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EDITED TRANSCRIPT

NKT.CO - Nkt A/S Capital Markets Day

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PRESENTATION

Michael Nass Nielsen - *NKT A/S - Head of IR*

Good. It seems like everybody have found themselves a seat. So first of all, I would like to welcome all of you here in Copenhagen, participating in our Capital Markets Day. My name is Michael. I'm heading up Investor Relations at NKT. And I would also like to welcome all the people that are joining us from the web and are listening in from all over the world. We've been very much looking forward to seeing all of you. This is obviously a big event for an investor relations guy like me. So we've been preparing over the past month and are looking forward to present our new strategy today.

So I will just do a few practicalities here before we start. And then my skilled colleagues from the management team will take over after that. So just very briefly here, a small disclaimer that I should read. There will be some forward-looking statements in the presentation that is obviously subject to uncertainty.

Then I would like to share with you the full shared beliefs of NKT, which -- that have been implemented 2 years ago and are made easy to remember for us. So it's ACDC; so We Advance, We Connect, We Deliver and We Care. And I just wanted to dwell a bit on the We Care side because that is a cornerstone of the company.

And therefore, I'd like to start with a safety moment, that is very close to our heart to have safety first. I want to tell everybody in the room that there are no planned fire drills. If the fire alarms go, well, then you'll walk down the stairs down here and doors downstairs will be opened and then we'll gather in front of the building. I don't hope that would be relevant, but I wanted to ensure that everybody is aware of that.

And then another caring part, so to speak, is that sometimes at these events, we provide presents to the ones that are coming, but this time around, we've decided not to do. But instead, we will plant a tree for every participant that is joining here, both virtually and physically here in the building. So thanks for contributing in that way, so we can fight climate change together.

And finally, on the We Care side, I've already been asked by one, we haven't printed out any versions, but the presentation is available online. So you can find it there and have a closer look on the presentation. But obviously, we will run through it together with you over the next hours.

Good. So together with me today, we have our full group leadership team. They are seated down here in the back right now, but will come up and present as we go along. We will -- there are 10 in all, but we will only have 7 on stage for the presentation here, but the 2 -- 1 is unfortunately not able to join, but I'll come back to that. So -- but we will have Alexander Kara, that most of you know here, we will have Line Fandrup, our CFO. So the 2 persons that are normally fronting the investment market. Then we will have Michael Hjorth, who is the CCO of our Solutions business. We will have Kira Johnson, our Human Resources Officer as well. We will have Anders Jensen, our Technology Officer. Claes Westerlind that is heading up the Solutions Karlskrona business.

And then unfortunately, Will Hendriks, which you can see up here, is unfortunately not able to join today. So his presentation will be taken care of by Michael Yong, who is our Head of Strategy. And then on the list here, we also have Axel Barnekow Widmark that is heading up our Services business. And apart from the 8 here up on the screen, we also have Luca Sidler, who is responsible for solutions in Cologne, and we have Jens responsible for our Accessories business.

So that concludes the full management team that you will also be capable of finding around you here. And I think it's fair to say, a broad group of people with a heavy experience within the individual areas and quite a few of them also with a long history in the cable industry. There are also a few other NKT employees, and you can know us that we are wearing these green name tags. So if you have questions or whatever, well then feel free to approach us during the breaks.

And then the final slide from my side, the full agenda for today. So we have a lot of nice things on the table. We will basically do it in 3 blocks and 3 block -- and each of these 3 blocks will be ended by a Q&A session where you can ask questions, mainly around what has just been presented, but obviously welcome to also ask questions to other parts whatever you have on your mind.

So right now, I'm welcoming you so that we are going along with. Well then Alex will take the first introduction here. And Michael Hjorth, the CCO, will take the market part and we have Claes taking the solutions part. We'll round that off with a Q&A session and go to have some lunch after that.

After the lunch break, we will continue with Applications, which is done by Michael Yong, our Head of Strategy, as I mentioned, and Axel will cover the Service & Accessories part and followed by a Q&A session. And that will go on then in the afternoon, we will have Technology by Anders Jensen. We will have ESG, which is presented both by Michael Hjorth and Kira Johnson, and Line will do the financials as the final slide here. Then we'll end with the Q&A session and Alex will come back on stage and wrap the day off. So we hopefully can end at around 4:00. So that's the plan for here.

Then some of you have signed up for a trip to Karlskrona to see the factory that we have over there tomorrow. So there will be a bus waiting for us downstairs, which will leave no later than 4:30 for the people that have signed up. So please come down for those of you that's relevant and tell Johanna, that will stand in the entrant, before entering the bus that you are there. So we'll know that we have everyone with us.

I think that's basically it from my side. So I think now we will go on to why we actually hear to the more exciting part, so to speak. So therefore, I would like to welcome Alex up on stage that will do the first part of the presentation.

Alexander Kara - NKT A/S - President & CEO

Yes. Thank you, Michael. Yes. It's great to see you all here for the Capital Market Day, those which are in the room and many of you who know me and also part of our management team, also those which are connected to the web. This is my first Capital Market Day. So -- and also for my team members, so we're all a little bit nervous, but I hope we will manage well.

So just for -- but still for those which don't know me, I started in NKT 1st of August 2019, after 32 years working in ABB, where I also was leading for the period of time, the Cable business out of Karlskrona globally. And I have to say, I worked in a lot of fields in -- from energy generation, transmission, distribution, but the cable business is one of, let me call it, coolest business, most interesting business. If we look at the solution business, the complexity of production with installation on land, on sea, but also the application business and the service and accessories. So I like this business very much. It is very interesting. And now with these changes in the market what we see, the trend to green renewable energy, the market outlook is fantastic for the cable business, for the entire industry, which is, of course, great.

So cables are important for the sorts -- for the modern society. And why we will see that the energy demand will go up. And whenever you have more demand, you need to produce electrical energy and you need to transport electrical energy. And how can you do that? You can do that with overhead lines or you can do it with cables. And there's no other way to do that, from high voltage, from the generation to the distribution grid and to the consumer and the demand is already increased and will increase further.

So in the next couple of hours, we will tell you what are our plans, what our strategic directions. I hope you learn more about NKT, about us, and the business. And we will answer your question, as Michael said, during the break.

So we connect a greener world. This is our purpose, which we have changed when I joined. And this is what we are doing. Our portfolio, our product solution and services what we have today has the only purpose to support a greener world, to connect a greener world, to be an enabler for the energy transmission and also our future, what we plan to develop on products, solution and services at this intention. So we are in the space of transmitting power to -- from the generation to the end user.

Cables plays a vital role, and we are in the field of delivering cables for offshore. It can be different kind of cables, can be 3-core AC, alternative current, can be DC for longer distance, it could be dynamic cable. Then we have cables for interconnectors, for solar plants, and wind farms on land where you have more medium voltage cables. So it's a vital role for the energy transmission, and we are proud that we can contribute with our power cables and make a contribution.

We connect a greener world is important for us, and that is also what we mean. And why is it important for us? Number one, the demand is high in -- for cables. The demand is high, it requires our competencies, our capabilities. We also can contribute with the decarbonization of the society. So whenever you want to move to an alternative energy source if it talks about heating, for example, replacing gas or so when you go to heat pumps or electrical car, you always need to produce, you need electrical energy and you need cables to connect it. So we can help to decarbonize the society, and that is important to us. And last not but least, we connect a greener world is important of us because it is in our DNA and our values. And this is our focus to connect a greener world.

Looking a little bit backwards, in 2020 when I came, we launched the strategy ReNew. And we had obviously in 2019 some challenges. And in 2020, the strategy, one part what we did is work on organization to a more classical profit and loss organization and established a strong management team, and you see -- you will learn the management team a little bit later. And one important step was also in 2020 to strengthen our balance sheet. So we did an ABB and rights issue in 2020 to strengthen our balance sheet.

And when I joined, the market before I joined was rather weak. So we had a low backlog in solutions. It was absolutely critical to win large projects in order to get utilization in years ahead of the factories in Karlskrona but also in Cologne. And we were quite successful in 2020, also with the German corridor. The project was around EUR 1.5 billion. And on that basis, we took then decision to invest in Karlskrona and in Cologne, and that was the right thing to do.

We initiated also several footprint changes, optimization on the application side, but also on the accessories side. Most of them will be completed by end of the year, some will continue into the next years. So overall, we have a strong backlog in solutions today of EUR 4.6 billion. Applications is in a better shape. And the ReNew strategy, what we launched in 2020, had the purpose to prepare ourselves for growth, to prepare ourselves for growth. And this we did with the investment and all the changes what I said.

An example where we were also successful with the SuedOstLink second system, which we won this year. We could not accept that this order -- or win this order, if you would have not the capacity expansion. So it was the right capacity expansion in Cologne. It was the right thing to do, to

expand the capacity. And this year also, we announced the capacity expansion in Cologne on the back of the Champlain Hudson Express project. So we invested in the past, and we'll do so in the future based on trigger events, on large projects.

If you look at our financial performance over the last years, it has improved on revenues. And you -- most of you are familiarized with the numbers. So revenues have increased from '19 to '20, 15%; from '20 to '21, 15%. And this year, we will also grow, based on -- in the range of the guidance.

The backlog has increased substantial, and we have also potential to win further project and increase it further. And the earnings has improved over the years. And I would say the last couple of years, we achieved, with the management team, and of course, also with all the stakeholders support, the board, we achieved a turnaround and at the same time, achieving a turnaround. I'm proud that we could increase the employment engagement to 73, and we target 74. It's not only assets which makes the difference. It's the employees and it's people which drive changes in the organization, and that's what counts.

So we have strengthened the foundation in NKT. We are today a better company. We were also net profit positive in 2021. We are well structured, and we built the foundation for growth. I think we have done here some remarkable steps in the last couple of years.

So if you look at NKT, NKT is important for the renewable energy transition today and in the future. We will be a pure play for power cable solutions once we have divested the photonics what we intend to complete latest by Q1 next year. Then, we are a pure cable company and can focus on that. We have a broad portfolio. Practically, our entire portfolio is for the renewable energy with some small portion in application, on a building wire, which is related to a construction business.

And we are in a leading technology position in particular in HVDC technology. What we have seen in the last couple of years is there was a shift towards more HVDC, the HVDC technology, due to that offshore wind farms have been further out from the shore, then you need to go to DC technology, and Michael will talk more about it.

We take sustainability as an important topic, and we started very early and signed as the first company in December 2020, the science-based target. So all our factories run on renewable energy. We have electrical car policy, our focus are on fossil fuel. And you will hear more about our targets a little bit later in the ESG presentation. So it's important not only that we deliver cables for renewable, for the green transition, but also that we contribute ourselves to reduce our CO2 emission.

And we want to be here a front-leader in sustainability, also to walk the talk. By the way, also, I think as a leader, personally, you need to walk the talk and see how you can reduce the CO2 emission. So I do that to by my best I can, using public transportation in Denmark, in Copenhagen, or this taxi electrical, taxi and so on. So I think it's important -- sustainability is important for us and will be important.

If you look at the green transition, I think NKT is an attractive partner, an attractive partner for investors. Why? Number one, we see a huge growing market. We have an all-time high backlog, and we see a more balanced demand/supply chain, which result in higher margin. And we see that, and we can also be to today more selective. For customers, we have a long experience. We have good products, good solutions. We execute on time and deliver, and customer come back to us. So we can contribute. And this all, we can only do with engaged and motivated employees, and we have 4,000-plus of them.

So if I look at the market, the market is great, and you see these big numbers on energy investment in energy, EUR 5,000 billion. Wind energy generation will triple from 2020 to 2030, and the largest growth is in offshore wind, and the market will grow in the present decade from 3 to 4x, from 2 to 8 giga billion (sic) [EUR 2 billion to EUR 8 billion] or even more. And Michael will tell you more. And the market is dynamic. We have seen that with the invasion for Russia and Ukraine, where the demand or the acceleration of renewable energy got even further accelerated. And it was not that long time ago in Dublin, I was invited to meet energy ministers, and their clear commitment to come to these 300GW gigawatts in 2050 and earlier in between milestones.

So the future is green, and we will play a part of our -- of the future and deliver with our cables and contribute to a cleaner society. So this is our mission. And as I said, NKT is today in another situation. We have a lot of challenges behind us. We are today another company. It doesn't mean that we are perfect, so don't get me wrong. There's always challenges in the company, but we are in a situation and the opportunities are more

than higher than the challenges. And now we can look at ahead, and this is why we are here in launching our updated strategy. It's not a complete new strategy, and we call it a ReNew BOOST. ReNew BOOST is about growing NKT. It's about the green transition and also to accelerate our effort to contribute to the green transition. So this is all about the intention and updated strategy.

This updated strategy has 3 pillars: We grow -- Let's Grow, Innovate and Sustainability. Grow, we want to grow in a meaningful manner. It must -- we deliver returns. We see margins improving. So there must be clear sense also if you want -- if we invest. We are very active in Europe. The market in Europe is very strong, and we are selective on projects outside of Europe.

And then innovation, innovation with green transition will require new technology, longer distance. So today with HVDC, you can have 525 kV transmit power over thousands of kilometers. We will see new technologies like dynamic cables, with higher voltages, AC and DC. Also, if you go outside further out into sea, we will also see potentially, so high-temperature superconducting cables. If the energy density in the cities goes up, if everybody has used heat pumps or electrical cars in the megacity, the demand goes up and you need to bring the power into the city.

But innovation is not just technology. Innovation is also about collaboration. And we announced this week, the first -- world's first global low carbon HVDC cable, where we work together with suppliers with the mine Boliden, Elcwire in Helsingborg and to customers, SSE Renewables, Equinor and Eni Plenitude. So this is an excellent example on innovation, if you team up with customer. So innovation is not always technology, innovation can be also business model and how you interact with your customer in a more effective way, not a tender, for example, project by project, maybe look on frame agreement, set up, so to reduce the effort.

And then last but not least, sustainability. We want to be in the lead in sustainability and drive that. This is with everything we do, and we want to attract and retain top talent. That will be one of the challenges in the next coming of the years, to attract talent and to keep them because everybody in a growing industry need people. And we see that our competitors, our customers, consultants, some go even maybe to banks, I don't know. So everybody needs competent people or engineers also.

So the ReNew BOOST is also about setting direction for the business line. For Solutions, we have invested in the past, and we will invest and benefit from the tailwind on the growing market. And we will invest in HVDC in AC power cables. In Application, we will invest in existing footprint, debottleneck the footprint so that we can increase the capacity and expand. We have also done an acquisition, a small with -- Ventcroft in U.K., which was a nice fit to close the portfolio gap. And also from the cultural point, it was a good fit for NKT.

So M&A is not the top priority. Of course, you should never say no. And if a good opportunity comes, we would look into that. And then Service & Accessories grows with solutions and application growth, it is also partly an internal customer. So if the DC demand goes up on cable, we need more DC accessories and AC accessories also. And also the service is increasing with a higher demand. So Claes will tell you more about the solution and Michael Yong about application and Axel on service.

This was my short introduction. I know I was overrunning actually. So with this, I hand over to Michael Hjorth, and we'll take the questions later.

Michael C. Hjorth - NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions

Thank you, Alex. Good morning, everyone. My name is Michael Hjorth, and I'm the Chief Commercial Officer of NKT Solutions business, so that's the high-voltage part and the big projects basically. And in that capacity, it's my privilege to give you a little bit color on NKT's interpretation of the global energy market, what it means for NKT and also then finally, zooming in a bit on the large project business, pitching up to Claes when he will explain more about the solutions business.

If we take a look here, some of you may recognize this one, this is actually, should we say, the International Energy Agency's prediction on the global energy market development from now until 2050. And we have decided NKT to align ourselves with that. We think that's appropriate. It represents what is required to meet the maximum 1.5 degrees, defined by the science-based target of temperature increase.

And we also think it's a fair assumption when you look at the longer term that improvements in power efficiency, insulation of houses and so forth will also have a dampening effect. So we are not really buying into that there will be a huge growth. But the interesting part when you look at this

is obviously that you will see a transition in the next 20 to 30 years from essentially a black power energy into -- up to 70% will have to come from renewables, which I know will also be then the solar, the wind and what we call other renewables, which is predominantly hydro and biofuel coming.

Of course, we can say there could also be an acceleration to this, climate changes accelerating, geopolitical situations, as Alex also talked about, or individual countries having ambitions to accelerate could actually incur an even steeper curve to transform into the renewable.

