



NKT Photonics A/S

Bregnerødvej 144
DK-3460 Birkerød

CVR No. 10 04 82 65

Annual Report 2024

1 January – 30 September 2024

The Annual Report was presented and approved
at the Company's Annual General Meeting on
14 February 2025

Morten Halskov
Chairman



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the Annual Report of NKT Photonics A/S for the financial year 1 January - 30 September 2024.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2024 and of the results of the Company's operations for the financial year 1 January - 30 September 2024.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Birkerød, 14 February 2025

Executive Board:

Basil Garabet
Chief Executive Officer

Board of Directors:

Tadashi Maruno
Chairman

Kazuhiko Mori

Naoki Uchiyama

Stig Nissen Knudsen

Henrik Tacke Vismark

Independent Auditor's Report

To the Shareholder of NKT Photonics A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2024, and of the results of the Company's operations for the financial year 1 January - 30 September 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of NKT Photonics A/S for the financial year 1 January - 30 September 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 14 February 2025

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
Mne33226

Elife Savas
State Authorised Public Accountant
mne34453

Management's review

Company details

NKT Photonics A/S
Bregnerødvej 144
3460 Birkerød
Denmark

CVR no.:	10 04 82 65
Established:	9 November 2000
Registered office:	Birkerød
Financial year:	1 October – 30 September

Board of Directors

Tadashi Maruno, Chairman
Kazuhiko Mori
Naoki Uchiyama
Stig Nissen Knudsen
Henrik Tacke Vismark

Executive Board

Basil Garabet, Chief Executive Officer

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup
CVR no. 33 77 12 31

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights.

The financial year has changed and the shortened year 2024 covers a 9-month period from January to September 2024. Due to this change the key figures in the income statement are not comparable to the previous years' key figures.

DKK m	2024 (9 months)	2023	2022	2021	2020
Key figures					
Revenue	336	564	557	449	390
Gross profit	35	156	177	145	49
Operating profit/loss	-189	-72	-32	-47	-76
EBITDA	-97	2	23	-1	-41
Loss from financial income and expenses	-21	-67	9	-26	-28
Profit/loss before tax	-210	-139	-23	-73	-104
Profit/loss for the year	-161	-108	-3	-54	-78
Ratios					
Gross margin	10%	28%	32%	32%	13%
Solvency ratio	82%	-13%	-3%	-3%	2%
Average number of full-time employees	299	305	264	215	191

Definition of financial ratios:

Gross margin: $\text{Gross profit} * 100 / \text{Revenue}$

Solvency ratio: $\text{Equity at year end} * 100 / \text{Total equity and liabilities at year end}$

Management's review - Operating review

Primary activities

NKT Photonics is a leading supplier of high-performance fiber lasers and photonic crystal fibers. The main markets are Medical & Life Science, Industrial, Aerospace & Defense, and Quantum & Nano Technology. The products include supercontinuum white light lasers, low noise fiber lasers, ultrafast lasers, and a wide range of specialty fibers. NKT Photonics has its headquarters in Denmark with sales and service worldwide.

NKT Photonics A/S is wholly owned by Photonics Management Europe S.R.L, part of Hamamatsu Group.

Business model

We aim to make a difference in the World and are involved in projects that will transform the way we live through life science, renewable energy, and the basic understanding of the Universe. With over twenty years of expertise, IP, and experience, NKT Photonics strives to continually be the market leader in everything we do.

By applying our intellectual resources within the 4 market segments we aim to deliver innovative solutions to our customers.

Development in activities

Revenue for NKT Photonics A/S decreased in the 9 months of 2024 to DKK 336 million from DKK 564 million in 2023 (growth rate: -40%) and NKT Photonics delivered an EBITDA of DKK -97 million in the 9 months of 2024 compared to an EBITDA of DKK 2 million in 2023.

The main reason for the lower revenue in 2024, apart from the shorter financial year, can be found in the industrial market segments, where many original equipment manufacturers (OEMs) reduced inventory after having overstocked throughout the COVID years. Several end-user markets for the industrial customers also saw contraction after increased demand in the previous years, which affected, especially, the semiconductor area.

