading supplier of fiber lasers and photonic crystal fibers. Both companies are headquartered in Denmark and have operations across the world.

Years of innovation	People worldwide	Nationalities
130	**4,176**	**84**
Listed on the Danish stock exchange Nasdaq Copenhagen	Registered shareholders **+30,000**	Share price development, 2021 **+16%**

NKT A/S share price

Financial figures 2021

NKT
We connect a greener world

NKT at a glance, page 14

EUR 1,263m
Revenue (std. metal prices)
(2020: EUR 1,087m).

EUR 131.1m
Operational EBITDA in 2021
(2020: EUR 56.7m)

NKT Photonics
the power of light

NKT Photonics at a glance, page 49

EUR 80.1m
Revenue in 2021
(2020: EUR 69.9m)

EUR 7.5m
Operational EBITDA in 2021
(2020: EUR 2.6m)

Letter from the Chairman

Growing and investing for a greener future

In 2021, NKT celebrated 130 year anniversary. Our long history has provided us with experience to resist global challenges and agility to be at the forefront of innovative, technical solutions. These traits proved valuable in a year of new exciting projects and high growth on one side, and COVID-19, global supply disruptions, limited access to certain goods and services and high pressure on price levels on the other side.

Our businesses emerged from 2021 with financial performance that was better than originally expected, a high-voltage order backlog at a strong level and in an attractive position for further growth.

Global megatrends such as the green transformation increasingly drive further electrification. The overarching goal of reducing carbon emissions has placed green ambitions high on the political agendas around the world and we are committed to providing continued support for the transition to renewable energy by ensuring the necessary infrastructure enabling the green transformation.

Strong foundation for realising growth ambitions

Our power cables and photonics businesses are both among the market leaders in their domains and provide innovative solutions for our customers. These capabilities proved to be beneficial foundations for us in 2021 to strengthen our market positions.

“As a key contributor to the green transformation, we expect our strong market and technology positions to represent significant growth potential.”

The year was again impacted by COVID-19. We successfully managed to navigate the challenges by effectively protecting the health of our employees, and limit the impact on daily operations at our sites in order to continue serving our customers and projects. In parallel, we reduced our corporate CO_2e emissions significantly.

Both NKT and NKT Photonics delivered financial results that slightly exceeded our initial expectations and improved profitability satisfactorily above the previous year.

Broad-based growth in 2021

Growth is a core ambition for the company and we grew our revenues organically by 15% in both NKT and NKT Photonics. This was key for the positive earnings development.

Our established market positions and innovative skillset will keep us at the forefront of our industries enabling further growth in the coming years.

NKT’s high-voltage order backlog remained at a high level with a value of almost EUR 3bn by the end of 2021. The backlog comprises projects covering a variety of technologies and markets and reflects our ambition to be a key player in connecting both offshore wind farms and developing the global power grids.

NKT is among the leading global companies within high-voltage DC technology and the majority of our order backlog comprises projects in this area of expertise. The foundation for our strong position in this market is based on the acquisition of ABB HV Cables in 2017.

As planned, we invested heavily in our high-voltage power cable plants in Germany and Sweden during 2021 with a view to further strengthening our performance and capabilities in the years ahead. Further, we made various footprint changes to increase our cost competitiveness across the business. Investing in technology, manufacturing capabilities and people is key to stay competitive and to secure our future success.

NKT Photonics supplies leading-edge technology to customers and growing markets in innovative industries such as autonomous electric cars, smartphones, quantum computing, artificial intelligence, med-tech and health care, as well as renewable energy. NKT Photonics recovered in 2021 following the COVID-19 related challenges during 2020 and our strong commercial position resulted in all-time high revenues.

In July 2021, we decided to resume the review of strategic alternatives for NKT Photonics with the aim of maximizing value creation and positioning NKT Photonics for long-term growth. We engaged a lead financial advisor to assist and the review is ongoing.

People, leadership and collaboration key to success

Our employees and leadership teams deserve a special thanks for a well-executed year despite the challenges of 2021. We would also like to extend a warm welcome to many new colleagues adding skills and diversity to our company.

The Board of Directors extends its sincere thanks to all shareholders, customers and business partners for their support in 2021. We value these strong relationships. Now we look confidently into 2022 as we pursue our continued growth ambitions.

Jens Due Olsen
Chairman of the Board of Directors,
NKT A/S

Key messages 2021

In 2021, the NKT Group showed continued improvement in operating and financial results. The operational EBITDA more than doubled to EUR 139m. This was driven by improved performance in both NKT and NKT Photonics.

NKT

In the power cable business, all three business lines contributed to higher revenue and earnings compared to 2020. Solutions executed satisfactorily on projects awarded in recent years, Applications continued the positive development and grew well in a favourable market, while Service & Accessories had an exceptionally strong year driven by a high activity level within offshore service repair work.

NKT was awarded high-voltage projects of around EUR 500m in 2021. These will contribute to the ongoing transition towards increased level of renewable energy in the power mix mainly across Europe. The two largest project awards were Dogger Bank C, an offshore wind project in the UK, and Troll West, a power-from-shore project outside the coast of Norway. The high-voltage order backlog totalled EUR 2.87bn at end-2021.

NKT also signed an exclusive Preferred Supplier Agreement for delivery of the high-voltage DC power cable system to the prospective Champlain Hudson Power Express transmission line in the USA. As NKT has not received a firm order, the project is not included in the high-voltage order backlog.

As planned, NKT continued the investment programme to upgrade and expand the high-voltage production sites in Cologne and Karlskrona during 2021.

In 2022, NKT expects a revenue* of approx. EUR 1.35–1.45bn and an operational EBITDA of approx. EUR 130–155m.

NKT Photonics

NKT Photonics returned to positive growth momentum again in 2021 after financial performance in 2020 was adversely impacted by the COVID-19 pandemic. Revenues and earnings recovered well, particularly in the Industrial and Quantum & Nano Technology segments.

In 2021, the Board of Directors decided to resume the review of strategic alternatives for NKT Photonics, with the objective of maximizing value creation for the shareholders. The review is ongoing and J.P. Morgan Securities plc has been appointed as lead financial advisor.

In 2022, NKT Photonics expects organic revenue growth of approx. 12-17% and an EBITDA margin of approx. 11-14%.

	NKT				NKT Photonics				NKT Group			
Amounts in EURm	Q4 2021	Q4 2020	2021	2020	Q4 2021	Q4 2020	2021	2020	Q4 2021	Q4 2020	2021	2020
Revenue	436.2	348.3	1,827.9	1,402.5	27.6	25.9	80.1	69.9	463.3	373.6	1,906.7	1,470.2
Revenue in std. metal prices**	289.7	268.7	1,263.1	1,087.0	27.6	25.9	80.1	69.9	316.8	294.0	1,341.9	1,154.7
Organic growth**	7%	1%	15%	15%	6%	3%	15%	-6%				
Operational EBITDA**	13.7	9.1	131.1	56.7	5.5	4.2	7.5	2.6	19.2	13.3	138.6	59.3
Operational EBITDA margin**	4.7%	3.4%	10.4%	5.2%	19.9%	16.2%	9.4%	3.7%	6.1%	4.5%	10.3%	5.1%
EBIT	-14.5	-15.5	23.9	-38.4	1.4	0.8	-7.1	-9.5	-13.1	-14.7	16.8	-47.9
Net result	-10.2	-30.0	11.9	-63.5	1.3	-0.6	-7.8	-11.0	-8.9	-30.6	4.1	-74.5
Working capital**			-93.2	-164.5			33.6	27.4			-59.6	-137.1
Working capital % of revenue, LTM**			-2.2%	-7.1%			36.3%	41.9%			-0.6%	-4.8%
RoCE***			3.4%	-2.9%			-6.2%	-8.8%			2.5%	-3.5%

* Std. metal prices
** Alternative performance measures
*** RoCE is calculated on Operational EBIT, LTM, as a percentage of average capital employed as defined in Section 7.4 on page 133

5-year financial highlights

Amounts in EURm	2021	2020	2019	2018 [1]	2017 [1]
Income statement					
Revenue	1,906.7	1,470.2	1,342.4	1,501.6	1,479.3
Revenue in std. metal prices** [3]	1,341.9	1,154.7	1,019.3	1,147.1	1,108.4
Operational EBITDA ** [6]	138.6	59.3	29.7	79.3	141,8
One-off items ** [5]	-12.7	-9.9	-12.0	-29.5	-44.9
EBITDA	125.9	49.4	17.7	49.8	96.9
Amortization, depreciation and impairment	-109.1	-97.3	-100.7	-87.3	-79.6
Operational EBIT** [7]	29.5	-38.0	-71.0	-8.0	62.2
EBIT	16.8	-47.9	-83.0	-37.5	17.3
Financial items, net	-12.4	-16.7	-12.3	-8.0	-14.7
Earnings before tax (EBT)	4.4	-64.6	-95.3	-45.5	2.6
Profit from continuing operations	4.1	-74.5	-76.0	-46.3	-3.4
Profit from discontinued operations	0.0	0.0	0.0	0.0	932.2
Net result	4.1	-74.5	-76.0	-46.3	928.8
Cash flow					
Cash flow from operating activities	207.8	136.3	125.0	-42.2	87.8
Cash flow from investing activities	-225.5	-107.4	-66.8	-60.9	-493.3
hereof investments in P,P&E	-191.3	-65.5	-34.4	-28.5	-50.6
Free cash flow	-17.7	28.9	58.2	-103.1	-405.5
Balance sheet					
Share capital	115.4	115.4	73.2	72.8	72.8
Group equity	1,159.9	1,076.4	803.8	895.6	816.3
Total assets	2,553.4	2,150.6	1.789.4	1,859.2	1,904.6
Net interest-bearing debt** [8]	13.2	-25.9	242.2	248.3	293.2
Capital employed** [9]	1,173.1	1,050.5	1.046.0	1,143.9	1,109.5
Working capital** [10]	-59.6	-137.1	-118.1	7.7	-83.5

Amounts in EURm	2021	2020	2019	2018 [1]	2017 [1]
Financial ratios and employees					
Operational EBITDA margin, continuing operations (std. metal prices)**	10.3%	5.1%	2.9%	6.9%	12.8%
Gearing (NIBD as % of Group equity)**	1%	-2%	30%	28%	36%
NIBD relative to operational EBITDA** [11]	0.1x	-0.4x	8.2x	3.1x	1.9x
Solvency ratio (equity as % of total assets) ** [12]	45%	50%	45%	48%	43%
Return on capital employed (RoCE) ** [13]	2.5%	-3.5%	-6.2%	-0.7%	11.8%
Number of DKK 20 shares ('000)**	42.976	42,976	27,260	27,126	27,126
EPS, EUR [1]	-0.1	-2.7	-3.1	-1.8	34.3
Diluted EPS, EUR [1]	-0.1	-2.7	-3.1	-1.8	34.3
Equity value, EUR, per outstanding share** [14]	23	22	24	27	30
Market price, DKK, per share**	316	271	161	89	283
Average number of employees**	4,176	3,800	3,671	3,744	3,600

ESG

See details in Sustainability Report

[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 review Q4 2021

NKT

The power cable business grew revenue* by EUR 21.0m to EUR 290m in Q4 2021 compared to Q4 2020. This corresponded to organic growth of 7%. The positive development was due to improved performance in Applications and Service & Accessories.

The revenue growth drove an increase in operational EBITDA. In Q4 2021, NKT delivered operational EBITDA of EUR 13.7m, which was an increase of EUR 4.6m compared to Q4 2020. The main contributor was Applications.

In Solutions, the organic growth was -10% in Q4 2021. NKT continued execution of several projects from the order backlog during the quarter. However, the project work related to AC power cable projects was at a lower level compared to Q4 2020. The operational EBITDA was similarly below Q4 2020 as it was negatively impacted by EUR 4m due to closing of a commercial dispute regarding installation related to a completed project.

The revenue* development was very positive in Applications in Q4 2021 as organic growth was 33%. The improvement should be seen in light of a low revenue level in the comparison period of 2020, when the COVID-19 pandemic impacted some markets negatively. Applications continued to perform well in a market characterized by favourable market conditions. The significant lift in revenue drove operational EBITDA to a higher level. The operational EBITDA margin* of 5.7% in Q4 2021 was the highest level achieved under the current business line structure in the traditionally seasonally low Q4.

Service & Accessories satisfactorily ended a year with strong growth. The organic growth of 17% in Q4 2021 was based on improved sales across the service and accessories businesses. In the service business, a continued high activity level was recorded on various projects. In the accessories business, growth was driven by sales of medium-voltage accessories. Operational EBITDA benefitted from the higher revenue level. The operational EBITDA margin increased by 2.1%-points from Q4 2020 to Q4 2021 with the shift to more service revenue being a positive contributor.

NKT
Organic growth in Q4 2021

7%

NKT Photonics
Organic growth in Q4 2021

6%

NKT Photonics

As in previous years, NKT Photonics had a strong Q4 in 2021 due to the seasonality of the business. The revenue reached a record-high quarterly level of EUR 27.6m in Q4 2021, corresponding to 6% organic growth.

NKT Photonics managed the high activity level in Q4 2021 with limited disturbances from the global supply chain challenges and the continued presence of the COVID-19 pandemic. The growth in revenue was, as in the previous quarters of 2021, primarily driven by strong performance in the Industrial and Quantum & Nano Technology segments.

NKT Photonics delivered EBITDA of EUR 5.5m in Q4 2021, compared to EUR 4.2m in Q4 2020. The higher revenue impacted the earnings development positively and Q4 2021 also had a more favourable product mix.

Financial development in Q4

	Revenue*			Operational EBITDA			Oper. EBITDA margin*	
Amounts in EURm	Q4 2021	Q4 2020	Change	Q4 2021	Q4 2020	Change	Q4 2021	Q4 2020
NKT - Solutions	138.8	155.2	-16.4	6.0	8.9	-2.9	4.3%	5.7%
NKT - Applications	112.4	83.6	28.8	6.4	0.4	6.0	5.7%	0.5%
NKT - Service & Accessories	49.0	38.5	10.5	5.9	3.8	2.1	12.0%	9.9%
Elimination of transactions between segments and non-allocated costs	-10.5	-8.6	-1.9	-4.6	-4.0	-0.6		
NKT	**289.7**	**268.7**	**21.0**	**13.7**	**9.1**	**4.6**	**4.7%**	**3.4%**
NKT Photonics	27.6	25.9	1.7	5.5	4.2	1.3	19.9%	16.2%
Elimination of transactions between segments	-0.5	-0.6	0.1	0.0	0.0	0.0		
NKT Group	**316.8**	**294.0**	**22.8**	**19.2**	**13.3**	**5.9**	**6.1%**	**4.5%**

* Std. metal prices

Financial performance versus outlook 2021

Financial performance for NKT and NKT Photonics in 2021 was in line with the outlook updated in October 2021.

Realized figures versus financial outlook 2021

Amounts in EURm	Initial**, November 2020	Initial**, February 2021	Adjustment, May 2021	Adjustment, July 2021	Adjustment, October 2021	Realized
NKT						
Revenue*	~1.1-1.2bn	Unchanged	Unchanged	Upper end of ~1.1-1.2bn	~1.2bn	1.263bn
Operational EBITDA	~80-110m	Unchanged	Unchanged	Upper end of ~80-110m	~125-135m	131.1m
NKT Photonics						
Organic revenue growth	-	~0-10%	Upper end of ~0-10%	~8-15%	Unchanged	15%
EBITDA margin	-	~3-7%	Upper end of ~3-7%	~6-8%	Unchanged	9.4%

* Std. metal prices
** NKT supplied its initial financial outlook for 2021 in November 2020. NKT Photonics did so in February 2021

NKT

The financial performance for 2021 was in line with the expectations in the most recently published financial outlook from October 2021. Final revenue* amounted to EUR 1,263m compared to approx. EUR 1.2bn in the financial outlook. Operational EBITDA, which was guided to be approx. EUR 125-135m in the outlook, ended within the range at EUR 131.1m.

The initial financial outlook, published in the Q3 2020 Interim Report, was based on several critical assumptions:

- The global COVID-19 pandemic and its consequences will not have material negative impact on NKT's operating markets or NKT's ability to execute customer orders
- Satisfactory execution of high-voltage projects will deliver on expected profitability margin
- Award of additional high-voltage projects with financial impact in 2021
- Continued profitability improvement in Applications driven by increased revenue and improved production efficiency
- Satisfactory level of activity in offshore power cable repairs

NKT performed well in regard to these assumptions. In particular, profitability in Applications continued its recovery in 2021, and the Service business delivered exceptionally high volume of repair work, mainly in 1st half 2021.

Additionally, NKT closed outstanding insurance cases relating to past incidents, generating an income of EUR 20.7m in Q3 2021. The operational EBITDA in 2021 excluding income from insurance cases was EUR 110m.

NKT Photonics

Financial performance for NKT Photonics for 2021 was in line with the financial outlook updated in July 2021. Organic revenue growth amounted to 15% in 2021, compared to the outlook of approx. 8-15%. The final EBITDA margin was 9.4%, compared to the most recent outlook figure of approx. 6-8%.

At the start of 2021 the financial outlook was subject to high uncertainty relating to the COVID-19 pandemic, which impacted some parts of the market negatively in 2020. However, NKT Photonics recovered well during 2021 and the financial performance was better than initially anticipated.

Financial outlook – NKT

NKT

2022

Revenue (in std. metal prices) is expected to be approx. EUR 1.35–1.45bn and the operational EBITDA is expected to be approx. EUR 130–155m in 2022.

The Solutions and Applications business lines are expected to be the positive contributors to revenue and operational EBITDA in 2022, and thereby continue the positive development from 2021.
In Service & Accessories, revenue and operational EBITDA are expected to be at a lower level in 2022 compared to the exceptionally strong financial results in 2021.

Delivering on the financial outlook is based on several assumptions. Currently, the most critical are identified to be the following:

- Satisfactory execution of high-voltage projects to deliver on expected profitability margin
- Award of additional high-voltage projects with financial impact in 2022
- Continued revenue growth and profitability improvement in Applications
- Satisfactory offshore power cable repair work activity
- Limited financial impact due to the global supply chain challenges

Medium-term ambitions

In its Q3 2020 Interim Report, NKT introduced medium-term ambitions. The underlying assumptions and the ambitions remain unchanged. The financial performance in 2021 was well-aligned with the below ambitions.

The ambition is to grow revenue* organically from 2019 (EUR 945m) to the medium-term by a CAGR above 10% and to increase the operational EBITDA margin* to approx. 10-14%.

To achieve the targeted medium-term financial ambitions, NKT has to perform satisfactorily in its three business lines. Additionally, the COVID-19 pandemic is assumed not to impact financial performance materially.

In Solutions, NKT needs to continuously be successful in relevant high-voltage project tenders across market segments and to ensure the projects awarded will be based on satisfactory terms and conditions. Order wins will be a prerequisite to have optimal utilization of production and installation assets with satisfactory mix of power cable types. Following the project awards, it is key for NKT to deliver satisfactory project execution in order to generate the expected profitability on the individual projects.

In Applications, NKT has to improve profitability and has several initiatives ongoing. The main areas include a strong commercial mindset, improved production efficiency and control of the cost level. To support profitability further, NKT is focusing on having the relevant product portfolio available and targeting the most attractive market segments.

In Service & Accessories, the overall focus area is to maintain its growth momentum. This will be achieved through various initiatives such as geographical expansion in new and existing markets. Furthermore, the portfolio of products and services is continuously being expanded with a broader customer offering.

* Std. metal prices.

Outlook 2022

Revenue* EUR

~1.35–1.45bn

* Std. metal prices

Operational EBITDA EUR

~130–155m

Medium-term ambitions

Organic growth CAGR

>10%

From 2019 as base year

Operational EBITDA margin*

~10–14%

Financial outlook – NKT Photonics

NKT Photonics

2022

The organic revenue growth is expected to be approx. 12-17%, and the EBITDA margin is expected to be approx. 11-14% in 2022.

NKT Photonics is thereby expected to continue the positive financial development from 2021. The revenue growth is expected to be broad-based driven by product introductions and favourable market conditions. The main growth contributors are expected to be the Quantum & Nano Technology, Medical & Life Science, and Aerospace & Defence segments. In the Industrial segment, growth is anticipated to be more moderate after strong growth in 2021.

An important assumption in order to fulfil the financial outlook is that the current global supply chain challenges will have limited impact on the financial results. The current situation remains a challenge for the industry and addressing this continues to be a focus area for NKT Photonics. Accordingly, actions have been taken to mitigate risks and ensure unimpacted production flow.

As in previous years, the largest earnings contribution is expected to be generated in Q4.

Medium-term ambitions

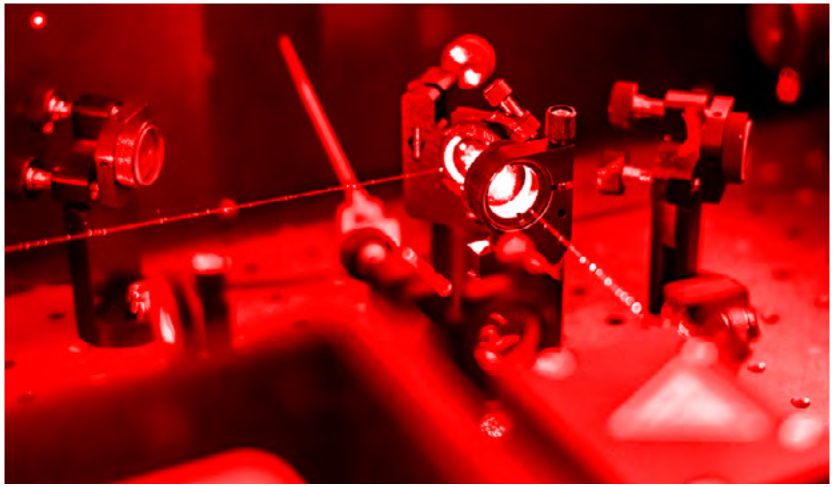
NKT Photonics is introducing financial medium-term ambitions.

The ambition is to grow revenue organically from 2021 (EUR 80m) to the medium-term by a CAGR of approx. 12-17% and to increase the EBITDA margin to approx. 20-25%.

NKT Photonics has a product portfolio offering a variety of innovative solutions. These are addressing and applicable for several growing markets. This foundation is the prerequisite for the expected improved financial performance in the years ahead.

NKT Photonics is operating in four market segments: Medical & Life Science, Industrial, Aerospace & Defence, and Quantum & Nano Technology. These are all expected to contribute to revenue growth.

The expected revenue growth should lead to improved profitability due to the operational leverage of the business.



←

The fast moving consumer electronics market led by the big cellphone manufacturers increases use of NKT Photonics' laser technology for characterization of the many optical components used in the devices.

Outlook 2022

Organic growth

~12–17%

EBITDA margin

~11–14%

Medium-term ambitions

Organic growth CAGR

~12-17%

From 2021 as base year

EBITDA margin

~20–25%

Business overview NKT

NKT at a glance

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 life-time value by enabling sustainable energy transmission.

Founded in	Countries with offices	Nationalities	Employees
1891	**14**	**57**	**3,948**

Selected ESG ratings of NKT

CDP DISCLOSURE INSIGHT ACTION

PLATINUM 2021 ecovadis Sustainability Rating

MSCI ESG RATINGS AA

SUSTAINALYTICS

High-voltage order awards in 2021

EUR ~500m

High-voltage order backlog

EUR 2.87bn

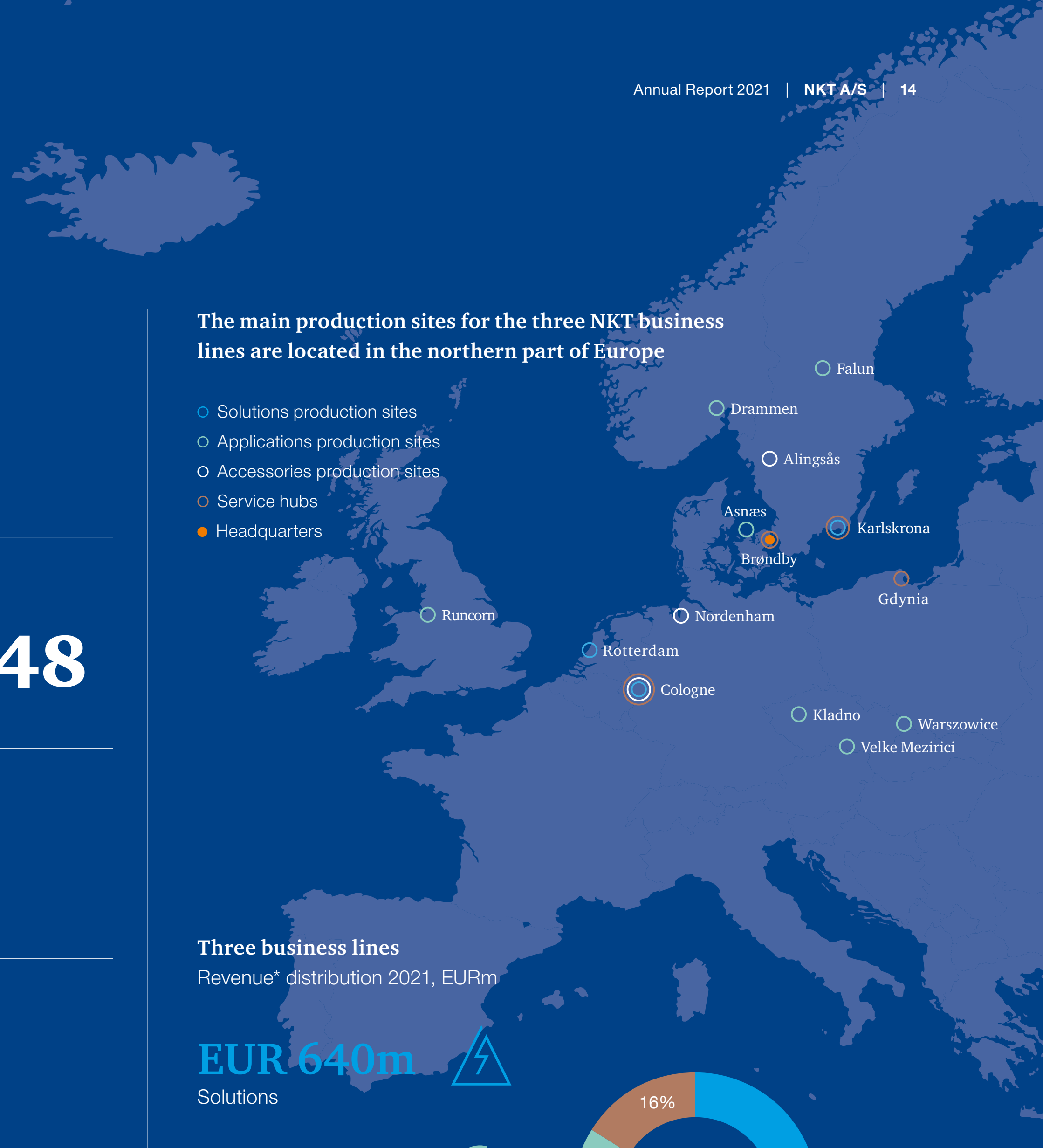
NKT finalized the German section of NordLink connecting Germany and Norway, which will meet the power need of

3.6m

German households.

The main production sites for the three NKT business lines are located in the northern part of Europe

- Solutions production sites
- Applications production sites
- Accessories production sites
- Service hubs
- Headquarters



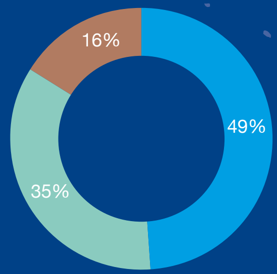
Three business lines

Revenue* distribution 2021, EURm

EUR 640m
Solutions

EUR 450m
Applications

EUR 206m
Service & Accessories



* Std. metal prices

Sustainability highlights

Corporate emissions* decreased by
34%
Compared to 2020

Total amount of of waste sent for material recycling
80%
From 70% in 2020

Diversity and Inclusion Score up to
72
From 65 in 2020

All time high Employee Engagement Score
74
From 73 in 2020

Total Recordable Injury Rate
1.19
From 1.20 in 2020

* Scope 1 and 2

Letter from the CEO

Growing to connect a greener world

We are continuing to connect a greener world. In 2021, NKT again played a central part in creating the infrastructure needed for transition to renewable energy by providing the required power cable solutions. We also progressed on our journey to become a net zero emissions company

Growing to connect a greener world
NKT's contribution to the global green transformation continued in 2021. Our company purpose - we connect a greener world – is reflected in the work we do every day. The past year was growth driven with a broad-based contribution from all parts of our business, and we are preparing for further growth in the years ahead.

