



NKT

Interim Report Q2 2023

We connect a greener world



NKT

Interim Report of NKT A/S for the period 1 January – 30 June 2023

NKT A/S | Vibeholms Allé 20, DK-2605 Brøndby, Denmark | Company Reg. No.: 6272 5214 | nkt.com

Contents

Management review

- 03 Key messages Q2 2023
- 04 Key highlights Q2 2023
- 05 Financial highlights and ratios
- 06 Financial review
- 08 Sustainability
- 09 Business line – Solutions
- 11 Business line – Applications
- 12 Business line – Service & Accessories
- 13 Shareholder information

Financial statements

- 15 Income statement and statement of comprehensive income
- 16 Balance sheet
- 17 Cash flow statement
- 18 Statement of changes in equity
- 19 Notes
- 25 Group Management's statement

“In Q2 2023, we built upon the strong first quarter of the year by continuing the substantial growth in revenues and earnings across all business lines.

During the quarter, we grew our high-voltage order backlog to a new record level which demonstrated our leading market position. We are proud to remain a key enabler of a safe and sustainable renewable transition and look forward to continue growing NKT in line with our strategic ambitions. Thank you to our shareholders for the strong support on the recently concluded rights issue which is a key contribution to our growth journey.”

Claes Westerlind
President & CEO, NKT A/S

Key messages Q2 2023

NKT continued the positive financial performance and achieved double-digit growth in both revenues and operational EBITDA in Q2 2023, driven by contributions from all three business lines.

The improved financial performance was broad-based. Utilization of the expanded capacity in Solutions increased earnings as execution of the record-high order backlog continued. In Applications, the strong performance from Q1 2023

continued, driven by the performance in the power distribution segment. The improvement in Service & Accessories was achieved despite limited offshore repair work, reflecting solid performance in the remaining business.

In Q2 2023, the high-voltage order backlog increased further to a new record-high level. The order intake included project awards across geographies and power cable technologies. In addition, NKT was awarded three projects as part of TenneT's pioneering multi-year framework agreement. The projects are not included in the order backlog before the call-off dates. On the

back of this, NKT has launched an approx. EUR 1bn investment program to support future growth.

The free cash flow generation was positive in Q2 2023, driven by a positive earnings contribution and a positive development in working capital due to receipt of significant milestone payments in Solutions.

In July 2023, NKT completed a fully-subscribed rights issue, raising EUR 368m in gross proceeds. This serves as an important part of NKT's ambition to continue to grow in the years ahead.

On 9 May 2023, Claes Westerlind took up the position as President & CEO for NKT. Claes has more than 15 years of experience within power cables and high-voltage DC converters. From 2019 to 2023, Claes held the position as Executive Vice President, Solutions Karlskrona and was a member of the global leadership team in NKT.

Based on the financial performance so far in 2023, NKT updated its financial outlook for 2023 on 15 August 2023.



Agreement to divest NKT Photonics

In June 2022, NKT entered into an agreement to divest NKT Photonics to Photonics Management Europe S.R.L, a 100% owned subsidiary of Hamamatsu Photonics K.K., which is a Japanese company engaged in developing photoelectric devices and application products.

Required regulatory approvals had been obtained from authorities in Germany, the United Kingdom and the United States. However, on 2 May 2023, NKT received notification that the Purchaser has been denied the authorization under the Danish Investment Screening Act needed for the Purchaser to proceed to complete the transaction and acquire NKT Photonics.

The Purchaser has been taking further actions in response to the decision including a refiling of its application to the Danish authorities and, separately, NKT continues to evaluate its options considering the decision.

In Q2 2023, NKT Photonics' revenues grew organically by 16%. EBITDA increased to EUR 1.4m. This led to a net result from discontinued operations of EUR 2.7m in Q2 2023.

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

See more detailed information in Note 5 on page 23.

Amounts in EURm	NKT			
	Q2 2023	Q2 2022	1st half 2023	1st half 2022
Revenue	631.4	578.0	1,220.9	1067.5
Revenue in std. metal prices**	468.2	381.1	889.9	700.3
Organic growth**	26%	11%	30%	9%
Operational EBITDA**	58.0	41.3	114.9	79.6
Operational EBITDA margin*, **	12.4%	10.8%	12.9%	11.4%
EBIT	36.4	20.7	70.9	39.9
Net result - continuing operations	35.3	14.2	64.8	26.0
Working capital** - continuing operations			-536.8	-211.7
Working capital % of revenue, LTM - continuing operations**			-12.7%	-1.5%
RoCE*** - continuing operations			10.5%	4.1%

* Std. metal prices

** Alternative performance measures

*** RoCE is calculated on Operational EBIT, LTM, as a percentage of average capital employed as defined in Note 7

Key highlights Q2 2023

Revenue (std. metal prices), EUR

468m

Up from EUR 381m in Q2 2022, driven by positive contributions from all three business lines

Operational EBITDA, EUR

58.0m

Up from EUR 41.3m in Q2 2022. The record-high level was driven by improvements in all three business lines

Organic growth

26%

Reflecting growth of 51% in Solutions, 15% in Applications and 7% in Service & Accessories

High-voltage order backlog, EUR

7.6bn

Up from EUR 7.0bn at end-Q1 2023. The increase was primarily due to offshore wind project awards in the UK and Poland as well as an interconnector between France and Spain

Financial outlook 2023

The financial outlook was updated in Company Announcement No. 25 of 15 August 2023.

Revenues (std. metal prices) are expected to be approx. EUR 1.8-1.9bn and operational EBITDA is expected to be approx. EUR 215-245m (previously approx. EUR 200-230m).

The financial outlook is based on several assumptions, including:

- Satisfactory execution of high-voltage investments and projects
- Satisfactory offshore power cable repair work activity
- Limited financial impact from the uncertain global macroeconomic and geopolitical environment, supply-chain challenges, and the high inflationary pressure

Financial highlights and ratios

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Income statement					
Revenue	631.4	578.0	1,220.9	1,067.5	2,079.0
Revenue in std. metal prices** 3	468.2	381.1	889.9	700.3	1,446.8
Operational EBITDA** 6	58.0	41.3	114.9	79.6	154.5
One-off items** 5	0.0	-0.4	0.0	0.1	0.1
EBITDA	58.0	40.9	114.9	79.7	154.6
Amortization, depreciation and impairment	-21.6	-20.2	-44.0	-39.8	-85.4
Operational EBIT** 7	36.4	21.1	70.9	39.8	69.1
EBIT	36.4	20.7	70.9	39.9	69.2
Financial items, net	11.4	-4.4	16.3	-9.8	9.1
Earnings before tax (EBT)	47.8	16.3	87.2	30.1	78.3
Net result - continuing operations	35.3	14.2	64.8	26.0	55.1
Net result - discontinued operations	2.7	-9.1	0.8	-6.0	7.3
Net result	38.0	5.1	65.6	20.0	62.4
Cash flow					
Cash flow from operating activities	320.9	137.0	254.3	96.1	298.2
Cash flow from investing activities	-39.5	-49.3	-70.5	-102.9	-204.8
<i>hereof investments in PPE</i>	-22.3	-42.1	-45.5	-73.9	-156.1
Free cash flow**	281.4	87.7	183.8	-6.8	93.4
Balance sheet					
Share capital	115.4	115.4	115.4	115.4	115.4
Group equity	1,099.1	1,101.2	1,099.1	1,101.2	1,143.8
Total assets	3,066.0	2,628.1	3,066.0	2,628.1	2,767.4
Net interest-bearing debt** 9	-222.2	23.5	-222.2	23.5	-54.8
Capital employed** 10	876.9	1,124.7	876.9	1,124.7	1,089.0
Working capital** 11	-536.8	-211.7	-536.8	-211.7	-303.0

