

The NKT logo is rendered in a white, stylized, blocky font. The letters are interconnected, with the 'N' and 'K' sharing a vertical stroke, and the 'T' having a unique, angular design. The background of the entire slide is a blue-tinted photograph of two workers in hard hats and safety glasses working on a large, metallic industrial component, possibly a transformer or a large valve, in an outdoor setting. The lighting is bright, and the overall tone is professional and industrial.

NKT

15 August 2019

Interim Report

Q2 2019

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 presenters



Alexander Kara

NKT A/S

President & CEO



Roland M. Andersen

NKT A/S

CFO



Basil Garabet

NKT Photonics

President & CEO

New CEO joined on 1 August 2019



Personal background

- Alexander Kara
- Born in 1961
- German and Swiss citizen
- +30 years experience as part of ABB
 - Several key leadership positions
 - Various roles in Power Grids division
 - Responsible for global power cables business from 2012-14

Professional qualifications

- Proven leadership skills
- International business experience
- Long power industry background
- Expertise within power cables industry
- Track record of delivering solid results

NKT A/S Executive Management constitutes Alexander Kara, CEO, and Roland M. Andersen, CFO

Agenda



05 NKT

12 NKT Photonics

15 Financial highlights

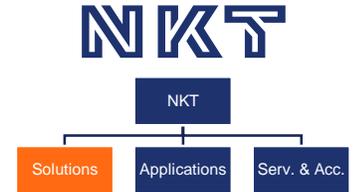
24 Questions & Answers

Key highlights Q2 2019

<p>EUR 245.0m Revenue (std. metal prices)</p>	<p>Down from EUR 306.4m in Q2 2018. The decrease was mainly due to the expected reduced activity in Solutions</p>
<p>-17% Organic growth</p>	<p>Positive development in Service & Accessories was more than offset by primarily Solutions</p>
<p>EUR 9.4m Operational EBITDA</p>	<p>Down from EUR 32.1m in Q2 2018. In line with expectations due to the reduced earnings in Solutions</p>
<p>EUR 1.05bn High-voltage order backlog</p>	<p>Largely on par with end-Q1 2019. Award of the high-voltage turnkey project to connect the Johan Sverdrup 2 and Gina Krog platforms</p>

- Reduced activity did as expected lead to lower revenue and earnings in **Solutions**
- After Q2 2019, NKT was awarded an approx. EUR 90m contract for Viking Link
- Profitability in **Applications** was unsatisfactory, with mixed geographical growth performance. New head of the business line was appointed in Q2 2019
- **Service & Accessories** delivered satisfactory financial performance driven by both the Service and the Accessories segments
- Unchanged financial outlook for 2019
 - Revenue (std. metal prices): EUR ~0.9-1.0bn
 - Operational EBITDA: EUR ~10-30m

Solutions – Q2 2019



Reduced level of activity as expected

Customer offerings

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

Development during Q2 2019

- Low capacity utilization in Karlskrona due to the relatively low level of high-voltage projects awarded in the market during 2017 and 2018
- Satisfactory production execution on various projects
- Pull-in of the Nordlink offshore power cable in northern Germany was successfully completed in June 2019
- Progress continued on the Caithness Moray project as the power cables were taken into operation

NKT Victoria

- NKT Victoria had satisfactory utilization in Q2 2019. The vessel was deployed on installation and offshore works in northern Europe.