The other part, of course, to keep in mind is, when we reach the end of the period 2050, we will have 70% if all things play. There will still be 30% that is dependent upon fossil fuel. So there's still a huge potential for further transformation. The common denominator for the transformation to the renewable is that we need cables. Without the cable systems, there will be no transformation of the magnitude we're talking about. And you need the power cable systems for the generation of the renewable power, whether it's solar, hydro or wind, you need it also for the transmission. So it's typically generated in places that are far away from the consumption area, so you need cable system to bring it. I think the Corridor project in Germany is a very good example of that. And you also need cable systems for the distribution out to the final consumers, which is where the application business in NKT plays in, as Michael Yong will explain.

So for us, we think NKT is ideally located to take advantage from this transformation into the renewable. And as I said here, the target, obviously, that we also tie into is the 70% energy generation by 2050 will come from renewable. So what does that mean then for NKT because this is all the energy generation.

If we then look at the electrical energy generation, which is really the leading indicator for NKT's business, then again, we will see the picture that -- from 2020 to 2030, which is reasonably in a future that we can predict, we see a massive growth in what we call the renewable, the solar, the wind and the other renewables. As Alex alluded to, 3x more wind, which is actually a quadrupling of the level in 2020 and even more breathtaking, 6x up on the solar is really, really massive growth. And our applications business ties into the solar, the onshore wind, and should we say, the other renewable like the hydro or biofuel, whereas our solutions business ties in predominantly to the offshore wind, and then the interconnectors between countries could also be between continents in the years to come. And then the whole power grid, the transmission, the expansion and the reinforcement of the grid systems. Lot of the grid systems around the world are very old and needs to be expanded and maintained or maybe even replaced to withstand the future demands.

If we then look at the offshore wind, which is at the centerpiece of the solutions business, NKT is today the leading player in the offshore wind. We see that in the future that will be, we predict, some 12% of the offshore wind market or the whole wind market. But we need to understand where we come from. So in 2020, the offshore wind market was 1% to 2% of the global wind. So we have an acceleration in the offshore wind. So the market we tap into and where we are leading, we will see a higher growth than anywhere else.

Another very important thing to remember is that the offshore wind from a scalability, if you really want to ramp up on the renewable transformation, that's the one area where you can get the most bang for the buck. That's where you can really scale up on the renewable where the offshore wind farm is growing bigger, and you can industrialize that whole scene, which we are seeing now.

If we then move on to looking at how has the market -- for the large high-voltage projects, how has that evolved over the years? And what do we predict for the future? We can see that in a historical perspective, it was EUR 2 billion to EUR 2.5 billion market. We can call that the addressable market for NKT Solutions business.

But then back in 2020, 2021, we saw a remarkable jump up to 100% increase, EUR 5 billion. And we also see now this year and the coming 2 years, when we look at the pipeline of projects and should we say, with our insight on the maturity of the projects, the probability that they will happen, we will be at EUR 7 billion to EUR 8 billion in that period. So further growth, and that we have visibility on.

Of course, when we try to look further out, the visibility drops, but then we can look into the gigawatts, the politically stated targets on gigawatts as a leading indicator and also the associated interconnector business that is required to facilitate such amounts of offshore wind. And when we look into those, we feel comfortable that we will see for the foreseeable future a market of EUR 8 billion to EUR 9 billion. Of course, as Alex said,

there could be ups and downs a little bit. But on average, we will see a level of that magnitude which is a massive growth from where we have come.

If we take a look at the NKT's position in the market, we have here the same numbers in '18, '19, EUR 2 billion, EUR 2.5 billion and then the EUR 5 billion and then it will grow in the years to come. So we have on the left scale, we have the market size in billions of euros. And then on the right-hand side, we have NKT's market share or at least our interpretation of our market share in the addressable market. And you will see it's a flat curve or maybe even increasing a little bit. So we have been able in a growing market to maintain our market share.

Now for us, that is also what we would expect. Alex talked about investments in Cologne and Karlskrona. And of course, we would expect that we should be able to keep those assets then fully utilized. So what you see here is actually we have defended our position. And we also heard Alex saying that in the future market, we will also look at maintaining our position. Of course, we will be disciplined around this, but it's important for us not to drop in the market share.

If we take then a look at, should we say, the distribution of the market, both in terms of geography and technology, we have -- on the left-hand side, we have the distribution here geographically, where we can say Europe accounts, in the foreseeable future, for 2/3 of the activity level on a global scale. And why is that? That's, of course, largely driven by the green deal in Europe and also the fact that the net zero target activities are driven mostly out of Europe. The rest of the world will be coming for sure, and we see that, but Europe is definitely on the forefront.

And therefore, of course, with NKT centered with these activities in the Northern European area, I think we are very well located from a geographical perspective to address that market. The rest of the addressable market for NKT is then split between North America and the Far East. What we see is that 1/3 that is left is split then into another 1/3 of the 1/3, which is then the American market, mainly driven by the emerging offshore wind. We see now stronger and stronger signals from the U.S., from the Biden administration to focus on that.

But not only the offshore wind, we also now start to see in some areas, mostly in the densely populated areas, you see the underground cabling starting also to kick off in the U.S. and the Champlain Hudson Power Express project that we announced earlier this year is a very good example of that, where basically it was impossible to do that with overhead lines, as the norm in the U.S. But now we see people will not accept that. Similar to what we are seeing in Europe is now also happening, should we say, at the coastal regions in the Americas. So that's interesting for us.

And then the 22% remaining 2/3 of the final 1/3, we see that in the APAC region, from Middle East all the way over. We're excluding China a little bit from that because that's not really an addressable market for NKT. But nevertheless, we see there emerging offshore wind coming. We have the local interconnectors in that region. So all in all, we see the activity level kicking in, and we expect in the future that will be about 20%, 22%.

If we look at the technology, it's also worth noticing that there has been and will continue to be a very significant change in technology. So historically, when you look at this pie chart here, it would have been more dominated by the HVAC, the traditional 3-core cable part. And then more on a project-by-project basis, you would see then the fluctuation on DC. What we see now is a clear pattern that DC will be 3 quarters of the activity level going forward. It's not that AC has dropped out. That's more or less the same activity level as it has been historically. It's because DC is just growing immensely.

And why is that? There are a couple of drivers for that. One is that the offshore wind farms grow bigger and bigger and further and further away from the coast. And when you go to a certain geographical distance, you need to switch to the DC because of the losses in an AC system. And we've seen that in the North Sea. We have several projects in NKT offshore wind projects that are DC and we will see more and more of that in the future.

The other contributor to the DC switch, technology switch is the long-distance interconnectors. So between countries, and now we also see even between continents. And obviously, the long distances drive then a larger volume of cables. So all in all, two very important takeaways from the market in the near term that we also think will remain in the longer term.

If we take a look then at this map, this is, I guess, the number we all can relate to is the 300 gigawatts, which has been politically stated as a European or EU target. We just wanted to share with you some of the individual countries' ambition levels. And when you start adding those up, yes, it's going to go beyond 300, which is actually also what Alex alluded to. The geopolitical situation is now driving countries to try and go away from

dependency on fossil fuel, and we see ambition levels growing in terms of how many gigawatts and also how quickly that countries want to attach to that. We had the Esbjerg Declaration confirming the 150 gigawatts, we had the Baltic 1, which is almost 100 gigawatts. So there is really genuine plans and very strong political pressure to reach those numbers.

Another interesting takeaway here is, we also -- we know that the Northern European -- the North Sea and the Baltic has been traditionally where offshore wind has had its strong point. But we see now countries in the southern part of Europe are also now starting to have very ambitious levels of offshore wind. And the interesting part there is, they don't really have shallow water areas like we have, they go very quickly into deepwater, which will then drive the need for floating offshore wind and dynamic cables, which is another interesting trend that we see. We estimate the future market of floating wind will be 10%, 15% at least of the offshore wind market. So it's a sizable market for the future that we also want to address in NKT.

Another thing, obviously, also when you go to the Mediterranean and to other parts of the world is the water depth, goes very deep, and we need the deepwater applications to address that, not least when we start talking about the interconnectors. And Anders Jensen will actually talk a little bit more about that going forward.

Finally, I will show you a slide here that we also need to take into consideration because it's not all just roses here. Of course, the market outlook is fantastic. But there are certain things that could potentially have a dampening effect on the activity level. And as an industry, and we count ourselves as part of that supply chain, we need to address these issues.

First and foremost, we have -- on the left-hand upper side, we have the whole permitting and consenting and planning part. And when you want to develop offshore wind or renewable projects, this plays an instrumental role that you need to have that in place. That can delay your projects by years. And the whole process in itself is very long and cumbersome today. And I would say the regulators need to do something about the societies, need to do something about this in order to accelerate the development of these projects.

Also, the companies that are developing wind farms, solar farms, they also need to do something about the whole process in selecting who they want to work with. So the amount of resources and time we spend in the tendering processes with multiple re-tenderings, and so this was needed maybe 10 years ago, 15 years ago to mature this industry. But with the ambitions level going forward, we need a much more efficient way of running these processes.

Then we have the whole financing part of the thing, that also can be, should we say, an obstacle, access to funds. We see the traditional projects are prepared and then they need to go for funding and financial closure before we can actually kick that off. That whole process takes too long. Time to first power takes too long if we want to reach the target levels on gigawatts, and as the whole industry needs to find better ways of doing this faster. I think the oil companies coming in now to the offshore wind part is playing a role. We can see that they can fund from their balance sheet. And I think the whole industry will need to follow through there.

Then we have the supply chain security, which has been very, very persistent in recent months. So the access to the materials that we need, the access to components is something that you need to manage, and the companies that control that will be the winners of tomorrow. We see the impact on project, on business cases from volatility in prices, delivery times. And this is something to really manage well if you want to grow at the pace that we predict we need to.

And then finally, on the left-hand side, we have the whole supply/demand balance. And of course, now this is a Capital Market Day for NKT. So we will talk about NKT's supply and demand in the market. And here, it's clear, as Alex also said, we have been and we are investing to grow with the market. We've shown that. I think we've also shown a prudent way of doing that. So we also can actually fill those investments up, and we will continue to do that going forward. But the conditions need to be right. So obviously, price levels, margins, terms and conditions, horizon on these commitments needs to be there before we make further commitments. But we are seeing ourselves as a professional part of the Tier 1 players, and we'll do the necessary thing.

So to sum up, I would say, as a company, we are relatively bullish on the market outlook, for sure. We think we are very well positioned as a company. And with that, I will hand it over to Claes Westerlind to explain you more about how we will utilize this in the Solutions business.

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

Thank you, Michael. Is that your water, Michael? Thanks. Hello, everybody. It's good to see you. Good to be here today. My name is Claes Westerlind, and I have the privilege to lead the HV Solutions Karlskrona business. And today, I will be presenting the overall solutions business lines for you.

I've been with NKT since 2017, came over from ABB, where I spent the majority of my career. And since 2019, I've been responsible for the HV Solutions Karlskrona business. And I wanted to take off a little bit where Michael left explaining what we do in Solutions Karlskrona and Cologne, where we have been, and also have a view at the future where we are going with that.

I think Michael and Alex, they both said it. In Solutions business, we deal with the high-voltage part of NKT from a product perspective, but more importantly also from a project perspective. And we do that based on a couple of our assets. The most obvious things, when you think about cables, you think about factories, obviously. And that's where we have Cologne and also Karlskrona, 2 state-of-the-art factories. We also have NKT Victoria which is the vessel you could see on the slides here before and on the movies. And I use that as a collective name for our combined installation resources that we have inside NKT. It's not only Victoria as a vessel, it's, of course, also the crew. It's the tools we use on her, and it's our ability to also do both offshore and onshore installation in terms of civil works, cable pulling, et cetera.

And thirdly, also testing capacity. We have labs both in Karlskrona and in Cologne, which are extremely relevant and crucial for us in both R&D adventures that Anders will talk about later, but also in our commercial projects, both to get the right traction but also as risk mitigation.

And speaking about technology, we are a technology company, NKT, and solutions business lines more than anything. We live and breathe from technology. So the advancements we do in technology, that's what we will harvest in tomorrow. And last but not least, all these assets, anybody can buy a factory like Karlskrona, anybody can buy a vessel like Victoria, but not many can run these assets. So our people, the experience we have, the 130 years of experience and the vast amount of people, both in Cologne and in Karlskrona, that's crucial for us, has been and still is to come in the future.

Reflecting a little bit of what we do, then out of the total scope when it comes to generation, transmission and distribution. The Solutions business is working both offshore and onshore. That's obvious on this picture. You can see NKT Victoria, and you can also see the onshore aspects from a cable delivery perspective, so both offshore and onshore cables. We are active and deliver cables in 4 segments. Interconnectors is a high-volume segment for us. Michael alluded to that, and I will come back to it also later on. It drives our technology development, and it stands for a significant volume of our business.

We have the offshore wind segment, which has been an AC segment, historically is now, during a strong shift towards DC, also a high volume segment for us. And then we have the Power-from-shore segment, enabling the offshore oil and gas platforms to harvest fossil fuel with less CO2 emissions. This is not a big volume segment but it is an immensely important segment from a technology perspective and also execution perspective cooperating with the oil companies.

And last but not least, also the underground segment, which is becoming a high-volume segment looking at, for example, the corridors, but has been and will also remain as an important segment for our AC onshore business.

Then we come to the installation part as well, which is where we have a wide variety of settings in our projects, some very few are product-only deliveries. Most are with installation, could be cable pulling onshore, could be laying offshore and the absolute majority is including also burial offshore, so complete turnkey from design, engineering, production and installation, from end to end. And that is also our absolute priority from the solutions side. We want even a good utilization of our assets. Those are the products we are targeting.

And then we come to a little bit of a dive in on the assets I mentioned in the beginning. As part of the solutions business, we have the factory in Karlskrona, and I was glad to read the other day that more than 30 people of you have signed up for the tour to Karlskrona. So congratulations to you for that. And to the rest, I'm sorry to hear that you haven't, but hopefully, the opportunity will represent itself in the future. This is a state-of-the-art factory, and I will be proud to show you this tomorrow. She is qualified to do both offshore and onshore cables, and we have basically the entire value chain there, from R&D to production engineering, installation and also testing and commissioning assets and people in this facility.

We have the Cologne factory, which is a state-of-the-art factory, in essence, brand new, when you speak about factories, inaugurated in 2010. This is a factory with a unique ability to shift between large projects like the corridors and also more modestly sized AC onshore projects and also offshore projects. So it's a highly flexible and agile plant in comparison to Karlskrona, which is more focused on what's long, big and heavy. Those are the words I usually use when I talk about our strategy internally in Karlskrona.

And then we have our third factory, NKT Victoria as well. So we also see that as one of the major assets together with everything that she encompasses then in terms of burial. She is a state-of-the-art vessel. We have had her since her maiden voyage in 2017. And in the years that have passed in, she has managed to prove ourselves in all the 4 segments that I just spoke about before, and she is still performing beyond our expectations. And I said it before, again, these are only assets, but then it comes to the people around these assets as well, which are, of course, extremely important.

If we look at 2 pictures then of the 2 plants, this is a little bit to shed some light on the history. We have been investing a lot, conducting a lot of changes in recent years. Alex was alluding to that before as well. If you look at the Cologne building and the Cologne plant, in 2020, we took the decision to make some serious investments in this plant with a priority of 2 things: increasing the capacity, installing another extrusion line here at the tower, which is being installed for the moment. That's one aspect; and the other aspect, to sharpen the capabilities of this plant to hire or to handle very long length and heavy cables. And this had a focus on DC large-scale onshore projects.

Then we have the Karlskrona factory which some of you will then see tomorrow. This is a factory which was established in 1992. We then moved the business from Stockholm down to Karlskrona. In '99, we built the first -- the baby tower that you can now see the small one there. And between 2010 and 2014, we made a major investment project under the ABB umbrella at the time, focusing on DC XLPE cables. That was a couple of years too early, if you looked at the market, but now the market has caught up. And in 2020, with the awards of the corridors, we took yet another decision then to fulfill the plans that were made during that investment, also reckoning the second tower, all the adjacent machine lines to that, which will be shown tomorrow, also together with the fact that Victoria came to us in 2017. And then on the back of the award of Champlain Hudson Power Express earlier this year, we took yet another step in completing this tower with even more production line capacity.

So both these plants have made significant journeys since 1992, '99 and 2010, respectively. And it's one thing, it shows that we are able to build on these sites that they have -- we have the size there. We have the logistics to entertain expansions, but it also shows that we are able to grow from a human resource perspective, from a competence perspective in these plants. I know myself having the privilege to lead Karlskrona. In the last 2 years, we have grown with more than 200 people on this site and in this business. We don't only have employees in Karlskrona, but we are able to grow, and we are able to make more investments, both in Cologne and in Karlskrona.