In 2021, our financial performance continued to develop positively, and it was satisfying that all three business lines contributed well. Having joined NKT as Chief Executive Officer in 2019, I am pleased that our financial situation has improved, leaving us stronger and prepared to strengthen further in the years ahead.

Positive development in all business lines
In 2021, our Solutions business line progressed on several high-voltage projects awarded in recent years and added new projects to an already strong backlog. This provides a solid foundation for future growth.

"In 2021, NKT again played a central part in creating the infrastructure needed for transition to renewable energy by providing the required power cable solutions. We also progressed on our journey to become a net zero emissions company."

In 2021, NKT continued to reduce corporate CO_2e emissions through dedicated initiatives by

34%

compared to 2020

Our Applications business line continued its positive trajectory by improving earnings further. The positive development was a result of higher revenues and satisfactory execution on efficiency initiatives.

Our Service & Accessories business delivered exceptionally strong financial performance. This was primarily due to our ability to win and execute a large number of offshore repair projects.

The positive financial performance in 2021 was achieved despite the continued presence of the COVID-19 pandemic, the effects of high price increases on several cost items and global shortages of products and services. In the light of these obstacles I believe we can be even more satisfied with our results. It was only possible to achieve them by teamwork and focused effort.

We must act now on ESG related matters

The impacts of climate change are clearly evident and action is required to support the transition to a low carbon future. NKT remains committed to delivering the essential infrastructure for the green transformation and to continue our journey to net zero emissions.

In 2021, we reduced our corporate CO_2e emissions by 34% from 2020 through dedicated initiatives. We also updated our sustainability strategy with long-term targets and commitments to ensure continued positive development. As a significant portion of our carbon footprint is attributable to our supply chain, we have embarked on collaboration with key suppliers to reduce emissions from them.

Furthermore, as part of our commitment to connect a greener world based on responsibility and ethical behaviour, NKT continued to promote safety, diversity and equality across our organization.

Our initiatives in NKT resulted in improved ESG ratings, but we will not stop here, we are focused on further actions in the years ahead.

Preparing for future growth

We believe the power cable industry will continue to offer attractive opportunities in the years ahead. In 2021, as part of our preparations for growth, we launched and progressed a series of initiatives across the businesses.

These initiatives included investments in the Solutions business line, the expansion of our high-voltage production sites in Karlskrona, Sweden, and Cologne, Germany. Progress was made during the year at both sites, including construction of a new extrusion tower in Karlskrona. Standing 150 metres tall, the tower is the third highest building in Sweden.

In our two other business lines, projects were launched to improve efficiency and production output. In Applications, we commenced the relocation of building wire and 1kw production from Asnæs in Denmark to Warszowice in Polen, and Kladno in the Czech Republic. The production of high-voltage power cable accessories is currently being moved from Cologne and centralized at our existing factory in Alingsås, Sweden.

Thank you for your efforts in 2021 – now we are ready for 2022

In NKT, we have four shared beliefs: We **A**dvance, We **C**onnect, We **D**eliver, and We **C**are - **ACDC**. These will all be important looking into 2022 when we expect to continue to deliver positive developments and to benefit from the steps taken in 2021. The Group Leadership Team and I are committed to delivering even better performance in the year ahead.

In 2022, we will develop our long-term, strategic opportunities further to ensure NKT is well prepared to deliver on the green agenda

We have accomplished great things during 2021 and I am very satisfied with the work we have done. I wish to thank all our employees and stakeholders for a positive year and look forward to continuing our strong teamwork in the years ahead. Together, we are connecting a greener world.

Alexander Kara
President & Chief Executive Officer,
NKT A/S

Key financials – 5-year review

Amounts in EURm	2021	2020	2019	2018[1]	2017[1]
Income statement					
Revenue	1,828	1,403	1,268	1,429	1,004
Revenue in std. metal prices**	1,263	1,087	945	1,080	1,058
Operational EBITDA**	131.1	56.7	15.1	70.2	138.3
One-off items**	-12.7	-9.9	-12.0	-29.5	-44.9
EBITDA	118.4	46.8	3.1	40.8	93.4
Depreciations, amortizations and impairment	-94.5	-85.2	-90.8	-79.4	-74.4
Operational EBIT**	36.6	-28.5	-75.7	-9.2	63.9
EBIT	23.9	-38.4	-87.7	-38.6	19.0
Financial items, net	-8.2	-11.5	-11.6	-7.7	-13.8
EBT	15.7	-49.9	-99.3	-46.3	5.2
Tax	-3.8	-13.6	20.8	-2.0	-6.4
Net result	11.9	-63.5	-78.5	-48.3	-1.2
Cash flow					
Cash flow from operating activities	208.8	135.6	117.8	-46.3	78.2
Cash flow from investing activities excl. acq. & div.**	-213.3	-90.8	-52.3	-49.1	-63.0
Free cash flow excl. acq. & div.**	-4.5	44.8	65.5	-95.4	15.2
Balance sheet					
Capital employed**	1,053	940	942	1,065	1,041
Working capital**	-93.2	-164.5	-146.3	-16.2	-106.5
Financial ratios and employees					
Organic growth**	15%	15%	-10%	0%	7%
Operational EBITDA margin*, **	10.4%	5.2%	1.6%	6.5%	13.1%
RoCE**	3.4%	-2.9%	-7.2%	-0.8%	7.5%
Full-time employees, end of period**	3,948	3,469	3,303	3,419	3,393

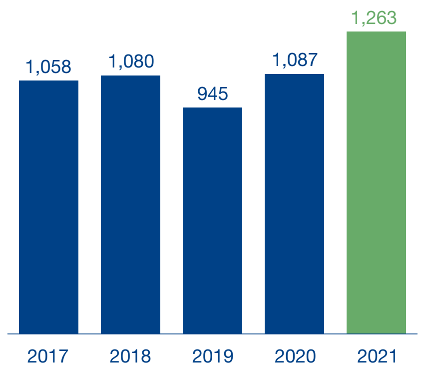
ESG

See details in Sustainability Report

[1] Comparison figures have not been restated following the implementation of IFRS 16 Leases on 1 January 2019.
* Std. metal prices
** Alternative performance measures

Revenue* development

Amounts in EURm



Operational EBITDA

Amounts in EURm

Business model – NKT connects a greener world

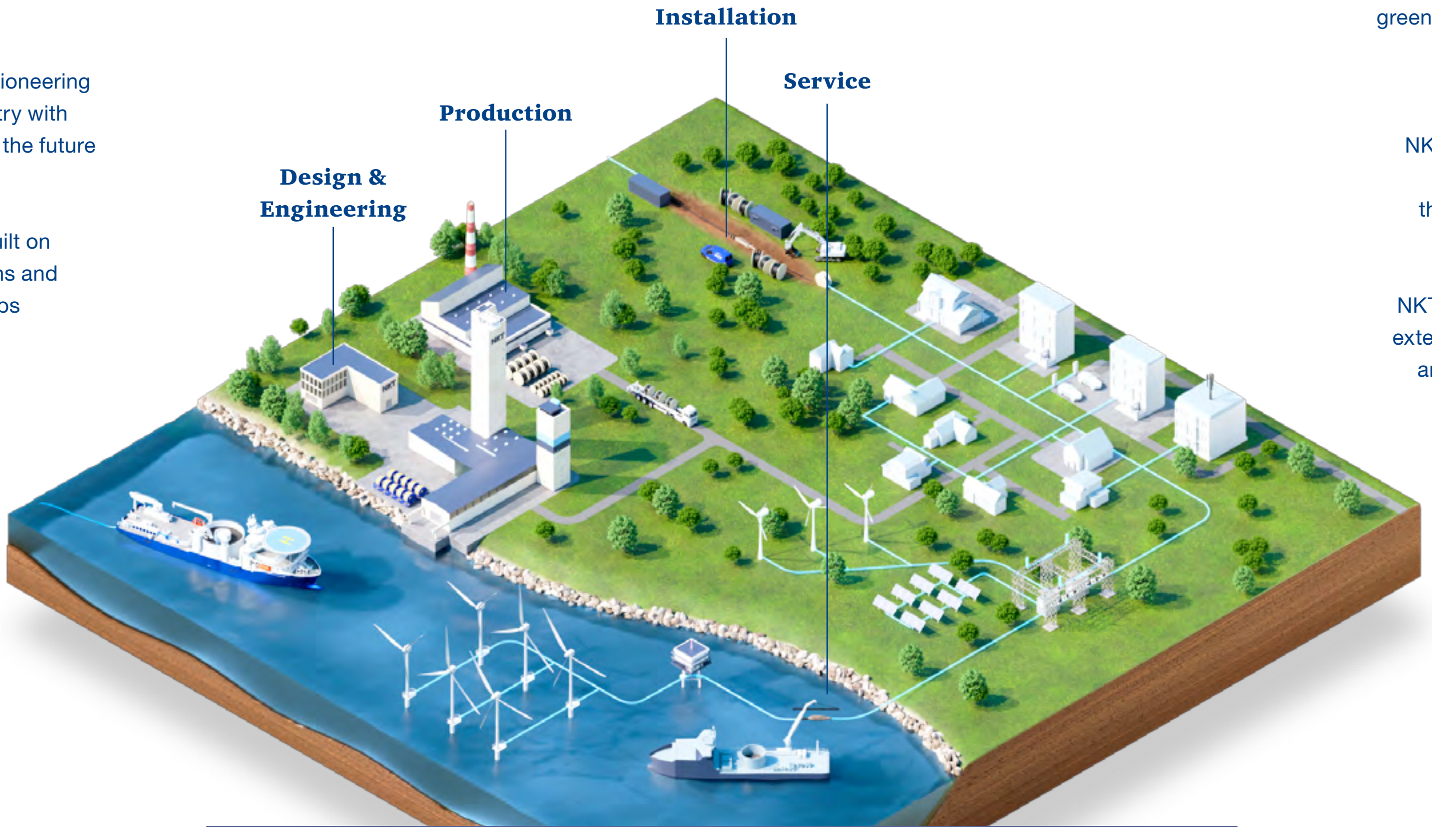
Resources

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



Business lines
Solutions
Applications
Service & Accessories

Value creation

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

Health & safety
NKT conducts its business and operations according to the highest safety standards

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

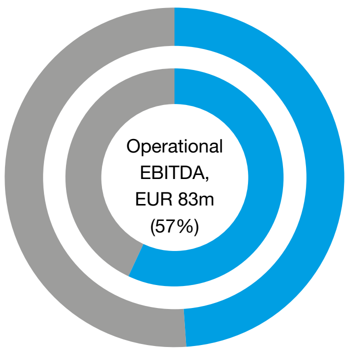
Shareholder value
NKT creates shareholder value through excellent business performance

Business line organization

NKT is divided into three business lines: Solutions, Applications, and Service & Accessories. Each specializes in separate areas of the power cable market with attractive growth opportunities driven by sustainable megatrends. The business lines are supported by cross-functional global functions comprising Finance, Human Resources, IT and Technology.

Solutions

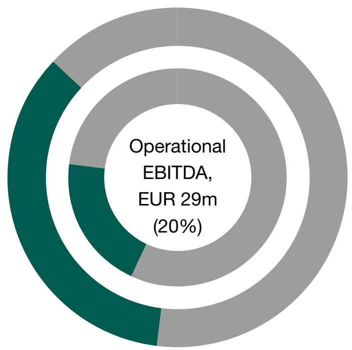
Revenue*, EUR 640m
(49%)



Solutions specializes in high-voltage power cable solutions for off- and onshore power transmission and offers complete and customized end-to-end turnkey solutions.

Applications

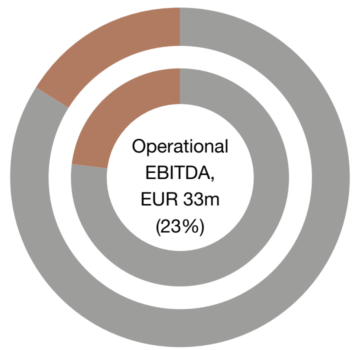
Revenue*, EUR 450m
(35%)



Applications offers a broad range of high-quality low- and medium-voltage power cable solutions. These are important contributors to the ongoing electrification of societies.

Service & Accessories

Revenue*, EUR 206m
(16%)



Service & Accessories supplies on- and offshore power cable services and offers a full portfolio of power cable accessories across the medium- and high-voltage categories.

Revenue, std. metal prices, in 2021 (% of total NKT revenue) and Operational EBITDA in 2021 (% of total NKT operational EBITDA).
The figures exclude intersegment transactions and non allocated costs.

Megatrends

A number of global megatrends are key drivers for the development of the power cable industry. In an increasingly power-dependent world, NKT has identified four megatrends – Sustainability, Urbanization. Energy Transition and Digitization – as primary factors influencing the future market direction.

Sustainability

The global focus on climate change is moving societies towards increasing reliance on renewable energy sources and alternative fuels. In several countries, the transition away from conventional power generation towards renewable energy sources such as wind and solar is high on the political agenda and backed by an ambition to reduce carbon emissions.

At EU level, the European Green Deal sets the direction for a sustainable EU economy with net zero emissions of greenhouse gases by 2050. This requires current greenhouse gas emission levels to drop substantially in the next decades. As an intermediate step towards climate neutrality, the EU has raised its 2030 climate ambition, committing to cut emissions by at least 55% by 2030, also called – “Fit for 55” – EU’s plan for a green transition. In the USA, President Biden’s plan to cut greenhouse gas emission levels by 50% from 2005 to 2030 also underlines the global political ambitions.

Projected impact on power cable market segment

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

Urbanization

The demographic landscape of today’s societies is gradually changing, with people increasingly living in cities. Today, around 55% of the world’s population are city dwellers, and by 2050 - with the global urban population set to more than double its current size - it is estimated that nearly seven out of ten people will live in cities (World Bank). This requires power cable solutions that can meet the increased power demand of dense, highly-populated areas and also address the logistical challenges of travelling.

The growing demand for power supply necessitated by these concentrated urban zones will lead to a significant boost for both high-voltage transmission and medium-voltage distribution lines to bring power to the households. In addition, development in the low- and medium-voltage market will be driven by the increasing demand for power supply within urban infrastructure and buildings.

Projected impact on power cable market segment

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

Megatrends

Energy Transition

The shift towards renewable energy is stressing the current power grid architecture. The grid needs to be capable of handling the increasingly unbalanced power generation and growing long-distance power transmission.

Further electrification of societies will drive the agenda of strengthening and expanding the power grids and will require higher degrees of reliability while reducing environmental impact by enabling more green power to be supplied to the grids. Electrifying transportation, including shipping and aviation, and home appliances will demand more power. Production and sales of electrified vehicles (EV) are increasing at record pace. Globally, EV sales more than doubled to 6.6 million, representing close to 9% of the global car market in 2021 and more than tripling their market share from two years earlier*. On the supply side, the world is increasing its commitment and actions towards decarbonization with green sources increasingly replacing fossil fuels.

The increasing transition towards electrified transportation requires power to be instantly available and easily accessible at the point of demand, away from traditional fixed-point sources. To meet these requirements, power grids will be expanded and upgraded, driving demand for high-voltage transmission and medium-voltage power distribution lines to bring energy to the point of consumption.

* www.iea.org/commentaries/electric-cars-fend-off-supply-challenges-to-more-than-double-global-sales

Projected impact on power cable market segment

High-voltage	Low- and medium-voltage	Services
High	**High**	**High**

Digitization

Digital technologies are part of everyday life and increasingly influence the way we live, work, travel and play. Digitization is a global trend that affects almost every industry. In the power cable industry, this trend is primarily visible in the emergence of smart power grids and power cable solutions. Smart cables are required to support data collection and monitoring an optimal operation. Data collection helps grid operators maximize utilization of power cables and grid balancing.

Power cable monitoring is important to avoid failures and manage reliability by providing insights into power grid characteristics, thereby enabling weak spots to be anticipated and preventive intervention taken. In the coming years, new investments is expected in smart grids and digital solutions to cater for the need for optimal operation monitoring.

Projected impact on power cable market segment

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

Market overview

Solutions

The high-voltage power cable market mainly encompasses projects that are engineered to order and demand a high level of expertise for successful implementation. In some cases these projects require new R&D solutions as well as investments in both technology and production assets. As a project-driven business, revenue and earnings streams are affected by the number and size of project awards in the market and may therefore fluctuate over time.

The market can be divided into two categories with differing characteristics depending on technological solution and market dynamics:

- High-voltage DC offshore/onshore and AC offshore power cables are used for interconnectors, offshore wind, and oil & gas projects. The increasing reliance on renewable energy means that more efficient, better connected and more flexible power grids are required to offset periods when power generation is limited in some areas.
- High-voltage AC onshore power cable systems are used primarily for power transmission over shorter distances. The trend towards renewable power generation has increased the distance between the point of production and the point of consumption, as well as upgrade of existing power grids for the continuing urbanization and general electrification of societies.

The demand for high-voltage DC power cable systems has outpaced high-voltage AC technology in recent years, as this technology works more efficiently with lower losses over longer distances. This change is driven by the trend towards offshore wind farms situated further from shore and the increase in long-distance cross-country interconnections. While AC technology is expected to continue losing share to DC within some markets, there will still be attractive markets for both technologies going forward.

Market development in 2021

NKT estimates that the total awards in the market (NKT's assessment of addressable high-voltage power cable projects) summed up to almost EUR 5bn in 2021. This was a decrease from around EUR 6bn in 2020, which included the allocation of the three sizeable German corridor projects. The award levels in the two most

NKT's addressable high-voltage market was almost EUR in 2021

5bn

Market overview – Solutions

	Geographical scope	Market characteristics
DC off- and onshore	Global	▪ Growing market ▪ High technical capabilities and know-how required (especially for higher voltage levels and DC) ▪ Increasing competition at lower voltage levels
AC offshore	Global	
AC onshore	Continental	

recent years marked a significant step up in annual market value compared to the previous decade.

The projects awarded in 2021 covered power cable types across DC and AC technologies. Geographically, the market included projects mainly in European countries, but the North American market also started to develop in a positive direction with awards and generally increasing market activity within various segments.

Market outlook

NKT foresees a growing market in the coming years driven by underlying megatrends driving a need for growth in offshore wind, more interconnectors and grid expansion as well as grid reinforcement across several countries. The annual order allocation will be subject to uncertainty as the pipeline includes a number of large projects with no fixed award date.

In the period from 2022-2024, NKT expects the market size of new project awards (NKT's assessment of addressable high-voltage power cable projects) to be around EUR 7-8bn on average per year. Based on the current assessment of the project pipeline, the potential awards in the market are expected to span interconnector, offshore wind, and power-from-shore projects. The market for underground cabling is expected to continue to grow as a result of the need to prepare and modify existing power grids to accommodate the shift towards more renewable power generation.

Technology wise, the majority of projects are expected to be DC solutions, but AC solutions will still be relevant in the market mainly within the offshore wind and power-from-shore segments.

While the timing of future project awards is subject to uncertainty, particularly in the interconnector market, the prospective order awards are expected to improve the supply and demand situation for power cable manufacturers in the years ahead.

In a longer term perspective NKT foresees demand in its addressable market, mainly covering Europe and North America, to be at a sustained high level. This is driven by growth in Europe due to continued installations of interconnectors and offshore wind farms, but also including emerging segments such as floating windfarm projects that will become a reality within this decade.

In North America, the emergence of the offshore wind market will drive growth, supported by the recently-passed USD 1.2tn infrastructure bill in the USA aimed at invigorating the supply chain and regulatory process.

Applications

Low- and medium-voltage power cable market

The offerings in the low- and medum-voltage market are less complex than for the high-voltage market. Further, the number of competitors is greater and products are typically being "made-to-stock" with differing specifications and designs from country to country to match local requirements. Compared to the project-driven high-voltage market, demand in this segment is generally more aligned with the macroeconomic development.

- In the low-voltage power cable segment the main driver is the construction industry, with building wires as the most significant volume product line, supported by urbanization and further electrification of homes.

- Medium-voltage power cables primarily serve the power distribution grid, and the transition towards renewable energy is a key element in the continuous need for grid optimization. This is further fuelled by the growing electrification of societies.

Market development in 2021

In 2021, the low- and medium-voltage markets developed favourably in NKT's addressable markets in Northern Europe. NKT estimates that overall market growth exceeded taht of recent years. The positive development was recorded despite higher raw material prices and some local supply chain challenges.

The green transformation continued to impact medium-voltage markets positively with ongoing expansions and upgrades of the Northern European power grids. The positive upswing in the European economy impacted the construction sentiment across Northern Europe, and led to strong market conditions for building wires, especially in Eastern Europe.

Market outlook

The outlook for the low- and medium-voltage markets is expected to reflect the investment made in renewable energy and the construction sector as well as the ongoing upgrade of the power grid. However, recurring restrictions related to the COVID-19 pandemic and volatile raw material prices can influence the market in the near future. NKT is taking proactive actions to mitigate the risks we can influence. High wage inflation as well as high energy prices are developments that are being followed closely due to potential market impact.

There are uncertainties in the market but the underlying demand remains positive.

Market overview – Applications

	Geographical scope	Market characteristics
Medium-voltage Low-voltage and building wires	Regional	▪ Scale and operational leverage are key competitive advantages ▪ Local technical regulations define markets ▪ Competitive market

Service & Accessories

Service market

The competitive landscape for power cable services is diverse. In the onshore segment, local companies, multi-nationals and in some cases power cable operators themselves perform service work. In regards to legacy technology, know-how is becoming increasingly scarce while expertise for extruded power cables is readily available, resulting in increased competition.

In the offshore segment there is less competition as only a few companies are able to provide a comprehensive service offering. At the same time urgency is high since the power cable systems are part of the power infrastructure and a potential failure may have severe economic consequences for the operator. Accordingly, demand is high for service repairs, both to prevent issues (e.g. through maintenance or monitoring) and to offer repair work when there are failures. The increase in service repair work is supported by the growing number of service agreements.

Accessories market

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 to a high degree determined by the quality of power cable accessories and the quality of installation. The aspiration is to have power cable accessories in operation for the lifetime of the power cable itself. Consequently, NKT has a clear value proposition to offer high quality products that are safe and easy to install.

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 2021

Services

There is continued stable demand for onshore services, 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. However, it is the volatile offshore repair market where demand for NKT services was exceptionally high, with multiple repair projects executed during 2021. Despite the underlying growth trend, the same demand for offshore cable repairs is not be expected in 2022..

Accessories

The green agenda and the continued electrification of societies are driving the demand for power cable accessories in the same way as for high- and medium-voltage cables. Initiatives to upgrade and maintain the power grids in NKT's addressable markets are driving the demand for power cable accessories. This trend is set to continue and the market outlook for NKT for the years ahead is positive.

The positive growth trajectory in the Middle Eastern market continued for medium-voltage accessories in 2021. The high-voltage market was also developing positively, driven by the increasing investments within renewable energy sources such as offshore wind.

Market outlook

Services

The service market is expected to grow in the years ahead due to an increasing installation of high-voltage power cables. At the same time, older cables are requiring extensive maintenance and ultimately decommissioning or replacement. The offshore service segment is expected to see attractive evolution as growth in the installed base of submarine cables continues to accelerate. Like the overall market for power cables, the services business is positively affected by the green agenda and the general electrification.

Accessories

Increased demand for power cables in developing markets will drive growth for power cable accessories. The accessories market is expected to grow in line with the growth in demand for high- and medium-voltage power cables. The transition to renewable energy generation and the need for more durable and reliable interconnections together with expanding power grids in societies, are impacting the demand for the accessories in a positive direction.

Market overview – Service & Accessories

	Geographical scope	Market characteristics
Service	Global	▪ Growing market ▪ Power cable service market requires fast response time ▪ Profound experience and complex technical capabilities required
High- and medium-voltage accessories		

Strategy

NKT's ReNEW strategy was launched in 2020 and laid the foundation for updated business line strategies. ReNEW contains the building blocks for NKT *to connect a greener world.*

ReNEW was introduced with the aim of improving business performance after a period of financial results below the desired level. It had a near-term focus with concrete bottom-up plans to continously improve performance. The result of this has showed with the improved financials in 2020 and 2021.

The strategic guidance provided in ReNEW for the three business lines is based on three key pillars: Fix and restart, Invest, and Grow.

These pillars are incorporated in the business line strategies according to the individual challenges and points for improvement, and to position NKT for the anticipated positive development in market demand in the years ahead. In 2021, NKT continued the focus on the strategy implementation and the execution of ReNEW.

Solutions – Investing for the future

In 2021, the focus for the high-voltage business was to build capacity and capabilities to address the anticipated growing market demand driven by the green transformation. This encompasses preparing for future projects, strengthening technological leadership, and driving multiple investments, while at the same time maintaining stable production performance and continuing improvements to ensure future competitiveness.

Large-scale investments are being implemented in both Solutions factories in Karlskrona and Cologne. The purpose is to prepare production readiness for coming projects, further strengthen technology and quality, and improve turnkey capabilities.

In Karlskrona, NKT has invested in additional XLPE extrusion capacity and the ability to manufacture long lengths of land cables. For this, a new extrusion tower, the third tallest building in Sweden, has been constructed. Heat treatment vessels and larger drum handling equipment have also been installed. Additionally, Karlskrona has continued to invest in a highly qualified and skilled workforce, through the launch of a trainee program to develop the next generation of talented engineers.

The strategic guidance provided in ReNEW for the three business lines is based on three key pillars:
Fix and restart, Invest, and Grow. These pillars are incorporated in the business line strategies according to the individual challenges and points for improvement in technological, operational and financial performance. In 2021, NKT focused on the strategy implementation and execution.

Fix and restart NKT:
Tackle, address and resolve internal key issues. This is the basis for successful operation of the business and delivery to customers.

Relocate business areas to improve profitability

Invest in NKT:
Prepare NKT for tomorrow:

- Invest in high-voltage technology to maintain technological leadership.
- Prepare NKT for delivery of future High Voltage projects.
- Upgrade production plants in Applications.
- Expand capacity in Accessories.

Grow NKT:
Enter growing markets:

- Benefit from green transformation
- Expand Accessories' global footprint
- Provide more services in home markets
- Acquisition of Ventcroft Ltd
- A new service hub in Gdynia, Poland

At the Cologne facility, the large-scale investment program includes a new testing hall, heat treatment vessels, and an extrusion line to increase focus on extra high-voltage AC and DC power cables in preparation for production of both new and existing orders. The production of lower high-voltage AC power cables will be relocated from Cologne to NKT's production site at Velké Meziříčí, Czech Republic. This will improve competitiveness and prepare for growing market demand.

In 2022, the focus will continue to be on securing new projects, execution of the projects in the order backlog and finalizing the expansion program in Karlskrona and Cologne.

Applications – Performing through customer focus

For the Applications business line, the key focus of the ReNew strategy has been to restore profitability following a period of unsatisfactory earnings contribution and pursue market opportunities.

The ReNew strategy has progressed well in 2021 driven by successful execution of several commercial and operational initiatives leading to a positive development of profitability. This was founded on broad-based growth across several countries.

With the ambition to grow the business further, NKT entered into an agreement to acquire Ventcroft Ltd, a family-owned business located south of Liverpool in the UK. This will increase NKT's product portfolio with fire-resistant cable technology. The acquisition is a step in NKT's strategy to grow the business with a strong product portfolio. The acquisition will also enable NKT to grow in the UK through the customer know-how Ventcroft will bring.

For 2022, the strategic focus will continue to be on developing customer relations and profitability. With the profitability stabilizing at higher level, growth initiatives will also become increasingly relevant.

Service & Accessories – Focus on growth

Service

In 2021, the service business focused on growing in three dimensions: increasing services to existing customers, expanding geographical coverage, and entering into new business segments.