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Financial ratios and employees					
Operational EBITDA margin (std. metal prices)**	12.4%	10.8%	12.9%	11.4%	10.7%
Gearing (NIBD as % of Group equity)** 8	-20.2%	2.1%	-20.2%	2.1%	-4.8%
NIBD relative to operational EBITDA** 12	-1.2x	0.2x	-1.2x	0.2x	-0.4x
Solvency ratio (equity as % of total assets)** 13	36%	42%	36%	42%	41%
Return on capital employed (RoCE), continuing operations** 14	10.5%	4.1%	10.5%	4.1%	6.6%
Number of DKK 20 shares ('000)**	42,976	42,976	42,976	42,976	42,976
EPS, continuing operations, EUR 1	0.8	0.3	1.4	0.5	1.1
Diluted EPS, continuing operations, EUR 2	0.8	0.3	1.4	0.5	1.1
EPS	0.8	0.1	1.4	0.4	1.3
Diluted EPS	0.8	0.1	1.4	0.4	1.2
Equity value, EUR, per outstanding share** 15	22	22	22	22	23
Market price, DKK, per share**	414	302	414	302	391
Average number of employees, continuing operations	4,390	4,011	4,340	4,009	4,062

¹⁻¹⁵ Definitions appear in Note 7.

** Alternative performance measures

Financial review

Driven by contributions from all three business lines, NKT grew revenues* organically by 26% in Q2 2023. This led to a 40% increase in operational EBITDA from Q2 2022. NKT generated positive free cash flow in Q2 2023, mainly driven by significant milestone payments in Solutions.

Revenue growth contributions from all business lines

NKT grew its revenues* by EUR 87.1m in Q2 2023 compared to Q2 2022, corresponding to 26% organic growth. The improvement was driven by increased revenues in all three business lines, with Solutions particularly benefitting from the investments in additional capacity and competencies completed in recent years.

Expressed in market prices, revenues in Q2 2023 were EUR 631m, against EUR 578m in Q2 2022.

Revenues* in 1st half 2023 amounted to EUR 890m, an increase from EUR 700m in 1st half 2022. Organic growth in 1st half 2023 was 30%.

Further improvement in operational EBITDA

Operational EBITDA amounted to EUR 58.0m in Q2 2023, which was 40% higher than in Q2 2022. The higher earnings level was driven by contributions from all three business lines. In particular, Applications and Service & Accessories increased profitability margins versus the same period of 2022.

The operational EBITDA margin* was 12.4% in Q2 2023, an increase of 1.6%-points from the same period of 2022.

Operational EBITDA for 1st half 2023 was EUR 115m, compared to EUR 80m in 1st half 2022. This was due to improved earnings in Solutions and Applications.

In Q2 2023, NKT had no one-off items. In Q2 2022, the figure was EUR -0.4m, relating to the accounting gain on bargain purchase from the acquisition of Ventcroft Ltd. in January 2022.

EBIT in Q2 2023 was EUR 36.4m, up from EUR 20.7m in Q2 2022. The higher EBIT was primarily driven by the same parameters as operational EBITDA, which more than offset the increase in depreciation and amortization.

Financial items and net result

Net financial items in Q2 2023 amounted to EUR 11.4m, compared to EUR -4.4m in Q2 2022.

While interests had a slightly negative impact in Q2 2023, gains from exchange-rate fluctuations had a large positive impact.

Earnings before tax amounted to EUR 47.8m in Q2 2023, compared to EUR 16.3m in Q2 2022. Tax amounted to EUR -12.5m for Q2 2023, resulting in an effective tax rate of 26%. The net result from continuing operations was 35.3m in Q2 2023, against EUR 14.2m in Q2 2022.

Operational EBITDA

Amounts in EURm



Revenue development and organic growth

Amounts in EURm

Q2 2022 revenue*	381.1
Currency effect	-12.9
Organic growth	100.0
Q2 2023 revenue*	468.2
Organic growth, %	26%

* Std. metal prices

Positive free cash flow generation driven by Solutions

The cash flow from operating activities from continuing operations was EUR 321m in Q2 2023, compared to EUR 137m in Q2 2022. The positive development was due to earnings and a solid contribution from the development in working capital.

At end-Q2 2023, working capital amounted to EUR -537m, a significant decrease from EUR -159m at the end of the previous quarter. This development was primarily due to significant milestone payments received in Solutions. Applications also contributed positively, driven by both trade receivables and trade payables. Unrealized value adjustments of hedging instruments reduced the working capital by EUR 112m, mainly due to lower commodity prices. This did not have a cash impact.

The cash flow from investing activities from continuing operations amounted to EUR -39.5m in Q2 2023, compared to EUR -49.3m in the same period last year. During the quarter, NKT continued the planned investments in Solutions to upgrade the high-voltage production sites, mainly in Karlskrona. In addition, NKT acquired 10% of the shares in Walsin Lihwa's affiliate Walsin Energy Cable Systems to form the company to construct Taiwan's first subsea power cable factory for an amount of EUR 9.1m. Service Agreement and Technology License Agreement payments to NKT exceeded the amount of the investment and was recognized as part of cash flow from operating activities.

The free cash flow from continuing operations in Q2 2023 was 281m, up from EUR 88m in Q2 2022.

Development in RoCE positively impacted by higher earnings

RoCE (from continuing operations) was 10.5% at end-Q2 2023, up from 4.1% at end-Q2 2022. This was driven by the cash flow generation and the earnings development. RoCE has gradually improved in the past years and will with some fluctuation continue to improve as the expected earnings contributions from recent years' investments continue to materialize.

Liquidity, debt leverage and equity

The cash flow generation in Q2 2023 reduced net interest-bearing debt to EUR -222m at end-Q2 2023, down from EUR 50.1m at end-Q1 2023.

Net interest-bearing debt relative to operational EBIT-DA amounted to -1.2x at end-Q2 2023, down from 0.3x at end-Q1 2023.

At end-Q2 2023, NKT had total available liquidity reserves of EUR 616m, comprising cash of EUR 416m (of which EUR 3.2m related to assets held for sale) and undrawn credit facilities of EUR 200m. Group equity, including the green hybrid security issued in September 2022, amounted to EUR 1,099m. The solvency ratio was 36%, compared to 42% at the end of the previous quarter. The reduction was mainly due to lower Group Equity as metal prices have decreased and a higher asset base driven by milestone payments in Solutions. After the close of the quarter, NKT successfully completed a rights issue that will strengthen its solvency ratio.

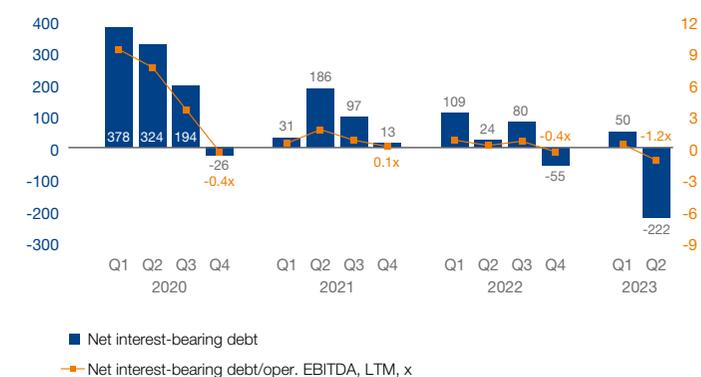
Working capital

Amounts in EURm



Net interest-bearing debt

Amounts in EURm



Sustainability

In Q2 2023, NKT continued to execute on its sustainability strategy as one of the three pillars in the ReNew Boost strategy.

Environment

On the environmental side, NKT continued the execution of the ongoing programs dedicated to reducing corporate emissions in all three Science Based Target scopes and strengthening the environmental focus.