Michael, he talked about the offshore wind and also interconnectors. This is a picture of the interconnectors that have been built or are under construction in Europe or in northern part of Europe. And it shows a little bit of the development that -- developed since 1954 when the first HVDC interconnector was built between Gotland and Sweden. And that technology at the time was a paper-insulated technology, so-called MI, which was pioneered by the organization in Karlskrona and that has been then followed through by XLPEs or plastic insulated cables, starting in the end of the '90s, actually also with the first reference on the Isle of Gotland.

And as you can see, NKT, we have the privilege to have a really major part of the reference products inside Europe. And since '54 and in the end of the '90s, respectively, we have made very controlled and risk-aware R&D technology steps forward, culminating in us launching the 525 cable systems both for sea and land in 2014 and that in itself what -- was the base foundation for the awards that took place in 2020 of the corridors in Germany.

If we look at the financial stance for the moment on the backlog, Alex, he mentioned in the beginning there that in the solutions business for the moment, we have a record high backlog. And the leading position I talked about just on the slide earlier, together with all the good work that has been done in recent years and together with a favorable market outlook has allowed us now to reach a very good backlog situation.

And further on just at the number, EUR 4.6 billion, we pride ourselves being quite strong in both, the different technologies, the different markets and also the different segments. And that's also shown, if you look at the diversity of our portfolio here, it is a wide variety, both across the segments but also geographies. We have historically and also still, a strong focus on the European market, given that it's the absolute largest market. But you

can see also we are -- we have gained references now in the Med region with the Attica-Crete project and also this year with the Champlain Hudson Power Express, we are taking NKT and our cable business back also intercontinentally to the U.S.

So that's good. The products are sold, which is great. And then we also need to execute them, and that's where the trick lies in this business. When you start in the cable business, and I did that myself about 10 years ago, then the cable looks very simple if you look at it. But then after a while, you realize it's not so simple, just also from a product technology perspective, then you have the installation aspects of it and then you have the entire project aspect of it, which is extremely complex.

So I think there is nothing to say that this is -- this business is risk-free, and we also don't say that. But of course, our task is and what we have been practicing for the last 50, 60 years is to execute on these large turnkey contracts in a very risk aware manner. And that starts in the tender phase. We invest a lot of time when we do our tenders into understanding what we are dealing with, not only from a contract perspective, but also technically, all the ambient conditions, et cetera. That is being put in, of course, to the final tender, which has been negotiated and agreed with our customers and allows us to get a good risk picture at the beginning of the execution phase, which is then also followed up during the entire execution phase with a very diligent process around risk awareness and the execution of the projects.

And while we are, like many companies, a line organization, our actual value add is across the line in our so-called product processes. And that's how we operate and that's how we work inside our product managers, they are the kings of the solutions business.

And here, we have a couple of examples of that, that is -- can't help showing because, of course, we are extremely proud of all the products we have delivered. Here, you can see 3 different examples from different segments. The first one, an oil and gas example, the Johan Sverdrup project in Norway to our customer Equinor was completed, delivery in 2018. This is the longest cable we've actually laid in 1 length, 200 kilometers, laid without any joints. It also was followed up by Johan Sverdrup 2.

So the customer successful product delivery is also a good in to the next project. And that we managed to do with Johan Sverdrup, so to the extent that Equinor entrusted us to deliver also the second phase, which is ongoing and almost now completed. We have the NordLink project, which is a large interconnector between Norway and Germany, both encompassing land cables and also sea cables on land, including civil works, cable pulling and everything that comes with those complexities, permit authorities interacting with that, allowing ourselves to prove our capabilities around those aspects.

And last but not least, Moray East, an AC offshore wind connection, which was delivered by ourselves from -- cables from Karlskrona and then installed by Victoria. And it shows the spread also of projects we have delivered in recent years. And it's the lessons learned of these projects and also all the proceeding that sets the foundations for what we are doing in the future.

If we talk some numbers then, our high backlog, what we have done now or managed to do our abilities and also the expansions that we have in place and ongoing for the moment gives us a strong conviction about the future. You can see that we have a positive trajectory both in terms of revenues, but also profit. And that is recovering from 2019 when we had a weak point in terms of loading and the balanced mix in the factories.

And as Michael was alluding to, as we are expanding and as we are investing, we also want to be very diligent to make sure that our assets have a good load. I know myself personally running cable factory with insufficient loading is not a good experience. So in everything we do, we need to make sure that we have a good and balanced mix in our plants.

And with the ongoing investments we have now and with the revenues and profit that we can see both here, but also when we look forward, we have high hopes for the future. So we are by no means satisfied with where we are for the moment.

With then these strong investments and the whole ReNew BOOST strategy, the internal discussions, we have also decided that we want to allow the 2 factories of the 2 plants, Cologne and Karlskrona, to focus on their respective specialties. And if you want to simplify, you can say that Cologne is a land cable factory with the ability to manufacture sea cables; Karlskrona is a sea cable factory with the ability to manufacture land cables. And as such, they are quite complementary to one another.

So from now on, we also will have a directed focus of the 2 plants, allowing Karlskrona to be the excellence center for high-voltage offshore cables and similarly also Cologne for the high-voltage onshore cables. And by that, also abiding to the principles that we have discussed, which you can see on the screen here, flexible -- flexibility to serve our customers. We need to push on cost leadership and ability to achieve a good balanced mix in the factory, and last but not least, also R&D and competence. By focusing the plans, we believe that we can harvest synergies and also a better risk picture for each other.

Having that said, these 2 plants and the business lines, of course, we will cooperate, as we have done, for example, in the Ostwind 2 project with cables coming from both plants going into the same project. Also worthwhile to note on the topic of further expansion is that both plants would also allow further expansions. It's by no means so that we would necessarily expand either in Karlskrona or Cologne, it could also be elsewhere. But the good news is that both plants, and you will see tomorrow also that the land masses or the areas where we are situated today would allow for both -- for expansion in both locations.

Then last but not least, also protecting your lunch here. Looking into the future a little bit and what ReNew BOOST means for the Solutions business line. If we start from right to left here, we talked about sustainability. We have been on that journey for a long time, and we aim to continue on it. Alex mentioned people and competence, and I cannot enough stress the importance of that in everything we do. As we expand, we need to find -- also find and also retain the competent people to help us to deliver with our new assets. It's an obvious thing that we also -- a lot of our R&D and development effort goes into green solutions and making our footprint, both of our products, but also when we deliver things less as we go forward.

Let's innovate. We talked a little bit about the orientation of the 2 plants that we want to simplify the structure. We want to simplify and focus the 2 plants, which is an important part, has been for the last year and also will continue to be so. Maintain leadership from a technology perspective, looking at both HVDC, larger power, longer distances, but also dynamic cables, where NKT has a very, very prominent role to allow to transfer that into also floating wind in the future. And last but not least, also deep sea. And Anders Jensen, our CTO, he will look further into that together with you in the afternoon.

And then perhaps the most interesting part, let's grow. How do we grow the business? And one aspect is that we are now in the investment phase or in the completion of some of the investment phases, but it's also with the strategy we have here, we have now and are now developing firm concepts for how to expand this business further, not necessarily in Karlskrona or in Cologne, could also be elsewhere, but we are developing tangible plans waiting for the right trigger moment for when to set those in motion.

And I talked about the investments we have made historically, which has also made us come into the realization that we need to be well prepared, and then we wait for the right trigger element. It could be a mega project. It could be a combination of projects for when to actually go ahead and start building it. So that is an integral part of our strategy. And then last but not least, from a market focus perspective, we will continue to have a strong focus on Europe, but of course, also on selected opportunities outside.

So with those words, ladies and gentlemen, then I think it's time for the Q&A session. And again, I look forward to see you all in Karlskrona, or some of you in Karlskrona tomorrow.

Michael Nass Nielsen - NKT A/S - Head of IR

Good. Thank you, Claes. And we will have Alex and Michael joining Claes upon stage here again. So we will both do Q&As from the guys or the people that are present here in the room here. And then we will also be taking questions from people that are joining us from the web, where you'll be able to type in your question, and then we will read them up once you're ready. And we have a few microphones that will go around here. So if you have a question, please raise your hand, and we will pass you a microphone. And please limit yourself to 2 questions in order to give everybody a chance to speak a bit, but then 2 questions in total, then we stop. No, Akash, please go ahead.

QUESTIONS AND ANSWERS

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

It's Akash from JPMorgan. My first question is on your market forecast. I was a bit surprised that you see EUR 8 billion to EUR 9 billion in '25-'30 period versus EUR 7 billion to EUR 8 billion in '22 to '24. And maybe if you can elaborate why the growth is slowing down in that period? Because if I look at offshore wind projection from third parties, we have '25 at like 14, 15 gigawatt and we have 2030 at more than 30 gigawatts. And we also have most of this onshore and solar installation back-end loaded.

So what is causing the growth to slow down? Is it something driven by technology where there may be some new technologies in the future, which might reduce the average selling price? Or is it just conservatism on your side that may be reflected in some of the projections that you presented earlier?

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

Okay. Let me try and explain. So what we looked at in my presentation on the EUR 8 billion to EUR 9 billion is actually the addressable market for the Solutions business. So that would take most of the solar away. Solar is addressed by our Applications business. So we would essentially be talking about the offshore wind market, as we say, the predicted growth in that and then the interconnector market and the whole grid.

I would say when we look into the future beyond the next 3 years, obviously, the visibility also gets a little blurry. We will not know by name the projects. We will not know for certain what probability there is. So we more predict on this, as you are also referring to the gigawatt levels. And our -- when we look the numbers up and we try to be a little bit, should we say, disciplined about the expectation for the future, we end at that EUR 8 billion to EUR 9 billion.

That also entails that we have a historical perception on what is the actual percentage of projects predicted that actually then materialize. And you could have a point that if we see a higher percentage of the projects actually materializing going forward, there could be an upside. We just don't believe it's prudent to plan with that at this point in time. Did that answer your question?

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

Yes. And the next -- the second question I have for Alex on collaboration. I mean you gave 1 example there, but most commonly, we speak with investors that, can you do some kind of partnership in other regions where you bring the technology on table and somebody else bring the money and maybe you can address the U.S. market by having a local footprint, which can allow you to pass The Buy American Act?

Alexander Kara - *NKT A/S - President & CEO*

Yes, of course, we could look into partnerships, and we execute actually the Champlain Hudson with partner with south, we produce a part of the cables. But at the moment, let's say, expanding our footprint in North America is not our first priority, but we could look into it. We need to see where is the market's strongest, and Michael showed that we have a strong sustainable market in Europe. And we need to see also what is for us the most less risky way to grow. So we could look into that in North America, but it's not our first priority.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Let's take a question from Claus here.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Claus Almer from Nordea. Also a question regarding capacity. You said Claes that you were looking for a triggering event to add more capacity. What's the magnitude of a triggering order?

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

I can provide the first comment and then you can comment as well, but triggering event would be something a big project. If you look at Champlain, that would be the equivalent of a triggering event. So something that gives certainty for an investment of that magnitude which, of course, is not insignificant. So it's not one of these offshore wind projects that we just talked about as reference projects. It's something double or triple that size.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

When could that potential happen?

Alexander Kara - *NKT A/S - President & CEO*

Yes, that could be -- again, it could be a large project, like we had in 2020, the Corridor with EUR 1.5 billion, EUR 1.4 billion, the Champlain. It could be large project and there's a lot of -- large projects out, but it could be also a sum of 2, 3 large, which goes beyond, let's say, EUR 1 billion, that could be also a trigger event. Obvious then, in a close -- let's say, in a short time period, that could happen rather fast. And of course, if the market grows as we expect it, and we need to capture also the market and decide in a reasonable time frame, if you want to expand capacity.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

And fast, is that '23 or what's -- how do you define fast?

Alexander Kara - *NKT A/S - President & CEO*

We will -- fast, we will be disciplined. We don't -- just, we'll start investment based on the growth expectations. If we win some major orders, then we will decide. That could go fast and that -- but I cannot tell you exactly when that is because unfortunately, we plan to have certain wins, but then we lose also once in a while a large project.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Sure, sure. But could it happen, given the wins you did receive?

Alexander Kara - *NKT A/S - President & CEO*

It could happen. It could happen in '23. And ideally, it should happen in '23 in order to have the capacity in '25 and beyond because it takes 2 to 3 years -- rather 3 years to build a factory or an expansion from, let's say, more or less from scratch. So the faster the better, then you are ready also if the market steps up in '25 and beyond. So '23 would be ideal, but we will do it only if you have a trigger element.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Let's take from Massimiliano here.

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

Massimiliano from Credit Suisse. Two questions for me. The first 1 is maybe on the segmentation of your awards. And if I compare what you won with the larger market, you have won in the past 2 years a bit less of large subsea interconnections. I was wondering, is this a choice? Do you lack something in your portfolio to get awarded these large subsea projects? Or why is it the case?

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

I mean I can try and go first. Obviously, when you see the composition of projects that we win, it is a reflection of the market, first and foremost, but also a reflection of our appetite for projects coming into the factories. So as Claes alluded to, for us, to really utilize the assets, we need a composition, which is between export cables, interconnectors, subsea and underground. So it's always a balance. You don't want to stuff too much of one kind into the factories because then you have an underutilization and underabsorption in some places. So I think that is part of the explanation.

I would say on the interconnector side, it is a little bit -- you need to look at it over certain years because of the duration for the execution of the project. So a snapshot picture in 1 year or maybe even 2 years is insufficient. You probably need to look at it in a 3 to 5 years horizon. And there, you would see probably a pattern that if you really analyze it could tell you a little bit about why we go after these projects that we do because at the end of the day, we want to have that high utilization in the factory.

So I wouldn't say that we -- it's not that we are incapable of winning subsea interconnectors. Claes also showed we have done our fair share of those in the past. But it's also linked to the fact that we are, I would say, very, very strong in the export cable business in the offshore wind by the technology and Victoria as an insulation asset, I think we have a very, very strong position. So clients also really, really like to put offshore wind projects into our facilities. Did that answer your question?

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

Yes, yes. Great. And my second question would be maybe on the dynamic cables that you mentioned because you shifted a bit away from medium voltage inter-array cables in offshore wind because clearly tend to be lower margin than high voltage ones. But if I'm not wrong, the dynamic cables would need to take the space that of submarine cables. So would the margins of dynamic cables be accretive enough that you would take some Karlskrona capacity to build them? Or how should I think about the potential for dynamic cables?

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

I mean, dynamic cables, of course, we cannot comment on actual numbers, but we would say dynamic cables for us so far predominantly has been the export cable or the power from shore going to floating platforms, essentially the same technology. And we want to cover the -- Anders will also comment on that in the technology part, but we want to cover from, should we say, the dynamic array cable part up to and including as high as we need to go in voltage level on dynamic export.

And then it's true we are selective. For sure, Claes is a very selective guy. He's not just taking any project we come with. And we believe 66 kV is there for years, for sure, but we also are looking now into the 132 kV dynamic market with a growing interest. And of course, it is a market we are very strong. I think we have more references than anyone, and we want to maintain that position going forward and be an important player in the dynamic market. But we will be selective on the projects we take in, for sure.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Casper?

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Casper Blom from Danske Bank. A little bit of a follow-up to Akash's question regarding your market outlook, or the awards, the EUR 7 billion to EUR 8 billion and EUR 8 billion to EUR 9 billion. I was just wondering to what extent you've included inflation in that? The EUR 7 billion to EUR 8 billion was given back in February. And since then, we've seen a lot of inflation. And is it just inflation that's driving the step up into '25-'30? Just a follow-up there.

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

No. When we're using the prediction, the gigawatt conversion into cable volumes and then to, say, eventually into values, we don't work inflation in. We work with a bit -- we have our rule of thumbs. We know how much a gigawatt will drive in revenue. So there's no inflation numbers, and that reflects an activity level increase.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Okay. And it does neither then include, for example, an improved pricing power due to supply and demand?

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

No.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Okay. Then a question to...

Alexander Kara - *NKT A/S - President & CEO*

Maybe I can say. Also a fair point would also to say the EUR 7 billion to EUR 8 billion what you see, that has a project which have been developed prior the Russian-Ukraine war. So this may also trigger in future more projects, which we do not see yet. So that could come as a consequence because you need to generate the renew power and exchange gas. And so that might be lift to all. And we will see potentially then -- to develop a project, it takes time. We may see that in 2 years, have more visibility than beyond the '25 more clearer, also what comes out as a consequence of the Ukraine-Russian war.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Then a question to Claes. You mentioned that there was room to add more capacity in both Karlskrona and Cologne. I mean how much would it be sort of equivalent to building a brand-new factory somewhere? Could you just stick to those 2 locations, and then have enough capacity to fulfill your 2030 dreams?

