NKT A/S
(a public limited liability company incorporated in Denmark under company registration (CVR) no. 62725214)

Rights issue and admission to trading and official listing of up to 10,744,009 new shares at a subscription price of DKK 122 per new share with pre-emptive rights for the existing shareholders of NKT A/S at the ratio of 1:3

This prospectus (the "**Prospectus**") has been prepared in connection with a capital increase comprising an offering (the "**Offering**") of up to 10,744,009 new shares with a nominal value of DKK 20 each (the "**New Shares**") in NKT A/S (the "**Company**") with pre-emptive rights to subscribe for New Shares (the "**Pre-emptive Rights**") for the Existing Shareholders (as defined below) of the Company at the ratio of 1:3, meaning that each holder of shares in the Company who is registered as a shareholder of the Company (the "**Existing Shareholders**") with VP Securities A/S (the "**VP Securities**") on 24 November 2020 at 5:59 p.m. CET will be allocated one (1) Pre-emptive Right for each one (1) Existing Share (as defined below). For every three (3) Pre-emptive Rights, the holder is entitled to subscribe for one (1) New Share at a price of DKK 122 per New Share (the "**Subscription Price**").

Immediately prior to the Offering, the registered share capital of the Company is DKK 644,640,540 divided into 32,232,027 shares with a nominal value of DKK 20 each (the "**Existing Shares**" and together with the New Shares, the "**Shares**"). The Existing Shares are listed on Nasdaq Copenhagen A/S ("**Nasdaq Copenhagen**") under the ISIN code DK0010287663.

On 19 November 2020, the board of directors of the Company (the "**Board of Directors**") exercised the authorisation granted in article 3.A of the Company's articles of association and resolved to increase the share capital by a nominal amount of up to DKK 214,880,180 by the issue of up to 10,744,009 New Shares with a nominal value of DKK 20 each with Pre-emptive Rights for Existing Shareholders. The Pre-emptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the temporary ISIN code DK0061414042.

The trading period for the Pre-emptive Rights commences on 23 November 2020 at 9:00 a.m. CET and closes on 4 December 2020 at 5:00 p.m. CET (the "**Rights Trading Period**"). The subscription period for the New Shares commences on 25 November 2020 at 9:00 a.m. CET and closes on 8 December 2020 at 5:00 p.m. CET (the "**Subscription Period**"). Once a holder of Pre-emptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by such holder, except as set forth in this Prospectus. Any of the Pre-emptive Rights that are not exercised during the Subscription Period will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to any compensation. After payment of the Subscription Price, the New Shares will be issued in the temporary ISIN code DK0061414125. The temporary ISIN code DK0061414125 will not be admitted to trading and official listing on Nasdaq Copenhagen. The temporary ISIN code is, thus, registered in VP Securities solely for the subscription of the New Shares. The New Shares will be registered with the Danish Business Authority after completion of the Offering, expected on 15 December 2020. The New Shares will be admitted to trading and official listing on Nasdaq Copenhagen under the same ISIN code as the Existing Shares with the expected first day of trading and official listing being 16 December 2020.

New Shares which have not been subscribed for by holders of Pre-emptive Rights before the expiry of the Subscription Period (the "**Remaining Shares**") may, without compensation to the holders of unexercised Pre-emptive Rights, be subscribed for by Existing Shareholders or Qualified Investors, who have made binding undertakings to subscribe for such shares by use of the application form in Annex A before the expiry of the Subscription Period. In case of oversubscription of the Remaining Shares in connection with binding undertakings, such Remaining Shares will be allocated according to allocation principles determined by the Board of Directors. The Offering is not underwritten by the Joint Global Coordinators.

Investors should be aware that an investment in the Pre-emptive Rights or the New Shares involves a high degree of risk. See section 1 "*Risk factors*" for a description of the factors that should be considered before investing in the Pre-emptive Rights or the New Shares.

The Pre-emptive Rights and the New Shares will be delivered in book-entry form through allocation to accounts with VP Securities. The New Shares have been accepted for clearance through Euroclear Systems ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**").

The Offering consists of a public offering in Denmark and a private placement outside of Denmark, in compliance with applicable securities laws.

The offering is subject to Danish law and this Prospectus has been prepared in accordance with Danish legislation and regulations in compliance with the requirements set out in the Danish Consolidated Act no. 377 of 2 April 2020 on capital markets (the "Danish Capital Markets Act"), Regulation (EU) no. 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "Prospectus Regulation") and Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019, as amended, (the "Commission Delegated Regulation") as well as Commission Delegated Regulation (EU) no. 2019/979 of 14 March 2019, as amended. This Prospectus has been prepared in accordance with Article 14 (Simplified disclosure regime for secondary issuances) of the Prospectus Regulation, Annex 3 (Registration document for secondary issuances of equity securities) and Annex 12 (Securities note for secondary issuances of equity securities or of units issued by collective investment undertakings of the closed-end type) to the Commission Delegated Regulation. The Company has elected to apply the aforementioned Annexes, as the proportionate disclosure regime has been specifically implemented to be used in rights issues.

This document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any of the Pre-emptive Rights and/or New Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer in such a jurisdiction.

The New Shares have not been and will not be registered under the United States Securities Act 1933, as amended, (the "U.S. Securities Act"), or under the securities laws of any state or other jurisdiction of the United States. The New Shares may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Shares in the United States.

The New Shares are only being offered outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S under the U.S. Securities Act ("Regulation S"), subject to certain exceptions. The Joint Global Coordinators will not participate in the solicitation, offer or sale of any New Shares within or directed into the United States and will not be involved in any activities relating to the Pre-emptive Rights, New Shares or Shares, within or directed into the United States.

The distribution of this document and the offer, sale, subscription, acquisition or exercise of the Pre-emptive Rights and/or New Shares in certain jurisdictions are restricted by law. Persons into whose possession this document comes are required by the Company and the Joint Global Coordinators and Joint Bookrunners to inform themselves about and to observe such restrictions. See section 2 "*Certain information with respect to this Prospectus*" and section 25.5 "*Selling and transfer restrictions*".

Joint Global Coordinators and Joint Bookrunners

Danske Bank **J.P. Morgan** **Nordea**

This Prospectus is dated 19 November 2020

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SUMMARY

Section A - Introduction and warnings

Introduction and warnings

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Pre-emptive Rights and the New Shares should be based on a consideration of the Prospectus as a whole by the investor. Prospective investors in the Pre-emptive Rights and the New Shares could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Pre-emptive Rights and the New Shares.

Issuer information

The issuer of the Pre-emptive Rights and the New Shares is NKT A/S. The address and other contact details of the Company are Vibeholms Allé 20, DK-2605 Brøndby, Denmark, telephone: (+45) 43482000. The Company has the legal entity identifier (LEI) 529900197LKWCEQ0NL18 and company registration (CVR) no. 62725214.

The ISIN code for the Existing Shares is DK0010287663.

The temporary ISIN code for the Pre-emptive Rights is DK0061414042.

The temporary ISIN code for the New Shares is DK0061414125. The New Shares issued in the temporary ISIN code will not be admitted to trading and official listing on Nasdaq Copenhagen.

Competent authority

This Prospectus has been approved on 19 November 2020 by the Danish Financial Supervisory Authority as competent authority under the Prospectus Regulation. The address and other contact details of the Danish Financial Supervisory Authority are Århusgade 110, DK-2100 Copenhagen Ø, Denmark, telephone: (+45) 33558282, email: finanstilsynet@ftnet.dk and fax: (+45) 33558200.

Section B - Key information on the issuer

Who is the issuer of the securities?

Domicile and legal form

The Company has its registered office at Vibeholms Allé 20, DK-2605 Brøndby, Denmark, and is incorporated in Denmark as a Danish public limited liability company under the laws of Denmark. The Company has the legal entity identifier (LEI) 529900197LKWCEQ0NL18 and company registration (CVR) no. 62725214.

Principal activities

The Group consists of two businesses operating separate of each other: NKT and NKT Photonics.

NKT is a leading provider of power cable products and solutions with cost-effective and technologically advanced production facilities around Europe including its largest sites in Karlskrona, Sweden, and Cologne, Germany, and sales offices around the world, contributing to the digital age of the fourth industrial revolution and the global transition to renewable energy. As a full-service partner in the power cable industry, NKT strives to deliver sustainable, long-lasting solutions that enables its customers to create a safe and sustainable future in a world increasingly dependent on power.

With a technology leading portfolio of solutions in the high voltage ("**HV**") power cable segment, NKT is well prepared to capture parts of the growing demand driven particularly by the transition to renewable energy. Furthermore, NKT holds relatively strong market positions within the medium voltage ("**MV**") and low voltage ("**LV**") power cable markets in selected Northern and Eastern European markets and with further growth opportunities in other European markets.

To serve the different segments of the power cable market, each with separate characteristics and demand patterns, NKT is organised into three business lines: HV power cable solutions (*Solutions*), MV and LV (jointly "**LMV**") power cable solutions (*Applications*) and off- and onshore power cables services and accessories across the HV and MV categories (*Service & Accessories*). The *Solutions* business line is a project and backlog driven business specialising in HV power cable solutions. NKT designs, develops, manufactures and installs power cables used in offshore and onshore power transmission systems. Its capabilities cover both alternating current ("**AC**") and direct current ("**DC**") power cable systems. NKT offers customers complete and customised end-to-end turnkey solutions, including full installation services. During the first three quarters of 2020, NKT was awarded large HV power cable project contracts valued at more than EUR 2.1 billion (market prices), including a significant part of the so-called German Corridor Projects, leading to a record-high HV order backlog for NKT of more than EUR 3.1 billion (market prices) at the end of the third quarter of 2020 (compared to EUR 1.37 billion (market prices) at year-end 2019). NKT's *Applications* business line offers customers a broad range of LMV power cable

Section B - Key information on the issuer

solutions. NKT markets what the Executive Management considers to be high-quality products. NKT continuously seeks to ensure conform to evolving regulatory requirements. NKT has developed ergonomic solutions that are easy to install in line with its customers' expectations and requirements. The LV market is mainly driven by construction development in both residential and non-residential buildings, while the MV market benefits from ongoing optimisation of the power grids by private and public stakeholders. Telecom power cables, which represents a relatively small part of the business line, are also being developed and marketed with the view to address future opportunities in the roll-out of 5G mobile networks. The *Service & Accessories* business line provides services for offshore and onshore power cables and offers a full portfolio of power cable accessories across the HV and MV markets.

NKT has two HV power cable production facilities strategically situated in Northern Europe: Cologne, Germany, and Karlskrona, Sweden. The river and sea access at both production facilities enable the efficient execution and delivery of NKT's offshore solutions throughout Europe and the rest of the world. These production facilities, combined with NKT's high-tech capabilities, in-house installation expertise and a dedicated cable-laying vessel, NKT Victoria, have contributed to NKT's position as a leading company in the interconnector, offshore wind, and oil & gas segments.

For the financial year 2019, NKT reported revenue (std. metal prices) (non-IFRS) of EUR 945 million (EUR 1,080.1 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 15.1 million (EUR 70.2 million for the financial year 2018).

The Group's other business, NKT Photonics, which operates separately from NKT, holds a strong position as supplier of high-performance fiber lasers, fiber optic sensing systems and photonic crystal fibers. NKT Photonics' main markets are within *Medical & Life Science*, *Industrial*, and *Aerospace & Defense*. NKT Photonics' products include ultrafast lasers, supercontinuum white light lasers, low noise fiber lasers, distributed temperature sensing systems and a wide range of specialty fibers. The varied innovative solutions offered by NKT Photonics are applicable for several market segments. These technology-leading solutions are tapping into sustainable megatrends that are expected to support growth opportunities for NKT Photonics going forward, including, but not limited to, ageing population, increased technological complexity within electronic systems and focus on security.

NKT Photonics reported revenue for the financial year 2019 of EUR 74.6 million (EUR 67.7 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 14.6 million (EUR 9.0 million for the financial year 2018).

In November 2019, the Board of Directors initiated a strategic review of the strategic alternatives for NKT Photonics with the objectives of maximising value creation, positioning NKT Photonics for long-term growth, and supporting the reduction of the Group's leverage ratio. On 13 May 2020, it was announced that the Board of Directors deemed that the strategic review of NKT Photonics could not be concluded in the near term due to market uncertainties. On 8 October 2020, the Company announced that the Board of Directors intends to resume the strategic review when the business and financial performance of NKT Photonics is no longer materially affected by the COVID-19 pandemic and the consequent general economic uncertainty, with the objectives of maximising value creation, and positioning NKT Photonics for long-term growth. The Company is currently contemplating a divestment of a smaller non-core part of the NKT Photonics business and is evaluating approaches from interested parties.

Major shareholders

As of the date of this Prospectus, the Company has received notifications of holdings of 5 percent or more of the share capital or voting rights from the following shareholders: Arbejdsmarkedets Tillægspension (ATP) (above 5.0 percent), KIRKBI INVEST A/S (5.0 percent), Nordea Funds Ltd (5.081 percent) and Greenvale Capital LLP (5.25 percent).The Company is not aware of being majority-owned or controlled, directly or indirectly, by any third party, and the Company is not aware of any agreements that could later result in any third party taking over the control of the Company.

Managing directors

As of the date of this Prospectus, the Board of Directors consists of Jens Due Olsen, René Svendsen-Tune, Karla Lindahl, Jens Maaløe, Andreas Nauen, Jutta af Rosenborg, Thomas Torp Hansen, Stig Nissen Knudsen and Jack Ejlertsen. The Executive Management consists of Alexander Kara and Line Andrea Fandrup. The Board of Directors and the Executive Management are supported by Basil Garabet, who is a Key Employee at NKT Photonics.

Statutory auditors

The statutory auditors of the Company are Deloitte Statsautoriseret Revisionspartnerselskab. The consolidated financial statements of the Group for the periods from 1 January 2017 to 31 December 2017 and 1 January 2018 to 31 December 2018 have been audited by State Authorised Public Accountants Anders Vad Dons and Lars Siggaard Hansen, and the consolidated financial statements of the Group for the period from 1 January 2019 to 31 December 2019 have been audited by State Authorised Public Accountants Kirsten Aaskov Mikkelsen and Lars Siggaard Hansen. The consolidated interim financial statements for the period from 1 January 2020 to 30 September 2020 have been reviewed by State Authorised Public Accountants Kirsten Aaskov Mikkelsen and Kåre Kansonen Valtersdorf.

What is the key financial information regarding the issuer?

Key financial information

The key financial information shown below has been derived from (i) the audited consolidated financial statements of the Group for the periods from 1 January 2017 to 31 December 2017, 1 January 2018 to 31 December 2018 and 1 January 2019 to 31 December 2019, respectively, each prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies and (ii) the unaudited, but reviewed, consolidated interim financial statements of the Group for the period from 1 January 2020 to 30 September 2020 (with unreviewed comparison numbers for the period from 1 January to 30 September 2019) prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies; all of which are incorporated by reference into this Prospectus. The Company presents its consolidated financial statements in EUR.

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017[1)]**
Income statement					
Revenue	1,096.6	975.0	1,342.4	1,501.6	1,479.3
Revenue in std. metal prices (non-IFRS)	860.7	731.6	1,019.3	1,147.1	1,108.4
Operational EBITDA (non-IFRS)	46.0	21.3	29.7	79.3	141.8
EBITDA (non-IFRS)	35.9	15.5	17.7	49.8	96.9
Depreciation, amortisation and impairment	-69.1	-68.4	-100.7	-87.3	-79.6
Operational EBIT (non-IFRS)	-23.1	-47.1	-71.0	-8.0	62.2
EBIT	-33.2	-52.9	-83.0	-37.5	17.3
Financial items, net	-13.8	-6.2	-12.3	-8.0	-14.7
EBT	-47.0	-59.1	-95.3	-45.5	2.6
Tax	3.1	5.8	19.3	-0.8	-6.0
Net result	-43.9	-53.3	-76.0	-46.3	928.8
Cash flow					
Cash flow from operating activities	25.4	-20.5	125.0	-42.2	87.8
Cash flow from investing activities excl. acq. & div (non-IFRS)	-53.6	-47.8	-69.0.	-60.9	-94.2
Free cash flow excl. acq. & div (non-IFRS)	-28.2	-68.3	56.0	-103.1	-6.4
Balance sheet					
Capital employed (non-IFRS)	1,047.5	1,156.3	1,046.0	1,143.9	1,109.5
Working capital (non-IFRS)	-99.5	23.1	-118.1	7.7	-83.5
Financial ratios and employees					
Organic growth (non-IFRS)(%)	19%	-8%	-8%	1%	7%
Operational EBITDA margin (std. metal prices) (non-IFRS)(%)	5.3%	2.9%	2.9%	6.9%	12.8%
RoCE (non-IFRS)(%)	-4.2%	-6.0%	-6.2%	-0.7%	5.7%
Average number of employees	3,772	3,666	3,671	3,744	3,600

[1)] Effective 10 October 2017, a demerger of the Company was effected resulting in the spin-off of Nilfisk A/S. Although Nilfisk A/S was treated as discontinued operations in the 2017 Financial Statements, the demerger resulted in one off expenses, which impacted the Group's results. Further, the 2017 Financial Statements only include the ABB HV Cables activities, acquired effective 1 March 2017, for 10 months.

Section B - Key information on the issuer

What are the key risks that are specific to the issuer?

Key risks	The key risks that are specific to the Group are: • The availability and size of orders in the power cable markets in which NKT operates fluctuates from year to year and low activity may lead to, among others, price pressure and overcapacity at the production sites • NKT's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could result in a number of adverse consequences for NKT • Competition in the markets in which the Group operates is intense, and may result in NKT and/or NKT Photonics losing orders or market position • NKT's business in the HV and MV market segments is impacted by general economic conditions and the transition towards renewable energy and other macroeconomic developments • The Company seeks to strengthen its capital base, to invest in its production capabilities to execute on the HV order backlog and prepare for the upcoming market pipeline and in order to be safeguarded against uncertainties caused by the COVID-19 pandemic • The Group's business, and in particular NKT Photonics, is negatively affected by the COVID-19 pandemic and may continue to be so in the future or may be negatively affected by other public health crises • Failure to successfully shift NKT's Cologne factory from producing AC power cables to DC power cables and/or to upgrade manufacturing facilities could result in loss of business and reputational harm • The Group's competitiveness is dependent on its ability to adapt, expand and develop it products, services, and solutions in response to changes in technology or customer demand • The Group has significant debt, is dependent on continued access to financing facilities, including guarantee facilities, and is subject to certain covenants and other restrictions • The Group depends on third party financiers to issue Guarantees to NKT's customers, which are a pre-requisite for participating in tenders for cable orders, in particular large HV power cable orders

Section C - Key information on the securities

What are the main features of the securities?

Type, class and ISIN	The Shares, including the New Shares, are not divided into share classes. The ISIN code for the Existing Shares is DK0010287663. The temporary ISIN code for the Pre-emptive Rights is DK0061414042. The temporary ISIN code for the New Shares, which will not be admitted to trading and official listing on Nasdaq Copenhagen, is DK0061414125. Subject to completion of the Offering, the New Shares are expected to be admitted to trading and official listing on Nasdaq Copenhagen under the permanent ISIN code for the Existing Shares on 16 December 2020. The temporary ISIN code for the New Shares is expected to be merged with the ISIN code of the Existing Shares on 17 December 2020 after 5:00 p.m. CET. The Existing Shares are denominated in DKK. As of the date of this Prospectus, the Company's registered share capital is DKK 644,640,540 divided into 32,232,027 shares with a nominal value of DKK 20 each. Upon completion of the Offering, the Company's registered share capital will be DKK 859,520,720 divided into 42,976,036 Shares with a nominal value of DKK 20 each, assuming all New Shares are subscribed.
Rights attached to the New Shares	The New Shares will have the same rights as the Existing Shares, including with respect to eligibility for any dividends. Any dividends will be paid in DKK to the shareholder's account with VP Securities. No restrictions on dividends or special procedures apply to holders of the New Shares who are not residing in Denmark. All Shares in the Company rank pari passu, including with respect to voting rights and pre-emption rights.

Section C - Key information on the securities

	In case of the dissolution or winding-up of the Company, the New Shares will be entitled to a proportionate part of the Company's assets after payment of the Company's creditors. The Company's articles of association do not contain any provisions on redemption or exchange of the Shares.
Restrictions	The Shares, including the New Shares, are negotiable instruments and no restrictions under the Company's articles of association or Danish law apply to the transferability of the Shares.
Dividend policy	The Company's dividend policy targets the payment of dividends to Shareholders in an amount equal to approximately one third of the Company's profit for the year, provided the Company's capital structure allows for it. With reference to the Company's present financial situation and the Company's capital plan announced on 13 May 2020, the Company does not expect to distribute any cash dividends for the foreseeable future.

Where will the securities be traded?

Admission to trading and official listing	Registration of the New Shares with the Danish Business Authority is expected to occur on 15 December 2020 and the New Shares are expected to be issued through VP Securities on the same day. The New Shares will be admitted to trading and official listing on Nasdaq Copenhagen under the same ISIN code as the Existing Shares, DK0010287663, with the expected first day of trading and official listing being on 16 December 2020.

What are the key risks that are specific to the securities?

Key risks	The key risks that are specific to the Offering are: • Due to the Offering, the prices on the Existing Shares, the Pre-emptive Rights and the New Shares may be volatile regardless of the Company's operating performance and results; the stock market may in general experience considerable volatility and as such investors may not be able to resell Shares at or above the Subscription Price

Section D - Key information on the offering and the admission

Under which conditions and timetable can I invest in this security?

Conditions and timetable	The Offering comprises up to 10,744,009 New Shares with a nominal value of DKK 20 each. Shareholders registered with VP Securities on 24 November 2020 at 5:59 p.m. CET will as Existing Shareholders be entitled to an allocation of one (1) Pre-emptive Right for each one (1) Existing Share. For each three (3) Pre-emptive Rights, the holder will be entitled to subscribe for one (1) New Share against payment of the Subscription Price. Shares traded after 20 November 2020 at 5:00 p.m. CET will be traded excluding Pre-emptive Rights provided that the Shares are traded with a customary two-day settlement period. Any Pre-emptive Rights not exercised during the Subscription Period will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to compensation. Once a holder of Pre-emptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder. If a holder of Pre-emptive Rights does not want to exercise such rights to subscribe for New Shares, the holder may sell the Pre-emptive Rights during the Rights Trading Period. New Shares that have not been subscribed for by Existing Shareholders through the exercise of their allocated or acquired Pre-emptive Rights or by other investors through the exercise of their acquired Pre-emptive Rights before the expiry of the Subscription Period may, without compensation to the holders of unexercised Pre-emptive Rights, be subscribed for by Existing Shareholders and Qualified Investors that, before expiry of the Subscription Period, have made binding commitments to subscribe for Remaining Shares at the Subscription Price by use of the application form in Annex A. The Pre-emptive Rights and the New Shares will be delivered in book-entry form through allocation to accounts held with VP Securities.

Publication of Prospectus	19 November 2020
Last trading day in Existing Shares including Pre-emptive Rights	20 November 2020 at 5:00 p.m. CET
First day of trading in Existing Shares excluding Pre-emptive Rights	23 November 2020
Rights Trading Period commences	23 November 2020
Allocation Time of Pre-emptive Rights[1)]	24 November 2020 at 5:59 p.m. CET
Subscription Period for the New Shares commences	25 November 2020
Rights Trading Period closes	4 December 2020 at 5:00 p.m. CET
Subscription Period for New Shares closes	8 December 2020 at 5:00 p.m. CET
Expected publication of result of the Offering	10 December 2020
Allocation of New Shares not subscribed for by Existing Shareholders (Remaining Shares)	10 December 2020
Completion of the Offering, including settlement of the New Shares	15 December 2020
Registration of the share capital increase regarding the New Shares with the Danish Business Authority	15 December 2020
First day of trading and official listing of the New Shares on Nasdaq Copenhagen in the existing ISIN code	16 December 2020
Expected merger of temporary and permanent ISIN codes	17 December 2020 at 5:00 p.m. CET

[1)]Trading in Shares after the last trading day in Existing Shares including Pre-emptive Rights on 20 November 2020 at 5:00 p.m. CET will be exclusive of rights to receive Pre-emptive Rights for the buyer unless the parties to the trade in question have taken measures to settle the trade in VP Securities prior to the Allocation Time of Pre-emptive Rights on 24 November 2020 at 5:59 p.m. CET and, thus, chosen not to settle according to the customary settlement cycle with settlement two trading days after the transaction date.

Admittance to trading

The Existing Shares are admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0010287663.

In connection with the Offering, the Pre-emptive Rights have been approved for admission to trading and official listing on Nasdaq Copenhagen to the effect that they can be traded on Nasdaq Copenhagen during the period from 23 November 2020 at 9:00 a.m. CET to 4 December 2020 at 5:00 p.m. CET, under the temporary ISIN code DK0061414042. The New Shares will be admitted to trading and official listing on Nasdaq Copenhagen under the same ISIN code as the Existing Shares, DK0010287663, with the expected first day of trading and official listing being on 16 December 2020.

Dilution

If an Existing Shareholder decides not to exercise its Pre-emptive Rights, such shareholder's proportionate ownership interest will be diluted by up to 25 percent. If any Existing Shareholder exercises its Pre-emptive Rights in full, such Existing Shareholder will not be diluted.

Estimated expenses

The estimated costs and expenses related to the Offering payable by the Company to the Joint Global Coordinators and Joint Bookrunners, other advisor fees and expenses (including the subscription commission to Danish account holding institutions), assuming subscription to all New Shares, are DKK 44.1 million. The fee to the Joint Global Coordinators and Joint Bookrunners is variable and, therefore, the total expenses are subject to the results of the Offering.

The Company will pay Danish account holding institutions a subscription commission of 0.125 percent of the market value of the New Shares subscribed for through the relevant account holding institution, in connection with the Offering.

Why is this prospectus being produced?

Use of proceeds	In May 2020, the Company announced its plan to strengthen its capital base, cf. company announcement no. 8 dated 13 May 2020 (as updated by company announcement no. 17 dated 18 June 2020). Following the Company's directed issue and private placement of Shares announced on 13 May 2020, the Offering is the second part of the capital plan and is expected to contribute to the realisation of this capital plan. Assuming successful completion of the Offering, the Company does not expect to issue any convertible instruments in the foreseeable future, see company announcement of 13 May 2020. In connection with the Offering, the Company seeks to further strengthen its financial position based on: • A need to strengthen the financial foundation to execute on the HV order backlog and positive market outlook with growing project complexity and magnitude • To support investments in HV power cable manufacturing facilities initiated to meet future demand • The continued economic uncertainty caused by the COVID-19 pandemic The Offering is expected to raise gross proceeds to the Company of approximately DKK 1,311 million, assuming all New Shares are subscribed. The net proceeds to the Company from the issue of the New Shares are expected to be approximately DKK 1,267 million after deduction of costs and expenses payable by the Company in relation to the Offering, assuming all New Shares are subscribed. The net proceeds are to be applied towards strengthening of the capital base providing the Company with improved flexibility, for instance when NKT issues guarantees, which customers typically require as security under HV power cable projects, and, to a lesser degree, to be better prepared for future potential uncertainty that may arise as a result of the COVID-19 pandemic.
Rights issue agreement	The Company and the Joint Global Coordinators and Joint Bookrunners have entered into a Rights Issue Agreement. The Joint Global Coordinators and Joint Bookrunners are entitled to terminate the Rights Issue Agreement upon occurrence of certain exceptional events and/or unpredictable circumstances. The Rights Issue Agreement also contains completion conditions, which the Company believes to be customary for the Offering, and the completion of the Offering is subject to compliance with all conditions as set out in the Rights Issue Agreement. If one or more conditions for completion are not met, the Joint Global Coordinators and Joint Bookrunners may, acting jointly and at their sole discretion, also terminate the Rights Issue Agreement, which may cause the Company to withdraw the Offering. The Joint Global Coordinators will not participate in the solicitation, offer or sale of any New Shares within or directed into the United States and will not be involved in any activities relating to the Pre-emptive Rights, New Shares or Shares, within or directed into the United States
Subscription and guarantee commitments	Not relevant.
Material conflicts of interest	Certain members of the Board of Directors and the Executive Management and the Key Employee are shareholders in the Company and have indicated that they intend to exercise their Pre-emptive Rights in whole or in part and therefore have an interest in the Offering. The Joint Global Coordinators and Joint Bookrunners and their respective affiliates have from time to time been engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. The Joint Global Coordinators and Joint Bookrunners have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with the interests of the Company's shareholders and prospective investors. In addition, in the ordinary course of business the Joint Global Coordinators and Joint Bookrunners and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans and guarantees) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. The Joint Global Coordinators and Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In particular, Danske Bank and Nordea are lenders under the Company's facility agreement and guarantee facility agreement and accordingly have an interest in the Group’s financial position and the Group’s ability to honour its terms under these agreements.

PART I. DESCRIPTION OF THE GROUP

1. RISK FACTORS

Investing in the Pre-emptive Rights and/or the New Shares involves a high degree of financial risk. Prospective investors should carefully consider all information included in this Prospectus (including any information or material incorporated by reference), including the risks described below, before they decide to invest in the Pre-emptive Rights or the New Shares. This section addresses both general risks associated with the industry and markets in which the Group operates, and the specific risks associated with its business. If any such risks were to materialise, the Group's business, results of operations, cash flows, financial conditions and/or prospects could be materially and adversely affected, resulting in a decline in the value of the Pre-emptive Rights and/or the Shares, including the New Shares, and a loss of part or all of the prospective investor's investment. Further, this section describes certain risks relating to the Offering and the Pre-emptive Rights and the New Shares which could also adversely impact the value of the Pre-emptive Rights and/or the Shares, including the New Shares. With respect to forward-looking statements that involve risks and uncertainties, see section 4.4 "Forward-looking statements".

The risks and uncertainties discussed below are those that the Company's management currently views as material, but these risks and uncertainties are not the only ones that it faces. Additional risks and uncertainties, including risks that are not known to the Company at present or that its management currently deems immaterial, may also arise or become material in the future, which could, individually or in the aggregate, have a material adverse effect on the Company's business, results of operations, cash flows, financial conditions and/or prospects resulting in a decline in the value of the Pre-emptive Rights and/or the Shares, including the New Shares, and a loss of part or all of the prospective investor's investment. For example, the COVID-19 pandemic has caused, and is continuing to cause, major disruptions in economies and markets around the world. The most material risks, as currently assessed by the Company, taking into account the expected magnitude of their negative impact on the Group and its business, are set out first in each category of risk factors below.

1.1 Risks related to the Group's industries

1.1.1 The availability and size of orders in the power cable markets in which NKT operates fluctuates from year to year and low activity may lead to, among others, price pressure and overcapacity at the production sites

NKT operates in the HV and the LMV power cable markets as well as the Service & Accessories markets, providing off- and onshore power cables and services and accessories across the HV and LMV categories. NKT's annual earnings are directly impacted by the availability and size of orders in the power cable markets, which tend to vary from year to year. NKT expects that a large number of offshore and interconnector projects will be tendered across Europe over the course of the next five years. Fueled in particular by the European Union's (the "**EU**") investment in renewable energy, installed offshore wind capacity in Europe is expected to increase almost ten-fold over the next ten years and reach 228 GW by 2030. However, these expectations are subject to many uncertainties and risks that are outside NKT's control. Notably, NKT faces the risk that investments in renewable energy are delayed or cancelled due to the adverse economic impact resulting from the COVID-19 pandemic. See 1.1.4 "*The Group's business, and in particular NKT Photonics, is negatively affected by the COVID-19 pandemic and may continue to be so in the future or may be negatively affected by other public health crises*".

There has been a general slowdown in the MV power cable market during 2020. Periods of general low market activity and few and/or small order awards in the HV and MV power cable markets specifically increase competition among market participants, which may result in general price pressure in these markets and/or overcapacity on NKT's factories, lower organic growth, decreased revenue, profitability and cash flows, and longer periods of such low market activity and few and/or small order awards may impair NKT's ability to maintain operations and fund its obligations to others. See also risk factor in section 1.1.2 "*Competition in the markets in which the Group operates is intense, and may result in NKT and/or NKT Photonics losing orders or market position*". Similarly, a shift between the types of HV power cable projects awarded, e.g. among HVDC power cable projects and HVAC power cable projects, may result in lower capacity utilisation in the factories as production flows and equipment requirements vary between the different power cable types. A lower capacity utilisation could result in lower margins and profitability. See also risk factors in section 1.2.1 "*NKT's failure in delivering complex, customised and/or large projects in accordance with the terms of the* *contracts could result in a number of adverse consequences for NKT*“ and section 1.2.2 “*Failure to successfully shift NKT's Cologne factory from producing AC power cables to DC power cables and/or to upgrade manufacturing facilities could result in loss of business and reputational harm*“.

1.1.2 Competition in the markets in which the Group operates is intense, and may result in NKT and/or NKT Photonics losing orders or market position

NKT
There are few global competitors in the HV power cable market due to the size and complexity of the power cables offered in this market. The Company believes NKT is among the five leading market participants in the HV power cable market globally. The LMV power cable markets are more diverse with both large internationally operating companies, mid-size regional cable manufactures and trading companies and wholesalers. Within the markets that NKT addresses, a relatively small range of customers contribute a significant share of overall sales which also affects the competitive landscape in such markets. See also risk factor in section 1.2.17 “*A considerable portion of NKT's revenue in its Application business depends on a limited number of customers*”. In the Service & Accessories markets, NKT is one of many market participants that business line.

In the LMV power cable markets in Europe, relative regional presence and proximity to manufacturing facilities determine competitive strength. NKT enjoys strong positions in certain parts of the HV and the LMV power cable markets. NKT faces fierce competition from several highly capable competitors in such markets, including some with greater financial resources than NKT, in particular in the HV power cable market. As NKT expands its offering to launch new products and solutions or enters into new markets, it may face strong competition from established players in those markets with better knowledge of and established reputation in such markets and closer proximity to the manufacturing facilities, in particular in relation to relatively small HV power cable projects.

NKT's positions in all power cable markets are constantly challenged by established competitors as well as industry players trying to enter the market, including new market players drawing on low-cost production equipment and organisational structures. For instance, Sumitomo Electric has recently established itself in the European HV power cable market. In May 2020, Sumitomo Electric was awarded a major part of the German Corridor Project A-Nord. Industry players seeking to establish themselves in the power cable markets may bid with prices and on other terms which NKT cannot or will not match and which may cause NKT to lose orders and market position.

Additionally, industry consolidation may generate competitors with financial, technical and other resources superior to those of NKT which may make it increasingly difficult for NKT to compete effectively, in particular for large and complex HV power cable projects. A number of takeovers, acquisitions, mergers and other consolidating transactions in the power cable markets have occurred over the past few years and may occur in the future. Such industry consolidations shift market positions among competitors and may occur without NKT being involved or not being able or willing, for regulatory, financial or other reasons, to compete for the acquisition targets.

To compete effectively, NKT must successfully market and competitively price its products and solutions; this is particularly relevant in those parts of NKT's *Applications*' offerings, where power cables are based on industry standards and are often interchangeable with similar products made by NKT's main competitors. Within this environment, NKT may be forced to increase prices due to higher costs, e.g. costs of raw materials, labour costs or other factors beyond the Group's control. Such price increases may reduce NKT's sales volumes or result in a shift in sales volume to lower margin products.

NKT Photonics
NKT Photonics is mainly operating in markets where advancement in technology has created new opportunities for the application of lasers. The focus on new solutions is, therefore, of importance for the success of NKT Photonics. The products in the photonics markets have several different applications and the competitive landscape varies across markets. In the largest segment NKT Photonics operates in, *Industrial*, the competition is intense with global companies operating in different parts of this market. There are fewer, but capable, companies operating in the other two segments relevant for NKT Photonics, *Medical & Life Science* and *Aerospace & Defense*. A number of the large players in the global photonics market, with whom NKT Photonics competes, are also customers of NKT Photonics as they use NKT Photonics’ fiber technology platform

in their own products. If NKT Photonics' products are not considered competitive, NKT Photonics may experience a decline in sales and lose its market positioning.

The above circumstances, individually or in the aggregate, could have a material adverse effect on the Group's business, financial conditions and results of operations.

1.1.3 NKT's business in the HV and MV market segments is impacted by general economic conditions and the transition towards renewable energy and other macroeconomic developments

The level of spending by NKT's existing and potential customers in the HV and MV power cable markets in which NKT operates is influenced by general economic conditions in such countries. For instance, there has a been a general slow-down and uncertainty in the MV power cable market during 2020. As many of NKT's customers, particularly its large customers, are European companies, economic conditions in Europe may affect the demand for NKT's solutions and services and the pricing it is able to obtain in respect of its contracts. Factors outside NKT's control, including negative or uncertain economic conditions in NKT's customers' markets, have in the past undermined, and could in the future undermine, business confidence and cause customers to reduce or defer their spending on new initiatives and technologies, or may result in customers reducing, delaying or eliminating spending. As a provider to public and semi-public sector customers, NKT is also impacted by financial, budgetary, regulatory and political constraints, and changes in government policy and public spending constraints which could have a significant impact on the size, scope, timing and duration of contracts and orders placed by them and, therefore, on the level of business which NKT will derive from such customers. See also risk factor in section 1.1.1 "*The availability and size of orders in the power cable markets in which NKT operates fluctuates from year to year and low activity may lead to, among others, price pressure and overcapacity at the production sites*".

The global transition towards renewable energy, such as the transition towards solar energy and wind farms, is a key factor in these market developments in the HV and the MV power cable markets. Timing and direction of political decision making, i.e. if it is politically decided in the future to cease or delay the transition towards renewable energy, will materially affect NKT's business. The project-driven HV power cable market is to a larger extent affected directly by the timing of political decision making, whereas the MV power cable market is to a greater extent aligned with the macroeconomic development. Other macroeconomic developments and other trends affecting NKT's business opportunities and prospects include increasing urbanisation, ageing utility networks and shift to electric vehicles, which necessitate an update and upgrade of power grids across countries, that NKT expects to take part in. However, there can be no assurance that these developments and trends will continue, and they may not pan out to the extent currently expected by NKT. This dependence on macroeconomic developments was, for instance, demonstrated in connection with the economic crisis that occurred globally from 2008 and onwards, which adversely affected NKT's sales and results of operations. A decrease in demand for NKT's products and solutions will result in decreased revenue, cash flow and, if and then to the extent NKT is not able to lower its short-term fixed and variable costs in consequence of a decrease in order in-take, profitability, which may impair its ability to maintain operations and fund its obligations to others.

1.1.4 The Group's business, and in particular NKT Photonics, is negatively affected by the COVID-19 pandemic and may continue to be so in the future or may be negatively affected by other public health crises

The COVID-19 pandemic has had a material adverse effect on the business and financial performance of NKT Photonics. As announced by the Company in its company announcements no. 6 dated 6 May 2020 and no. 22 dated 19 August 2020, respectively, the market outlook contained such uncertainty due to the COVID-19 pandemic that the Company suspended the financial forecast for NKT Photonics for the financial year ending 31 December 2020 and postponed the strategic review of NKT Photonics. Demand slowed in several parts of the markets in which NKT Photonics operates and, to a certain extent, has resulted in disruptions, delays, price variations and quality variations in NKT Photonics' supply chain, production and/or manufacturing channels, logistics setup and transportation services, as well as an increase in related costs arising from governmental shutdowns and quarantines and lockdowns of employees of NKT Photonics or its suppliers, partners, etc. Prior to the onset of the COVID-19 pandemic, the industrial market experienced general downturn in the preceding two years. Notably, the Chinese industrial market and market for automative production lasers slowed down as a consequence of macroeconomic changes. See also risk factor in section 1.1.7 "*The level of spending of NKT Photonics' customers is dependent on general economic conditions, which affect NKT Photonics' business*". This trend intensified as a result of the COVID-19 pandemic and included the research end-market within the segment, which experienced delays due to closure of universities and research institutions. Visibility with regard to customer demand has been, and still is, unusually low for the remainder of the financial year ending 31 December 2020, where NKT Photonics usually generates the majority of its earnings. Although the effects of the COVID-19 pandemic on the financial performance of NKT Photonics are likely to continue in the foreseeable future; however, the magnitude and duration of the effects will depend on the future developments of the pandemic, including the occurrence of additional waves or resurgences thereof. See also section 12 "*Prospective financial information*".

Although the COVID-19 pandemic to date has only had a limited negative impact on NKT and the demand in markets relevant to NKT, NKT believes that the resulting uncertainties and effects may also have an adverse effect on NKT. Such developments and potential future outbreaks of viruses are inherently unpredictable, as the Group cannot assess their duration and severity, and the implications of the actions taken in response to the COVID-19 pandemic or other public health crises may have a significant adverse effect on the Group.

Although the operational impact from the COVID-19 pandemic has been limited to date, the spread of epidemic or pandemic diseases as well as any quarantines, including the inability to cross borders, affecting the employees of the Group may negatively affect the ability of the Group's personnel to carry out their duties and thereby affect the Group's operations. For instance, in October 2020, NKT experienced a COVID-19 outbreak in its facilities in the Czech Republic affecting approximately 25 of its employees. In addition, the current COVID-19 pandemic and any future public health crises may have an adverse effect on the Group's suppliers and/or logistics providers, resulting in a lack of raw materials and components necessary to the Group's operations or in interruptions in the production or delivery of the Group's products and solutions to its customers, thereby potentially subjecting the Group to claims from its customers. Also, any public health crises and subsequent governmental measures may negatively affect the ability of the Group's customers to carry out their operations, progress their projects, make sales or take deliveries.

Further, the Group may be adversely affected by the wider macroeconomic effect of the ongoing COVID-19 pandemic and any future health crises. While the full effects of the COVID-19 pandemic are at this stage is difficult to assess, the Executive Management believes that the pandemic will likely have a substantial negative effect on the economies where the Group operates. Any negative effect on the economies where the Group operates may negatively impact the level of investments by public, semi-public and private customers and result in a decrease in demand in the power, construction, photonics and other industries. Such general negative effect on the economy may also result in the insolvency of the Group's business partners, which could affect the operations of the Group, as well as its financial standing. Lastly, in case of an economic downturn, the price of the Group's securities and the Group's access to further financing may be adversely affected. See also risk factors in section 1.1.1 "*The availability and size of orders in the power cable markets in which NKT operates fluctuates from year to year and low activity may lead to, among others, price pressure and overcapacity at the production facilities*", section 1.1.3 "*NKT's business in the HV and MV market segments is impacted by general economic conditions and the transition towards renewable energy and other macroeconomic developments*", section 1.1.7 "*The level of spending of NKT Photonics' customers is dependent on general economic conditions, which affect NKT Photonics' business*" and section 1.1.6 "*The Group faces risks with respect to the United Kingdom's exit from the EU*".

1.1.5 The HV power cable market in which NKT operates is characterised by increasingly large and complex orders, which increases NKT's dependency on being able to participate in and win single large projects

There is a general trend towards increasingly complex power cable projects with higher headline value. This trend is expected to continue in the future. For instance, the German HVDC corridor projects, which is part of Germany's transition towards renewable energy (the "**German Corridor Projects**"), significantly impacted the HV power cable market and the value of awards in this market in 2020.

As the size of the individual tenders in the HV power cable market increases, NKT's dependency on being able to participate in and on being successful in individual tenders will increase. Successful participation in large tenders will depend on NKT's ability to meet customers' demands both technically and financially, including with regard to providing the customer with the required payment and performance guarantees issued by the Group's finance providers, which in turn will increase NKT's need to have available the necessary guarantee facilities. Also, NKT may be impacted by increased liabilities and obligations introduced under terms and conditions governing large HV power cable projects. See risk factors in section 1.2.1 "*NKT's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could* *result in a number of adverse consequences for NKT"*, section 1.3.1 *"The Company seeks to strengthen its capital base, to invest in its production capabilities, to execute on the HV order backlog and prepare for the upcoming market pipeline and in order to be safeguarded against the uncertainties caused by the COVID-19 pandemic"* and section 1.3.3 "*The Group depends on third-party financiers to issue guarantees to NKT's customers, which is a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders"*.

Contracts in the HV power cable markets are often fixed-price contracts. The pricing of a fixed-price contract is highly dependent on internal estimates and predictions about, and assumptions for, the power cable project and, in particular, the cost and complexity of providing the relevant project, which might be based on limited data and could turn out to be inaccurate. From time to time, NKT does not accurately estimate the costs of performing the work, timing for completing projects or fails to accurately assess the risks associated with potential contracts, leading such fixed-price contracts to become less profitable than anticipated and potentially even unprofitable for NKT. Moreover, potential low margins on NKT's larger power cable projects and contractual obligations could cause NKT to incur a loss if NKT's estimates prove to be inaccurate. The risks associated with fixed-price contracts increase with the increased complexity of the individual order.

There can be no assurance that large projects will be launched for tender and, if launched, that NKT will be able to fulfil the requirements to participate in such tenders and/or be awarded orders that it tenders for in the future. The failure by NKT to be awarded such significant orders may have a material adverse effect on the Group's business, financial conditions and results of operations.

1.1.6 The Group faces risks with respect to the United Kingdom's exit from the EU

NKT is and has historically been engaged in a number of HV and LMV power cable projects in the United Kingdom (the "**UK**"), for instance the recently won onshore and offshore project Shetland HVDC Link, the HVDC onshore and offshore export power cable systems to Dogger Bank, the offshore Wind Farms Creyke Beck A/B and the Viking Link interconnector project connecting the Danish and British power transmission grids. NKT Photonics has limited sales into the UK and has a small production setup in Southampton, in the UK. The Company anticipates the main impact of the UK's exit from the EU in January 2020 (commonly referred to as Brexit) on NKT Photonics to be related to possible import and export duties. The uncertain political and geopolitical conditions following Brexit have resulted in a general and continuous uncertainty in the markets in which the Group operates, and may have an adverse effect on the Group's business and financial conditions. The pressure Brexit is placing on the UK government may influence its ability to make decisions on large complex power cable projects of the type NKT *Solutions* perform. This may cause delays in projects already initiated, or the UK may decide to cease or delay its transition towards renewable energy inter alia through offshore wind farms. Other effects, such as creating barriers to free trade and the free movement of people may result in uncertainties as to the Group's contracts in the UK. The full impact of the Brexit remains to be seen but is expected to result in significant market volatility and dislocation. See also risk factors in section 1.1.1 "*The availability and size of orders in the power cable markets in which NKT operates fluctuates from year to year and low activity may lead to, among others, price pressure and overcapacity at the production sites*", section 1.1.3 "*NKT's business in the HV and MV market segments is impacted by general economic conditions and the transition towards renewable energy and other macroeconomic developments*", section 1.1.7 "*The level of spending of NKT Photonics' customers is dependent on general economic conditions, which affect NKT Photonics' business*" and section 1.2.20 "*The Group is subject to risks associated with its international operations and various laws and regulations and non-compliance may result in fines, reputational damage and restrict it from carrying on its business*".

1.1.7 The level of spending of NKT Photonics' customers is dependent on general economic conditions, which affect NKT Photonics' business

The level of spending by NKT Photonics' existing and potential customers is influenced by general economic conditions in the countries in which NKT Photonics operates, especially developments in Europe and the United States where a considerable part of NKT Photonics' customers are based, and economic conditions may affect the demand for NKT's Photonics' offerings and contract pricing. Prior to the onset of the COVID-19 pandemic, the industrial market in which NKT Photonics operates experienced general downturn in the preceding one - two years. In particular, the Chinese industrial market and market for lasers for automative production slowed down as a consequence of macroeconomic changes. Negative or uncertain economic conditions in NKT Photonics' customers' markets have in the past undermined, and could in the future undermine, business confidence and cause customers to reduce or defer their spending on new initiatives and technologies, or may result in customers reducing, delaying or eliminating spending. See also risk factor in section 1.1.4 "*The Group's business, and in particular NKT Photonics, is negatively affected by the COVID-19 pandemic and may continue to be so in the future or may be negatively affected by other public health crises*".

1.1.8 **NKT Photonics markets products to the aerospace and defense industries, involving increased requirements with respect to certifications and authorisations. Also, the power cable industry in which NKT operates is subject to increased regulation**

NKT Photonics' activities within the *Aerospace & Defense* segment require special certifications and authorisations. For instance, NKT Photonics Inc. has been registered with the United States Directorate of Defense Trade Controls as a manufacturer and exporter of defense articles. Also in UK, NKT Photonics Ltd. has obtained the required Private Venture Grading from the UK Ministry of Defense, authorising NKT Photonics Ltd. to conduct certain development activities, and an Open General Export Licence has been granted by the UK Department for International Trade, Export Control Organisation, allowing NKT Photonics Ltd. to market its products within the *Aerospace & Defense* segment to certain low-risk destinations. NKT Photonics also holds and will from time to time be required to take out contracts or customer specific export licenses required for certain products or certain uses of the products under applicable EU or national export control regimes. If NKT Photonics fails to obtain required authorisations and licences, if it is not successful in renewing authorisations and licences or if it breaches the terms hereof, NKT Photonics may not be able to sell its products and may be exposed to claims, injunctions and civil or criminal sanctions.

Within the power cable markets, there is an increased demand for higher levels of compliance with construction products regulation (CPR) and sustainability declarations. As such regulations change and new regulations are enacted, NKT may need to modify its products to address such changes, which will lead to an increase in the costs related to the design, manufacturing and sale of products, thereby potentially decreasing margins or demand for the products if the Group is unable to successfully pass on the costs to its customers.

1.2 Risks related to the Group's business

1.2.1 **NKT's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could result in a number of adverse consequences for NKT**

HV power cable projects are becoming increasingly large and complex, see also risk factor in section 1.1.5 *"The HV power cable market in which NKT operates is characterised by increasingly large and complex orders, which increases NKT's dependency on being able to participate in and win single large projects*", and HV, and to some extent also MV and LV, power cable projects are customised projects. The performance of a complex, customised and/or large project demands specialists and employees with a high level of expertise and involves many challenges, including complying with the specific requirements and specifications for the project as well as with general international and local standards and regulations, including the EU Construction Products Regulation. As power cables produced by NKT increase in length, this increases risk involved in the cascading process, which is vulnerable, e.g. to variances in quality of materials or production processes - the effects of which may not be identified during production, but only when the power cable is being installed or is in use - delays in materials from suppliers, variances in production processes or equipment breakdown, just as claims and losses arising in case of quality issues or damages caused to the power cables during storage, transportation and installation, will be higher. See also risk factors in section 1.2.7 *"The Group's operations may be adversely impacted by weather conditions and other circumstances beyond the Group's control*" and section 1.2.15 *"The Group is dependent on its management team as well as key employees*".

If NKT fails to deliver the power cable projects, including if it does not meet the requirements and specifications or fail to pass technical tests in connection with the delivery of the projects, if the power cables are malfunctioning following installation or if the projects are delayed, discontinued or otherwise not carried out, not completed within budget or otherwise fail to meet NKT's customers' expectations, this could lead to *inter alia* that (i) significant penalties are incurred; (ii) NKT were forced to replace the power cables concerned, and the reproduction of a power cable for one project may result in NKT losing production capacity in respect of other power cable projects; (iii) damage claims are filed against NKT; (iv) warranty periods have to be extended; and/or (v) NKT may not win future power cable orders from that specific customer. See also risk factors in section 1.2.13 "*NKT could be subject to liabilities if its subcontractors or third parties with whom NKT partners cannot deliver their project contributions on time or at all"* and section 1.3.1 *"The Company seeks to strengthen its capital base, to invest in its production capabilities, to execute on the HV order backlog and prepare for the upcoming market pipeline and in order to be safeguarded against the uncertainties caused* *by the COVID-19 pandemic"* for a discussion of the financial risks associated with tendering for and delivering complex, customised and large HV power cable projects. In certain instances, larger projects may involve multiple engagements or stages, and there is a risk that a customer may choose not to retain NKT for additional stages.

1.2.2 **Failure or delay to successfully shift NKT's Cologne factory from producing AC power cables to DC power cables and/or to upgrade manufacturing facilities could result in loss of business and reputational harm**

In the second quarter of 2020, NKT was awarded two large HVDC interconnector projects with a total value of more than EUR 1.5 billion (market prices) in relation to the German Corridor Projects.

NKT plans to manufacture the HVDC onshore power cables to be provided under the German Corridor Projects from its Karlskrona and Cologne facilities. While NKT has a long-standing experience with producing DC power cables in Karlskrona, the Cologne factory to date produces AC power cables and the Cologne factory is currently undergoing DC qualification to enable it to produce HVDC onshore power cables. There can be no assurance that such qualification will be obtained. Any failure to qualify the Cologne factory for DC power cable production will have a material adverse effect on NKT's ability to deliver power cables in respect of the German Corridor Projects and tender for future large HVDC power cable projects.

Currently, the Cologne factory has limited in-house operational experience in DC power cable production and there is a risk that the transfer from AC to DC power cable production will not be successful or will take longer than expected, including due to unsuitable design or operational set-up of the factory equipment. This could also imply that NKT will need to spend more time and resources, including additional investment, on achieving a successful transfer from AC to DC which could lead to delays, delivery failures and projects not being completed within budget and thus not rendering expected return.

Further, to fulfil the recent project awards and to further prepare for demand driven by the green energy transition, NKT plans to invest approximately EUR 150 million in strengthening its HV power cable manufacturing facilities during 2020–2022. The investments involve expanding current capacities at the two HV factories in Cologne and Karlskrona, respectively. There is a risk that such work will interfere with the ongoing operations at the facilities. The investments may also not generate the benefits initially expected or planned for NKT's business. Further, a failure to successfully complete such investments on time will have a material adverse effect on NKT's ability to deliver HVDC power cables in respect of the German Corridor Projects, which may result in the contract parties enforcing remedies under the contracts including enforcement of performance Guarantees (as defined herein) and impair NKT's ability to tender for future large HVDC projects.

1.2.3 **The Group's competitiveness is dependent on its ability to adapt, expand and develop its products, services and solutions in response to changes in technology or customer demand**

If the Group does not adapt, expand and develop its products, services and solutions in response to changes in technology or customer demand, e.g. in respect of NKT for power cables to be integrated into the customers' complex operations (see risk factor in section 1.2.1 "*NKT 's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could result in a number of adverse consequences for NKT"*), or if competitors develop new technologies leading to superior products or to more efficient and cost-reduced production, the Group's ability to develop and maintain a competitive advantage could be negatively affected. Moreover, the development of or otherwise exclusive access to ground-breaking technologies by competitors of the Group, or the failure by the Group to adequately protect its intellectual property rights pertaining to its technologies (see also risk factor in section 1.2.14 "*The Group could fail to manage and protect its intellectual property rights or could violate third parties' rights*") could make it impossible or increasingly costly for the Group to compete effectively on the markets.