The offering has been expanded with new cable monitoring products aimed at preventing power cable failures and downtime to the benefit of the cable owners.

Geographically, NKT expanded to the attractive UK market and a dedicated local sales and operations team has been assigned.

The Oil and Gas Cable competence center in Germany was expanded with new capabilities and new employees to add competences and support further growth.

A service business operations hub in Gdynia, Poland was established during 2021, with the purpose to position NKT for further Nordic and European growth and to prepare for Polish offshore wind expansion.

The service business will continuously focus on preparing for future growth opportunities in 2022 and execute on the above activities.

Accessories

One of the overarching goals in the accessories business is to increase production capacity and capabilties to meet the anticipated increasing demand for high-quality products.

In 2021, NKT continued to invest in capacity and automation of its Nordenham facility in Germany to meet the increase in demand for medium-voltage accessories.

The expanded capacity will lead to economies of scale due to the higher production output. Furthermore, the accessories business has started to transform its factories into specialized competence centres for medium- and high-voltage accessories in order to meet a higher know-how demand from customers.

With the purpose of centralizing know-how and in order to ensure best practice and high production efficiency, it has been decided to move the production of high-voltage accessories from Cologne to Alingsås in Sweden.

In 2022, strategic focus will continue to be placed on capacity expansion and strengthening of competitiveness. Accessories is committed to develop and launch innovative products that are safe and reliable to install.

Investing in the future

To prepare for the growing market demand and to improve competitiveness, NKT invests across the business. Driven by recent years' increase of the high-voltage order backlog, the majority of investments in 2021 were as planned executed in Solutions.

During 2021, NKT has continued its programme of strategic investments at the high-voltage sites located in Karlskrona, Sweden, and Cologne, Germany, by adding capacity to prepare for future growth driven by the global transition to renewable energy. The investments will increase flexibility in production planning between the two production sites.

Facts - new extrusion tower in Karlskrona

- Erected in 2021
- 150 metres above ground
- 36 metres below ground

In Karlskrona, the construction of a second extrusion tower was completed and is being prepared for production from 2022. The tower plays a central part in the factory's expansion.

In Cologne, the investments include a new extrusion line and a new test centre for high-voltage power cables. To improve competitiveness, NKT will focus the production in Cologne on extra high-voltage AC and DC power cables by relocating the production of lower high-voltage power cables to NKT's production site in Velke Mezirici, Czech Republic.

In Applications, NKT is relocating building wire and 1 kv production from Asnæs, Denmark, to Warszowice, Poland, and Kladno, Czech Republic, with the aim to improve profitability. Going forward, Asnæs will focus on the expected growth in the medium-voltage market.

The production of high-voltage accessories is being centralized in Allingsås, Sweden, from the production site in Cologne.

With the ramp up at the high-voltage sites, and the improvement initiatives, NKT is strengthening its position to capture future growth opportunities.

"The growing focus on renewable energy is already a key driver in the power cable market and it is a natural step for us to continue to develop our high-voltage power cable capacity, capabilities and technology."

Alexander Kara
President & Chief Executive Officer

Sustainability

Sustainable business processes are an integrated part of all NKT's operations.

In 2021, NKT continued its sustainability focus by pursuing a variety of initiatives to minimize environmental impact to achieve net-zero emissions by 2050. To support this transition, NKT has committed to the Science Based Targets initiative, which provides a scientifically based method for validating the corporate climate targets in 2022.

In 2021, NKT decreased its corporate CO_2e emissions (scope 1 and 2) by 34% compared to 2020 through several initiatives, including transferring all production sites to low carbon electricity supply.

NKT also achieved a breakthrough in recycling cable scrap, as newly developed methods now enable all material fractions from the onshore power cable production to be reused and recycled. This milestone achievement is an important step in the focus to generate zero waste, and the recycling processes will be scaled up in the coming years.

With the supply chain accounting for a significant part of corporate CO_2e emissions, NKT continued its drive to decarbonize the supply chain through the supplier engagement launched last year. In 2021, NKT continued the ongoing dialogue with key suppliers driving data transparency and the development of decarbonization processes.

People and safety

NKT is committed to promoting diversity and inclusion across the company and firmly believes that an inclusive organization provides the best foundation for driving both employee development, engagement and company performance. During 2021, NKT implemented several initiatives to maintain this focus and to ensure the achievement of the target of 30% female representation on the Board of Directors, the Group Leadership Team and the Extended Leadership Team by 2024.

Initiatives included updating the Diversity & Inclusion Policy and implementing a dedicated strategy to strengthen the commitment to diversity and inclusion. Furthermore, NKT entered several partnerships supporting the development of female technical talent with view to achieving gender balance in the organization and the power cable industry.

In 2021, NKT continued to strengthen its safety culture through initiatives to drive awareness, increase focus and mitigate identified risks. The goal is to ensure safety for all employees, partners and customers.

Find data and details in the **Sustainability Report 2021**

"We are a key player in the global transition to renewable energy, and continue to take actions driving sustainability in NKT. In 2021, we have made significant progress by reducing corporate emissions by 34%, raised industry standards in recycling and have strengthened the focus on diversity and inclusion across the organization."

Alexander Kara
President and Chief Executive Officer

ESG ratings 2021

NKT is constantly increasing sustainability in all activities which was recognized in ESG ratings provided by four independent agencies in 2021.

CDP DISCLOSURE INSIGHT ACTION

- NKT is rated in the Leadership (A-) band
- NKT is among the 21% of companies reaching Leadership level in the group "Electrical and electronic equipment"

D-	D	C-	C	B-	B	A-	A

PLATINUM 2021 ecovadis Sustainability Rating

- NKT scored 75 out of 100 in 2021 and was awarded a Platinum rating in the industry "Manufacture of wiring and wiring devices"
- It places NKT among the top 1% of companies.

0 - 44	Bronze 45 - 53	Silver 54 - 65	Gold 66-72	Platinum 73 - 100

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

- NKT is rated AA in the MSCI ESG Ratings assessment in 2021

CCC	B	BB	BBB	A	AA	AAA

SUSTAINALYTICS

- NKT was rated 16.8 in September 2021 and was therefore assessed to be at low risk of experiencing material financial impacts from ESG factors
- This places NKT in top 25% of companies in the "Electrical Equipment industry" assessed by Sustainalytics

Negl. risk 0 - 10	Low risk 10 - 20	Medium risk 20 - 30	High risk 30 - 40	Severe risk 40+

Financial and business review

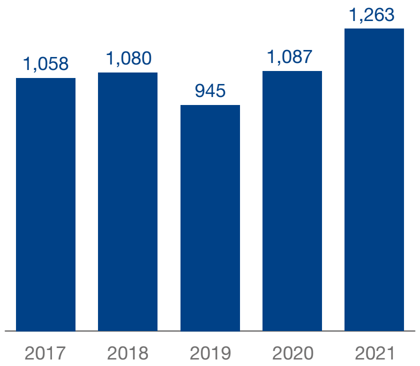
NKT's revenue developed positively in 2021, driven by increased activity in all three business lines. This resulted in organic growth of 15%. The increased revenue also drove up earnings and the operational EBITDA more than doubled from 2020 to 2021. Cash flow generation was positively impacted by the improved financial results, but free cash flow was slightly negative due to execution of the planned investments.

Revenue development and organic growth

Amounts in EURm	
2020 revenue*	**1,087**
Currency effect	18.3
Organic growth	157.7
2021 revenue*	**1,263**
Organic growth, %	15%

* Std. metal prices

Revenue* development
Amounts in EURm



Growth in revenue across all business lines

Driven by growth in all three business lines, NKT's revenue* increased to EUR 1,263m in 2021, an increase of EUR 176m from last year, corresponding to organic growth of 15%.

The largest absolute increase in revenue* was delivered in the smallest business line, Service & Accessories with EUR 64.5m.

Per business line, organic growth was 9% for Solutions, 13% for Applications and 48% for Service & Accessories.

The revenue measured in market prices was EUR 1,828m in 2021, against EUR 1,403m in 2020.

Operational EBITDA more than doubled

The operational EBITDA for NKT increased by EUR 74.4m from 2020 to 2021. NKT thereby continued to improve the earnings level since the low point of 2019. All three business lines contributed with increased earnings driven by the higher revenue and successful implementation of efficiency measures.

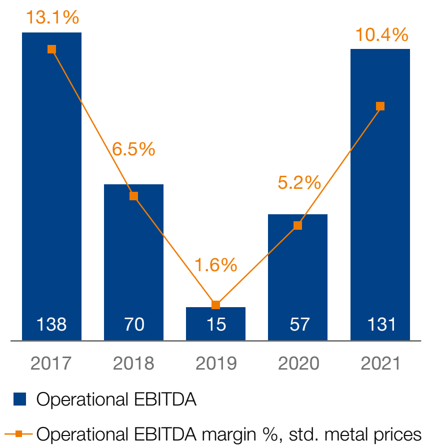
The operational EBITDA in 2021 included insurance compensation that was previously expensed. This generated an income recognized as other operating income in Q3, thereby increasing operational EBITDA in the Solutions business line with EUR 20.7m.

The earnings improvement led to an increased operational EBITDA margin of 10.4% in 2021, against 5.2% in 2020.

Total one-off items in 2021 amounted to EUR -12.7m, against EUR -9.9m in 2020. In Q3 2021, NKT expensed one-off costs of EUR 14.5m relating to the cost structure review in Solutions, where the FTE count in Cologne will be reduced by more

* Std. metal prices

Operational EBITDA
Amounts in EURm



than 100 during 2021- 2023. On the other hand, NKT had a one-off income of EUR 1.8m from the divestment of the plant in Stenlille, Denmark, in January 2021.

Driven by the same parameters as for growth in operational EBITDA, the reported EBITDA increased to 118m in 2021 from EUR 46.8m in 2020.

Improved net result

The EBIT amounted to EUR 23.9m in 2021, an improvement from EUR -38.4m in 2020. The growth was achieved despite a higher depreciation and amortization level in 2021. The financial items were EUR -8.2m in 2021, against EUR -11.5m in 2020. These primarily comprised interest and realized and unrealized currency effects and hedges. As a result, earnings before tax (EBT) turned positive to EUR 15.7m in 2021 from EUR -49.9m in 2020.

NKT's net result for 2021 amounted to EUR 11.9m, an increase of EUR 75.4m from 2020. The reported tax rate was 24%.

Low level of working capital

The working capital level in NKT was EUR -93.2m at end-2021. This corresponded to an increase of EUR 71.3m compared to end-2020. However, unrealized value adjustments of hedging instruments drove an increase in working capital of EUR 114m mainly due to increasing commodity prices in 2021. The hedging value adjustments have no cash impact. Thus, excluding these adjustments, the underlying working capital development was favourable.

The changes in working capital will often be driven by Solutions due to the phasing of prepayments and milestone payments related to new and existing projects.
In 2021, Solutions had a large inflow of project payments in 2nd half of the year. An increase in working capital is expected during the upcoming quarters due to the payments phasing.

The working capital ratio, last twelve months, LTM, was -2.2% at end-2021, compared to -7.1% at end-2020.

Positive earnings and working capital development outweighed by investments

Driven by the positive EBITDA contribution and the improved working capital position, the cash flow from operating activities totalled EUR 209m in 2021.

As planned, NKT increased its investment level significantly in 2021. The ramp-up was related to the investment programme in Solutions with the expansions of the high-voltage manufacturing facilities in Cologne and Karlskrona. As a result, the cash flow from investing activities, excluding acquisitions and divestments,

"The financial development was positive for NKT in 2021. We have launched several initiatives during the year to improve our performance. We target a strengthened financial situation for NKT to continue its growth trajectory in the years to come."

Line Fandrup
Chief Financial Officer, Executive Vice President

amounted to EUR -213m in 2021, against EUR -90.8m in 2020.

NKT generated free cash flow, excluding acquisitions and divestments, of EUR -4.5m in 2021. In 2020, the corresponding figure was EUR 44.8m.

Improved RoCE driven by earnings progress

The improvement in earnings was reflected in RoCE, which returned to a positive level of 3.4% end-2021, from -2.9% at end-2020. Capital Employed was EUR 940m at end-2020 and increased to EUR 1,053m end-2021 mainly due to investments.

German Federal Cartel investigation

In January 2022, unannounced inspections were carried out at NKT's two main German sites. This inspection was part of investigations by the German Federal Cartel Office into various power cable manufacturers and other industry-related companies. The reason behind the investigations are suspicions that power cable manufacturers potentially have coordinated calculations of industry-standard metal surcharges in Germany. NKT is cooperating with the German authorities.

Impact of COVID-19

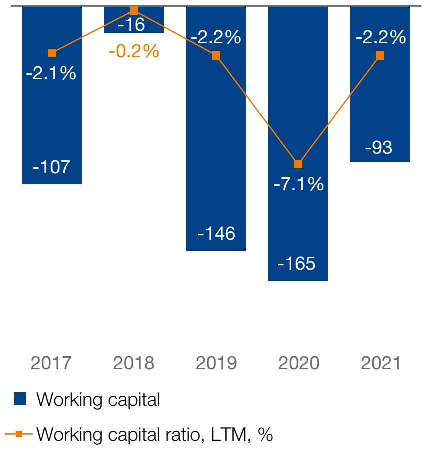
The continuation of the COVID-19 pandemic had limited impact on the financial performance of NKT in 2021.

The health and safety of the company's employees has the highest priority and management continues to monitor the situation closely, including observing national and local official guidelines and also safeguarding the supply chain. Measures were successfully implemented at all sites, and all production sites remained in operation despite periods with illness rates above normal levels.

Commercially the implications for NKT were limited. Several high-voltage projects have been awarded in the market, and the demand has not been impacted in the low- and medium-voltage market.

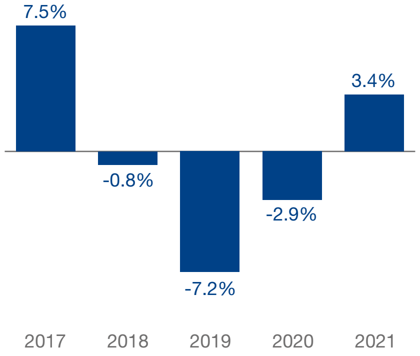
Working capital

Amounts in EURm



RoCE

%



Business review – Solutions

Increased revenue driven by execution of order backlog
Revenues* for the Solutions business line increased by EUR 62m from 2020 to 2021, which corresponded to organic growth of 9%. The growth in revenues was due to execution of orders awarded over recent years covering most power cable types.

Revenue measured in market prices amounted to EUR 755m in 2021, against EUR 653m in 2020.

Operational EBITDA more than doubled
The growth in activity in 2021 resulted in improved operational EBITDA, which increased by EUR 47m compared to 2020. The earnings development is on a positive trajectory and overall project execution was satisfactory, with most projects advancing as anticipated. The operational EBITDA margin* improved from 6.2% in 2020 to 13.0% in 2021.

In Q3 2021, NKT closed insurance cases, relating to past incidents, which were already expensed. This led to an income of EUR 20.7m, which was recognized as other operating income in Solutions. Excluding the insurance income, the operational EBITDA margin* was 9.7% in 2021.

During 2021, NKT progressed several projects through their respective execution phases. These included interconnector projects such as Attica-Crete, Shetland and Viking Link, several offshore wind farms including Borwin 5, Dogger Bank A and B, Hornsea 2 and Ostwind 2, and various power-from-shore projects, mainly Johan Sverdrup 2 and Troll West.

Additionally, a number of power cable solutions were handed over to the customers and gradually put into operation. These included three major projects: The NordLink interconnection between Germany and Norway and two UK offshore wind farms, Moray East and Triton Knoll.

Utilization of NKT's cable laying vessel, NKT Victoria, was in line with expectations in 2021, with deployment on a number of installation and service assignments.

Highlights

- Satisfactory growth in revenue and earnings
- High-voltage order backlog maintained at high level
- Continued tender activity across segments

* Std. metal prices

640m	9%	83.1m
Revenue*, EUR (2020: EUR 579m)	**Organic growth** (2020: 26%)	**Operational EBITDA, EUR** (2020: EUR 35.9m)

Business review – Solutions

Order Intake driven by green transition
Driven by the ongoing transition towards renewable energy, NKT was awarded a number of new projects in 2021. Total order intake amounted to approximately EUR 500m and mainly comprised the two projects Troll West and Dogger Bank C.

In April 2021, NKT was awarded the power-from-shore order for the Troll West project in the North Sea. This is a turnkey project that includes partial electrification of the Troll B platform and full electrification of Troll C. The power demand for both platforms will be met from shore and will reduce CO_2e emissions in Norway. The order comprises turnkey supply and installation by NKT Victoria of more than 110 km of 145 kV high-voltage AC offshore power cable system with three dynamic sections.

In June 2021, NKT was awarded the Dogger Bank C project to deliver and install power cable systems comprising a total length of 2x250 km 320 kV DC offshore export power cable. This is the third and final phase of the world's largest offshore wind farm project, Dogger Bank Wind Farm, and thereby concludes NKT's involvement in the project. The Dogger Bank A & B projects were previously awarded to NKT in 2019.

When fully commissioned the Dogger Bank offshore wind farm will be the first high-voltage DC connected wind farm in the UK.

Largest high-voltage project awards for NKT in 2021

Project	Country	Segment	Technology	Contract value
Troll West	Norway	Power-from-shore	AC	EUR ~95m
Dogger Bank C	UK	Offshore wind	DC	EUR ~280m

"The "European Green Deal" is EU's roadmap for making the economy sustainable and be climate neutral in 2050. This will increase the demand for both offshore and onshore power cable systems, for transmission of larger amount of renewable energy at higher voltage levels."

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

High-voltage order backlog at high level
NKT's high-voltage order backlog reached EUR 2.87bn (EUR 2.43bn in std. metal prices) at end-2021. This is down from EUR 3.07bn (EUR 2.59bn in std. metal prices) at end-2020. NKT expects around 25% of the order backlog to be realized in 2022.

In September 2021, NKT announced it had entered an exclusive Preferred Supplier Agreement for delivery of the power cable system for the prospective US transmission line project, Champlain Hudson Power Express. For NKT, the potential project is expected to have a value of approx. EUR 1.1 bn (approx. DKK 8.2bn) measured in current market metal prices.

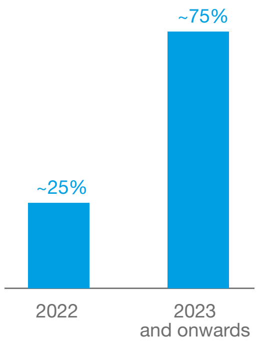
The Champlain Hudson Power Express will facilitate transmission of sustainable hydropower from Canada to New York City in the USA. The 1,250 MWs transmission line will become a substantial contribution to the City of New York's ambitions of transitioning its power generation and consumption predominately to renewable sources.

A firm order is subject to final contract negotiations and financial closure. In addition, the project needs final approval by the relevant US authorities. The project is therefore not included in the high-voltage order backlog.

Continued tender activity
Progress continued in 2021 on several project tenders across market segments and geographies. The timing of actual project awards will depend on various decisions for the individual projects.

For NKT, achieving optimal production and installation flow, and thereby optimizing earnings, is contingent upon high utilization of capacity across all production and installation phases.

Expected revenue distribution of high-voltage order backlog EUR 2.87bn at end-2021



Business review – Solutions

NordLink – an interconnecting milestone

In 2021, NKT finalized the German section of the NordLink power cable system linking the German and Norwegian power grids. The 525 kV MI HVDC power cable system from NKT is a milestone in the transition to an interconnected and green Europe and can meet the power needs of 3.6 million German households.

The NordLink interconnector enables Norway to export its stable hydro power, helping Germany meet its daily power demand by balancing out the natural fluctuations from its domestic wind power production. Surplus wind energy produced in Germany can in turn be transmitted via NordLink to Norway.

The power cables for the NordLink project were manufactured at NKT's factory in Karlskrona, Sweden, which is powered exclusively by green electricity, minimizing the carbon footprint of the cable system. As an integral part of NKT's overall environmental focus, installation of the submarine power cable systems was completed by NKT Victoria, one of the most energy-efficient cable-laying vessels in the industry.

"Interconnectors like NordLink are key to a greener future, and with our cutting-edge technology and strong turnkey project execution we are proud to continue taking centre stage in the European transition to renewable energy."

Claes Westerlind,
Head of HV Solutions Karlskrona, Executive Vice President

Business review – Applications

Higher revenue based on increased activity

In 2021, the Applications business line increased revenue* by EUR 56.5m compared to 2020, corresponding to organic growth of 13%. This improvement was broad-based driven by favourable market conditions and NKT's ability to respond to the higher demand.

The revenue in market prices amounted to EUR 900m in 2021, against EUR 654m in 2020.

Operational EBITDA margin up by 2.6 percentage points

The operational EBITDA for Applications amounted to EUR 28.5m in 2021, up from EUR 14.5m in 2020. This led to an increase in margin* to 6.3% from 3.7%.

Highlights

- Financial performance continued on a positive trajectory
- Positive organic growth across several markets
- Acquisition of Ventcroft to strengthen product offering within fire-resistant cables

* Std. metal prices

NKT has implemented several efficiency initiatives aimed at improving profitability for Applications, and these measures are translating into improved performance. Through various commercial initiatives NKT will focus on growing profitability by increasing revenues while maintaining a competitive cost base.

Rising input costs in 2021 were managed satisfactorily. NKT was able to protect profit margins in cooperation with customers and with a focused procurement approach.

In the years ahead, NKT will be working on improving profitability, some significant steps having already been taken. Among the larger initiatives are the relocation of building wire production as well as 1 kV production from Asnæs, Denmark to Warszowice, Poland, and Kladno, Czech Republic, respectively. Production of lower high-voltage cables in Cologne will be moved to Velke Mezirici, Czech Republic.

At the beginning of 2021 NKT rolled out a uniform IT platform across its Eastern European sites. The implementation proceeded satisfactorily with only limited impact on daily operations. This rollout was the second and final phase of the platform launch.

450m
Revenue*, EUR
(2020: EUR 394m)

13%
Organic growth
(2020: 3%)

28.5m
Operational EBITDA, EUR
(2020: EUR 14.5m)

Business review – Applications

Broad-based growth favoured by market conditions
The electrification of society, including the increase in the number of electric vehicles, and the ongoing transition to renewable energy in the power generation mix, have positively impacted medium-voltage sales and resulted in high demand in 2021. This was combined with a positive European construction sentiment that supported sales of building wires.

The attractive market conditions increased factory utilization across Applications in 2021. NKT managed to maintain stable production and experienced only limited impact from the challenges relating to the global supply chain.

The medium-voltage segment contributed solidly to growth in 2021 across markets in Northern Europe such as Germany and Denmark. Sales to Sweden also increased, but at a more modest level.

The demand for building wires was high, which was reflected in a high utilization level for NKT's factory in Warszowice, Poland. Growth in this segment was particularly driven by demand in Poland and Czech Republic supplemented by surrounding markets in Northern Europe.

The ongoing rollout of the 5G network benefitted NKT´s power cable telecom business, which also contributed positively to growth in 2021.

Acqusition of UK based supplier of fire-resistant power cables
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, an important step in its strategy of business growth.

"Applications delivered healthy revenue growth in 2021 with contributions from several markets. Our different efficiency initiatives are also paying off and we have built the foundation for further earnings improvements in the coming years. "

Will Hendrikx
Head of Applications, Executive Vice President

Business review – Applications

Innovative power cables driving renewable energy in Denmark

More than 33,000 Danish households will be powered by renewable energy when the Veddum Kær energy park becomes fully operational in 2022. The nine wind turbines and up to 10,000 hectares of solar panels will be connected by an innovative 36 kV AXAL-TT medium-voltage power cable system designed and manufactured at NKT's factory in Falun, Sweden. NKT will supply 72 kV single-conductor cables and 36 kV 3-core cables for the coming project. The AXAL-TT cable system is specially designed and tested for tough installation environments like the Nordics. The proven construction of the cable represents a unique solution which provides double protection against corrosion, ensuring reliable and long-term operation of the power cable system.

> "We are proud to continue to contribute to the advance of renewable energy in Denmark, where our power cable solutions have been integral to the development of on- and offshore wind power. The solution implemented at Veddum Kær clearly highlights the benefits of the innovative design of the AXAL-TT power cable technology,"

Will Hendrikx,
Head of Applications, Executive Vice President

Business review – Service & Accessories

48% organic growth driven by both business areas
Driven by higher contributions from both business areas, Service & Accessories achieved record-high revenue* in 2021, up by EUR 64.5m from 2020. Growing this business line is a key strategic priority, and performance in 2021 was a proof of this ambition.

In 2021, revenue measured in market prices amounted to EUR 206m, up from EUR 141m in 2020.

Operational EBITDA more than doubled
The operational EBITDA for Service & Accessories increased from EUR 15.2m in 2020 to EUR 32.8m in 2021. This led to a margin* of 15.9% in 2021 compared to 10.8% in 2020.

The improvement in earnings was driven by the growth in revenue due to an increase in service repairs. In parallel with this positive development, Service & Accessories increased its cost level by ramping up recruitment to prepare for future growth opportunities.

Fluctuations in earnings and profitability will occur from quarter to quarter, primarily depending on the volume of large offshore cable repairs, a factor which impacts the balance of revenue between the two business areas.

Growth in service business driven by repair work
The offshore cable repair work in 2021 was the main driver behind the exeptional revenue growth. A number of new or renegotiated service agreements also added to the growth and will also serve as a base for future business.

NKT has steadily expanded its portfolio of service agreements for both offshore and onshore power cables. These agreements are delivering an increasing share of recurring income, thereby supporting continued growth in revenue. In early 2021, NKT signed a long-term service contract with the Danish grid operator

Highlights

- High activity in service business
- Continued medium-voltage growth in the accessories business
- New Service business hub in Gdynia, Poland, to prepare for future growth

* Std. metal prices

206m	48%	32.8m
Revenue*, EUR (2020: EUR 141m)	**Organic growth** (2020: 15%)	**Operational EBITDA, EUR** (2020: EUR 15.2m)

Business review – Service & Accessories

Energinet covering onshore and offshore power cable systems in Denmark.

The level of offshore repair work was exceptionally high in 2021. NKT completed a number of turnkey offshore repair assignments during the year, including the high-voltage BritNed cable connecting the power grids in UK and the Netherlands. NKT finalized an onshore repair on Kontiskan-1, an interconnector between Denmark and Sweden. The German market had many onshore repairs which also added growth during the year for the service business.

NKT initiated establishment of further service business operations in Gdynia, Poland, to position NKT for future growth in the Nordic and European region and prepare for Polish offshore wind expansion.

Growth in accessories business fuelled by medium-voltage sales

The accessories business also reported revenue growth in 2021. This was accomplished through increased sales of medium-voltage power cable accessories, particularly in the Middle East, which has been a solid growth contributor in recent years.

NKT has over recent years invested in its Nordenham factory in Germany for the purpose of increasing output and automating processes.

To enable continued improvements in financial performance, the production of high-voltage power cable accessories is being centralized from Cologne, Germany to NKT's existing production site in Alingsås, Sweden. The project was initiated in 2021. The transition has led to temporary cost increases and has during the year extended delivery time on certain products.

NKT's accessories business experienced some supply chain difficulties during 2021, due to the challenges in the global transportation market and shortages of raw materials. Various initiatives were implemented to mitigate risks, and NKT was able to protect profits.

"2021 was a busy year for us. We have executed an unusually high level of offshore repair jobs. This improved our financial results significantly, and also proved our ability to ramp up fast and effectively when our customers are demanding it. NKT thereby underlined its position among the leading companies in this market."

Axel Barnekow Widmark
Head of Service, Executive Vice President

Business review – Service & Accessories

> "I am satisfied with our performance in reestablishing the BritNed connection. Once again, we demonstrated how our extensive experience in repair operations and a high degree of flexibility make a difference for our clients by minimizing the downtime of the power cable systems."

Axel Barnekow Widmark
Head of Service, Executive Vice President

BritNed interconnector returned to operation

During 2021, NKT successfully completed two repairs on the vital 450 kV HVDC BritNed interconnector that links the national power grids of the UK and Netherlands.

