We connect a greener world

Annual Report 2023

Company Reg: 6272 5214

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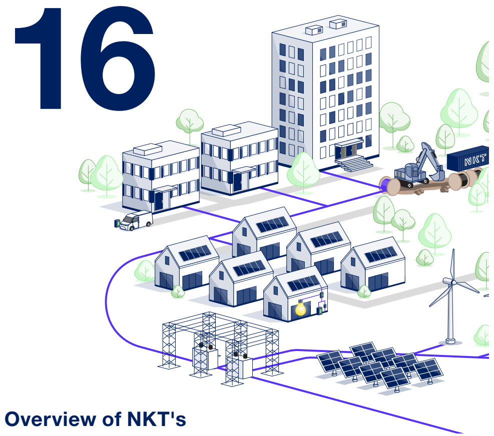

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The Sustainability Report describes the compliance of NKT A/S with Section 99a (CSR), Section 99d (Data ethics), and 107d (Diversity) of the Danish Financial Statements Act in 2023. The three above reports are available on https://investors.nkt.com/corporate-governance/statutory-reports

01

Introduction

NKT at a glance

Founded in

1891

Main production and installation assets

11

Average number of employees

4,473

Employee nationalities

+70

Scope 1 & 2 / Scope 3 reduction targets by 2030

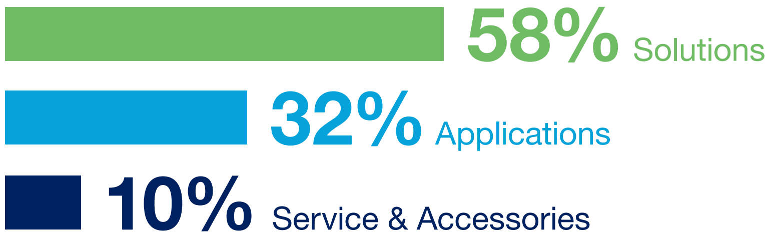
90% / 27.5%

Diversity & Inclusion score

76

Employee data is the average and end-of-year for 2023, respectively. Reduction of CO_2e emissions for scope 1, 2 and 3 in 2030 compared to 2019. D&I score is from the annual employee engagement survey in 2023 measured on a scale from 0-100. Revenue split (in std. metal prices) for 2023 is excluding intersegment transactions.

Revenue split



ReNew BOOST strategy

Read more

Let's Grow

Let's Innovate

Let's Drive Sustainability

Letter from the Chair and the CEO

Enabling the power grid for the green transition

2023 was a successful year for NKT. We continued our strong financial performance, achieved a record order intake, launched a large investment program and continued to deliver on our sustainability agenda. These results form the basis for further growth, to serve the unprecedented demand for power cables, to enable the global transition to renewable energy – and ultimately a net zero future.

Power cables are essential to the evolving energy ecosystem

Today, the significance of power cables extends beyond the traditional role of transmitting electricity. They are essential components of a dynamic and evolving renewable energy ecosystem, enabling the transition to a low-carbon future, electrified transportation, and smart city infrastructure. In 2023, the International Energy Agency published a report stipulating that the world must install 80 million km of power grids by 2040, equal to all grids globally today, to meet national climate targets and support energy security. At the United Nations Climate Change Conference, COP28, a key outcome was the commitment from 123 countries to work together to triple the global capacity of installed renewable energy generation to at least 11,000 GW by 2030. In connection with this, developing and expanding grid connections, and improving energy system interconnectivity was recognized as a key enabler. More than ever, the world has realized the critical role power cables play in securing a greener future.

Unprecedented demand driven by the renewable transition and grid replacements

Upgraded and interconnected power grids will mean an increase in demand for high- and medium-voltage power cable solutions. Existing power cable production capacity cannot meet this rapid increase in demand; and transmission system operators (TSO's) have become increasingly aware of the urgency to secure power cable manufacturing capacity. In 2023, NKT secured record order wins of approximately EUR 10bn resulting in our largest high-voltage order backlog ever. The main portion was awarded in the form of multi-year framework agreements from large European TSO's, ensuring visibility and high utilization of our high-voltage production capacity for years to come. These agreements, made with key long-term customers, underline NKTs value as an attractive partner.

NKT is growing to support increasing demand

Our established market position and innovative skillset, as well as strong focus on sustainability, form the foundation for an even stronger presence in the power cable industry in the years to come. Supported by strong long-term visibility from our high-voltage order backlog, we announced an approximately EUR 1bn investment program in NKT's high-voltage business. The expansion is progressing according to plan and will add end-to-end production capacity next to our existing facility in Karlskrona, Sweden. Once completed, the full Karlskrona site will be the largest high-voltage offshore cable production site in the world. These investments will further improve NKT's ability to meet growing demand for especially long-length HVDC power cable solutions, while also adding a market leading cable-laying vessel for offshore installation. To enable this large investment, NKT raised new equity in a rights issue that was completed in May, and we would like to thank our shareholders for their continued support and trust.

In the Applications and Service & Accessories business lines, we continued to invest in technology, innovation and additional capacity. This included investments in our power cable accessories factory in Alingsås, Sweden, where we will build a new test hall, office and storage space, while also expanding our production capacity to meet increasing demand for accessories that are crucial for power cable systems. Geographical expansions into new segments and markets are ongoing across all business lines to drive growth and expand on NKT's existing stronghold in Europe.

The divestment of NKT Photonics is pending final approval from authorities. This marks the final step in the journey towards becoming a fully focused power cable solutions company. Expected proceeds from the divestment will contribute to the future profitable growth of NKT.

NKT has consistently invested in its core business in past years, and we are determined to continue investing in the necessary capabilities and capacity required to meet significant demand driven by the green transition and ongoing electrification of societies. To enable further investments, certainty about the committed long-term demand and a level playing field between manufacturers from different regions of the world are required.

Our people and their engagement are key enablers of our continued success

As NKT continues to grow, it is vital to maintain a strong focus on the execution of our company strategy, ReNew BOOST, on the timely progress of ongoing investments, and on the continuous delivery of our record high-voltage order backlog. Current and future employees play a central role in our success, and we would like to extend a warm welcome to nearly 1,300 new colleagues who joined us during the year, adding key competencies and diversity to our company. In May 2023, the Board of Directors announced Claes Westerlind as the new CEO of NKT and in September we launched changes to the Group Leadership Team, including the introduction of global COO and CCO positions, to further intensify our focus on execution, operational excellence and customer centricity.

We are pleased to see that in 2023, we have significantly improved both internal employee engagement and customer satisfaction with NKT as a trusted power cable solutions provider. Both measures are above external benchmarks and accentuate NKT as an attractive and reliable employer and partner.

"Upgraded and interconnected power grids will mean a significant increase in demand for power cable solutions. With our market position and innovative skillset, we will support this demand."

Jens Due Olsen

Chair of the Board of Directors
NKT A/S

“As NKT grows, it is vital to maintain a strong focus on the execution of our company strategy, ReNew BOOST. Our current and future employees will play a central role in our success.”

Claes Westerlind
President & CEO
NKT A/S

2023 provides a strong foundation for the future

Our business took another step forward on its financial performance in 2023, with further growth across several key metrics compared to 2022. We have grown our operational EBITDA substantially in recent years, which amounted to EUR 255m in 2023. We now enter 2024 with a record high-voltage order backlog, and a strong outlook to grow further, supported by the largest investment and expansion plan in NKT history. Acknowledgement of these positive financial developments was reflected in an associated increase in market cap and share trading volume, leading NKT to be included in the primary Danish stock index, the OMX C25, in December 2023.

These positive developments have been supported by a dedicated focus on sustainability, which is becoming increasingly important to our customers. During the year we reached key milestones, such as having our cable-laying vessel, NKT Victoria, certified for operating on biofuel, strengthening our approach to human rights, and having our short-term decarbonization targets approved by the Science Based Target initiative. All positively contribute towards maintaining NKT's position as a sustainability leader in the power cable industry.

Thank you for a successful year for NKT

On behalf of the Board of Directors and the Executive Management, we extend our sincere thanks to all shareholders, customers and business partners. We value these strong relationships and attribute a large part of our success in 2023 to you. Our employees and leadership teams also deserve a special thank you for a well-executed 2023.

Now, we look into 2024 with confidence as we pursue our strategic priorities on growth, innovation and sustainability. There is no doubt we have another inspiring and eventful year ahead of us.

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

Claes Westerlind
President & CEO
NKT A/S

Key highlights for 2023

NKT took another step forward in 2023, with further growth across several key financial metrics compared to 2022. With a record high-voltage order backlog and a financial position bolstered by increased earnings and free cash flow generation, NKT is well-positioned to pursue strategic growth priorities in 2024 and beyond.

Revenue, EUR

2,567m

EUR 2,079m in 2022.

Revenues (in std. metal prices) were EUR 1,927m in 2023, up from EUR 1,447m in 2022. All three business lines contributed with higher revenues, Solutions and Applications were responsible for the majority of growth. Organic growth rates were 59% in Solutions, 15% in Applications and -2% in Service & Accessories

Operational EBITDA, EUR

255m

EUR 155m in 2022.

Increased earnings were driven by continued growth and improved profitability in both Solutions and Applications, which reflected NKT's underlying presence across power cable markets. This was partially offset by decreased profitability in Service & Accessories

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

305m

EUR 109m in 2022.

A higher earnings contribution as well as a positive development in working capital due to a structurally larger high-voltage order backlog, more than offset the higher investment level, and led to strong free cash flow generation for 2023

RoCE

19.5%

6.6% in 2022.

RoCE increased primarily due to the significant increase in operational EBIT of 138% from 2022 to 2023. In addition, the positive cash flow generation led to a lower capital employed

High-voltage order backlog, EUR

10.8bn

EUR 4.7bn at end-2022.

The record-high level was driven by the highest ever annual order intake. This covered awards across numerous technologies, geographies and customers in 2023 with improved overall contractual conditions. The capacity reservation agreements from SSEN Transmission and three projects under a framework agreement with TenneT are not included in the order backlog. They have an estimated value of more than EUR 2.5bn

Net interest-bearing debt, EUR

-671m

EUR -55m at end-2022.

Positive free cash flow and net proceeds of EUR 357m from a fully subscribed rights issue led to a significant decrease in net interest-bearing debt. NKT's business model requires a robust capital structure and the investments announced will also consume cash until completed

* Key highlights reflect performance from continuing operations

5-year financial highlights

Amounts in EURm	2023	2022	2021	2020	2019
Income statement					
Revenue	2,567	2,079	1,828	1,403	1,268
Revenue in std. metal prices* [3]	1,927	1,447	1,263	1,087	945
Operational EBITDA* [6]	254.6	154.5	131.1	56.7	15.1
One-off items* [5]	0.0	0.1	-12.7	-9.9	-12.0
EBITDA	254.6	154.6	118.4	46.8	3.1
Amortization, depreciation and impairment	-90.0	-85.4	-94.5	-85.2	-90.8
Operational EBIT* [7]	164.4	69.1	36.6	-28.5	-75.7
EBIT	164.4	69.2	23.9	-38.4	-87.7
Financial items, net	-15.6	9.1	-8.2	-11.5	-11.6
Earnings before tax (EBT)	148.8	78.3	15.7	-49.9	-99.3
Profit from continuing operations	118.7	55.1	11.9	-63.5	-78.5
Profit from discontinued operations	5.6	7.3	-7.8	-11.0	2.5
Net result	124.3	62.4	4.1	-74.5	-76.0
Cash flow					
Cash flow from operating activities	542.4	298.2	208.8	135.6	117.8
Cash flow from investing activities	-247.0	-204.8	-211.2	-90.8	-52.3
hereof investments in P,P&E	*-204.5*	*-156.1*	*-184.5*	*-61.3*	*-28.5*
Free cash flow [16]	295.4	93.4	-2.4	44.8	65.5

Amounts in EURm	2023	2022	2021	2020	2019
Balance sheet					
Share capital	144.3	115.4	115.4	115.4	115.4
Group equity	1,575.0	1,143.8	1,159.9	1,076.4	803.8
Total assets	3,604.0	2,767.4	2,553.4	2,150.6	1,789.6
Net interest-bearing debt* [8]	-670.6	-54.8	13.2	-25.9	242.2
Capital employed* [9]	904.4	1,089.0	1,173.1	940.0	942.0
Working capital* [10]	-708.8	-303.0	-59.6	-164.5	-143.3
Financial ratios and employees					
Operational EBITDA margin, continuing operations (std. metal prices)*	13.2%	10.7%	10.4%	5.2%	1.6%
Gearing (NIBD as % of Group equity)* [11]	-43%	-5%	1%	-2%	30%
NIBD relative to operational EBITDA* [12]	-2.6x	-0.4x	0.1x	-0.4x	8.2x
Solvency ratio (equity as % of total assets)* [13]	44%	41%	45%	50%	45%
Return on capital employed (RoCE)* [14]	19.5%	6.6%	3.4%	-2.9%	-7.2%
Number of DKK 20 shares ('000) at end of year*	53,720	42,976	42,976	42,976	27,260
EPS, continuing operations, EUR** [1]	2.2	1.0	0.1	-2.3	-3.2
Diluted EPS, continuing operations, EUR** [2]	2.1	1.0	0.1	-2.3	-3.2
Equity value, EUR, per outstanding share* [15]	26	23	23	22	24
Market price, DKK, per share*	464	391	316	271	161
Average number of employees*	4,473	4,062	3,775	3,390	3,299

1–16 Definitions appear in Section 7.4 in the consolidated financial statements.

* Alternative performance measures

** Due to the rights issue in 2023 at a price below market price the earnings per share numbers for 2022 EPS, continuing operations, EUR and Diluted EPS, continuing operation, EUR have been restated and reduced by 0.1 EUR. Earnings per share for earlier years have not been restated due to immaterial impact.

Strengthened organisational setup to enable future growth

In September 2023, NKT announced an updated Group Leadership Team structure, which has been optimised to facilitate future growth and create stronger alignment across the organisation. These included the formation of two new roles.

Establishment of COO and CCO roles
As part of these changes, NKT has established the Chief Operating Officer/Deputy CEO and Chief Commercial Officer roles, which were formed to further intensify focus on execution, operational excellence and customer centricity across all business lines. These two new positions with global responsibility will be key to driving continued progress of NKT's growth journey ahead, set direction across the company, and ensure that NKT capitalises on a significant level of attractive market opportunities.

Will Hendrikx has assumed the position as Chief Operating Officer/Deputy CEO. Will brings more than 25 years of experience driving global sales, growth and operational optimization across the cable and transformer industry. Will joined NKT in 2020, as Executive Vice President of Applications; and has been instrumental in defining and leading efficiency initiatives that have led to the significant growth and improved profitability of this business line in recent years.

Michael C. Hjorth has expanded his areas of responsibility and has assumed the role of Chief Commercial Officer. Michael first joined NKT in 1995 and has been a member of the Group Leadership Team as the Chief Commercial Officer of the Solutions business line since 2019. Under Michael's leadership, NKT's high-voltage order backlog has increased to the record-high level of EUR 10.8bn at end-2023.

The full Group Leadership Team is presented on page 57-58.

"I am excited to lead a highly engaged and competent global team that is eager for the growth journey ahead. Strong emphasis will be placed on execution, operational excellence, and customer centricity in the pursuit of our strategic ambitions for 2028."

Will Hendrikx
Chief Operating Officer & Deputy CEO

"We will look to maintain strong momentum going forward, following a record high-voltage order intake in 2023. NKT is firmly entrenched as one of the leading providers of power cable solutions for the years to come and will continue exploring innovative new solutions to best serve our customers' needs."

Michael C. Hjorth
Chief Commercial Officer

Financial outlook 2024

Revenues (in std. metal prices) and operational EBITDA are expected to be between approx. EUR 2.21-2.36bn and EUR 285-335m, respectively.

The improved financial outlook in 2024 compared to 2023 is expected to be driven predominantly by Solutions, as previous investments in capabilities and capacity, and execution of the order backlog will positively impact revenues and operational EBITDA.

Similar to 2023, NKT will continue to execute on its record high-voltage order backlog, whose composition will maintain a relatively high level of revenues generated from subcontracted production and installation assignments in 2024.

The level of subcontracted revenues in Solutions is expected to decline in 2025 and 2026 relative to 2024. Revenues generated from subcontracted production and installation assignments vary depending on the underlying project mix in production. This has no impact on the previously communicated medium-term financial ambitions.

In May 2023, NKT announced an approx. EUR 1bn investment program, which will contribute to revenue and earnings from 2027 when new assets are expected to gradually become operational. This will drive an elevated investment level in 2024 compared to prior years.

Applications and Service & Accessories are also expected to contribute positively to revenues and operational EBITDA in 2024. While Applications significantly increased earnings in 2023, growth in 2024 is expected to be modest and will depend on market dynamics. Service & Accessories is expected to grow compared to 2023, driven by favourable market conditions as well as growth and efficiency efforts.

NKT is expanding across business lines and is selectively investing in growth opportunities. This will be founded on a higher cost base that will be value creating for the business over time.

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

The financial outlook for 2024 is based on several assumptions including:

- Satisfactory execution and development of high-voltage investments and projects without major disruptions
- Stable market conditions in Applications
- Normalized offshore power cable repair work activity
- Stable development of the global economy
- Stable supply chain with limited disruptions and access to the required labour, materials and services
- Stable development in foreign currency and metal prices

Revenue (std. metal prices), EUR

~2.21–2.36bn

Operational EBITDA, EUR

~285–335m

Medium-term financial ambitions

In May 2023, NKT upgraded and extended its medium-term financial ambitions, which now cover up to 2028. The ambitions were updated in connection with the announcement of the approx. EUR 1bn high-voltage investment program and the corresponding rights issue. These investments will drive further value accretive growth.

The updated ambitions are as follows:

- Organic revenue growth (measured in std. metal prices) with a CAGR above 12% from 2021-2028
- Operational EBITDA above EUR 300m and above EUR 550m for 2025 and 2028, respectively
- Return on Capital Employed (RoCE) above 15% by 2025 and above 20% by 2028

Organic growth CAGR

>12%

From 2021-2028

Operational EBITDA, EUR

>300m / >550m

By 2025 By 2028

RoCE

>15% / >20%

By 2025 By 2028

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

- Satisfactory execution and development of high-voltage investments and projects to deliver on expected profitability margin trajectory
- Market demand supporting a continued favourable supply/demand balance
- Ensure further high-voltage project awards securing high utilization of production and installation assets
- Stable development of the global economy
- Stable supply chain with limited disruptions and access to the required labour, materials and services
- Stable development in foreign currency and metal prices

All business lines are expected to contribute to NKT’s improving financial performance towards 2028, with Solutions being the primary growth driver. Sustainable megatrends are expected to continue to positively impact cable markets and thereby NKT's three business lines over this time.

In Solutions, it is a prerequisite that NKT successfully executes its investment program from 2023-2027. This is the foundation for anticipated growth in revenues and operational EBITDA. In parallel, NKT needs to deliver satisfactory project execution of its record high-voltage order backlog, and win further projects to support long-term profitability.

In Applications, NKT expects to grow revenues and operational EBITDA based on its positioning in markets exposed to growth trends. NKT will invest selectively in debottlenecking existing sites to facilitate growth, with a particular focus on the segments driven by the green transition and electrification of societies.

In Service & Accessories, the main focus is to facilitate further growth based on prevailing attractive market conditions. This will be achieved through various ongoing initiatives including geographical expansion and the pursuit of attractive business opportunities.

NKT: The equity investment case

Creating shareholder value by connecting a greener world

Across multiple fronts, 2023 was a transformational year for NKT. The company continues to progress on its strategic ambitions, and offers equity investors exposure to the green energy transition.

NKT's power cable systems are a critical component for the transmission and distribution of renewable energy

As an industry leading, pure play power cable solutions provider, NKT remains well positioned to benefit from the need for more modern and interconnected power grids, capable of meeting structurally higher demand for electricity from a higher share of renewable energy. NKT's power cable systems are essential components of a dynamic and evolving renewable energy ecosystem, with structural megatrends driving strong demand for the company's robust portfolio of high and medium-voltage solutions.

NKT has a technology-centric approach with a market leading position within high-voltage DC solutions

In recent years, there has been a technology shift in the high-voltage power cable market, with 525kV XLPE DC power cables becoming a key solution for long distance power transmission. As a pioneer of XLPE DC technology, NKT has seen its addressable market increase rapidly – market awards were above EUR 30bn in 2023* compared to an average of around EUR 2-3bn in the second half of the 2010s. In addition, NKT has well-founded project execution capabitlities to deliver on large projects with in-house production and installation assets.

NKT's record high-voltage order backlog provides multi-year earnings visibility

Through strong commercial execution, NKT was awarded new contracts worth approx. EUR 7bn in 2023, bringing the company's high-voltage order backlog to a record high EUR 10.8bn, of which more than 75% are with large European Transmission System Operators. With additional booking commitments exceeding EUR 2.5bn, the company has multi-year earnings visibility. To support future profitable growth and capitalize on a favourable market outlook, NKT launched the largest investment program in company history, with approx. EUR 1bn earmarked for a new high-voltage factory and cable-laying vessel.

NKT's robust financial position provides security and flexibility

Bolstered by free cash flow of EUR 295m in 2023 and net proceeds of EUR 357m from a fully-subscribed rights issue completed in July 2023, NKT is entering its next phase of growth in a position of financial strength. At end-2023, NKT had net interest-bearing debt of EUR -671m and available liquidity reserves of EUR 1,090m. In parallel, operational EBITDA and free cash flow generation have consistently improved in recent years. NKT targets a leverage ratio (net interest-bearing debt relative to operational EBITDA) of up to 0.0x, thereby ensuring a strong financial position for years to come.

The NKT organization has a proven track record of delivering on strategic and operational targets

NKT has improved its financial performance in the past years, growing revenue and operational EBITDA significantly. Under the company's ReNew strategy introduced in 2020, followed by the updated ReNew BOOST, all business lines have contributed with improved results and positive strategic execution. Going forward, NKT remains highly focused on execution and risk management, which will be key to meeting its medium-term financial ambitions. Targeting high asset utilization and an optimised cost base, NKT aims to deliver, and create value for shareholders.

* Market awards are a combination of firm awards and booking commitments in NKT's addressable high-voltage market.

Divestment of NKT Photonics

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

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 had 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 refiled its application with the Danish Business Authority in July 2023. The application is currently being assessed by the Danish authorities.

Financial performance in 2023
NKT Photonics' revenues grew organically by 3% in 2023 and increased to EUR 88.1m. The main growth drivers were the Medical & Life Science - with a particularly positive development within ophthalmology - and Quantum & Nano Technology segments. Growth momentum slowed in Q4 2023 as some orders were moved into 2024.

Operational EBITDA in 2023 was EUR 7.3m, against 8.8m in 2022. The development in 2023 was impacted by higher input costs due to the inflationary pressure that started in 2022. This was partly outweighed by deliberate cost control in the business. The reported EBITDA was 7.3m in 2023, compared to EUR 14.6m in 2022, as one-off items related to an accounting gain contributed positively in 2022.

This led to a net result from discontinued operations of EUR 5.6m in 2023, compared to EUR 7.3m in 2022. As assets in NKT Photonics are classified as held for sale, these are not depreciated. This improved the result by EUR 6.6m from 2022 to 2023.

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

See more detailed financial information on discontinued operations in Section 6.3 on page 95.

