

Interim Report
Q2 2020



NKT

Power to life since 1891

Management Review

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Key messages

Q2 2020

NKT Group improved the financial results in Q2 2020. The operational EBITDA was EUR 15.2m, up by 14% from EUR 13.3m in Q2 2019, driven by the power cables business.

NKT improved both revenue and earnings in Q2 2020. Growth in revenue was recorded across all three business lines, while the earnings increase was due to higher factory output in Solutions driven by execution of recent years' order awards and the increased sales in Applications. NKT has not been materially impacted by the coronavirus pandemic.

In Q2 2020, NKT was awarded three large high-voltage DC interconnector projects with a total value of more than EUR 1.6bn for the German SuedLink and SuedOstLink HVDC corridor projects and the Attica-Crete project in Greece. After quarter-end, NKT was also awarded orders valued at almost EUR 500m for the Shetland HVDC Link and the offshore wind connection BorWin5. To fulfill these order awards and to further prepare for demand driven by the green energy transition, NKT will invest in strengthening its high-voltage manufacturing facilities during 2020–2022.

NKT Photonics continued to recognize lower revenue and earnings due to the coronavirus pandemic's impact on the Industrial market.

In May 2020, the NKT Group completed a directed issue and private placement of new shares. Consequently, the Group's net interest-bearing debt decreased to EUR 323.8m at end-Q2 2020. The capital increase was effected in order to execute on the increased high-voltage order backlog, due to the negative impact of the coronavirus on the financial performance of NKT Photonics, and to establish a sustainable capital structure ahead of current uncertainty due to the pandemic. The intention, subject to prevailing market conditions and other factors, is to issue shares with pre-emptive rights for the current shareholders before end-2020.

As previously announced, Line Andrea Fandrup has been appointed CFO of NKT A/S and has taken up her role on 10 August 2020.

The financial outlook for 2020 is unchanged for NKT and remains withdrawn for NKT Photonics. Please refer to page 4 for further details.

Amounts in EURm	NKT				NKT Photonics			
	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Q2 2020	Q2 2019	1st half 2020	1st half 2019
Revenue	359.2	337.8	677.6	617.6	14.6	17.9	27.3	32.4
Revenue in std. metal prices**	277.8	245.0	518.1	450.4	14.6	17.9	27.3	32.4
Organic growth**	15%	-17%	17%	-17%	-20%	1%	-17%	7%
Operational EBITDA**	16.0	9.4	26.2	7.0	-0.8	3.9	-2.6	3.5
Operational EBITDA margin*, **	5.8%	3.8%	5.1%	1.6%	-5.9%	21.7%	-9.6%	10.8%
EBIT	-12.3	-14.8	-23.2	-34.8	-3.8	1.5	-8.1	-1.1
Working capital**			2.9	4.0			30.8	26.9
Working capital % of revenue, LTM**			-3.1%	1.4%			41.2%	34.5%
RoCE***			-5.4%	-5.1%			-2.2%	5.1%

* Std. metal prices

** Alternative performance measures

*** RoCE is calculated on operational EBIT, LTM, as a percentage of average capital employed as defined in Note 4 on page 26

NKT

277.8m

Revenue (std. metal prices), EUR

Up from EUR 245.0m in Q2 2019. All three business lines contributed with improved revenue

15%

Organic growth

Reflecting growth of 21% in Solutions, 10% in Applications and 4% in Service & Accessories

16.0m

Operational EBITDA, EUR

Up from EUR 9.4m in Q2 2019, as the Solutions and Applications business lines more than doubled earnings

2.68bn

High-voltage order backlog, EUR

Up from EUR 1.24bn at end-Q1 2020 to an all-time high due to awards of the three large interconnector projects. The Shetland HVDC Link and BorWin5 projects were awarded after Q2 2020 and not included in the backlog



14.6m

Revenue, EUR

Down from EUR 17.9m in Q2 2019. This decrease was due to the impact of the coronavirus pandemic on the Industrial segment

-20%

Organic growth

Positive development in Medical & Life Science and Aerospace & Defence was outweighed by negative growth in the Industrial segment

-0.8m

EBITDA, EUR

Down from EUR 3.9m in Q2 2019 driven by lower revenue

-26%

Order intake growth

Impacted by timing of Aerospace & Defence projects, while order intake in Medical & Life Science and Industrial was largely on par with the same period in 2019

Impact of coronavirus

The coronavirus pandemic had limited impact on the financial performance of the Group's power cables business, NKT, in 1st half 2020, while NKT Photonics experienced negative impact.

The health and safety of the company's employees has the highest priority and Management continues to monitor the situation, including observing national and local guidelines provided by authorities as well as ensuring the supply chain. The introduced measures have been successfully implemented at all sites, and until now all production sites for both NKT and NKT Photonics are in operation. These areas will continue to be a high priority.

Commercially the implications for NKT have so far been limited. Several high-voltage projects have been awarded during 2020, and the demand in other markets relevant for NKT has on average experienced limited impact. NKT Photonics has seen a more negative impact on customer demand, which in particular has impacted the Industrial segment.

The future impact of the coronavirus pandemic remains challenging to foresee and will be closely linked to the removal of the restrictions imposed across the world. Overall, the megatrends driving growth in both the power cable and the photonics markets are expected to prevail.

2020 financial outlook

The financial outlook for NKT is unchanged from Company Announcement No. 6 of 5 May 2020. The revenue (std. metal prices) is still expected to be approx. EUR 1.0–1.1bn. The operational EBITDA is still expected to be approx. EUR 40–60m.

So far, NKT has seen limited impact on the financial and operational performance from the coronavirus outbreak. Assuming that demand for NKT's solutions and products does not turn substantially negative and that NKT can continue stable production across all production sites, NKT maintains its financial outlook for 2020.

As stated in Company Announcement No. 6 of 5 May 2020, the financial outlook for NKT Photonics, comprising an organic revenue growth of approx. 5–15% and an EBITDA margin of approx. 15–18%, was withdrawn until better visibility in the markets could be established.

The market outlook for 2nd half 2020 contains such significant uncertainties due to the coronavirus pandemic that an updated and accurate financial outlook cannot be provided at this point of time. The demand has slowed in several parts of the Industrial market, and visibility in regards to customer demand is unusually low for the remainder of the year, where NKT Photonics usually generates the main part of its earnings. The initial financial outlook is not deemed possible to achieve.



All NKT power cable factories runs on green electricity, saving over 48,000 tonnes of CO₂ per year

Power cables are essential components for the success of the global transition to renewable energy, and as a key partner in this transformation NKT continues to reduce the environmental impact of its portfolio. Therefore, all NKT power cable factories now run on electricity generated from renewable energy sources. In 2020, CO₂ emissions from powering the factories and the cable-laying vessel NKT Victoria will be reduced by 66% compared to 2019, saving more than 48,000 tonnes of CO₂ – equivalent to the annual electricity consumption of 8,148 homes.



Financial review

In Q2 2020, NKT was awarded high-voltage orders with a value of more than EUR 1.6bn in Solutions, as well as large frame contracts in Applications. Both revenue and earnings increased in the quarter, while working capital increased due to timing of milestone payments in Solutions. NKT has not been materially impacted by the coronavirus pandemic.

Broad revenue growth

In Q2 2020, all business lines delivered improved revenue* totalling EUR 277.8m, up from EUR 245.0m in Q2 2019. This equalled organic growth of 15%. The main contributors were Solutions driven by execution of recent years' order awards, and Applications. In Service & Accessories, sales of accessories also delivered revenue growth.

1st half 2020 revenue* totalled EUR 518.1m, against EUR 450.4m in the same period in 2019. The organic growth in 1st half 2020 was 17%, mainly due to higher revenue in Solutions.

Q2 2020 revenue in market prices was EUR 359.2m, against EUR 337.8m in Q2 2019.

Operational EBITDA up by EUR 6.6m

Operational EBITDA increased in Q2 2020 to EUR 16.0m from EUR 9.4m in Q2 2019 due to increased revenue combined with improved production output and cost optimization. Both Solutions and Applications more than doubled earnings compared to Q2 2019, while earnings in Service & Accessories were slightly lower as last year was positive impacted by a higher offshore repair level.