Severely damaged by external impact, the cable system required repairs and reconfigurations on the seabed. Despite challenging weather conditions, the NKT crew managed to restore the interconnector quickly. The offshore activities for the first repair in January-February were completed in just 29 days. The second repair took place in May-June, since then the BritNed interconnector is back in full operation.

The BritNed interconnector is part of the investment program adopted by the national grid operators National Grid (UK) and TenneT (Germany/Netherlands) to provide security and reliability of the power supply needed to drive the transition to renewable energy. As one of the leading companies in the market providing both standalone repairs and customized service packages, NKT delivers the fastest response and mobilization time available.

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 best practice 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 project and backlog driven business and largely decoupled from short-term developments in the general economic environment. The Applications business line is mainly driven by construction development in both residential and non-residential building segments, while the medium-voltage market benefits from ongoing optimisation of the power grids by private and public stakeholders. Finally, growth in the Service & Accessories business line partly depends on large power cable repair projects.

As a global, complex business, NKT is exposed to financial risks from financial market fluctuations which primarily relates to currency, interest and commodity changes. NKT utilizes financial derivatives to hedge substantial exposure and protect earnings and assets from significant fluctuations. These are described in detail in Section 5.6 on pages 111-115.

The overall risk picture for the company remains influenced by internal and external factors, the key changes compared to 2020 being stated below.

The **COVID-19 pandemic** risk has been transitioned into contributing factors and root causes of other risks affected by the pandemic, including the supply chain landscape. The **DC qualification in Cologne** risk has been significantly reduced as all major outstanding qualification tests and requirements were successfully completed. The **Key customers** risk has been reduced due to general market developments and the evolution in NKT's Applications business.

Three new risks **Regulatory requirements, New competitors entering home markets** and **Commodity price changes** have been introduced this year.

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 twice-yearly 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 report 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 key risks are prioritized and visualized on an illustrated heat map that highlights aggregated criticality and overall risk exposure to the Risk Board and Audit Committee. The risks are described in detail in the overview on the following two pages.

Risk management

Risk	1.	2.	3.	4.	5.
Risk identification	Regulatory requirements	Product claims	Operational breakdowns at factories	Compliance	New competitors entering home markets
Risk description	Change or new regulatory requirements of environmental, social, local, political or other character impacting production or production methods. May adversely affect NKT's competitiveness.	Claims against NKT arising from defects in products or power cable solutions	The inability to manufacture qualified products resulting in delays in delivery and claims against NKT. This is impacted by COVID-19 pandemic which may risk disrupting production	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.	Increased competition within NKT's current core European market by new competitors from inside/outside Europe.
Mitigation	▪ 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 potential failures in production and/or product designs. ▪ Strengthening of quality awareness and control procedures throughout the production. ▪ Systematic root cause analysis of product issues and implementation of corrective actions.	▪ Monitoring of operational performance for critical equipment and processes. ▪ Robust maintenance programmes across production and testing. ▪ Contingency plans in place to respond to incidents.	▪ 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 whistle-blower hotline allowing both NKT employees and third parties to report potential concerns.	▪ Monitoring of the global market and macro-economic 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.

Risk management

Risk	6.	7.	8.	9.	10.
Risk identification	Project execution in high-voltage segment	Cyber risk	Supplier interruption and raw material availability	Price pressure	Commodity price changes
Monitoring	Failures, delays or issues with execution of Solutions projects, resulting in customer claims and financial losses.	Loss or failure of business-critical IT systems in production or key business administrative functions.	Interruption of supplies or services used in production or operations due to loss or interruption of supply chains or raw material availability. This risk is impacted by the ongoing COVID-19 pandemic.	Adverse pressure on pricing for solutions, products and services in power cable markets.	Adverse impact of price fluctuations for non-hedged commodity materials, components, and services. This risk is impacted by the ongoing COVID-19 pandemic.
Mitigating action	▪ Risk management activities covering all project phases. ▪ Adequate balancing of insurance, contract provisions and pre-production testing.	▪ 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.	▪ 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 and qualifying alternative sourcing opportunities.	▪ Monitoring of macro-economic developments, general market conditions and the competitive landscape. ▪ Establishing focused working groups, qualifying new markets and strengthening NKT's value proposition.	▪ Monitoring of commodity price indexes and forecasts. ▪ Hedging mechanisms for commodity materials, components and services. ▪ Forecasting tools to predict price index developments.

NKT Group Leadership Team

Alexander Kara
President,
Chief Executive Officer
Nationality: German/Swiss
Born 1961
Gender: Male
Joined NKT in 2019

Line Fandrup
Chief Financial Officer,
Executive Vice President
Nationality: Danish
Born 1979
Gender: Female
Joined NKT in 2020

Fredrik Eskengren
Head of Accessories,
Executive Vice President
Nationality: Swedish
Born 1980
Gender: Male
Joined NKT in 2007

Will Hendrikx
Head of Applications &
Interim Head of Solutions Cologne,
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 2018

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

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

Business overview
NKT Photonics

NKT Photonics is at the forefront of optical fiber technology and manufactures some of the most sophisticated optical fibers for use in its lasers.

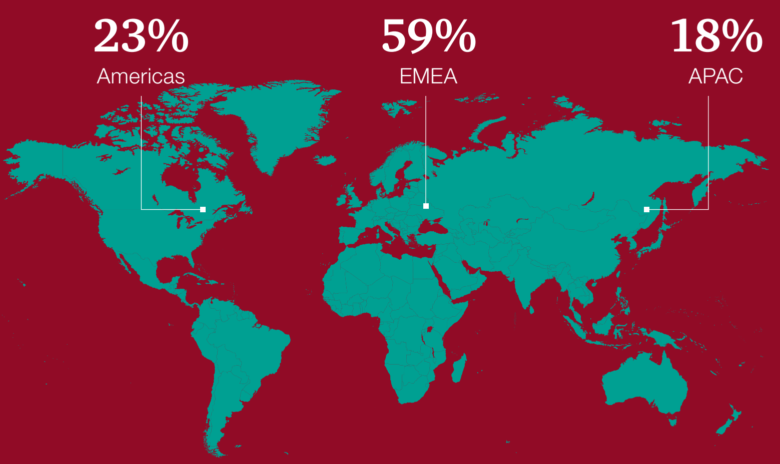
NKT Photonics at a glance

Technology has the power to transform our lives. There are amazing innovations such as autonomous electric cars, smartphones, quantum computing, artificial intelligence, stem cell and cancer research, renewable energy and even space exploration. NKT Photonics' customers are visionary innovators within these fields. They are changing the world through their innovations, and we are ready to deliver the cutting-edge solutions they need. Solutions for Innovators.

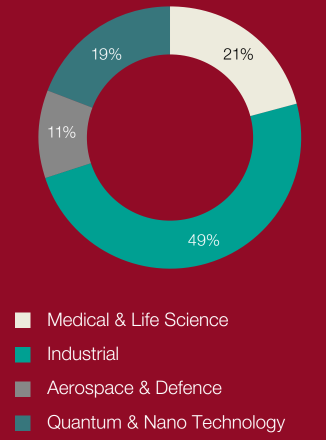
Founded in	Countries with offices	Nationalities	Employees
2000	8	42	424

Issued and pending patents	People in R&D and engineering	R&D spend as % of revenue
355	160	22%

Revenue distribution by geography in 2021



Business segments
Revenue distribution by segment in 2021



Letter from the CEO

NKT Photonics returned to growth in 2021

Markets improved in 2021
After an unusual 2020, which was negatively impacted by the COVID-19 pandemic, NKT Photonics delivered a rebound in 2021. Closing Q4 2021 at EUR 27.6m, the highest quarterly revenue ever, Q4 also marked the sixth consecutive record quarter for NKT Photonics.

The Industrial and Quantum & Nano Technology segments were the key growth drivers with broad-based progress across sub-segments. We saw solid double-digit growth in most product areas – not least within our applications for the semiconductor, remote sensing, and quantum technology sectors.

Growth in Medical & Life Science and Aerospace & Defence was slightly negatively impacted in 2021 by timing of projects and OEM contracts, but the underlying positive dynamics are unchanged for these segments. Order intake is strong, and we are experiencing very high interest in our innovative solutions from both new and existing customers and partners.

Overall, 2021 was a record year for NKT Photonics where we returned to growth in both revenue and earnings despite continuation of COVID-19 and a challenging supply chain.

Positive development to continue
Although the COVID-19 pandemic is still creating some uncertainty, we expect further improvements in 2022. We see solid order intake across all segments, and we will have new products coming on stream in 2022 to support growth. Additionally, we see underlying megatrends that support our business. These includes the worldwide pursuit of viable quantum computing technologies, the increased focus on safety and protection driving our directed energy initiatives within Aerospace & Defence, as well as the global demographic development driving our ophthalmology initiatives within Medical and Life Sciences.

Finally, I would like to thank all our employees who have worked tirelessly throughout the year to deliver products to our customers despite restrictions, lockdowns, and the other complications that the global pandemic has imposed on all our lives. We are all looking forward to returning to more normal operation in 2022.

Basil Garabet
President & Chief Executive Officer,
NKT Photonics

80m
EUR revenue in 2021

Q4 marked our highest ever quarterly revenue. of EUR 27.6m

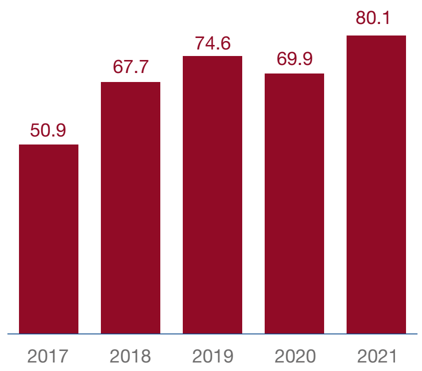
Key financials – 5-year review

Amounts in EURm	2021	2020	2019	2018[1]	2017[1]
Income statement					
Revenue	80.1	69.9	74.6	67.7	50.9
EBITDA	7.5	2.6	14.6	9.0	3.5
Depreciations, amortizations and impairment	-14.6	-12.1	-9.9	-7.9	-5.2
EBIT	-7.1	-9.5	4.7	1.1	-1.7
Financial items, net	-4.2	-5.2	-0.7	-0.3	-0.9
EBT	-11.3	-14.7	4.0	0.8	-2.6
Tax	3.5	3.7	-1.5	1.2	0.4
Net result	-7.8	-11.0	2.5	2.0	-2.2
Cash flow					
Cash flow from operating activities	-1.0	0.7	7.2	4.1	-0.4
Cash flow from investing activities excl. acq. & div.**	-14.3	-16.6	-16.7	-11.8	-7.5
Free cash flow excl. acq. & div.**	-15.3	-15.9	-9.5	-7.7	-7.9
Balance sheet					
Capital employed**	120.5	110.7	104.4	78.6	69.0
Working capital**	33.6	27.4	28.2	24.0	23.1
Financial ratios and employees					
Organic growth**	15%	-6%	10%	16%	7%
EBITDA margin	9.4%	3.7%	19.6%	13.3%	6.9%
RoCE**	-6.2%	-8.8%	4.9%	1.6%	-3.1%
Full-time employees, end of period**	424	417	403	349	302

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

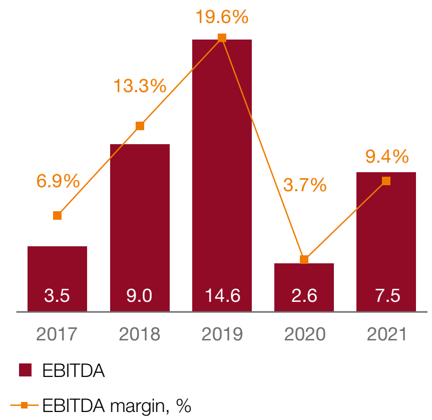
Revenue development

Amounts in EURm



EBITDA

Amounts in EURm



Market overview

Solutions for innovators

Technology has the power to transform our lives. This was true with the invention of penicillin, electricity and, more recently, the internet. Today, the transformation continues with innovations such as autonomous electric cars, smartphones, quantum computing, artificial intelligence, stem cell and cancer research, renewable energy and even space exploration. NKT Photonics' customers are visionary innovators within these fields and many more. They are changing the world, and NKT Photonics is ready to deliver the cutting-edge solutions they need. Solutions for innovators.

Growth supported by megatrends

NKT Photonics develops innovative solutions with multiple applications. These technology-leading solutions are tapping into sustainable megatrends that will support growth opportunities for the company going forward.

Megatrends

Megatrend #1 Growing and ageing population

Continued growth in global population is leading to pressure for more effective use of resources, and increasing the demand for optical sensing and monitoring to optimize use of energy and infrastructure. At the same time, continued rise in life expectancy is fuelling the need for faster, and cheaper medical instrumentation for mass screening, diagnostics and treatment based on lasers.

Megatrend #2 Increased technological complexity

As technology shrinks and more functions are packed into sophisticated everyday devices, the requirements for the technology and tools used to manufacture the products are being pushed to new levels.

Mechanical manipulation and processing of materials that was feasible a few years back is increasingly being replaced by laser processing and optical measuring techniques. This enables higher precision and faster throughput when processing the small structures used in high-tech devices like smartphones, semiconductor components, and advanced medical equipment.

Megatrend #3 Focus on security

As technology advances and cost decreases, access to autonomous drones, surveillance equipment and other sophisticated technology is becoming easier. This is accompanied by increasing security concerns as small groups or individuals can harm civilian targets or disrupt infrastructure. Consequently, there is a growing need for fast and efficient defence systems safe to use in any environment.

Directed energy systems using fibre lasers are uniquely suited to accomplishing some of these tasks. For example, they can safely disable small drones over an airport, ship or sports stadium in an effective and cost-efficient way. In addition, optical remote sensing technology like Distributed Acoustic Sensing, DAS, is increasingly being used for perimeter and border security and for securing critical infrastructure like communication lines and pipelines.

Market overview – segmentation

In Q3 2021, NKT Photonics introduced a new market segment: Quantum & Nano Technology. Previously included under Industrial, the new segment is a growth area with significant potential. NKT Photonics has been active in this field for two decades but segment growth, particularly driven by quantum technology, has made this segmentation meaningful.

NKT Photonics thereby divides its main market into four main segments: Medical & Life Science, Industrial, Aerospace & Defence, and Quantum & Nano Technology. Most products in the company's portfolio have applications across these four segments.

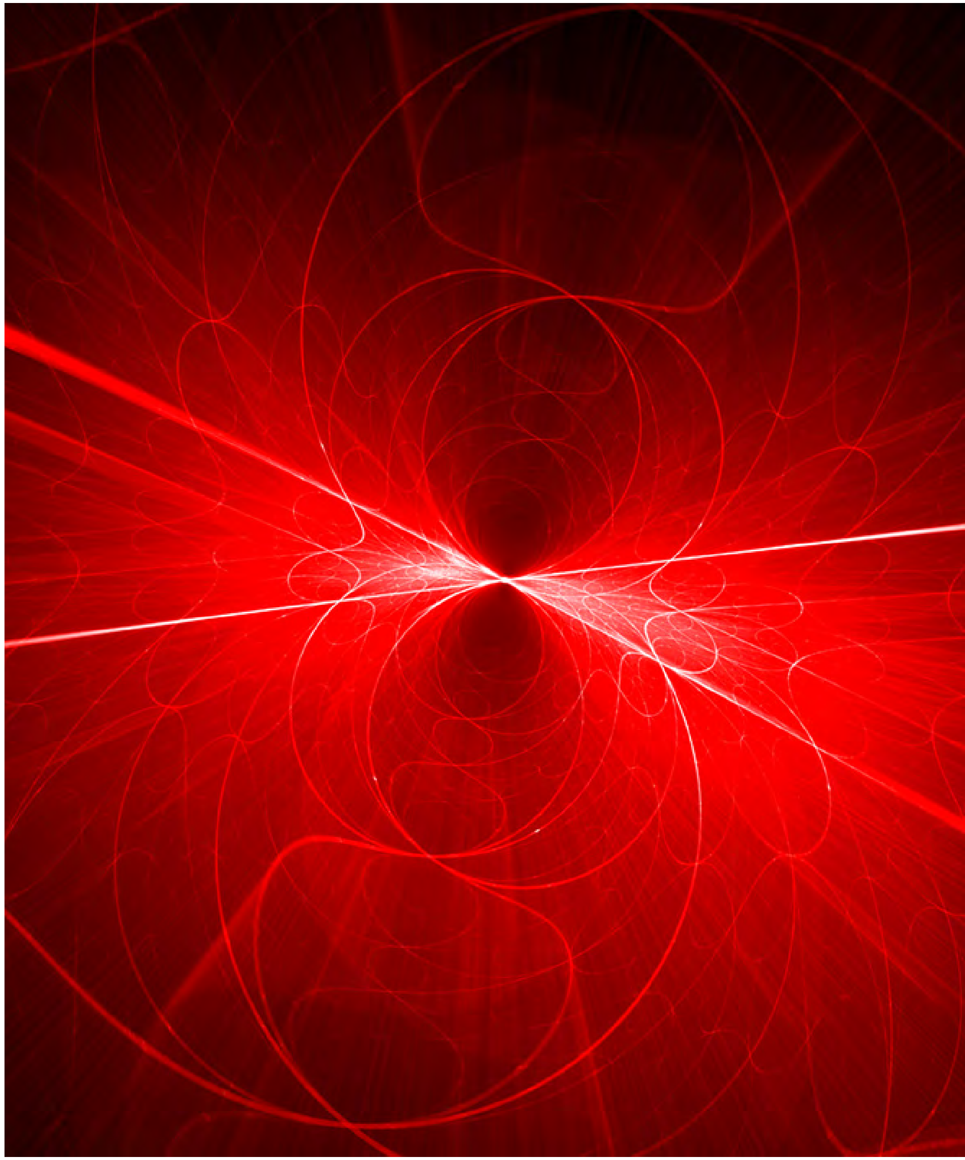
In 2020 the global COVID-19 pandemic temporarily shifted the size and balance of NKT Photonics market segments. However, while not a return to normal, 2021 saw a partial restoration of the markets and the total addressable market is still approximately EUR 2.5-3bn.

The overall laser market is expected to grow at a CAGR (Compound Annual Growth Rate) of 9.6% in 2020-2025*. Within this, the fiber laser market is expected to grow at 11.5% per year in the same period*.

Expected CAGR for fiber laser market

11.5%

For 2020-2025



*Source: The Worldwide Market for Lasers, Trends and Five-Year Forecast (2019 – 2025) by Strategies Unlimited.

Market overview

Medical & Life Science

Medical & Life Science is one of the fastest growing of the four market segments. Ultrafast lasers find particular use in ophthalmology, while supercontinuum lasers are employed in advanced bio-imaging, enabling new ways of diagnosing e.g. cancer.

Main applications for Medical & Life Science are:

- Bio-imaging and microscopy
- Ophthalmology

The Medical & Life Science segment is predominantly driven by megatrend 1: Growing and ageing population. This and a general increase in living standards around the world are leading to increased demand for ophthalmic and other medical procedures.

Medical & Life Science
Examples of current main applications

Fast, low-cost detection of skin cancer

Skin cancer is the most frequent cancer type and is becoming increasingly common. While survival rates are generally high, WHO estimates that 1.2 million people died from the disease in 2020. The traditional method of detection using biopsies is not optimal. It can be painful, costly, time-consuming, and even unreliable, being estimated to miss around 20% of early-stage skin cancers. A new medical imaging device developed by DAMAE Medical uses NKT Photonics' SuperK supercontinuum white light laser to detect early-stage skin cancer faster, cost-efficiently, and without the need for biopsies. This eliminates unnecessary surgery and ultimately saves lives.

Pursuing the cure for COVID-19 with confocal microscopes

COVID-19 has changed how we live and has affected the global economy in a way few had anticipated, and all the world's top medical institutions have mobilized against the pandemic. NKT Photonics' SuperK supercontinuum white light lasers power thousands of high-resolution confocal Leica microscopes globally. Used for research and diagnostics within many medical fields such as virology, stem cells and oncology, these microscopes offer superior image contrast and flexibility, enabling the user to see features in cells not previously visible. The SuperK is also used in super-resolution microscopes, such as STED, that offer even higher performance. In 2014, Stefan Hell was awarded The Nobel Prize in Chemistry for his work with STED microscopy using NKT Photonics' lasers.

Safer eye surgery with ultrafast lasers

More than 20 million cataract surgeries are performed worldwide each year. Most of them with manual processes where results are dependent on the skill of the surgeon. In the latest generation of equipment the scalpel is replaced with an ultrafast femtosecond laser from NKT Photonics. Using lasers ensures consistent quality, reduces risk of complications and accelerates recovery.

Moreover, as the standard of living and general economy around the world improves, so does the demand for ophthalmic procedures. This leads to a heightened need for skilled surgeons, but as training takes years the demand is outpacing supply. Laser-based surgery offers a cost-effective solution to this problem as training in using a femtosecond laser cataract system takes weeks compared to years for manual surgery. Many of the procedures needed, especially in Asia, are therefore expected to be fulfilled by laser surgery.

Market overview

Industrial

Industrial is the largest segment for NKT Photonics. Customers utilize the full breadth of the company's product portfolio, including ultrafast lasers, supercontinuum lasers, and sensing systems.

Within Industrial, NKT Photonics serves multiple subsegments and applications, such as:

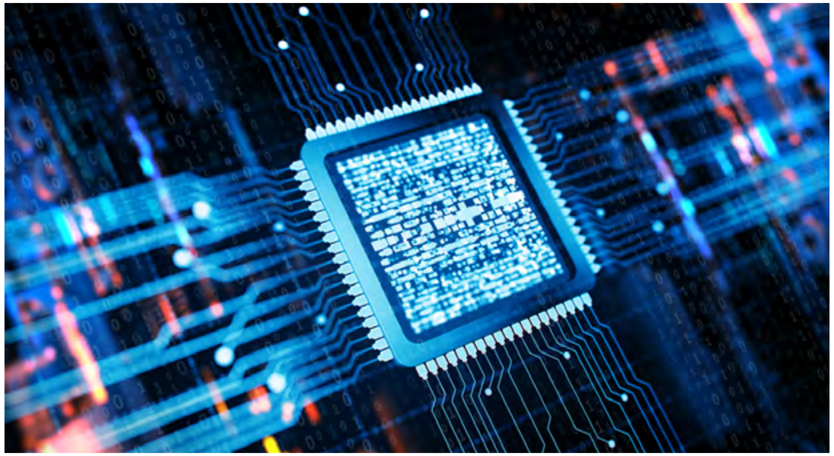
- Semiconductors
- Remote sensing
- Device characterization, sorting and quality control

Industrial segment growth is predominantly driven by megatrend 2: Increased technological complexity.

→

Remote sensing in the form of Distributed Acoustical Sensing, DAS, is one of the key industrial applications of NKT Photonics' Koheras single-frequency lasers. Here km long fibers are used as optical microphones detecting even the smallest disturbances along the length of the fiber. Typically such systems are used for asset protection such as pipeline monitoring, network protection, and perimeter security.

Industrial
Examples of current main applications



Solving the semiconductor chip shortage using lasers
Among the many changes to which we are all becoming accustomed after two years of pandemic challenges is a global shortage of semiconductor chips. Affecting everything from mobile phones to cars, the chip shortage has resulted in dramatically increased prices and delivery times. The shortage is driven by many factors, but the demand for semiconductor devices will remain high for the foreseeable future. Consequently, manufacturing capacity is expanding everywhere, and semiconductor tool producers are fighting to meet demand. At the same time, the push for smaller structure and more advanced devices is continuing, and new tools and techniques are constantly being developed.

NKT Photonics primarily supplies SuperK white light lasers and advanced fibers to tool producers for integration in their equipment. Here they are used in e.g. wafer inspection and metrology at critical steps in the manufacturing process – typically after lithography and etching. The broadband lasers deliver the highest possible resolution for ever-decreasing feature sizes. Moreover, they can replace multiple single-line lasers, adding cost benefits to the increase in resolution. As complexity increases and structures shrink, the use of white light lasers in the semiconductor industry is expected to increase.

More power from renewable energy with power cable monitoring
The growth in decentralized renewable power sources such as wind and solar, is accompanied by greater fluctuation in energy production than previous, increasing demands on the power grid. NKT Photonics’ EN.SURE monitoring systems are used to continuously supervise the health and load of power cables, enabling improved load distribution and capacity utilization. This means that more of the wind or solar energy produced can be sent into the grid.

Safer tunnels and metros using fiber sensors
Fire safety in tunnels and metros is a priority and protection systems have never been better. DE.TECT linear heat detection systems from NKT Photonics currently monitor temperature in more than 300 tunnels and metros worldwide. The fibre optic systems can detect tiny increases in temperature with down to one metre accuracy over several km of tunnel. DE.TECT feeds the data to the fire protection systems, enabling fast and accurate response to fires or hotspots, keeping people safe when travelling.

Sorting and quality control of food
The characteristic broadband light from the SuperK white light laser can be used for high-speed sorting of e.g. food and ingredients. In combination with the latest hyperspectral imaging techniques, these unique lasers allow sorting directly on the production line. This enables the manufacturer to switch from offline sample-based batch quality control to full online sorting of all batches, and to increase the number of parameters that can be measured. Using NKT Photonics’ lasers, producers increase not only the quality of the food produced but also food safety. The latter is a growing concern globally, where ingredients and materials are often variable and inconsistent.

Market overview

Aerospace & Defence

While NKT Photonics has always been active in the aerospace and defence field, heightened focus over recent years has resulted in market growth. In Aerospace & Defence, NKT Photonics utilizes its entire portfolio of products and capabilities to serve special project needs, focused mainly within the European and US markets.

The main applications include:

- Directed energy
- Aerospace
- Remote sensing

With the opening of its factory in Boston, Massachusetts, NKT Photonics can now serve the US aerospace and defence market even more effectively.

Growth in the Aerospace & Defence segment is predominantly driven by megatrend 3: Focus on security.

→

Both NKT Photonics' Koheras single-frequency lasers and their SuperK white light lasers are used in various aerospace application including advanced satellite communication and high-precision quantum inertial sensing.

Aerospace & Defence
Examples of current main applications

Lasers preventing drone attacks
In 2018, small drones closed London Gatwick Airport for more than two days, incurring costs estimated at several million EUR. Small, fast-moving drones are an increasing concern around high-risk areas such as airports, ships or stadiums. Lasers from NKT Photonics are used in projects aimed at safely tracking and disabling these drones quickly and effectively.

Koheras lasers in space
NKT Photonics currently has several Koheras low-noise lasers in orbit on board the ESA SWARM satellites measuring the Earth's magnetic field. Space-qualifying a laser is no simple task, but the robust monolithic design of Koheras fibre lasers makes them well suited to harsh environments. The lasers have been operating in space for several years, helping scientists to better understand the planet and delivering higher-precision navigation for smart phones by mapping the magnetic poles.

Koheras lasers keep communication safe
NKT Photonics is supplying thousands of Koheras lasers to a large-scale secure data network project in India. The lasers are the key component in a fibre-optic intrusion detection and location system monitoring the several thousand km long network. The system keeps communication lines secure and ensures that data cannot be siphoned out of the system without detection. Similar systems are also used for perimeter security at airports and other critical infrastructure.