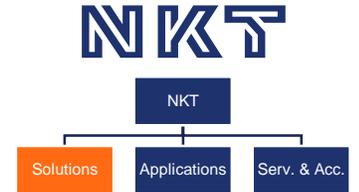
Q2 2019 financial highlights



* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market update

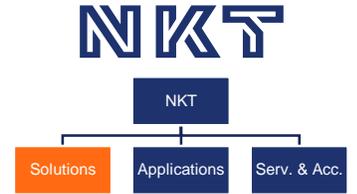


NKT has won a few smaller orders during 1st half 2019. Continued tender activity

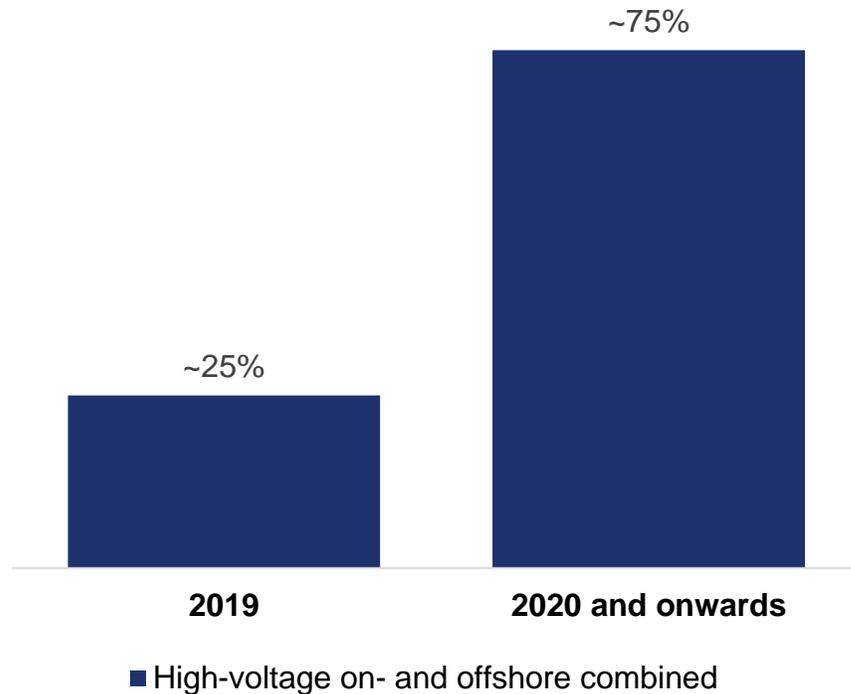
- During 1st half 2019, a moderate number of projects were awarded in the market for high-voltage power cables, and only a few of them were of significant value
- NKT won a few smaller orders, and part of Viking Link was won in July 2019
- Continued progress on several tenders across geographies and market segments
- Market outlook still attractive in the medium to long-term
- NKT still expects that the value of new high-voltage project awards in 2019 will be at least on par with the level in 2018 (approx. EUR 3bn)



High-voltage order backlog



High-voltage order backlog of EUR 1.05bn* at end-Q2 2019, against EUR 1.10bn at end-Q1 2019



Mix of high-voltage projects

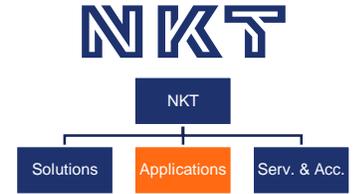
Offshore wind			Interconnectors		
Borssele Alpha	2019		Caithness Moray	2019	
Borssele Beta	2020		Nordlink	2020	
Hornsea 1	2019		Oil & Gas		
Triton Knoll	2020		Johan Sverdrup 2	2022	
Hornsea 2	2021				
Moray East	2021				
Ostwind 2	2022				

Not part of order backlog at end-Q2 2019 (estimated contract value):

Viking Link (EUR ~90m)	2023		▶ Announced in Q3 2019
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* Market prices (EUR 0.94bn in std. metal prices)

Applications – Q2 2019



Unsatisfactory profitability.

New EVP and head of business line appointed in Q2 2019

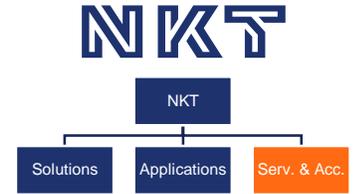
<p>Customer offerings</p>	<ul style="list-style-type: none"> Medium- and low-voltage cables & building wires Power cables for telecom market
<p>Development during Q2 2019</p>	<ul style="list-style-type: none"> Negative organic growth against a strong comparison period in 2018 Mixed geographical sales performance, with growth contribution from Central Europe Continued implementation of a uniform IT platform across its Scandinavian sites with slightly negative operational impact, but improved performance towards the end of Q2 2019
<p>Reorganization</p>	<ul style="list-style-type: none"> Applications has been reorganized and will include manufacturing and supply chain responsibilities in the low- and medium-voltage segments as a full operational value chain