Accordingly, the operational EBITDA margin* increased to 5.8% in Q2 2020 from 3.8% in Q2 2019.

The operational EBITDA for 1st half 2020 was EUR 26.2m, compared to EUR 7.0m in 1st half 2019, primarily driven by the improved level in Solutions.

Total one-off items in Q2 2020 amounted to EUR -8.7m, against EUR -3.9m in Q2 2019. The majority of these were provision of legal

Key financials

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	FY 2019
Income statement					
Revenue	359.2	337.8	677.6	617.6	1,268.2
Revenue in std. metal prices**	277.8	245.0	518.1	450.4	945.0
Operational EBITDA**	16.0	9.4	26.2	7.0	15.1
EBITDA	7.3	5.5	17.1	6.1	3.1
Depreciations and amortizations	-19.6	-20.3	-40.3	-40.9	-90.3
Operational EBIT**	-3.6	-10.9	-14.1	-33.9	-75.7
EBIT	-12.3	-14.8	-23.2	-34.8	-87.7
Financial items, net	1.1	-1.7	-6.3	-3.5	-11.6
EBT	-11.2	-16.5	-29.5	-38.3	-99.3
Tax	1.5	0.3	2.3	5.3	20.8
Net result	-9.7	-16.2	-27.2	-33.0	-78.5
Cash flow					
Cash flow from operating activities	-10.0	19.3	-128.3	-32.5	117.8
Cash flow from investing activities excl. acq. & div.**	-17.3	-16.7	-27.3	-23.1	-52.3
Free cash flow excl. acq. & div.**	-27.3	2.6	-155.6	-55.6	65.5
Balance sheet					
Capital employed**	1,075.9	1,083.5	1,075.9	1,083.5	941.6
Working capital**	2.9	4.0	2.9	4.0	-146.3
Financial ratios and employees					
Organic growth**	15%	-17%	17%	-17%	-10%
Operational EBITDA margin*, **	5.8%	3.8%	5.1%	1.6%	1.6%
RoCE**	-5.4%	-5.1%	-5.4%	-5.1%	-7.2%
Full-time employees, end of period**	3,354	3,275	3,354	3,275	3,303

* Std. metal prices

** Alternative performance measures

costs contesting customer claims for damages that followed the European Commission assessment in 2014 fining NKT as a fringe player in alleged high-voltage power cable project cartel activities. Since then, NKT has filed several appeals as it disagrees with the Commission's decision, most recently to the European Court of Justice. Please also refer to Note 1.

EBIT amounted to EUR -12.3m in Q2 2020, against EUR -14.8m in Q2 2019, the improvement reflecting the same factors behind the growth in operational EBITDA. The net result was EUR -9.7m in Q2 2020, against EUR -16.2m Q2 2019, as financial items were impacted positively by foreign exchange rate effects, and tax was impacted by capitalization of deferred tax.

Working capital impacted by timing of payments in Solutions

Working capital increased to EUR 2.9m at end-Q2 2020 from EUR -59.3m at end-Q1 2020. This was mainly due to the phasing of milestone payments for existing and new orders in Solutions between Q2 and Q3 2020. In Applications, working capital decreased driven by a favourable development in trade payables, which more than outweighed a higher inventory level. The working capital position is expected to improve during 2020.

From end-Q2 2019 to end-Q2 2020, the working capital level improved by EUR 1.1m and the working capital ratio, LTM, was -3.1% at end-Q2 2020, against -2.8% at end-Q1 2020.

Cash flow impacted by working capital

The change in working capital impacted cash flow from operating activities negatively in Q2 2020. Despite positive EBITDA contribution, cash flow from operating activities was EUR -10.0m, compared to EUR 19.3m in Q2 2019.

The cash flow from investing activities, excluding acquisitions and divestments, was EUR -17.3m in Q2 2020, against EUR -16.7m in Q2 2019. Investments were primarily made in Solutions.

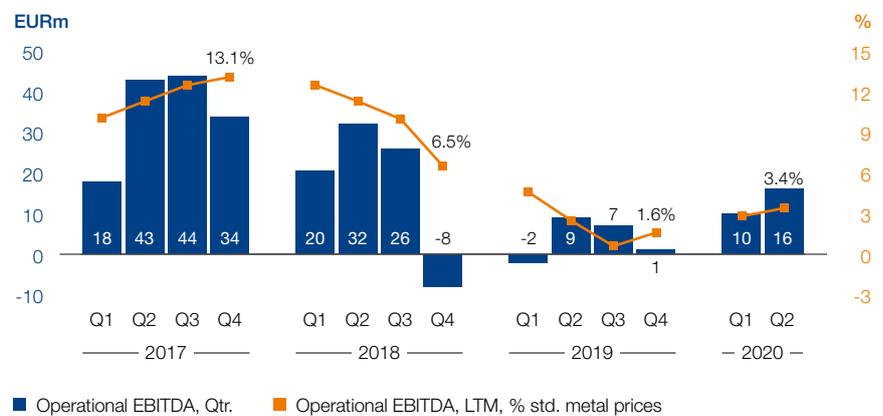
Revenue development and organic growth

Amounts in EURm

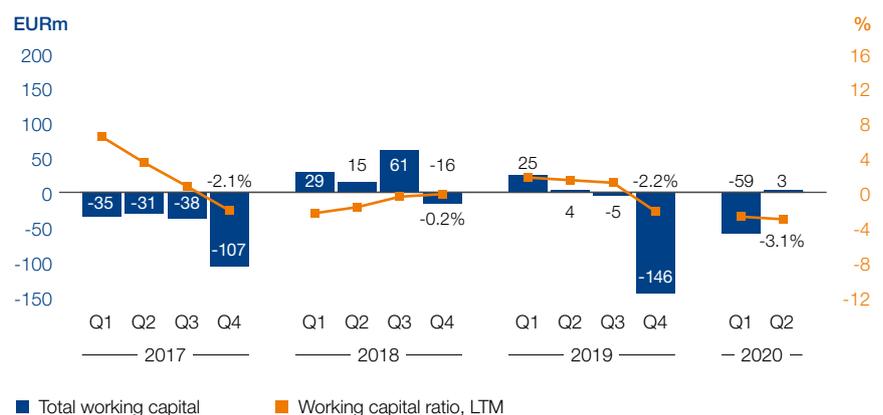
Q2 2019 revenue*	245.0
Currency effect	-3.2
Acquisitions	0.0
Divestments and reclassifications	0.6
Q2 2019 adjusted revenue*	242.4
Organic growth	35.4
Q2 2020 revenue*	277.8
Organic growth, %	15%

* Std. metal prices

Operational EBITDA



Working capital



Business review – Solutions

135m

Revenue*, EUR
(Q2 2019: EUR 111m)

21%

Organic growth
(Q2 2019: -29%)

9.1m

Operational EBITDA, EUR
(Q2 2019: EUR 4.3m)

Highlights – Solutions

- Q2 2020 financial performance on track with expectations
- Significant high-voltage project awards of more than EUR 1.6bn
- Continued progress on tenders across market segments

Revenue up by 21% organically

In Q2 2020, the revenue* in Solutions amounted to EUR 134.7m, which was EUR 23.7m higher than in Q2 2019. This growth was primarily due to higher factory output driven by execution of recent years' order awards.

Revenue measured in market prices amounted to EUR 151.5m in Q2 2020, against EUR 129.9m in Q2 2019.

The revenue* in 1st half 2020 amounted to EUR 258.3m, compared to EUR 203.2m in 1st half 2019. The organic growth in 1st half 2020 was 28%.

Operational EBITDA more than doubled

Driven by the increased revenue, operational EBITDA amounted to EUR 9.1m in Q2 2020, up from EUR 4.3m in Q2 2019. In 1st half 2020, the operational EBITDA amounted to EUR 14.7m, compared to EUR 4.7m in the same period of 2019.

NKT progressed on several high-voltage orders during the quarter, including the Borssele Beta, Johan Sverdrup 2, Hornsea 2, Ostwind 2 and Triton Knoll projects. Overall project execution was satisfactory.

