

NKT

Transcript:
AGM 2022 UK

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Jens Due Olsen, Chairman of the Board: [00:00:00] Dear shareholders, welcome to the annual General meeting of NKT. My name is Jens Due Olsen and I'm the chairman of the board. It is my pleasure to welcome everyone here in this room at Glostrup Park Hotel and to all of those who have joined us via the web live stream. I'm glad to stand here, because I haven't been given an admission card, so thank you. The annual general meeting, the AGM, will be held in Danish and interpreted into English. And just for the sake of completeness, I would like to tell everyone in this room, please note that we have some emergency exits in case of fire. We'll need to leave here. There is no fire exercise planned, so if you hear an alarm then all of us will leave the room as quickly as possible and meet in front of the reception at the parking lot. We have chosen this year to have lawyer Christian Lundgren from Kromann Reumert as the chair of this meeting. And in addition to having done this before, he knows NKT very well and I'm sure that he can guide us safely and competently through the meeting. So, Christian, over to you.

Christian Lundgren, Lawyer: [00:01:14] Thank you, Jens. We will see whether I'm able to. But at any rate, I can tell you that I will do everything I can to get us all through the program that we have today for the NKT AGM for 2023. The board has been allowed to decide, according to the Articles of Association, that the AGM can be held in Danish. They don't have to, but they could. The people who are following us on the webcast cannot take part in the discussions as such actively. If anyone would like to leave the room during the AGM, then you will need to take your admission card and hand it in and so on. At any rate, those of you who are in this room here, I would like to ask you all to please turn off your mobile phones or put them on silent. So, the way I will take us through the agenda items today is that we will take several items and then there will be an opportunity to ask questions. If there is a need to have any votes, I will get back to that. But in the event, then of course, for each vote, I will say what the result is. So, I can also tell you that in accordance with all of the Articles of Association, then I can tell you that the AGM has been duly convened and it is also compliant with all of the deadlines and so on. So, with sending

out the things in the Danish Annual Accounts Act and so on, everything has been complied with. There has also been a public announcement in accordance with the financial calendar for 2023. It took place on the 16th of November and it thereby complies with all the requirements for the dates. The company has confirmed that the notice convening the AGM, the various things that we have, a number of shareholders, number of shares and so on, all of the proposals, the agenda and so on and the annual report have all been presented in a correct manner. I've also been informed that it has been sent out via email to those shareholders who have wished for this to take place, and that is according to the Articles of Association, article 5, sub-article 7 and so on. And I have also seen that the deadlines of have all been complied with. The requirement in the Articles of Association, article 5, sub-article 4 has also been complied with. I can say that the agenda that we have here is also in accordance with the Articles of Association, article 6. And I can also say that a notification has been sent out at the appropriate date convening this AGM. As regards being a quorum, I can say that the issue of shares, the question of whether the AGM here forms a quorum. Well, if there is treatment of the point that states that the board wishes to be authorized to issue shares, then it has to be two thirds of the votes given here. I do have 1 or 2. Other things that that we will be mentioning. I can tell you that there are shares or shareholders represented here. 49.18% of the capital, it's 21 million. The precise number has been set in Danish very quickly. So, I can tell you that we have been duly convened at this AGM. We do form a quorum. And of course, this is a decision that I am authorized to make. I'm also obliged to state that this is the case. So, no objections. All right. That does not seem to be the case.

Christian Lundgren, Lawyer: [00:05:40] I would also very briefly like to go through the agenda which is here. First, we have the notification from the board. We have all of the items here. We're going through them. We have a report by the board of directors as 01. Presentation of the annual report as 02. Adoption of the audited annual report as 03. Proposal by Board of Directors for distribution of profit or cover of losses 04. 05 is presentation of advisory vote on the remuneration report. 06 is resolution regarding discharge of obligations. 07 Remuneration for Board of Directors. 08 is election of board members. 09 Election of one or more public accountants. 10 Any other proposals from the board of Directors. I normally say that I propose as the chair that items 01 to 04 be treated together. And we will hear from Jens Due Olson, the chairman of the board, who will be presenting the report from the board. Jens will also be speaking about various things, for instance, the motivation of the proposals. And after that we

will open for a debate regarding these four items. And I would just like to note that 01 is an information point 02, 03 and 04 will require adoption. I would like to know if the AGM agrees with this. All right. Well, fine. And with that I would like to give the floor to the chairman Jens Due Olson report from the chairman of the board.

Jens Due Olsen, Chairman of the Board: [00:07:35] Thank you. Dear shareholders, I would now like to go through the development for 2022 of NKT and also go through the work of the board and also look forward a bit.

Jens Due Olsen, Chairman of the Board: [00:07:52] It has been a very eventful year for NKT. We have continued our positive development and expanded our positions in several core markets. NKT and NKT Photonics delivered satisfactory results in a time that was insecure market wise. In our cable business, we continued our positive development and our results ended at the top of what we had provided as guidance. In 2022, among other things, we had a record large order portfolio for high voltage projects, and this underscores that we still are in a very good position to take part in the global growth of the transition that it offers. In June 2022, we made an agreement to sell NKT Photonics to Hamamatsu Photonics. So, with this, Photonics has the possibility to grow in a parent company that is focusing on this area. We expect the divestment will be finalized soon, and when this happens, we can say that our investors in the future will be able to invest in what we could say was a pure play cable business. Our cables play a decisive role in ensuring that the capacity in the power grid and the production of renewable energy is geared to make a successful green transition a reality. And here we're very strong. We're focused in our three business lines, so we have solutions.