Q2 2019 financial highlights



* Std. metal prices

Service & Accessories – Q2 2019



Satisfactory financial performance

Customer offerings



- High- and medium-voltage accessories
- Services

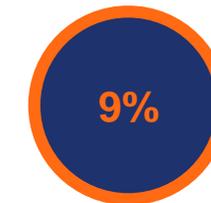
Development during Q2 2019

- Positive development driven by both segments
- NKT successfully conducted a sizable offshore power cable repair that positively impacted revenue and earnings
- Performance in the onshore service business was moderate
- Solid growth in the Accessories business driven by medium-voltage products and improved market presence in the Middle East
- Development in the high-voltage accessories segment was below expectations mainly due to market conditions in the US and Russia

Q2 2019 financial highlights



Revenue* EURm
(Q2 2018: EUR 37m)



Organic growth
(Q2 2018: 19%)



Oper. EBITDA EURm
(Q2 2018: EUR 3.8m)



* Std. metal prices

Agenda



05 NKT

12 NKT Photonics

15 Financial highlights

24 Questions & Answers

Key highlights in Q2 2019

EUR 17.9m

Revenue

Up from EUR 17.6m in Q2 2018. Imaging & Metrology and Sensing & Energy were the growth contributors

1%

Organic growth

As expected, growth slowed against Q1 2019, but is expected to increase in 2nd half 2019

EUR 3.9m

EBITDA

Up from EUR 1.0m in Q2 2018 and the best quarterly result outside of the historically high Q4 results

4%

Order intake growth

Value of orders received exceeded revenues in the quarter and will contribute to further growth

- Financial results were in line with expectations
- Launched five new products for the industrial photonics market at LASER World of PHOTONICS in Munich to support future growth
- The global photonics market has experienced headwinds, driven mainly by a slowdown in the Chinese industrial market, but NKT Photonics has low direct exposure
- Unchanged financial outlook for 2019
 - Organic revenue growth: ~15-20%
 - EBITDA margin: ~15-20%

Business development – Q2 2019

Imaging & Metrology 38% of revenue



Markets:

- Semiconductor
- Bio-imaging & Medical
- Industrial metrology

- This segment was the main growth driver in Q2 2019
- Sales of supercontinuum white light lasers continued to advance. The US market especially delivered strong growth

Sensing & Energy 31% of revenue



Markets:

- Energy
- Security
- Structural monitoring

- Moderate growth in Sensing & Energy in Q2 2019
- A large part of the growth was generated by the US market

Material Processing 31% of revenue

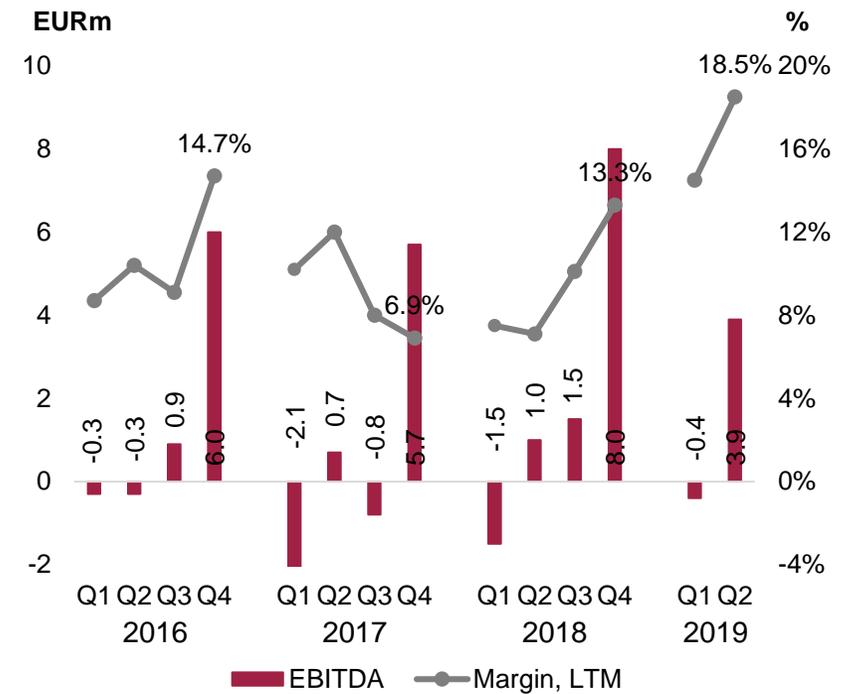


Markets:

