



NKT

16 November 2018

Interim Report Q3 2018

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.



Change of CEO

Michael Hedegaard Lyng leaves the company

- As of today Michael Hedegaard Lyng will be replaced by CFO, Roland M. Andersen, acting as interim CEO
- Michael Hedegaard Lyng has shown strong commitment to NKT since he joined the company in 2007
- The search for a new CEO of NKT will be initiated shortly
- The Board of Directors remains fully committed to the company's EXCELLENCE 2020 strategy and to accelerate the journey towards improved profitability and future growth

Today's presenters



Roland M. Andersen

NKT

Interim CEO and CFO



Basil Garabet

NKT Photonics

President & CEO

Agenda



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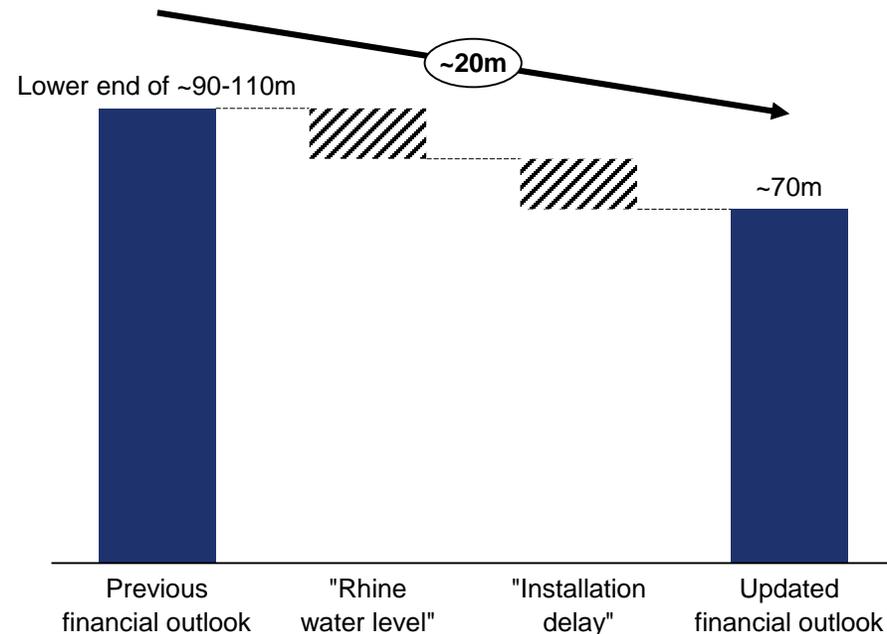
Key highlights Q3 2018

<p>EUR 286.9m Revenue (std. metal prices)</p>	<p>Down from EUR 303.2m in Q3 2017. Negatively impacted by weather-related medium-voltage installation restrictions in Sweden</p>
<p>-1% Organic growth</p>	<p>Mainly due to a slowdown in Applications and Service & Accessories compared to 1st half 2018.</p>
<p>EUR 26.1m Operational EBITDA</p>	<p>Compared to EUR 43.8m in Q3 2017. Reflecting the composition of projects in Solutions</p>
<p>EUR 0.65bn High-voltage order backlog</p>	<p>Increased by EUR 0.13bn compared to end-Q2 2018, driven by the awards of Hornsea 2 and Triton Knoll</p>

- Earnings were in line with expectations in **Solutions**
- Profitability in **Applications** unsatisfactorily low due to weak Swedish market and ongoing roll-out of efficiency initiatives
- Satisfactory performance in **Service & Accessories**
- Issuance of EUR 150m hybrid security and finalization of a committed revolving credit facility of EUR 300m in September. This concluded the refinancing process
- Pick-up in high-voltage project awards since end-Q2 2018, but activity level will be negatively impacted in the remainder of 2018 and in 2019 due to relatively low level of projects awarded during the last 12 months
- The financial outlook for 2018 has been updated

2018 financial outlook updated due to unexpected external factors impacting two ongoing projects

Outlook for operational EBITDA in 2018 (EUR)