The EBITDA development is mainly related to lower revenue and inflationary pressure that started in 2022 as well as one-time integration cost from the change of owners.

Loss before tax DKK 210 million in the 9 months of 2024, compared to DKK 139 million in 2023, was apart from the above mentioned, negatively affected by impairment of completed development projects (2024: DKK 26 million), but positively affected by a reversal of impairment of investment in subsidiaries and by lower financial expenses due to a capital increase in 2024.

Overall, the financial performance of NKT Photonics A/S in the 9 months of 2024 was below the stated expectations in the Annual Report for 2023 as a result of slower market development and one-time integration cost and impairment of development projects.

NKT Photonics A/S has pursued its strategic direction to grow the business and increase profitability by prioritizing focus on commercialization. NKT Photonics will continue to pursue commercialization of solutions and technologies in the years ahead to sustain further growth as well as profit from synergies with Hamamatsu Group entities.

Development in financial position (going concern)

NKT Photonics A/S' financial position has improved significantly in 2024. Due to a capital increase at the amount of DKK 1,198 million, the equity is now positive at the balance sheet date.

On 30 September 2024, the NKT Photonics Group had DKK 239 million of available committed credit facilities of which DKK 172 million remained undrawn. The facility is shared with some of the subsidiaries.

Management assesses that the Company can fulfill all financial obligations as they fall due and, therefore, the Annual Report is submitted based on a going concern assumption.

Development activities

NKT Photonics performs various research and development projects to improve current photonics portfolio, develop new photonic capabilities, and customer specific photonic products. Further, NKT Photonics also participates in various government supported projects.

Statement of policy for data ethics

The company focuses on data ethics to ensure responsible data handling. Our data ethics approach includes policies and principles for privacy protection, data security, and transparency in data usage. We actively work to ensure that all data is processed in compliance with applicable laws and internal ethical standards. This includes the protection of personal data, responsible use of artificial intelligence, and ensuring data security across all our systems.

We are in the process of implementing the NIS2 Directive's references to network and information security, which involves technical, operational, and organizational measures to strengthen our cybersecurity. As part of NIS2 all employees will undergo regular training and awareness sessions to ensure information security as well as good data and information ethics.

The company handles general data in the form of customer and consumer data as well as employee data. Data is processed in accordance with the GDPR and our privacy and information security policies. With the limited processing of data, it is the company's assessment that there is no need for a specific policy on data ethics as the elements are incorporated into the relevant quality policies and procedures.

All employees have received GDPR and data training, and all new employees get trained as part of their introduction program. NKT Photonics will keep the same level of effort to ensure that the company complies with the above-mentioned policies and new employees receive training in GDPR and data.

Our goal is to maintain high trust among our customers, employees, and partners by promoting a culture of data ethics and responsibility.

Particular risks

Interest rate risk

As the Company is primarily financed with floating rate loans, the Company has an interest rate risk towards changes in interest rates.

Currency risks

Activities in foreign countries have an impact on earnings, cash flows and equity as these are affected by exchange rates and interest rates in several currencies. The predominant currencies were DKK and EUR. The income statement and balance sheet were to a minor degree affected by fluctuations in the USD.

Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Outlook

For 2024/25, NKT Photonics A/S expects the result before tax to be in the range of a loss of DKK 110 million and DKK 150 million, which constitutes an improvement compared to the 9 months of 2024. The range is a result of the uncertainties regarding the timing of the synergies within sales with the new owner.

Statutory report on corporate social responsibility cf. 99a of the Danish Financial Statements Act

Our business model is described under Primary activities in this Management's review.

Responsible manufacturing

Policy

We endeavor to protect the environment and reduce our carbon footprint by monitoring and reducing the environmental impact of our business activities. Related to our manufacturing activities, we comply with regulatory requirements in this area. Furthermore, we strive to reduce the environmental impact of all our business activities.

Risks

NKT Photonics acknowledges that there is a risk of negatively impacting the environment and climate through our manufacturing. We have identified our main environmental impact to be emission of pollutants and consumption of resources.

