

The NKT logo is displayed in a white, stylized, blocky font. 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 industrial setting.

NKT

16 May 2019

Interim Report Q1 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



Roland M. Andersen

NKT A/S

Interim CEO and CFO



Basil Garabet

NKT Photonics

President & CEO

Agenda



04 NKT

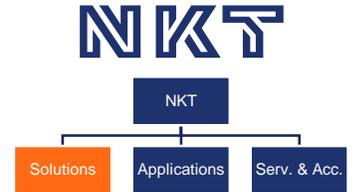
- 11 NKT Photonics
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Key highlights Q1 2019

<p>EUR 205.4m Revenue (std. metal prices)</p>	<p>Down from EUR 254.5m in Q1 2018. Primarily impacted by lower activity in Solutions</p>
<p>-16% Organic growth</p>	<p>Positive growth in Applications was more than offset by Solutions and Service & Accessories</p>
<p>EUR -2.4m Operational EBITDA</p>	<p>Down from EUR 20.4m in Q1 2018 as the low activity level in Solutions impacted earnings negatively</p>
<p>EUR 1.10bn High-voltage order backlog</p>	<p>Largely unchanged from end-2018. NKT was awarded a number of smaller orders but as expected no significant projects in Q1 2019</p>

- Low activity in the factory in Karlskrona did as expected lead to lower revenue and earnings in **Solutions**
- Profitability in **Applications** increased slightly compared to Q1 2018, but remained unsatisfactory. New head of the business line has been appointed
- **Service & Accessories** reported strong growth in Accessories, but conducted no large offshore cable repairs in the Service segment
- Alexander Kara has been appointed new CEO and will join on 1 August 2019
- Unchanged financial outlook for 2019
 - Revenue (std. metal prices): EUR ~0.9-1.0bn
 - Operational EBITDA: EUR ~10-30m

Solutions – Q1 2019



Low level of activity as expected

Customer offerings	 <ul style="list-style-type: none">High-voltage AC/DC on/-off-shore cables
Development during Q1 2019	<ul style="list-style-type: none">Low capacity utilization in Karlskrona due to the relatively low level of high-voltage projects awarded in the market during 2017 and 2018NKT had continued production progress on the Borssele Beta, Hornsea 2 and Nordlink projectsHanded over the high-voltage cable system that will power the Martin Linge oil and gas field
NKT Victoria	<ul style="list-style-type: none">NKT Victoria was not fully deployed in Q1 2019. The start of the year is a seasonally weak period for offshore installation

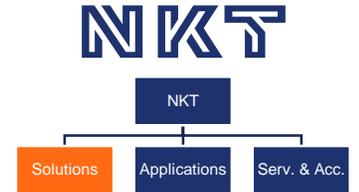
Q1 2019 financial highlights



* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market update



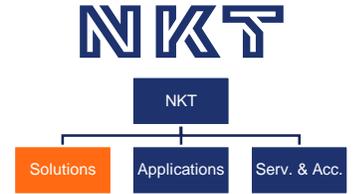
As expected no significant project awards to NKT in Q1 2019. Continued tender activity

- NKT was awarded a number of smaller orders, but no significant project awards in Q1 2019
- Continued progress on several tenders across geographies and market segments
- Market outlook still attractive in the medium to long-term
- NKT estimates that project awards in the relevant high-voltage market* amounted to approx. EUR 3bn in 2018
- 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

