

## **NKT Q3 Presentation 2011**

Welcome to the third quarter 2011 telecon for NKT Cables Holding. My name is Thomas Hofman-Bang, President and CEO of this company. I am seconded today by my dear colleagues Michael Lyng, CFO, and Søren Isaksen, CTO as usual. And we have prepared a presentation to try and guide you through the numbers, that we published this morning. If we start with the picture on the opening slide, just to repeat that we had a very successful Capital Market Day about a month ago in Kalundborg, visiting the NKT Flexibles factory and what you see in this picture is some of the guests, some of our analysts and investors standing on one of the big turntables that we use for storage of the pipe before it is being offloaded to the installation vessels and in the background you see some of the 9.2 metre diameter drums that we also use for spooling up the pipe for delivery. So we had a very good day in sunshine and everybody was enthusiastic about the outlook for NKT Flexibles and what that company can do and has done. If we dig into the presentation we have the standard agenda. I will cover the highlights of the Q3 numbers published this morning. Then Michael will dive in and analyse the results in further detail and then I will be back elaborating on the development in our four business lines and then concluding with expectations for 2011. And then we have the traditional Q&A where of course we take questions from the audience as a starting point and then we also have a telecon where participants watching on the web have the opportunity to dial in, but we will get back to that. The group structure is unchanged so you are visiting a conglomerate with four business lines today. And no changes have appeared during the last three months, and of course we continue to do small M&A within the divisions and there is a mentioning in the report today that just as an example, Nilfisk continues to expand their presence in emerging markets and have added yet another dealer in Russia as an example in this quarter.

If we look at the highlights for the quarter, then revenue was up slightly. It was up in nominal terms 5 % and if you – just for acquisition impact and effects impact – we were up about 1 percentage point for the quarter and breaking that down on divisions you can see that Cables had reduced growth a little bit – 4 % - bringing them to 4 % year-to-date. We will be back to explaining what is driving that. Nilfisk had a very strong quarter delivering 9 % - a very satisfactory development and we will also come back to the geographical components within that, and that brings Nilfisk to 7 % for the year. Photonics showed a strong quarter – 25 % growth – so we are also very satisfied with that and we are looking at the EBITDA for Photonics they are actually in black numbers this quarter so yet another proof that also this division is moving in the right direction. The total operational EBITDA came in at 315 million for the quarter, which is up, against the EBITDA for the equivalent quarter last year and bringing year-to-date to 754 million. The EBITDA for the quarter is impacted by the price escalating mechanism that we have previously flagged that we have in NKT Flexibles and where we previously flagged that it would come here in the second half it has now been included in the third quarter with an impact 65 million for NKT – a total of 128 million has been included in the NKT Flexibles numbers.

The financial items are showing an adverse trend this quarter. The underlying interest expense is following plans and the debt profile so there is nothing to report on that one but as Michael will come back to in his presentation we are impacted by FX losses in this quarter due to very, very high volatility in a number of quarters where we usually do not hedge and that has hit us in this quarter. Michael will be back and elaborate further on that. Working capital is showing the guided development so we are down by about 400 million in the quarter from 3.5 billion in the second quarter to 3.1 billion after the third quarter so a good development and that of course has a positive impact on our debt which has also declined as expected in the quarter. All that leading to a guidance

where we maintain our top line guidance of around 5 % for the group and on the bottom line where we guided a range between 1 and 1.1 billion on EBITDA after the second quarter we are now narrowing that in and now we are guiding at the level 1 billion for the year with only 1.5 months to go we believe we can narrow the band and be more specific so that is what we have done now. The development in operational EBITDA is displayed on the screen and you can see that we continue this basically flattish development, which is also pointing towards the guidance for the year of around 1 billion. We are at 937 after the third quarter and with the 1 billion guidance for the full year, we expect a slight uptake in the fourth quarter, thereby delivering a fourth quarter that is stronger than the fourth quarter last year and that is basically what we are targeting to do.

The world economic outlook continues to be muddy. Looking at the manufacturing PMI as one of many indicators to look at it continues a declining trend and here we are displaying the PMI for Europe and for the USA and it is now below 50 for Europe. It is still above 50 for the USA and it is hard really to predict what is ahead of us here so we continue to be cautious and of course we have also brought a factor of that into our guidance so we do have a remark in the section about guidance where, of course, we are sensitive to the macro outlook and we have tried to factor that in for you know that we do not know what exactly December will bring us and then the other aspect which has nothing to do with the macro outlook is that of course our Cables numbers are a little sensitive to weather because our ability to install cables in December – we are not talking about offshore cables, here we are talking about land cables but our ability to install that, put that in the ground with accessories, etc. etc. of course is sensitive to whether we get an early winter or not. And we have also tried to embed that risk profile in our guidance.

With all that said, I will leave the scene for Michael.