Actions

The environmental work is headed by senior management who ensures that regular and rigorous effort is put into pursuing the overall aim to preserve the environment.

NKT Photonics has several important forums where relevant topics are brought forward. A Facility board where relevant topics on energy consumption and resource prioritization are made and a Health and Safety committee where in addition to aspects regarding working environment, the treatment and usage of chemicals are discussed and addressed.

It is emphasized that all employees should take personal responsibility for the environment, energy and climate according to our code of conduct.

Examples of how we control and reduce our environmental impact:

- Regularly monitor changes in environmental and energy legislation
- Formulate relevant environmental action plans that ensure continuous improvements
- Control environmental impacts from productions plants
- Continuously improve the utilization of our resources
- Work to reduce the risk of pollution and accidents
- Ensure an open and honest dialogue regarding environmental enquiries by cooperating and providing relevant information
- The company has chemical risk assessments and safety data sheets for all chemicals
- Rigorous waste sorting in production and office locations. Hazardous waste is handled by educated staff and there is a yearly audit by an external party
- Incidents with an environmental impact are recorded and reported to the Board of Directors on a regular basis

As the integration of activities with our new owner progresses, NKT Photonics will receive support and guidance to further expand the environmental monitoring and action plans including future CSRD reporting.

Results

Based on our continuing efforts in this area, it is our belief that we have succeeded in demonstrating that NKT Photonics is a responsible manufacturer as we have seen a reduction in the environmental impact of our business activities through the 9 months of 2024.

Specifically, the company has in 2024 had an inspection from the local municipality on the overall environmental impact. The audit was passed with minor remarks which are now being addressed.

The yearly hazardous waste audit was passed without remarks.

Responsible employer

Policy

A safe and healthy working environment is a top priority at NKT Photonics.

Attracting talented and highly skilled employees is essential to NKT Photonics as a high-technology company. One of the factors in this regard is a combined focus on physical and psychological working conditions as well as the general well-being of our employees.

The code of conduct of NKT Photonics strongly emphasizes that we do not:

- Tolerate any form of discrimination based on factors such as, race, colour, gender, language, privacy, religion, ethnicity, political or other opinions, caste, national or social origin, property, birthplace, union affiliation, sexual orientation, health status, age, disability, or other distinguishing characteristics
- Accept any form of forced labour, including bonded labour, indentured labour, slave labour, or human trafficking
- Condone the hiring of child labour. Persons between the age of 15 and 18 are allowed to work if permitted by local laws and if compulsory schooling has been completed. Young persons must not undertake dangerous work that may jeopardise their physical or mental health, nor may they work at night. They must also be given the right training and instruction to perform the relevant job
- Tolerate harassment of any kind. We must protect workers from any acts of physical, verbal, sexual or psychological harassment, abuse or threats in the workplace
- Overrule employees' rights to form, join or not join a labour union or other organisation of their choice

Risks

Despite the above-mentioned efforts we acknowledge that there are risks within our activities that potentially can result in injuries and have a negative impact on the working environment of our employees.

To ensure a safe working environment certain actions are taken to address the dominant risks for physical and psychological injury.

Actions

To ensure that we minimize the risks, we have taken the following measures, among others:

- Ensure new employees receive safety related information and training targeted their specific tasks for example in the handling of chemicals and working with lasers
- Ensure new employees go through Ethics and Compliance awareness training which is repeated regularly for all existing employees
- Conduct employee engagement surveys and follow up with workshops to ensure prioritization and alignment with the results of the survey

- We have, as a part of our compliance efforts, implemented policies, processes and training to ensure adherence to the EU General Data Protection Regulation and thereby protection of personal data and the right to privacy
- We have established and promoted a whistleblower system to ensure that there are no obstacles in place to prevent the concerns of the employees to be heard
- In 2025 we will be investing in a new position of "Employee Experience Manager" that will be responsible for creating and driving a new roadmap towards a more robust employee experience which will aim to further improve psychological working conditions as well as the general wellbeing of our employees.