Jens Due Olsen, Chairman of the Board: [00:09:30] This is high voltage cables for on and offshore. It's applications which are mainly serving the market for low and medium voltage. And then we have service and accessories that mainly do service solutions and they sell service accessories as well for projects. We service basically the entire market for cables and we look forward to using this position to continue our positive developments.

Jens Due Olsen, Chairman of the Board: [00:09:59] In the coming years, the green transition, the demand and also the supply of electricity will mean that there is a large demand for cables. A smoothly functioning and reliable grid means that we will be able to increase renewable energy

use and also help the green transition. So, what we have is cables that connect continents, regions and many different areas. Right now we can say that the lack of cables is a bottleneck for transitioning and for providing energy. So, we know that the need to transmit energy is something that will ensure our position on the market. Especially there is demand for direct current cables and these are especially good for transmitting electricity over large distances. We have lots of experience here and we will continue our investments in new solutions. With our focus and technology, we are a part of the solutions to global climate challenges and we welcome the focus on green transition, green energy, circular solutions and biodiversity. Along with more political focus on implementing green solutions, including having a timely investment policy. We will be part of what is necessary to promote the green transition.

Jens Due Olsen, Chairman of the Board: [00:11:26] Despite the positive development in the high voltage market during 2022, we have seen a number of global challenges. Among other things, they have shown themselves as macroeconomic slowdowns, increasing inflation and a pressure on supply chains. In addition to that, there is a new geopolitical reality after Russia invaded Ukraine. The war has had huge human costs, but it has also made it difficult to procure or obtain raw materials and also made the energy situation difficult. So, we also have increasing input prices throughout the year. We've been focusing on navigating these global challenges. Certain parts of our business have been affected and as many others, we chose very quickly to stop all our activity in Russia and our dealings with Russia. So, we found alternative suppliers. In addition, the economic slowdown in parts of Europe has hit the market for installation cables, although that's a smaller part of our business and applications. Of course, we're following global developments closely to take the mitigating measures that are necessary.

Jens Due Olsen, Chairman of the Board: [00:12:42] Combining our leading position in the high voltage market and increasing demand, especially for DC cables, meant that in 2022 we were awarded several large projects and we ended the year with an order portfolio that was record large. This development continues. We've now announced an order for cable systems to two offshore wind zones in the Netherlands. This order represents a value of about €2 billion, and it is our largest order ever. This underscores our central position to seize growth opportunities that are created by the green transition in, for instance, offshore wind farms and interconnectors. So, to strengthen and maintain our position in the market, we've been investing in recent years in our capacity and in our technological foundation, in our high voltage factories in Karlskrona and

in Cologne. These investments were begun based on large orders and the German corridor projects and one a large American project, the one we were awarded last year. A good example for one of our essential investments is the new cable tower in Karlskrona. You can see it behind me here. This was inaugurated in October of '22, and we now have much greater capacity. Another investment has been to move production of high voltage cables with lower voltage levels from Cologne to the Czech Republic to optimize our production footprint. Investments are important to make us ready to follow in the footsteps, you could say, of the developments that are taking place and also increasing demand. We think that this development will continue. So, already at this time we are contemplating what investments we might do over the coming years. It's important to remember that it takes up to three years to complete a new factory or a new extension. At the same time, there is a requirement for the financial capacity to be awarded orders because often we have to provide guarantees, especially in the production period. Finally, these larger orders also require financial strength and also flexibility and also a solid capital structure, if we are going to be able to finance further investments and win new, larger and bigger orders. And therefore, we announced in connection with our annual report and our expectations or guidance from 2023 that the board today would request the AGM to expand our authorization to issue shares. More precisely, we'll be asking for an expansion of our authorization from the current 20% up to 50% during this period. That is one year, the AGM period. So, at the same time, we also announced that if we are to use this authorization, it will be conditional upon us receiving or being awarded new orders. This authorization to the board, will be treated under item 10.1 on the agenda. As part of the growth strategy for the future, in February 22nd, we were able to announce that we are part of a joint venture agreement about helping to build Taiwan's first factory for offshore cables. This is a good growth opportunity. We're technical consultants on the design and it will be making AC technology. So, our partner, Walsin, will produce these. We will be according to plan, looking at a finished factory in 2027. This agreement gives us access to growing offshore markets in Taiwan and it gives us a platform and a regional partner in relation to establishing ourselves on the Asian market, where among other things, coastal offshore wind is beginning to gain ground.

Jens Due Olsen, Chairman of the Board: [00:16:49] As previously mentioned, sustainability is part of the global agenda. It is obvious that requirements concerning companies social and climate related responsibility is on the increase. In NKT we take our social responsibility seriously and 2022 we continued increasing our focus on sustainability. Among the things we have done is to

reduce our CO2 emissions by 20% as compared with 2021 and by 79% as compared with 2019. We also increased our focus on diversity and inclusion in the organization.

Jens Due Olsen, Chairman of the Board: [00:17:28] The overall climate objective is that by 2050, we will have zero emission and we are therefore continuing to focus on sustainability. That also applies to the board of directors. In 2022. We set up a special committee responsible for sustainability. In 2022 we saw a positive development in several of the areas where we are measuring developments in order to ensure and create further diversity in our organization. We have also continuously engaged ourselves in the world around us by supporting activities in our local community, and by providing financial support to the victims of the war in Ukraine, and the earthquake in Turkey. As regards to security, we updated our 2022 strategies. So, through education, training and targeted initiatives, we can ensure an even better health and safety position in our company. As regards the business side, we are still running NKT in accordance with the recommendations for good corporate governance and we comply with applicable, applicable legislation, rules and international standards and sanctions. In order to do that, we have a robust structure in place that enables us to navigate in global developments. We expect the same from our suppliers, and in 2022 we increased our demands concerning responsibility and sustainability in our value chain. A good example is our first DC cables with copper that has been extracted in a sustainable way. These cables are to be used for the offshore wind farm Dogger Bank C, which will become one of the largest in the world in the North Sea. Everything is put together now in the ESG report, and I encourage all of you to read that.