7.57

Thank you, Thomas. And as usual we will start by looking at the P&L and the development in the individual lines starting with the revenue. Thomas already touched upon that revenue of DKK 3.9 billion compared to 3.7 last year so up 5 % and we then adjust for FX adjustment and metal prices then we are down to 1 % organic growth with negative 4 % in NKT Cables, partly as expected, and a very strong development in Nilfisk with organic growth of 9 % and 25 % growth in the Photonics Group. On the EBITDA operational we came in at 315. As Thomas mentioned before it included a positive impact of DKK 65 million coming from Flexibles related to this price adjustment clause that we have had. So if you adjust for that it actually is DKK 250 million, which is more comparable to the 275 last year. Depreciations came in at DKK minus 227 million up from DKK 102 million last year. The level of DKK 127 million per quarter actually now illustrates the full impact of the Cologne investment made in the last year. EBIT came in at DKK 188 million, slightly above last year's level. One offs DKK minus 3 million, not that important or significant any longer but still as a result of moving out partly from the USA to Mexico. Financial items DKK minus 106 million. On the next slide we will break it up further and come back to the composition of that, but of course it is significantly up from last year's level partly due to higher interest-bearing debt but also partly due to FX adjustments. And that then leaves us with a result before tax of DKK 79 million compared to DKK 105 million last year. Tax is calculated at DKK minus 36 million. At the bottom of the slide you can see that equals 46 %. It seems high but the full-year expectations for tax is still maintained at the level of around 28 %. And that then leaves us with a net result of DKK 43 million compared to DKK 80 million last year. As normally, at the right side of the slide here, the consensus numbers are illustrated in the market, and on revenue and EBITDA we are more or less on a par and then of course further down in the P&L consensus did not include the FX loss.

If we look further into the composition of the revenue increase, the increase DKK 187 million you can see here that we are still positively impacted by increased raw material prices and particular copper even though we have now seen a more or less flattish development but it still impacts our revenue by DKK 158 million. Then we are negatively impacted by FX changes of DKK 32 million which is partly offset by a positive impact from acquisitions of DKK 27 million and then we are down to the 1 % organic growth.

The same way for the EBITDA, the increase of DKK 40 million we are having a negative impact of DKK 71 million from the Cables business, where the EBITDA margin in the quarter is down from 9.3 % last year to 4.8 % this year, fully as expected and also partly as communicated in the past it is negatively impacted by the development in the Cologne factory. On the other side, Nilfisk Advance is up from 9.4 % last year to 10.7 % this year. A very satisfactory development and here illustrated with a positive impact of DKK 31 million. Also the Photonics Group is contributing positively with DKK 5 million. The Photonics Group actually had a positive EBITDA in the quarter of DKK 3 million and then a significant positive impact from NKT Flexibles with DKK 72 million whereof the DKK 65 million is related to this price mechanism that we have discussed in the past. So if you adjust for that there is still an underlying operational improvement and EBITDA margins are up from 19.5 % to 22.4 % this year. Then at the bottom of the slide you can see a split-up of the financial items. DKK 106 million total for the quarter whereof DKK 66 million is relating to net interest expenses compared to DKK 36 million last year reflecting the higher debt we have this year compared to last year and then we had a loss of DKK 40 million related to FX adjustments where we have seen significantly increased volatility for currencies that we do not normally hedge. It has been a quite unusual period – especially this third quarter – and it will continue into the fourth quarter. Part of the loss has been gained back in October but it is of course difficult to forecast where it will end for the full year. But of course we do take whatever measures we find relevant to do to hedge as much as possible.

Continuing with the trend curves for NKT Cables. Nominal earnings of DKK 71 million significantly up from the very unsatisfactory result we had in the second quarter of only DKK 9 million. But compared to last year we are down and that is reflected in the EBITDA margin continuing the downward trend realising now 2.7 % for the last twelve months. The development on turnover – the minus 4 % organic growth is also illustrated here in the left side of the slide where you can see that we still have positive growth in what we define as being electricity infrastructure so everything related to high-voltage submarine, whereas construction is down 15 % - a very weak development in Eastern European markets but also cross selling into the Western European market which has been very soft and very poor prices. Railways is down 53 %. This is partly as expected because we knew that we were ending some very good orders that we have been executing on the last 12 months in China. But on top of that the railway market has come into a complete stop more or less reflecting the tough environment that they have in China right now on the railway segment where they have had some political issues but also some safety issues. And then leaving the Automotive more or less flattish.

If we continue with trend curves for Nilfisk-Advance, a very positive development here illustrated by 9 % organic growth. Europe continues to be at a very good path, 7 % realised in the quarter but in particular we are very satisfied with the development that we in Americas where we had 15 % organic growth in the quarter. But also Asia-Pacific is positive with 8 %. And in particular we are satisfied with this development when we compare the numbers with peers in the market. On the earnings side we came in at DKK 160 million in nominal earnings and that impacted the EBITDA

margin positively up from 10.5 % at the end of last year now to 10.8 % at the end of the third quarter. If we look at the gross profit development in the Nilfisk business we are now trading at 41.3 %. We still have some positive development in the gross profit in front of us, because the price increases that we implemented into the market over the summer are not reflected fully in the number so in the fourth quarter we expect a positive development. We still have a gap between the negative impact coming from increased raw material prices. They are only partly offset by our price increase in the market, but we will continue to narrow the band into the fourth quarter.

Then this time we have two slides for NKT Flexibles more or less looking identical. On the first one you can see how we have reported the numbers for this quarter and you can clearly see the positive impact from the DKK 128 million from the price mechanism that we have discussed in the past and of course is impacting the revenue positively and thereby the organic growth that came in with 58 % in the quarter but also impacting the EBITDA with the same amount. So it is more fair to look at this slide 14 where we have adjusted for the price mechanism impact month by month all the way back to 2009 where we have been impacted with positively 6 million, DKK 68 million was the positive impact in 2010 and the remaining DKK 54 million was the positive impact in 2011 and thereby you can also see that the real growth in the business has been 14 % in the quarter and the EBITDA margin came in at 22.4 % adjusted for this mechanism or from 19.5 % in the same quarter last year. All in all we have incorporated a profit in the NKT Holding book of DKK 90 million compared to DKK 18 million last year.