During Q2 2023, NKT was awarded several high-voltage power cable projects which will be supporting the interconnection of the European

power grids and the ongoing development of the European offshore wind capacity.

Social

In April 2023, NKT conducted another Safety Week. This is an important part of continuously focusing on and driving safe working behavior and environment for employees and suppliers. NKT targets to half the Total Recordable Incident Rate (TRIR) by 2028 compared to the level in 2022.

The focus on diversity and inclusion continued in Q2 2023, with ongoing execution of dedicated program. NKT continued to offer trainings covering diversity, inclusion and allyship across the company. Furthermore, eight employees

were nominated to participate in an external Fast Track Program for Emerging Female Leaders to support the advancement of female leadership talents across the company.

During the quarter, NKT also celebrated the graduation of the second class of the corporate talent program Advance.

Governance

As a major user of copper, NKT has decided to become a partner of the Copper Mark. The organization ensures that the copper mines, smelters/refiners and fabricators being certified live up to globally recognized standards for responsible copper production. This helps to ensure that the copper NKT uses for power cables comes from companies that live up to a certain level of environmental, social and governance responsibility and performance.

NKT has published an updated Human Rights Policy setting guiding principles on how the company is committed to ensuring human rights for its employees and in the communities where it operates, as well as for workers and communities across the value chain.

[Human Rights Policy](#)

Sustainability strategy

The strategy is anchored in four main pillars founded on responsible business processes.

Climate action: Be a leader in driving the green transformation of the power cable industry by reducing corporate emissions. NKT has also committed to the Science Based Targets initiative to become a net-zero company by 2050.

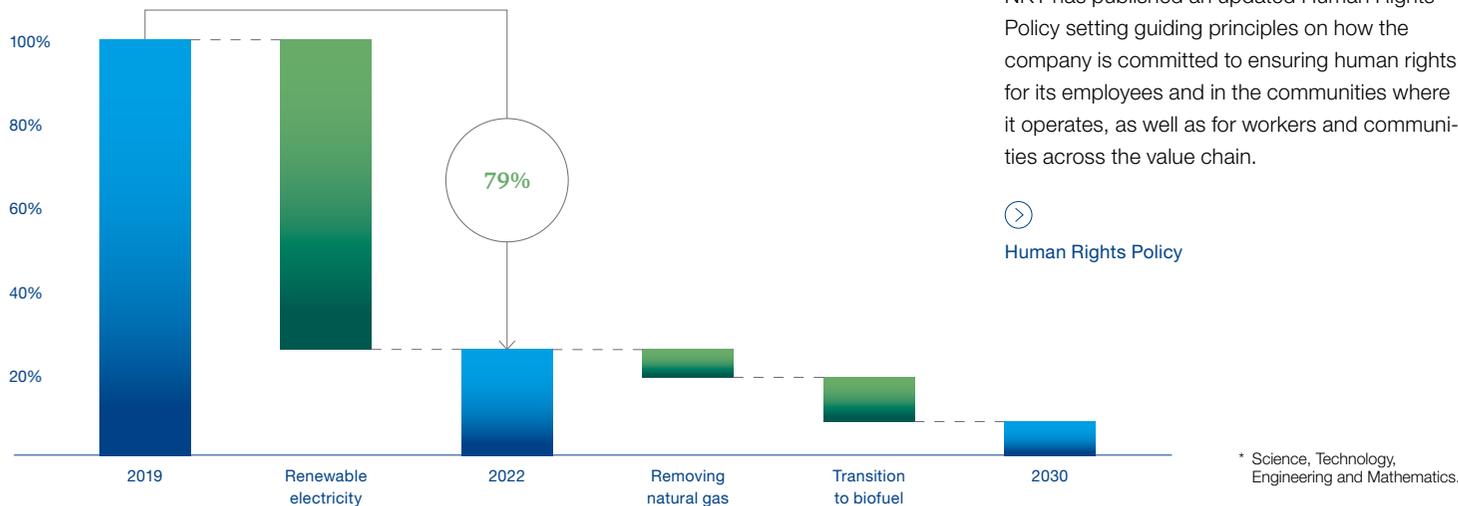
Sustainable value proposition and circularity: Offer a sustainable value proposition through the lifecycle of products and solutions, and actively pursue zero waste through circularity.

Social: Be a fair, inclusive, attractive and safe workplace empowering trust, personal growth and engagement.

Responsible business: Conduct business operations as a trusted partner and employer. Sustainability impact, risks and opportunities are integrated into business processes and the overall business.

[Sustainability Report 2022](#)

Carbon emissions reduction plan (scope 1 and 2 emissions in tonnes)



Business line**Solutions****Continued strong revenue growth**

Revenues* for Solutions increased by EUR 89.4m from Q2 2022 to Q2 2023, equalling 51% organic growth. This was driven by execution of orders awarded in recent years covering several power cable solutions and investments in additional capacity and capabilities.

Revenues measured in market prices amounted to EUR 328m in Q2 2023, against EUR 230m in Q2 2022.

NKT continued to progress several projects through varying stages of execution in Q2 2023. These projects included Borwin 5, Champlain Hudson Power Express, Dogger Bank A, B and C, Hertel-NY, Shetland, SuedLink, and SuedOst-Link.

Revenues* in 1st half 2023 amounted to EUR 500m, up from EUR 347m in 1st half 2022. Organic growth in 1st half 2023 was 49%.

Increase of EUR 11.9m in operational EBITDA

Operational EBITDA in Q2 2023 amounted to EUR 41.9m, up from EUR 30.0m in Q2 2022. This corresponded to an operational EBITDA margin*

of 14.7% in Q2 2023, against 15.3% in Q2 2022. The execution of projects was on average satisfactory in Q2 2023. Quarterly margin fluctuations will occur, depending on the phasing of projects in execution and risks maturing.

In Q2 2023, NKT Victoria, the company's cable-laying vessel, was well-utilized. This covered installation assignments in connection with ongoing projects in the UK from the order backlog.

In 1st half 2023, operational EBITDA amounted to EUR 77.2m, compared to EUR 54.7m in the same period of 2022.

High-voltage order backlog at record-high level

In Q2 2023, NKT further increased its high-voltage order backlog, with significant project awards across the European market, to a record-high level of EUR 7.6bn (EUR 7.0m in std. metal prices) at end-Q2 2023, up from EUR 7.0bn (EUR 6.3m in std. metal prices) at end-Q1 2023.

Around 8% of the high-voltage order backlog is expected to be executed in 2nd half 2023, and the remaining around 92% in 2024 and beyond.

In May, NKT was awarded the turnkey 400kV HVDC power cable project Biscay Gulf Interconnector to connect France and Spain. The contract has a value of above EUR 600m (above EUR 550m in std. metal prices). The contract was awarded by INELFE, a joint venture between the Spanish transmission system operator, Red Eléctrica, and its French counterpart, Réseau Transport d'Électricité.

In June, NKT confirmed the turnkey power cable order for the East Anglia THREE offshore wind farm from the project developers ScottishPower Renewables. The 320 kV HVDC export power cable system has a contract value above EUR 250m (above EUR 200m in std. metal prices).

In June, NKT finalized the contract for offshore export power cables for Baltic Power, the first major offshore wind farm in Poland, awarded by Baltic Power Sp. z.o.o. For NKT, the order has a value of more than EUR 120m (more than EUR 110m in std. metal prices) and will comprise the design and production of 230 kV AC high-voltage power cables.