Jens Due Olsen, Chairman of the Board: [00:19:43] Now, I'd like to look at our financial results for 2022. Our financial highlights cover only the cable business because the ongoing sale of NKT Photonics means that the results will be consolidated in one line in the profit and loss account. In 2022, our revenue increased to 1.45 billion DKK from approximately 1.26 billion DKK in 2021. In '22 we experienced organic growth of 15% for the third year in a row. The operational EBITDA increased to €150 million from 130 million. The result was the net result of €55.1 million, which is an increase as compared with last year when it was 11.9. Cash flows from operations rose from €209 million to 298 million, while free cash flows increased to €93 million from minus 2.4 in 2020.

Jens Due Olsen, Chairman of the Board: [00:21:02] And now I'll briefly talk about our capital structure. By the end of 2022, NKT had an interest bearing debt of minus €54.8 million. The low level is due to the fact that our positive development in earnings and working capital was bigger than our investment. Please note that the signing of big orders will typically result in prepayments, which will subsequently be used as and when the various orders are executed. By the end of 2022, our net interest bearing debt was -0.4x of the operational EBITDA and that falls within our objective of having a gearing level of up to 1x the operational EBITDA in order to have the necessary financial capacity to pursue opportunities in the market. Despite the positive result, the board recommends that no dividend is paid out. The reason for this is that we still need to strengthen our capital structure so we can make use of positive market outlook and continue to invest in our high voltage business.

Jens Due Olsen, Chairman of the Board: [00:22:33] I would now like to look at the individual business lines.

Jens Due Olsen, Chairman of the Board: [00:22:38] First solutions. In solutions, we won several large orders in '22 and at the same time we provided satisfactory results in relation to projects from our existing order books.

Jens Due Olsen, Chairman of the Board: [00:22:54] It's worth mentioning that in 2022 we want to first high voltage orders for the North American market. The projects are a good example of the opportunities we expect to see as and when green transition accelerates in the United States. In 2022 solutions won orders in the amount of €2.7 billion. And we ended the year by having a record high order portfolio of €4.7 million in 2023. We have continued increasing our order portfolio and currently it is approximately €6.5 billion, the equivalent of constructing two great belt bridges. We have seen increasing or considerable growth in in this year. The large order portfolio gives us a very good overview of projects to come in the coming years.

Jens Due Olsen, Chairman of the Board: [00:23:58] In 2022, the total value of order awarded in the high voltage market was approximately €8 billion, as compared with approximately €5 billion in '21. We expect market activities to increase even further and our estimate is that orders in the amount of more than €8 billion will be awarded in '23 and '24. So, we are about to enter a market with very attractive growth opportunities for NKT, with larger and larger orders with

longer time horizon. We see a similar trend, and that is that our customers want to make sure that they have access to production capacity and that they have it in the form of framework agreement. In order to have the capacity to make use of the opportunities we have invested in high voltage plants on an ongoing basis. We expect this to continue and that is why we asked the meeting today to authorize us to increase our capital for use in production and installation capacity.

Jens Due Olsen, Chairman of the Board: [00:25:09] In applications, our low voltage and medium voltage business lines. The result was more or less on the same level as last year. The primary reasons for this flat development is that the business was affected by increasing input prices and the slowdown in the construction industry. In '23, we'll maintain our focus on increasing earnings and implementing our long term growth strategy. We expect that the medium voltage market will continue to grow as and when the power grid is expanded and we expect to see more solar cell parks on land.

Christian Lundgren, Lawyer: [00:25:58] The result in our service business line was lower than in 2021, as we expected, because in '21 there was an extraordinarily large number of reparation orders. Because of our focused effort we have one of the strongest service offerings in the cable industry, and we are the fastest at handling repairs that are suddenly required. We continue to develop our service business line and in '22 we increased our activities in the UK and Poland. In accessories the positive development continued mainly because of increased sales of accessories to high voltage cables. We expect that the market will continue to develop positively in the coming years.

Jens Due Olsen, Chairman of the Board: [00:26:52] As stated in our financial statement, we expect that the financial results for 2023 will show a positive development as compared with '22. We expect that the turnover in standard metal prices will be approximately 1.7 or €1.85 billion, and we expect our operational EBITDA to be in the region of 185 to €250 million. We have four overall priorities in this respect. We have to work effectively in relation to our large portfolio of orders for high voltage projects. We must continue to increase our order intake by winning more high voltage projects with satisfactory margins. We must improve the earnings in applications and implement our growth strategy. We must also maintain our momentum and continue our

positive development in our service business line and as regards with the sale of cable accessories.

Jens Due Olsen, Chairman of the Board: [00:27:58] In September, we launched an updated strategy called ReNew BOOST. It focused on growth, invasion and sustainability. It sets out the course for our business up to 2024. It is to ensure that we maintain our strong position in the rapidly growing cable market and that we can benefit from our share of the growth opportunity created by the green transition.

Jens Due Olsen, Chairman of the Board: [00:28:28] In 2025 we expect to have an average organic growth rate in excess of 12% as compared with '21. An operational EBITDA margin of 12 to 16%, and a return on invested capital in excess of 12%.