The order backlog situation is still okayish, it is close to DKK 1 billion and on top of that come of course the frame agreements. Working capital, in nominal terms a positive development, a decline from DKK 3.5 billion at the end of last quarter to DKK 3.1 billion at the end of this quarter so a positive development as expected also. But the way we calculate the last 12 months' numbers, you don't see it yet. They are up from 18.5 % at the end of the third quarter last year to 21.8 %, but as illustrated here on the grey curve which is the last three months' average numbers, you can see that they are going south and we expect a further decline in working capital here in the fourth quarter. It is still a very high focus area both in the Nilfisk business but also in Cables. The strategic targets we have for the two businesses are unchanged and if you look at the numbers in the right side of the slide you can see that NKT Cables increased slightly from 22.9 % at end of the second quarter to 23.1 %. Where we have an unchanged picture in Nilfisk with a working capital of 19.3 %.

If we continue by looking at the net interest-bearing debt we start to see the positive development that we have forecast and also communicated in the past. The net debt decreased from almost DKK 5 billion at the end of the second quarter to DKK 4.7 billion so this is a positive development partly impacted by the reduced working capital but also by the positive earnings. No question that we are still highly geared. We have a leveraged EBITDA to debt of 5 times, a gearing of 119 % and a solvency ratio of 29 %.

The cash flows for the third quarter were also positive. We had realised cash flow from operating activities of almost DKK 400 million impacted positively by the reduced working capital of DKK 300 million and also by the positive earnings. Then we have invested DKK 191 million in different kinds of assets. We have acquired businesses in the Nilfisk business, the Nilfisk-Advance segment of DKK 54 million and then we have invested DKK 100 million in assets – a majority of that is related to NKT Cables. And that leaves us with a cash flow from operating and investment activities of DKK 208 million compared to a negative number of 313 million last year.

Despite the fact that we are highly leveraged, we do feel that we have everything under control, illustrated by this slide. You have seen it before. It illustrates what kind of committed lines we have – unchanged from the end of the second quarter DKK 5.1 billion. Uncommitted are 1.8 billion compared to 1.6 so up by DKK 200 million so a total facility of 6.9 billion up from 6.7 billion at the end of the second quarter. We have utilised 5 billion out of the 6.9 billion, which leaves us with cash resources of 2.1 billion up 500 million from 1.6 billion at the end of the second quarter.

That was the end of the financial review. Back to Thomas.

22.37

Thomas Hofman-Bang

Thank you for that Michael. Thank you very much. And if we cover the four business lines starting with NKT Cables then of course focus continues to be on Cologne because that is really where the big swing factor in the numbers is. And we gave an update on that on our Capital Market Day a month ago where our CEO, Marc van 't Noordende had the opportunity to present. And the message that was given there was that it would take between two to four quarters to really make Cologne reach the efficiency level and the productivity level that we are targeting longer-term with this factory and the development in the third quarter is absolutely in line with that guidance. Looking at the underlying productivity the amount of tons or the amount of kilometres coming out of the factory – it is basically following the expected plan and therefore we are moving in the right direction, we are gradually tackling the small challenges here and there on technology, on machinery and on various types of operational issues and it is moving in the right direction so that is basically what we can report on Cologne today. And if you try to run through the numbers what is implied for the fourth quarter, you see that a further improvement in the Cables performance in the fourth quarter is part of our guidance and that is because we continue to believe that we are on the right track. We have a good composition of orders for the fourth quarter and that, in combination with improved productivity, should yield yet another improvement in performance.

Michael touched upon the railway situation where of course we are impacted by the political decisions being taken in China, where they have halted the implementation of new projects so we kind of see two developments. They continue to be active on tendering and therefore looking ahead, basically confirming that they want to continue with the expansion of their high-speed train grid in China, but on the other hand live projects are temporarily halted while they are investigating these safety issues after two accidents and then there have been some political issues at the top as well. And the latest we have heard out of China is that resources are now being allocated to this area again and therefore we do expect without being able to really predict when but you know in the hopefully short distance from now that they will then reactivate these projects but short-term of course we are impacted, and as Michael said we are down 53 % in the third quarter due to that stop on projects.

And looking at the segments, as Michael reported we are up 7 % on infrastructure. We continue to see strong development on the offshore logs of tendering activity. We have the highest backlog ever in NKT Cables' history as we also showed on the Capital Market Day and that continues to be the case. On the high-voltage scene for underground land cables it is basically the same picture as we have seen in the last couple of quarters. Good outlook, but relatively competitive and in particular in the lower end of the high-voltage segment we continue to see strong competition so that is what we can report on that side of the business model. On construction where we are selling low-voltage cables in Eastern Europe, Scandinavia and then we have increasingly been targeting Central

European countries as well over the last year, we see fierce competition in Germany and have decided to basically decline from a part of that market. We do not want to participate in that fierce price competition so that is part of the reason behind the decline of – how much is it? – the 15 % in the third quarter and then we also continue to see softness in the Eastern European countries as we also reported on the second quarter and that is the drivers behind the development in the construction segment and therefore with that development and continuous growth in infrastructure, decline in the construction, the overall portfolio composition continues to drive in the direction that we strategically have been targeting for a couple of years. That we want to be more and more infrastructure and account for more and more in our numbers and we continue to be confirmed on that direction by what we see in the market and that is satisfactory. And that is basically what we have to report on Cables for this quarter.

