



NKT

May 2023

Q1 2023 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



Jens Due Olsen
Chair, Board of Directors



Claes Westerlind
President & CEO



Line Andrea Fandrup
CFO

Update of divestment of NKT Photonics

- On 24 June 2022, NKT entered into an agreement to divest NKT Photonics to Photonics Management Europe S.R.L, a 100% owned subsidiary of Hamamatsu Photonics K.K.
- Required regulatory approvals had been obtained from authorities in Germany, the United Kingdom, and the United States.
- However, on 2 May 2023, NKT received notification that the Purchaser has been denied the authorization under the Danish Investment Screening Act needed for the Purchaser to proceed to complete the transaction and acquire NKT Photonics
- NKT awaits the Purchaser's further actions in response to the decision and, separately, NKT evaluates its options considering the decision. NKT deems to be contractually well protected against the situation
- NKT Photonics is still presented as discontinued operations and assets held for sale



Claes Westerlind appointed new CEO of NKT



- Alexander Kara has decided to leave the company for personal reasons
- The Board of Directors has appointed **Claes Westerlind new CEO** as of 9 May 2023
- Claes Westerlind **joined NKT in 2017 when NKT acquired ABB HV Cables** in Sweden and since 2019, Claes has held the position as Executive Vice President, Solutions Karlskrona, and been **a member of the global leadership team in NKT**
- Prior to joining NKT, Claes worked in various managerial and sales roles in **ABB (today Hitachi Energy) from 2006-2017**, both in the power cable and the high-voltage DC converter business units
- The Executive Management team consists of Claes Westerlind and Line Fandrup

- NKT reported 34% organic growth in Q1 2023, driven by strong performance across all three business lines. **Operational EBITDA reached a record-high quarterly level**, mainly due to Solutions and Applications
- **The high-voltage order backlog took another significant step up to a new record-high level** of EUR 7bn. The most significant awards were for offshore wind farm projects in the Netherlands and the UK. **Additional project awards in Q2 2023** improved order backlog further
- The financial performance in Q1 2023 led to an **update of the financial outlook for 2023** on 26 April 2023
- **NKT will invest in additional high-voltage production capabilities and capacity** to support delivering on the order backlog and due to the continued strong market outlook. Further, NKT is considering the extent of additional installation capacity and capabilities required and how to secure this going forward
- Claes Westerlind has been appointed as **new CEO** of NKT

Agenda



- 07 Business highlights
- 12 Update on Solutions
- 18 Financial highlights
- 25 Questions & Answers

NKT performance in Q1 2023

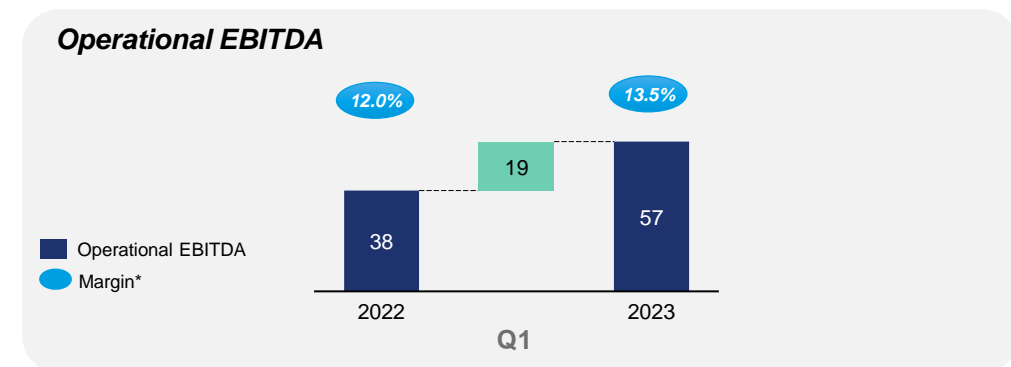
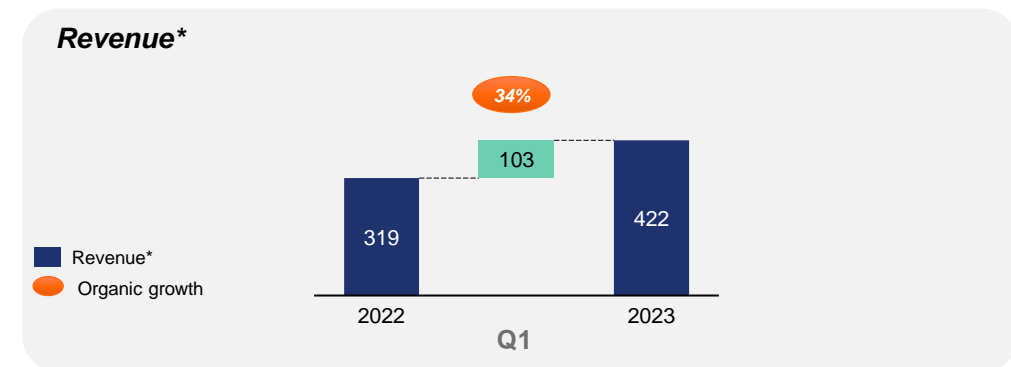