Jens Due Olsen, Chairman of the Board: [00:28:49] Now, I would just like briefly to tell you about the board and about our work in the board.

Jens Due Olsen, Chairman of the Board: [00:28:55] We've had a year with a very wide agenda, broad agenda, lots of activity in addition to the already planned activities, we've focused a lot on our general strategic activities, on our tenders and also on our investments in the cable business. Our annual self-assessment took place with external help by the nomination committee and the results were discussed among us in the board. Among other things, we concluded that we are a good team. We have room for good discussions. We have a lot of trust in each other, and our governance model is still working well. This is also true of the committees and in the interplay between the management and the board. On the list of things that could be better, you can say or the committees and the board work well. But we could say that we wish for more time around the meetings. So, outside of the meetings, a little bit better reporting from the tender board to the entire board and also more structure in our succession plans and feedback from the chairman. We believe that when we look at our professional competence profiles and our composition, we have the right composition in the board. As such, I can mention that in 2022 we had two out of the six members from the underrepresented gender in the board. And that means that if Annabelle is elected today to the board will have an equal gender distribution and that's our target.

Jens Due Olsen, Chairman of the Board: [00:30:29] And therefore, I can say I'm glad that five of the six board members elected. At the AGM have expressed that they will be standing for re-election.

Jens Due Olsen, Chairman of the Board: [00:30:39] Unfortunately, just a few days ago we received the horribly sad message, very unreal, surreal to us that Jens Maaløe has unfortunately passed away. He told us late last year that he had been diagnosed with a disease that needed treatment, and we organized our work according to that. At the same time, he had said that he would at this AGM, be stepping down from the board. Even so, his premature death just leaves us with a big hole and this very sad situation. He has worked with NKT several times. The last stint he had was 19 years. His technical, his managerial insight has been inestimable, invaluable, you could say, in this journey we've had from a conglomeration to a cable company, and we can't say enough about that. But still, I would like to speak a bit about his personal qualities. His ethical compass always showed true North and he was very good at keeping us on track with the big picture, the important picture and the important things when sometimes we dived too deep into small details. His pleasant personality. He was really a team player. We've all just really appreciated him. We will miss him. Personally, I've known him for many years in several roles in GN Store Nord, in Terma and in lastly NKT. He's been a support for me, sometimes also a mentor. And over the years he also became a friend. Jens, you will be missed. We would like to send our deepest condolences, our warmest thoughts to Jens' wife Lis, to his children, to his grandchildren and other relatives, and all the many people that he touched along the way. And now I would like us please all join me in a minute's silence. Thank you.

Jens Due Olsen, Chairman of the Board: [00:33:45] As mentioned, we have had ample time to find a new board member, and we are nominating and proposing Anna Vedel as a candidate to the board. Anna has a number of personal and professional competencies within the green transition, more broadly speaking, and also specifically in technology development and energy. We believe that her skills and her competence profile are very relevant to NKT, and they supplement the board. She is a Danish citizen and she has an engineering background in what we call applied engineering. Her daily job is with Vestas, the Danish wind turbine producer, and she contributes with her experience in product development and implementation to the green transition. I would also like here to thank the employee elected members Pernille Blume, Christian Dyhr and Stig Nissen Knudsen. And I look forward to working with you over the coming

years. Although Christian and Stig will just be with us very briefly because they are elected by Photonics employees.

Jens Due Olsen, Chairman of the Board: [00:34:54] And now I can tell you a bit about our committees. The board is working very well and if the board is re-elected, our aim is to distribute the roles as we have now. I'll be chairman, Rene Svendsen-Tune will be vice chair and we'll continue our nomination committee, remuneration, auditing, sustainability and so on. And we'll be treating this under item 08 of the agenda.

Jens Due Olsen, Chairman of the Board: [00:35:21] In 2023 the basic fee and the structure in the board's remuneration is unchanged in relation to the remuneration framework that we updated last year. There will still be the basic fee and an additional fee for various roles, but I would like to say that in terms of numbers, the chairman does not receive any extra things for participating in committee work. We have a special tender board. We have an incentive program. But that board is not part of that incentive program. And also, that's the same as good governance states is the best thing to do. So, with the management, we in this tender board, they look at the bids and they don't get any extra supplementary fee for this. And we'll be saying more about this under item 07 on the agenda. You can see the numbers on the screen behind me. Each year we have a remuneration report that we have on the agenda, and NKT, we say that our top management should be remunerated in a way that reflect their profiles. We need competent profiles in our management and therefore, we have their basic wage or their basic salary, and also make sure that it is competitive with other programs to retain them in our management. So, we have the basic fee, we have bonus programs, for instance, things like pension, it can be supplementary household allowances and other things. But what we have are also bonus goals or aims and there are also these preference shares. So, bonus goals are individual, but typically they contain a larger element of financial goals such as revenues, earnings, profit, liquidity and so on. But they can also be based on employee satisfaction, customer satisfaction and other things, Operational measures such as completing a factory extension or expansion. So, if the budget is achieved, then typically a person will achieve half of their maximum bonus. The share programs are also a part of what we call a value based basic package, like a salary package. Typically, we look at revenues, we look at earnings. There's a model where you can look at share prices and so on. So, if the goals that are announced have been achieved, then there is a vesting

of these shares. So, it takes fulfilment of these goals in short term. And in the long term, if a person is to achieve full bonus and full share vesting.