If we look to Nilfisk-Advance we are very satisfied with the development. We have been discussing the growth and the lack of same, in particular in the US in the first two quarters of this year and on the basis of that discussion we are very satisfied with the growth we see in the third quarter in the USA where Nilfisk is growing 15 % and thereby fighting back against competition in that market segment and overall we can see that at least for the third quarter we are doing better than competition and that is of course always satisfactory. And that, with the operational gearing of the Nilfisk-Advance model that is driving margin expansion and we see that the EBITDA margin is growing as it should and therefore we are heading to meet the targets that we have set out for this year for Nilfisk-Advance. The raw material price – pressure continues under businesses although it seems to have stabilised at a high level. We have as also previously reported been increasing prices in the first half. We had a campaign early in the year and we have a second campaign in May- June and of course we are increasingly seeing the impact of that and therefore, as Michael explained, we expect to see the gap between the raw material price pressure and the price increases continuing to close that gap in the remaining part of this year and into next year. And that is of course also a reason for the market development that we see in the business and also for the outlook. Again here, if you run through the implied numbers with the guidance you see that we also expect a strong fourth quarter for Nilfisk. Nilfisk continues to execute their strategy where of course they continue to have focus on their supply chain, on the cost, on the efficiencies. We have not been very active on planned relocations in the third quarter. A couple of months ago we decided to conclude on the campaign to relocate manufacturing from the USA to Mexico and in order to improve our availability, our ability to supply the market, meet the demand, and looking at the gross numbers that has been a good decision because that is of course also a reason for the growth that we see, that we are back on track with our availability both in Europe and in the USA. Still further room for improvement but we are definitely back to where we can meet customers' expectations. Nilfisk also continues to execute on their must-win battles focused on emerging markets where we have focused on the BRIC-MT countries meaning the BRIC countries and Mexico and Turkey – they are the six key countries in that part of the strategy and they continue to expand and in this quarter they expanded the front-end presence in Russia but also the other markets of course have strong focus. In previous quarters we reported that we strengthened front end in China. We are also expecting that we will continue that journey in the next couple of years and continue to expand with more dealers and thereby making sure that we establish ourselves as market leaders also in these very important markets for the longer-term future.

If we turn to Photonics we don't have a slide on it, but it is very satisfactory that Photonics can report 25 % growth in the market, basically thereby following up on what we reported in previous quarters where we reported strong order intake. We continue to have good strong order intake and

therefore we also are positive about the outlook for the future. The fourth quarter itself is probably not going to yield 35 % growth, but still double-digit growth. It has something to do with when these orders are to be delivered but the overall trend is that we continue to see that the applications where our technology is the enabling technology embedded continue to mature and thereby they are the drivers behind us really taking off in volume and within oil and gas we have seen some very good development in the course of 2011 and that is where we continue to receive confirmation of that strategy also with the recent order intake where applications for monitoring oil fields by implementing a fibre grid on the sea bed and using our fibre lasers – this is where we see the good development but also in a number of the other sensor application areas we continue to receive confirmation on the strategy. So we are on the right track with that.

On the NKT Flexibles – I don't remember if I have a slide on it – yes, I did – of course, focus is on making sure that we hit the ground right in Brazil. In this quarter we have secured the land where we want to build our new factory. We have been in a search process looking at various sites in Brazil and ended up going for a site called Porto do Açú which is a very interesting area – a very big area being industrialised and as part of that plan they are building the biggest harbour in South America and we have decided to locate our factory as part of that complex meaning that we have access to a deep-water harbour and it is located about 225 km north of Rio and thereby it is optimal also if you look at where the oil reservoirs are. They are perfectly suited for that in terms of distance. And the next two years will then be heavily occupied by erecting that factory and where the focus is right now on that project is of course on securing all the assets for the factory locking in machine vendors, negotiating with contractors for civil work and build us a factory and then of course building up the organisation and a lot of effort is going into that in the entire NKT Flexibles organisation. And on top of that they are of course managing – you could say –existing NKT Flexibles business where we see an optic in the rest of the world market. We see good tender activity. We are mentioning a couple of wins in the quarter. We see good demand in the North Sea where we have had some good order intakes and looking at the supply/demand balance that is also moving in the right direction in the rest of the world market confirming what we are about to do the next two years, which is to balance between delivering on the frame agreements to Brazil out of the Cologne factory and then at the same time reserve enough capacity for our rest of the world clients and make sure we meet that demand as well and that seems to balance out nicely so we believe we are well positioned also in that respect.

In previous quarters we have talked about what we call the steel case which was an unfortunate event where a supplier had falsified some certificates and some steel items going into our end fittings and we have taken that matter extremely seriously. And in close cooperation with our clients we have been investigating the matter and we are reporting in this quarter that we are closing down the case. Everything has been investigated. There are no issues and therefore this is now history and we will not report any more on it and it has not had any financial consequences for the company.

Then the last thing to report on NKT Flexibles is of course the strategic review that we initiated in the third quarter where we as owners jointly, Subsea 7 and NKT, decided that we would investigate whether we are also best owners going forward. It has been a very successful joint venture for 12 years where we have been able to develop NKT Flexibles to the position it has today, so it is a good example of what you can do in joint venture structures but having said that, we also realise that we have basically fulfilled all the visions that we had when we established the joint venture 12 years ago. And therefore it is a natural point in time to stop up and ask ourselves: Are we also the best owners for the future development of this company where with the expansion in Brazil there is also

a very bright future for this company going ahead and therefore we would be happy to continue the journey as owners. There is not a whole lot to report on the review other than it is on track. It is going as expected, as planned and we have not defined a time line for the project and therefore we are not able to be much more specific today other than we will be back when we have a conclusion on the review. So the message is basically: Don't call us, we will call you.