02 Group review and markets

Business model

Resources → **Business** → **Value creation**

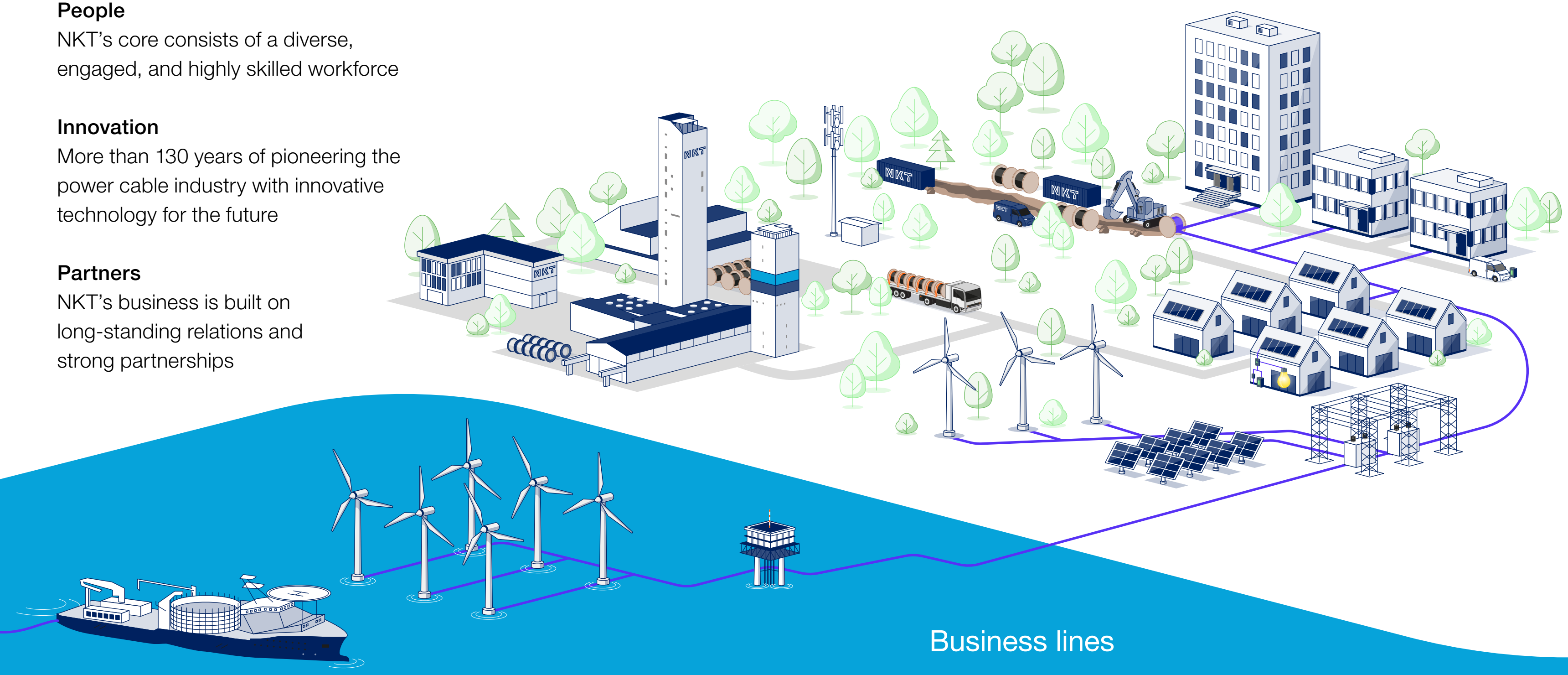
Resources

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

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

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

Business



Value creation

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

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

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

Shareholder value
NKT is creating shareholder value through business performance

Business lines

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

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

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

Markets and megatrends

As a pure-play power cable company, NKT serves the market with solutions to bring power from electricity generation to consumption. This covers the high-voltage transmission and medium-voltage distribution power grids including offshore and onshore installation, to lower voltage building wires. Across market segments, technological progress has been an important market driver to ensure the efficient and safe allocation of power and to strengthen power grids. Future growth is to a large degree expected to be driven by high-voltage DC technology, where NKT is a leading company.

As a result of several market drivers, the power cable market has grown rapidly; and this is expected to continue in the years ahead. NKT is well-positioned to benefit, as its offerings include power cable systems and service solutions across voltage and capacity levels.

Many factors can influence future market development. In particular, NKT sees three megatrends having the greatest impact on the power cable market in the coming years: **Sustainability, Electrification** and **Digitalization.**

[1] IEA Renewable Energy Market Update, January 2024.
[2] Eurelectric Decarbonisation Speedways, June 2023.

Sustainability

As renewable energy capacity has continued to expand globally, demand for power cable systems – which are essential for power transmission and distribution – has correspondingly accelerated. Global renewable energy capacity grew by the fastest pace recorded in the last 20 years in 2023[1]; which was also an unprecedented year for the high-voltage cable market.

Despite rapid progress, adoption must accelerate further in the decades to come if countries are to have any chance at meeting published sustainability targets. This is especially true in Europe, where EU decarbonisation and energy security targets require an increase from the current around 20 GW to at least 111 GW of energy generation from offshore wind alone by 2030[2].

These shifts in power generation and consumption present substantial market opportunities across segments in the power cable industry.

Within the high-voltage power cable market, DC solutions have gained prominence over AC, as renewable energy sources are connected to population centres over longer distances. Both technologies will continue to play an important role for the high-voltage power grid.

Within the medium-voltage power cable market, additional power cables will be required to connect wind and solar parks to substations and beyond. Both segments will be important demand drivers for medium-voltage cables going forward.

Sustainability-related requirements are expected to play an increasingly significant role in the supply chain. This includes a focus on low-carbon solutions and responsibly sourced materials and compounds, such as lead-free and halogen-free solutions.

Expected impact on power cable market segment

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

Electrification

In an effort to reduce carbon footprints, consumers and companies are demanding electrical power solutions as a substitute from traditional carbon-based power systems. Power grid operators must accommodate for increased localized demand from non-traditional electrical power consumers such as electric vehicles, heat pumps, industrial motors, and electrified public transportation.

Investments in power grid expansion and strengthening programs will require more high- and medium-voltage power cable systems and services. NKT sees that:

- Electricity consumption across Europe is expected to increase by approximately 60% between 2023 and 2030[2]
- Over 40% of Europe's power grid infrastructure is over 40 years old[3]
- Europe's power grid owners are expected to spend at least EUR 35bn per year until 2030 and up to EUR 65bn per year on average until 2050[3]
- The EUR 23bn annual spend by European power grid owners seen in recent years falls significantly short in meeting the EU's decarbonisation agenda[3]

Expected impact on power cable market segment

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

[2] Eurelectric Action Plan on Grids, November 2023
[3] Eurelectric Decarbonisation Speedways, June 2023

Digitalization

Digitalization continues to be a major global efficiency driver across industries. This has presented opportunities for smart power cable solutions with fibre optics that support data collection and monitoring for optimization, as well as various preventative maintenance solutions.

Additionally, an unstable global geopolitical situation has led to an increased focus on securing and servicing critical infrastructure, including power cables. This has increased the need for cable monitoring solutions that safeguard the uninterrupted transmission and distribution of electricity.

These advances within digitalization have positively impacted demand within the low- and medium-voltage segments. NKT also anticipates that further opportunities could arise from the accelerated adoption of Artificial Intelligence that as an example can automatize traditional operational processes.

Expected impact on power cable market segment

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

Macroeconomic environment
Despite gradually normalizing conditions across Europe, economic uncertainty remained high throughout the year, driven by ongoing conflict between Russia and Ukraine.

Globally, sustained inflation, higher interest rates, volatile raw material prices, and foreign-exchange fluctuations persisted, challenging business operations and economic assumptions.

Conflict in the Middle East and attacks on shipping lanes in the Red Sea suggest that supply chain disruptions and sourcing of certain raw materials could be challenged for some industries in 2024.

NKT continues to monitor the prevailing macroeconomic environment in order to ensure supply chain security; the safety of its workforce; and the consistency of its operations.

ReNew BOOST strategy

In 2023, NKT continued to execute on its strategy: ReNew BOOST. This updated strategic direction was introduced in 2022 based on three main pillars: growth, innovation and sustainability.

In recent years, NKT has increased earnings, strengthened its balance sheet, and initiated several growth investments. This has been founded on a clear strategic direction, which is an embedded part of the ReNew BOOST strategy for each of the individual business lines.

The green transition is accelerating in Europe and other parts of the world, and the ongoing electrification of societies is a sustainable megatrend. NKT will continue to play a central role in connecting a greener world with innovative power cable solutions and services. The three pillars of ReNew BOOST will continue to guide NKT's strategic direction in the years to come.

Let's Grow

NKT will continue to support the ongoing creation of a power grid for the future. This is done by selectively investing in and expanding all three business lines. NKT has launched several initiatives to grow capacity and organizational capabilities, which will be key to unlocking further growth. NKT is focused on delivering expansions according to plan, which will require strengthened employee competencies across the organization.

NKT will continue its positive financial development, driven by significant opportunities from sustainable megatrends supporting the power cable market. NKT is in a strong position; and is committed to growing its business in a value-creating and profitable way by ensuring execution on commitments and through the diligent exploration of new opportunities.

Let's Innovate

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

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

Let's Drive Sustainability

NKT continuously aims to integrate sustainability throughout its business. To drive sustainability, NKT works around three focal points:

1) Climate action: Reducing corporate emissions and engaging in strategic partnerships for decarbonization. 2) Circularity: Increasing circularity through the entire lifecycle of products and solutions and actively pursuing zero waste from operations. 3) Social aspects: being a fair, inclusive and safe workplace.

The focus areas are founded on responsible business practices, where NKT conducts business as a trusted partner and employer.

More information about NKT's efforts within ESG is available in the Sustainability Report 2023.

Financial review 2023

Compared to 2022, NKT achieved organic revenue growth of 36%, which was driven by further growth in Solutions and Applications. Increased revenues and efficiency initiatives led to the highest annual operational EBITDA and profitability margin in company history. Free cash flow increased significantly due to the phasing of milestone payments and a positive working capital development from a structurally larger high-voltage order backlog.

Organic growth of 36% in 2023
Driven by further growth in Solutions and Applications, NKT's revenues* increased by EUR 481m in 2023, to EUR 1,927m. Service & Accessories also contributed with a slight absolute revenue increase, despite offshore repair work being limited in 2023. The largest absolute increase in revenue* was delivered by Solutions, where previous investments in capabilities and capacity drove growth. Applications also increased revenues, driven by positive momentum in the power distribution and renewable energy segments.

The revenue* performance was at the high end of the most recent financial outlook for 2023 of approx. EUR 1.85-1.9bn, which was announced in October 2023. Outperformance compared to the original outlook for 2023 was driven primarily by satisfactory execution in Solutions throughout the year; and a higher than initially anticipated revenue performance within Applications.

Organic growth for each business line was 59% for Solutions, 15% for Applications, and -2% for Service & Accessories.

Revenues measured in market prices were EUR 2,567m in 2023, against EUR 2,079m in 2022.

Realized figures versus initial financial outlook for 2023

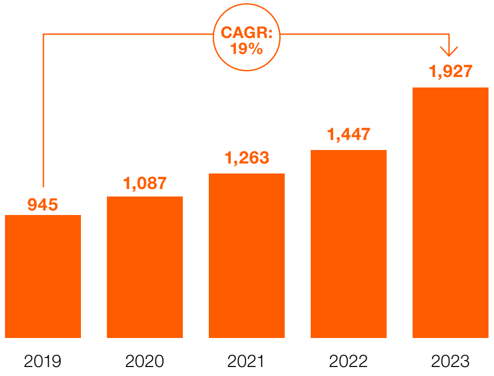
Amounts in EURm	Initial, Feb. 2023	Adjustment, Apr. 2023	Adjustment, Aug. 2023	Adjustment, Oct. 2023	Realized
NKT					
Revenue*	~1.75-1.85bn	~1.8-1.9bn	~1.8-1.9bn	~1.85-1.9bn	1,927m
Operational EBITDA	~185-215m	~200-230m	~215-245m	~240-260m	255m

* Std. metal prices

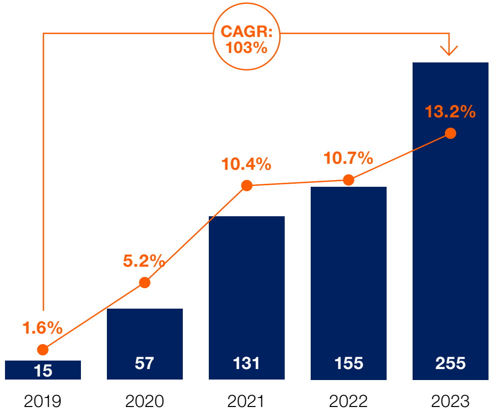
Improved operational EBITDA and continued margin expansion
Operational EBITDA of EUR 255m in 2023 was the highest annual level in company history and was EUR 100m higher than 2022.

Improved company profitability was largely driven by higher revenues and margin improvement in Solutions, where investments in capa-

Revenue* development
Amounts in EURm



Operational EBITDA
Amounts in EURm



"We took another step forward in 2023 with further growth across several key financial metrics. With a record high-voltage order backlog and a positive market outlook driven by sustainable megatrends, we are entering 2024 with a robust financial position that forms the foundation for future growth ahead."

Line Andrea Fandrup

Chief Financial Officer,
Executive Vice President

bilities and capacity drove growth. Applications also contributed, doubling its operational EBITDA compared to 2022. This was the result of revenue growth and positive impacts from previous efficiency initiatives. This was partially offset by decreased profitability in Service & Accessories, as limited offshore repair work in 2023 did not outweigh continued growth within the accessories business.

Operational EBITDA in 2023 was at the high end of the most recent financial outlook for 2023 of approx. EUR 240-260m. Results exceeded the initial outlook for 2023 due to satisfactory execution in Solutions and profitability that exceeded original expectations within Applications.

The operational EBITDA margin* was 13.2% in 2023 against 10.7% in 2022.

In 2023, there were no one-off items, compared to EUR 0.1m in 2022.

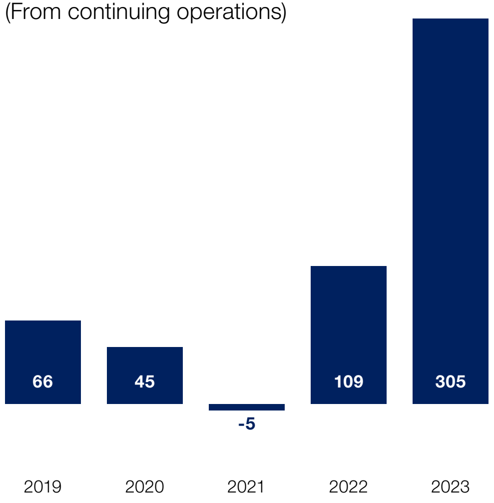
These developments saw reported EBITDA increase from EUR 155m in 2022 to EUR 255m in 2023, driven by the same parameters as operational EBITDA.

Increase in net result

EBIT amounted to EUR 164m in 2023, an improvement of EUR 95m compared to 2022. The increase was attributable to the same parameters as EBITDA, slightly offset by higher depreciation and amortization compared to 2022.

Financial items were EUR -15.6m in 2023, against EUR 9.1m in 2022. While interest income - driven by an elevated cash position in 2nd half 2023 - had a positive effect, this was more than offset by the impact of exchange-rate fluctuations, as both PLN and SEK strengthened against the EUR in 2023. Despite negative financial items, earnings before tax (EBT) increased to EUR 149m in 2023 from EUR 78m in 2022.

Free cash flow (excl. acquistions and divestments)
Amounts in EURm
(From continuing operations)



* Std. metal prices

NKT's net result from continuing operations for 2023 amounted to EUR 119m, an increase of EUR 63.6m from 2022. The reported tax rate was 20%.

Positive working capital development
Driven by a larger positive EBITDA contribution and improved working capital position, cash flow from operating activities* improved by 244m to EUR 542m in 2023.

The working capital level was EUR -709m at end-2023, corresponding to an improvement of EUR 406m compared to end-2022. Unrealized value adjustments of hedging instruments drove a decrease in working capital of EUR 87m, mainly due to changes in commodity prices in 2023. The hedging value adjustments had no cash impact; and exclusive of these adjustments, the underlying working capital continued to develop favourably in 2023.

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

The working capital ratio, LTM, was -16.0% at end-2023, compared to -7.5% at end-2022.

Significant increase in free cash flow despite higher investment level
Excluding acquisitions and divestments, cash flow from investing activities* amounted to EUR -238m in 2023, compared to EUR -189m in 2022. The increased investment level was largely attributable to investments associated with ongoing expansions in Solutions.

Despite the higher investment level, NKT generated free cash flow* of EUR 295m in 2023. This was significantly higher than EUR 93m in 2022.

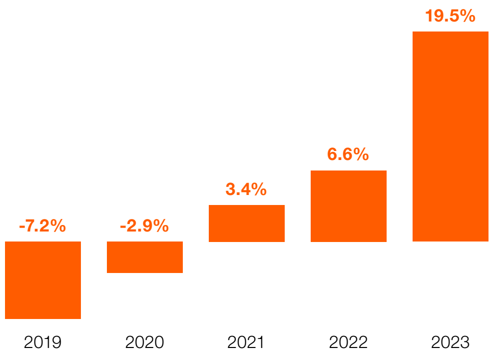
Improved RoCE driven by growth in earnings
The significant improvement of operational EBIT of 138% was reflected in RoCE*, which was 19.5% at end-2023, up from 6.6% at end-2022. Capital employed decreased from EUR 951m at end-2022 to EUR 752m at end-2023 due to positive cash flow generation. RoCE has continued to gradually improve, mainly reflecting progressively higher earnings contributions. RoCE will fluctuate from quarter-to-quarter depending on the project mix in production and timing of milestone payments from customers.

Liquidity, debt and equity
Positive free cash flow generation in 2023 and proceeds from the rights issue that was completed in Q3 2023 led to a decrease in net interest-bearing debt from EUR -55m at end-2022 to -671m at end-2023. This provides security and flexibility for the years to come, where cash outflows associated with the ongoing investment program will be significant.

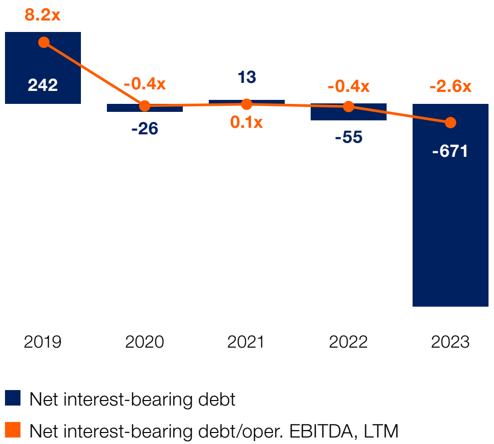
Net interest-bearing debt relative to operational EBITDA amounted to -2.6x at end-2023, an improvement from -0.4x at end-2022.

At end-2023, NKT had total available liquidity reserves of EUR 1,090m, comprising cash of EUR 890m (of which EUR 2.4m 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 1,575m. The solvency ratio was 44%, compared to 41% at the end of the previous year.

RoCE (from continuing operations)
%



Net interest-bearing debt
Amounts in EURm



* From continuing operations.

Financial review Q4 2023

In Q4 2023, NKT increased revenues* by EUR 147m compared to Q4 2022. This equalled organic growth of 40%. All three business lines contributed, but it was driven primarily by increased capacity and capabilities within Solutions and continued satisfactory execution.

The higher revenue led to further growth in operational EBITDA, which increased by EUR 23.5m from Q4 2022, corresponding to a margin* improvement of 1.6%-points.

Solutions

In Solutions, revenues* increased by EUR 133m from Q4 2022 to Q4 2023, equivalent to organic growth of 65%. Growth was driven by higher activity across the business line, as well as revenues from increased investments in capacity conducted in recent years. Additionally, the amount of revenue generated from subcontracted assignments increased compared to previous quarters.

NKT progressed on various projects in the high-voltage order backlog at different stages of execution, including Baltic Power, Borwin 5, Champlain Hudson Power Express, Dogger Bank C, Shetland, SuedLink, and SuedOstLink.

Financial development in Q4

	Revenue*		Operational EBITDA		Oper. EBITDA margin*	
Amounts in EURm	**Q4 2023**	**Q4 2022**	**Q4 2023**	**Q4 2022**	**Q4 2023**	**Q4 2022**
Solutions	350.1	216.8	54.0	27.2	15.4%	12.5%
Applications	148.9	144.0	10.5	8.5	7.1%	5.9%
Service & Accessories	53.0	46.1	3.5	11.5	6.6%	24.9%
Elimination of transactions between segments and non-allocated costs	-15.9	-18.1	-4.8	-7.5		
NKT	**536.1**	**388.8**	**63.2**	**39.7**	**11.8%**	**10.2%**

* Std. metal prices

Increased revenues lifted profitability and Solutions delivered an increase of EUR 26.8m in operational EBITDA compared to Q4 2022. The profitability reflected utilization of additional capacity and the underlying project mix in production. In Q4 2023, certain deviations in a limited amount of legacy onshore high-voltage projects produced in a specific time period were identified. Due to this, NKT increased risk provisions accordingly, which had a slight impact on profitability. In project business, deviations from the initial execution plan will occur.

Applications

In Applications, revenues* grew organically by 3% in Q4 2023. The higher revenue level was driven by a broad-based positive development.

Positive developments in the power grid market continued to benefit NKT due to the company's strong presence within medium-voltage and other power cable solutions exposed to this market. Due to the deterioration of construction activity since the 2nd half 2022, primarily been in the residential market, NKT's revenues within building wires and other construction-exposed products were at a continued low level in Q4 2023. However, the volumes stabilized during 2023 and were up in Q4 2023 compared to Q4 2022.

Driven by higher revenue and efficiency measures, the operational EBITDA level improved compared to Q4 2022. The operational EBITDA margin for Q4 2023 was up by 1.2%-points from Q4 2022 in a traditionally seasonally low fourth quarter.

Service & Accessories

Service & Accessories reported revenue* growth of EUR 6.9m in Q4 2023, against Q4 2022. Organic growth was 2%.

In the service business, there was limited offshore repair work, as was the case throughout 2023. However, other segments continued to perform positively, driven by various strategic initiatives taken to create a more robust business model. In the accessories business, NKT grew revenues, mainly driven by a continued ramp-up of HVDC accessories reflecting positive market developments.

Operational EBITDA was down by EUR 8.0m in Q4 2023, compared to Q4 2022. This was partly due a high comparison period, where a reversal of warranty provisions in Q4 2022 positively impacted results. In addition, NKT had temporarily higher costs in the accessories business in Q4 2023 due to provisions related to issues on a legacy product and write-downs of inventory.

Risk management

Managing risks are a natural part of doing business. NKT is fully committed to acquiring and controlling risks in accordance with exemplary corporate governance and applies proven practices to the internal risk processes.

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

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

The overall risk picture for the company is influenced by various internal and external factors. The key changes to the risk picture from 2022 to 2023 are described below.

The macroeconomic cycle and market turbulences have remained significant drivers, which impact large parts of the business. While the current European energy challenges and inflation rate have indicated signs of stabilization, they continue to have an impact on input costs and market dynamics. Additionally, higher interest rates have become a significant driver to customers planning energy infrastructure investments. This combined with the geopolitical instability continue to cause some volatility on the market and in the supply chains.

A new risk, *Investment & Expansion*, has been introduced this year covering potential risks related to the ongoing investment programs into new production assets initiated during 2023. The previously reported risk, *Regulatory requirements*, remains relevant to the company and is being addressed accordingly. However, it is no longer considered part of the most significant risks as reported in this section.

Specific financial risks, including risks related to currency, interest and raw material price changes, are described in more details in Section 5.6 on pages 89-93.

Risk management process

NKT operates a robust and efficient enterprise risk management program that aims to identify, prioritize and manage key risks and monitor the mitigating actions. This enables NKT to manage the risks effectively. In addition, detailed commercial acumen is embedded across the organization, which is part of effective risk mitigation.

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

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

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

Risk identification	Project execution in high-voltage segment	Investment & Expansion	Operational disruptions in factories	Commodity price changes	Supply interruption and raw material availability
Risk description	A significant part of NKT's revenue relates to large projects in the high-voltage segment. The execution part of such projects may stretch over several years and involve multiple steps during the production, delivery and installation of the cables. Deficiencies in the project execution phase due to unplanned and unexpected events, failures or delays during project phases may result in additional costs on re-work activities, material resources and potential penalties applied by customers. With the increased backlog of projects and the resulting pressure on production and installation schedule, this remains a key risk.	NKT faces risks related to challenges and adverse events that NKT may face during the investment process to expand manufacturing facilities, vessels, mergers & acquisitions and other assets. For example, NKT has initiated several large investments and expansion projects during 2023, including the currently ongoing expansion of the factory in Karlskrona and the plan to build a new cable-laying vessel to supplement NKT's existing vessel. Such investments are complex and requires necessary know-how and responsible project management.	NKT has significant production activities and is therefore exposed to risks related to operational disruptions in factories, which may be caused by unforeseen events, such as equipment malfunctions, machinery breakdowns, workforce issues, or other operational challenges that can impede the seamless flow of production processes. These disruptions pose a risk of inability to meet production targets, fulfil customer orders in a timely manner, maintain consistent quality standards and potential penalties applied by customers.	The company's production activities are dependent on large amounts of essential raw materials and commodities, which represent a significant part of the budget. These input costs may be subject to price volatility risk resulting from unpredictable and significant fluctuations on the market. This risk arises from various factors, including changes in supply and demand, geopolitical events and disruptions and market speculations. NKT is facing the challenge of managing the inherent uncertainty in pricing of commodities and raw materials, which can affect the overall financial performance.	Supply chain presents a critical area to NKT´s operations. Supply interruption and raw material availability risk pertains to the uncertainty associated with the accessibility and adequacy of raw materials essential for manufacturing and operational processes. This risk is influenced by factors such as market dynamics, geopolitical events affecting supply chains, environmental conditions impacting resource extraction, regulatory changes and limited number of suppliers. These disruptions can lead to increased costs, production bottlenecks and potential challenges in meeting customer demand.
Mitigation	▪ Risk management activities covering all the project phases. ▪ Adequate balancing of insurance, contract provisions and pre-production testing. ▪ Production float and contingency plans to absorb potential delays. ▪ Strategic planning of workforce, including proactive ramp-up and training of skilled employees.	▪ Project and risk management processes covering investment projects. ▪ Monitoring and evaluation program to track performance of the investment activity. ▪ Due diligence process of supply chain and contingency planning for potential adverse scenarios and unplanned disruptions.	▪ Operational excellence programs and monitoring of operational performance for critical equipment and processes. ▪ Robust maintenance programs across production and testing. ▪ Contingency plans in place to respond to incidents and unplanned disruptions.	▪ Monitoring of commodity price indexes and forecasts. ▪ Hedging mechanisms for commodities, components and services. ▪ Forecasting tools to predict price index developments. ▪ Contractual provisions with customers and suppliers to address price volatilities in the ongoing business relationships.	▪ Material risk assessment. ▪ Monitoring 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.