Market overview

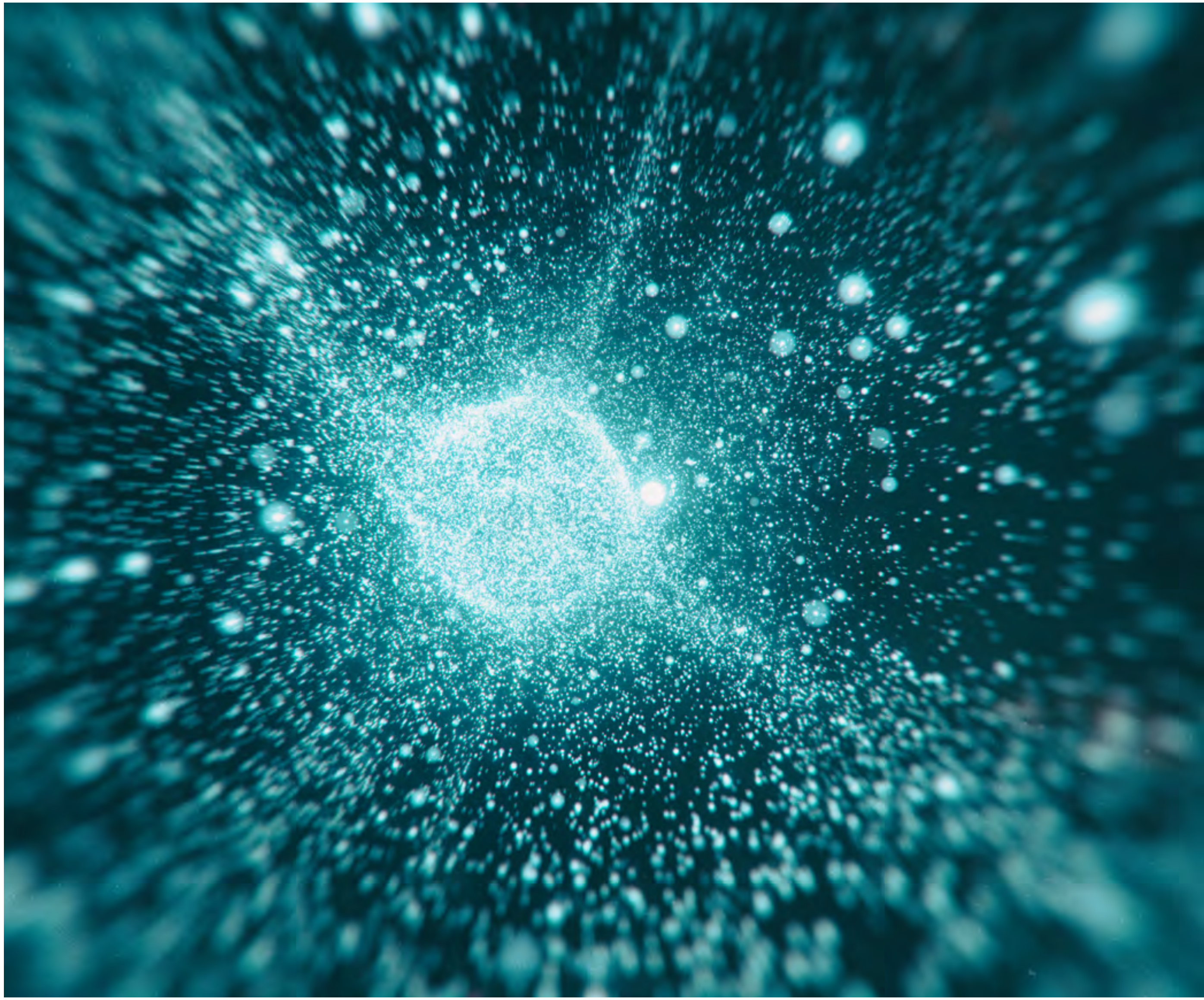
Quantum & Nano Technology

NKT Photonics' quantum technology operations cover a range of fast-growing segments within quantum computing, sensing, metrology, and communication. Nano technology activities span applications relating to development of advanced materials such as graphene, carbon nano tubes, meta materials, plasmonic structures and quantum dots. Finally, the segment includes a number of scientific instrumentation applications.

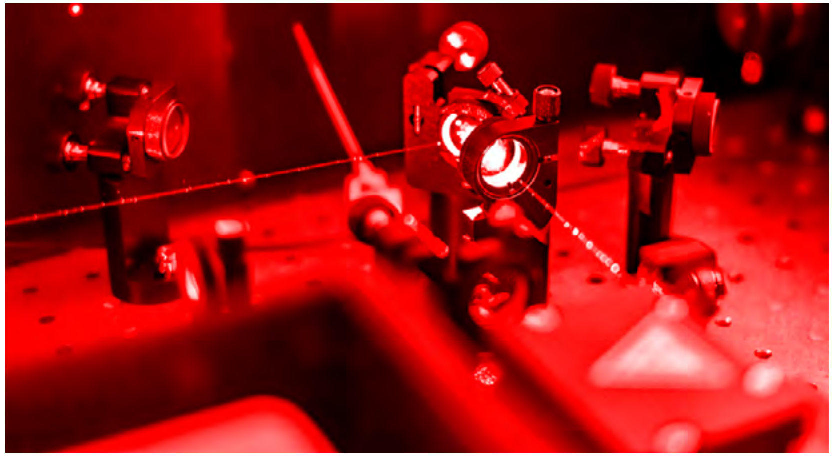
The main applications include:

- Quantum computing, sensing and metrology
- Characterization of advanced materials and nano structures

Quantum technology is positioned to revolutionize everything from computers to navigation systems, and at the heart of most of these systems are sophisticated lasers. Niels Bohr pioneered quantum research in Denmark and NKT Photonics continues the work by supplying lasers to many of the best laboratories and quantum companies in the world.



Quantum & Nano Technology
Examples of current main applications



Laser-powered quantum revolution

With some regularity, technology arrives which profoundly changes the world. The internet and smart phones are two recent examples that few would have anticipated only a couple of decades ago. We are now on the threshold of the next paradigm shift: Quantum computing.

While still in its absolute infancy, quantum computing promises to massively speed up complex computational tasks and enable entirely new applications not possible with classical computers. This has widespread implications for everything from our financial systems to aerospace engineering and from artificial intelligence to drug development.

Several architectures for quantum computers are currently being pursued, trapped atom and trapped ion computers being among the most promising. These systems use an array of highly specialized lasers to cool, trap and manipulate atoms to form the qubits of the quantum computer. The requirements on the lasers, like the rest of the system, are very demanding and they are fulfilled perfectly by NKT Photonics' Koheras single-frequency laser platform, which the company supplies to the majority of leading companies and labs in the field.

Backed by substantial private and governmental funding, the race is on to reach commercial scale within quantum computing and NKT Photonics is an important player.

Lasers enable centimetre GPS precision

Today, our definition of time is based on the vibration of a caesium atom. While this method is so accurate that caesium clocks will keep time to within one second over 100 million years, the next generation of timing standards is currently under development. The new optical clocks are based on lasers and will improve accuracy by several orders of magnitude.

One practical everyday implication of this change is GPS precision. Today, GPS depends on atomic clocks installed in satellites. This generally translates to a GPS precision in the meter range – enough to navigate but not sufficient for e.g. autonomous cars or warehouse inventory. Replaced with the new more precise optical clocks, the precision of the GPS system improves to the centimetre range, bringing GPS to all new applications. The new optical clocks demand extremely stable low-noise lasers at precise optical frequencies – ideal requirements for NKT Photonics' Koheras lasers. Many leading metrology laboratories around the world are equipped with Koheras lasers to keep time.

Advanced materials for better solar cells

In the pursuit of the global transition to renewable energy sources and reduced energy consumption, perovskite nanocrystals are important candidates for future solar cells and LEDs. Offering greatly improved efficiency, they can be easily manufactured from common salts in low-temperature processes, potentially making them a highly cost-effective solution.

Much research remains before perovskites reach commercial maturity. Therefore many institutions are using SuperK lasers from NKT Photonics to characterize the structures to better understand the response and efficiency at different colours of light, as well as the impact of the crystalline structure on the properties.

Sustainability

NKT Photonics is committed to working for a sound environment through sustainable business practices and with focus on human health and safety.

With this in mind, the majority of the company's products are manufactured in accordance with regulations such as the RoHS* directive, which restricts the use of hazardous substances in electronic and electrical equipment to protect the environment and public health.

As a high-tech company, attracting talented and highly skilled employees is essential to NKT Photonics. To ensure an attractive working environment, NKT Photonics encourages diversity within its organization and promotes gender equality without compromising on qualifications in terms of professional skills and personal competencies.

Furthermore, the company operates from a compliance regime based on the corporate Business Code of Conduct. The code applies to all employees and defines the fundamental principles governing the behaviour internally as well as externally in relation to vendors, partners,the supply chain and the general public.

Find data and details in the **Sustainability Report 2021**

Advanced monitoring systems from NKT Photonics enables increased performance in power cable systems by improving the utilization of the energy produced. This allows more renewable energy to be sent into the power grids.

* Restriction of Hazardous Substances in Electrical and Electronic Equipment.

Product portfolio

The NKT Photonics product portfolio offers a variety of innovative solutions. As stated in the market overview, these solutions are applicable for several market segments and described in more detail below.

Fiber lasers versus solid-state lasers

While the majority of NKT Photonics' laser products are fibre lasers, solid-state lasers and hybrid systems are also produced. In the last decade, fibre lasers have taken market share from solid-state lasers as they have a range of key advantages, including robustness, scalability and maintenance-free operation. Solid-state lasers on the other hand have advantages at high pulse energies required in certain applications.

With these two types of lasers, NKT Photonics can choose the platform that best suits the application and even combine the two to gain benefits from both technologies.

Photonic crystal fibers

The company's unique and heavily protected photonic crystal fibre technology is at the core of most of its laser products and is a main driver of differentiation and growth. NKT Photonics utilizes the technology to embed maximum functionality directly into the fibres to ensure that systems built with these high-function components are simpler, more cost effective, and reliable. Photonic crystal fibers are unique and differ from e.g. telecommunication fibers in using a microscopic array of materials running the length of the fiber. PCF fibers are also known as microstructured fibers

Supercontinuum white light lasers

NKT Photonics is a leading global supplier of supercontinuum white light lasers – lasers which emit very bright light within a very broad spectral range, from UV all the way to the near infrared. This property is unique to supercontinuum technology as light sources are typically either bright or broad, and the SuperK is the only light source capable of doing both. This combination is important as it enables supercontinuum lasers to replace a range of other lasers which emit light of only one colour, thereby saving cost and space while improving reliability and robustness. Moreover, the broad spectrum of these lasers enables a new level of measuring precision not possible with any other laser type.

Narrow linewidth low-noise lasers

Koheras lasers are in many ways the exact opposite of SuperK white light lasers. They emit light in an extremely narrow and well-defined spectral range and the light is very well controlled. As the characteristics of the light are so well known, Koheras lasers are ideal for sensing applications, even very small disturbances being observable as changes to the light from the lasers. Primary sensing applications include Distributed Acoustic Sensing (DAS), vibrometry, and PDV applications in areas such as pipeline monitoring and intrusion detection. Recently, the fastest growing applications of Koheras lasers are within quantum technology, where they are used in computing, sensing, and metrology.

Ultrafast lasers

Ultrafast lasers emit very short bursts of high-intensity light that can be used to manipulate material with high precision. NKT Photonics' Onefive and aeroPULSE ultrafast lasers are used directly in material processing applications within the Medical & Life Science and Industrial segments. The company's aeroGAIN modules are supplied to other manufacturers of ultrafast lasers where they constitute the main "engine" of the lasers.

Sensing systems

NKT Photonics produces a range of linear optical sensing systems for power cable surveillance, fire detection, and industrial temperature monitoring. All these systems can measure temperature with high accuracy over many km of optical fibre. Unlike with electronic temperature measuring, the optical fibres are extremely robust and immune to electrical disturbances. This makes them well suited for use in harsh environments such as tunnels, metros, chemical plants, furnaces, and inside high-power optical cables.

Financial & business review

In 2021, NKT Photonics' financial performance recovered from the negative impacts of the COVID-19 pandemic in 2020. Driven by the Industrial and Quantum & Nano Technology segments, revenues and EBITDA increased significantly. The same positive development was seen in order intake which increased by 26% compared to 2020. The free cash flow in 2021 was on the same level as in 2020, with improved EBITDA being offset by increased working capital.

All-time high revenue in 2021

Revenues in NKT Photonics reached EUR 80.1m in 2021 and was 10.2m above 2020. This equalled 15% organic growth. The revenue in 2021 was EUR 5.5m above the 2019 level before the COVID-19 pandemic.

NKT Photonics' growth was particularly strong in 1st half 2021 as the corresponding period in 2020 was adversely influenced by the COVID-19 pandemic.

The main growth contributors in 2021 were the Industrial and Quantum & Nano Technology segments, with broad-based contribution. The most significant positive developments in the segments were in the semiconductor industry and the growth in quantum research and quantum computing. Industrial was the most heavily impacted segment by the COVID-19 pandemic in 2020.

In 2021, the Medical & Life Science segment experienced a decrease in revenue due to unfavourable phasing of orders compared to 2020. The revenue in Aerospace & Defence decreased due to the recognition of an unusually large order in 2020.

EBITDA lifted by growth in revenue

NKT Photonics' EBITDA almost tripled from EUR 2.6m in 2020 to EUR 7.5m in 2021. The growth in earnings was primarily due to higher revenue together with higher gross margin from a more favourable product mix.

The EBITDA level in 2021 was lower than in 2019. The primary reasons for this development were a higher cost level in 2021 to prepare for future growth and 2019 included certain positive non-recurring items.

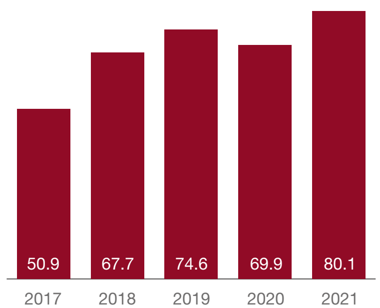
The continuation of the COVID-19 pandemic in 2021 had limited impact on

Revenue development and organic growth

Amounts in EURm	2021
2020 revenue	**69.9**
Currency effect	-0.2
Organic growth	10.4
2021 revenue	**80.1**
Organic growth, %	15%

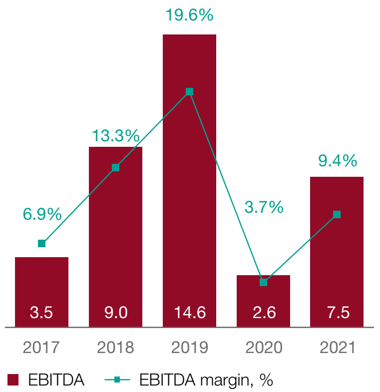
Revenue

Amounts in EURm



EBITDA

Amounts in EURm



Financial & business review

operations. NKT Photonics prioritized the necessary steps to ensure the health of its employees and maintain largely uninterrupted production.

Further, NKT Photonics experienced only limited delays in supply of components for production in 2021, but the current situation remains a challenge for the industry. Addressing this continues to be a focus area for NKT Photonics and actions have been taken to mitigate risks and ensure unimpacted production flow.

The EBITDA margin in 2021 was 9.4%, compared to 3.7% in 2020.

EBIT and net result

EBIT and net result both increased from 2020 to 2021, reflecting the same drivers behind the growth in EBITDA. EBIT in 2021 amounted to EUR -7.1m, up from EUR -9.5m in 2020. Depreciations and amortizations increased in 2021, reflecting the investments made in recent years. NKT Photonics reported a net result of EUR -7.8m in 2021 against EUR -11.0m in 2020.

Cash flow generation largely as in 2020

The free cash flow of EUR -15.3m in 2021 was EUR 0.6m above 2020 driven by improved EBITDA. This was largely outweighed by an increase in working capital due to higher inventory levels.

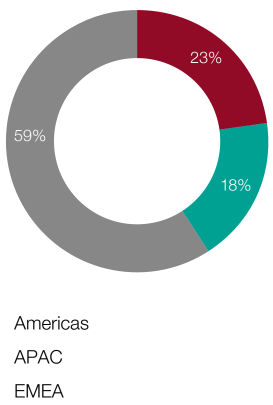
Order intake increased by 26%

As for revenue, the order intake recovered in 2021 following the negative development in 2020 due to the COVID-19 pandemic. The total order intake increased 26% compared to 2020. This brought the order intake in 2021 13% above the record intake in 2019. The higher level of orders was primarily driven by the semiconductor, ophthalmology, and quantum technology segments.

RoCE developed positively

Driven by the increased earnings, RoCE in 2021 improved by 2.6%-points from 2020.

Revenue distribution by geography in 2021



Medical & Life Science

Revenue for the Medical & Life Science segment was slightly down in 2021, which was mainly related to the timing of OEM orders. The order intake in the segment grew significantly and growth is expected in 2022 driven by the Bio-imaging & Microscopy as well as the Ophthalmology segments.

Industrial

All product lines saw growth within the Industrial segment in 2021. However, the largest driver continued to be the semiconductor industry, where NKT Photonics delivers supercontinuum lasers and single-frequency laser to the tool manufactures.

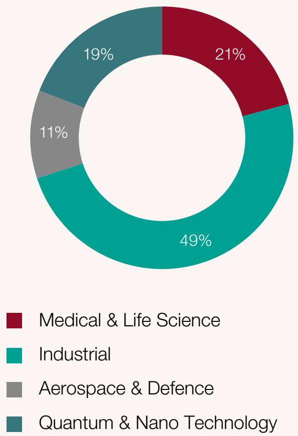
Aerospace & Defence

The Aerospace & Defence segment dropped in 2021 compared to 2020 due to completion of a large remote sensing project in 2020. However, the large Directed Energy projects continued with positive development, and several new projects were initiated. Consequently, the segment is expected to return to growth in 2022.

Quantum & Nano Technology

This segment kept the high growth pace from previous quarters and remained the fastest growing segment. Main drivers were the quantum computing markets as well as research within quantum sensing and metrology. As new products are introduced, growth is expected to continue in 2022.

Revenue distribution by segment in 2021



Risk management

In 2021, NKT Photonics delivered broad-based growth and separated Quantum & Nano Technology into a new market segment due to the increased focus on this area.

The Board of Directors and the Leadership Team of NKT Photonics conclude that the Group's risk profile and mitigating actions in general, and specifically towards the COVID-19 pandemic-related risks, have proven effective throughout 2021 by staying alert and agile on impacts from possible adverse events.

The outlook for the coming years is subject to uncertainty with regard to access to some raw materials and components for the production due to the unknown effect on the global supply chain from further COVID-19 pandemic impact.

The risk of the COVID-19 pandemic has been removed as a separate risk. While the pandemic still impacts macro-economic developments and supply chain landscape, the risk towards NKT Photonics is considered to have transitioned into contributing factors and root causes of other, related risks in the risk matrix upon which the pandemic may still have a specific impact. So far, the COVID-19 pandemic has had limited disruption or operational impact.

Risk Management Process

NKT Photonics 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 Photonics to manage the risks effectively.

The ERM 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 report 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 key risks are prioritized and visualized on an illustrated heat map that highlights aggregated criticality and overall risk exposure to the Risk Board and Audit Committee. The risks are described in detail in the overview on the next page.

Risk management

Risk	1.	2.	3.	4.	5.
Risk identification	**Competitive Market Environment and Research & Development**	**IT and Information Security**	**Intellectual Property Rights**	**Operations Dependence on Key Suppliers**	**Human Resources**
Risk description	Key market players find alternatives to NKT Photonics' products and solutions that enable them to compete in the form of new technology.	Failure to adequately protect NKT Photonics' IT infrastructure and main IT systems from the risk of security incidents. This could lead to disclosures of business-critical information, stolen digital assets which may result in damaged reputation, and weakening of the competitive position.	Intellectual Property Rights (IPR) relating to commercial opportunities are challenged either by third party infringements or infringements alleged against us.	Dependence on key suppliers constitutes a risk in case of delivery issues, quality issues, or excessive price increases including the adverse effects of COVID 19 Pandemic to the global supply chain in general.	Ability to Identify, attract, and/or motivate and retain talents.
Mitigation	▪ Ongoing development and improvement of offerings, and protection of our unique technologies by patents, etc. ▪ Partnering up with other companies for further technology enhancement. ▪ Continued focus on research and development of new technology and shifts in market/customer demands.	▪ NKT Photonics continuously addresses such risks by processes and tools designed and deployed to protect sensitive business information from malicious threats and security breaches, supported by a high degree of security awareness among the employees. ▪ Continuously log and analyze threats related to IT and information security.	▪ Pursue competitors violating our IPR, and continuously build on existing strength by further IPR development and registration. ▪ Closely supervise the specific area of technology and track the development and registration of IPR inside and outside the company.	▪ Selective implementation of dual sourcing wherever possible, and avoidance of critical dependency on single-source components as far as possible through design solutions and extended supply forecasting. ▪ Perform early quality control of purchased materials and services, and continuously evaluate key supplier performance and options for dual supply.	▪ Cooperation with universities to ensure recognition and focus from students and schools and effective succession planning for key positions. ▪ Focus on existing personnel through employee engagement surveys and dialogue. Continuous dialogue with talents from the industry and education clusters in order to attract new people.

NKT Photonics Leadership Team

Basil Garabet
President & Chief Executive Officer
Nationality: American/British
Born 1959
Joined NKT Photonics in 2015

Jakob Dahlgaard Fink
Chief Financial Officer
Nationality: Danish
Born 1972
Joined NKT Photonics in 2021

Christian Vestergaard Poulsen
Chief Technology Officer
Nationality: Danish
Born 1968
Joined NKT Photonics in 2001

Don Riddell
Chief Operations Officer
Nationality: British
Born 1967
Joined NKT Photonics in 2017

Overview

Group

Group financials

Operational EBITDA and EBIT

The NKT Group reported operational EBITDA of EUR 139m in 2021, up from EUR 59.3m in 2020. The improved performance was driven by both NKT and NKT Photonics. The operational EBITDA margin* increased to 10.3% in 2021 from 5.1% in 2020.

Operational EBITDA both in NKT and NKT Photonics increased in 2021. In 2021, EBIT amounted to EUR 16.8m, an improvement from EUR -47.9m in 2020. Depreciations and amortizations were at a higher level for both NKT and NKT Photonics in 2021 compared to 2020.

Financial items and net result

The net financial items in 2021 amounted to EUR -12.4m compared to EUR -16.7m in 2020. The financial items primarily consisted of interest costs on debt, interest expenses on leases as well as exchange gain and losses. Earnings before tax were EUR 4.4m in 2021, compared to EUR -64.6m in 2020.

The NKT Group reported an effective tax rate of 7% in 2021. The tax rates were 24% and 31% in NKT and NKT Photonics, respectively. The net result in 2021 amounted to EUR 4.1m, against EUR -74.5m in 2020.

Cash flow

In 2021, the cash flow from operating activities amounted to EUR 208m, up from EUR 136m in 2020. The primary driver for this growth was the improved level of earnings. The favourable development in working capital in the Group's power cable business was also a contributing factor.

The cash flow from investing activities amounted to EUR -226m in 2021, compared to EUR -107m in 2020. The increased level of investment was primarily due to upgrade and expansion of the production sites in Cologne and Karlskrona in NKT's Solutions business line.

The cash flow from financing activities totalled EUR -21.0m in 2021, which included the annual coupon payment of EUR 8.1m related to the outstanding hybrid security.

Liquidity, debt leverage and equity

The net interest-bearing debt amounted to EUR 13.2m at end-2021, against EUR -25.9m at end-2020. The increase in debt was due to the negative cash generation in 2021. At end-2021, net interest-bearing debt relative to operational EBITDA amounted to 0.1x, compared to -0.4x at the end of 2020.

2021 financial development

	Revenue*			Operational EBITDA			Oper. EBITDA margin*	
Amounts in EURm	2021	2020	Change	2021	2020	Change	2021	2020
NKT	1,263.1	1,087.0	176.1	131.1	56.7	74.4	10.4%	5.2%
NKT Photonics	80.1	69.9	10.2	7.5	2.6	4.9	9.4%	3.7%
Elimination of transactions between segments	-1.3	-2.2	0.9	0.0	0.0	0.0		
NKT Group	**1,341.9**	**1,154.7**	**187.2**	**138.6**	**59.3**	**79.3**	**10.3%**	**5.1%**

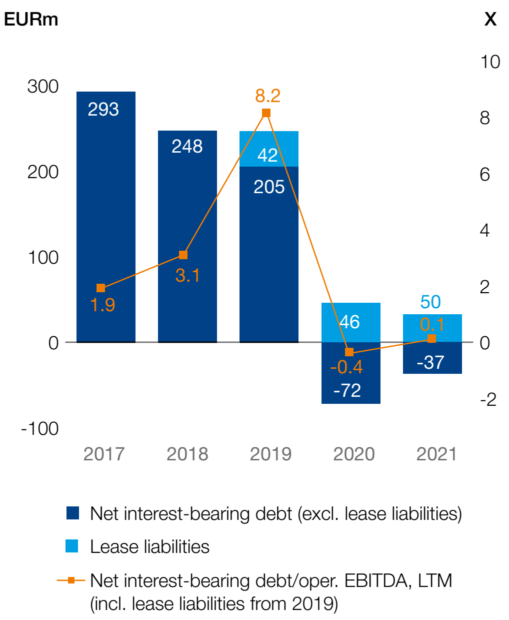
* Std. metal prices

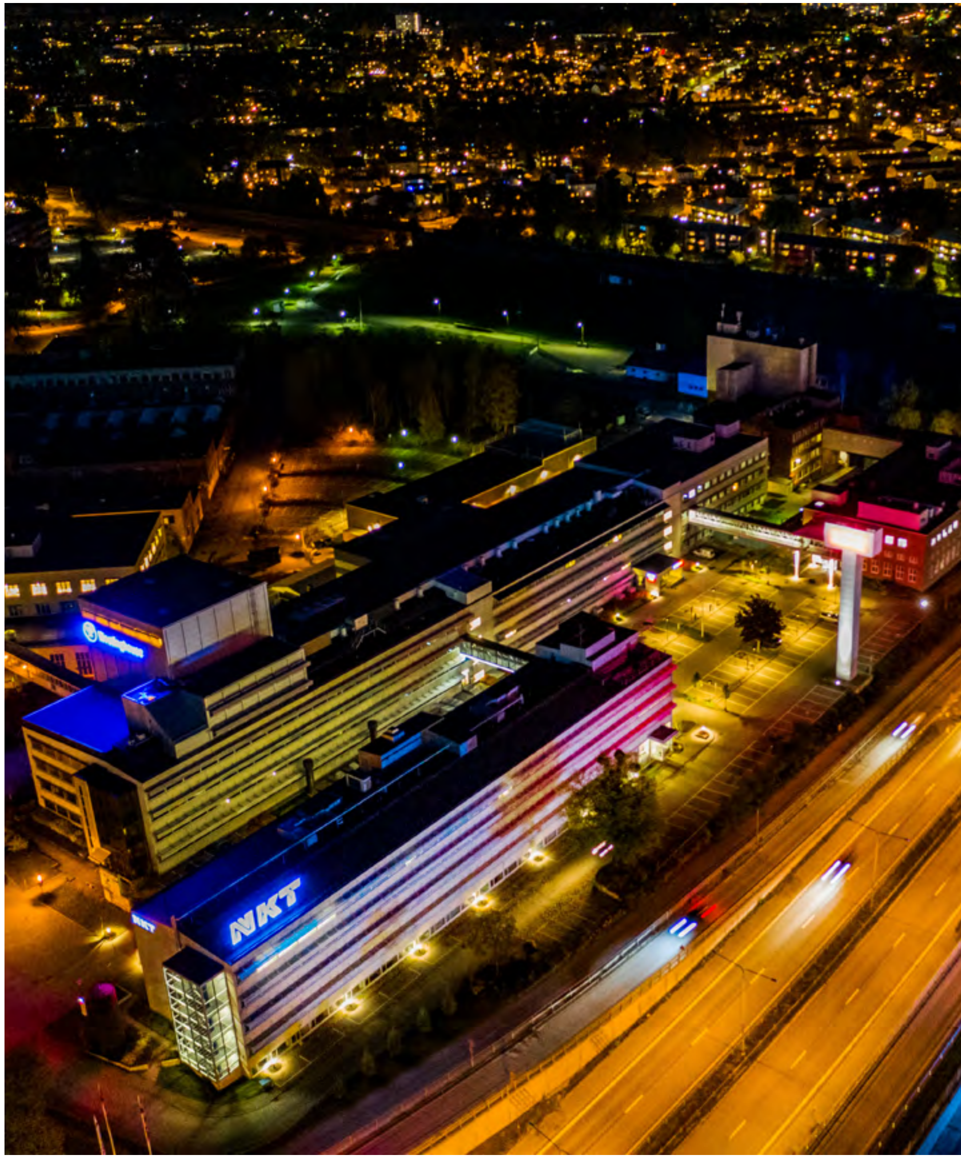
At end-2021, NKT A/S had total available liquidity reserves of EUR 395m, comprising cash of EUR 200m and undrawn credit facilities of EUR 195m.

