



NKT Group Q1 2021 Interim Report

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Alexander Kara

President & CEO, NKT A/S

Welcome

Good morning everybody and thanks for taking the time and joining this Q1 end report from NKT. Today we have here with me, as present in the room, Lina, our CFO and Basil, who is the CEO of NKT Photonics.

Key messages: Q1 2021

If we look at the highlights from the first quarter 2021, I think we can say that we had a satisfactory start in 2021. Overall, we had an organic growth of 21% in Cable and all three business lines contributed to this 21% positive result.

The operational EBITDA tripled almost from the same quarter last year, from €10 million to €30 million. We had a record high quarterly performance in Service & Accessories and also a good performance in Solutions.

Very positive, also, to mention is that we had a good start in Photonics. Photonics is back on a growth path, mainly driven by the industrial segment and the Medical & Life and we will hear more from Basil a little bit later. It was the highest ever Q1 for revenues in Photonics, which is good, to be back here.

NKT performance in Q1 2021

If we look at, a little bit more in detail, the Q1 performance, as I mentioned, all the three business lines in Cables improved revenues and earnings and contributed. In Solutions we have different activities, produce different types of cables in our factories in Karlskrona and Cologne and good utilisation of the factory.

After the quarterly closing, we got awarded the Troll West project from Equinor, with €95 million in market price, which is a nice order and also particularly as it is an AC order.

Further, in Applications, we continued on our turnaround and improved the performance, from last year, from €3.5 million to €4.5 million and also achieved organic growth of 2%.

Service & Accessories: we had, as I mentioned earlier, the highest ever quarter, supported by service repair jobs offshore but also onshore and also several other activities. Overall, an organic growth of 21% and as you see here on the graph, good growth from €240 million to almost €300 million in revenues, from standard metal prices. Operational EBITDA, in round numbers, grew from €10 million to €30 million.

Solutions: Q1 2021

If you go now to Solutions, in the first quarter we have executed work on different projects: Dogger Bank A and B. Dogger Bank is the first DC offshore project in the UK. Then we have worked on several other projects: Moray Eastwind and Ostwind, which are what we call[?] AC projects and on Viking Link, which is an MI project. We had a good mixture of execution of different project types.

Further, we have finalised Triton Knoll offshore wind farm in the UK with deliveries of export cables and inter-array cables.

We used our installation for various activities: the NKT Victoria for installation but also for service activities, like the repair job for BritNed. So, revenues went up to €161 million, 27% and €19.5 million EBITDA, or from 4.2% to 12.1% comparing the quarter last year with this quarter.

High voltage market development

If you look at the high voltage market, this year we have been awarded new orders on the onshore segment, like the RTE frame agreement but also various variation orders. As I mentioned, after the quarter closing, we got awarded the cable for power from shore for Equinor, Troll West in Norway with €95 million, approximately, standard market price.

Overall, in Q1 there were around €700 million of orders. We continue to be active on tenders around the world, meaning we are active in Asia, in Europe but also we see more and more activities in the US.

So, last year was a good year for us in NKT with a project on DC technology, now we got the first order on AC, which is also good for the factory loading and the mix in our portfolio.

High voltage order backlog

If you look at our backlog, our backlog is €2.95 billion, compared to its historical figure: very high. It is a little bit reduced, by €20 million, compared the end of 2020 but still very high and we are working on all the segments: offshore wind, interconnectors and oil and gas. Now we will add the Troll West, as power from shore, on top of that.

You see here[?] how the revenue backlog will be executed in the future.

Applications: Q1 2021

If we come to Applications, also a good start in the year. We continue with our turnaround activities in Applications. One further decision that we took was to move the building wires from Asnæs, from Denmark to Poland and to concentrate the building wires in Poland.

Also, it is worth to mention here that we implemented an EIP system in Eastern Europe in the beginning of the year without issues.

I can conclude: overall, a satisfactory quarter for Applications and we continue with our actions to improve further the profitability in Applications.

Service & Accessories

Coming, then, to Service & Accessories, we had a good performance in Service, with various repair orders, offshore and onshore. One, as I mentioned, BritNed, is a connection from the UK to the Netherlands. However, also, on the, let us call it, base business, we had a good development and also on the service agreement.