Highlights

- Growth in revenues and operational EBITDA
- Record-high order backlog driven by further DC project awards
- Launch of significant investment program to support further profitable growth

285m

Revenue*, EUR
(Q2 2022: EUR 196m)

51%

Organic growth
(Q2 2022: 22%)

41.9m

Operational EBITDA, EUR
(Q2 2022: EUR 30.0m)

* Std. metal prices

Business line – Solutions

Recent notable high-voltage project awards for NKT

Project name	Announced	Size (EURm)	Type
Baltic Power (POL)	Jun 2023	>120	Offshore wind
East Anglia Three (UK)	Jun 2023	>250	Offshore wind
Biscay Gulf Interconnector (FR/SPA)	May 2023	>600	Interconnector
Hornsea 3 (UK)	Mar 2023	~500	Offshore wind
IJmuiden Ver Beta, Gamma and Nederwiek 2 (NL)	Mar 2023	~2,000	Offshore wind

Note: Project sizes are shown in market prices and have been awarded up until end-Q2 2023.

Pioneering power cable framework agreement for TeneT's 2GW Program

In addition to the record-high order backlog, TeneT selected NKT in May 2023 to provide several 525 kV HVDC on- and offshore power cable systems. The award is a multi-year framework agreement with firm commitments on three specific projects. The contracts are for the Dutch offshore wind farms Nederwiek 3 and Doordewind 1 & 2, with total installed capacity of 6 GW. The contracts are expected to be called off in 2025 and will have a combined value of approx. EUR 1.5 bn, which covers the majority of the project scope. The projects are not included in the order backlog before the call-off dates.

The framework agreement runs until 2028, with possible extension until 2031. Additional projects could be added under the framework agreement.

Investment program initiated to support continued growth

In August 2022, NKT announced an approx. EUR 90m capacity increase investment in Karlskrona,

which is on track and expected to be ready for production by end-2023 as planned.

To further deliver on the significant order intake as well as a continued strong market outlook, NKT has initiated a program to invest in additional high-voltage production and installation capabilities and capacity. The program is expected to amount to approx. EUR 1bn between 2023 and 2026 and will strengthen NKT's market-leading position. The new assets will be operational from 2027.

The investment program includes a significant expansion of the production site in Karlskrona, Sweden, which has been initiated, and a new market leading cable-laying vessel.

High market activity

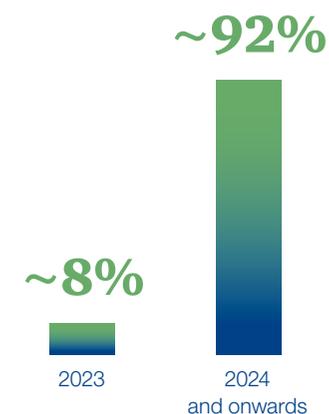
NKT estimates that the value of projects awarded in its addressable high-voltage power cable market in 1st half 2023 was more than EUR 7bn. These project awards mainly covered various projects based on DC technology. In addition to



the project awards, several long-term capacity reservations were allocated to high-voltage power cable suppliers, mainly in the form of framework agreements. This favourable market development is a continuation of the record-high level of project awards in 2022.

The addressable market in 2023 and 2024 is estimated by NKT to be significantly above EUR 8bn on average per year. Market developments will depend on the timing of several sizable projects, including multi-year framework agreement volumes.

Expected revenue distribution of high-voltage order backlog (EUR 7.6bn) at end-Q2 2023



Business line

Applications

Another quarter of double-digit organic growth

Applications increased revenues* by EUR 22.4m from Q2 2022 to Q2 2023. The higher revenue level was to a large degree due to increased prices to compensate for the inflationary pressure.

Revenues expressed in market prices amounted to EUR 291m in Q2 2023, down from EUR 310m in Q2 2022 due to the lower metal price level.

Revenues* in 1st half 2023 amounted to EUR 334m, up from EUR 279m in 1st half 2022. Organic growth in 1st half 2023 was 20%. This was driven by the same parameters as in Q2 2023.

Double-digit operational EBITDA margin in Q2 2023

Revenue growth combined with efficiency initiatives, improved operational EBITDA by EUR 9.9m from Q2 2022 to Q2 2023. This led to an operational EBITDA margin* of 10.0% in Q2 2023, up from 4.9% in the same period of 2022.

NKT has been running various efficiency initiatives in recent years to improve profitability

in Applications. This has included transfer of production from Denmark to the Czech Republic and Poland. These initiatives have contributed to the improved profitability.

NKT has experienced significant increase in input prices in the past quarters, and has worked intensively with both customers and suppliers to recover profitability by adjusting prices to offset this effect. This has led to the better profitability in 2023 after an unsatisfactorily low level in 2nd half 2022.

In 1st half 2023, operational EBITDA amounted to EUR 35.1m, compared to EUR 17.6m in the same period of 2022.

Positive development in medium-voltage market

In Q2 2023, market developments continued to differ between segments. The power distribution grid segment performed well due to the ongoing increased electrification of societies and the transition to renewable energy. In contrast, the slowdown in the European economy continued to impact the construction-exposed segment negatively.

The positive development in the power grid market benefitted NKT due to its strong presence within the medium-voltage and other power cables exposed to this segment. NKT grew revenues in Q2 2023 as a result of broad-based contributions from the various geographies. The impact of efficiency initiatives was leading to increased output from the production sites.

Due to the slowdown in construction sentiment, which is particularly visible in the residential market, NKT's revenues within building wires and other construction-exposed products were negatively impacted in Q2 2023. The revenue slowdown has been recorded across markets though the deterioration from Q1 2023 not was significant. NKT is working on different measures to mitigate the impact of the market headwinds, which are expected to continue into 2nd half 2023.

Highlights

- Price increases to compensate for inflationary pressure
- Positive operational EBITDA development driven by efficiency initiatives
- Continued positive development in medium-voltage business segments

170m

Revenue*, EUR
(Q2 2022: EUR 148m)

15%

Organic growth
(Q2 2022: 16%)

17.1m

Operational EBITDA, EUR
(Q2 2022: EUR 7.2m)

* Std. metal prices

Business line

Service & Accessories

Increase in revenues

Revenues* for Service & Accessories increased by EUR 4.5m from Q2 2022 to Q2 2023. The driver of the higher revenues was the accessories business, while the activity level in the service repair business was lower than last year in the offshore segment.

Revenues* in 1st half 2023 amounted to EUR 99.2m, up from EUR 90.8m in 1st half 2022. Organic growth in 1st half 2023 was 7%. This was driven by the same developments as in Q2 2023.

Significant improvement in operational EBITDA

Service & Accessories increased operational EBITDA by EUR 3.9m from Q2 2022 to Q2 2023. This led to an increase in the operational EBITDA margin* from 3.8% in Q2 2022 to 11.0% in Q2 2023. The increase was driven by improved performance in the accessories business. In the comparison period in 2022, profitability was at an unsatisfactorily low level.

In 1st half 2023, operational EBITDA amounted to EUR 9.6m, compared to EUR 5.5m in the same period of 2022.

Low offshore repair work activity

In Q2 2023, revenues and operational EBITDA in the service business were lower than in Q2 2022. This was due to lower activity within the offshore repair segment as only limited work was conducted in Q2 2023. However, the other parts of the business were performing positively, driven by the strategic initiatives taken over the past years to create a more robust business model.

NKT performed well within its onshore business, among others, with the completion of an onshore repair project. This was supplemented with ongoing maintenance work and further sales of spare parts.

To build sustainable future growth, NKT is focusing on gradually expanding its portfolio of service agreements, and further agreements are being added.

Geographical expansion is a strategic growth priority within the service business. In Q2 2023, NKT continued to the expansion efforts in the UK and the US with additions of employees to build the organizations further. The initiatives have started to generate orders to benefit future financial performance.

Gradually improved performance in the accessories business

NKT grew revenue and operational EBITDA in the accessories business in Q2 2023. Revenue growth was broad-based across the medium-voltage and high-voltage segments, reflecting the favourable market development.

The structural growth trends within the high-voltage and medium-voltage power cable markets are positively impacting NKT's accessories business. NKT has successfully introduced new accessories for the offshore wind segment, which has had a positive impact on growth that is expected to continue going forward.