In November 2021, NKT refinanced its committed revolving credit facility. The new EUR 200m facility with a 3-year maturity is provided by a group consisting of five banks.

Group equity, including the hybrid security issued in Q3 2018, amounted to EUR 1,160m, an increase from 1,076m at end-2020, mainly due to value adjustments of hedging instruments during 2021. The solvency ratio was 45%.

Net interest-bearing debt





Shareholder information

NKT A/S shares

The average daily turnover in NKT A/S shares on all trading markets was EUR 11m in 2021, compared to EUR 8m in 2020. The average daily trading volume was around 300,000 shares in 2021, against around 340,000 in the previous year. Nasdaq Copenhagen was the main trading market for the company's shares with 43% of the total traded volume in 2021.

The NKT A/S share price increased from DKK 271.20 at end-2020 to DKK 315.60 at end-2021. This equalled a return of 16% for 2021. NKT A/S did not pay dividend to its shareholders in 2021. The dividend-adjusted share price returns for the company's largest European competitors, Prysmian and Nexans, were 16% and 46%, respectively. The Danish OMX C25 index, adjusted for dividends, increased by 19% in 2021.

With effect from January 2022, NKT A/S moved up from the Mid Cap Index to become 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

NKT A/S dividend policy targets distribution as dividend of approximately one third of the net result for the year, provided the capital structure so allows. Excess cash may be distributed as share buybacks or extraordinary dividends. No dividend payment is proposed in 2022 due to the realized net result in 2021 and the planned continued execution of investments.

Shareholder structure

The NKT A/S share is 100% free float with no dominant shareholders. At end-2021, the company had approx. 30,600 registered shareholders compared to approx. 27,400 at end-2020. At end-2021, 95% of the total share capital was registered, up from 89% at end-2020. 55% of the share capital was registered by Danish shareholders, while 40% was registered by shareholders outside of Denmark.

At the end of 2021, two NKT A/S investors had reported shareholdings of between 5.00–9.99%:

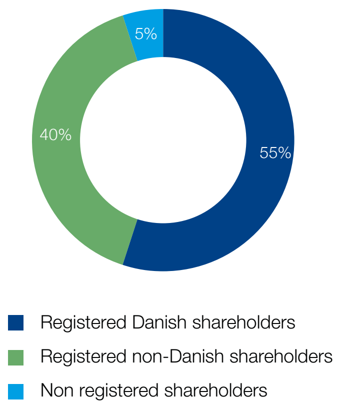
- ATP (Denmark)
- Greenvale Capital (UK)

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 2021, corresponding to a total market value of EUR 2.3m. Members of the Executive Management team owned 20,017 NKT A/S shares, equalling a market value of EUR 0.8m. As part of the long-term incentive programme, the Executive Management team has been awarded performance shares. Vesting will commence from 2022.

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.

NKT A/S Shareholders at end 2021



NKT A/S share price development 2021

Investor relations

NKT A/S seeks to maintain close dialogue with the market and its stakeholders by practising open, transparent 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
- 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

At the release of interim and annual reports an investor presentation is conducted at 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 some 200-300 yearly gatherings and roadshows in Denmark and internationally, while private investors have an opportunity to meet the Board of Directors and the business management at the company's AGM.

The Investor section on the NKT A/S website contains 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**

Ownership of NKT A/S shares (at end-2021)

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	20,017

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 2022

24 Mar.	Annual General Meeting
18 May	Interim Report, Q1 2022
17 Aug.	Interim Report, Q2 2022
16 Nov.	Interim Report, Q3 2022

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 teams.

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 and three members are elected by the employees for a four-year term. Six members were re-elected at the AGM in March 2021. The employee-elected members were elected in 2018 at an ordinary election of employee representatives. An ordinary election will be held before the 2022 Annual General Meeting.

Thomas Torp Hansen, an employe elected member, resigned from his employment at NKT Photonics with effect from 1 July 2021 and consequently stepped down from the Board of Directors. Pia Kaaber Bossen, Sales Manager Service at NKT, replaced him as a new employee-elected member of the Board of Directors.

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, one in Finland, one in Germany and one in Luxembourg. Two AGM-elected Board members have served for more than 12 years and are thereby not considered independent as defined by the Danish Corporate Governance recommendations. A minimum of six ordinary Board meetings is held annually.

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

Governance structure

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

See pages 77–79 for particulars of the Board of Directors. See pages 47 and 68 respectively for the business leadership teams.

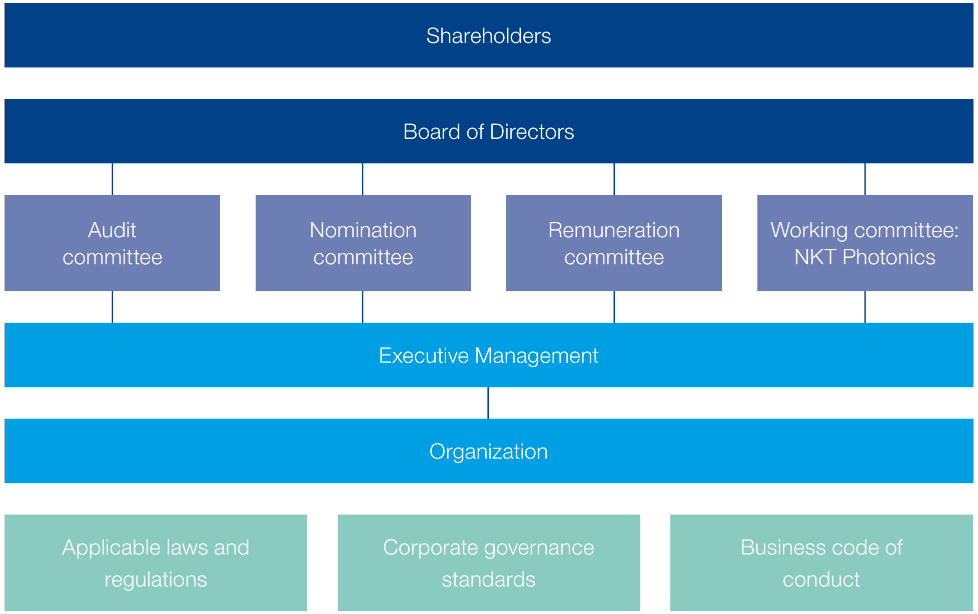
Committees

The Board of Directors has appointed a chairmanship and three committees: Audit, Remuneration and Nomination. The committees are appointed for one year at a time and receive special remuneration approved by the AGM.

Furthermore, there is a working committee specifically for NKT Photonics.

The Chairmanship or the full Board of Directors also act as final approvers in the evaluation of the largest high-voltage projects in NKT's Solutions business line together with the Executive Management.

Corporate governance framework



Meetings in 2021	Board of Directors (11 meetings)	Audit Committee (9 meetings)	Remuneration Committee (5 meetings)	Nomination Committee (4 meetings)
Jens Due Olsen	11/11 (chair)			
René Svendsen-Tune	11/11			
Karla Lindahl	10/11	8/9		
Jens Maaløe	10/11		4/5	4/4
Andreas Nauen	9/11			4/4 (chair)
Jutta af Rosenborg	11/11	9/9 (chair)	5/5 (chair)	
Pia Kaaber Bossen	7/7			
Stig Nissen Knudsen	11/11			
René Dogan	11/11			

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 supply to the company of non-audit services
- 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 cyber security 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 audit. In entities covered by EuroSox all key controls as well as general IT controls are tested at least once every three years.

The Audit Committee also once a year 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 2021, the Audit Committee focused particularly on the company's continued strengthening and extension of its internal controls and compliance framework, including the ongoing automation of key process controls.

Furthermore, the Audit Committee reviewed the company's policies and procedures related to information security, treasury and tax.

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 Chairman 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**

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 maintains management's motivation 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**

Board of Directors remuneration
At the AGM in 2022 the company will propose that the Board of Directors' remuneration be increased from the 2021 level to an amount which is 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 AGM-elected members of the Board of Directors will not participate in any of the company's incentive plans.

Remuneration of 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 page 94–95 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 self-assessment within the Board of Directors.

Self-assessments
The purpose of the annual self-assessment is to evaluate the effectiveness of the Board of Directors as well as to define competencies required within the Board of Directors, considering the contribution of the individual members, and to identify future areas of focus. The self-assessment for the current election period was performed during the winter of 2021/22.

The Board of Directors also performs an annual assessment of the Executive Management covering two main areas: the interaction between the two parties, and the competencies and performance of the Executive Management. The assessment takes the form of a general discussion by the Board of Directors, after which the assessment findings are communicated by the Chairman of the Board of Directors to the Executive Management.

Target figure for the underrepresented gender
The Board of Directors wishes to ensure that both genders are represented on the Board of Directors. The target is to have at least two out of six members representing the underrepresented gender among 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 for 2021. The focus on diversity and equal opportunities for both genders is described in the annual UN Global Compact Communication on Progress (COP) report. The report is available at

www.nkt.com/sustainability-report-2021.

Terms of reference for the Nomination Committee at **investors.nkt.com**

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

In 2021, NKT established a formal data ethics policy defining our overall approach and the principles applied to the handling of data, including collecting, using, accessing and sharing data, as well as technical and organizational measures implemented to protect and safeguard data. Our data ethics values provide the foundation for ethical decision-making when adopting or developing new data-driven technologies.
Efforts and activities relating to continued implementation of the NKT data ethics policy will remain a focus point in 2022.

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.

* The NKT data ethics policy has been prepared in accordance with section §99(d) of the Danish Financial Statements Act.

Board of Directors

			
	Jens Due Olsen Chairman Born 1963, Denmark First elected in 2006 Not considered independent due to tenure MSc. Econ,1990	**René Svendsen-Tune** Deputy Chairman Born 1955, Denmark First elected in 2016 Considered independent BSc. Eng. (hon.)	**Karla Lindahl** Born 1981, Finland First elected in 2020 Considered independent MA in EC Competition Law 2009 Master of Laws (LL.M) 2005
NKT Committees:	▪ NKT Photonics	▪ NKT Photonics	▪ Audit
Board of Directors annual remuneration:	DKK 900,000	DKK 600,000	DKK 300,000
NKT shares at 31 December 2021:	48,941	5,333	0
Other positions and directorships:	▪ Advantage Investment Partners A/S, Chairman ▪ BørneBasketFonden (non-profit foundation), Chairman ▪ KMD A/S, Deputy Chairman ▪ Nilfisk Holding A/S, Chairman ▪ NIL Technology A/S, Chairman	Chief Executive Officer, GN Store Nord A/S and GN Audio A/S ▪ Nilfisk Holding A/S, Deputy Chairman ▪ Stokke AS, Chairman	Managing Director, KONE Finland and Baltics
Special qualifications:	▪ Industrial management ▪ Management of listed companies ▪ Economic and financial matters ▪ Risk management	▪ 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 ▪ Specialist expertise in strategy development and execution as well as competition and corporate law

Board of Directors

Jens Maaløe

Born 1955, Denmark
First elected in 2004
Not considered independent due to tenure

MSc. E.Eng. 1979, PhD. 1983

Andreas Nauen

Born 1964, Germany
First elected in 2017
Considered independent

BSc. Mechanical Eng. 1991

Jutta af Rosenborg

Born 1958, Denmark
First elected in 2015
Considered independent

State-Authorized Public Accountant, 1992
MSc. Business Economics and Auditing, 1987

	Jens Maaløe	Andreas Nauen	Jutta af Rosenborg
NKT Committees:	▪ Remuneration ▪ Nomination ▪ NKT Photonics, Chairman	▪ Nomination, Chairman	▪ Audit, Chairman ▪ Remuneration, Chairman
Board of Directors annual remuneration:	DKK 300,000	DKK 300,000	DKK 300,000
NKT shares at 31 December 2021:	515	0	0
Other positions and directorships:	▪ Poul Due Jensens Fond, Chairman ▪ Grundfos Holding A/S, Chairman of Technology Committee ▪ Danish Technology Institute, Chairman ▪ GomSpace Group AB, Chairman ▪ Niras A/S, Chairman ▪ OMT A/S (Odense Maritime Technology)	Chief Executive Officer, Siemens Gamesa Renewables	▪ Nilfisk Holding A/S, Chairman of Audit and Remuneration Committee ▪ Standard Life Aberdeen, Remuneration and Audit Committee ▪ JPMorgan European Investment Trust plc, Chairman of the Audit Committee ▪ BBGI Global Infrastructure S.A.,Chairman of the Audit Committee
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 ▪ Special expertise in technology, large infrastructure projects, renewable energy and wind power	▪ International management ▪ Management of listed companies ▪ Transformation and Optimization of business ▪ Risk management ▪ Finance and controlling

Board of Directors

			
	Pia Kaaber Bossen Born 1980, Denmark Elected by the employees, 2018 Not considered independent due to employment with NKT Sales Manager, NKT	**René Dogan** Born 1982, Denmark Elected by the employees, 2018 Not considered independent due to employment with NKT Senior Sales Manager NKT (Denmark) A/S	**Stig Nissen Knudsen** Born 1969, Denmark Elected by the employees, 2018 Not considered independent due to employment with NKT MSc. E.Eng. 1996, PhD. 2002 Senior Production Engineer NKT Photonics A/S
NKT Committees:			
Board of Directors annual remuneration:	300,000	300,000	300,000
NKT shares at 31 December 2021:	0	0	100
Other positions and directorships:			
Special qualifications:			

Executive Management

		
	Alexander Kara President & Chief Executive Officer	**Line Fandrup** Chief Financial Officer, Executive Vice President
Born	Born 1961, Germany	Born 1979, Denmark
Joined	Joined NKT in 2019 MSc. Electrical Technology 1986 IMD Development Program XII 2011	Joined NKT in 2020 MSc. Business Administration and Math 2004 INSEAD Transition to General Management 2015
NKT positions:	Chief Executive Officer and Member of Executive Management 2019	Chief Financial Officer and Member of Executive Management 2020
Directorships:	-	-
NKT shares at 31 December 2021:	20,017	0

Consolidated financial statements

Income statement

1 January – 31 December

Amounts in EURm	Note	2021	2020
Revenue	2.1/2.2	1,906.7	1,470.2
Other operating income		32.7	12.0
Work performed by the Group and capitalized		40.7	33.1
Costs of raw materials, consumables and goods for resale		-1,269.3	-961.4
Staff costs	2.2/2.3	-355.0	-299.6
Other costs	2.4/6.1/7.1	-229.9	-204.9
Earnings before interest, tax, depreciation and amortization (EBITDA)		**125.9**	**49.4**
Depreciation of property, plant and equipment	3.2	-74.9	-70.5
Amortization of intangible assets	3.1	-34.2	-26.8
Earnings before interest and tax (EBIT)		**16.8**	**-47.9**
Financial income	5.5	63.1	51.6
Financial expenses	5.5	-75.5	-68.3
Earnings before tax (EBT)		**4.4**	**-64.6**
Tax	2.5	-0.3	-9.9
Net result		**4.1**	**-74.5**
To be distributed as follows:			
Equity holders of NKT A/S		-4.0	-82.6
Hybrid capital holders of NKT A/S		8.1	8.1
Net result		**4.1**	**-74.5**
Basic earnings, EUR, per share (EPS)	5.2	-0.1	-2.7
Diluted earnings, EUR, per share (EPS-D)	5.2	-0.1	-2.7

The Board of Directors proposes a dividend for the year of DKK 0.0 per share (DKK 0.0 per share in 2020) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January – 31 December

Amounts in EURm	2021	2020
Net result	**4.1**	**-74.5**
Other comprehensive income		
Items that may be reclassified to income statement:		
Foreign exchange adjustment, foreign companies	-9.5	25.0
Cash flow hedges:		
Value adjustment for the year	226.1	103.6
Transferred to revenue	-8.9	0.0
Transferred to costs of raw materials, consumables and goods for resale	-67.2	-6.4
Transferred to financial income	-1.1	-0.2
Transferred to financial expenses	0.0	0.1
Cost of hedging:		
Value adjustment for the year for transaction-related hedges	-24.9	0.0
Cumulative (gain)/loss from changes in the fair value of transaction-related hedged items reclassified to profit or loss	3.3	0.0
Tax on comprehensive income	-33.4	-25.2
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	2.3	-1.4
Tax on actuarial gains/losses	-0.7	0.5
Total other comprehensive income	**86.0**	**96.0**
Comprehensive income for the year	**90.1**	**21.5**
To be distributed as follows:		
Equity holders of NKT A/S	82.0	13.4
Hybrid capital holders of NKT A/S	8.1	8.1
Comprehensive income for the year	**90.1**	**21.5**

Balance sheet

31 December

Amounts in EURm	Note	2021	2020
Assets			
Goodwill		404.4	410.8
Trademarks, patents and licences etc.		54.4	63.5
IT software		42.2	29.8
Development projects completed		31.7	43.6
Development projects in progress		85.6	57.5
Other intangible assets under construction		3.4	21.7
Total intangible assets	3.1/3.3	**621.7**	**626.9**
Land and buildings		288.4	291.8
Manufacturing plant and machinery		257.5	261.9
Fixtures, fittings, tools and equipment		45.6	48.3
Property, plant and equipment under construction		191.4	55.6
Total property, plant and equipment	3.2/3.3	**782.9**	**657.6**
Other investments and receivables		0.8	1.0
Deferred tax	2.5	24.9	23.1
Total other non-current assets		**25.7**	**24.1**
Total non-current assets		**1,430.3**	**1,308.6**
Inventories	4.2	287.4	243.6
Receivables	4.3	528.9	333.2
Contract assets	4.4	97.3	21.3
Income tax receivable		8.8	4.6
Interest-bearing receivables		0.2	0.1
Cash at bank and in hand		200.5	239.2
Total current assets		**1,123.1**	**842.0**
Total assets		**2,553.4**	**2,150.6**

31 December

Amounts in EURm	Note	2021	2020
Equity and liabilities			
Share capital	5.1	115.4	115.4
Reserves		147.5	63.1
Retained comprehensive income		744.6	745.5
Equity attributable to equity holders of NKT A/S		**1,007.5**	**924.0**
Hybrid capital	5.3	152.4	152.4
Total equity		**1,159.9**	**1,076.4**
Deferred tax	2.5	71.8	40.9
Provisions and pension liabilities	3.4	62.5	67.1
Interest-bearing loans and borrowings	5.4	196.4	200.6
Total non-current liabilities		**330.7**	**308.6**
Interest-bearing loans and borrowings	5.4	17.5	12.8
Trade payables		341.8	273.2
Other liabilities	5.4	170.4	168.0
Contract liabilities	4.4	459.3	296.5
Income tax payable		10.5	2.1
Provisions	3.4	63.3	13.0
Total current liabilities		**1,062.8**	**765.6**
Total liabilities		**1,393.5**	**1,074.2**
Total equity and liabilities		**2,553.4**	**2,150.6**

Cash flow statement

1 January – 31 December

Amounts in EURm	Note	2021	2020
Earnings before interest, tax, depreciation and amortisation (EBITDA)		125.9	49.4
Non-cash operating items:			
Change in provisions, gain and loss on sale of assets, etc.		47.9	-11.7
Changes in working capital	4.1	46.6	114.5
Cash flow from operations before financial items, etc.		**220.4**	**152.2**
Financial income received		43.2	40.0
Financial expenses paid		-55.4	-57.0
Income tax paid		-4.5	-3.7
Income tax received		4.1	4.8
Cash flow from operating activities		**207.8**	**136.3**
Divestment of businesses	6.1	2.1	0.0
Investments in property, plant and equipment		-191.3	-65.5
Disposal of property, plant and equipment		0.2	0.4
Intangible assets and other investments, net		-36.5	-42.3
Cash flow from investing activities		**-225.5**	**-107.4**
Free cash flow		**-17.7**	**28.9**

Amounts in EURm	Note	2021	2020
Repayment of loans		-5.6	-41.3
Repayment of lease liabilities		-7.3	-5.8
Coupon payments on hybrid capital		-8.1	-8.1
Capital increase		0.0	258.6
Cash from exercise of warrants		0.0	0.3
Cash flow from financing activities		**-21.0**	**203.7**
Net cash flow for the year		**-38.7**	**232.6**
Cash at bank and in hand, 1 January		239.2	6.9
Currency adjustments		0.0	-0.3
Net cash flow for the year		-38.7	232.6
Cash at bank and in hand, 31 December		**200.5**	**239.2**

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	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**	**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**

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Foreign exchange reserve	Cash flow hedge reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Hybrid Capital	Total equity
Equity, 1 January 2020	**73.2**	**-34.1**	**0.0**	**0.3**	**612.0**	**0.0**	**651.4**	**152.4**	**803.8**
Other comprehensive income:									
Foreign exchange translation adjustments		25.0					25.0		25.0
Value adjustment of hedging instruments:									
Value adjustment for the year			103.6				103.6		103.6
Transferred to consumption of raw materials			-6.4				-6.4		-6.4
Transferred to financial income			-0.2				-0.2		-0.2
Transferred to financial expenses			0.1				0.1		0.1
Actuarial gains/losses on defined benefit pension plans					-1.4		-1.4		-1.4
Tax on other comprehensive income			-25.2		0.5		-24.7		-24.7
Total other comprehensive income	**0.0**	**25.0**	**71.9**	**0.0**	**-0.9**	**0.0**	**96.0**	**0.0**	**96.0**
Net result					-82.6		-82.6	8.1	-74.5
Comprehensive income for the year	**0.0**	**25.0**	**71.9**	**0.0**	**-83.5**	**0.0**	**13.4**	**8.1**	**21.5**
Transactions with owners :									
Capital increase [1]	42.1				216.5		258.6		258.6
Coupon payments, hybrid capital							0.0	-8.1	-8.1
Exercise of warrants	0.1				0.2		0.3	0.0	0.3
Share based payment					0.3		0.3	0.0	0.3
Total transactions with owners in 2020	**42.2**	**0.0**	**0.0**	**0.0**	**217.0**	**0.0**	**259.2**	**-8.1**	**251.1**
Equity, 31 December 2020	**115.4**	**-9.1**	**71.9**	**0.3**	**745.5**	**0.0**	**924.0**	**152.4**	**1,076.4**

[1] In 2020 the capital was increased twice, in May and December respectively, for a total net proceed of EUR 258,6 million after deducting directly attributable costs related to raising the capital. The cost directly related to the capital increases was EUR 9 million. For more information see section 5.1.

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 2021 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.

The Annual Report has been approved by the Board of Directors and Executive Management on 23 February 2022, an will be presented for approval by the shareholders at the Annual General Meeting on 24 March 2022.

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 are not 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 2022 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 reports 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-2021-12-31-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 2021.

On 1 January 2021, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform, Phase 2 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 2021. 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 recognition method for projects (PoC)	Judgement	*****
4.4	Contract assets and liabilities	Valuation of construction contracts	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 stars 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 Group
Operational EBITDA

138.6m

(59.3m in 2020)

NKT
Operational EBITDA

131.1m

(56.7m in 2020)

NKT Photonics
Operational EBITDA

7.5m

(2.6m in 2020)

2.1 Segment information and revenue

Amounts in EURm	Solutions	Appli-cations	Service & Acces-sories	Non allocated	Inter-segment transact.	Total NKT	NKT Photonics	Inter-segment transact.	NKT Group
2021									
Income statement									
Goods[1]	37.4	900.0	118.8	0.0	-21.2	1,035.0	72.5	-0.8	1,106.7
Service, etc.[1]	15.2	0.0	6.7	0.0	-2.9	19.0	1.4	-0.5	19.9
Construction contracts[2]	702.6	0.0	80.5	0.0	-9.2	773.9	6.2	0.0	780.1
Revenue (market prices)	**755.2**	**900.0**	**206.0**	**0.0**	**-33.3**	**1,827.9**	**80.1**	**-1.3**	**1,906.7**
Adjustment of market prices to std. metal prices	-115.1	-449.8	-0.2	0.0	0.3	-564.8	0.0	0.0	-564.8
Revenue (std. metal prices)	**640.1**	**450.2**	**205.8**	**0.0**	**-33.0**	**1,263.1**	**80.1**	**-1.3**	**1,341.9**
Costs and other income, net (excl. one-off items)	-672.1	-871.5	-173.2	-13.3	33.3	-1,696.8	-72.6	1.3	-1,768.1
Operational EBITDA	**83.1**	**28.5**	**32.8**	**-13.3**	**0.0**	**131.1**	**7.5**	**0.0**	**138.6**
Depreciation, amortization and impairment	-69.1	-15.4	-4.4	-5.6	0.0	-94.5	-14.6	0.0	-109.1
Operational EBIT	**14.0**	**13.1**	**28.4**	**-18.9**	**0.0**	**36.6**	**-7.1**	**0.0**	**29.5**
Working capital	**-152.8**	**64.3**	**22.6**	**-27.3**	**0.0**	**-93.2**	**33.6**	**0.0**	**-59.6**
2020									
Income statement									
Goods[1]	35.4	653.6	88.2	0.0	-29.8	747.4	63.6	-2.2	808.8
Service, etc.[1]	17.1	0.0	19.6	0.0	-4.6	32.1	0.5	0.0	32.6
Construction contracts[2]	600.1	0.0	33.6	0.0	-10.7	623.0	5.8	0.0	628.8
Revenue (market prices)	**652.6**	**653.6**	**141.4**	**0.0**	**-45.1**	**1,402.5**	**69.9**	**-2.2**	**1,470.2**
Adjustment of market prices to std. metal prices	-74.1	-259.9	-0.1	0.0	18.6	-315.5	0.0	0.0	-315.5
Revenue (std. metal prices)	**578.5**	**393.7**	**141.3**	**0.0**	**-26.5**	**1,087.0**	**69.9**	**-2.2**	**1,154.7**
Costs and other income, net (excl. one-off items)	-616.7	-639.1	-126.2	-8.9	45.1	-1,345.8	-67.3	2.2	-1,410.9
Operational EBITDA	**35.9**	**14.5**	**15.2**	**-8.9**	**0.0**	**56.7**	**2.6**	**0.0**	**59.3**
Depreciation, amortization and impairment	-64.2	-14.7	-4.7	-1.6	0.0	-85.2	-12.1	0.0	-97.3
Operational EBIT	**-28.3**	**-0.2**	**10.5**	**-10.5**	**0.0**	**-28.5**	**-9.5**	**0.0**	**-38.0**
Working capital	**-196.8**	**40.2**	**13.2**	**-21.1**	**0.0**	**-164.5**	**27.4**	**0.0**	**-137.1**

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	Total NKT	NKT Photonics	NKT Group
2021			
Reconciliation to net result			
Operational EBITDA	**131.1**	**7.5**	**138.6**
One-off items	-12.7	0.0	-12.7
EBITDA	**118.4**	**7.5**	**125.9**
Depreciation, amortization and impairment	-94.5	-14.6	-109.1
EBIT	**23.9**	**-7.1**	**16.8**
Financial items, net	-8.2	-4.2	-12.4
EBT	**15.7**	**-11.3**	**4.4**
Tax	-3.8	3.5	-0.3
Net result	**11.9**	**-7.8**	**4.1**
2020			
Reconciliation to net result			
Operational EBITDA	**56.7**	**2.6**	**59.3**
One-off items	-9.9	0.0	-9.9
EBITDA	**46.8**	**2.6**	**49.4**
Depreciation, amortization and impairment	-85.2	-12.1	-97.3
EBIT	**-38.4**	**-9.5**	**-47.9**
Financial items, net	-11.5	-5.2	-16.7
EBT	**-49.9**	**-14.7**	**-64.6**
Tax	-13.6	3.7	-9.9
Net result	**-63.5**	**-11.0**	**-74.5**

Geographical information, revenue

Amounts in EURm	2021	2020
Germany	640.6	451.1
UK	309.1	264.0
Poland	214.3	126.9
Sweden	150.6	126.5
Denmark	126.4	78.9
Norway	108.9	109.7
Czech Republic	69.8	56.8
Other	287.0	256.3
Total	**1,906.7**	**1,470.2**

Geographical information, property, plant and equipment and intangible assets

Amounts in EURm	2021	2020
Sweden	833.8	761.3
Germany	309.9	272.5
Norway	90.5	91.5
Denmark	46.3	46.1
Other	124.1	113.1
Total	**1,404.6**	**1,284.5**

§ 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, Service & Accessories and NKT Photonics. 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 and no single customer accounts for more than 10% of the revenue.