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

If you start with Cologne, I think Cologne from a land area perspective, the facilities we have there would allow additions of extrusion lines. But of course, Karlskrona has even more potential. And for the ones of you who go there or if you look at Google Maps, you will see that the factory is surrounded by areas, which would allow, of course, in combination and in good discussions with the local society, permits and all, allow for further expansion. And if you look at Karlskrona today -- 2 years ago, she had 1 tower; today, she has 2 towers. Could we add a third tower in Karlskrona? The answer is yes.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

And would that be more attractive to greenfield somewhere in Europe?

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

I guess there are different dimensions to attractiveness then. If you -- I mean you gentlemen can also comment, but if I view it from a competence perspective, that's one aspect of it that to do something greenfield could be connected to more difficulties from a competence perspective. The expertise we have today is located in Karlskrona and Cologne. From that regard, it would be beneficial, of course, to add capacity there to utilize on the existing competence. Market vicinity could make it more attractive to do it somewhere else. So then there are more parameters to that, and the ultimate decision will need to be a combination of all those different parameters.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Just, is permitting also easier when you do that add-on?

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

I'm a little bit biased now because I'm head of Karlskrona. So my answer would be absolutely yes. It's the easiest thing to do in Karlskrona, but I think there are also other views on that. But of course, in the locations where we are, I can speak for Karlskrona, and Alex, you can speak for overall, but we have a very good dialogue with the local municipality there and the local actually permit authorities. So being a big employer in a smaller city, that makes things easier. Yes. Alex?

Alexander Kara - *NKT A/S - President & CEO*

No, no, as also -- from my manager of Karlskrona, I agree to your statement.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Lars?

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-Head of Research of Denmark & Financial Analyst*

Lars Topholm from Carnegie. I have 2 questions. So you mentioned the specialization of the factories in Cologne and in Karlskrona. If not numbers, can you put some words on what kind of synergies that would yield, not only on sort of a day-to-day basis, but potentially, I assume also in terms of invested capital? Second question is really, really fast. You referred to Karlskrona as she. How do you tell the gender of a cable plant?

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

The second question, I don't have a good answer for that. It's just maybe it's proud us there, maybe it's the fact that also vessels goes under she. It's -- she is a creature. You will see her tomorrow, beautiful one. But to your first question, I'm unable or also unwilling to put numbers on the synergies. But it goes without saying that if we have a business either in Cologne or Karlskrona, everybody tries to do everything, then complexity increases and complexity draws losses. If we allow the sites to focus and the business areas to focus further, then we will get rid of those losses to the major possible extent, and we can allow the sites to become good at what they do. And then, of course, as we know, most projects, interconnectors,

offshore wind that constitutes both sea cables and land cables. So there will be an intimate cooperation also between the sea and Karlskrona and he and Cologne, maybe then to make things equal.

Lars Topholm - *Carnegie Investment Bank AB, Research Division - Co-Head of Research of Denmark & Financial Analyst*

But would this also imply an acceleration of return on assets in those 2 plants?

Alexander Kara - *NKT A/S - President & CEO*

Yes. I think -- yes, I think that would be the case. And if you see with the market growing in HVDC and HVDC interconnectors, obviously land is for full DC land, but each sea cable project, DC project has also a land portion. And if you are -- and with this increased number of projects, you have increased DC land portion, which we can move to Cologne. With this, we can load 1 or 1.5 extruder on the [permits], meaning we have more efficient longer lengths unless -- and that's changed over in the machinery, so we can get more revenues out.

And also with moving -- increasing the DC land, for example, in Cologne, we move more high-end value, higher profitable cable to, let's say, a relative high cost country to others, and we are -- at the same time we move the lower end of AC into Czech Republic, what we have communicated, and Karlskrona focused then on the sea cable and Cologne would focus -- produce the DC portion, the land portion for the same project. And so with this, we have more gain -- should gain more efficiency. Now how it is exactly calculated, we could deliver that number maybe later or we need to calculate that.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Akash, one more down in the corner.

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

Just a follow-up to Claes. You said earlier in your presentation that when you take projects, you do extension -- extensive work during the tendering phase to get to know the risk. And maybe the question is that if you can tell us where the risk is in German corridor projects where 1 of your competitors has talked or made big noise about it that these projects are very risky. So maybe if you can say where do you see the risk in German corridor projects?

Claes Westerlind - *NKT A/S - Executive VP & Head of HV Solutions Karlskrona*

I think I will decline to comment unless Alex wants to own individual projects. But what I can say in general is if you look at the market now, the market is growing and all these projects have the risks. So there is no risk-free of these projects. And I think our clear expectation is that the market, both from a pricing perspective, we expect it to get more healthy, but also from a risk reward balance perspective. So not only being disciplined when it comes to making investments, we will also exercise a lot of discipline when it comes to actual order intake and what we are embarking on from a risk perspective. Then I don't know if you want to say everything, Alex?

Alexander Kara - *NKT A/S - President & CEO*

No. I mean, each -- as you say, Claes, each project has its risk and the 525 kV extruded cable is a natural expansion of the technology, what we have. We have experienced and which we have qualified in an early phase. So we have done a lot of 320 kV, and we feel comfortable to execute that order and to manage that also, we passed the qualification. And also coming back to (inaudible) where do -- where are we selective? We want to be, of course, also look at which project we take, which risk profile. So not that we go in new technology, deepest water, newest highest voltage

dynamic as high voltage. So we need to look a little bit on the total portfolio, not only on inner project, how much you want to lean out as a company on total volume.

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

And maybe just also to add there, look, comparing it to 200 kV DC product or 320 kV, this is the first time we will commercially deliver 525 kV. So of course, there is a natural or a high risk element there, but that was also what we were aware of when we went into the selling phase of it.

Michael Nass Nielsen - *NKT A/S - Head of IR*

We can take 1 more question before we will have something to eat. I don't know if there is anybody here. Claus.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Claus Almer from Nordea again. And I have actually 2 questions, if that's okay. So Alex, this is for you. Given the outlook, and you're only able to mention one thing, top of your list, is that adding capacity, is it executing the backlog, winning new projects? What is your key focus, only one thing?

Alexander Kara - *NKT A/S - President & CEO*

Now the key focus is executing on our commitment to the customer, that's absolute number one, also to not run into LDs or liabilities. So that is number one. So -- and then if I have number two, and of course, get more orders in order to prepare for the growth for expansion to be ready.

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

So that will be my number one.

Alexander Kara - *NKT A/S - President & CEO*

So this is number one, we have exactly.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Okay. Then the second question goes to the risk or introducing new technologies, it's been mentioned several times this. There will always be risk, obviously. If you go 10 years back, not only you, but also Prysmian had a number of issues when you introduce new technologies. How do you see the next step? Will there be a risk of a repeat of the history? Or are you in a much better shape, in much better control of risk?

Alexander Kara - *NKT A/S - President & CEO*

You can -- in the cable industry, you can never exclude that something will happen. I mean it's complex. You always stretch the technology. And -- but you need to make one decision, you go. Otherwise, there will be no, let's say, expansion in new technology. You cannot avoid that. So all cable companies has, in the past, they are not so nice surprises. Our competitors from the south, where they went to 640 kV bullish in ABB before I moved to Karlskrona. We had not such a nice project, so with negative impact.

And so sooner or later, you have that, you cannot avoid it. And you need also to be able to digest a hit of, say, magnitude of EUR 10 million to EUR 20 million without jeopardizing your financial numbers, that is important. But it could be that you run into a big topic, depends how far you go out and you do know everything. You cannot say you plan everything and it will never happen again.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Sure. But given...

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

Maybe I can just add because it's clear today, we have a bigger capacity and capability to do testing compared to 10, 15 years ago, whether that's going to eliminate the risk? No. There will always be a certain risk, as Alex says. But our capacity to test beforehand is bigger than it has ever been before. Claes also showed you the investment that has been done in Karlskrona, for instance.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

And what about the contracts? I hope you're able to share some of the risk with the clients compared to what happened 10, 15 years ago?

Alexander Kara - *NKT A/S - President & CEO*

I mean the market has changed. And we have also said in just recently to some project -- we told to some customer if you have these requirements without being too specific, then we will pull out and we did that. And we said, if you want to pass on this risk to us, you expect that we -- then it's not fast, this project, then somebody else can deliver it. So a customer becoming more flexible, also just because simply, otherwise, they may not get the cables, but we are not accepting everything. And we can push back today because there is enough alternatives where you can say, no, then we drop this opportunity. It's too risky, too much for us, as a company.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Thank you for all the good questions. We will now have a lunch break here. We will start again at 1:25 CET. So we will have roughly 1 hour to get some lunch. So enjoy that.

(Break)

PRESENTATION

Will Hendriks - *NKT A/S - Executive VP & Head of Applications*

Hello, My name is Will Hendriks and I am responsible for the Application business line within the NKT organization. Unfortunately I cannot participate today due to personal circumstances, and I want to apologize for that. But nevertheless I want to share with you a couple of messages regarding our business. First of all, I want to look backwards. I think we can conclude that we see a strong improvement of our operational result due to a couple of initiatives that we took during the last couple of years. The first thing is change of management in several layers. Second one is a very strong focus on costs and efficiencies. And I think the most important example here is our factory footprint project. The third one is a clear market and price strategy that we have in place at the moment to improve our profitability levels.

When I look forward, we can conclude that we will continue with this improvement program. The next step is to focus furthermore on growth, growth inside our existing markets with strong focus on the renewables. And for that, we need also to invest in existing capacities to debottleneck

our factories. But we will also grow in other areas where we are not present today with a clear focus also on renewables and the green transition. And for that, we need also to extend our current product portfolio.

But my colleague, Michael Yong will tell you all about it during the application business story. I wish you all a very fruitful event and goodbye.

Michael Yong

Okay. Good afternoon. I'm Michael Yong. I lead our strategic discussion in NKT, and I'm also responsible for M&A. And it's my pleasure to join you and give a little bit more detail to the key points that Will has already introduced in a short video. The positioning of applications. Applications represents our low voltage, our medium voltage and our power telecom product line at NKT. We offer this for the building, renewable and commercial building sector, infrastructure industry and for the power telecom OEMs.

We are leading in our home markets. That means in the markets where we have factories, we have a leading market share. And we've built this mainly on the long collaboration partnership with the local customers. We offer customer-centric solutions. We have ergonomic and easy-to-use products, some of which are displayed here in the orange display.

And we have an increasing focus on the renewables business. We heard from Michael Hjorth. It's very much growing around the world in Europe as well, and it does have an implication for our applications business. So we are looking forward to growing and using the renewables to also rebalance our positioning of applications.

Most importantly, this is done through the people that we have. The people, our colleagues are encouraged to be customer-centric, and the values of safety, trust and entrepreneurship are very much reinforced in the culture of the applications team. Applications, like I mentioned, has the medium voltage. Medium voltage cable can be between the wind mass. It can be, let's say, under the street of an industrial complex or a very dense city or connecting municipal substations.

We have 1 kV cable, 1 kilovolt. This is typically under the street of a neighborhood or connecting a very large building. We have building wire, which is as the name mentions, is within the walls of our small buildings. And then we have the telecom power line which actually is a niche product line that is powering the telecom mass, the 5G mass.

If you take the medium voltage and the 1 kV cable, mainly the aluminum side of that, that's serving the utility business, the infrastructure, industry and the renewables. And the channels that we use there are very much direct, and we try to have as many frame agreements as possible. But we see also that the electrical wholesalers are starting to enter these channels.

On the 1 kV and the building wire, this is mainly for the buildings and there, the electrical wholesaler is king. On the telecom power side, that's where we sell to OEMs and also the providers themselves that are also owners of the mass.

If you look at our manufacturing footprint, the snapshot that we have right now is really the current snapshot of a journey. Like Will mentioned, we are focusing our factories. And the reason that we're doing this is within the existing factories that we have, we want to enrich the mix of our low-cost countries, which also will promote the efficiency at each of the factory sites.

If you look at Sweden, so -- sorry, if we go to the map on the left, we will have the countries identified where we have sustainable business. That means that it's not just spot business, we have recurring business and recurring customers in these geographies.

If you look at down the table on the right, this lists our manufacturing sites for the applications business. We have Falun in Sweden, where we do have a number of product lines in 1 factory. We have -- it's specialized for the telecom power cable. And we have also high-voltage cable going up to 170 kV. The 1 kV and also the medium-voltage cable that we have in Falun is also to serve the local market where it is valued to have local production. And so we can get extra value from that. In Asnaes, in Denmark, we have the 1 kV cable and also the medium-voltage cable. And for the same reasons, having the local production there is valued in the Danish market, and we will keep -- we will continue to have this approach.

Then we have a list of 4 factories which are fully focused on 1 product line. Runcorn in the U.K. was our acquisition we did in the first quarter, and they have fire performance cable. In Poland, we have building wire. And here, we have -- they have received also building wire lines from Asnaes and incorporated into a focus factory. So here, we see -- if we would have looked a year, 1.5 years ago, Asnaes would have had building wire as well, but now we have transferred it fully to Poland.

In Kladno, we have the 1 kV focus and in Velké Meziříčí, both in the Czech Republic, we have medium-voltage cable. We have other plans to bring more concentration. So there is an ongoing project to bring also the 1 kV cable from Asnaes in Denmark to the Czech Republic, to Kladno. But because the market is strong, and we can use that capacity, we're not going to turn off the 1 kV capacity in Asnaes also to serve the local market.

And finally, we're going to rationalize some of the low high voltage, so up to 170 kV that exists in Cologne, and we are going to move it to Velké Meziříčí. So adding a bit of range to Velké Meziříčí, and these lines can also be used towards the medium-voltage market, which I will discuss in a few slides.

Finally, we'll also mention that we are going to continue to increase capacity from this existing footprint, and we're going to do that through selective debottling projects. So we see opportunity here to increase capacity, but also these type of projects will have a much better return of the assets that we currently have.

If we look at the numbers, you see that between 2018 and 2020, we were flat, about EUR 400 million on standard price. And then we've made a jump to EUR 450 million. Now the EUR 450 million at standard price represents a bit over EUR 1 billion, EUR 1.1 billion in market price, okay? So let's say, don't let the magnitude of the sales be deceiving.

More importantly, we've improved the profitability here going from almost breakeven on the EBITDA to more than 6% in 2021. And Will alluded to this. This is the result of a management change, so more focus from the management, with more experience from cable industry, but also the effects of moving the production, the focalization to low-cost countries, some benefits on efficiency and also on the commercial side having more transactional discipline.

If we look at the trends that affect the applications business, we start with the renewables. Now the renewables is clearly the potential to uplift demand. And this is the opportunity that we're going to take to grow and rebalance the applications business. I'll touch upon that in a couple of slides.

Digitization is also important for applications. Here, it applies to the demand. There will be more rollout and faster rollout of the 5G mass. But also, we will have to participate with the wholesalers and managing the big data that they're handling. So by doing so, we have the opportunity to also rationalize and optimize working capital throughout the value chain and give us an opportunity to show extra performance towards the wholesalers.

Electrification magnifies our existing markets. So we will have more electrical transport, more electrification in the factories and in the business. Obviously, the heat pumps and the solar panels at home magnify the electrification from the house, and there is also a compounding effect on the grid, all of which use low-voltage and medium-voltage cables, were exposed.

A particular concern for us or attention, let's say, is the resource scarcity. We have this year already felt the effects of this. We actively chose to turn off our Russian aluminum sourcing for alternatives. And we learned very quickly the effects of this. We had several weeks of disruption at factories, and we see that having a secure supply chain is something that we have to increasingly focus on.

Additionally, there is tightness in the labor market. We have a couple of locations, factories where it's difficult to find new colleagues, new operators that allow us to manage the capacity that we are investing in.

Lastly, health and safety, always a constant, but important because it is driving the product mix change. So many years ago, even last decade, there was already the regulation that we should change from PVC to [HHFR.] The industry has been very slow at doing so. It's starting to speed up. So that's a major effect. And also, there's more attention in buildings to having fire performance cables.

Looking at the markets. We look at it from a low-voltage and a medium-voltage perspective. On the low-voltage side, we see that between 2019 and 2020, it was relatively flat. Now what happened also there is that we've had the effects of COVID, so it actually went down much more than what's shown on screen, but there's been a recovery in 2021. And we recognize that also in the markets that we face.

We expect -- well, this is a bit of a changing number, but we expect right now that it's going to slightly grow between '22 and '26. And of course, the low-voltage market, the building market is very much driven by GDP and by urbanization. That's always been traditionally so, and it's continuing to do so. There can be the effects of a recession. We cannot exclude that.

On the other hand, we also don't know to what degree the positive effect of solar rollout in the home and building can compensate potentially a recession. So we're sticking to this indication from CRU of a moderate growth. On the medium voltage, we've had also a moderate growth recently, but there is a much more robust growth predicted. And we also support this view. And here, the electrification is really going to help the market. Medium Voltage is very much used in wind, and it's very much needed to reinforce the electric grids. And we're seeing that around Europe, there are several local utilities that are struggling with the addition of solar and wind electrical vehicles to the existing grid. So a big reinforcement of the grid is now taking place.

