

The NKT logo is displayed in a white, stylized, blocky font. The letters are interconnected, with the 'N' and 'K' sharing a vertical stroke, and the 'T' having a unique shape. The background of the entire slide is a blue-tinted photograph of a man in a white hard hat and glasses, wearing a dark shirt with the NKT logo, working in a laboratory or industrial setting with many circular lights on the ceiling.

NKT

November 2022

# Q3 2022 Interim Report

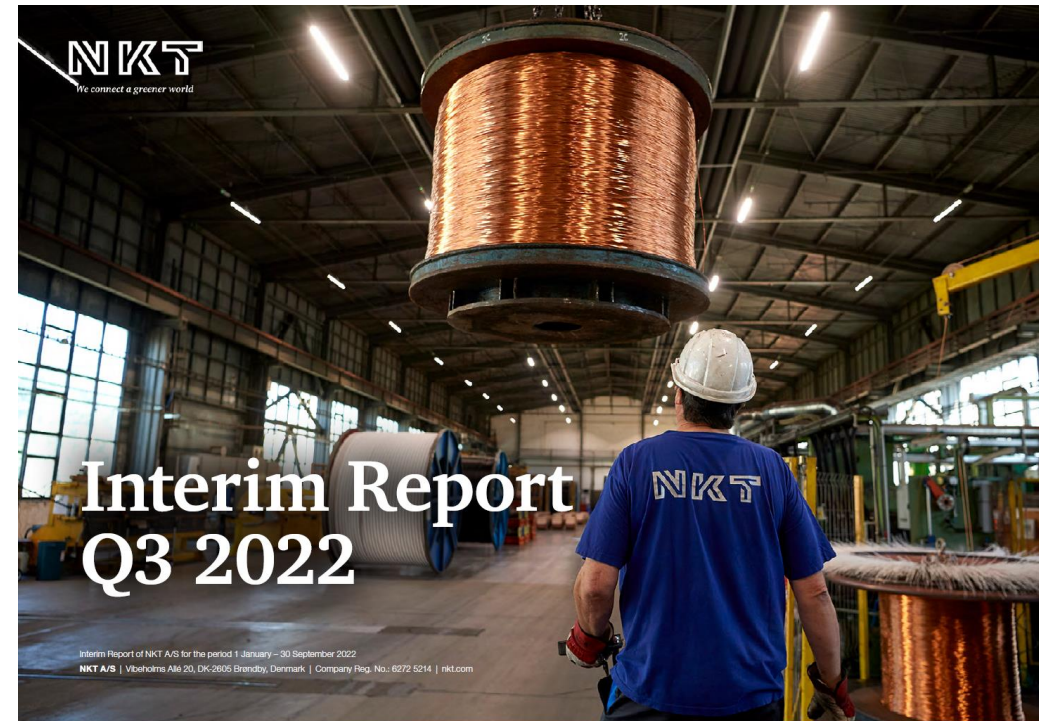
Webcast presentation

# Forward looking statements



This presentation and related comments contain forward-looking statements.

Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT A/S' control, may cause that the actual development and results differ materially from the expectations.



# Today's presenting team



**Alexander Kara**  
President & CEO



**Line Andrea Fandrup**  
CFO

## Key messages Q3 2022

- **Organic growth** of 8% drove underlying improvement in operational EBITDA\*\*. Based on the financial performance, the financial outlook for 2022 is updated
- **High-voltage order backlog remained at a high level** as NKT secured various onshore projects and variation orders to existing projects
- **Issuance of green hybrid securities** amounting to EUR 150m to strengthen financial position for future growth opportunities
- **Launch of updated strategy ReNew Boost** including upgrade of medium-term ambitions