Risk identification	New competitors entering home markets	Market dynamics	Cyber risk	Compliance	Product claims
Risk description	Europe remains a core market for NKT within the high-voltage segment. The risk of new competitors entering this market – despite the high technological requirements that exist within especially the DC segment – encompasses the exposure to adverse impacts on NKT's market share, profitability, and competitive positioning. This risk arises from factors such as changes in market dynamics, increased cost considerations, evolving consumer preferences, technological advancements or regulatory changes. Entrance of new competitors can intensify competition, and a need for strategic adaptations.	NKT operates on competitive markets exposing the company to risks of adverse effects resulting from the inherent and unpredictable changes in the conditions and forces influencing the various markets. These changes may include alterations in consumer preferences, shifts in demand and supply, technological advancements, regulatory modifications and competitive pressures. The risk may arise from the potential difficulties in adapting adequately to swiftly evolving market conditions, leading to challenges in maintaining market share, profitability and competitive position.	As most other companies, NKT is dependent on IT infrastructure to maintain its operations. Cyber risks represents harm or loss arising from the compromise of business-critical IT systems in production or key business administrative functions, networks or digital assets impacting an organization's data confidentiality, integrity and system availability. At its core, potential consequences of such a threat may be production interruption with subsequent financial and reputational impact.	Compliance with legal and regulatory requirements presents one of the key business functions in NKT. Compliance risk refers to potential financial, legal, and reputational consequences including possible exclusion from tenders an organization may face due to its failure to comply with applicable laws, regulations, internal policies and industry standards. For NKT such risks may, among other, relate to anti-bribery and anti-corruption regulations, competition law, data privacy and trade controls.	NKT operates extensive testing and quality control programs to ensure the delivery of high quality products to its customers. Product claims represent the risks faced by the company in terms of potential problems with product performance, safety, quality or other similar issues, which may result in legal challenges, financial losses and damage to the company's reputation.
Mitigation	▪ Monitoring of the global market and macro-economic developments and dynamics and regulatory developments impacting cross-regional activities and threatening the fair and equal trade principles on the market. ▪ Focus on quality, technical and product innovation and R&D, including building technological advances that are necessary to operate in high-voltage DC segment. ▪ Engagement in industry associations to support policy-making processes ensuring fair competition within European market for European and non-European based companies alike. ▪ Continued focus on sustainability of company's offered solutions.	▪ Monitoring of macro- and microeconomic developments, general market conditions and the competitive landscape. ▪ Establishing focused working groups, qualifying new markets and strengthening NKT's value proposition. ▪ Research and development of product portfolio to assure market position.	▪ 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 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. ▪ Enforcement of zero tolerance for breach.	▪ Monitoring of potential failures in production and/or product designs. ▪ Continuous strengthening of quality awareness and control procedures throughout the production and cable laying operations. ▪ Systematic and structured root cause analysis of product issues and implementation of corrective actions.

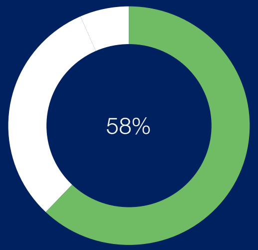
03 Business lines

Business line organization

NKT's three business lines provide customers with full turnkey solutions across voltage levels and have the following main focus areas.

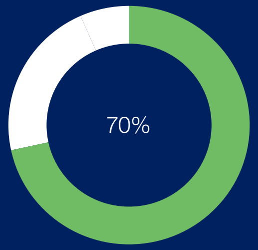
Solutions

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



Revenue*, EUR

1,151m

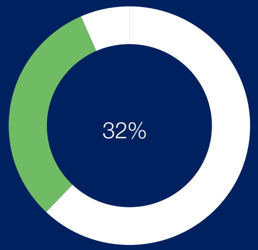


Operational EBITDA*, EUR

182m

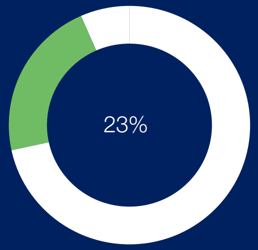
Applications

Focused on low-and medium-voltage power cable technology and building wires



Revenue*, EUR

638m

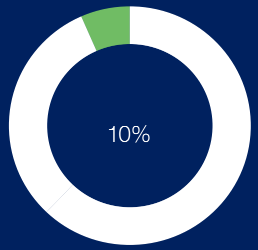


Operational EBITDA*, EUR

59m

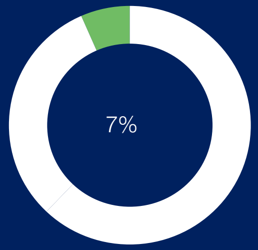
Service & Accessories

On- and offshore power cable services and wide range of accessories for medium- and high-voltage power cable systems



Revenue*, EUR

200m



Operational EBITDA*, EUR

19m

* Revenue (std. metal prices) in 2023 (% of total NKT revenue) and Operational EBITDA in 2023 (% of total NKT operational EBITDA). The figures exclude intersegment transactions and non-allocated costs.

Solutions

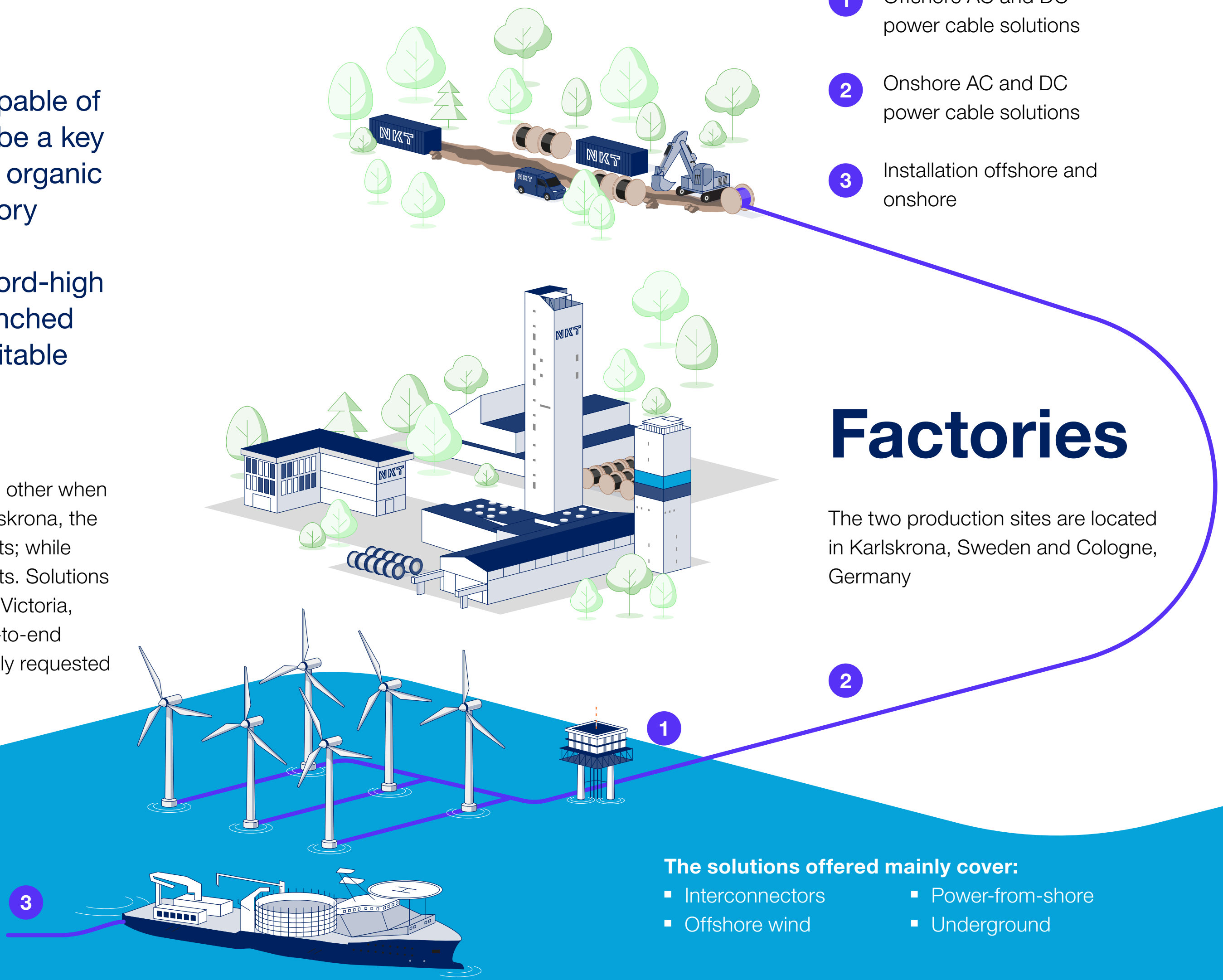
The need for more modern and interconnected power grids, capable of meeting structurally higher demand for electricity, continues to be a key growth driver for Solutions. In 2023, NKT delivered double-digit organic growth in revenues and operational EBITDA, driven by satisfactory execution and previous investments in additional capacity and capabilities. The high-voltage order backlog reached a new record-high level with improved overall contractual conditions, and NKT launched a large investment program in May 2023 to support further profitable growth.

Business line overview

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

Solutions has two high-voltage factories, in Karlskrona, Sweden and in Cologne, Germany.

The two factories complement each other when allocating incoming projects. In Karlskrona, the strategic focus is on offshore projects; while Cologne focuses on onshore projects. Solutions also has a cable-laying vessel, NKT Victoria, allowing NKT to offer complete end-to-end turnkey solutions that are increasingly requested by customers.



1. Offshore AC and DC power cable solutions
2. Onshore AC and DC power cable solutions
3. Installation offshore and onshore

Factories

The two production sites are located in Karlskrona, Sweden and Cologne, Germany

Vessel

One cable-laying vessel, NKT Victoria. In operation since 2017

The solutions offered mainly cover:

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

High-voltage market

Market overview

The high-voltage power cable market mainly encompasses projects that are engineered to order and require a high level of expertise for successful implementation. Projects often require new R&D solutions, as well as investments in both technology and production.

The market can be divided further into two categories with differing characteristics and market dynamics. DC (Direct Current) solutions are primarily used for long-distance projects, as this technology has lower losses compared to AC (Alternating Current) technology. Both can be applied offshore or onshore.

In general terms, DC power cables are more complex; and require higher technological capabilities compared to AC. Furthermore, offshore solutions are generally more complex than onshore due to more challenging installation conditions.

As the distance between energy generation and consumption has increased, demand for power transmission over longer distances has grown. Additionally, power cable systems have also gradually been expected to transmit more power to support the increased electrification of society. These developments have increased the demand for DC technology relative to AC.

Market development in 2023

After a record-high EUR 8bn in addressable contracts were awarded in 2022, demand for high-voltage power cable solutions accelerated further in 2023, which was an unprecedented year in terms of market activity. NKT estimates that the value of projects awarded in its addressable high-voltage power cable market exceeded EUR 15bn in 2023.

In addition to the projects awarded above, several long-term booking commitments were allocated, mainly in the form of framework agreements. These commitments were estimated to have a value exceeding another EUR 15bn, bringing the total level of market activity to above EUR 30bn in 2023. These capacity reservations are typically of a slot booking nature and will as such materialize as firm order intake in the following year(s) once final contracts are signed by the parties. Sustainability and Electrification megatrends continued to drive record-high demand.

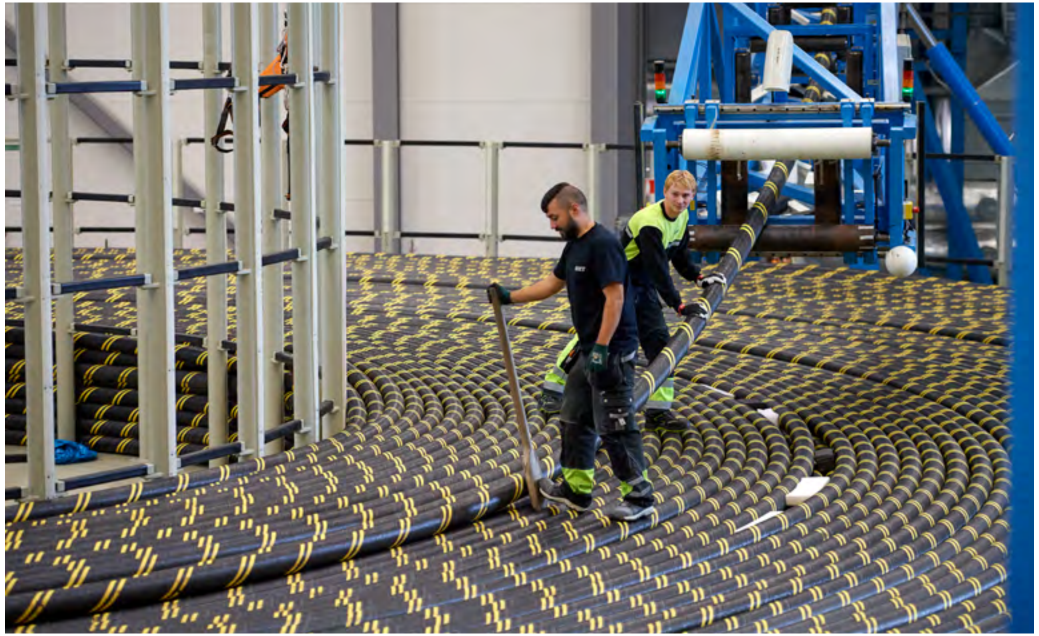
More than 90% of the projects awarded in the market (including long-term booking commitments) were based on DC technology, while the balance was AC. Geographically, the majority of projects were awarded in Europe, with the US market also contributing.

Market outlook

NKT anticipates that its average addressable high-voltage market in the period between 2024 and 2030 will be above EUR 10bn per year. The timing of actual project awards will continue to depend on various project-specific factors that can impact individual years in terms of actual order intake. In 2024, there is a strong potential that the market size will again be higher than the anticipated average for the period. This will continue to depend on the development of sizable projects and large, multi-year framework agreements. Individual contracts can be sizable and may cause individual years to fluctuate.

In December 2023, the EU commission published a report, the EU Action Plan for Grids, where it concluded that EUR 584bn in investments are needed this decade to ensure that Europe's power distribution grids can enable the transition to renewable energy. Similar conclusions were found by the IEA, which stated that the world must add or replace 80 million kilometres of grid infrastructure by 2040 – equal to all global grid infrastructure today – to meet national climate targets and support energy security

As the demand for power transmission over longer distances has increased, DC technology has rapidly become the industry standard for high capacity transmission power cables. For this reason, power cable solutions based on DC technology are expected to constitute the majority of awards going forward. As more offshore windfarms are gradually connected, the AC technology share of the market is expected to maintain its relevance. Future awards are expected to span across various segments, mainly within interconnectors and offshore wind.



Geographically, NKT expects most project awards to be in Europe, where robust political ambitions and a more mature market drive demand for power cable systems. Other geographies remain less developed, however NKT continues to see mid-to-long-term opportunities emerging. In the US, NKT anticipates that offshore wind – despite its recent challenges – will become increasingly relevant in the years to come. In Asia, renewable energy is increasingly being integrated into power grids, which will in turn continue to benefit the power cable market. These developments will lift the global power cable market based on a broader foundation.

Investment program launched to support further profitable growth

Supported by a strong order intake, NKT announced the largest investment program in company history in May 2023. In order to deliver on a record-high order backlog and capitalize on a growing high-voltage market, NKT will invest approx. EUR 1bn to materially increase production capacity and capabilities. The investment program will cover the construction of a new factory – adding end-to-end production capacity next to NKT's existing facility – as well as a new, market-leading cable-laying vessel. Upon successful completion of the investment program, Karlskrona will become the world's largest high-voltage offshore cable production site.

Capital expenditures under the investment program began in 2nd half 2023, and will continue until the new assets expectedly gradually will be operational from 2027. As a consequence of the investment program, NKT upgraded and extended its medium-term financial ambitions in May 2023. These can be found on page 12.

Financial development

Highlights in 2023

- Significant organic growth in revenues and earnings
- Record-high order intake and high-voltage order backlog driven by project awards across geographies
- Continued high tender activity across market segments
- Launch of major investment program to support further profitable growth

1,151m
Revenue*, EUR
(2022: EUR 750m)

59%
Organic growth
(2022: 21%)

182m
Operational EBITDA, EUR
(2022: EUR 106m)

Increased revenues driven by backlog execution and capacity expansion
Solutions revenues* increased by EUR 402m compared to 2022, corresponding to organic growth of 59%. This was driven by satisfactory execution of orders awarded in recent years covering several power cable solutions; as well as a previous capacity expansion investment program of around EUR 90m that was successfully concluded and began contributing to the financial performance in Q4 2023.

Revenues measured in market prices amounted to EUR 1,313m in 2023 compared to EUR 867m in 2022.

Increased operational EBITDA and continued margin expansion
Higher revenues* and a continued focus on profitability saw operational EBITDA increase to a new high of EUR 182m in 2023 from EUR 106m in 2022. This strong performance was in line with continued growth in recent years, reflecting a combination of higher asset utilisation and gradually improved project margins. NKT's operational EBITDA margin* improved from 14.1% in 2022 to 15.8% in 2023, driven by satisfactory execution of projects throughout the year.

In 2023, NKT further progressed several projects through different stages of execution. These included interconnector projects, such as Attica-Crete, Champlain Hudson Power Express, Hertel-NY, Shetland, SuedLink, and SuedOstLink. Within offshore wind, the largest contributors were Baltic Power, Borwin 5, Dogger Bank A, B and C as well as Ostwind 2, while various power-from-shore projects further progressed.

In 2023, NKT completed a number of high-voltage projects. This included the commissioning of the first phase of the Dogger Bank Wind Farm, where NKT delivered a 320 HVDC power cable system for Dogger Bank A, which was the first HVDC cable system implemented for an offshore wind farm in the UK. Additionally, NKT completed the high-voltage power cable systems connecting six offshore platforms located at Utsira High to onshore power supply in Norway. The cable systems play a central role in reducing carbon emissions from the Norwegian continental shelf, which are expected to be reduced by 1.2 million tonnes, annually.

NKT Victoria, the company's cable-laying vessel, had satisfactory deployment in 2023. This constituted a variety of assignments relating to project installations, the majority of which were located in the UK and Norway.

* Standard metal prices.

Record-high order intake

NKT was awarded high-voltage projects with a combined value of approximately EUR 7bn in 2023. This record-high contracting success demonstrates NKT's industry leading high voltage capabilities and close relationships with its customers. NKT is now firmly entrenched as a key supplier for the continued development of European energy infastructure.

Notable high-voltage project awards for NKT in 2023

Project name	Customer Type	Announced	Size (EURm)	Type
50Hertz HVDC projects (GER)	TSO	Sep 2023	~3,500	Interconnector / offshore wind
Baltic Power (POL)	Developer	Jun 2023	>120	Offshore wind
East Anglia 3 (UK)	Developer	Jun 2023	>250	Offshore wind
Biscay Gulf Interconnector (FR/SPA)	TSO	May 2023	>600	Interconnector
Hornsea 3 (UK)	Developer	Mar 2023	~500	Offshore wind
Ijmuiden Ver Beta, Gamma and Nederwiek 2 (NL)	TSO	Mar 2023	~2000	Offshore wind

Notable order awards in 2023 include:

- NKT was awarded three turnkey high-voltage power cable projects for the Ijmuiden Ver, Beta, and Nederwiek Offshore wind Zones in the Netherlands by the Dutch-German Transmission System Operator, TenneT. NKT will design, produce, install, and commission 525kV XLPE HVDC on- and offshore power cable systems, with total installed capacity of 6 GW.

- NKT signed a supply contract for the delivery of a 320kV DC on- and offshore export cable system for the Hornsea 3 project in the UK, which is being developed by Ørsted. The contract will comprise the design, manufacturing, jointing and termination of power cable systems.

- NKT signed a contract to supply the turnkey 400kV HVDC power cable project, Biscay Gulf Interconnector, to connect France and Spain. 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.

- NKT was awarded 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 comprises design, manufacturing, and installation for 1.4 GW of capacity.

- NKT signed a contract to supply offshore export power cables for Baltic Power, the first major offshore wind farm in Poland, awarded by Baltic Power Sp. Z.o.o. NKT will design and produce a 230 kV HVAC power cable system with total installed capacity of up to 1.2 GW.

- NKT was awarded a record order for five power cable projects with German Transmission System Operator, 50Hertz. NKT is to provide 525kV XLPE HVDC on- and offshore power cable systems for the ongoing development of the German power grid. The five projects have a combined value of approx. EUR 3.5bn which set a new company record for NKT.

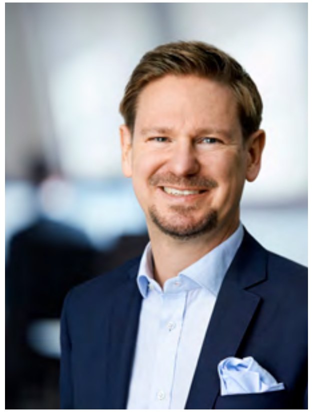
In addition to the projects included in the backlog above, NKT also added booking commitments during 2023. As not yet firmly fixed, these commitments are not recognized in the order backlog, however they have a combined value above EUR 2.5bn.

This is composed of:

- A multi-year framework agreement with Tennet to provide several 525 kV HVDC on- and offshore power cable systems, with firm commitments for three specific projects: 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 framework agreement runs until 2028, with possible extension until 2031. Additional projects could be added under the framework agreement.

- Capacity reservation agreements for two Scottish transmission link projects, Western Isles and Spittal-Peterhead. The agreements

"In 2023, we have demonstrated our leading high voltage capabilities with a record-high order intake, driven by the green transition. With an order backlog that has more than doubled since 2022 and the launch of our largest ever investment program, we are well positioned to meet rapidly growing demand for high-voltage power cable systems."



Darren Fennell and Lukas Sidler
Executive Vice Presidents, Heads of HV Solutions Karlskrona and Cologne

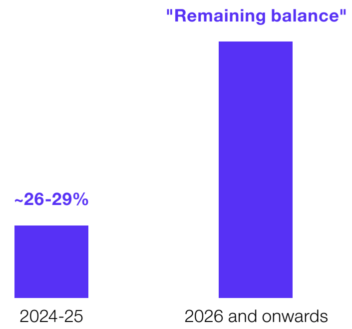
with SSEN Transmission, the Scottish Transmission System Operator, ensure production and offshore installation capacity for the 525kV XLPE HVDC power cable systems. NKT estimates the combined value of these two projects to be above EUR 1bn. In addition, the parties intend to enter into a framework agreement for future projects.

High-voltage order backlog at a record level
At the end of 2023, the high-voltage order backlog was a record-high EUR 10.8bn (EUR 9.5bn in std. metal prices). Driven by the highest annual order intake in company history, the order backlog more than doubled compared to end-2022.

Approximately 26-29% of the high-voltage order backlog is expected to be executed in 2024 and 2025, and the remaining balance in 2026 and beyond.

The composition of the order backlog divided by customer type was more than 75% with large European Transmission System Operators. Divided by application, the backlog consisted of around 50% interconnectors, around 45% offshore wind projects, and around 5% power-from-shore projects.

Expected execution of high-voltage order backlog (EUR 10.8bn) at end-2023



ReNew BOOST strategy

Solutions will grow with the record-high level of attractive market opportunities, which continue to be driven by the green transition and the growth of renewable energy projects. The primary focus remains on NKT's core European market, where the company plays an important role in enabling its long-standing customers to meet their own green transition targets and plans. In 2023, NKT announced the largest investment program in company history, which will expand production capacity at its Karlskrona location and meaningfully increase its cable laying vessel capabilities.

Outside of Europe, NKT will selectively pursue opportunities in markets and portfolios that represent interesting footprint and/or capability extensions. In Q1 2023, NKT entered into a joint venture agreement with the Taiwanese cable company, Walsin Lihwa, to provide technical support for the construction of the first subsea power cable factory in Taiwan. The factory will produce high- and medium-voltage AC power cables, mainly for the Taiwanese offshore wind market. In addition, the agreement also included a Service Agreement for the construction of the factory and a Technology License Agreement licensing NKT technology to the joint venture.

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

With the announced expansion plans and further market growth prospects, NKT places a strong emphasis on ensuring that competent employees can be attracted and retained. This is key for meeting NKT's medium term ambitions and to deliver further profitable growth in the years to come.