Improvement in financial performance mainly driven by Solutions and Applications

Key developments in Q1 2023

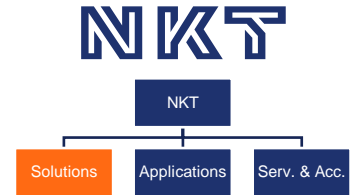
- Revenues and operational EBITDA increased in **Solutions** driven by execution of orders awarded in recent years covering several power cable solutions
- In **Applications**, price increases to offset increase in input costs drove revenue growth. The high growth led to record-high operational EBITDA
- **Service & Accessories** increased revenues and operational EBITDA. Primarily due to the revenue mix between the service and accessories businesses, the operational EBITDA margin* was slightly lower than in Q1 2022

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q1 2023



Satisfactory execution

Customer offerings

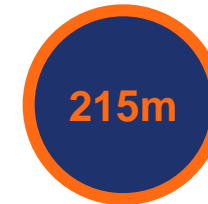


- High-voltage AC/DC on-/off-shore power cables

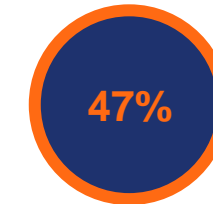
Development during Q1 2023

- Revenues increased driven by execution of orders awarded in recent years covering several power cable solutions
- Continued progress of several projects through varying stages of execution including Borwin 5, Champlain Hudson Power Express, Dogger Bank A, B and C, Hertel-NY, Shetland HVDC Link, SuedLink, and SuedOstLink
- Execution of projects has on average been satisfactory
- NKT Victoria, the company's cable-laying vessel, was utilized for various assignments

Q1 2023 financial highlights



Revenue*, EUR
(Q1 2022: EUR 151m)



Organic growth
(Q1 2022: -4%)



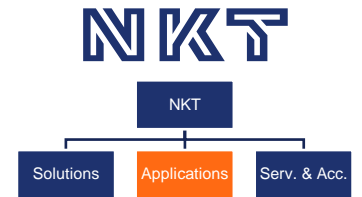
Oper. EBITDA, EUR
(Q1 2022: EUR 24.7m)



* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

Applications – Q1 2023



Revenue growth driven by medium-voltage

Customer offerings



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

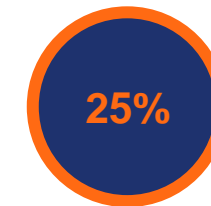
Development during Q1 2023

- As in previous quarters, the higher revenue level was driven by NKT's ability to increase prices and thereby offset the high inflationary pressure
- NKT benefitted from its strong offering of medium-voltage power cables. Within this segment, NKT grew revenues substantially
- As in the previous quarters, developments in the building wire segment were negative, leading to a lower revenue level
- The high growth in revenues had a positive impact on operational EBITDA. The operational EBITDA margin* reached a record-high level of 11.0%

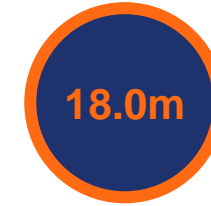
Q1 2023 financial highlights



Revenue*, EUR
(Q1 2022: EUR 131m)



Organic growth
(Q1 2022: 32%)

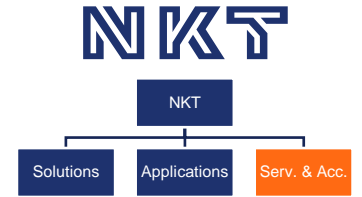


Oper. EBITDA, EUR
(Q1 2022: EUR 10.4m)