Results

During the 9 months of 2024 we completed 4 wellbeing sessions covering four different topics around physical and social activity and mental health. Based on our continuing efforts in this area, it is our belief that we have succeeded in showing that NKT Photonics is a responsible employer. We comply with all applicable legislation and in general the wellbeing of the employees is regarded as good.

Responsible business conduct

Policy

Business ethics and integrity are core values at NKT Photonics, and we are committed to maintaining high professional standards across all areas of our activities. We have a zero-tolerance policy with regards to corruption and bribery in all its forms.

We take pride in that all products are produced under our quality management system certified under the ISO 9001 standard.

Risks

We assess our risk of exposure to corruption in connection with our business to be low. However, we take corruption and bribery in all its forms very seriously. We have implemented policies and procedures to prevent our employees from being exposed to and engaging in such activities. The handling of these risks is described in the sections below.

Actions

The company's anti-corruption rules are stipulated clearly in the Code of Conduct which is presented to all new employees as well as made readily available to existing employees. Effort has been put into giving clear and concise guidance on what constitutes a bribe or in other ways gaining an unjust advantage.

Awareness training is conducted yearly on key areas such as Code of Conduct and Anti-Corruption.

Results

The result of our ethical business practices is that no incidents related to corruption or human rights issues have been reported in 2024, and we continue to have a good reputation and legacy as being an ethical and trustworthy business partner. NKT Photonics will continue to work proactively and take actions to comply with the policies regarding corruption and bribery.

Human rights

Policy

The company perceives diversity as an important asset. We are firmly committed to providing equal opportunity to our employees and will not tolerate discrimination or harassment based on religion, race, color, gender, age, sexual orientation, political orientation, birthright, or other status.

We support freedom of association and will not interfere with our employees' freedom to voluntarily establish and join organizations of their own choice, including labor unions.

We condemn and will not tolerate the use of child labor and forced labor.

Risks

The company has assessed its' main risk of violation of human rights to be through the procurement of goods and services from suppliers outside of direct control of the company. Countering this is that a significant part of the procurement is high-end technological materials which require skilled labor to manufacture.

Actions

Suppliers are contractually obliged to adhere to certain compliance requirements, hereunder anti-corruption and anti-slavery. This is a part of the company's standard purchasing terms and conditions.

In addition, a questionnaire related to ESG performance is submitted to the main suppliers and although it is voluntary to reply, there has been a reasonable large number of respondents. The questionnaire in 2024 was an early start on the requirements to come with the EU CSRD initiative.

Internally employees are encouraged to make use of the whistleblower system if encountering any sort of violation of human rights.

The next step in the company's plan for continuous development in this area is to establish joint processes and alignment with the new owners and align with the EU CSRD requirements.

Results

During the 9 months of 2024 there has been no known violations of the company policy with regards to human rights in relation to NKT Photonics' operations in Denmark or abroad.

Furthermore, the initiatives with regards to getting an understanding of the main suppliers ESG performance has given some confidence that the transition to align with the EU CSRD requirements will be manageable.

Financial Statements

Income statement 1 January – 30 September

DKK'000	Note	2024 (9 months)	2023
Revenue	2	336,464	563,722
Cost of goods sold		-251,297	-341,529
Other operating income	3	10,012	13,431
Other external costs		-60,144	-79,354
Gross profit		35,035	156,270
Staff costs	4	-131,654	-153,785
Depreciation, amortization and impairment losses	5	-92,389	-74,683
Other operating costs		-4	-232
Operating loss		-189,012	-72,430
Income from subsidiaries	6	0	-15
Financial income	7	2,701	3,882
Other financial income	8	11,000	0
Financial expenses	9	-33,951	-70,408
Impairment of financial assets	10	-950	0
Loss before tax		-210,212	-138,971
Tax on loss for the year	11	49,164	31,446
Loss for the year	12	-161,048	-107,525