With that said we are reaching the expectations where we also touched upon it in the opening. We are maintaining our overall guidance of 5 % growth for the total group, slightly lower growth expectation for Cables, slightly higher growth expectations for Nilfisk and that together then supports the overall financial growth ambition. On the EBITDA level we have narrowed in the band where after the second quarter we had a range of 1 to 1.1 and now with 1½ months to go we have thought that it would be the right thing to narrow it in and be more specific and that is what we have done by now guiding the approximate 1 billion for the year.

And with that squared away we are at the Q&A and we will – as we have been doing for several quarters – start with exhausting the appetite for questions among the audience here in the room and then after that we will go to the telecon. And we are starting in the front row with Klaus – please state your name and organisation.

#### Questions and answers

Q: 38.41

Klaus Madsen, Handelsbanken

I was wondering if you could shed some more light on the profitability in the Cologne factory during Q3. After Q2 you gave some targets that you wanted to climb back to 35 % gross margins in the business and lift the EBITDA margin in that part of the organisation from negative, I believe it was 7-8 % or so to high single digit. And could you confirm if you are approaching those numbers now?

A: 39.10

Thomas Hofman-Bang

We are moving in the right direction in the quarter. Part of adjusting our guidance to the low end of the band instead of the high end of the band is that we are not going to meet exactly the numbers you are talking about for this year, but we are going to be into 2012 before we reach that level, but we are moving in the right direction.

Q: 39.33

Klaus Madsen, Handelsbanken

And when do you believe you are back into the range in 2012?

A: 39.39

Thomas Hofman-Bang

We will guide when we publish our annual report in late February, I think it is, and there we will be more specific. We are in the middle of our planning for 2012 and therefore we are not in a position to give specific guidance today, but looking at the backlog that we have for next year, the quality of that backlog and where we can see our output in the factory is going, we will definitely be back to those levels in 2012, but which month exactly it is, I am not able to guide you today.

Q: 40.07

Klaus Madsen, Handelsbanken

But can you point to whether it is a first half exercise?

A: 40.12

Thomas Hofman-Bang

I probably could, but I do not want to guide on it today, I would rather reserve the right to come back on that when give the full picture.

Q: 40.23

Klaus Madsen, Handelsbanken

Right. Then on low voltage, you said you basically pulled out of the German market, what proportion of low voltage revenues have you sort of given up at least temporarily?

A: 40.34

Thomas Hofman-Bang

I did not say that we are pulling off the German market; I just said that we have been much more selective in the German market, not taking a very aggressive role in a price war. So we are cherry picking what we believe is relevant to go for, maintaining customer relations, so it is not that we have pulled the plug in that market, not in any way but we are just much more selective.

Q: 41.00

Klaus Madsen, Handelsbanken

Right. Then finally on railway and what you think is a suitable planning condition for the next 12 months for the Chinese market, both on top line and what you have done on the cost base to adjust for those sorts of new conditions?

A: 41.18

Thomas Hofman-Bang

On the top line, as I said, it is very difficult really to guide. We can see what kind of backlog we have so we know what we can do, assuming that the projects are active. But whether it is going to start in January or in April, we don't know by now because we can only see that there are positive signals that the political level seems to be committed to continue again by allocating resources to the area again. But how fast it then turns into projects being reactivated we have not received any guidance yet and therefore that of course will be crucial for what we can do in railway for 2012, so again we will probably be able to be much more specific when we are coming with our guidance in late February on that. And until we see signs of reactivation, we continue to be very restrictive on cost in that part of the business where we basically have sent the organisation home in that part of the business, waiting for signs that it will reactivate.

Q: 42.37

Klaus Madsen, Handelsbanken

Then just finally on Nilfisk. The very strong organic growth in the third quarter in the US is that related to any sort of particular large orders or is it a general pickup in your US business?

A: 42.48

Thomas Hofman-Bang

It is a general pickup in our US business where one component is what the market is yielding of opportunities and there are no particular big orders in that and then of course also our ability to supply, meaning that we have been able to reduce back orders that we had as carry-overs from previous quarters. So it is a combination of those two factors.

Q: 43.22

Klaus Kehl, Nykredit Markets

First of all, could you comment on the trends you have seen in Nilfisk in Q4 on the top line with the.. yeah, what you feel for the market? And secondly, would it be fair to expect Cables to be loss making on the EBIT line here in 2011? And thirdly, I believe that you said after the report that you are budgeting for a low growth scenario in 2012 and I guess that is a fair assumption, but would it then be completely unfair to expect flat margins in Nilfisk in 2012 based on that?

A: 44.10

Thomas Hofman-Bang

If we take them one by one, what are we seeing in the fourth quarter in Nilfisk. We continue to see healthy markets and that is of course embedded in our guidance, so we are not seeing any particular slowdown. Of course we only have visibility for the first half of the quarter here in the middle of November so we don't know what December is going to bring us, but so far so good; the industry seems to be healthy. And on outlook for Cables, I am not sure I understood the question, but it is definitely going to be a positive EBIT for the fourth quarter if that was the question.