* Std. metal prices

Service & Accessories – Q1 2023



Increased revenue and operational EBITDA

Customer offerings

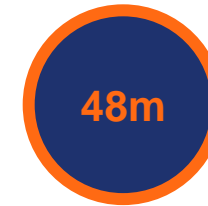


- High- and medium-voltage accessories
- Services

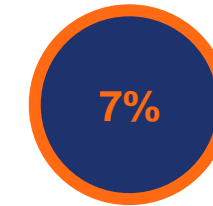
Development during Q1 2023

- Increase in revenues and earnings in Q1 2023. The driver of the higher revenues was the accessories business, while the activity level in the service business was lower than last year
- Satisfactory activity in recurring onshore service business. However, NKT had lower activity within the offshore repair segment
- Both revenues and operational EBITDA grew in the accessories business. The revenue growth was broad-based across the medium-voltage and high-voltage segments reflecting the favourable market development

Q1 2023 financial highlights



Revenue*, EUR
(Q1 2022: EUR 44m)



Organic growth
(Q1 2022: -16%)



Oper. EBITDA, EUR
(Q1 2022: EUR 3.7m)



* Std. metal prices

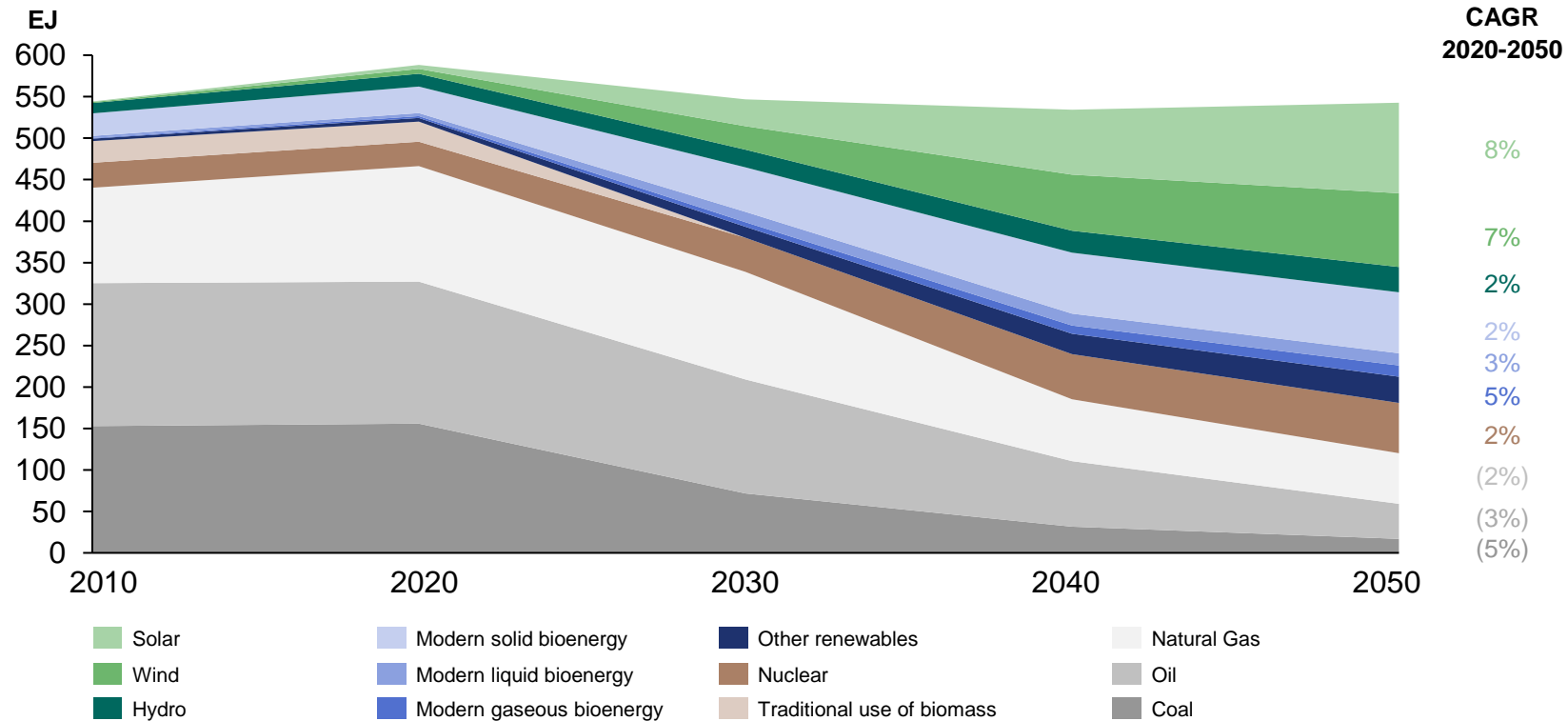
Agenda