If you look at what NKT has done in terms of volume and therefore, by implication, its share, we have grown 6% between 2019 and 2020. And this is no small feat. I mean you consider that we've grown market share in this period, and we've improved profitability. And I think this is something that sometimes we take for granted, but it's actually very difficult to do in the low-voltage commoditized business.

From 2022 to 2026, we are aiming to be on par with the market, which means if we look at the graphs on the left, we are going to expect to have to add capacity on the medium voltage side to keep up with the market. And that comes in with the plans.

Here's a little bit of a snapshot of how we look at the renewables business. We've heard from Michael that there's a very aggressive growth coming. This will also apply to the applications business. You see wind will grow approximately 3x its base this decade and solar will grow globally 6x.

On the wind side, we serve -- our product line serves from the wind mass, so between the wind mass, from the wind mass to the transformer that then exports the energy to the grid. So we have the medium voltage into array on the land. We have the medium voltage going to the transformer. Sometimes that's also the low-high voltage and the low-high voltage, typically in Europe, 110 kV going to the power grid.

If you look at the solar, we have also the solar array cable going all the way to the grid. So low voltage, up to medium voltage, up to low high voltage. Now we do need to reinforce our portfolio on the solar array part. But we -- that also comes within our plans, and we're working on that.

If you look at the channels that are serving these businesses. So on the wind side is about engaging with the OEMs and the developers before the transformer. And these are -- this client base is changing, yes. The wholesalers are wanting to enter here as well. So we have to have a particular focus on channel management there.

From the transformer to the grid, it's typically a utility business where we already have good penetration in our home markets. On the solar side, you have harnessers, you have developers and the electrical wholesalers. We're strong with the electrical wholesalers. It's the harnessers and developers where we have to continue to develop customers. And we see also that the electrical wholesalers are starting to go beyond the transformer on the solar where it's typically been managed by the utilities.

So in conclusion, we summarize a bit of actions that Will have touched upon that I've provided a little bit more detail along the 3 themes that -- of the ReNew BOOST strategy.

Under let's grow, the key is going to be continuing to grow in core markets, preserving our high market share in core markets and looking to renewables. We have to complete our footprint journey and also maximize the effects of debottlenecking.

On the innovation, we have the chance to digitize internally our processes to improve our commercial and operational excellence. And we focus also on developing our product line on the renewables, mainly on the solar and array and further the power telecom. On sustainability, clearly, it's

focusing more on the renewables market than our traditional markets. That's a clear driver. And in some applications, can and will play an important role in NKT's quest to connect the Greener world. Thank you.

Axel Barnekow Widmark

Hello, everyone. It's a pleasure to be together with you here today. My name is Axel Widmark. I will cover the Service and Accessories business today. I've been with NKT since January 2020. And I have (inaudible) in the grid system business overall within different segments. One of those cables. And then actually, at that time, the Karlskrona cable business of ABB.

Service & Accessories. We offer reliability to our customer and their installed assets. During the full life cycle of the assets from early development until the decommissioning. This we do by delivering real value in real life. We cover on and offshore cables. We sell internally through our other business lines within NKT, and we sell externally directly to external customers as well.

Energy security overall has become an even more prioritized topic over the past months, I would even say. Our modern society depends on a continuous flow of power. And any breakdowns can impact not only prices within an area, but actually also the full grid stability. We have 2 recent examples of this, an interconnector in between Sweden and Denmark went down earlier this year. And looking at the kilowatt-hour prices within the countries, we can see that the breakdown like that, actually influences the prices in the market.

When we talk about stability, if we go 12 months back, more or less, 1 of the major TSOs in Europe went to their operators for interconnectors and said, "Look, we have a very stressed system now. Please do anything you can to prevent any failures during the winter months". And then those operators come and turn to us and see how we in service and accessories can support them during those tough months.

So what do we do then? Or what do we then provide? We aim, and we are the trusted partner for the grid owners over the full life cycle, as I said. Once it is needed, we are the leading provider of cable repairs both when it comes to quality and speed. And speed is of the utmost importance here. As I said, any duration where the cable is down, is a cost to society.

And then finally, on the service side, we are experts in maintenance and support the grid owners of operating their system. On the product side to make this possible, with our accessories, we cover the full range of accessories. You can see the voltage level here, 12 to 520 kilovolt. This includes a lot of off-the-shelf products, commodities, it's also highly engineered and customer-specific accessories that we can support with. And therefore, we're also involved early on, on some projects just to provide this support to the customers.

We provide market-leading technology. We have also brought some of our accessories on table. You can find in the break, the smaller ones, the bigger ones are too -- have been too big to fit in here. But the smaller ones, you can see as 1 example, cold shrink accessories, where we don't need to apply heat out on the field, but we can do it at normal temperatures.

And finally, as the rest of NKT, we have more than 130 years of proven activities and expertise within this area. We have a dynamic footprint of our business. You can see service and accessories hubs here, production facilities and service hubs. What is important for us is the proximity to the market, it is to drive efficiency and also to be able to keep and grow our professional employees. So those are the driving factors for when we -- when we decide upon our footprint.

To mention 3 examples here. We have the consolidation of accessories footprint up to Alingsås, that is then efficiency. When it comes to expertise, we opened up what says, Troisdorf there in Germany. This is the legacy cable competence center because with our 130 years of expertise, what is to remember, a lot of the cable infrastructure out there is -- on the market is 50 or even 70 years old. So once something happened with that and we need to maintain it. Then our expertise from being in the business for such a long time definitely comes into play. And we stress that very hard. And therefore, we've actually built competence centers to renew ourselves within this old technology as well.

Finally, in this picture, I would like to mention Gdansk, where we started in service office during this year. And that is proximity to the market. We see an ability to serve the future offshore business that's going to be there. But it's also to be able to recruit and develop new employees with a huge growth within the solutions business, all that cable needs to be installed. We are supporting that installation with our jointers. And we foresee

that we're going to need to ramp up with employees quite fast and then the more hubs we have where we can recruit from people in the nearby the more flexibility we have. So those are some of the drivers that decide our footprint.

So to say something about our product portfolio, I have 2 pictures for this. One about the services, 1 about the products. So we start with the services. To be a lifetime provider of services to the assets, we need some product segments here. I will start up in the versus cable jointing and termination, which is the basic of our work. People out in the field conducting the work of jointing cables or laying the cables and so forth, handling the cables out in the field.

We have spare parts management to be ready and support our customers. We offer them that we have all their spare parts in our facilities. It's owned by them, but managed by us. So we look after it, maintain the spare parts and just keep it ready for them and make sure that they have the full portfolio of parts once it's needed. We provide customized maintenance over the years to maintain their systems to prevent failures. We also have repair preparedness that if something happens, we have built up scenarios how to handle that as quick as possible.

Then we have the Marine resource plan where it becomes even more important. On the offshore cable, it provides more scenarios, what can go wrong and during what circumstances, and we need other type of assets ships as once. So that is an extra product segment we offer. And then finally, the actual repair execution when needed. We can package all this in different service level agreements upon the customer's requirement.

What we want to do is to build a close interface together with the customer. So once a cable failure happened, we are the first 1 they call. Because the first 1 they call is most often the 1 that gets the contract due to the urgency of time.

Then what we added during this year or the past 2 years, is asset monitoring. This is to provide the customer with support real-time data to support them in their operation of the cable system, how to optimize the flow. Is there any extra capacity they can use, and it's for them to understand their assets better, that we help them with.

And we also have what we call small turnkey projects. This is -- that's a natural part of the electrification. We need more power flowing into the cities. And therefore, the distribution grid owners are looking at how can we strengthen the grid and how can we expand capacity for this. And then we have seen an opportunity with our core knowledge. It's a quite small step to cover this as well. And it's -- for us, quite large projects and where we can be now the full turnkey provider to the customers in all stages.

On the product side, to give you a picture of what drives the need of accessories. So every time a cable ends, basically, you need something. And we have the terminations, connectors and joints. Terminations, that is when the cable goes into the consumer or to overhead lines. Connectors is when it goes into transformer station, but also you see wind -- onshore wind and solar panels here. When those parks forms are developed, that requires a big number of accessories.

And then finally, the joint. So my colleague, Claes told about the longest installation of sea cable, Victoria had made. I think it's 200 kilometers, you said. So at sea, there's not too many joints needed. However, the complexity of the product itself and the installation is quite big. And then we go on the onshore side, there it's much more joints needed basically thumb of rule every 1,000 meters. So every kilometer, you need a joint. And that is based on the supply chain challenge. The cable are coming on drums and typically, they are in length of 1 kilometer.

Revenue-wise and financial numbers. From this page, as you know, our business is volatile. To part it is driven by the repairs. And the repairs are not predictable. They are unforeseen, and it's large projects. So once they happen, it can -- when they happen, large repairs of very many of them over the year, it gives a bump in our revenue and also on the profitability side.

What we can see is that the underlying trend for our sales definitely shows growth scenarios. And to mention 2 things about that drivers are: one, where we have internal sales together with solution; and then the other one, we focus hardly on the third-party market -- third-party market, so sales directly to end customers. And the turnkey projects I talked about on 2 previous slides, those are projects that we plan to carry in between other large projects, which will help stability for our revenue. And also that comes without investment because we can use existing assets, existing tools and equipment to cover those -- to cover those projects.

On the profitability side, with our footprint optimization and current activities ongoing, we foresee -- or our ambition is clearly to move upwards from where we are. And we also believe that the market trend with more electrification, more renewables and then the supply and demand dynamic will be on our side.

Another growth area. We have -- we're looking geographically. So I mentioned about Gdansk in Poland and the rationale for that. Another example during the past year is U.K. So here, we're looking at -- there's 2 dynamics that took us to U.K. One is the retrofitting. The installed base, they have a lot of legacy cables where our expertise comes into play. Historically, we covered that out from our other existing hubs, but with the Brexit, it makes more sense for us to be on site. We need to have people and assets within the country. That was 1 driving factor. And the other 1 is that the critical mass of projects increased in U.K. and therefore, we established ourselves there.

The next thing we look at is we prepare for an expansion in the United States. And there's similar rationales, but also an extent to that, you have heard about the Champlain that will require resources, jointers from the service and accessories part. So we would like to use that as a stepping stone to further expand and focus on the third-party market. We have seen the same there. They have a legacy cable installation or installed base and where we -- with minimum product portfolio adjustments can meet some of the demand there.

We also see on the accessory side that we are already selling accessories into there. And now we're looking at, can we add then the installation part once we sell the product. We have, over the past years, once in a while been contacted by customers in U.S. due to our expertise. So we have done single projects year-by-year. So we have somewhat of a proven track record that we now want to build upon.

Internal growth, we mentioned the corridor projects. Just to give a number then when we say 1 joint per kilometer in projects like this, it means more than 1,700 joints and accessories going into such a project. And every joint also require jointers and labor to conduct them.

Finally, what are we going to do going forward? Within the Let's grow, we increased the services to existing customers. One example of that is to continue on the turnkey projects. We have existing customers. We see that with our product portfolio, we can expand what we do to them. The geographical growth definitely continue. We have a satellite concept now, where I mentioned where we've already grown. We keep evaluating continuously where else can we go and then pursue business opportunities such as renewables for every onshore wind and solar farm requires many accessories, and we also look because we know that developers sometimes ask, can you be a full provider here, not only the product, can you also support with a turnkey installation. So -- that we see as a possibility going forward.

When it comes to innovate, strengthen our specialized competence centers. As a reminder, NKT is in the very front end of the technology, but we shall not forget also the legacy cables where we are unique or close to unique, thanks to our long time in this business.

Add new products to enter new customer segments. We see a possibility going forward with industrial customers in the electrification, more and more of the industry is turning to electrify their businesses and require big voltage levels within the factory areas. This is also a possible area for us to step into. Drive commercial excellence. Just to mention something about pricing here. Our business historically is a typical cost and material business. Now we have went into a subscription business like our service level agreements and so forth. And we know it's a demand from the customers to go into more guaranteed prices or pay for performance. And this is the trend we also follow.

Finally, on the let's drive the sustainability. We are a people-driven business, definitely. We have employees that perform this value add. So we continue to develop our people and competencies. Efficient repairs with the volatile power generation from offshore wind, wind overall and solar. The volatile power generation requires a very, very stable grid and reliable grid. And there, we are truly a supplier for that, which means in the end, I say what I started with, we shall be and continue to be the reliable service provider to enable this green transition the world is within.

Thank you very much. And with that, I think we go to the Q&A.

QUESTIONS AND ANSWERS

Michael Nass Nielsen - NKT A/S - Head of IR

We do. Thank you very much, Axel. And I think Alex will join us as well here on stage. So we will now do the same procedure as in the first Q&A round. And I can see there is already hands flying up all over. So while Alex come, can you take the microphone down here (inaudible) then we can take the first one here with Casper.

Casper Blom - Danske Bank A/S, Research Division - Analyst

Thanks a lot. First question to Michael. I was hoping maybe you could break down the revenue between low voltage and medium voltage. And could you also talk about profitability in the 2 different areas?

Michael Yong

Unfortunately, I'm not intimate with the breakdown.

Casper Blom - Danske Bank A/S, Research Division - Analyst

Sure, Alex is?

Michael Yong

Maybe Alex can do so.

Alexander Kara - NKT A/S - President & CEO

Yes. But I mean we said that before, we said building wires is 20%, 25%. And then if you talk about the cyclical business and then we have the 1 kV copper, which is also, so let's say, round number (inaudible) is cyclical. And then we have -- the remaining part is then medium voltage to a large extent and then aluminum. So medium voltage is, let's say, around 35%, 40% roughly, a little bit more.

Casper Blom - Danske Bank A/S, Research Division - Analyst

Okay. Is there a big difference in margins between those areas?

Alexander Kara - NKT A/S - President & CEO

The margins is something that is dynamic. And what we see, unfortunately, in building wire we had good margins. And we see now first sign of recession in some countries. And then the margin if the demand goes down, and there's more supply as the price margins come under pressure. We see better margin in medium voltage for renewable in general for the renewable part. Medium voltage and 1 kV in the renewable part.

Casper Blom - Danske Bank A/S, Research Division - Analyst

Then just a question regarding service and accessories. You showed the slide with your EBITDA margin. And I think you said you were striving for higher profitability. Is that higher than the 16% you had last year?

Axel Barnekow Widmark

No. The last year was driven by a very high number of repairs that we can't expect to repeat year-from-year. So you should look more at the historical numbers than last year's number.

Michael Nass Nielsen - NKT A/S - Head of IR

Good. Did we have other questions down here. Looks like Massimiliano then, okay...

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

My first question would be on the application business. And maybe if you could comment on the debottlenecking that you mentioned and how much of sales it could add an over which time line?

Axel Barnekow Widmark

Well, the debottlenecking will can take -- we still have the opportunity to bottleneck in practically all of the sites. We'll be selective as we see that we can sell the product and the medium voltage right now seems to be the priority. Now we also want to complete the factory footprint actions first that in itself also gives us some extra capacity.

In terms of what the sales potential can be, I think [Lina] will kind of discuss the overall group potential, but the growth of the applications is in line with the group, so...

Alexander Kara - NKT A/S - President & CEO

Typical what you can say, I mean, we have the factory footprint move and bottleneck means a specific machine is the bottleneck, and you cannot produce more even the other machines have more capacity. So you install them, let's say, 1 machine more so that you can use the capacity of the others. And then that goes up, but that goes up, let's say, that depends a little bit on the factory that is in a 10%, let's say, 10%, 20%, I would say, now out of the hip a little bit, but it's not that you can increase capacity by 50%, this you can simply forget.

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

And, of course, it makes sense. And my second question would be more on the service and accessory side and on what you mentioned as a small turnkey projects. And I was wondering if you could maybe provide a little bit more color and also on the potential to make the service business less cyclical? What are you seeing in terms of response from the utilities and your clients and whether the margins on these projects could be similar to the service projects that you have?

Axel Barnekow Widmark

So the turnkey concept actually comes from some various background, but 1 is when it is a full turnkey project like that, historically, we've been a subsupplier to the main contractor. In some cases, the customers have come to us and said that our project management is even more competent than the 1 they handle with. So they asked us to solve certain situations. So it's on an actual demand from some customers if we can go into this. Then it includes civil works, which we historically has not had or we outsourced it. So we need to build competence within civil works, which we have done now.

So just when it comes to margins, no, today, it's not at all in the same margins as some of our other business. What we see is the same. We mentioned with the medium voltage cables and the dynamics here with electrification. So the electrification of cities drives huge investments. And when we talk about supply elasticity, we forecast that what we're into will grow higher margins over time. If that's answer to your question.