NKT completed work on two projects during the period, the Gina Krog and Öresund projects. The Gina Krog project comprised the supply of 62 km of 132 kV AC XLPE high-voltage power cable to connect Equinor's Gina Krog and Johan Sverdrup 2 oil and gas platforms. The power link connecting this platform to the onshore power grid is currently also being produced by NKT. The Öresund project constitutes the replacement of one of the 400 kV high-voltage AC interconnector systems between Denmark and Sweden.

Utilization of NKT Victoria, the company's cable-laying vessel, was

satisfactory, executing on both high-voltage projects as well as repairs.

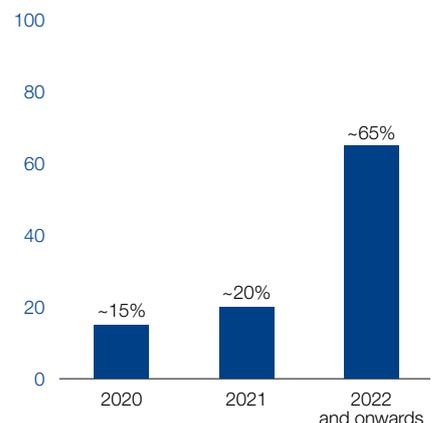
Strong high-voltage order intake driven by German corridor projects

In Q2 2020, NKT received high-voltage orders worth over EUR 1.6bn for three interconnector projects, two in Germany and one in Greece.

NKT was awarded major shares in two HVDC corridor projects in Germany, SuedLink and SuedOstLink. These projects consist of long-distance power lines to transmit renewable energy from north to south as part of 'Energiewende', Germany's long-term strategy for switching to renewable energies by 2050.

Awarded in June 2020, SuedLink is NKT's largest ever order, worth more than EUR 1bn (approx. EUR 875m in std. metal prices). The cable system to be supplied by NKT will be the world's largest and longest high-voltage DC underground interconnector. This order was awarded by the German transmission system operators TenneT and TransnetBW.

Expected revenue distribution of high-voltage order backlog (EUR 2.68bn) at end-Q2 2020



* Std. metal prices

SuedOstLink is a 525 kV XLPE high-voltage DC (Direct Current) turnkey contract with a value of approx. EUR 500m (approx. EUR 400m in std. metal prices), and was awarded by the German transmission system operator 50Hertz.

Production for these two projects will take place in Cologne, Germany, and in Karlskrona, Sweden, with expected production start from end-2021 and completion in 2025 and 2026, respectively.

In May 2020, the contract was confirmed for the Attica-Crete interconnector project in Greece, the first of its kind for NKT in southern Europe. The order was awarded by Ariadne Interconnection S.P.S.A., a wholly-owned entity of IPTO, the Greek transmission system operator, and has a value of approx. EUR 115m (approx. EUR 105m in std. metal prices). The onshore cable systems delivered by NKT will enable transmission of green energy from Attica on the Greek mainland to the island of Crete. Production of the power cable systems will take place in Karlskrona, Sweden.

Based on a steady increase since end-2018, the high-voltage order backlog reached an all-time high at end-Q2 2020. Due to a combination of positive market outlook and growing project complexity and magnitude, NKT intends to invest approx. EUR 150m during 2020–2022 to strengthen its high-voltage manufacturing facilities.

Record-high order backlog

The high-voltage order backlog totalled EUR 2.68bn (EUR 2.32bn in std. metal prices) at end-Q2 2020, and thereby more than doubled from end-Q1 2020. Around 15% of the backlog is expected to be realized in 2020, around 20% in 2021 and the remaining approximately 65% in 2022 and beyond.

Further high-voltage DC projects awarded after quarter-end

Early in Q3 2020, NKT was awarded the turnkey order for the Shetland HVDC Link, a combined on- and offshore project with a contract value of approx. EUR 235m (approx. EUR 230m in std. metal prices). The order comprises manufacture of

approx. 2x260 km of 320 kV high-voltage DC on- and offshore power cables, installation by NKT Victoria, and cable protection measures. Production will take place in Karlskrona with expected start in 2021.

In August 2020, NKT was awarded a turnkey contract of below EUR 250m (EUR 235m in std. metal prices) by TenneT to deliver and install a high-voltage DC XLPE power cable system for the BorWin5 project in Northern Germany. The order comprises the manufacturing of approx. 2x230 km of 320 kV high-voltage DC on- and offshore power cables and accessories as well as offshore installation by the cable-laying vessel NKT Victoria.

Continued tender activity

Project awards in the market for high-voltage power cables were significant in 1st half 2020, driven by the German corridor projects. The total award level in the market had an estimated value of more than EUR 5bn and covered various segments. The project awards as well as ongoing tenders have primarily been DC technology, while the level of AC projects have been below expectations.

Progress continued on several tenders across market segments and geographies. The timing of project awards will depend on the timelines for the individual projects. For NKT, achieving optimal production and installation flow, and thereby improving earnings, is contingent upon high utilization of capacity across all production and installation phases, which among others require a balanced mix of DC and AC projects.

Market activity relating to awards of high-voltage projects has not been materially impacted by the coronavirus pandemic.



Business review

– Applications

114m

Revenue*, EUR
(Q2 2019: EUR 106m)

10%

Organic growth
(Q2 2019: -8%)

5.5m

Operational EBITDA, EUR
(Q2 2019: EUR 2.0m)

Highlights – Applications

- Improved financial performance in Q2 2020
- Highest quarterly operational EBITDA since Q2 2017
- Organic growth driven by Germany, Netherlands and Eastern Europe

Double-digit organic growth

In Q2 2020, the revenue* in Applications increased by EUR 7.4m against Q2 2019, corresponding to organic growth of 10%. This was mainly driven by Germany, Netherlands and Eastern Europe. Overall, Applications has performed satisfactorily during the coronavirus pandemic with limited impact on the supply chain, which by end-Q2 2020 was fully operational.

In market prices, the revenue amounted to EUR 179.5m in Q2 2020, against EUR 181.8m in Q2 2019.

1st half 2020 revenue* amounted to EUR 207.6m, against EUR 197.8m in 1st half 2019. The organic growth for 1st half 2020 was 7%.

Operational EBITDA at highest level since 2017

Operational EBITDA in Q2 2020 was EUR 5.5m, more than doubled from EUR 2.0m in Q2 2019. This increase mainly derived from higher revenue, improved margins in certain markets and continued focus on cost and production efficiency driven by the initiatives implemented in recent years.

The operational EBITDA margin* in Q2 2020 was 4.8%, compared to 1.9% in Q2 2019.

In 1st half 2020, the operational EBITDA amounted to EUR 9.0m, compared to EUR 2.1m for 1st half 2019.

Mixed geographical performance

The organic growth of 10% reflected mixed development across the markets.

The German and Dutch markets were characterized by strong demand for medium-voltage cables to drive grid expansion, and there was growth in east European markets as customers secured low-voltage stock due to

the coronavirus pandemic. NKT has maintained stable production and delivery and been able to grow market share throughout the pandemic, while some competitors experienced delivery challenges.

The Scandinavian market was impacted by lower-than-expected sales in low-voltage segments and on medium-voltage frame contracts, while markets particularly in France and the UK were hit by restrictions due to the pandemic.

New frame agreements secured

In Q2 2020, NKT was awarded further medium-voltage frame contracts in Germany, Sweden and Denmark. The German utility contract is in response to major investment in the country's grid to support increased demand for distributing renewable energy. The longer-term utility frame contracts awarded in Denmark and Sweden will also serve grid maintenance and expansion purposes.

NKT also announced an order to connect a large Danish solar farm, Vandel III, to the power grid. The contract, placed by the Danish utility N1 and covering the supply of 135 km of 72 kV XLPE power cables, will reinforce the local power grid to ensure efficient distribution from Vandel III. The solar farm will be one of Europe's biggest with a production capacity of 152,000 MWh, enough to meet the needs of 34,000 households. Production will take place in Asnæs, Denmark, and Falun, Sweden, during 2020.

Appointment of new Head of Applications

To further strengthen the business line, Will Hendrikx joined NKT in April 2020 in the position of EVP, Head of Applications. Will Hendrikx has broad experience from the power and telecom cable and transformer business.