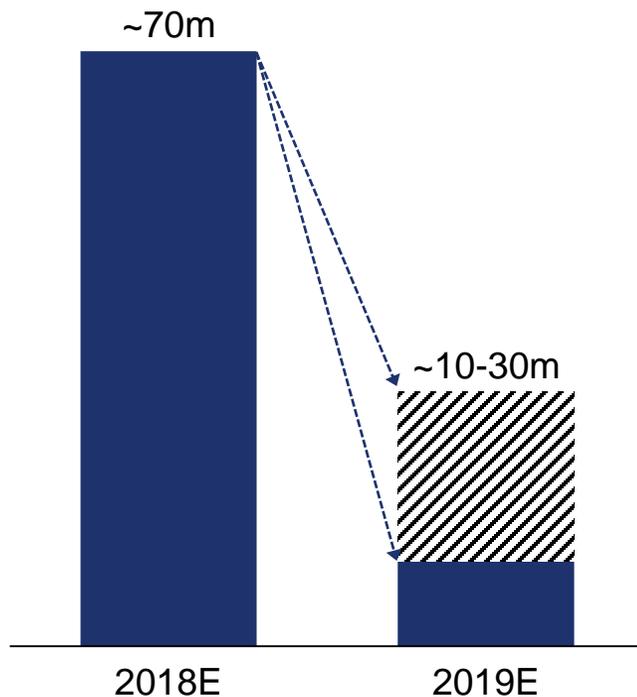


Two factors leading to lower than expected earnings

- NKT is unexpectedly impacted by external factors related to two ongoing high-voltage projects:
 - The extraordinary low water level in the river Rhine is expected to continue for an extended period of time. It will cause delivery delays from the factory in Cologne to the logistics centre in Rotterdam for a high-voltage project, expectedly into 2019. In order to avoid production interruptions for other projects, additional expenses to storage, river barges and turntable capacity will occur
 - A high-voltage project has been delayed as a sub-supplier has damaged the cable during installation. The higher cost level for the project is relating to consequential damages that are not covered by the sub-supplier
- This will impact expectations to operational EBITDA negatively by approx. EUR 20m
 - Around a third of the amount is delay of earnings now to be recognized in 2019 instead of 2018, whereas the remaining relates to increased costs

Preliminary 2019 financial outlook negatively impacted by capacity utilization in Solutions

Expected operational EBITDA in NKT (EUR)



Karlskrona capacity utilization too low

- Although NKT has won its fair share of tenders for high-voltage projects recently, earnings will be lower in 2019 than in 2018
- The main reason for the decrease is reduced capacity utilization on the high-voltage factory in Karlskrona
 - Only Hornsea 2 and Moray East have been secured for production with material financial impact in 2019
 - All other projects in the current pipeline are expected to have material financial impact after 2019
- Low end of the range is based on the following main assumptions:
 - 1) Satisfactory execution on projects in the existing high-voltage order backlog, 2) NKT will not receive additional large high-voltage orders impacting 2019 and, 3) The profitability level in Applications will start to improve among others to be driven by benefits of ongoing improvement initiatives
- To reach the high end NKT will secure additional high-voltage projects with some financial impact in 2019
- The operational EBITDA for NKT is expected to improve again in 2020

Solutions – Q3 2018

**Operational EBITDA in line with expectations.
Pick-up in high-voltage project awards since end-Q2 2018**

<p>Customer offerings</p>	 <ul style="list-style-type: none"> High-voltage AC/DC on/-off-shore cables
<p>Development during Q3 2018</p>	<ul style="list-style-type: none"> Project execution as expected Cables for the Johan Sverdrup 1 have been installed by NKT Victoria and handed over to the customer Cable system deliveries finalized for the offshore wind farms; Walney Extension in UK and Rentel in Belgium Awarded new AC onshore 400 kV frame contract in Germany, but conditions in the high-voltage AC onshore market remained unsatisfactory
<p>NKT Victoria</p>	<ul style="list-style-type: none"> NKT Victoria registered satisfactory deployment in Q3 2018, with works on various offshore projects

Q3 2018 financial highlights



* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

Four large projects awarded since end-Q2 2018



		Highlights	Contract value	Cable type	
Offshore wind	Hornsea 2 	<ul style="list-style-type: none"> • Award of delivery of export cable system • Long-time customer again valuing our expertise • Production started up in Q3 2018 		<ul style="list-style-type: none"> • +190 km of 220 kV AC offshore export cables 	Awarded in Q3 2018
	Triton Knoll 	<ul style="list-style-type: none"> • Award of delivery of array and export cable system • Signed in a consortium with Boskalis Subsea Cables and Flexibles • Cables to be delivered in Q4 2019 and Q2 2020, respectively 		<ul style="list-style-type: none"> • ~100 km of 220 kV AC offshore export cables • ~144 km of 66 kV array cables 	
	Moray East   	<ul style="list-style-type: none"> • Award of delivery and installation of export cable system • Manufacturing as well as installation by NKT Victoria • Production to start in 2019 and installation to commence in 2020 		<ul style="list-style-type: none"> • ~175 km of 220 kV AC offshore export cables 	
Johan Sverdrup 2 	<ul style="list-style-type: none"> • Award of turnkey HVDC power cable solution • Recently, NKT completed supply and installation of the high-voltage DC power cable solution for Johan Sverdrup 1 • Expected production start-up is end-2019 		<ul style="list-style-type: none"> • 2 x ~200 km of 80 kV DC offshore cables 		

High-voltage market update

Market pick-up without significant short-term impact for NKT. Medium- to long-term attractiveness remains

- Project awards started to improve during 2nd half 2018
- During 2017 and 2018 the market has primarily been impacted by postponements of large interconnector DC projects. There has been no systemic reasons for these postponements
- High-voltage market still viewed attractive in the medium- to long-term. Tender activity is in progress on a number of projects across geographies
- However, the limited number of awards during the last 12 months will impact the activity level for NKT for the remainder of 2018 and in 2019
 - Only Hornsea 2 and Moray East will have material production impact for Karlskrona in 2019
 - All other projects in the current pipeline are expected to have material financial impact after 2019