\*\* Excluding income related to the closure of insurance cases in Q3 2021

# Agenda

- 06 Business highlights
- 13 Financial highlights
- 18 Questions & Answers

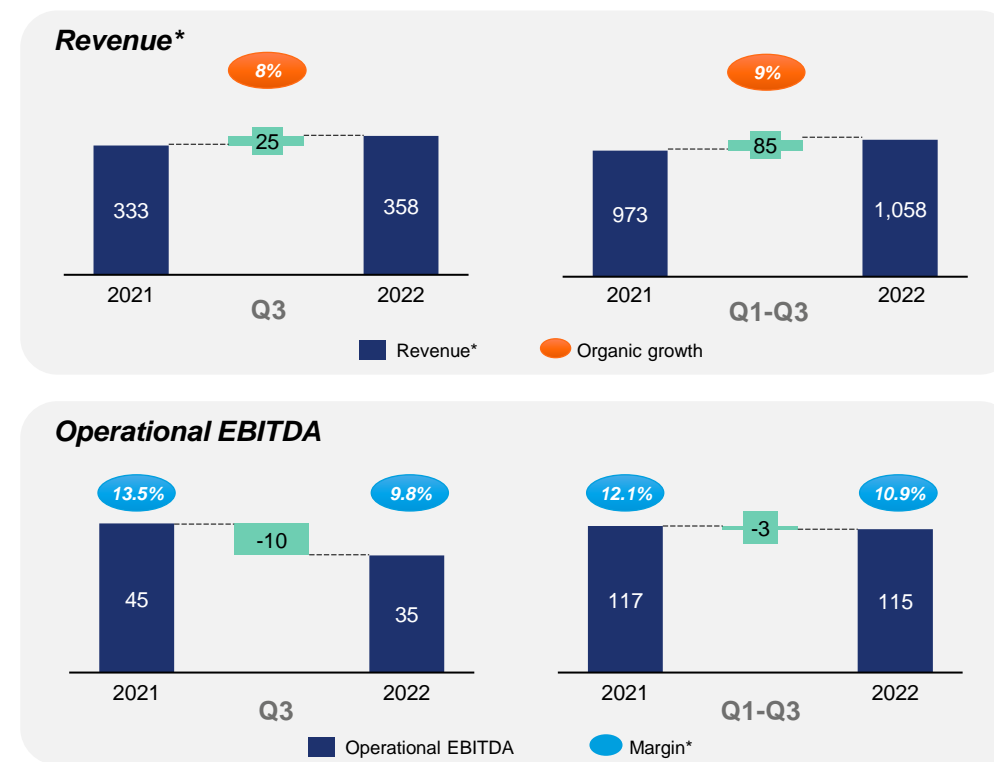
# Performance in Q3 2022

Positive revenue development driven by all three business lines

## Key developments in Q3 2022

- **Solutions'** growth in revenues and underlying\*\* operational EBITDA was driven by execution of orders awarded over recent years covering most power cable types
  - Operational EBITDA in Q3 2021 was positively impacted by income of EUR 20.7m related to the closure of insurance cases
- **Applications** grew revenues driven by increased prices, while operational EBITDA was lower than in Q3 2021 due to higher input costs
- In **Service & Accessories**, revenues and operational EBITDA developed positively driven by both the accessories and service businesses

## Key financial highlights (EURm)

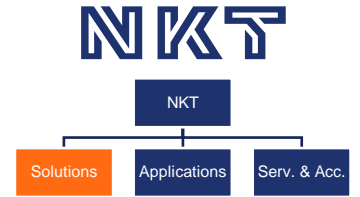


\* Std. metal prices

\*\* Excluding income related to the closure of insurance cases in Q3 2021



# Solutions – Q3 2022



## Underlying growth in revenues and operational EBITDA

### Customer offerings

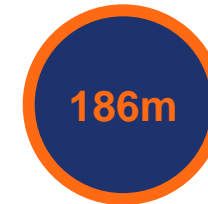


- High-voltage AC/DC on-/off-shore power cables

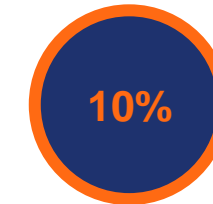
### Development during Q3 2022

- Growth in revenues and underlying operational EBITDA\*\* with progress on several projects through varying stages of execution including Borwin 5, Champlain Hudson Power Express, Dogger Bank A and B, Shetland, and Troll West.
- NKT Victoria, the company's cable-laying vessel, was fully utilized for various installation assignments including offshore installation of Shetland and Troll West
- NKT to produce power cables for Dogger Bank C, the third phase of the world's largest offshore wind farm, using low-carbon copper
- Factory expansions and upgrades in Karlskrona continued according to plan