Unidentified Analyst

Just 1 question from me left, which is, can you provide a breakdown of how much of service and accessories revenues are recurring every year? If you look at the last few years, revenues that how much is recurring and how much is onetime, which is basically coming from the repairs, which we can't forecast?

Axel Barnekow Widmark

If we take last year, it was a very -- if we say favorable for us here when it comes to repairs. I think the truth is, if we look more at the historically revenue numbers from '20 and okay now we don't have them there from '20 and earlier. What you remember, 1 part of the repair business is almost reoccurring because the number of kilometers installed, and we have to have more and more cables installed every year, quite significant more numbers.

So by big chance, there will be some repairs. So let's take part of the repairs are almost reoccurring every year. But then there are years where it's exceptional like last year. But I cannot comment exactly what portion is reoccurring, but the truth is -- or the answer is if we look at the before '21 numbers. And then you will see overall a small pickup. I hope it is answering enough even if it's a little bit big...

Michael Nass Nielsen - NKT A/S - Head of IR

Claus?

Claus Almer Nielsen - Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT

Claus Almer from Nordea. First question is about application division and the medium voltage. As I recall, there was this market forecast of a 6% CAGR until 2026. Isn't that just too low, given the whole electrification of the society, EV and so on?

Axel Barnekow Widmark

Yes. I mean we are depending a bit on external numbers and our visibility with our existing customers in the countries that we have a dominant position. So this is our expectation in the markets we're exposed to. But there could be an upside -- we cannot exclude an upside to it.

Michael Yong

I think it's also a little bit a question how fast the [TSO] expand their grids. I mean now do they expand ahead of the curve or do they wait until the demand comes, meaning more electrical cars and more charges needed, more heat pumps or they do invest upfront. So that is a -- and that is this market dynamic is a little bit difficult to predict. If you look at Denmark, you know how much to predict on electrical cars and charging station there, okay. When do they start on the grid electrification and create an expansion ahead [of it,] what drives what, that's a little bit of a challenge.

Axel Barnekow Widmark

I had -- I complement my answer before also, just to highlight that, that's a CAGR number and not a growth over a period. And this is higher than what we've traditionally seen in the market.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

(inaudible) new world, I guess, with EV, we haven't seen that in the past. Electrification is also kind of new?

Axel Barnekow Widmark

Yes. But yes. But how many people have -- how many have here EV car, an electric car. Okay, not so little. Medium voltage. So it's more than a sort. So -- but okay, it will, of course, if it's more and more -- having that, then the demand will come. And but -- I think we still are in the beginning on the pace. And...

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Fair enough. Second question goes to the service division. You talked about a mix effect, as I understood that there might be some positive margin effect from mix. What about the underlying margin per segment we hear from the other divisions that they're able to raise the underlying prices. Do you see the same pricing power? Or is still just cost plus, you could say, with unchanged terms?

Michael Yong

No, but we see power to increase prices and therefore, hopefully, margins. We also see cost goes up in the dynamic market, but it's right now -- there is an overall acceptance in the market right now due to everything that happens that we need to grasp of increasing prices. Part of that is though eaten up by cost increases as well.

And then it is coming back to the question about supply elasticity. Where will the market demand grow faster than the market supply can grow? And we think certain areas where we are requires such a lot of competence where competitors or new players can't just step in. One of those is then the legacy cable, to be able to handle those cable systems, you need to have been there since before. So we don't see competitors just popping up. And we see a growing demand, the distribution grid owners when it comes to those legacy cable, they have a program how to modernize those grids.

So there is 1 area where we see is to our favor. But more than that, I cannot go through segment by segment, but we are definitely actively looking at where can we act and coming back to there is a sweet spot now -- right now with the market dynamics that we are actively working upon.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

And then you mentioned the subscription contracts. As you go back to the form, the last CMD, I think that was an important part of the service division that you was trying to sell more subscription contracts. As you -- has this met your expectations? Or it's still difficult to get utilities and so on to sign up with these subscription contracts?

Michael Yong

So the answer is twofolded. I would say, in some areas -- let's take Germany as an example, 90% of the business there is coming from service agreements. So there's a service agreement as a base and then customer call off businesses. So therefore, the service agreements are of utmost importance to have the customer intimacy be there. Then the actual revenue year-over-year for the subscription of those SLAs, those are not too significant. But there, it is actually the work being ordered out from those.

Then in other markets, if we take the offshore, there, the value for the customer of us being ready once something is needed, that is of that importance that there we have a significant revenue coming from those SLAs on the subscription part. And then the actual repairs per customer

happens more rarely. But to give the answer if it's at our expectation or not, the short answer would be yes there. But is there more to do? Yes, absolutely as well.

Michael Nass Nielsen - NKT A/S - Head of IR

All right. I think we will conclude the Q&A session for now, since we can also grab a cake and a cup of coffee. And then we will have a Q&A session at the end again, where you can ask much more question, if you wish to. So we will start again in 20 minutes' time. So please feel free.

(Break)

PRESENTATION

Michael Nass Nielsen - NKT A/S - Head of IR

Good. Then I think we are good to go again. So we will kick off with the third and final block of the day. And we will start with my colleague, Anders Jensen, who is our Chief Technology Officer. So Anders, please?

Anders Jensen - NKT A/S - Executive VP & CTO

Thank you, Michael. Good afternoon, ladies and gentlemen, this is the third round and in my view, is the best part of the entire technology. My name is Anders Jensen. I've been working in this industry for quite some years following this transition. I'm heading the technology and in that capacity, I have the pleasure and the privilege to take you through a couple of the technology global trends, the challenges.

My good colleagues, Michael Hjorth and Claes, they actually did take a little bit the advantage and presented some of the news. But nevertheless, I will try and recap a little bit and also explain a little bit about what is this actually. What are we doing at NKT?

We have a long, strong history of world first. We -- it's also our job to continue to keep that up going for the years to come. And let me just highlight a couple of those events here because actually, what Claes said, in 2014, we had the 525 qualified for land and submarine 2014. We followed up in 2017 to 640 to the next level of DC XLPE cable system, 2017.

So we're fully qualified for the German corridor. And we have more ongoing tests that will come in the next years -- sorry in the next months or weeks. And we will share with you in proper time, because it is indeed a very exciting but also a challenging time that we are in the middle of.

So basically, we are in a place where we have a portfolio that is supporting the projects that we want to win. And one of the thing is looking to try a little bit coming back to the presentation before the lunch break by Michael Hjorth in particular, the market is changing. Starting with the generation of power, offshore, transmission, longer, green, lower losses.

So looking from the outside and if you have the time to look at the cables here on my right hand. From the outside, cables look quite simple. And I remember the first weeks and days at NKT when I started and asked myself how difficult can it actually be to manufacturing cables in all sizes from the small one building wires all the way up to three core 640 kV.

And that answer is still one answer. There's a lot of things that can happen, and we need to understand. And that's also why I'm sharing Alex view in the beginning, it is a cool business. There are so many things, and aspect you need to take into account when you're dealing with the technology not only the cables, but also the accessories, the installations, whatever that is on land or onshore.

And now the trend in the market, more and more dynamic. And the dynamic is also very complex because that is a mix of the electrical performance, the mechanical performance and that's quite even challenging when you have a cable system cables, accessories and the human being installation. That's a challenging part.

And I think I tried to highlight the dynamic part, AC and DC. Listen to place, we have actually taken part of the AC dynamic for some years now. Back in 2010, we supply and deliver, install one of the first dynamic cable, AC. DC dynamic, we are also there in the front and try to set the standard for the market.

Secondly, we also have qualified our capability of developing a cable system, DC 525 down to 2,000 meters. And finally, we also touched upon before the lunch superconducting. And superconducting, that is potentially a business -- some asset niche. And actually, right now, we are working on a project with a customer in Munich in Germany and 110 kV. A very exciting and also very prospective technology where you can utilize that kind of technology in the capital like Copenhagen, for instance.

I think we -- everybody has discovered when you're traveling every morning or maybe in the afternoon, and you notice roadblocks. And the challenging part here is, how can I avoid it? And one of the answer is superconducting a [compact] cable system that can be integrated into the underground, for instance, gas pipes or canalization, it is there and we are part of it.

But coming back to a complexity of the cable system, dynamic, submarine and so on. If you want, and we want to be a part of it, you also need to invest what we have done in the most advanced test -- high-voltage test but also in the mechanical part. And those of you who are going to Karlskrona later on this afternoon and also tomorrow in the factory, you will see a huge test facility, electrical where we can do a lot of electrical tests to several hundred kilowatts or even megavolt. You will see it tomorrow.

What you will not see tomorrow, that is actually one of the mechanical test facilities we have. We can do a lot of simulations, but we can actually also do full-scale mechanical [fatigue] and simulation on the behavior of dynamic cables on a full-scale cable. And we are determined and also passionate to continue that investment on the R&D part. And you'll see tomorrow the size of that is mandatory to keep the pace in this industry and also in this green transformation.

The trend is very clear. I think Claes said very precisely, larger, heavy and longer distance, losses and so on. We will grow, and we will also invest in more leading technologies. And in particular, this HVD section. However, if you want to become a partner, you also need to talent acquisition and try to attract young talent, maintain it and also developing it. And that is one of the things that becomes more challenging because everybody is searching for the same talent. So what is it that we can offer that others not can.

But try to highlighting it dynamic cables, AC, DC, and AC in particular, were coming from the northern part of Europe, but also what Michael Hjorth was alluding to, in the southern part of Europe in the Mediterranean, it is more deep water. And there, we have qualified system as well for AC applications. So we can take part of that market as well.

That required, we have a lot of young talent and talent expertise experience. And we have in India, a number of R&D engineers working with simulations, engineering, testing, for instance. That is mandatory to keep that technology leadership in this market.

We also have investors. There's about 100-kilometer west from Stockholm an R&D center where we have a lot of material testing, developing electrical but also mechanical testing. That one you'll not see tomorrow. But that is the essential and the heart of this development in order to have the best solutions in order to be competitive, but also be -- and have the strongest capability.

And not to forget, we also, of course, have R&D engineers sitting in the factories to consolidate that knowledge into the factory in the daily business in the factory that is mandatory as well.

Collaboration, we talked about at the lunch about collaboration, and that is also a very important part to stay in this market and also a core part of our R&D strategy. That is collaboration. You mentioned this morning about the carbon. That's a very good example where we had collaborations.

For collaboration with key universities, institutions, for instance, that is also the way where you can attract the talent and the young and the engineers for the future.

Again, it is important and is really the DNA of the R&D strategy to have a close collaboration with universities and institutions as well. Just mentioned a couple of focus areas here on the slide, you can see. And again, India is an important part to stay in this race here.

Coming to the last slide. So what are actually the important initiatives from a technology perspective in this new ReNew BOOST strategy. One is the growth. Another one is innovation and sustainability. We are actually well placed to maintain our technology leadership. The innovation is a part -- is an important part of our R&D. And it is actually, as I mentioned before, the bread and butter.

And actually, we are also encouraging every day across the organization to stay innovative and thinking out of the box in order to come up with new solutions, different solutions. And sometimes, it's difficult to see how easy it is, actually. And that's a challenge there. But we are qualified and we are ready to take accountability on the leadership on taking the DC application to the next level in terms of higher voltages, large transmission on the longer distance.

And it is our DNA in the R&D part to develop at competencies step-by-step, and we will continue to pursue it for the years to come. That was actually the presentation I have for now, a little bit faster than anticipated. So either there'll be more time for questions or will go on for the next contribution. I think -- yes. All right. Thank you very much.

Kira Johnson - NKT A/S - Executive VP & Chief HR Officer

Thank you, Anders. Hello. My name is Kira Johnson. I'm CHRO for NKT. I've been here for a year with the company. It was a great time to join, and we certainly have an exciting journey ahead of us. So together with Michael, who has already presented himself, we will present the ESG strategy.

Michael C. Hjorth - NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions

Okay. Thank you, Kira. Yes. So apart from being the CCO of the Solutions business, I also have the responsibility together with Kira to oversee the ESG initiatives and activities in NKT. And we have decided for now to actually place the ESG responsibility in the operational area of the business. And we've done that because we cannot succeed as a company with our ESG goals unless we do that in a very close collaboration with our clients, and I will come into the reasons why in the presentation.

So we have decided that for now, it resides inside the CCO and of course, is in full alignment then with the group leadership team in NKT. If we start with the easy part of the governance. So on the left-hand side of this slide here, you can see the governance structure. I don't expect you to read through all of the details.

But the most important message here is that we have established an ESG committee. I think we also launched some external information on that. And that is a committee as a subcommittee to the Board. So it reports, of course, directly to the Board and consists of 2 members from NKT's Board. And they have the full mandate from the Board of NKT to actually then act on the ESG activities in NKT.

We have, of course, then also a sustainability team, which is working with me who are acting on all the operational matters, and we have the group leadership team in the middle. So that basically shows you that there is a full attention from the Board of NKT to actually for us to deliver on our targets.

On the right-hand side, we see basically the model we are using when we work with ESG, especially also on the environmental side. So we have a wheel. It's a full life cycle. And basically, what is important is whatever we learn from running 1 life cycle we embed into the next one, nothing spectacular around that. But it is interesting to understand that the 2 main contributing factors to NKT's CO2 footprint is the products, the materials we are using in our products. And I have some numbers that will show you that we don't pollute so much ourselves, but the materials we're using. They have a pretty big impact.

The other thing is actually the use of our products. So that's our clients using our products. And we have to actually also, in an ESG context, think about how we design the products, so lower electrical losses, low loss conductors is also a way going forward in the materials we're using.

If you look at the ESG strategy that we call NKT ImpACT, it has 3 pillars. The first is on the climate change. What can we do to offset the climate changes we are seeing. And this is very much about the reduction of our own emissions, so within the Scope 1 and Scope 2. And we've set an internal target of reducing by 2030, 90% of our Scope 1 and 2 emissions, and we have some evidence that will show you that.

And that is on the path to the net zero. It's a very aggressive target. It's more aggressive than what we would need to do. But we have decided to do so because we can, and we feel an obligation in this environment to actually also show the rest of the industry that we can go further, faster if we want to.

The second one is the sustainable value proposition and circularity is very much related to the materials we're using and making sure to the highest possible degree that we can actually reuse those materials. So that is probably the single biggest impact when we get to that fully in terms of having a zero waste impact on the environment from what we are doing.

And then finally, the third pillar is to social capital. And I'm sure Kira, you would agree with me that the people in NKT is the single most valuable asset we have. Without those people, skilled people, we will just have empty factories and machines.

So it's very important for us, obviously, to be an attractive workplace. And Kira will talk a lot more about what we are going to do there. But that's the only way we see ourselves being a sustainable organization in the long run, also being able to deliver on our commitments and grow the company going forward.

This is just a big -- it's a snapshot, I would say, of our rating with the ESG companies. It's not something we paid so much attention to years back. Of course, we pay a lot of attention to it now since this is also a measure that U.S. investors will look upon. And we have had quite an improvement, I would say, in our rating over the last few years, not that we just have done magically a lot of good things. But now we have started reporting on a lot of the good things we've always done. We also heard some of my colleagues saying it's in our DNA to care and look after the environment.

But you can see here on 3 of them, it's very important to be to the far right, and then the Sustainability is very important to be on the far left. And we will definitely meet the extremes in terms of good performance on these. This is our target. And as we are refining on our reporting and what we're doing, we feel confident that we will be a leader here also.

On the Scope 1 and Scope 2, which is our direct emissions and also our owned indirect emissions. Here, you can see the 90% target until 2030. And it mainly will come from 3 impactful things. One is we took the decision already a couple of years ago to switch to renewable electricity in all our manufacturing sites. And you can see the drastic impact on our Scope 1, 2 reduction from that. Again, we did it because we can from the footprint where we are, and we felt obligated to do it.

The second one is removing natural gas. We use some natural gas for heating for curing of the cables and also some heating inside some of the facilities. And we are -- we already made the decision consciously even before Putin was threatening to cut the gas that we will exchange that for heat pumps, and we will invest a double-digit number into doing that. And you can see that will take us further down. And then finally, the last of the 3 will be we convert eventually, we will convert Victoria, our installation vessel to be able to run on biofuel.

So those 3 things, amongst also some other smaller contributing things will bring us very, very far down the road on the Scope 1 and Scope 2. For the Scope 3 impact, here, we need to look a little bit on our whole value proposition and where we need to address an impact on Scope 3 is first and foremost, if we take on the left lower left-hand side, Anders, our CTO, talked about innovation materials.