The consolidation of high-voltage accessories production to the site in Alingsås, Sweden, from Cologne, Germany, remains a high priority for NKT. The transition continued in Q2 2023 and will persist throughout the year. The finalization of this transition will lead to improved profitability going forward and improve capabilities within particularly HVDC accessories.

Highlights

- Increase in revenues and earnings
- Satisfactory activity in recurring onshore service business
- Higher sales levels in the accessories business

51.7m

Revenue*, EUR
(Q2 2022: EUR 47.2m)

7%

Organic growth
(Q2 2022: -33%)

5.7m

Operational EBITDA, EUR
(Q2 2022: EUR 1.8m)

* Std. metal prices

Shareholder information

NKT shares

The average daily turnover in NKT shares on all trading markets was EUR 24m in Q2 2023, up from EUR 13m in Q2 2022. The average daily trading volume was around 460,000 shares in Q2 2023, compared to around 300,000 in Q2 2022. Nasdaq Copenhagen continued to be the main trading market for the company's shares with 36% of the total traded volume in Q2 2023.

At end-Q2 2023, the NKT A/S share price was DKK 414, compared to DKK 359 at end-2022. The historical share price has been adjusted by the effect from the rights issue completed in July 2023. The share price return including this adjustment was 15% for the period. The corresponding dividend-adjusted share price returns in the same period for the company's largest European competitors, Prysmian and Nexans, were 12% and -4%, respectively. The Danish OMXC25 index, adjusted for dividends, increased by 9% in 1st half 2023.

At end-Q2 2023, two NKT investors had reported shareholdings of 5.00-9.99%:

- ATP (Denmark)
- Greenvale Capital (UK)

The total share capital consists of 53,720,045 shares, each with a nominal value of DKK 20, corresponding to a total nominal share capital of DKK 1,074,400,900 (approx. EUR 144m).

Successful completion of rights issue

As per company announcement no. 20 of 8 June 2023, NKT initiated a rights issue comprising an offering of 10.7m new shares at a subscription price of DKK 255 per new share. The proceeds from the rights issue serve as an important part of NKT's ambition to grow further in the years ahead.

The rights issue was successfully completed at the beginning of July 2023. All new shares offered under the rights issue were subscribed for and this led to gross proceeds of EUR 368m, which NKT received in early Q3 2023.



[More shareholder information is available at investors.nkt.com](https://investors.nkt.com)

NKT A/S share price development



NKT A/S shares – basic data

ID code: DK0010287663
 Listing: Nasdaq Copenhagen, part of the Large Cap index
 Share capital: EUR 144m (DKK 1,074m)
 Number of shares: 53.7 millions
 Nominal value: DKK 20
 Share classes: 1



Financial calendar 2023

8 Nov: Interim Report, Q3 2023

Consolidated financial statements

- 15 Income statement
- 15 Statement of comprehensive income
- 16 Balance sheet
- 17 Cash flow statement
- 18 Statement of changes in equity
- 19 Notes

Condensed income statement

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Revenue	631.4	578.0	1,220.9	1,067.5	2,079.0
Other operating income	0.7	2.3	2.5	7.8	14.2
Costs of raw materials, consumables and goods for resale	-421.5	-417.0	-819.7	-759.4	-1,442.6
Staff costs	-91.6	-78.8	-170.3	-153.7	-302.5
Other costs etc.	-61.0	-43.6	-118.5	-82.5	-193.5
Earnings before interest, tax, depreciation and amortization (EBITDA)	58.0	40.9	114.9	79.7	154.6
Depreciation of property, plant and equipment	-17.2	-15.9	-34.2	-31.2	-62.7
Amortization of intangible assets	-4.4	-4.3	-9.8	-8.6	-22.7
Share of profit/loss in associated companies	0.0	0.0	0.0	0.0	0.0
Earnings before interest and tax (EBIT)	36.4	20.7	70.9	39.9	69.2
Financial items, net	11.4	-4.4	16.3	-9.8	9.1
Earnings before tax (EBT)	47.8	16.3	87.2	30.1	78.3
Tax	-12.5	-2.1	-22.4	-4.1	-23.2
Net result - continuing operations	35.3	14.2	64.8	26.0	55.1
Net result - discontinued operations	2.7	-9.1	0.8	-6.0	7.3
Net result	38.0	5.1	65.6	20.0	62.4
To be distributed as follows:					
Equity holders of NKT A/S	35.3	3.1	60.2	16.0	53.8
Hybrid capital holders of NKT A/S	2.7	2.0	5.4	4.0	8.6
	38.0	5.1	65.6	20.0	62.4
Basic earnings - continuing operations, EUR, per share (EPS)	0.8	0.3	1.4	0.5	1.1
Diluted earnings - continuing operations, EUR, per share (EPS-D)	0.8	0.3	1.4	0.5	1.1
Basic earnings, EUR, per share (EPS)	0.8	0.1	1.4	0.4	1.3
Diluted earnings, EUR, per share (EPS-D)	0.8	0.1	1.4	0.4	1.2

Condensed statement of comprehensive income

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Comprehensive income					
Net profit	38.0	5.1	65.6	20.0	62.4
Other comprehensive income:					
<i>Items that may not be reclassified to income statement:</i>					
Actuarial gains/(losses) on defined benefit pension plans	0.0	0.0	0.0	0.0	8.0
<i>Items that may be reclassified to income statement:</i>					
Currency adjustment of foreign subsidiaries	-25.2	-17.7	-34.7	-22.7	-44.8
Value adjustment of hedging instruments	-67.8	-102.7	-48.9	-54.5	-32.9
Total other comprehensive income for the period	-93.0	-120.4	-83.6	-77.2	-69.7
Total comprehensive income for the period	-55.0	-115.3	-18.0	-57.2	-7.3
To be distributed as follows:					
Equity holders of NKT A/S	-57.7	-117.3	-23.4	-61.2	-15.9
Hybrid capital holders of NKT A/S	2.7	2.0	5.4	4.0	8.6
	-55.0	-115.3	-18.0	-57.2	-7.3

Condensed balance sheet

Amounts in EURm	30 June 2023	30 June 2022	31 Dec. 2022
Assets			
Intangible assets	508.6	537.7	528.4
Property, plant and equipment	836.3	808.3	844.8
Other investments and receivables	0.4	0.8	0.8
Investment in associated companies	9.1	0.0	0.0
Deferred tax	19.6	28.5	11.7
Total non-current assets	1,374.0	1,375.3	1,385.7
Inventories	296.3	308.5	334.9
Receivables	688.8	505.5	522.5
Contract assets	122.4	102.5	98.2
Income tax receivable	3.3	4.2	3.3
Interest-bearing receivables	0.2	0.2	0.2
Cash at bank and in hand	413.0	196.2	258.5
Assets held for sale	168.0	135.7	164.1
Total current assets	1,692.0	1,252.8	1,381.7
Total assets	3,066.0	2,628.1	2,767.4

Amounts in EURm	30 June 2023	30 June 2022	31 Dec. 2022
Equity and liabilities			
Equity attributable to equity holders of NKT A/S	940.1	944.8	990.2
Hybrid capital	159.0	156.4	153.6
Total equity	1,099.1	1,101.2	1,143.8
Deferred tax	29.7	48.1	54.9
Provisions and pension liabilities	54.0	61.9	52.7
Interest-bearing loans and borrowings	172.0	200.5	180.9
Total non-current liabilities	255.7	310.5	288.5
Interest-bearing loans and borrowings	10.3	14.7	14.9
Trade payables	387.5	400.5	351.0
Other liabilities	356.6	241.3	223.7
Contract liabilities	865.4	474.2	677.6
Income tax payable	38.1	16.4	9.6
Provisions	19.3	45.7	22.7
Liabilities associated with assets held for sale	34.0	23.6	35.6
Total current liabilities	1,711.2	1,216.4	1,335.1
Total liabilities	1,966.9	1,526.9	1,623.6
Total equity and liabilities	3,066.0	2,628.1	2,767.4