NKT
The technological demands in the power cable markets in which NKT operates are increasing, especially in the market for HV power cables, for instance in respect of cable route length and installation depth, power transmission rating and dynamic cable solutions, including as a result of the global shift towards reliance on renewable energy requiring advanced technological solutions capable of handling the changes in the power generation mix. Project requirements often require project specific developed power cables, leading to a need for specific type of power cables and factory tests. Any delays in development of the power cables, lack of passing type and/or factory tests, may cause significant delay or loss of contract. See also risk factor in

section 1.2.2 "*Failure to successfully shift NKT's Cologne factory from producing AC power cables to DC power cables and/or to upgrade manufacturing facilities could result in loss of business and reputational harm*".

NKT Photonics
The development and improvement of technology is a key competitive factor in all markets in which NKT Photonics operates. The technological demands are rapidly evolving in the photonics markets, and competitors to NKT Photonics, in particular market leaders, may develop attractive alternative offerings that enable them to compete more effectively against NKT Photonics' offerings. Such developments include for instance developments in active fiber technology to produce lasers with higher output power and shorter pulses as well as high power LED technology in certain industrial markets.

1.2.4 There can be no assurance of the outcome of the strategic review of NKT Photonics, including the timing thereof

As described in section 8.4.8 "*Strategic review*", the Board of Directors intends to resume the strategic review of NKT Photonics when the business and financial performance of NKT Photonics is no longer materially affected by the COVID-19 pandemic and the general economic situation, with the objectives of maximising value creation, and positioning NKT Photonics for long-term growth. The review was originally announced in November 2019, but progress slowed during 2020 due to the market uncertainties.

There can be no assurances as to the outcome of the strategic review, including the timing thereof. More specifically, the process and the result thereof, including the benefits that the Company may derive therefrom, may be adversely affected by the COVID-19 pandemic which has had and may continue to have a material negative impact on the European and global markets for corporate transactions. As discussed in section 1.1.4 "*The Group's business, and in particular NKT Photonics, is affected by the COVID-19 pandemic and may continue to be so in the future or may be affected by other epidemic, pandemics or public health crisis*" , the COVID-19 pandemic has had and may continue to have a material adverse impact on NKT Photonics which may restrict and adversely impact the Group's strategic options with regard to NKT Photonics, including the proceeds that may be obtained by the Company if the outcome of the strategic review is a full or partial sale of NKT Photonics. The service agreement with the Key Employee, who is the chief executive officer of NKT Photonics, includes a change of control provision that extends the notice of termination to be given by NKT Photonics and the Key Employee in the event of a change of control of NKT Photonics.

1.2.5 NKT is subject to risks in respect of consents and permits for its HV power cable projects

In order to install HV power cables, consents and permits must often be obtained from the relevant authorities. Such consents and permits may be necessary for both onshore and offshore installation of HV power cables. The comprehensiveness and the procedures for obtaining such consents and permits vary across countries. For example, for the installation of the HVDC power cables for the German Corridor Projects, permits must be obtained in accordance with German district plans. It varies from project to project whether NKT or its contracting party is responsible for obtaining the required consents and permits, and failure to obtain such consents and permits in due time, or at all, may result in delays or termination of the project, renegotiations of the contracts pertaining to the project and/or subject NKT to liabilities, monetary claims or penalties by the customer or payment of performance guarantees. See also risk factors in section 1.2.7 "*The Group's operations may be adversely impacted by weather conditions and other circumstances beyond the Group's control*" and section 1.2.13 "*NKT could be subject to liabilities if its subcontractors or third parties with whom NKT partners cannot deliver their project contributions on time or at all*".

The granting of such consents and permits may be subject to hearings by the public and by authorities. Moreover, after having obtained such consents and permits, NKT is required to comply with the conditions included, and failure to do so may result in fines, sanctions and/or revocation or suspension of the consents and permits. Failure to obtain or delay in obtaining the necessary consents and permits could result in termination or delay of such projects (including in write downs of the development costs incurred).

1.2.6 The Group may not be able to successfully execute on its strategic focus and sustain and manage growth

The success of the Group's strategy is subject to several factors, some of which are outside its control. These factors include macro-economic trends, political interferences, public health crises and initiatives taken by its competitors. Other factors, such as the Group's ability to continue the development of technologies, increase its market share and enter new markets are in full or in part within the Group's control and depends on its ability to take the required actions at the right time to successfully execute its strategy. There is also an inherent risk that the Group's strategic focus may not translate into growth even if the strategic objectives are met and achieved in a timely manner. Furthermore, the assumptions and market developments on which the Group's strategy is based, including the transition towards renewable energy, may not turn out as expected.

The success of the Group's strategy is further dependent upon its ability to raise sufficient funds to finance its strategy. Further expansion may require it to incur or assume new debt, thereby exposing it to future funding obligations or integration risks. See also risk factors in section 1.3.2 "*The Group has significant debt, is dependent on continued access to financing facilities, including bond and guarantee facilities, and is subject to certain covenants and other restrictions*" and section 1.3.3 "*The Group depends on third party financiers to issue Guarantees to NKT's customers, which are a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders*".

The Group has expanded its operations significantly in recent years through organic growth and strategic acquisitions. The Group's strategy involves further organic growth and growth through acquisitions. Sustaining and managing growth requires the Group to adapt continuously to meet the needs of the growing business and exposes the Group to a number of risks, such as its ability to successfully adapt its systems, including internal controls and procedures over financial reporting and increase production, through expansion and more efficient use of capacity at existing production sites.

1.2.7 NKT's operations may be adversely impacted by weather conditions and other circumstances beyond its control

The installation of NKT's HV and LMV power cables is dependent on weather conditions and longer periods of poor weather conditions can cause project delays, potentially subjecting NKT to claims or penalties. Poor weather conditions have in the past resulted in delays and overruns for NKT. For instance, in 2018, NKT experienced challenges with installation of MV power cables in its *Applications* business due to weather conditions in Sweden, which caused delay and extra costs for NKT. Further, there are risks naturally associated with the handling of HV power cables, which for example caused a fire in NKT's test centre in Karlskrona, Sweden in 2019 that resulted in delays and extra costs. See also risk factor in section 1.2.9 "*The Group is dependent on operative IT systems and may encounter disruptions in such systems or security breaches*".

Terminations, cancellations or delays of NKT projects and other orders may also result from factors that are wholly or partly beyond the control of NKT, such as the occurrence of unforeseen events or the existence of circumstances that were not taken into account during the project preparation phase, including interruptions of supplies from key suppliers. For example, two projects were delayed in the fourth quarter of 2018 due to an extraordinary low water level in the Rhine which made it impossible to transfer power cables by sea from NKT's facility in Cologne, Germany, and a sub-supplier accidentally caused damage to a cable during an installation job. NKT may sometimes negotiate with the customer to amend the related contractual provisions but may have to temporarily or permanently bear extra production or installation costs. See also risk factor in section 1.2.13 "*NKT could be subject to liabilities if its subcontractors or third parties with whom NKT partners cannot deliver their project contributions on time or at all*".

In its HV power cable business, NKT is dependent on the operationality of its factories in Karlskrona, Sweden and Cologne, Germany due to their very specified technical capabilities, which are expensive and difficult to replace. The operationality of NKT's cable laying vessel, NKT Victoria, which is especially designed to transport and lay submarine HV power cables over long distance and in deep waters, may especially suffer from adverse weather conditions, e.g. hurricanes, tornados and storms, which are outside NKT's control. In 2018, NKT experienced challenges with installation of MV power cables in its *Applications* business due to weather conditions in Sweden, which caused delay and extra costs.

NKT's business may also suffer from disruptions to its operations caused by, among others, breakdowns, failure or substandard performance of equipment, including NKT Victoria, labour disputes, natural disasters, pandemic disease and/or production stoppages.

Any material unanticipated or prolonged interruption of operations of such assets could reduce production and service capacities as well as affect NKT's ability to meet its obligations towards customers.

1.2.8 Failure to maintain utilisation levels may have an adverse effect on the Group's margins

A significant percentage of the Group's operating expenses, particularly employees and rent, are fixed in advance of any quarterly period and apart from a sufficient number and timing of projects. Full utilisation also requires seamless production and installation. As a result, unanticipated variations in the number and timing of the Group's projects (and the timing of payments under the Group's contracts) in the production process, including as a result of equipment breakdown, lack of quality or sufficiency of materials, logistics issues and utilisation rates may cause significant variations in the Group's operating results. Any material reduction in utilisation rates for the Group's professional staff or fluctuations in the on-site/offshore staffing mix that cannot be offset through lay-offs or reshuffling of employees, an unanticipated termination of a major project, a customer's decision not to pursue a new project or proceed to succeeding stages of a current project or the completion of several major customer projects during a quarter could result in underutilisation of the Group's employees.

1.2.9 The Group is dependent on operative IT systems and may encounter disruptions in such systems or security breaches

The Group is dependent on information technology ("**IT**") systems to operate its business, inter alia, to control the supply chain, perform customer service and manage production and labour resources. The Group's IT systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, catastrophic events, cyber-attacks and user errors.

The unavailability of, or failure to retain, well-trained employees capable of constantly servicing the Group's IT systems may lead to inefficiency or disruption of its IT systems, thereby adversely affecting its ability to operate efficiently. Further, the Group utilises third-party suppliers and service providers to supply and service some of its IT hardware and software and in this respect relies on these suppliers and service providers to deliver products and services on a timely basis. See also the risk factor in section 1.2.13 "*NKT could be subject to liabilities if its subcontractors or third parties with whom NKT partners cannot deliver their project contributions on time or at all*".

In the first quarter of 2019, NKT initiated the rollout of a uniform IT platform across its Scandinavian sites. As expected, the rollout process initially had a negative impact on financial performance, including a build-up in receivables in the *Applications* business. The IT platform is now operating largely as planned. NKT plans to roll-out the platform into the rest of Europe as well in 2021.

Any failure in overhauling or updating the Group's IT systems in a timely manner will cause its operations to be vulnerable and inefficient. Any disruptions in the Group's IT systems or a security breach may lead to disclosures of confidential or sensitive information and stolen digital assets, and may affect the Group's ability to plan, track, record and analyse work in progress and sales, process financial information, meet business objectives based on IT initiatives, manage its creditors and debtors, manage payables and inventory or otherwise conduct its normal business operations.

The Group is constantly faced with the threat of cybercrimes, such as attempts of hacking its IT systems. The Group's systems and procedures to counter such illegal actions may prove insufficient or incapable of protecting the integrity of the Group's systems and procedures. See also risk factor in section 1.2.14 "*The Group could fail to manage and protect its intellectual property rights or could violate third parties' rights*".

1.2.10 NKT is dependent on the availability and pricing of raw materials and relies within certain business areas on a limited number of key suppliers

NKT is dependent on the availability of raw materials for its operations, namely aluminium, copper, oil by-products (plastics), powders compounds and Tapes & HFFR and gas/oil in its production of power cables and operation of its factories. NKT relies on a limited number of key suppliers for the supply of these raw materials.

Failure to secure the supply of the raw materials required for NKT's operations in the necessary quantity, quality and on acceptable commercial conditions and within a timeframe needed for NKT to meet its obligations towards the customers could adversely affect the completion or cost of NKT's products and solutions. There can be no assurance that NKT's contractual remedies for breach of contract will be sufficient to compensate it for a loss caused by a supplier's failure to meet its contractual commitments. If a supplier were to fail to provide raw materials to NKT, it may be difficult for NKT to replace these relationships on commercially reasonable terms, or at all, and seeking alternate relationships could be time consuming and result in interruptions to the Group's business, including prolonged interruptions in the supply of the Group's products to affected markets. See also risk factor in section 1.2.13 "*NKT could be subject to liabilities if its subcontractors or third parties with whom NKT partners cannot deliver their project contributions on time or at all*".

The prices of copper and aluminium used in NKT's power cable business have historically been fluctuating. The Group generally hedges price developments in the raw materials most used in NKT, i.e. aluminium, copper and oil by-products, through hedging activities in financial instruments; however, such hedging may prove to be insufficient to mitigate price increases or the Group may choose not to hedge adverse developments in certain raw materials. While NKT has generally been able to pass on the cost increases to its customers within *Applications*, there can be no assurance that NKT will be able to continue doing so in the future.

1.2.11 The Group is subject to credit risks on its customers

The nature of NKT's contracts and to a certain extent NKT Photonics' large laser contracts sometimes require the Group to commit resources to a project prior to receiving advance, milestone, progress or other payments from customers in amounts sufficient to cover expenditures on the project as they are incurred. See risk factors in section 1.1.4 "*The Group's business, and in particular NKT Photonics, is negatively affected by the COVID-19 pandemic and may continue to be so in the future or may be negatively affected by other public health crises*", section 1.3.2 "*The Group has significant debt, is dependent on continued access to financing facilities, including bond and guarantee facilities, and is subject to certain covenants and other restrictions*" and section 1.3.3 "*The Group depends on third-party financiers to issue Guarantees to NKT's customers, which are a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders*". If a customer defaults in making its payments on a project to which the Group has devoted significant resources or if a project in which it has invested significant resources is delayed, cancelled or does not proceed to completion, it could have a material adverse effect on the Group's net turnover, working capital and profitability.

The Group usually obtains payment guarantees to mitigate credit risks, however, such guarantees may be subject to certain exemptions or only provide for the payment up to a certain amount. Timely collection of customer receivables also depends on the Group's ability to complete its contractual commitments and bill and collect its contracted net turnover.

1.2.12 NKT's work with public and semi-public sector customers exposes it to additional risks inherent in the public and semi-public sector contracting environment

NKT works with public and semi-public sector entities, e.g. in Denmark, UK and Germany, which include central, provincial, state and local governmental entities. Public and semi-public sector projects are generally subject to public procurement rules which require power cable companies such as NKT to participate in often lengthy and time-consuming tender processes. Projects involving public and semi-public sector customers carry various risks inherent to the contracting process. These risks include the following: (i) terms and conditions of public and semi-public sector contracts tend to be more onerous for NKT than commercial contracts in the private sector and may include, for example, more punitive service level penalties and less advantageous limitations on NKT's liability; (ii) public and semi-public sector contracts are to a large extent fixed fee contracts which bear a higher risk of inaccurate scoping and miscalculated pricing (see risk factor in section 1.2.1 "*NKT 's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could result in a number of adverse consequences for NKT*"); (iii) certain contracts contain a right for the customer to claim restitution in the event of material unremedied breach of the contract; (iv) terms and conditions of public and semi-public sector contracts usually have limited or no room for negotiation with a risk of rejection from the tender if NKT includes reservations that are deemed material; and (v) public and semi-public sector contracts are often subject to more publicity than other contracts.

EU public procurement rules governing the process of tenders and re-tenders in the utility sector, and procurement rules in other jurisdictions in which NKT may in the future make bids on tenders may provide, for statutory complaint periods during which competing tenderers who lost a tender may challenge the offeror's decision to award a contract to the bidder who won the tender.

Such challenges may be based on various grounds, mainly pertaining to the customer's failure to ensure that the tender procedure complied with both the principles of equal treatment and transparency, such as the claim of the competing tenderer that it was not granted a fair chance of obtaining the contract. Such challenges may delay NKT's provision of its solutions under the contract.

1.2.13 NKT could be subject to liabilities if its subcontractors or third parties with whom NKT partners cannot deliver their project contributions on time or at all

NKT's ability to serve its customers and deliver and install its power cable solutions in a timely manner is dependent on the ability of its subcontractors and other third parties it utilises across its business to deliver their products and services in a timely manner and in accordance with project requirements as well as its ability to effectively oversee the performance of such sub-contractors.

NKT is responsible to its customers for the timely and competent performance of its subcontractors, and is not always able to enter into back-to-back contracts with its major subcontractors to pass on its risks of liability to the customers which may result from the failure by its subcontractors perform such obligations. Where NKT does not enter such agreements, these may not eliminate NKT's liability risks. For example, a subcontractor’s potential liability for damages or penalties may be capped or otherwise limited at a lower level than NKT's own caps and limits with its customers, and hence NKT may not be able to recover its losses from a subcontractor (including as a result of the bankruptcy of a subcontractor) and/or its back-to-back contracts may not be interpreted in a manner favourable to NKT.

1.2.14 The Group could fail to manage and protect its intellectual property rights or could violate third parties' rights

The development of technologies and protection of intellectual property rights related to such technologies are important for the Group's competitiveness and business, both within NKT and NKT Photonics. The Group primarily relies upon a combination of patents and trade secrets to protect its intellectual property rights and continuously files for patents in strategic market segments. The strength of the Group's patents involves complex legal and technical questions and analyses which are subject to uncertainty. The protection of the Group's products and solutions from unauthorised use by third parties is dependent upon these being covered or protected by valid and enforceable patents and trade secrets, and there can be no assurance that the Group will be successful in adequately protecting its intellectual property rights in all situations. Indeed, even if it is documented that a third party has infringed the Group's intellectual property rights, it may be difficult, excessively costly or indeed impossible for the Group to enforce its rights or recoup any losses incurred. Additionally, any enforcement actions in themselves may be both time consuming and costly. Similarly, third parties may challenge the validity of the patents already granted to the Group. If the Group does not own the intellectual property rights in the countries or markets in which it operates, its competitors could develop and use similar technologies and products, thereby adversely affecting the competitiveness of the Group's offerings.

The risk of infringing on patents and other intellectual property rights of third parties becomes more acute going forward, given the continued increase of technologies used in power cables and lasers. There is no guarantee that the technologies currently used or under development by the Group will not be subject to claims for alleged infringement of patents or other intellectual property rights by third parties. Claims by third parties that the Group's products infringe their patents or other intellectual property rights, regardless of their merit, could require the Group to incur substantial costs and losses and divert management's attention to defend the Group against such claims. See also risk factor in section 1.2.3 “*The Group's competitiveness is dependent on its ability to adapt, expand and develop it products, services and solutions in response to changes in technology or customer demand*”.

In addition to the protection afforded by patents, the Group relies on trade secrets and confidentiality agreements to protect technical specifications and other proprietary know-how. The Group contractually requires employees engaged in R&D activities to assign inventions made in the course of their relationship with the Group. In addition, the Group’s policies require that all employees, consultants, advisors and any third party who has access to the Group’s proprietary know-how and information enter into confidentiality agreements that prevent the party from disclosing any confidential information developed by the party or made known to the party during the course of the party’s relationship with the Group. The Group cannot provide any assurances that such agreements provide adequate protection or will not be breached, or that its trade secrets and confidential information will not otherwise be disclosed. If the Group is unable to prevent material disclosure of its confidential information and trade secrets, then the Group may not be able to establish or maintain a competitive advantage in its market.

1.2.15 The Group is dependent on its management team as well as key employees

The Group’s business and the implementation of its strategy is dependent upon its ability to attract and retain highly qualified and talented individuals to management positions and to other positions in key business areas, who oversee the Group's day-to-day operations, strategy and growth of its business. NKT and NKT Photonics specifically rely on highly specialised engineers to develop their products and solutions as well as electricians, machine operators and other blue-collar employees for the development and installation of NKT's power cables and manufacture of NKT Photonics' lasers. High-skilled engineers and other groups of employees are limited in the Group's markets, and the Group competes with many others to attract the qualified candidates in sufficient numbers.

The loss of one or several key employees, without a properly executed transition plan, could have an adverse effect on the Group's business. The simultaneous loss of key employees who have intimate knowledge of the Group’s core processes could lead to increased competition to the extent that those employees are hired by competitors and are able to recreate the Group's processes. The Group may also be required to increase its levels of employee compensation more rapidly than in the past to remain competitive in attracting employees that its business requires.

1.2.16 The Group faces health, safety and environmental risks

As an industrial enterprise, the Group incurs significant costs and expenditures to comply with the laws and regulations in the EU and other countries where it has production facilities, including health, safety and environmental laws and regulations. If such costs cannot be fully recouped through sales to customers, or if such laws and regulations force the Group to stop production for longer or shorter periods of time, this could have a material adverse effect on the Group’s business, financial conditions and results of operations. Violation of such laws and regulations may subject the Group to fines or other sanctions.

Both the Group's operations in its production facilities and NKT's activities within installation of power cables may result in occupational injuries. NKT had 23 physical injuries during the year ended 31 December 2019, and as of 30 September 2020, NKT has had 11 physical injuries and as of the Prospectus Date NKT Photonics has had one physical injury during the year 2020, which the Company believes is on par with the general level of injuries in the industry. Although a substantial part of the Group’s production is automated and the Group takes measures to ensure the safety and health of its employees, and although the Group has taken out industrial injury insurance, it may be subject to liability concerning industrial injury claims in the future.

Moreover, the Group is subject to local and foreign environmental laws and regulations. These laws and regulations impose increasingly strict environmental standards, particularly concerning emissions to air, water and land, wastewater disposal, the emission, use and handling of toxic waste and materials, waste disposal methods and site clean ups, and the failure to comply with such laws could subject the Group to material claims. Pursuant to certain environmental laws, the Group could be held jointly and severally responsible for the remediation of any hazardous substance contamination at its facilities and at third-party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. Such incidents may also lead to a need for initiating remedial environmental measures or to suspension or shut down of operations.

1.2.17 A considerable portion of NKT's revenue in the *Applications* business line depends on a limited number of customers

In a few markets, namely the Swedish, Danish, Dutch, Icelandic, Czech and the UK markets, a limited number of customers in NKT's *Applications* business line contribute a significant portion of NKT's revenue. Thus, the Group has derived between 25-30 percent of its revenue within *Applications* since 1 January 2018 from its five largest customers, with whom NKT has long-standing customer relationships and enters into framework agreements with an average lifetime of two years, subject to renewals. As a result of this concentration, NKT's earnings and result of operations within *Applications* are significantly affected by these customers' demand for NKT's products and services.

1.2.18 Defects in NKT Photonics' products may give rise to product liability claims

NKT Photonics' products expose it to product liability risks or allegations that such products could cause harm to persons and property, with potential civil and criminal liabilities to customers and third parties. There can be no assurance that NKT Photonics has in the past and will in the future be able to manufacture its products in accordance with applicable technical standards, and system and quality control measures in place may fail to discover all faults or defects in the products. Faults and defects in NKT Photonics' products may also be caused by faults and defects in products and materials purchased from its third-party suppliers, which may be undetectable or otherwise outside NKT Photonics' control. The warranties provided by such third-party suppliers to NKT Photonics may be less extensive than the warranties provided by NKT Photonics to its customers and NKT Photonics may not be able to recover the full or part of the loss caused by the third-party supplier due to warranty claim by a customer.

Any judgement against NKT Photonics or allegations that NKT Photonics' products cause harm to persons and property could result in a loss of reputation and marketability for NKT Photonics. Moreover, litigation would be time-consuming for NKT Photonics' management and could lead to significant costs and losses. See also risk factor in section 1.2.23 “*The Group is subject to litigation in the ordinary course of its business*”.

Product liability insurance in respect of NKT Photonics' products may not continue to be available on reasonable commercial terms or prove to be inadequate. If sufficient insurance coverage is not obtained covering, for instance, product liability, or if any future litigation or investigation exceeds the insurance coverage, the Group could be subject to significant liabilities. See also risk factor in section 1.2.19 “*The Group's insurance policies provide limited coverage, potentially leaving it uninsured against some risks*”.

1.2.19 The Group's insurance policies provide limited coverage, potentially leaving it uninsured against some risks

The Group maintains insurance policies relating to certain risks affecting its business, including general "all-risk" insurance, product liability insurance, directors’ and officers’ liability insurance, project insurance and credit insurance. See also risk factors in section 1.2.1 “*NKT 's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could result in a number of adverse consequences for NKT*”, section 1.2.7 “*The Group's operations may be adversely impacted by weather conditions and other circumstances beyond the Group's control*“, section 1.2.10 “*NKT is dependent on the availability of raw materials and relies within certain business areas on a limited number of key suppliers*” and section 1.2.16 “*The Group faces health, safety and environmental risks*”. There can be no assurance that the Group's insurance policies will cover, partially or fully, the consequences of a loss event, and the premiums or costs of the Group's insurance policies may increase as a result of loss events covered under its insurance policies or for other reasons. Further, there may be extended periods of uncertainty as to payment, or delays in receiving payment, for a loss event under the Group's insurance policies and such delay in payment could compound such losses and materially affect the Group's results of operations and financial position. In the future, the Group may not be able to continue or obtain insurance coverage at relevant levels, or at all, and premiums may increase significantly on the coverage that is maintained, including due to insurance events occurring increasing the premiums.

1.2.20 The Group is subject to risks associated with its international operations and various laws and regulations and non-compliance may result in fines, reputational damage and restrict it from carrying on its business

The Group currently has local management teams in 18 countries, and for the financial year ended 31 December 2019, 96 percent of total revenue was generated outside Denmark. The Group’s business is therefore subject to various risks, many of which are magnified by its presence in many jurisdictions and the effects of which may, as a result of such presence, be more pronounced, including multiple national and local regulatory and compliance requirements from different labour, health, safety and environment, anti-corruption and other regulatory regimes; potential adverse tax consequences (including related to transfer pricing); antitrust regulations; corporate (including, e.g. rules requiring local ownership or employee ownership); an inability to enforce legal rights in certain jurisdictions; geopolitical and social conditions in certain sectors of relevant markets; and local rules and regulations favouring established players in new markets to the disadvantage of the Group.

Operating internationally entails inherent risks associated with judicial enforcement of contractual and other rights and obligations, fraud, bribery and corruption. Governments in industrialised countries have increasingly introduced comprehensive legislation to combat unsound business practices, often referred to as anti-corruption or anti-bribery laws and regulations. Despite the Group’s ethical standards and control and compliance procedures aimed at preventing and detecting unlawful conduct, including its anti-corruption policy included in its internal Code of Conduct, the Group may not be able to detect all improper or unlawful conduct by its employees, suppliers, dealers, agents or customers given the breadth and scope of its international operations. As a result, the Group to incur criminal sanctions (e.g. in the form of fines, which may be significant), compliance costs and cause reputational damage or loss or contracts and business opportunities.

The Group is subject to data protection laws, privacy requirements and other regulatory restrictions in the various jurisdictions in which it operates. During the course of its business, the Group comes in the possession of sensitive personal data. The Group's failure to keep apprised of, and comply with, privacy, data use and security laws, standards and regulations, including, for instance, unauthorised disclosure of, or access to, data, could result in civil or criminal penalties.

Any perceived or actual failure to comply with applicable laws and regulations could adversely affect revenue, reduce the Group's ability to attract and retain customers, result in warning letters, litigation, injunctions or other actions being brought against the Group or cause the imposition of fines or civil penalties, the refusal of regulatory authorities to grant approvals, delays, suspensions or withdrawal of approvals, licence revocation, seizures or recalls of products, operating restrictions, etc. Amendments to laws and regulations applicable to the Group or the introduction of new laws and regulations could increase compliance costs, mandate significant and costly changes to the way the Group produces and installs its products and structures its contracts, require additional certifications and threaten its ability to continue to serve certain markets and certain customers.

1.2.21 NKT faces risks in respect of competition laws and regulations

In the last decade, local competitive authorities have shown increasing attention to commercial activities by power cable market players. The geographical distribution of employees, the lack of knowledge at times of applicable regulations as well as market dynamics make it difficult to monitor anti-competitive conduct by third parties like suppliers and competitors, exposing NKT to the risk of incurring economic sanctions with extremely high negative repercussions for the Group's reputation. NKT is from time to time party to various disputes and litigations and enquiries from public authorities related to competition laws and regulations. For instance, on 2 April 2014, NKT received a fine of EUR 3.9 million following the investigation conducted by the European Commission into alleged price-fixing activities with regard to HV power cable projects delivered several years earlier. While the European Commission assessed that NKT’s role had been substantially limited and the fine was considerably smaller than those imposed on other power cable manufacturers, NKT disagreed with the Commission’s decision and therefore filed an appeal. On 14 May 2020, the European Court of Justice ruled partly in favour of NKT, resulting in a EUR 0.2 million lower fine and a narrower scope of NKT infringement. Although the Company is satisfied with the decision from the European Court of Justice, the Company assesses that the ruling does not take all heads of claims into account, which is why an application according to the Rules of Procedure of the European Court of Justice has been filed with the Court.

In the UK claims derived from the EU case, Scottish Power, National Grid and Vattenfall, respectively, launched civil damages proceedings against NKT along with a number of others power cable suppliers, as co-defendants. The National Grid case and the Vattenfall case were both settled at a satisfactory level in September 2020 and October 2020, respectively. As a consequence of the European Court of Justice ruling, NKT and other power cable producers are exposed to additional claims for damages in proceedings brought by customers or other third parties. See also risk factor in section 1.2.12 “*NKT's work with public and semi-public sector customers exposes it to additional risks inherent in the public and semi-public sector contracting environment*”.

1.2.22 The Group is subject to risk in respect of changes in Danish or foreign direct or indirect tax laws or compliance requirements, or the practical interpretation and administration thereof

The Group is subject to various Danish and foreign taxes, such as corporate income tax, withholding tax, customs duty, excise tax, value added tax and other taxes. Local tax rules and interpretations of tax rules in different jurisdictions change from time to time, and any changes may be implemented with retroactive effect. A change in tax rules or interpretation of tax rules in one or more jurisdictions could increase the Group's tax liabilities and/or subject the Group to claims for breach of such regulations, including for late or incorrect filings or for misinterpretation of rules.

From time to time, the Group has been subject to various tax-related investigations as well as audits by various local tax authorities. Due to the internal scale of its operations, the Group earns a considerable part of its income from operations outside of Denmark, and the Group also engages in a significant number of intra-group transactions between legal entities in different jurisdictions. Significant judgement is required in determining the Group's provision for direct and indirect taxes, and there are many transactions and calculations where the ultimate direct and indirect tax determination is uncertain. Governmental authorities could question the Group's tax policies and judgements and seek to impose additional or increased taxes or penalties on the Group, and the final determination of tax audits and any related litigation could be materially different from the Group's historical direct and indirect tax provisions and accruals.

1.2.23 The Group is subject to litigation in the ordinary course of its business

The Group may be subject to claims, lawsuits (including class actions and individual lawsuits), government investigations and other proceedings involving competition, intellectual property, labour and employment, environmental, securities, tax, marketing, commercial disputes and other matters. An unfavourable outcome of any litigation or arbitration matter could require the Group to pay substantial damages. Whether or not the Group will ultimately prevail in future litigation matters, litigation and arbitration are costly and can divert management's attention from its business. See also risk factors in section 1.2.20 "*The Group is subject to risks associated with its international operations and various laws and regulations and non-compliance may result in fines, reputational damage and restrict it from carrying on its business*", section 1.2.21 "*NKT faces risks in respect of competition laws and regulations*" and section 1.2.22 "*The Group is subject to risk in respect of changes in Danish or foreign direct or indirect tax laws or compliance requirements, or the practical interpretation and administration thereof*".

1.2.24 The Group is subject to reputational risks

Being a producer of high-quality products and solutions in the industries where the Group operates, the Group faces above the average reputational risks associated with its business and brands. Incidents that may be harmful to the Group's reputation in the market or among investors are numerous, including unethical or unlawful behaviour by any members or employees of the Group, its suppliers, partners or customers. Given the Group's profile as a quality supplier, it is vulnerable to incidents that adversely influence the perceived value of its products and solutions, such as systematic defects in the products or inability to deliver products on time.

1.2.25 The Group's risk management policies may not be adequate

The Group has implemented policies with the aim of managing the general and specific risks associated with the Group's activities and operations, as well as financial reporting. The Group may not have identified all risks that it faces, and its risk management policies may not be adequate to manage all identified or unidentified risks. Any of the above or failure to implement or adhere to the policies could have a material adverse effect on the Group's business, financial conditions and results of operations.

1.3 Risks relating to financial matters

1.3.1 The Company seeks to strengthen its capital base, to invest in its production capabilities to execute on the HV order backlog and prepare for the upcoming market pipeline and in order to be safeguarded against uncertainties caused by the COVID-19 pandemic

The Group has incurred, and may in the future incur, significant amounts of debt. As of 30 September 2020, the Group had net interest-bearing debt, including lease liabilities of EUR 194.2 million (30 September 2019 EUR 349.9 million) and a leverage ratio (calculated as net debt divided by Operational EBITDA (non-IFRS)) of 3.6x (30 September 2019, 16.7x), which exceeds the Group's target leverage ratio of up to 1.0x.

In connection with the launch of its directed issue and private placement on 13 May 2020, the Company announced its intention to strengthen its capital base. Such strengthening of the Company's capital base was considered required and continues to be considered required, inter alia, to strengthen the Group's financial foundation needed in order to execute on the HV order backlog and positive market outlook with growing project complexity and magnitude of HV power cable orders and is also considered prudent in order to be prepared for uncertainties caused by the COVID-19 pandemic. The private placement completed in May 2020, which generated gross proceeds of approximately DKK 683 million, constituted the first step of executing the capital plan and the Offering, which if completed successfully will generate gross proceeds of approximately DKK 1,311 million, constitutes the second step thereof. Assuming successful completion of the Offering, the Company does not expect to issue any convertible instruments in the foreseeable future, see company announcement of 13 May 2020.

For further explanation on the Company's need to strengthen the capital base, see risk factor in section 1.3.3 "*The Group depends on third-party financiers to issue Guarantees to NKT's customers, which is a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders*" for a discussion of NKT's need to establish a framework for the issuance of performance bonds, advance payment guarantees, warranty guarantees etc. towards its customers (the "**Guarantees**"), in particular in connection with HV power cable projects, risk factor in section 1.1.4 "*The Group's business, and in particular NKT Photonics, is affected by the COVID-19 pandemic and may continue to be so in the future or may be affected by other epidemic, pandemics or public health crisis*", section 9.2 "*Significant change in the financial performance*" and section 10.3.1 "*General economic conditions, including the COVID-19 pandemic*" for a discussion of the impact on the Group of the COVID-19 pandemics, section 8.3.7 "*Manufacturing and installation*" and section 8.7 "*Investments*" for a discussion of certain investments in NKT's facilities in Cologne and Karlskrona.

There can be no assurance that the aforementioned private placement together with the Offering, if successfully completed, will be sufficient to establish a capital base of the Company that is prudent and necessary to execute the Group's strategy and win and execute on tenders and other orders in the markets where NKT competes. As of the date of this Prospectus and assuming subscription to all of the New Shares in the Offering, the Board of Directors is only authorised to issue an insignificant number of new Shares (with or without pre-emptive rights for the Existing Shareholders) or convertible instruments. Thus, if the Company needs to further strengthen its capital base in the future by issuance of new shares, it will be dependent on the shareholders of the Company granting the Board of Directors the necessary authorisations. Alternatively, any future need to strengthen the Company's capital base could force the Company to dispose of assets, including NKT Photonics, on terms that may not match what would have been achievable at other times or under different circumstances. See risk factor in section 1.2.4 "*There can be no assurance of the outcome of the strategic review of NKT Photonics, including the timing thereof*" for a discussion of the potential outcome of the strategic review of NKT Photonics and the risks associated therewith.

Failure to secure a prudent capital base could have a material adverse effect on the Group's business, financial conditions and results of operations and may force the Company to abstain from pursuing opportunities in the markets where it operates.

1.3.2 The Group has significant debt, is dependent on continued access to financing facilities, including guarantee facilities, and is subject to certain covenants and other restrictions

The Group relies on external financiers to finance its operations and capital expenditures and to provide Guarantees to its customers. As such, the Group is subject to various risks and restrictions associated with relying on third-party financiers, including the ones described below, as well as more generally the risk of financiers terminating (for cause or otherwise) or refusing to renew existing facilities or the risk of the Group being unable to obtain new external financing, including refinancing of existing facilities, on sufficiently attractive terms or at all.

For a discussion of the restrictions and principal covenants applicable to the Group's Facilities Agreement and the Guarantee Facility Agreement, see section 19 "*Material contracts*".

Leverage ratio and other financial covenants
The Company (and other Group companies) have entered into a facilities agreement (the "**Facilities Agreement**") with Danske Bank, Nordea and Nykredit Bank. There are covenants in the Facilities Agreement that require the Group to maintain a certain minimum EBITDA (non-IFRS) for 2020 and a certain leverage ratio from 2021 and onwards. In addition, the Group is required to maintain a certain equity ratio. The financial covenants will limit the Group's ability to incur indebtedness above a certain level. The Group's degree of leverage could affect its ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Being largely a project-driven business, the Group's leverage ratio is very much dependent on the timing of payments and pricing of orders in the backlog. Delays in prepayments, e.g. milestone payments for NKT's power cable projects or reduced margins on projects compared to budget, will affect the Group's level of debt negatively. The Group may now or in the future have a greater degree of leverage than its regional or international peers, or both, which may adversely affect NKT's ability to compete for power cable tenders. The Group's degree of leverage could also make it more vulnerable to a downturn in business or the economy generally. The Group could default on its debt service obligations, or, if it becomes more leveraged in the future, the resulting increase in debt service requirements could cause it to default on its obligations. Moreover, any changes that increase the Group's leverage could be viewed negatively by investors and cause a decline in the price of the Shares. If the Group fails to comply

with the financial covenants, it would constitute an event of default and would entitle the lenders to terminate the Facilities Agreements, demand additional payments from the Group and/or impose further restrictions and obligations on the Group in order to waive their rights towards the Group.

Restrictions and Events of defaults
The Group’s Facilities Agreement, the Guarantee Facility Agreement (as defined below) and the Group's other guarantee arrangements in place each contains, and any future financing arrangements may contain, restrictive covenants, performance covenants, change of control provisions and event of default clauses, including cross default provisions, which could affect its operational and financial flexibility. Such restrictions could affect, and in many respects limit or prohibit, among other things, the Group’s ability to pay dividends, incur additional indebtedness, create liens, sell assets or engage in mergers or acquisitions. These restrictions could further limit the Group’s ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities.

If the Group's future cash flows from operations and other capital resources are insufficient to repay its financial obligations as they mature, to fund the Group's financial liquidity needs or to meet the financial covenants under its financial facilities, the Group may be forced to reduce the scope of its business activities, transfer or sell assets or ownership shares in assets, seek to obtain additional debt or equity capital or restructure or refinance all or a portion of its debt on or before maturity. If the Group defaults on the payments required under certain elements or its indebtedness or the Group fails to abide by the terms thereof, then such indebtedness, together with the debt incurred pursuant to debt agreements or instruments, may become payable upon demand, and the Group may not have sufficient funds to repay all of its indebtedness and lenders may enforce any pledges or security and lack of funds may result in the bankruptcy of the Group. The Group's cable laying vessel, NKT Victoria, and the shares of NKT Photonics are pledged as security under the Group's Facilities Agreement (and secondarily as security under the Guarantee Facility Agreement) and the Group has provided a cash collateral to the Guarantee Providers (as defined below) under the Guarantee Facility Agreement, see risk factor in section 1.3.3 “*The Group depends on third-party financiers to issue guarantees to NKT's customers, which are a pre-requisite for participating in tenders for cable orders, in particular large HV power cable orders*” below.

Termination rights
Certain of the Group's guarantee facilities, including under a guarantee facility agreement of up to EUR 500 million comprising a primary EUR 300 million facility (“**Facility A**") and a secondary EUR 200 million facility (“**Facility B**") (the “**Guarantee Facility Agreement**") entered into between the Company (and other Group companies) and Danske Bank, Nordea and Nykredit Bank (the “**Guarantee Providers**"), are uncommitted and may be terminated by the guarantee providers without cause (i.e. irrespective of whether an event of default has occurred). The termination rights allow the guarantee providers to demand additional payments from the Group and/or impose further restrictions and obligations on the Group in order to maintain the guarantee facilities. If the guarantee providers terminate such guarantee facilities, the Group will be obliged to provide cash collateral for all outstanding guarantees and the Group may not have sufficient funds to provide such cash collateral, which may lead to enforcement by the guarantee providers of pledges and security and could ultimately result in the bankruptcy of the Group. See also risk factor in section 1.3.3 “*The Group depends on third-party financiers to issue Guarantees to NKT's customers, which are a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders*”.

Ability to raise new financing or refinance existing debts
The Group may be required to raise new financing or refinance parts of or all of its outstanding debt in the future, including in order to meet demands as its business continues to grow. The Group’s ability to successfully raise new financing or to refinance its existing debt is dependent on a number of factors, including the conditions of the financial markets in general, the Group’s creditworthiness and credit rating, and its capacity to assume more debt at such time. As a result, the Group’s access to financing sources at a particular time may not be available on favourable terms, or at all. Indeed, any refinancing of the Group's debt could be at higher interest rates and may require it to comply with more onerous covenants, which could further restrict its business operations. The terms of existing or future debt instruments may restrict the Group from adopting some of these alternatives. Disruptions and uncertainties on the capital and credit markets may also restrict access to the capital required to conduct the Group’s business. See also risk factor in section 1.1.4 “*The Group's business, and in particular NKT Photonics, is negatively affected by the COVID-19 pandemic and may continue to be so in the future or may be negatively affected by other public health crises*“.

Guarantees

See risk factor in section 1.3.3 "*The Group depends on third-party financiers to issue guarantees to NKT's customers, which are a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders*" for a discussion of the Group's need for Guarantees issued by the Guarantee Providers or other financial providers and certain terms and conditions of the existing Guarantee Facility Agreement.

Coupon step-up

In September 2018, the Company issued bonds of EUR 150 million, which are subordinated to other creditors (hybrid capital). The hybrid security bears a coupon of 5.375 percent until the first call date on 12 September 2022 after which the coupon resets to the four-year EUR swap rate prevailing at that time plus 10.225 percent. Coupon payments may, at the discretion of the Company, be deferred and ultimately any deferred coupons outstanding in 3018 will be cancelled. However, deferred coupon payments become payable if the Company decides to pay dividends to Shareholders and accordingly, the Company's ability to pay dividends will be impacted by such coupon payments.

1.3.3 The Group depends on third-party financiers to issue Guarantees to NKT's customers, which are a pre-requisite for participating in tenders for power cable orders, in particular large HV power cable orders

When tendering for power cable orders, in particular large HV power cable orders such as the German Corridor Projects, the customers focus, in addition to *inter alia* NKT's technical offering, quality, capacity and price, on the tenderer's financial ability to fulfil its obligations under the contract. For this purpose, the customers as part of the tender material request NKT to provide Guarantees, normally calculated as a fixed percentage of the contract price and which may be of considerable size. Accordingly, it is critical that the Group has in place a relevant guarantee framework under which such Guarantees can be issued. The ability to enter into and maintain guarantee arrangements depends, among other things, on the Group's capital ratios and results.

The Group relies on a number of third-party financiers to provide such Guarantees, including the Guarantee Providers under the Guarantee Facility Agreement.

For the Guarantee Providers to issue Guarantees under Facility B of the Guarantee Facility Agreement, it is, among others, a condition that the Company provides the Guarantee Provider(s) with a cash collateral for 100 percent of the amount guaranteed pursuant to the individual Guarantee. As of 30 September 2020, the Company had provided the Guarantee Providers with a total cash deposit of EUR 125.7 million, pursuant to the terms of a former guarantee facility agreement between the Company and the Guarantee Providers, which amount was released on 13 November 2020 following the entering into of the Guarantee Facility Agreement. The Company's fulfilment of its obligations under the Guarantee Facility Agreement means that any deposited cash will not be available to finance the Group's other operations, including investments, which will restrict the Group's financial flexibility and implies a risk that the Group defaults on its other obligations or have to abstain from participating in future tenders or other opportunities.

The Guarantee facilities available to the Group, including Guarantees issued under the Guarantee Facility Agreement, are uncommitted and may be terminated by the guarantee provider on short notice, including if the Group fails to fulfil any demands for cash collaterals, or the guarantee provider may otherwise refuse to issue Guarantees on behalf of the Group. Such termination or default may cause the termination of other contracts, including the Facilities Agreement due to agreed cross-default or similar provisions and if the Group is not readily able to replace such Guarantees, may lead to default under contracts with customers. The Company seeks to strengthen its capital base in order to ensure that it will continue to be able to obtain Guarantees necessary for NKT to bid in future tenders. However, and irrespective of such intended strengthening of the Company's capital base, there can be no assurance that the Group will be able to establish or maintain the guarantee facilities needed in order for NKT to bid for power cable market tenders at all or on terms that the Company considers acceptable. In addition, the Company would need to provide cash collateral for the guarantees already issued in connection with a termination by any provider of Guarantees.

1.3.4 The calculation of NKT's HV power cable order backlog is based on certain assumptions and estimates, and estimated net turnover may not be realised in full

NKT's estimates of future net turnover, and to a lesser extent, future operating profit margins, are to a significant degree dependent on its current HV power cable order backlog. As such, the HV power cable order backlog is an essential parameter in assessing the commercial and financial position of NKT at any point in time. However, the HV power cable order backlog as of any date is not necessarily a complete predictor of future net turnover or results of operations as projects included in the HV power cable order backlog may be subject to cancellation, revision or delay.

The calculation of NKT's HV power cable order backlog is made subject to certain assumptions and estimates. For example, NKT estimates its expected billings under time-and-materials contracts for the applicable year and assumes the achievement of milestones on a timely basis when calculating the HV power cable order backlog. There is a risk that NKT under-prices its projects, fails to accurately estimate the costs of or time required for performing the work or fails to accurately assess the risks associated with fulfilling contracts. Additionally, turnover time from HV order backlog to net turnover varies significantly from project to project included in the HV power cable order backlog both in terms of contractual terms, e.g. milestone payments, and the duration of the project. Furthermore, some of NKT's customers could experience liquidity or other issues, which could ultimately lead to a customer seeking to postpone an order or repudiate, cancel or renegotiate a contract or going into bankruptcy, any of which could have a material adverse effect on the Group's financial conditions and results of operations. See also risk factors in section 1.2.1 "*NKT 's failure in delivering complex, customised and/or large projects in accordance with the terms of the contracts could result in a number of adverse consequences for NKT*", section 1.2.7 "*The Group's operations may be adversely impacted by weather conditions and other circumstances beyond the Group's control*" and section 1.2.10 "*NKT is dependent on the availability of raw materials, and relies within certain business areas on a limited number of key suppliers*".

1.3.5 The Group is exposed to fluctuations in foreign currency exchange rates and interest rates

The Group operates internationally and is therefore exposed to exchange rate risk in respect of the various currencies in which it operates (being principally EUR, British pound, Swedish krona and Czech krona; however, the Group also has exposure to, *inter alia*, the U.S. dollar, Norwegian krona and Polish Zloty). The Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency applied by the respective Group company. A significant portion of the Group's raw material purchases, in particular aluminium, copper and PVC Compound, are priced by reference to benchmarks quoted in U.S. dollars. The Group seeks to hedge such currency risks based on an assessment of the likelihood of completion of the future transaction and whether the associated currency risk is significant, and these assessments require assumptions and estimates that may prove to be incorrect. According to the Group's policy, its consolidated actual and forecasted exposure in the form of future revenues, costs, cash and debt in each of USD, British pounds, Swedish krona, Norwegian krona, Polish Zloty and Czech krona must be below EUR 5 million, resulting generally in a hedge level of 90 percent of currency fluctuations. The Company publishes its consolidated financial statements in EUR. There is a risk that fluctuations in the exchange rates used to translate financial statements of subsidiaries, which were originally calculated in a foreign currency, in preparing consolidated financial statements of the Group could adversely affect the Group's financial conditions and results of operations.

Changes in the value of EUR against other currencies will affect the Group's reported operating revenue and expenses and the value of balance sheet items originally denominated in other currencies. This can affect the Group's results as its operating revenue in any one currency is not matched by expenses in the same currency.

The Group's exposure to interest rates mainly relates to its long-term financial liabilities, which bear variable rates. Variable rate debt exposes the Group to interest rate volatility risk (cash flow risk) and thus changes in interest rates affect both the market value of the Group's financial assets and liabilities and its net finance costs. While the Group seeks to hedge its exposure to adverse developments in interest rates in the form of interest rates caps arrangements, the amount of such caps may prove to be insufficient to cover losses caused by adverse developments in interest rates.

1.3.6 **The Group's long-lived assets, including intangible assets, constitute a significant portion of its total assets and are subject to impairment and amortisation**

The Group's assets include substantial long-lived assets, such as factories, equipment and the cable-laying vessel, and intangible assets, primarily goodwill. As of 30 September 2020, the Group's assets totalled EUR 2,019.1 million. The Group assesses annually whether there has been an impairment in the value of its long-lived assets and goodwill, or when certain events occur that require a more current valuation.

In the impairment test of goodwill and long-lived assets, the Group makes various estimates to determine whether such assets will be able to generate sufficient positive net cash flow in the future to support their respective carrying values. Should any event, such as significant negative industry or economic trends, disruptions to the Group's business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalisation declines, cause the Group to conclude that impairment exists, it would be required to record a non-cash impairment on its income statement and to write down the value of the affected assets.

1.3.7 **The Group is exposed to risks in connection with its pension commitments**

The Group provides pension plans to its employees in the countries in which it is market practice to do so. Most of the Group's pension plans are defined contribution plans. However, the Group provides defined benefit pension plans in certain countries, primarily in Germany. As of 30 September 2020, the Group's defined benefit pension obligations, net, amounted to EUR 55.6 million. In some countries, the Group's defined benefit pension plans are unfunded and accrued in accordance with local legislation. The funded defined benefit pension plans are funded by payments from Group companies and by payments by employees to plans independent of the Group. If actual returns on the pension plan assets are less than actuarial assumptions regarding the expected rate of return, it could result in a coverage shortfall for these pension obligations, resulting in a significant increase in the Group’s net pension payments. Any such increase in the Group’s net pension payments could adversely affect the Group’s financial conditions and results of operations due to an increased additional outflow of funds to finance the pension obligations. The Group is also exposed to the risk that actual results could differ from actuarial assumptions in areas such as mortality of plan participants, which could increase the Group’s liabilities under these pension plans.

1.3.8 **The Group's prospective financial information, ambitions and targets included in this Prospectus may differ materially from its actual results and investors should not place undue reliance on it**

The financial projections set forth in section 12 “*Prospective financial information*” are the Group's financial guidance for 2020 and NKT's financial guidance for 2021. The prospective financial information includes financial guidance that qualifies as profit forecasts. For profit forecasts, the Prospectus Regulation requires the Group to, among other things, disclose the principal assumptions on which it has based the forecast.

These financial projections, including the medium-term financial ambitions and targets included in this Prospectus, are based upon a number of assumptions and estimates (including the success of the Group's business strategy), which are subject to significant business, operational, economic and other risks, many of which are outside of the Group's control. See also section 4.4 “*Forward-looking statements*”. Accordingly, such assumptions may prove to be incorrect. In addition, unanticipated events may adversely affect the Group's results in future periods whether or not the Group's assumptions relating to 2020 or future periods otherwise prove to be correct, such as the COVID-19 pandemic affecting the business and financial performance of NKT Photonics. As a result, the Group's actual results may vary materially from these projections and targets and investors should not place undue reliance on them.

1.4 Risks related to the Offering, the Shares and the Pre-emptive Rights

1.4.1 **Due to the Offering, the prices on the Existing Shares, the Pre-emptive Rights and the New Shares may be volatile regardless of the Company’s operating performance and results; the stock market may in general experience considerable volatility and as such investors may not be able to resell Shares at or above the Subscription Price**

The market price of the Existing Shares, the New Shares and the Pre-emptive Rights may be volatile and be affected by numerous factors in addition to the ones described in the preceding risk factors, many of which are beyond the Company’s control, including (a) overall performance of the Danish and global stock markets and the global economy as a whole; (b) changes in expectations or actual results as to the Company's future financial performance, including financial estimates and investment recommendations by securities analysts and investors, causing unfavourable coverage of the Group's business; (c) announcements of tender and order wins, acquisitions or capital raising activities or commitments, by the Group or by its competitors; (d) changes to the market's valuation of other similar companies; (e) circumstances, trends or changes in the markets in which the Group operates; (f) changes in business or regulatory conditions affecting the Group; (g) outside systemic factors such as the outbreak of the COVID-19 pandemic; and (h) the public's response to the Company's company announcements, press releases or other public announcements by the Company or third parties.

The stock market has in general experienced considerable volatility which may be unrelated to issuers' past operating performance. This is especially likely to apply in times of global crises, as seen this year with the outbreak of the COVID-19 pandemic. As such, there can be no assurance that the stock market's general volatility, even if otherwise unrelated to the Group's business, will not have a material adverse effect on the price of the Shares and the Pre-emptive Rights. As a result, investors may not be able to resell their shares at or above the Subscription Price, and there can be no assurance that investors may not experience a loss when attempting to do so.

1.4.2 The Company may issue additional shares or other securities in the future, which may have an adverse effect on the share price

Upon completion of the Offering, the Company is subject to a lock-up agreement for a limited period of time. See section 27.2 "*Lock-up agreements*" for a more detailed description of the agreement, including any exceptions thereto. Upon expiry of the lock-up period, the Company may, subject to appropriate corporate approvals, freely issue shares and other securities, which may cause a decrease in the price of the Shares and the shareholdings of Existing Shareholders being diluted.

1.4.3 If the market price of the Shares declines significantly, the Pre-emptive Rights may lose their value and the market for the Pre-emptive Rights may offer only limited liquidity, and even if a market develops, the Pre-emptive Rights may not be effectively priced against the price of the Shares

The market price of the Pre-emptive Rights depends on the price of the Shares. A decline in the price of the Shares could have an adverse effect on the value and market price of the Pre-emptive Rights.

The Rights Trading Period during which the Pre-emptive Rights can be traded on Nasdaq Copenhagen commences on 23 November 2020 at 9:00 a.m. CET and closes on 4 December 2020 at 5:00 p.m. CET. There can be no assurance that a market for the Pre-emptive Rights will develop when they are initially traded on Nasdaq Copenhagen, and if such a market develops, the Pre-emptive Rights may not be effectively priced against the price of the Shares and may be subject to greater volatility given that the trading price of the Pre-emptive Rights depends on the trading price of the Shares.

In addition, in the event that the Existing Shareholders sell their Pre-emptive Rights, this could result in a significant decline in the market value of the Pre-emptive Rights and result in higher volatility of the Pre-emptive Rights as well as the Shares.

Lastly, prior to being merged with the permanent ISIN code of the Existing Shares, the New Shares will be registered in a temporary ISIN code which is not admitted to trading and official listing. No market can be expected to exist in relation to New Shares as long as they are registered in the temporary ISIN code.