Jens Due Olsen, Chairman of the Board: [00:38:25] Behind me, you can see the numbers for compensation remuneration for 2022 and you can also see the EBITDA, for instance, the turnover, the individual KPIs and so on. And you can see the value of these, you can say, the preference shares or the conditional shares that may be vested, and some of them depend on return to shareholders. The TSR, total return to shareholders. So, in the remuneration report, you can see the development year on year of these things. In 2022, the top management's wages reflect the very positive results that we've seen throughout the year in the cable business. And the remuneration report will be treated under item 05 on the agenda.

Jens Due Olsen, Chairman of the Board: [00:39:14] I would like to especially thank all employees and the management for their efforts in 2022. It has been a year with lots of activity and with satisfactory results. I would also like to thank our shareholders for yet another good year and good collaboration with you.

Jens Due Olsen, Chairman of the Board: [00:39:36] If we look back at 2023. Or into 2023 and the years that will come in the future, we have a strong position in this. growing sector, the MV and HV sector. We can focus on retaining this. We can deliver the skills and the competence needed to really benefit from the opportunities that global megatrends like green transition and security of supply do provide us. So, thank you to the employees and the shareholders for backing us up with these new investments like the Karlskrona Cable Tower. And I hope that you will continue to support us with the investments that come with these words I would like to say thank you. And now the floor is once again yours, Christian.

Christian Lundgren, Lawyer: [00:40:25] Thank you, Jens. I would like now to open the microphone for a debate. As to the things that we've heard now, the items that we've heard. Kristian Gaarde from ATP and Karsten Kristiansen from the Danish Shareholders Association. Christian, you are first. You are closer to the rostrum, so step up.

Kristian Gaarde, ATP: [00:40:54] All right. Thank you. My name is Kristian Gaarde and I represent ATP, Danish Pension Fund. I would like to first say thank you for presenting the accounts and the

report. 2022 was a difficult year for many companies, among other things, because of the geopolitical challenges, high inflation and also the higher input prices, and NKT was struck by these challenges as well. Even so they overperformed, you might say, or delivered even above guidance- the expectations we had, so well done. Back in September last year, we had a Capital Markets Day, which was very good and positive views for the future and market development were presented there, and since then things have gone quickly the market for high voltage cables has developed even faster than we had thought. And we see the proof of this in your order intake, which is very handsome. So, NKT is also, you can say, benefiting from the green transition. And it seems that things are really progressing now, gaining momentum. So, NKT capacity is basically filled in the years to come. And this has brought NKT in a situation where probably strategic decisions will have to be made. If NKT wants to retain its market share in the future, this will require new investments in production capacity, potentially very large investments. Therefore, from our side, ATP, we do propose or we do support the proposed authorization of the board to issue shares for up to 50% of share capital. So, a decision like this and if it is made, then of course it is important to give the market the most transparent presentation as possible both in relation to the expected earnings in the future and the return on the investment in the future, especially because these things depend upon projects that are well into the future. Among other things, it's important to look at the opportunities for utilizing the new capacity, what the yield profile looks like and so on. What the future looks like. So, for instance, what is the payback time on an investment in relation to the orders that the company had before the investment? So, the need for transparency has also become even larger, you might say, or more pronounced because of the disquiet in the markets. And then I would like to comment on ESG in NKT. We know that in recent years the company has moved forward on the ESG agenda. So, it's good to see that the company is moving in the right direction in relation to the targets that are set. So, there's focus not just on reducing carbon emissions and reusing products, but there's also on the biodiversity agenda a lot happening. So, the loss of biodiversity, will we risk that that might become just as large a challenge as climate change? But it is a difficult area to understand and it's also hard to understand perhaps how our activities might affect biodiversity. So, I look forward to following NKT's development in the future. And with this, I would just like to wish good luck to the company, the chairman and the employees.

Christian Lundgren, Lawyer: [00:44:27] Thank you for the question. Well, I didn't hear any questions from you and I can see that you're shaking your head, but comments are welcome.

Then we have a representative of the Danish Shareholders Association, Mr. Kristiansen. And afterwards, if you want to ask questions, you have to come up here and state your name and then I'll give you the floor. But the floor is yours now.

Karsten Kristiansen, Danish Shareholders Association: [00:44:55] Well, yes, thank you very much. My name is Karsten Kristiansen, and I represent the Danish Shareholders Association. First of all, I'd like to thank the chair for a good report and the fine words about Jens Maaløe. At last year's AGM, I commented on our net result, which was low as 0.94% of revenues. In 2022 we have the same net amount, only revenue is increased by 3.81%. That is a wonderful development. In the past year we have seen that Photonics was sold at a sum of approximately half a billion DKK and we have seen an increase in capital of up to 50% of the share capital. I have calculated what it was, and it's about 8 to 10 billion DKK. If we look at our existing activities, I think it seems as if our total production capacity will be expanded considerably. So, I'd like to ask the Chair whether he could perhaps say a few words about the extension of our production capacity in the light of this capital increase. After the 24th of February 2022, when Russia invaded Ukraine, I think that many companies realize that there is something called a geopolitical risk, which is something that all companies should take into consideration. We have seen a number of Danish companies making very important decisions concerning their activities in Russia, including Nilfisk, that our chair is very familiar with. On the 24th of February this year, Nilfisk announced that it entered into a joint venture project concerning the establishment of a production plant in Taiwan. Taiwan may become part of China, possibly after military invasion. So, an investment in Taiwan may be associated with a certain geopolitical risk. And that is why I'd like to know whether what the chair has thought about geopolitical risk in connection with that joint venture agreement. Finally, it's wonderful to see that a large group of NKT shareholders. We have more than 31,000 shareholders. Well, even if you have a small holding, you may have a gradient. For example, eight year old Milana, whose savings in a special account has been invested in NKT. She came from Kiev last year and she's lived with me over the past year. So, I'd like to say that it's very important that even small scale shareholders sees and NKT as an investor friendly company that arranges physical AGMs and also provides information on its website, as it did in September 22nd. After these questions in my comments, I'd like to thank you for listening to me.