Q: 44.52

Klaus Kehl, Nykredit Markets

No, the question was whether Cables would be loss making on the EBIT line for the full year, 2011.

A: 44.58

Michael Lyng

Full year. Yes, since we are very open and transparent in our communication and you can see all the numbers in the quarterly report and calculate what EBITDA we will gain in the fourth quarter, you can also conclude we will have a negative EBIT for the full year.

Thomas Hofman-Bang

And then the last question was outlook for 2012 where again we are not going to give any guidance today, so our remarks about 2012 are more generic in the sense that we read all the reports coming from the macro analysts as well and it is hard to see anything else than that we should expect low growth in Europe and the US overall for the next year and maybe also for a couple of years and that of course goes into our planning for 2012, and then let's see where the world is when we get to the end of February, we will hopefully know more about the debt crisis in Europe and thereby the political stability or lack of same and what that does to the markets in Europe and the same goes for the US where I guess the verdict is still out where the US is really heading, but we are cautious in our planning and I think that is the right thing to do in this environment.

Q: 46.22

Claus Almer, Carnegie

The first question is about Petrobras' second frame agreement. Have you started to receive the first orders?

A: 46.29

Yes.

Q: So that is going accordingly to plan? Okay. And then at Cables you had the change of guidance after Q2, you had a Capital Markets Day a month ago or so and it seems like with the new guidance that things have worsened or been more delayed than you expected just one month ago. Could you put a little bit more flavour to what has happened due to these delays and maybe also quantify the amount, is that DKK 100 million or is it 50 million?

A: 46.59

Thomas Hofman-Bang

No, I cannot be very specific as to what is behind the numbers for the quarter. When we guided, gave an update on the Capital Market Day and when we guided after the second quarter, the guidance was constructed in such a way that we had a forecast but we also identified a number of risks and that is why we gave the guidance we did with the range. And as we are also writing in the report, these risks appear to have been there and have materialised and that is why we are now in the low end of the range because we needed the reserve for these risks and it is not that I can pinpoint and say it is a specific project or it is this, that or the other, it is the sum of many, many different things that brings us to where we are now.

Q: 47.56

Claus Almer, Carnegie

Then in the report you talk about a 12-month improvement curve, is that starting from Q2 which was the previous announcement or is that that will go until the end of Q3 next year?

A: 48.08

Thomas Hofman-Bang

You will gradually see improvement all the way to the end of 2012, and hopefully you will see a steep curve so that in the first half of the year or the fourth quarter and then into the first half of 2012 we see a significant improvement.

Q: 48.24

Claus Almer, Carnegie

Then a final question about the debt. It seems like you have taken down or increased your net debt, end of the year from four to four and a half times?

A: 48.33

Thomas Hofman-Bang

That is not because we have a very different perspective on the debt but because the EBITDA number is now DKK 1 billion instead of 1.1, that is the main reason behind that. And then we are also sending a signal in the report about the inventory year-end at Nilfisk-Advance. We are on a five-year campaign to implement SAP in all parts of Nilfisk and deliberately we have been doing that with a very long time horizon to make sure that it is a low-risk project and you have never heard about it because it is a low risk and we have not had any hiccups but we do gradually take units and put them on stream with SAP and now we have reached the point where we will take some of our European factories and put them live on 1 January. and it is always customary in such projects, you build up inventories before you do that to make sure that the lack of availability that

you will suffer as part of that for a couple of months can be offset by existing inventories and therefore we will build up inventories more than usual at year-end to combat that.

Q: 49.42

Claus Almer, Carnegie

Thanks.

Q: 49.50

Patrick Setterberg, Nordea Markets

Usually you give some assumptions to the EBITDA margin for the full-year for NKT Cables and Nilfisk Advance. I am just wondering, is your margin assumption for Nilfisk Advance still 11.7?

A: 50.06

Michael Lyng

Yes it is. It is approximately in that range, yes.

Thomas Hofman-Bang

It can also be 11.6 or 11.65 or 11.7, but it is at that level.

Q: 50.16

Patrick Setterberg, Nordea Markets

So it is fair to assume that the downgrading or the narrowing of the range of the guidance on EBITDA is mainly due to NKT Cables?

A: 50.24

Thomas Hofman-Bang

Absolutely and that is also referring back to the previous question and also what we write in the report. It is those risks that we identified that all related to Cables that have materialised.

Q: 50.35

Patrick Setterberg, Nordea Markets

Okay. Then a question relating to your new factory in Brazil in NKT Flexibles. Could you just give me an update on how long you are in a process of ordering machinery?

A: 50.50

Thomas Hofman-Bang

We are pretty far with the commissioning or the ordering of machines and we are in the middle of concluding on the civil work and construction part.

Q: 51.10

Patrick Setterberg, Nordea Markets

Okay. Yes, thank you.

A: 51.16

Thomas Hofman-Bang

Any further questions from the audience here? That doesn't seem to be case. Then we will ask the operator if we have any questions on line?

Operator: 51.24

Thank you. If you have question, then press star then one on your touch tone phone, please. The first question comes from Peter Testa from One Investments, please.

Q: 51.36

Peter Testa, One Investments

Hi, good morning. Just two questions, please. You referred to in NKT, Nilfisk-Advance sorry, you referred to an improvement in delivery times in the quarter. I was wondering if you could give us some sort of sense as to how delivery times have improved in Q3, probably Q4 as well versus earlier in the year?