1.4.4 Failure to exercise Pre-emptive Rights by the end of the Subscription Period (8 December 2020 at 5:00 p.m. CET) will result in the lapse of the holder's Pre-emptive Rights

In the event that an Existing Shareholder does not exercise its Pre-emptive Rights by the end of the Subscription Period (8 December 2020 at 5:00 p.m. CET), such holder's Pre-emptive Rights to subscribe for New Shares will lapse with no value, and the holder will not be entitled to compensation. Accordingly, Existing Shareholders and other holders of Pre-emptive Rights must ensure that all required exercise instructions are received by such Existing Shareholder's or other holder's bank before the end of the Subscription Period. If an Existing Shareholder or other holder fails to provide all required exercise instructions or otherwise fails to follow the procedure applicable to exercising the Pre-emptive Rights prior to 8 December 2020 at 5:00 p.m. CET, the Pre-emptive Rights will lapse with no value. See also risk factor in section 1.4.8 "*If an Existing Shareholder does not exercise any or all of the Pre-emptive Rights, its ownership interest will become diluted, and such dilution may be material*".

1.4.5 **The Company is a public limited company registered under Danish law, which may make it difficult for shareholders resident outside Denmark to exercise or enforce certain rights**

The Company is a public limited company incorporated in Denmark, which may make it difficult for shareholders of the Company resident outside Denmark, including in the United States, to exercise or enforce certain rights. The rights of holders of Shares and Pre-emptive Rights are governed by Danish law and by the Company's articles of association (the "**Articles of Association**"). These shareholder rights may differ from the typical rights of shareholders in the United States and other jurisdictions. As a result, it may not be possible for investors to effect service of process upon the Company outside Denmark or to enforce against the Company judgments obtained in courts outside Denmark based upon applicable laws in jurisdictions outside Denmark. In addition, shareholders outside Denmark may not be able to exercise their shareholder rights, such as voting rights.

1.4.6 **Shareholders resident outside Denmark may be unable to acquire and/or exercise Pre-emptive Rights**

Shareholders resident in jurisdictions outside Denmark, including the United States, may be unable to acquire and/or exercise the Pre-emptive Rights and/or subscribe for New Shares, unless the Pre-emptive Rights or any rights or other securities being offered have been registered with the relevant authorities in such jurisdictions, or unless any such acquisition, exercise or subscription is made in accordance with an exemption from applicable registration requirements. The Company is under no obligation and does not intend to file a registration statement in any jurisdiction outside Denmark in respect of the Pre-emptive Rights and makes no representation as to the availability of any exemption from the registration requirement under the laws of any other jurisdiction outside Denmark in respect of any such rights in the future.

1.4.7 **The Offering may not be completed and may be withdrawn**

The Offering may not be completed or may be withdrawn by the Company during the period leading up to registration with the Danish Business Authority of the capital increase pertaining to the New Shares.

Pursuant to the Rights Issue Agreement, the Joint Global Coordinators and Joint Bookrunners are entitled to terminate the agreement upon the occurrence of certain exceptional events and/or unpredictable circumstances, such as force majeure. The Rights Issue Agreement also contains completion conditions which the Company believes are customary for offerings such as the Offering. If one or more conditions for completion are not met, the Joint Global Coordinators and Joint Bookrunners may, acting jointly and at their discretion, terminate the Rights Issue Agreement which may thereby require that the Company withdraws the Offering. Any withdrawal will be notified to Nasdaq Copenhagen immediately and announced as soon as possible in the media in which the Offering was announced.

If the Offering is not completed or is withdrawn, the Offering and any associated arrangements will lapse, any payments received by the Company in respect of the New Shares will be returned to the investors without interest (less any transaction costs) and admission to trading and official listing of the New Shares on Nasdaq Copenhagen will be cancelled. However, trades of Pre-emptive Rights executed during the Rights Trading Period will not be affected. As a result, Existing Shareholders and investors who purchase Pre-emptive Rights will incur a loss corresponding to the purchase price of the Pre-emptive Rights and any transaction costs. Similarly, if the Offering is not completed, the New Shares will not be issued. However, trades in New Shares will not be affected, and shareholders and investors who have purchased New Shares will receive a refund of the subscription amount for the New Shares (less any transaction costs).

Shareholders and investors who have purchased New Shares will consequently incur a loss corresponding to the difference between the purchase price and the subscription price of the New Shares plus any transaction fees, unless they succeed in recovering the purchase price from the seller of the New Shares. Should the Offering not be completed or be withdrawn, the Company will be liable to bear a part of the costs and fees related to the Offering, including all of the Company's advisor costs.

1.4.8 **If an Existing Shareholder does not exercise any or all of the Pre-emptive Rights, its ownership interest will become diluted, and such dilution may be material**

The issue of the New Shares will cause Existing Shareholders who have not exercised their Pre-emptive Rights to experience a substantial dilution of their ownership interest and voting rights. Even if the Existing Shareholder decides to sell its Pre-emptive Rights, the payment it receives may not be sufficient to offset the dilution. See section 29 "*Dilution*".

1.4.9 **Trading in the Shares on or around the last trading day in Existing Shares including Pre-emptive Rights and the Allocation Time of Pre-emptive Rights may not provide investors the right to receive Pre-emptive Rights in accordance with the timetable for the Offering**

The Existing Shareholders will be determined as the shareholders in the Company registered in VP Securities as of the Allocation Time on 24 November at 5:59 p.m. CET. According to the currently expected timetable, any trading in Shares prior to the last trading day in Existing Shares including Pre-emptive Rights on 20 November 2020 at 5:00 p.m. CET, will include rights to receive Pre-Emptive Rights in the Company in connection with the Offering. However, a buyer of Shares prior to the last trading day in Existing Shares including Pre-emptive Rights will not receive Pre-emptive Rights if the registration in VP Securities of that particular trade in Shares does not take place until after the Allocation Time of Pre-emptive Rights. This may be the case if one or both parties to the trade is or will become a shareholder registered through a nominee or omnibus account and the trade in question, therefore, has to be registered through one or more custody banks prior to registration of the party in question with VP Securities and the parties to the trade may not be aware as to whether they are or will become a shareholder in the Company registered through a nominee or omnibus account.

Any trading in Shares after the last trading day in Existing Shares including Pre-emptive Rights on 20 November 2020 at 5:00 p.m. CET will be exclusive of rights to receive Pre-emptive Rights in the Company for the buyer due to the customary settlement cycle with settlement occurring two trading days after the transaction date. However, a shareholder in the Company who sells its Shares after the last trading day in Existing Shares, including Pre-emptive Rights, may not be the allocated Pre-emptive Rights on those Shares, if the parties to the trade in question have taken specific measures to settle the trade quicker than the customary two-day settlement cycle thus allowing for the buyer to become a registered holder of Shares in VP Securities on the Allocation Time. The buyer and seller should in such trade be aware that the value of the right to receive Pre-emptive Rights for the buyer will likely not be reflected in the trading price of the Share on Nasdaq Copenhagen after the Allocation Time, since such trading price is likely based on the customary two-day settlement cycle.

1.4.10 **The Company expects to retain any available funds and future earnings to, among others, ensure an adequate capital structure, and as such, a shareholder's ability to achieve a return on investment will depend on an appreciation in the price of the Shares**

With reference to the Company's present financial situation and the Company's capital plan originally announced on 13 May 2020, the Company does not expect to distribute any dividends in the foreseeable future. During this period, investors must rely on sales of their Shares as the only way to realise future gains, if any, on their investments. Any future determination on the Company's dividend policy and the declaration of any dividends will be made at the discretion of the Board of Directors. Any future dividend payments will depend on a number of factors, including the Company's results of operations, financial position, future prospects, potential general meeting approval, contractual restrictions, including under the Company's Facilities Agreement and the Company's hybrid capital bond, restrictions imposed by applicable law and other factors the Board of Directors deems relevant.

1.4.11 **The Shares may not maintain their present liquidity**

The liquidity of the Shares is impacted by various external factors and may—among other things—be reduced as a result of a change in the Company's shareholder structure, including any further consolidation of share ownership which may result from the Offering, or in the event that Existing Shareholders do not exercise the Pre-emptive Rights granted to them. Please see section 23 "*Essential information*". Any decrease in the liquidity of the Shares may have an adverse effect on the price of the Shares and shareholders' ability to divest larger positions in the Shares.

2. CERTAIN INFORMATION WITH RESPECT TO THIS PROSPECTUS

This Prospectus has been prepared for the public offering in Denmark and for the admission to trading and official listing of the Pre-emptive Rights and the New Shares on Nasdaq Copenhagen in accordance with Danish law and neither this Prospectus nor any advertisement or any other offering material may be distributed, published or otherwise made available, the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Pre-emptive Rights may not be offered, sold, acquired or exercised, directly or indirectly, in any jurisdiction outside of Denmark, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable legislation in the relevant jurisdiction, and the Company and the Joint Global Coordinators and Joint Bookrunners may require satisfactory documentation from any prospective purchase of New Shares to that effect.

The distribution of this Prospectus and the Offering is restricted by law in certain jurisdictions, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of, or an invitation to, acquire any Pre-emptive Rights or to subscribe for New Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this Prospectus may come must inform themselves of and observe all such restrictions. Neither the Company nor the Joint Global Coordinators and Joint Bookrunners accept any legal responsibility for any violation of any such restrictions by any person, whether or not such person is a prospective purchaser of the Pre-emptive Rights or a subscriber of the New Shares. For a more detailed description of certain restrictions in connection with the Offering, see section 25.5 "*Selling and transfer restrictions*".

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Pre-emptive Rights, due to restrictions under applicable laws and regulations in jurisdictions outside of Denmark, certain Existing Shareholders may not be able to receive this Prospectus and may not be able to exercise their allocated Pre-emptive Rights and to subscribe for the New Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

2.1 Certain U.S. Matters

The New Shares have not been, and will not be, registered under the U.S. Securities Act, or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Shares in the United States. The New Shares are only being offered outside the United States in "offshore transactions" as defined in, and in reliance, on Regulation S under the U.S. Securities Act, subject to certain limited exceptions.

Neither the Pre-emptive Rights nor the New Shares have been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any such regulatory authority passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In the United States, this Prospectus may be furnished on a confidential basis, at the Company's sole discretion, solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Company or its representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or acquire the New Shares. Investors agree to the foregoing by accepting delivery of this Prospectus.

The Joint Global Coordinators will not participate in the solicitation, offer or sale of any New Shares within or directed into the United States and will not be involved in any activities relating to the Pre-emptive Rights, New Shares or Shares, within or directed into the United States.

2.2 Notice to Investors in Canada, Australia and Japan

The Pre-emptive Rights and the New Shares have not been approved, disapproved or recommended by any foreign regulatory authorities, nor have any of such authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus.

This Prospectus may not be distributed or otherwise made available, the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Pre-emptive Rights may not be offered, sold, acquired or exercised, directly or indirectly, in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable legislation in the relevant jurisdiction, and the Company and the Joint Global Coordinators and Joint Bookrunners receive satisfactory documentation to that effect.

2.3 European Economic Area and UK restrictions

In relation to the UK and each member state of the European Economic Area where the Prospectus Regulation applies, other than Denmark (each a "**Relevant State**"), no offering of Pre-emptive Rights or New Shares has been or will be made to the public in that Relevant State prior to the publication of a prospectus concerning the Pre-emptive Rights and the New Shares which has been approved by the competent authority in such Relevant State or, where relevant, approved in another Relevant State and notified to the competent authority in such Relevant State, all pursuant to the Prospectus Regulation, except that an offering of Pre-emptive Rights and New Shares may be made to the public at any time in such Relevant State pursuant to the following exemptions under the Prospectus Regulation:

a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation ("**Qualified Investor**");

b) to fewer than 150 natural or legal persons other than Qualified Investors, subject to obtaining the prior written consent of the Company and the Joint Global Coordinators and Joint Bookrunners; or

c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Pre-emptive Rights or New Shares shall require the Company nor any Joint Global Coordinator or Joint Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Pre-emptive Rights and the New Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Pre-emptive Rights and the New Shares so as to enable an investor to decide whether to acquire the Pre-emptive Rights and acquire or subscribe for the New Shares.

2.4 UK restrictions

In addition, in the UK, this Prospectus is being distributed only to, and is directed only at, and any offer subsequently made in relation to any Pre-emptive Rights and New Shares may only be directed at persons who are Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). In the UK, any investment or investment activity to which this Prospectus relates is only available to, and will be engaged in with, Relevant Persons. Any person in the UK who is not a Relevant Person must not act on or rely upon this Prospectus or any of its contents.

2.5 Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to a product approval process, which has determined that the Pre-emptive Rights and the New Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**“).

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Pre-emptive Rights and the Shares of the Company, including the New Shares, may decline and shareholders and investors could lose all or part of their investment; the Pre-emptive Rights and the Shares of the Company, including the New Shares, offer no guaranteed income and no capital protection; and an investment in the Pre-emptive Rights and the Shares of the Company, including the New Shares, is compatible only with shareholders and investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators and Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to Existing Shareholders and investors in Denmark conducted pursuant to this Prospectus that has been approved by and registered with the Danish Financial Supervisory Authority).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or Existing Shareholder in the Company or group of investors or Existing Shareholders in the Company to invest in, or purchase, or take any other action whatsoever with respect to, the Pre-emptive Rights and the New Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Pre-emptive Rights and the New Shares and determining appropriate distribution channels.

3. RESPONSIBILITY STATEMENT

The Company's responsibility

The Company is responsible for the Prospectus in accordance with Danish law.

The Company's statement

We, as the persons responsible for this Prospectus on behalf of the Company, hereby declare that to the best of our knowledge the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

We furthermore declare that this Prospectus has been approved by the Danish Financial Supervisory Authority as competent authority under the Prospectus Regulation. The Danish Financial Supervisory Authority only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is the subject of this Prospectus. The Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

Brøndby, 19 November 2020

Board of Directors

Jens Due Olsen Chairman	René Svendsen-Tune Deputy Chairman	Karla Lindahl Board member
Jens Maaløe Board member	Andreas Nauen Board member	Jutta af Rosenborg Board member
Thomas Torp Hansen Board member (employee representative)	Stig Nissen Knudsen Board member (employee representative)	Jack Ejlertsen Board member (employee representative)

Jens Due Olsen is a professional board member.
René Svendsen-Tune is chief executive officer of GN Store Nord A/S and GN Audio A/S.
Karla Lindahl is managing director of KONE Finland and Baltics.
Jens Maaløe is a professional board member.
Andreas Nauen is chief executive officer of Siemens Gamesa Renewables.
Jutta af Rosenborg is a professional board member.
Thomas Torp Hansen is production manager in NKT Photonics.
Stig Nissen Knudsen is senior production engineer in NKT Photonics.
Jack Ejlertsen is operator and team coordinator in NKT.

Executive Management

Alexander Kara Chief Executive Officer	Line Andrea Fandrup Chief Financial Officer

4. GENERAL INFORMATION

In this Prospectus, the "**Company**" refers to NKT A/S, "**NKT**" refers to the Company together with its consolidated subsidiaries other than NKT Photonics A/S and its subsidiaries, "**NKT Photonics**" refers to the Company's wholly-owned subsidiary NKT Photonics A/S (including its subsidiaries) and the "**Group**" refers to the Company together with its consolidated subsidiaries, including NKT Photonics, unless the context requires otherwise. See section 31 "*Glossary*" for a list of terms and definitions frequently used in this Prospectus.

Danske Bank A/S ("**Danske Bank**"), J.P. Morgan Securities plc ("**J.P. Morgan**") and Nordea Danmark, filial af Nordea Bank Abp, Finland ("**Nordea**") act as Joint Global Coordinators and Joint Bookrunners (collectively, the "**Joint Global Coordinators and Joint Bookrunners**" or the "**Managers**") in connection with the Offering and will receive remuneration from the Company for their services. In the course of its usual business activities, the Joint Global Coordinators and Joint Bookrunners or certain companies affiliated with each of them may have provided and may in the future provide investment banking advice and carry on normal banking business with the Company and any subsidiaries and affiliates. The Joint Global Coordinators and Joint Bookrunners act exclusively for the Company and no one else in connection with the Offering and admission to trading of the Pre-emptive Rights and the New Shares on Nasdaq Copenhagen. The Joint Global Coordinators and Joint Bookrunners will not regard any other person as their respective client and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Joint Global Coordinators and Joint Bookrunners or for providing advice in relation to the Offering and admission to trading of the Pre-emptive Rights and the New Shares on Nasdaq Copenhagen.

This Prospectus is not intended to provide the basis of any credit or any other evaluation and should not be considered as a recommendation by the Company or the Joint Global Coordinators and Joint Bookrunners that any recipient of this Prospectus should acquire or exercise any Pre-emptive Rights or subscribe for any New Shares. Each Existing Shareholder and prospective investor should determine for itself the relevance of the information contained in this Prospectus, and any acquisition or exercise of the Pre-emptive Rights or subscription of the New Shares should be based upon such information as it deems necessary.

Existing Shareholders and investors are authorised to use this Prospectus for the purpose of considering the acquisition or exercise of Pre-emptive Rights and subscription to the New Shares described in this Prospectus. The information contained in this Prospectus has been provided by the Company and by other sources identified herein. The Joint Global Coordinators and Joint Bookrunners make no representation or warranty, whether expressed or implied, as to the accuracy or completeness of the information contained in the Prospectus. Nothing contained in this Prospectus is or may be relied upon as a promise or representation by the Joint Global Coordinators and Joint Bookrunners in this respect, whether as to the past or the future. The Joint Global Coordinators and Joint Bookrunners assume no responsibility for the accuracy or completeness of the Prospectus and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which the Joint Global Coordinators and Joint Bookrunners may otherwise be found to have in respect of this Prospectus or any such statement.

Neither the delivery of this Prospectus nor the exercise of Pre-emptive Rights or the subscription or acquisition of the New Shares will create any implication that the information contained herein is correct as at any time subsequent to the Prospectus Date. Any material changes in connection with the information in this Prospectus which may affect the evaluation of the Pre-emptive Rights, the New Shares or the Existing Shares, which occur or are ascertained between the time of approval of this Prospectus and the final completion of the Offering or the commencement of trading on Nasdaq Copenhagen, will be published as a supplement pursuant to applicable rules and legislation in Denmark. Existing Shareholders and investors who exercised Pre-emptive Rights prior to publication of the supplement will be entitled to withdraw their acceptance for two (2) business days after the publication of any such supplement.

Further, Existing Shareholders and investors acknowledge that they have not relied on the Joint Global Coordinators and Joint Bookrunners or any person affiliated with the Joint Global Coordinators and Joint Bookrunners in connection with an investigation of the accuracy of any information contained in this Prospectus or their investment decision. Existing Shareholders and investors also acknowledge that they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Group, the Pre-emptive Rights or the New Shares other than contained in this Prospectus, and, if given or made, any such information or representation should not be relied upon as having been authorised by the Company or the Joint Global Coordinators and Joint Bookrunners.

Prospective purchasers of Pre-emptive Rights and/or subscribers of New Shares should make an independent assessment as to whether the information in this Prospectus is relevant, and any purchase of Pre-emptive Rights and/or subscription of New Shares should be based on the examinations that the prospective purchasers and/or subscribers may deem necessary.

The Prospectus may not be forwarded, reproduced or otherwise redistributed, in whole or in part, by anyone but the Joint Global Coordinators and Joint Bookrunners and the Company. Existing Shareholder and investors may not reproduce or distribute this Prospectus, in whole or in part, and Existing Shareholders and investors may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than for considering the purchase of Pre-emptive Rights and/or the subscription of New Shares described in this Prospectus. Existing Shareholders and investors agree to the foregoing by accepting delivery of this Prospectus.

The Offering is subject to Danish law, and neither the Company, nor the Joint Global Coordinators and Joint Bookrunners, have taken or will take any action in any jurisdiction, with the exception of Denmark, which may result in a public offering of Pre-emptive Rights and/or New Shares. Further, neither the Company nor the Joint Global Coordinators and Joint Bookrunners, or any of their respective representatives, will make any representation to any offeree or purchaser of the Pre-emptive Rights or the New Shares regarding the lawfulness of an investment in the Pre-emptive Rights or the New Shares by such offeree or purchaser under the legislation applicable to such offeree or purchaser. All prospective subscribers and purchasers should individually examine the legal basis and consequences of the Offering, including any tax issues and currency restrictions that may be relevant in connection with the Offering. Further, all Existing Shareholders and investors should individually examine the legal basis, including tax consequences of an investment in Pre-emptive Rights and the New Shares or the trading in Pre-emptive Rights, through their own advisers. This Prospectus does not constitute an offer of or an invitation to purchase any Pre-emptive Rights or purchase or subscribe for any New Shares in any jurisdiction in which such offer or invitation would be unlawful.

Furthermore, the Pre-emptive Rights and the New Shares are subject to transfer and selling restrictions in certain jurisdictions. See section 25.5 "*Selling and transfer restrictions*". Prospective purchasers of Pre-emptive Rights and/or subscribers to the New Shares must comply with all applicable rules and legislation in countries or territories in which they acquire, subscribe for, offer or sell Pre-emptive Rights and/or New Shares or possess or distribute this Prospectus and must obtain consent, approval or permission, as required, for the acquisition of the Pre-emptive Rights or the New Shares. Persons into whose possession this Prospectus may come are required by the Company and the Joint Global Coordinators and Joint Bookrunners to inform themselves about such restrictions and to observe such restrictions. Neither the Company, the Company's auditors nor the Joint Global Coordinators and Joint Bookrunners accept liability for any violation of these restrictions by any person, irrespective of whether such person is an Existing Shareholder or a potential purchaser of Pre-emptive Rights and/or subscriber to the New Shares.

In connection with the Offering, the Joint Global Coordinators and Joint Bookrunners and any of their respective group enterprises, acting as an investor for their own account, may take up Pre-emptive Rights and/or New Shares in the Offering and, in that capacity, may subscribe for, retain, purchase or sell for its own account such Pre-emptive Rights and/or New Shares or other investments. Accordingly, any reference in the Prospectus to Pre-emptive Rights and New Shares being offered or placed should be read as including any offering or placement of Pre-emptive Rights and New Shares to the Joint Global Coordinators and Joint Bookrunners or any of its group enterprises acting in such capacity. The Joint Global Coordinators and Joint Bookrunners do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

4.1 Enforceability of judgments

The Company is a public limited liability company organised under Danish law. The majority of the members of the Company's management are residents of Denmark and the Company is headquartered in Denmark. As a result, it may not be possible for Existing Shareholders and investors to effect service of process upon such persons or the Company outside Denmark or to enforce judgments obtained in courts outside Denmark based on applicable legislation in jurisdictions outside Denmark against such persons or the Company.

4.2 Third-party information

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's business and markets. Unless otherwise indicated, such information is based on the Company's analysis of multiple sources, including publications by Wind Europe Annual Offshore Statistics, International Renewable Energy Agency (IRENA), European Commission, 4cOffshore, International Energy Agency, Strategies Unlimited, Wood Mackenzie, Frost & Sullivan and Euroconstruct.

While the Company can confirm that information from external sources has been accurately reproduced, the Company has not independently verified and cannot give any assurances as to the accuracy of market data as presented in this Prospectus that was extracted or derived from these external sources. As far as the Company is aware and able to ascertain from this information, no facts have been omitted which would render the information provided inaccurate or misleading.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents.

Neither the Company nor the Joint Global Coordinators and Joint Bookrunners make any representations as to the accuracy of such information that was extracted or derived from these external sources. Thus, any development in the Group's activities may deviate from the market developments stated in the Prospectus. The Company and the Joint Global Coordinators and Joint Bookrunners do not assume any obligation to update such information.

As a result of the foregoing, Existing Shareholders and prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in section 1 *"Risk factors"* and section 25.5 "*Selling and transfer restrictions*" included elsewhere in this Prospectus.

4.3 Presentation of financial statements and other information

Certain accounting and statistical figures in this Prospectus have been subject to rounding adjustments. Accordingly, the sum of these figures is not necessarily equivalent to the total amounts stated. In addition, certain percentage figures reflect calculations based on the underlying information prior to rounding up and, accordingly, the percentage figures may not necessarily be exactly equivalent to the figures that would be derived if the relevant calculations were based upon the rounded numbers.

References to "**DKK**" are references to Danish kroner, references to "**EUR**" are references to the common European currency Euro, references to "**GBP**" are references to the British pound, references to "**USD**" are reference to the U.S. dollar and references to "**SEK**" are references to the Swedish krona.

The audited consolidated financial statements of the Group for the period from 1 January 2019 to 31 December 2019 (including the related notes, the "**2019 Financial Statements**"), the audited consolidated financial statements of the Group for the period from 1 January 2018 to 31 December 2018 (including the related notes, the "**2018 Financial Statements**"), the audited consolidated financial statements of the Group for the period from 1 January 2017 to 31 December 2017 (the "**2017 Financial Statements**") and the unaudited but reviewed consolidated interim financial statements of the Group for the period from 1 January 2020 to 30 September 2020 which includes unreviewed comparison numbers for the period from 1 January 2019 to 30 September 2019 (including the related notes, the "**Q3 2020 Interim Financial Statements**" and together with the 2019 Financial Statements, the 2018 Financial Statements and the 2017 Financial Statements, the "**Financial Statements**") are available on the Company's website and are included in the Prospectus by reference, see section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*". The 2019 Financial Statements, the 2018 Financial Statements and the 2017 Financial Statements have been prepared in accordance with IFRS as adopted by the EU and additional

Danish disclosure requirements for annual reports for listed companies. The Q3 2020 Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies. The Company publishes its consolidated financial statements in EUR.

In addition, this Prospectus contains certain measures which are not measures defined by IFRS and which are used by the Group to assess the financial performance of its businesses. See section 10.5 "*Alternative performance measures/Non-IFRS measures*". The Company believes that the presentation of these non-IFRS measures in this Prospectus provides information useful to investors in assessing the Group's financial condition and results of operations. While the measures are used by Executive Management to monitor the underlying performance of the Group, the definitions of the non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools, and should not be considered in isolation, as measures of the Group's liquidity or otherwise as substitutes for analysis of the Group's operating results as reported under IFRS.

4.4 Forward-looking statements

Certain statements in this Prospectus, including, but not limited to, certain statements in the section under the heading "*Summary*", section *1* "*Risk factors*", section 16.6 "*Dividend policy*", section 16.1 "*Financial statements*", section 8 "*Business*" and section 12 "*Prospective financial information*" are based on views of the Board of Directors and the Executive Management, as well as on assumptions made by and information currently available to management, and such statements may constitute forward-looking statements within the meaning of securities laws of certain jurisdictions. Such forward-looking statements (other than statements of historical fact) regarding the Group's future results of operations, financial position, cash flows, business strategy, plans and objectives of the Board of Directors and Executive Management for future operations can generally be identified by terminology such as "targets", "believes", "estimates", "expects", "aims", "intends", "plans", "seeks", "ambition", "will", "may", "anticipates", "would", "could", "continues" or similar expressions or the negative forms thereof. Other forward-looking statements can be identified in the context in which the statements are made.

Such forward-looking statements are subject to known and unknown risks, uncertainties related to investments in the Company and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Company's actual results may differ significantly from the results discussed or implied in the forward-looking statements. Factors that may cause such difference include, but are not limited to, those discussed in section 1 "*Risk factors*", section 8 "*Business*" and section 12 "*Prospective financial information*" herein. The forward-looking statements are made as of the date of the Prospectus and, except as required by law or rules and regulations (including, but not limited to the rules of Nasdaq Copenhagen), the Company undertakes no obligation to publicly update or publicly revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should carefully consider the risk factors described in this Prospectus before making any investments decision. If one or more of these risks materialise, it may have an adverse effect on the Group's business, financial position, results of operations or objectives. In addition, other risks that have not yet been identified or which the Company has not considered to be material may have an adverse effect, and investors may lose all or part of their investments. See section 1 *"Risk factors".* In addition, even if its result of operations, financial position and cash flows, and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

All subsequent written or oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained in this Prospectus, including those set forth in section 1 "*Risk factors*" above.

4.5 Tax consequences

No Existing Shareholder or any other interested party should construe the contents of this Prospectus and the documentation accompanying it as tax or other advice, including in relation to the issue, exercise or transfer of the Pre-emptive Rights and the subsequent subscription for, holding of and/or dealing in New Shares. Existing Shareholders are advised to consult their tax and financial advisers regarding any tax consequences applicable to them as a result of receiving, exercising and disposing of the Pre-emptive Rights and subscribing for New Shares in terms of the Offering. Additional information is provided in section 24.8 "*Taxation*".

5. BACKGROUND TO THE OFFERING AND USE OF PROCEEDS

In May 2020, the Company announced its plan to strengthen its capital base, cf. company announcement no. 8 dated 13 May 2020 (as updated by company announcement no. 17 dated 18 June 2020) and on 10 November 2020 (cf. company announcement no. 24 dated 10 November 2020), the Company announced a revised targeted leverage ratio (net interest-bearing debt relative to operational EBITDA) of up to 1.0x and a solvency ratio of minimum 30 percent. Following the Company's directed issue and private placement of Shares announced on 13 May 2020, the Offering is the second part of the capital plan and is expected to contribute to the realisation of this capital plan. Assuming successful completion of the Offering, the Company does not expect to issue any convertible instruments in the foreseeable future, see company announcement of 13 May 2020.

The Company seeks to further strengthen its financial position based on:

A need to strengthen the financial foundation to execute on HV order backlog and positive market outlook with growing project complexity and magnitude
NKT has been awarded high-voltage projects of more than EUR 2.1 billion in 2020 (market prices) and the HV order backlog was at a record-high for the Group at EUR 3.1 billion (market prices) on 30 September 2020. The order intake confirms the opportunities in the HV power cable market driven by the continued green transformation of societies.

In the coming years, the HV power cable market is expected to see an increase in the complexity and magnitude of HV power cable projects, and the Board of Directors believes that a more robust capital structure will be required in order for NKT to meet the consequent relative expected growth of NKT's HV power cable segment.

The Board of Directors believes that a strengthened capital base will, for example, allow NKT to be prepared for increased volatility expected in the HV segment relating to the project cash flow profiles that will be driven by milestone payments on individual projects. Further, a strong capital base will provide NKT with improved flexibility in respect of the anticipated increased need to issue bank guarantees that customers typically require as security under the projects.

To support investments in HV manufacturing facilities initiated to meet future demand
Following NKT's record-high HV order intake, NKT announced its plans to invest approximately EUR 150 million to strengthen its HV manufacturing facilities during 2020–2022. The investments are expected to facilitate the fulfilment of recent order awards and to further prepare for demand driven by the green energy transition.

The investment program involves expanding current capacities at the two HV factories in Cologne and Karlskrona respectively – more specifically capacity expansions within extrusion, testing, degassing, material handling, logistics and certain other areas.

To ensure a sustainable capital structure to be prepared for market uncertainty related to the COVID-19 pandemic
To date, the COVID-19 pandemic has had limited impact on the financial performance of the Company's power cable business. However, NKT Photonics has been negatively impacted to date by the COVID-19 pandemic which is seen in the Group's financial performance. The 2020 financial outlook for NKT Photonics was withdrawn in May 2020. On 8 October 2020, the Company reinstated 2020 financial outlook for NKT Photonics, see section 12 "*Prospective financial information*".

The Board of Directors finds it prudent to strengthen the Company's capital base as this will allow the Company to be better prepared for future potential uncertainty that may arise as a result of the COVID-19 pandemic, including in the event of future waves or resurgences thereof.

The Offering is expected to raise gross proceeds to the Company of approximately DKK 1,311 million, assuming all New Shares are subscribed. The net proceeds to the Company from the issue of the New Shares are expected to be approximately DKK 1,267 million after deduction of costs and expenses payable by the Company in relation to the Offering, assuming all New Shares are subscribed.

The net proceeds are to be applied towards strengthening of the capital base providing the Company with improved flexibility, for instance when NKT issues guarantees, which customers typically require as security under HV power cable projects, and, to a lesser degree, to be better prepared for future potential uncertainty that may arise as a result of the COVID-19 pandemic.

6. AUDITOR

The Company's independent auditors are:
Deloitte Statsautoriseret Revisionspartnerselskab
Company registration (CVR) no. 33963556

The 2017 Financial Statements and the 2018 Financial Statements have been audited by State Authorised Public Accountants Anders Vad Dons and Lars Siggaard Hansen, and the 2019 Financial Statements have been audited by State Authorised Public Accountants Kirsten Aaskov Mikkelsen and Lars Siggaard Hansen. The Q3 2020 Interim Financial Statements have not been audited but have been reviewed by State Authorised Public Accountants Kirsten Aaskov Mikkelsen and Kåre Kansonen Valtersdorf. The Financial Statements are incorporated in this Prospectus by reference as set forth in section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*".

The above auditors are members of FSR - Danish Auditors, the Danish association for state-authorised public accountants (FSR - Danske Revisorer).

7. COMPANY INFORMATION

7.1 Name and registered office

NKT A/S
Company registration (CVR) no. 62725214
Vibeholms Allé 20, DK-2605 Brøndby, Denmark
Legal entity identifier (LEI): 529900197LKWCEQ0NL18
Telephone: (+45) 43482000
Website: https://www.nkt.com/

The information on the Company's website, or any other website, does not form part of the Prospectus unless that information is explicitly incorporated by reference into the Prospectus. See section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*".

7.2 Country of incorporation and governing law

The Company is a public limited liability company incorporated in Denmark and is subject to Danish law.

8. BUSINESS

Investors should read this section of the Prospectus in conjunction with the more detailed information contained in this Prospectus, including the financial and other information appearing in section 10 "Operating and financial review" and in the Financial Statements, incorporated by reference into this Prospectus, as set forth in section 16 "Financial information concerning the assets and liabilities, financial position and profits and losses and dividends".

This business review contains a number of observations, judgments and estimates, especially in relation to market sizes, market share and market trends, which are based on the Company's management's estimates and publicly available information, including publications by Wind Europe Annual Offshore Statistics, International Renewable Energy Agency (IRENA), European Commission, International Energy Agency, 4cOffshore, Strategies Unlimited, Wood Mackenzie, Frost & Sullivan and Euroconstruct. Management's estimates are generally based on the Group's knowledge of the market and various external research and industry reports. External sources were used only to a limited extent in the preparation of this business and market review. However, there can be no assurance that other sources may not express a different opinion of the market, etc., than the one on which the Company's management has based its views. The information regarding market conditions is based on the Company's management's estimates. The forward-looking estimates are subject to substantial uncertainty. See section 4.4 "Forward-looking statements" and section 1 "Risk factors".

8.1 Key principal activities

Founded in 1891 during the second industrial revolution, the Company (at that time Nordisk Elektrisk Ledningstråd og Kabel-Fabrik) pioneered the telecom cable industry in the Nordics. Over the years, NKT evolved into a conglomerate with a number of focused businesses operating separate of each other: NKT, Nilfisk A/S, NKT Photonics and NKT Flexibles. The Company has been listed on the Danish stock exchange since 1898 (now Nasdaq Copenhagen). Following the demerger of the Company in 2017, which involved the spin-off of Nilfisk A/S, today, the Group consists of two businesses operating separate of each other: NKT and NKT Photonics. The Company is as such transitioning from an industrial conglomerate to a sub-supplier increasingly focused on the global green transformation.

NKT

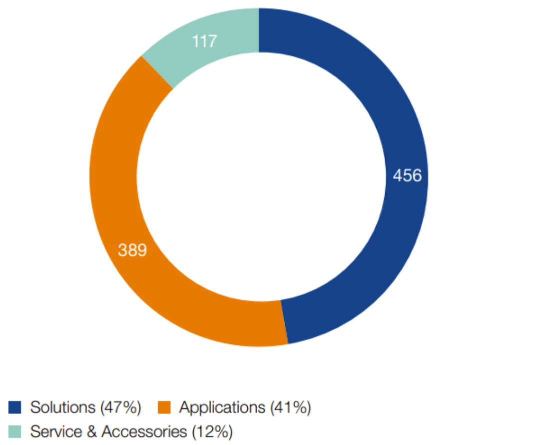
NKT is a leading provider of power cable products and solutions with cost-effective and technologically advanced production facilities around Europe including the largest sites in Karlskrona, Sweden and Cologne, Germany, and sales offices around the world, contributing to the digital age of the fourth industrial revolution and the global transition to renewable energy. This allows NKT to provide customers with relevant products and solutions at competitive terms. As a full-service partner in the power cable industry, NKT strives to deliver cutting-edge, long-lasting solutions that enables its customers to create a safe and sustainable future in a world increasingly dependent on power.

With a technology leading portfolio of solutions in the HV power cable segment, NKT is well prepared to capture parts of the growing demand driven particularly by the transition to renewable energy. Furthermore, NKT holds strong market positions within the LV and MV power cable markets in selected Northern and Eastern European markets and with further growth opportunities in other European markets.

To serve the different segments of the power cable market, each with separate characteristics and demand patterns, NKT is organised into three business lines: HV power cable solutions ("**Solutions**"), LMV power cable solutions ("**Applications**") and off- and onshore power cables services and accessories across the HV and MV categories ("**Service & Accessories**").

For the financial year 2019, NKT reported revenue (std. metal prices) (non-IFRS) of EUR 945 million (EUR 1,080.1 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 15.1 million (EUR 70.2 million for the financial year 2018). NKT's revenue (std. metal prices) (non-IFRS) for 2019 was divided among *Solutions*, *Applications* and *Service & Accessories* as illustrated below.

Revenue distribution 2019 (EURm)*



** Std. metal prices*

Eliminations between business lines have not been made in the revenue chart shown above, which implies that total revenue (std. metal prices) (non-IFRS) amounts to EUR 962 million.

Large HV power cable projects are often critical infrastructure projects and the implementation and planning hereof have shown only to be impacted to a limited extent by the COVID-19 pandemic. In addition, NKT's main production facilities are located in Sweden and Germany, where the impact of the restrictions adopted as a result of the COVID-19 pandemic have also been less severe than in certain other European countries, especially in Southern Europe. NKT has not experienced any major disruptions or delays in supplies to its production sites, as a result of the pandemic. As such NKT has not been significantly impacted in either of its three business lines by the COVID-19 pandemic in 2020.

The *Solutions* business line is a project and backlog driven business specialising in HV power cable solutions. NKT designs, develops, manufactures and installs power cables used in offshore and onshore power transmission systems. Its capabilities cover both AC and DC power cable systems. NKT offers customers complete and customised end-to-end turnkey solutions, including full installation services. During the first three quarters of 2020, NKT was awarded large HV power cable project contracts valued at more than EUR 2.1 billion (market prices), including a significant part of the so-called German Corridor Projects, leading to a record-high HV order backlog for NKT of EUR 3.1 billion (market prices) at the end of third quarter of 2020 (compared to EUR 1.37 billion (market prices) at 31 December 2019).

A large contributor to the success of NKT's order wins relating to the German Corridor Projects is the DC technology, which NKT gained access to through its acquisition of ABB HV Cables in March 2017.

NKT has two HV production facilities strategically situated in Northern Europe: Cologne, Germany, and Karlskrona, Sweden. The river and sea access to both production facilities enable the efficient execution and delivery of NKT's offshore solutions throughout Europe and the rest of the world. These production facilities, combined with NKT's high-tech capabilities, in-house installation expertise and a dedicated cable-laying vessel, NKT Victoria, have contributed to NKT's position as a leading company in the interconnector, offshore wind, and oil & gas segments.

Solutions reported revenue (std. metal prices) (non-IFRS) for the financial year 2019 of EUR 455.6 million (EUR 577.9 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 14.1 million (EUR 62.9 million for the financial year 2018). For the nine month period ended 30 September 2020, *Solutions* reported revenue (std. metal prices) (non-IFRS) of EUR 423.3 million (EUR 313.0 million for the nine month period ended 30 September 2019) and Operational EBITDA (non-IFRS) of EUR 27.0 million (EUR 8.5 million for the nine month period ended 30 September 2019).

The *Applications* business line offers customers a broad range of LV and MV power cable solutions. NKT markets what the Executive Management considers to be high-quality products. NKT continuously seeks to ensure that these products conform to the evolving regulatory requirements. NKT has developed ergonomic solutions that are easy to install in line with its customers' expectations and requirements. The LV market is mainly driven by construction development in both residential and non-residential buildings, while the MV market benefits from ongoing optimisation of the power grids by private and public stakeholders. Telecom power cables, which represents a relatively smaller part of the business line, are also being developed and marketed with the view to address future opportunities in the roll-out of 5G mobile networks. However, as of today, this represents a relatively small fraction of the *Applications* business line.

Within *Applications*, NKT holds relatively strong positions in all the markets in which the business' five main production sites are situated, namely in Denmark, Sweden, Poland and the Czech Republic. Moreover, NKT also holds relatively strong positions in other European markets, such as the German and Norwegian market.

Applications reported revenue (std. metal prices) (non-IFRS) for the financial year 2019 of EUR 389.1 million (EUR 400.5 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 0.3 million (EUR 5.4 million for the financial year 2018). For the nine month period ended 30 September 2020, *Applications* reported revenue (std. metal prices) (non-IFRS) of EUR 310.1 million (EUR 296.7 million for the nine month period ended 30 September 2019) and Operational EBITDA (non-IFRS) of EUR 14.1 million (EUR 2.9 million for the nine month period ended 30 September 2019).

The *Service & Accessories* business line provides services for off- and onshore power cables and offers a full portfolio of power cable accessories to the HV and MV markets.

The *Service* sub-business line focuses on HV power cables. These generally require surveillance, but limited maintenance. However, incidents will occur from time to time due to external damage caused by e.g. anchor drag, excavation works, etc. To reduce such incidents and shorten potential downtime of the power cables, there is demand for monitoring solutions and rapid response. Customers benefit from NKT’s in-house expertise on all matters regarding power cables and cable accessory technologies. In this respect NKT believes it is leading to other power cable producers. NKT has service teams based in Denmark, Germany and Sweden, servicing all of NKT's markets. NKT's team has the ability to service both NKT's own power cables and those of other manufacturers.

Accessories are critical components in any power cable system in the HV and MV power cable markets. This is due to the fact that the weak points in a cable system are the interfaces. For instance, the connection to a converter station or connection between cables. The technological competences possessed, and the broad range of solutions offered by NKT are in Executive Management's view key to match the numerous requirements regarding areas such as know-how and components that accessories must meet for reliable and consistent performance. NKT provides market support for accessories from three production sites in Cologne and Nordenham, Germany and Alingsas, Sweden.

Service & Accessories reported revenue (std. metal prices) (non-IFRS) for the financial year 2019 of EUR 116.7 million (EUR 129.4 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 13.5 million (EUR 15.7 million for the financial year 2018). For the nine month period ended 30 September 2020, *Service & Accessories* reported revenue (std. metal prices) (non-IFRS) of EUR 102.8 million (EUR 86.1 million for the nine month period ended 30 September 2019) and Operational EBITDA (non-IFRS) of EUR 11.4 million (EUR 11.0 million for the nine month period ended 30 September 2019).

NKT Photonics

NKT Photonics is a leading company in the market for fiber laser components and solutions. The business is operating separate of NKT, but is an integral part of the Group. The business is involved in the research, development and manufacture of optical fiber lasers that are used in a variety of ultrahigh-precision applications. It has a long-track record of developing cutting-edge photonic lasers, which are now deployed in a number of successful commercial applications for a wide variety of medical, industrial and defense customers.

NKT Photonics reported revenue for the financial year 2019 of EUR 74.6 million (EUR 67.7 million for the financial year 2018) and Operational EBITDA (non-IFRS) of EUR 14.6 million (EUR 9.0 million for the financial year 2018). *Medical & Life Science* contributed with approximately 15 percent, *Industrial* with approximately 70 percent and *Aerospace & Defense* with approximately 15 percent of NKT Photonics revenue for the financial year 2019.

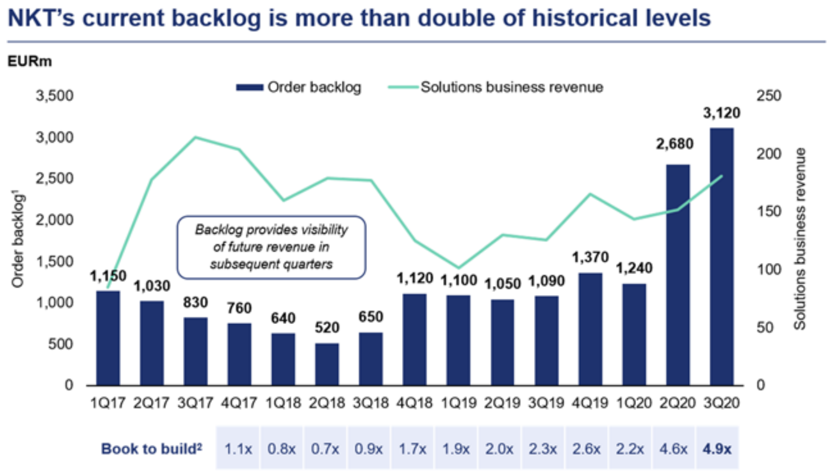
In November 2019, the Board of Directors initiated a strategic review of the strategic alternatives for NKT Photonics with the objectives of maximising value creation, positioning NKT Photonics for long-term growth, and supporting the deleveraging of the Group's balance sheet. On 13 May 2020, it was announced that the Board of Directors deemed that the strategic review of NKT Photonics could not be concluded in the near term due to market uncertainties. On 8 October 2020, the Company announced that the Board of Directors intends to resume the strategic review when the business and financial performance of NKT Photonics is no longer materially affected by the COVID-19 pandemic and the resulting general economic uncertainty, with the objectives of maximising value creation, and positioning NKT Photonics for long-term growth, see section 8.4.8 "*Strategic review*".

8.2 Strengths

The value propositions of the Group relative to its competitors are outlined below. It is the Company's belief that these will drive the financial performance of the Group over the near, medium and long-term.

8.2.1 *Strong pipeline of upcoming projects to build on record order backlog in the HV segment*

NKT's HV order backlog stood at EUR 3.1 billion (market prices) as of 30 September 2020. This is a record level HV order backlog for NKT and equivalent to approximately five years cover of the last 12 months revenue for the *Solutions* business line. The record HV order backlog provides high visibility on future earnings for the business line as shown in the figure below. The HV order backlog comprises a mix of projects such as interconnectors, offshore wind transmission power cables, and technologies, i.e. alternating current HV ("**HVAC**") and direct current HV ("**HVDC**") cable systems.



[1] market prices
[2] Current backlog over the last twelve months of NKT Solutions revenue in market prices
[3] Year production commence
[4] Planned commissioning year

In the second quarter of 2020, in spite of economic disruption brought on by the COVID-19 pandemic and the subsequent lock-down measures enacted, the three large-sized German Corridor Projects – the German Corridor Projects that are used to drive the green transformation of Germany – were awarded. The aggregate value of those three German Corridor Projects alone is around EUR 4 billion. Of these projects, NKT won major parts of the tenders for SuedOstLink and SuedLink. See section 8.3.4 "*HV order backlog*" for further details on the German Corridor Projects won by NKT.

Looking ahead, there is a large number of offshore and interconnector projects that are expected to be tendered across Europe over the course of the next five years, as illustrated in the figure below.

Snapshot of list of public announced projects

1 East Anglia Hub - THREE	12 NorthConnect	23 EnBW He Dreiht	34 ELMED (Italy-Tunisia)
2 Dogger Bank C	13 Orkney Caithness	24 Gennaker	35 Bałtyk III
3 Hornsea Project Four	14 Celtic Interconnector	25 N-3.7	36 FEW Baltic II
4 Sofia	15 Hollandse Kust	26 N-3.8	37 Bałtyk II
5 Berwick Bank	16 Biscay Gulf	27 O-1.3	38 Black Sea Corridor - 2020
6 Norfolk Vanguard	17 BEMIP	28 Hansa Powerbridge 1	39 Black Sea Corridor – 2022
7 AQUIND Interconnector	18 Arcadis Ost 1	29 Crete-Attica (Crete Interconnection Phase 2)	40 Mid Continental East Corridor 1
8 Gridlink	19 Baltic Eagle	30 Dodecanese Interconnection	41 Mid Continental East Corridor 2
9 FABLink	20 Gode Wind 3	31 EuroAsia Interconnector (Cyprus to Crete)	42 Slovenia-Italy
10 Greenlink	21 O-7	32 EuroAsia Interconnector (Israel to Cyprus)	43 Balearic Islands: Spain-Mallorca Second Link
11 Organic Power Interconnector	22 Borkum Riffgrund 3	33 San Giacomo-Pallanzeno	

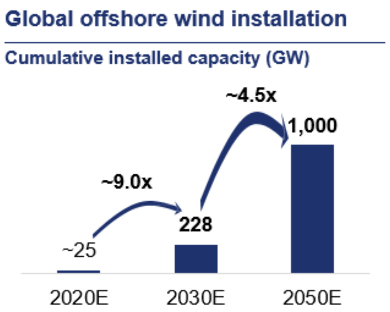
Interconnector projects   Offshore wind projects

There is finite industry capacity available to deliver the large number of projects expected to come to market

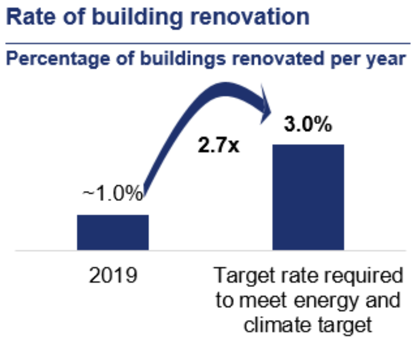
Source: 4cOffshore

At the epicentre of the increase in renewable transmission projects is the EU's target to become carbon neutral by 2050, as well as national initiatives aiming at similar goals. In order to chart its course towards climate neutrality, the EU has laid out a roadmap with checkpoints between now and 2050.

The current ambition at the EU level for 2030 is set out in the 2030 Climate and Energy Framework. On this basis, the EU is currently targeting at least 40 percent reduction in greenhouse gas emissions compared to 1990 levels and at least 32 percent share of energy from renewable sources in the EU's gross final consumption of energy. In September 2020, the European Commission proposed to raise the EU's ambition on reducing greenhouse gas emissions to at least 55 percent (versus 40 percent currently) through a combination of more efficient energy sources and higher contribution from renewable energy. However, the European Parliament proposes to be even more ambitious – the proposal is that the target should be 60 percent. This represents a significant opportunity for NKT, being a leading manufacturer of both offshore wind export and interconnector power cables.



Source: IRENA's renewable capacity statistics (IRENA, 2019d), future projections based on IRENA's analysis (IRENA, 2019a)



Source: European Commissioner

Fuelled by EU's investment in renewable energy, Executive Management estimates that installed offshore wind capacity in Europe is expected to increase by almost ten-folds over the next ten years and reach 228 GW by 2030, as illustrated above. NKT *Solutions* is a leading supplier of export power cables used to transmit power generated offshore to onshore for distribution, which is anticipated to lead to significant project volume being available in *Solutions*' addressable market.

The *Solutions* business line is also at the forefront of manufacturing interconnector power cables used to transmit power from one location where it is generated more efficiently to another location where it is utilised. The demand for interconnectors is expected to rise as the EU's push towards more efficient energy sources increases.

To finance its ambitious climate and energy targets, the EU has earmarked 25 percent of its EUR 1.1 trillion Multiannual Financial Framework for 2021-2027 ("**MFF**") to fund climate actions – investments into energy efficiency and supply of clean energy, amongst others. Separately, in order to stimulate the economy following the COVID-19 pandemic, the EU launched its recovery plan called Next Generation EU, with additional investments amounting to a total of EUR 750 billion from 2021 to 2024, of which up to 30 percent has to been earmarked for climate actions.

Beyond NKT's core market of Europe, the rising adoption of renewable energy is expected to be replicated in the U.S, which is a market NKT is focusing on. According to Wood Mackenzie, offshore wind farm capacity will be increased from 4GW in 2025 to 37GW by 2035 in key US offshore regions including New York Bight, California, North Carolina, South Carolina and Gulf of Maine.

8.2.2 *Technology leading company in HV segment with an asset base configured to benefit from ongoing trends in the market*

HVAC technology has historically dominated the power cable market. However, in recent years, the share of HVDC technology has increased primarily as offshore wind farms are moving further away from shore and the continued development of larger long-distance interconnector projects. The DC technology is the most cost-effective solution for power transmission over longer distances. In the Company's assessment, NKT is among the five companies with technological leadership across both technologies with a strong track-record of successful execution of several HVAC and HVDC projects.

Relative to the wider HV power cable market, NKT offers customers the full suite of power cable systems: offshore and onshore installation; HVAC and HVDC technologies; and, within cross-linked polyethylene ("**XLPE**") and mass impregnated ("**MI**") power cables. This differentiates NKT from some of the smaller HV power cable producers, which focus on specific niches within the market.

The Company believes, NKT is among the five leading market participants in the HV power cable market globally. Following the acquisition of ABB HV Cables in 2017, NKT has consistently been amongst these five leading companies with technological capabilities within the HV power cable market. In 2017, NKT became the first HV power cable producer to qualify 640kV XLPE DC power cables, a leading technology in the industry.

NKT's HV production facility in Karlskrona is in Executive Management's assessment a preeminent HV production facility globally with HVAC and HVDC capabilities. The facility is futureproof with current testing capability able to qualify up to 800 kV XLPE with additional investment required. The Karlskrona facility is strategically located by the sea and benefits from its own harbour for transporting completed power cable systems. As an important step towards reducing the Group's carbon footprint, the facility has run entirely on renewable energy since 2017. Over the next two years, the facility will be upgraded to increase its HVDC capacity required to deliver the current backlog and position NKT to capture future tenders coming to market.

The Cologne facility has the longest CCV line (catenary continuous vulcanisation line) in the world, which puts NKT in the unique position of being capable of producing long uninterrupted power cables. This is a unique advantage in projects where the customer requires minimal joints along the cable length. Historically, the Cologne factory focused primarily on serving the HVAC market. The facility is currently in the process of being qualified for HVDC power cable production in order to increase capacity in the growing HVDC segment. A EUR 150 million investment plan is currently being executed, upgrading and expanding both the Cologne and the Karlskrona facilities. The investments are expected to be completed by 2022. By the end of 2019, NKT further enabled the facility in Cologne to be powered by renewable energy, thereby reducing NKT's carbon emission from electrical power by an additional ten percent.

In addition to its HV production facilities, NKT acquired a new cable-laying vessel in 2017, NKT Victoria. NKT Victoria has the ability to install power cables at high precision and to operate in harsh weather conditions. The vessel also has a significantly lower carbon footprint compared with those of its competitors due to its mix of a power-from-shore solution and on-board energy storage systems.

NKT's assets are well invested and maintained. Executive Management believes that the expanded capacity upon completion of the investments noted above will be sufficient to remain competitive in future tenders, notwithstanding the expected increase in demand for renewable energy.