Christian Lundgren, Lawyer: [00:48:34] Thank you very much. The chair is already on his way, so don't have to bring him up here. But there were a few questions.

Jens Due Olsen, Chairman of the Board: [00:48:47] I would like to begin with Kristian Gaarde from ATP. He didn't have any questions, but I have a few comments nevertheless. First of all, I'd like to thank you for recognizing our results and our huge order intake and the positive outlook for the company. I'd also like you to thank you for our support of our capital increase and also what you said about the need for transparency. Today we have defined strategic objectives for the coming years. So, whenever new orders, and I expect that we'll receive big orders. Then from the time when we press the button after having decided to construct a new plant, it takes three years to complete the project. So, we have to come and tell you what will happen when this factor is in place. How will that affect our financial key figures? And that is the kind of transparency that we want to provide. So, we'll update the information about our long term expectations. You also said towards the end that we should focus on ESG. We are highly committed to everything that has to do with ESG and biodiversity and whatever else you mentioned. It's important for all of us. So, we do share your views on the need to do that. And we expect to be able to provide better results and greater focus on this. I'd also like to thank Mr. Kristiansen from the Danish Shareholders Association. First of all, you said something about the fact that you'd noted the progress in our net revenue. I'm glad that you recognize this, and I look forward to the time when we can begin discussing one decimal only. We're looking forward to that as well. You also said that given the capital increase we have asked to be authorized to make, I'd like to say that it will be up to 50% of our share capital. We don't know what the proceeds will be because very often some kind of discount will be provided to existing shareholders. But you said something about 10 billion, but no matter whether it's five, 10 or 15, it is a major capital increase. And it is competition sensitive to become too transparent, telling everybody what we are doing. So, when we say very cryptically that we want such an information, we'd like to have such an information today. The reason is that winning orders is conditional upon us being able to increase our capacity. So, if we get the authorization today, which I hope we will, it will be a condition for winning those orders. So, it's a catch 22 situation. It is important. What it means exactly, I'd prefer not to say because it's a competition parameter, but it's a relatively significant increase. It does not necessarily have anything to do with our footprint, but in respect of the technology we have today. It's slightly different from what we were able to offer a while ago. And this is all I want to say about this today. Taiwan was mentioned as well. And one of the challenges in our business, not today because we are winning large orders now. And a larger order three years ago was €50 million, a huge number, but today

it's in excess of €2 billion, a very high impressive number. And we're doing well. We gain bigger orders and that's also a benefit to you shareholders. But we have to focus on situations when things do not go very well because then we have huge costs in our plants and we need to have an inflow of capital to keep our production plant in operation. So, how can we increase the return on investment without having to increase investment? And that is why we today ask for an authorization to invest even more. And the reason for that is that there is a need, but we have to be wary not to over invest. And that is why we measure our return on invested capital very carefully. So, we're looking for ways of earning money without investing. And Taiwan is one such opportunity because we're not investing anything in Taiwan apart from our knowhow. It's not our knowhow in the field of DC technology because we are very few to have that knowhow. It's our AC technology which we share with many others, but we have a very good partner in Taiwan who would like to benefit from our AC knowhow and we're talking about high voltage supply over short distances. And here we are talking about offshore wind farms that are to be made in Taiwan. So, it would be an advantage to have local production in collaboration with our partners there. So, we'll send our knowhow there and the only people we send there will be the team that we're sending there to build up the plant. But and it's a way to obtain a return on capital without investing more than our technological knowhow. We will get royalties as well. But we don't know what will happen in that part of the world. Other and wiser people can guess at that. But we have no factories that we have to include depreciation on in our accounts. And you also said something about Ukraine, and I can only sympathize greatly with the fact that you opened your home to help people in need. We are endeavouring to be an investor friendly company and we will continue keeping our AGMs and all the information we share with the professionals, not that you're not professional, but the highly professional investors, and they can find the information on our websites. So, we are very keen on ensuring that everything is available to everybody at the same time. I hope that answered your questions, or at least most of them.

Christian Lundgren, Lawyer: [00:55:43] All right, Jens. Thank you for those responses. It seems you got a thumbs up, so. Okay. There was one more speaker please approach. Your name?

Bo Svarrer Hansen, Investor: [00:55:59] Bo Svarrer Hansen.

Christian Lundgren, Lawyer: [00:56:01] Hello.

Bo Svarrer Hansen, Investor: [00:56:02] I would also like to say thank you for the chairman's account. I have two questions, actually. When the orders are that large, I mean, almost like the annual turnover. How do you handle that? I used to be in, you know, in NKT. I mean, we lost a billion DKK order way back when. But if you could tell us a bit more about the competitive situation in DC cables. I know that NKT is one of the leaders, one of the three leaders, but will that picture be changing or what is the perspective over the next 3 to 5 years? Thank you.