Financial Statements

Balance sheet 30 September

DKK'000	Note	30 September 2024	31 December 2023
ASSETS			
Fixed assets			
Intangible assets	13		
Completed development projects		155,564	131,315
Patents, licenses, trademarks and software		34,717	44,618
Development projects in progress		61,154	105,761
		251,435	281,694
Property, plant and equipment	14		
Land and buildings		52,822	46,024
Plant and machinery		18,687	19,407
Fixtures, tools and equipment		17,696	19,446
Property, plant and equipment in progress		10,118	15,813
		99,323	100,690
Investments			
Investments in subsidiaries	15	406,160	396,110
Receivables from group entities	16	62,766	72,357
Deferred tax asset	18	18,394	0
Deposits		3,448	3,469
		490,768	471,936
Total fixed assets		841,526	854,320
Current assets			
Inventories			
Raw materials and consumables		85,760	70,782
Work in progress		32,289	36,814
Finished goods and goods for resale		28,374	27,733
		146,423	135,329
Receivables			
Trade receivables		55,490	85,703
Receivables from group entities		1,171	7,412
Other receivables		8,743	10,117
Joint taxation receivable		31,423	13,194
Prepayments	17	9,433	7,695
		106,260	124,121
Total current assets		252,683	259,450
TOTAL ASSETS		1,094,209	1,113,770

Financial Statements

Balance sheet 30 September

DKK'000	Note	30 September 2024	31 December 2023
EQUITY AND LIABILITIES			
Equity			
Contributed capital		16,000	15,200
Reserve for development costs		169,040	184,919
Retained earnings		709,944	-342,210
Total equity		894,984	-142,091
Provisions			
Deferred tax	18	0	12,542
Other provisions	19	6,413	6,112
Total provisions		6,413	18,654
Liabilities			
Non-current liabilities			
Deferred income	20	0	583
		0	583
Current liabilities			
Credit institutions		89,566	0
Prepayments received from customers		9,876	17,241
Trade payables		34,185	31,544
Payables to group entities		28,344	1,149,142
Other payables		29,033	37,724
Deferred income	21	1,808	973
		192,812	1,236,624
Total liabilities		192,812	1,237,207
TOTAL EQUITY AND LIABILITIES		1,094,209	1,113,770
Contractual obligations, contingencies, etc.	22		
Related party disclosures	23		
Audit fee	24		
Events after the balance sheet date	25		

Financial Statements

Statement of changes in equity

DKK'000	Contri- buted capital	Reserve for share premium reserves	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2024	15,200	0	184,919	-342,210	-142,091
Capital increase	800	1,197,323	0	0	1,198,123
Transferred to retained earnings	0	-1,197,323	0	1,197,323	0
Reserve for development projects	0	0	-15,879	15,879	0
Profit for the year	0	0	0	-161,048	-161,048
Equity at 30 September 2024	16,000	0	169,040	709,944	894,984

Financial Statements

Notes

1 Accounting policies

The Annual Report of NKT Photonics A/S for 2024 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The annual report is presented in DKK, which is the company's functional currency, rounded to the nearest DKK 1 thousand. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The financial year has changed and the shortened year 2024 covers a 9-month period from 1 January – 30 September 2024. Comparison numbers are unchanged.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Hamamatsu Photonics K.K.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements since the financial statements of NKT Photonics A/S, and its subsidiaries are fully consolidated into the consolidated financial statements of Hamamatsu Photonics K.K.

Recognition and measurement in general

Assets are recognized on the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the Annual Report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs including depreciation and impairment losses are recognized by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Differences arising between the rates of exchange on the transaction date and on the date of payment are recognized in the income statement as financial items.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction and the one in effect at the payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses.

Income statement

Revenue

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

Revenue from sale of extended warranties sold separately from the related goods and services, is recognized in the income statement over the extended warranty period.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognized in revenue.

Cost of goods sold

Cost for raw materials and consumables comprise acquisitions and change in inventory of raw materials and consumables. This includes shrinkage, waste production and any write-downs for obsolescence.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including income from grants to cover development costs and gain and losses on disposal of property, plant and equipment.

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees.