8.2.3 *Applications to benefit from structural demand drivers and turnaround upside*

There are a number of structural trends that drive the demand for LV and MV power cables in the short and medium term.

In the immediate aftermath of the COVID-19 pandemic, construction was cited by various countries and supranational organisations, such as the EU, as a pivotal industry to kick-start the economic recovery.

On 27 May 2020, the EU launched its EUR 750 billion recovery plan called Next Generation EU, which would include a EUR 672.5 billion Recovery and Resilience Facility to promote investment in green energy and digital initiatives, including the acceleration of the zero-carbon target for commercial and residential buildings. In addition, individual European countries such as Germany and UK have announced national programmes that have been developed to spur economic recovery using construction as a key driver.

The European construction market is forecasted to benefit from this initiative. According to Euroconstruct, building construction output (residential and commercial new build and renovation) in Europe is forecasted to grow at a compounded annual growth rate (CAGR) of 3.5 percent between 2020 and 2022. The demand for LV power cables and building wires is expected to grow with the increased activities in construction and renovation.

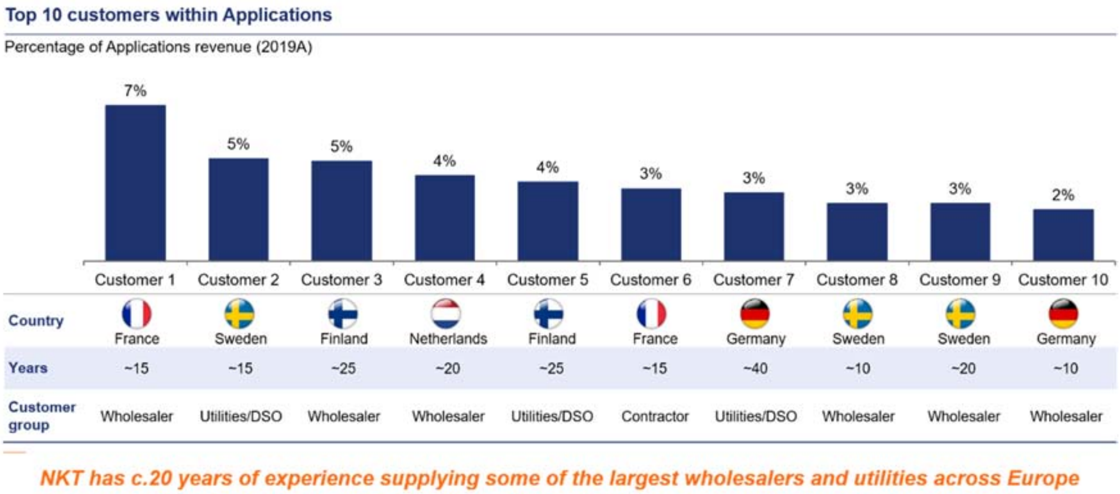
The LV and building wire ("**BW**") market is fragmented by nature. NKT is strategically positioned as the supplier to leading contractors, wholesalers and OEMs in core markets of Czech Republic, Denmark, Germany, Poland and Sweden. Other markets, such as the Netherlands, France and UK, are opportunistic growth platforms that Executive Management has identified due to their attractive market dynamics and being located close to NKT's production sites.

The demand for MV cables is predominantly driven by the capex plan of utilities. The last major build-out of the power grid took place in the 1970s and is approaching the end of its usable life. The estimated replacement cycle for the grid is approximately 40-50 years. In recent years, utilities have begun investing in the replacement of the power grid, however, this is expected to increase in the coming years. Alongside the need to upgrade an ageing power grid, utilities need to invest in the integration of the traditional grid with modern, alternative sources of energy, e.g. renewable energy. According to International Energy Agency, global utilities have to spend around EUR 1.1 trillion annually between 2025 and 2030 to reach the Sustainable Development Goals layout by United Nations and in the Paris agreement.

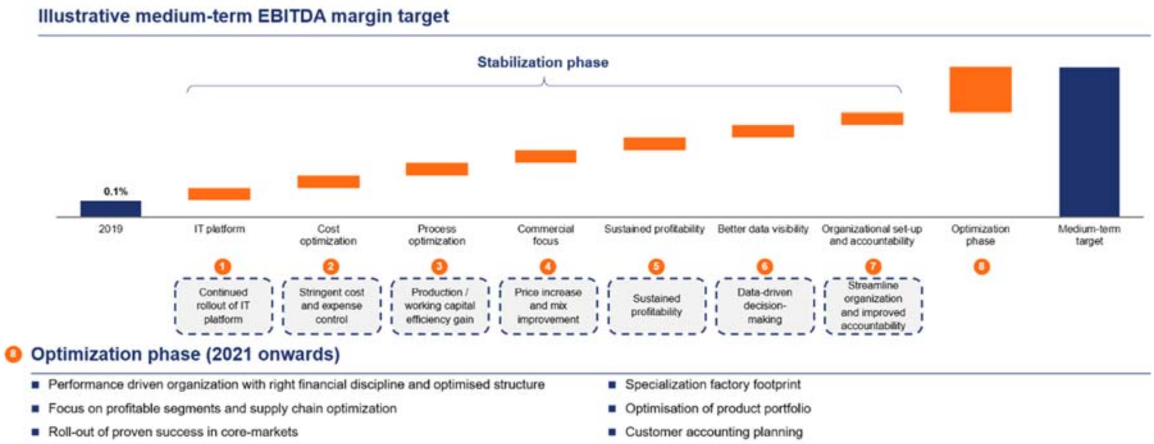
The population is gradually moving to the cities, which increases the need to upgrade power cables around larger urban centres to ensure a stable power supply.

The automotive industry is in the midst of a paradigm shift from internal combustion engine vehicles to electric vehicles. According to Frost & Sullivan, the annual shipment of electric vehicles is forecasted to grow from only three percent today to 19 percent by 2025 of the total number of vehicles. This represents a compounded annual growth rate of 41.8 percent for electric vehicles versus a decline of 2.3 percent for internal combustion engine vehicles. The EU has set an ambitious target of 1 million charging points by 2025. These charging points would need to be integrated to existing power grid. To facilitate the build-out, several European countries, including Germany, France and UK, are offering substantial subsidies to companies and individuals for installing charging points. In addition to the expansion of the current grid to accommodate new charging points, the new charging points will further necessitate an upgrade of the existing grid to accommodate the rising power demand.

While NKT has relatively fewer customers in the MV power cable market, the customers are blue-chip utilities and distribution system operators who NKT has enjoyed long-term relationships and partnerships with. Across the *Applications* business line, the top ten customers for the nine month period ended 30 September 2020 accounted for approximately 38 percent of the total revenue. A further breakdown can be seen in the figure below.



In addition to the market outlook, Executive Management has identified a number of key initiatives that have been designed to restore profitability within the *Applications* business line. Some of the main initiatives include commercial focus and process optimisation, where the *Applications* business on the one side will work to improve margins through optimisation of the mix of product and markets, and on the other hand will focus on driving operational efficiency. Implementation of the initiatives have been split into two phases: i) the stabilisation phase targeting a number of improvement levers through till 2021; and, ii) the optimisation phase, targeting a turnaround over the medium term by improving established processes. Details of the initiatives are summarised in the figure below.



8.2.4 *Power cable complexity and growing installed base to drive demand for Service & Accessories*

The *Service & Accessories* business line offers an attractive growth proposition for NKT.

NKT is a leading provider of power cable services with both onshore and offshore teams. As the installed power cable base continues to grow, the maintenance and repair opportunity expands in lockstep. NKT has a long history of power cable production and repair; in some areas where deep product knowledge is required in niches or in certain geographies, NKT's ability in the *Service* business line to provide cable expertise is a competitive edge, which allows the customer a faster speed to restore link. According to 4cOffshore, the installed base of subsea interconnector power cable is approximately 24,000 kilometres. The majority has been installed without any existing service contract, according to Executive Management's assessment. Furthermore, the guarantee period for an offshore windfarm is usually up to five years, compared to the usable life of the power cable, which can be as high as approximately 50 years. Consequently, over time most offshore power cables are eventually out of warranty. This represents a growing opportunity. NKT is capable of providing both stand-alone repair of a damaged power cable and ongoing maintenance service for both NKT and competitors' power cables.

As the complexity of the power cable systems (such as length, depth and voltage) increases, the demand for reliable power cable accessories grows. Today's power grid is subject to higher utilisation and volatility from renewable energy sources, e.g. wind, solar, etc., that amplify the risk of malfunction. Modern, high-quality accessories are a requirement to maintain the performance and integrity of the underlying cable systems.

NKT is well-positioned to serve the growing accessory requirements of the MV and HV markets from its facilities in Alingsas, Sweden, and Cologne and Nordenham in Germany. As such, the product portfolio is broad and customers wide ranging from utilities to contractors and installers.

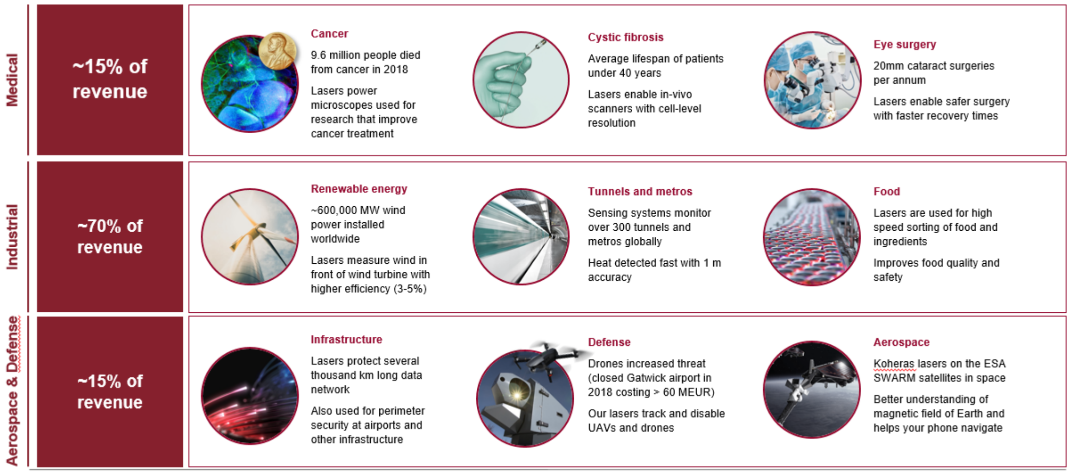
8.2.5 *Exposure to fast-growing, high margin fiber laser business*

NKT Photonics is a leading supplier of fiber laser components and solutions used across a broad range of industries, including life sciences, medicine, industry, aerospace and defense. NKT Photonics operates and is run independently from the cable business of NKT.

As the technology has steadily evolved, new applications for lasers continue to emerge. Today, fiber laser systems built using lasers and components developed by NKT Photonics are used to enable a wide range of fast growing trends including: early disease detection, cancer and stem cell research, smart phones, semiconductor technology, renewable energy, quantum computing, and space exploration, amongst others. Fiber lasers open a new market where ultrahigh precision, power or consistency is critical. An illustration of some of the uses of NKT Photonics' fiber laser can be seen in the figure below.

NKT Photonics has consistently been at the forefront of innovation in the fiber laser market. As of 30 September 2020, NKT Photonics held about 390 patents. This is expected to grow as the business continues to innovate across the fiber laser market.

NKT Photonics provides solutions for innovators to enable them to bring change to our world



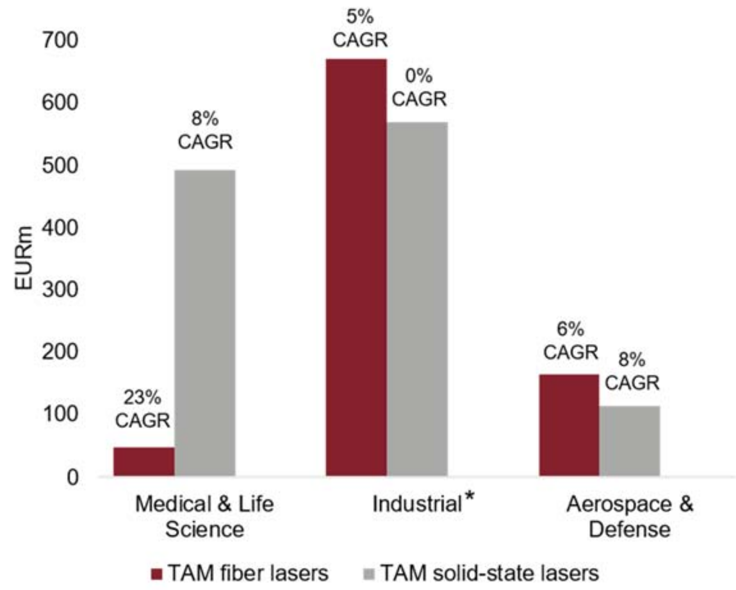
NKT Photonics operates in three segments:

- *Medical & Life Science* (approximately 15 percent of 2019 revenue) is the fastest growing segment within NKT Photonics. The market is forecasted to grow at a compounded annual growth rate of 23 percent between 2017 and 2023 according to Strategies Unlimited. Key factors underpinning this strong growth are the increase in demand for elderly care as growing ageing population lives longer, medical shift towards minimally-invasive surgery and advancements in cancer therapy.

- *Aerospace & Defense* (approximately 15 percent of 2019 revenue) is another nascent high growth end-market. The demand for security and ultrahigh precision systems capable of operating consistently within critical environments is driving the rapid adoption of fiber lasers for defense andaerospace applications. According to Strategies Unlimited, the market for fiber lasers used in aerospace and defense applications is forecasted to grow at a compounded annual growth rate of 6 percent between 2017 and 2023.

- *Industrial* (approximately 70 percent of 2019 revenue) is currently the largest segment within NKT Photonics. The wide range of industrial applications for fiber lasers ranges from food inspection systems, semiconductor manufacturing, and renewable energy systems, amongst others. According to Strategies Unlimited, the use of lasers in *Industrial* applications is forecasted to grow at a compounded annual growth rate of 5 percent between 2017 and 2023.

Total addressable market for lasers – EUR 2.6bn growing market



Source: Strategies Unlimited.
** Includes sensor, micro materials and R&D*

There is overlap between applications where traditional solid-state laser technologies are used and where fiber laser is deployed. Where there is such overlap, fiber laser systems deliver superior performance. Consequently, the demand for fiber laser is expected to outpace solid-state lasers for the foreseeable future as illustrated in figure above.

8.2.6 *NKT has a new and reenergised management team ready to execute on the strategy and take ESG focus to the next level*

NKT is a proxy for sustainability. Cables developed by NKT have enabled the rise in renewable energy, and in particular, wind energy. In addition to enabling its customers green technologies, NKT itself is committed to becoming a reference within the wire and cable industry for sustainable environmentally cautious manufacturing, social responsibility, employee health & safety and governance.

NKT is committed to both the Paris agreement and to support the UN Sustainable Development Goals. NKT has been a signatory to UN Global Compact for nearly ten years. In the short term, NKT has undertaken a number of proactive steps to minimise its environmental footprint, e.g. converting all manufacturing sites to run on green energy, which has reduced CO2-emissions from energy consumption with 66 percent, acquiring a state-of-the-art low-emission installation vessel and inhouse recycling of cable scrap materials for over 60 years. NKT has an efficient recycling centre at Stenlille, Denmark, which enables circular economy by creating raw materials from recycled cables and is contributing to an overall ambition of zero waste (100 percent recycling) as part of NKT's sustainability efforts.

In 2020, NKT also appointed a dedicated Head of Group Sustainability to drive its agenda across a number of key areas. The Company is currently working on a comprehensive ESG strategy, and amongst the actions already taken by the Board of Directors and the Executive Management are:

Governance:
- Creation of a dedicated whistle-blower hotline
- Establishment of an Ethics & Compliance committee to implement internal controls and increase efforts in detecting potential compliance issues
- Initiation of anti-bribery and fair competition principles to be adhered to on all power cable tenders
- Self-assessment compliance programme as new 2020+ Ethics & Compliance strategy

Social:

- Introduction of diversity policies to drive a balanced gender composition across the Executive Management and the Board of Directors
- Focus on talent development and attraction
- Creation of a supplier relationship management programme to develop long-term commitments towards sustainable products

The health and safety of employees is also paramount to the Company. Further, the Company screens for the health and safety qualification process of its vendors and business partners. NKT is certified to OHSAS 18001 (Occupational Health and Safety Assessment Series) and ISO 45001. For 2020, NKT targets a lost time injury rate of 0.5, an improvement compared to 0.73 for 2019.

To execute on the Company's overall strategy, and its ESG focus, NKT has put in place a new and re-energised management team. NKT's leadership team comes with a vast range of industry and broader professional experience. Members of the management team have honed their ability and expertise through their previous experience at industry-leading companies such as ABB Group, Novozymes, ROCKWOOL, and Prysmian. The leadership team's experience complements NKT's focus to deliver and execute its record HV power cable backlog in *Solutions* and key growth areas in *Applications*, and *Service & Accessories*. The team has broad technological, project and production skills relevant to drive improved financial performance for NKT and has a diversified international background.

The Executive Management of NKT consists of CEO, Alexander Kara, and CFO, Line Fandrup.

Alexander Kara joined NKT in August 2019. Since joining, Alexander Kara has successfully positioned NKT as a preferred partner for the significant German Corridor Projects. From his previous roles, Alexander Kara brings with him a wealth of industry experience having worked in various positions at ABB for more than 30 years. While at ABB, Alexander Kara was from 2012 to 2014 responsible for the HV power cables business that was acquired by NKT in 2017.

Line Fandrup, joined NKT in July 2020. Line Fandrup brings with her a strong track record of financial leadership positions, most recently from Rockwool group and prior to that COWI and Novozymes. In her previous roles, Line Fandrup has gained extensive experience in managing project driven businesses with a global reach. Together with Alexander Kara, Line Fandrup forms the Executive Management overseeing the Group.

The management team at NKT Photonics will continue on its strategic priorities in the high growth fiber laser market, reporting directly to the Board of Directors. Basil Gabaret, NKT Photonics' CEO, joined NKT Photonics in 2015. Since joining NKT Photonics, Basil Gabaret has successfully led the commercialisation of NKT Photonics from a research and development led organisation to a profitable business positioned for growth. Basil Gabaret has extensive international management experience from leading positions in the photonics industry, with EM4, Altitun, and Melles Griot.

8.3 NKT

NKT is a leading provider of power cable products and solutions. NKT is headquartered in Denmark and has production facilities around Europe including the largest sites in Karlskrona, Sweden and Cologne, Germany, and sales offices around the world. NKT has partly grown its business through acquisitions during the past decades. The latest significant acquisitions were the acquisitions of Ericsson's power cable operations in 2013 and ABB HV Cables in 2017. NKT covers all major power cable segments from onshore to offshore and from HV to LV as well as Service & Accessories.

8.3.1 Strategy

NKT's near-term strategic focus is to deliver sustainable financial performance during the next couple of years. For each of NKT's business lines, the route to sustainable financial performance will vary, and in each case three strategic priorities have been identified as key for future improvements.

8.3.1.1 *Solutions: Utilisation and execution*

For NKT to bring in new HV power cable projects to its factories in Karlskrona and Cologne and its vessel, NKT Victoria, it is crucial that NKT can offer relevant and reliable solutions to the HV power cable market. NKT has a focused approach to maintain its assessed position amongst the five global companies with technological leadership within both AC and DC technology as well as installation capabilities. This is combined with the ability to be efficient and maintain satisfactory performance in project execution.

To improve performance, the Company has identified three strategic priorities as set out below.

- *Optimise asset utilisation.* The sales effort and subsequent order intake are important for optimising asset load. NKT intends to prioritise projects in the right segments and markets to optimise production plans within the various segments such as having optimal mix between AC and DC technology as well as between offshore and onshore projects. It is a complex task to achieve the optimal production mix given the various productions processes that need to fit each other and thereby lead to a high load on the individual production steps.

  In 2020, NKT has demonstrated its position in the HV power cable market for DC projects landing significant orders for both offshore and onshore, and within XLPE and MI technology. Project profitability is paramount, and further focus will therefore be given to more profitable business segments. This is intended to apply across the segments that NKT are operating in and will involve having an increased selective approach in the assessment of which HV power cable projects to focus on.

- *Maintain technology leadership*. In the market for HV power cables the technological demands are continuously increasing. This applies for instance to cable route length, power transmission rating and dynamic cable solutions. NKT must therefore continuously strive to remain at the forefront of technology and invest in improved solutions, such as meeting demands in the continuous market direction towards increased voltage levels and delivering solutions with a lower carbon footprint. The focus within technology was further underlined by NKT's acquisition of the technology consulting unit in Västeraas, Sweden, from HV ABB Cables specialising in key areas within power cable development. This acquisition, completed in December 2019, strengthened NKT's competencies within HVDC technology to enhance NKT's position in the growing HVDC power cable market.

- *Improve production processes and project execution.* In a competitive environment, the cost structure is key to remaining attractive while achieving satisfactory profitability. NKT intends to increase focus on cost efficiency and improvement of production processes, among others by focusing on having efficient production processes and improving material input and consumption.

8.3.1.2 *Applications: Profitability*

Applications holds a relatively strong position in several countries in which the business' five main production sites are situated, namely in Denmark, Sweden, Poland and the Czech Republic. The Company believes that key to NKT's success in this business line is to build on the market position to stepwise improve profitability. This will be supported by the strategic priorities set out below. The LMV power cable markets in which the *Applications* business line operates are supported by sustainable trends that are expected to drive growth in the years ahead and NKT has to maintain its long-term relationships with customers across geographies driven by having a commercial mindset, offering of a broad-based product portfolio and reliable deliveries.

- *Optimise sales and operations planning.* The interface between sales and production must be optimised to ensure maximum planning efficiency and focus on producing products that have attractive market demand, such as being capable of serving the MV power cable market that is driving power grids upgrades in several countries. Focus will also be placed on increasing allocation of production capacity according to product profitability, by identifying the attractive parts of the LMV power cable markets and deliver relevant products and solutions.

- *Streamline product portfolio*. NKT intends to intensify trimming of slow-moving products, in the portfolio and improve focus on the most important products with a view to increase production efficiency and remove costly changeover time. As part hereof, NKT intends to continuously focus on costs and optimise consumption of input materials.

- *Increase factory efficiency.* NKT intends to focus on processes and initiatives that will improve production efficiency and thereby raise factory output. This will include initiatives to ensure a relevant production footprint with efficient utilisation of production equipment and focusing on optimising the logistical setup.

8.3.1.3 *Service & Accessories: Growth*

While the Service & Accessories markets have different profiles, the Company believes that key to success is to continue to grow this business line and to explore market opportunities. NKT is gradually expanding presence in the Service & Accessories markets by broadening its geographical focus and bringing several solutions to the markets that are beneficial for the customers.

The three following strategic priorities have been identified:

- *Strengthen go-to-market approach.* NKT aims to maintain focus on clear customer relationship management with a view to ensure an optimal customer approach. Geographical expansion into new focus markets is also being pursued. This includes that NKT plans to expand its presence in the market for MV accessories in the Middle East and entrance into the Irish market, marked by the signing of a five-year service agreement with the Irish power grid operator EirGrid in the beginning of 2020.

- *Optimise product portfolio and offerings.* Bringing innovative solutions to the market has been an important contributor to growth. With an aim to continue this trend, NKT is working on several solutions and products for launch in years ahead. In the service business, NKT is bringing new offerings to the market such as a ten-day vessel mobilisation commitment to remove uncertainty from repair planning and is also extending customer offerings relating to handling of spare cables. Both aimed to ensure fast and efficient handling of repair works.

- *Optimise cost base.* To continue a sustainable growth path, NKT aims to continuously evaluate the cost structure. The aim is to achieve further improvement in factory production efficiency, with increased automation and reduced complexity. This has successfully supported the growth NKT has delivered from its production site in Nordenham, Germany, serving the MV power cable market, where several initiatives have improved output and improved profitability.

8.3.2 **Medium-term ambitions**

NKT

NKT expects the following medium-term financial ambitions to apply with regard to revenue (std. metal prices) (non-IFRS) and Operational EBITDA margin (std. metal prices) (non-IFRS):

- To grow revenue (std. metal prices) (non-IFRS) organically from 2019 (EUR 945 million) to the medium-term by a CAGR above 10 percent.

- To increase the Operational EBITDA margin (std. metal prices) (non-IFRS) to approximately 10 - 14 percent.

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

In preparing the medium-term ambitions, the Company has applied the following principal assumptions:

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

NKT is investing around EUR 150 million in strengthening its HV manufacturing facilities during 2020–2022.

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

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

NKT Photonics
In 2017, NKT Photonics provided medium-term targets, and delivered financial performance in 2018 and 2019 moving towards achievement of these. NKT Photonics' financial development in 2020 has been negatively impacted by the COVID-19 pandemic and resulting market uncertainties, leading to performance below expectation and as a result the financial outlook for NKT Photonics was withdrawn on 5 May 2020. The Company intends to reassess the medium-term targets for NKT Photonics once the strategic review is completed. The Company expects that revenue development will return to healthy growth rates once the markets have normalized.

For further information, including a reconciliation of the non-IFRS financial measure presented in this Prospectus to the nearest IFRS measure, see section 10.5, "*Alternative performance measures/non-IFRS financial measure*".

The statements set forth above constitute forward-looking statements and are not guarantees of future financial performance. The Company's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to changes in the market landscape, the competitive situation, the regulatory framework in which the Company operates, technology changes or other changes outside of the Company's control and such other changes as described in section 1 "*Risk factors*" and section 4.4 "*Forward-looking statements*" and shareholders and prospective investors are urged not to place undue reliance on any of the statements set forth above.

For information on the Company's financial projections for the financial year ending 31 December 2020 and, with respect to NKT, for the financial year ending 31 December 2021, see section 12 "*Prospective financial information*".

8.3.3 Market characteristics

The power cable industry covers market segments with a variety of characteristics and drivers.

8.3.3.1 *HV power cable market*

NKT's *Solutions* business line operates in the international HV power cable market.

There exists no publicly available independent assessment of the total value of project awards in NKT's addressable HV power cable market, however, NKT makes its own estimates for project awards in its addressable market based on publicly available information and market intelligence. Executive Management estimates that the aggregate value of project awards in its addressable HV power cable market (Northern Europe and North America) to have been approximately EUR 3 billion in 2019 for HV power cable projects larger than EUR 5 million per project, which was largely on par with 2018. In line with NKT *Solutions'* strategy for the period 2019-2020, the addressable market was geographically identified to be centred around Northern Europe and North America with an opportunistic approach to the Mediterranean and Latin American power cable markets Hence, the Middle East, African and Eastern markets are not accounted for in aforementioned HV market assessment.

In the first nine months of 2020, driven particularly by the German Corridor Projects, the value of project awards in the HV power cable market has been significantly higher. The total award level in the HV power cable market had, in Executive Management's estimate, a value of more than EUR 5 billion. The majority of these awards were for the HVDC market, which is increasingly favoured as the technology of choice due to the projects awarded being predominantly interconnector type power cable projects and offshore wind export power cable projects of significant distances, making AC technology less favourable compared to DC technology.

The demand for HVAC power cable systems has declined in recent years due to the trend within the North Sea region of moving offshore wind parks further away from shore. Distances are getting so long that DC technology offers the better performance and hence the volume has shifted somewhat from AC towards DC in the last couple of years. While HVAC technology is expected to continue to lose share to HVDC, NKT estimates the size of the market opportunity to be well above EUR 2 billion, based on the tenders expected to come to market over the next five years.

The HV power cable market can also be divided into two broad categories based on the application, both of which have different characteristics and market dynamics:

1. HVDC offshore/onshore and HVAC offshore
2. HVAC onshore

HVDC offshore/onshore and HVAC offshore power cable systems are primarily used in offshore and onshore interconnector, offshore wind, and oil & gas projects. The recently awarded German Corridor Projects come under this category. The increasing reliance on renewable energy means that more efficient, better connected and flexible power grids are required to offset periods when power generation is limited in some areas.

HVAC onshore power cable systems are land-based power cable projects with voltages above 72kV used primarily for power transmission. The trend towards renewable power generation has driven the requirement to expand the physical reach between where the power is generated and where it is consumed as well as upgrade of existing power grids in combination with the continuing urbanisation and general electrification of societies.

As the transition to renewable energy gains pace globally, NKT expects the need for reliable high-quality power transmission systems will continue to increase. This is especially relevant for the critical interconnectors that are required to provide energy highways capable of transporting massive amounts of electrical power from the point of generation to point of consumption. By example, this has been a key driver for the German Corridor Projects, as increasingly larger volumes of wind power are being generated in the Northern areas of Germany and will be transmitted to the Southern part of Germany.

Given that the transmission grid used to transmit electricity generated from traditional hydrocarbon driven coal, oil or gas fired power plants or nuclear power stations has typically been located close to the main consumption areas, it has historically been possible to build redundancy measures into the power grid design to facilitate alternative power transmission routes in the event of a link break-down.

In the case of renewable energy, the electricity is typically generated at a distant location from where it is consumed. Specifically, wind energy is most cost efficiently generated offshore or in mountain areas with high wind density, which are typically uninhabitable, while solar farms require considerable space, which requires them to be cited in less densely populated areas with high solar influx (e.g. plains with desert-like climate). Hydro power plants are located along rivers in areas with large altitude differences, both of which generally are situated in areas with low population density.

Power transmission systems that are safe and reliable are therefore essential and this demand for high-quality power transmission systems is expected to increase as the share of renewable power within the global power generation increases. The interconnectors that facilitate these transmissions are typically HVDC technology.

Likewise, the export of power from renewable power-generating facilities (wind farms, hydro plants, solar farms, and in the near future, also wave energy harvesting systems) to the electrical grids is a key market for NKT. Export power cables are used to connect electrical power from the point of generation (onshore or offshore) to the electric grid infrastructure. These export cable systems can be based on either AC or DC technology, depending on the physical distance over which the connection needs to be made.

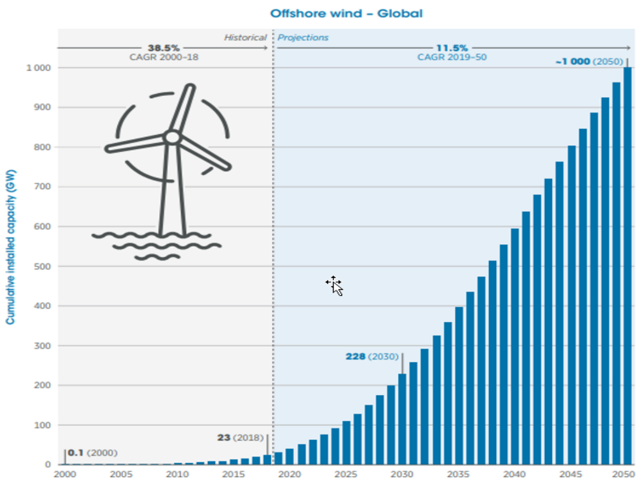
The increasing proportion of renewable energy generated within regional electrical grids has driven the demand for more interconnectivity between the discrete grids. Two key factors driving the demand are:

- An incentive to transmit power from one region to another and capitalise from pure arbitrage trading of power as a commodity

- Renewable power is expected to continue to grow in importance as most countries in the developed parts of the world have clearly defined goals for carbon reduction and require access to renewable energy sources. In particular, wind and solar generated power provides phase instability to the network grids to which they are exporting, and therefore interconnectors to other grids are required in order to be able to transmit more stable electrical power back and forth, thus helping to stabilise an otherwise unstable grid. Such interconnectors are typically based on HVDC technology.

In 2019 a record high 3,623 MW of new offshore wind power capacity was connected in Europe bringing Europe's cumulated offshore wind capacity to above 22,072 MW, according to Wind Europe. By the end of 2019, there was 110 offshore wind farms in 12 European countries and 5,047 grid-connected wind turbines, when including sites with partial grid connection. With a target in EU of minimum 32 percent renewable energy by 2030, offshore wind capacity is expected to grow massively and exceed 200 GW installed base towards 2030 and continuing towards 2050 to reach a level of 1,000 GW.

Offshore wind power deployment would grow gradually to nearly 1 000 GW of total installed capacity by 2050.



Source: Historical values based on IRENA's renewable capacity statistics (IRENA, 2019d), future projections based on IRENA's analysis (IRENA, 2019a).

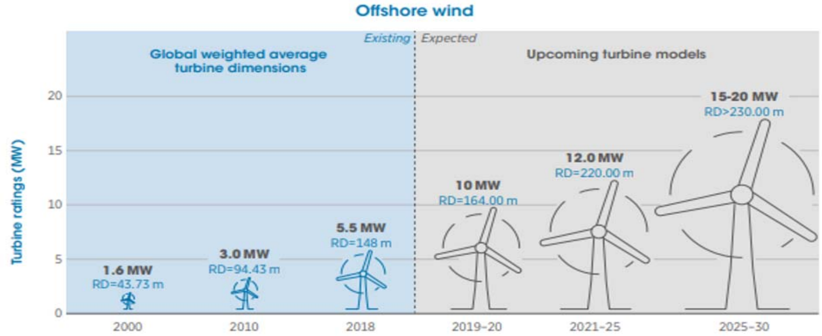
OFFSHORE WIND – AN EMERGING GIANT TECHNOLOGY

Global cumulative offshore wind capacity would increase almost ten-fold by 2030 (to 228 GW) and even more towards 2050, with total offshore installation nearing 1 000 GW by 2050.

The growth trend within offshore wind capacity during the past years and the intense focus on renewable energy especially in the EU, is expected to have a positive impact on the market outlook.

Since the beginning of 2000, offshore turbine capacity has increased significantly.

The average size of offshore wind turbines grew by a factor of 3.4 in less than two decades and is expected to grow to output capacity of 15-20 MW by 2030.



Source: GE Renewable Energy, 2018; IRENA, 2019c, 2016b; MHI Vestas, 2018.

At the same time there has been a trend towards wind farm sizes getting larger and moving further offshore and into deeper waters. These trends within the offshore industry are expected to increase the need for more complex HV solutions in terms of technology requirements and cable-laying capabilities. Further to this there is a technology shift from HVAC based export cable systems towards HVDC when distance from offshore wind farm to shore exceeds the approximate 100-kilometre threshold.

The geographical market segments that the *Solutions* business line operate within can be divided into three segments:

Core market segment
The core market segment for *Solutions* comprises Northern Europe.

Growth market segment
The growth market segment for *Solutions* comprises the Mediterranean area and (East coast region of) North Americas.

Opportunistic market segment
The opportunistic market segment for *Solutions* comprises Latin America and the Asia-pacific region (APAC) (considering Africa as an immature market segment for the applications offered by Solutions). Also, due to intense domestic competition presence more regional territories such as Japan, South Korea and China are all considered very marginal for *Solutions*.

When assessing the market potential of the strategic planning period 2020-2025 from a technology standpoint NKT estimated that approximately 25 percent of the current and future project pipeline will be available within the traditional extruded (XLPE or other extruded insulation materials) HVAC product segment. The remaining approximately 75 percent is estimated to be within the HVDC product segment with a split of approximately 50 percent of the entire market to be HVDC extruded (XLPE or other extruded insulation materials) and the remainder approximately 25 percent coming from MI (mass impregnated oil/paper). The anticipated split is expected to be beneficial to NKT considering that the *Solutions* business is at the forefront of HVDC power cable technology, especially for extruded (XLPE) applications, however, the anticipated technology split is highly dependent upon the actual win and realisation of future projects and whether or not future projects will in fact be based on XLPE extruded technology. Especially the MI part of the pipeline is formed by a relatively few but very large projects, and if one or more of these projects does not materialise or switch to XLPE extruded technology then the swing factor can be significant in terms of MI relative market share.

It is fairly standard that customers of HV power cable systems require a turnkey solution including design, manufacture and installation of the cables. There are challenges to installing both onshore and offshore cable systems. In the case of onshore power cables there is the requirement to seek right-of-path / approval extending the entire length over which the power cable must be laid as well as ensure its safety and ease of accessibility for possible future repair work. The challenge in installing an offshore power cable system lays in the requirement to ensure it is placed at a precise location on the seabed from a remote location. Such installation requires high precision. Offshore power cable systems are installed using cable-laying vessels, which are either owned directly by the manufacturer or leased for the installation job. There have been increasing advanced in precision technology of cable-laying vessels which have allowed power cable producers with cable laying vessels, like NKT, to undertake the most complex installation projects.

The complexity of HV transmission power cables is also determined by the length of the cable and then, in the case of offshore power cables, the depth at which it is installed and expected to operate. The power rating of a HV transmission power cable today ranges from 72kV through to 640kV. The higher the voltage, the more complex the technology. Similarly, power cables installed at greater depths face harsher operating environments compared with onshore power cables or power cables installed closer to the surface. The ability to supply high-quality, safe and reliable HV power cables capable of being used for transmission at higher voltages and at greater depths is a key differentiating factor amongst HV power cable manufacturers.

Competitive environment

NKT believes it is among the five leading market participants in the HV power cable market globally, given the ability of this leading group of power cable companies to undertake full turnkey projects for both onshore and offshore projects. These leading cable companies, including NKT, have invested significantly over the years in HV factory footprint and considerable design and engineering capability as well as capacity required for delivering full turnkey projects. In addition, these companies all own installation vessel(s) and possess inhouse the ability to subcontract all elements required for delivering turnkey projects.

Apart from the leading group there is a multitude of other power cable manufacturers, some of which have recently succeeded in competing in European turnkey projects by teaming up with a marine contractor on a project-by-project basis. Some of these power cable companies have significant technical capabilities as well as notable manufacturing capabilities, which in combination with the right choice of marine contractor can from time to time provide a competitive set-up.

The competitive landscape is materially different within the HVDC power cable market versus the HVAC power cable market as many more cable companies are capable of and technically qualified to deliver the traditional 3-core AC ("**3CAC**") power cable technology. A certain element of commoditisation is currently taking place within the 3CAC leading to more commercially creative project driven set-ups such as consortia or partnership approaches.

8.3.3.2 *LV and MV power cable markets*

The *Applications* business line is active in supplying both the LV and MV power cable markets where the key competitive advantages are scale, operational effectiveness, and innovation of new products.

The key markets *Applications* operates in are Germany, Sweden, Poland, Czech Republic, Denmark, UK, the Netherlands, France and Norway with the biggest market share in Denmark, Czech Republic, Sweden and Poland. The products and solutions for the LV and MV power cable markets are considerably less complex than in the HV power cable solutions and the competition is more intense due to the fact that there are more cable producers when compared to the *Solutions* business line. The products will typically be "made-to-stock" with differentiated specifications and designs from country to country to match local requirements.

The drivers in the LV power cable market are primarily construction industry sentiment and the need for further electrification of cities due to continued urbanisation. MV power cables serve the power distribution grid. Similarly, as for the HV power cable market, the transition towards renewable energy plays an important role in the continuous need for power grid optimisation. This is further driven by the growing electrification of society and the increasing power demand in cities, including e-mobility.

Of the geographical markets that NKT serves with MV, 1kV and BW power cables, Germany is the biggest country followed by France, UK, Poland and Sweden. In general, all LMV power cable markets are expecting growth, however, during 2020 a slowdown in most markets has been seen, driven by lock-downs due to the COVID-19 pandemic and a general slow-down and uncertainty in the market. Outlook for 2021 is unclear and will depend heavily on the development of the COVID-19 pandemic and the different economic stimulation programs launched by EU and the governments.

Competitive environment
The competitive landscape in the MV and LV power cable markets in Europe consists of three major groups:

Large international cable manufacturers with production in several countries, typically with a broad product portfolio. These companies are normally serving the majority of the MV power cable markets in Europe. NKT is part of this group.

Mid-size regional cable manufacturers, often privately owned, that operate a niche strategy with their product portfolio. These companies typically have only one or two factories and are mainly servicing a local and possibly regional market.

Trading companies and wholesalers who are importing cables from outside Europe and sell in the European markets.

In total, the Company estimates, that about 15 power cable manufacturers are active on the European LV and MV power cable markets.

8.3.3.3 *Service & Accessories market*

As accessories are necessary components of power cables, the accessories market is closely linked to the development of markets for MV- and HV power cables. As with power cables, competitive pressure in the accessories market is highest at the lowest voltage levels due to the higher complexity of accessories for HV power cables. To reap the full growth potential local presence is becoming increasingly important still in order to adequately serve local needs.

The market potential for accessories is closely linked to the general development in the MV and HV power cable markets. Consequently, the *Accessories* business, as well as the *Solutions* business, is expected to benefit from the development within renewable energy.

The market for servicing power cables is gradually growing given the larger installed base of power cables. The competitive landscape among service providers is diverse, with different companies offering different solutions. Power cable failures are costly for both onshore and offshore operators, and customers are therefore increasingly demanding services that will enable them to improve power cable efficiency and solutions to help predict, prevent and mitigate power cable failures. If an incident occurs, power cable operation must be restored as soon as possible.

The growth in the service market in the years ahead is driven by the installation of further power cables both onshore and offshore in line with the trends driving the power cable markets. However, the service market is expected to fluctuate depending on the number of large offshore HV power cable repairs.

8.3.4 HV order backlog

NKT's estimates of future net turnover, and to a lesser extent, future operating profit margins, are to a significant degree dependent on its current HV order backlog. The HV order backlog comprises HV power cable projects won by NKT and as such, the HV order backlog is an essential parameter in assessing the commercial and financial position of NKT at any point in time. During the first three quarters of 2020 NKT was awarded large HV project contracts valued at more than EUR 2.1 billion in market prices, including a significant part of the German Corridor Projects, which accounts for around EUR 1.5 billion.

Orders awarded in 2020 include:

Attica Crete
The Attica-Crete interconnector will ensure green energy supply from Greek mainland in Attica to the isle of Crete, where current fossil fuel power production facilities will be closed in the middle of 2023. The solution from NKT will constitute the full onshore power cable system including installation on the mainland as well as on Crete.

SuedOstLink
SuedOstLink is the first of three long-distance power transmission lines in Germany to transport renewable energy from the Northern parts of the country to the South (the German Corridor Projects). These transmissions lines are key to realise the 'Energiewende', Germany's long-term strategy for switching to renewable energies by 2050. SuedOstLink 2 GW transmission line will link the federal states of Saxony-Anhalt and Bavaria and is expected to be commissioned by 2025.

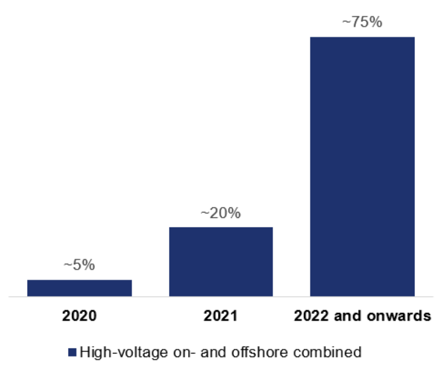
SuedLink
SuedLink is another of the three long-distance HVDC power transmission lines in Germany to transport renewable energy from the Northern parts of the country to the South, linking the federal states of Schleswig-Holstein and Baden-Württemberg.

Shetland
The Shetland HVDC Link will be the first transmission connection between the Scottish mainland and the island of Shetland, located off the north-east coast of Scotland. The link will support Shetland's future security of supply needs and will facilitate the connection of renewable energy generation to the main Great Britain electricity system, supporting the transition to net zero CO2 emissions.

Borwin 5
Borwin 5 is TenneT's fourth offshore wind DC project off the coast of Borkum in north-western Germany. It connects the offshore converter platform BorWin epsilon in the North Sea to the future converter station in Garrel/Ost close to Cloppenburg in Lower Saxony. As part of Germany's transformation towards renewable energy supply, a 15 GW offshore wind power capacity is to be available by 2030, and with its 900 MW, BorWin5 is an important step to achieve this target.

With these awards, NKT holds a record-high HV order backlog for the Group of more than EUR 3.1 billion at end of the third quarter of 2020, compared to EUR 1.37 billion at year-end 2019 and EUR 1.12 billion at year-end 2018. The current HV order backlog is composed of a mixture of offshore wind projects and interconnectors and a single oil & gas project. The majority of the offshore wind projects in the HV order backlog are HVAC, while Dogger Bank A & B and BorWin5 are HVDC projects. In the HV order backlog of interconnectors, Beckomberga-Bredäng is the only HVAC project, while the remaining projects are HVDC. In the Oil & Gas HV order backlog Johan Sverdrup is a HVDC project.

High-voltage order backlog of EUR 3.12bn* at end-Q3 2020, up from EUR 1.37bn at end 2019



Mix of high-voltage projects

Offshore wind	
Borssele Beta	2020
Triton Knoll	2020
Hornsea 2	2021
Moray East	2021
Ostwind 2	2022
Dogger Bank A & B	2023
BorWin5	2025

Interconnectors	
Nordlink	2020
Beckomberga-Bredäng	2023
Viking Link	2023
Attica-Crete	2023
Shetland	2024
SuedOstLink	2025
SuedLink	2026

Oil & Gas	
Johan Sverdrup 2	2022

* Market prices (EUR 2.70bn in std. metal prices)

8.3.5 Offerings

NKT offers a range of products and solutions within its three business lines described below.

8.3.5.1 Solutions

The HV offshore and onshore power cable products and solutions are offered by the *Solutions* business line. *Solutions* delivers complex projects calling for ongoing R&D investment, as the solutions are engineered to order and demand high level of expertise. The products and solutions are mainly offered in the following project types:

HV onshore and offshore power cable products and solutions
NKT designs, manufactures and installs HV power cable systems for power transmission directly from power generation sites to primary distribution networks both onshore and offshore.

NKT offers HV onshore AC and DC cables as well as HV city cables. For AC, the direction of the electrical current alternates, whereas for DC the electric current flows in one direction. HV AC solutions are generally used for power cable systems up to ~150 km, while HV DC systems are mostly used for lengths above ~150 km (important for interconnectors). NKT supplies HV underground ("**UG**") power cable systems up to 550 kV AC worldwide with extra-large conductor cross-sections up to 3x2000 mm2. City cables are available within the range from 123 kV to 245 kV and offer integrated electromagnetic shielding.

Offshore power cables for both AC and DC play important roles in the regeneration of the world's energy mix, enabling offshore applications to generate and use renewable power. NKT is a leading supplier of HV offshore power cable systems and pioneered the industry's first offshore HVDC link in 1954.

HVAC underground cable systems
HVAC UG power cable system activities are normally characterised by being a wide variety of smallish product supplies with only a few power cables and associated accessories ranging in the single digit million EUR sales price level all the way up to double digit million EUR multi-cable and large volume land power cable systems. These projects have turnaround duration from a few months to 1-2 years.

HVDC UG power cable systems
HVDC UG power cable system activities involve larger projects with higher volumes of power cable and typically also higher transmission capacities. Sales price level would be ranging from lower range double digit million EUR to as much as above one billion EUR - as has been seen recently in one of the German Corridor Projects. These projects have turnaround duration from a one to 4-5 years.

AC and DC submarine power cable systems
AC and DC submarine power cable system activities are typically also larger projects with substantial volumes of cable. Sales price level would be ranging from medium range double digit million EUR to as much as above one billion EUR. These projects have turn around duration from a one to 4-5 years.

The customers in *Solutions* include transmission system operators ("**TSO**") who are typically responsible for the generation of power and/or transmission of power within an area, region or country. TSOs are often considered system strategic stakeholders to the area, region or country in which they operate, and as such they are often wholly or partially owned by the public or the government. For TSOs the reliability of the offered power cable system application is paramount and therefore elements such as financial stability, technical qualification, operational reliability and overall quality of the provided solution is essential, areas where Executive Management believes NKT is historically very well positioned and with a proven track record. Some TSOs prefer to contract in a rather collaborative manner as turnkey packages thereby driving the solution towards leading power cable system providers such as NKT. In such cases NKT offers both the capital investment element (power cable system application including the accessories and installation / commissioning and a subsequent service agreement). Other TSOs have a more transactional approach where power cable packages are split into lots, separate installation packages and independent service agreements. Here NKT tenders for each individual package it is qualified for and capable of providing, however, due to the limited span in scope for each of the packages there is typically a highly competitive pressure per package.

Some TSOs engage in long-term frame contracts to secure access to critical elements of the supply chain.

The customers in *Solutions* also include distribution network operators ("**DNO**") who are typically smaller and more regionally based operators responsible for distributing power into the lower voltage rating of the grid. For DNOs the reliability of the offered power cable system application is also paramount, however, due to the lower complexity of DNO system applications and the less critical nature of being a more remote element in the overall grid there is a higher degree of standardisation across the segment. Hence delivery time and cost of the solution becomes a more important element of the evaluation criteria. Areas where NKT will be somewhat selective to balance utilisation of production assets versus commercial value of activity. Some DNOs also prefer to contract in a rather collaborative manner as turnkey packages thereby driving the solution towards leading power cable system providers such as NKT. In such cases NKT offers both the capital investment element (power cable system application including the accessories and installation / commissioning and a subsequent service agreement). However, the majority of DNOs have a more transactional approach where power cable packages are split into lots, separate installation packages and independent service agreements. Here NKT tenders for each individual package it is qualified for and capable of providing, however, due to the limited span in scope for each of the packages there is typically a highly competitive pressure per package.

Wind developers is another type of customer within the *Solutions* business. Wind developers can be either independent arms of TSOs or DNOs or stand-alone private companies. It may also be structured as a special project vehicle (SPV) which is then liquidated after either spin-off of the actual wind farm development or continues as an operator for a defined period. Wind developers typically have a more transactional approach where power cable packages are split into lots, separate installation packages and independent service agreements. Here NKT tenders for each individual package it is qualified for and capable of providing, however, due to the limited span in scope for each of the packages there is typically a highly competitive pressure per package.

Other kinds of customers include oil companies, who are required to source renewable power from shore (PfS) to be allowed to continue offshore operations and marine contractors who have been awarded an engineering procurement installation commissioning (EPIC) type contract including cable scope. As for the requirement for oil companies, this has primarily been a Norwegian sector issue so far, however, the requirement is now spreading into the rest of the North Sea basin and possibly further in the future. Oil companies usually contract as turnkey projects and develop long term relations to a few selected contractors to drive efficiency and collaboration.

Prospect identification

NKT is continuously in close contact with all relevant stakeholders in the marketplace. Being among the leading power cable system providers, NKT's customers have a vested interest in keeping continued dialogue with NKT to ensure that it will submit competitive bids for their projects.

In terms of proactivity on NKT's side a chief commercial function is responsible for all early engagement activities towards the client base and the market, including but not limited to Key Account Management, Product Management, Marketing, Market Intelligence, Pipeline management and CRM system operation. NKT also interacts closely with other external stakeholders such as regulators, authorities, consultants and industry interests.

Tender process

NKT executes its tenders and bids following a rigorous internal tender process including escalated reviews and approvals as per the nature of the request for quotation received and the complexity, technical and operational risk, legal exposure and not least commercial value.

During the typical tender process, NKT's technical experts examine the required scope of work (cable properties, required accessories, external services required, installation requirements etc.). In preparing the bid for the project NKT builds up a method statement, including required assumptions, and develops a corresponding price against which NKT is willing to contract. In most cases the customer provides a contracting paradigm as basis for the bid and subsequent clarifications. NKT normally solicits its qualifications accordingly as basis for clarification and negotiation.

The combination of acceptable (best) technical and operational solutions that scores sufficiently high on the evaluation criteria together with the overall most economically advantageous price will usually lead to a nomination as preferred contractor. The process may involve several re-pricing rounds as well as negotiation rounds to allow final award.

Pricing
Pricing of the tendered scope of work is the result of multiple workstreams required to determine in the best possible way the competitive environment in which NKT tenders for a specific HV power cable project. Being a project business where each project is particular in its own way, the pricing philosophy for *Solutions* activities is predominantly opportunistic. The main workstreams involved in determining the targeted price are;

- Optimisation of internal cost elements within *Solutions* scope of work
- Risk identification, including under proposed terms and conditions, and potential cost implication versus probability
- Contingency analysis
- Evaluating of competing technologies and assessment of potential cost reduction capacity
- Qualification status of required technology base (*Solutions* versus perceived competitive position)
- Competitive subcontract scoping and pre-award negotiations
- Monitoring of price level for previous awards of comparably scoped HV power cable projects
- Track record with the customer
- Competitor surveillance and analysis of available production and vessel capacity
- Financial impact from capacity utilisation

During a series of internal bid review touch points, NKT' overall pricing strategy is developed and ultimately approved thereby reflecting NKT's pricing response to the defined scope of work under the given circumstances and within the perceived competitive landscape.

Closing
The combination of an acceptable (best) technical as well as operational solution that scores sufficiently high on the evaluation criteria together with the overall most economically advantageous price has in the past led NKT to nominations as preferred contractor. This process may involve several re-pricing rounds as well as negotiation rounds to allow finally an award.

Technology consulting
In December 2019, NKT acquired a technology consulting unit from ABB HV Cables, which provides cross-disciplinary investigations and solutions, both in long-term assignments and in time-critical investigations. NKT has laboratories and competencies within mechanics, electrical testing, chemistry and materials that contributes to the solving of technical challenges.

8.3.5.2 Applications

The products and solutions delivered by the *Applications* business line are less complex than in the HV power cable market and will typically be “made-to-stock” with differentiated specifications and designs from country to country to match local requirements.

Applications produces BW, 1kV, MV and telecom cables in five different production sites located in Czech Republic, Denmark, Poland, and Sweden. A general trend in the market is that the power cables are becoming larger and with increased demand for higher levels of compliance with construction products regulation (CPR) and sustainability declarations. *Applications* draws benefits from NKT's R&D organisation when it comes to power cable development.

MV cables
MV power cables are typically cables within the 6 kV up to 50 kV range. The cable design typically consists of a metallic conductor surrounded by an insulation system, enclosed with a metallic screen. MV power cables, containing one or more conductors, is additionally surrounded by an outer sheath which serves as mechanical protection as well as moisture and water protection.

LV cables
NKT's LV power cables offer solutions for a diverse range of applications. From building wires, to different power cable types such as flexible, control, and telecom energy power cables.

NKT's 1 kV power cables enable a huge variety of connection possibilities creating great opportunities to merge systems together. The 1 kV power cable range is varied with different types of power cables for fixed installation indoors, outdoors, in ground, pipes, water and concrete.

The telecom energy power cables bring reliable power to telecom customers.

Applications serves different segments across the LV and MV power cable markets. Overall, these segments can be divided into five categories:

Wholesalers
Wholesalers can be both small local and large European customers. These customers mainly purchase 1kV and BW to put on stock to in order to quickly service their customers with a full range of products. NKT generally enters into long-term frame agreements with wholesalers that are normally renegotiated, primarily with respect to price adjustments, annually. NKT is typically not an exclusive supplier to these customers.