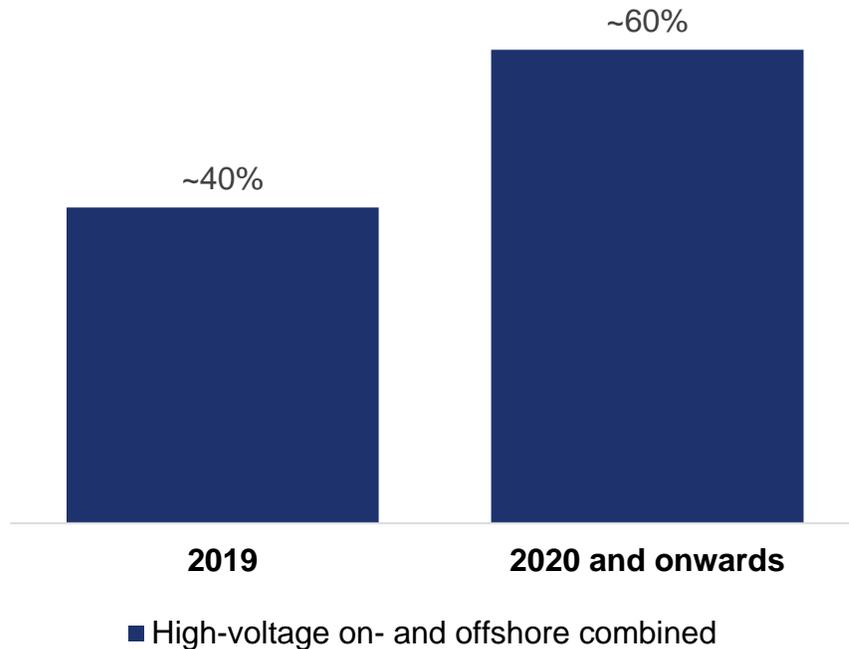


* Management estimate of projects larger than EUR 5m

High-voltage order backlog



High-voltage order backlog of EUR 1.10bn* at end-Q1 2019, against EUR 1.12bn at end-2018

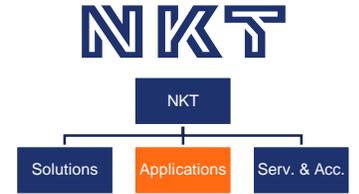


Mix of high-voltage projects

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				

* Market prices (EUR 0.92bn in std. metal prices)

Applications – Q1 2019



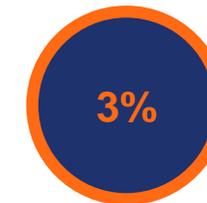
Slight increase in profitability.
New EVP and head of business line appointed

<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 Q1 2019</p>	<ul style="list-style-type: none"> ▪ Organic growth was mainly driven by the Eastern European countries ▪ The roll-out a uniform production IT platform did as anticipated impact performance slightly negative in the Scandinavian countries ▪ More focused approach in 2019, with initiatives limited to those improving near-term profitability
<p>New head of Applications appointed</p>	<ul style="list-style-type: none"> ▪ To accelerate improvements, a new EVP and head of Applications was appointed ▪ Applications will now also include factory and supply chain responsibilities in the low- and medium-voltage segments

Q1 2019 financial highlights



Revenue* EURm
(Q1 2018: EUR 92m)



Organic growth
(Q1 2018: 4%)

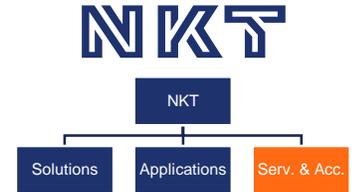


Oper. EBITDA EURm
(Q1 2018: EUR -0.5m)



* Std. metal prices

Service & Accessories – Q1 2019



Satisfactory financial results

Customer offerings	 <ul style="list-style-type: none">High- and medium-voltage accessoriesServices
Development during Q1 2019	<ul style="list-style-type: none">Organic growth negative driven by lower Service activitiesNo significant offshore repairs were executed during the quarter, but the onshore service business was largely as expectedStrong growth in Accessories driven by the medium-voltage segment, where NKT improved its presence in the Middle East and performed well in Central Europe
Railway divested	<ul style="list-style-type: none">The divestment of the railway activities was completed in February 2019. Revenue* was EUR 3.1m lower in 2019 as it contributed only one month

Q1 2019 financial highlights



Revenue* EURm
(Q1 2018: EUR 30m)



Organic growth
(Q1 2018: 26%)



Oper. EBITDA EURm
(Q1 2018: EUR 5.8m)



* Std. metal prices

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Key highlights in Q1 2019

EUR 14.5m

Revenue

Compared to EUR 12.4m in Q1 2018, mainly driven by strong growth in Imaging & Metrology

17%

Organic growth

Growth momentum from 2018 was maintained, where organic growth was 16%

EUR -0.4m

EBITDA

Increased by EUR 1.1m compared to Q1 2018 as operating leverage impacted the profitability positively