- Micromachining
- Medical
- R&D

- Development in Material Processing was negative in Q2 2019, primarily due to project postponements
- Significant new product releases to improve performance in the coming quarters

EBITDA performance



Agenda

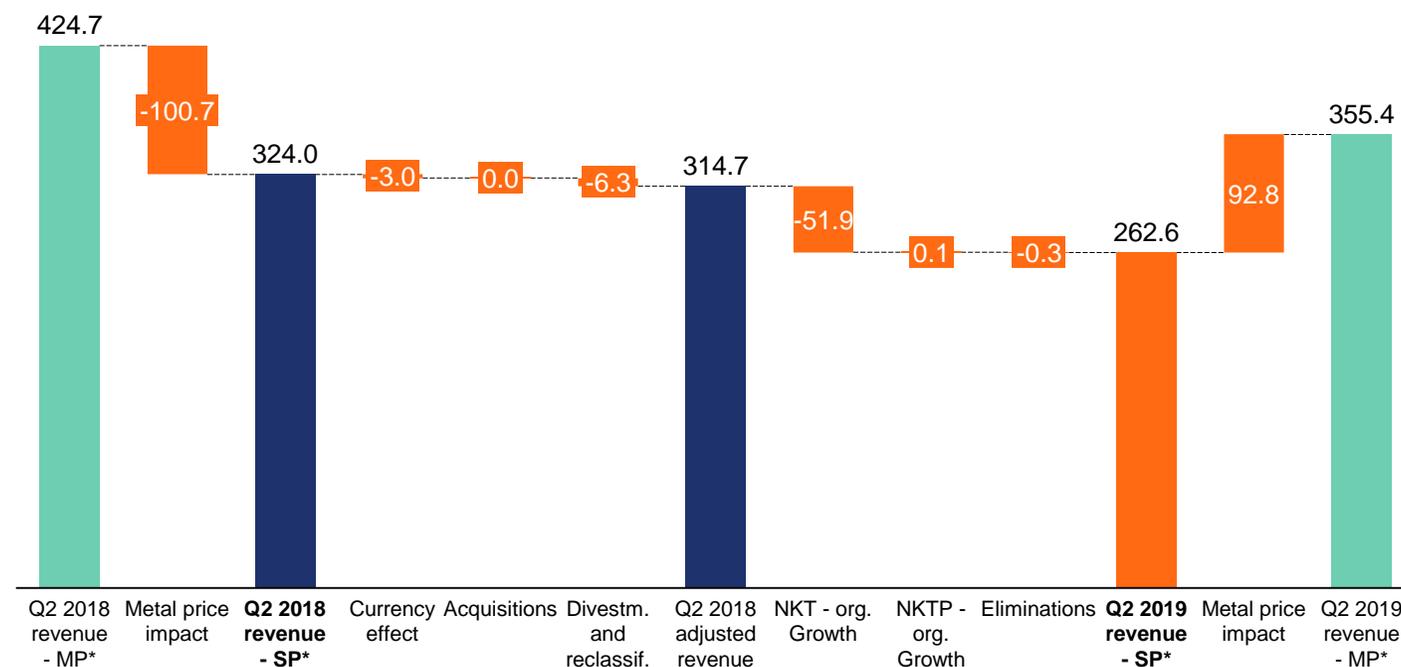


- 05 NKT
- 12 NKT Photonics
- 15 Financial highlights**
- 24 Questions & Answers

NKT A/S: Group revenue development in Q2 2019

Growth negatively impacted by NKT as expected

Revenue development (EURm)



Comments

- Lower revenue driven by development in NKT
 - Organic growth was -17% in NKT and 1% in NKT Photonics
- The currency effect mainly related to the weakening of SEK
- The railway cable activities in NKT were divested on 1 February 2019