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

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividend from subsidiaries is recognized in the financial year in which the dividend is declared. Dividend from investments is recognized in the reporting year in which the dividend is declared.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses comprise the year's amortization, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is covered by the Danish regulations on compulsory joint taxation of the NKT Group's Danish companies in 2023 and parts of 2024 up until the final transfer of ownership.

The Parent Company, NKT A/S, is the administrative company for the joint taxation scheme and consequently, settles all payments of corporate income tax with the tax authorities.

The current Danish income tax is shared between the jointly taxed companies in proportion to their taxable incomes. Companies with tax losses receive joint tax contributions from companies that have been able to use these losses to reduce their own taxable incomes.

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement where it relates to the profit/loss for the year, and directly in equity where it relates to items recognized directly in equity.

Balance sheet

Intangible assets

DEVELOPMENT PROJECTS

Development costs comprise costs, wages, salaries and amortization directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognized in the income statement as incurred.

Development costs recognized in the balance sheet are measured at cost less accumulated amortization and impairment losses.

Upon completion of development work, development costs are amortized on a straight-line basis over the estimated useful lives. The amortization period is usually 4-5 years.

PATENTS, LICENCES, TRADEMARKS AND SOFTWARE

Patents, licenses, trademarks and software are measured at cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter. The amortization period is usually 4-10 years.

PROPERTY, PLANT AND EQUIPMENT

Buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognized in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	4-20 years
Plant and machinery	2-8 years
Other fixtures and fittings	4-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognized prospectively. There is no depreciation on Land.

Depreciation is based on cost less estimated scrap value at the end of useful life.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating costs, respectively.

Equity investments in group entities

Equity investments in group entities are measured at cost and are written down to the lower of recoverable amount and carrying amount.

To the extent that distributed dividends exceed accumulated earnings after the acquisition date, the dividend is recognized as a reduction of the investment cost.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortization.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of its useful life.

Inventories

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

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings, and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined considering marketability, obsolescence and development in expected selling price.

Receivables

Receivables, which comprise trade receivables, receivables from group entities and other receivables, are measured at amortized cost less write-down for bad and dubious debts. An impairment loss is recognized if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognized on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash and cash equivalents comprise cash.

Other provisions

Provisions comprise anticipated costs of warranties. Provisions are recognized when, as a result of an event occurring before or at the balance sheet date, the Company has a legal or a constructive obligation, the settlement of which is expected to result in an outflow of resources from the company embodying financial benefits.

The measurement of provisions is based on Management's best estimate of the amount expected to be required to settle the obligation. In connection with the measurement of provisions, the costs required to settle the obligation are discounted to net present value if this has a material effect on the measurement of the obligation.

Cash pool

Liability in respect of credit facilities under the cash pool is presented as payables to group entities.

Provisions for deferred tax

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognized on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognized at the expected value of their utilization within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realizable value.

Liabilities other than provisions

Other liabilities are measured at net realizable value.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years related to government funded grants and extended warranties.

Segment information

Segment information is provided on geographical markets. The segment information is in line with the Company's accounting policies, risks, and internal financial management.

2 Revenue

DKK'000	2024 (9 months)	2023
Revenue Europe, Middle East and Africa	200,005	305,077
Revenue Americas	90,692	128,394
Revenue Asia-Pacific	45,767	130,251
Total revenue	336,464	563,722

Revenue is essentially derived from the sale activity of fiber lasers and photonic crystal fibers. The offerings range widely, however, constitutes one operating and reporting segment. Revenue derived from sale of extended warranties amounted to DKK 519 thousand (2023: 510 thousand).

3 Other operating income

DKK'000	2024 (9 months)	2023
Grants etc.	8,081	13,431
Remission of debt from group entities	1,931	0
Total other operating income	10,012	13,431

4 Staff costs

DKK'000	2024 (9 months)	2023
Wages and salaries	137,294	155,940
Pensions	17,302	21,630
Other social security costs	846	2,826
Capitalised development costs	-23,788	-26,611
Total staff costs	131,654	153,785
Average number of full-time employees	299	305

Pursuant to section 98b (3.2) of the Danish Financial Statements Act, remuneration to the Executive Board is not disclosed.