7%

Order intake growth

The absolute order intake was firmly above revenue in the quarter

- Q1 is seasonally a relatively small quarter for NKT Photonics
- NKT Photonics continued to improve its footprint in the US
- Establishment of a US facility in Boston
- A key priority to support continued company growth is to strengthen and professionalize the sales force
 - Number of full-time employees up by 20% compared to Q1 2018
- Unchanged financial outlook for 2019
 - Organic revenue growth: ~15-20%
 - EBITDA margin: ~15-20%

Business development – Q1 2019

Imaging & Metrology 38% of revenue



Markets:

- Semiconductor
- Bio-imaging & Medical
- Industrial metrology

- The segment was the primary growth driver in Q1 2019 with broad based contribution
- Especially the supercontinuum white light lasers for bio imaging and life science delivered strong growth

Sensing & Energy 30% of revenue



Markets:

- Energy
- Security
- Structural monitoring

- Revenue was on par with the level in Q1 2018
- A substantial portion of the revenue in Sensing & Energy comes from large projects

Material Processing 32% of revenue

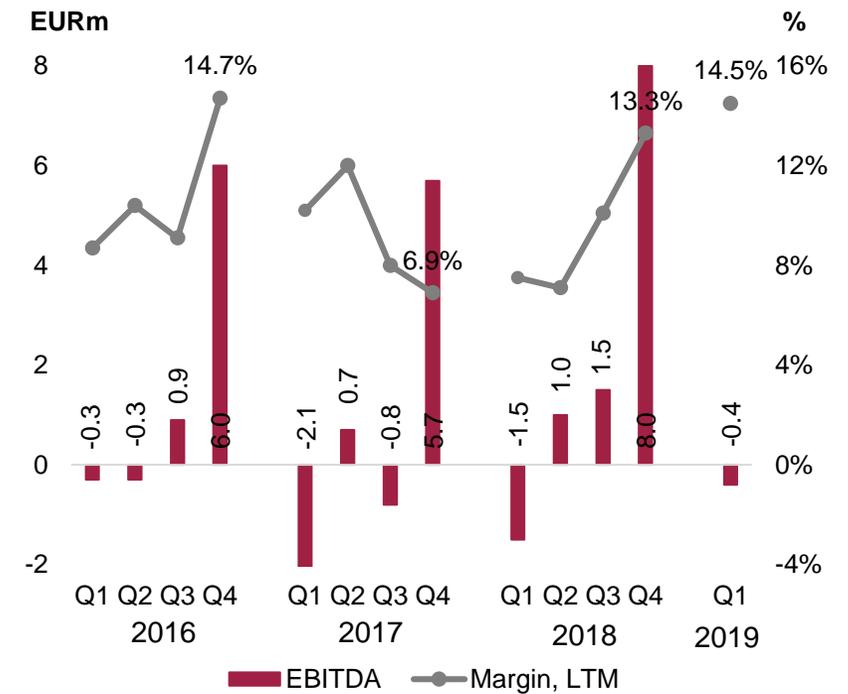


Markets:

- Micromachining
- Medical
- R&D

- Delivered double digit organic growth in Q1 2019
- Growth was mainly driven by the industrial and scientific ultrafast laser markets

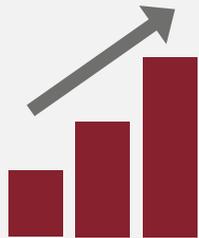
EBITDA performance



Strategic direction continues in 2019

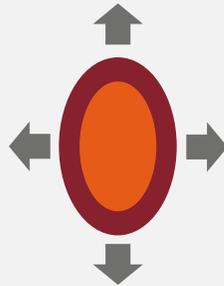
Move up in value chain

Expand from supply of components to complete optical systems



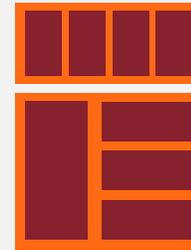
Focus on organic growth

Actively pursue growth opportunities within core areas organically and through partnerships



LEAN Operations

Scalable manufacturing
Commercial excellence



Fast introduction of new products

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



- Since 2015, the strategic direction of NKT Photonics has been to grow the business and increase profitability by prioritizing focus on commercialization
- During 2018, 14 initiatives within the four above key focus areas were launched