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

NKT A/S: Group income statement highlights

Lower profitability in NKT offsetting positive development in NKT Photonics

Financial highlights

EURm	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	FY 2018
Revenue	355.4	424.7	649.7	788.2	1,501.6
Revenue (Std. metal prices)	262.5	324.0	482.8	590.9	1,147.1
Organic growth					
NKT	-17%	12%	-17%	10%	0%
NKT Photonics	1%	25%	7%	22%	16%
Operational EBITDA	13.1	33.1	10.5	52.0	79.3
NKT	9.4	32.1	7.0	52.5	70.2
NKT Photonics	3.9	1.0	3.5	-0.5	9.0
Operational EBITDA margin					
NKT	3.8%	10.5%	1.6%	9.4%	6.5%
NKT Photonics	21.7%	5.7%	10.8%	-1.7%	13.3%
One-off costs	-3.9	-7.5	-0.9	-10.6	-29.5
EBITDA	9.4	25.6	9.6	41.4	49.8
Depreciation and impairment of PP&E	-16.0	-16.0	-31.9	-32.4	-66.4
Amortisation and impairment of int. assets	-5.3	-5.3	-10.8	-10.3	-20.9
Depreciation of right-of-use assets	-1.4	0.0	-2.8	0.0	0.0
Financial items, net	-1.7	-1.5	-3.8	-3.6	-8.0
Tax	-0.1	-1.1	5.6	1.6	-0.8
Net result	-15.1	1.7	-34.1	-3.3	-46.3
Full-time employees, end of period					
NKT	3,275	3,452	3,275	3,452	3,419
NKT Photonics	367	322	367	322	349