## Q3 2022 financial highlights



Revenue\*, EUR  
(Q3 2021: EUR 178m)



Organic growth  
(Q3 2021: 5%)



Oper. EBITDA, EUR  
(Q3 2021: EUR 34.6m)



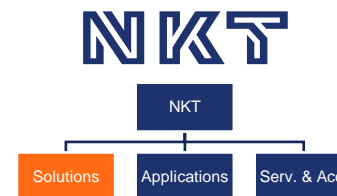
\* Std. metal prices

\*\* Excluding income related to the closure of insurance cases in Q3 2021

Note: AC = Alternating Current and DC = Direct current

# High-voltage market development

## Step-up in market activity



### Key developments

- NKT secured various onshore projects and variation orders to existing projects to its high-voltage order backlog in Q3 2022
- In July 2022, NKT announced that it is turnkey supplier for the prospective **East Anglia THREE offshore wind farm** in the UK developed by ScottishPower Renewables. The project will be included in the order backlog when the project owners provide NKT with a notice to proceed and make a final investment decision. This is expected no later than Q1 2023
- In October 2022, NKT signed a contract for the HVDC onshore power cable system for the Canadian **Hertel-New York** project, developed by Hydro-Québec
- The estimated value of projects awarded in NKT's addressable high-voltage power cable market for the first nine months of 2022 was **around EUR 7bn**, mainly covering long-distance DC interconnectors as well as offshore wind projects
- NKT estimates that the average addressable market in 2022, 2023 and 2024 will be **around EUR 7-8bn per year**

### Recent notable order wins for NKT

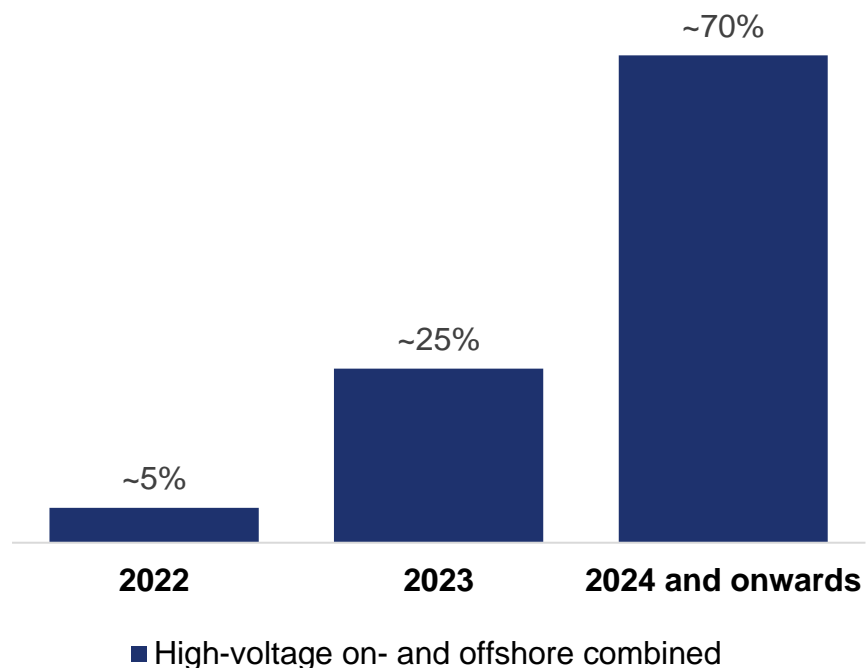
Name	Announced	Size (EURm)	Type
<b>Hertel-New York</b> 	Oct 2022	~90	Interconnector
<b>Champlain Hudson</b> 	June 2022	>1,400	Interconnector
<b>SuedOstLink 2nd system</b> 	May 2022	<700	Interconnector
<b>Dogger Bank C</b> 	Jun 2021	~280	Offshore wind
<b>Troll West</b> 	Apr 2021	~95	Power from shore