Condensed cash flow statement

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Earnings before interest, tax, depreciation and amortization (EBITDA)	58.0	40.9	114.9	79.7	154.6
Non-cash operating items:					
Change in provisions, gain and loss on sale of assets, etc.	1.0	-0.7	-0.4	-15.8	-34.7
Changes in working capital	251.2	105.6	128.7	47.4	185.1
Cash flow from operations before financial items, etc.	310.2	145.8	243.2	111.3	305.0
Net financial items paid	11.3	-4.9	15.6	-10.1	8.5
Income tax paid	-0.6	-3.9	-4.5	-5.1	-15.3
Cash flow from operating activities	320.9	137.0	254.3	96.1	298.2
Acquisition of subsidiaries	0.0	-0.4	0.0	-15.7	-15.7
Acquisition of associated companies	-9.1	0.0	-9.1	0.0	0.0
Investments in property, plant and equipment	-22.3	-42.1	-45.5	-73.9	-156.1
Disposal of property, plant and equipment	0.0	0.0	0.2	0.7	2.0
Intangible assets and other investments, net	-8.1	-6.8	-16.1	-14.0	-35.0
Cash flow from investing activities	-39.5	-49.3	-70.5	-102.9	-204.8
Free cash flow	281.4	87.7	183.8	-6.8	93.4
Repayment of loans	-11.5	-5.4	-23.0	10.5	-19.2
Repayment of lease liabilities	-1.4	-1.3	-2.8	-2.7	-5.3
Purchase of treasury shares	0.1	0.0	-4.6	-2.5	-2.5
Coupon payments on hybrid capital	0.0	0.0	0.0	0.0	-7.4
Repurchase of hybrid capital	0.0	0.0	0.0	0.0	-63.3
Proceeds from issuance of hybrid capital	0.0	0.0	0.0	0.0	61.7
Cash flow from financing activities	-12.8	-6.7	-30.4	5.4	-36.0

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

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Net cash flow from continuing operations	268.6	81.0	153.4	-1.4	57.4
Net cash flow from discontinued operations	1.3	0.2	4.5	0.5	8.0
Net cash flow	269.9	81.2	157.9	-0.9	65.4
Cash at bank and in hand at the beginning of the period	148.6	118.5	262.2	200.5	200.5
Currency adjustments	-2.3	-1.1	-3.9	-1.0	-3.7
Net cash flow	269.9	81.2	157.9	-0.9	65.4
Cash at bank and in hand at the end of the period	416.2	198.6	416.2	198.6	262.2
Of which classified as assets held for sale	3.2	2.4	3.2	2.4	3.7
Cash at bank and in hand at the end of the period from continuing operations	413.0	196.2	413.0	196.2	258.5

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

Condensed statement of changes in equity

Amounts in EURm	Share capital	Treasury shares	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Hybrid capital	Total equity
Equity, 1 January 2022	115.4	0.0	-18.6	165.8	0.3	744.6	0.0	1,007.5	152.4	1,159.9
<i>Other comprehensive income:</i>										
Foreign exchange translation adjustments			-22.7					-22.7		-22.7
Value adjustment of hedging instruments:										
Value adjustment for the period				-45.0				-45.0		-45.0
Value adjustment transferred to the Income statement				-28.9				-28.9		-28.9
Tax on other comprehensive income				19.4				19.4		19.4
Total other comprehensive income	0.0	0.0	-22.7	-54.5	0.0	0.0	0.0	-77.2	0.0	-77.2
Net result						16.0		16.0	4.0	20.0
Comprehensive income for the period	0.0	0.0	-22.7	-54.5	0.0	16.0	0.0	-61.2	4.0	-57.2
<i>Transactions with owners:</i>										
Purchase of treasury shares		-2.5						-2.5		-2.5
Exercise of performance shares		1.6				-1.6		0.0		0.0
Share based payment						1.0		1.0		1.0
Total transactions with owners in 1st half 2022	0.0	-0.9	0.0	0.0	0.0	-0.6	0.0	-1.5	0.0	-1.5
Equity, 30 June 2022	115.4	-0.9	-41.3	111.3	0.3	760.0	0.0	944.8	156.4	1,101.2
Equity, 1 January 2023	115.4	-0.9	-63.4	133.0	0.3	806.0	0.0	990.3	153.6	1,144.0
<i>Other comprehensive income:</i>										
Foreign exchange translation adjustments			-34.7		-0.3	0.3		-32.8		-32.8
Value adjustment of hedging instruments:										
Value adjustment for the period				-101.6				-103.4		-103.4
Transferred to revenue				15.9				15.9		15.9
Transferred to financial expenses				0.4				0.4		0.4
Tax on other comprehensive income				36.5		0.0		36.5		36.5
Total other comprehensive income	0.0	0.0	-34.7	-48.9	-0.3	0.3	0.0	-83.6	0.0	-83.6
Net result						60.2		60.2	5.4	65.6
Comprehensive income for the period	0.0	0.0	-34.7	-48.9	-0.3	60.5	0.0	-23.4	5.4	-18.0
Deferred hedge gains and losses transferred to inventory				-36.2				-36.2		-36.2
Tax on deferred hedge gains and losses transferred to inventory				12.6				12.6		12.6
<i>Transactions with owners:</i>										
Purchase of treasury shares		-4.6						-4.6		-4.6
Share-based payment						1.3		1.3		1.3
Total transactions with owners in 1st half 2023	0.0	-4.6	0.0	0.0	0.0	1.3	0.0	-3.3	0.0	-3.3
Equity, 30 June 2023	115.4	-5.5	-98.1	60.6	0.0	867.8	0.0	940.1	159.0	1,099.1

Notes

1 Basis of reporting

Accounting policies and new standards and interpretations

This condensed consolidated interim financial report for the period 1 January – 30 June 2023 is prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and Danish disclosure requirements for interim reports for listed companies.

As of January 1, 2023, NKT adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2023, or earlier. The new or revised Standards and Interpretations did not affect recognition and measurement or result in any material changes to disclosures. Apart from this, the accounting policies applied are unchanged from those applied in the Annual Report 2022.

The Group has not prematurely adopted any standards, interpretations or amendments issued but not yet effective.

The Interim Report 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 the 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.

Significant estimates and judgements

Significant accounting estimates and judgements are described in Note 1.3 of the 2022 Annual Report.

They are related to the recognition of revenue from construction contracts, impairment of assets, valuation of tax assets and recognition and measurement of contingent liabilities.

NKT is a party to various disputes and inquiries from authorities. The outcome of these disputes and inquiries are uncertain by nature, but as per 30 June 2023 the outcome of these are not expected to materially affect profit for the year or the financial position.

NKT provides usual third party guarantees issued by financial institutions in support of contractual performance, mainly in high-voltage projects, to cover the risks relating to NKT's performance inherent in these projects, quality and delays. At 30 June 2023, NKT had issued guarantees with a value of EUR 1,795m (EUR 1,231m at 31 December 2022), none of which are currently expected to materialize.

Risks and risk management

In the Annual Report for 2022, risks are described in Note 5.6 in the consolidated financial statement as well as on page 24. No events or risk management activities carried out in the period 1 January – 30 June 2023 have altered the risk assessment applied in the Annual Report.