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

! 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

Balance sheet	2021 Total NKT	2021 NKT Photonics	2021 Inter-segment transact.	2021 NKT Group	2020 Total NKT	2020 NKT Photonics	2020 Inter-segment transact.	2020 NKT Group
Assets								
Non-current assets								
Goodwill	379.1	25.3	-	404.4	385.5	25.3	-	410.8
Other intangible assets	174.9	42.4	-	217.3	173.5	42.6	-	216.1
Property, plant and equipment	760.8	22.1	-	782.9	638.0	19.6	-	657.6
Other investments and receivables	0.8	0.0	-	0.8	0.9	0.1	-	1.0
Deferred tax	23.8	1.1	-	24.9	22.5	0.6	-	23.1
Current assets								
Inventories	265.2	22.2	-	287.4	225.1	18.5	-	243.6
Receivables (incl. tax receivables)	509.2	29.0	-0.5	537.7	313.0	25.6	-0.8	337.8
Contract assets	96.0	1.3	-	97.3	20.6	0.7	-	21.3
Interest-bearing receivables	129.3	6.2	-135.3	0.2	108.7	3.7	-112.3	0.1
Cash at bank and in hand	198.7	1.8	-	200.5	237.8	1.4	-	239.2
Segment assets	**2,537.8**	**151.4**	**-135.8**	**2,553.4**	**2,125.6**	**138.1**	**-113.1**	**2,150.6**
Equity and liabilities								
Equity	1,171.0	-11.1	-	1,159.9	1,080.1	-3.7	-	1,076.4
Non-current liabilities								
Deferred tax	69.1	2.7	-	71.8	37.8	3.1	-	40.9
Provisions and pension liabilities	62.3	0.2	-	62.5	66.2	0.9	-	67.1
Interest-bearing loans and borrowings	192.5	128.1	-124.2	196.4	191.6	112.1	-103.1	200.6
Current liabilities								
Interest-bearing loans and borrowings	17.1	11.5	-11.1	17.5	14.6	7.4	-9.2	12.8
Trade payables and other liabilities	495.4	17.3	-0.5	512.2	426.9	15.1	-0.8	441.2
Contract liabilities	458.4	0.9	-	459.3	294.5	2.0	-	296.5
Income tax payables	9.8	0.7	-	10.5	1.8	0.3	-	2.1
Provisions	62.2	1.1	-	63.3	12.1	0.9	-	13.0
Segment equity and liabilities	**2,537.8**	**151.4**	**-135.8**	**2,553.4**	**2,125.6**	**138.1**	**-113.1**	**2,150.6**

§ Accounting policy

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.

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.

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.

Payment terms for small cable projects usually follow the payments described above under cable projects.

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 4.3 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	2021	2020
Wages and salaries	284.3	240.5
Social security costs	51.3	42.8
Defined contribution plans	16.8	15.0
Defined benefit plans	1.1	1.0
Share-based payments, NKT A/S (parent company)	1.5	0.3
Total	**355.0**	**299.6**
Of which:		
NKT	311.5	260.3
NKT Photonics	43.5	39.3
Total	**355.0**	**299.6**
Average number of full-time employees		
NKT	3,775	3,390
NKT Photonics	401	410
Total	**4,176**	**3,800**

In 2021, staff costs in NKT Group increased by 18%, and the average number of full time employees increased by 10%. In NKT, the average numbers of FTEs increased by 11% and staff cost by 20%, mainly driven by the increase in activity and new production capacity within Applications and Solutions as well as bonus accruals relating to the performance in 2021. In NKT Photonics average number of FTEs decreased by 2% while staff costs increased by 11%. Staff costs was mainly impacted by increased bonus accruals due to the better performance compared to 2020 as well as severance payments in the year.

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 2.3m (EUR -1.4m in 2020), see note 3.4 for more information.

Amounts in EURt	2021	2020
Remuneration to Executive Management		
Salary	1,300	1,209
Bonus	1,199	1,081
Pension	61	59
Long-term incentive	478	63
Other benefits	114	120
Total	**3,152**	**2,532**

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 2021 compared to 2020, mainly due to slightly higher salaries, higher bonus accruals and bonuses paid regarding previous years as well as the Long-term bonus program, as the internal targets was met for the 2019 program contrary to expectations in 2020 (see note 2.3 Share-based payments). 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 EURt	2021	2020
Remuneration to Board members		
Base remuneration	480	482
Audit committee	42	46
Nomination committee	20	17
Remuneration committee	20	20
NKT Photonics committee	28	20
Total	**590**	**585**

§ 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 2021, a new performance share program was awarded to 19 participants (17 in 2020) 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 2.0m (EUR 1.1m in 2020).

For the 2019 program, the TSR target was met and the EBITDA target partially met and 58.944 shares will vest in February 2022.

Costs relating to share-based payments in 2021 was EUR 1.5m (EUR 0.3m in 2020), the increased costs was mainly driven by an increased number of participants in the new programs, but also because the EBITDA target for the 2019 program was partly reached in 2021. In 2020, costs recorded related to the EBITDA target of the 2019 program was reversed, as EBITDA was not expected to be reached. As it became clear targets would be partly reached in 2021, the full cost relating to the full service period was recognized in 2021.

Remaining value to be expensed relating to current programs is EUR 2.3m (EUR 1.0m in 2020). The weighted average remaining contractual life of performance shares at the end of the period was 1.2 years (1.6 years in 2020).

Assumptions

The value of each 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 2020	61,963	90,919	152,882
Shares granted during the year	28,731	55,599	84,330
Shares lapsed during the year	-48,259*	-27,418	-75,677
31 December 2020	**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**

* The number of shares lapsed during the year 2020 has been corrected by 6.136 shares.

§ 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

	2021			2020		
Amounts in EURm	NKT	NKT Photonics	NKT Group	NKT	NKT Photonics	NKT Group
Research and development costs - staff costs	5.5	9.3	14.8	5.4	9.8	15.2
Research and development costs - other costs	27.3	6.0	33.3	20.4	6.8	27.2
Total research and development costs	32.8	15.3	48.1	25.8	16.6	42.4
Recognized as follows:						
Expensed in the income statement	7.1	7.5	14.6	7.0	6.4	13.4
Capitalized in the balance sheet	25.7	7.8	33.5	18.8	10.2	29.0
Total research and development costs	32.8	15.3	48.1	25.8	16.6	42.4

§ Accounting policy

Research cost are expensed in the income statement as they occur. Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential future market can be demonstrated, and where it is intended to manufacture, market or utilize the project, are recognized as intangible assets provided the cost can be reliably determined, and provided there is also adequate 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 earnings before tax (EBT) of EUR 4.4m (EUR -64.6m in 2020), which resulted in a reported tax rate of 6.8% (-15.3% in 2020).

The reported tax rate of 6.8% was primarily impacted by changes to recognition of deferred tax assets in Denmark, Germany and Sweden relating to tax losses in Denmark and Germany and interest carried forward in Sweden. Further, Foreign tax rates relative to Danish tax rate is primarily driven by business activities in Sweden and Poland.

In 2021, NKT Group paid a net amount of EUR 0.4m in corporate income tax compared to receiving a net amount of EUR 1.1m in 2020.

See 'Statement of changes in equity' for details of tax related to the individual items in 'Other comprehensive income'.

Earnings realized in NKT Group's Danish companies resulted in payable corporate tax of EUR 0.3m in 2021 (EUR 0.0m in 2020), as the Danish Group realized positive taxable income.

Amounts in EUR	2021	2020
Tax recognized in the income statement		
Current tax	4.9	1.1
Current tax, adj. prior years	-0.7	-1.5
Deferred tax	-4.7	13.8
Deferred tax, adj. prior years	0.8	-3.5
	0.3	**9.9**
Tax rate for the year	6.8%	-15.3%
Reconciliation of tax:		
Calculated 22.0% tax on earnings before tax	1.0	-14.2
Tax effect of:		
Foreing tax rates relative to Danish tax rate	-2.9	-4.6
Non-taxable income/ non-deductible expenses, net	1.2	2.0
Adjustment for previous years	0.1	-5.0
Value adjustment of tax assets	0.9	31.7
	0.3	**9.9**

Amounts in EURm	2021	2020
Deferred tax, 1 January, net	-17.8	18.0
Foreign exchange adjustment	0.6	-0.8
Tax recognized in other comprehensive income	-34.1	-24.7
Deferred tax recognized in income statement	3.9	-10.3
Transferred to payable tax	0.5	0.0
Deferred tax, 31 December, net	**-46.9**	**-17.8**
Recognized deferred tax:		
Deferred tax assets, 31 December	24.9	23.1
Deferred tax liabilities, 31 December	-71.8	-40.9
Deferred tax, 31 December, net	**-46.9**	**-17.8**
Specification on deferred tax assets and liabilities:		
Intangible assets	-22.0	-18.1
Tangible assets	-16.3	-17.9
Other non-current assets	1.7	1.6
Current assets	-81.1	-44.3
Non-current liabilities	8.0	4.0
Current liabilities	4.1	5.4
Tax losses	130.6	126.2
Valuation allowance, unrecognized tax assets	-81.7	-77.2
Other	9.8	2.5
Deferred tax, 31 December, net	**-46.9**	**-17.8**

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 turnaround of the high-voltage business. The tax losses carried forward from the German Tax unit increased from EUR 268.5m in 2020 to EUR 311.8m in 2021. The total deferred tax value amounts to EUR 99.8m. NKT Group has recognized a tax asset hereof of EUR 29.9m at year-end (EUR 17.5m in 2020).

The tax losses carried forward at end-2021 in the Danish tax unit was EUR 58.1m which led to a deferred tax asset of EUR 12.2m. NKT Group has recognized a tax asset hereof of EUR 4.3m (EUR 5.3m in 2020) at year-end, assuming continued joint taxation with NKT Photonics.

The tax losses carried forward at end-2021 in the Swedish tax unit sums up to EUR 54.3m which led to a deferred tax asset of EUR 11.2m (EUR 26.7m in 2020), which was fully offset against a deferred tax liability. Further, a deferred tax asset of EUR 12.0m relating to interest carried forward has recognized (EUR 0.0m in 2020) and reported in Other (Specification on deferred tax assets and liabilities).

Tax losses in Denmark, Germany and Sweden has no expiry date.

NKT Group's total net deferred tax liability amounted to EUR 47.4m (EUR 17.8m in 2020) at end-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.

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.

NKT Group
Investment ratio*

13%

(8% in 2020)

NKT
Investment ratio*

12%

(7% in 2020)

NKT Photonics
Investment ratio*

20%

(26% in 2020)

* Investment ratio is calculated as additions in % of revenue

3.1 Intangible assets

Breakdown of additions of intangible assets for the business units:
In NKT, the addition of EUR 29.0m (EUR 30m in 2020) was mainly driven by development projects mainly within Solutions.
In NKT Photonics, the addition of EUR 7.8m (EUR 12.3m in 2020) was driven by development activities.

Amounts in EURm	Goodwill	Trademarks, patents and licences etc.	IT software	Development projects completed	Development projects in progress	Other, under construction	Total Intangible assets
Cost, 1 January 2020	398.7	107.4	60.7	79.6	39.2	17.7	703.3
Additions	0.0	0.1	1.5	1.0	28.0	11.7	42.3
Disposals	0.0	-9.2	-5.2	-14.2	0.0	0.0	-28.6
Transferred between classes of assets	0.0	0.8	4.7	12.7	-10.6	-7.6	0.0
Exchange rate adjustments	13.4	2.5	0.3	1.2	0.9	-0.1	18.2
Costs, 31 December 2020	**412.1**	**101.6**	**62.0**	**80.3**	**57.5**	**21.7**	**735.2**
Amortization and impairment, 1 January 2020	-1.3	-37.8	-30.8	-39.4	0.0	0.0	-109.3
Amortization for the year	0.0	-8.2	-6.9	-11.7	0.0	0.0	-26.8
Disposals	0.0	9.2	5.2	14.2	0.0	0.0	28.6
Transferred between classes of assets	0.0	-0.7	0.2	0.5	0.0	0.0	0.0
Exchange rate adjustments	0.0	-0.6	0.1	-0.3	0.0	0.0	-0.8
Amortization and impairment, 31 December 2020	**-1.3**	**-38.1**	**-32.2**	**-36.7**	**0.0**	**0.0**	**-108.3**
Carrying amount, 31 December 2020	**410.8**	**63.5**	**29.8**	**43.6**	**57.5**	**21.7**	**626.9**
Cost, 1 January 2021	412.1	101.6	62.0	80.3	57.5	21.7	735.2
Additions	0.0	0.0	0.1	0.1	33.4	3.2	36.8
Disposals	-1.3	0.0	-1.4	-1.6	0.0	0.0	-4.3
Transferred between classes of assets	0.0	0.0	21.5	5.2	-5.2	-21.5	0.0
Exchange rate adjustments	-6.4	-1.2	0.0	-0.5	-0.1	0.0	-8.2
Costs, 31 December 2021	**404.4**	**100.4**	**82.2**	**83.5**	**85.6**	**3.4**	**759.5**
Amortization and impairment, 1 January 2021	-1.3	-38.1	-32.2	-36.7	0.0	0.0	-108.3
Amortization for the year	0.0	-8.2	-9.1	-16.9	0.0	0.0	-34.2
Disposals	1.3	0.0	1.4	1.6	0.0	0.0	4.3
Exchange rate adjustments	0.0	0.3	-0.1	0.2	0.0	0.0	0.4
Amortization and impairment, 31 December 2021	**0.0**	**-46.0**	**-40.0**	**-51.8**	**0.0**	**0.0**	**-137.8**
Carrying amount, 31 December 2021	**404.4**	**54.4**	**42.2**	**31.7**	**85.6**	**3.4**	**621.7**

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 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	Manufacturing plant and machinery	Fixtures, fittings, tools and equipment	Total
Carrying amount, 1 January 2020	37.2	0.0	0.0	37.2
Addition for the year	4.9	8.5	0.8	14.2
Depreciation of right-of-use assets	-6.2	-0.3	-0.1	-6.6
Exchange rate adjustments	0.5	0.0	0.0	0.5
The carrying amount of right-of-use assets, 31 December 2020	**36.4**	**8.2**	**0.7**	**45.3**
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**

Amounts recognized in the income statement:

Amounts in EURm	2021	2020
Costs relating to other immaterial leases including short term and low value leases, recognized in the income statement	7.2	8.4

Lease liabilities and interests relating to recognized lease contracts are included in Section 5.4 and 5.5 respectively. Future minium lease payments relating to leases not recognized in the balance sheet amount to EUR 13.4m (EUR 15.2m in 2020).

Accounting policy

Contracts relating to leased equipment are usually made for a fixed period, whereas lease contracts for buildings 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 and for production facilities 5 – 10 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

Additions of property, plant and equipment for the business units:
In NKT, the addition of EUR 194.8m (EUR 74.1m in 2020) was driven by the expansion in the production facilities within Solutions. In NKT Photonics, the addition of EUR 8.2m (EUR 5.6m in 2020) was mainly due to establishment of new production facilities in Denmark.

§ 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.

Amounts in EURm	Land and buildings	Manufacturing plant and machinery	Fixtures, fittings, tools and equipment	Property, plant and equipment under construction	Total property, plant and equipment
Cost, 1 January 2020	384.9	627.4	123.4	24.2	1,159.9
Additions	6.5	13.2	3.4	56.6	79.7
Disposals	-1.9	-20.5	-15.9	0.0	-38.3
Transferred between classes of assets	2.1	14.2	8.4	-24.7	0.0
Exchange rate adjustments	4.9	1.9	1.6	0.3	8.7
Cost, 31 December 2020	**396.5**	**636.2**	**120.9**	**56.4**	**1,210.0**
Depreciation and impairment, 1 January 2020	-90.4	-351.2	-76.2	-0.8	-518.6
Depreciation for the year	-15.7	-42.6	-12.2	0.0	-70.5
Transferred between classes of assets	-0.1	-0.7	0.8	0.0	0.0
Disposals	1.9	20.1	15.7	0.0	37.7
Exchange rate adjustments	-0.4	0.1	-0.7	0.0	-1.0
Depreciation and impairment, 31 December 2020	**-104.7**	**-374.3**	**-72.6**	**-0.8**	**-552.4**
Carrying amount, 31 December 2020	**291.8**	**261.9**	**48.3**	**55.6**	**657.6**
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**

Section 3 – Non-current assets and liabilities

3.3 Impairment test

Result of the annual impairment test

At 31 December 2021, the carrying amount of goodwill, other intangible assets and tangible assets were tested for impairment. The impairment test showed no impairment for 2021 (no impairment in 2020).

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	2021	2020
Cash-generating units		
Solutions	303	84
Service & Accessories	152	109
NKT Photonics	22	63

Cash-generating units

Cash-generating units identified in NKT Group are similar to the operating segments, being Solutions, Applications, Service & Accessories and NKT Photonics. 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	2021	2020
Solutions	323.3	329.1
Applications	6.5	6.2
Service & Accessories	49.3	50.2
NKT Photonics	25.3	25.3
Total	**404.4**	**410.8**

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 2022 and financial forecasts for 2023–2027, 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.

Investments reflect both maintenance and expectations of organic growth. Based on the high order intake in Solutions, investments are high in the first two budget years before being normalized. For the terminal period, the investments are expected to be slightly higher than the depreciations to support the growth expected.

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	
	2021	2020	2021	2020
Key assumptions[1]				
Average revenue growth rate	13.3%	13.7%	-	-
Average EBITDA margin	14.0%	11.4%	-	-
Growth rate	-	-	1.5%	1.5%
Average working capital ratio	-20.4%	-21.3%	-	-
Discount rate after tax	6.8%	8.0%	7.8%	8.8%
Discount rate before tax	9.1%	11.0%	10.4%	12.1%
Sensitivity				
Discount rate after tax			9.9%	9.6%
Growth rate			-3.1%	-1.1%
Change in EBITDA			-20.0%	-8.9%

In 2021, Solutions was awarded new High-Voltage cable projects maintaining the high backlog, ensuring a high level of activity during the budget period. The renewable power generation is an important driver in the attractive outlook for the high-voltage market and is expected to ensure a continuously high level of activity for many years to come. While NKT views Europe as its largest market and still expects this market to provide significant growth opportunities in the future, projects in the USA and Asia are also expected to contribute in the following years.

Assessing the future awards to NKT is 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 in the future. However, the large backlog provides higher certainty regarding the future revenue and earnings.

Service & Accessories	Budget period		Terminal period	
	2021	2020	2021	2020
Key assumptions[1]				
Average revenue growth rate	0.3%	4.2%	-	-
Average EBITDA margin	12.7%	13.6%	-	-
Growth rate	-	-	1.0%	1.0%
Average working capital ratio	11.3%	11.5%	-	-
Discount rate after tax	6.5%	7.5%	7.5%	8.3%
Discount rate before tax	8.8%	10.2%	10.1%	11.3%
Sensitivity				
Discount rate after tax			25.5%	20.4%
Growth rate			-50.0%	-26.3%
Change in EBITDA			-71.1%	-62.4%

For Service, the market is growing as the number of cables increase. 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, hence the interest in service agreements, leading to an expected growth in line with the megatrends of the power cable market. While the market is expected to increase, the timing of and the number of cable repairs vary, and it is still expected that results will fluctuate accordingly.

For Accessories, the market is equally expected to increase in the coming years and NKT expect to be able to reach even more markets over the coming years to accommodate increased production capacity, development of products increase the possibility to cater for the higher demand for components.

NKT Photonics	Budget period		Terminal period	
	2021	2020	2021	2020
Key assumptions[1]				
Average revenue growth rate	10.6%	11.2%	-	-
Average EBITDA margin	19.0%	19.0%	-	-
Growth rate		-	2.0%	3.0%
Average working capital ratio	13.5%	21.0%	-	-
Discount rate after tax	7.7%	8.5%	8.7%	9.0%
Discount rate before tax	10.1%	11.1%	11.4%	11.7%
Sensitivity				
Discount rate after tax			10.3%	11.7%
Growth rate			0.4%	-2.7%
Change in EBITDA			-9.0%	-25.5%

NKT Photonics operates in the laser industry within three segments: Medical & Life Science, Industrial and Aerospace & Defense. When assessing the prospects of their market, NKT Photonics is still expecting growth rates above the average growth for the general laser industry.

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.

[1] From 2020 NKT have applied two different discount rates for the budget and terminal period respectively

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 2021	3.5	0.3	19.4	56.9	80.1
Additions in the year	5.4	15.5	57.6	1.1	79.6
Used during the year	-0.4	-1.1	-1.6	-1.9	-5.0
Reversed during the year	-1.6	0.0	-24.6	0.0	-26.2
Exchange rate adjustment	0.0	0.0	-0.4	0.0	-0.4
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	-2.3	-2.3
Provisions, 31 December 2021	**6.9**	**14.7**	**50.4**	**53.8**	**125.8**
Provisions are recognized in the balance sheet as:					
Non-current liabilities	0.3	1.6	6.8	53.8	62.5
Current liabilities	6.6	13.1	43.6	0.0	63.3
	6.9	**14.7**	**50.4**	**53.8**	**125.8**

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 1.9m (EUR 1.8m in 2020). At the end of 2021, there were no plan assets to be offset in the present value of the liability.

Actuarial assumptions applied	2021	2020
Discount rate	1.1%	0.7%
Future salary increases	3.0%	3.0%
Future pension increases	2.0%	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	2021	2020
+0.5%-point in discount rate	-3.5	-4.0
-0.5%-point in discount rate	3.9	4.5

§ 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 Group
Working capital

-59.6m

(-137.1m in 2020)

NKT
Working capital

-93.2m

(-164.5m in 2020)

NKT Photonics
Working capital

33.6m

(27.4m in 2020)

4.1 Changes in working capital in cash flow

Amounts in EURm	2021	2020
Inventory	-40.7	-16.0
Trade receivables and other receivables	-69.3	-12.0
Contract assets and contract liabilities	57.0	125.3
Trade payables and other liabilities	99.6	17.2
Total	**46.6**	**114.5**

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

Amounts in EURm	2021	2020
Reconciliation to change in working capital in cash flow		
Working capital 1 January	-137.1	-118.1
Working capital 31 December	-59.6	-137.1
Change in working capital based on balance sheet	77.5	-19.0
Effect of unrealized hedges reported on Equity	-127.4	-97.2
Effect of changes in current tax	4.2	0.6
Effect of changes in exchange rates, etc.	-0.9	1.1
Change in working capital based on cash flow statement	**-46.6**	**-114.5**

4.2 Inventories

NKT Group carries inventory to support their operations. Continuous efforts are made to maintain inventory at a low level, while maintaining a high level of customer service through short lead times. The inventory for NKT increased slightly compared to last year driven by Applications.

Amounts in EURm	2021	2020
Raw materials, consumables and goods for resale	127.9	107.6
Work in progress	69.7	61.1
Finished goods	89.8	74.9
Inventories, 31 December	**287.4**	**243.6**
Write-down of inventories, 1 January	21.8	18.5
Write-down of inventories for the year	3.0	10.3
Disposals from sales	-1.6	-0.8
Scrapping	-6.2	-6.2
Write-down of inventories, 31 December	**17.0**	**21.8**

§ 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 costs, comprising direct cost 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	2021	2020
Trade receivables	212.6	161.2
Other receivables incl. derivatives	266.7	146.1
Prepayments	49.6	25.9
Receivables	**528.9**	**333.2**

In NKT Group, total receivables increased EUR 195.7m from EUR 333.2m in 2020 to EUR 528.9m in 2021. The increase was mainly driven by an increase of EUR 114.9m in the derivative financial instruments due to increased commodity prices.

Of the receivables, EUR 1.3m are expected to be received later than 12 months (EUR 1.3m in 2020).

Impairment on trade receivables amounted to 1% of trade receivables unchanged from 1% in 2020. For further information on credit risks, please see Section 5.6.

Development in provision for bad debt

Amounts in EURm	2021	2020
Trade receivables, gross	215.8	165.0
Provision for bad debt		
Provision for bad debt, 1 January	3.8	5.8
Additions during the year	1.4	2.1
Reversed during the year	-1.2	-3.9
Used during the year	-0.9	-0.2
Exchange rate adjustments	0.1	0.0
Provision for bad debt, 31 December	**3.2**	**3.8**
Trade receivables, net	**212.6**	**161.2**

In 2021, credit losses recognized in the income statement count for 0.1% of total revenue (0.1% of total revenue in 2020). 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	2021	2020
Construction contracts		
Contract value of work in progress	1,859.9	1,960.8
Progress billing	-2,156.9	-2,192.4
	-297.0	**-231.6**
Recognized as contract assets	97.3	21.3
Recognized as contract liabilities	-394.3	-252.9
	-297.0	**-231.6**
Construction contract	394.3	252.9
Prepayments for construction contracts	27.0	37.7
Other prepayments from customers	38.0	5.9
Total contract liabilities	**459.3**	**296.5**

Amounts in EURm	2021	2020
Contract assets, 1 January	**21.3**	**36.7**
Addition from revenue recognized	85.6	12.8
Transferred to receivables	-13.0	-28.5
Exchange rate adjustments	3.4	0.3
Contract assets, 31 December	**97.3**	**21.3**
Contract liabilities, 1 January	**296.5**	**186.3**
Decrease from revenue recognized	-179.2	-125.2
Prepayments received	344.6	231.3
Exchange rate adjustments	-2.6	4.1
Contract liabilities, 31 December	**459.3**	**296.5**
Expected recognition of revenue:		
Within 1 year	281.0	143.9
Within 1-5 years	178.3	152.6
After 5 years	0.0	0.0
	459.3	**296.5**

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.

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.

Prepayments from customers are recognized under contract liabilities.

Significant estimates

Construction contracts are measured based on management 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 Group
Solvency ratio

45%

(50% in 2020)

NKT Group
Operational EBITDA leverage

0.1x

(-0.4x in 2020)

NKT Group
Average funding rate (excl. hybrid capital)

1.9%

(2.6% in 2020)

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.

Number of DKK 20 shares	2021	2020
Shares, 1 January	42,976,036	27,260,115
Increase in capital by exercise of warrants	0	20,806
Issue of new shares	0	15,695,115
Shares, 31 December	**42,976,036**	**42,976,036**

§ 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.

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.

Section 5 – Capital structure and financial risk management

5.2 Earnings per share

Amounts in EURm	2021	2020
Profit attributable to equity holders	-4.0	-82.6
Weighted average number of ordinary shares adjusted for the effect of dilution	43,090,596	30,846,489
Basic earnings per share, EUR	-0.1	-2.7
Diluted earnings per share, EUR	-0.1	-2.7

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.

5.3 Hybrid capital

Hybrid capital comprise issued bonds from September 2018 of EUR 150m, which is subordinated to other creditors.

The hybrid security bears a coupon of 5.375% until the first call date on 12 September 2022 after which the coupon resets to the 4-year EUR swap rate prevailing at that time plus 10.225%. It has a final maturity on 12 September 3018. Coupon payments may at the discretionary decision of NKT A/S be deferred and ultimately any deferred coupons outstanding in 3018 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.

The issued EUR 150m callable subordinated capital securities due in 3018 are 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.

As the principal of the securities ultimately falls due in 3018, 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.

§ 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 end 2021 was EUR 13.2m (EUR -25.9m end-2020), corresponding to an increase of EUR 39.1m. The increase was driven by the expansions in the production facilities within Solutions.

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 154.3 (EUR 159.7m in 2020).

It is Group Management's opinion, that the financial headroom is sufficient to manage the level of activity expected in 2022 for the NKT Group.