5 Depreciation, amortization and impairment losses

DKK'000	2024 (9 months)	2023
Impairment loss for the year	25,785	12,153
Amortization for the year	51,742	44,765
Depreciation for the year	14,862	17,765
Total depreciation, amortization, and impairment losses	92,389	74,683

6 Income from subsidiaries

DKK'000	2024 (9 months)	2023
Loss from liquidation of subsidiaries	0	-15
Total income from subsidiaries	0	-15

7 Financial income

DKK'000	2024 (9 months)	2023
Interest income from group entities	2,701	3,882
Total financial income	2,701	3,882

8 Other financial income

DKK'000	2024 (9 months)	2023
Reversal of impairment on investments in subsidiaries	11,000	0
Total other income	11,000	0

9 Financial expenses

DKK'000	2024 (9 months)	2023
Interest expense to group entities	32,473	63,968
Other financial expenses	1,478	6,440
Total financial expenses	33,951	70,408

10 Impairment of financial assets

DKK'000

Impairment of shares in subsidiaries

Total other financial expenses

2024 (9 months)	2023
950	0
950	0

11 Tax on loss for the year

DKK'000

Current tax for the year

Deferred tax for the year

Adjustment of tax concerning previous years

Adjustment of deferred tax concerning previous years

Tax on loss for the year

2024 (9 months)	2023
0	13,194
48,947	18,079
18,228	22,521
-18,011	-22,348
49,164	31,446

12 Proposed profit appropriation/distribution of loss

DKK'000

Retained earnings

Total distribution of loss

2024 (9 months)	2023
-161,048	-107,525
-161,048	-107,525

13 Intangible assets

DKK'000	Completed development projects	Patents, licenses, trademarks and software	Develop- ment projects in progress	Total
Cost at 1 January 2024	280,474	152,686	105,761	538,921
Additions for the year	9,740	245	37,470	47,455
Disposals for the year	-13,210	-200	0	-13,410
Transfer from to/from other categories	79,744	1,833	-82,077	-500
Cost at 30 September 2024	356,748	154,564	61,154	572,466
Amortization and impairment losses at 1 January 2024	-149,159	-108,068	0	-257,227
Amortization for the year	-40,308	-11,434	0	-51,742
Impairment for the year	-25,785	0	0	-25,785
Disposals for the year	13,210	200	0	13,410
Transfer from to/from other categories	858	-545	0	313
Amortization and impairment losses at 30 September 2024	-201,184	-119,847	0	-321,031
Carrying amount at 30 September 2024	155,564	34,717	61,154	251,435
Carrying amount at 31 December 2023	131,315	44,618	105,761	281,694

14 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2024	63,452	90,245	58,622	15,813	228,132
Additions for the year	551	3,719	2,638	6,403	13,311
Disposals for the year	-4,699	-8,882	-4,171	0	-17,752
Transfer from to/from other categories	9,364	915	2,319	- 12,098	500
Cost at 30 September 2024	68,668	85,997	59,408	10,118	224,191
Depreciation and impairment losses at 1 January 2024	-17,428	-70,838	-39,176	0	-127,442
Depreciation for the year	-3,117	-5,041	-6,704	0	-14,862
Disposals for the year	4,699	8,882	4,168	0	17,749
Transfer from to/from other categories	0	-313	0	0	-313
Depreciation and impairment losses at 30 September 2024	-15,846	-67,310	-41,712	0	-124,868
Carrying amount at 30 September 2024	52,822	18,687	17,696	10,118	99,323
Carrying amount at 31 December 2023	46,024	19,407	19,446	15,813	100,690

15 Investments in subsidiaries

DKK'000	Equity investments in group entities
Cost at 1 January 2024	396,110
Adjustment to opening balance	19,032
Disposals for the year	0
Cost at 30 September 2024	415,142
Impairments at 1 January 2024	0
Adjustment to opening balance	-19,032
Reversal of previous year impairment	11,000
Impairments for the year	-950
Impairments at 30 September 2024	-8,982
Carrying amount at 30 September 2024	406,160