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

Let's grow
Focus on high-voltage DC and AC segments in Europe, participate in selected global opportunities

Execute investment program to expand capacity in line with market growth, maintain long-term average market share

Let's innovate
Simplify operations and product portfolio to increase competitiveness

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

Let's drive sustainability
Focus on people and competences

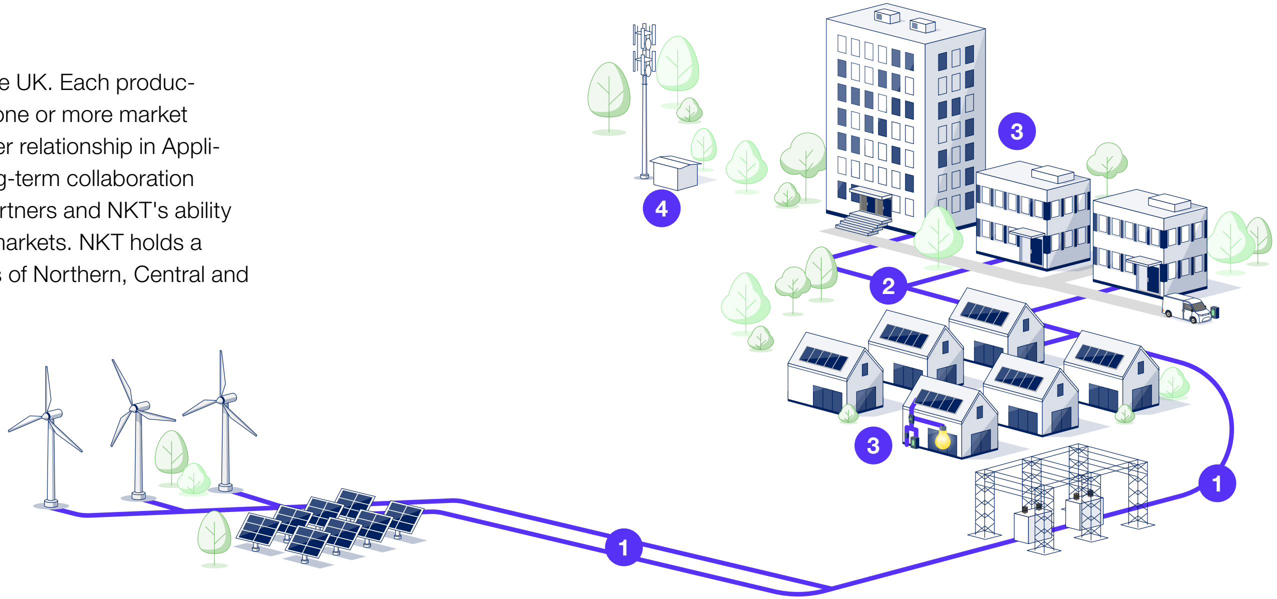
Leading provider of green and sustainable solutions

Applications

Power distribution infrastructure across Europe is in need of continuous reinforcement, replacement, and expansion. Additionally, increasing electrification and the ongoing transition to renewable energy are important growth drivers for low- and medium-voltage power cable markets. Through Applications, NKT is well positioned to capitalize on these growth trends. In 2023, Applications improved its financial performance, posting double-digit growth in revenues and operational EBITDA. Profitability continued to strengthen, driven by strong demand for power grid and renewable energy technology, as well as previously launched efficiency initiatives.

Business line overview
Applications covers NKT’s medium- and low-voltage power cable solutions, as well as a minor position within telecom power cables. The product offering is broad, supporting both the building sector and European power grids to meet growing demand for renewable energy and electricity.

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



1 Medium-voltage cables

2 1kV cables

3 Building wires

4 Telecom power cables

Factories

The six primary production sites are located in:
Asnaes, Denmark
Falun, Sweden
Kladno, Czech Republic
Runcorn, United Kingdom
Velké Meziříčí, Czech Republic
Warszowice, Poland

Low- and medium-voltage market

Market overview
Offerings across medium-and low-voltage markets are less complex than those in the high-voltage market. The market is more fragmented; and products are mainly “made-to stock” with differing specifications and designs from country-to-country. This means that the competitive landscape is characterized by more local and regional competitors capable of complying with local technical regulations.

Medium-voltage power cable demand is primarily driven by the need for electrification and the transition to more renewable energy sources. In this segment, power cables are primarily used for the continuous reinforcement and expansion of the power distribution grid. NKT sees a structural increase in the demand, driven by charging stations for electric vehicles, heat pumps, and the general electrification and digitalisation of society.

The transition to renewable energy sources is expected to include significant capacity increases within onshore wind and solar power generation. This is expected to accelerate in Europe to support energy self-sufficiency and thereby drive the demand for low-and medium-voltage power cables.

Demand for low-voltage power cables and building wires is generally more reliant on the macroeconomic environment and construction sentiment. Over time, the market will be supported by the urbanization, electrification, and energy renovation of residential and non-residential buildings.

The telecom market is being positively impacted by the ongoing global rollout of the 5G telecom network.

The market for fire-resistant power cables is benefitting from the increased focus on safety across Europe.

Market development in 2023
In 2023, market development varied across segments and geographies.

The market for medium-voltage power cables remained strong in 2023. The transition to renewable energy and ongoing electrification of societies continued to positively influence the level of investments made by grid operators. In turn, this positively impacted the power distribution grid segment, which saw continued high demand throughout the year.

The market for building wires and construction-exposed 1kV power cables stabilized at lower levels in 2023 compared to 2nd half 2022. This was driven by an economic slowdown in Europe, with high inflation and increasing interest rates negatively impacting market activity. NKT remains focused on mitigating the impact of market headwinds for this segment.

Market outlook
Overall, the forward-looking prospects for the medium-and low-voltage markets where NKT operates are positive, driven by the ongoing development of sustainable megatrends.

The positive market sentiment for medium-voltage power cables is expected to continue in 2024 and beyond. Recent reports suggest that over 40% of Europe’s power distribution grids are over 40 years old; and that significant investments are needed this decade to ensure the green transition of Europe. Consequently, NKT expects that market growth will remain high in the coming years compared to a growth rate of around 2% on average per year that has been recorded from 2019-2022.

The market for building wires and construction-exposed 1kV power cables is expected to be challenged in 2024. This is largely due to the macroeconomic environment that has impacted market activity negatively since 2nd half 2022. The longer-term picture for the market remains positive, while the short-term sentiment is challenging to predict.

Financial development

Highlights in 2023

- Double-digit growth in revenues and operational EBITDA
- Continued improved financial performance across medium-voltage business driven by sustainable megatrends
- Construction exposed business stabilized at lower level relative to second half of 2022
- Positive outlook for continued expansion of power distribution grid

638m
Revenue*, EUR
(2022: EUR 552m)

15%
Organic growth
(2022: 19%)

58.7m
Operational EBITDA, EUR
(2022: EUR 28.5m)

Increased revenues driven by price adjustments and higher volumes
In 2023, Applications increased revenue* by EUR 86m compared to 2022, corresponding to organic growth of 15%. This was driven by higher volumes and price adjustments that were implemented to compensate for inflationary pressure.

Revenues in market prices amounted to EUR 1,116m in 2023, compared to EUR 1,067m in 2022.

Double-digit growth in operational EBITDA
A higher revenue level, combined with previously launched efficiency initiatives, saw operational EBITDA more than double to a record-high level of EUR 58.7m in 2023. As a result, the operational EBITDA margin* was 9.2% in 2023, against 5.2% in 2022.

NKT has implemented various efficiency initiatives in recent years to improve profitability and production output in Applications. This has included the transfer of production from Denmark to the Czech Republic and Poland. These initiatives have gradually been implemented and contributed to improved profitability. In addition, production of the lower range of high-voltage power cables commenced in Czech Republic in 2023, after this was moved from NKT's high-voltage production site in Cologne, Germany.

In Applications, NKT has experienced increases in input prices, which first commenced during 2022. In order to offset these higher costs, NKT has worked intensely with both customers and suppliers, adjusting prices to restore profitability to a satisfactory level. This led to improved profitability in 2023 after an unsatisfactorily low level in the second half of 2022.

* Standard metal prices.

"We are well-positioned to continue to support the energy transition in Europe. Future growth is expected to be driven by the extension and strengthening of existing power grids together with the ongoing renewable energy transition. In 2023, we have improved our financial performance, supported by increasing demand and positive effects from ongoing efficiency initiatives."

Carlos Fernandez

Executive Vice President, Head of Applications

Continued growth across medium-voltage business driven by sustainable megatrends
Positive developments in the power distribution grid market continued to benefit NKT due to the company's presence within medium-voltage and other power cable solutions exposed to this segment. This was a key driver for revenue growth in 2023, with broad-based contributions across various geographies. Denmark, Germany and Poland were the largest contributors. Efficiency initiatives have seen increases in output from production sites running at high capacity utilization.

NKT recorded a more modest revenue growth development within building wires and construction exposed 1kV power cables in 2023. This was reflected in mixed performance across geographies in continuation of market conditions that weakened in 2nd half 2022.

The telecom business saw revenue decline in 2023, however the outlook for the coming years is positive due to the continued roll-out of the 5G network.

The financial performance within fire-resistant power cables was flat compared to 2022.
The development in the residential part of the business was challenged by macroeconomic conditions, while infrastructure related business developed more favourably.

ReNew BOOST strategy

Applications will continue to grow its business and take advantage of an attractive market outlook in Europe. This includes opportunities that will arise from expected growth within onshore wind and solar power generation. Furthermore, the strengthening and expansion of distribution and local electrical grids are expected to maintain robust demand for medium-voltage technology.

NKT will selectively - and in a disciplined manner - invest in attractive opportunities, including: capacity expansions through debottlenecking; as well as the addition of new lines to existing sites to selectively increase output based on market opportunities. Currently, this is focused on medium-voltage sites. In addition, the product portfolio is expected to expand with a strong offering of renewable and telecom power cable solutions.

In 2023, several factory portfolio optimization programs have come into effect with further investments across Applications' medium-voltage portfolio. The relocation of the lower range of high-voltage power cables from Cologne, Germany, to Velké Meziříčí, Czech Republic, was completed in 2023, and further efforts in developing the site are ongoing.

Over the past years, NKT has focused on operational and commercial excellence in order to improve profitability. These efforts will continue, ensuring an optimised market presence and pricing strategies to improve profitability with a cost efficient production setup and a disciplined focus on cash generation.

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

Let's grow

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

Invest selectively into debottlenecking of existing sites and adding capacity

Let's innovate

Continue improvements and digitalization of operational and commercial excellence

Expand product portfolio of renewables and telecom power cable solutions

Let's drive sustainability

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

Service & Accessories

Power cable services and accessories are crucial aspects of the power cable value chain. The Service & Accessories business line is - to a large degree - dependent on the same market drivers as Solutions and Applications. Despite limited offshore repair work in 2023, the financial performance was maintained at an acceptable level. Strong strategic progress achieved throughout the year has NKT well-positioned to further capitalise on strong demand in 2024 and beyond.

Business Line Overview
Service & Accessories offers a variety of offshore and onshore power cable accessories and services to maximise the utilisation – and ensure the reliability and long-term performance – of power cable systems.

NKT offers power cable services for both the offshore and onshore markets and is a trusted partner throughout the lifecycle of a power cable system. NKT has leading capabilities within repair, maintenance, and operations services. NKT's service organisation is predominantly located in Denmark, Germany, Poland, Sweden and the UK.

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

Service hubs

NKT has service hubs globally.
The main sites are in:
Brøndby, Denmark
Gdansk, Poland
Karlskrona, Sweden
Troisdorf, Germany

Accessory factories

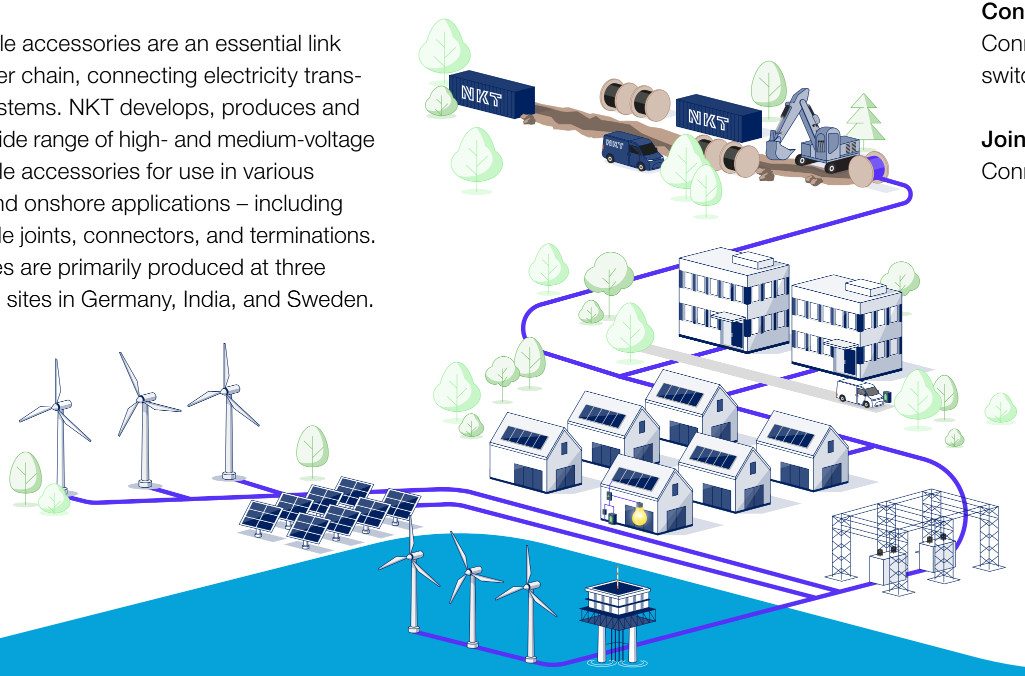
The main accessory production sites are located in Alingsås, Sweden, and Nordenham, Germany

Power cable accessory offerings

Terminations
Connect cable ends to consumers or overhead lines

Connectors
Connect cable ends to switchgear or transformer

Joints
Connect two cable ends



Market for power cable services and accessories

Market overview

Power cable services

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

In the offshore segment, the tasks can be more complex due to the environment in which the power cables are installed. Servicing this market requires a reliable and comprehensive service offering. A growing number of offshore power cables will lead to increased demand for repair work on these cables in the years to come. The urgent need for service that arises when a failure occurs, supports the demand for service agreements with cable owners to ensure a fast process when required.

Power cable accessories

Development of the accessories market is closely linked to the general development of high- and medium-voltage power cable markets. The stability and reliability of the power grid is often determined by the quality of power cable accessories and installation. The accessories market for medium-voltage power cables is more fragmented than the market for high-voltage power cable accessories requiring more complex solutions.

Market development in 2023

Power cable services

Power grid modernisation and extensions continued to drive demand for services and service agreements in 2023. Offshore repair services were limited in 2023, compared to average levels in previous years. Offshore repair services are, by their nature, challenging to forecast.

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

Power cable accessories

Both the high- and medium-voltage power cable accessories markets developed favourably in 2023. This was closely linked to the positive developments observed across the high- and medium-voltage power cable markets in 2023; which were driven by increased investments across the renewable energy space. Additionally,

the ongoing upgrades of power cable solutions have required more complex accessories.

Market Outlook

Power cable services

The service market is expected to continue to expand in the years ahead due to two major growth trends. Firstly, the growth in installation of high-voltage power cables is expected to lead to higher demand for repair services. Secondly, ageing infrastructure is increasingly requiring extensive maintenance and, ultimately, decommissioning or replacement. Both are positive indicators of the level of demand in the years to come; and NKT sees particularly attractive growth for the offshore segment as both trends accelerate.

Power cable accessories

The transition to renewable energy and the continued electrification of societies are driving strong demand for high- and medium-voltage power cable accessories. Initiatives to upgrade and maintain power grids in NKT's addressable markets are also increasing the demand for power cable accessories. These trends are set to continue and the market outlook in the years ahead is positive.

Financial development

Highlights in 2023

- Slight increase in revenues
- Lower earnings level due to revenue mix
- Service performance overshadowed by limited offshore repair activity
- Improved financials within the accessories business

200m

Revenue*, EUR
(2022 EUR 193m)

-2%

Organic growth
(2022: -11%)

18.6m

Operational EBITDA, EUR
(2022: EUR 25.7m)

Slight increase in revenues
In 2023, revenues* for Service & Accessories increased by EUR 6.3m compared to 2022. The development reflected limited offshore repair work within the Service business, but positive developments within Accessories. Organic growth was -2% in 2023.

Lower earnings level due to revenue mix
Despite the higher revenue level, operational EBITDA decreased to EUR 18.6m in 2023 from EUR 25.7m in 2022. As a result, the operational EBITDA margin for 2023 was 9.3%, compared to 13.3% in 2022. The development in 2023 was primarily due to low activity in the offshore repair business, with revenue growth delivered by Accessories.

Despite the lower margin, the business line is becoming more robust and less dependent on service repairs.

Service performance overshadowed by limited offshore repair activity
In 2023, revenues and operational EBITDA in the service business were lower than in 2022. Despite the slowdown in the offshore repair segment, other segments continued to perform positively, including NKT's onshore business, where the company performed well across the majority of its addressable markets. This included onshore service repair work, as well as a steady level of maintenance projects throughout the year.

Previously implemented strategic initiatives – designed to create a more robust business model and a larger geographical footprint – progressed well in 2023. In the company's efforts to create sustainable future growth, NKT is focusing on gradually expanding its portfolio of service agreements. This work continued throughout 2023, with agreements being added. Furthermore, the service business has built capabilities to execute larger projects, which has led to additional opportunities across markets.

Improved financials within the Accessories business
Revenues and operational EBITDA in the Accessories business grew in 2023, with improved broad-based performance driven by a combination of internal enhancements and demand for NKT's high- and medium-voltage accessories. Structural growth trends continue to positively impact NKT's Accessories business.

* Standard metal prices.

"Our power grid is critical infrastructure and power cable services and accessories is essential to ensuring transmission and distribution security. These businesses will benefit from the strong demand in the high- and medium-voltage markets. Strategic initiatives continue to progress, laying the foundation for future growth across Service & Accessories."

Axel Barnekow Widmark and Denis Schuler

Executive Vice Presidents, Heads of Service and Accessories

The consolidation of NKT's high-voltage accessories production to the site in Alingsås, Sweden, from Cologne, continued throughout 2023. To meet high demand for high-voltage accessories, NKT will expand this production site, which will include investments in a new test hall, an office building to house an increasing employee base, and to expand production capacity. These efforts will strengthen NKT's position as a turnkey provider of high-voltage power cable systems and are expected to lead to improved profitability going forward.

On the back of this strong market outlook, NKT successfully introduced new accessories for the offshore wind segment in 2023, which have had a positive impact on growth that is expected to continue in the years to come.

ReNew BOOST strategy

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

In the Service business, NKT is progressing on its geographical expansion efforts in Australia, Poland, the UK, and the US. It continues to innovate on installation methods and broaden its portfolio of life-extension or replacement of power cables reaching end-of-life timelines. NKT continues to strengthen and grow the turnkey concept and increase relationships with offshore customers, ensuring NKT is the preferred option when a power cable connection is damaged or out of order.

The Service business also made strong progress in 2023, with increasing adoption of long-term service agreements, preventive maintenance programs and more comprehensive power cable monitoring solutions. The expectation is that this will continue in 2024 and beyond.

The Accessories business will grow hand-in-hand with Solutions' record level high-voltage order backlog. On the back of a successful 2023 order intake within HVDC, further capacity expansion is in the pipeline, including a new HVDC test hall in its high-voltage centre of competence in Alingsås, Sweden. Further growth opportunities will come from third-party customers in new markets such as the Middle East, India and other select areas in Asia.

Growth opportunities will also arise on the back of the ongoing renewable energy build-out. NKT will update its product portfolio to continue to address this market segment.

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

Let's grow

Increase services to existing customers

Expand geographical coverage

Pursue strategic business opportunities

Let's innovate

Strengthen specialized competence centers

Add new products to enter further customer segments

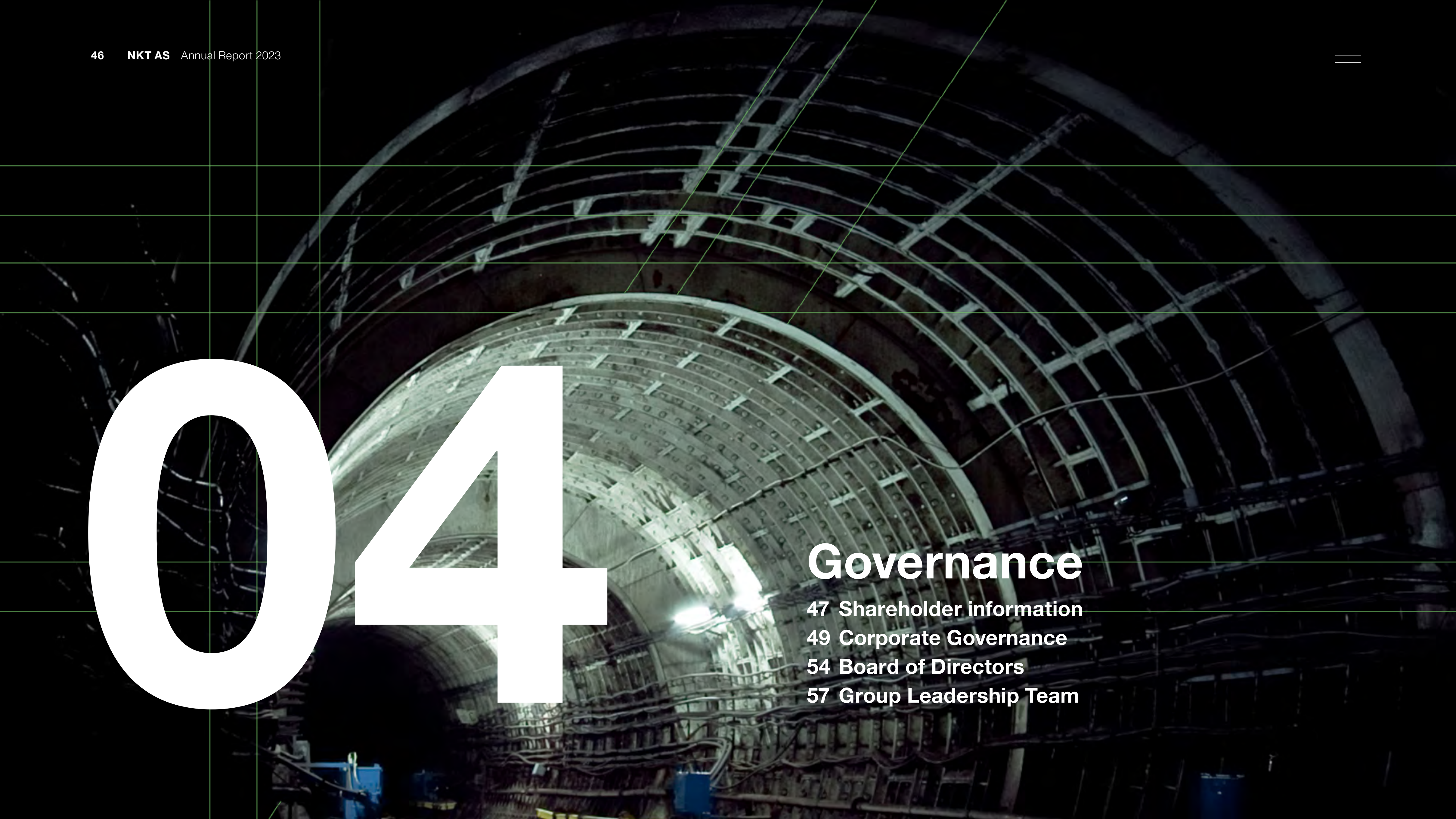
Drive commercial excellence, focusing on tender processes, pricing and efficiency

Let's drive sustainability

Focus on people and competences

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

Reliable service provider enabling the green transition



04

Governance

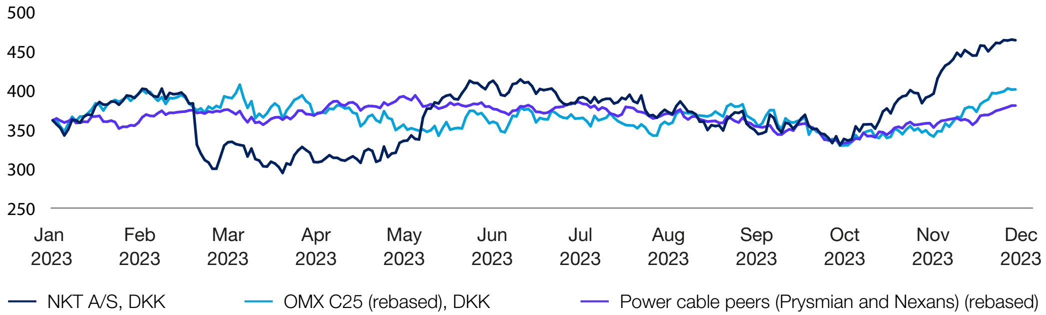
Shareholder information

NKT A/S shares
The average daily turnover in NKT A/S shares on all trading markets was EUR 20m in 2023, against EUR 13m in 2022. The average daily trading volume was around 400,000 shares in 2023, against around 290,000 in the previous year. Nasdaq Copenhagen was the main trading market for the company's shares with 36% of the total traded volume in 2023.

At end-2023, the NKT A/S share price was DKK 464, 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 29% 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 21% and -4%, respectively. The Danish OMXC25 index, adjusted for dividends, increased by 10% in 2023.

NKT A/S was included in the OMX Copenhagen 25 Index in December 2023 and is also a member of the Nasdaq Copenhagen Large Cap index.

NKT A/S share price development in 2023



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).

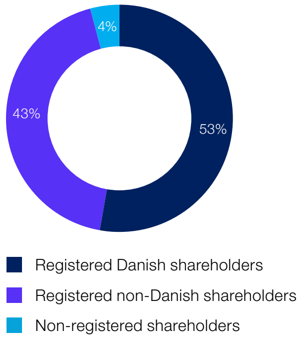
Successful completion of rights issue
In February 2023, NKT announced that it would seek to increase share issuance authorization. This was subsequently approved at the Annual General Meeting in March 2023.