We did also quite well with Accessories in Nordenham, for medium-voltage accessories. Here also we made a footprint adjustment, where we concentrated the high-voltage accessories in Alingsås in Sweden and move it from Cologne to Alingsås.

Overall, a record high quarter, which is a nice start into the year.

With this, I will hand over to Basil and he will give you the peak [inaudible] of NKT Photonics.

NKT Photonics

Basil Garabet

President and CEO, NKT Photonics

NKT Photonics performance in Q1 2021

Thank you, Alex. How do you follow up from a great quarter from Cable? It is to try and catch up on our side, in Photonics. Q1 was a good quarter for us. We achieved the highest revenue, top-line revenue, in the history of NKT Photonics. The quarter started very satisfactorily with us, in both EBITDA growth and top-line growth.

Our organic growth was 26%, which is mainly driven by a broad-based comeback in the Industrial segment. All parts of the Industrial segment were doing well. We also did well in the Medical & Life Sciences segment, where the growth continued from all the products that we launched in middle and late 2020.

With this higher revenue, our EBITDA has also increased. However, our earnings in Q1 were impacted by restructuring costs of €1.2 million in the quarter.

In the quarter, as well, we recorded our highest ever order intake, which corresponded, again, to a 36% increase over the same quarter last year. This was mainly due to the improved market conditions, again mainly on the Industrial side.

Business development

If we move to the next slide, on our business development, we, in Medical & Life Science, continued to perform well in the segment. The main drivers here are our business in ophthalmology, which is increasing; we are getting more OEMs in that sector and our OEMs in microscopy are also driven quite high with the changes at the end of last year into this quarter.

In the Industrial segment, we saw a significant recovery in Q1 over 2020. However, the recovery in the research market is still a little bit weak and we expect that to form better in the second half of the year.

In Aerospace & Defence, the activity level is still very high, both in Europe and the US. This segment is growing and we expect new orders and new growth in this sector.

With this, that is the end of my segment and I pass it over to Line.

Financial Highlights

Line Andrea Fandrup

CFO, NKA A/S

Thank you very much, Basil.

NKT Group: improved revenue and operational EBITDA driven by both NKT and NKT Photonics

So, to recap the business performance for the quarter in the income statement here, on slide 16, we improved revenue and operational EBITDA, both in NKT Cables part and the Photonics.

Under the NKT Cables part, the 21% growth for the quarter was constituted of the underlying business performance. As Alex alluded to: the Solutions business on 27%, the Applications business on 3% growth in revenues and the Service & Accessories, which had a very good start to the year, of 82%. Underlying, also, all business lines in NKT Cables' improved earnings compared to last year.

It is also good that Photonics is back in a growth mode, compared to last year. Clearing further redundancies earlier this year for Photonics, we are also at a break even in terms of our operational EBITDA. The Cables part closed out the quarter with a €30 million operational EBITDA, almost threefold the quarter last year.

On the margin levels, I note that, for the Cables division, a quarter like this actually brings us up to the 10% margin level. We have had good utilisation amongst our factories and also the different cable technologies. Under Photonics, excluding the redundancies here, you also see the break even on the margin level.

The one-off item is a small divestment of the plant in Stenlille. It came in favourable here. Then, closing off with a positive net result of the quarter of 2021, slightly positive compared to last year.

A final note on the FTE: you see also a part on the Cables business that we have ramped up for the increasing activities in the Solutions business and the adjustment there made in Photonics.

NKT Group: expected increase in working capital from an unusually low level at the end of 2020

So, turning the page to the balance sheet highlights, here you can see that we came out of a very unusual, low level of working capital in 2020. We are now at a different level, corresponding to the same level last year, in terms of Q1.

When you go, then, to the ROCE, the return on the capital employed, you also see the improved performance on the earnings levels, panning into an improvement on our ROCE compared to last year and even the end of 2020.

On the net interest-bearing debt and the leverage ratio, we closed 2020 with significant cash at hand and we still have €179 million cash at hand at close in Q1, concluding, therefore, the NIBD at €31 million, offset by the mortgage cost and the lease. So, right now, the leverage ratio is 0.4X for the full company.

NKT: increase in working capital mainly due to the phasing of milestone payments in Solutions

Turning to the trend on working capital, as you know, the major fluctuations that we see over the years here are related to the Solutions business, timing of milestones and pre-payments. We have had some very low levels of working capital in Q4 2019 and even lower Q4 2020. So, Q1 2021 came up somewhat due to the timing of milestone payments in the Solutions business but also the seasonal build up of working capital in applications, preparing for the high season.