* Std. metal prices

Business review

– Service & Accessories

36m

Revenue*, EUR
(Q2 2019: EUR 32m)

4%

Organic growth
(Q2 2019: 9%)

4.1m

Operational EBITDA, EUR
(Q2 2019: EUR 4.6m)

Highlights – Service & Accessories

- Satisfactory financial performance in Q2 2020
- Offshore repair work impacted financial performance in Service
- Positive revenue performance continued in Accessories

Positive organic growth driven by Accessories

The Q2 2020 revenue* was EUR 36.2m, up from EUR 32.4m in Q2 2019, an organic growth of 4%. The Accessories business area drove the positive development, while growth in Service was down against a strong comparison base.

The revenue* in 1st half 2020 amounted to EUR 64.6m, against EUR 57.5m in 1st half 2019. The organic growth in 1st half 2020 was 7%.

Satisfactory operational EBITDA

The operational EBITDA generated in Q2 2020 was EUR 4.1m, which although a satisfactory level was down by EUR 0.5m from Q2 2019. This reflected the composition of revenue as Service last year contributed with a higher revenue share.

Fluctuations in earnings and profitability will occur from quarter to quarter, particularly depending on the volume of large offshore cable repairs, which impacts the revenue balance between the two business areas.

The operational EBITDA margin* in Q2 2020 was 11.3%, compared to 14.2% in Q2 2019. In 1st half 2020, the operational EBITDA amounted to EUR 7.0m, compared to EUR 6.9m for 1st half 2019.

Service impacted by offshore repair work

The performance of the Service business was positively impacted by the completion of an offshore cable repair and the delivery of spare MI power cables for customers in the high-voltage market.

In Q2 2020, NKT completed a turnkey offshore repair of the 250 km, 450 kV, high-voltage DC Baltic cable connecting the power grids in Sweden and

Germany after it was damaged by an external event. The power cable system was restored within 29 days from the initial fault notification, which is very fast for this type of operation.

The onshore market activity was negatively impacted by the coronavirus pandemic, causing certain projects to be postponed. By end-Q2 2020, however, installation work on several projects had restarted.

The NKT Service business remains well-positioned in the market and is working to provide new offerings. Most recently, NKT announced a 10-day vessel mobilization guarantee to remove uncertainty from repair planning, and is also extending customer offerings relating to handling of spare cables.

Continued growth for Accessories

NKT continued to grow its Accessories business in Q2 2020. This growth was mainly contributed by higher sales of medium-voltage accessories to the Middle East based on increased output from the German factory in Nordenham.

Q2 2020 also saw order postponements from customers outside Europe, mainly due to coronavirus restrictions. These orders are still expected to be realized later this year.

Overall, Accessories has experienced only limited financial consequences from the coronavirus pandemic. Production has been maintained stable, with limited impact on the supply chain.

Appointment of new Head of Accessories

To strengthen growth of the business line, Fredrik Eskengren was appointed EVP, Head of Accessories, in April 2020. Fredrik Eskengren has solid experience from the power cable business and has been with NKT since 2007.

* Std. metal prices



NKT Photonics – Financial & Business review

Despite positive organic growth in both Aerospace & Defence and Medical & Life Science, NKT Photonics’ overall revenue and earnings decreased compared to Q2 2019 due to the negative impact from the coronavirus pandemic on the Industrial segment. Order intake was down impacted by timing of Aerospace & Defence projects.

Revenue adversely affected by the coronavirus pandemic

The revenue in Q2 2020 amounted to EUR 14.6m, against EUR 17.9m in Q2 2019. The organic growth was -20%. As in Q1 2020, the revenue was significantly impacted by negative market development arising from the coronavirus pandemic.

Revenue performance across the company’s segments was mixed.

The Industrial segment, which is the largest and comprised around 70% of revenue in 2019, has been negatively impacted by the pandemic, with demand slowing in several parts of the market. Although subject to uncertainty given the current situation around the coronavirus pandemic, NKT Photonics has seen the first signs of improved market conditions towards the end of Q2 2020.

The smaller segments, Medical & Life Science and Aerospace & Defence, delivered positive Q2 2020 performances. NKT Photonics is gaining a firm foothold in these markets, also by the establishment of the new US facility.

1st half 2020 revenue was EUR 27.3m, against EUR 32.4m in the same period last year. The organic growth for 1st half 2020 was -17%.

EBITDA impacted by negative revenue development

EBITDA for Q2 2020 amounted to EUR -0.8m, against EUR 3.9m

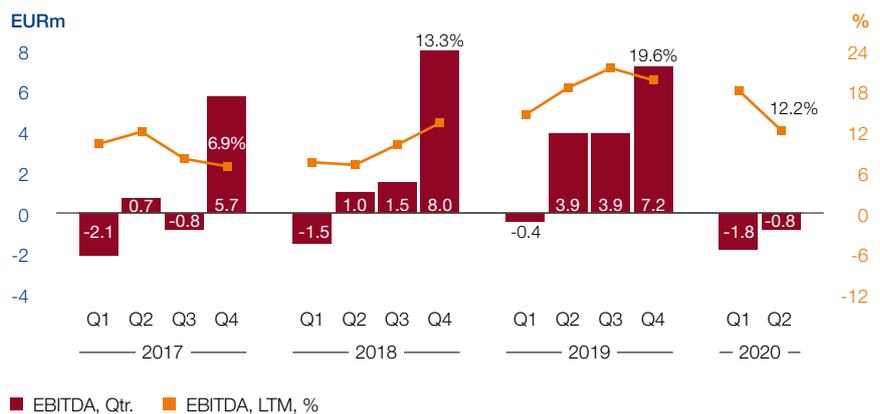
generated in Q2 2019. The decrease in EBITDA was driven by the lower revenue.

Revenue development and organic growth

Amounts in EURm

Q2 2019 revenue	17.9
Currency effect	0.1
Acquisitions	0.0
Divestments and reclassifications	0.0
Q2 2019 adjusted revenue	18.0
Organic growth	-3.5
Q2 2020 revenue	14.6
Organic growth, %	-20%

NKT Photonics EBITDA



In light of the consequences of the coronavirus pandemic, NKT Photonics has adopted short-term measures to keep costs down. However, the company continues to prioritize support for growth opportunities particularly in the Medical & Life Science and Aerospace & Defence segments. NKT Photonics has invested in competencies and capacity. Accordingly, the FTE count and cost level was higher in Q2 2020 than in Q2 2019.

EBITDA amounted to EUR -2.6m for 1st half 2020, compared to EUR 3.5m in 1st half 2019. The decrease in earnings principally reflected the reduced revenue in the period.

In Q2 2020, EBIT and net result were down by EUR 5.3m and EUR 4.8m, respectively, compared to Q2 2019.

Working capital slightly up

The working capital increased from EUR 29.3m at end-Q1 2020 to EUR 30.8m at end-Q2 2020. The increase was predominantly driven by an increase in receivable corporate tax, as other working capital items were broadly on par with Q1 2020.

Order intake down by 26%

The lower order intake in Q2 2020 compared to the previous year was driven by the Aerospace & Defence segment, which is dominated by large contracts and projects. Quarterly order

Key financials

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	FY 2019
Income statement					
Revenue	14.6	17.9	27.3	32.4	74.6
EBITDA	-0.8	3.9	-2.6	3.5	14.6
Depreciations and amortizations	-3.0	-2.4	-5.5	-4.6	-9.9
EBIT	-3.8	1.5	-8.1	-1.1	4.7
Financial items, net	-0.9	0.0	-0.6	-0.3	-0.7
EBT	-4.7	1.5	-8.7	-1.4	4.0
Tax	1.0	-0.4	1.9	0.3	-1.5
Net result	-3.7	1.1	-6.8	-1.1	2.5
Cash flow					
Cash flow from operating activities	-1.8	3.8	-5.0	1.0	7.2
Cash flow from investing activities excl. acq. & div.**	-4.0	-4.2	-8.4	-7.4	-16.7
Free cash flow excl. acq. & div.**	-5.8	-0.4	-13.4	-6.4	-9.5
Balance sheet					
Capital employed**	110.1	96.7	110.1	96.7	104.4
Working capital**	30.8	26.9	30.8	26.9	28.2
Financial ratios and employees					
Organic growth**	-20%	1%	-17%	7%	10%
EBITDA margin	-5.9%	21.7%	-9.6%	10.8%	19.6%
RoCE**	-2.2%	5.1%	-2.2%	5.1%	4.9%
Full-time employees, end of period**	407	367	407	367	403

** Alternative performance measures

intake can be irregular depending on the size of project awards, and a few sizable orders in this segment were pushed into Q3 2020.