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 will serve as an important part of NKT's ambition to grow further in the years ahead.

The rights issue was successfully completed in 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 Q3 2023.

Dividend policy
The dividend policy of NKT A/S targets distribution of approximately one third of the net result for the year as dividend, provided that the capital structure allows this. Excess cash may be distributed as share buybacks or extraordinary dividends. No dividend payment is proposed in 2024 due to the planned continued execution of investments.

NKT A/S Shareholders at end-2023



Shareholder structure
The NKT A/S share is 100% free float with no dominant shareholders. At end-2023, the company had approx. 40,800 registered shareholders, compared to approx. 31,900 at end-2022. At end-2023, 96% of the total share capital was registered, on par with the level at end-2022. 53% of the share capital was registered by Danish shareholders, while 43% was registered by shareholders outside of Denmark.

At end-2023, 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 58,682 NKT A/S shares at the end of 2023, corresponding to a total market value of EUR 3.7m. Members of the Executive Management team owned 6,037 NKT A/S shares, equalling a market value of EUR 0.4m. As part of the long-term incentive programme, the Executive Management team has been awarded performance shares.

Ownership of NKT A/S shares (at end-2023)

Name	# of shares
Board members	
Jens Due Olsen	51,891
Rene Svendsen-Tune	6,666
Stig Nissen Knudsen	125
Executive management	
Claes Westerlind	3,551
Line Andrea Fandrup	2,486

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.

Investor relations

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

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

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

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

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

More shareholder information is available at investors.nkt.com

NKT A/S shares – basic data

ID code:	DK0010287663
Listing:	Nasdaq Copenhagen, part of the OMX C25 index
Share capital:	EUR 144m (DKK 1,074m)
Number of shares:	53.7 million
Nominal value:	DKK 20
Share classes:	1

Financial Calendar 2024

20 Mar.	Annual General Meeting
08 May	Interim Report, Q1 2024
16 Aug.	Interim Report, Q2 2024
14 Nov.	Interim Report, Q3 2024

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, the core leadership team and the Group Leadership Team.

The Board of Directors
The Board of Directors consists of nine members. Six members are up for election every year at the Annual General Meeting (AGM), while three members are elected by the Danish employees for a four-year term. Five members were re-elected and one new member was elected at the AGM in March 2023. The employee-elected members were elected in 2022 at an ordinary election of employee representatives. Two new members were elected and one member was re-elected.

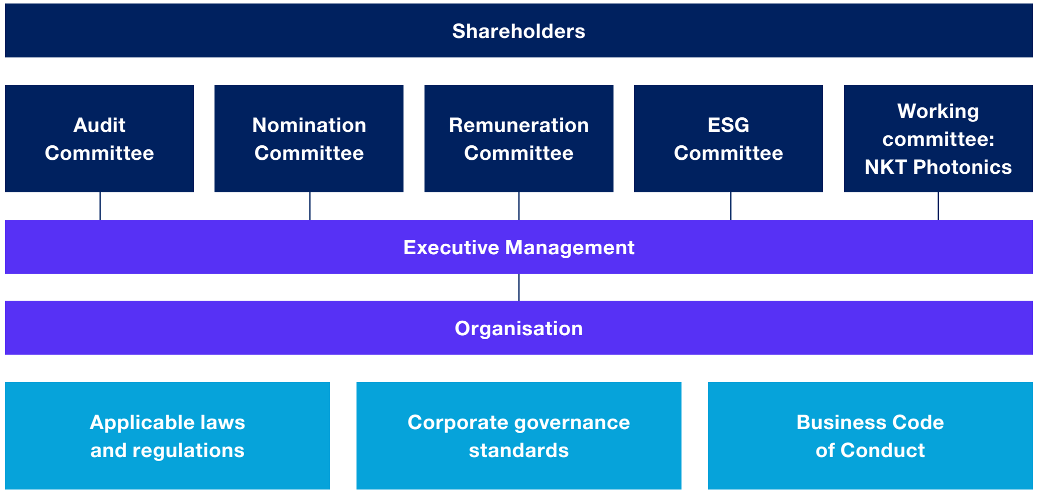
The AGM-elected Board members comprise three females and three males. The three employee-elected members comprise one female and two males. Of the six AGM-elected members, three live in Denmark, two in Finland and one in Germany. The following nationalities are represented: Danish, German, Finnish, and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

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

Governance structure
The Executive Management of the parent company, NKT A/S, comprises two people: the CEO and the CFO.

See pages 54–56 for particulars of the Board of Directors and see pages 57-58 for the Group Leadership Team.

Corporate governance framework



Committees

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

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

In 2023, the Board of Directors attended seven high-voltage project approval meetings. In addition, the Tender Board attended one approval meeting.

Audit Committee

The Audit Committee monitors the company's risk management, financial and sustainability 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 and sustainability 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 and consolidated financial statements and the assurance of the annual and consolidated sustainability reporting
- To monitor the independence of auditors, including in particular the provision of non-audit services to the company
- To make recommendations to the Board of Directors concerning the election of auditors
- To monitor the company's legal compliance programme, including the Business Code of Conduct, training and whistle-blower scheme
- To monitor cybersecurity measures

To further monitor the conduct of the principal tasks, the Audit Committee perform a self-assessment of competencies and other quality measures on an annual basis.

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

Meetings in 2023	Board of Directors (16 meetings)	Audit Committee (10 meetings)	Remuneration Committee (5 meetings)	Nomination Committee (6 meetings)	ESG Committee (3 meetings)
Jens Due Olsen	16/16	1/1 (alternate)		1/1 (alternate)	3/3
René Svendsen-Tune	15/16			6/6	
Karla Lindahl	11/16	9/10			
Anne Vedel	11/13*	6/9*			
Andreas Nauen	14/16	10/10	5/5		
Nebahat Albayrak	11/16		5/5		3/3
Pernille Blume Simonsen	16/16				
Stig Nissen Knudsen	15/16				
Christian Dyhr	14/16				

* elected/appointed during 2023

financial position, without material misstatements, and in compliance with current financial legislation and accounting standards.

Framework

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

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

The key controls comprise both manual and automated controls. The key controls are systematically tested in conjunction with controller visits performed by Group Finance or by external auditors. In entities covered by EuroSox, all key controls as well as general IT controls are tested at least once every three years.

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

Scope

In 2023, the Audit Committee continued the focus on strengthening and expansion of the company's internal controls and compliance framework, including the ongoing automation of key process controls as well as the timeliness of the controls performed. Furthermore, the Audit Committee reviewed the company's policies and procedures related to information security, treasury and tax.

The Audit Committee also focused on developing and strengthening the company's governance, policies, procedures and internal controls over sustainability reporting, in preparation for the requirements under CSRD and ESRS.

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, currency and commodity hedging, insurance, financial resources and tax.

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

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

Terms of reference for the Audit Committee can be found at investors.nkt.com

Remuneration Committee

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

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

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

Board of Directors' remuneration
At the AGM in 2024 the company will propose that the remuneration for the Board of Directors will be unchanged from 2023. The level is deemed competitive and comparable to that paid by Danish and European companies of similar size and complexity.

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

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

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

See Section 2.2–2.3 on page 71–72 and the remuneration report published at investors.nkt.com/corporate-governance/statutory-reports

Terms of reference for the Remuneration Committee and the remuneration policy can be found at investors.nkt.com

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

In addition, the committee prepares and reviews succession plans for the Board of Directors and the leadership team.

Self-assessments
The purpose of the annual Board assessment is to evaluate the effectiveness of the Board of Directors, to define competencies required within the Board of Directors, considering the contribution of the individual members, and to identify future areas of focus. The Board assessment for 2023 was performed in January 2024. Every third year the Board assessment is facilitated with assistance from external consultants. All other years the Board assessment is facilitated with internal resources. The Board assessment for 2023 was facilitated with internal resources.

The Board of Directors also performs an annual assessment of the Executive Management covering two main areas: interaction between the two parties and the competencies and performance of the Executive Management. This assessment 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.

Terms of reference for the Nomination Committee can be found at investors.nkt.com

Report on gender diversity according to Section 99b of the Danish Financial Statements Act

This reports on gender diversity with respect to the Board of Directors of NKT A/S - the parent company - and other management levels, as required by Section 99b of the Danish Financial Statements Act.

In accordance with the guidelines set under the Danish Financial Statements Act, NKT A/S has equal representation of genders in the Board of Directors. A target has been set to have at least 40% representation of the under-represented gender on the Board of Directors by 2025. At end-2023, this target was achieved for the Board of Directors of NKT A/S, as it had 50/50% female/male representation of the elected members.

In 2023, NKT A/S - the parent company - had on average less than 50 employees, and hence in accordance with the guidelines from the Danish Business Authority, no policy for increasing the gender diversity in other management levels has been implemented.

Management level	Members	Share of under-represented gender
Board of Directors	6 AGM-elected members (3 males and 3 females)	50%
Other management level	1 (1 male)	0%

The focus on diversity and equal opportunity for both genders is described in detail in the Sustainability Report for 2023.

ESG Committee

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

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

Scope

At the AGM in 2022, a new ESG Committee was established. During 2023, the ESG Committee has progressed according to the sustainability strategy. In this workstream, the ESG Committee has provided recommendations to the Board of Directors on a number of ESG-related matters, including but not limited to: the alignment of reporting on sustainability matters to comply with ESRS, the implementation of a new sustainability data reporting tool, and continued progress on committed actions to reduce the company's environmental footprint, and the hiring of a new Head of Sustainability.

Terms of reference for the ESG Committee can be found at investors.nkt.com

Data Ethics

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

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

Implementation of the data ethics policy and the strengthening of the data ethics principles as an integral part of our operations is a continuous process, which remains a focus point going forward, with further initiatives planned for 2024 as part of the overall data privacy compliance and data protection programme at NKT.

Corporate Governance

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

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

NKT's Corporate Governance Report 2023 can be found at investors.nkt.com/corporate-governance/statutory-reports

Board of Directors

			
	Jens Due Olsen Chair Born 1963, Danish national First elected in 2006 Not considered independent due to tenure MSc Econ.,1990	**René Svendsen-Tune** Deputy Chair Born 1955, Danish national First elected in 2016 Considered independent BSc Eng. (hons.), 1981	**Nebahat Albayrak** Born 1968, Dutch/Turkish national First elected in 2022 Considered independent LLM, International and European Law, 1993
NKT Committees:	▪ ESG Committee ▪ NKT Photonics (working committee)	▪ Nomination Committee, Chair ▪ NKT Photonics (working committee)	▪ ESG Committee, Chair ▪ Remuneration Committee
Board of Directors' annual remuneration:	DKK 1,125,000	DKK 750,000	DKK 375,000
NKT shares at 31 December 2023:	51,891	6,666	0
Other positions and directorships:	▪ BørneBasketFonden (non-profit foundation), Chair ▪ KMD A/S, Deputy Chair ▪ NIL Technology A/S, Chair ▪ European Energy, Chair	▪ Nilfisk Holding A/S, Interim CEO ▪ Nilfisk Holding A/S, Deputy Chair ▪ Stokke AS, Chair ▪ Asetek A/S, Chair	▪ Fortum Oyj, Executive Vice President, Sustainability and Corporate Relations ▪ Nederlandse Spoorwegen, Supervisory Board member ▪ Topvrouwen.nl, Advisory Board member
Special qualifications:	▪ International management ▪ Management of listed companies ▪ Economic and financial matters ▪ Technology	▪ International management ▪ Management of listed companies ▪ Specialist expertise in technology, service businesses, large account sales and strategy development with sustainability focus	▪ Senior leadership experience in the energy industry and energy transition ▪ International and industrial management ▪ Experience from the public and private sector ▪ Expertise in driving corporate sustainability strategy and performance ▪ Specialist in corporate Reputation Management and Branding ▪ Crisis management

Board of Directors

	Karla Lindahl	Andreas Nauen	Anne Vedel
			
	Born 1981, Finnish national First elected in 2020 Considered independent MA in EC Competition Law, 2009 Master of Laws (LL.M), 2005	Born 1964, German national First elected in 2017 Considered independent MSc Mechanical Eng. 1991	Born 1981, Danish national First elected in 2023 Considered independent MSc. International Technology Management, 2008
NKT Committees:	▪ Audit Committee	▪ Remuneration Committee, Chair ▪ Audit Committee, Chair	▪ Audit Committee
Board of Directors' annual remuneration:	DKK 375,000	DKK 375,000	DKK 375,000
NKT shares at 31 December 2022:	0	0	0
Other positions and directorships:	▪ KONE Corporation, Executive Vice President for Europe	▪ Sandbrook Capital, USA, Operating Partner ▪ Havfram AS, Chair	▪ Senior Vice President, Product Solutions and Integration, Vestas A/S
Special qualifications:	▪ International and industrial management ▪ Expertise in leading service and project business and operations ▪ Expertise in strategy development and execution as well as competition and corporate law	▪ International and industrial management ▪ Management of listed companies ▪ Financial expertise from project business applying IFRS ▪ Special expertise in technology, large infrastructure projects, renewable energy and wind power	▪ Expertise in driving energy transition ▪ Senior leadership experience in the renewable energy industry ▪ International expertise in technology, sales and sustainable energy solutions ▪ Manage the development and design of new complex products and plant solutions for the wind industry

Board of Directors

Stig Nissen Knudsen

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

MSc E.Eng. 1996, PhD 2002

Senior Production Engineer
NKT Photonics A/S

Christian Dyhr

Born 1974, Danish national
Elected by the employees, 2022
Not considered independent due to employment with NKT

Warehouse coordinator
NKT Photonics A/S

Pernille Blume Simonsen

Born 1983, Danish national
Elected by the employees, 2022
Not considered independent due to employment with NKT

Lean specialist
NKT (Denmark) A/S

	Stig Nissen Knudsen	Christian Dyhr	Pernille Blume Simonsen
NKT Committees:			
Board of Directors annual base remuneration:	DKK 375,000	DKK 375,000	DKK 375,000
NKT shares at 31 December 2023:	125	0	0
Directorships and other positions:			
Special qualifications:			

Group Leadership Team

Executive Management

Claes Westerlind

President & Chief Executive Officer

Born 1982, Swedish national.
Joined NKT in 2017
Education: M.Sc. Mechanical Engineering, Chalmers University of Technology and Hong Kong University of Science and Technology

NKT positions: Chief Executive Officer and Member of Executive Management 2023
Various senior positions within NKT since 2017.

Directorships: -

NKT shares at 31 December 2023: DKK 3,551

Line Andrea Fandrup

Chief Financial Officer, Executive Vice President

Born 1979, Danish national.
Joined NKT in 2020
Education: MSc Business Administration and Maths 2004
INSEAD Transition to General Management 2015

NKT positions: Chief Financial Officer and Member of Executive Management 2020

Directorships: -

NKT shares at 31 December 2023: DKK 2,486

Will Hendrikx

Chief Operating Officer / Deputy CEO

Born 1964
Joined NKT in 2020
Education: BSc. in Engineering and Management (HTS, Netherlands)

Darren Fennell

Executive Vice President, Head of HV Solutions Karlskrona

Born 1975
Joined NKT in 2012
Education: Bachelor's degree in Construction Economics & Management

Michael C. Hjorth

Chief Commercial Officer

Born 1966
Joined NKT in 1995-2012 and in 2017
Education: B. Sc. EE + Maersk Young Manager's programme

Carlos Fernandez

Executive Vice President, Head of Applications

Born 1971
Joined NKT in 2021
Education: Bachelor of Mechanical Engineering (B.E.) (Universitat Politècnica de Catalunya), Postgraduate in Business Administration (IESE Business School)

Group Leadership Team

Anders Jensen

Chief Technology Officer
Born 1964
Joined NKT in 1993-2013 and in 2018
Education: M.Sc. in Electrical Engineering (Technical University of Denmark), B.Sc. in Strategic Management and Business Development (Copenhagen Business School, Copenhagen)

Mark Skriver Nielsen

Chief Legal Officer
Born 1968
Joined NKT in 2019
Education: Attorney and Master of Law (University of Copenhagen and Queen Mary University of London).

Lukas Sidler

Executive Vice President, Head of HV Solutions Cologne
Born 1977
Joined NKT in 2022
Education: Business Administration with major in Industry and International Production, Zurich University of Applied Sciences

Michael Yong

Chief Strategy Officer
Born 1974
Joined NKT in 2021
Education: Juris Doctor (George Washington Law School, USA), International MBA (IE Business School, Spain), B. Sc. Mechanical Engineering (University of Tennessee, USA)

Kira Johnson

Chief Human Resources Officer
Born 1974
Joined NKT in 2021
Education: M.Sc., Political Science & Government, University of Copenhagen

Denis Schuler

Executive Vice President, Head of Accessories
Born 1973
Joined NKT in 2023
Education: Executive Master of Business Administration, Zurich University of Applied Sciences

Axel Barnekow Widmark

Executive Vice President, Head of Service
Born 1977
Joined NKT in 2020
Education: M.Sc Engineering Physics from the Royal Institute of Technology

05

Consolidated financial statements

Income statement

1 January – 31 December

Amounts in EURm	Note	2023	2022
Revenue	2.1	2,567.2	2,079.0
Other operating income		3.9	14.2
Work performed by the Group and capitalized		31.4	33.1
Costs of raw materials, consumables and goods for resale		-1,746.7	-1,442.6
Staff costs	2.2/2.3	-339.3	-302.5
Other costs	2.4/6.1/7.1	-261.9	-226.6
Earnings before interest, tax, depreciation and amortization (EBITDA)		**254.6**	**154.6**
Depreciation of property, plant and equipment	3.2	-71.1	-62.7
Impairment of property, plant and equipment	3.2	-0.1	0.0
Amortization of intangible assets	3.1	-18.4	-22.7
Impairment of intangible assets	3.1	-0.4	0.0
Share of profit/loss in associated companies		-0.2	0.0
Earnings before interest and tax (EBIT)		**164.4**	**69.2**
Financial income	5.5	109.5	72.3
Financial expenses	5.5	-125.1	-63.2
Earnings before tax (EBT)		**148.8**	**78.3**
Tax	2.5	-30.1	-23.2
Net result - continuing operations		**118.7**	**55.1**
Net result - discontinued operations	6.3	5.6	7.3
Net result		**124.3**	**62.4**
To be distributed as follows:			
Equity holders of NKT A/S		113.4	53.8
Hybrid capital holders of NKT A/S		10.9	8.6
Net result		**124.3**	**62.4**
Basic earnings - continuing operations, EUR, per share (EPS)		2.2	1.0
Diluted earnings - continuing operations, EUR, per share (EPS-D)		2.1	1.0
Basic earnings, EUR, per share (EPS)		2.3	1.2
Diluted earnings, EUR, per share (EPS-D)		2.3	1.1

The Board of Directors proposes a dividend for the year of DKK 0.0 per share (DKK 0.0 per share in 2022) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January – 31 December

Amounts in EURm	2023	2022
Net result	**124.3**	**62.4**
Other comprehensive income		
Items that may be reclassified to income statement:		
Foreign exchange adjustment, foreign companies	7.2	-44.8
Cash flow hedges:		
Value adjustment for the year	50.6	71.4
Transferred to revenue	14.0	-14.2
Transferred to financial income	-0.4	-2.1
Tax on cash flow hedges	-5.0	-16.1
Cost of hedging:		
Value adjustment for the year for transaction-related hedges	24.8	1.7
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 cost of hedging	-9.5	-0.4
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	1.4	11.7
Tax on actuarial gains/losses	-0.5	-3.7
Total other comprehensive income	**85.9**	**3.5**
Comprehensive income for the year	**210.2**	**65.9**
To be distributed as follows:		
Equity holders of NKT A/S	199.3	57.3
Hybrid capital holders of NKT A/S	10.9	8.6
Comprehensive income for the year	**210.2**	**65.9**

Balance sheet

31 December

Amounts in EURm	Note	2023	2022
Assets			
Goodwill		350.9	350.4
Trademarks, patents and licences, etc.		35.2	39.4
IT software		24.4	31.2
Development projects completed		37.1	19.7
Intangible assets under development		96.8	87.7
Total intangible assets	3.1/3.3	**544.4**	**528.4**
Land and buildings		377.1	292.4
Manufacturing plant and machinery		379.0	297.9
Fixtures, fittings, tools and equipment		56.8	45.0
Property, plant and equipment under construction		201.0	209.5
Total property, plant and equipment	3.2/3.3	**1,013.9**	**844.8**
Investments in associated companies		9.1	0.0
Other investments and receivables		0.8	0.8
Deferred tax	2.5	12.3	11.7
Total other non-current assets		**22.2**	**12.5**
Total non-current assets		**1,580.5**	**1,385.7**
Inventories	4.2	311.3	334.9
Receivables	4.3	525.2	522.5
Contract assets	4.4	106.9	98.2
Income tax receivable		14.6	3.3
Interest-bearing receivables		0.2	0.2
Cash at bank and in hand		887.9	258.5
Assets held for sale	6.3	177.4	164.1
Total current assets		**2,023.5**	**1,381.7**
Total assets		**3,604.0**	**2,767.4**

Amounts in EURm	Note	2023	2022
Equity and liabilities			
Share capital	5.1	144.3	115.4
Reserves		27.9	68.9
Retained comprehensive income		1,247.4	805.9
Equity attributable to equity holders of NKT A/S		**1,419.6**	**990.2**
Hybrid capital	5.3	155.4	153.6
Total equity		**1,575.0**	**1,143.8**
Deferred tax	2.5	36.7	54.9
Pension liabilities	3.4	39.5	41.3
Provisions	3.4	11.2	11.4
Interest-bearing loans and borrowings	5.4	195.5	180.9
Total non-current liabilities		**282.9**	**288.5**
Interest-bearing loans and borrowings	5.4	11.9	14.9
Trade payables		364.4	351.0
Other liabilities	5.4	238.9	223.7
Contract liabilities	4.4	1,036.6	677.6
Income tax payable		26.9	9.6
Provisions	3.4	29.8	22.7
Liabilities associated with assets held for sale	6.3	37.6	35.6
Total current liabilities		**1,746.1**	**1,335.1**
Total liabilities		**2,029.0**	**1,623.6**
Total equity and liabilities		**3,604.0**	**2,767.4**

Cash flow statement

1 January – 31 December

Amounts in EURm	Note	2023	2022
Earnings before interest, tax, depreciation and amortisation (EBITDA)		254.6	154.6
Non-cash operating items:			
Change in provisions, gain and loss on sale of assets, etc.		8.7	-34.7
Changes in working capital	4.1	319.8	185.1
Cash flow from operations before financial items, etc.		**583.1**	**305.0**
Financial income received		89.0	50.1
Financial expenses paid		-105.0	-41.6
Income tax paid		-38.1	-26.4
Income tax received		13.4	11.1
Cash flow from operating activities from continuing operations		**542.4**	**298.2**
Acquisition of subsidiaries	6.1	0.0	-15.7
Acquisition of associated companies	6.1	-9.1	0.0
Investments in property, plant and equipment		-204.5	-156.1
Disposal of property, plant and equipment		0.2	2.0
Intangible assets and other investments, net		-33.6	-35.0
Cash flow from investing activities from continuing operations		**-247.0**	**-204.8**
Free cash flow from continuing operations		**295.4**	**93.4**

Amounts in EURm	Note	2023	2022
Changes in loans		-1.5	-19.2
Repayment of lease liabilities		-5.7	-5.3
Capital increase	5.1	357.3	0.0
Purchase of treasury shares		-7.2	-2.5
Coupon payments on hybrid capital		-9.1	-7.4
Repurchase of hybrid capital	5.3	0.0	-63.3
Proceeds from issuance of hybrid capital	5.3	0.0	61.7
Cash flow from financing activities		**333.8**	**-36.0**
Net cash flow for the year from continuing operations		**629.2**	**57.4**
Net cash flow for the year from discontinued operations	6.3	-1.3	8.0
Net cash flow for the year		**627.9**	**65.4**
Cash at bank and in hand, 1 January		262.2	200.5
Currency adjustments		0.2	-3.7
Net cash flow for the year		627.9	65.4
Cash at bank and in hand, 31 December		**890.3**	**262.2**
Of which classified as assets held for sale		2.4	3.7
Cash at bank and in hand from continuing operations, 31 December		**887.9**	**258.5**