Also, what you see here in the working capital, particularly in Q1 2021, is actually the value adjustment of our hedging instrument. It is a non-cash effect but it is corresponding to €57 million and it is correspondingly adjusted on our equity.

NKT Group: working capital development and investments outweighed positive EBITDA

Turning to the cash flow highlights, improved earnings were offset by the change in working capital. However, also here note the CAPEX level. So, we are coming through with our investment activities in the Solutions factories in Karlskrona and Cologne. You are seeing the pick up here in the first quarter of the year, as you saw it, also, in Q4 2020. It will continue this way in 2021 and also into 2022 once we have finalised the full programme.

So, the net cash flow turned negative due to these reasons, for the quarter.

Financial outlook 2021

Turning to the outlook for the year, NKT Cables maintains the revenue outlook for the year of €1.1–1.2 billion and on the operational EBITDA, the €80–110 million.

Important to say here is that we do expect that the first half of the year will be a very solid one for a continuous part of it due to the mix of projects we have in our factories and the expected revenue generation.

So, the second half is expected to be at a lower level than what you will see in the first half. I am sure we will come back to this in the question session.

Then, for NKT Photonics, coming out of a much better Q1 with a high revenue, we are now modifying slightly our guidance for the year, saying that we will end in the upper end of the range of 0–10% on the organic growth and then similar on the EBITDA margin. There are uncertainties around COVID, still and Q1 was also impacted by this, so we are still to see, rest of year, how this pans out.

Key messages: Q1 2021

Turning to the last slide of the presentation, recapping that the organic revenue growth of 20% in NKT, with all business lines contributing, is a highlight. It is also a highlight, of course, to see that operational EBITDA tripled and a good contribution from all business lines. Then, that NKT Photonics has the highest ever Q1 revenue, so also in a better state than in 2020.

With that, we will turn over to questions.

Q&A

Artem Tokarenko (Credit Suisse): Good morning everyone. Thank you very much for taking my questions. I have three, please. My first question is around Solutions margin. Could you maybe talk a little bit about how should we think about the sustainability of these high level of margins for the rest of the year? Maybe, also, I saw in the report that you have been finalising some of the projects. If there were any positive provision releases, how much did those contribute to the quarter, please? That is my first question.

Alexander Kara: In general, as I said also in earlier calls, the higher utilisation in the industry means margins tend to go up, to improve on the Solutions side. We had a good execution, a good mix. That means, in Q1 we saw good loading in the factory on the different machinery. That means a good income from machines and that helped. So, in terms of [inaudible] we have nothing extraordinary which contributed to the result. How will that be

going forward? Line mentioned that the second half will be weaker than the first, or the first half is stronger. That also depends on the mix of what else we have. In the first half, we have MI production from Viking which will not be the case in the second half and with what is happening[?] on the revenues, it is too early to conclude here.

Artem Tokarenko: Okay, understood, thank you. My second question is around the project pipeline. You obviously talked about healthy tendering activity. I know you do not like talking about particular projects. However, some of your competitors talk very actively about EuroAsia and the Terna projects potentially being awarded at least in the next quarter. So, what are your thoughts on those two projects and maybe also on the UK CfD round. It increasingly looks like the cable awards, actually, will be next year, rather than this year, on the CfD. So how much of a risk for you is this, that it maybe takes a bit longer than people initially expected? That is my second question.

Alexander Kara: Regarding the UK CfD rounds, as you said, eventually, it will most probably slip into early next year. This delay of, let us say, a quarter is not a major delay, as we have a good backlog. So that is fine, if it comes in Q1 or maybe even Q2. However, overall, there are several projects, as we work on them, in Asia. I do not want to mention specific projects, interconnectors with different technology but also on offshore wind and oil and gas in the US tender activities. So, that should be still more than €3 billion but it tends to be a bit more[?] if you [inaudible] below will be awarded. So we are busy. Our people are busy in the tendering team and I guess the whole industry is busy, working on all these projects [inaudible] and in the US, which is good for the industry.