# High-voltage order backlog

The high-voltage order backlog remained at high level of EUR 4.5bn\* at end-Q3 2022, slightly down from EUR 4.6bn at end-Q2 2022

## Order backlog providing future coverage...



## ...and diverse across application and commissioning



### OFFSHORE WIND

Ostwind 2	2023	
Dogger Bank A & B	2023	
BorWin5	2025	
Dogger Bank C	2026	



### INTERCONNECTORS

Beckomberga-Bredäng	2023	
Viking Link	2023	
Attica-Crete	2023	
Shetland	2024	
SuedOstLink 1 <sup>st</sup> system	2025	
SuedLink	2026	
Champlain Hudson P.E.	2026	
SuedOstLink 2 <sup>nd</sup> system	2027	

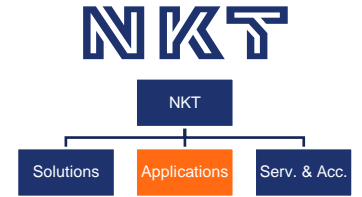


### POWER FROM SHORE

Johan Sverdrup 2	2022	
Troll West	2023	

\* Market prices (EUR 4.0bn in std. metal prices)

# Applications – Q3 2022



## Revenue growth driven by increased prices

### Customer offerings

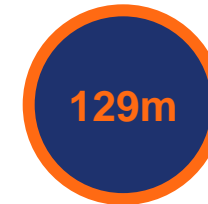


- Medium- and low-voltage power cables & building wires
- Power cables for telecom market

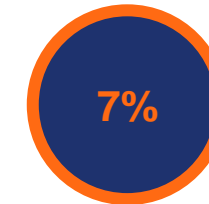
### Development during Q3 2022

- Revenue increased due to increased prices, while volumes developed negatively
- NKT was not able to compensate fully for the increased cost level which resulted in a lower operational EBITDA level
  - NKT is aiming to gradually adjust and update contracts in order to reflect the higher input prices. These efforts are expected to benefit profitability margins from Q4 2022
- Slowdown in construction-related markets due to negative developments in the European economy
- Demand for medium-voltage power cables remained at a high level, positively influenced by the electrification of societies

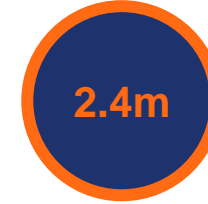
## Q3 2022 financial highlights



Revenue\*, EUR  
(Q3 2021: EUR 118m)



Organic growth  
(Q3 2021: 15%)

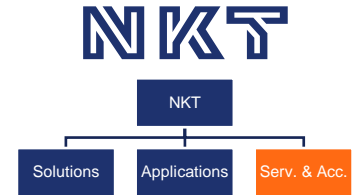


Oper. EBITDA, EUR  
(Q3 2021: EUR 9.0m)



\* Std. metal prices

# Service & Accessories – Q3 2022



## Increase in revenues and earnings

### Customer offerings

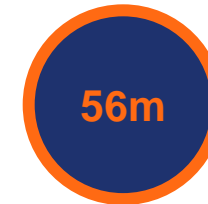


- High- and medium-voltage accessories
- Services

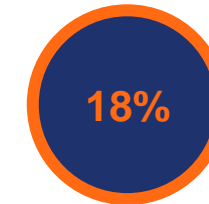
### Development during Q3 2022

- Higher revenue and operational EBITDA was driven by both the accessories and service businesses
- High activity within both recurring and repair service businesses
- Unstable global geopolitical situation implies increased focus on securing critical infrastructure such as power cables
- In the accessories business, revenues and operational EBITDA increased, mainly due to a recovery in sales of high-voltage accessories
- Consolidation of high-voltage accessories production to Alingsås, Sweden, from Cologne, Germany, continued

## Q3 2022 financial highlights



Revenue\*, EUR  
(Q3 2021: EUR 46m)



Organic growth  
(Q3 2021: 18%)



Oper. EBITDA, EUR  
(Q3 2021: EUR 4.5m)



\* Std. metal prices

# Agenda

- 06 Business highlights
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# Income statement: Improved revenue driven by all three business lines