Projects via wholesalers
For certain projects, e.g. a large wind farm, the wholesaler holds the main contract with the project developer, and in such cases NKT supplies the power cable via the wholesaler to the customer. This type of sale is normally at higher margins compared to normal wholesales and often also includes NKT providing certain technical support directly to the project.

Projects direct
In this category, NKT has the direct contract with the project developer, thus bypassing the wholesaler link.

Utilities
Customers within utilities mainly buy MV and 1kV power cables, primarily directly from NKT, but in some instances via a club of buyers. Contracts are typically between one and five years and the supplier is allocated a lot (in percentage) of the customers' power cable demand for the coming years.

Telecom power cables
Cables for telecom power are mainly sold to radio base station customers but are also supplied via wholesalers who supply telecom customers with installation kits, primarily within the United States.

The *Applications* business deals with all major wholesalers and utilities in the LV and MV power cable markets to lower the risk of becoming too dependent on a few customers.

8.3.5.3 Service & Accessories

NKT's *Service* line is an adjacent business covering power cable repairs, both off- and onshore, long-term service agreements, installation works (including accessories) and occasionally large one-time projects such as power cable replacement projects and spare cable delivery projects. NKT offers a broad spectrum of both onshore and offshore power cable service products. NKT also provides a variety of service packages customised to suit its customers' specific requirements.

Accessories offers accessories to HV and MV power cables.

HV power cable accessories
NKT offers power cable accessories for all applications in the voltage range up to 550 kV, optionally also as a modular component system. NKT's solutions include various technical versions of accessory systems such as cable connector technology, dry-type technology and conventional technology with oil insulation.

NKT's power cable accessories are developed by its research and development ("**R&D**") department, taking into account specific customer needs as well as national and international standards in the development and manufacturing of customised solutions.

All materials are subject to intensive quality control procedures. The entire product range is type-tested in accordance with international standards.

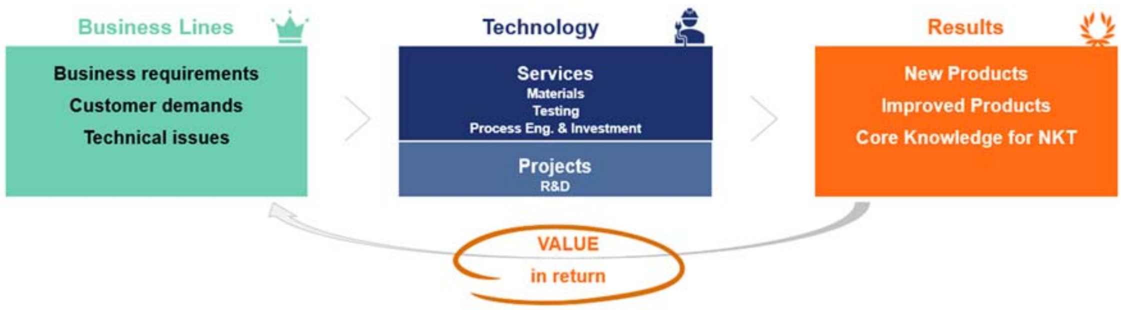
MV power cable accessories
NKT's current range includes power cable joints, power cable terminations, screened separable power cable connectors and shrouded terminations. The fact that the products are pre-moulded means they are manufactured in one piece, including key functions such as electrical field- control, insulation and sealing.

In *Accessories*, products and services are sold in more than 80 different countries globally and the dependency on the local markets, e.g. Germany and Nordics, has decreased, primarily as a result of substantial growth in the Gulf Cooperation Council (GCC) region, India and other markets. The customer landscape in the Accessories business is very diverse and differs between MV and HV accessories businesses. In the local markets, Germany, Austria, and Switzerland (DACH) and the Nordics, the majority of MV accessories business is sold via wholesaler partners, whereas for MV accessories business in other countries local technical distributors typically act as the main sales channel. In the HV accessories business, the largest customer segment are contractors and installers, followed by third-party power cable manufacturers. The Accessories business is also serving special products and/or special applications such as supplying switchgear producers (OEMs) and equipping offshore wind turbines with accessories.

8.3.6 Technology and R&D

The technological demands in the power cable markets in which NKT operates are high, and are especially increasing in the market for HV power cables, for instance in respect of cable route length, power transmission rating and dynamic cable solutions, including as a result of the global shift towards reliance on renewable energy requiring advanced technological solutions capable of handling the changes in the power generation mix.

The technology aspect of NKT is of great importance and NKT is among the leaders in the industry. The NKT Technology department provides services and support to all three business lines upon requests and requirements, as illustrated below.



The three business lines have different business logics to be addressed by multiple technologies. In *Solutions*, R&D activities aim at driving cutting-edge technology as well as establishing new and innovative products in order to stay competitive and sustain margins.

Within *Applications*, R&D activities focus on cost reductions, material and process efficiency and differentiation (market specific and niche products).

In *Accessories*, the R&D activities focus on closing market offering gaps. The technology and R&D activities performed in *Solutions* and *Accessories* are closely linked given the visible connections and synergies between the product offerings within these business areas. In *Service*, professionalisation and differentiation of service offerings are the main technology focus activities.

NKT's technology and R&D team was further strengthened as a result of NKT's acquisition in December 2019 of the technology consulting unit in Västeraas, Sweden, from HV ABB Cables, specialising in power cable chemistry, material, applied mechanics and electrical testing.

Global management of intellectual property rights is considered a core area in NKT.

To adequately protect the technology and R&D activities, and thus NKT's product portfolio, NKT has implemented a global intellectual property rights programme. The programme is managed by a highly qualified team in close collaboration with an IP- & Patent Board and is continuously updated and improved. Currently the programme has three main focus areas and eight processes, which secures proper and timely global management and monitoring, and collaboration with both internal and external stakeholders. Since 2018, NKT has conducted a thorough review of the IP- & Patent portfolio, resulting in a fully updated and prioritised portfolio today.

NKT's intellectual property policy targets the protection of new technologies and products by filing relevant patent applications and NKT has taken out a number of patents for its core technologies and products. NKT also relies on trademarks, trade secrets, know-how and continuing technological innovation to develop and maintain its proprietary position.

8.3.7 Manufacturing and installation

NKT has manufacturing facilities in several countries across Northern and Eastern Europe which enable NKT to design, manufacture, and market its high-quality products. While NKT believes its manufacturing facilities are among the most modern, flexible and cost-effective in the world, NKT continues to invest in its manufacturing facilities to maintain them at high technological levels. All NKT's production sites have their own testing facilities onsite, and, in the Company's assessment, in particular the plant in Karlskrona offers some of the most advanced testing equipment in the industry.

NKT's largest production and installation assets are its two HV power cable factories in Cologne, Germany, and Karlskrona, Sweden, and its cable laying vessel NKT Victoria.

Cologne, Germany
The factory has been constructed on the basis of facilitating optimal cable production and an optimum of environmental protection. Special technical innovations have been integrated into the plant to make production as efficient as possible. The range of products manufactured in Cologne include HV power cables, submarine power cables, fiber optic products, superconducting power cables, HV accessories and MV power cables. The factory thus supplies all of NKT's power cable segments. The factory is powered by electricity from renewable energy sources and is a 'green' manufacturing site. The factory, which is currently AC qualified, is undergoing DC qualification, which is expected to be completed no later than end 2021 and which will enable improved production planning flexibility between Cologne and Karlskrona.

Karlskrona, Sweden
Dating back to the start of cable production in 1883 by Liljeholmens Fuse factory, NKT's manufacturing facility in Karlskrona has an extensive experience in HV power cables. It is a centre-of-excellence for production, installation and service of HV cables in both AC and DC for submarine and underground applications. In 1992 the unit moved to Karlskrona in the southern part of Sweden and was acquired by NKT in 2017. The factory is a 'green' manufacturing site powered by electricity from renewable energy sources.

Investment plans in the two Solutions factories
In order to prepare for the execution of the recently ordered German Corridor Projects and to further prepare for demand driven by the green energy transition, NKT plans to invest approximately EUR 150 million in strengthening its HV manufacturing facilities during 2020–2022. The investment program involves expanding current capacities at the two *Solutions* factories in Cologne and Karlskrona respectively – more specifically capacity expansions within extrusion, testing, degassing, material handling, logistics and some other areas.

NKT Victoria
NKT Victoria is among the world's most advanced cable-laying vessels, providing improved cable-laying precision based on e.g. DP3 (dynamic positioning of the highest-class capability), and uses remotely operated vehicles with cameras and sonar. NKT Victoria is capable of simultaneous dual HVDC and fiber-optic cable-laying, HV AC and deep-sea installation with high-capacity tensioning system. The vessel's two turntables have a combined capacity of 9,000 tons, plus a 500-ton capacity fiber-optic tank below deck, allowing NKT to enable complete missions, from the deep blue seas to the shallow shores.

Other facilities
Besides the factories in Cologne and Karlskrona servicing *Solutions*, and NKT Victoria, NKT has eight main production facilities in Denmark, Sweden, Germany, Poland and Czech Republic, five of which are serving *Applications* and three serving *Accessories*. With five plants, one in Denmark, one in Sweden, one in Poland and two in Czech Republic, the *Applications* business has strong presence across part of North and Eastern Europe. The specific product categories produced differ between the five plants in the *Applications* business. BW is produced out of the plants in Denmark and Poland, while MV is produced is Sweden, Denmark and one of the plants in Czech Republic. 1KV can be produced in Sweden, Denmark and in one of the plants in Czech Republic, while telecom power cables are produced in Sweden.

8.3.8 Sourcing

Raw materials are important to NKT's business. A number of these are highly critical, namely polyethylene compounds, lead, aluminium, copper, powders compounds and Tapes & HFFR. The number of suppliers of these materials is relatively low and consequently a handful of suppliers are labelled critical to NKT. In order to limit potential delivery risks, NKT strives to maintain the good long-term relationships with main suppliers that have been built throughout the years. Moreover, to further limit risk and supplier dependencies, NKT constantly aims to identify alternative suppliers and have identified such for a majority of the critical component categories.

NKT has a wide range of closely related partners who act as subcontractors to various parts of the business. In *Solutions*, the subcontractors are an important part of the tender process and the subsequent execution of the projects. Therefore, a close internal collaboration and process have been built up between *Solutions* and NKT's procurement and corporate affairs to secure the right scope, pricing and back-to-back terms towards the subcontractors to reduce the project risks. The subcontractor process is an integrated part of the tender process, which ensures that quality assured, and timely subcontractor contracts are in place. As in the collaboration with critical suppliers, NKT continuously ensures in the collaboration with vital sub-contractors that alternative sub-contractors have been identified to limit risk and dependencies.

8.4 NKT Photonics

NKT Photonics holds a strong position as supplier of high-performance fiber lasers, fiber optic sensing systems, and photonic crystal fibers. NKT Photonics is headquartered in Denmark with sales and service worldwide. The main markets are within *Medical & Life Science* (15 percent of revenue), *Industrial* (70 percent of revenue) and *Aerospace & Defense* (15 percent of revenue). NKT Photonics' products include ultrafast lasers, supercontinuum white light lasers, low noise fiber lasers, distributed temperature sensing systems and a wide range of specialty fibers. The varied innovative solutions offered by NKT Photonics are applicable for several market segments. These technology-leading solutions are tapping into sustainable megatrends that are expected to support growth opportunities for NKT Photonics going forward, being growing and ageing population, increased technological complexity and focus on security.

8.4.1 Commercialisation strategy

NKT Photonics pursues a strategic direction to grow its business and increase profitability by prioritising focus on commercialisation of its technology. NKT Photonics intends to continue to pursue commercialisation of solutions and technologies in the years ahead to sustain further growth. To advance at this commercialisation strategy, NKT Photonics has identified four strategic focus areas:

Move up in value chain
As part of the progression from primarily serving the scientific market towards a more industrial profile, the products which NKT Photonics offers are rising higher in the value chain. This is to capture a larger part of the value in the market. It is also a natural consequence of the change in the customer base, as industrial customers are inclined to choose complete solutions rather than the flexible building blocks sought after in the scientific market.

Focus on growth
Following the acquisitions of Fianium and Onefive in 2016 and 2017, NKT Photonics' product and competence matrix is more balanced. The acquired businesses have been integrated as part of NKT Photonics and serve as an important part of the growth platform for the years ahead. NKT Photonics intends to continue to invest in growing business areas that offer significant growth opportunities, particularly in the *Aerospace & Defense* and *Medical & Life Science* segments.

LEAN operations
As NKT Photonics grows, scale in production and LEAN become increasingly important to improve profitability and manage working capital. The various manufacturing sites are tied together with centralised functions like purchasing and order handling.

Fast introduction
NKT Photonics' product technology platform is maturing, and focus has shifted from fundamental development to faster introduction of new products and customer-specific variants. This also supports the move into more industrial market segments where product cycles are shorter, and products are typically tailored to individual customer needs.

8.4.2 Market overview

NKT Photonics operates within three market segments: *Medical & Life Science*, *Industrial*, and *Aerospace & Defense*.

8.4.2.1 *Medical & Life Science*

Medical & Life Science is the fastest growing of NKT Photonics' three market segments. Ultrafast fiber lasers especially are finding use in medical procedures such as ophthalmology, and supercontinuum lasers are used in advanced bio-imaging, enabling new ways of diagnosing e.g. cancer. The main applications for *Medical & Life Science* are bio-imaging & microscopy, medical devices and ophthalmology.

8.4.2.2 *Industrial*

The *Industrial* segment is the largest and most diversified of the three identified markets. Customers in this segment use the full breadth of NKT Photonics' product portfolio, including ultrafast lasers, supercontinuum lasers, and sensing systems. Within the *Industrial* segment, NKT Photonics serves a wide range of subsegments and applications, such as device characterisation, sorting and quality control, materials and nanostructures, micromachining and display, remote sensing and semiconductors.

8.4.2.3 *Aerospace & Defense*

In *Aerospace & Defense*, NKT Photonics utilises its entire portfolio of products and capabilities to serve special project needs, focused mainly within the European and US markets. The main applications include aerospace, directional infrared counter measures (DIRCM), directed energy and remote sensing.

8.4.3 **Offerings**

NKT Photonics offers a variety of innovative solutions within the photonics markets.

Fiber lasers versus solid-state lasers
While the majority of NKT Photonics' laser products are fiber lasers, NKT Photonics also produces solid-state lasers, and hybrid systems. In the last decade, fiber lasers have taken market share from solid-state lasers as they have a range of key advantages, such as robustness, scalability and maintenance-free operation. Solid-state lasers on the other hand have advantages at high pulse energies required in certain applications. With these two types of lasers, NKT Photonics can choose the platform that best suits the application and even combine the two to gain benefits from both technologies.

Photonic Crystal Fibers
NKT Photonics unique and heavily protected Photonics Crystal Fiber technology is at the core of most of its laser products and is a main driver of differentiation and growth. NKT Photonics utilises the technology to embed as much functionality as possible directly into the fibers to ensure that systems built with these high-function components are simpler, more cost effective, and reliable. Photonic Crystal Fibers are unique and different from e.g. telecommunication fibers in that they use a microscopic array of materials running along the length of the fiber. The fibers are also known as microstructured fibers.

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

Narrow linewidth low-noise lasers
The Koheras lasers are in many ways the exact opposite of the SuperK white light lasers. They emit light in an extremely narrow and well-defined spectral range and the light is very well controlled. As the characteristics of the light are so well known, it is ideal for sensing applications, even very small disturbances being observable as changes to the light from the lasers. Primary sensing applications include Distributed Acoustic Sensing (DAS), vibrometry, and LIDAR applications in areas such as pipeline monitoring, windfarm supervision, and intrusion detection. Koheras lasers are also used in quantum technology and atomic research.

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

Sensing systems
NKT Photonics produces a range of linear optical sensing systems for power cable monitoring, fire detection, and industrial temperature monitoring. Common to these systems is that they can measure temperature with high accuracy over many kilometres of optical fiber. Unlike electronic temperature measurements, the optical fibers are extremely robust and immune to electrical disturbances. This makes them well suited for measurements in harsh environments such as tunnels, metros, chemical plants, furnaces and inside high-power optical cables.

8.4.4 **Customers**

NKT Photonics has three main customer types.

OEMs
OEM customers are found in all three market segments but are dominating the *Medical & Life Science* and *Industrial* segments. OEM customers account for approximately 59 percent of annual revenue. As examples of OEM customers there are industrial manufacturers of microscopes, semiconductor tools, consumer electronics test equipment, fiber optic security systems, ophthalmology surgery equipment, fire detection systems, power cables and further other applications.

Academic and research institutions
Although the revenue grows faster within the OEM customers, the academic and research institutions continue to be an important customer group for NKT Photonics. Much of the early development of technology and applications are found in this customer segment and later forms the basis for OEM business as the technology diffuses into commercial applications. To ensure continued growth in the OEM segment, NKT Photonics continuously collaborates with and sell cutting edge products into academic and research institutions that will eventually form the basis for the next wave of OEM applications.

Defense contractors
The *Aerospace & Defense* segment is dominated by large projects with *Defense* contractors. In some respects, this customer type is similar to the industrial OEM customers, but the collaboration typically takes the form of a project, where special solutions are developed in tight collaboration with the customer and various government institutions. *Defense* contractors account for most of the revenue within *the Aerospace & Defense* segment.

8.4.5 **Organisation**

NKT Photonics operates as an individual business within the Group. However, in specific specialised functions, NKT Photonics is receiving services from the Group to ensure structured uniform approach within areas such as funding, investor relations and certain legal tasks.

As of 30 September 2020, NKT Photonics had 407 full-time employees, which is slightly above 403 at end-2019.

8.4.6 **Manufacturing sites**

NKT Photonics operates five main production sites across Europe and the United States.

Birkerød, Denmark
Headquarters and main production site. This site produces all units in the supercontinuum white light lasers line and the majority of the narrow linewidth low-noise lasers. All R&D for those lines are also located in Denmark.

Southampton, UK
Previously the site of Fianium Ltd., the UK site manufactures fiber based ultrafast lasers and hosts all European R&D activities within *Aerospace & Defense*.

Cologne, Germany
Cologne is a fully self-contained site (previously LIOS Technology) and hosts all development, manufacturing and management of the sensing systems product line.

Zurich, Switzerland
Previously the site of Onefive, the Swiss site develops and manufactures all solid-state ultrafast laser products.

Boston, the United States
The Boston site manufactures Narrow linewidth low-noise lasers and acts as NKT Photonics' site into improving presence in the United States *Aerospace & Defense* market.

8.4.7 **Intellectual property**

NKT Photonics holds a strong portfolio of intellectual property rights in the photonics industry, comprising more than 390 issued and pending patents, covering all major technology and business areas and the core technology area, photonic crystal fibers, is especially well protected.

NKT Photonics also relies on trademarks, trade secrets, know-how and continuing technological innovation to develop and maintain its proprietary position.

8.4.8 **Strategic review**

In November 2019, the Board of Directors initiated a strategic review of the strategic alternatives for NKT Photonics with the objectives of maximising value creation, positioning NKT Photonics for long-term growth, and support the deleveraging of the Group's balance sheet. On 13 May 2020, it was announced that the Board of Directors deemed that the strategic review of NKT Photonics could not be concluded in the near future due to the market uncertainties. On 8 October 2020, the Company announced that the Board of Directors intends to resume the strategic review when the business and financial performance of NKT Photonics is no longer materially affected by the COVID-19 pandemic and the general economic situation, with the objectives of maximising value creation, and positioning NKT Photonics for long-term growth. In considering the strategic options, it is recognised that NKT Photonics continuing to operate on a stand-alone basis and realise its full growth potential will require investments. The Company is currently contemplating a divestment of a smaller non-core part of the NKT Photonics business and is evaluating approaches from interested parties.

8.5 Insurance

The Group's insurance portfolio is divided into a global corporate insurance program and a project insurance program. Both programmes are managed centrally and in close internal collaboration between the business, enterprise risk management and the Executive Management, and externally with both insurance brokers and insurance companies. The global corporate insurance program includes a marked compliant program, including General & Products Liability, Property Damage & Business Interruption, Marine Cargo, D&O liability, Crime, Travel and special insurances. The global corporate insurance program is presented to Board of Directors on an annual basis to ensure, together with the Executive Management, that the Group carries insurance of a type customary for the industry in which it operates and at a level which is generally adequate.

The project insurance program ensures the necessary and compliant insurance coverage of the large tender projects. The project insurance process is an integrated part of the tender process, which enables the Group to secure relevant insurance coverage, compliance with tender minimum requirements and limitation of risk.

8.6 Significant changes impacting the Group's operations and principal activities

The COVID-19 pandemic outbreak has in many of the jurisdictions in which the Group operates resulted in various mandatory or self-imposed lockdown measures and other public and private regulatory and legal restrictions and ramifications affecting the affairs of the Group. In many jurisdictions, relief packages and regulatory measures to support distressed companies affected by the pandemic have been introduced. Such measures include inter alia salary compensation schemes, compensation schemes for fixed cost and deferred payments of tax and VAT. Under applicable the COVID-19 pandemic relief rules, the Company has deferred its VAT payments in Denmark and other countries in which the Group operates, and in Sweden an application has been filed with Tillväxtverket to receive compensation relating to short-term employee lay-offs. In addition, NKT Photonics received an interest free loan in the amount of EUR 0.4 million from Zürcher Kantonalbank to mitigate the financial consequences of the COVID-19 pandemic, which has significantly affected the financial position and business of NKT Photonics.

The Company's former chief financial officer, Roland M. Andersen, left the Company in June 2020, where Line Fandrup replaced him as new chief financial officer of the Company.

Save for the general regulatory reactions to the COVID-19 pandemic, there has since the end of the period covered by the 2019 Financial Statements, not been any material changes to the regulatory environment to which the Group is subject.

8.7 Investments

In the second quarter of the financial year 2020, NKT was awarded three large HVDC interconnector projects with a total value of more than EUR 1.6 billion for the German SuedLink and SuedOstLink German Corridor Projects and the Attica-Crete project in Greece. In the third quarter of the financial year 2020, NKT was awarded orders valued at almost EUR 500 million for the Shetland HVDC Link and the offshore wind connection BorWin5. NKT plans to invest approximately EUR 150 million in strengthening its HV manufacturing facilities during 2020–2022 in order to fulfil these order awards and to further prepare for future demand driven by the green energy transition. See also section 8.3.7 "*Manufacturing and installation*".

9. TREND INFORMATION

9.1 Most significant recent trends

Other than the effects of the COVID-19 pandemic, see section 9.3 "*Trends affecting the Group's prospects for at least the current financial year*", there has been no significant trends in production, sales and inventory, and costs and selling prices since the end of the period covered by the 2019 Financial Statements.

9.2 Significant change in the financial performance

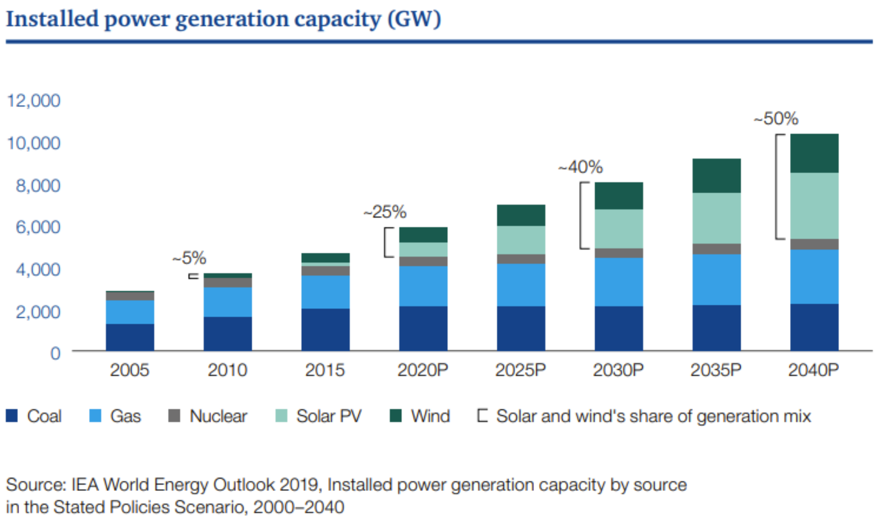
Other than the effects of the COVID-19 pandemic, see section 9.3 "*Trends affecting the Group's prospects for at least the current financial year*", there has been no significant change to the financial performance of the Group since the end of the period covered by the Q3 2020 Interim Financial Statements.

9.3 Trends affecting the Group's prospects for at least the current financial year

The Company believes that the trends, uncertainties, demands, commitments and events described below are reasonably likely to have a material effect on the Company's prospects for at least the current financial year ending 31 December 2020.

9.3.1 NKT

Sustainability
The global focus on climate changes is moving societies toward increasing reliance on renewable energy sources. In several countries, the transition towards increased use of renewable energy such as wind and solar from the traditional sources such as coal and nuclear power is high on the political agenda, and backed by an ambition to lower carbon emissions in the years ahead. On an EU level, the European Green Deal sets the direction to make the EU's economy sustainable with no net emissions of greenhouse gases by 2050. The increase in (expected) installed power generation capacity per year is illustrated below.



The shift towards renewable energy is important for the power cable industry as it requires a power grid capable of handling the changes in the power generation mix. It means a displacement of power production to for example offshore wind farms generating large quantities of power far away from the point of consumption. Further, interconnection of power grids within and across borders is important to ensure stability in power supply.

NKT will play an important role in the gradual green transition. During recent years, this has been exemplified with various project awards. In 2020, NKT has been awarded major part of the German Corridor Projects SuedLink and SuedOstLink that mainly will transmit power generated by renewable energy sources from the Northern to the Southern parts of Germany.

Urbanisation
With people increasingly moving to the cities, the demographic landscape will gradually be changing and the power grids in and around these population centres will need to be continuously upgraded. This includes both the transmission and distribution of power to households and the organisation of power within new buildings. With a broad portfolio from HV to LV power cable solutions, NKT expects to be an important contributor to the expansion and upgrade of power grids in the countries it operates. As an example, NKT was in 2019 selected to deliver power cable systems to the Beckomberga-Bredäng expansion of the power grid in Stockholm, Sweden. The full project comprises one of the planned expansions of the local power grid to meet a growing power demand due to the population growth in this city.

E-mobility
Globally, there is increasing transition towards electric vehicles, which is primarily driven by the focus on greener solutions and less reliability on fossil fuels. This development requires power to be instantly available and easily accessible without putting too much pressure on power grids. As the number of electric vehicles increases, the power grids will have to be upgraded and expanded to meet the increasing electrification of societies.

Power grid expansion to support this trend fits well into NKT's product offering in particularly in the *Applications* business line, where an extensive offering of MV power cable solutions will be important for distributing the power.

Digitisation
The world is becoming increasingly digital. This will also increase the requirement for more digital solutions in the power cable industry and for smarter power grids. The impact will take place in different areas of the market, such as increased data collection, monitoring, and control of power cable systems to optimise the power grids.

NKT is offering power cable solutions with sensors to monitor and collect data and is developing further solutions to continue this development in the years ahead.

Shift towards DC technology
In the HV power cable market, there has been and is a gradual shift from AC to DC technology. This is driven by power cable transmission over longer distances as new offshore wind farms as an example to a larger degree are growing in size and moving further away from shore. The relative increase of DC technology is expected to continue, but there will still be a market for AC solutions as offshore wind farms in new geographies still are built near shore.

The market trend has proven in NKT's HV order intake during 2020 as the five largest project awards have been DC technology.

NKT's technologically advanced factory in Karlskrona is expected to further benefit from its extensive experience with DC technology and upon obtaining DC qualification of the Cologne factory, this will enable improved production planning flexibility between Cologne and Karlskrona. See also risk factor in section 1.2.2 "*Failure to successfully shift NKT's Cologne factory from producing AC power cables to DC power cables could result in loss of business and reputational harm*".

9.3.2 NKT Photonics

Growing and ageing population
The continued increase in global population and life expectancy will lead to pressure for more effective use of resources and higher health costs. This development will increase (i) the demand for optical sensing and monitoring to optimise use of energy and infrastructure and (ii) the need for faster and cheaper medical instrumentation for mass screening, diagnostics and treatment based on lasers.

Increased technology complexity
As technology shrinks and more functions are packed into daily-used devices, the requirements for the technology used to manufacture the advanced products are pushed to new levels. Mechanical manipulation of

material that was feasible a few years back is increasingly being replaced by optical manipulation with ultra-fast lasers. This allows higher precision and faster throughput when processing the small structure in high-tech devices like smartphones and advanced medical equipment.

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

The COVID-19 pandemic
While the COVID-19 pandemic has only had a limited effect on the Group's cable business to date, the pandemic has had and may continue to have a material adverse effect on the business and financial performance of NKT Photonics. As announced by the Company in company announcements no. 6 dated 6 May 2020 and no. 22 dated 19 August 2020, respectively, the market outlook contained such uncertainties due to the COVID-19 pandemic that the Company suspended the financial forecast for the financial year ending 31 December 2020 for NKT Photonics and postponed the strategic review of NKT Photonics. Demand slowed in several parts of the markets in which NKT Photonics operates and visibility in regard to customer demands have been, and still are, unusually low for the remainder of the financial year ending 31 December 2020 when NKT Photonics usually generates the main part of its earnings.

10. OPERATING AND FINANCIAL REVIEW

The following is a discussion of the Group's results of operations for the nine month periods ended 30 September 2020 and 30 September 2019 and for the financial years ended 31 December 2017, 2018 and 2019, and the Group's financial condition as of the end of such nine month periods and years respectively. This discussion should be read in conjunction with the unaudited, but reviewed, Q3 2020 Interim Financial Statements and the audited 2017 Financial Statements, 2018 Financial Statements and the 2019 Financial Statements, respectively, and the notes thereto; all of which are incorporated in this Prospectus by reference, see section 16 "Financial information concerning the assets and liabilities, financial position and profits and losses and dividends". Some of the information contained in the following discussion contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Additional risks and uncertainties not presently known to the Company or that the Company currently believes to be immaterial could also materially affect the Group. For example, the current COVID-19 pandemic is causing major disruptions in economies and markets around the world. Existing Shareholders and prospective investors should read section 4.4 "Forward-looking statements" for a discussion of the risks and uncertainties related to those statements. Existing Shareholders and prospective investors should also read section 1 "Risk factors" for a discussion of certain factors that may affect the Group's business, financial conditions, and results of operations.

The selected consolidated financial information for the Group, comprising selected consolidated income statement items, balance sheet items and cash flow statement items for the Group, shown below has been extracted from the Q3 2020 Interim Financial Statements with comparison numbers for the nine month period ended 30 September 2019 that are prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and adopted by the EU and additional Danish disclosure requirements for listed companies and the 2017 Financial Statements, the 2018 Financial Statements and the 2019 Financial Statements that have been prepared in accordance with IFRS as adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies. The 2017 Financial Statements, the 2018 Financial Statements and the 2019 Financial Statements have been audited by Deloitte Statsautoriseret Revisionspartnerselskab and the Q3 2020 Interim Financial Statements have been reviewed by Deloitte Statsautoriseret Revisionspartnerselskab, but the comparative numbers for the nine month period ended 30 September 2019 have neither been reviewed nor audited.

Other than as specifically set out above, no information included in this Prospectus regarding the Group has been audited, reviewed or examined by the independent auditors of the Group.

The selected consolidated historical information for the Group included in this Prospectus has been prepared in accordance with IFRS as adopted by the EU except for non-IFRS financial measures listed in section 10.5 "*Alternative performance measures/Non-IFRS measures*".

10.1 Overview

The Group consists of two businesses operating separate of each other: NKT and NKT Photonics.

NKT accounted for 94 percent of the Group's revenue and 51 percent of Operational EBITDA (non-IFRS) for the financial year 2019, while NKT Photonics accounted for 6 percent of the Group's revenue and 49 percent of Operational EBITDA (non-IFRS).

NKT is a leading provider of power cable solutions with production facilities in Europe, including in Karlskrona, Sweden and Cologne, Germany, and sales offices around the world. NKT is organised into three business lines: *Solutions*, *Applications* and *Service & Accessories*. *Solutions* revenues accounted for 47 percent of NKT's total revenue and *Solutions'* Operational EBITDA (non-IFRS) 50 percent of NKT's total Operational EBITDA (non-IFRS) for the financial year 2019; *Applications'* revenues accounted for 41 percent of NKT's total revenue and Applications Operational EBITDA (non-IFRS) 1 percent of NKT's total Operational EBITDA (non-IFRS) for the financial year 2019; and *Service & Accessories* revenues accounted for 12 percent of NKT's total revenue and *Service & Accessories* Operational EBITDA (non-IFRS) 48 percent of NKT's total Operational EBITDA (non-IFRS) for the financial year 2019.

The *Solutions* business line is a project and backlog driven business specialising in HV power cable solutions. NKT designs, develops, manufactures and installs power cables used in offshore and onshore power transmission systems. It covers both AC and DC power cable systems. The *Applications* business line offers customers a broad range of LV and MV power cable solutions. The *Service & Accessories* business line provides services for offshore and onshore power cables and offers a full portfolio of power cable accessories to the HV and MV markets.

The Group's other business, NKT Photonics, is a leading supplier of high-performance fiber lasers, fiberoptic sensing systems and photonic crystal fibers. NKT Photonics' main markets are within imaging, sensing and material processing.

The Company reports consolidated financial information on a group level, as well as segmental financial information for each of NKT's three business lines, *Solutions*, *Applications* and *Service & Accessories* and for NKT Photonics.

10.2 Key financials

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017[1)]**
Income statement					
Revenue	1,096.6	975.0	1,342.4	1,501.6	1,479.3
Revenue in std. metal prices (non-IFRS)	860.7	731.6	1,019.3	1,147.1	1,108.4
Operational EBITDA (non-IFRS)	46.0	21.3	29.7	79.3	141.8
EBITDA (non-IFRS)	35.9	15.5	17.7	49.8	96.9
Depreciation, amortisations and impairment	-69.1	-68.4	-100.7	-87.3	-79.6
Operational EBIT (non-IFRS)	-23.1	-47.1	-71.0	-8.0	62.2
EBIT	-33.2	-52.9	-83.0	-37.5	17.3
Financial items, net	-13.8	-6.2	-12.3	-8.0	-14.7
EBT	-47.0	-59.1	-95.3	-45.5	2.6
Tax	3.1	5.8	19.3	-0.8	-6.0
Net result	-43.9	-53.3	-76.0	-46.3	928.8
Cash flow					
Cash flow from operating activities	25.4	-20.5	125.0	-42.2	87.8
Cash flow from investing activities excl. acq. & div (non-IFRS)	-53.6	-47.8	-69.0.	-60.9	-94.2
Free cash flow excl. acq. & div (non-IFRS)	-28.2	-68.3	56.0	-103.1	-6.4
Balance sheet					
Capital employed (non-IFRS)	1,047.5	1,156.3	1,046.0	1,143.9	1,109.5
Working capital (non-IFRS)	-99.5	23.1	-118.1	7.7	-83.5
Financial ratios and employees					
Organic growth (non-IFRS)(%)	19%	-15%	-8%	1%	7%
Operational EBITDA margin (std. metal prices) (non-IFRS)(%)	5.3%	2.9%	2.9%	6.9%	12.8%
RoCE (non-IFRS)(%)	-4.2%	-6.0%	-6.2%	-0.7%	5.7%
Average number of employees	3,772	3,666	3,671	3,744	3,600

[1)] Effective 10 October 2017, a demerger of the Company was effected resulting in the spin-off of Nilfisk A/S. Although Nilfisk A/S was treated as discontinued operations in the 2017 Financial Statements, the demerger resulted in one off expenses, which impacted the Group's results. Further, the 2017 Financial Statements only include the ABB HV Cables activities, acquired effective 1 March 2017, for 10 months.

Definition of financial ratios

Financial ratio	Definition
Organic growth (non-IFRS)	Absolute organic sales growth (standard price) as a percentage of prior year adjusted revenue (standard price). Organic growth (non-IFRS) is a measure of growth, excluding the impact of exchange adjustments from year-on-year comparisons, and including acquisitions and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation, and for divestments revenue for the prior year is removed from the calculation.
Operational EBITDA margin (std. metal prices) (non-IFRS)	Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS) adjusted for one-off items, as a percentage of revenue in std. metal prices.
RoCE (Return on capital employed) (non-IFRS)	Operational EBIT LTM (non-IFRS) as a percentage of average capital employed last five quarters, where average capital employed is calculated as the arithmetic average of the capital employed at the end of each of the past five quarters.

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, as adopted by the EU. For further information, including a reconciliation of the non-IFRS financial measures presented in this Prospectus to the nearest IFRS measure, see section 10.5 "*Alternative performance measures/Non-IFRS measures*".

10.3 Principal factors affecting the Group's results of operations

The Group's results of operations have been affected in the periods under review and are expected to continue to be affected by the following principal factors and other factors relating to the business as set forth below.

10.3.1 General economic conditions, including the COVID-19 pandemic

The level of spending by the Group's existing and potential customers is influenced by general economic conditions in the countries in which the Group operates. As many of the Group's customers, particularly its large customers, are European companies, economic conditions in Europe may affect the demand for the Group's products and solutions and the pricing it is able to agree on in respect of its contracts. Fluctuating, negative or uncertain economic conditions in the Group's customers' markets have in the past undermined, and could in the future undermine, business confidence and cause customers to reduce or defer their spending on new initiatives and technologies, or may result in customers reducing, delaying or eliminating spending. Likewise, prosperous economic conditions could have a positive impact on the general activity level within construction work and other areas which in turn could positively affect the general demand in the cable markets.

As a provider to public sector and semi-public customers, NKT is also impacted by financial, budgetary, regulatory or political constraints, or changes in government policy and public spending constraints which could have a significant impact on the size, scope, timing and duration of contracts and orders placed by them and, therefore, on the level of business which NKT will derive from such customers.

While the COVID-19 pandemic has only had a limited effect on the Group's cable business to date, the pandemic has had and may continue to have a material adverse effect on the business and financial performance of NKT Photonics. As announced by the Company in company announcements no. 6 dated 6 May 2020 and no. 22 dated 19 August 2020, respectively, the market outlook contained such uncertainty due to the COVID-19 pandemic that the Company suspended the financial forecast for the financial year ending 31 December 2020 for NKT Photonics and postponed the strategic review of NKT Photonics. Demand slowed in several parts of the markets in which NKT Photonics operates and visibility in regard to customer demands have been, and still are, unusually low for the remainder of the financial year ending 31 December 2020, when NKT Photonics usually generates the main part of its earnings.

10.3.2 Trends within the industries in which the Group operates

NKT anticipates an increasing demand for power cable solutions and services in the years ahead and as a technology leading provider NKT expects to be a significant beneficiary of this development. NKT expects in particular the future development of the HV market to be attractive, supported by the global transition towards renewable energy sources such as solar and wind and a political agenda to expand transmission lines to interconnect power grids within countries in the EU and also in the rest of the world. This transition will also drive demand for the *Applications* and *Service & Accessories* business lines. The growth of the HV markets is, however, subject to various factors, including the timing of political decision making.

NKT Photonics' *Industrial* segment, which is the largest and comprised approximately 70 percent of NKT Photonics revenue in the financial year 2019, has experienced general downturn in the foregoing one - two years. Especially, the Chinese industrial market and market for lasers for automative production slowed down as a consequence of macroeconomic changes. This trend was intensified by the COVID-19 pandemic. NKT Photonics' two other segments: *Medical & Life Science* and *Aerospace & Defense*, have to date been less affected by the COVID-19 pandemic.

In all of the three market segments in which NKT Photonics operates, NKT Photonics expects to benefit from a market trend moving towards adoptions of advanced laser solutions for a variety of precision and high-power applications such as replacement of manual surgery with scalpels in ophthalmology or the use of incandescent lamps or simple lasers in industrial equipment and microscopes, and electrical point sensors in the security and sensing sector.

10.3.3 Ability to win and execute orders

In the recent past, the Group has had a strong track record of won tenders and is dependent on this ability to win tendered contracts over time, as well as being able to successfully and timely executing on them.

As the values of the orders in the HV power cable market vary but tend to grow in size, award of one or more significant order will be important for NKT in order to limit idle capacity in the large plants. The large asset base as well as a large base of fixed costs require NKT to continuously have a solid HV order backlog of won orders. A solid orderbook not only allows for short term profitability but also limits the risk that the Group may be required to make bids with lower margins and less favourable payment conditions than otherwise warranted or considered reasonable. Compromising on margins and terms could be inevitable in scenarios with few order wins, whether driven by general low activity in the market, inability to meet customer needs or other triggers, and would impact the overall financial performance for the Group. On the other hand, many awards and a solid HV order backlog would provide NKT with more leverage in negotiations and allow NKT to be more selective in the tendering process, which could drive up profitability. NKT's track record in delivering projects successfully has been pivotal to its recent success in winning large public tenders. The ability to continue successful project execution will hence be important not only to ensure short term financial performance through healthy operation profit margins, but also for NKT's ability to attract and retain customers and win new orders.

NKT Photonics' ability to win orders is largely dependent on the rate of adaptation of new technology in its three market segments. As the technology and markets mature, and an increasing part of NKT Photonics' business is with original equipment manufacturers, more and more of the revenue is expected to come from repeat business secured through multi-year supply agreements.

10.3.4 Competitiveness

The Group's competitiveness depends on its ability to continue to anticipate technological advances and develop and improve relevant technologies in a timely manner.

If the Group does not adapt, expand and develop its products, services and solutions in response to changes in technology or customer demand, its ability to develop and maintain a competitive advantage could be negatively affected, which could result in loss of orders, a decline in sales volume, an increase in price discounting and/or a loss of market share, all of which would adversely impact revenue and margin of the Group's operations. Moreover, the development of or otherwise exclusive access to ground-breaking technologies by competitors of the Group, could have negative impact on its ability to compete effectively on the markets, which in turn could result in unfavourable impact on the financial performance. New or improved technologies offered by competitors may make the Group's offerings less attractive by customers or less competitive, comparatively.

10.3.5 Competition on the markets

The competitive landscape varies between markets in which the Group's different businesses operate.

In NKT's *Applications* business, where cables are based on industry standards and are often interchangeable with similar products made by NKT's main competitors, NKT must successfully market and competitively price its products and solutions in order to be able to compete effectively. The intense price pressure in especially the LV markets implies that to compete effectively and at the same time ensure profitability, the *Applications* business must be very focused on increasing scales through higher sales and reducing cost through technology advances and material & process efficiency. Inability to drive scale and cost efficiency would negatively affect the operational performance of NKT.

NKT Photonics enjoys several niches, such as white light lasers for bio-imaging, material research and semiconductor manufacturing, with a strong market position, and with the most intense competition being in the *Industrial* segment, where most of the biggest players in the photonics industry are operating. Although NKT Photonics only competes with these companies in a limited way, some segments, like consumer electronics, do experience intense competition and price pressure.

10.3.6 Contract pricing

The Group's profitability is dependent on the bill rates it is able to recover from the sale of its products and solutions and the efficiency with which the Group can deliver these products and solutions. The bill rates the Group is able to recover are affected by a number of factors, including: (i) its ability to accurately estimate, attain and sustain contract revenues, margins and cash flows over increasingly longer contract periods; (ii) bid practices of customers and their use of third-party advisors; and (iii) general economic and political conditions. Competition for major new contracts in the markets in which the Group operates is intense and price competition is often occurring.

NKT's profitability is also dependent on its ability to effectively price and manage its fixed fee contracts. Payment terms of a power cable project contract usually comprise the following payments: (i) down payment from the customer at contract inception, (ii) progress payments, linked to project milestones, and (iii) final payment upon completion and customer acceptance. The pricing of fixed price contracts is complex and highly dependent on NKT's internal estimates, predictions and assumptions for NKT's power cable projects. These estimates, predictions and assumptions might be based on limited data and could turn out to be inaccurate. If NKT does not accurately estimate the scope of its costs and timing for completing projects, its fixed price contracts could prove unprofitable for NKT or yield lower profit margins than anticipated.

Power cable projects to be performed by NKT 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 power cable project is normally considered one performance obligation as each project comprise highly interrelated and interdependent physical assets and services, such as production, installation and project management. Depending on the contract structure, the performance obligation may consist of more than one contract. NKT applies percentage of completion (PoC) cost-to-cost method for its fixed fee contracts, pursuant to which the estimated work to complete the projects is updated on a monthly basis based on progress to date and any increase in the estimated completion time is adjusted for all individual fixed fee contracts. Any significant deviation in estimated completion time against the original scope and time effort will thus negatively impact profit margins as more resources will be required to complete the project, which was agreed at a fixed price.

Prices in the general photonics market in which NKT Photonics operates are generally dropping as the market grows, but there are very large variations between market segments. With that said, prices in these markets are reasonably stable except for industrial ultrafast lasers, where the rapid adaptation of these lasers in the consumer electronics industry attracts many players with following price pressure. As original equipment manufacturer adaptation and volume increases, the prices naturally fall but with the gains in efficiency driven by the higher volume, margins remain stable.

10.3.7 IFRS 16 Leases

The Group has implemented IFRS 16 Leases effective for the annual reporting period beginning 1 January 2019. The Group applied the modified retrospective transition approach without restating comparative figures. The Group has chosen to use the following exemptions proposed by the standard:

- Not to reconsider if existing contracts are, or include, a lease;
- Not to recognise lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value;
- Not to recognise any initial direct costs from the measurement of the right-of-use asset;
- Apply only one discount rate for a group of similar lease assets.

The Group recognises all material operating leases – with the exemptions listed above – on the balance sheet as assets with a corresponding lease liability. The lease liability equals the discounted value of all future lease payments. The lease assets, right-of-use assets, corresponds at transition to the lease liability. Payments related to short-term leases and leases of low-value assets continue to be recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise minor buildings, cars, forklifts, IT-equipment and other office equipment.

As lease payments was previously presented as cash flows from operating activities, free cash flow thus increased by the number of instalments on the leases. The implementation of IFRS 16 Leases did not have a material impact on earnings per share (EPS) and earnings per share diluted (ESP-D).

For the financial year 2019, implementation of IFRS 16 Leases impacted Operational EBITDA (non-IFRS) positively with EUR 4.5 million in NKT and EBITDA (non-IFRS) positively in NKT Photonics with EUR 1.9 million.

10.4 Critical accounting estimates and judgements

The reviewed Q3 2020 Interim Financial Statements, and the audited 2017 Financial Statements, 2018 Financial Statements and 2019 Financial Statements contain information that is pertinent to the discussion and analysis of the Group's results of operations and financial conditions set forth in this section. The preparation of the reviewed Q3 2020 Interim Financial Statements, and the audited 2017 Financial Statements, 2018 Financial Statements and 2019 Financial Statements is in conformity with IFRS as adopted by the EU and additional disclosure requirements under the Danish financial statements act and requires the Group to make judgements, estimates and assumptions that may affect the amounts reported. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it either involves significant estimation uncertainty or its application requires significant judgement.

Significant estimation uncertainty exists if the following two criteria are met:

- The policy requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made; and
- Different estimates that reasonably could have been used or changes in the estimates that are reasonably likely to occur from period to period would have a material impact on the audited or reviewed, as applicable, consolidated financial statements of the Group.

Significant judgement on application of an accounting policy exists if:

- Application of the policy requires a significant degree of judgement based on individual facts and circumstances; and

- A different judgement would have a material impact on the audited or reviewed, as applicable, consolidated financial statements of the Group.

The Company believes that the accounting methods and policies listed below are the most likely to be affected by these estimates and judgements. Although the Company believes these policies to be the most significant, other accounting policies also have a significant effect on the consolidated financial statements of the Group, and certain of these policies may also require the use of estimates and judgements.

The main areas considered affected by these estimates and judgements are:

10.4.1 Determinate recognition method for NKT's power cable projects

NKT's power cable projects are to a certain degree measured based on Executive Management's judgement in terms of when to recognise revenue and how to calculate the revenue in terms of stage of completion and estimated profit on each project. The estimates include a risk provision, which is based on an assessment of the specific risks that each power cable project is exposed to.

The stage-of-completion is based on costs incurred against estimated total project costs. In essence, the total project costs are therefore to a large extent based on estimates. Assumptions for the recognition of revenue over time regarding larger power 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's ability to provide products according to specification and the risk that the power cable is rejected;
- Customer takes over risk and legal title to the power cable installation on an on-going basis; and
- Milestone payments from the customer.

Revenue from construction contracts with customers with a high degree of individual customisation and no alternative use, are recognised as revenue over time, provided that NKT 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). Revenue from sale of goods for resale and finished goods is recognised 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 recognised concurrently with the supply of those services. Revenue is measured at the fair value of the expected consideration excluding VAT and taxes charged on behalf of third parties. In determining the transaction price, revenue is reduced by probable penalties and other claims and discounts that are payments to the customers. The transaction price is further adjusted for any variable elements of the transaction price. The variable amount is estimated at contract inception and revisited throughout the contract period. Variable income is recognised as revenue when it is highly probable that a reversal will not occur.

10.4.1.1 Valuation of NKT's construction contracts

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

10.4.2 Estimate the value of deferred tax asset

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 utilised. 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.

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

10.4.3 Estimate the value-in-use of intangible and tangible long-term assets

Goodwill
Goodwill has been allocated to the cash-generating units similar to reportable segments in the Group: (a) NKT's three business lines *Solutions, Applications*, *Service & Accessories* and (b) NKT Photonics. The goodwill level in NKT's business line *Applications* was immaterial and the assumptions for the goodwill impairment test are not described any further. The carrying amount of goodwill was as follows:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
Solutions	313.4	308.2	317.4	320.5	337.1
Applications.	6.0	6.3	6.4	6.3	6.3
Service & Accessories.	47.8	47.3	48.4	49.2	48.8
NKT Photonics	25.3	25.2	25.2	25.2	25.3
Total.	**392.5**	**387.0**	**397.4**	**401.2**	**417.5**

Key assumptions
The recoverable amount is based on a value-in-use calculation, and impairment test was latest carried out as of 30 September 2020. For all cash-generating units, the calculation was based on cash flow projections based on forecast for 2020 and 2021 and long-term forecasts for 2022–2025. 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 set for each cash-generating unit to reflect the latest market assumptions for the risk-free rate based on a 10-year Danish 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 different cash-generating units operate. The expected long-term growth rate has been reduced in 2020 to reflect the lower risk-free rate for NKT's business lines *Solutions* and *Service & Accessories*.

Investments reflect both maintenance and expectations of organic growth. For the *Solutions* business line, yearly average investments above depreciation are expected for the period 2021 - 2025. For the remaining cash-generating units, the yearly average investment is expected to be below depreciation for the period 2020–2025, and for the terminal period the investments are expected to be in line with depreciation for all cash-generating units.

Goodwill is subject to an annual testing in respect of impairment.

Executive Management determines the expected annual growth rate in the budget period and the expected margins based on historical experience and the following assumptions about expected market developments, detailed below:

Solutions
The continued growth in renewable power generation is an important driver in the attractive outlook for the HV power cable market. NKT views Europe as its largest market opportunity, but more HV power cable

projects are also coming to the market in the USA and Asia. In the near future, NKT expects a number of significant interconnectors HV power cable projects especially in Europe to be awarded in addition to the growth in the offshore wind market. It is an underlying assumption that NKT will be awarded a share of these HV power cable projects. Assessing the future awards to NKT is by nature subject to uncertainty, and the value-in-use calculation of the *Solutions* business line is very sensitive to any changes in the actual share awarded to NKT.

Service & Accessories
The market for servicing power cables is gradually growing. The competitive landscape among service providers is diverse, with different companies offering different solutions. Power cable failures are costly for both onshore and offshore operators.

The customers increasingly demand services that will enable them to improve power cable efficiency and solutions that can help predict, prevent and mitigate power cable failures. And if an incident does occur, power cable operation must be restored as fast as possible. The *Service* market is expected to see attractive growth in the years ahead, driven by the growth of installation of new and expanded power cable systems both off- and onshore in line with the megatrends driving the power cable market. However, the market will fluctuate during this period depending on the number of large offshore cable repairs. As accessories are necessary components of power cable systems, the accessories market will be closely linked to that for MV and HV power cables. As with power cables, competitive pressure is higher in lower voltage levels due to the increasing complexity of accessories for higher voltage.

NKT Photonics
NKT Photonics operates in the laser industry within three segments: *Medical & Life Science*, *Industrial* and *Aerospace & Defense*. NKT Photonics is expecting growth rates above the average for the general laser industry.

Sensitivity to changes in assumptions
A main assumption in the latest goodwill assessment as of 31 December 2019 was that NKT was awarded a number of the European interconnector projects in 2020. With the favourable outcome of the German Corridor Project awards, the uncertainty around the assumptions has decreased significantly.

10.4.4 Assessment of classification of the hybrid capital

The Company has issued a EUR 150 million callable subordinated bond, which is due in 3018 and listed on Nasdaq Copenhagen. The callable subordinated bond is accounted for as a hybrid capital reserve in equity. The classification is based on the special characteristics of the hybrid capital bond, where the bondholders are subordinate to other creditors and the Company may defer and ultimately decide not to pay the coupon. As the principal of the securities ultimately falls due in 3018, its discounted fair value is zero due to the terms of the securities, and therefore a liability of zero has been recognised in the balance sheet, and the full amount of the proceeds have been recognised as equity. Coupon payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

10.4.5 Determine the level of obligations

The 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 effect on profit for the year.

On 2 April 2014, NKT received a fine of EUR 3.9 million following the investigation conducted by the European Commission into alleged price-fixing activities with regard to HV power cable projects. While the European Commission assessed that NKT's role had been substantially limited and the fine was considerably smaller than those imposed on other cable manufacturers, NKT disagreed with the Commission's decision and therefore filed an appeal. On 14 May 2020, the European Court of Justice ruled partly in favour of NKT, resulting in a EUR 0.2 million lower fine and a narrower scope of NKT infringement. Although the Company is satisfied with the decision from the European Court of Justice, the Company assesses that the ruling does not take all heads of claims into account, which is why an application according to the Rules of Procedure of the European Court of Justice has been filed with the Court.

In the UK claims derived from the EU case, Scottish Power, National Grid and Vattenfall, respectively, launched civil damages proceedings against NKT along with a number of others cable suppliers, as co-defendants. The National Grid case and the Vattenfall case were both settled to a satisfactory level in September and October 2020, respectively.

As a consequence of the European Court of Justice ruling, NKT and other power cable producers may face exposure to claims for damages in proceedings brought by customers or other third parties.

NKT recognised a provision of EUR 8.3 million in the second quarter of 2020 as a consequence of the EU case regarding alleged price-fixing activities and the UK claims.