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

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Treasury shares	Foreign exchange reserve	Cash flow hedge reserve	Cost of hedging reserve	Fair value reserve	Retained compreh. income	Total	Hybrid Capital	Total equity
Equity, 1 January 2023	**115.4**	**-0.9**	**-63.4**	**145.6**	**-12.7**	**0.3**	**805.9**	**990.2**	**153.6**	**1,143.8**
Other comprehensive income:										
Foreign exchange translation adjustments			7.2			-0.3	0.3	7.2		7.2
Value adjustment of hedging instruments:										
Value adjustment for the year				50.6	24.8			75.4		75.4
Transferred to revenue				14.0	3.3			17.3		17.3
Transferred to financial income				-0.4				-0.4		-0.4
Actuarial gains/losses on defined benefit pension plans							1.4	1.4		1.4
Tax on other comprehensive income				-5.0	-9.5		-0.5	-15.0		-15.0
Total other comprehensive income	**0.0**	**0.0**	**7.2**	**59.2**	**18.6**	**-0.3**	**1.2**	**85.9**	**0.0**	**85.9**
Net result							113.4	113.4	10.9	124.3
Comprehensive income for the year	**0.0**	**0.0**	**7.2**	**59.2**	**18.6**	**-0.3**	**114.6**	**199.3**	**10.9**	**210.2**
Deferred hedge gains and losses transferred to inventory				-151.0	-6.0			-157.0		-157.0
Tax on deferred hedge gains and losses transferred to inventory				33.8	0.8			34.6		34.6
Transactions with owners:										
Capital increase*	28.9						328.4	357.3		357.3
Purchase of treasury shares		-7.2						-7.2		-7.2
Exercise of performance shares		3.9					-3.9	0.0		0.0
Share-based payment							2.4	2.4		2.4
Coupon payments, hybrid capital								0.0	-9.1	-9.1
Total transactions with owners in 2023	**28.9**	**-3.3**	**0.0**	**0.0**	**0.0**	**0.0**	**326.9**	**352.5**	**-9.1**	**343.4**
Equity, 31 December 2023	**144.3**	**-4.2**	**-56.2**	**87.6**	**0.7**	**0.0**	**1,247.4**	**1,419.6**	**155.4**	**1,575.0**

** Transaction costs related to the rights issue in 2023 was EUR 4.7m and are accounted for as a deduction from equity in the capital increase line in the table above.*

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Treasury shares	Foreign exchange reserve	Cash flow hedge reserve	Cost of hedging reserve	Fair value reserve	Retained compreh. income	Total	Hybrid Capital	Total equity
Equity, 1 January 2022	**115.4**	**0.0**	**-18.6**	**182.0**	**-16.2**	**0.3**	**744.6**	**1,007.5**	**152.4**	**1,159.9**
Other comprehensive income:										
Foreign exchange translation adjustments			-44.8					-44.8		-44.8
Value adjustment of hedging instruments:										
Value adjustment for the year				71.4	1.7			73.1		73.1
Transferred to revenue				-14.2				-14.2		-14.2
Transferred to financial income				-2.1				-2.1		-2.1
Actuarial gains/losses on defined benefit pension plans							11.7	11.7		11.7
Tax on other comprehensive income				-16.1	-0.4		-3.7	-20.2		-20.2
Total other comprehensive income	**0.0**	**0.0**	**-44.8**	**39.0**	**1.3**	**0.0**	**8.0**	**3.5**	**0.0**	**3.5**
Net result							53.8	53.8	8.6	62.4
Comprehensive income for the year	**0.0**	**0.0**	**-44.8**	**39.0**	**1.3**	**0.0**	**61.8**	**57.3**	**8.6**	**65.9**
Deferred hedge gains and losses transferred to inventory				-106.5	2.9			-103.6		-103.6
Tax on deferred hedge gains and losses transferred to inventory				31.1	-0.7			30.4		30.4
Transactions with owners:										
Purchase of treasury shares		-2.5						-2.5		-2.5
Exercise of performance shares		1.6					-1.6	0.0		0.0
Share-based payment							2.7	2.7		2.7
Coupon payments, hybrid capital								0.0	-7.4	-7.4
Issue of hybrid capital							-1.6	-1.6	150.0	148.4
Redeem of hybrid capital								0.0	-150.0	-150.0
Total transactions with owners in 2022	**0.0**	**-0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.5**	**-1.4**	**-7.4**	**-8.8**
Equity, 31 December 2022	**115.4**	**-0.9**	**-63.4**	**145.6**	**-12.7**	**0.3**	**805.9**	**990.2**	**153.6**	**1,143.8**

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 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 of 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 Material Accounting Policy Information

Introduction
The 2023 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 IFRS Accounting Standards, as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

The Annual Report has been approved by the Board of Directors and Executive Management on 21 February 2024, and will be presented for approval by the shareholders at the Annual General Meeting on 20 March 2024.

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

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

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 Accounting Standards.

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 NKT Group. These financial measures should therefore not be considered a replacement for performance measures as defined under IFRS Accounting Standards, 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.

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

The applied tagging by the Group has been prepared in accordance with the ESEF taxonomy included in the ESEF regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. The Annual Report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with the technical files included in the ZIP file nkt-2023-12-31-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.

Section 1 – Basis of preparation

1.2 Implementation of new and amended accounting standards and interpretations

New standards, interpretations and amendments adopted by NKT Group
As of 1 January 2023, NKT Group adopted all relevant new or revised IFRS Accounting Standards and IFRIC Interpretations with effective date 1 January 2023 or earlier.

The new or revised standards and interpretations did not affect recognition and measurement materially nor did they result in any material changes to disclosures in the notes.

Apart from this, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports. However, a few reclassifications in the comparative figures for 2022 have been made.

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 2023. 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.

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. On 2 May 2023, NKT received notification that the Purchaser had 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. As a consequence NKT remains committed to its plan to sell NKT Photonics and NKT Photonics is presented as discontinued operations and assets held for sale in this report.

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

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

Presentation in the notes

Significant estimates

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

Sensitivity

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

Section 2 – Profit for the year

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

NKT
Operational EBITDA
254.6m
(154.5m in 2022)

Solutions
Operational EBITDA
181.6m
(105.9m in 2022)

Applications
Operational EBITDA
58.7m
(28.5m in 2022)

Service & Accessories
Operational EBITDA
18.6m
(25.7m in 2022)

2.1 Segment information and revenue

Amounts in EURm	Solutions	Applications	Service & Accessories	Non allocated	Intersegment transact.	Total NKT
2023						
Income statement						
Goods[1]	41.7	1,115.9	161.6	0.0	-54.9	1,264.3
Service, etc.[2]	26.1	0.0	9.8	0.0	-3.1	32.8
Construction contracts[2]	1,245.5	0.0	28.2	0.0	-3.6	1,270.1
Revenue (market prices)	**1,313.3**	**1,115.9**	**199.6**	**0.0**	**-61.6**	**2,567.2**
Adjustment of market prices to std. metal prices	-161.9	-478.2	0.0	0.0	0.3	-639.8
Revenue (std. metal prices)[3]	**1,151.4**	**637.7**	**199.6**	**0.0**	**-61.3**	**1,927.4**
Costs and other income, net (excl. one-off items)	-1,131.7	-1,057.2	-181.0	-4.3	61.6	-2,312.6
Operational EBITDA	**181.6**	**58.7**	**18.6**	**-4.3**	**0.0**	**254.6**
Depreciation, amortization and impairment	-68.8	-14.7	-5.0	-1.5	0.0	-90.0
Share of profit/loss in associated companies	-0.2	0.0	0.0	0.0	0.0	-0.2
Operational EBIT	**112.6**	**44.0**	**13.6**	**-5.8**	**0.0**	**164.4**
Working capital	**-739.1**	**38.9**	**31.0**	**-39.6**	**0.0**	**-708.8**
2022						
Income statement						
Goods[1]	46.7	1,066.7	132.8	0.0	-38.2	1,208.0
Service, etc.[2]	16.9	0.0	7.3	0.0	-2.6	21.6
Construction contracts[2]	803.5	0.0	53.2	0.0	-7.3	849.4
Revenue (market prices)	**867.1**	**1,066.7**	**193.3**	**0.0**	**-48.1**	**2,079.0**
Adjustment of market prices to std. metal prices	-117.6	-514.7	-0.1	0.0	0.2	-632.2
Revenue (std. metal prices)[3]	**749.5**	**552.0**	**193.2**	**0.0**	**-47.9**	**1,446.8**
Costs and other income, net (excl. one-off items)	-761.2	-1,038.2	-167.6	-5.6	48.1	-1,924.5
Operational EBITDA	**105.9**	**28.5**	**25.7**	**-5.6**	**0.0**	**154.5**
Depreciation, amortization and impairment	-64.3	-14.9	-4.2	-2.0	0.0	-85.4
Operational EBIT	**41.6**	**13.6**	**21.5**	**-7.6**	**0.0**	**69.1**
Working capital	**-437.2**	**89.7**	**36.2**	**8.3**	**0.0**	**-303.0**

[1] Revenue recognized at a point in time. [2] Revenue recognized over time. [3] Refer to note 7.4 Definitions.

Section 2 – Profit for the year

2.1 Segment information and revenue – continued

Amounts in EURm	2023	2022
Reconciliation to net result		
Operational EBITDA	**254.6**	**154.5**
One-off items	0.0	0.1
EBITDA	**254.6**	**154.6**
Depreciation, amortization and impairment	-90.0	-85.4
Share of profit/loss in associated companies	-0.2	0.0
EBIT	**164.4**	**69.2**
Financial items, net	-15.6	9.1
EBT	**148.8**	**78.3**
Tax	-30.1	-23.2
Net result - continuing operations	**118.7**	**55.1**
Net result - discontinued operations	5.6	7.3
Net result	**124.3**	**62.4**

Geographical information

	Revenue		Property, plant and equitment and intangible assets	
Amounts in EURm	**2023**	**2022**	**2023**	**2022**
Denmark	110.4	120.5	12.1	11.5
Germany	764.0	679.1	331.5	324.5
Sweden	122.4	154.8	995.0	837.3
UK	399.1	359.1	18.3	18.8
Poland	257.3	213.5	21.5	17.2
USA	390.6	99.6	4.3	0.1
Norway	83.9	90.4	82.3	87.9
Czech Republic	77.1	62.0	83.2	63.7
Other	362.4	300.0	10.1	12.2
Total	**2,567.2**	**2,079.0**	**1,558.3**	**1,373.2**

§ Accounting policy

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

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

The reportable segments are generally referred to as business lines. The business lines consist of Solutions, Applications and Service & Accessories. For further details please refer to the Business review section of each business line in the management review. 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. One customer in the Solutions segment comprises more than 10% of the groups total revenue amounting to EUR 390.6m (92.3m in 2022). The geographical disclosure of revenue is based on the country of delivery.

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

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

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

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

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

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

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

Revenue from services that include service packages and extended warranties relating to products and contracts is recognized over time 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 significant reversal will not occur.

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, and delivery of highly customized spare cables in Service.

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

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

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

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

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

Sale of products

Sale of products relates to the sale of smaller less customized cable projects, standardized cables and equipment. Small cable projects with little or no customization usually have a short lead time of less than one year. Each delivered product is considered one performance obligation.

Most of the products are sold at a fixed price and revenue is usually recognized at the point in time when the control of the products transfers to the customers, usually upon delivery.

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

Service contracts

Service contracts comprise various service elements to support power cable efficiency and prevent or mitigate power cable failures and can include up to 24/7, 365 days/year 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.

Significant estimates and 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 percentage-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 percentage-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.

Section 2 – Profit for the year

2.2 Staff cost

Amounts in EURm	2023	2022
Wages and salaries	264.7	237.0
Social security costs	60.4	50.9
Defined contribution plans	14.2	14.6
Total	**339.3**	**302.5**
Average number of full-time employees	4,473	4,062

In 2023, staff costs in NKT Group increased by 12%, and the average number of full-time employees increased by 10%.

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 1.4m (EUR 11.7m in 2022), see note 3.4 for more information.

Amounts in EURt	2023	2022
Remuneration to Executive Management		
Salary	1,344	1,469
Bonus	722	1,153
Pension	85	75
Long-term incentive programs	903	1,039
Other benefits	117	114
Severance payments	1,240	0
Total	**4,411**	**3,850**

Key management personel consist of Executive Management. Remuneration to Executive Management comprise fixed salary, short- and long-term incentive programs and other customary benefits. Long-term incentive programs consist of share-based payment programs. The accounting for share-based payments is presented in details in note 2.3.

Remuneration to Executive Management increased in 2023 compared to 2022, mainly due to severance payments to the former CEO partly off-set by lower salaries and bonus. For more information on the development, refer to the Remuneration Report available at the website.

NKT Group has no related parties holding control. NKT Group'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	2023	2022
Remuneration to Board members		
Base remuneration	603	576
Audit committee	64	48
ESG committee	17	13
Nomination committee	19	24
Remuneration committee	37	33
NKT Photonics working committee	16	26
Total	**756**	**720**

§ Accounting policy

Staff costs comprise wages and salaries, remuneration, pensions, etc., and share-based payment for NKT Group'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 2023, a new performance share program was awarded to 20 participants (18 in 2022) with a vesting period of 3 years. All programs contain two key performance targets, one relating to operational EBITDA, and one relating to Total Shareholder Return (TSR). The total market value at award date was EUR 2.5m (EUR 2.5m in 2022).

For the 2021 program, both the TSR target and EBITDA target were met and 66,400 shares will vest in February 2024.

Costs relating to share-based payments in 2023 was EUR 2.4m (EUR 2.7 in 2022). The reduced costs was mainly due to the former CEO forfeiting the 2022 program.

Remaining value to be expensed relating to current programs is EUR 2.6m (EUR 2.6m in 2022). The weighted average remaining contractual life of performance shares at the end of the period was 1.1 years (1.1 years in 2022).

Assumptions

At grant date the fair value of awarded Performance shares has been calculated based on the number of awarded shares, the percentage of shares expected to vest as well as the share price at grant date. As dividends are not expected they have not been incorporated into the measurement of fair value.

Performance shares outstanding	Executive management	Other employees	Total
1 January 2022	67,948	143,097	211,045
Shares granted during the year	30,554	42,335	72,889
Shares vested during the year and other movements	-10,586	-50,908	-61,494
31 December 2022	**87,916**	**134,524**	**222,440**
1 January 2023	87,916	134,524	222,440
Shares granted during the year	24,357	37,182	61,539
Shares vested during the year and other movements	-65,598	-39,929	-105,527
31 December 2023	**46,675**	**131,777**	**178,452**

§ Accounting policy

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

2.4 Research and development

Amounts in EURm	2023	2022
Research and development costs - staff costs	6.0	5.2
Research and development costs - other costs	31.7	32.1
Total research and development costs	37.7	37.3
Recognized as follows:		
Expensed in the income statement	7.1	6.0
Capitalized in the balance sheet	30.6	31.3
Total research and development costs	37.7	37.3

§ Accounting policy

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

Section 2 – Profit for the year

2.5 Tax

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

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

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

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

NKT Group realized earnings before tax (EBT) of EUR 148.8m (EUR 78.3m in 2022), which resulted in a reported tax rate of 20.2% (29.6% in 2022).

The reported tax rate of 20.2% was primarily impacted by operations in countries with a different tax rate relative to the Danish tax rate.

It is expected that OECD Pillar 2 will have an immaterial impact on NKT Group in 2024.

In 2023, NKT Group paid a net amount of EUR 24.7m in corporate income tax compared to paying a net amount of EUR 15.3m in 2022.

Earnings realized in NKT Group's Danish companies resulted in a corporate tax receivable of EUR 11.3m (Corporate tax payable of EUR 3.3m in 2022).

Amounts in EURm	2023	2022
Tax recognized in the income statement		
Current tax	25.2	11.1
Current tax, adj. prior years	3.8	1.5
Deferred tax	8.1	13.6
Deferred tax, adj. prior years	-7.0	-3.0
	30.1	**23.2**
Tax rate for the year	20.2%	29.6%
Reconciliation of tax:		
Calculated 22.0% tax on earnings before tax	32.7	17.2
Tax effect of:		
Foreign tax rates relative to Danish tax rate	-4.7	-5.0
Non-taxable income/ non-deductible expenses, net	4.0	-4.1
Adjustment for previous years	-3.2	-1.5
Value adjustment of tax assets	1.3	16.6
	30.1	**23.2**

Amounts in EURm	2023	2022
Deferred tax, 1 January, net	-43.2	-46.9
Tax recognized in other comprehensive income	-15.0	-20.2
Tax recognized on deferred hedge gains and losses transferred from equity to inventory	34.6	30.4
Addition from acquisitions	0.0	-0.9
Deferred tax recognized in income statement	-1.1	-10.6
Transferred to assets held for sale	0.0	2.4
Foreign exchange adjustment	0.3	2.6
Deferred tax, 31 December, net	**-24.4**	**-43.2**
Recognized deferred tax:		
Deferred tax assets, 31 December	12.3	11.7
Deferred tax liabilities, 31 December	-36.7	-54.9
Deferred tax, 31 December, net	**-24.4**	**-43.2**
Specification on deferred tax assets and liabilities:		
Intangible assets	-25.9	-22.7
Tangible assets	-11.2	-13.3
Other non-current assets	0.3	1.4
Current assets	-53.8	-65.1
Non-current liabilities	5.2	5.8
Current liabilities	6.2	13.7
Tax losses	149.0	128.7
Valuation allowance, unrecognized tax assets	-94.5	-92.7
Other	0.3	1.0
Deferred tax, 31 December, net	**-24.4**	**-43.2**

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 business outlook and high-voltage order backlog have improved significantly during 2023, which has led to further capitalization of tax losses carried forward. The tax losses carried forward from the German tax unit increased from EUR 387.9m in 2022 to EUR 448.7m in 2023. The total deferred tax value amounts to EUR 143.6m. NKT Group has recognized a deferred tax asset of EUR 50.3m at year-end 2023 (EUR 30.7m in 2022). Tax losses in Germany have no expiry date.

The tax losses carried forward in the Swedish tax unit were fully utilized during 2023. Further, a deferred tax asset of EUR 1.1m relating to interest carried forward has been recognized in 2023 (EUR 11.3m in 2022). The deferred tax asset has been fully offset against a deferred tax liability.

The tax losses carried forward at end-2023 in the Danish tax unit amount to EUR 18.6m. NKT Group has recognized a deferred tax asset of EUR 4.1m (EUR 0.0m in 2022). Tax losses in Denmark have no expiry date.

NKT Group reported a net deferred tax liability of EUR 24.4m (EUR 43.2m in 2022). The development mainly relates to deferred tax liability related to hedge accounting recognized in other comprehensive income and deferred tax liability related to timing differences in revenue recognition in Germany and recognition of deferred tax asset related to tax losses carried forward in Germany and Denmark.

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 the 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' or '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 is 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 recognised on taxable temporary differences relating to goodwill and on temporary differences arising on the initial recognition of an asset and liability which affects neither accounting profit nor taxable income and does not result in a deductible and taxable temporary difference of the same amount. 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
Investment ratio*

14%

(13% in 2022)

Solutions
Headroom in impairment test

1,898m

(831m in 2022)

Solutions
CAPEX**

202.5m

(156.8m in 2022)

* Investment ratio is calculated as additions for continuing operations in % of revenue SP
** Including additions from IFRS 16 (leasing)

3.1 Intangible assets

Amounts in EURm	Goodwill	Trademarks, patents and licences etc.	IT software	Development projects completed	Intangible assets under development	Total Intangible assets
Cost, 1 January 2022	404.4	100.4	82.2	83.5	89.0	759.5
Disposal of subsidiary	0.0	-1.7	0.0	-7.7	-2.3	-11.7
Additions	0.0	0.0	1.1	0.2	39.3	40.6
Disposals	0.0	0.0	0.0	-0.4	-0.1	-0.5
Transferred between classes of assets	0.0	0.0	1.5	8.8	-10.3	0.0
Transferred to assets held for sale	-25.3	-26.9	-7.8	-17.9	-24.4	-102.3
Exchange rate adjustments	-28.7	-5.6	-0.4	-3.2	-3.5	-41.4
Costs, 31 December 2022	**350.4**	**66.2**	**76.6**	**63.3**	**87.7**	**644.2**
Amortization and impairment, 1 January 2022	0.0	-46.0	-40.0	-51.8	0.0	-137.8
Disposal of subsidiary	0.0	1.2	0.0	5.8	0.0	7.0
Amortization for the year	0.0	-6.3	-8.5	-11.6	0.0	-26.4
Disposals	0.0	0.0	0.0	0.4	0.0	0.4
Transferred to assets held for sale	0.0	22.3	2.7	12.3	0.0	37.3
Exchange rate adjustments	0.0	2.0	0.4	1.3	0.0	3.7
Amortization and impairment, 31 December 2022	**0.0**	**-26.8**	**-45.4**	**-43.6**	**0.0**	**-115.8**
Carrying amount, 31 December 2022	**350.4**	**39.4**	**31.2**	**19.7**	**87.7**	**528.4**
Cost, 1 January 2023	350.4	66.2	76.6	63.3	87.7	644.2
Additions	0.0	0.0	0.0	0.0	33.6	33.6
Transferred between classes of assets	0.0	0.0	0.3	24.7	-25.0	0.0
Exchange rate adjustments	0.5	0.1	0.0	0.3	0.5	1.4
Costs, 31 December 2023	**350.9**	**66.3**	**76.9**	**88.3**	**96.8**	**679.2**
Amortization and impairment, 1 January 2023	0.0	-26.8	-45.4	-43.6	0.0	-115.8
Amortization for the year	0.0	-4.2	-7.2	-7.0	0.0	-18.4
Impairment	0.0	0.0	0.0	-0.4	0.0	-0.4
Exchange rate adjustments	0.0	-0.1	0.1	-0.2	0.0	-0.2
Amortization and impairment, 31 December 2023	**0.0**	**-31.1**	**-52.5**	**-51.2**	**0.0**	**-134.8**
Carrying amount, 31 December 2023	**350.9**	**35.2**	**24.4**	**37.1**	**96.8**	**544.4**

Section 3 – Non-current assets and liabilities

3.1 Intangible assets – continued

§ Accounting policy

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

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

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

Expected useful life is determined as follow:

Trademarks, patents and licences, etc.	3-15 years
IT software	3-8 years
Completed development projects	2-8 years

Intangible assets under development consists of clearly defined and identifiable development projects where the following requirements are met: The technical feasibility, adequacy of resources and a potential future market can be demonstrated, it is intended to manufacture, market or utilize the project, the cost can be reliably determined, and there is reasonable certainty that the future earnings or net selling prices can cover the carrying amount as well as the development costs necessary to finalize the project. as incurred. Intangible assets under development are measured at cost less accumulated impairment losses. The cost includes wages, amortization and other costs relating to the Group's development activities. On completion the development work is transferred to Development projects completed or IT software.

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
Cost, 1 January 2022	40.6	7.1	0.9	48.6
Addition for the year	1.8	0.0	0.0	1.8
Disposal of subsidiaries	-0.5	0.0	0.0	-0.5
Depreciation of right of use assets	-5.4	-1.0	-0.4	-6.8
Transferred to assets held for sale	-6.5	0.0	0.0	-6.5
Exchange rate adjustments	-1.0	0.0	0.0	-1.0
The carrying amount of right-of-use assets, 31 December 2022	**29.0**	**6.1**	**0.5**	**35.6**
Cost, 1 January 2023	29.0	6.1	0.5	35.6
Addition for the year	31.9	0.0	0.0	31.9
Depreciation of right of use assets	-4.6	-1.0	-0.4	-6.0
Exchange rate adjustments	0.2	0.0	0.0	0.2
The carrying amount of right-of-use assets, 31 December 2023	**56.5**	**5.1**	**0.1**	**61.7**

Amounts recognized in the income statement:

Amounts in EURm	2023	2022
Costs relating to other immaterial leases including short term and low value leases, recognized in the income statement	11.0	7.8

Lease liabilities and interests relating to recognized lease contracts are included in Section 5.4 and 5.5 respectively. Future minimum lease payments relating to leases not recognized in the balance sheet amount to EUR 26.8m (EUR 11.6m in 2022).

Section 3 – Non-current assets and liabilities

3.2 Property, plant and equipment – continued

§ Accounting policy

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

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

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

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

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 2022	410.6	675.0	131.5	192.2	1,409.3
Additions	4.2	20.6	2.6	134.5	161.9
Additions through business combinations	6.4	12.7	0.2	1.6	20.9
Disposal of subsidiary	-1.6	-0.3	-3.9	0.0	-5.8
Disposals	-0.4	-7.3	-2.2	-1.3	-11.2
Transferred between classes of assets	33.4	53.2	16.2	-102.8	0.0
Transferred to assets held for sale	-20.9	-16.5	-9.5	-3.4	-50.3
Exchange rate adjustments	-13.9	-10.2	-5.8	-11.3	-41.2
Cost, 31 December 2022	**417.8**	**727.2**	**129.1**	**209.5**	**1,483.6**
Depreciation and impairment, 1 January 2022	-122.2	-417.5	-85.9	-0.8	-626.4
Depreciation for the year	-15.5	-37.7	-12.4	0.0	-65.6
Disposal of subsidiary	1.1	0.0	3.4	0.0	4.5
Disposals	0.2	7.1	2.2	0.8	10.3
Transferred to assets held for sale	8.7	13.7	5.8	0.0	28.2
Exchange rate adjustments	2.3	5.1	2.8	0.0	10.2
Depreciation and impairment, 31 December 2022	**-125.4**	**-429.3**	**-84.1**	**0.0**	**-638.8**
Carrying amount, 31 December 2022	**292.4**	**297.9**	**45.0**	**209.5**	**844.8**
Cost, 1 January 2023	417.8	727.2	129.1	209.5	1,483.6
Additions	31.9	13.2	4.4	186.6	236.1
Disposals	-17.9	-8.3	-1.7	0.0	-27.9
Transferred between classes of assets	67.3	107.8	20.2	-195.3	0.0
Exchange rate adjustments	1.6	5.3	0.7	0.2	7.8
Cost, 31 December 2023	**500.7**	**845.2**	**152.7**	**201.0**	**1,699.6**
Depreciation and impairment, 1 January 2023	-125.4	-429.3	-84.1	0.0	-638.8
Depreciation for the year	-15.7	-42.8	-12.6	0.0	-71.1
Impairment	0.0	0.0	-0.1	0.0	-0.1
Disposals	17.9	8.2	1.7	0.0	27.8
Transferred between classes of assets	-0.1	0.1	0.0	0.0	0.0
Exchange rate adjustments	-0.3	-2.4	-0.8	0.0	-3.5
Depreciation and impairment, 31 December 2023	**-123.6**	**-466.2**	**-95.9**	**0.0**	**-685.7**
Carrying amount, 31 December 2023	**377.1**	**379.0**	**56.8**	**201.0**	**1,013.9**

Section 3 – Non-current assets and liabilities

3.2 Property, plant and equipment – continued

Accounting policy

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.