## Income statement highlights

EURm	Q3		Q1-Q3		FY
	2022	2021	2022	2021	2021
Revenue	492	480	1,560	1,391	1,828
<b>Revenue (Std. metal prices)</b>	<b>358</b>	<b>333</b>	<b>1,058</b>	<b>973</b>	<b>1,263</b>
<b>Organic growth</b>					
NKT	8%	10%	9%	17%	15%
<b>Operational EBITDA</b>	<b>35</b>	<b>45</b>	<b>115</b>	<b>117</b>	<b>131</b>
Operational EBITDA margin*	9.8%	13.5%	10.9%	12.1%	10.4%
One-off items	0	-15	0	-13	-13
<b>EBITDA</b>	<b>35</b>	<b>30</b>	<b>115</b>	<b>105</b>	<b>118</b>
Depreciation, amortization and impairment	-19	-24	-59	-66	-95
Financial items, net	5	-3	-5	-8	-8
Tax	-3	-2	-7	-8	-4
<b>Net result from continuing operations</b>	<b>18</b>	<b>1</b>	<b>44</b>	<b>22</b>	<b>12</b>
Net result from discontinued operations	2	-1	-5	-9	-8
<b>Full-time employees, average</b>					
NKT	4,069	3,876	4,029	3,725	3,775

## Key developments in Q3 2022

- **8% organic growth** driven by all three business lines
- The underlying **operational EBITDA margin\* improved by more than 2%-points** compared to Q3 2021 when excluding the income of EUR 20.7m related to the closure of insurance cases in Q3 2021
- **One-off items were zero** in Q3 2022
- **Positive development in net result** taking the figure for the first nine months of 2022 in solid positive territory
- **FTE level** increased driven by increased activity and the future growth expectations

\* Std. metal prices

# Balance sheet: Leverage ratio remained below targeted level



## Balance sheet highlights

EURm	30 Sep		30 Jun		31 Dec
	2022	2021	2022	2021	2021
<b>Working capital</b>					
NKT	-202	7	-212	113	-93
<b>Capital employed</b>					
NKT	1,162	1,109	1,120	1,238	1,053
<b>RoCE</b>					
NKT	3.8%	3.4%	4.1%	1.5%	3.4%
<b>Net interest-bearing debt (NIBD)</b>	<b>80</b>	<b>97</b>	<b>24</b>	<b>186</b>	<b>13</b>
NIBD / Operating EBITDA, LTM	0.6x	0.8x	0.2x	1.7x	0.1x
<b>Total assets</b>	<b>2,597</b>	<b>2,397</b>	<b>2,628</b>	<b>2,405</b>	<b>2,553</b>
<b>Total equity</b>	<b>1,082</b>	<b>1,129</b>	<b>1,101</b>	<b>1,162</b>	<b>1,160</b>

## Key developments in Q3 2022

- **Working capital increased slightly** compared to end-Q2 2022:
  - The level in Solutions was reduced due to phasing of milestone payments relating to projects in the order backlog. In Applications, working capital increased due a higher inventory level and lower trade payables
- **RoCE** has been stable at around 3-4% in the past five quarters but is expected to gradually improve when the expected earnings contributions from the recent years' investments materialize
- The cash flow generation in Q3 2022 led to a **higher net interest-bearing debt level**
- **NKT issued green hybrid securities** of EUR 150m. The maturity date is in 3022, with a first call option in July 2026. In the same period, NKT decided to redeem the existing EUR 150m hybrid securities (with maturity in 3018)