The Group is jointly liable for Danish corporate taxes on dividend, interest and royalties together with Nilfisk A/S up until the demerger in October 2017.

In a few cases the Group's foreign companies are subject to special tax schemes to which certain conditions are attached.

10.5 Alternative performance measures/non-IFRS measures

The supplemental, non-IFRS financial measures used by the Company and presented in this Prospectus are not measures of financial performance under IFRS, as adopted by the EU, but are alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority (ESMA) on 5 October 2015 on alternative performance measures. Executive Management uses these non-IFRS measures in a number of ways to assess the Group's consolidated financial and operating performance, and the Company believes these measures are helpful to management and external users in identifying trends in Group performance. For example, EBITDA (non-IFRS) helps Executive Management identify controllable expenses and make decisions designed to help the Group meet its current financial goals and optimise its financial performance, while neutralising the impact of financing and capital expenditures on the results, whereas revenue in std. metal price (non-IFRS) is the primary measure of activity in *Applications*. Accordingly, the Company believes these metrics measure the Group's financial performance based on operational factors that Executive Management can impact in the short-term, namely the Group's cost structure and expenses.

The Company believes that the presentation of these non-IFRS measures in this Prospectus provides information useful to investors in assessing the Group's financial condition and results of operations. While the measures are used by Executive Management to monitor the underlying performance of the Group, the definition of the non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation, as a measure of the Group's liquidity or otherwise as a substitute for analysis of the Group's operating results as reported under IFRS.

The following definitions apply throughout the Prospectus and include reconciliations from the relevant IFRS financial measures to the defined non-IFRS financial measures:

10.5.1 Revenue in std. metal prices (non-IFRS)

Revenue in std. metal prices (non-IFRS) is defined as revenue at standard metal prices for copper and aluminium set at EUR/tonne 1,550 and EUR/tonne 1,350, respectively. Because this measure excludes impacts from price fluctuations in the largest raw material components, Executive Management considers revenue in std. metal prices (non-IFRS) to be a useful measure to monitor the underlying growth.

The following table provides a reconciliation of revenue in market prices to revenue in std. metal prices (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Revenue in market prices	1,096.6	975.0	1,342.4	1,501.6	1,479.3
Adjustment of market prices to std. metal prices.	-235.9	-243.4	-323.1	-354.5	-370.9
Revenue in std. metal prices (non-IFRS).	**860.7**	**731.6**	**1,019.3**	**1,147.1**	**1,108.4**

10.5.2 EBITDA (non-IFRS)

EBITDA (non-IFRS) is defined as earnings before interest, tax, depreciation and amortisation (EBITDA). Executive Management considers EBITDA (non-IFRS) to be a useful measure to monitor the underlying performance because by excluding such depreciation, amortisation and impairment, the measure is not impacted by capital investments when measuring performance.

The following table provides a reconciliation of EBIT (defined as earnings before interests and taxes) to EBITDA (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
EBIT	-33.2	-52.9	-83.0	-37.5	17.3
Total amortisation of intangible assets	17.3	16.0	25.6	20.9	18.3
Total depreciation and impairment of owned and leased assets	51.8	52.4	75.1	66.4	61.3
EBITDA (non-IFRS).	**35.9**	**15.5**	**17.7**	**49.8**	**96.9**

10.5.3 One-off items (non-IFRS)

One-off items (non-IFRS) are defined as non-recurring income and expenses that are not considered to be a part of the Group's ordinary operations such as non-recurring income and costs related to acquisitions, divestments, integration, restructuring, severance and other one-time items. Executive Management considers adjustments for one-off items to be a useful measure to monitor the underlying performance as items of a non-recurring nature are important to understand underlying performance.

The following table sets forth the composition for one-off items (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Integration of acquired business	-0.4	-0.2	-0.5	-6.4	-20.4
Transaction-related acquisition/divestment	0.0	6.4	6.4	0.0	-6.3
Demerger activities	0.0	0.0	0.0	0.0	-5.8
Cost programs and other strategic initiatives	-1.9	-8.0	-11.8	-18.8	-10.7
EU case regarding alleged price-fixing activities[1)]	-7.8	-4.0	-6.2	-4.3	-1.7
One-off items (non-IFRS).	**-10.1**	**-5.8**	**-12.0**	**-29.5**	**-44.9**

[1)] Reference is made to section 10.4.5 "*Determine the level of obligations*" section 16.3 "*Legal and arbitration proceedings*" for a description of the EU case on alleged price-fixing activities.

10.5.4 Operational EBITDA (non-IFRS)

Operational EBITDA (non-IFRS) is defined as earnings before interest, tax, depreciation, amortisation, impairment (EBITDA) (non-IFRS) and one-off items (non-IFRS). Executive Management considers Operational

EBITDA (non-IFRS) to be a useful measure to monitor the underlying performance as it excludes items which are non-recurring by nature when measuring underlying performance.

The following table provides a reconciliation of EBITDA (non-IFRS) to Operational EBITDA (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
EBITDA (non-IFRS)	**35.9**	**15.5**	**17.7**	**49.8**	**96.9**
One-off items (non-IFRS).	10.1	5.8	12.0	29.4	44.9
Operational EBITDA (non-IFRS).	**46.0**	**21.3**	**29.7**	**79.3**	**141.8**

10.5.5 Operational EBIT (non-IFRS)

Operational EBIT (non-IFRS) is defined as earnings before interest and tax excluding one-off items (non-IFRS). Executive Management considers Operational EBIT (non-IFRS) to be a useful measure to monitor the underlying performance as it excludes special items which are non-recurring by nature.

The following table provides a reconciliation of EBIT to Operational EBIT (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
EBIT	-33.2	-52.9	-83.0	-37.5	17.3
One-off items (non-IFRS).	10.1	5.8	12.0	29.5	44.9
Operational EBIT (non-IFRS).	**-23.1**	**-47.1**	**-71.0**	**-8.0**	**62.2**

10.5.6 Cash flow from investing activities excl. acquisitions & divestments (non-IFRS)

Cash flow from investing activities excl. acquisitions & divestments (non-IFRS) is defined as cash flows from investments in and disposals of property, plant and equipment, excluding cash flows from acquisition and divestments of business. Executive Management considers cash flow from investing activities excl. acquisitions & divestments (non-IFRS) to be a useful measure to monitor the cash needed to fund capital expenditures.

The following table provides a reconciliation of cash flow from investing activities to cash flow from investing activities excl. acquisitions & divestments (non-IFRS) for the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Investments in property, plant and equipment	-24.7	-23.7	-34.3	-28.5	-41.4
Disposal of property, plant and equipment.	0.7	1.7	1.2	1.2	0.2
Intangible assets and other investments, net	-29.6	-25.8	-35.8	-33.6	-29.6
Cash flow from investing activities excl. acquisitions & divestments (non-IFRS)	**-53.6**	**-47.8**	**-69.0**	**-60.9**	**-70.5**

10.5.7 Free cash flow excl. acquisitions & divestments (non-IFRS)

Free cash flow excl. acquisitions & divestments (non-IFRS) is defined as free cash flow from operating activities plus cash flow from investing activities, and less cash flow from acquisition and divestment of businesses.

Executive Management considers the measure useful in order to analyse the underlying trends in cash flow as it exclude cash flows that are less predictable in terms of timing and impact.

The following table provides a reconciliation of cash flow from operating activities and of cash flow from investing activities to free cash flow excl. acquisitions & divestments (non-IFRS) for each of the periods:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
Cash flow from operating activities	25.4	-20.5	125.0	-42.2	87.8
Cash flow from investing activities excl. acquisitions & divestments (non-IFRS)	-53.6	-47.8	-69.0	-60.9	-70.5
Free cash flow excl. acquisitions & divestments (non-IFRS)	**-28.2**	**-68.3**	**56.0**	**103.1**	**17.3**
Acquisition of non-controlling interests.	0.0	0.0	0.0	0.0	0.0
Acquisition of businesses.	0.0	-1.8	-7.3	0.0	-800.8
Divestment of businesses.	0.0	9.5	9.5	0.0	401.7
Free cash flow	**-28.2**	**-60.6**	**58.2**	**-103.1**	**-405.5**

10.5.8 Capital employed (non-IFRS)

Capital employed (non-IFRS) is defined as Group total equity plus net interest-bearing debt (which is defined as cash and interest-bearing receivables less interest-bearing debt). Executive Management considers capital employed (non-IFRS) to be a useful measure to monitor capital requirement and analyse the composition of financial performance.

The following table presents capital employed (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
Group total equity	853.3	806.3	803.8	895.6	816.3
Net-interest bearing debt.	194.2	349.9	242.2	248.3	293.2
Capital employed (non-IFRS)	**1,047.5**	**1,156.2**	**1,046.0**	**1,143.9**	**1,109.5**

10.5.9 Working capital (non-IFRS)

Working capital (non-IFRS) is defined as current assets minus current liabilities (excluding interest-bearing items and provisions). Executive Management considers working capital (non-IFRS) to be a useful measure to monitor the capital tied in operations.

The following table presents working capital (non-IFRS) for each of the periods indicated:

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
Current assets (excl. cash and interest-bearing items)	616.5	626.0	495.4	566.8	510.4
Current liabilities (excl. interest-bearing items and provisions).	716.0	602.9	613.5	559.1	593.9
Working capital (non-IFRS)	**-99.5**	**23.1**	**-118.1**	**7.7**	**-83.5**

10.5.10 Organic growth (non-IFRS)

Organic growth (non-IFRS) is defined as revenue growth (std. metal price) as a percentage of prior-year adjusted revenue (std. metal price). Organic growth (non-IFRS) is a measure of growth, excluding the impact of exchange rate adjustments and acquisitions and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation.

The following table present the adjustments made to change in revenue to arrive at organic growth (non-IFRS) in revenue for each of the periods indicated:

EUR million (unless otherwise indicated)

2016 revenue (std. metal prices) (non-IFRS).	**792.8**
Currency effect.	-6.2
Acquisitions & divestments.	252.4
2016 adjusted revenue (std. metal prices) (non-IFRS)	**1,039.0**
Organic growth (non-IFRS)	69.4
2017 revenue (std. metal prices) (non-IFRS)	**1,108.4**
Organic Growth from 2016 to 2017 (%) (non-IFRS).	**7%**

EUR million (unless otherwise indicated)

2017 revenue (std. metal prices) (non-IFRS).	**1,108.4**
Currency effect.	-32.9
Acquisitions & divestments.	60.9
2017 adjusted revenue (std. metal prices) (non-IFRS)	**1,136.4**
Organic growth (non-IFRS)	10.7
2018 revenue (std. metal prices) (non-IFRS)	**1,147.1**
Organic Growth from 2017 to 2018 (%) (non-IFRS).	**1%**

EUR million (unless otherwise indicated)

2018 revenue (std. metal prices) (non-IFRS).	**1,147.1**
Currency effect.	-14.8
Acquisitions & divestments.	-20.0
2018 adjusted revenue (std. metal prices) (non-IFRS)	**1,112.3**
Organic growth (non-IFRS)	-93.0
2019 revenue (std. metal prices) (non-IFRS)	**1,019.3**
Organic Growth from 2018 to 2019 (%) (non-IFRS).	**-8%**

10.5.10.1 Operational EBITDA margin (std. metal prices) (non-IFRS)

Operational EBITDA margin (std. metal prices) (non-IFRS) is defined as Operational EBITDA (non-IFRS) as a percentage of revenue in std. metal prices (non-IFRS) over a given period.

The following table presents Operational EBITDA margin (std. metal prices) (non-IFRS) for each of the periods indicated:

EUR million (unless otherwise indicated)	**Nine months ended 30 September**		**Financial year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
Operational EBITDA (non-IFRS).	46.0	21.3	29.7	79.3	141.8
Revenue in std. metal prices (non-IFRS)	860.7	731.7	1,019.3	1,147.1	1,108.4

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Operational EBITDA margin (std. metal prices) (%) (non-IFRS).	**5.3%**	**2.9%**	**2.9%**	**6.9%**	**12.8%**

10.5.11 RoCE (non-IFRS)

RoCE Return on capital employed (RoCE) (non-IFRS) is defined as Operational EBIT LTM (non-IFRS) as a percentage of five quarters average capital employed (non-IFRS). Executive Management considers RoCE (non-IFRS) to be a useful measure to monitor the company's ability to generate profit on the capital invested in the business.

The following table presents RoCE (non-IFRS) for each of the periods indicated:

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Operational EBIT (LTM) (non-IFRS)	-47.0	-71.2	-71.0	-8.0	62.2
Average capital Employed (non-IFRS).	1,107.5	1,183.9	1,146,7	1,174.0	1,083.5
RoCE (%) (non-IFRS).	**-4.2%**	**-6.0%**	**-6.2%**	**-0.7%**	**5.7%**

10.6 Segment analysis

The following includes an analysis of results of operations the Group's different segments in each of NKT and NKT Photonics for the financial years 2017, 2018 and 2019.

10.6.1 NKT

The following table sets forth key financial information for NKT for the nine month period ended 30 September 2020 and 2019 and in the financials years 2017, 2018 and 2019.

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Revenue	1,054.2	926.2	1,268.2	1,434.6	1,428.9
Revenue in std. metal prices (non-IFRS).	818.3	682.8	945.0	1,080.1	1,058.0
Organic growth (%) (non-IFRS)	21%	-17%	-10%	0%	7%
Operational EBITDA (non-IFRS)	47.6	13.9	15.1	70.2	138.3
Operational EBITDA margin (std. metal prices) (%) (non-IFRS).	6%	2%	2%	7%	13%

Development in the nine month period ended 30 September 2020 and 2019

For the nine month period ended 30 September 2020, NKT achieved a revenue measured in market prices of EUR 1,054.2 million, against EUR 926.2 million for the nine month period ended 30 September 2019. Revenue (std. metal prices) (non-IFRS) was EUR 818.3 million for the nine month period ended 30 September 2020, against EUR 682.8 million for the nine month period ended 30 September 2019. The main growth contributor was the *Solutions* business line driven by the execution of recent years' HV order awards. The *Applications* and *Service & Accessories* business lines also contributed to the positive development in the nine month period.

For the nine month period ended 30 September 2020, NKT's Operational EBITDA (non-IFRS) amounted to EUR 47.6 million as compared to EUR 13.9 million for the nine month period ended 30 September 2019.

Operational EBITDA margin (std. metal prices) (non-IFRS) was 6 percent as compared to Operational EBITDA margin (non-IFRS) of 2 percent for the nine month period ended 30 September 2019. This development was primarily due to the increased revenue in all three business lines and profitability improvements in *Applications.*

Development in the financial years 2018 and 2019

In the financial year 2019, NKT achieved revenue measured in market prices of EUR 1,268.2 million, against EUR 1,434.6 million and EUR 1,428.9 million in the financial years 2018 and 2017, respectively. NKT revenue (std. metal prices) (non-IFRS) in the financial year 2019 was EUR 945.0 million, against revenue (std. metal prices) (non-IFRS) of EUR 1,080.1 million in the financial year 2018 and revenue (std. metal prices) (non-IFRS) of EUR 1,058.0 million in the financial year 2017. This development from the financial year 2018 to 2019 was primarily due to reduced level of activity in *Solutions*, and the divestment of the railway activities that in the financial year 2018 delivered revenue (std. metal prices) (non-IFRS) of EUR 22.1 million.

In the financial year 2019, NKT's Operational EBITDA (non-IFRS) amounted to EUR 15.1 million as compared to EUR 70.2 million in the financial year 2018. Operational EBITDA margin (std. metal prices) (non-IFRS) was 2 percent in the financial year 2019, as compared to 7 percent in the financial year 2018. Earnings development from the financial year 2018 to the financial year 2019 reflected the lower level of activity in *Solutions* and unsatisfying earnings in *Applications*.

In the financial year 2019, NKT realised organic growth (non-IFRS) of -10 percent as compared to nil in the financial year 2018.

Development in the financial years 2018 and 2017

In the financial year 2018, NKT achieved revenue measured in market prices of EUR 1,434.6 million, against EUR 1,428.9 million in the financial year 2017. NKT revenue (std. metal prices) (non-IFRS) in the financial year 2018 was EUR 1,080.1 million, against revenue (std. metal prices) (non-IFRS) of EUR 1,058.0 million in the financial year 2017. The development from the financial year 2017 to the financial year 2018 was primarily due to the full-year revenue effect from the acquired ABB HV Cables activities, that was only included for 10 months in the financial year 2017.

In the financial year 2018, NKT's Operational EBITDA (non-IFRS) amounted to EUR 70.2 million as compared to EUR 138.3 million in the financial year 2017. Operational EBITDA margin (std. metal prices) (non-IFRS) was 7 percent as compared to 13 percent in the financial year 2017. Earnings development from the financial year 2017 to the financial year 2018 was a result of the *Solutions* business line being negatively impacted by lower average project margins, fewer projects in execution and lower capacity utilisation in the Karlskrona facility. Profitability in *Applications* was unsatisfactory, while *Service & Accessories* delivered improved results.

In the financial year 2018, NKT realised organic growth (non-IFRS) of nil as compared to 7 percent in the financial year 2017.

10.6.1.1 Solutions

The following table sets forth key financial information for *Solutions* for the nine month period ended 30 September 2020 and 2019 and in the financials years 2017, 2018 and 2019.

EUR million (unless otherwise indicated)	**Nine months ended 30 September**		**Financial year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
Revenue	475.8	357.0	522.5	640.3	680.2
Revenue in std. metal prices (non-IFRS)	423.3	313.0	455.6	577.9	589.0
Organic growth (%) (non-IFRS)	35%	-30%	-18%	-4%	16%
Operational EBITDA (non-IFRS)	27.0	8.5	14.1	62.9	110.6

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Operational EBITDA margin (std. metal prices) (%) (non-IFRS)...	6%	3%	3%	11%	19%

Development in the nine month period ended 30 September 2020 and 2019

For the nine month period ended 30 September 2020, revenue (std. metal prices) (non-IFRS) for *Solutions* was EUR 423.3 million, against EUR 313.0 million for the nine month period ended 30 September 2019. This development was due to higher factory output driven by execution of HV power cable orders awarded over recent years.

For the nine month period ended 30 September 2020, Operational EBITDA (non-IFRS) for *Solutions* amounted to EUR 27.0 million as compared to EUR 8.5 million for the nine month period ended 30 September 2019. Operational EBITDA margin (std. metal prices) (non-IFRS) was 6 percent as compared to Operational EBITDA margin (std. metal prices) (non-IFRS) of 3 percent for the nine month period ended 30 September 2019. The increase in Operational EBITDA was driven by the increased activity and higher factory output.

Development in the financial years 2018 and 2019

Revenue (std. metal prices) (non-IFRS) declined in the financial year 2019, amounting to EUR 455.6 million against EUR 577.9 million in the financial year 2018. This decrease was due to reduced activity at the Karlskrona factory, which continued to reflect the relatively low number of HV projects awarded in the market in the financial years 2017 and 2018. As a result of lower capacity utilisation, organic growth in the financial year 2019 was -18 percent. Revenue measured in market prices was EUR 522.5 million in the financial year 2019, against EUR 640.3 million in the financial year 2018.

The decrease in revenue impacted Operational EBITDA (non-IFRS) in *Solutions*, which amounted to EUR 14.1 million in the financial year 2019 compared to EUR 62.9 million in the financial year 2018. In the financial year 2019, the operational EBITDA margin (std. metal prices) (non-IFRS) was 3 percent, compared to 11 percent in the financial year 2018.

As of 31 December 2019, HV order backlog totalled EUR 1.37 billion (EUR 1.21 billion in std. metal prices), an increase from EUR 1.12 billion (EUR 0.94 billion in std. metal prices) in 2018. The improvement in the HV order backlog was driven by several project awards in 2019 with an aggregated value of more than EUR 750 million. The total market size was estimated, according to the Company's estimates, to be around EUR 3 billion.

Development in the financial years 2017 and 2018

Revenue (std. metal prices) (non-IFRS) declined in the financial year 2018, amounting to EUR 577.9 million against EUR 589.0 million in the financial year 2017, corresponding to an organic growth (non-IFRS) of -4 percent. This was primarily due to unexpected external events causing delays of two specific projects in the fourth quarter of 2018. Revenue measured in market prices was EUR 640.3 million in the financial year 2018, against EUR 680.2 million in the financial year 2017.

Operational EBITDA (non-IFRS) amounted to EUR 62.9 million in the financial year 2018 compared to EUR 110.6 million in the financial year 2017. In the financial year 2018, Operational EBITDA margin (std. metal prices) (non-IFRS) was 11 percent, compared to 19 percent in the financial year 2017. The decrease reflected lower average project margins, fewer projects in execution and lower capacity utilisation in Karlskrona.

10.6.1.2 Applications

The following table sets forth key financial information for *Applications* for the nine month period ended 30 September 2020 and 2019 and in the financials years 2017, 2018 and 2019.

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Revenue	504.9	499.0	645.3	677.4	668.3
Revenue in std. metal prices (non-IFRS)	310.1	296.7	389.1	400.5	399.9
Organic growth (%) (non-IFRS)	6%	-1%	-2%	5%	-2%
Operational EBITDA (non-IFRS)	14.1	2.9	0.3	5.4	23.2
Operational EBITDA margin (std. metal prices) (%) (non-IFRS)	5%	1%	0%	1%	6%

Development in the nine month period ended 30 September 2020 and 2019

For the nine month period ended 30 September 2020, revenue (std. metal prices) (non-IFRS) for *Applications* was EUR 310.1 million, against EUR 296.7 million for the nine month period ended 30 September 2019. The growth was primarily a result of positive development in Germany and Netherlands, driven by demand for MV power cables to sustain power grid optimisation. These positives were partly offset by lower sales mainly in the Czech Republic and the UK.

For the nine month period ended 30 September 2020, Operational EBITDA (non-IFRS) for *Applications* amounted to EUR 14.1 million as compared to EUR 2.9 million for the nine month period ended 30 September 2019. Operational EBITDA margin (std. metal prices) (non-IFRS) was 5 percent as compared to Operational EBITDA margin (std. metal prices) (non-IFRS) of 1 percent for the nine month period ended 30 September 2019. The increase was driven by the growth in revenue, a positive change in product mix towards more profitable MV and 1kV aluminium power cables, and continued focus on cost and production efficiencies.

Development in the financial years 2018 and 2019

In *Applications*, revenue (std. metal prices) (non-IFRS) amounted to EUR 389.1 million in the financial year 2019 against EUR 400.5 million in the financial year 2018, equal to organic growth (non-IFRS) of -2 percent. Revenue development was positive in eastern Europe and Germany, while sales in Scandinavia and France decreased. Revenue in market prices amounted to EUR 645.3 million in the financial year 2019, against EUR 677.4 million in the financial year 2018.

Operational EBITDA (non-IFRS) in the financial year 2019 amounted to EUR 0.3 million, against EUR 5.4 million in the financial year 2018. The reduction in revenue in the financial year 2019 drove down profitability compared to the financial year 2018. In late first quarter of the financial year 2019, NKT initiated the rollout of a uniform IT platform across its Scandinavian sites, which (as expected) initially had negative impact on financial performance, but in the course of the year these early challenges were gradually eliminated.

Development in the financial years 2018 and 2017

Revenue (std. metal prices) (non-IFRS) development was flat in the financial year 2018, amounting to EUR 400.5 million against EUR 399.9 million in the financial year 2017. Currency changes, especially the depreciation of SEK against EUR, had a negative impact on reported revenue. The comparison period of 2017 also included revenue of EUR 14.3 million from the divested Automotive business. Revenue measured in market prices was EUR 677.4 million in the financial year 2018, against EUR 668.3 million in the financial year 2017.

Operational EBITDA (non-IFRS) amounted to EUR 5.4 million in the financial year 2018 compared to EUR 23.2 million in the financial year 2017. The unsatisfactory profitability in *Applications* was due to specific unfavourable market developments and difficulties implementing transformational initiatives aimed at increasing operational efficiency. Additionally, the divested Automotive business contributed positively to the result in the comparison period. In the financial year 2018, Operational EBITDA margin (std. metal prices) (non-IFRS) was 1 percent, compared to 6 percent in the financial year 2017.

10.6.1.3 Service & Accessories

The following table sets forth key financial information for *Service & Accessories* for the nine month period ended 30 September 2020 and 2019 and in the financials years 2017, 2018 and 2019.

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Revenue	102.8	88.1	118.8	154.2	106.9
Revenue in std. metal prices (non-IFRS)	102.8	86.1	116.7	129.4	88.7
Organic growth (%) (non-IFRS)	16%	2%	5%	9%	-2%
Operational EBITDA (non-IFRS)	11.4	11.0	13.5	15.7	11.4
Operational EBITDA margin (std. metal prices) (%) (non-IFRS)	11%	13%	12%	12%	13%

Development in the nine month period ended 30 September 2020 and 2019

For the nine month period ended 30 September 2020, revenue (std. metal prices) (non-IFRS) for *Service & Accessories* was EUR 102.8 million, against EUR 86.1 million for the nine month period ended 30 September 2019. This development was primarily due to increased sales of MV power cable accessories and offshore repair orders.

For the nine month period ended 30 September 2020, Operational EBITDA (non-IFRS) for *Service & Accessories* amounted to EUR 11.4 million as compared to EUR 11.0 million for the nine month period ended 30 September 2019. Operational EBITDA margin (std. metal prices) (non-IFRS) was 11 percent as compared to Operational EBITDA margin (std. metal prices) (non-IFRS) of 13 percent for the nine month period ended 30 September 2019. The increase in Operational EBITDA was driven by the increase in revenue.

Development in the financial years 2018 and 2019

Revenue (std. metal prices) (non-IFRS) for *Service & Accessories* in the financial year 2019 amounted to EUR 116.7 million, compared to EUR 129.4 million in the financial year 2018, equal to organic growth (non-IFRS) of 5 percent. This growth was driven by the *Accessories* business. The decrease in revenue (std. metal prices) (non-IFRS) in the financial year 2019 was due to the impact of the divested railway activities, which contributed EUR 22.1 million in the financial year 2018. In the financial year 2019, revenue measured in market prices amounted to EUR 118.8 million, compared to EUR 154.2 million in the financial year 2018.

Operational EBITDA (non-IFRS) for *Service & Accessories* amounted to EUR 13.5 million in the financial year 2019, against EUR 15.7 million in the financial year 2018. The decrease was primarily due to reduced offshore service work. The Operational EBITDA margin (std. metal prices) (non-IFRS) in the financial year 2019 thus comprised 12 percent, comparable to margin achieved in the financial year 2018. Fluctuations generally occurs in both earnings and profitability, primarily depending on the number of large offshore cable repairs conducted.

Development in the financial years 2018 and 2017

Revenue (std. metal prices) (non-IFRS) increased in the financial year 2018, amounting to EUR 129.4 million against EUR 88.7 million in the financial year 2017. The increase was partly driven by a reclassification of revenue in which EUR 21 million was transferred from *Solutions* to *Service & Accessories* as a small department in *Solutions* has been organisationally moved. Furthermore, the development in 2018 was positively influenced by additional two-months of revenue from acquired activities, ABB HV Cables, compared to the financial year 2017. Revenue measured in market prices was EUR 154.2 million in the financial year 2018, against EUR 106.9 million in the financial year 2017.

Driven by improved earnings in the *Service* business, Operational EBITDA (non-IFRS) amounted to EUR 15.7 million in the financial year 2018 compared to EUR 11.4 million in the financial year 2017. In the financial year 2018, the Operational EBITDA margin (std. metal prices) (non-IFRS) was 12 percent, compared to 13 percent in the financial year 2017.

10.6.2 NKT Photonics

The following table sets forth key financial information for NKT Photonics for the nine month period ended 30 September 2020 and 2019 and in the financials years 2017, 2018 and 2019.

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	**2019**	**2019**	**2018**	**2017**
Revenue	44.0	49.1	74.6	67.7	50.9
Organic growth (non-IFRS)	-10%	7%	10%	16%	7%
EBITDA (non-IFRS)	-1.6	7.4	14.6	9.0	3.5
EBITDA margin (non-IFRS)	-4%	15%	20%	13%	7%

Development in the nine month period ended 30 September 2020 and 2019

For the nine month period ended 30 September 2020, revenue was EUR 44.0 million, against EUR 49.1 million for the nine month period ended 30 September 2019. The revenue development was impacted by the COVID-19 pandemic that triggered a slowdown in demand.

For the nine month period ended 30 September 2020, EBITDA (non-IFRS) amounted to EUR 1.6 million as compared to EUR 7.4 million for the nine month period ended 30 September 2019. EBITDA margin (non-IFRS) was -4 percent as compared to EBITDA margin (non-IFRS) of 15 percent for the nine month period ended 30 September 2019. The development in EBITDA was driven by the reduced revenue, less favourable customer mix and margins, and higher cost level.

Development in the financial years 2018 and 2019

The revenue increased in the financial year 2019, amounting to EUR 74.6 million against EUR 67.7 million in the financial year 2018, corresponding to an organic growth (non-IFRS) of 10 percent. The increased revenue was driven by NKT Photonics' strengthened presence in the *Aerospace & Defense* industry. Geographically, revenue growth was highest in the largest region, Europe, while positive progress was also delivered in the US.

EBITDA (non-IFRS) in the financial year 2019 amounted to EUR 14.6 million, against EUR 9.0 million in the financial year 2018. The EBITDA margin increased to 20 percent in the financial year 2019 compared to a margin of 13 percent in the financial year 2018 The increase in EBITDA (non-IFRS) was driven by the higher revenue. The development demonstrated the operational leverage in the business, but also included positive non-recurring items related to reversals of provisions and revaluations that added around EUR 2 million to EBITDA (non-IFRS) in 2019.

Development in the financial years 2018 and 2017

The revenue increased in the financial year 2018, amounting to EUR 67.7 million against EUR 50.9 million in the financial year 2017, corresponding to an organic growth (non-IFRS) of 16 percent. The increase in revenue was driven by improved performance across product categories and business segments, reflecting satisfactory execution on the strategic initiatives.

EBITDA (non-IFRS) more than doubled to EUR 9.0 million in 2018 from EUR 3.5 million in 2017. The EBITDA margin (non-IFRS) equalled 13 percent in the financial year 2018 against an EBITDA margin (non-IFRS) of 7 percent in the financial year 2017. The improved profitability was mainly driven by the growth in revenue.

10.7 Financial review

10.7.1 Financial review for the nine month period ended 30 September 2020 and 2019

The financial review is based on the Company's consolidated financial information for the nine month period ended 30 September 2020 compared to the consolidated financial information for the nine month period ended 30 September 2019. The Q3 2020 Interim Financial Statements are incorporated by reference in this Prospectus. See section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*."

10.7.1.1 Revenue

For the nine month period ended 30 September 2020, the Group achieved a revenue of EUR 1,096.6 million, an increase of EUR 121.6 million compared to a revenue of EUR 975.0 million in the nine month period ended 30 September 2019. The revenue (std. metal prices) (non-IFRS) for the nine month period ended 30 September 2020 amounted to EUR 860.7 million, whereas revenue (std. metal prices) (non-IFRS) for the nine month period ended 30 September 2019 amounted to EUR 731.6 million, an increase of EUR 129.1 million. The revenue increase was mainly due to the *Solutions* business line driven by the execution of recent years' high-voltage order awards. The *Applications* and *Service & Accessories* business lines also contributed to the positive development in the period, while NKT Photonics saw a decline in revenue, primarily as a result of the impact from the COVID-19 pandemic.

10.7.1.2 Organic growth (non-IFRS)

For the nine month period ended 30 September 2020, the Group realised organic growth (non-IFRS) of 19 percent, an increase of 34 percentage points compared to organic growth (non-IFRS) of -15 percent the nine month period ended 30 September 2019. The increase in organic growth (non-IFRS) was due to the positive revenue development in all business lines in NKT, partly offset by the decrease in revenue in NKT Photonics.

10.7.1.3 Costs of raw materials, consumables and goods for resale

For the nine month period ended 30 September 2020, costs of raw materials, consumables and goods for resale amounted to EUR 713.8 million, an increase of EUR 64.5 million compared to the costs of raw materials, consumables and goods for resale of EUR 649.3 million in the nine month period ended 30 September 2019. The increase in costs of raw materials, consumables and goods for resale was driven by the increased activity in NKT's business lines.

10.7.1.4 Staff costs

For the nine month period ended 30 September 2020, staff costs amounted to EUR 208.5, an increase of EUR 7.7 million compared to staff costs of EUR 200.8 million in the nine month period ended 30 September 2019. The development in staff costs was primarily due to an increase in the number of employees driven by the increased activity in NKT's *Solutions* business line.

10.7.1.5 Other costs etc.

For the nine month period ended 30 September 2020, other costs etc., comprising Other operating income, changes in inventory of finished goods and work in progress, work performed by the Group and capitalised, and Other operating expenses amounted to EUR 138.4 million, an increase of EUR 29.0 million compared to other costs of EUR 109.4 million in the nine month period ended 30 September 2019. The increase in other costs etc. was primarily driven by the increased activity in NKT's *Solutions* business line.

10.7.1.6 Operational EBITDA (non-IFRS)

For the nine month period ended 30 September 2020, the Group achieved an Operational EBITDA (non-IFRS) of EUR 46.0 million, an increase of EUR 24.7 million compared to the total Operational EBITDA (non-IFRS) of EUR 21.3 million in the nine month period ended 30 September 2019. The increase in Operational EBITDA (non-IFRS) was primarily due to the increased revenue in all Business lines in NKT and profitability improvements in *Applications*. These positives were partly offset by the decrease in revenue in NKT Photonics.

10.7.1.7 EBITDA (non-IFRS)

For the nine month period ended 30 September 2020, the Group achieved an EBITDA (non-IFRS) of EUR 35.9 million, an increase of EUR 20.4 million compared to the total EBITDA (non-IFRS) of EUR 15.5 million in the nine month period ended 30 September 2019. The increase in EBITDA (non-IFRS) was due to the increased revenue in all business lines in NKT and profitability improvements in the *Applications* business line. These positives were partly offset by the decrease in revenue in NKT Photonics. Furthermore, EBITDA (non-IFRS) was negatively impacted by increased One-off items driven primarily by the divestment of the Railway business which had a positive impact in 2019.

10.7.1.8 Depreciation of property, plant and equipment, including impairment

For the nine month period ended 30 September 2020, depreciation of property, plant and equipment was EUR 51.8 million, largely unchanged compared to depreciation of property, plant and equipment of EUR 52.4 million in the nine month period ended 30 September 2019.

10.7.1.9 Amortisations of intangible assets

For the nine month period ended 30 September 2020, amortisations of intangible assets were EUR 17.3 million, an increase of EUR 1.3 million compared to amortisations of intangible assets of EUR 16.0 million in the nine month period ended 30 September 2019. The increase in amortisations of intangible assets was due to an increased asset base driven primarily by IT related investments.

10.7.1.10 Operational EBIT (non-IFRS)

For the nine month period ended 30 September 2020, Operational EBIT (non-IFRS) amounted to EUR -23.1 million, an increase of EUR 24.0 million compared to an Operational EBIT (non-IFRS) of EUR -47.1 million in the nine month period ended 30 September 2019. The increase in Operational EBIT (non-IFRS) was primarily due to the growth in Operational EBITDA (non-IFRS).

10.7.1.11 EBIT

For the nine month period ended 30 September 2020, EBIT amounted to EUR -33.2 million, an increase of EUR 19.7 million compared to an EBIT of EUR -52.9 million in the nine month period ended 30 September 2019. The increase was primarily driven by the growth in EBITDA (non-IFRS), partly offset by the aforementioned negative impact from increased One-off items.

10.7.1.12 Financial income and financial expenses (Financial items net)

Financial income comprises interest, dividends, gains on securities, receivables and transactions denominated in foreign currencies, amortisation of financial assets, and allowances under the Danish tax prepayment scheme, etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included. Financial expenses comprise interest, payables and transactions denominated in foreign currencies, amortisation of financial liabilities and surcharges under the Danish tax prepayment scheme, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial items net, amounted to EUR 13.8 million in the nine month period ended 30 September 2020, an increase of EUR 7.6 million compared to financial items net of EUR 6.2 million for the nine month period ended 30 September 2019. The increase in financial items net was primarily due to foreign exchange rate effects.

10.7.1.13 Earnings before tax (EBT)

For the nine month period ended 30 September 2020, EBT amounted to EUR -47.0 million, an increase of EUR 12.1 million compared to an EBT of EUR -59.1 million in the nine month period ended 30 September 2019. The increase in EBT was primarily driven by the growth in EBIT, partly offset by the negative impact from the increase in financial items net.

10.7.1.14 Tax

In the nine month period ended 30 September 2020, tax amounted to a net income of EUR 3.1 million, a decrease of EUR 2.7 million compared to a net Tax income of EUR 5.8 million in the nine month period ended 30 September 2019. Tax was impacted by no further capitalisation of tax assets in Germany.

10.7.1.15 Net result

In the nine month period ended 30 September 2020, net result for the period was EUR -43.9 million, an increase of EUR 9.4 million compared to a net result of EUR -53.3 million in the nine month period ended 30 September 2019. The increase in net result was due to the increase in EBT, partly offset by the negative impact from Tax.

10.7.2 **Financial review of the financial years 2018 and 2019**

The financial review is based on the Company's consolidated financial information for the year ended 31 December 2019 compared to the consolidated financial information for the year ended December 31, 2018. The 2019 Financial Statements and 2018 Financial Statements are incorporated by reference in this Prospectus. See section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*."

10.7.2.1 Revenue

For the financial year 2019, the Group achieved a revenue of EUR 1,342.4 million in market prices as compared to a revenue of EUR 1,501.6 million for the financial year 2018.

This development from the financial year 2018 to 2019 was primarily due to a reduced level of activity in *Solutions*, and the divestment of the railway activities that in the financial year 2018 delivered revenue (std. metal prices) (non-IFRS) of EUR 22.1 million. The negative revenue development in NKT was partly offset by improved performance within the *Aerospace & Defense* segment in NKT Photonics.

10.7.2.2 Other operating income

In the financial year 2019, the Group achieved an operating income of EUR 10.7 million, which was largely in line with an operating income of EUR 11.9 million in the financial year 2018.

10.7.2.3 Organic growth (non-IFRS)

In the financial year 2019, the Group realised organic growth (non-IFRS) of -8 percent as compared to an organic growth (non-IFRS) of 1 percent in the financial year 2018. The negative development was primarily driven by the aforementioned lower activity level in *Solutions* and the divestment of the railway activities

10.7.2.4 Changes in inventories of finished goods and work in progress

In the financial year 2019, inventories of finished goods and work in progress was EUR 140.5 million, an increase of EUR 4.0 million compared to inventories of finished goods and work in progress of EUR 136.5 million in the financial year 2018. The slight increase was primarily driven by inventory build-up in NKT Photonics to prepare for future growth.

10.7.2.5 Work performed by the Group and capitalised

In the financial year 2019, work performed by the Group and capitalised was EUR 14.0 million, which was in line with the 2018 level of EUR 13.6 million.

10.7.2.6 Costs of raw materials, consumables and goods for resale

In the financial year 2019, costs of raw materials, consumables and goods for resale amounted to EUR 883.3 million, which was a decrease of EUR 105.3 million as compared to the financial year 2018 of EUR 988.6 million. The decrease was primarily due to the lower activity in level as also reflected in the revenue decrease in the same period.

10.7.2.7 Staff costs

In the financial year 2019, staff costs amounted to EUR 266.3 million, a decrease of EUR 11.5 million (or 4 percent) compared to staff costs of EUR 277.8 million in the financial year 2018. The average number of full-time employees for the financial year 2019 was 3,671, a decrease of 2 percent as compared to the financial year 2018 where the average number of full-time employees was 3,744.

10.7.2.8 Other costs

In the financial year 2019, other costs amounted to EUR 200.9 million, which was a decrease of 9.5 million as compared to the financial year 2018 of EUR 210.4 million. The majority of the decrease was driven by impact from implementation of IFRS 16 Leases.

10.7.2.9 Operational EBITDA (non-IFRS)

In the financial year 2019, the Group reported Operational EBITDA (non-IFRS) of EUR 29.7 million, against EUR 79.3 million in the financial year 2018. The operational EBITDA margin (std. metal prices) (non-IFRS) declined from 7 percent in the financial year 2018 to 3 percent in the financial year 2019. The reduction in revenue in NKT led to lower profitability, with Operational EBITDA (non-IFRS) of EUR 15.1 million for 2019 against EUR 70.2 million for 2018. In *Applications*, the profitability level remained unsatisfactory, while earnings in *Service & Accessories* were marginally down compared to 2018.

10.7.2.10 EBITDA (non-IFRS)

In the financial year 2019, EBITDA (non-IFRS) for the Group amounted to EUR 17.7 million, as compared to EUR 49.8 million in the financial year 2018. EBITDA (non-IFRS) for NKT amounted to EUR 3.1 million, as compared to EUR 40.8 million in the financial year 2018. EBITDA (non-IFRS) for NKT Photonics amounted EUR 14.6 million, as compared to EUR 9.0 million in the financial year 2018, and the Group's EBITDA margin 20 percent as compared to 13 percent in the financial year 2018. The increase in NKT's and NKT Photonics', respectively, EBITDA (non-IFRS) was positively impacted by implementation of IFRS 16 Leases with EUR 4.5 million and EUR 1.9 million. The EBITDA margin included positive non-recurring items related to reversals of provisions and revaluations added around EUR 2 million.

10.7.2.11 Depreciation of property, plant and equipment, including impairment

For the financial year 2019, depreciation of property, plant and equipment was EUR 75.1 million, an increase of EUR 8.7 million compared to depreciation of property, plant and equipment of EUR 66.4 million in the financial year 2018. The increase was primarily driven by impact from implementation of IFRS 16 Leases.

10.7.2.12 Amortisations of intangible assets

For the financial year 2019, amortisations of intangible assets were EUR 25.6 million, an increase of EUR 4.7 million compared to amortisations of intangible assets of EUR 20.9 million in the financial year 2018, driven by an increased asset base.

10.7.2.13 Operational EBIT (non-IFRS)

For the financial year 2019, Operational EBIT (non-IFRS) amounted to EUR -71.0 million, a decrease of EUR 63.0 million compared to an Operational EBIT (non-IFRS) of EUR -8.0 million in the financial year 2018. The decrease was primarily a result of the low financial performance in NKT driven by the decline in revenue. Additionally, depreciation and amortisation were higher, driven by the increased asset base, which contributed further to the decrease in Operational EBIT (non-IFRS).

10.7.2.14 EBIT

For the financial year 2019, the Group's EBIT amounted to EUR -83.0 million as compared to the financial year 2018 where EBIT amounted to EUR -37.5 million. The decrease in EBIT was driven by the aforementioned lower profitability in NKT and higher depreciation and amortisation. This decrease was partly offset by a decrease in one-off items which totalled EUR 12.0 million in 2019 as compared to EUR 29.4 million in 2018.

10.7.2.15 Financial income and financial expenses

Financial income comprises interest, dividends, gains on securities, receivables and transactions denominated in foreign currencies, amortisation of financial assets, and allowances under the Danish tax prepayment scheme, etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included. Financial expenses comprise interest, payables and transactions denominated in foreign currencies, amortisation of financial liabilities and surcharges under the Danish tax prepayment scheme, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

For the financial year 2019, net financial items represented an expense of EUR 12.3 million compared to an expense of EUR 8.0 million in the financial year 2018. The increase was mainly caused by higher interest expenses including interest relating to leases due to the implementation of IFRS 16 Leases in 2019.

Net interest expenses were EUR 11.5 million in the financial year 2019 (including EUR 1.4 million regarding capitalised leases) compared to EUR 8.7 million in the financial year 2018.

In the financial year 2019, net foreign exchange gains/losses of EUR 1.2 million (2018: EUR -0.3 million) were more than fully offset by gains/losses on hedging derivatives of EUR -2.0 million (2018: EUR 1.0 million). This resulted in net currency gains/losses of EUR -0.8 million in the financial year 2019 compared to EUR 0.7 million in the financial year 2018, which was within the expected range of the Group's hedging policy.

10.7.2.16 Earnings before tax (EBT)

For the financial year 2019, EBT amounted to EUR -95.3 million, a decrease of EUR -49.8 million compared to an EBT of EUR -45.5 million in the financial year 2018, driven by the lower profitability in NKT.

10.7.2.17 Tax

In the financial year 2019, the Group realised EBT of EUR -95.3 million (2018: EUR -45.5 million) which resulted in a reported tax rate of 20.2 percent (2018: -1.8 percent). The reported tax rate of 20.2 percent was primarily impacted by unrecognised deferred tax asset in Germany of EUR 20.4 million relating to tax losses in the financial year 2019 and adjustments related to prior years of EUR -9.0 million. In the financial year 2019, the Group paid a net amount of EUR 11.0 million in corporate income tax compared to receiving a net amount of EUR 3.1 million in the financial year 2018. The financial year 2019 was impacted by payments related to prior years. Earnings realised in the Group's Danish companies resulted in payable corporate tax of nil in the financial year 2019 (2018: nil), as the Danish group realised negative taxable income.

Deferred tax (net) per 31 December 2019 was EUR 18.0 million, as compared to EUR -18.6 million per 31 December 2018. The majority of the deferred tax assets related to the Group's German tax unit. The utilisation of the German tax asset is depending on a successful turn-around of the HV onshore business. The tax losses carried forward from the German Tax unit increased from EUR 111.0 million in the financial year 2018 to EUR 176.0 million in the financial year 2019. The total deferred tax value amounted to EUR 56.5 million for the financial year 2019, as compared to EUR 35.7 million for the financial year 2018. The Group recognised a tax asset hereof of EUR 16.1 million at year-end 2019, as compared to EUR 15.7 million at year-end 2018.

The tax losses carried forward at 31 December 2019 in the Danish tax unit were EUR 45.4 million which lead to a deferred tax asset of EUR 9.9 million. The Group recognised a tax asset hereof of EUR 5.7 million (2018: EUR 5.7 million) at year-end 2019, assuming continued joint taxation with NKT Photonics. The tax losses carried forward at end-2019 in the Swedish tax unit amounted to EUR 92.6 million which lead to a deferred tax asset of EUR 19.8 million (2018: 5.2 million), which was fully off-set against a deferred tax liability. The Group's total net deferred tax asset amounted to EUR 18.0 million (2018: EUR 18.6 million) at year-end 2019.

10.7.2.18 Net result

In the financial year 2019, net result for the period was EUR -76.0 million, a decrease of EUR 29.7 million compared to a net result of EUR -46.3 million in the financial year 2018.

10.8 Liquidity and capital resources

The Group finances both its short-term and long-term liquidity requirements principally from cash flow from operating activities, liquid funds and amounts available under its EUR 300 million revolving credit facility, as well as the issuance of indebtedness, including subordinated bonds (hybrid security) of EUR 150 million and a mortgage debt of EUR 165.5 million as of 31 December 2019.

It is the 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. The Group’s liquidity resources consist of cash, cash equivalents and undrawn committed credit facilities. The following table sets forth select information relating to the Group’s liquidity for the periods set forth therein.

EUR million	**Nine months ended 30 September**		**Financial year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
Committed facilities (>3 years)	0.0	0.0	0.0	300.0	58.3
Committed facilities (1-3 years)	300.0	300.0	300.0	0.0	288.6
Committed facilities (<1 year)	0.0	5.8	5.9	0.0	97.0
Total committed facilities	**300.0**	**305.8**	**305.9**	**300.0**	**443.9**

EUR million	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Uncommitted facilities	**0.0**	**18.4**	**0.0**	**23.3**	**52.5**
Total facilities	300.0	324.2	305.9	323.3	496.4
Cash	6.8	5.9	6.9	28.2	44.7
Utilised facilities	-124.3	-156.0	-46.0	-105.2	-162.8
Liquidity resources[1)]	**182.5**	**174.1**	**266.8**	**246.3**	**378.3**

[1)]Liquidity resources are incl. uncommitted facilities in Q3 2019, while it's excl. in Q3 2020, due to change in definitions in Treasury Policy.

As of 31 December 2019, the Group's total available liquidity resources amounted to EUR 266.8 million compared to EUR 246.3 million as of 31 December 2018. The EUR 300 million Facilities Agreement matures in September 2022, while the mortgage loan portfolio matures in 2032 and 2033. The Facilities Agreement is the only financing instrument subject to financial covenants. These include agreed remedies in the form of security over NKT Photonics and the vessel NKT Victoria. See section 19.1.1 "*Facilities Agreement*".

The Group may from time-to-time issue or incur or increase the Group's capacity to incur new debt and/or purchase its outstanding debt through underwritten offerings, open market transactions, privately negotiated transactions or otherwise. Issuances or incurrence of new debt (or an increase in the Group's capacity to incur new debt) and/or purchases or retirement of outstanding debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

10.8.1 Working capital (non-IFRS)

NKT's operations are by definition highly capital-intensive, as the manufacture of power cables involves a high proportion of raw materials such as copper and aluminium. Furthermore, working capital (non-IFRS) is volatile in *Solutions*, but to some extent predictable, and large sums may be tied up for lengthy periods as payments are linked to project milestones and general contract terms. The Group's working capital (non-IFRS) is not significantly impacted by the business and operations of NKT Photonics.

The Group defines working capital (non-IFRS) as current assets minus current liabilities (excluding interest-bearing items and provisions). The most significant components of the Group's working capital are inventory, trade receivables and other receivables, contract assets and contract liabilities and trade payables and other liabilities. Inventory comprises raw materials, work in progress and finished goods. Trade receivables comprise receivables from external sales. Construction contracts (assets) comprise the sales value of work performed, where the Group does not yet possess an unconditional right to payment as the work performed has not been approved by the customer. Construction contracts (liabilities) comprise contractual unconditional invoicing for work not yet performed. Trade payables comprise payables to suppliers.

EUR million (unless otherwise indicated)	Nine months ended 30 September		Financial year ended 31 December		
	2020	2019	2019	2018	2017
Inventory..	237.9	232.0	229.7	219.8	226.1
Trade receivables and other receivables................................	282.5	324.7	229.0	274.3	235.9
Construction contracts assets and liabilities.	-143.6	-114.7	-149.6	-72.7	-79.1
Trade payables and other payables.	-476.3	-418.9	-427.2	-413.7	-466.4
Total working capital (non-IFRS)..	**-99.5**	**23.1**	**-118.1**	**7.7**	**-83.5**

As of 31 December 2019, the Group's working capital (non-IFRS) was EUR -118.1 million, compared to EUR 7.7 million as of 31 December 2018.

NKT improved its working capital (non-IFRS) position by EUR 130.1 million in the financial year 2019 from EUR -16.2 million at end of the financial year 2018 to EUR -146.3 million at end of the financial year 2019. This was driven by a positive development in *Solutions* from a change in milestone payments on projects and a favourable development in *Applications* as a result of a program to reduce working capital (non-IFRS). The cash flow from investing activities (excl. acquisitions & divestments) was EUR -52.3 million in the financial year 2019, slightly up from the financial year 2018 with a cash flow from investing activities (excl. acquisitions & divestments) of EUR 49.1 million. The increase was due to a continued upgrade of equipment in *Solutions*.

In NKT Photonics working capital (non-IFRS) increased by EUR 4.2 million in the financial year 2019 from EUR 24.0 million at the end of the financial year 2018 to EUR 28.2 million at the end of the financial year 2019. The development was mainly a result of inventory build-up for future growth.

As of 31 December 2018, the Group's working capital (non-IFRS) was EUR 7.7 million, compared to EUR -83.5 million as of 31 December 2017.

NKT increased its working capital (non-IFRS) by EUR 90.3 million from EUR -106.5 million at the end of the financial year 2017 to EUR -16.2 million at the end of the financial year 2018. The working capital (non-IFRS) ratio, LTM, increased by 1.9 percentage-points from -2.1 percent at the end of the financial year 2017 to -0.2 percent at the end of the financial year 2018. The working capital (non-IFRS) development was driven by a change in advance payments in *Solutions* and increases in trade receivables and trade payables.

NKT Photonics' working capital (non-IFRS) was EUR -24.0 million as of 31 December 2018, which was unchanged compared to 31 December 2017.

The Group is exposed to seasonality in business and hence cash generation, in the parts of the businesses which are outside *Solutions*. In NKT cash generation in the second and third quarter of the year are usually higher than the remaining quarters, due to higher activity levels driven by weather conditions which allows for installation and construction work. This is in particular visible in the *Applications* business. In NKT Photonics, cash in the third, and mainly, fourth quarter of the year is usually higher in comparison to the rest of the year, due to purchasing behaviour displayed by customer groups where new larger projects are often concluded and started late in the financial year.

Reference is further made to section 23.3 "*Working capital statement*"

10.8.2 Capital resources

The Group's cash flow from operating activities is derived from earnings before interest, tax, depreciation, and amortisation plus changes in working capital and cash flow from interests and tax.

The below table shows the consolidated cash flows from the Group for the financial years 2017, 2018 and 2019.

EUR million	**Financial year ended 31 December 2019**		
	2019	**2018**	**2017**
Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS)	17.7	49.8	96.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS) from discontinued operations	0.0	0.0	83.2
Non-cash operating items			
Profit on sales on non-current assets, use and increase of provisions, and other non-cash operating items, etc.	0.2	-10.8	-11.8
Changes in working capital.	130.3	-76.0	-23.7
Cash flow from operations before financial items.	148.2	-37.0	144.6
Financial income received.	33.2	65.4	32.7
Financial expenses paid.	-45.4	-73.7	-57.4
Income tax.	-11.0	3.1	-32.1

EUR million	Financial year ended 31 December 2019		
	2019	2018	2017
Cash flow from operating activities.	**125.0**	**-42.2**	**87.8**
Acquisition of businesses.	-7.3	0.0	-800.8
Divestment of businesses.	9.5	0.0	33.0
Nilfisk Demerger.	0.0	0.0	368.7
Investments in property, plant and equipment.	-34.4	-28.5	-50.6
Disposal of property, plant and equipment.	1.2	1.2	0.2
Intangible assets and other investments, net.	-35.8	-33.6	-43.8
Cash flow from investing activities	**-66.8**	**-60.9**	**-493.3**
Free cash flow (non-IFRS).	**58.2**	**-103.1**	**-405.5**
Repayment of loans.	-68.1	-64.4	250.0
Proceeds from loans.	0	3.5	33.5
Repayment of lease liabilities.	-5.0	0.0	0.0
Coupon payments on hybrid capital.	-8.1	0.0	0.0
Cash from issue of hybrid capital	0.0	148.3	0.0
Cash from issue of new shares / exercise of warrants.	1.7	0.0	10.1
Cash flow from financing activities	**-79.5**	**87.4**	**293.6**
Net cash flow for the year	**-21.3**	**-15.7**	**-111.9**
Cash at bank and in hand, 1 January.	28.2	44.7	158.1
Currency adjustments.	0.0	-0.8	-1.5
Net cash flow for the year	-21.3	-15.7	-111.9
Cash at bank and in hand, 31 December.	**6.9**	**28.2**	**44.7**

In the financial year 2019, the Group realised a positive cash flow from operating activities of EUR 125.0 million, as compared to a negative cash flow of EUR 42.2 million in the financial year 2018. The increase in cash flow from operations was primarily due to the favourable movements in the working capital, driven by the aforementioned positive development in *Solutions* from a change in milestone payments on projects and a favourable development in *Applications* as a result of a program to reduce working capital.