3.3 Impairment test

Result of the annual impairment test

At 31 December 2023, the carrying amount of goodwill, other intangible assets and tangible assets were tested for impairment. The impairment test showed no goodwill impairment for 2023 (no goodwill impairment in 2022).

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	2023	2022
Cash-generating units		
Solutions	1,898	831
Service & Accessories	256	120

Cash-generating units

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

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

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

Significant estimates

Goodwill

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

Amounts in EURm	2023	2022
Solutions	298.8	298.1
Applications	6.5	6.7
Service & Accessories	45.6	45.6
Total	**350.9**	**350.4**

Key Assumptions

The recoverable amount is based on a value-in-use calculation. For all cash-generating units, the calculation uses cash flow projections (budget period) based on financial budget for 2024 and financial forecasts for 2025–2028, hence a 5 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 10-year German government bond, the equity risk premium and the cost of debt. The long-term growth rate for the terminal period is based on the expected growth in the world economy as well as long-term development for the industries and markets in which the cash-generating units operate.

Group Management determines, as illustrated on the following page, the expected annual growth rate in the budget period, the expected margins based on historical experience and the assumptions about expected market developments.

Section 3 – Non-current assets and liabilities

3.3 Impairment test – continued

§ 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.

Solutions	Budget period		Terminal period	
	2023	**2022**	**2023**	**2022**
Key assumptions				
Average revenue growth rate	12.2%	13.0%	-	-
Average EBITDA margin	20.2%	17.5%	-	-
Growth rate	-	-	2.0%	2.0%
Average working capital ratio	-103.8%	-46.3%	-	-
Discount rate after tax	9.5%	10.0%	9.5%	10.0%
Discount rate before tax	12.6%	13.3%	12.6%	13.3%

No reasonably possible change in assumptions could lead to an impairment.

In 2023, Solutions was awarded high-voltage projects with a combined value of EUR 7bn, resulting in a high-voltage order backlog of EUR 10.8bn at the end of the year. This was a record-high annual order intake for NKT and the largest backlog position in company history. NKT is now firmly entrenched as a key supplier of high-voltage DC technology; and will play a key role in enabling the transition to renewable energy, especially across Europe. The need for more moden and interconnected power grids, capable of meeting structurally higher demand for electricity, continues to be a key growth driver for Solutions. NKT is well positioned to benefit and launched a EUR 1bn investment program in May 2023 to support future profitable growth. The majority of near-term demand continues to stem from Europe, however the US and Asia are expected to become increasingly relevant in the years to come.

Following a record-high level of awards in 2022, NKT anticipates that its average addressable high-voltage market will be above EUR 10bn per year between 2024 and 2030. Assessing 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. However, the high-voltage order backlog at end-2023 provides higher certainty regarding future revenue and earnings.

Service & Accessories	Budget period		Terminal period	
	2023	**2022**	**2023**	**2022**
Key assumptions				
Average revenue growth rate	6.4%	4.6%	-	-
Average EBITDA margin	16.6%	11.9%	-	-
Growth rate	-	-	2.0%	2.0%
Average working capital ratio	13.2%	13.2%	-	-
Discount rate after tax	9.2%	9.7%	9.2%	9.7%
Discount rate before tax	12.5%	13.1%	12.5%	13.1%

No reasonably possible change in assumptions could lead to an impairment.

Power cable services and accessories are crucial aspects of the power cable value chain. The Service & Accessories business line is - to a large degree - dependent on the same market drivers as Solutions. Power grid modernisation and extensions and growth in the installation of high-voltage power cable systems as well as ageing infastructure are expected to drive demand for Service. In Accessories, the transition to renewable energy and the continued electrification of societies are driving strong demand for high- and medium-voltage power cable accessories. These trends are set to continue and the market outlook for the segment is positive in the years to come.

In 2023, Service & Accessories achieved revenue growth, despite limited offshore repair work within the Service business, reflecting positive developments within Accessories. Despite the higher revenue level, the operational EBITDA margin decreased due to low activity in the offshore repair business. Despite the lower margin, the business line is becoming more robust and less dependent on service repairs. Other segments continued to perform positively, including NKT's onshore business, where NKT performed well across the majority of its addressable markets. This included onshore service repair work, as well as a steady level of maintenance projects throughout the year. Structural growth trends continue to positively impact NKT's Accessories business, which grew revenues and operational EBITDA in 2023.

Section 3 – Non-current assets and liabilities

3.3 Impairment test – continued

Sensitivity to changes in assumptions

No sensitivity analysis has been presented due to no reasonably possible change in assumptions could lead to an impairment. 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.

3.4 Provisions and pension liabilities

Amounts in EURm	Warranty provision	Restructuring provision	Other provisions	Pension liabilities, net	Total
Provisions, 1 January 2023	0.9	9.2	24.0	41.3	75.4
Additions in the year	3.3	0.2	19.4	1.6	24.5
Used during the year	-0.1	-3.6	-4.4	-2.0	-10.1
Reversed during the year	-0.2	-0.3	-7.9	0.0	-8.4
Exchange rate adjustment	0.0	0.1	0.4	0.0	0.5
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	-1.4	-1.4
Provisions, 31 December 2023	**3.9**	**5.6**	**31.5**	**39.5**	**80.5**
Provisions are recognized in the balance sheet as:					
Non-current liabilities	0.0	0.4	10.8	39.5	50.7
Current liabilities	3.9	5.2	20.7	0.0	29.8
Total	**3.9**	**5.6**	**31.5**	**39.5**	**80.5**

Actuarial gains related to the pension liabilities are recognized in other comprehensive income. The pension liability also include other long term benefits relating to anniversary bonuses, etc., amounting to EUR 2.2m (EUR 2.0m in 2022). At the end of 2023, there were no plan assets to be offset in the present value of the liability.

Actuarial assumptions applied	2023	2022
Discount rate	3.8%	3.4%
Future salary increases	3.0%	3.0%
Future pension increases	2.3%	2.2%

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	2023	2022
+0.5%-point in discount rate	-2.0	-2.2
-0.5%-point in discount rate	2.2	2.5
+0.5%-point in future pension increase	2.0	2.2
-0.5%-point in future pension increase	-1.9	-2.0

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

Section 3 – Non-current assets and liabilities

3.4 Provisions and pension liabilities – continued

§ 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. Restructuring costs are recognized under liabilities when a detailed, formal restructuring plan is announced to the affected parties on or before the balance sheet date. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the Group's unavoidable costs for meeting its contractual obligations. Provisions for dismantling are measured at the present value of the expected cost at the balance sheet date. The present value of the costs is included in the cost of the relevant tangible assets and depreciated accordingly. The addition of interests on provisions are recognized in the income statement under financial expenses.

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

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

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

Section 4 – Working capital

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

NKT
Working capital
-708.8m
(-303.0m in 2022)

Applications
Working capital
38.9m
(89.7m in 2022)

Solutions
Working capital
-739.1m
(-437.2m in 2022)

Service & Accessories
Working capital
31.0m
(36.2m in 2022)

4.1 Changes in working capital in cash flow

Amounts in EURm	2023	2022
Inventory	10.5	-62.0
Trade receivables and other receivables	-59.8	-71.2
Contract assets and contract liabilities	349.7	225.2
Trade payables and other liabilities	19.4	93.1
Total	**319.8**	**185.1**

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

Amounts in EURm	2023	2022
Reconciliation to change in working capital in cash flow		
Working capital 1 January	-303.0	-59.6
Reclassification of discontinued operations 1 January	0.0	-33.6
Working capital 31 December	-708.8	-303.0
Change in working capital based on balance sheet	-405.8	-209.8
Effect of unrealized hedges reported on Equity	86.8	18.7
Effect of changes in current tax	6.0	4.6
Effect of changes in exchange rates, etc.	-6.8	1.4
Change in working capital based on cash flow statement	**-319.8**	**-185.1**

4.2 Inventories

Amounts in EURm	2023	2022
Raw materials, consumables and goods for resale	145.1	154.5
Work in progress	76.4	73.2
Finished goods	89.8	107.2
Inventories, 31 December	**311.3**	**334.9**
Write-down of inventories, 1 January	7.4	17.0
Write-down of inventories for the year	7.9	1.0
Disposals from sales	0.0	0.0
Scrapping	-1.8	-7.1
Transfer to assets held for sale	0.0	-3.5
Write-down of inventories, 31 December	**13.5**	**7.4**

§ **Accounting policy**

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

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

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

Section 4 – Working capital

4.3 Receivables

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

Amounts in EURm	2023	2022
Trade receivables	233.8	208.7
Other receivables incl. derivatives	274.3	283.1
Prepayments	17.1	30.7
Receivables	**525.2**	**522.5**

Of the receivables, EUR 0.1m are expected to be received later than 12 months from the reporting date (EUR 0.1m in 2022).

Impairment on trade receivables amounted to 0% of trade receivables from 1% in 2022. For further information on credit risks, please see Section 5.6.

Development in the allowance for credit losses

Amounts in EURm	2023	2022
Trade receivables, gross	235.3	211.4
Allowance for credit losses		
Allowance for credit losses, 1 January	2.7	3.2
Additions during the year	0.3	0.6
Reversed during the year	-0.9	-0.6
Used during the year	-0.7	-0.3
Transferred to assets held for sale	0.0	-0.2
Exchange rate adjustments	0.1	0.0
Allowance for credit losses, 31 December	**1.5**	**2.7**
Trade receivables, net	**233.8**	**208.7**

In 2023, credit losses recognized in the income statement count for 0% of total revenue (0% of total revenue in 2022). 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	2023	2022
Construction contracts		
Contract value of work in progress	2,876.0	1,614.3
Progress billing	-3,607.2	-2,155.4
	-731.2	**-541.1**
Recognized as contract assets	106.9	98.2
Recognized as contract liabilities	-838.1	-639.3
	-731.2	**-541.1**
Construction contracts	838.1	639.3
Prepayments for construction contracts	184.3	19.9
Other prepayments from customers	9.9	18.4
Deferred income	4.3	0.0
Total contract liabilities	**1,036.6**	**677.6**

Amounts in EURm	2023	2022
Contract assets, 1 January	**98.2**	**97.3**
Addition from revenue recognized	85.0	92.7
Transferred to receivables	-76.4	-83.1
Transferred to assets held for sale	0.0	-2.1
Exchange rate adjustments	0.1	-6.6
Contract assets, 31 December	**106.9**	**98.2**
Contract liabilities, 1 January	**677.6**	**459.3**
Decrease from revenue recognized	-445.1	-278.8
Prepayments received	806.3	509.4
Transferred to assets held for sale	0.0	-0.5
Exchange rate adjustments	-2.2	-11.8
Contract liabilities, 31 December	**1,036.6**	**677.6**
Expected recognition of revenue:		
Within 1 year	713.0	468.4
Within 1-5 years	323.6	209.2
After 5 years	0.0	0.0
	1,036.6	**677.6**

Significant estimates

Construction contracts are measured based on Management's judgement in terms of percentage-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.

§ Accounting policy

Construction contracts

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

Construction contracts are characterized by a high degree of customization in the design of the cables produced. It is furthermore a requirement that before commencement of the work, a binding contract is signed that will result in a fine or compensation in case of subsequent cancellation. The contract value is measured according to the percentage-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.

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 0.0x).

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

NKT

Solvency ratio

44%

(41% in 2022)

Operational EBITDA leverage

-2.6x

(-0.4x in 2022)

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.

In July 2023 NKT A/S completed a rights issue resulting in 10,744,009 new shares. As a result of the issue the Company's share capital as of 31. December 2023 amounts to DKK 1,074,400,900 divided into 53,720,045 shares with a nominal value of DKK 20 each. As per 31. December 2022 and 2021 the share capital comprised 42,976,036 shares with a nominal value of DKK 20 per share. During 2023, 150,000 treasury shares were purchased (75,000 during 2022) of which 87,113 are held at 31 December 2023 (16,055 at 31 December 2022).

§ **Accounting policy**

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

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

5.2 Earnings per share

Amounts in EURm	2023	2022
Profit attributable to equity holders	113.4	53.8
Weighted average number of shares	50,102,581	46,485,118
Dilutive effect of Performance share programs	94,568	118,219
Diluted weighted average number of shares	50,197,149	46,603,337
Basic earnings - continuing operations, EUR, per share (EPS)	2.2	1.0
Diluted earnings - continuing operations, EUR, per share (EPS-D)	2.1	1.0
Basic earnings per share, EUR	2.3	1.2
Diluted earnings per share, EUR	2.3	1.1

Due to the rights issue in 2023 at a price below market price the Weighted average number of shares and the Diluted weighted average number of shares for 2022 have been restated using the calculated bonus ratio.

As a consequence the earnings per share numbers for 2022 EPS, continuing operations, EUR and Diluted EPS, continuing operation, EUR have been restated and both have been reduced by 0.1 EUR. Earnings per share for earlier years have not been restated due to immaterial impact.

Section 5 – Capital structure and financial risk management

5.3 Hybrid capital

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

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

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

Hybrid bonds	2023	2022
Nominal value of hybrid capital	EUR 150.0m	EUR 150.0m
Classification in financial statement	Equity	Equity
Issued	Sept. 2022	Sept. 2022
Maturing	July 3022	July 3022
First call date	1 July 2026	1 July 2026
Interests:		
For the first four years	7.240%	7.240%
For the following years	Resets to the 4-year EUR swap rate prevailing at that time plus 5%	Resets to the 4-year EUR swap rate prevailing at that time plus 5%

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

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

§ 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 including liabilities associated with assets held for sale end-2023 was EUR -670.6m (EUR -54.8m end-2022), corresponding to a decrease of EUR 615.8m. The decrease was driven by milestone payments received in Solutions, issues of new shares and improved result.

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 137.6m (EUR 139.8m in 2022).

Net interest-bearing debt includes debt related to capitalized lease contracts of EUR 63.9m (EUR 37.6m in 2022). Of this amount, EUR 58.2m was recognized as non-current (EUR 32.1m in 2022), and EUR 5.7m as current debt (EUR 5.5m in 2022). In 2023, payments related to capitalized lease contracts amounted to EUR 7.4m (EUR 7.1m in 2022), of which EUR 5.7m was installments on the debt (EUR 5.3m in 2022) and the remaining amount, EUR 1.7m (EUR 1.8m in 2022), was interest expenses recognized in financial items in the income statement.

Amounts in EURm	2023	2022
Net interest-bearing debt comprise:		
Non-current loans	195.5	180.9
Current loans	11.9	14.9
Interest-bearing debt, gross	**207.4**	**195.8**
Interest-bearing receivables	0.2	0.2
Cash at bank and in hand	887.9	258.5
Net interest-bearing debt	**-680.7**	**-62.9**
Net interest-bearing debt presented as assets held for sale	10.1	8.1
Net interest-bearing debt including assets held for sale	**-670.6**	**-54.8**

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

Amounts in EURm	1 January	Changes from cash flow	Changes in debt and leases	Acquisitions of business	Liabilities associated with assets held for sale	Effect of changes in exchange rates	31 December
Current and non-current loans[1], 2023	195.8	-7.2	18.8	0.0	0.0	0.0	207.4
Current and non-current loans[1], 2022	213.9	-24.5	6.4	5.5	-8.6	3.1	195.8

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

Contractual maturity of financial liabilities

Amounts in EURm	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
2023					
Interest-bearing loans and borrowings[1]	11.9	23.1	25.1	147.3	207.4
Hereof leasing liabilities	*5.7*	*10.1*	*7.3*	*40.8*	*63.9*
Trade payables	364.4				364.4
Prepayments	9.9				9.9
Derivative financial liabilities	94.3				94.3
Other payables	144.6				144.6
Total	**625.1**	**23.1**	**25.1**	**147.3**	**820.6**
2022					
Interest-bearing loans and borrowings[1]	14.9	35.6	24.1	121.2	195.8
Hereof leasing liabilities	*5.5*	*8.0*	*6.0*	*18.1*	*37.6*
Trade payables	351.0				351.0
Prepayments	18.4				18.4
Derivative financial liabilities	76.6				76.6
Other payables	147.1				147.1
Total	**608.0**	**35.6**	**24.1**	**121.2**	**788.9**

[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.

Section 5 – Capital structure and financial risk management

5.4 Net interest-bearing debt – continued

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

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

§ Accounting policy

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

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

5.5 Financial items

	Financial income		Financial expenses		Net financial items	
Amounts in EURm	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Interest etc. relating to financial assets/liabilities measured at amortized cost	11.3	2.2	-7.8	-6.4	3.5	-4.2
Interest expenses on leases	0.0	0.0	-1.7	-1.8	-1.7	-1.8
Total interest	**11.3**	**2.2**	**-9.5**	**-8.2**	**1.8**	**-6.0**
Foreign exchange gains/losses	91.5	50.4	-93.1	-53.1	-1.6	-2.7
Gain/loss on derivative financial instruments	6.7	19.7	-22.5	-1.9	-15.8	17.8
Total currency gain/losses	**98.2**	**70.1**	**-115.6**	**-55.0**	**-17.4**	**15.1**
Total financial items	**109.5**	**72.3**	**-125.1**	**-63.2**	**-15.6**	**9.1**

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

§ Accounting policy

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

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments

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

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

NKT uses financial instruments, such as forwards, swaps and interest rate caps to hedge exposures relating to currency, interest rates, and commodities. While options are also available as instruments, no option contracts are active at the end of 2023 (none in 2022).

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

- Currency risks
- Interest rate risks
- Raw material price risks
- Credit risks
- Liquidity risks

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

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

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

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

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

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

As NKT currently only uses forwards and spots to hedge the FX risks, and only designate the spot element, the likelihood of inefficiency is low, though 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 2023 two interest rate swaps were terminated, hence, at the end of 2023 no interest rate swaps existed. In 2022 no interest rate swaps were made.

As of end-2023, the market value of the interest rate derivatives was EUR 0.0m (EUR 7.6m in 2022).

Sensitivity analysis - financial instruments

EURm		2023		2022	
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%	13.7	40.5	-43.7	62.5
	-10%	-13.7	-40.5	43.7	-62.5
GBP	10%	-0.2	-15.1	0.3	-22.8
	-10%	0.2	15.1	-0.3	22.8
NOK	10%	1.1	2.2	0.0	2.6
	-10%	-1.1	-2.2	0.0	-2.6
USD	10%	-1.9	-24.5	0.0	-29.4
	-10%	1.9	24.5	0.0	29.4
CZK	10%	0.0	0.0	-0.8	-0.4
	-10%	0.0	0.0	0.8	0.4
PLN	10%	-1.3	0.0	3.6	0.0
	-10%	1.3	0.0	-3.6	0.0
CAD	10%	0.0	-3.6	0.0	-6.2
	-10%	0.0	3.6	0.0	6.2
Copper	10%	0.0	50.9	0.0	54.5
	-10%	0.0	-50.9	0.0	-54.5
Lead	10%	0.0	2.5	0.0	1.9
	-10%	0.0	-2.5	0.0	-1.9
Aluminium	10%	0.0	0.3	0.0	-1.1
	-10%	0.0	-0.3	0.0	1.1
Gas-oil	10%	0.0	1.5	0.0	2.3
	-10%	0.0	-1.5	0.0	-2.3

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

Section 5 – Capital structure and financial risk management

5.6 Financial risks and financial instruments – continued

Cash flow hedges related to the most significant currencies			Average exchange rate[1]		Notional value Local currency in million		Notional value EURm		Fair value EURm	
Local currency			**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
SEK[2]	**Buy**	Less than 1 year	0.0901	0.0943	12,911.34	7,661.54	1,163.10	722.30	-3.8	-35.8
		More than 1 year	0.0895	0.0938	10,595.12	8,963.35	948.57	840.94	2.7	-37.8
	Sell	Less than 1 year	0.0888	0.0926	10,291.22	6,873.45	913.67	636.51	-10.3	20.6
		More than 1 year	0.0886	0.0940	8,724.97	3,431.63	772.92	322.62	-10.5	15.1
USD	**Buy**	Less than 1 year	0.9230	0.9410	798.24	562.29	736.78	529.13	-23.4	-9.5
		More than 1 year	0.9088	0.9486	592.35	281.06	538.31	266.62	-15.7	-10.6
	Sell	Less than 1 year	0.9246	0.9697	882.48	542.51	815.96	526.09	30.6	25.1
		More than 1 year	0.9142	0.9341	778.72	617.35	711.88	576.67	28.2	15.8
GBP	**Buy**	Less than 1 year	1.1379	1.1522	125.13	104.12	142.38	119.97	-3.2	-3.3
		More than 1 year	1.1146	1.1626	195.36	35.24	217.74	40.97	0.9	-1.7
	Sell	Less than 1 year	1.1477	1.1551	250.21	144.55	287.17	166.98	6.3	5.1
		More than 1 year	1.1410	1.1702	201.26	196.46	229.63	229.90	4.2	9.8
NOK	**Buy**	Less than 1 year	0.0883	0.0975	310.51	329.04	27.43	32.08	0.2	-1.7
		More than 1 year	0.0895	0.1028	208.41	151.65	18.66	15.59	-0.2	-1.4
	Sell	Less than 1 year	0.0880	0.1020	159.12	191.14	14.01	19.49	-0.1	1.6
		More than 1 year	0.0860	0.0988	109.3	14.75	9.4	1.46	-0.3	0.1
CAD	**Buy**	Less than 1 year	0.6835	0.7137	15.78	24.00	10.79	17.13	0.0	-0.7
		More than 1 year							9.3	
	Sell	Less than 1 year	0.7277	0.7413	68.20	67.96	49.63	50.38	3.7	4.0
		More than 1 year		0.7500	0.0	45.30	0.0	33.98	0.0	3.4
Cash flow hedges reported as assets									**106.2**	**74.5**
Cash flow hedges reported as liabilities									**87.8**	**76.4**

1 Local currency/EUR

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

§ 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

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

As at 31 December 2023, NKT A/S had current financial hedging instruments relating to future raw material supplies with a net notional value of EUR 1,083.9m (EUR 908.6m in 2022) and a net positive fair value of EUR 77.4m (positive value of EUR 170.8m in 2022).

Sensitivity to the development (+/- 10%) in raw material prices is presented in the table on page 89. 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 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Copper	**Buy**	Less than 1 year	6.652	5.961	578.7	528.6	84.3	169.6
		More than 1 year	7.915	7.485	253.7	301.2	-13.0	15.6
	Sell	Less than 1 year	7.112	6.421	-69.2	-119.4	5.5	-26.9
		More than 1 year						
Lead	**Buy**	Less than 1 year	1.903	1.843	25.9	20.0	-0.8	4.0
		More than 1 year	1.996	1.897	59.1	10.2	-3.0	1.7
	Sell	Less than 1 year	1.804	1.885	-1.0	-3.2	0.0	-0.5
		More than 1 year						
Aluminium	**Buy**	Less than 1 year	2.051	2.349	9.3	13.3	0.4	-0.8
		More than 1 year	2.459		39.4			
	Sell	Less than 1 year	2.000	2.312	-12.4	-24.9	0.8	1.1
		More than 1 year						
Gas-oil	**Buy**	Less than 1 year	550	620	18.6	20.4	3.6	5.5
		More than 1 year	615	613	11.7	13.0	-0.2	1.5
	Sell	Less than 1 year	669	634	-4.0	-2.0	0.0	-0.6
		More than 1 year	847	847	-1.0	-2.9	-0.3	0.6
Cash flow hedges reported as assets							**83.9**	**171.0**
Cash flow hedges reported as liabilities							**6.5**	**0.2**

§ **Accounting policy**

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

Cash flow hedge reserve

Amounts in EURm	Foreign exchange risk hedging	Interest rate risk hedging	Commodity risk hedging	Total
Balance at 1 January 2022	**-3.3**	**0.6**	**184.7**	**182.0**
Gain/(loss) arising from changes in fair value of hedging instruments	0.8	6.7	63.9	71.4
(Gain)/loss reclassified to profit or loss - hedged items have affected profit or loss	3.0	0.0	-125.8	-122.8
Deferred tax	-0.8	-1.5	17.3	15.0
Balance at 31 December 2022	**-0.3**	**5.8**	**140.1**	**145.6**
Gain/(loss) arising from changes in fair value of hedging instruments	22.3	-2.3	30.6	50.6
(Gain)/loss reclassified to profit or loss - hedged items have affected profit or loss	-2.4	0.0	-135.0	-137.4
Deferred tax	1.4	0.6	26.8	28.8
Balance at 31 December 2023	**21.0**	**4.1**	**62.5**	**87.6**

Cost of hedging reserve

Amounts in EURm	Foreign exchange risk hedging	Interest rate risk hedging	Commodity risk hedging	Total
Balance at 1 January 2022	**-1.0**	**0.0**	**-15.2**	**-16.2**
Loss arising from changes in fair value of hedging instruments	1.3	0.0	0.4	1.7
Loss reclassified to profit or loss - hedged items have affected profit or loss	0.0	0.0	2.9	2.9
Deferred tax	-0.3	0.0	-0.8	-1.1
Balance at 31 December 2022	**0.0**	**0.0**	**-12.7**	**-12.7**
Gain/(loss) arising from changes in fair value of hedging instruments	-10.0	0.0	34.8	24.8
(Gain)/loss reclassified to profit or loss - hedged items have affected profit or loss	1.1	0.0	-3.8	-2.7
Deferred tax	-0.6	0.0	-8.1	-8.7
Balance at 31 December 2023	**-9.5**	**0.0**	**10.2**	**0.7**

Of the fair values recorded in other comprehensive income, EUR 5.9m is expected to be recorded in Revenue (EUR 0.6m in 2022) and EUR 82.4m (EUR 132.3m in 2022) is expected to be recorded in Cost of raw materials, consumables and goods for resale.