Artem Tokarenko: Okay, thank you very much. My last question is around your comments in the report about potentially coming back to the strategic review of the Photonics business. I guess you mentioned as the COVID situation eases up but also in other parts of the report you mentioned that you expect this to happen, the COVID situation to ease, in H2 this year. So, I guess, what is the internal timing you think about for that review process? Maybe I will add one[?] question to this: obviously your peers have been announcing capacity expansions in the US. However, I think previously you have been saying that there are no immediate investment needs for you. So, should Photonics be disposed in the next 24 months, how do you assess the capital allocation on the back of that? Thank you.

Basil Garabet: So, the strategic review of Photonics is, as we mentioned, slated to start when we go back to normal operations. So when the issues that have arisen from COVID and the outcome of COVID is over, then we will be able to look at Photonics in a more holistic way and come up with a timeline for the [inaudible].

At the moment, [inaudible] there are still issues [inaudible] components [inaudible]. So even though we are doing very well, we are not out of the woods as such. When we are, we will announce the strategic review. Nothing else has been done with regards to any allocations of capital or anything like that.

Artem Tokarenko: Okay, understood. Thank you very much.

Kristian Johansen (Danske Bank): I would like to, actually, continue where we just left off. Maybe just, again, if you can repeat exactly what was the impact of COVID-19 in Q1, because, to me, it does not really seem that there is much of an impact.

Basil Garabet: There is an impact. Some of our businesses are doing exceptionally well and some are still affected by COVID. Some businesses have had a knock-on effect where they were weak in the last two quarters, or last four quarters of 2020 and they are recovering in this year.

So, you have to take into account, Q1 is our smallest quarter. In general, it is a quarter that comes after what usually is our largest quarter. So it is hard to basically draw a parallel out of it, or a trajectory out of it, at this stage. I think once you look at future quarters, going into this year, that is when we can be able to make a better assessment of where we are at the moment. It is still somewhat difficult to make this assessment and COVID has affected some things. Obviously we do not go down to what parts it has affected in our individual orders[?] and everything else but it has affected that.

Kristian Johansen: Okay, I understand. Is there deterioration into Q2 from what you know now, in terms of the COVID impact?

Basil Garabet: Not that we see, no. Not at the moment.

Kristian Johansen: Okay, then. That is clear, then. Then jumping to the Cable business, I just want to confirm these smaller onshore and variation orders. So, when I do the simple maths of the change in backlog and the quarter[?] revenue, I get that you have received roughly €50 million in standard metal prices in orders in Q1. Can you just confirm whether that level is correct? Also, can you comment on these smaller orders, whether that is AC, DC, is it MI, XLPE, or what have you got in?

Alexander Kara: Yes, your maths is correct, there will be a drop of €120 million on the backlog and we have €50 million in new orders. These are for[?] AC onshore, mainly. We have also been awarded the RTE frame agreement but this is a call off, that is not in Q1. So it is mainly onshore and no DC, no MI. €50 million would be rather small, very small, we can almost say not known at all for MI and a very small three-core AC undersea cable. So it is all onshore AC, or a variation on one of the sea cables, with some smaller changes[?].

Kristian Johansen: Understood. Can you then comment on your opportunities to still get orders in which will make a difference in revenue for this year?

Alexander Kara: Okay. We have these in and out orders and variation orders, which can make a difference. You have seen we had a high growth on service, driven by offshore repair, so there are still opportunities on that side for improving the revenues in 2021. We have now also got the Troll, which has some contribution in 2021, which is good and will contribute in 2022. So there are still some possibilities.

Kristian Johansen: I was actually thinking more in line of the large orders, like the Troll orders. Are there any more large orders similar to that which could make a difference on this year?

Alexander Kara: No, large orders would be awarded. There is always, let us say, preparation time on engineering, on type testing and so on. Any large order which would come in Q2 would have no significant impact: POC-based, a very low number is a goal. So it would be effective start in 2022.

Kristian Johansen: Understood. Then, my last question on the Applications business, is whether you can give a bit of flavour on low voltage and medium voltage separately.

Specifically for medium voltage, you mentioned some challenges for your customers in Sweden in Q4. Has that sort of continued? On low voltage, we are hearing building material companies talk about growth acceleration towards the end of Q1 and continuing into April. To what extent are you seeing a similar picture here?