The Q2 2020 order intake in the two other segments was largely on par with the same period in 2019.

The order intake for 1st half 2020 was 20% below 1st half 2019.

Medical & Life Science

In Q2 2020, NKT Photonics grew revenue in the Medical & Life Science segment as the company continued to strengthen its market position. The primary growth drivers were within bio-imaging, microscopy and ophthalmology.

Industrial

The industrial market experienced headwind that has been worsened by the coronavirus pandemic. This included the research part of the segment, which experienced delays due to closure of universities and research institutions during the pandemic. As Asia and Europe are gradually moving towards normal operation, the market is expected to pick up. The pace of this pickup will depend on the pace of normalization. NKT Photonics will continue work with new OEM customers to support future growth.

Aerospace & Defence

Despite the coronavirus pandemic, the Aerospace & Defence segment performed well. New contracts were secured during Q2 2020 and more are expected in the coming quarters – primarily within directed energy. The recently opened manufacturing location in Boston, US, contributed to new contracts in the segment.

Group financials

Operational EBITDA and EBIT

Driven by the positive development in its power cables business, the NKT Group reported an operational EBITDA of EUR 15.2m in Q2 2020, up from EUR 13.3m in Q2 2019. This continued the trend from Q1 2020, and the operational EBITDA for 1st half 2020 totalled EUR 23.6m against EUR 10.5m for 1st half 2019. Operational EBITDA, LTM, amounted to EUR 42.8m at end-Q2 2020.

The EBIT decreased to EUR -16.1m in Q2 2020 from EUR -13.3m in Q2 2019 due to higher one-off costs and lower earnings in NKT Photonics.

Financial items and net result

The net financial items in Q2 2020 amounted to EUR 0.2m, against EUR -1.7m in Q2 2019. The improvement was driven by unrealized foreign exchange rate effects, which was partly a reversal of the negative level in Q1 2020. Financial items for 1st half 2020 amounted to EUR -6.9m compared to EUR -3.8m in 1st half 2019.

The earnings before tax (EBT) comprised EUR -15.9m in Q2 2020, compared to EUR -15.0m in Q2 last year. The net result improved from EUR -15.1m in Q2 2019 to EUR -13.4m in Q2 2020 driven by capitalization of deferred tax.

Cash flow

In Q2 2020, the cash flow from operating activities amounted to

Net interest-bearing debt



* 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 was based on ABB HV Cables' estimated average annual pro forma EBITDA of EUR 79m for 2014–2016.

EUR -11.8m, against EUR 23.1m in Q2 2019. The decrease was due to the development in working capital in NKT. The cash flow from investing activities was EUR -21.3m in Q2 2020, compared to EUR -22.7m in Q2 2019.

Liquidity, debt leverage and equity

The net interest-bearing debt, including lease liabilities, amounted to EUR 323.8m at end-Q2 2020, compared to EUR 378.1m at the end of the previous quarter. The debt level was lowered due to the issuance of new shares in May 2020 with gross proceeds of EUR 92m.

At end-Q2 2020, net interest-bearing debt relative to operational EBITDA amounted to 7.6x, compared to 9.3x at end-Q1 2020. This was driven by a positive mix of increased earnings and reduced debt. NKT A/S has sufficient financial headroom to manage the level of activity expected in 2020.

At end-Q2 2020, NKT A/S had total available liquidity reserves of EUR 179.2m, comprising cash of EUR 4.8m and undrawn credit facilities of EUR 174.4m. Group equity, including the hybrid security issued in Q3 2018, amounted to EUR 862.2m. The solvency ratio was 45%, compared to 40% at the end of the previous quarter.

Q2 2020 financial development for NKT A/S

Amounts in EURm	Revenue*			Operational EBITDA			Oper. EBITDA margin*	
	Q2 2020	Q2 2019	Change	Q2 2020	Q2 2019	Change	Q2 2020	Q2 2019
NKT	277.8	245.0	32.8	16.0	9.4	6.6	5.8%	3.8%
NKT Photonics	14.6	17.9	-3.3	-0.8	3.9	-4.7	-5.9%	21.7%
Elimination	-1.4	-0.3	-1.1	0.0	0.0	0.0	-	-
NKT Group	291.0	262.6	28.4	15.2	13.3	1.9	5.2%	5.1%

* Std. metal prices

Shareholder information

NKT A/S Share price

DKK per share



■ NKT share price, DKK ■ OMX C25 (rebased), DKK ■ Cable peers*

* NKT peers are: Nexans S.A. and Prysmian S.p.A.

NKT A/S shares basic data

ID code: DK0010287663

Listing: Nasdaq Copenhagen, part of the Mid Cap index

Share capital: EUR 87m (DKK 645m)

Number of shares: 32.2 million

Nominal value: DKK 20

Share classes: 1

Financial calendar 2020

18 Nov: Interim Report, Q3 2020

NKT A/S shares

The average daily turnover in NKT A/S shares on all trading markets was EUR 7m in Q2 2020, compared to EUR 5m in Q2 2019. The average daily trading volume was around 380,000 shares in Q2 2020, against around 310,000 in Q2 2019. Nasdaq Copenhagen was the main trading market with 56% of the total traded volume in Q2 2020.

At end-Q2 2020, the NKT A/S share price was DKK 148.00, compared to DKK 160.80 at end-2019, equal to a share price return of -8%. The corresponding dividend-adjusted share price returns for the company's largest European competitors, Prysmian and Nexans, were -3% and -5%, respectively. The Danish OMX C25 index, adjusted for dividends, increased by 9% in 1st half 2020.

At end-Q2 2020, four NKT A/S investors had reported shareholdings of between 5.00–9.99%: ATP (Denmark), Greenvale Capital (UK), Kirkbi INVEST A/S (Denmark), and Nordea Funds Ltd, Danish Branch (Finland).

The total share capital consists of 32,232,027 shares, each with a nominal value of DKK 20, corresponding to a total

nominal share capital of DKK 644,640,540 (EUR 87m). In May 2020, NKT A/S completed a directed issue and private placement of 4,951,106 new shares as part of the plan to strengthen its capital base.

Annual General Meeting 2020

The company held its Annual General Meeting on 18 June 2020. As reported in Company Announcement No. 18 of the same date, all final proposals were approved. This included adoption of the 2019 Annual Report, and it was decided that no dividend would be distributed to shareholders. Furthermore, authorizations to the Board of Directors to issue new shares with pre-emptive right for existing shareholders and convertible instruments were granted.

The intention, subject to prevailing market conditions and other factors,

is to utilize the authorization to issue shares with pre-emptive rights for the current shareholders and potentially also the authorization to issue convertible instruments before end-2020.

Five AGM-elected Board members were re-elected: Jens Due Olsen, René Svendsen-Tune, Jens Maaløe, Andreas Nauen, and Jutta af Rosenborg. Lars Sandahl Sørensen, who had been a member of the Board of Directors since 2013, did not seek re-election and was replaced by Karla Marianne Lindahl. The three employee-elected Board members – Jack Ejlersen, Thomas Torp Hansen, and Stig Nissen Knudsen – were elected for a four-year term in 2018.

At a subsequent ordinary Board meeting, the Board committees were formed as shown below.

NKT Committees

Chairmanship	Jens Due Olsen (Chair) and René Svendsen-Tune
Audit	Jutta af Rosenborg (Chair), Karla Marianne Lindahl and Jens Maaløe
Nomination	Andreas Nauen (Chair) and Jens Maaløe
Remuneration	Jutta af Rosenborg (Chair) and Jens Maaløe
NKT Photonics	Jens Maaløe (Chair) and Jens Due Olsen

Group Management's statement

The Board of Directors and the Executive Management Board have today considered and adopted the Interim Report of NKT A/S for the period 1 January – 30 June 2020.

The Interim Report, which has not been audited or reviewed by the company auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as approved by the EU, and Danish disclosure requirements for interim reporting by listed companies.