A: 51.55

Thomas Hofman-Bang

I cannot give you one answer to that question. We monitor delivery performance and availability for machines in various sub-segments and therefore also at regional level, we also monitor it for parts which is a different, another part of our business and they are all moving in the right direction with different pace and as is it customary in many types of industries like Nilfisk-Advance, you typically have a target that you want to be around, the 90-95 % availability and thereby ability to ship within 24 hours and there we are at that target for some of the segments and we are getting close to those levels for other parts of the business.

Q: 52.48

Peter Testa, One Investments

And then I was hoping you might be able to give us some understanding on just how the Nilfisk-Advance business picture is evolving with a bit more detail into region, into segment between parts and machines inside Europe just to get some better understanding of how the colour of how the business environments are evolving for Nilfisk-Advance, please.

A: 53.10

Thomas Hofman-Bang

You can see that overall we have seen strong growth in Europe and that of course is driven by the large markets in Europe and we see basically the same pattern as you would expect, that it is the key markets, Germany as an example, France as another example, of course contributing to that kind of growth because they are the large markets. We also see softness in Southern European markets as you would expect, Spain, Portugal, Italy. So we don't see any different pattern than what you would expect, reading the macro scene.

Q: 53.53

Peter Testa, One Investments

Okay, inside Asia or into Asia, any sense of how the geography changes between the developed versus the emerging markets there?

A: 54.00

Thomas Hofman-Bang

We continue to see very good growth in emerging markets. The numbers that you are looking at for Asia are not a fair reflection of what we actually see in emerging markets because mature markets like Japan and Australia and New Zealand are also part of that reporting. We have another reporting that we don't show externally where we focus entirely on emerging markets and there we continue to grow around 30 % annualised in that segment.

Q: 54.34

Peter Testa, One Investments

Okay. And any information on parts versus machines?

A: 54.38

Thomas Hofman Bang

In our business it is primarily machines that are driving it. It is very diverse because our service setup and thereby parts sale varies from regions to regions, depending on whether we are direct or indirect.

Q: 54.55

Peter Testa, One Investments

Okay, thank you very much.

Operator: 55.00

The next question comes from Jacob Pedersen from Sydbank, please.

Q: 55.05

Jacob Pedersen, Sydbank

Hi, gentlemen, I just have a single question. You talk about product exchanges in NKT Cables during the quarter and also changes in the gross margin on the product groups in Cables. Could you expand a bit on what this means?

A: 55.22

Thomas Hofman-Bang

I am not sure I know what you are referring to, but of course, as you know, following the business for many years, the different segments are very different in profitability and with the growth in infrastructure and the decline in construction is a mixed change in a positive development assuming that you have the right quality of projects within the infrastructure segment and that is where we have been through a development in 2010 and 2011 where the quality of the backlog going forward is better than what we have been executing on.

Q: 56.10

Jacob Pedersen, Sydbank

Okay, and also the change in the gross margin for the product groups, I don't think I really understand what you mean by this, have there been any significant structural changes in the quarter?

A: 56.30

Thomas Hofman-Bang

I am just looking in the report

I am a little bit.. Could you be more specific, Jacob? Are you there, Jacob?

Q: 56.40

Jacob Pedersen, Sydbank

Yeah, I am here.

A: 56.44

Thomas Hofman-Bang

Okay. We are not sure we understand your question, maybe we can just take it off line?

Q: 56.49

Jacob Pedersen, Sydbank

Yeah, we will do that. Okay, thanks a lot, I will call you later.

Operator: 56.55

Next question comes from Daniel Patterson from SEB, please.

Q: 57.00

Daniel Patterson, SEB Enskilda

Yes, hi gentlemen. I have a couple of questions to the Cables business. One clarification on China and high speed rail. Did you say that resources were being allocated back or were not?

A: 57.12

Thomas Hofman-Bang

They are about to be allocated. It is the latest press that we have picked up in China.

Q: 57.20

Daniel Patterson, SEB Enskilda

Okay. And then to follow up on that, is there any sort of further delayed effect or later effect for you out there that is waiting, some projects that have been postponed or can you sort of bridge the gap if say demand comes back say in the summer of next year?

A: 57.39

Thomas Hofman-Bang

I think we have to be realistic that what is lost is lost here, so what will happen is that we will come back, continue and complete the projects that were halted and then we will continue onto other projects but looking at our capacity situation it is not that we can then have pinned up demand that we can then do, don't expect that.

Q: 58.02

Daniel Patterson, SEB Enskilda

Okay. Regarding the excellence programme in Cables you are starting to implement, could you give us some flavour about what you are sort of planning there?

A: 58.14

Thomas Hofman Bang

It is very classic, Operation Excellence programme that we are implementing across the Cables group and of course there are components focusing on Cologne but there are definitely also a number of projects focusing on other parts of the group which is a natural step to take for a couple of reasons. NKT Cables has been in a massive growth development for the last 8 years and now we have reached a point where it makes a lot of sense to really look at what we have achieved and make sure that it functions optimally in all respects, supply chain, that we have the products that we want, that we have the right profitability, that we have the right customers in there, classic ABC analysis is part of it, also a review of can we squeeze out more cost, can we do things more

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intelligently, should we consolidate more manufacturing compared to how we have already done it where we also have had a campaign going for years to consolidate manufacturing, is there more to do there, are all aspects of this, also looking at back office, so it is basically a review of all types of cost and structures and with the new management team we have in place that in particular have a background for doing this, we also have the management team in place to drive that project.