# Cash flow: Negative free cash flow as investment programme continued



## Cash flow statement highlights\*

EURm	Q3		Q1-Q3		FY
	2022	2021	2022	2021	2021
<b>Cash flow from operating activities</b>	<b>0</b>	<b>150</b>	<b>96</b>	<b>27</b>	<b>209</b>
EBITDA	35	30	115	105	118
Financial items, net	5	-3	-5	-8	-8
Changes in working capital	-31	85	17	-112	51
Others	-10	38	-31	43	48
<b>Cash flow from investing activities</b>	<b>-41</b>	<b>-44</b>	<b>-144</b>	<b>-123</b>	<b>-211</b>
Capex	-41	-44	-128	-125	-213
Acquisition and divestment of businesses	0	0	-16	2	2
<b>Free cash flow</b>	<b>-41</b>	<b>105</b>	<b>-48</b>	<b>-96</b>	<b>-2</b>
<b>Cash flow from financing activities</b>	<b>-38</b>	<b>-21</b>	<b>-33</b>	<b>-34</b>	<b>-37</b>
<b>Net cash flow</b>	<b>-79</b>	<b>85</b>	<b>-81</b>	<b>-129</b>	<b>-39</b>

## Key developments in Q3 2022

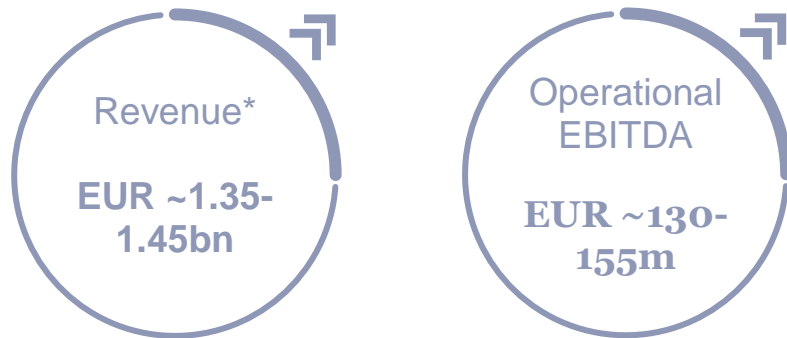
- **Cash flow from operating activities** was slightly negative in Q3 2022 as earnings contribution was outweighed by working capital development
- **Cash flow from investing activities** was impacted by the ongoing investments mainly within Solutions as the planned investment programme to upgrade the high-voltage production sites was further progressed
- **Cash flow from financing activities** was among others negative due to annual coupon payment of EUR 8m for the hybrid securities

\* From continuing operations

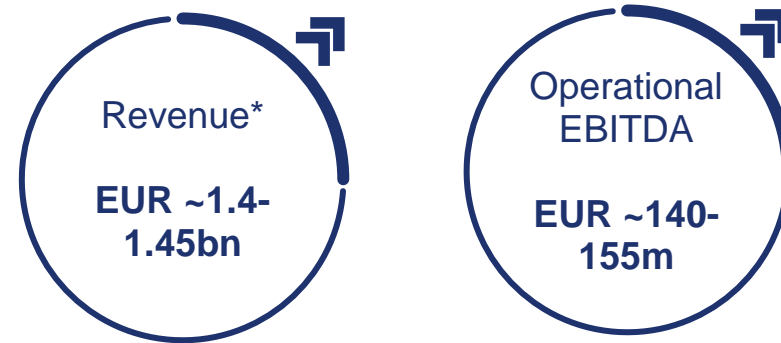
# Financial outlook with continued growth expectations

Based on the financial performance in 2022, the financial outlook is updated

## Previous financial outlook 2022



## Updated financial outlook 2022



- The financial outlook assumes limited financial impact due to the global supply chain challenges and further deteriorations in the macroeconomic environment

## Key messages Q3 2022

- **Organic growth** of 8% drove underlying improvement in operational EBITDA\*\*. Based on the financial performance, the financial outlook for 2022 is updated
- **High-voltage order backlog remained at a high level** as NKT secured various onshore projects and variation orders to existing projects
- **Issuance of green hybrid securities** amounting to EUR 150m to strengthen financial position for future growth opportunities
- **Launch of updated strategy ReNew Boost** including upgrade of medium-term ambitions

\*\* Excluding income related to the closure of insurance cases in Q3 2021

# QUESTIONS & ANSWERS



# Financial calendar



**2023**

**Event**

22 February

➤ **Annual Report 2022**

23 March

➤ **Annual General Meeting 2023**

10 May

➤ **Interim Report, Q1 2023**

16 August

➤ **Interim Report, Q2 2023**

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