Amounts in EURm	2021	2020
Net interest-bearing debt comprise:		
Non-current loans	196.4	200.6
Current loans	17.5	12.8
Interest-bearing debt, gross	**213.9**	**213.4**
Interest-bearing receivables	0.2	0.1
Cash at bank and in hand	200.5	239.2
Net interest-bearing debt	**13.2**	**-25.9**

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

Amounts in EURm	1 January	Changes in leases	Changes from cash flow	Effect of changes in exchange rates	31 December
Current and non-current loans[1], 2021	213.4	4.1	-5.6	2.0	213.9
Current and non-current loans[1], 2020	249.2	2.7	-41.3	2.8	213.4

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

Net interest-bearing debt includes debt related to capitalized lease contracts of EUR 50.2m (EUR 46.1m in 2020). Of this amount, EUR 42.5m was recognized as non-current (EUR 39.0m in 2020), and EUR 7.7m as current debt (EUR 7.1m in 2020). In 2021, payments related to capitalized lease contracts amounted to EUR 9.4m (EUR 7.7m in 2020), of which EUR 7.3m was installments on the debt (EUR 5.8m in 2020) and the remaining amount, EUR 2.1m (EUR 1.9m in 2020), was interest expenses recognized in financial items in the income statement.

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
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**
2020					
Interest-bearing loans and borrowings[1]	12.8	33.0	35.5	132.1	213.4
Hereof leasing liabilities	*7.1*	*13.0*	*6.6*	*19.4*	*46.1*
Trade payables	273.2				273.2
Prepayments	5.9				5.9
Derivative Financial liabilities	13.3				13.3
Other payables	154.7				154.7
Total	**459.9**	**33.0**	**35.5**	**132.1**	**660.5**

[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 to the left 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	2021	2020	2021	2020	2021	2020
Interest etc. relating to financial assets/liabilities measured at amortized cost	0.4	0.6	-9.6	-14.0	-9.2	-13.4
Interest expenses on leases	0.0	0.0	-2.1	-1.9	-2.1	-1.9
Total interest	**0.4**	**0.6**	**-11.7**	**-15.9**	**-11.3**	**-15.3**
Foreign exchange gains/losses	22.2	26.2	-18.0	-29.3	4.2	-3.1
Gain/loss on derivative financial instruments	40.5	24.8	-45.8	-23.1	-5.3	1.7
Total currency gain/losses	**62.7**	**51.0**	**-63.8**	**-52.4**	**-1.1**	**-1.4**
Total financial items	**63.1**	**51.6**	**-75.5**	**-68.3**	**-12.4**	**-16.7**

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, whileproviding Group Treasury room for managing risks efficiently.

NKT uses financial instruments, such as forwards, swaps, interest rate caps to hedge exposures relating to currency, interest rates, and commodities. While options are also available as instrument, no option contracts are active at the end of 2021 and 2020.

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. For the most significant investments in foreign currency (SEK, CHF, CZK, and PLN), a rate of exchange which is 10% lower than the year-end 2021 exchange rate would reduce NKT A/S' equity by EUR Xm, compared to EUR 74.4m in 2020.

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 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, thouh 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 2020 an interest rate hedge of DKK 370m (EUR 50m) was made in form of an interest rate swap with a fixed rate of -0.2175 maturing in June 2025. During 2021 another interest rate swap was made, this time for EUR 30m with maturity in March 2026 with a fixed rate of -0.3375.

As of end-2021, the market values of the interest rate derivatives were in total EUR 0.8m (2020: EUR -0.2m).

Sensitivity analysis - financial instruments

EURm		2021		2020	
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%	11.4	-3.1	7.6	10.3
	-10%	-11.4	3.1	-7.6	-10.3
GBP	10%	0.0	3.1	2.4	0.2
	-10%	0.0	-3.1	-2.4	-0.2
NOK	10%	0.2	-3.8	1.1	0.2
	-10%	-0.2	3.8	-1.1	-0.2
USD	10%	-0.2	2.6	0.0	0.2
	-10%	0.2	-2.6	0.0	-0.2
CZK	10%	3.4	0.0	3.5	0.3
	-10%	-3.4	0.0	3.4	-0.3
PLN	10%	-7.2	0.0	-0.7	0.0
	-10%	7.2	0.0	0.7	0.0
Copper	10%	0.0	6.2	0.0	5.9
	-10%	0.0	-6.2	0.0	-5.9
Lead	10%	0.0	0.1	0.0	0.3
	-10%	0.0	-0.1	0.0	-0.3
Aluminium	10%	0.0	0.1	0.0	0.1
	-10%	0.0	-0.1	0.0	-0.1
Gas-oil	10%	0.0	0.2	0.0	0.1
	-10%	0.0	-0.2	0.0	-0.1
Interest rate	1%	0.0	0.8	0.0	0.5
	-1%	0.0	-0.8	0.0	-0.5

The table above show a sensitivity analysis of the exposures in currency, commodities and interest rates. The presented effect is from the financial instruments only (all things being equal). If the impact on the underlying exposure had also been considered, the effect would have been fully or partially offset.

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments – continued

Cash flow hedges related to the most siginificant currencies			Average exchange rate[1]		Notional value Local currency in mio.		Notional value EURm		Fair value EURm	
Local currency			31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
SEK	Buy	Less than 1 year	0.0927	0.0948	334.18	695.85	30.99	65.98	1.3	2.8
		More than 1 year	0.0915	0.0926	23.82	351.04	2.18	32.5	0.1	2.1
	Sell	Less than 1 year	0.0963	0.0953	6.96	770.00	0.67	73.37	0.0	-2.8
		More than 1 year								
USD	Buy	Less than 1 year	0.8445	0.9660	25.43	0.12	21.48	0.12	0.7	0.0
		More than 1 year	0.8631		19.70		17.00		0.0	
	Sell	Less than 1 year	0.8494	0.8152	64.73	2.00	54.98	1.63	-1.6	0.0
		More than 1 year	0.8382	0.7992	10.35	0.18	8.68	0.14	-0.2	0.0
GBP	Buy	Less than 1 year	1.1570		42.90		49.63		1.0	
		More than 1 year	1.1458		31.32		35.98		0.6	
	Sell	Less than 1 year	1.1398	1.1110	80.20	28.09	91.41	31.2	-3.1	0.2
		More than 1 year	1.1364	1.1321	19.93	0.78	22.64	0.88	-0.5	0.0
NOK	Buy	Less than 1 year	0.0980	0.1022	130.00	6.00	12.74	0.61	0.1	0.0
		More than 1 year	0.0975		295.00		28.76		-0.3	
	Sell	Less than 1 year		0.0926		140.00		12.97		-0.3
		More than 1 year	0.0988		40.00		4.00		0.1	
CZK	Buy	Less than 1 year		0.0322		0.76		0.02		0
		More than 1 year								
	Sell	Less than 1 year		0.0375		995		37.32		-0.5
		More than 1 year								
PLN	Buy	Less than 1 year		0.2221		30		6.66		-0.1
		More than 1 year								
	Sell	Less than 1 year								
		More than 1 year								
Cash flow hedges reported as assets									**4.4**	**12.1**
Cash flow hedges reported as liabilities									**-6.2**	**10.7**

[1] EUR/Local currency

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 because the reference prices are the same for the hedging instrument and the hedge item. NKT designate only the cash price of the hedging instrument, and therefore incur ineffectiveness from the forward element and, if hedges do not match the purchase plans. 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 2021, NKT A/S had current financial hedging instruments relating to future raw material supplies of a value of EUR 460m (EUR 548m in 2020) with a positive fair value of EUR 205.4m (positive value of EUR 90.1m in 2020). The impact of ineffectiveness on the income statement for the year was EUR -3.3m recorded in Costs of raw materials, consumables and goods for resale.

Sensitivity to the development (+/- 10%) in raw material prices was presented in the table on page 111. 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 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Copper	Buy	Less than 1 year	5,882	4,947	321.0	98.7	147.2	27.7
		More than 1 year	5,516	5,355	231.7	369.2	123.6	66.5
	Sell	Less than 1 year	5,733	4,975	100.5	11.4	-47.4	-4.0
		More than 1 year	5,371		14.9		-8.9	
Lead	Buy	Less than 1 year	1,677	1,564	18.6	18.9	4.3	0.7
		More than 1 year	1,721	1,582	3.1	10.4	0.7	0.5
	Sell	Less than 1 year	1,647	1,564	8.0	1.4	-1.9	-0.1
		More than 1 year	1,872		1.4		0.0	
Aluminium	Buy	Less than 1 year	1,778	1,486	9.2	3.2	4.0	0.3
		More than 1 year		1,533		3.5		0.3
	Sell	Less than 1 year	1,563		2.7		-1.6	
		More than 1 year						
Gas-oil	Buy	Less than 1 year	420	423	6.6	1.3	2.6	-0.2
		More than 1 year	412	385	8.3	11.1	2.5	-0.7
	Sell	Less than 1 year	578		2.1		-0.1	
		More than 1 year	573		0.3		0.0	
Cash flow hedges reported as assets							**225.8**	**93.2**
Cash flow hedges reported as liabilities							**0.6**	**2.4**

§ 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/(loss) from changes in fair value of hedging instruments	5.7	0.9	220.2	226.8
Income tax related to gains/(losses) recognized in other comprehensive income	-1.3	-0.2	-55.8	-57.2
(Gain)/loss reclassified to profit or loss - hedged items	-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**

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**
Gain/(loss) from changes in fair value of hedging instruments	-1.4	0.0	-23.4	-24.8
Income tax related to gains/(losses) recognized in other comprehensive income	0.4	0.0	5.8	6.2
(Gain)/loss reclassified to profit or loss - hedged items	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**

Of the fair values recorded in other comprehensive income, EUR 3.6m is expected to be recorded in Revenue (EUR -0.5m in 2020) and EUR 161.5m (EUR 72.4m in 2020) is expected to be recorded in Cost of raw materials, consumables and goods for resale.

Categories of financial instruments

Amounts in EURm	2021	2020
Financial assets		
Measured at amortized costs:		
Receivables	308.8	228.0
Contract assets	97.3	21.3
Interest bearing receivables	0.2	0.1
Measured at fair value through profit /loss:		
Other investments and receivables	0.8	1.0
Cash at bank and in hand	200.5	239.2
Derivative financial instruments	220.1	105.2
Financial liabilities		
Measured at amortized costs:		
Trade payables and other liabilities	497.6	427.9
Interest-bearing loans and borrowings	213.9	213.4
Measured at fair value through profit /loss:		
Derivative financial instruments	14.6	13.3

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 2021 and 2020 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 2020 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).

At end-2021, NKT Group's total available liquidity resources amounted to EUR 395.1m compared to EUR 535.9m in 2020.

The EUR 200m RCF matures in November 2024, while 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.

Liquidity resources

Amounts in EURm	2021	2020
Commited facilities (1-3 years)	200.0	300.0
Commited facilities (<1 years)	0.0	0.0
Total commited facilities	200.0	300.0
Uncommited facilities	0.0	0.0
Total facilities	**200.0**	**300.0**
Cash	200.5	239.2
Utilized facilities	-5.4	-3.3
Liquidity ressources	**395.1**	**535.9**

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

Acquisitions:
On 10 January 2022, NKT acquired 100% of the shares in Ventcroft Ltd, a UK based company. Ventcroft Ltd are specialized in fire-resistant building wires and low voltage power cables, and the acquisition is made in order to strengthen the product portfolio and is an important step in the NKT strategy to grow the business. The completion accounts are still to be finalized, and consequently, the purchase price and other financial information cannot be disclosed yet.

There were no acquisitions in 2021 or 2020.

Divestments:
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.

There were no divestments in 2020.

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, Nordenham	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 HVC Holding AB	Sweden
NKT HV Cables Holding AB	Sweden
NKT AS	Norway
NKT HVC AS	Norway
NKT (U.K.) Ltd.	UK
NKT HVC Ltd.	UK
NKT S.A.	Poland
NKT (Netherlands) B.V.	Netherlands
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 GmbH	Germany
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	
LIOS Technology Inc.	US
NKT Photonics Inc.	US
Asia/Pacific	
NKT Photonics (Zhenzhen) Co., Ltd.	China
Fianium Asia Ltd.	Hong Kong
NKT Photonics Korea Co., Ltd.	South Korea

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 7 – Other notes

7.1 Fees to auditor elected at the Annual General Meeting

Amounts in EURm	2021	2020
Deloitte:		
Statutory audit	1.0	1.1
Other assurance	0.1	0.3
Other service	0.0	0.2
Total	**1.1**	**1.6**

NKT Group's auditor fees decreased from EUR 1.6m in 2020 to EUR 1.1m in 2021 driven by the non-audit services related to review and assurance in connection with the capital increase in 2020.

The fee for other assurance delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounts to EUR 0.1m (EUR 0.3m in 2020) and predominantly consists of advisory services.

7.2 Events after the balance sheet date

As disclosed in note 6.1, NKT acquired Ventcroft Ltd on 10 January 2022.

In January 2022, unannounced inspections were carried out at NKT's two main German sites as part of investigations by the German Federal Cartel Office into various power cable manufacturers and other industry-related companies. The reason behind the investigations are suspicions that power cable manufacturers potentially have coordinated calculations of industry-standard metal surcharges in Germany. NKT is cooperating with the German authorities. As investigations are currently ongoing, the potential financial implications remain unknow, and consequently no financial effect has been recognized for 2021.

Other than the above, 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 2021 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 2021 the value of issued guarantees was EUR 1,014.6m (EUR 991.8m in 2020). At the balance sheet date none of the issued guarantees are expected to materialize.

Pledges

Non-current assets with carrying amount of EUR 368.8.m (EUR 332.4m in 2020) have been pledged as security for mortgage loans and the revolving credit facility of total EUR 152.1m (EUR 161.8m in 2020).

Amounts in EUR	2021	2020
Carrying amount of assets pledged as collateral for credit institutions:		
Land and buildings	207.0	215.9
Plant and machinery	47.7	120.2
Property, plant and equipment under construction	114.1	0.0
NKT Photonics net assets	0.0	-3.7
Total	**368.8**	**332.4**
Liabilities related to pledged assets	152.1	161.8

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 arecalculated 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 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 as a percentage of average of the last five quarters of capital employed.

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	2021	2020
Other costs	2	-5.9	-1.9
Earnings before interest and tax (EBIT)		**-5.9**	**-1.9**
Financial income	3	112.0	80.3
Financial expenses	4	-55.4	-42.0
Earnings before tax (EBT)		**50.7**	**36.4**
Tax	5	9.4	-6.1
Net result		**41.3**	**30.3**
Other comprehensive income			
Items that may be reclassified to income statement:			
Foreign exchange adjustment		0.7	3.0
Value adjustment of hedging instruments		0.8	0.1
Total other comprehensive income		**1.5**	**3.1**

Balance sheet

31 December

Amounts in EURm	Note	2021	2020
Assets			
Investment in subsidiaries	6	402.7	401.2
Receivables from subsidiaries	9	1,226.5	1,022.8
Deferred tax	5	0.4	0.4
Total non-current assets		**1,629.6**	**1,424.4**
Receivables from subsidiaries		6.8	0.3
Other receivables	9	72.6	101.4
Cash at bank and in hand		0.3	175.2
Total current assets		**79.7**	**276.9**
Total assets		**1,709.3**	**1,701.3**
Equity and liabilities			
Share capital		115.4	115.4
Foreign exchange reserve		1.0	0.3
Hedging reserve		0.6	-0.2
Retained comprehensive income		1,216.1	1,181.4
Equity attributable to equity holders of NKT A/S		**1,333.1**	**1,296.9**
Hybrid capital		152.4	152.4
Total equity		**1,485.5**	**1,449.3**
Interest-bearing loans	9	54.7	62.2
Total non-current liabilities		**54.7**	**62.2**
Payables to subsidiaries	9	92.8	74.1
Trade payables and other liabilities	9	76.3	115.7
Total current liabilities		**169.1**	**189.8**
Total liabilities		**223.8**	**252.0**
Total equity and liabilities		**1,709.3**	**1,701.3**

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Foreign exchange reserve	Hedging reserve	Retained compreh. income	Proposed dividends	Total	Hybrid Capital	Total equity
Equity, 1 January 2020	**73.2**	**-2.7**	**-0.3**	**942.2**	**0.0**	**1,012.4**	**152.4**	**1,164.8**
Net result				22.2		22.2	8.1	30.3
Other comprehensive income		3.0	0.1			3.1		3.1
Comprehensive income for the year	**0.0**	**3.0**	**0.1**	**22.2**	**0.0**	**25.3**	**8.1**	**33.4**
Transactions with owners:								
Capital increase[1]	42.1			216.5		258.6		258.6
Coupon payments, hybrid capital						0.0	-8.1	-8.1
Exercise of warrants	0.1			0.2		0.3		0.3
Share based payment				0.3		0.3		0.3
Total transaction with owners in 2020	**42.2**	**0.0**	**0.0**	**217.0**	**0.0**	**259.2**	**-8.1**	**251.1**
Equity, 31 December 2020	**115.4**	**0.3**	**-0.2**	**1,181.4**	**0.0**	**1,296.9**	**152.4**	**1,449.3**
Equity, 1 January 2021	**115.4**	**0.3**	**-0.2**	**1,181.4**	**0.0**	**1,296.9**	**152.4**	**1,449.3**
Net result				33.2		33.2	8.1	41.3
Other comprehensive income		0.7	0.8			1.5	0.0	1.5
Comprehensive income for the year	**0.0**	**0.7**	**0.8**	**33.2**	**0.0**	**34.7**	**8.1**	**42.8**
Transactions with owners:								
Coupon payments, hybrid capital						0.0	-8.1	-8.1
Share based payment				1.5		1.5	0.0	1.5
Total transaction with owners in 2021	**0.0**	**0.0**	**0.0**	**1.5**	**0.0**	**1.5**	**-8.1**	**-6.6**
Equity, 31 December 2021	**115.4**	**1.0**	**0.6**	**1,216.1**	**0.0**	**1,333.1**	**152.4**	**1,485.5**

[1] In 2020 the capital was increased twice, in May and December respectively, for a total net proceed of EUR 258,6 million after deducting directly attributable costs related to raising the capital. The cost directly related to the capital increases was EUR 9 million. For more information see note 5.1 in the Consolidated Financial Statements.

Cash flow statement

1 January – 31 December

Amounts in EURm	2021	2020
Earnings before interest and tax (EBIT)	-5.9	-1.9
Changes in working capital	-7.8	7.2
Cash flow from operations before financial items	**-13.7**	**5.3**
Financial income received	104.1	59.2
Financial expenses paid	-47.5	-21.0
Income tax paid	0.7	-1.1
Cash flow from operations	**43.6**	**42.4**
Change in loans to/from subsidiaries	-202.4	-148.7
Cash flow from investing activities	**-202.4**	**-148.7**
Changes in interest-bearing loans	-8.0	30.7
Coupon payments on hybrid capital	-8.1	-8.1
Capital increase	0.0	258.6
Cash from exercise of warrants	0.0	0.3
Cash flow from financing activities	**-16.1**	**281.5**
Net cash flow for the year	**-174.9**	**175.2**
Cash at bank and in hand, 1 January	175.2	0.0
Net cash flow for the year	-174.9	175.2
Cash at bank and in hand, 31 December	**0.3**	**175.2**

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 are prepared in accordance with International Financial Reporting Standards 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 2021. 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
- 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.

Notes

2 Fees to auditor elected at the Annual General Meeting

Amounts in EURm	2021	2020
Statutory audit	0.1	0.1
Other assurance	0.0	0.2
Other services	0.0	0.1
	0.1	**0.4**

3 Financial income

Amounts in EURm	2021	2020
Interest from subsidiaries	59.4	53.5
Foreign exchange gains	10.3	12.5
Gains on derivatives	42.3	14.3
	112.0	**80.3**

4 Financial expenses

Amounts in EURm	2021	2020
Interest to subsidiaries	-0.9	-0.8
Foreign exchange losses	-7.9	-10.7
Loss on derivatives	-42.5	-22.0
Interest, etc. relating to financial liabilities measured at amortised cost	-4.1	-8.5
	-55.4	**-42.0**

5 Tax

Amounts in EURm	2021	2020
Current tax	-9.4	-6.1
Deferred tax	0.0	0.0
Income tax for the year	**-9.4**	**-6.1**
Reconciliation of tax:		
Tax at 22% of earnings before tax	-11.2	-8.0
Adjustments for previous years	0.1	0.1
Non-deductable expenses	1.7	1.8
	-9.4	**-6.1**

6 Investments in subsidiaries

Amounts in EURm	2021	2020
Cost, 1 January	444.2	443.9
Addition from share-based payments	1.5	0.3
Cost, 31 December	445.7	444.2
Impairment, 1 January	-43.0	-43.0
Exchange rate adjustments	0.0	0.0
Impairment, 31 December	-43.0	-43.0
Carrying amount, 31 December	**402.7**	**401.2**

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.

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 2,632.6m (EUR 3,070.3m in 2020). 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 581.7m (EUR 344.6m in 2020).

8 Related parties

In addition to the comments in note 3.2 and 3.3 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	2021	2020
Interest received, net	58.5	52.7
Paid joint tax contribution, net	0.0	-1.1
Receivables, non-current	1,226.5	1,022.8
Receivables, current	6.8	0.3
Payables	92.8	74.1
Management fee	-3.5	-1.3
Hedging	6.6	-16.0

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 order to strengthen the capital structure, NKT had two capital increases in May and December 2020, comprising 15,695,115 shares at an average price of EUR 17.05. Costs relating to the two increases was EUR 9.0m for a total net proceed of EUR 258.6m.

NKT A/S has in September 2018 issued bonds of EUR 150m accounted for as hybrid capital reserve under equity. For more information refer to note 5.3 in the consolidated financial statements.

Categories of financial instruments:

Amounts in EURm	2021	2020
Financial assets		
Measured at amortized cost:		
Receivables from subsidiaries	1,226.5	1,022.8
Other receivables	0.0	0.5
Measured at fair value through profit/loss:		
Derivative financial instruments[1]	72.6	100.9
Financial liabilities		
Measured at amortized cost:		
Interest-bearing loans and borrowings	54.7	62.2
Payables to subsidiaries	76.9	74.1
Trade payables and other liabilities	2.9	9.2
Measured at fair value through profit/loss:		
Derivative financial instruments[2]	73.3	106.5

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

Maturity of financial liabilities:

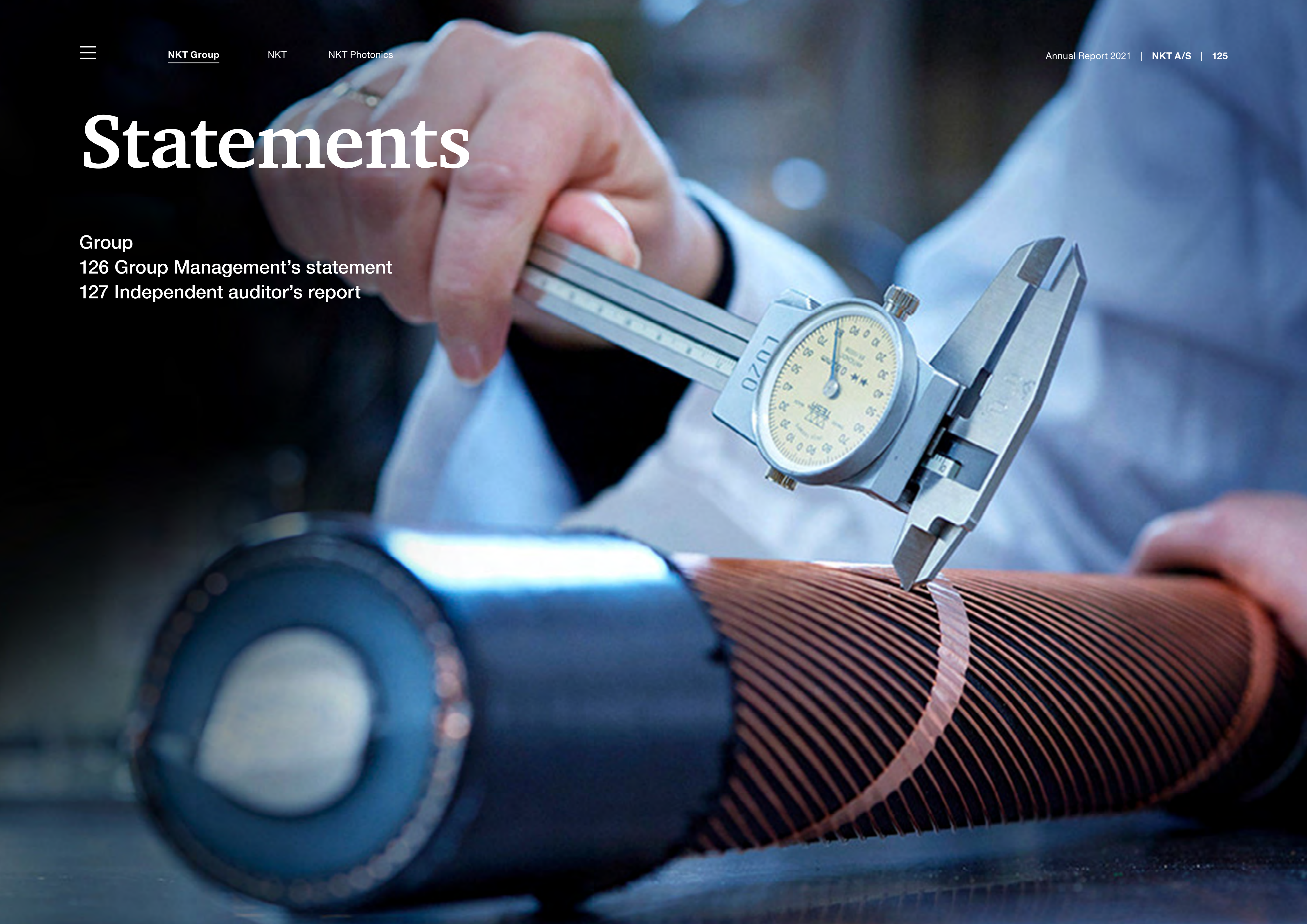
Amounts in EURm	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
2021					
Interest-bearing loans and borrowings	0.0	0.0	54.7	0.0	54.7
Payables to subsidiaries	92.8	0.0	0.0	0.0	92.8
Trade payables and other liabilities	76.3	0.0	0.0	0.0	76.3
	152.4	**0.0**	**54.7**	**0.0**	**223.8**
2020					
Interest-bearing loans and borrowings	0.0	62.2	0.0	0.0	62.2
Payables to subsidiaries	74.1	0.0	0.0	0.0	74.1
Trade payables and other liabilities	115.7	0.0	0.0	0.0	115.7
	189.8	**62.2**	**0.0**	**0.0**	**252.0**

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, 2021	62.2	-8.0	0.5	54.7
Current and non-current loans, 2020	31.6	30.6	0.0	62.2



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 2021.

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-2021-12-31-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 2021 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January – 31 December 2021.

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, 23 February 2022

Executive Management

Alexander Kara
President & CEO

Line Andrea Fandrup
CFO

Board of Directors

Jens Due Olsen
Chairman

René Svendsen-Tune
Deputy Chairman

Pia Kaaber Bossen*

René Dogan*

Stig Nissen Knudsen*

Karla Lindahl

Jens Maaløe

Andreas Nauen

Jutta af Rosenborg

* Employee-elected member

Independent auditor’s report

To the shareholders of NKT A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of NKT A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021, and of the results of their operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 9 years up to and including the financial year 2021.

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 01.01.2021 - 31.12.2021. 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, 4.3, 4.4, and 5.6 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 income for the year.

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

How the matter was addressed in the 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 2021 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 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 2022 and financial forecasts for 2023-2027, 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 the 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 2022 and financial forecasts for 2023-2027. 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.

The valuation of deferred tax assets 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 2022 and financial forecasts for 2023-2025.

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

How the matter was addressed in the 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, especially in Germany and Denmark, 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 2022 and financial forecasts for 2023-2025 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 and Denmark.

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 01.01.2021 - 31.12.2021 with the file name nkt-2021-12-31-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.

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;
- 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 01.01.2021 - 31.12.2021 with the file name nkt-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 23.02.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	Kåre Kansonen Valtersdorf
State-Authorised Public Accountant	*State-Authorised Public Accountant*
Identification No (MNE) mne21358	*Identification No (MNE) mne34490*

NKT A/S
Vibeholms Allé 20
DK-2605 Brøndby
Denmark

Company Reg: 6272 5214
T: +45 43 48 20 00
info@nkt.com
nkt.com

NKT is signatory of the Europacable Industry Charter: A commitment towards superior quality.