Categories of financial instruments

Amounts in EURm	2023	2022
Financial assets		
Measured at amortized costs:		
Receivables	339.8	273.2
Contract assets	106.9	98.2
Interest bearing receivables	0.2	0.2
Cash at bank and in hand	887.9	258.5
Measured at fair value through profit /loss:		
Other investments and receivables	0.8	0.8
Derivative financial instruments	185.4	249.3
Financial liabilities		
Measured at amortized costs:		
Trade payables and other liabilities	509.0	502.1
Interest-bearing loans and borrowings	207.4	195.8
Measured at fair value through profit /loss:		
Derivative financial instruments	94.3	76.6

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

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 2023 and 2022 of NKT Group's forward transactions are measured in accordance with Level 2 as the fair value is calculated based on official exchange rates and forward rates at the balance sheet date.

The fair value of commodity forwards is measured as the present value of future cash flows based on forward rates and official exchange rates at the balance sheet date. The fair value of foreign currency forwards is measured as the present value of future cash flows based on the forward exchange rates at the balance sheet date.

No financial instruments were moved from one level to another in the year (no move in 2022 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.

The revolving credit facility of EUR 200m matures in November 2026. The mortgage loan portfolio matures in 2032, 2033 and 2037.

NKT has financial covenants and change of control clause on certain financial agreements. The latter comes into effect if a shareholder or shareholder group gains control over NKT A/S or if NKT A/S is no longer listed at Nasdaq Copenhagen.

It is Group Management's opinion, that the financial headroom is sufficient to manage the level of activity expected in 2024 for the NKT Group.

Liquidity resources

Amounts in EURm	**2023**	**2022**
Committed facilities (>3 years)	0.0	0.0
Committed facilities (1-3 years)	200.0	200.0
Committed facilities (<1 year)	0.0	0.0
Total commited facilities	200.0	200.0
Uncommitted facilities	0.0	0.0
Total facilities	**200.0**	**200.0**
Cash	887.9	258.5
Utilized facilities	0.0	-9.0
Cash classified as assets held for sale	2.4	3.7
Liquidity recources	**1,090.3**	**453.2**

Credit risks
Credit risk arises from the possibility that transactional counterparties may default on their obligations causing financial losses for the Group.

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.

To manage credit risk regarding financial counterparties, NKT only enters into derivative financial contracts and money market deposits with financial counterparties possessing a long-term credit rating of 'A-' from at least one out of the following three selected rating agencies: Standard and Poor's, Moody's or Fitch.

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

Section 6 – Group structure

6.1 Acquisition and divestment of businesses

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

Acquisitions and Divestments in 2023
No acquisitions or divestments of subsidiaries occurred in 2023.

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

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

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

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

Investments in associated companies in 2023
On 22 May 2023, NKT acquired 10% of interest in Walsin Energy Cable System Co., Ltd., a Taiwan based company, for EUR 9.1m with the option to acquire additional interest, why NKT are assessed to have significant influence of the investment. The consideration was transferred in full and there are no contingent considerations. Walsin Energy Cable System Co., Ltd. is a plant under construction that will manufacture high-voltage cables. The acquisition is for a greenfield investment and consequently, the net assets predominantly related to cash and cash equivalents, which will be used to construct the plant. The impact on revenue and profit from the acquisition date to 31 December 2023 is immaterial.

No acquisitions of associated companies occured in 2022.

6.2 Group companies

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

Group companies	Domicile
Middle East	
NKT Middle East DMCC	Dubai
Asia/Pacific	
NKT Pty Ltd	Australia
NKT South Asia Private Limited	India
NKT Operations India Private Limited	India
Walsin Energy Cable System Co. Ltd[2]	Taiwan
NKT Photonics Group	
Denmark	
NKT Photonics A/S	Denmark
Europe	
NKT Photonics Technology GmbH	Germany
Advanced Laserdiode Systems A.L.S. GmbH	Germany
NKT Photonics Switzerland GmbH	Switzerland
NKT Photonics Holding Ltd	UK
NKT Photonics Ltd	UK
NKT Photonics AB	Sweden
America	
NKT Photonics Inc.	US
Asia/Pacific	
NKT Photonics (Zhenzhen) Co., Ltd.	China
Fianium Asia Ltd.	Hong Kong

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

[1] The Group has applied Section 264 (3) of the German Commercial Code ("Handelsgesetzbuch") by which NKT Group GmbH is exempted from filing local financial statement.

[2] The owned share in the entity is 10 %. The entity is treated as an associated company in accordance with IAS 28.

Section 6 – Group structure

6.3 Discontinued operations and assets held for sale

Amounts in EURm	2023	2022
Profit for the year – discontinued operations		
Revenue	88.1	86.5
Costs and other income, net	-80.8	-79.9
Gain from sale of business	0.0	8.0
Earnings before interest, tax, depreciation and amortization (EBITDA)	**7.3**	**14.6**
Depreciation and amortization	0.0	-6.6
Earnings before interest and tax (EBIT)	**7.3**	**8.0**
Financial items, net	-1.0	0.1
Earnings before tax (EBT)	**6.3**	**8.1**
Tax	-0.7	-0.8
Net result - discontinued operations	**5.6**	**7.3**
NKT' share hereof	5.6	7.3
Basic earnings - discontinued operations, EUR, per share (EPS)	0.1	0.2
Diluted earnings - discuntinued operations, EUR, per share (EPS-D)	0.1	0.2
Earnings before interest, tax, depreciation and amortization (EBITDA)	**7.3**	**14.6**
One-off items	0.0	5.8
Operational EBITDA	**7.3**	**8.8**

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

Amounts in EURm	2023	2022
Cash flows from discontinued operations		
Cash flow from operating activities	4.0	-16.0
Cash flow from investing activities	-15.6	2.5
Cash flow from financing activities	10.3	21.5
Net cash flow from discontinued operations	**-1.3**	**8.0**
Balance sheet items		
Non-current assets	119.2	100.7
Current assets	58.2	63.4
Assets held for sale	**177.4**	**164.1**
Non-current liabilities	17.5	13.2
Current liabilities	20.1	22.4
Liabilities associated with assets held for sale	**37.6**	**35.6**

Intangible assets held for sale in 2023 related to NKT Photonics amount to EUR 80.0m (EUR 69.7m) and property, plant and equipment amount to EUR 24.2m (EUR 30.7m). In connection with the classification to discontinued operations and assets held for sale no impairment was recognized.

§ Accounting policy

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

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

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

Section 7 – Other notes

7.1 Fees to the auditor elected at the Annual General Meeting

Amounts in EURm	2023	2022
PwC (Deloitte in 2022):		
Statutory audit	0.9	1.2
Other assurance	0.4	0.0
Other service	0.3	0.0
Total	**1.6**	**1.2**

Non-audit services provided by PwC Denmark during 2023 amounted to EUR 0.6m, relating to tax advice, cyber security, comfort- and bringdown letters in connection with capital raise and other accounting and advisory services.

7.2 Events after the balance sheet date

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

7.3 Contingent assets and liabilities and pledges

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 Group 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. Finally, NKT Group is from time to time party to inquires from public authorities and others related to competition laws and regulations. It is the opinion of Management that, apart from items recognized in the financial statements, it is associated with a high degree of uncertainty to assess how the outcome of any of these inspections may affect NKT Group's business, financial conditions and results of operations. NKT Group does not expect these to have material impact on the financial statements.

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 2023 these conditions were complied with.

Guarantees

As part of our commercial activities NKT Group 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 2023 the value of issued guarantees was EUR 1,901.1m (EUR 1,231.2m in 2022). At the balance sheet date none of the issued guarantees are expected to materialize.

Pledges

Non-current assets with carrying amount of EUR 526.3m (EUR 388.0m in 2022) have been pledged as security for mortgage loans of total EUR 140.3m (EUR 146.0m in 2022).

Amounts in EUR	2023	2022
Carrying amount of assets pledged as collateral for credit institutions:		
Land and buildings	243.0	197.0
Plant and machinery	131.0	50.9
Property, plant and equipment under construction	152.3	140.1
Total	**526.3**	**388.0**
Liabilities related to pledged assets	140.3	146.0

Significant estimates and judgements

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

Section 7 – Other notes

7.4 Definitions

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

Performance measures defined by IFRS:

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

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

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

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

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

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

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

7. **Operational earnings before interest and tax (Operational 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. **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 operational EBITDA for continuing operations as defined in point 6.

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

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

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. **Free cash flow** – Cash flow from operating and investing activities.

17. **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.

06

Parent company financial statements

Statement of comprehensive income

1 January – 31 December

Amounts in EURm	Note	2023	2022
Other costs	2	-6.1	-7.9
Earnings before interest, tax, depreciation and amortization (EBITDA)		**-6.1**	**-7.9**
Reversal of impairment of shares in subsidiaries	6	43.0	0.0
Financial income	3	203.7	148.2
Financial expenses	4	-144.7	-26.8
Earnings before tax (EBT)		**95.9**	**113.5**
Tax	5	-9.5	-24.0
Net result		**86.4**	**89.5**
Other comprehensive income			
Items that may be reclassified to income statement:			
Value adjustment of hedging instruments		-2.3	6.7
Tax		0.5	-1.4
Total other comprehensive income for the year		**-1.8**	**5.3**
Comprehensive income for the year		**84.6**	**94.8**

Balance sheet

31 December

Amounts in EURm	Note	2023	2022
Assets			
Intangible assets		0.2	0.0
Investments in subsidiaries	6	422.5	377.1
Receivables from subsidiaries	9	1,654.0	1,384.8
Deferred tax	5	0.4	0.4
Total non-current assets		**2,077.1**	**1,762.3**
Receivables from subsidiaries		16.3	14.3
Other receivables	9	300.3	281.0
Income tax receivables		11.3	0.0
Cash at bank and in hand		609.3	176.7
Assets held for sale		28.3	28.3
Total current assets		**965.5**	**500.3**
Total assets		**3,042.6**	**2,262.6**
Equity and liabilities			
Share capital		144.3	115.4
Treasury shares		-4.2	-0.9
Foreign exchange reserve		1.0	1.0
Hedging reserve		4.1	5.9
Retained comprehensive income		1,698.9	1,296.5
Equity attributable to equity holders of NKT A/S		**1,844.1**	**1,417.9**
Hybrid capital		155.4	153.6
Total equity		**1,999.5**	**1,571.5**
Interest-bearing loans	9	0.7	0.4
Total non-current liabilities		**0.7**	**0.4**
Payables to subsidiaries	9	731.8	434.2
Trade payables and other liabilities	9	310.6	256.5
Total current liabilities		**1,042.4**	**690.7**
Total liabilities		**1,043.1**	**691.1**
Total equity and liabilities		**3,042.6**	**2,262.6**

Statement of changes in equity

1 January – 31 December

Amounts in EURm	Share capital	Treasury shares	Foreign exchange reserve	Hedging reserve	Retained compreh. income	Total	Hybrid Capital	Total equity
Equity, 1 January 2023	**115.4**	**-0.9**	**1.0**	**5.9**	**1,296.5**	**1,417.9**	**153.6**	**1,571.5**
Other comprehensive income:								
Other comprehensive income for the year				-2.3		-2.3		-2.3
Tax on other comprehensive income				0.5		0.5		0.5
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**-1.8**	**0.0**	**-1.8**	**0.0**	**-1.8**
Net result					75.5	75.5	10.9	86.4
Comprehensive income for the year	**0.0**	**0.0**	**0.0**	**-1.8**	**75.5**	**73.7**	**10.9**	**84.6**
Transactions with the owners:								
Capital increase*	28.9				328.4	357.3		357.3
Purchase of treasury shares		-7.2				-7.2		-7.2
Excercise of performance shares		3.9			-3.9	0.0		0.0
Share based payment					2.4	2.4		2.4
Coupon payments, hybrid capital						0.0	-9.1	-9.1
Total transactions with owners in 2023	**28.9**	**-3.3**	**0.0**	**0.0**	**326.9**	**352.5**	**-9.1**	**343.4**
Equity, 31 December 2023	**144.3**	**-4.2**	**1.0**	**4.1**	**1,698.9**	**1,844.1**	**155.4**	**1,999.5**
Equity, 1 January 2022	**115.4**	**0.0**	**1.0**	**0.6**	**1,216.1**	**1,333.1**	**152.4**	**1,485.5**
Other comprehensive income:								
Other comprehensive income for the year				6.7		6.7		6.7
Tax on other comprehensive income				-1.4		-1.4		-1.4
Total other comprehensive income	**0.0**	**0.0**	**0.0**	**5.3**	**0.0**	**5.3**	**0.0**	**5.3**
Net result					80.9	80.9	8.6	89.5
Comprehensive income for the year	**0.0**	**0.0**	**0.0**	**5.3**	**80.9**	**86.2**	**8.6**	**94.8**
Transactions with the owners:								
Purchase of treasury shares		-2.5				-2.5		-2.5
Excercise of performance shares		1.6			-1.6	0.0		0.0
Share based payment					2.7	2.7		2.7
Coupon payments, hybrid capital						0.0	-7.4	-7.4
Issue of hybrid capital					-1.6	-1.6	150.0	148.4
Redeem of hybrid capital						0.0	-150.0	-150.0
Total transactions with owners in 2022	**0.0**	**-0.9**	**0.0**	**0.0**	**-0.5**	**-1.4**	**-7.4**	**-8.8**
Equity, 31 December 2022	**115.4**	**-0.9**	**1.0**	**5.9**	**1,296.5**	**1,417.9**	**153.6**	**1,571.5**

* Transaction costs related to the rights issue in 2023 was EUR 4.7m and are accounted for as a deduction from equity in the capital increase line in the table above.

Cash flow statement

1 January – 31 December

Amounts in EURm	2023	2022
Earnings before interest and tax (EBIT)	-6.1	-7.9
Changes in working capital	35.4	-32.1
Cash flow from operations before financial items	**29.3**	**-40.0**
Financial income received	152.6	129.0
Financial expenses paid	-93.7	-7.8
Income tax paid/received	-31.6	-22.0
Cash flow from operations	**56.6**	**59.2**
Intangible assets and other investments, net	-0.2	0.0
Change in loans to/from subsidiaries	34.9	183.0
Cash flow from investing activities	**34.7**	**183.0**
Changes in loans	0.3	-54.3
Capital increase	357.3	0.0
Purchase of treasury shares	-7.2	-2.5
Coupon payments on hybrid capital	-9.1	-7.4
Repurchase of hybrid capital	0.0	-63.3
Proceeds from issuance of hybrid capital	0.0	61.7
Cash flow from financing activities	**341.3**	**-65.8**
Net cash flow for the year	**432.6**	**176.4**
Cash at bank and in hand, 1 January	176.7	0.3
Net cash flow for the year	432.6	176.4
Cash at bank and in hand, 31 December	**609.3**	**176.7**

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

Notes

1 Accounting policies, estimates and judgements

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

The changes, as described in the consolidated financial statements, have not influenced recognition and measurement in the financial statements of the parent company in 2023. 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 of impairment exist. If indications of impairment no longer exist, impairment will be reversed. Where the carrying amount exceeds the recoverable amount, the value is written down to the recoverable amount.

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

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

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

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

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

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

2 Other costs

Amounts in EURm	2023	2022
Wages and salaries	0.9	1.1
Bonus	0.3	0.9
Long-term incentive programs	0.6	0.8
Severance payments	1.2	0.0
Total staff costs	**3.0**	**2.8**
PwC (Deloitte in 2022):		
Statutory audit	0.3	0.2
Other assurance	0.3	0.0
Other services	0.2	0.0
Total fees to the auditor elected at the Annual General Meeting	**0.8**	**0.2**
Legal services	0.5	3.3
Other costs	1.8	1.6
Total other costs	**6.1**	**7.9**

Non-audit services provided by PwC Denmark during 2023 amounted to EUR 0.5m, relating to tax advice, cyber security, comfort- and bringdown letters in connection with capital raise and other accounting and advisory services.

For remuneration for the Board of Directors reference is made to note 2.2. Average number of employees in 2023 comprise two persons (one person in 2022), being the current and former CEO of NKT A/S.

Notes

3 Financial income

Amounts in EURm	2023	2022
Interest, etc. relating to financial assets/ liabilities measured at amortised cost	62.0	19.0
Interest from subsidiaries	88.6	68.3
Foreign exchange gains	43.3	24.5
Gains on derivatives	9.8	36.4
Total financial income	**203.7**	**148.2**

4 Financial expenses

Amounts in EURm	2023	2022
Interest to subsidiaries	-17.9	-1.6
Foreign exchange losses	-51.0	-19.0
Loss on derivatives	-36.2	-0.6
Interest, etc. relating to financial liabilities measured at amortised cost	-39.6	-5.6
Total financial expenses	**-144.7**	**-26.8**

5 Tax

Amounts in EURm	2023	2022
Current tax	9.5	24.0
Income tax for the year	**9.5**	**24.0**
Reconciliation of tax:		
Tax at 22.0% of earnings before tax	11.6	25.0
Tax effect:		
Value adjustment of deferred tax assets	0.5	0.0
Non-deductable expenses	-2.6	-1.0
Total	**9.5**	**24.0**

6 Investments in subsidiaries

Amounts in EURm	2023	2022
Cost, 1 January	420.1	445.7
Addition from share-based payments	2.4	2.7
Transferred to assets held for sale	0.0	-28.3
Cost, 31 December	422.5	420.1
Impairment, 1 January	-43.0	-43.0
Reversal of impairment	43.0	0.0
Impairment, 31 December	0.0	-43.0
Book value, 31 December	**422.5**	**377.1**

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

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

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

During the year, Management assessed the carrying value of investments in subsidiaries for any indicators of impairment. As a result of the evaluation, it was identified that certain previously impaired shares in subsidiaries have now recovered in value due to improved financial outlook. The reversed impairment amounts to EUR 43m and thus contains the entire impairment that was previously recognised.

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.

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 2023 these conditions were complied with.

The parent company has issued guarantees for subsidiaries of EUR 4,704.5m (EUR 3,999.0m in 2022). 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, guarantee facilities and mortgage loans of EUR 2,051.8m (EUR 1,571.3m in 2022).

8 Related parties

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

Amounts in EURm	2023	2022
Interest received, net	70.7	66.7
Paid joint tax contribution, net	-27.4	-16.8
Receivables, non-current	1,654.0	1,384.8
Receivables, current	16.3	14.3
Payables	731.8	434.2
Management fee	-5.1	-4.4
Hedging (gains)	6.5	19.4
Hedging (loss)	-20.0	-2.0

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.

The hybrid capital is accounted for as part of equity. For more information refer to note 5.3 in the consolidated financial statements.

Categories of financial instruments:

Amounts in EURm	2023	2022
Financial assets		
Measured at amortized cost:		
Receivables from subsidiaries	1,654.0	1,384.8
Measured at fair value through profit/loss:		
Derivative financial instruments[1]	300.3	281.0
Financial liabilities		
Measured at amortized cost:		
Interest-bearing loans and borrowings	0.7	0.4
Payables to subsidiaries	731.8	434.2
Trade payables and other liabilities	6.0	6.7
Measured at fair value through profit/loss:		
Derivative financial instruments[2]	304.6	249.8

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

Maturity of financial liabilities:

Amounts in EURm	Less than 1 year	2-3 years	3-4 years	More than 5 years	Total
2023					
Interest-bearing loans and borrowings	0.0	0.7	0.0	0.0	0.7
Payables to subsidiaries	731.8	0.0	0.0	0.0	731.8
Trade payables and other liabilities	310.6	0.0	0.0	0.0	310.6
Total financial liabilities	**1,042.4**	**0.7**	**0.0**	**0.0**	**1,043.1**
2022					
Interest-bearing loans and borrowings	0.0	0.4	0.0	0.0	0.4
Payables to subsidiaries	434.2	0.0	0.0	0.0	434.2
Trade payables and other liabilities	256.5	0.0	0.0	0.0	256.5
Total financial liabilities	**690.7**	**0.4**	**0.0**	**0.0**	**691.1**

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, 2023	0.4	0.3	0.0	0.7
Current and non-current loans, 2022	54.7	-54.3	0.0	0.4

07

Statements

Group Management's statement

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of NKT A/S for the financial year 1 January – 31 December 2023.

The Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2023.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

In our opinion, the annual report of NKT A/S for the financial year 1 January to 31 December 2023 with the file name nkt-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Brøndby, 21 February 2024

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

Independent auditor’s reports

To the shareholders of NKT A/S

Report on the audit of the Financial Statements

Our opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group’s and the Parent Company’s financial position at 31 December 2023 and of the results of the Group’s and the Parent Company’s operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor’s Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements of NKT A/S for the financial year 1 January to 31 December 2023 comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including material accounting policy information.

The Parent Company Financial Statements of NKT A/S for the financial year 1 January to 31 December 2023 comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information.

Collectively referred to as the “Financial Statements”.

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 Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Appointment
We were appointed auditors of NKT A/S for the first time on 23 March 2023 for the financial year 2023.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and valuation of construction contracts The accuracy and valuation of work in progress of large construction contracts in Solutions and the timing of recognition in the income statement is dependent on complex estimation methodologies of, amongst others, construction costs, degree of completion and uncertainties in the construction phase. We focused on this area because the revenue recognised over time and valuation of construction contracts require significant judgements and estimates by Management. Refer to notes (2.1) and (4.4) in the consolidated financial statements.	We performed risk assessment procedures with the purpose of achieving an understanding of IT-systems, business procedures and relevant key controls regarding revenue recognition. In respect of key controls, we assessed whether they were designed and implemented effectively to address the risk of material misstatements. For selected controls that we planned to rely on, we tested whether they were performed on a consistent basis, primarily related to contract approvals, monitoring of project development and estimation of costs to complete projects. We considered the appropriateness of the Group's accounting policies for revenue recognition and construction contracts and assessed compliance with IFRS 15. On a sample basis, we reviewed the individual contracts in Solutions and challenged the accounting treatment applied by Management. We tested whether revenue is recorded in the correct period and whether construction contracts are valued properly and accurately by challenging the estimated costs to complete related to the projects, including the assumptions used, and by performing retrospective review and considering the historical accuracy of the assessment of stage of completion and of the assessment of risk provisions. We also assessed how the project managers determined the degree of completion by obtaining their calculations and challenged assumptions and inputs used. We assessed the completeness and accuracy of the disclosure regarding revenue recognition and construction contracts against the disclosure requirements in IFRS 15.

Key audit matter	How our audit addressed the key audit matter
Valuation and recognition of deferred tax assets NKT has deferred tax assets from tax losses carried forward and other timing differences in foreign entities, especially in Germany. Significant judgement and estimates are made when measuring and recognising the tax assets, including when and to which extent these can be utilised in the future. We focused on this area because Management makes significant judgements and estimates when measuring and recognising the tax assets, including when and to which extent these can be utilised in the future. Refer to note (2.5) in the consolidated financial statements.	We considered the appropriateness of the accounting policies and valuation models utilised for tax accounting and assessed compliance with IAS 12. We also assessed Management's process for identifying and assessing deferred tax assets that might not be recoverable. We assessed Management's judgements and estimates of tax balances and carrying amounts as well as the related applied tax rates when calculating these. We also assessed the reasonableness of the main data and assumptions used to calculate the taxable income forecasts used for recognition and recoverability of the deferred tax assets relating to tax loss carryforward. We obtained and evaluated Management's expectations for the generation of future taxable profits in Germany, and reviewed the Group's preliminary tax calculations for significant entities. We verified that taxes recognised in the Financial Statements are in accordance with the preliminary tax calculations. We performed a retrospective review and considered the historical accuracy of the valuation of deferred tax assets. In assessing the valuation and recognition of deferred tax assets, we involved our tax specialists. We assessed the completeness and accuracy of the disclosure of deferred tax assets against the disclosure requirements in IAS 12.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of NKT A/S for the financial year 1 January to 31 December 2023 with the filename nkt-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of NKT A/S for the financial year 1 January to 31 December 2023 with the file name nkt-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 21 February 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

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State Authorised Public Accountant	State Authorised Public Accountant
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NKT is signatory to:

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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

UN GLOBAL COMPACT

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

Europacable Industry Charter.
A commitment towards superior quality.