Q: 59.50

Daniel Patterson, SEB Enskilda

But now that you mention this for the first time in the quarter, I mean should we expect any sort of positive benefits from this already in 2012 or is this sort of an ongoing process?

A: 60.0

Thomas Hofman-Bang

It is an ongoing process but we definitely have expectations for a tangible result in 2012.

Q: 60.09

Daniel Patterson, SEB Enskilda

Okay. Then a final question on Cables. Several of your competitors as well as yourself have sort of been asked some questions by the anti-trust agencies. Now also several of your competitors have started to make provisions, significant, several hundred million Euro provisions for the cost of this. What is your view on the whole anti-trust investigation?

A: 60.36

Thomas Hofman-Bang

Our view is that we recognise that the investigation is ongoing in the industry, we have received a so-called statement of objection, some four-five-six months ago, we have responded to it. We have not made any provisions because we don't believe we should make any provisions and that is the comments that we can give to that.

Q: 61.05

Daniel Patterson, SEB Enskilda

Okay. Then one question on Nilfisk-Advance. I think to an earlier question you said that you saw sort of continued, solid market into the fourth quarter but as I see your implied Q4 organic growth, it is sort of, the guidance, it is implying zero per cent organic growth in the fourth quarter. Is that just a bit conservative or how should we square that?

A: 61.35

Thomas Hofman-Bang

I can repeat that we do not see any change in the market dynamics and when you then try and reconcile that to guidance, you should also look at the language that we are using, building up that guidance where we have built into the guidance that it could slow off in the end of the year.

Q: 62.05

Daniel Patterson, SEB Enskilda

Okay, thank you very much.

Operator: 62.10

The next question comes from Massimo Bonisoli from Equita, please.

Q: 62.14

Massimo Bonisoli, Equita

Good morning, everybody. A couple of questions from my side. One is related to the net debt guidance, you increased it by DKK 300 million the net debt guidance for the end of the year. Part of it, you mentioned, is related to the increase in contingency top price because of the increasing inventories for the SAP. Can you just quantify the figure for the increasing inventories? And the second question is regarding the interest cost. I see that in the third quarter compared to the third quarter last year, the interest rates increased, even if the situation on an interest rate level has been pretty much the same, so can you just give some indication regarding 2012 if you expect interest rates to increase on an absolute basis excluding the tariff free rate of the URI board development?

A: 63.21

Thomas Hofman-Bang

To the first question, as far as I remember we are looking at some €15-20 million inventory build-up in Nilfisk at year-end that we usually would not have. So that is the approximate magnitude that we are planning with. As to the interest, I don't know, you are probably more suited for that, Michael.

Michael Lyng

Yeah, I think you had a question about the net debt position at the end of the year. We have now in our third quarter announcement included or communicated a number of around DKK 4.5 billion net debt position at the end of the year and that is all in all unchanged compared to previous guidance. So what has changes is of course the EBITDA has declined and thereby the ratio EBITDA-to-debt has changed. But the debt in itself is more or less unchanged. And then your question about whether we expect increasing interest rate costs into 2012, that is not the situation. That is an unchanged picture.

Q: 64.30

Massimo Bonisoli, Equita

Okay. Thank you very much.

Operator: 64.36

Janne Vincent Kjær from Jyske Bank would like to ask a question, please.

Q: 64.40

Janne Vincent Kjær, Jyske Bank

Yes, hello gentlemen. Just one question regarding Nilfisk. You have said earlier that you expect to have cost savings related to relocation of manufacturing to Hungary and Mexico of around DKK 100 million yearly I think with full effect from the second half of 2012. How do you divide this between 2011 and 2012 with the decision not to be so active on the relocation of manufacturing?

A: 65.12

Thomas Hofman-Bang

I don't have off the top of my mind the split between 2011 and 2012, but of course there is an impact in both years and it is also correct that with the decision to not complete the relocation out of the US but leave some manufacturing in the US, the saving is not going to be the full 100, but it is going to be lower than that and that is as specific as we can be on that today.

Q: 65.42

Janne Vincent Kjær, Jyske Bank

Okay. And just one more regarding Cables. How much installation work do you expect to do in the fourth quarter compared to last year?

A: 65.52

Thomas Hofman-Bang

Much less, if I remember the numbers correctly talking pure installation. Are you talking installation of submarine cables?

Q: 66.04

Janne Vincent Kjær, Jyske Bank

Yes primarily.

A: 66.06

Thomas Hofman-Bang

Yeah. As far as I remember the schedule for the fourth quarter, we don't expect a whole lot of installation work in the fourth quarter this year whereas we actually had a big campaign on a big project in the fourth quarter last year, so of course that is going to make a difference between the quarters when comparing. On the other hand we expect to have more manufacturing of Cables in the fourth quarter this year compared to what we had last year.

Q: 66.30

Janne Vincent Kjær, Jyske Bank

Okay. Thank you very much.

Operator: 66.33

Once again, if you would like to ask a question, please press star then one on your touch tone phone. We have no further questions at this time.

66.48

Thomas Hofman-Bang

Thank you very much. Then I will conclude today's sessions. Thanking everybody for participating here in the room and also for those of you watching on the web and participating on the telecon and we will be back with our full-year report on 1 March, I am being corrected here, that gives one more day for the accounting department and there we will then conclude on exactly how the year ended and we will be then ready to also give guidance for 2012 by then. Thank you very much.