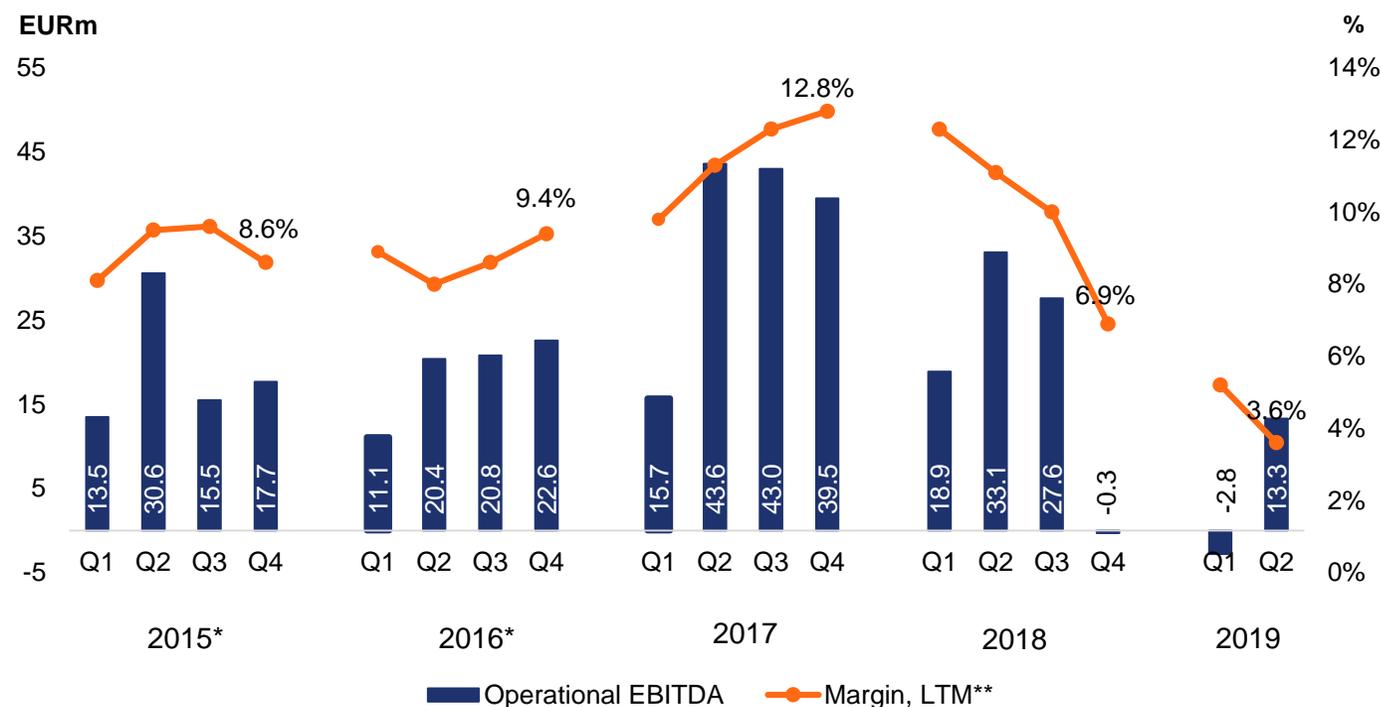
Comments

- Operational EBITDA in Q2 2019 impacted by the lower revenue
 - NKT: Profitability in Solutions was attributable to the lower level of activity at the high-voltage factory in Karlskrona
 - NKT Photonics: Development driven by improved project profitability and effective cost containment
- Implementation of IFRS 16 increased operational EBITDA by EUR 1.7m
 - EUR 1.1m in NKT and EUR 0.6m in NKT Photonics
- One-off items of EUR -3.9m in Q2 2019 related to NKT
 - Costs related to strategic initiatives, primarily to improve production efficiency and execution of cost programmes
- Net profit down driven by the lower EBITDA

NKT A/S: Group operational EBITDA

Operational EBITDA as expected lower in Q2 2019

Quarterly development in operational EBITDA



Comments

- The operational EBITDA margin, LTM, was down 1.6%-points from Q1 2019 to Q2 2019. This was due to the lower profitability level 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