NKT well positioned in the market

Leading provider of high quality turnkey solutions

Advanced cable production factories and specialized DP3 cable laying vessel

Highly experienced cable manufacturer produced ~50% of all installed wind export cables*

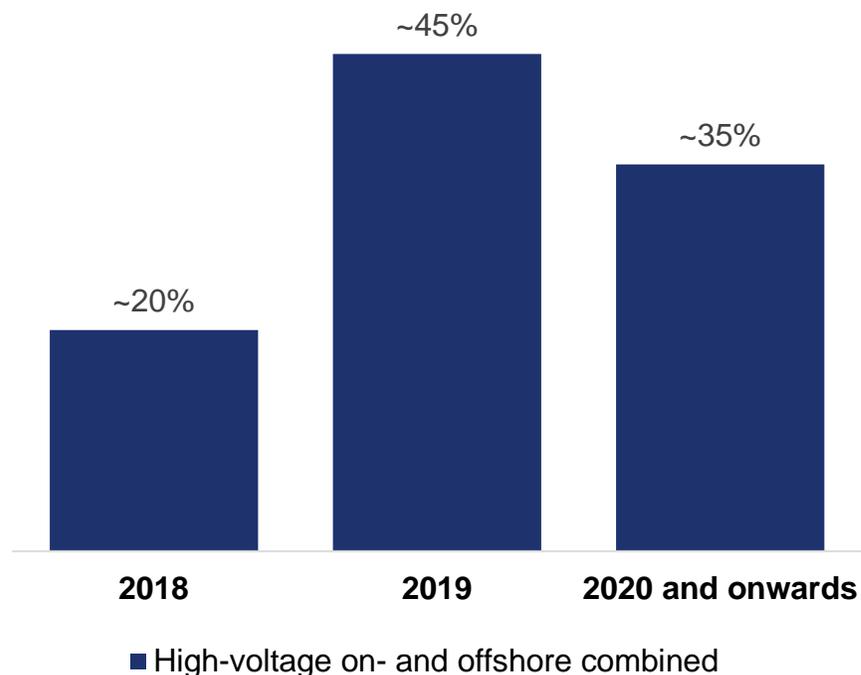
Best in class technology with ability to produce highest voltage ratings worldwide

Well positioned for future HVDC Onshore projects

* Source: 4C Offshore 2017. Market share of cable manufacturers 132-220kV – all offshore construction since 2010 (NKT incl. ABB HV Cables)

High-voltage order backlog

High-voltage order backlog increased to EUR 0.65bn* at end-Q3 2018 from EUR 0.52bn at end-Q2 2018



Mix of high-voltage projects

Offshore wind			Interconnectors		
Kriegers Flak	2018		Caithness Moray	2019	
Borssele Alpha	2019		Nordlink	2020	
Borssele Beta	2019		Oil & Gas		
Hornsea 1	2019				
Triton Knoll	2020				
Hornsea 2	2021		Martin Linge	2019	

Not part of order backlog at end-Q3 2018 (approx. contract values):

Moray East (EUR ~150m)	2021		Awarded on 2 November 2018
Johan Sverdrup 2 (EUR ~110m)	2022		Awarded on 29 October 2018

* Market prices (EUR 0.55bn in std. metal prices)

Applications – Q3 2018

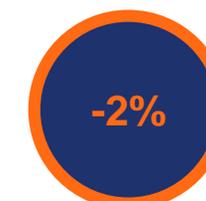
Revenue negatively impacted by Swedish MV market.
Profitability unsatisfactorily low

Customer offerings	 <ul style="list-style-type: none"> Medium- and low-voltage cables & building wires Power cables for telecom market
Development during Q3 2018	<ul style="list-style-type: none"> Negative development in Sweden due to installation restrictions on MV cables due to risks of Wildfires Competitive market situations in Denmark and Germany impacting growth Satisfactory performance in Poland and Czech Republic France driven by medium-voltage frame contract
Lower operational EBITDA	<ul style="list-style-type: none"> Operational EBITDA lower than Q3 2017 due to lower revenue and SEK depreciation Transformational initiatives continued to impact earnings negatively. Positive impact expected during 2019

Q3 2018 financial highlights



Revenue* EURm
(Q3 2017: EUR 103m)



Organic growth



Oper. EBITDA EURm
(Q3 2017: EUR 3.3m)



* Std. metal prices

Transformational initiatives impacting performance

Impact earnings negatively, but benefits are expected to materialize gradually

Efficiency initiatives currently being implemented

- As part of the EXCELLENCE 2020 strategy, NKT is rolling out initiatives to improve the operational efficiency. These include:
 - 1) Move from country-based to global setup with a supply chain function
 - 2) Roll-out of a uniform IT platform to improve efficiency and transparency across sites
 - 3) Implementation of a new operating system across factories to standardize and optimize processes
 - 4) Partnership agreement with an external provider to optimize maintenance and repair
- During the implementation phase of these initiatives, the profitability level will be negatively impacted, but benefits are expected to materialize gradually during 2019 and onwards