Jens Due Olsen, Chairman of the Board: [00:56:40] Well, thank you. Very, very good questions. I don't know how briefly I can answer. Well, I can answer as briefly as possible. Before I tell you about how we especially manage large orders, I can say that when we bid on large orders, we always look to see what risks are we in the event going to assume. I mean, if it's just a tiny risk, if we just deliver the cable and don't install it, that's no problem. But if we deliver the cable and install it on the, for instance seabed. There can be technological risks and seabed risks and so on. But this may sound academic, but we have a catalogue of risks where all the knowledge we have of historical risks is included. So, we have our project people very talented, and when we go out and price a project, there's the commercial part of the project and you say, How much can we try to earn in relation to the competitive situation in the world on DC cables, as you were mentioning I'll get back to that. But we can ask at this point, what risks do we know already? Well, we make provisions for those risks to begin with. So, if we bid 100 on a project and we hope we'll earn ten, well then in the costs that we have of the 90, there's already a sort of provision for the risks we think we might will encounter. So, for instance, let's say we want to lay a cable. There's an autumn storm. We know that sometimes we only have a few days where we can lay that cable and then we have the provisions, amounts that will cover this, so we have quite sophisticated approaches that we take here when we put a price on these risks and also when we have what we call risk management. I also know the horrible story you mentioned. I mean, the project that just went wrong not too long ago. But over the past 15 or 16 years, our projects have actually gone out sort of been completed with at least what we had thought we would get out of it, perhaps better. So, things happen over the years. Sometimes we get what's called variation orders, extra orders from the same customer, so we get extra for a project. So, it's not just the sum of the projects, it's also earning on a project, a given project. So, that's risk management. But it's true what you say. Some projects are so big, a €2 billion project. I mean, do we have enough clout to do this? So, we have terms and conditions that we of course will need

to adhere to. And we're very careful not to enter into any agreements that might tip the balance, sort of take rip the carpet away from under us. But of course, it's acknowledging that with the factory, it's not sort of building a factory, for instance. It's also having enough clout. So, financially being strong enough to stand when the wind blows. So, to answer very briefly, we're quite sophisticated in project management and also risk management. Then there was the question of DC technology. DC technology, we knew how to do things, but not all things. So, DC technology we acquired when we bought the factory in Karlskrona. But technology like this are capabilities. It takes a long time to develop, first making the cables, but also the tests. I mean, customers need to know that you can actually make your products. It can be factory testing, cable testing and so on. So, when we bought the ABB business, then we jumped over all those stages of approval. So, the timing was quite good. DC technology, not many people can really do DC. There are 5 to 6 players in the world. I would say three in the Europe Prysmian, us and Nexans. But when you look at the graduation or grade them or rate them you look at the kilovolt levels. Lots of people can control 320, but 425. Well, we won with the orders in the Netherlands, the 425 jobs. So, I'm looking at the CTO here. Are we one of three players in the world who can do that, plus minus one, maybe? Would you say that? Okay. But that's a good situation to be in. Of course, the customer can choose other solutions, all sorts of others. So, it's not an oligopoly or a monopoly in any way. The customers can go out there and there's lots of competition, but just this particular thing. There's particular requirements, so not many can do it. So, we might have to go and start working at a thousand kilovolts at some point. We don't know. We might have to have another sort of insulation materials on the cables. It could be cables of longer lengths. Which mean that it will require fewer joints when you produce the cables, so to speak, you don't have as many joints. So, we could also be faster perhaps, or faster at laying faster at producing. So, it's the sort of investments that all sorts of technological companies need to think about. So, we're using money on that, not just developing wind farm projects and other things there. There are always people who will be able to or companies that can be players on the less complex projects and they'll be pushing us from below sort of. So, we do believe that we are a very important player and a technological sort of high roller, you might say, or big player.

Christian Lundgren, Lawyer: [01:02:45] Okay. Any other questions? Does not seem to be the case. And that means we conclude that item on the agenda and we'll be moving further.

Christian Lundgren, Lawyer: [01:03:03] Items 02 to 04. Well, item two is presentation of the annual report containing the annual accounts, consolidated accounts and so on. I also have to state that page 99 in the annual report is dated 22nd of February. We also have a, I mean, auditor's opinions nowadays. They're very, very long. Kirsten Aaskov Mikkelsen and Niels Skannerup Vendelbo from Deloitte Revisions Partner Selskab, the accountants, and what we have here is a clean auditor's opinion which states that the financial statements, give a true and fair view and so on. And it shows that the results of the operations and cash flows for the financial year 1st of January '22 to 31st of December '22 are in accordance with international financial reporting standards and so on. I find that the AGM has taken note of the discussion, the supplementary comments and so on. And now I would like to hear whether item 03 of the approval, the adoption of the audit annual report. Does anyone want a vote on this? If not, then I can state that the AGM has adopted and approved the annual report. That does not seem to be the case, and that means that we have now adopted the report with an majority. Then there is the next item. The proposal by the board for distributing profit or cover of loss. And the board has said they propose no dividend be paid. But actually, the AGM cannot decide to pay more in dividends than what the board proposes. So, if anyone wants to see a negative dividend paid out, I think that that's something we will just drop immediately. But does anyone have any comments? Any questions? Does anyone want to vote? That does not seem to be the case, but I will now say that we have adopted that proposal.

Christian Lundgren, Lawyer: [01:05:20] Yeah, and the next item is the presentation of an advisory vote on the company's remuneration report. It has been mentioned in the management report. It contains the board's comments on the report and the fact that it has been prepared in compliance with the rules in force, and that is does not contain any significant defects. There's also a statement to the effect that it the report meets all the requirements in place. Any questions or comments on the remuneration report? That is not the case. So, this is not a binding vote, but it's just an advisory vote. So, I say that it has been carried based on an advisory note.

Christian Lundgren, Lawyer: [01:06:18] Then we have item 06 resolution regarding discharge of the management and discharge of responsibility of the Board of Directors in relation to the matters set out in the annual report. Any questions to this or any comments? That is not the case either. So, we'll take the liberty of saying that the AGM has approved this proposal. So,

something being said that the interpreters cannot hear. It was a pun he made. So, we're not discharging the board and the management. We're just granting them discharge from their liabilities.