- 07 Business highlights
- 12 Update on Solutions
- 18 Financial highlights
- 25 Questions & Answers

Global Net Zero Emission ambitions and demand for energy security **will transform energy generation mix towards 2050**

Global Annual Energy Generation – Net Zero Emission scenario



By 2050, **70%** renewable share in energy generation is targeted

Power cable systems are required for:

- Generation
- Transmission
- Distribution

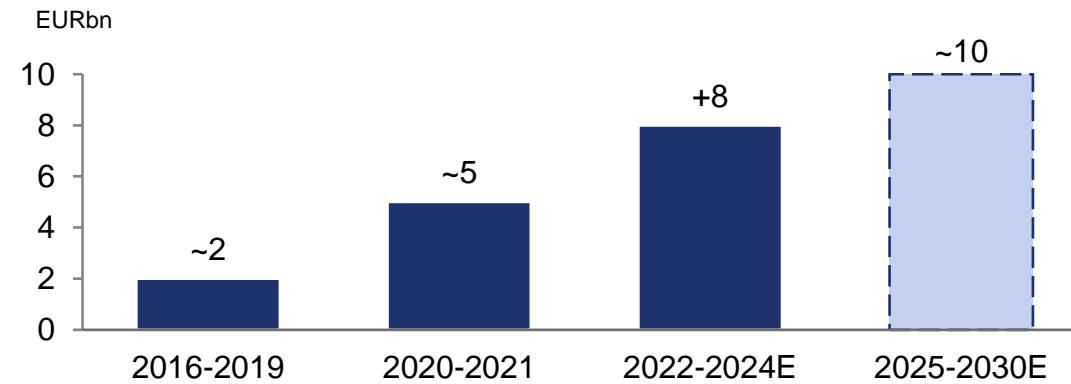
NKT is well positioned in fast growing high-voltage power cable market



Notable order awards (2020-22)

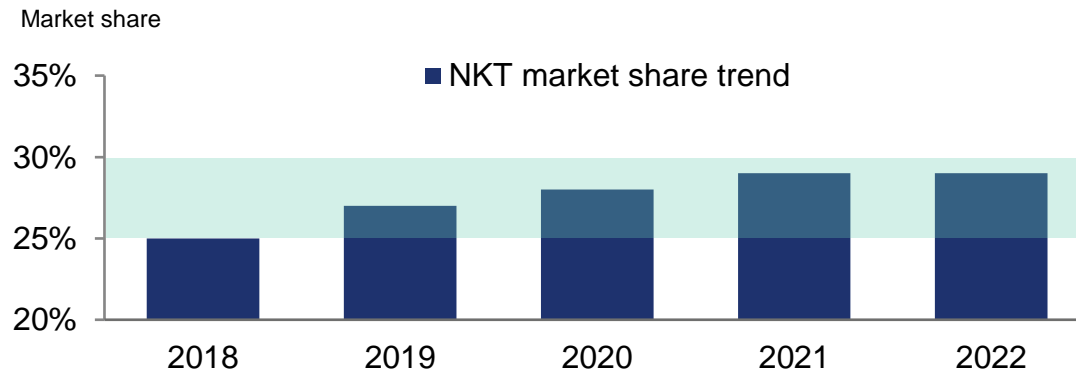
	Project		EURm	GW
2020	Shetland		~235	0.6
	BorWin5		<250	0.9
	Attica-Crete		~115	1.0
	Sued-OstLink		~500	2.0
	SuedLink		>1,000	2.0
2021	Troll West		~95	0.1
	Dogger Bank C		~280	1.2
2022	Champlain Hudson		>1,400	1.3
	SuedOstLink 2nd system		<700	2.0
	Hertel – New York		~90	1.3
	Hugin A and Munin		~155	0.1
	Draugen and Njord		~160	0.1
Annual average (incl. other projects) 2020 – 2022			>1,800	