Alexander Kara: We had some lower demand in Q4; that is correct. However, now we see that the demand has increased. It was, a little bit, a slower start in Sweden in Q1 but overall we are seeing demand is increasing and we could also see it grow a little bit, 2%. Also, that is despite the EIP implementation we had in early Q1, which always could have a certain impact. So we see good demand. Also, the UK is coming back on the demand side. France is coming back. So, all okay, I would say, yes.

Kristian Johansen: So, just to clarify, you are saying demand picked up during the quarter in Q1; is that what you are saying?

Alexander Kara: Yes, during the quarter in Q1. I mean it varies a little bit from country to country but overall there is an increased demand, you can say, if you want to simplify it.

Kristian Johansen: Yes, I would like to do that. Thank you very much. That was all from me.

Akash Gupta (JP Morgan): Hi, good morning everybody. Thanks for your time. I just have some follow-ups of existing questions that have been asked. You said you expect a sequential weaker second half versus first half in new projects. Are there any projects out there and depending on whether you win those projects, could this still change? Or is it just too far, or is it just not possible, given the lead times you have in projects? That is question number one.

Alexander Kara: No I mean it depends. If we have some variation orders in Q2, with a short cycle, that could of course help to improve or any other. However, if you look, currently, with the backlog that we have and what we have done, on orders, based on today's established[?] situation, we see a stronger first half and a less strong, let us call it like this, second half. Of course we will work on it to improve but you need to have, also, the opportunities to improve. The market must be there for the short-cycle business.

Akash Gupta: Yes. When you say the second half is weaker; is it fair to say the second half would still see some improvement year on year? I mean Q4 last year was pretty weak, so I am just wondering whether it is fair to expect some year-on-year improvement in EBITDA in the second half as well, not just like the entire full-year guidance.

Alexander Kara: Okay, Akash, now we need to get the extra file. Let me see. I have not, now, the breakdown. Overall, what we said is still valid: that we intend to grow, on average, about 10%. That is our intention and that is valid for this year and the following year. So, that can give you some ideas.

Line Andrea Fandrup: I just think it is important to stick with the argument[?] somehow here, right? That is our expectation. Now you know Q1 and a little bit of an assumption base. I think you can go by that to get the quarters [inaudible]. So, we shared that the first half is better than the second half. I do not think that we should jump to that it will be better than the [inaudible] on the EBITDA.

Akash Gupta: The struggle I have right now is that, if you look at Q1, your EBITDA is up €20 million year on year and you are guiding a strong first half, which means we should see a good improvement in Q2 as well. Then, if you look at the full-year guidance, then you are implying an increase of €23–53 million improvement and I think we are already at the lower end of the guidance range in terms of the improvement that we need to get there. So I just wanted to know whether the guidance is conservative. Can we expect that you can do more than €110 million in full-year EBITDA, or is too early to talk about that?

Line Andrea Fandrup: It is too early, I would say. Modest second half growth: I think that is probably a fine [inaudible].

Akash Gupta: Thank you. Then, moving on to the Applications business, here you have seen a good margin rebound, after a number of quarters when performance was below expectations. Was there anything unusual in Q1, or shall we expect this Q1 run rate of 5–6% margin to sustain going forward?

Alexander Kara: There was nothing special in Q1, except that we executed on our plans to improve the business. You can assume that this will continue.

Akash Gupta: Thank you. My final one is on depreciation for the Cables business. You had €25 million D&A charge in Q1. Shall we just annualise this number think of, like, €100 million D&A for the year? Any comment on that?

Line Andrea Fandrup: Yes, you can do that

Alexander Kara: Yes.

Line Andrea Fandrup: That is more or less correct.

Akash Gupta: Thank you.

Claus Almer (Nordea): The first question goes to you, Basil. You mentioned that you saw this negative impact in Q1 from COVID. I just have to say: if that is the case, then the underlying performance must be pretty impressive and promising for the rest of the year. Maybe you could give some more colour to what you see in the order intake, what types of clients are giving you orders?

Basil Garabet: Hi, good morning, Claus. I thought you would get back to me on that. Yes, what I said was COVID affected some of our business negatively, not all. So, in some sectors, for instance in the industrial sector in manufacturing, for instance in Europe, anything to do with automotive or large scale manufacturing is still relatively affected by COVID. Also, our research and development business, which is still a significant part of our revenue, it is about a third, is still relatively shut down because most establishments are still working on reduced hours, or closed completely.