Christian Lundgren, Lawyer: [01:07:36] Item 07 concerns remuneration. And we propose that the remuneration for 2023 remains unchanged compared to 2022. And the base fee is 375,000 DKK, approximately 50,000 DKK, and the chair will receive three times the base fee but will not receive further remuneration for additional committee appointments. The deputy will receive two times the base fee. It is proposed that the remuneration of the chair of the audit committee is 250,000 DKK and the remuneration of the ordinary members of the committee will be 125,000 each. As regards the nomination committee, the remuneration will be 125,000 DKK for the chair, and ordinary members will receive 62,500. And as regards the remuneration committee, the fees are 187,500 and 93,750 respectively. And finally, we have the chair of the ESG committee who will receive a remuneration of 125,000 DKK. The working committee of NKT Photonics members will receive a fee of 180,500. Any comments on this proposal? Other members will receive 93,750. Can we consider this proposal by the board as having been carried? Yes, that seems to be the case.

Christian Lundgren, Lawyer: [01:09:25] Then we have item 08, election of members for the board and Jens has been through this as well. We propose re-election of Jens Due Olsen and René Svensson-Tune, Nebahat Albayrak, Karla Marianne Lindahl and Andreas Nauen.

Christian Lundgren, Lawyer: [01:09:45] And as said before, it is also proposed that Anne Vedel will be elected as a new member of the Board of Directors. And for the sake of good order, I'd like to say that under Section 125 of the Danish Companies Act, information of the proposed candidates must be provided, and that information was included in an annex to the letter convening this AGM. Are there any other proposals or any questions? That does not seem to be the case. So, suffice it to say that the proposal by the board has been carried as regards all the candidates proposed. Thank you.

Christian Lundgren, Lawyer: [01:10:39] And now we have the election of auditors. And here it is proposed. And now you have to read again, because this is not quite true. We have written the name incorrectly here, but the proposal is that we elect PricewaterhouseCoopers. And I think

that the company we want to elect has a different name. Any questions to this or any comments? Yes. And the interpreters can't hear this. Any comments on that. No. But it's a new candidate that we elect here. And we could now establish that the board proposal has been carried and that PricewaterhouseCoopers have been elected our new auditors.

Christian Lundgren, Lawyer: [01:11:47] Then we have item 10 proposals from the board of directors or shareholders.

Christian Lundgren, Lawyer: [01:11:51] And we know that there are no proposals by shareholders, but there's one proposal by the board of directors and the Chair has already talked about it. It's a question of authorizing the board to issue shares with a pre-emptive right for the existing shareholders. The Chair has already given his motivation for the proposal. It's in order to ensure financial capacity and flexibility in relation to future orders. A majority of two thirds is required for this proposal to be adopted. Well, the gist of what is proposed is that in the next year, up until the 22nd of March 2024, the board can decide to increase the share capital by giving all shareholders a pre-emptive right to subscribe shares up to a nominal value of approximately 429.8 million DKK. That is the basic increase, but the authorization will only apply for one year. If it hasn't been used after that one year, it will be extended to mean that the board can subsequently issue shares at a nominal value of 171 million DKK, which is equivalent to 20% of the current share capital. So, it is an increase of 30 percentage points. This requires some consequential adjustments, for example, of article 3.C, Maximization of the Authorizations already in existence, because this is only one of three we can issue an authorization to issue shares with pre-emptive rights. That's one that's not changed and that is possibility of issuing shares without such a pre-emptive right. And that would be shares issued to existing shareholders. And as far as I recall, this is equivalent to 10% of the company's share capital. And then there's a third one in article 3.B, and it concerns the issue of convertible instruments of debt. So, how much can the three authorizations together be used for in terms of the value of the share issues. Because some of these shares can be converted later on. So, it is an implicit capital increase. And because we have the large increase here, we have to say that the three authorizations in 3.A.1 with a pre-emptive right and 3.A.2 without a pre-emptive right and the convertible instruments of debt. Together they make up the amount of 429.8 million DKK, with the restrictions I've mentioned. But the two authorizations set out in 3.B.2 and 3.B has been maximized to 171.9 billion DKK. That's how it works. I hope it is okay in terms of understanding

it. Any comments on this proposal. Otherwise, I will just note that the board's proposal has been carried with the required majority. And that is the case. Thank you very much for that. I thank you on behalf of the board.

Christian Lundgren, Lawyer: [01:15:48] And now we have any other business. It's not possible to present any proposals under this item, but you have any comments concerning NKT in a broader sense, you're welcome to say so. But that does not seem to be the case. So, now I look at the Chair, if the Chair has any final remarks, but I'd like to thank you for your pleasant conduct during this general meeting.

Jens Due Olsen, Chairman of the Board: [01:16:19] Dear shareholders, I would say thank you for your time, your questions and your interest, and also thank you for your support to us in the board and not least thank you for this authorization if needed that we can issue new shares and that's important for the company's development. So, thank you. And I would also like to thank the employees again and the management again for their great and dedicated work in 2022. Also, thank you to all of our business partners, our customers, and also thank our auditors who are now stepping down, Deloitte. There's been no problem at all. It's been very fruitful. It's been developing for us. It's solely due to the fact that we know that it's good for us all to get new eyes that shed new light on our affairs. So, once again, I would like to say thank you to Photonics and wish them happy sailing. Good luck on their new journey. So, take care out there and thank you to Christian, to the interpreters, to technicians, to all the employees who have made sure that everything has gone smoothly today. So, thank you.