Service & Accessories – Q3 2018

Satisfactory financial results

Customer offerings	 <ul style="list-style-type: none"> High-, medium- and low-voltage accessories Services <ul style="list-style-type: none"> Railway
Development during Q3 2018	<ul style="list-style-type: none"> NKT executed on a number of onshore cable maintenance and repair projects Profitability was lower than in the two preceding quarters as no large offshore cable repairs were conducted Revenue growth in Accessories driven by regions outside Europe such as Middle East and Australia
Railway	<ul style="list-style-type: none"> Entered into an agreement to divest railway activities. Expected to be completed no later than Q1 2019.

Q3 2018 financial highlights



* Std. metal prices

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Key highlights in Q3 2018

EUR 15.2m

Revenue

Up by EUR 4.0m against Q3 2017, driven by broad-based positive performance

21%

Organic growth

Growth momentum from 1st half 2018 was maintained. Organic growth of 22% for the first nine months of 2018

EUR 1.5m

EBITDA

Increased by EUR 2.3m on Q3 2017, driven by the growth in revenue

22%

Order intake growth

Improvement across a broad range of business segments, and increased market penetration

- Continued favourable market conditions across product categories and business segments
- NKT Photonics continues to invest in creating a stronger organizational platform
- Adding more people to US organization to strengthen presence in this market
- Strengthened management team with the appointment of Mads Bodenhoff as CFO
- Financial outlook for 2018 unchanged
 - Revenue approx. EUR 65-70m
 - EBITDA approx. EUR 10m

Business development – Q3 2018

Imaging & Metrology 56% of revenue



Markets:

Semiconductor
Bio-imaging & Medical
Industrial metrology

- Revenue and order intake grew solidly in Q3 2018
- Growth broadly founded across markets, including semiconductors and life sciences

Sensing & Energy 31% of revenue



Markets:

Energy
Security
Structural monitoring

- Revenue growth primarily driven by the Koheras single-frequency fiber laser product line
- Main markets growing were remote sensing and various scientific segments

Material Processing 13% of revenue

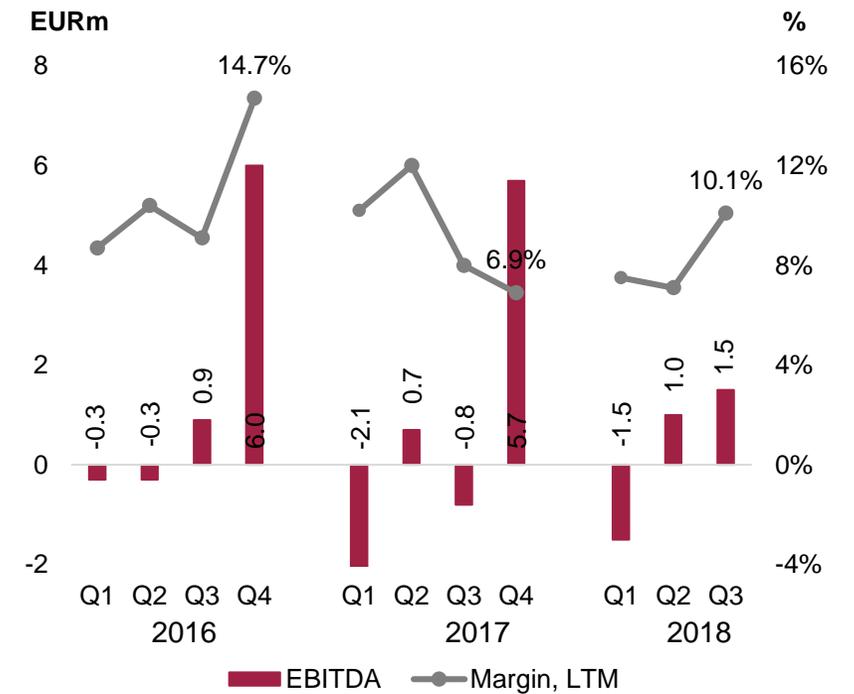


Markets:

Micromachining
Medical
R&D

- Focus area for NKT Photonics
- Launch of new industrial-grade femtosecond laser with higher power in the ORIGAMI line

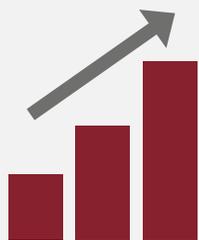
EBITDA performance



Strategic priorities for 2018

Move up in value chain

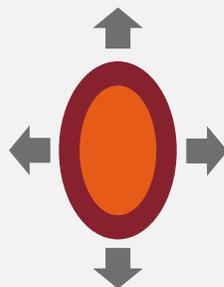
Expand from supply of components to complete optical systems



New Onefive lasers Move from components only to full industrial ultrafast laser system