Annual high-voltage project market awards*



2023-2024E could be significantly larger, depending on the development of several sizable projects including multi-year frame agreement volumes

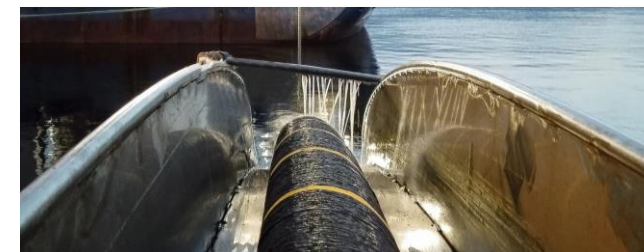
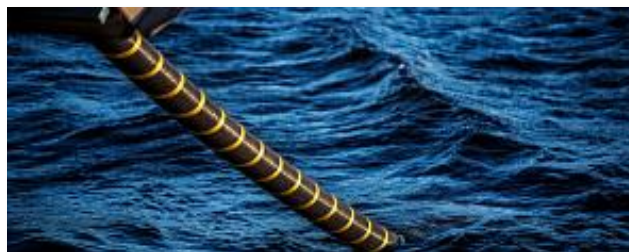
NKT historical market share*



NKT on the front-foot – capturing its fair share of the market

* Based on NKT's addressable high-voltage power cable market

NKT continues to be a preferred supplier for leading HVDC projects



Biscay Gulf interconnector

Hornsea 3

IJmuiden Ver / Nederwiek

Announcement date	5 May 2023	31 March 2023	3 March 2023
Expected completion	2028	2027	2028-2030
Order value	EUR >600m	EUR ~500m	EUR ~2bn
Key stats	400kV HVDC XLPE power cable system 1 GW	320kV HVDC XLPE power cable system 2.9 GW	525kV HVDC XLPE power cable system 6 GW

Pioneering power cable frame agreement for TenneT's 2GW program to further grow order backlog



NKT has secured pioneering power cable framework agreement for TenneT's 2GW Program

Background

- Nine North Sea European countries - including Netherlands and Germany - have agreed to install at least **120GW of offshore wind energy combined by 2030**
- TenneT's HVDC 2GW Program in the **Dutch and German parts of the North Sea accounts for 40GW**
- **One of the most significant infrastructure projects** in the green transition of Europe
- Vital in **strengthening Europe's energy security**

Contract details

- **Multi-year framework agreement** with firm commitments on three specific projects as part of TenneT's offshore wind 2GW Program
- **Agreement runs until 2028 with possible extension until 2031**
- Contracts awarded to NKT are for: **Nederwiek 3** with route length of 288km, **Doordewind 1** with route length 185km, **Doordewind 2** with route length of 185km. All projects are based on **525kV XLPE HVDC technology**
- **Combined value of EUR ~1.5bn**, which covers the majority of the project scope

Ongoing expansion of NKT's high-voltage site in Karlskrona to support the green transition



2010 – 2015

- Northern factory and office
- New test halls
- New harbor



2015 - 2017

- Storage capacity
- New vessel, NKT Victoria



2020 - 2023

- Second extrusion tower, NKT Lighthouse
- Additional machine lines



2023 – 2027

- Expanded production capacity including a third extrusion tower

Agenda



- 07 Business highlights
- 12 Update on Solutions
- 18 Financial highlights
- 25 Questions & Answers

Income statement: Improved revenue driven by all three business lines

Income statement highlights

EURm	Q1		FY
	2023	2022	2022
Revenue	590	490	2,079
Revenue (Std. metal prices)	422	319	1,447
Organic growth			
NKT	34%	7%	15%
Operational EBITDA	57	38	155
Operational EBITDA margin*	13.5%	12.0%	10.7%
One-off items	0	1	0
EBITDA	57	39	155
Depreciation, amortization and impairment	-22	-20	-85
Financial items, net	5	-7	9
Tax	-10	-2	-23
Net result from continuing operations	30	11	55
Net result from discontinued operations	-2	4	7
Full-time employees, average			
NKT	4,291	4,008	4,062