- Following the relatively low level of high-voltage project awards during 2017 and 2018, the profitability for NKT has decreased since 2017

* Excluding figures from Nilfisk

** Based on revenue in std. metal prices

NKT A/S: Group balance sheet highlights

Working capital improved during Q2 2019 driven by NKT

Financial highlights

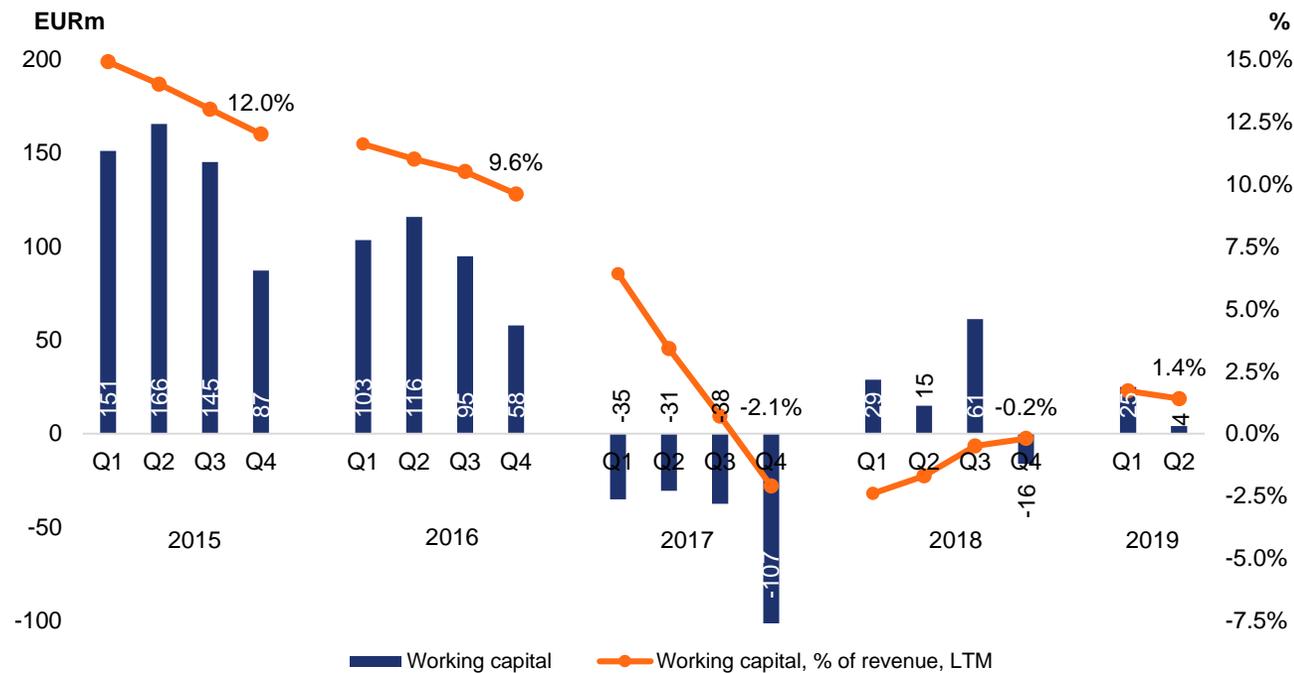
EURm	30 Jun 2019	30 Jun 2018	31 Dec 2018
Working capital	30.9	37.3	7.7
NKT	4.0	14.8	-16.2
NKT Photonics	26.9	22.5	24.0
Capital employed	1,180.2	1,176.7	1,143.9
NKT	1,083.5	1,104.3	1,065.3
NKT Photonics	96.7	72.4	78.6
RoCE	-4.4%	4.8%	-0.7%
NKT	-5.1%	4.1%	-0.8%
NKT Photonics	5.1%	-3.2%	1.6%
Net interest-bearing debt (NIBD)	336.1	409.5	248.3
Interest-bearing loans, borrowings and receivables - cash at bank and in hand	302.2	409.5	248.3
Lease liabilities	33.9	0.0	0.0
Total assets	1,895.9	1,926.4	1,859.2
Total equity	844.1	767.2	895.6