In our opinion the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2020 and the results of the Group's activities and cash flow for the period 1 January – 30 June 2020.

We also find that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group, and a description of major risks and elements of uncertainty faced by the Group.

Brøndby, 19 August 2020

Executive Management

Alexander Kara
President & CEO

Line Andrea Fandrup
CFO

Board of Directors

Jens Due Olsen
Chairman

René Svendsen-Tune
Deputy Chairman

Jack Ejlersen*

Thomas Torp Hansen*

Stig Nissen Knudsen*

Karla Lindahl

Jens Maaløe

Andreas Nauen

Jutta af Rosenborg

* *Employee-elected member*

Financial Statements

Income statement

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Year 2019
Revenue	372.4	355.4	703.5	649.7	1,342.4
Costs of raw materials, consumables and goods for resale	-260.5	-232.6	-478.7	-433.0	-883.3
Staff costs	-73.2	-69.8	-138.9	-136.7	-266.3
Other costs etc.	-32.2	-43.6	-71.4	-70.4	-175.1
Earnings before interest, tax, depreciation and amortization (EBITDA)	6.5	9.4	14.5	9.6	17.7
Depreciation of property, plant and equipment	-17.1	-17.4	-34.9	-34.7	-75.1
Amortization of intangible assets	-5.5	-5.3	-10.9	-10.8	-25.6
Earnings before interest and tax (EBIT)	-16.1	-13.3	-31.3	-35.9	-83.0
Financial items, net	0.2	-1.7	-6.9	-3.8	-12.3
Earnings before tax (EBT)	-15.9	-15.0	-38.2	-39.7	-95.3
Tax	2.5	-0.1	4.2	5.6	19.3
Net result	-13.4	-15.1	-34.0	-34.1	-76.0
To be distributed as follows:					
Equity holders of NKT A/S	-15.4	-17.1	-38.0	-38.1	-84.1
Hybrid capital holders of NKT A/S	2.0	2.0	4.0	4.0	8.1
	-13.4	-15.1	-34.0	-34.1	-76.0
Basic earnings, EUR, per share (EPS)	-0.4	-0.6	-1.1	-1.4	-3.1
Diluted earnings, EUR, per share (EPS-D)	-0.4	-0.6	-1.2	-1.4	-3.1

Statement of comprehensive income

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Year 2019
Comprehensive income					
Net profit	-13.4	-15.1	-34.0	-34.1	-76.0
Other comprehensive income:					
<i>Items that may not be reclassified to income statement:</i>					
Actuarial gains/(losses) on defined benefit pension plans	0.0	0.0	0.0	0.0	-4.5
<i>Items that may be reclassified to income statement:</i>					
Currency adjustment of foreign subsidiaries and value adjustment of hedging instruments, etc.	62.5	-9.0	2.9	-17.4	-4.9
Total comprehensive income for the period	49.1	-24.1	-31.1	-51.5	-85.4

Balance sheet

Amounts in EURm	30 June 2020	30 June 2019	31 December 2019
Assets			
Intangible assets	601.4	582.3	594.0
Property, plant and equipment	622.1	649.6	641.3
Other investments and receivables	1.5	2.1	1.9
Deferred tax	55.0	41.2	49.8
Total non-current assets	1,280.0	1,275.2	1,287.0
Inventories	255.2	229.8	229.7
Receivables, contract assets and income tax	361.4	381.5	265.7
Interest-bearing receivables	0.4	0.4	0.1
Cash at bank and in hand	4.8	9.0	6.9
Total current assets	621.8	620.7	502.4
Total assets	1,901.8	1,895.9	1,789.4
Equity and liabilities			
Equity attributable to equity holders of NKT A/S	705.8	687.7	651.4
Hybrid capital	156.4	156.4	152.4
Group equity	862.2	844.1	803.8
Deferred tax	34.3	44.4	31.8
Pension liabilities	55.6	49.6	55.6
Provisions	10.9	15.1	14.6
Interest-bearing loans and borrowings	307.5	333.9	238.0
Total non-current liabilities	408.3	443.0	340.0
Interest-bearing loans and borrowings	21.5	11.6	11.2
Trade payables, contract liabilities, tax and other liabilities	582.9	580.4	613.5
Provisions	26.9	16.8	20.9
Total current liabilities	631.3	608.8	645.6
Total liabilities	1,039.6	1,051.8	985.6
Total equity and liabilities	1,901.8	1,895.9	1,789.4

Cash flow

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Year 2019
Earnings before interest, tax, depreciation and amortization (EBITDA)	6.5	9.4	14.5	9.6	17.7
Profit on sales of non-current assets, use and increase of provisions, and other non-cash items etc.	9.1	2.5	2.8	-4.6	0.2
Changes in working capital	-26.5	14.7	-142.0	-33.2	130.3
Cash flow from operations before financial items, etc.	-10.9	26.6	-124.7	-28.2	148.2
Net financial items paid	-0.2	-1.8	-7.3	-3.8	-12.2
Income tax paid	-0.7	-1.7	-1.3	0.5	-11.0
Cash flow from operating activities	-11.8	23.1	-133.3	-31.5	125.0
Acquisition of business	0.0	-1.8	0.0	-1.8	-7.3
Divestment of business	0.0	0.0	0.0	9.5	9.5
Investments in property, plant and equipment	-9.6	-10.7	-15.3	-15.8	-34.4
Disposal of property, plant and equipment	0.2	0.4	0.4	1.3	1.2
Intangible assets and other investments, net	-11.9	-10.6	-20.8	-16.0	-35.8
Cash flow from investing activities	-21.3	-22.7	-35.7	-22.8	-66.8
Free cash flow	-33.1	0.4	-169.0	-54.3	58.2
Changes in interest-bearing loans and borrowings	-53.3	2.2	80.6	37.5	-68.1
Repayment of lease liabilities	-1.3	-1.4	-2.7	-2.6	-5.0
Coupon payments on hybrid capital	0.0	0.0	0.0	0.0	-8.1
Capital increase	89.2	0.0	89.2	0.0	0.0
Cash from issue of new shares / exercise of warrants	0.0	0.0	0.1	0.0	1.7
Cash flow from financing activities	34.6	0.8	167.2	34.9	-79.5
Net cash flow	1.5	1.2	-1.8	-19.4	-21.3
Cash at bank and in hand at the beginning of the period	3.3	7.4	6.9	28.2	28.2
Currency adjustments	0.0	0.4	-0.3	0.2	0.0
Net cash flow	1.5	1.2	-1.8	-19.4	-21.3
Cash at bank and in hand at the end of the period*	4.8	9.0	4.8	9.0	6.9

The above cannot be derived directly from the income statement and the balance sheet.

Statement of changes in equity

Amounts in EURm	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Hybrid capital	Total equity
Equity, 1 January 2019	72.8	-27.6	-1.6	0.3	699.3	0.0	743.2	152.4	895.6
<i>Other comprehensive income:</i>									
Foreign exchange translation adjustments		-15.4					-15.4		-15.4
Value adjustment of hedging instruments:									
Value adjustment for the year			-3.1				-3.1		-3.1
Transferred to consumption of raw materials			-0.1				-0.1		-0.1
Tax on other comprehensive income			1.2				1.2		1.2
Total other comprehensive income	0.0	-15.4	-2.0	0.0	0.0	0.0	-17.4	0.0	-17.4
Net result					-38.1		-38.1	4.0	-34.1
Comprehensive income for the year	0.0	-15.4	-2.0	0.0	-38.1	0.0	-55.5	4.0	-51.5
Equity, 30 June 2019	72.8	-43.0	-3.6	0.3	661.2	0.0	687.7	156.4	844.1
Equity, 1 January 2020	73.2	-34.1	0.0	0.3	612.0	0.0	651.4	152.4	803.8
<i>Other comprehensive income:</i>									
Foreign exchange translation adjustments		-4.2					-4.2		-4.2
Value adjustment of hedging instruments:									
Value adjustment for the year			9.8				9.8		9.8
Tax on other comprehensive income			-2.7				-2.7		-2.7
Total other comprehensive income	0.0	-4.2	7.1	0.0	0.0	0.0	2.9	0.0	2.9
Net result					-38.0		-38.0	4.0	-34.0
Comprehensive income for the year	0.0	-4.2	7.1	0.0	-38.0	0.0	-35.1	4.0	-31.1
<i>Transactions with owners:</i>									
Capital increase	13.3				75.9		89.2	0.0	89.2
Exercise of warrants	0.1				0.2		0.3	0.0	0.3
Total transactions with owners in 1st half 2020	13.4	0.0	0.0	0.0	76.1	0.0	89.5	0.0	89.5
Equity, 30 June 2020	86.6	-38.3	7.1	0.3	650.1	0.0	705.8	156.4	862.2

Notes

Note 1 Accounting policies, estimates and risks, etc.