These are the segments, they tend to be smaller segments in what we are, that are affected by COVID. They are also affected in Q1. Q1 is usually our smallest quarter. These segments usually contribute more to the other quarters. What we are saying here is that COVID still has an effect and if it continues, for instance, having an effect on these sectors, it will affect the rest of the year.

Claus Almer: Okay. So, then, you are changing the wording about guidance to be in the upper end of the guidance range. What is the assumption behind that? Is that in that COVID will still hit the rest of the year, or only in Q2, or how should we think about that?

Basil Garabet: When we did the guidance for the year, we assumed that COVID will have affected the first half of the year and we will gradually return to normal business in the second half of the year. That is when we basically formed our budget for the year and the forecasts.

Claus Almer: Now you expect to be in the upper end of the range. Does that mean that the COVID-19 effect will be less than you initially thought, or is that the same? Where can this end up in terms of the range?

Basil Garabet: Again, what we are trying to say is you cannot take Q1 and multiply the effect, or the increase, times four. We own too many businesses and there is too much pull and pull from a lot of these different segments. So, obviously, we anticipate to be at the top end of the range. Should this change, we will change the guidance?

Claus Almer: Okay, well, fair enough. Thanks, Basil. Then, coming back to the Cables division and this seasonality between the first half and the second half: I could not really hear what you said. Can you explain again why is it that the second half should really be that much more soft, or weaker, than the first half? I thought some of these low-margin projects you had in the backlog were more to be delivered in the first half of the year.

Alexander Kara: No, it has not so much to do with the margin. It has more to do with the mix. If you see, in the presentation, what we have executed in Q1, it is a mixture of DC cables, DC extruded; it is three-core AC and it is MI. In the second half we have a little bit of a less favourable mix in the production and the whole composition, in simple terms. That makes it somewhat weaker.

Claus Almer: Sure but is that not correct: that if you look at the specific projects that you are going to produce, or deliver, in the first half, they are some of the projects you took in where there was a little bit more pressure on the margins?

Alexander Kara: Yes, you can say so. However, if you execute them well then you can still improve the result.

Claus Almer: Right, okay. The whole turnaround of the Applications division: is that behind you or are there still things to be done, thereby lifting your possibility?

Alexander Kara: No, it is still to continue and still to expect to improve further.

Claus Almer: Okay, then just my final question goes to the adding of new capacity. Maybe you can give an update: is everything on schedule? Is there anything we should be aware of?

Alexander Kara: No, everything is on schedule. We continue in Cologne with the factory expansion. Also, in Karlskrona, we have just started to build the tower with slipform, so it is closed for the next two months. In, let us say, May, June, early July we will see a 150-metre-high building in Karlskrona, the third highest building in Sweden, so this is all going as planned.

Claus Almer: Okay, thanks and well done for the first quarter.

Alexander Kara: Thank you, Claus.

Artem Tokarenko: Thank you very much for taking my follow-ups; I have a couple. Firstly, on the H2 versus H1 message, may I just double-check it is Solutions-specific, or does it relate to other divisions?

The second part of this question: I think, initially, you have talking more of sequential improvements throughout the quarters. So, I guess, what has changed? Is it just the phasing of Viking Link now being H1 weighted, or has anything else changed?

Alexander Kara: No, Viking we had put in H1. Sorry, what was your question before that? It was just about [inaudible].

Basil Garabet: If things had changed around between quarters.

Alexander Kara: No, no. It has not changed around the quarters. I mean we had a strong Services quarter with the repair but that is an accidental repair. We have communicated also with BritNed, so this is not something which you can plan for. It may happen or may not happen, so that was a good contribution in Q1. However, also, the underlying sustainable business in [inaudible] nothing which has changed as such. I would say, in Solutions: good utilisation, good execution. Services: good repair orders, the sustainability project[?] is going well. We continue with the footprint change, as mentioned, of accessories and building wires. Applications: we are following our plan. So, simply based on the mix, H2 is a little bit weaker than H1.

Artem Tokarenko: Okay. Apologies but so that I understand, does this primarily relate to the Solutions business or is this a comment across all three divisions in Cables?