Comments

- Working capital improved since end-Q1 2019
 - NKT: The main drivers for the favourable development were Solutions and Applications (see next slide)
 - NKT Photonics: The working capital was on par with end-Q1 2019. This reflected reduction of accounts receivables, which offset inventory build-up ahead of the anticipated sales growth
- Capital employed has increased partly due to the impact of IFRS 16
- In September 2018, NKT A/S issued a EUR 150m hybrid security
 - The hybrid security is classified as equity and thereby reduced net interest-bearing debt by the same amount when it was issued

NKT: Working capital

Quarterly development in working capital



- Working capital decreased by EUR 21m from end-Q1 2019 to end-Q2 2019
 - Solutions improved working capital driven by timing of milestone payments on projects in the order backlog
 - In Applications, the working capital improved after it was built up towards end-Q1 2019
 - Service & Accessories largely on par with end-Q1 2019
- Over the past years, NKT has been reducing its working capital driven by various initiatives and divestments
- Working capital will primarily depend on timing of payments in Solutions, which will cause quarterly fluctuations

NKT A/S: Group cash flow statement highlights

Positive earnings and working capital change drove free cash flow

Financial highlights*

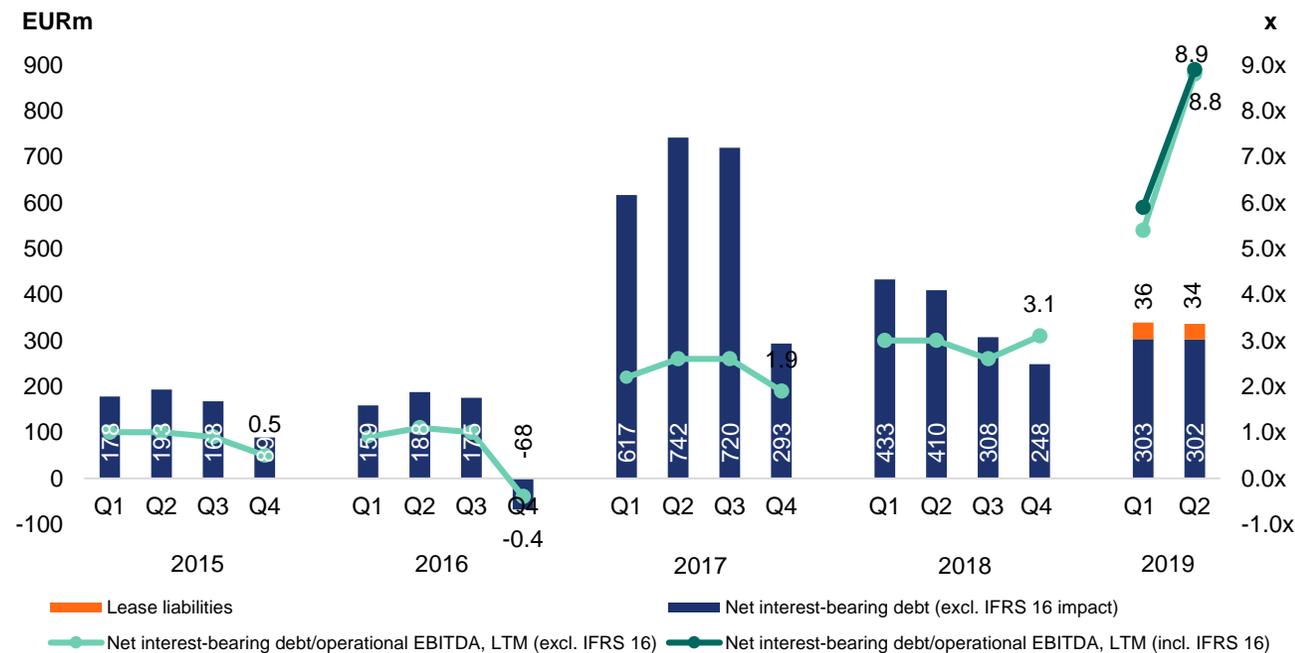
EURm	Q2 2019	Q2 2018	Q1-Q2 2019	Q1-Q2 2018	FY 2018
Cash flow from operating activities	23.1	36.4	-31.5	-95.4	-42.2
EBITDA	9.4	25.6	9.6	41.4	49.8
Financial items, net	-1.8	-1.3	-3.8	-3.6	-8.3
Changes in working capital	14.7	19.5	-33.2	-115.4	-76.0
Others	0.8	-7.4	-4.1	-17.8	-7.7
Cash flow from investing activities	-22.7	-13.4	-22.8	-23.0	-60.9
Capex	-20.9	-13.4	-30.5	-23.0	-60.9
Acquisition and divestment of businesses	-1.8	0.0	7.7	0.0	0.0
Free cash flow	0.4	23.0	-54.3	-118.4	-103.1
Cash flow from financing activities	0.8	-41.0	34.9	85.6	87.4
Net cash flow	1.2	-18.0	-19.4	-32.8	-15.7

Comments

- Cash flow from operating activities positive
 - Positive EBITDA contribution from both NKT and NKT Photonics
 - Development in working capital was positive driven by NKT
- Cash flow from investing activities higher than Q2 2018
 - Capex was mainly driven by NKT investing in upgrade of equipment in Solutions including DC qualification in Cologne
 - The last payment related to the acquisition of Onefive in NKT Photonics was completed
- Cash flow from financing activities at break-even with no significant movements

NKT A/S: Group financial leverage ratio

Quarterly development in net interest-bearing debt (NIBD)



Comments

- NIBD (excl. IFRS 16) decreased slightly from end-Q1 2019 driven by positive earnings and favourable working capital development
- Accounting wise, the implementation of IFRS 16 increased the debt level by EUR 34m
- The net interest-bearing debt consists of:
 - EUR 169m of mortgage debt
 - EUR 133m net drawn on RCF (availability EUR 300m)
- Only the RCF is subject to financial covenants. These include agreed remedies in the form of security over NKT Photonics and the vessel NKT Victoria.
- This development was as expected and NKT A/S has sufficient financial headroom to manage the lower level of activity expected in 2019

* 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

Financial outlook 2019



Revenue*



Operational EBITDA



Organic growth



EBITDA margin

* Std. metal prices

Agenda



- 05 NKT
- 12 NKT Photonics
- 15 Financial highlights
- 24 Questions & Answers**

Financial calendar



2019

Event

21 November

➤ Interim Report Q3 2019

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