We need to rethink the way we design and manufacture the cables. They have to be low loss conductors. They have to actually -- the materials we're using over time will have to actually, by themselves also be carbon neutral. So that's a great impact. It takes time. Obviously, there's also a testing element and an acceptance in the market. But that is -- that is important, we will not succeed without it.

Then we have analyzed our own supply chain, and we see 20-odd suppliers to us, representing more than 70% of the emission. And not surprisingly, it's the metals, it's the plastics we're using and some of the other things going into the cable, which is the big volume. The good news is out of maybe 4,000 suppliers, 3,000 or 4,000 suppliers, we can focus on 20-odd now and get a real big impact. So that's, of course, where we are looking.

And then the third one, as I said, we cannot succeed without our customers supporting us. And I guess you can all imagine, if we start using other materials, more costly materials, we have to recertify them and test. This will really only work in a commercial world if the clients are really then buying these products.

And we've had a lot of good discussions in the last couple of years with our clients said we are ready. We want to do this. And they have said, they are ready. They want to do this, but we haven't really seen money put where the mouth is. But that is about to change now. And then here, I'm also happy to say that NKT, we believe, is the first mover.

So we have actually launched -- a few days ago, we launched information on -- and Alex also talked about it, the first commercial HVDC cable in the world with a low-carbon copper conductor. And for us, this is a real turning point. If you think about it in an industry, where our clients will not succeed with their Scope 3 if we are not becoming carbon free. Now when the first constellation of clients are willing to now buy these kind of products, it will be extremely difficult for others not to do it. So we see now probably the first time of an avalanche that will really start to roll.

And the project is the Dogger Bank C, project is the third part of the big, big Dogger Bank project, the single biggest offshore wind farm in the world. And here, the clients decided to actually take the opportunity to use this low carbon copper. And there are some interesting numbers here in terms of how much CO2 will they actually reduce with 23,000. And we have a small fill that we want to share with you. That tells you all the details much better than I can do.

But I think the main message to take away from this is that for us, this is a real tipping point. This market tipping point in the renewable industry where we now see our clients are actively tapping into reconfiguring their supply chain.

So let's have the movie.

(presentation)

Michael C. Hjorth - NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions

Right. As you can imagine, we're quite excited about this. So with that, I will conclude on the E, Energy and hand it over to you, Kira to show us on the social side.

Kira Johnson - NKT A/S - Executive VP & Chief HR Officer

Yes, absolutely. Thanks for that. So I think it's actually been said many times throughout the day that people, skills, competencies are key and critical for the growth and to achieving the targets that lie ahead. So that's kind of evidence.

So the HR strategy that we put together focus -- and exactly that focuses on talent, attraction and retention and how to be even better at that. So our aim -- our goal is to become the preferred employer in the electrification industry, if you will, not only the cables, but a bit broader to cast a broader net.

So we already have a lot of programs in place. We have a training program. We have leadership talent programs. And what we do is to expand these and build on these and to have like an even more robust, if you will, learning and development platform. Also, as Anders mentioned, in collaboration with technical universities and schools and thus creating a very strong and robust talent pipeline that we can source from within, and that will be the foundation to build NKT on in the coming years.

And this is very much the strategy, the HR strategy and also the -- one of the building stones, I believe, for the business strategy to be able to achieve the growth and the targets that lie ahead. So we didn't just come up with this like out of the blue. So we had a thorough study in employer branding.

So we asked about 100 people inside NKT, outside NKT, like the target group that we would have and like to attract also in the coming years within engineering and other technical kind of sciences, what would be attractive for them, what would be attractive in NKT, what does -- what attracts them about NKT and also existing employees, why are you here what's exciting? And this is basically the result you can see right here.

So career opportunities already touched upon that. So lot of talent programs, the green agenda and purpose also really important and also increasingly so. So what people feel is that they may just be one individual, but at NKT, they're actually making an impact and a difference that would affect the multitude of people and the society that we live in. So for them, it's really meaningful and purpose becomes an increasingly important parameter when it comes to attracting employees and also retaining them.

Also the Scandinavian culture, flat hierarchies, accessible leaders and also the high employee engagement that we have. I think Alex mentioned that in the beginning, so 74%, and that's actually 2 percentage points above what we would call the market average and which leads me a little bit to the targets that we have also.

So we aim to maintain the target of 74% because we feel that it's been growing over the course of the last 3, 4 years and it's quite high. And as I said, also above market average. And then you may think, okay, what is this engagement score. And you can see the questions below. This is what we ask. And together, they would put together the engagement score.

We also have some targets in terms of attrition. So we aim for an attrition at 10%, may seem a bit high, but I can tell you that is actually -- it was in the beginning of the year when we said these are quite ambitious. Now I'm happy to say that the attrition in the first 5 years actually only 8.5%. So -- but we can change and the job market is certainly very, very challenging for identified talents, the target is only 5%. So there, we have set the bar even higher.

We also have some diversity and inclusion targets. So we have also in the engagement survey, we have some diversity and inclusion questions that you can see here below, and it's also our aim to score high continuously in the coming years. Also there, we're much about -- above market average. And also in the response rate, in general, we're also it's 86% response rate in the engagement survey is quite high.

Also then lastly, we have some diversity targets. It's a male-dominated industry. So we feel that gender is kind of the first when it comes to diversity and will be the locomotive for other kind of diversities and also for inclusion. So we have these targets that are quite ambitious. The first, we almost there, the second and the third, we will still need to work on in the coming years. And of course, that's very much goes hand in hand with the talent and attraction strategy that we have.

So to wrap it up, I would say that we're in a very, very good trajectory when it comes to the talent attraction and retention for the S. For the G, like Michael said, we established an ESG committee. So there we also check on a good path.

And finally, I would say that we're not anything but market leading, actually, when it comes to the E part. So that was it from -- for the ESG. And now I think I will hand it over to Line to go through the financials.

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

Thank you, Good. So hi, everybody. My name is Line Fandrup, and I'm Group CFO of NKT. And it's the large part of the CMD now, but I think it's also really the exciting part of it. And I know half of you share that opinion with me. So I will cover, of course, financials. I'll cover cash flows, and I will cover about our medium term targets.

So throughout the sessions today, it's been obvious that the company has been in a better position. We have improved our business operations. We have grasped opportunities of the market. And this is also really showing into better financials.

What you see here on the left is the revenue development over the years and actually see also each of the business line are really contributing into the revenue level where we are at end of '21. And I can also say where we will be end of '22.

I think it's a good thing to note or at least, let's say, a recognition of what has been happening over the years that throughout the years '18, '19 and '20, we were more or less flat in terms of revenue growth. But over the last couple of years during the actual ReNew strategy period, we have really upped our game in terms of revenue contribution with a 13% CAGR..

We expect to end still within the guidance range at the beginning of the year, EUR 1.35 billion to EUR 1.45 billion. And that did then pan into also a better margin over the years, certainly stepping up from '18 level and to a '21 level of 10.4%. You can also see here really that the improvement is across the business lines.

And I'll come back to you in a deep dive on the EBITDA, what is really making it here. We maintain our guidance for the year of EUR 130 million to EUR 155 million. And all of you have already done the calculations of a strong first half and what does this then mean for the second half of the year. And you also saw in our trading update this morning, I'm sure that there are a little bit of a different Q3 than, let's say, the first half of the year.

So moving on to the revenue here. First, to take, let's just a view on the medium-term ambition we set out in 2020. We communicated that we would grow above 10% in our revenue. And this, we now set a tick mark too for in the band of the outlook for the year to come that we conclude on this medium-term target.

And then, I think, pay a little bit of attention to the size of the boxes ahead of us and into the ambition of above 12% CAGR on years to come. Let's say, we chose the year '25 also to communicate very clearly to you that the revenue growth that will come within the next years is based on the current investments at the factories that we have.

So you've heard Michael Yong talk about debottlenecking applications. And you also heard Claes Westerlind talk about an extruder in Karlskrona. So this is what we build into that.

It is obvious also from this that solutions will become a larger and larger share of our combined company and the years ahead are looking fruitful in that regard. I'll come back to the assumption of this, of course, in these volatile times. There's a lot of assumptions behind this.

Then jumping into our earnings. From a 5% in 2020 and already in 2021, around 10% EBITDA margin. We also communicated in 2020 that our medium-term guidance. At that point in time, we were looking into a '23, '25 time horizon would be between 10% to 14%. So already in '21, we were actually within the range and concluding '22. If you do the math, you will see that we are looking to be around also this range.

Now we are at a place where we actually expect that within the more or less same time frame up on to '25, we will improve our earnings further. You heard about a backlog, strong backlog visibility, improved demand/supply curves, favorable market environment in general. All of this will pan into better earnings.

The footprint changes we have done and the expansions we have done just going back, 2020 communicating the German Corridors expansion, getting scale into the solution business, Karlskrona, Cologne, doing the footprint changes in applications. We're moving from the northern part of our factory into Eastern Europe. We're specializing our factory, so they can produce more effectively. And we're also doing this shift that we announced just a year ago, the restructuring of Cologne where we take our lowest high-voltage cables and transitioning them into our site and check.

All of these elements are panning into more dedicated factories and a better underlying cost structures. We continue to work on scale. We continue to work on how to make our fixed cost base relative to our top line, not grow at the same pace. So though we don't speak too much about this externally actually. This is an embedded thing of how we are also continuing to improve NKT's earnings level.

So our updated ambition 12% to 16% for the end of the period '25. And then going into the assumption because I think more or less, year-on-year, something new happens. And of course, making expectations to the year ahead of us has to -- has some key points that has to happen.

A bigger company with a larger part of solution projects. That also means that the project execution in solutions is super important for the earnings we deliver. You heard Claes talk to people, competences, factories and the investments, which is a part of safeguarding this. So we have to be good at this. And that's, of course, an embedded part of our ambition level.

If I go to the macroeconomic development, looking backwards. A lot of things are happening, certainly also changing underlying dynamics for us. I think it's a little bit looking into the crystal ball and thinking what should we expect on to '25. So how we look at it is we have to assume a more or less stable environment. We know that things will happen.

We believe, for example, if you look at the application business, we can lose some and we can win some. So in this medium-term ambition level, we are looking that we can balance that off let's say, that we get more electrical vehicles and all of the strength on the infrastructure grid actually takes off, well, then that can compensate for an application where building wire recession may come. So that's kind of the logic around that.

Coming back then to the competitive environment. So this supply demand that we've spoken with many of you about since, let's say, 2017 and then ahead now, luckily, the markets took off. It took a little bit longer than we expected. But now we see it and we see scarce capacity in terms of actually our competitors and ourselves, how many can produce these projects within the solution space. It's a better supply and demand curve. It backs for a better pricing in terms of being us. And it also -- this is what we assume that this will continue.

Supply chain and input cost certainly also an element that we came well into the year. First quarter, you saw us, let's say, being very much on top of all of this. End of Q2, we have seen that the input costs continue to rise and that actually have some implications for our application business. We assume and I'll come back to on the next slide, so let's say, the distribution of the input costs in different categories that we can continue with good commercial ability and factory focus to enable ourselves in our margin by efficiencies and passing increasing prices to our customers.

So this slide shows a little bit about how our cost is actually distributed into different categories to give you a flavor of how we cater for rising input cost. It's -- just to make it simple, it's more the sizing of the buckets you can pay attention to, but it's actually our 2021 numbers on cost. So it amounts to EUR 1.7 billion.

You see here that the likely #1 is a very, very big part of our complete cost. It's our raw materials and goods for resale. Everything that goes into producing that except the variable part related to energy lease events. What happens in terms of our projects, the long-term projects, we get an award. We know what metals and what volumes will be needing over the duration of the project, and we go in and we make a hedge. That makes us having 0 risk on actually the full execution of the project related to metals.

In a project, you also have associated costs, of course, so you will have plastics, we can hedge that. But you also have energy, you have staff costs, you have sub vendors. To the furthest degree possible, we go in, in the projects when we do the modeling on the project financials and assume an indexation based on what we know and expect of the future on each of these categories.

(inaudible) we have seen very high inflation on certain cost categories, that we, over the year can see that what we assumed in that period will change. We also go back to our customers, especially within the solutions business, with long-standing collaborations and discuss, let's say, how to share the burden of increasing cost.

But I think as Alex would say, if he stood up here now, he would say a project executed over many years has won as sold to margin, but it's certainly not the same margin you eventually execute the project on. Hopefully, it's higher, right? But also within that lies risks and contingencies. Of course, when you run a 3-year project, you need to have -- you have assumptions about what could go wrong, what could go well. And if you do a super good job, something went better than you expected and you have a better profitability. This recent contingencies also a part of catering for changing in the cost structure as input cost.

So therefore, you see us, let's say, not immune, but catering well within our solutions for actually increasing cost. On the application business, it's also about the raw materials. It's about the staff cost, and it's also very much about energy in each of the factories, how everything pans out. And it's a completely different dynamic. It goes shorter time service, and you have to be very much on what is the current input cost and what are we selling at in the market. So being on that beat is very important.

Let's say, customers also have a certain fatigue in terms of increasing prices over and over. This is really a very steady drumbeat these days to push prices up. But this is what we continue to do. We are currently -- besides doing this, we are also revisiting the bigger contracts to make sure we cater for the current fluctuations that I guess 2 years ago, we didn't see it to the same extent. So we also have a little bit of a pickup in terms of securing good contracts here.

Then the last thing I want you to see on this slide is the lower bucket here on leases and rents, energy; especially energy, some of you ask us about this energy contracts differ across the world, across our sites. We try to log in energy pricing over a certain contract in a longer window that gives us stability, and we can predict what will the cost be? Contracts run out, and we need to renegotiate. So we are not immune to energy prices increasing either, but you will not see it immediately in our financials.

Okay. That was more or less on the earnings and the revenue. So turning into cash flow generation, something which is very much at how NKT deals, though you don't see maybe -- you see a high degree of investments also. But just to recap a little bit, what is the major swings within our business at current in terms of cash generation, working capital over the cycle of 4 quarters, you will see NKT being -- having a favorable cash position when we have milestone payments on our large projects or awards, that's where they did the cash come in.

Then you see our application business having a certain seasonality build up and then high season and the inventory is getting lower. Overall, we will have a positive working capital position because we get the milestones and the prepayments on our projects. This is how the business should run and how you will -- you see then the numbers concurrently.

Then over the years and especially the last 2 years, you see that we have had a high level of investment. And this, of course, gives us to, let's say, abnormal level of investments. And then some will probably ask me in the Q&A what is normal. But right now, we are also a very good cycle in terms of grabbing the opportunities in the market, and therefore, we are expanding.

The current numbers reflect, so the 230 reflects the expansion in Cologne and Karlskrona. And what you will see ahead is also the extra expansion in Karlskrona that we just announced after Q2. And then you will see the debottlenecking of applications to continue to grow the right places in that business also.

Capital structure. So overarching being very specific on NKT, we want to run a conservative capital structure. We want to run it with low debt. Coming back to the numbers on the next slide, but just to say, a larger solution business demands a more conservative capital structure. We need to have liquidity to cater for swings in this business. It can, of course, be related to projects risks, but it's also very much related to net working capital swings because milestones and cost on us always stack up fully. So we need to have space to cater for this.

Then we want to have ability to make choices and decisions around investment. You hear us saying that we will be diligent and prudent about investments, they need to create value for the company as a whole and good returns to our shareholders. But we need to be ready when that opportunity arises. So that's the second part also here.

And then the -- now I took the large movement in working capital, but the latter point here is also we don't speak too much about this. It's given in our company that when you run big projects, you have guarantee lines that our partners provide for us, and you have commodity trading lines also provided by our partners.

We want to have a good sound financial structure to cater for liquidity and also to enable that we continue to have these guarantee lines and commodity lines to support the business and lower the risk of the company. Yes.

So the leverage ratio continues to be at target of below 1x EBITDA. We like it closer to 0 than closer to 1, but you will see the swings over the quarters. We also have the target of a solvency ratio above 30%. And if the capital structure allows, we will pay out dividends of up to 1/3.

Coming back to then how we secure our liquidity foundation for executing on what we have at hand. The numbers there on the left are the first half numbers. So our net interest-bearing debt was actually at EUR 24 million, and that consisted of EUR 199 million of cash. And then it consisted

of dips where you had EUR 20 million related that we actually pulled on our RCF, EUR 50 million of leases and EUR 153 million of mortgage loans. So we had a leverage ratio of 0.2x at the second -- at the close of the second quarter of '22.

If you look at then how we secure the capacity within liquidity and financing in general and the maturity in profiles of this, we have the RCF. It was -- we renewed our RCF in '21. It has a 3-year maturity, and we can prolong it for 2 years. So into 2026. It stands at EUR 200 million. And primarily, we will use the RCF also to cater for the net working capital swings. So it should more or less stand there.