Focus on organic growth

Actively pursue growth opportunities within core areas organically and through partnerships



Acquisitions The acquisitions of Fianium in 2016 and Onefive in 2017 completed to support future growth

LEAN Operations

Scalable manufacturing
Commercial excellence



COO organization In October 2017, a Chief Operating Officer was appointed to drive production sites more efficiently

Fast introduction of new products

Continued introduction of new products and technologies to meet customers' needs



ORIGAMI Launch of a new industrial-grade femtosecond laser with higher power to ORIGAMI line

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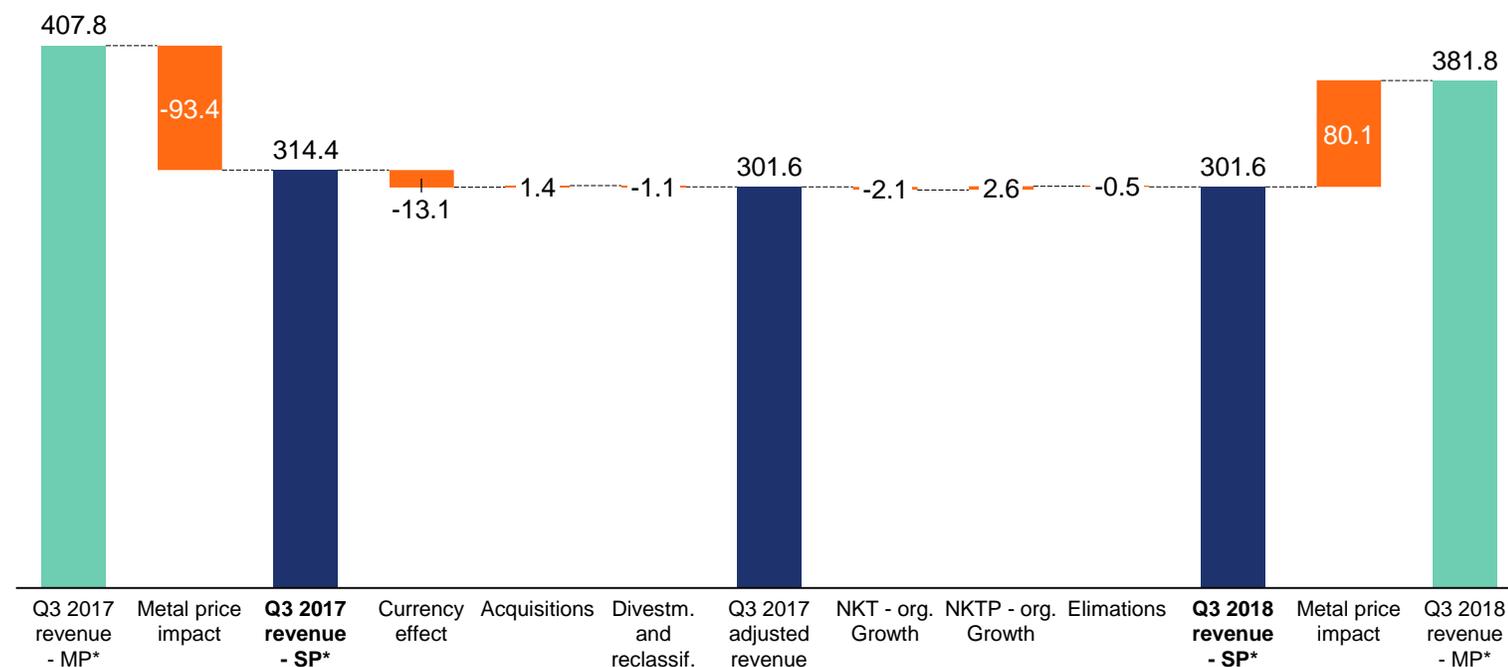


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NKT A/S: Group revenue development in Q3 2018

Underlying revenue development flat

Revenue development (EURm)



Comments

- Flat underlying revenue growth driven by NKT Photonics
 - Organic growth was -1% in NKT and 21% in NKT Photonics
- The currency effect mainly related to the weakening of SEK
- Acquisition effect comes from the Onefive acquisition in NKT Photonics
- Smaller reclassifications in NKT impacted revenue

* MP = Market prices and SP = Std. metal prices

NKT A/S: Group income statement highlights

Lower profitability due to NKT

Financial highlights

EURm	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	FY 2017
Revenue	381.8	407.8	1,170.0	1,090.6	1,479.3
Revenue (Std. metal prices)	301.6	314.4	892.5	806.4	1,108.4
Organic growth					
NKT	-1%	24%	6%	9%	7%
NKT Photonics	21%	0%	22%	2%	7%
Operational EBITDA	27.6	43.0	79.6	102.3	141.8
NKT	26.1	43.8	78.6	104.5	138.3
NKT Photonics	1.5	-0.8	1.0	-2.2	3.5
Operational EBITDA margin					
NKT	9.1%	14.4%	9.3%	13.5%	13.1%
NKT Photonics	9.9%	neg.	2.2%	neg.	6.9%
One-off costs	-9.8	-7.5	-20.4	-27.2	-44.9
EBITDA	17.8	35.5	59.2	75.1	96.9
Depreciation and impairment of PP&E	-16.0	-17.7	-48.4	-43.1	-61.3
Amortisation and impairment of int. assets	-4.8	-6.3	-15.1	-12.1	-18.3
Financial items, net	-2.6	-3.5	-6.2	-11.4	-14.7
Tax	2.8	-2.8	4.4	-1.2	-6.0
Profit from continuing operations	-2.8	5.2	-6.1	7.3	-3.4
Full-time employees, end of period					
NKT	3,424	3,389	3,424	3,389	3,393
NKT Photonics	348	310	348	310	302