Key developments in Q1 2023

- **34% organic growth** driven by all three business lines
- **Positive development in operational EBITDA.** Both in absolute figures and in margin driven primarily by Solutions and Applications
- **One-off items were zero** in Q1 2023
- **Positive development in net result** due to the improved operational performance
- **FTE level** increased driven by increased activity and the future growth expectations

* Std. metal prices

Balance sheet: Leverage ratio maintained at relatively low level

Balance sheet highlights

EURm	31 Mar		31 Dec	
	2023	2022	2022	2021
Working capital				
NKT	-159	35	-303	-93
Capital employed				
NKT	1,221	1,212	951	1,053
RoCE				
NKT	8.0%	3.1%	6.6%	3.4%
Net interest-bearing debt (NIBD)	50	109	-55	13
NIBD / Operating EBITDA, LTM	0.3x	0.7x	-0.4x	0.1x
Totalt assets	2,767	2,677	2,767	2,553
Total equity	1,170	1,216	1,144	1,160

Key developments in Q1 2023

- **Working capital increased** compared from the low level at end-2022 mainly due to the development in Solutions
- **RoCE improved** driven by higher earnings. RoCE is expected to improve further as recent years' investments materialize and earnings will continue to improve
- The negative cash flow generation in Q1 2023 led to an increase in the **net interest-bearing debt level** from end-2022.
- At end-Q1 2023, NKT had total **available liquidity reserves of EUR 345m**, comprising cash of EUR 148m and undrawn credit facilities of EUR 197m
- At end-Q1 2023 the value of issued guarantees was EUR 1,324m, up from EUR 1,231m at end-2022. These were mainly provided in relation to high-voltage projects

Cash flow: Free cash flow generation negative mainly due to working capital development

Cash flow statement highlights*

EURm	Q1		FY
	2023	2022	2022
Cash flow from operating activities	-67	-42	298
EBITDA	57	39	155
Financial items, net	4	-6	9
Changes in working capital	-123	-58	185
Others	-5	-16	-50
Cash flow from investing activities	-31	-54	-205
Capex	-31	-38	-189
Acquisition and divestment of businesses	0	-15	-16
Free cash flow	-98	-96	93
Cash flow from financing activities	-18	12	-36
Net cash flow	-115	-83	57

Key developments in Q1 2023

- **Cash flow from operating activities** was negative as the positive earnings contribution in Q1 2023 was outweighed by the development in working capital
- The increase in working capital was primarily driven by Solutions' phasing of milestone payments related to projects in the order backlog. Applications' working capital similarly increased due to higher receivables driven by increase of revenue in Q1 2023
- **Cash flow from investing activities** driven by the continued planned investments in Solutions relating to the upgrade of the high-voltage production sites

* From continuing operations

Financial outlook with continued growth expectations



Updated on 26 April 2023 following the strong performance in Q1 2023

Financial outlook 2023



The financial outlook is based on several assumptions including:

- Satisfactory execution of high-voltage projects
- Award of additional high-voltage projects with financial impact in 2023
- Satisfactory offshore power cable repair work activity
- Limited financial impact due to the uncertain global macroeconomic environment, supply chain challenges, and the high inflationary pressure

* Std. metal prices

- NKT reported 34% organic growth in Q1 2023, driven by strong performance across all three business lines. **Operational EBITDA reached a record-high quarterly level**, mainly due to Solutions and Applications
- **The high-voltage order backlog took another significant step up to a new record-high level** of EUR 7bn. The most significant awards were for offshore wind farm projects in the Netherlands and the UK. **Additional project awards in Q2 2023** improving order backlog further
- The financial performance in Q1 2023 led to an **update of the financial outlook for 2023** on 26 April 2023
- **NKT will invest in additional high-voltage production capabilities and capacity** to support delivering on the order backlog and due to the continued strong market outlook. Further, NKT is considering the extent of additional installation capacity and capabilities required and how to secure this going forward
- Claes Westerlind has been appointed as **new CEO** of NKT



QUESTIONS & ANSWERS

Financial calendar



2023

Event

16 August

➤ Interim Report, Q2 2023

8 November

➤ Interim Report, Q3 2023

For full list of Investor Relations events, please visit investors.nkt.com