Alexander Kara: It is related to Solutions and Services, as Solutions has a little bit of a different mix and in Services we had a very strong Q1. So, really, we are actually continuing on [inaudible]. So, Services, accessories most likely depends on if there is a repair or not in H2. That we cannot predict. It should be also weaker than the first half.

Artem Tokarenko: Okay but just to double check on Solutions: it is just a reflection of slightly different mix phasing throughout the quarters? It is not like there are project delays or cost overruns, or anything we need to be aware of.

Alexander Kara: No, no.

Artem Tokarenko: Okay, perfect. My two other questions: on the US, on your competitors expanding, Prysmian recently also announced plans to potentially build some capacity in the US in high voltage. In this sort of situation, do you now see this as a necessity for you, to also come out with some US capacity build-out plans in the next 2–5 years? How do you think about this?

Alexander Kara: We have just [inaudible] Cologne and Karlskrona. We need to digest that and also deliver on the backlog. So, for the time being, this is our plan: what we have, nothing further.

Artem Tokarenko: Okay, thank you. My last question is around the scope for you to bid on large projects, like EuroAsia and the Terna. I guess, partly coming back to my previous question, from your standpoint, I guess, do you have, not production but more like financial and management capabilities to absorb those projects? What are your, I guess, conversations with customers? Are they concerned that you already have one big project and

for that reason it might be a bit too much of a risk for you to take to participate in stuff like EuroAsia?

Alexander Kara: No. I mean we have taken, in the past, last project. We have just completed the Nordlink project. We took €1.5 billion on a corridor project, so we can take large orders, absolutely. We have the capabilities and the capacity to do so. There are no limitations[?]. There was also some concern last year whether we would be able to be successful in the corridor project and you have seen that we got revenue of €1.5 billion. There are several large projects where we are currently active on tenders, including[?] large offshore wind. So, yes, we would tender them if we saw that we did not have a chance to be successful.

Artem Tokarenko: Understood. Thank you very much.

Prathamesh Sayagonka[?] (Goldman Sachs): Hi, good morning, thank you for taking my questions. I have two questions. My first question was around NKT Victoria. Can you please help me understand the utilisation of the vessel and if you use the same vessel for installation, as well as repair jobs? Are you subcontracting other vessels for some of the other installations? I will ask my second question after this.

Alexander Kara: As you can, in general, see with our expansion and also with the increasing turnkey jobs that we are taking in, the utilisation of the NKT Victoria will go up. In Q1 we were busy with installation, as well as a repair job with the NKT Victoria. In particular, if you see, at the BritNed repair in the Channel, where you have harsh weather conditions, with 8-metre waves, for example, you need a vessel like the Victoria to do a repair job. In fact, we had two vessels there, to do this repair job.

It depends really on the type of repair, what you have. If it is a repair offshore but, let us say, a repair near shore then you may be able to do it with a barge or a third-party vessel. You may not need a vessel like the NKT Victoria for smaller repairs. So here we are flexible to use either our own assets or third-party vessels, what fits best for the job.

Prathamesh Sayagonka: Okay, thank you. My second question was around the margins for different types of repairs. Can you just help me understand how the margins vary? I mean what are the factors that define margins on the repair jobs? Is it the depth, the type of cable, where you are doing the repair, or how urgent it is? Can you please help me understand the factors on those?

Alexander Kara: No, the margin on the repair jobs varies, of course. It depends on what is the repair job. However, you can imagine that a large repair is advantageous[?] but still you need to be competitive, as our competitors also repair and offered those repair jobs. So you need to be competitive but the trend is the bigger the job, you can also say, the more complex also, the higher the reward, in terms of margin.

Prathamesh Sayagonka: Okay, just to clarify, then, is that any different between AC and DC repairs?

Alexander Kara: What? I could not understand the question.

Prathamesh Sayagonka: Sorry, I just wanted to check if there is any difference between the margins for AC and DC repair jobs?

Alexander Kara: No, no. No, there is no. No.

Prathamesh Sayagonka: Okay, thank you so much.

Alexander Kara: No, DC has two cores[?] and AC has three, so three cases[?], so no.

Prathamesh Sayagonka: Okay, that makes sense. Thank you.

Alexander Kara: If there are no further questions, then thanks a lot for your interest, to call in and thank you for your good questions. I hope you will join also the Q2 session and let us see how the result will be then. Thank you very much. Have a good day and talk to you soon.

[END OF TRANSCRIPT]