DKK'000	Domicile	Ownership	Equity*	Profit/loss for the year*
Legal entity				
NKT Photonics Technology GmbH	Köln, Germany	100%	9,414	757
NKT Photonics Inc.	New Jersey, US	100%	19,447	61
NKT Photonics Holdings Ltd.	Southampton, UK	100%	608	0
NKT Photonics Switzerland GmbH	Zürich, Switzerland	100%	6,767	604
NKT Photonics AB	Falun, Sweden	100%	197	29
NKT Photonics Shenzhen Ltd.	Shenzhen, China	100%	183	-1,934
Advanced Laser Diode Systems A.L.S. GmbH	Berlin, Germany	100%	1,697	173
			38,313	-310

* Financial information related to equity and profit/loss for the year is derived from the latest published audited statutory financial statements. For entities not subject to audit, the figures are stated in accordance with the internal reporting for 2024 (9 months).

16 Receivables from group entities

Non-current receivables from group entities consist of credit facilities made available to NKT Photonics Inc. and NKT Photonics Switzerland GmbH. The loan agreements are based on arm's lengths terms and mature respectively 1st of May 2026 and 1st of June 2026.

17 Prepayments

Prepayments consist primarily of incurred costs relating to subsequent financial years and accrued income from funded projects.

18 Deferred tax

DKK'000	2024	2023
Deferred tax at 1 January 2024	-12,542	-8,273
Deferred tax adjustment for the year in the income statement	48,947	18,079
Deferred tax adjustment regarding prior year	-18,011	-22,348
Deferred tax at 30 September 2024	18,394	-12,542

Deferred tax provision consists of tax loss carry forwards from previous years which are expected to be recovered within the foreseeable future. This is partly offset by temporary differences between the carrying amount and the tax base of assets.

19 Other provisions

NKT Photonics A/S typically provides 1-2 years' warranty on certain products. The Group recognized a provision of DKK 6,413 thousand (2023: DKK 6,112 thousand).

20 Non-current liabilities

Non-current liabilities do not include any liabilities beyond 5 years' maturity.

21 Deferred income

Deferred income consists primarily of income subject to recognition in subsequent financial years, deferred income arrives from sold warranties and accrued income from funded projects.

22 Contractual obligations, contingencies, etc.

Contingent liabilities

Until 31 May 2024, NKT Photonics A/S participated in a Danish joint taxation arrangement in which NKT A/S served as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes, etc. for the companies included in the joint taxation and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies that relates to the period until 31 May 2024.

Operating lease obligations

Rental and other commitments under operating lease obligations amounts to DKK 46,646 thousand (2023: DKK 48,079 thousand), of which DKK 7,106 thousand falls due in 2024/25 and DKK 39,540 thousand between 2025 and 2042. Rental obligations reflect the useful life of buildings constructed on leased land.

23 Related party disclosures

NKT Photonics A/S' related parties comprise the following:

Controlling interest

Photonics Management Europe S.R.L, Belgium (100%)
Av. Edmond Van Nieuwenhuyse 30
1160 Auderghem, Belgium

The Company's financial statements are fully consolidated into the consolidated financial statements of the ultimate parent company Hamamatsu Photonics K.K., Japan, respectively the smallest and largest group. The consolidated financial statements may be obtained by contacting the company on the website <https://www.hamamatsu.com/us/en/investor-relations/ir-library.html>.

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

Intercompany receivables and payables are presented on separate lines in the balance sheet. Intercompany interest income and expense is disclosed in notes 7 and 8 respectively.

24 Audit fee

DKK'000	2024 (9 months)	2023
Statutory audit	601	385
Other assurance engagement	314	0
Total audit related services	915	385
Tax and indirect taxes consultancy	0	30
Other services	3	175
Total non-audit services	3	205
Total fees to independent auditor	918	590

In addition to statutory audit, Pricewaterhousecoopers Statsautoriseret Revisionspartnerselskab, the auditor appointed at the Annual General Meeting, provided other assurance engagements, primarily related to project accounts.

25 Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