Then we have the mortgage, which is amortizing in 2023 -- sorry, '33. Mortgage is just a very nice way for us to finance our company, and we have headroom actually to increase it in that case we would need so. And then we have the hybrid bond and our green hybrid bond. The first one we had in 2018, and now we refinanced it. And it has a first call in 2026. But otherwise than that, it's maturing a long time from now.

So in conclusion, these different financial foundation here are supporting the execution of NKT ahead of us.

Now coming back to one of the news of the day. It's not a news for NKT just to say, we are running, of course, ROCE evaluations internally as a part of looking into each of our investment opportunities to make sure we actually continue to drive the value of NKT to a better level. Well, let's say, it's obvious from the years behind us that we were not at a good place, but you also see that we're really working hard to up the level here.

So 2021 was the 3.4%. And now we are communicating today the ambition of above 12% at the end of '25. This will be enabled by what I talked to in terms of earnings and revenue. So we grow more scale in our factories, better execution, more volumes out, efficiencies in our factories and scaling our fixed cost base. At the same time, a good supply-demand curve, improved pattern in pricing mechanism will help us here. If you do the analysis on ROCE and I'm sure many of you do, you will see that we are basically -- in terms of our scale relative to revenue, we're carrying a relatively high asset base and we have also goodwill from our acquisition. The larger NKT gets the more earnings we generate, the more we outgrow some of this also. So all of this is embedded in our ambition level here.

But we will not be done when we get to 12%. We think we can go further. We need to continue doing the same thing, enabling our cost structures and having strong execution of our -- on our projects, continue the pricing power that we have now with the demand supply, and then we should see also the ROCE continuing after '25 to increase.

And then just the simple communication of what we shared this morning. So the earlier ambitions communicated in 2020, and now we communicate a CAGR above 12% in the years with baseline in 21 and on to 25 and EBITDA margin of to 16% over the period. And then at the end of the period, ROCE above 12%.

So Anders took you through innovation and Michael and Kira took you through sustainability. And I'll just conclude with that we can certainly grow this company, and you've seen us invest over the years, and we will continue to secure the right path for NKT.

With that, I will invite up my colleagues for the Q&A session.

Michael Nass Nielsen - NKT A/S - Head of IR

We'll have a large group of people coming up now for the last part here. So hope we can get everybody up here. So we will do as we did in the 2 previous sessions, obviously, open the floor for questions. And also if people online would like to ask a question, we'll feel free to type your questions, and then we will take them here. But let's start with some of the people here in the room. I'll start with Claus, then you will -- you can do the first.

QUESTIONS AND ANSWERS

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Claus Almer from Nordea. The first question goes to you Line. One thing you really didn't mention was financing of possible CapEx. So let's assume we're getting this triggering event, how would you finance the CapEx? That will be the first question.

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

So what you will see, of course, throughout the years is that with a growing company, a higher revenue and higher EBITDA margin, we should also generate more cash in the future to actually finance our investments. If and so be that the investments are different than the cash generation, we will have to look into that at that given point in time.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Yes. But I mean, we have also the divestment of Photonics?

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

Yes. That's absolutely true. So let's -- let's close Photonics sale and get that also as a part of our liquidity...

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Let's assume that happens, and let's assume a big order in '23 and therefore, you need to add some more capacity. Will you be able to do that organically not issuing any new shares or what the thinking about this?

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

There's a lot of thinking, and it very much depends, of course, what the good colleagues and solutions will tell us that such investments actually has a price tag off. As you see the Karlskrona expanding, we're doing now, we're communicating EUR 90 million of investment to get [approved new extruder]. That's probably, let's say, also using the footprint we already have there. If you're doing it in a different way, whether it's a greenfield or brownfield or extension of something current, they will have very different price tags. So we will have to be more specific on that when we get there.

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

If I can add in, it could also be an element of the discussion for a triggering event, how that triggering event is organized from a capital structure. So I think we have a couple of plays in this game.

Claus Almer Nielsen - *Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT*

Okay. And then second question goes to you, Michael, about the EST. All sounds good. So what does the client actually -- how do they act when you are entering in a tender, does ESG actually play a role? -- in the weight in these tenders?

Michael C. Hjorth - NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions

Yes. So yes, probably you've heard us talk about it before, that we have been a bit frustrated that we didn't really see the actions in the tender documents. We are starting to see now that the ESG factors are being listed now as an element. It's not just health and safety and quality. It's actually the ESG part. Of course, we are not satisfied with the weighting. It's still single-digit weighting you give mostly on these elements. We would like to see like 20%, 30%, 40% weighting.

But I think what we saw in the Dogger Bank C is a sign now that they will actually start also taking this more seriously. I think when we speak to the people with the clients that are also involved with ESG, they're very ambitious. They really want this to be also a selection criteria. I think when they run into the procurement department, they meet some people that says, okay, let's not get over-excited about this. Who will win this arm wrestle? I think undoubtedly, the ESG people will win it because there will be no existence for the -- for our clients if they are not also venturing onto this path. And what we need is a few more of these events that we have just seen. We need to see also the leading companies taking now the ESG as a key decision criteria.

But in short, we think it's still not ambitious enough. We hope to see more and expect to see more in the coming years on ESG being a selection criteria.

Michael Nass Nielsen - NKT A/S - Head of IR

Massimiliano.

Massimiliano Severi - Crédit Suisse AG, Research Division - Research Analyst

So my first question would be on the margin targets, midterm margin targets. This time, you did not split application and solutions. But clearly, you have different targets for the two in mind. And I was wondering if you could clarify what you expect in terms of solutions margin in the midterm? And what you baked into the new guidance?

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

So if we wanted to communicate, we would, of course, say it out loud. So with that said, I think what we did we share is that all businesses should improve. Solutions, as you see from historic numbers is at the higher end of our business lines. And of course, with the expansions coming fully online, just ahead of us and in '23, they are -- each factory is getting more scale. So I think you can build on that.

Massimiliano Severi - Crédit Suisse AG, Research Division - Research Analyst

Yes. I mean, so in terms of -- because you will start producing a lot of land high-voltage projects, which in theory are lower margin than subsea HVDC but with the better pricing that you're seeing, you think that the margins on this big land high-voltage project that you will start producing will not actually be lower than potential submarine cables that you have now delivered.

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

Without being specific on the project, but maybe some of the commercial people want to do that. You can say when we communicate that we will increase our margins in general, Solution is essential driver and that being more than half of the company when we get to the end of the strategy period. So underlying project's margins has to improve also.

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

I think, as a comment here, we can say if you're comparing a land cable, high-voltage DC to maybe 3 core AC submarine cable, it's not really apples and apples. And I think we have to go back to what Claes Westerlind and myself talked about the solutions it is actually the mix of the production that makes the difference. You can choke a factory in too much of the same. So we need to mix it a bit. And we are very careful in that selection. So I think you can rest assure that we will optimize it in that way.

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

Yes. Very clear. And my second question would be, if you could maybe share some thoughts about the dividend payment policy from here now that your leverage ratio is quite close to 0. What should we expect going forward?

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

The important thing right now for NKT is to grab the earnings and the revenue and really come to a different level. That will also enable a different level of cash. So that's a given -- then it's balancing throughout the period here, I would say, in terms of dividends or great opportunities within the green transition and debt trajectory. We'll have to let's say, continue to evaluate that but we're not committing on a dividend payout. This is really the balancing act.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Casper Blom from Danske Bank. Sorry, but another one on the 12% to 16% EBITDA margin. Given that at least it's my impression that the last couple of projects you've received, you've had probably a pretty good project margin due to the better supply/demand. Is it then fair to assume that over -- or towards 2025, we will see that we sort of approach to 16%. So that is sort of a gradual journey. Is that how to read the 12% to 16%? Or is it that you in '25 actually see that it is between 12% to 16% and then we have to figure out ourselves how to get there?

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

It's a little bit like when we did our 2020 midterm guidance that there's a lot of things that has to happen to come in the end of the 16%, and there's also things that can happen that can take us to the other end of that. But we aim high meaning we're going to work on everything underneath that will enable us to come as high as possible in the EBITDA range. But that '25 is the 16% is not the way to read the medium-term target.

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Okay. But is it fair to assume that the most recent projects are more supportive towards getting to the 16%.

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

That is right to conclude. Yes. Also with the demand and supply curve, we are seeing better pricing. So the backlog today consists of one, let's say, underlying construction of margins. And certainly, we're seeing better pricing, enabling also a backlog in the future that would constitute of different kind of margins [depending].

Casper Blom - *Danske Bank A/S, Research Division - Analyst*

Okay. Then something else, I'm not sure exactly who it's to, but do you at all worry about the availability of copper?

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

We don't -- actually, we see some of our competitors worrying about exactly that. But what you can do is actually is recycle copper also. So there's a lot of copper in the world, maybe it doesn't all come from mines, but you can get it at different places. So I do also think that we will see let's say, recycling coming into a different place, should that be a limitation, but I don't.

Alexander Kara - NKT A/S - President & CEO

No, but we see more and more challenge with aluminum. So when we stopped buying an aluminum from Russia, in February, March. So we had to buy a lot of aluminum, particularly for applications outside of Europe. So in the Middle East, we buy Middle East, in U.S. and also in India in fact, a quite high double-digit amount. So we were struggling on aluminum and to get the material. And unfortunately, also because the aluminum is coming from abroad, we see these high premiums which is from transportation and -- but also the converting it into aluminum rod. So more currently, we see they are more a challenge than copper.

Michael C. Hjorth - NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions

If I could just add on the commercial side. So if there is one thing under cover that we are keeping an eye on, that's, of course, the price level and the volatility because our projects and solutions typically are multiyear to materialize. And a client will have a business case with certain assumptions. And if the assumption is \$5,000 per tonne and suddenly, the price is \$12,000 per tonne, then of course, they have to go back and do some calculations. So it could have an impact on a project-by-project basis if the prices fluctuate much.

Casper Blom - Danske Bank A/S, Research Division - Analyst

Last one for me to Anders. You mentioned that you were sort of in the forefront of technology. And I was just wondering, are clients ready to pay for that. I mean do clients actually want to buy the latest and greatest technology? Or do they prefer buying one that's a few years older and proven? So you could say, do you actually get returns from doing those sort of being in the front -- forefront of technology investments?

Anders Jensen - NKT A/S - Executive VP & CTO

Well, I talked about the dynamic part. And there, we are, yes, the world leading here. And when you are the first one, you also talk about the risk. So yes, if you want to be the first one, then you need to go for it. And then you also will get a price for it.

Casper Blom - Danske Bank A/S, Research Division - Analyst

But does it pay off to be the first one?

Anders Jensen - NKT A/S - Executive VP & CTO

That's more like a financial part here heavily.

Alexander Kara - NKT A/S - President & CEO

But I think for example, dynamic cable, we work a lot in the oil and gas industry with a customer, like, for example, Equinor. And here, we clearly can say for these dynamic cables, what we developed also in partnership with them, we get the returns.

Michael Nass Nielsen - NKT A/S - Head of IR

Other questions?

Claus Almer Nielsen - Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT

Back to the guidance for '24/'25. You said it could be 12%, it could be 16%. So what would actually make '24/'25 a 12% year?

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

What, sorry, It would make?

Claus Almer Nielsen - Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT

What would it take to only receive a 12% EBITDA margin in, let's say, '24/'25, so excluding one single project really failing?

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

So I could go back to the assumption, I could talk about recession in Europe. I could take about medium voltage not picking up. I could talk about the project execution, lack of supplies. All of these let's say, elements could, of course, take us to the lower end.

Claus Almer Nielsen - Nordea Markets, Research Division - Senior Analyst of Capital Goods and IT

But solution, I guess, is you have 4 years of visibility and you said this is the biggest part of your revenue and profitability. I guess it takes a kind of harsh recession in '24/'25 to take down the margins to 12%?

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

Yes. If you focus on the application alone, you're right, the solutions business has certain risks embedded in execution on the projects, right. So everything around what we cater for in the input costs and all of that, things can happen over the next years that we're not fully in control of. That's given -- that's what we've seen.

Michael Nass Nielsen - NKT A/S - Head of IR

We'll take one more from Massimiliano.

Massimiliano Severi - Crédit Suisse AG, Research Division - Research Analyst

Just 2 very quick ones. First, in terms of energy costs as a percentage of sales for low medium voltage versus high voltage, if you could comment more or less on how much we are talking about for the 2 businesses?

Line Andrea Fandrup - NKT A/S - Executive VP & CFO

I don't stand with the number just immediately.

Michael C. Hjorth - *NKT A/S - Executive VP & Chief Commercial Officer of HV Solutions*

I don't know how it stands with the number, I mean, in high voltage it's around 1%. What we see is now when these contracts expire, we see also that energy cost go up in Sweden for example, '24 so that can be couples of millions more.

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

Okay, clear. And my second one would be again on the applications EBITDA margin. In a potential recession in Europe, if we compare it to the level of 2022, more or less what we have seen so far and a guidance of Q3, would you expect it in a potential recession to be actually lower or would the fact that you catch up with the price increases actually make 2022 kind of the trough margin that even in a recession, we could expect it to increase in 2023 and onwards?

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

Let me try and answer if I understand the question right. I think applications you have to look at the portfolio of products right and we will -- if a deep recession hits you, it's going to be the building wire mostly impacted here and that's a certain part of the portfolio. What we should then see counterbalancing that is actually a pickup on the medium voltage where we have also good margins. So the full transparency on whether 2022 is a good let's say leveling, I think also we've seen let's say first half application earnings and profitability in general improving, right. We have certain expectations to this business line, which I also think we have said before, but I do think recession and medium voltage is giving some lack of transparency just right now. So I didn't answer fully.

Massimiliano Severi - *Crédit Suisse AG, Research Division - Research Analyst*

No problem. I got it.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Akash, did you want to go?

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

Just one question on your margin target. So it used to 10% to 14% and now it's 12% to 16%. And clearly, you have announced a new expansion in Karlskrona so that would help improve your mix towards high voltage which is high margin business. But I was just wondering that if we look at the midpoint of previous guidance and midpoint of new guidance and taking out this high voltage investment aside, what are the other factors which are basically driving margin expansion to a higher level in the next few years?

Line Andrea Fandrup - *NKT A/S - Executive VP & CFO*

It's very much the pricing of the backlog is one component. And then it's the scale of the factories that we get our fixed cost base structurally, we have changes underneath. So these 2 things for the solution business is really important drivers in improving the margin. And of course, strong execution, not that we didn't have it, but to continue. Yes.

Michael Nass Nielsen - *NKT A/S - Head of IR*

Good. We have 5 minutes left. So I think we will actually leave the floor to Alex to wrap it off here.

Alexander Kara - NKT A/S - President & CEO

Okay. Wrap it up. Okay. I will not repeat everything what I said. I just say more or less what we started, that NKT is important for the energy transition. And we talked about a lot of our portfolio technology, sustainability. And I hope you got a little bit more insight also from my colleagues in the management team.

So I would also here still like to repeat, NKT is an attractive partner for the investors. I think the market is better than ever and it looks like even more increasing. I don't repeat here all the positive signs what we have seen and what we discussed. And also on value creation for a customer, we are reliable and I mentioned also key priority is for us execution and delivering on commitments on our contracts to our customers.

And then if you deliver on our commitments, they will come again. And all this together is, of course, done not only by assets, fixed assets, obviously employees, motivated employees, and we talked about a high engagement score. And Kira talked about attrition and retention of talents will be important and smart engineering can also reduce substantial cost in the project. If you can design a cable a little bit in a smarter way, saving a little bit metal or insulation sickness can make quite a difference. So it's not only assets, which is important. It's also the smartness of the people.

So we talked about there are a new updated strategy and ReNew BOOST with the 3 pillars. We said we grow, we intend to grow. We will invest based on a clear trigger events if it's meaningful and if it delivers attractive returns, and our focus is in Europe. And we are selective also outside of Europe, in U.S., could be also other countries. Innovation is key. It is high end in the solution business, but not only solution, also you have innovation in application and service and innovation is also more than just technology. We had the example of the low-carbon copper cable, which is also innovation and also innovation is collaboration with customer, new ways of collaboration to frame agreements and avoiding here tender cost and efforts on NKT side and on the customer side.

Sustainability is one of our priorities was it and will be and we want to be here as the leader. And we have made good steps and we'll continue to do so and with our people and keep the people.

With this, we are at the end. I think the bus is leaving at 4:30. I hope it was interesting. It was our first Capital Market Day for me and also for the team. So we gave our best to make it for you interesting, but you can also -- those which will go to Karlskrona will have the chance to ask additional question tomorrow, in Karlskrona also during the factory tour. So thank you very much that you took the time to come. It was a pleasure, and thank you.

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