Comments

- Operational EBITDA lower than Q3 2017
 - NKT: Q3 2018 reflected the composition of projects in Solutions, where average project margins were lower and capacity utilization went down, and unsatisfactory profitability in Applications.
 - NKT Photonics: Improvement driven by revenue growth
- One-off costs in Q3 2018 related to NKT
 - EUR 1.5m for the integration of ABB HV Cables
 - EUR 4.7m for strategic initiatives primarily related to the EXCELLENCE 2020 strategy and to the cost base adjustment announced in the Q1 2018 Interim Report
 - EUR 3.6m related to the EU cartel case. NKT has decided to further appeal the decision before the European Court of Justice.
- Net profit down due to the lower EBITDA

NKT A/S: Group operational EBITDA

Operational EBITDA, LTM, down from peak in 2017

Quarterly development in operational EBITDA



Comments

- The operational EBITDA margin, LTM, was down 1.1%-points from Q2 2018 to Q3 2018, which reflected the lower profitability level in NKT in Q3 2018 compared to Q3 2017
- The increase in margin during 2017 was driven by the strong performance in the Solutions business line in NKT
- The profitability improvement from 2015 to 2017 was primarily driven by the acquisition of the ABB HV Cables activities and divestment of Chinese operations in NKT

* Excluding figures from Nilfisk

NKT A/S: Group balance sheet highlights

Working capital increased primarily driven by NKT

Financial highlights*

EURm	30 Sep 2018	30 Sep 2017	31 Dec 2017
Working capital	82.1	160.4	-83.5
NKT	61.2	-37.6	-106.5
NKT Photonics	20.9	17.0	23.1
Capital employed	1,232.0	1,713.4	1,109.5
NKT	1,158.3	1,120.7	1,040.5
NKT Photonics	73.7	62.6	69.0
RoCE	2.5%	14.0%	11.8%
NKT	2.9%	8.7%	7.5%
NKT Photonics	neg.	neg.	neg.
Net interest-bearing debt (NIBD)	307.5	720.1	293.2
Total assets	1,938.0	2,785.5	1,904.6
Total equity	924.5	993.3	816.3