The Interim Report is presented in accordance with IAS 34 'Interim Financial Reporting', which has been approved by the EU, and Danish disclosure requirements for interim reports for listed companies.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards, amendments and interpretations effective as of 1 January 2020:

- Conceptual Framework for Financial Reporting
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate
- Benchmark Reform
- Amendments to IFRS 3: Definition of a Business;

which do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any standard, interpretation or amendment issued but not yet effective. For a description of accounting judgements and estimates, please refer to Note 1.3 on page 80 of the 2019 Annual Report. Regarding risks, please refer to Note 5.6 on page 122 of the 2019 Annual Report and the information contained in the sections on risk management on page 32 and on page 48 of the 2019 Annual Report. Please also refer to this Interim Report for an assessment of the impact from the spread of COVID-19.

The annual impairment test is performed in Q4 following the preparation of the budget for the coming year as well as updated long-term forecasts. In addition, hereto, the impairment test is updated when trigger events occur, and was recently updated in Q1 2020 due to COVID-19. Group Management has assessed if indications of impairment on goodwill and other intangible assets with indefinite life exist as of 30 June 2020. In line with expectation, NKT Photonics was impacted by COVID-19 in Q2 2020, and the impact was therefore not considered a new trigger event. Considering the large order intake for NKT in Q2 2020 as well as limited impact from COVID-19, it is Group Management's assessment, that there were no trigger events in NKT's cash generating units as per Q2 2020. The future impact of COVID-19 remains challenging to foresee and material changes to this assessment may occur as a consequence of the restrictions imposed across the world. Overall, the megatrends driving growth in both the power cable and the photonics markets are expected to prevail. Group Management will continue to monitor the development closely and take appropriate measures to ensure the health and safety of the employees as well as evaluating the potential impact on the company's performance and asset valuation.

On 2 April 2014 NKT received a fine of EUR 4m following the investigation conducted by the European Commission into alleged price-fixing activities with regard to high-voltage power cable projects, cf. Company Announcement No. 8 2014. While the European Commission assessed that NKT's role had been substantially limited and the fine was considerably smaller than those imposed on other cable manufacturers, NKT disagrees with the Commission's decision and therefore filed an appeal. On 14 May 2020, the European Court of Justice ruled partly in favor of NKT, resulting in a EUR 0.2m lower fine and a narrower scope of NKT infringement. Although NKT is satisfied with the decision from the European Court of Justice, NKT assess that the ruling does not take all submitted evidence into account, which is why an application according to the Rules of Procedure of the European Court of Justice has been filed with the Court. As mentioned in the Annual Report 2019 on page 131, a consequence of the Commission's decision is that NKT and other power cable producers face exposure to claims for damages in proceedings brought by customers or other third parties, including claims that have been filed by National Grid and Vattenfall in the UK. In line with its appeal against the Commission's decision, NKT contests any civil damages claim that is based on this decision. As a consequence of the development in Q2 2020, Management has recognized a provision of EUR 8.3m in the Interim Report Q2 2020 based on the currently available knowledge. The resolution of such legal disputes can take several years to complete and the outcome is subject to considerable uncertainty.

The consolidated financial statement includes financial performance measures that are not defined according to IFRS. These measures are considered to provide valuable information to stakeholders and Management. Since other companies might calculate these differently from NKT Group, they may not be comparable to the measures applied by other companies. These financial measures should therefore not be considered a replacement for performance measures as defined under IFRS, but rather as supplementary information. Alternative performance measures are defined in Note 4 in more detail.

Group Management is required to assess whether the financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flows, existence of credit facilities, etc., it is Group Management's opinion that the financial headroom is sufficient to manage the level of activity expected for the NKT Group. See also this Interim Report on the current and expected impact from the COVID-19 pandemic, which also forms part of the basis for this conclusion.

Other than as described on page 2 and 9 in the Management review, NKT is not aware of events after 30 June 2020, which are expected to materially impact the Group's financial position.

Note 2 Segment reporting

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Year 2019
Revenue (market prices)					
NKT – Solutions	151.5	129.9	295.2	231.6	522.5
NKT – Applications	179.5	181.8	336.3	337.8	645.3
NKT – Service & Accessories	36.2	32.5	64.6	59.4	118.8
Elimination of transactions between segments	-8.0	-6.4	-18.5	-11.2	-18.4
NKT	359.2	337.8	677.6	617.6	1,268.2
NKT Photonics	14.6	17.9	27.3	32.4	74.6
Elimination of transactions between segments	-1.4	-0.3	-1.4	-0.3	-0.4
NKT Group	372.4	355.4	703.5	649.7	1,342.4
Revenue (std. metal prices)					
NKT – Solutions	134.7	111.0	258.3	203.2	455.6
NKT – Applications	113.5	106.1	207.6	197.8	389.1
NKT – Service & Accessories	36.2	32.4	64.6	57.5	116.7
Elimination of transactions between segments	-6.6	-4.5	-12.4	-8.1	-16.4
NKT	277.8	245.0	518.1	450.4	945.0
NKT Photonics	14.6	17.9	27.3	32.4	74.6
Elimination of transactions between segments	-1.4	-0.3	-1.4	-0.3	-0.3
NKT Group	291.0	262.6	544.0	482.5	1,019.3
Operational EBITDA					
NKT – Solutions	9.1	4.3	14.7	4.7	14.1
NKT – Applications	5.5	2.0	9.0	2.1	0.3
NKT – Service & Accessories	4.1	4.6	7.0	6.9	13.5
Non-allocated costs	-2.7	-1.5	-4.5	-6.7	-12.8
NKT	16.0	9.4	26.2	7.0	15.1
NKT Photonics	-0.8	3.9	-2.6	3.5	14.6
NKT Group	15.2	13.3	23.6	10.5	29.7
One-off items	-8.7	-3.9	-9.1	-0.9	-12.0
EBITDA					
NKT	7.3	5.5	17.1	6.1	3.1
NKT Photonics	-0.8	3.9	-2.6	3.5	14.6
NKT Group	6.5	9.4	14.5	9.6	17.7

Note 2 Segment reporting – continued

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Year 2019
Operational EBIT					
NKT – Solutions	-5.7	-11.0	-16.2	-26.4	-53.4
NKT – Applications	2.1	-0.7	1.3	-3.4	-14.8
NKT – Service & Accessories	3.0	3.6	4.7	4.8	8.7
Non-allocated costs	-3.0	-2.8	-3.9	-8.9	-16.2
NKT	-3.6	-10.9	-14.1	-33.9	-75.7
NKT Photonics	-3.8	1.5	-8.1	-1.1	4.7
NKT Group	-7.4	-9.4	-22.2	-35.0	-71.0
One-off items	-8.7	-3.9	-9.1	-0.9	-12.0
EBIT					
NKT	-12.3	-14.8	-23.2	-34.8	-87.7
NKT Photonics	-3.8	1.5	-8.1	-1.1	4.7
NKT Group	-16.1	-13.3	-31.3	-35.9	-83.0
Working capital					
NKT – Solutions	-62.5	-83.3	-62.5	-83.3	-167.1
NKT – Applications	67.7	52.1	67.7	52.1	17.5
NKT – Service & Accessories	9.9	15.2	9.9	15.2	10.4
Non-allocated items	-12.2	20.0	-12.2	20.0	-7.1
NKT	2.9	4.0	2.9	4.0	-146.3
NKT Photonics	30.8	26.9	30.8	26.9	28.2
NKT Group	33.7	30.9	33.7	30.9	-118.1