The cash flow from investing activities was EUR -66.8 million in the financial year 2019, slightly unfavourable compared to the financial year 2018 where cash flow from investing activities comprised EUR -60.9. The development was driven by a continued upgrade of equipment in the *Solutions* business. Further, the development was driven by the increased level of investment in 2019 related to continuing R&D development in NKT Photonics, opening of the Boston facility and implementation of a new ERP system.

The cash flow from finance activities was EUR -79.5 million in 2019, as compared to EUR 87.4 million in 2018. The development was primarily driven by the issue of hybrid capital bond which provided a positive cash flow of EUR 148.3 million in the third quarter of 2018.

10.8.3 Capex excluding acquisition and divestment of business

EUR million	Financial year ended 31 December		
	2019	2018	2017
Investments in property, plant and equipment	34.4	28.5	50.6
Disposal of property, plant and equipment	-1.2	-1.2	-0.2
Intangible assets and other investments, net.	35.8	33.6	43.8
Total investment.	**69.0**	**60.9**	**94.2**

Total investment in the financial year 2019 was EUR 69.0 million, corresponding to an increase of EUR 8.1 million as compared to the financial year 2018. The increase in investment was primarily driven by continued upgrade of equipment in the *Solutions* business and the increased level of investment related to continuing R&D development in NKT Photonics, opening of the Boston facility and implementation of a new ERP system.

Total investment in the financial year 2018 was EUR 60.9 million, as compared to EUR 94.2 million in the financial year 2017. The decrease was due to lower level of investment in NKT, and the inclusion of the discontinued Nilfisk operations until October 2017.

Reference is made to section 10.5.6 "*Cash flow from investing activities excl. acquisitions & divestments (non-IFRS)*" for a definition of cash flow.

10.8.4 Debt and debt funding

The Company has entered into the Facilities Agreement providing a facility of up to EUR 300 million and the Guarantee Facility Agreement providing a guarantee facility of up to EUR 500 million provided by the Guarantee Providers. Issue of Guarantees under secondary Facility B of the Guarantee Facility Agreement is subject to the Company providing a cash collateral of 100 percent of the amount guaranteed. The Group has also entered into additional guarantee facilities, some of which may also require cash collateral, and has mortgage facilities of approximately DKK 1.3 billion. As of 30 September 2020, the Company had provided the Guarantee Providers with a total cash deposit of EUR 125.7 million, pursuant to the terms of a former guarantee facility agreement between the Company and the Guarantee Providers, which amount was released on 13 November 2020 following the entering into of the Guarantee Facility Agreement. Reference is made to section 19.1 "*Financing agreements*" for a description of the Group's facilities, loans and borrowings.

EUR million	**Nine months ended 30 September**		**Financial year ended 31 December**		
	2020	**2019**	**2019**	**2018**	**2017**
Non-current loans	280.2	317.0	206.4	268.4	332.8
Non-current lease liabilities	34.8	28.2	31.6	0.0	0.0
Current loans.	5.3	6.0	5.2	8.2	7.2
Current lease liabilities	6.4	4.7	6.2	0.0	0.0
Interest-bearing debt, gross.	**326.7**	**355.9**	**249.2**	**276.6**	**340.0**
Interest-bearing receivables	-125.7	-0.1	-0.1	-0.1	-2.1
Cash at bank and in hand	-6.8	-5.9	-6.9	-28.2	-44.7
Net interest-bearing debt	**194.2**	**349.9**	**242.2**	**248.3**	**293.2**

Net interest-bearing debt as of 31 December 2019 was EUR 242.2 million. This corresponded to a net debt decrease of EUR 6.1 million as compared to 31 December 2018. The net interest-bearing debt consisted of gross debt of EUR 249.2 million and cash and interest-bearing receivables of EUR 7.0 million.

In September 2018, the Company issued hybrid capital bonds of EUR 150 million, which are subordinated to other creditors (hybrid capital). The hybrid security bears a coupon of 5.375 percent until the first call date on 12 September 2022 after which the coupon resets to the four-year EUR swap rate prevailing at that time plus 10.225 percent. It has a final maturity on 12 September 3018. Coupon payments may, at the discretion of the Company, be deferred and ultimately any deferred coupons outstanding in 3018 will be cancelled. However, deferred coupon payments become payable if the Company decides to pay dividends to shareholders. As a consequence of the terms of the hybrid security, it is accounted for as equity. Coupon payments are also recognised in equity.

In addition to the hybrid capital bonds and Facilities Agreement, as of 31 December 2019 the Group had mortgage debt of EUR 165.5 million.

10.9 Contractual obligations, commitments and contingent liabilities

As of 30 September 2020, the Group's net pension obligations amounted to EUR 55.6 million, compared to EUR 55.6 million as of 31 December 2019. The Group provides pension plans to its employees in the countries in which it is market practice to do so. Most of the Group's pension plans are defined contribution plans.

However, the Group provides defined benefit pension plans in certain countries, primarily in Germany. In some countries, the Group's defined benefit pension plans are unfunded. The funded defined benefit pension plans are funded by payments from Group companies and by payments from employees to funds independent of the Group.

10.10 Off-balance sheet items

In the financial year 2019, the Group's off-balance sheet arrangements consisted of payments relating to leases not recognised. Total future payments related to leases not recognised in the balance sheet were EUR 12.6 million as of 31 December 2019 as compared to EUR 84.4 million as of 31 December 2018 and EUR 69.0 million as of 31 December 2017.

EUR million	As of 31 December		
	2019	**2018**	**2017**
Contractual obligations relating to purchase of buildings and production plants…………………………………………….	0.0	14.2	6.2
Interminable minimum lease payments:			
Within 0-1 year	5.8	15.4	11.0
Within 1-5 year……………………………………………………	6.7	39.0	27.1
Intangible assets and other investments, net..	0.1	30.0	30.9
Total lease payments.	**12.6**	**84.4**	**69.0**

Total future payments related to leases not recognised in the balance sheet was EUR 12.6 million as of 31 December 2019 as compared to EUR 84.4 million as of 31 December 2018. The decrease was primarily driven by the impact of implementation of IFRS 16 Leases.

11. CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation, indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured) and cash, cash equivalents, and securities of the Company as of the dates mentioned on an actual basis reflecting the carrying amounts on the internal bookkeeping of the Company. This table should be read in conjunction with the Financial Statements, which are incorporated by reference in this Prospectus. See section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*".

EUR (million)	**Adjusted for the Offering and for the Guarantee Facility Agreement as of 30 September 2020[1)]**	**As of 30 September 2020**	**As of 31 December 2019**
Cash	51.8	6.8	6.9
Cash equivalent	0	-	-
Other current financial assets[2)]	125.7	125.7	0.1
Liquidity	**177.5**	**132.5**	**7.0**
Current debt			
Loans	5.3	5.3	5.2
Lease liabilities	6.4	6.4	6.0
Trade payables	266.6	266.6	286.3
Contract liabilities	239.8	239.8	186.3
Derivative financial liabilities	10.2	10.2	15.7
Income tax payable	6.2	6.2	1.9
Other financial liabilities	193.2	193.2	123.3
Total current debt	**727.7**	**727.7**	**624.7**
Current interest-bearing loans and borrowings	11.7	11.7	11.2
Of which is guaranteed	0.7	0.7	0.5
Of which is secured.	5.3	5.3	5.2
Of which is unguaranteed / unsecured	5.7	5.7	5.5
Non-current debt			
Loans.	155.2	280.2	206.4
Lease liabilities	34.8	34.8	31.6
Pension liabilities	55.6	55.6	55.6
Total non-current debt	245.6	**370.6**	**293.6**
Non-current interest-bearing loans and borrowings	190.0	315.0	238
Of which is guaranteed	6.1	6.1	3.8
Of which is secured.	155.2	280.2	206.4
Of which is unguaranteed / unsecured	28.7	28.7	27.8
Total financial indebtedness	**973.3**	**1,098.3**	**918.3**
Net financial indebtedness	**795.8**	**965.8**	**911.3**
Share capital	115.5	86.6	73.2

EUR (million)	Adjusted for the Offering and for the Guarantee Facility Agreement as of 30 September 2020[1)]	As of 30 September 2020	As of 31 December 2019
Share premium	-	-	-
Hybrid capital	150.3	150.3	152.4
Accumulated deficit	757.5	616.4	578.2
Total equity	**1,023.3**	853.3	**803.8**

[1)] Assuming subscription of all New Shares.
[2)] Including as of 30 September 2020, EUR 125.7 million placed in cash collateral under a former guarantee facility agreement, which amount was released on 13 November 2020 following the entering into of the Guarantee Facility Agreement, see section 19.1.2 "Guarantee Facility Agreement".

Other than as specifically set out above, all of the Company's interest-bearing liabilities are unsecured and unguaranteed.

The Company may need additional capital in the future and may seek to obtain further financing through raising new equity capital or debt financing.

The Company has no reason to believe that there has been any material change to its actual capitalisation since 30 September 2020, other than changes resulting from the ordinary course of business.

12. PROSPECTIVE FINANCIAL INFORMATION

Statement by the Board of Directors and Executive Management

The Company provides separate consolidated prospective financial information for NKT and for NKT Photonics. The Company's consolidated prospective financial information for NKT for the financial years ending 31 December 2020 and 2021, respectively, together with the consolidated prospective financial information for NKT Photonics for the financial year ending 31 December 2020 (together the "**Prospective Financial Information**") is presented below.

The Prospective Financial Information is based on a number of assumptions, many of which are outside of the Company's control or influence. The principal assumptions upon which the Prospective Financial Information is based are described in section 12.2 "*Methodology and assumptions*".

The Prospective Financial Information represents the best estimates of the Board of Directors and Executive Management as of the date of this Prospectus. The Group's actual results of operations for the financial year ending 31 December 2020 and, in respect of NKT, the actual results of operations for the financial year ending 31 December 2021 may differ from the Prospective Financial Information, since anticipated events may not occur as expected. The variation may be material. Existing Shareholders and prospective investors should read the Prospective Financial Information in this section in conjunction with section 1 "*Risk factors*" and section 4.4 "*Forward-looking statements*".

The forecast of the Prospective Financial Information has been compiled and prepared on a basis which is both comparable with historical financial information and consistent with the Group's accounting policies.

Brøndby, 19 November 2020

Board of Directors

Jens Due Olsen Chairman	René Svendsen-Tune Deputy Chairman	Karla Lindahl Board member
Jens Maaløe Board member	Andreas Nauen Board member	Jutta af Rosenborg Board member
Thomas Torp Hansen Board member (employee representative)	Stig Nissen Knudsen Board member (employee representative)	Jack Ejlertsen Board member (employee representative)

Executive Management

Alexander Kara Chief Executive Officer	Line Andrea Fandrup Chief Financial Officer

12.1 Introduction

The Prospective Financial Information is necessarily based upon a number of assumptions and estimates that, while prepared with numerical specificity and considered reasonable, are inherently subject to significant business, operational, economic, political, legal and competitive uncertainties and contingencies, many of which are beyond the Company's influence, and upon assumptions with respect to future business decisions that are subject to change.

Therefore, the Company's expectations presented in the Prospective Financial Information as to future developments may deviate substantially from actual developments, and the Group's actual results of operations are likely to be different from the Prospective Financial Information since anticipated events may not occur as expected, or may materially differ from the forecast provided. Accordingly, shareholders and potential investors should treat this information with caution and not place undue reliance on the expectations set forth below.

12.2 Methodology and assumptions

The Prospective Financial Information has been prepared on the basis of the Company's accounting policies, which are in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU and presented in the 2019 Financial Statements.

The Prospective Financial Information is prepared in accordance with the Group's normal forecasting and budgeting procedures.

The Prospective Financial Information has been prepared on the basis of a large number of assumptions and estimates, which are subject to numerous and significant uncertainties. Certain of the assumptions, estimates, uncertainties and contingencies relating to the Prospective Financial Information are wholly or partially within the Company's influence, while others are outside of its influence, including those related to changes in market, legal, fiscal, political or economic conditions, changes in currency exchange rates and actions by competitors and customers and other parties. The key principal assumptions and estimates made in preparing the Prospective Financial Information are presented below; however, the list is not exhaustive and it is possible that one or more of the assumptions or estimates will fail to materialise or prove to be incorrect.

The Company's actual results of operations could also deviate materially from the Prospective Financial Information as a result of other factors, including, but not limited to, those described in section 1 "*Risk factors*" and section 4.4 "*Forward-looking statements*".

12.3 Principal assumptions

For the purpose of preparing the Prospective Financial Information, the following principal assumptions have been made:

12.3.1 NKT

The prospective financial information for NKT for the financial years ending 31 December 2020 is based on the following principal assumptions:

- *Satisfactory execution on projects in the HV order backlog in the remainder of the year*
  More than half of NKT's revenue in the fourth quarter of 2020 is expected to come from the *Solutions* business line. Hence, the expected results for 2020 relies on the continued satisfactory project execution level in remainder of the year. (Within NKT's control.)

- *Minimal impact from the COVID-19 pandemic*
  Impact from the COVID-19 pandemic is assumed to continue to be limited for the remainder of the year. That goes for the negative impact on the demand side that may occur as a result of general economic conditions and temporary shutdowns of borders, as well as the ability to receive supplies of critical raw materials and components. It is also assumed that the COVID-19 pandemic will have little to no impact on NKT's ability to execute on projects and maintain production level. (Outside NKT's control.)

The prospective financial information for NKT for the financial years ending 31 December 2021 is based on the following principal assumptions:

- *Minimal impact from the COVID-19 pandemic*
  Impact from the COVID-19 pandemic is assumed to continue to be limited. That goes for the negative impact on the demand side that may occur as a result of general economic conditions and temporary shutdowns of borders, as well as the ability to receive supplies of critical raw materials and components. It is also assumed that the COVID-19 pandemic will have little to no impact on NKT’s ability to execute on projects and maintain production level. (Outside NKT's control.)

- *Satisfactory execution on projects in the HV order backlog to deliver on expected profitability margin*
  NKT's main revenue contributor in 2021 is expected to come from the *Solutions* business line. Hence, the expected results for 2021 relies on the satisfactory project execution level in 2021. (Within NKT's control.)

- *Awards of additional HV power cable projects with financial impact in 2021*
  NKT still has capacity available to add further projects with financial impact in 2021. Relevant projects are expected to be awarded in the market within the upcoming quarters. (Outside NKT's control.)

- *Continued profitability improvement in Applications driven by increased revenue and improved production efficiency*
  In the first nine months of 2020, NKT has improved financial performance in Applications. In 2021 it is assumed that Applications will continue to successfully execute and implement the key initiatives set out by Executive Management to increase profitability. (Within NKT's control.)

- *Satisfactory offshore power cable repair work activity*
  The forecast for 2021 assumes that the *Service & Accessories* business line will win and execute offshore repair orders in line with previous years. (Outside NKT's control.)

12.3.2 **NKT Photonics**

The prospective financial information for NKT Photonics for the financial years ending 31 December 2020 is based on the following principal assumptions:

- *Realise sales opportunities*
  NKT Photonics has experienced headwind in the *Industrial* segment during 2020. The company experienced a gradually improved market environment during Q3 2020, but the market situation is subject to unusually high uncertainty related to the continued development of the COVID-19 pandemic. NKT Photonics is assuming a normalised market situation without significant negative demand implications. The revenue in NKT Photonics is usually relatively high in the last months of the year. This is also assumed for the fourth quarter of 2020. (Outside NKT Photonics' control.)

- *Satisfactory execution in production*
  Production output has been impacted by interruptions during 2020 due to the COVID-19 pandemic. NKT Photonics assumes a normalised production situation to be able to deliver the products required to meet sales expectation. This includes that required number of employees are working on location the production sites and that supplies of materials is uninterrupted. (Outside NKT Photonics' control.)

- *The COVID-19 pandemic*
  The impact from the COVID-19 pandemic on NKT Photonics' employees, customers and suppliers in the fourth quarter of 2020 is assumed to be at the same level as in the third quarter of 2020. (Outside NKT Photonics' control.)

12.4 Prospective Financial Information

12.4.1 NKT

Based principally on the assumptions pertaining to the financial year ending 31 December 2020 and methodology as set out above, the expectations for NKT for the financial year ending 31 December 2020 is revenue (std. metal prices) (non-IFRS) of approximately EUR 1.1 billion and Operational EBITDA (non-IFRS) of approximately EUR 40 - 60 million.

For the financial year ending 31 December 2021 and based principally on the assumptions pertaining to the financial year ending 31 December 2021 and methodology as set out above, the Company expects revenue (std. metal prices) (non-IFRS) of approximately EUR 1.1 - 1.2 billion and Operational EBITDA (non-IFRS) of approximately EUR 80 - 110 million in NKT.

12.4.2 NKT Photonics

Based principally on the assumptions and methodology as set out above, the expectations for NKT Photonics for the financial year ending 31 December 2020 is organic revenue growth (non-IFRS) of approximately -12 percent to -2 percent and EBITDA margin of approximately 1 percent to 6 percent.

The financial outlook for 2021 for NKT Photonics will not be provided until better visibility in the markets is established. NKT Photonics has been negatively impacted by the COVID-19 pandemic causing weaker market demand. A gradual improved market environment was experienced during Q3 2020, but market uncertainty remains high.

13. BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND KEY EMPLOYEE

13.1 Overview

The Company has a two-tier governance structure consisting of the Board of Directors and the Executive Management. The two management bodies are separate and have no overlapping members. The Board of Directors and the Executive Management are supported by one key employee (the "**Key Employee**").

The business address of the Board of Directors and the Executive Management is Vibeholms Allé 20, DK-2605 Brøndby, Denmark. The business address of the Key Employee is Blokken 84, DK-3460 Birkerød, Denmark.

13.2 Board of Directors

The Board of Directors is responsible for the Company's overall and strategic management and supervises the Group's activities, management and organisation, including appointment and dismissal of the Executive Management.

As of the date of this Prospectus, the Board of Directors consists of nine members, of which six members have been elected by the general meeting comprising the chairman (the "**Chairman**") and the deputy chairman (the "**Deputy Chairman**") and four other board members and the remaining three members have been elected by the Company's employees in accordance with article 9.1 of the Articles of Association and section 140 of the Danish Companies Act. The members of the Board of Directors elected by the general meeting are elected for a term of one year and may be re-elected, whereas the employee-elected members are elected for a four-year period.

Jens Due Olsen has been appointed Chairman and René Svendsen-Tune has been appointed Deputy Chairman. The other four members appointed by the general meeting are Karla Lindahl, Jens Maaløe, Andreas Nauen and Jutta af Rosenborg. The three employee-elected members are Thomas Torp Hansen, Stig Nissen Knudsen and Jack Ejlertsen.

13.2.1 Biographies

Other than as presented below, none of the members of the Board of Directors have been a member of the administrative, management or supervisory bodies of a company or a partnership or been a partner in a partnership outside the Company within the past five years.

Jens Due Olsen has been a member of the Board of Directors since 2006 and Chairman since 2013. Jens Due Olsen is currently chairman of the board of directors of Nilfisk Holding A/S (publ), NIL Technology ApS, BørneBasketFonden (non-profit foundation), deputy chairman of the board of directors of KMD A/S, KMD Holding ApS, KMD Holdco 4 A/S, AI Keyemde 2 ApS, AI Keyemde 3 ApS and the Danish Corporate Governance Committee, executive manager of JDO Invest ApS and JDO Invest 2 ApS as well as fully liable partner of Due Advice v/Jens Due Olsen. In the past five years, Jens Due Olsen has been chairman of the board of directors of Auriga Industries A/S, Heidrick & Struggles A/S, Realtime A/S, Nilfisk A/S, Atchikrealtime Holding ApS, Bladt Industries Holding A/S, Bladt Holding A/S, Bladt Industries A/S, Diego HC Topco A/S (HusCompagniet) and Diego HC A/S and KMD A/S, KMD Holding ApS, KMD Holdco 4 A/S, AI Keyemde 2 ApS and AI Keyemde 3 ApS, deputy chairman of PFA Holding A/S and PFA Pension, Forsikringsaktieselskab and member of the board of directors of Danske Bank A/S (publ), Gyldendal A/S (publ), Royal Unibrew A/S (publ), Bladt Industries A/S, Pierre.dk Autolakering A/S, Cryptomathic A/S, NIL Technology ApS and Pierre.dk Investment ApS as well as chief financial officer of Sivantos Inc. Jens Due Olsen holds a Master of Science in Economics.

René Svendsen-Tune has been a member and Deputy Chairman of the Board of Directors since 2016. René Svendsen-Tune is currently chief executive officer of GN Store Nord A/S (publ) and GN Audio A/S, chairman of the board of directors of STOKKE AS as well as member of the board of directors of Nilfisk Holding A/S (publ). In the past five years, René Svendsen Tune has been chairman of the board of directors of Polewall AS and deputy chairman of Nilfisk A/S. René Svendsen-Tune holds a Bachelor of Science in Engineering (hon.).

Karla Lindahl (full name Karla Marianne Lindahl) has been a member of the Board of Directors since June 2020. Karla Lindahl is currently managing director of KONE Finland and Baltics. Karla Lindahl holds a Master of Laws and MA in EC Competition Law.

Jens Maaløe has been a member of the Board of Directors since 2004. Jens Maaløe is currently chairman of the board of directors of Poul Due Jensens Fond, Niras A/S, Niras Gruppen A/S and the Danish Technology Institute as well as member of the board of directors of Odense Maritime Technology A/S, Grundfos Holding A/S and Gomspace A/S. In the past five years, Jens Maaløse has been chief executive officer of Terma A/S, chairman of the board of directors of Terma Aerostructures A/S, deputy chairman of the board of directors of Niras Gruppen A/S as well as member of the board of directors of Nilfisk Holding A/S (publ), Nilfisk A/S and Poul Due Jensens Fond. Jens Maaløe holds a Master of Science in Electronic Engineering and a PhD.

Andreas Nauen has been a member of the Board of Directors since 2017. Andreas Nauen is currently chief executive officer of Siemens Gamesa Renewable Energy S.A. (publ). In the past five years, Andreas Nauen has been chief executive officer of Siemens Gamesa Renewable Energy A/S, managing director of Siemens Gamesa Renewable Energy A/S and KTR Systems GmbH and a member of the board of directors of Semco Maritime A/S. Andreas Nauen holds a Bachelor of Science in Mechanical Engineering.

Jutta af Rosenborg has been a member of the Board of Directors since 2015. Jutta af Rosenborg is currently member of the board of directors of Nilfisk Holding A/S (publ), JP Morgan European Investment Trust plc.(publ), BBGI Global Infrastructure S.A. (publ), Standard Life Aberdeen (publ) and PGA European Tour. In the past five years, Jutta af Rosenborg has been chairman of the board of directors of Det Danske Klasselotteri A/S, deputy chairman of Auriga Industries A/S, member of the board of directors of Nilfisk A/S as well as non-executive director of Aberdeen Asset Management plc. Jutta af Rosenborg is State-Authorised Public Accountant and holds a Master of Science in Business Economics and Auditing.

Thomas Torp Hansen has been an employee-elected member of the Board of Directors since 2018. Thomas Torp Hansen is production manager in NKT Photonics A/S.

Stig Nissen Knudsen has been an employee-elected member of the Board of Directors since 2018. Stig Nissen Knudsen is senior production engineer in NKT Photonics A/S.

Jack Ejlertsen has been an employee-elected member of the Board of Directors since 2018. Jack Ejlertsen is operator and team coordinator in the Company.

13.3 Executive Management

According to article 10 of the Articles of Association, the Board of Directors appoints an Executive Management consisting of one or several managers. The primary task of the Executive Management is to carry out the day-to-day management of the Company.

As of the date of this Prospectus, the Executive Management consists of Alexander Kara, Chief Executive Officer, and Line Andrea Fandrup, Chief Financial Officer.

13.3.1 Biographies

Other than as presented below, none of the members of the Executive Management have been members of the administrative, management or supervisory bodies of a company or a partnership or a partner in a partnership outside the Company within the past five years.

Alexander Kara (full name Alexander Lothar Kara) has been Chief Executive Officer of the Company since 2019. In the past five years, Alexander Kara has held various positions in ABB HV Cables. Alexander Kara holds a Master of Science in Electrical Engineering.

Line Andrea Fandrup has been Chief Financial Officer of the Company since August 2020. In the past five years, Line Andrea Fandrup has been Group Finance VP in Rockwool, and has held senior finance positions in COWI, Novozymes and Maersk Line. Line Andrea Fandrup holds a Master's degree in Mathematics and Business.

13.4 Key Employee

The Company's Key Employee, Basil Garabet, is president and chief executive officer of NKT Photonics.

13.4.1 Biography

Other than as presented below, the Key Employee has not been member of the administrative, management or supervisory bodies of a company or a partnership or a partner in a partnership outside the Group within the past five years.

Basil Garabet has been president and chief executive officer of NKT Photonics since 2015. Basil Garabet is currently member of the board of directors of EPIC - European Photonics Industry Consortium and Bifrost Communications ApS. Basil Garabet holds an MSc in lasers and their applications and has 37 years of international management experience from leading positions in the photonics industry, with JK Lasers, EM4, Altitun, Melles Griot, Pirelli, and Lasertron.

13.5 Statement on kinship

There are no family ties among the members of the Board of Directors, the Executive Management or the Key Employee.

13.6 Statement on past records

During the past five years, none of the members of the Board of Directors, the Executive Management or the Key Employee have been: (i) convicted of fraudulent offenses; (ii) directors or officers of companies that have entered into bankruptcy, receivership, liquidation or put under administration, other than as set immediately below; or (iii) subject to any public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of an issuer's board of directors, executive management or supervisory body or being in charge of an issuer's management or other affairs.

Jens Due Olsen has in the past five years been member of the board of directors of Pierre.dk Investment ApS, which was resolved following merger.

13.7 Conflict of interest

13.7.1 Statement on conflict of interest

None of the members of the Board of Directors, the Executive Management or the Key Employee have actual or potential conflicts of interest between their duties as members of the Board of Directors, the Executive Management and Key Employee and their private interests or other duties.

None of the members of the Board of Directors, the Executive Management or the Key Employee have positions in other companies which could result in a conflict of interest vis-à-vis such companies, either because the Company has an equity interest in such company or because the Company and the company concerned have an ongoing business relationship. However, the Company may do business in the ordinary course with companies in which members of the Board of Directors, the Executive Management or the Key Employee may hold positions as directors or officers.

In order to safeguard the interests of the Group, the rules of procedure of the Board of Directors provide that no director may participate in the preparation, discussions or the decision-making process concerning an agreement between the Company and the member in question or concerning legal proceedings between the member in question and the Company or an agreement between the Company and any third party or legal proceedings brought against any third party if the member in question has a significant interest therein that may conflict with its interests.

13.7.2 Restrictions on securities trading

Members of the Board of Directors and the Executive Management are subject to lock-up restrictions provided in connection with the Offering preventing them from disposing of or otherwise transferring Shares of the Company for a period of 180 days from the date of official listing of and trading of the New Shares, subject to certain customary exemptions. In addition, certain restrictions on securities trading apply in respect of the

Board of Directors, the Executive Management and the Key Employee as provided by law and the Company's internal rules.

14. MAJOR SHAREHOLDERS

Pursuant to section 38 of the Danish Capital Markets Act and section 55 of the Danish Companies Act, the Company has as of the date of this Prospectus received notifications of holdings of 5 percent or more of the share capital or voting rights from the Existing Shareholders below:

Shareholder	Ownership interest as per latest notification (percent)
Arbejdsmarkedets Tillægspension (ATP)	Above 5.0
KIRKBI INVEST A/S	5.0
Nordea Funds Ltd.	5.081
Greenvale Capital LLP	5.25

The Company may only issue company announcements regarding major shareholdings upon the receipt of a prior notice to that effect from a shareholder. Thus, the actual ownership interest of the major shareholders stated above may have changed.

All Shares in the Company rank pari passu, including with respect to voting rights. All Shares carry one vote per nominal value of DKK 20.

The Company is not majority-owned or controlled, directly or indirectly, by any third party, and the Company is not aware of any agreements that could later result in any third party taking over the control of the Company.

15. RELATED PARTY TRANSACTIONS

From time to time the Company and its related parties, in the ordinary course of business, enter into various intergroup transactions which have been eliminated on consolidation. These transactions are no less favourable than those arranged with third parties. See the notes to the Financial Statements for additional information on related party transactions.

The Company has not entered into any related party transactions (within the meaning of IFRS) since the 2019 Financial Statements, except for compensation and benefits received in the ordinary course by members of the Board of Directors and Executive Management as a result of their positions as members the Board of Directors or employment with the Company.

16. FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES AND DIVIDENDS

16.1 Financial statements

The information explicitly listed in the table below has been incorporated by reference into this Prospectus pursuant to Article 19 of the Prospectus Regulation. Non-incorporated parts of the documents incorporated by reference are either not deemed relevant for Existing Shareholders and other investors or are covered elsewhere in this Prospectus. Direct and indirect references in the documents included in the table below to other documents or websites are not incorporated by reference and do not form part of this Prospectus. The documents speak only for the period in which they are in effect and have not been updated for purposes of this Prospectus. Existing Shareholders and potential investors should assume that the information in this Prospectus as well as the information incorporated by reference herein is accurate only in the period in which they are in effect.

The information incorporated by reference into this Prospectus is exclusively set out in the cross reference table below and is available on the Company's website www.nkt.com.

Document/information	Pages
2017 Financial Statements	
Management statement	59
Independent auditor's report.	60-64
Consolidated financial statements including notes.	65-120
Parent company financial statements including notes.	121-130
2018 Financial Statements	
Management statement	67
Independent auditor's report.	68-70
Consolidated financial statements including notes.	71-134
Parent company financial statements including notes.	135-145
2019 Financial Statements	
Management statement	65
Independent auditor's report.	66-68
Consolidated financial statements including notes.	69-134
Parent company financial statements including notes.	135-146
Q3 2020 Interim Financial Statements (including comparative information for Q3 2019)	
Management statement	18
Independent auditor's review report.	30
Consolidated financial statement including notes.	19-29

16.2 Auditing of financial statements

The audit reports for the 2017 Financial Statements, the 2018 Financial Statements and the 2019 Financial Statements are included in this Prospectus by reference. The Q3 2020 Interim Statements are unaudited but have been reviewed by the Company's auditors, except for the comparative number for the nine month period ended 30 September 2019. See section 16.1 "*Financial statements*".

16.3 Legal and arbitration proceedings

During the ordinary course of its business, the Group is and will from time to time be involved in discussions, disputes and legal proceedings, including claims relating to commercial counterparties, employees and other business-related disputes.

The results of such disputes and legal proceedings may be hard to predict, and the Company's assessment of the relevant disputes and proceedings may change as they unfold. The Group expenses legal fees as incurred and records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavourable outcome to any material legal matter may result in damages being awarded, injunctions and/or termination of product lines, all of which could have financial implications exceeding any provisions made and therefore have an adverse effect on the Company’s business, operating results, cash flow and financial position.

On 2 April 2014, NKT received a fine of EUR 3.9 million following the investigation conducted by the European Commission into alleged price-fixing activities with regard to high-voltage power cable projects. While the European Commission assessed that NKT’s role had been substantially limited and the fine was considerably smaller than those imposed on other power cable manufacturers, NKT disagreed with the Commission’s decision and therefore filed an appeal. On 14 May 2020, the European Court of Justice ruled partly in favor of NKT, resulting in a EUR 0.2 million lower fine and a narrower scope of NKT infringement. Although the Company is satisfied with the decision from the European Court of Justice, the Company assesses that the ruling does not take all heads of claims into account, which is why an application according to the Rules of Procedure of the European Court of Justice has been filed with the Court.

In the UK claims derived from the EU case, Scottish Power, National Grid and Vattenfall, respectively, launched civil damages proceedings against NKT along with a number of others power cable suppliers, as co-defendants. The National Grid case and the Vattenfall case were both settled at a satisfactory level in September and October 2020, respectively.

NKT has recognized a provision of EUR 8.3 million in the second quarter of 2020 as a consequence of the EU case and the UK claims.

Other than as set out above, the Group is not involved in any governmental, legal or arbitration proceedings, and the Board of Directors and Executive Management are not aware of any such proceedings being threatened; which in ease case the Company considers could have a significant effect on the Company's or the Group's financial position or profitability, nor has the Company or the Group been involved in any such governmental, legal or arbitration proceedings during the previous 12 months as of the date of this Prospectus.

16.4 Significant changes in financial position

Since the end of the period covered by the Q3 2020 Interim Financial Statements, no significant change to the financial position of the Group has occurred.

16.5 Pro forma financial information

No pro forma financial information has been included in this Prospectus.

16.6 Dividend policy

The Company’s dividend policy targets the payment of dividends to Shareholders in an amount equal to approximately one third of the Company's profit for the year, provided the Company's capital structure allows for it. Further excess cash may be distributed as share buybacks or extraordinary dividends. The Company has not declared or made any dividend payments for the last financial year. With reference to the Company’s present financial situation and the Company’s capital plan announced on 13 May 2020, the Company does not expect to distribute any cash dividends for the foreseeable future.

Any future decision to propose dividends and the amounts and timing thereof will be made at the discretion of the Board of Directors and will depend on a number of factors, including future revenue, profits, financial conditions, general economic and business conditions and future prospects and such other factors as the Board of Directors may deem relevant, as well as other legal and regulatory requirements. Moreover, pursuant to the terms of the Company's issued callable subordinated capital securities, the distribution of dividends implies an obligation for the Company to repay all outstanding payments on the callable subordinated capital securities and also the terms of the Company's Facilities Agreement contains restrictions on payment of dividends if the Group's leverage is above 4:1. There can be no assurances that the Company will be able to pay dividends, and the Company's ability to pay dividends may be impaired if any of the risks described in this Prospectus were to materialise. See section 1 “*Risk factors*” and section 19.1.1 “*Facilities Agreement*”.

The information on the Company's policies relating to dividend constitutes forward-looking statements. Forward-looking statements are not guarantees of future financial performance, and the Company's actual dividends could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described in the section 4.4 “*Forward-looking statements*” and section 1 “*Risk factors*”.

The Board of Directors is not authorised to distribute extraordinary dividends.

17. ADDITIONAL INFORMATION

17.1 Share capital before and after the Offering

As of the date of this Prospectus, the Company's registered share capital is DKK 644,640,540 divided into 32,232,027 Existing Shares with a nominal value of DKK 20 each. All Existing Shares are issued and fully paid up.

On 19 November 2020, the Board of Directors exercised the authorisation given to the Board of Directors in article 3.A of the Articles of Association to increase the share capital by a nominal amount of up to DKK 214,880,180 by issuance of the New Shares. Upon completion of the Offering, the share capital increase will be registered with the Danish Business Authority and the Company's registered share capital will consequently be DKK 859,520,720 divided into 42,976,036 shares each with a nominal value of DKK 20, assuming subscription of all New Shares.

As of the date of this Prospectus, the Company has not issued any securities that may be converted into or exchanged for Shares or have warrants attached, except for performance share units, see section 17.2 "*Incentive schemes*".

17.2 Incentive schemes

The Company has a short-term incentive programme as well as a long-term incentive programme.

The short-term incentive programme comprises an annual cash bonus, however, the Board of Directors may decide to grant participants Shares. The purpose of the programme is to incentivise delivery of the Group's short-term objectives and ensure a clear link between performance and value creation. The maximum award in a year is 70 percent of the base salary. At least 50 percent of the performance measures is based on financial metrics.

Executive Management, the Group leadership team and selected employees participates in the long-term incentive programme. In any given year, the participants in the programme may be awarded performance shares, representing a conditional right to receive Shares after a three-year performance period at nil payment. The performance shares vest subject to continued employment and the achievement of certain performance targets over a three-year period.

The decision to make awards under a long-term incentive plan is made by the Board of Directors each year after recommendation from the Remuneration Committee. The Board of Directors may at its discretion decide to make cash awards in a given year instead of making awards of performance shares.

In 2019, performance shares were awarded comprising 106,447 shares with a three-year vesting period. The program contains two key performance targets, one relating to Operational EBITDA (non-IFRS), and one relating to Total Shareholder Return (TSR). The total market value at award date was EUR 0.9 million. The EBITDA (non-IFRS) and TSR targets are expected to be met by 50 percent for the 2019 programme. Also, in 2018 performance shares were awarded, comprising 50,722 shares with a three-year vesting period. The market value at launch was EUR 0.7 million. The targets for the program related to EBITDA (non-IFRS), RoCE (non-IFRS) and Total Shareholder Return (TSR). The EBITDA (non-IFRS) and RoCE (non-IFRS) targets are not expected to be met for the 2018 programme.

The remaining value to be expensed relating to current programs is EUR 0.7 million. None of the performance shares awarded in 2018 were awarded to current members of the Executive Management, whereas 13,704 performance shares were awarded to the Executive Management in 2019.

18. REGULATORY DISCLOSURES

Below is a summary of company announcements published by the Company during the 12 months preceding the date of this Prospectus:

- NKT is preferred turnkey supplier for Dogger Bank offshore Wind Farms Creyke Beck A/S (see company announcement no. 11 dated 20 September 2019)

- NKT involvement in the Attica-Crete interconnector project (see company announcement no. 13 dated 15 November 2019)

- NKT confirms order for Dogger Bank offshore Wind Farms Creyke Beck A/S (see company announcement no. 14 dated 19 November 2019)

- CFO Roland M. Andersen to leave NKT by end-June 2020 (see company announcement no. 19 dated 13 December 2019)

- NKT A/S Annual Report 2019: High-voltage order backlog at an all-time high and earnings in line with the financial outlook (see company announcement no. 1 dated 26 February 2020)

- NKT awarded major share of SuedOstLink, one of the German high-voltage DC corridor projects (see company announcement no. 5 dated 5 May 2020)

- Q1 2020 trading statement and update of 2020 financial outlook (see company announcement no. 6 dated 5 May 2020)

- NKT A/S seeks to strengthen its capital base (see company announcement no. 8, dated 13 May 2020)

- NKT completed a directed issue and private placement (see company announcements no. 9, 10, 11 and 12, dated 13 May 2020)

- NKT confirms turnkey order for the Attica-Crete interconnector project (see company announcement no. 14 dated 26 May 2020)

- NKT announces appointment of Line Andrea Faundrup as CFO (see company announcement no. 16 dated 29 May 2020)

- Update on Agenda for Annual General Meeting and capital plan (see company announcement no. 17 dated 18 June 2020)

- NKT awarded over EUR 1bn order for the SuedLink high-voltage DC project, key for the green transformation of Germany (see company announcement no. 19 dated 29 June 2020)

- NKT awarded turnkey order for the on- and offshore project Shetland HVDC Link (see company announcement no. 20 dated 17 July 2020)

- NKT awarded turnkey high-voltage DC power cable for the offshore wind connection BorWin5 (see company announcement no. 21 dated 11 August 2020)

- NKT A/S Q2 2020: Improved financial results and all-time high order intake of high-voltage projects (see company announcement dated 19 August 2020)

- Financial outlook 2020 reinstated for NKT Photonics and update of strategic review process (see company announcement no. 22 dated 8 October 2020)

- Update of financial calendar 2020 and release of calendar for 2021 (see company announcement no. 23 dated 26 October 2020)

- NKT A/S Q3 2020: Improved financial results lead to specification of outlook for NKT. High-voltage order backlog at all-time high (see company announcement no. 24 dated 10 November 2020)

In addition, the Company disclosed certain transactions with persons discharging managerial responsibilities in the Company in accordance with Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 (the "**Market Abuse Regulation**") and other announcements to be made pursuant to the rules of Nasdaq Copenhagen and applicable Danish rules.

19. MATERIAL CONTRACTS

Other than as disclosed below, there are no contracts (other than those entered into in the ordinary course of business) to which the Company or a Group company is a party which (i) are, or may be, material to the Group and which have been entered into in the two years immediately preceding the date of this Prospectus; or (ii) which contain any obligations or entitlements which are, or may be, material to the Group as of the date of this Prospectus.

19.1 Financing agreements

19.1.1 Facilities Agreement

The Company has entered into the Facilities Agreement providing a facility of up to EUR 300 million between the Company and the Guarantee Providers as arrangers and lenders.

The facilities can be drawn as a revolving loan facility or ancillary facilities. The facilities are committed until 5 September 2022; however, the Facilities Agreement contains extensive financial covenants and provisions on events of default.

The Facilities Agreement contains restrictions on payment of dividends to the shareholders of the Company if the Group's leverage is above 4:1.

See below under 19.1.2 "*Guarantee Facility Agreement*" for information on the security provided under the Facilities Agreement.

19.1.2 Guarantee Facility Agreement

The Company has entered into the Guarantee Facility Agreement providing a guarantee facility of up to EUR 500 million (consisting of a primary EUR 300 million Facility A and a secondary EUR 200 million Facility B, respectively) dated 3 July 2020 and amended and restated on 13 November 2020 provided by the Guarantee Providers.

The Guarantee Facility Agreement is on uncommitted terms and can be terminated by the Guarantee Providers at any time and the Guarantee Providers can at any time refuse to issue a guarantee under the Guarantee Facility Agreement.

For the Guarantee Providers to issue guarantees under the secondary EUR 200 million Facility B under the Guarantee Facility Agreement, it is a condition that the Company provides the Guarantee Provider(s) with a cash collateral of 100 percent of the amount guaranteed pursuant to the individual guarantee issued under Facility B.

If the Guarantee Facility Agreement is terminated the Guarantee Providers may demand 100 percent cash collateral for all outstanding guarantees.

19.1.3 Security and Intercreditor agreement relating to Facilities Agreement and Guarantee Facility Agreement

The Group has provided security for the lenders and Guarantee Providers under the Facilities Agreement and the Guarantee Facility Agreement, which includes first and second ranking share pledge agreements in respect of the Company's shares in NKT Photonics, first and second ranking mortgage over the vessel NKT Victoria and first and second ranking assignments over the insurances on NKT Victoria. The Company, the lenders and the Guarantee Providers have entered into an intercreditor agreement dated 12 August 2020 in relation to, inter alia, the enforcement of such security.

19.1.4 Other facilities, guarantee and financing agreements etc.

The Group has entered into a number of guarantee facilities, including those set forth below.

Danske Bank guarantee facility
The Company has entered into a guarantee facility agreement of up to DKK 245 million dated 26 August 2019 between the Company as borrower and guarantor and Danske Bank as lender. The facility can be terminated by Danske Bank at any time with 30 days' notice and require cash collateral for all outstanding guarantees.

SEK 1.8 billion guarantee facility
The Company has agreed on a SEK 1.8 billion guarantee facility with AB Svensk Exportkredit. The facility is uncommitted and AB Svensk Exportkredit can at any time refuse to issue a guarantee.

The Company has signed a counter indemnity for all losses AB Svensk Exportkredit may incur under the arrangement.

Nordea guarantee facilities
The Group has entered into several guarantee facility agreements with Nordea entities, including a DKK 448 million bilateral uncommitted guarantee agreement with Nordea Danmark, filial af Nordea Bank Abp, Finland. The facilities are uncommitted, and Nordea can at any time refuse to issue a guarantee under the agreements or demand 100 percent cash collateral for all outstanding guarantees.

Parent company guarantee
The Company has agreed to guarantee the obligations of the Group towards Nordea Bank Abp and any of its affiliates for the obligations of certain subsidiaries in respect of guarantees issued by the bank and its affiliates in the amount of up to EUR 448 million.

Bond
In September 2018, the Company issued hybrid capital bonds of EUR 150 million, which are subordinated to other creditors (hybrid capital). The hybrid capital bond bears a coupon of 5.375 percent until the first call date on 12 September 2022 after which the coupon resets to the four-year EUR swap rate prevailing at that time plus 10.225 percent. It has a final maturity on 12 September 3018. Coupon payments may, at the discretion of the Company, be deferred and ultimately any deferred coupons outstanding in 3018 will be cancelled. However, deferred coupon payments become payable if the Company decides to pay dividends to shareholders. As a consequence of the terms of the hybrid security, it is accounted for as equity. Coupon payments are also recognized in equity.

Mortgage facilities
The Group has mortgage facilities of approximately DKK 1.3 billion with Nykredit, which are secured with mortgages on real estate.

19.2 The German Corridor Projects

The German Corridor Projects relate to the German government's decision to shut down several nuclear reactors, implying that renewable power from north of Germany needs to be accessible to south Germany. NKT is a major supplier for two of the German Corridor Projects: SuedLink and SuedOstLink. The SuedLink will be the world’s longest HVDC underground power link and the SuedOstLink will be the world’s first large commercial 525 kV XLPE high-voltage DC 2GW transmission line.

The tender for the SuedOstLink project was conducted by 50Hertz and TenneT and on 5 May 2020, NKT was awarded three lots by 50Hertz, implying that NKT will design the HVDC cable system, including all necessary facilities, secondary facilities, components and provide service and repairs. The tender for the SuedLink project was conducted by TenneT and TransnetBW. On 29 June 2020, NKT was awarded one lot by TenneT and one lot by TransnetBW, implying that NKT will design the HVDC cable system, including all necessary facilities, secondary facilities, components and provide service and repairs.

Both projects will require a number of permits and qualifications to be taken out by both the customers and NKT, notably on NKT's side operational and quality permits of factories, including the DC qualification of NKT's facility in Cologne, see Section 8.3.7 "*Manufacturing and installation*", and permits for road transport of cable drums (heavy duty transports). In addition, under the contracts, NKT provides standard warranties and guarantees and has undertaken liability obligations, including potentially an obligation to pay penalties, perform remedial work and/or pay compensation, relating to delays and defects, subject to certain caps. While such obligations and undertakings are considered standard for this type of contracts, the potential monetary value exceeds that of NKT's other contracts, due to the size and value of the German Corridor Project contracts. NKT will receive payments under the contracts in certain tranches depending on NKT's deliveries.

19.3 Rights Issue Agreement

Reference is made to section 25.4.3 "*Rights issue agreement*".

20. DOCUMENTS AVAILABLE

Copies of the following documents may be inspected during the period in which this Prospectus is in effect:

- the Articles of Association;
- the Financial Statements; and
- the Prospectus.

Any request for copies of the Prospectus may be submitted by persons who satisfy the requirements of the applicable selling restrictions from the Managers and made to:

NKT A/S
Vibeholms Allé 20, DK-2605 Brøndby, Denmark
Telephone: (+45) 43482000
E-mail: ir@nkt.com

Danske Bank by e-mail: prospekter@danskebank.dk.

Nordea Danmark by e-mail: corpact.dk@nordea.com

Subject to certain exceptions, the Articles of Association, the Financial Statements and the Prospectus can also be downloaded from the Company's website: https://www.nkt.com/. Except for the information incorporated herein by reference, the contents of the website do not from part of the Prospectus. See section 16 "*Financial information concerning the assets and liabilities, financial position and profits and losses and dividends*."

PART II. TERMS OF THE OFFERING

21. PERSONS RESPONSIBLE, THIRD PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL

21.1 Persons responsible and approval from competent authority

Reference is made to section 3 "*Responsibility statement*".

21.2 Experts' reports and third-party information

This Prospectus does not contain any expert statements or expert reports.

For details on information sourced from third parties, see section 4.2 "*Third-party information*".

22. RISK FACTORS

Reference is made to section 1 "*Risk factors*".

23. ESSENTIAL INFORMATION

23.1 Interest of natural and legal persons involved in the Offering

Certain members of the Board of Directors and the Executive Management and the Key Employee are shareholders in the Company and have indicated that they intend to exercise their Pre-emptive Rights in whole or in part and therefore have an interest in the Offering.

The Joint Global Coordinators and Joint Bookrunners and their respective affiliates have from time to time been engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Joint Global Coordinators and Joint Bookrunners have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with the interests of prospective investors and the Company.

In addition, in the ordinary course of business the Joint Global Coordinators and Joint Bookrunners and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. The Joint Global Coordinators and Joint Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, Danske Bank and Nordea are lenders under the Facilities Agreement and Guarantee Providers under the Guarantee Facility Agreement and accordingly have an interest in the Group's financial position and the Group's ability to honour its terms under these agreements.

The Company is not aware of any other potential interests, including conflicting ones, of natural or legal persons involved in the Offering that may have a material interest in the Offering.

23.2 Reason for the Offering and use of proceeds

Reference is made to section 5 "*Background to the Offering and use of proceeds*".

23.3 Working capital statement

In the opinion of the Company, the working capital available as of the date of this Prospectus is sufficient for its present working capital needs for the 12 months following the date of this Prospectus.

Reference is also made to section 10.5.9 "*Working capital (non-IFRS)*".

23.4 Capitalisation and indebtedness

Reference is made to section 11 "*Capitalisation and indebtedness*".

24. INFORMATION CONCERNING THE NEW SHARES

24.1 Type of security, amount of New Shares and ISIN codes

The Offering comprises up to 10,744,009 New Shares each with Pre-emptive Rights for the Existing Shareholders. Further, the Prospectus comprises the admission of the New Shares to trading and official listing on Nasdaq Copenhagen in connection with the completion of the Offering.

24.1.1 Pre-emptive Rights

The Offering is being made at the ratio of 1:3, which means that each Existing Shareholder will be entitled to and will be allocated one (1) Pre-emptive Right for each one (1) Existing Share held at the Allocation Time (as defined below), and that three (3) Pre-emptive Rights will be required to subscribe for one (1) New Share.

Pre-emptive Rights will be allocated free of charge to the Company's Existing Shareholders on 24 November 2020 at 5:59 p.m. CET (the "**Allocation Time**") through VP Securities. Shares traded after 20 November 2020 at 5:00 p.m. CET will be traded without (ex) Pre-emptive Rights, assuming that such Shares are traded with a customary two-day settlement period.

With the currently expected timetable, any trading in the Shares prior to the last trading day in Existing Shares including Pre-emptive Rights on 20 November 2020 at 5:00 p.m. CET, will include rights to receive Pre-emptive Rights in connection with the Offering. However, this will not apply if the registration in VP Securities of that particular trade in Shares does not take place until after the Allocation Time, which may be the case if one or both parties to the trade is or will become a shareholder in the Company registered through a nominee or omnibus account and the trade in question, therefore, has to be registered through one or more custody banks prior to the registration of the party in question in VP Securities. Investors are recommended to consult with their account-holding bank in relation to such trades.

Any trading in the Shares after 20 November 2020 at 5:00 p.m. CET will be exclusive of rights to receive Pre-emptive Rights for the buyer unless the parties to the trade in question have taken specific measures to settle the trade in VP Securities prior to the Allocation Time on 24 November 2020 at 5:59 p.m. CET and, thus, chosen not to settle according to the customary settlement cycle with settlement two trading days after the transaction date. The party to the trade in question who is the holder registered in VP Securities on the Allocation Time at 5:59 p.m. CET will be considered the Existing Shareholder. The buyer and seller should in such trade be aware that the value of the right to receive Pre-emptive Rights for the buyer will likely not be reflected in the trading price of the Shares on Nasdaq Copenhagen after the last trading day in Existing Shares including Pre-emptive Rights, since such trading price is based on the customary two-day settlement cycle. Investors are recommended to consult with their account-holding bank in relation to trading in the Company's Shares between the last trading day in Existing Shares including Pre-emptive Rights and the Allocation Time if such trade is not settled according to the customary two-day settlement cycle.

The Pre-emptive Rights have been approved for trading and official listing on Nasdaq Copenhagen to the effect that they can be traded on Nasdaq Copenhagen during the period from 23 November 2020 at 9:00 a.m. CET to 4 December 2020 at 5:00 p.m. CET under the temporary ISIN code DK0061414042.

24.1.2 The New Shares

The Subscription Period for the New Shares will commence on 25 November 2020 at 9:00 a.m. CET and will close on 8 December 2020 at 5:00 p.m. CET. The New Shares to be issued by the Company upon exercise of the Pre-emptive Rights will be of the same class as the Existing Shares. The New Shares are offered at a price of DKK 122 per New Share.

After payment of the Subscription Price, the New Shares will be issued under the temporary ISIN code DK0061414125. The New Shares under the temporary ISIN code will not be admitted to trading and official listing on Nasdaq Copenhagen. The New Shares under the temporary ISIN code will solely be registered with VP Securities.

As soon as possible after registration of the New Shares with the Danish Business Authority, the New Shares are expected to be admitted to trading and official listing on Nasdaq Copenhagen under the permanent ISIN code for the Existing Shares DK0010287663 on 16 December 2020, and the temporary ISIN code of the New

Shares is expected to be merged with the ISIN code of the Existing Shares on 17 December 2020 after 5:00 p.m. CET.

24.2 Currency

The Offering will be carried out and trading in the Pre-emptive Rights will be in DKK. The New Shares are denominated in DKK.

24.3 Resolutions, authorisations and approvals

The New Shares will be issued pursuant to an authorisation granted to the Board of Directors on the annual general meeting of the Company held on 18 June 2020.

On 19 November 2020, the Board of Directors exercised the authorisation granted in article 3.A of the Articles of Association and resolved to increase the Company's share capital in a nominal amount of up to DKK 214,880,180 by issue of up to 10,744,009 New Shares with a nominal value of DKK 20 each. The New Shares are issued with Pre-emptive Rights for the Company's Existing Shareholders and rank pari passu with the Existing Shares.

The share capital increase related to the Offering will be registered upon completion of the Offering, following which the Company's registered share capital will amount to DKK 859,520,720 divided into 42,976,036 Shares with a nominal value of DKK 20 each, assuming subscription of all New Shares.

24.4 Negotiability and transferability of Shares

The Shares, including the New Shares, are negotiable instruments and the Articles of Association contain no restrictions on the transferability of the Shares.

24.5 Rights attached to the Pre-emptive Rights and the New Shares

24.5.1 Pre-emptive Rights

Three (3) Pre-emptive Rights carry the right to subscribe for one (1) New Share.

If any of the Pre-emptive Rights are not exercised during the Subscription Period, those Pre-emptive Rights will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to any kind of compensation. See section 1 "*Risk factors*". If the holder does not wish to exercise the Pre-emptive Rights to subscribe for New Shares, the holder can sell the Pre-emptive Rights during the Rights Trading Period.