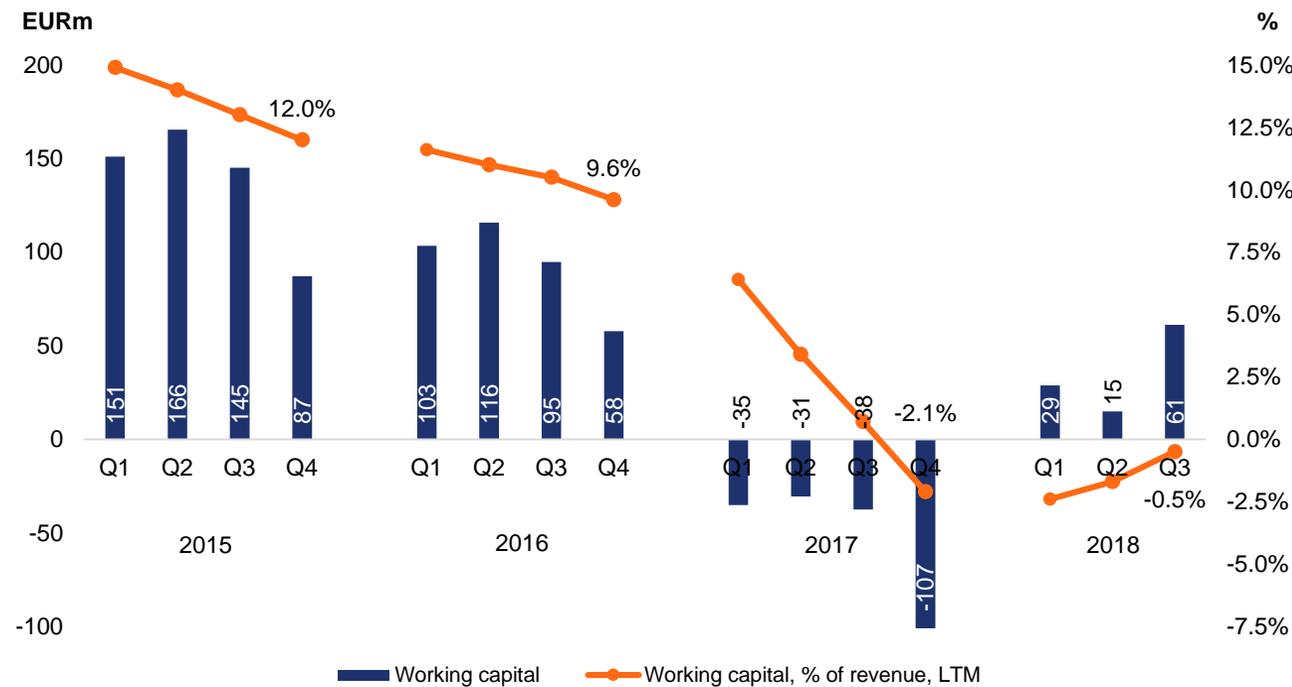
Comments

- Working capital (excl. Nilfisk) at higher level than at end-Q3 2017, and at end-Q2 2018
 - NKT: Increase driven by Solutions and Applications (see next slide)
 - NKT Photonics: The working capital was up compared to end-Q3 2017 reflecting the increase in revenue. However, the working capital was lower than at end-Q2 2018
- In Q3 2017, Nilfisk was still part of the Group's consolidated debt
- Total equity increased due to the issuance of the hybrid security during Q3 2018

* Nilfisk items were classified as assets held for distribution to owners until the demerger was finalized in October 2017.

NKT: Working capital

Quarterly development in working capital



- Working capital is up by EUR 46m from end-Q2 2018 to end-Q3 2018
 - The Solutions business was the primary reason for the increase due to finalization of projects
 - Working capital also increased in Applications as higher inventory levels were up due to lower than anticipated sales
 - The extraordinary low level at the end of 2017 was driven by Solutions
- Over the past years, NKT has been reducing its working capital driven by various initiatives and divestments

NKT A/S: Group cash flow statement highlights

Free cash flow negatively impacted by working capital development

Financial highlights*

EURm	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	FY 2017
Cash flow from operating activities	-34.8	46.7	-130.2	25.1	87.8
EBITDA	17.8	54.6	59.2	158.3	180.1
Financial items, net	-2.8	-5.3	-6.4	-17.6	-20.9
Changes in working capital	-49.0	10.5	-164.4	-79.9	-23.7
Others	-0.8	-13.1	-18.6	-35.7	-47.7
Cash flow from investing activities	-11.0	-30.8	-34.0	-841.5	-493.3
Capex	-11.0	-21.0	-34.0	-70.4	-94.2
Acquisition and divestment of businesses	0.0	-9.8	0.0	-771.1	-399.1
Free cash flow	-45.8	15.9	-164.2	-816.4	-405.5
Cash flow from financing activities	43.1	-7.1	128.7	718.4	293.6
Net cash flow	-2.7	8.8	-35.5	-98.0	-111.9