Note 3 Net interest-bearing debt and working capital

Amounts in EURm	30 June 2020	30 June 2019	31 December 2019
Net interest-bearing debt			
Interest-bearing loans and borrowings, non-current	307.5	333.9	238.0
Interest-bearing loans and borrowings, current	21.5	11.6	11.2
Interest-bearing receivables	-0.4	-0.4	-0.1
Cash at bank and in hand	-4.8	-9.0	-6.9
Net interest-bearing debt	323.8	336.1	242.2
Working capital			
Inventories	255.2	229.8	229.7
Receivables, contract assets and income tax	361.4	381.5	265.7
Trade payables, contract liabilities, tax and other liabilities	-582.9	-580.4	-613.5
Working capital	33.7	30.9	-118.1
Amounts in EURm	1st half 2020	1st half 2019	Year 2019
Reconciliation to change in working capital in cash flow			
Working capital 1 January	-118.1	7.7	7.7
Working capital end of period	33.7	30.9	-118.1
Change in working capital based on balance sheet	151.8	23.2	-125.8
Effect of unrealized hedges reported on Equity	-9.8	3.1	0.3
Effect of changes in exchange rates, current tax, etc.	0.0	6.9	-4.8
Change in working capital based on cash flow statement	142.0	33.2	-130.3

NKT Group uses financial instruments to hedge exposures relating to currency, interest rates and commodities. The fair value of the effective part of the hedge is recognized on a continuous basis in other comprehensive income as hedges of future cash flows. Effective hedges are transferred to the same line as the hedged item in profit/loss when the hedged transaction materializes. Main currencies comprise SEK, USD, GBP and NOK while hedges relating to commodities are hedges of Copper, Lead, Aluminum and Gas-Oil. Refer to note 5.6 Financial risks and financial instruments in the Annual Report for 2019 for a more detailed description of the use of financial instruments for risk management purposes.

Note 4 Definitions

Items below refer to the Financial Highlights contained on page 27.

The Group operates with the following performance measures which are calculated in accordance with the Danish Finance Society's guidelines:

Performance measures defined by IFRS:

- 1. Earnings, EUR per outstanding share (EPS)**
– Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares.
- 2. Diluted earnings, EUR per outstanding share (EPS)**
– Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares, including the dilutive effect of outstanding share programmes.

Further the group presents the following performance measures not defined according to IFRS (non-GAAP measures):

- 3. Revenue at standard metal prices** – Revenue at standard metal prices for copper and aluminium is set at EUR/tonne 1,550 and EUR/tonne 1,350 respectively.
- 4. Organic growth** – Revenue growth (standard metal price) as a percentage of prior-year adjusted revenue (standard metal price). Organic growth is a measure of growth, excluding the impact of exchange rate adjustments and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation.
- 5. One-off items** – Consist of non-recurring income and cost related to acquisitions, divestments, integration, restructuring, severance and other one-time items.
- 6. Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA)**
– Earnings before interest, tax, depreciation and amortization (EBITDA) excluding one-off items.
- 7. Operational earnings before interest and tax (Oper. EBIT)** – Earnings before interest and tax excluding one-off items.
- 8. Net interest-bearing debt** – Cash and interest-bearing receivables less interest-bearing debt. Hybrid capital is not included in net interest-bearing debt.
- 9. Capital employed** – Group equity plus net interest-bearing debt.
- 10. Working capital** – Current assets minus current liabilities (excluding interest-bearing items and provisions).
- 11. Net interest-bearing debt relative to operational EBITDA** – Comparative figures are calculated as operational EBITDA.
- 12. Solvency ratio (equity as a percentage of total assets)**
– Equity incl. hybrid capital as a percentage of total assets.
- 13. Return on capital employed (RoCE)** – Operational EBIT as a percentage of average capital employed.
- 14. Equity value, EUR per outstanding share** – Equity attributable to equity holders of NKT A/S per outstanding share at 31 December. Dilutive effect of outstanding share programmes is excluded.

Statements made about the future in this report reflect the Group Management's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, among other things due to economic and financial market developments, legislative and regulatory changes in NKT A/S markets, development in product demand, competitive conditions, and energy and raw material prices. See also latest Annual Report for a more detailed description of risk factors.

NKT A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

The NKT A/S Interim Report Q2 2020 was published on 19 August 2020 and released through Nasdaq Copenhagen. The report is also available at investors.nkt.com.

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Financial highlights and ratios – NKT A/S

Amounts in EURm	Q2 2020	Q2 2019	1st half 2020	1st half 2019	Year 2019
Income statement					
Revenue	372.4	355.4	703.5	649.7	1,342.4
Revenue in std. metal prices** ³⁾	291.0	262.6	544.0	482.5	1,019.3
Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA)** ⁶⁾	15.2	13.3	23.6	10.5	29.7
Earnings before interest, tax, depreciation and amortization (EBITDA)	6.5	9.4	14.5	9.6	17.7
Depreciation and impairment of property, plant and equipment	-17.1	-17.4	-34.9	-34.7	-75.1
Amortization and impairment of intangible assets	-5.5	-5.3	-10.9	-10.8	-25.6
Operational earnings before interest and tax (Oper. EBIT)** ⁷⁾	-7.4	-9.4	-22.2	-35.0	-71.0
Earnings before interest and tax (EBIT)	-16.1	-13.3	-31.3	-35.9	-83.0
Financial items, net	0.2	-1.7	-6.9	-3.8	-12.3
Earnings before tax (EBT)	-15.9	-15.0	-38.2	-39.7	-95.3
Net result	-13.4	-15.1	-34.0	-34.1	-76.0
Profit attributable to hybrid capital holders of NKT A/S	2.0	2.0	4.0	4.0	8.1
Profit attributable to equity holders of NKT A/S	-15.4	-17.1	-38.0	-38.1	-84.1
Cash flow					
Cash flow from operating activities	-11.8	23.1	-133.3	-31.5	125.0
Cash flow from investing activities	-21.3	-22.7	-35.7	-22.8	-66.8
hereof investments in property, plant and equipment	-9.6	-10.7	-15.3	-15.8	-34.4
Free cash flow**	-33.1	0.4	-169.0	-54.3	58.2
Balance sheet					
Share capital	86.6	72.8	86.6	72.8	73.2
Equity attributable to equity holders of NKT A/S	705.8	687.7	705.8	687.7	651.4
Hybrid capital	156.4	156.4	156.4	156.4	152.4
Group equity	862.2	844.1	862.2	844.1	803.8
Total assets	1,901.8	1,895.9	1,901.8	1,895.9	1,789.4
Net interest-bearing debt** ⁸⁾	323.8	336.1	323.8	336.1	242.2
Net interest-bearing debt excl. impact of IFRS 16**	284.0	302.2	284.0	302.2	204.6
Capital employed** ⁹⁾	1,186.0	1,180.2	1,186.0	1,180.2	1,046.0
Working capital** ¹⁰⁾	33.7	30.9	33.7	30.9	-118.1
Financial ratios and employees					
Operational EBITDA margin, continuing operations (std. metal prices)**	5.2%	5.1%	4.3%	2.2%	2.9%
Gearing (net interest-bearing debt as % of Group equity)**	38%	40%	38%	40%	30%
Net interest-bearing debt relative to operational EBITDA** ¹¹⁾	7.6	8.9	7.6	8.9	8.2
Solvency ratio (equity as % of total assets)** ¹²⁾	45%	45%	45%	45%	45%
Return on capital employed (RoCE) (LTM)** ¹³⁾	-5.1%	-4.4%	-5.1%	-4.4%	-6.2%
Number of DKK 20 shares ('000)**	32,232	27,126	32,232	27,126	27,260
Basic earnings, EUR, per share (EPS) ¹⁾	-0.4	-0.6	-1.1	-1.4	-3.1
Diluted earnings, EUR, per share (EPS-D) ²⁾	-0.4	-0.6	-1.2	-1.4	-3.1
Equity value, EUR per outstanding share** ¹⁴⁾	22	25	22	25	24
Market price, DKK per share**	148	101	148	101	161
Average number of employees**	3,756	3,679	3,756	3,679	3,671

¹⁾⁻¹³⁾ Definitions appear in Note 4.

** Alternative performance measures

Financial highlights and ratios are calculated as defined in the 2019 Annual Report.

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