24.5.2 The New Shares

24.5.2.1 Dividend rights

The New Shares have the same rights as the Existing Shares, including with respect to eligibility for any dividends. Upon the issuance and registration of the New Shares to be issued by the Company pursuant to the Offering with the Danish Business Authority (which is expected to take place on completion of the Offering), the New Shares will be entitled to receive dividends to the extent any dividends are declared and payable with respect to the New Shares.

Any dividends will be paid in DKK to the shareholder's account with VP Securities. No restrictions on dividends or special procedures apply to holders of New Shares who are not residing in Denmark. See section 24.8, "*Taxation*" for a summary of certain tax consequences in relation to dividends or distributions to holders of Shares. Dividends which have not been claimed by shareholders within three years from the time they are payable will be forfeited and will accrue to the Company.

24.5.2.2 Voting rights and pre-emptive rights

All Shares in the Company will rank pari passu, including with respect to voting rights and pre-emption rights. All Shares will accordingly carry one vote per Share of a nominal value of DKK 20.

24.5.2.3 Liquidation rights

In case of the dissolution or winding-up of the Company, the New Shares (following registration with the Danish Business Authority, expected to occur upon completion of the Offering) will be entitled to a proportionate part of the Company's assets after payment of the Company's creditors. The Articles of Association do not contain any provisions on redemption or exchange of Shares.

24.6 Danish legislation concerning takeover offers, redemption and conversion of shares and disclosure of shareholdings

24.6.1 Mandatory takeover bids

Applicable rules on mandatory takeover bids are set out in part 8 of the Danish Capital Markets Act and the executive order issued pursuant thereto.

If a shareholding is transferred, directly or indirectly, to an acquirer or to persons acting in concert with such acquirer, the acquirer must enable all shareholders of the company to dispose of their shares on identical terms if such transfer involves the acquirer obtaining control of the company.

An acquirer has control of the company when the acquirer or persons acting in concert with such acquirer directly or indirectly holds at least one-third of the voting rights in a company, unless it can be proven – under special circumstances – that such ownership does not constitute control. An acquirer who does not hold more than one-third of the voting rights in a company will, nevertheless, have control if the acquirer or person(s) acting in concert with such acquirer has the right to control at least one-third of the voting rights of a company by virtue of an agreement or has the right to appoint or dismiss the majority of the members of a company's central governing body.

Voting rights attached to treasury shares must be included in the calculation of voting rights. Exemptions from the mandatory tender offer rules may be granted under special circumstances by the Danish Financial Supervisory Authority.

24.6.2 Redemption and conversion of shares

Pursuant to section 70 of the Danish Companies Act, shares in a company may be redeemed in whole or in part by a shareholder holding more than nine-tenths of the shares and the corresponding voting rights in the company.

Further, pursuant to section 73 of the Danish Companies Act, a minority shareholder may require that a majority shareholder holding more than nine-tenths of the shares and the corresponding voting rights redeem the minority shareholder's shares.

Except for these provisions, no shareholder is under an obligation to have his or her Shares redeemed in whole or in part by the Company or by any third party, and none of the Shares carry any redemption or conversion rights or any other special rights.

24.6.3 Major shareholdings

Pursuant to section 38 of the Danish Capital Markets Act, a shareholder of a company whose shares or financial instruments are admitted to trading on a regulated market within the EU is required to notify the listed company and the Danish Financial Supervisory Authority as soon as possible if the shareholder's shareholding directly or indirectly represents 5 percent or more of the voting rights or the share capital, and if the shareholders' shareholding directly or indirectly entails that the 5, 10, 15, 20, 25, 50 or 90 percent thresholds and the thresholds of one-third or two-thirds of the voting rights or the share capital are reached or no longer reached.

The notification must comply with the requirements for the contents thereof set out in sections 15 and 16 of the Danish executive order on major shareholders, including the identity of the shareholder and the date when the threshold is reached or no longer reached. Failure to comply with the disclosure requirements is punishable by a fine. When the Company has received such notification, it must publish the contents of such notification within three business days.

Further, the general duty of notification under the Danish Capital Markets Act applies as well as special duties of notification in respect of the Company's insider group pursuant to the Market Abuse Regulation.

24.7 Public takeover bids for the Company

No public takeover bids have been made by any third party in respect of the Shares during the past or the current financial years.

24.8 Taxation

24.8.1 Introduction

The following is a summary of certain Danish income tax considerations relating to the Shares. The Danish tax legislation as well as the tax legislation of investors' member state may have an impact on the income received from the Shares.

The summary is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically noted that the summary does not address all possible tax consequences relating to the Offering and the Shares. The summary is based solely upon the tax laws of Denmark in effect on the date of this Prospectus. Danish tax laws may be subject to change, possibly with retroactive effect.

The summary does not cover investors to whom special tax rules apply, and, therefore, may not be relevant, for example, to investors subject to the Danish Tax on Pension Yields Act (i.e. pension savings), professional investors, certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors with tax liability on return on pension investments. The summary does not cover taxation of individuals and companies who carry on a business of purchasing and selling shares. The summary only sets out the tax position of the direct owners of the Shares and further assumes that the direct investors are the beneficial owners of the Shares and any dividends thereon. Sales are assumed to be sales to a third party. For shareholders residing outside Denmark, this summary further assumes that the shareholder does not have a permanent establishment in Denmark.

Several Danish anti-avoidance regulations, including but not limited to the general anti-abuse rule pursuant to section 3 of the Danish Tax Assessments Act (Consolidated Act no. 806 of August 8, 2019, as amended) exist, and if these were to be applicable this could result in the application of taxes to payments made to such Share-holder or in the denial of benefits as otherwise applicable. The mere purchase and holding of Shares should not in itself result in any adverse tax consequences to the Shareholder. The Danish anti-avoidance regulations are not described in further detail.

Shareholders are advised to consult their tax advisors regarding the applicable tax consequences of the Offering, acquiring, holding and disposing of the Shares based on their particular circumstances. Shareholders who may be affected by the tax laws of jurisdictions other than Denmark should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances as such consequences may differ significantly from those described herein.

24.8.2 Taxation of Danish tax resident shareholders

Sale of Shares (Individuals)
In 2020, gains from the sale of shares are taxed as share income at a rate of 27 percent on the first DKK 55,300 (for cohabiting spouses, a total of DKK 110,600) and at a rate of 42 percent on share income exceeding DKK 55,300 (for cohabiting spouses over DKK 110,600). Such amounts are subject to annual adjustments and include all share income (i.e., all capital gains and dividends derived by the individual or cohabiting spouses, respectively).

Gains and losses on the sale of shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method, which means that each share is considered acquired for a price equivalent to the average acquisition price of all the shareholder's shares in the issuing company.

Losses on the sale of shares admitted to trading on a regulated market can only be offset against other share income deriving from shares admitted to trading on a regulated market, (i.e., received dividends and capital gains on the sale of shares admitted to trading on a regulated market). Unused losses will automatically be offset against a cohabiting spouse's share income deriving from shares admitted to trading on a regulated market and additional losses can be carried forward indefinitely and offset against future share income deriving from shares admitted to trading on a regulated market.

Losses on shares admitted to trading on a regulated market may only be set off against gains and dividends on other shares admitted to trading on a regulated market as outlined above if the Danish tax authorities have received certain information relating to the acquisition of the shares before expiry of the tax return filing deadline for the income year in which the shares were acquired. This information is normally provided to the Danish tax authorities by the securities dealer.

Shareholders investing through an investment savings account (Aktiesparekonto)
Gains and losses on shares owned through an investment savings account are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year plus any dividend received on shares owned through the investment savings account. Any annual gain will be subject to 17 percent taxation, and any loss will be deferrable. In 2020 from January 1, to June 30, the account is limited to a deposit of DKK 51,100. From July 1, the threshold has been raised to DKK 100,000 (the threshold is subject to annual adjustments).

Taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realized. If the shares owned through an investment savings account are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the shares at the beginning of the income year and the realization sum. If the shares owned through an investment savings account are acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the realization sum. If the shares are acquired in the income year and not realized in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

Ownership and sale of Shares (Companies)
For the purpose of taxation of sales of shares made by shareholders, a distinction is made between Subsidiary Shares, Group Shares, Tax-Exempt Portfolio Shares and Taxable Portfolio Shares:

"**Subsidiary Shares**" are generally defined as shares owned by a corporate shareholder holding at least 10 percent of the nominal share capital of the issuing company.

"**Group Shares**" are generally defined as shares in a company in which the shareholder of the company and the issuing company are subject to Danish joint taxation or fulfil the requirements for international joint taxation under Danish law.

"**Tax-Exempt Portfolio Shares**" are generally defined as shares not admitted to trading on a regulated market owned by a corporate shareholder holding less than 10 percent of the nominal share capital of the issuing company. As the New Shares will be listed in connection with the Offering and the Existing Shares are listed, the rules on tax-exempt portfolio shares are not applicable to Shares.

"**Taxable Portfolio Shares**" are defined as shares that do not qualify as Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares. The New Shares will be listed in connection with the Offering and will thus qualify as taxable portfolio shares if the shareholder holds less than 10 percent of the share capital.

Gains or losses on disposals of Subsidiary Shares, Group Shares and Tax-Exempt Portfolio Shares are not included in the taxable income of the shareholder.

Special rules apply with respect to Subsidiary Shares and Group Shares in order to prevent exemption through certain holding company structures just as other anti-avoidance rules may apply. These rules will not be described in further detail.

Capital gains from the Taxable Portfolio Shares admitted to trading on a regulated market are taxable at a rate of 22 percent irrespective of ownership period. Losses on such shares are deductible.

Gains and losses on Taxable Portfolio Shares admitted to trading on a regulated market are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realised. If the Taxable Portfolio Shares are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the Taxable Portfolio Shares at the beginning of the income year and the realisation sum. If the Taxable Portfolio Shares are acquired and realised in the same income year, the taxable income equals the difference between the acquisition sum and the realisation sum. If the Taxable Portfolio Shares are acquired in the income year and not realised in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

Special transitional rules apply with respect to the right to offset certain carry forward losses realized before the income year 2010.

A change of status from Subsidiary Shares/Group Shares/Tax-Exempt Portfolio Shares to Taxable Portfolio Shares (or vice versa) is for tax purposes deemed to be a disposal of the shares and a reacquisition of the shares at market value at the time of change of status.

Dividends (Individuals)

Dividends paid to individuals who are tax residents of Denmark are taxed as share income, as described above. All share income must be included when calculating whether the amounts mentioned above are exceeded.

Dividends for shareholders investing through an investment savings account (Aktiesparekonto)

Dividends paid on shares held through an investment savings account will be taxed according to the same rules as for sale of shares held by shareholders investing through an investment savings account.

Dividends paid to individuals are generally subject to 27 percent withholding tax.

Dividends (Companies)

Dividends paid on Taxable Portfolio Shares are subject to the standard corporation tax rate of 22 percent irrespective of ownership period.

The withholding tax rate is 22 percent. If the distributing company withholds a higher amount, the shareholder can claim a refund of the excess tax. A claim for repayment must be filed within two months. Otherwise, the excess tax will be credited in the corporate income tax for the year.

Dividends received on Subsidiary Shares and Group Shares are tax-exempt (and exempt from withholding tax) irrespective of ownership period subject to certain anti-avoidance rules that will not be described in further detail.

24.8.3 Taxation of shareholders residing outside Denmark

Sale of Shares (Individuals and Companies)

Shareholders who are not Danish tax residents are normally not subject to Danish taxation on any gains realised on the sale of shares, irrespective of the ownership period, subject to certain anti-avoidance rules that will not be described in further detail.

Dividends (Individuals)

Under Danish law, dividends paid in respect of shares are generally subject to Danish withholding tax at a rate of 27 percent. If the withholding tax rate applied is higher than the applicable final tax rate for the shareholder, a request for a refund of Danish tax in excess hereof can be made by the shareholder in the following situations:

1. Double taxation treaty

In the event that the shareholder is a tax resident of a state with which Denmark has entered into a double taxation treaty and the shareholder is entitled to the benefits under such treaty, the shareholder may generally, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the applicable treaty rate, which is typically 15 percent. Denmark has a large network of tax treaties. A shareholder's entitlement to a reduced tax rate under an applicable tax treaty is subject to a Danish anti-avoidance rule that will not be described in further detail.

2. Credit under Danish tax law

If the shareholder holds less than 10 percent of the nominal share capital of the company and the competent authority in the state the state where the shareholder is a resident for tax purposes is required to exchange information with the Danish tax authorities according to a double tax treaty or an international agreement, convention or other administrative agreement on assistance in tax matters with Denmark dividends are subject to tax at a rate of 15 percent. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15 percent tax rate that the shareholder together with related shareholders holds less than 10 percent of the nominal share capital of the company. Note that the reduced tax rate does not affect the withholding rate, why the shareholder must also in this situation claim a refund as described above in order to benefit from the reduced rate.

A request for refund must be attached certain documentation. Information about the required documentation is available on the online platform when filing a claim. When claiming a refund the shareholder must document the following; that Danish dividend has been received by the shareholder and the amount of this dividend, that Danish dividend tax has been withheld and the actual amount withheld, that the shareholder was the beneficial owner of the shares when the dividend distribution was approved, that the shareholder is liable to pay tax in a country that is not Denmark and that the withheld dividend tax exceeds that of the final tax payable according to the double taxation treaty or the final tax payable according to current Danish law.

Generally, a refund of tax withheld in excess of the applicable treaty rate shall be paid within six months following the Danish tax authorities' receipt of the refund claim, including the necessary documentation. If the refund is paid later than six months after the receipt of the claim, interest will be calculated on the amount of refund. The six-month deadline can be suspended, if the Danish tax authorities are unable to determine whether the taxpayer is entitled to a refund based on the taxpayer's affairs. If the deadline is suspended accordingly, computation of interest is also suspended.

Dividends for shareholders investing through an investment savings account (Aktiesparekonto)

Any dividend received on shares owned through the investment savings account will be subject to 15 percent taxation.

For shareholders residing outside Denmark, only dividends paid in respect of shares in Danish companies are included in the taxable amount.

Dividends (Companies)

Dividends received on Subsidiary Shares are exempt from Danish tax (including withholding tax) provided the taxation of the dividends is to be waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the jurisdiction in which the company investor is resident. Further, dividends received on Group Shares – not being Subsidiary Shares – are exempt from Danish tax (including withholding tax) provided the company investor is a resident of the EU or the EEA and provided the taxation of dividends should have been waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the country in which the company investor is resident had the shares been Subsidiary Shares. The aforesaid tax exemption for dividends on Subsidiary Shares and Group Shares is subject to a Danish anti-avoidance rule that will not be described in further detail.

Dividend payments on Taxable Portfolio Shares (and Subsidiary Shares and Group Shares, if not tax-exempt) will be subject to tax at the rate of 22 percent. However, the applicable withholding rate on such dividends is 27 percent, meaning that any foreign corporate shareholder can request a refund of at least 5 percent. Furthermore, the foreign corporate shareholder can make a request for a refund of Danish tax in the following situations:

1. Double taxation treaty

In the event that the shareholder is a resident of a state with which Denmark has entered into a double taxation treaty and the shareholder is entitled to the benefits under such treaty, the shareholder may generally, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the applicable treaty rate, which is typically 15 percent. Denmark has a large network of tax treaties. A shareholder's entitlement to a reduced tax rate under an applicable tax treaty is subject to a Danish anti-avoidance rule that will not be described in further detail.

2. Credit under Danish tax law

If the shareholder holds less than 10 percent of the nominal share capital in the company and the shareholder is a tax resident in a jurisdiction which has a double taxation treaty or an international agreement, convention or other administrative agreement on assistance in tax according to which the competent authority in the state of the shareholder is obligated to exchange information with Denmark, dividends are generally subject to a tax rate of 15 percent. If the shareholder is a tax resident outside the EU, it is an additional requirement for eligibility for the 15 percent tax rate that the shareholder together with related shareholders holds less than 10 percent of the nominal share capital of the company. Note that the reduced tax rate does not affect the withholding rate, why the shareholder must also in this situation claim a refund as described above in order to benefit from the reduced rate.

With respect to payment of refunds and documentation, reference is made to the above description "*Dividends (Individuals)*", which applies equally to corporate shareholders residing outside Denmark.

24.8.4 New withholding tax system

The Danish Government has announced that it is contemplating to introduce a new model for taxation of dividends distributed on shares admitted to trading on a regulated market. This has the consequence that dividends will be taxed on the distribution date at a final tax rate based on each shareholder's specific conditions. Therefore, information on the shareholders (beneficial owner pursuant to Danish legislation) must be provided before the actual distribution in order for the dividend-distributing companies to be able to calculate and with-hold the correct amount of dividend tax from each shareholder. The purpose of this new model is to eliminate fraud and facilitate the process for the tax authorities of verifying that dividend tax is not reimbursed wrongfully.

The details of the proposed new model have not yet been introduced or announced. Neither has the expected date of implementation of this new model been announced.

24.8.5 New dividend tax rates

The Danish Government has announced that it is contemplating to increase the tax rate for share income for annual share income in excess of DKK 55,300 (DKK 110,600 for married couples cohabiting at the end of the income year) from 42 percent to 45 percent.

24.8.6 Share transfer tax and stamp duties

No Danish share transfer tax or stamp duties are payable on transfer of the Shares.

24.8.7 Withholding tax obligations

An issuer of shares is when distributing dividends subject to Danish withholding tax obligations in accordance with applicable Danish laws.

25. TERMS AND CONDITIONS OF THE OFFERING

25.1 Conditions, offer statistics, expected timetable and action required to apply for the Offering

25.1.1 Allocation of Pre-emptive Rights and subscription ratio

Each holder of Shares registered with VP Securities on 24 November 2020 at 5:59 p.m. CET (the Allocation Time) will be allocated one (1) Pre-emptive Right for each Share. For each three (3) Pre-emptive Rights, the Existing Shareholder will be entitled to subscribe for one (1) New Share against payment of the Subscription Price.

Shares traded after 20 November 2020 at 5:00 p.m. CET will be traded as excluding Pre-emptive Rights provided that the Shares are traded with a customary two-day settlement cycle.

25.1.2 Expected timetable of principal events

The following timetable presents the expected timetable of principal events:

Publication of Prospectus	19 November 2020
Last trading day in Existing Shares including Pre-emptive Rights[1)]	20 November 2020 at 5:00 p.m. CET
First day of trading in Existing Shares excluding Pre-emptive Rights	23 November 2020
Rights Trading Period commences	23 November 2020
Allocation Time of Pre-emptive Rights[1)]	24 November 2020 at 5:59 p.m. CET
Subscription Period for New Shares commences	25 November 2020
Rights Trading Period closes	4 December 2020 at 5:00 p.m. CET
Subscription Period for the New Shares closes	8 December 2020 at 5:00 p.m. CET
Expected publication of result of the Offering	10 December 2020
Allocation of New Shares not subscribed for by Existing Shareholders (the Remaining Shares)	10 December 2020
Completion of the Offering, including settlement of the New Shares	15 December 2020
Registration of the share capital increase regarding the New Shares with the Danish Business Authority	15 December 2020
First day of trading and official listing of the New Shares on Nasdaq Copenhagen under the ISIN code of the Existing Shares	16 December 2020
Expected merger of temporary and permanent ISIN codes	17 December 2020 after 5:00 p.m. CET

[1)] Trading in Shares after the last trading day in Existing Shares including Pre-emptive Rights on 20 November 2020 at 5:00 p.m. CET will be exclusive of rights to receive Pre-emptive Rights for the buyer unless the parties to the trade in question have taken measures to settle the trade in VP Securities prior to the Allocation Time of Pre-emptive Rights on 24 November 2020 at 5:59 p.m. CET and, thus, chosen not to settle according to the customary settlement cycle with settlement two trading days after the transaction date.

The above timetable is subject to change. Any changes will be announced via Nasdaq Copenhagen.

25.1.3 Rights Trading period, Subscription Period and process

The Pre-emptive Rights have been approved for admission to trading and official listing on Nasdaq Copenhagen to the effect that they can be traded on Nasdaq Copenhagen during the Rights Trading Period from 23 November 2020 at 9:00 a.m. CET to 4 December 2020 at 5:00 p.m. CET, under the temporary ISIN code DK0061414042.

If a holder of Pre-emptive Rights does not wish to exercise such Pre-emptive Rights to subscribe for New Shares, such Pre-emptive Rights may be sold during the Rights Trading Period.

Any Pre-emptive Rights not exercised during the Subscription Period will lapse with no value, and the holder of such Pre-emptive Rights will not be entitled to compensation.

The Subscription Period for the New Shares will commence on 25 November 2020 at 9:00 a.m. CET and will close on 8 December 2020 at 5:00 p.m. CET.

Upon registration of the capital increase relating to the New Shares with the Danish Business Authority, the New Shares are expected to be issued under the temporary ISIN code DK0061414125. The New Shares issued under the temporary ISIN code will solely be registered with VP Securities and will not be admitted to trading and official listing on Nasdaq Copenhagen. See section 26 "*Admission to trading and official listing*" for further details.

25.1.4 **Reduction of subscription**

Reduction of subscription is not applicable in connection with the Offering.

In the event that binding undertakings for Remaining Shares made by Existing Shareholders (who were registered as shareholders of the Company with VP Securities on 24 November 2020 at 5:59 p.m. CET) or Qualified Investors exceed the number of Remaining Shares (if any), the Remaining Shares will be allocated according to allocation keys determined by the Board of Directors.

25.1.5 **Minimum or maximum subscription amounts**

In connection with the Offering, the minimum number of New Shares that a holder of Pre-emptive Rights may subscribe for will be one (1) New Share, requiring the exercise of three (3) Pre-emptive Rights and the payment of the Subscription Price. The number of New Shares that a holder of Pre-emptive Rights may subscribe for is not capped. However, the number is limited to the number of New Shares that may be subscribed for through the exercise of the Pre-emptive Rights held or acquired.

25.1.6 **Subscription for Remaining Shares**

Remaining Shares may, without compensation to the holders of unexercised Pre-emptive Rights, be subscribed for by Existing Shareholders and Qualified Investors, who have made binding undertakings to subscribe for Remaining Shares before the expiry of the Subscription Period.

In case of oversubscription of Remaining Shares in connection with binding undertakings, such Remaining Shares will be allocated according to apportionment keys determined by the Board of Directors.

If the subscription orders for Remaining Shares do not exceed the number of Remaining Shares, the Company will issue the number of Remaining Shares subscribed for.

Existing Shareholders and Qualified Investors wishing to subscribe for Remaining Shares must submit the application form in Annex A to their own custodian institution or financial intermediary. The application form must be submitted within an appropriate amount of time for the custodian institution or the financial intermediary to process and forward the application form to Danske Bank such that the application form is received by Danske Bank no later than on 8 December 2020 at 5:00 p.m. CET.

Payment for any Remaining Shares shall take place in accordance with the provisions set out in Annex A.

Neither the Company nor the Joint Global Coordinators and Joint Bookrunners can guarantee that Existing Shareholders or Qualified Investors who wish to subscribe for Remaining Shares will be allocated any Remaining Shares. Only Existing Shareholders that hold and exercise Pre-emptive Rights or investors who acquire and exercise Pre-emptive Rights are guaranteed allocation of New Shares and only in the event, that the Offering is completed. Accordingly, Remaining Shares will only be available for allocation if the New Shares have not been subscribed for by the Existing Shareholders through the exercise of allocated Pre-emptive Rights or by investors through the exercise of Pre-emptive Rights acquired.

Any Remaining Shares allocated, will be delivered through VP Securities on or about 14 December 2020 against payment of the Subscription Price.

25.1.7 Payments and delivery

Upon exercise of the Pre-emptive Rights related to the New Shares, the holder must pay DKK 122 per New Share subscribed for. Payment for the New Shares will be made in DKK on the date of subscription, but no later than on 8 December 2020 at 5:00 p.m. CET, against delivery of the New Shares in the investor's account with VP Securities under the temporary ISIN code DK0061414125. Holders of Pre-emptive Rights are required to adhere to the account agreement with their own custodian institution or other financial intermediary through which they hold Existing Shares in accordance with the rules of such institution or intermediary. Financial intermediaries through which a holder may hold Pre-emptive Rights may require payment by an earlier date.

The Pre-emptive Rights and the New Shares will be delivered in book-entry form through allocation to accounts with VP Securities.

The New Shares have been accepted for clearance through Euroclear and Clearstream.

25.1.8 Announcement of the results of the Offering

The results of the Offering will be communicated in a company announcement expected to be published through Nasdaq Copenhagen no later than two (2) business days after the expiry of the Subscription Period (expected to be on 10 December 2020).

The Offering will only be completed if and when the New Shares subscribed for are issued by the Company upon registration with the Danish Business Authority, which is expected to take place no later than on 15 December 2020 before listing of the New Shares.

25.1.9 Procedure for the exercise of and trading in Pre-emptive Rights

Holders of Pre-emptive Rights who wish to subscribe for New Shares will be required to do so through their own custodian institution or other financial intermediary in accordance with the procedures of such institution or intermediary. The deadline for notification of exercise depends on the holder's agreements with and the rules and procedures of the relevant custodian institution or other financial intermediary, and the deadline may be earlier than the last day of the Subscription Period. Once a holder has exercised its Pre-emptive Rights, such exercise may not be revoked or modified, except as set forth in this Prospectus with respect to any withdrawal rights in connection with the filing of a supplement as a result of a material change that may affect the evaluation of the Pre-emptive Rights, the New Shares or the Existing Shares.

Exercise instructions without the necessary documentation which originates from a person located in the United States, or which are postmarked in the United States, or such other jurisdiction in which it would not be permissible to subscribe for the New Shares, will be deemed to be invalid, and no New Shares will be credited to institutions with addresses in the United States or any other jurisdictions in which it would not be permissible to subscribe for the New Shares without the required documentation. The Company and the Joint Global Coordinators and Joint Bookrunners reserve the right to reject any exercise of the Pre-emptive Rights on behalf of persons who fail to present the required documentation and (i) for acceptance or delivery of New Shares indicate an address in the United States or in any other jurisdiction in which it would not be permissible to subscribe for the New Shares; (ii) cannot show or prove that they are not in the United States or any other jurisdiction in which it would not be permissible to subscribe for the New Shares; (iii) who act on behalf of persons in the United States or any other jurisdiction in which it would not be permissible to subscribe for the New Shares, unless it is effected on a discretionary basis; (iv) in the opinion of the Company or its agents, have given their exercise instructions or certifications in or sent such instructions or certifications from the United States or any other jurisdiction in which it would not be permissible to offer the New Shares; or (v) purport to exclude any applicable representation or warranty in this Prospectus. See section 25.5 *"Selling and transfer restrictions".*

Any holders who exercise their Pre-emptive Rights will be deemed to have represented that they have complied with all applicable legislation. Custodian institutions exercising Pre-emptive Rights on behalf of beneficial owners will be deemed to have represented that they have complied with procedures set out in this Prospectus. Neither the Pre-emptive Rights nor the New Shares have been registered, or will be registered, under the U.S. Securities Act or any state securities legislation in the United States. The Subscription Period will close on 8 December 2020 at 5:00 p.m. CET.

During the Rights Trading Period, holders of Pre-emptive Rights who do not wish to exercise their Pre-emptive Rights to subscribe for New Shares may sell their Pre-emptive Rights on Nasdaq Copenhagen or elsewhere, and a purchaser may use the acquired Pre-emptive Rights to subscribe for New Shares. Holders wishing to sell their Pre-emptive Rights should instruct their custodian institution or other financial intermediary accordingly.

The Joint Global Coordinators and Joint Bookrunners may, from time to time, acquire and sell Pre-emptive Rights, exercise Pre-emptive Rights and acquire and sell New Shares.

Any Pre-emptive Rights which have not been exercised during the Subscription Period will lapse without value, and the holders will not be entitled to any compensation.

25.1.10 Offering and proceeds

The Offering comprises up to 10,744,009 New Shares. Upon full subscription of the Offering, the gross proceeds will be approximately DKK 1,311 million and the net proceeds (gross proceeds less the Company's estimated costs related to the Offering) are expected to amount a total of DKK 1,267 million, assuming all New Shares are subscribed.

25.1.11 Withdrawal or suspension of the Offering and termination of the Rights Issue Agreement

The Offering may be withdrawn by the Company subject to certain conditions before registration of the capital increase relating to the New Shares with the Danish Business Authority.

If the Offering is withdrawn, any exercise of Pre-emptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs) to the last registered owner of the New Shares as of the date of such withdrawal. All Pre-emptive Rights will lapse, and no New Shares will be issued.

Trades of Pre-emptive Rights executed during the Rights Trading Period will, however, not be affected. Consequently, investors who have acquired Pre-emptive Rights will incur a loss corresponding to the purchase price of the Pre-emptive Rights and any transaction costs.

Investors who have acquired New Shares will receive a refund of the subscription amount for the New Shares (less any transaction costs). Consequently, investors who have acquired New Shares may incur a loss corresponding to the difference between the purchase price and the Subscription Price of the New Shares and any related transaction costs.

The Joint Global Coordinators and Joint Bookrunners are entitled to terminate the Rights Issue Agreement upon the occurrence of certain exceptional events and/or unpredictable circumstances, such as force majeure. The Rights Issue Agreement also contains conditions for completion, which the Company believes to be customary for offerings such as the Offering, and the completion of the Offering pursuant to the Rights Issue Agreement is subject to compliance with all such conditions in the Rights Issue Agreement. If one or more conditions for completion are not met, the Joint Global Coordinators and Joint Bookrunners may, acting jointly and at their discretion, terminate the Rights Issue Agreement which may accordingly require that the Company withdraws the Offering.

The Company is not liable for any losses that investors may suffer as a result of withdrawal of the Offering including but not limited to, any transaction costs or lost interest.

A withdrawal of the Offering will be announced as a company announcement through Nasdaq Copenhagen. With respect to risks related to withdrawal of the Offering, see section 1 “*Risk factors*”.

25.1.12 Withdrawal of applications for subscription

Instructions to exercise Pre-emptive Rights related to the New Shares are irrevocable, except in the event that a supplement to this Prospectus is published pursuant to applicable rules and legislation in Denmark due to any material changes in connection with the information in this Prospectus which may affect the evaluation of the Pre-emptive Rights, the New Shares or the Existing Shares, which occurs or is ascertained between the time of approval of this Prospectus and the final completion of the Offering or the commencement of trading on Nasdaq Copenhagen. Investors who have accepted to exercise Pre-emptive Rights prior to publication of the supplement will be entitled to withdraw their acceptance for two (2) business days after the publication of such supplement.

25.2 Plan of distribution and allotment

25.2.1 Notification of applicants in respect of amounts

There is no pre-allotment of New Shares. The New Shares may be subscribed for by the Existing Shareholders of the Company according to the Pre-emptive Rights allocated.

New Shares which have not been subscribed for by the Existing Shareholders before the expiry of the Subscription Period (Remaining Shares) may, without compensation to the holders of unexercised Pre-emptive Rights, be subscribed for by Existing Shareholders or Qualified Investors, who have made binding undertakings to subscribe for such Remaining Shares. In case of oversubscription of the Remaining Shares, such Remaining Shares will be allocated according to allocation keys determined by the Board of Directors.

25.2.2 Intentions of major shareholders and members of management with regard to subscription of New Shares

Certain members of the Board of Directors and the Executive Management and the Key Employee are shareholders in the Company and have indicated that they intend to exercise their Pre-emptive Rights in whole or in part.

25.3 Subscription price

The New Shares are offered at the Subscription Price of DKK 122 per New Shares (excluding fees, if any, form the investor's own custodian bank or brokers).

25.4 Placing and underwriting

25.4.1 Managers

The Offering is coordinated by Danske Bank, J.P. Morgan and Nordea, which act as the Joint Global Coordinators and Joint Bookrunners of the Offering. The Joint Global Coordinators will not participate in the solicitation, offer or sale of any New Shares within or directed into the United States and will not be involved in any activities relating to the Pre-emptive Rights, New Shares or Shares, within or directed into the United States.

The addresses of the Joint Global Coordinators and Joint Bookrunners are:

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London, E14 5JP
United Kingdom

Nordea Danmark, filial af Nordea Bank Abp, Finland
Grønjordsvej 10
DK-2300 Copenhagen S
Denmark

25.4.2 Subscription and paying agents

Shareholders' instructions to exercise Pre-emptive Rights and subscribe for New Shares must be given to each shareholder's custodian institution or financial intermediary. Euroclear and Clearstream act as international payment intermediaries:

Euroclear Bank S.A./N.V.
1 Boulevard du Roi Albert II
1210 Brussels
Belgium

Clearstream Banking S A
42 Avenue JF Kennedy
1855 Luxembourg
Luxembourg

25.4.3 Rights Issue Agreement

As of the date of this Prospectus, the Company and the Joint Global Coordinators and Joint Bookrunners have entered into a rights issue agreement (the "**Rights Issue Agreement**"). Pursuant to the Rights Issue Agreement, the Company has given customary representations and warranties to the Joint Global Coordinators and Joint Bookrunners and has also undertaken to indemnify the Joint Global Coordinators and Joint Bookrunners for certain potential liability obligations related to the Offering. The Offering is not underwritten by the Joint Global Coordinators.

The Rights Issue Agreement contains closing conditions which the Company believes are customary for offerings such as the Offering and the closing of the Offering is dependent on compliance with all of the conditions set forth in the Rights Issue Agreement. The Joint Global Coordinators and Joint Bookrunners may, at their own discretion, terminate the Rights Issue Agreement, which may accordingly require the Company to withdraw the Offering, if any of the closing conditions are not met or if certain unexpected circumstances such as a material adverse change occur.

The Company has undertaken that for a period of 180 days counted from the date of completion of the Offering that it will not without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, (i) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) submit to its shareholders a proposal to effect any of the foregoing.

The abovementioned obligation shall not apply to (a) the issuance of the New Shares in connection with the Offering, (b) the sale of Pre-emptive Rights received in connection with the Offering in respect of treasury shares, (c) transfers or issues of any kind of Company securities to the Company's employees and its subsidiaries' employees, executive management or members of the Board of Directors in accordance with the existing or future employee incentive programmes, (d) hedging by the Company of its exposure under existing or new employee options and incentive programmes, (e) submission to its shareholders of a proposal to adopt, increase and/or extend authorisations to the Board of Directors to issue securities and any resulting increase in the share capital of the Company, (f) submission to its shareholders of a proposal to authorise the Board of Directors to purchase treasury shares, and (g) actions in connection with any takeover offer of the shares in the Company made in accordance with Danish take-over regulation and/or any corporate law merger involving the Company.

Further, the members of the Board of Directors and of the Executive Management have each agreed that for a period of 180 days counted from the date of completion of the Offering they will not without the prior written consent of the Joint Global Coordinators and Joint Bookrunners, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

The abovementioned obligations shall not apply to (i) any disposal of Shares to which the written consent of the Joint Global Coordinators (not to be unreasonably withheld or delayed) has been obtained, (ii) any disposal of Shares to related parties, (iii) (a) an acceptance of a public takeover offer for all shares in the Company made in accordance with takeover regulations on terms which treat all such shareholders alike, or (b) the provision of an irrevocable undertaking to accept such an offer, or (c) a disposal of Shares to an offeror or potential offeror during an offer period, or otherwise in response to or pursuant to a public takeover offer, (iv) any disposal of Shares or other securities other than all or any Shares issued pursuant to the conversion of any convertible debt securities or the exercise of any warrants, options or similar rights, (v) any disposal of Shares in accordance with any order made by a court of competent jurisdiction or required by law or regulation, (vi) any disposal of Shares occurring after death, permanent disability or interruption in employment for a continuous period of not less than 16 weeks due to disability or illness, (vii) any disposal of Shares to cover payment of taxes arising out the exercise of warrants etc., and (viii) any disposal of Shares occurring after termination of employment by the Company.

25.5 Selling and transfer restrictions

The Offering consists of a public offering in Denmark with Pre-emptive Rights for the Company's Existing Shareholders and potentially private placements in certain other jurisdictions.

25.5.1 General restrictions

The Offering is made pursuant to Danish law, and neither the Company nor the Joint Global Coordinators and Joint Bookrunners have taken any action or will take any action in any jurisdiction, with the exception of Denmark, which may result in a public offering of the Pre-emptive Rights and/or the New Shares.

The distribution of this Prospectus and the Offering is restricted by law in certain jurisdictions, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Neither the Company nor the Joint Global Coordinators and Joint Bookrunners accept any legal liability for any violation of these restrictions by any person, irrespective of whether such person is an Existing Shareholder or a potential purchaser of Pre-emptive Rights and/or subscriber to the New Shares.

Further, the Pre-emptive Rights and the New Shares are subject to transfer and selling restrictions in certain jurisdictions. Potential purchases of Pre-emptive Rights and/or subscribers of the New Shares must comply with all applicable legislation and regulations in countries or territories in which they acquire, subscribe for, offer or sell Pre-emptive Rights and/or New Shares or possess or distribute the Prospectus and must obtain consent, approval or permission, as required, for the acquisition of New Shares. Persons in whose possession this Prospectus may come are required by the Company and the Joint Global Coordinators and Joint Bookrunners to inform themselves about such restrictions and to observe such restrictions.

All investors should examine the tax consequences of an investment in the Pre-emptive Rights and New Shares through their own advisers. This Prospectus does not constitute an offer or an invitation to purchase any Pre-emptive Rights or purchase or subscribe for any New Shares in any jurisdiction in which such offer or invitation would be unlawful.

The Prospectus may not be distributed or otherwise made available, the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Pre-emptive Rights may not be offered, sold, acquired or exercised, directly or indirectly, in any jurisdiction other than Denmark, unless such distribution, offering, sale, acquisition exercise or subscription is permitted under applicable legislation in the relevant jurisdiction. The Company and Joint Global Coordinators and Joint Bookrunners may request receipt of satisfactory documentation to that effect.

25.5.2 The United States

The New Shares have not been, and will not be, registered under the U.S. Securities Act or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Shares in the United States.

The New Shares are only being offered outside the United States in "offshore transactions" as defined in, and in reliance, on Regulation S under the U.S. Securities Act.

The Joint Global Coordinators will not participate in the solicitation, offer or sale of any New Shares within or directed into the United States and will not be involved in any activities relating to the Pre-emptive Rights, New Shares or Shares, within or directed into the United States.

25.5.3 European Economic Area and the UK

In relation to each Relevant State, no offering of Pre-emptive Rights or New Shares has been or will be made to the public in that Relevant State prior to the publication of a prospectus concerning the Pre-emptive Rights and the New Shares which has been approved by the competent authority in such Relevant State or, where relevant, approved in another Relevant State and notified to the competent authority in such Relevant State, all pursuant to the Prospectus Regulation, except that an offering of Pre-emptive Rights and New Shares may be made to the public at any time in such Relevant State pursuant to the following exemptions under the Prospectus Regulation:

a) to any legal entity which is a Qualified Investor;
b) to fewer than 150 natural or legal persons other than Qualified Investors, subject to obtaining the prior written consent of the Company and the Joint Global Coordinators and Joint Bookrunners; or
c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Pre-emptive Rights or New Shares shall require the Company nor any Joint Global Coordinator or Joint Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of the above, the expression an "offer to the public" in relation to Pre-emptive Rights and New Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Pre-emptive Rights and the New Shares so as to enable an investor to decide whether to acquire the Pre-emptive Rights and acquire or subscribe for the New Shares.

25.5.4 The UK

In addition, in the UK, this Prospectus is being distributed only to, and is directed only at, and any offer subsequently made in relation to any Pre-emptive Rights and New Shares may only be directed at Relevant Persons. In the UK, any investment or investment activity to which this Prospectus relates is only available to, and will be engaged in with, Relevant Persons. Any person in the UK who is not a Relevant Person must not act on or rely upon this Prospectus or any of its contents.

25.5.5 Canada, Australia and Japan

The Pre-emptive Rights and the New Shares have not been approved, disapproved or recommended by any foreign regulatory authorities, nor have any of such authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus.

This Prospectus may not be distributed or otherwise made available, the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Pre-emptive Rights may not be offered, sold, acquired or exercised, directly or indirectly, in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable legislation in the relevant jurisdiction, and the Company and the Joint Global Coordinators and Joint Bookrunners receive satisfactory documentation to that effect.

26. ADMISSION TO TRADING AND OFFICIAL LISTING

26.1 Admission to trading and official listing

The Company's Existing Shares have been admitted to trading and official listing on Nasdaq Copenhagen under the permanent ISIN code DK0010287663 and an application has been made for the New Shares to be admitted to trading and official listing on Nasdaq Copenhagen under the permanent ISIN code.

In connection with the Offering, the Pre-emptive Rights have been approved for admission to trading and official listing on Nasdaq Copenhagen to the effect that they can be traded on Nasdaq Copenhagen during the period from 23 November 2020 at 9:00 a.m. CET to 4 December 2020 at 5:00 p.m. CET, under the temporary ISIN code DK0061414042.

The New Shares will be issued under a temporary ISIN code, which will not be admitted to trading and official listing on Nasdaq Copenhagen but is used solely for registration with VP Securities.

In connection with the Offering, the New Shares have been approved for admission to trading and official listing on Nasdaq Copenhagen and accordingly, after registration of the New Shares with the Danish Business Authority, the New Shares are expected to be admitted to trading and official listing on Nasdaq Copenhagen under the permanent ISIN code for the Existing Shares DK0010287663, expectedly on 16 December 2020, and the temporary ISIN code for the New Shares is expected to be merged with the ISIN code of the Existing Shares on 17 December 2020 after 5:00 p.m. CET.

26.2 Market making and stabilisation

The Company has not entered into any market maker agreement or agreement regarding stabilisation in connection with the Offering.

27. SELLING SHAREHOLDERS AND LOCK-UP

27.1 Shareholders who have indicated that they expect to sell their Shares or Pre-emptive Rights

There is no selling shareholder as the Offering comprises an issue of New Shares. The Company has not received any indications from any major shareholders that intend to sell their Pre-emptive Rights.

27.2 Lock-up agreements

Reference is made to section 25.4 "*Placing and underwriting*".

28. EXPENSE OF THE OFFERING

The estimated costs and expenses related to the Offering payable by the Company to the Joint Global Coordinators and Joint Bookrunners, other advisor fees and expenses (including subscription commission to Danish account holding institutions), assuming subscription to all New Shares, are DKK 44.1 million. The fee to the Joint Global Coordinators and Joint Bookrunners is variable and, therefore, the total expenses are subject to the results of the Offering.

The Company has agreed to pay a subscription commission to Danish account holding institutions equivalent to 0.125 percent of the market value of the New Shares subscribed for through the relevant account holding institution in connection with the Offering.

Neither the Company nor the Joint Global Coordinators and Joint Bookrunners will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account keeping financial institution.

29. DILUTION

As a result of the Offering, the Company's share capital will be increased. If an Existing Shareholder exercises its Pre-emptive Rights in full in connection with the Offering, such shareholder's proportionate ownership interest will not be diluted. If an Existing Shareholder decides not to exercise its Pre-emptive Rights at all, such shareholder's proportionate ownership interest will be diluted by up to 25 percent.

The equity per Shares as of 30 September 2020 was EUR 22 (based on the number of Shares that the Company has issued as of such date). The New Shares can be subscribed for at a Subscription Price of DKK 122 per New Share in the Offering.

30. ADDITIONAL INFORMATION

30.1 Advisors

Joint Global Coordinators and Joint Bookrunners:

Danske Bank A/S
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London, E14 5JP
United Kingdom

Nordea Danmark, filial af Nordea Bank Abp, Finland
Grønjordsvej 10
DK-2300 Copenhagen S
Denmark

Legal advisor to the Company in connection with the Offering:

Kromann Reumert
Sundkrogsgade 5
DK-2100 Copenhagen Ø
Denmark

Davis Polk & Wardwell London LLP
5 Aldermanbury Square
London, EC2V 7HR
United Kingdom

Legal advisor to the Joint Global Coordinators and Joint Bookrunners in connection with the Offering:

Gorrissen Federspiel Advokatpartnerselskab
Axeltorv 2
DK-1609 Copenhagen V
Denmark

Shearman & Sterling (London) LLP
9 Appold Street
London, EC2A 2AP
United Kingdom

Auditors to the Company:

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S
Denmark.

31. GLOSSARY

In the Prospectus, the following words and expression have the meanings stated below, unless the context requires otherwise.

"2017 Financial Statements"	the audited consolidated financial statements of the Group for the period from 1 January 2019 to 31 December 2019 (including the related notes)
"2018 Financial Statements"	the audited consolidated financial statements of the Group for the period from 1 January 2018 to 31 December 2018 (including the related notes)
"2019 Financial Statements"	the audited consolidated financial statements of the Group for the period from 1 January 2019 to 31 December 2019 (including the related notes)
"AC"	alternating current
"Allocation Time"	the time at which the Pre-emptive Rights will be allocated to the Existing Shareholders which is on 24 November 2020 at 5:59 p.m. CET
"Applications"	NKT's business line offering LV and MV power cables
"Articles of Association"	the articles of association of the Company
"Board of Directors"	the board of directors of the Company
"BW"	building wire
"Chairman"	the chairman of the Board of Directors
"Clearstream"	Clearstream Banking S.A.
"Commission Delegated Regulation"	Commission Delegated Regulation (EU) no. 2019/980 of 14 March 2019, as amended
"Company"	NKT A/S, company registration (CVR) no. 62725214, Vibeholms Allé 20, DK-2605 Brøndby, Denmark
"Danish Business Authority"	Erhvervsstyrelsen
"Danish Capital Markets Act"	Consolidated Act no. 377 of 2 April 2020 on capital markets, as amended
"Danish Central Bank"	Danmarks Nationalbank
"Danish Companies Act"	Consolidated Act no. 763 of 23 July 2019 on limited liability companies, as amended
"Danske Bank"	Danske Bank A/S
"DC"	direct current
"DKK"	the Danish krone, the lawful currency of the Kingdom of Denmark
"Deputy Chairman"	the deputy chairman of the Board of Directors
"DNO"	distribution network operators
"EEA"	the European Economic Area
"EU"	the European Union
"EUR"	the euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community
"Euroclear"	Euroclear Bank S.A./N.A.
"Executive Management"	the executive management of the Company
"Existing Shareholders"	any person who is registered with VP Securities as a shareholder of the Company VP Securities on 24 November 2020 at 5:59 p.m. CET

"Existing Shares"	32,232,027 Shares with a nominal value of DKK 20 each issued by the Company prior to the Offering, comprising the Company's entire share capital
"Facilities Agreement"	the Company's (and other Group companies) facilities agreement with the Guarantee Providers
"Facility A"	the primary EUR 300 million facility under the Guarantee Facility Agreement
"Facility B"	the secondary EUR 200 million facility under the Guarantee Facility Agreement
"Financial Statements"	the 2017 Financial Statements, the 2018 Financial Statements, the 2019 Financial Statements and the Q3 2020 Interim Financial Statements
"FSMA"	the United Kingdom Financial Services and Markets Act
"German Corridor Projects"	German HVDC corridor projects, which is part of Germany's transition towards renewable energy
"Group"	the Company together with its consolidated subsidiaries, including NKT Photonics
"Guarantees"	performance bonds, advance payment guarantees, warranty guarantees etc. provided by NKT
"Guarantee Facility Agreement"	the guarantee facility agreement entered into between the Company and the Guarantee Providers
"Guarantee Providers"	Danske Bank, Nordea and Nykredit Bank
"HV"	high voltage
"HVAC"	high voltage alternate direct
"HVDC"	high voltage direct current
"IFRS"	International Financial Reporting Standards as adopted by the EU
"ISIN"	International Security Identification Number
"IT"	information technology
"Joint Global Coordinators and Joint Bookrunners" or "Managers"	Danske Bank, J.P. Morgan and Nordea
"J.P. Morgan"	J.P. Morgan Securities Plc.
"Key Employee"	Basil Garabet
"LMV"	low and medium voltage
"LV"	low voltage
"Market Abuse Regulation"	Regulation (EU) no. 596/2014 the European Parliament and of the Council of 16 April 2014
"MFF"	Multiannual Financial Framework
"MI"	mass impregnated
"MiFID II"	EU Directive 2014/65/EU on markets in financial instruments, as amended
"MiFID II Product Governance Requirements"	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing procedures
"MV"	medium voltage
"Nasdaq Copenhagen"	Nasdaq Copenhagen A/S

"New Shares"	the new shares to be issued by the Company in the Offering
"NKT"...	the Company together with its consolidated subsidiaries other than NKT Photonics and its subsidiaries
"NKT Photonics"	the Company's wholly-owned subsidiary NKT Photonics A/S (including its subsidiaries)
"Nordea"	Nordea Danmark, filial af Nordea Bank Abp, Finland
"Offering"	the public offering of the New Shares by the Company
"Order 2005"..................................	UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
"Pre-emptive Rights"	the pre-emptive rights attached to the New Shares
"Prospective Financial Information" .	the consolidated prospective financial information of each of NKT and NKT Photonics for the financial year ending 31 December 2020 and, in respect of NKT, the consolidated prospective financial information for the financial year ending 31 December 2021
"Prospectus"	the Prospectus, which has been approved by the Danish FSA
"Prospectus Regulation"..................	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017
"Qualified Investor"	a legal entity which is a qualified investor as defined in the Prospectus Regulation
"Q3 2020 Interim Financial Statements"	the unaudited, but reviewed, consolidated financial statements of the Group for the period from 1 January 2020 to 30 September 2020, which includes unreviewed comparison numbers for the period from 1 January 2019 to 30 September 2019 (including the related notes)
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Member State"	any member state of the EEA other than Denmark
"Relevant Persons".........................	persons who are investment professionals falling within Article 19(5) or (i) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended, (ii) are high net worth bodies corporate, unincorporated associations and partnerships and the trustee of high value trust or other persons to whom such investment or investment activity may lawfully be made available
"Remaining Shares"	New Shares which have not been subscribed for by holders of Pre-emptive Rights before expiry of the Subscription Period
"Rights Trading Period"	the period for trading of the Pre-emptive Rights commencing on 23 November 2020 at 9:00 a.m. CET and ending on 4 December 2020 at 5:00 p.m. CET
"Rights Issue Agreement"................	the rights issue agreement entered into between the Company and the Joint Global Coordinators and Joint Bookrunners
"R&D"	research and development
"Service & Accessories"	NKT's business line offering off- and onshore power cables and accessories across the MV and HV categories
"Shares"	the outstanding shares of the Company at any given time
"Solutions"	NKT's business line offering HV power cables

"Subscription Period"	the period for subscription of the New Shares commencing on 25 November 2020 at 9:00 a.m. CET and ending on 8 December 2020 at 5:00 p.m. CET
"Subscription Price"	DKK 122 per New Share
"Target Market Assessment"	shall have the meaning as stated in section 2.5 "*Information to distributors*"
"TSO"	transmission system operators
"UG"	underground
"UK"	the United Kingdom
"U.S. Securities Act"	the United States Securities Act of 1933 as amended
"VP Securities"	VP Securities A/S, company registration (CVR) no. 21599336
"XLPE"	cross-linked polyethylene
"3CAC"	3-core AC

ANNEX A - APPLICATION FORM

Only one subscription form per custody account.

Definitions used in the Prospectus also applies in this application form. Also, the restrictions related to the Offering set out in the Prospectus applies to this application form.

Subscription of Remaining Shares in the Company

Instructions on the use of Pre-emptive Rights may not be given by using this form, but by contacting the Existing Shareholder's/Qualified Investor's custodian institution or financial intermediary in the usual manner.

This application form is for the sole use of:

1. Existing Shareholders wishing to subscribe for more New Shares.
2. Qualified Investors wishing to subscribe for Remaining Shares.

To be submitted to the Existing Shareholder's or the Qualified Investors' own custodian bank for endorsement and processing.

Securities code:	New Shares	DK0061414125	Subscription price:	DKK 122
Joint Global Coordinators:	Danske Bank J.P. Morgan Nordea			
Subscription Period:	25 November 2020 – 8 December 2020 at 5:00 p.m. CET		Expected date of official listing of New Shares:	16 December 2020
Date of payment:	14 December 2020			

Existing Shareholders and Qualified Investors wishing to subscribe for Remaining Shares must submit this application form to their own custodian institution or financial intermediary. The application form must be submitted within in appropriate time for the custodian institution or the financial intermediary to process and forward the application form, such that the application form is received by Danske Bank no later than on 8 December 2020 at 5:00 p.m. CET.

In case of oversubscription of Remaining Shares in connection with binding undertakings, such Remaining Shares will be allocated according to apportionment keys determined by the Board of Directors.

If the subscription orders from Existing Shareholders and Qualified Investors do not exceed the number of Remaining Shares, the Company will issue the number of Remaining Shares subscribed for.

For Existing Shareholders
I/we hereby confirm that I/we am/are holder(s) of Existing Shares.
I/we hereby submit a binding order to subscribe for ___________ (whole number) Remaining Shares in the Company.

For Qualified Investors
I/we hereby confirm that I/we am/are a Qualified Investor.
I/we submit a binding order for subscription of ___________ (whole number) Remaining Shares in the Company.

Statement by Existing Shareholders and Qualified Investors
This application form is submitted on the terms and conditions set out in this Prospectus dated 19 November 2020.

I/we undertake to pay the countervalue of the shares allocated at the Subscription Price. Payment will be effected on 14 December 2020 pursuant to the contract note submitted to me/us against shares under the temporary ISIN code DK0061414125, if agreed with your custodian bank. If the number of subscription orders exceeds/does not exceed the number of shares offered, the Remaining Shares will be allocated on the terms set out in this Prospectus.

Information and signature

Name:	VP account:
Address:	Account used for settlement:
Post code and city:	Custodian bank:
Date:	I/we wish not to be listed in the Company's register of shareholders, please tick: My custodian bank or financial intermediary is entitled to forward this application form to VP Securities A/S, please tick:
Telephone:	
Signature:	

The Remaining Shares will be registered in the relevant Existing Shareholder's/Qualified Investor's VP account with VP Securities.

Registration no.:	CD identification:
Stamp and signature:	

GDPR notice

Those who participate in the Offering will provide personal data to Danske Bank. Personal data provided to Danske Bank will be processed in data systems to the extent required to provide services and administer matters in Danske Bank. Personal data obtained from a party other than the customer to whom the processing relates may also be processed. Personal data may also be processed in data systems at companies and organizations with which Danske Bank cooperated. Information regarding the processing of personal data is provided by Danske Bank, which also accept requests for correction of personal data. Personal data may be obtained by Danske Bank in connection with settlement of the Offering in the systems of VP Securities A/S. For detailed information about Danske Bank's handling of personal information, see www.danskebank.dk.