Notes

2 Segment reporting

Amounts in EURm	Solutions	Applications	Service & Accessories	Non allocated	Inter-segment transact.	NKT
Q2 2023						
Income statement						
Revenue:						
Goods ¹⁾	12.9	291.1	43.3	0.0	-10.2	337.1
Service, etc. ¹⁾	5.7	0.0	2.1	0.0	-0.6	7.2
Construction contracts ²⁾	309.3	0.0	6.3	0.0	-28.5	287.1
Revenue (market prices)	327.9	291.1	51.7	0.0	-39.3	631.4
Adjustment of market prices to std. metal prices	-42.6	-120.8	0.0	0.0	0.2	-163.2
Revenue (std. metal prices)	285.3	170.3	51.7	0.0	-39.1	468.2
Costs and other income, net (excl. one-off items)	-286.0	-274.0	-46.0	-6.7	39.3	-573.4
Operational EBITDA	41.9	17.1	5.7	-6.7	0.0	58.0
Depreciation, amortization and impairment	-16.4	-3.8	-1.0	-0.4	0.0	-21.6
Operational EBIT	25.5	13.3	4.7	-7.1	0.0	36.4
Working capital	-765.1	67.5	38.5	122.5	0.0	-536.8
Q2 2022						
Income statement						
Revenue:						
Goods ¹⁾	12.5	309.5	34.6	0.0	-5.0	351.6
Service, etc. ¹⁾	4.2	0.0	1.7	0.0	-1.1	4.8
Construction contracts ²⁾	213.5	0.0	10.9	0.0	-2.8	221.6
Revenue (market prices)	230.2	309.5	47.2	0.0	-8.9	578.0
Adjustment of market prices to std. metal prices	-34.3	-161.6	0.0	0.0	-1.0	-196.9
Revenue (std. metal prices)	195.9	147.9	47.2	0.0	-9.9	381.1
Costs and other income, net (excl. one-off items)	-200.2	-302.3	-45.4	2.3	8.9	-536.7
Operational EBITDA	30.0	7.2	1.8	2.3	0.0	41.3
Depreciation, amortization and impairment	-15.1	-3.6	-1.1	-0.4	0.0	-20.2
Operational EBIT	14.9	3.6	0.7	1.9	0.0	21.1
Working capital	-295.5	72.2	28.9	-17.3	0.0	-211.7

¹⁾ Revenue from the sale of goods and services is recognized at a point in time.

²⁾ Revenue from construction contracts is recognized over time.

Amounts in EURm	NKT
Q2 2023	
Reconciliation to net result	
Operational EBITDA	58.0
One-off items	0.0
EBITDA	58.0
Depreciation, amortization and impairment	-21.6
EBIT	36.4
Financial items, net	11.4
EBT	47.8
Tax	-12.5
Net result - continuing operations	35.3
Net result - discontinued operations	2.7
Net result	38.0

Q2 2022	
Reconciliation to net result	
Operational EBITDA	41.3
One-off items	-0.4
EBITDA	40.9
Depreciation, amortization and impairment	-20.2
EBIT	20.7
Financial items, net	-4.4
EBT	16.3
Tax	-2.1
Net result - continuing operations	14.2
Net result - discontinued operations	-9.1
Net result	5.1

Notes

2 Segment reporting, continued

Amounts in EURm	Solutions	Applications	Service & Accessories	Non allocated	Inter-segment transact.	NKT	Amounts in EURm	NKT
1st half 2023							1st half 2023	
Income statement							Reconciliation to net result	
Revenue:							Operational EBITDA	114.9
Goods ¹⁾	25.6	585.7	82.1	0.0	-18.2	675.2	One-off items	0.0
Service, etc. ¹⁾	8.5	0.0	3.8	0.0	-1.1	11.2	EBITDA	114.9
Construction contracts ²⁾	546.0	0.0	13.3	0.0	-24.8	534.5	Depreciation, amortization and impairment	-44.0
Revenue (market prices)	580.1	585.7	99.2	0.0	-44.1	1,220.9	EBIT	70.9
Adjustment of market prices to std. metal prices	-79.8	-251.4	0.0	0.0	0.2	-331.0	Financial items, net	16.3
Revenue (std. metal prices)	500.3	334.3	99.2	0.0	-43.9	889.9	EBT	87.2
Costs and other income, net (excl. one-off items)	-502.9	-550.6	-89.6	-7.0	44.1	-1,106.0	Tax	-22.4
Operational EBITDA	77.2	35.1	9.6	-7.0	0.0	114.9	Net result - continuing operations	64.8
Depreciation, amortization and impairment	-33.6	-7.6	-2.0	-0.8	0.0	-44.0	Net result - discontinued operations	0.8
Operational EBIT	43.6	27.5	7.6	-7.8	0.0	70.9	Net result	65.6
Working capital	-765.1	67.5	38.5	122.3	0.0	-536.8		
1st half 2022							1st half 2022	
Income statement							Reconciliation to net result	
Revenue:							Operational EBITDA	79.6
Goods ¹⁾	15.9	586.8	64.6	0.0	-10.1	657.2	One-off items	0.1
Service, etc. ¹⁾	6.4	0.0	2.1	0.0	-1.5	7.0	EBITDA	79.7
Construction contracts ²⁾	382.1	0.0	24.3	0.0	-3.1	403.3	Depreciation, amortization and impairment	-39.8
Revenue (market prices)	404.4	586.8	91.0	0.0	-14.7	1,067.5	EBIT	39.9
Adjustment of market prices to std. metal prices	-57.6	-307.8	-0.2	0.0	-1.6	-367.2	Financial items, net	-9.8
Revenue (std. metal prices)	346.8	279.0	90.8	0.0	-16.3	700.3	EBT	30.1
Costs and other income, net (excl. one-off items)	-349.7	-569.2	-85.5	1.8	14.7	-987.9	Tax	-4.1
Operational EBITDA	54.7	17.6	5.5	1.8	0.0	79.6	Net result - continuing operations	26.0
Depreciation, amortization and impairment	-29.6	-7.5	-2.1	-0.6	0.0	-39.8	Net result - discontinued operations	-6.0
Operational EBIT	25.1	10.1	3.4	1.2	0.0	39.8	Net result	20.0
Working capital	-295.5	72.2	28.9	-17.3	0.0	-211.7		

¹⁾ Revenue from the sale of goods and services is recognized at a point in time.

²⁾ Revenue from construction contracts is recognized over time.

Notes

3 Net interest-bearing debt and working capital

Amounts in EURm	30 June 2023	30 June 2022	Year 2022
Net interest-bearing debt			
Borrowings, non-current - continuing operations	172.0	200.5	180.9
Borrowings, non-current - classified as held for sale	9.5	4.6	9.6
Borrowings, current - continuing operations	10.3	14.7	14.9
Borrowings, current - classified as held for sale	2.4	2.5	2.2
Interest-bearing receivables - continuing operations	-0.2	-0.2	-0.2
Cash at bank and in hand - continuing operations	-413.0	-196.2	-258.5
Cash at bank and in hand - classified as held for sale	-3.2	-2.4	-3.7
Net interest-bearing debt	-222.2	23.5	-54.8
Working capital			
Inventories	296.3	308.5	334.9
Receivables	688.8	505.5	522.5
Contract assets	100.7	102.5	98.2
Income tax receivable	3.3	4.2	3.3
Trade payables	-387.5	-400.5	-351.0
Other liabilities	-356.6	-241.3	-223.7
Contract liabilities	-843.7	-474.2	-677.6
Income tax payable	-38.1	-16.4	-9.6
Working capital	-536.8	-211.7	-303.0
Reconciliation to change in working capital in cash flow			
Working capital 1 January	-303.0	-59.6	-59.6
Reclassification of discontinued operations 1 January	0.0	-33.6	-33.6
Working capital end of period	-536.8	-211.7	-303.0
Change in working capital based on balance sheet	-233.8	-118.5	-209.8
Effect of unrealized hedges reported on Equity	85.4	73.9	18.7
Effect of discontinued operations	0.0	0.0	0.0
Effect of changes in current tax	28.5	5.1	4.6
Effect of changes in exchange rates, etc.	-8.8	-7.9	1.4
Change in working capital based on cash flow statement	-128.7	-47.4	-185.1

4 Acquisition and divestment of companies

Acquisitions and Divestments in Q2 2023

In 1st half 2023, no acquisitions or divestments occurred.