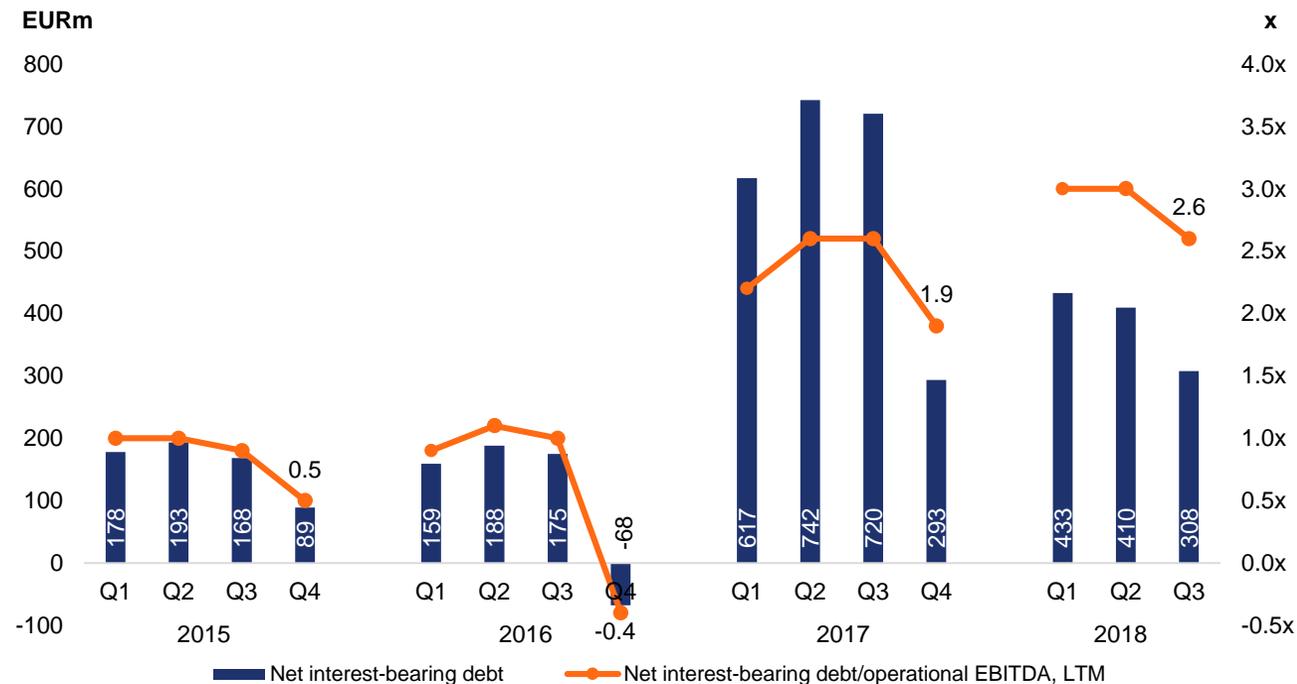
Comments

- Cash flow from operating activities negative
 - Positive contribution from EBITDA not enough to offset working capital development
- Cash flow from investing activities down compared to Q2 2017
 - Capex remained at a lower level in Q3 2018
 - In Q3 2017, the acquisition of Onefive was completed
- Cash flow from financing activities positive due to cash proceeds received from the hybrid security issuance

* Nifisk was part of the cash flow up until the demerger was approved on 10 October 2017

NKT A/S: Group financial leverage ratio

Leverage ratio down to 2.6x

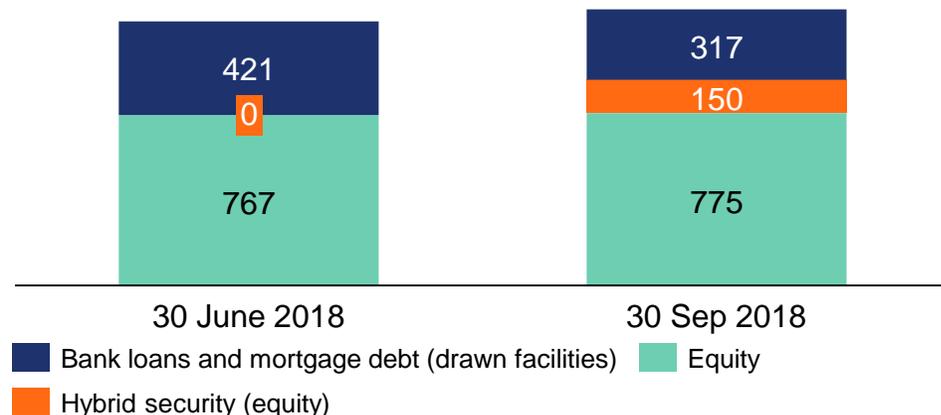


- Net interest-bearing debt was EUR 308m at end-Q3 2018 down from EUR 410m end-Q2 2018 driven by the issuance of the hybrid security
 - More information regarding the hybrid security on the following slide
- Leverage ratio was 2.6x as of end-Q3 2018 compared to 3.0x end-Q2 2018
- Nilfisk was part of the group's consolidated debt until Q3 2017
- The medium-term target remains a leverage ratio up to approx. 1.5x

* For the 2017 leverage ratios, pro forma EBITDA for the acquired ABB HV Cables activities has been added to LTM EBITDA in the period when NKT was not the owner of ABB HV Cables. The pro forma EBITDA is based on ABB HV Cables' estimated average annual pro forma EBITDA of EUR 79m for 2014-2016

EUR 150m hybrid security combined with EUR 300m RCF strengthens NKT A/S' capital structure

Capital structure, EURm



Capitalization, EURm

	Reported 30 June 2018	Reported 30 Sep 2018
Interest-bearing loans	-421	-317
Cash	12	9
Net interest-bearing debt	-410	-308
Leverage	3.0x	2.6x
Equity excl. the hybrid	767	775
Hybrid security	-	150
Total equity	767	925

Completion of refinancing process

- In September 2018, NKT A/S issued a hybrid security with a coupon of 5.375% p.a. until the first call date (2022)
- Following the issuance of the hybrid security a new committed EUR 300m revolving credit facility (RCF) with a 4-year maturity came into force
- In total, the new financing structure replaces all existing committed bank facilities
- The RCF agreement is subject to financial covenants with agreed remedies in the form of security over NKT Photonics and the vessel NKT Victoria. Key covenants will not apply when the ratio of loan to value of collateralized assets meet agreed thresholds
- Expects to have sufficient financial headroom to manage the lower activity level expected in 2019 and the subsequent expected pick-up in 2020 based on the current business outlook

Financial outlook 2018 following update in NKT



- One-off costs are expected to be approx. EUR 27-28m, compared to previously approx. EUR 20m. NKT has accelerated costs to organizational changes, incurred additional costs related to the EU cartel case, and has provided for severance costs related to the departure of the CEO

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Financial calendar



2019	Event
28 February	➤ Annual Report 2018
21 March	➤ Annual General Meeting
16 May	➤ Interim Report Q1 2019
15 August	➤ Interim Report Q2 2019

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