Acquisitions in first half of 2022

Amounts in EURm	1st half 2022
Non-current assets	20.9
Current assets	6.7
Non-current liabilities	-7.3
Current liabilities	-3.3
Acquired net assets	17.0
Gain on business acquisition	-1.2
Purchase price	15.8
Acquired cash and cash equivalents	-0.1
Cash flow used for acquisition	15.7

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

The acquisition consists of net assets of EUR 17.0m predominantly related to tangible assets and working capital. No intangible assets have been recognized from the acquisition. As the purchase price is below the net asset value, and also below the equity value of the company at the time of acquisition, a gain of EUR 1.6m has been recognized in the Income Statement in the line Other Operating Income. Acquisition-related costs of EUR 0.2m are recognized in Other costs etc. in the income statement of the Applications segment.

From the acquisition date to 30 June 2022, Ventcroft Ltd contributed positively to the results with a revenue of EUR 11.2m and a profit of EUR 0.6m. Had the acquisition occurred on 1 January 2022, the impact for the period until 30 June 2022 on revenue and profit would in all material aspects have been similar.

Divestments in 1st half 2022

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

Notes

5 Discontinued operations and assets held for sale

Discontinued operations and assets held for sale

NKT Photonics is classified as Discontinued operations and information on discontinued operations and assets held for sale below solely relates to NKT Photonics. No one-off items were recognized for discontinued operations in Q2 2023. One-off items for discontinued operations in 1st half of 2022 comprise costs associated with the divestment of EUR 6.1m recognized in Q2 2022 and the accounting gain of EUR 8.0m related to the divestment of the LIOS sensing business recognized in Q1 2022.

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Profit for the year – discontinued operations					
Revenue	21.1	18.3	38.5	34.4	86.5
Costs and other income, net	-19.7	-24.1	-39.9	-41.9	-79.9
Gain from sale of business	0.0	0.0	0.0	8.0	8.0
EBITDA	1.4	-5.8	-1.4	0.5	14.6
Depreciation, amortization and impairment	0.0	-3.2	0.0	-6.7	-6.6
EBIT	1.4	-9.0	-1.4	-6.2	8.0
Financial items, net	-0.3	-0.9	-0.7	-2.2	0.1
Earnings before tax (EBT)	1.2	-9.9	-2.1	-8.4	8.1
Tax	1.5	0.8	2.9	2.4	-0.8
Net result - discontinued operations	2.7	-9.1	0.8	-6.0	7.3
NKT's share hereof	2.7	-9.1	0.8	-6.0	7.3
Basic earnings - discontinued operations, EUR, per share (EPS)	0.0	-0.2	0.0	-0.1	0.2
Diluted earnings - discontinued operations, EUR, per share (EPS-D)	0.0	-0.2	0.0	-0.1	0.2
EBITDA	1.4	-5.8	-1.4	0.5	14.6
One-off items	0.0	-6.1	0.0	1.9	5.8
Operational EBITDA	1.4	0.3	-1.4	-1.4	8.8
Cash flows from discontinued operations					
Cash flow from operating activities	1.6	-2.0	5.8	-7.0	-16.0
Cash flow from investing activities	-4.6	-4.4	-8.7	10.2	2.5
Cash flow from financing activities	4.3	6.6	7.4	-2.7	21.5
Net cash flow from discontinued operations	1.3	0.2	4.5	0.5	8.0

Amounts in EURm	Q2 2023	Q2 2022	1st half 2023	1st half 2022	Year 2022
Balance sheet items comprise					
Non-current assets	110.3	87.7	110.3	87.7	100.7
Current assets	57.7	48.0	57.7	48.0	63.4
Assets held for sale	168.0	135.7	168.0	135.7	164.1
Non-current liabilities	12.6	7.3	12.6	7.3	13.3
Current liabilities	21.4	16.3	21.4	16.3	22.3
Liabilities associated with assets held for sale	34.0	23.6	34.0	23.6	35.6

6 Subsequent events

In company announcement no. 20 of 8 June 2023, NKT published prospectus and the initiation of rights issue. The expectation was to increase the number of shares with 10,744,009 with a subscription price of DKK 255 per new share with a nominal value of DKK 20 each. In company announcement no. 23 of 29 June 2023, NKT announced the results of the rights issue by which all new shares offered under the rights issue announced by the Company on 8 June 2023 have been subscribed for resulting in a gross proceed from the offering of DKK 2,740m equal to EUR 367.7m. Completion of the offering, including settlement, took place on 4 July 2023, and consequently, the increase in capital will be included in Q3 2023.

Notes

7 Definitions

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

Performance measures defined by IFRS:

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

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

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 including cash and interest-bearing debt classified as assets held for sale. 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. **Gearing** – Net interest-bearing debt as a percentage of Group Equity.
12. **Net interest-bearing debt relative to operational EBITDA** – Calculated as net interest-bearing debt as defined in point 8 relative to LTM (last twelve months) of operational EBITDA for continuing operations as defined in point 6.
13. **Solvency ratio (equity as a percentage of total assets)** – Equity incl. hybrid capital as a percentage of total assets.
14. **Return on capital employed (RoCE)** – Operational EBIT last twelve months from continuing operations as a percentage of average of the last five quarters of capital employed from continuing operations.
15. **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.
16. **Orders on hand** – Value of the uncompleted work of contracts within the Solutions business line. Contracts are included when they are signed and all significant conditions which may impact the value of the contracts have been agreed.

Statements made about the future in this report reflect the Group Management's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, among other things due to economic and financial market developments, legislative and regulatory changes in NKT A/S markets, development in product demand, competitive conditions, and energy and raw material prices. See the latest Annual Report for a more detailed description of risk factors.

NKT A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

The NKT A/S Interim Report Q2 2023 was published on 16 August 2023 and released through Nasdaq Copenhagen. The report is also available at investors.nkt.com.

NKT A/S
Vibeholms Allé 20
DK-2605 Brøndby
Denmark
Company reg. no. 62 72 52 14

Photos: NKT copyrights. All rights reserved.

Investor Relations contact

Michael Nass Nielsen
Tel: +45 2494 1654
ir@nkt.com

Group Management's statement

The Board of Directors and the Executive Management Board have today considered and adopted the Interim Report of NKT A/S for the period 1 January – 30 June 2023.

The Interim Report for the period 1 January – 30 June 2023, which has not been audited or reviewed by the company auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as approved by the EU, and Danish disclosure requirements for interim reporting by listed companies.

In our opinion the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2023 and the results of the Group's activities and cash flow for the period 1 January – 30 June 2023.

Furthermore, in our opinion, the Management's review includes a fair account of the development and performance of the Group, the results for the period and of the financial position of the Group. Other than set forth in the interim report, no changes have occurred to the significant risks and uncertainty factors compared with those disclosed in the annual report for 2022.

Brøndby, 16 August 2023

Executive Management

Claes Westerlind
President & CEO

Line Andrea Fandrup
CFO

Board of Directors

Jens Due Olsen
Chair

René Svendsen-Tune
Deputy Chair

Nebahat Albayrak

Christian Dyhr*

Stig Nissen Knudsen*

Karla Lindahl

Andreas Nauen

Pernille Blume Simonsen*

Anne Vedel

* Employee-elected member

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 to:



Science Based Targets initiative.
A commitment to become a net
zero emissions company.



United Nations Global Compact.
A pledge to implement universal
sustainability principles.



Europacable Industry Charter.
A commitment towards
superior quality.