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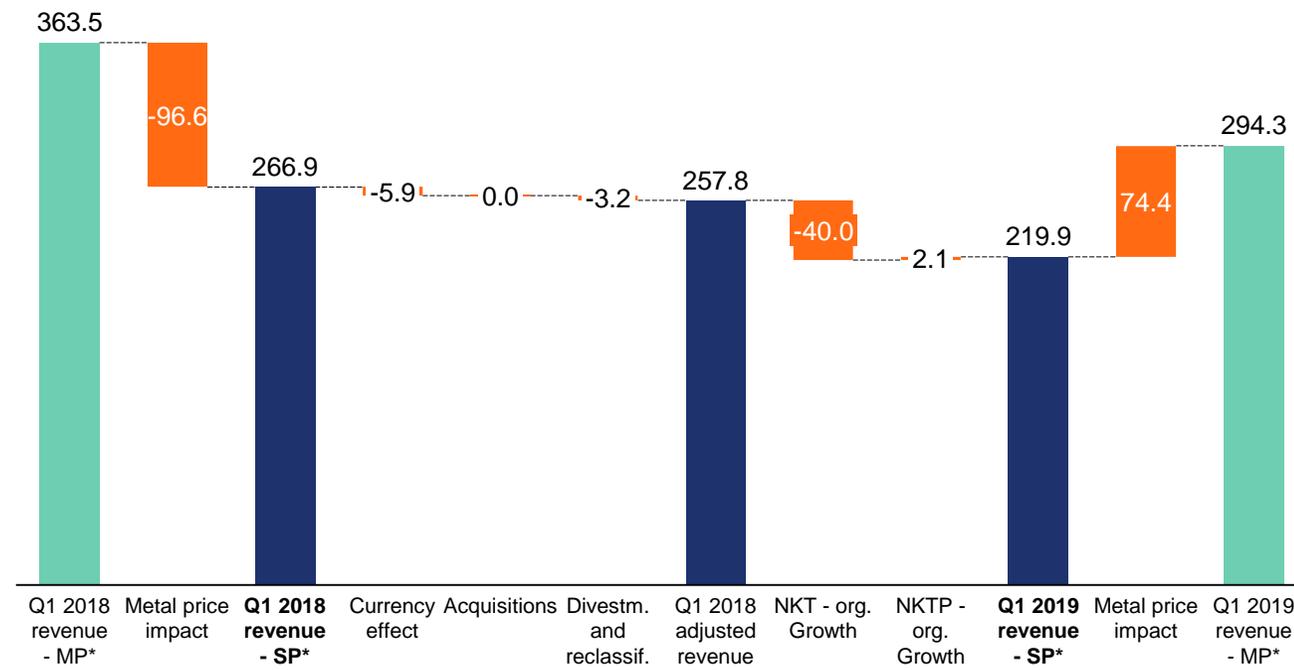


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NKT A/S: Group revenue development in Q1 2019

Growth negatively impacted by NKT

Revenue development (EURm)



Comments

- Lower revenue driven by development in NKT
 - Organic growth was -16% in NKT and 17% 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 due to NKT

Financial highlights

EURm	Q1 2019	Q1 2018	FY 2018
Revenue	294.3	363.5	1,501.6
Revenue (Std. metal prices)	219.9	266.9	1,147.1
Organic growth			
NKT	-16%	7%	0%
NKT Photonics	17%	18%	16%
Operational EBITDA	-2.8	18.9	79.3
NKT	-2.4	20.4	70.2
NKT Photonics	-0.4	-1.5	9.0
Operational EBITDA margin			
NKT	-1.2%	8.0%	6.5%
NKT Photonics	-2.7%	-12.1%	13.3%
One-off costs	3.0	-3.1	-29.5
EBITDA	0.2	15.8	49.8
Depreciation and impairment of PP&E	-15.9	-16.4	-66.4
Amortisation and impairment of int. assets	-5.5	-5.0	-20.9
Depreciation of right-of-use assets	-1.4	0.0	0.0
Financial items, net	-2.1	-2.1	-8.0
Tax	5.7	2.7	-0.8
Profit from continuing operations	-19.0	-5.0	-46.3
Full-time employees, end of period			
NKT	3,342	3,393	3,419
NKT Photonics	356	296	349

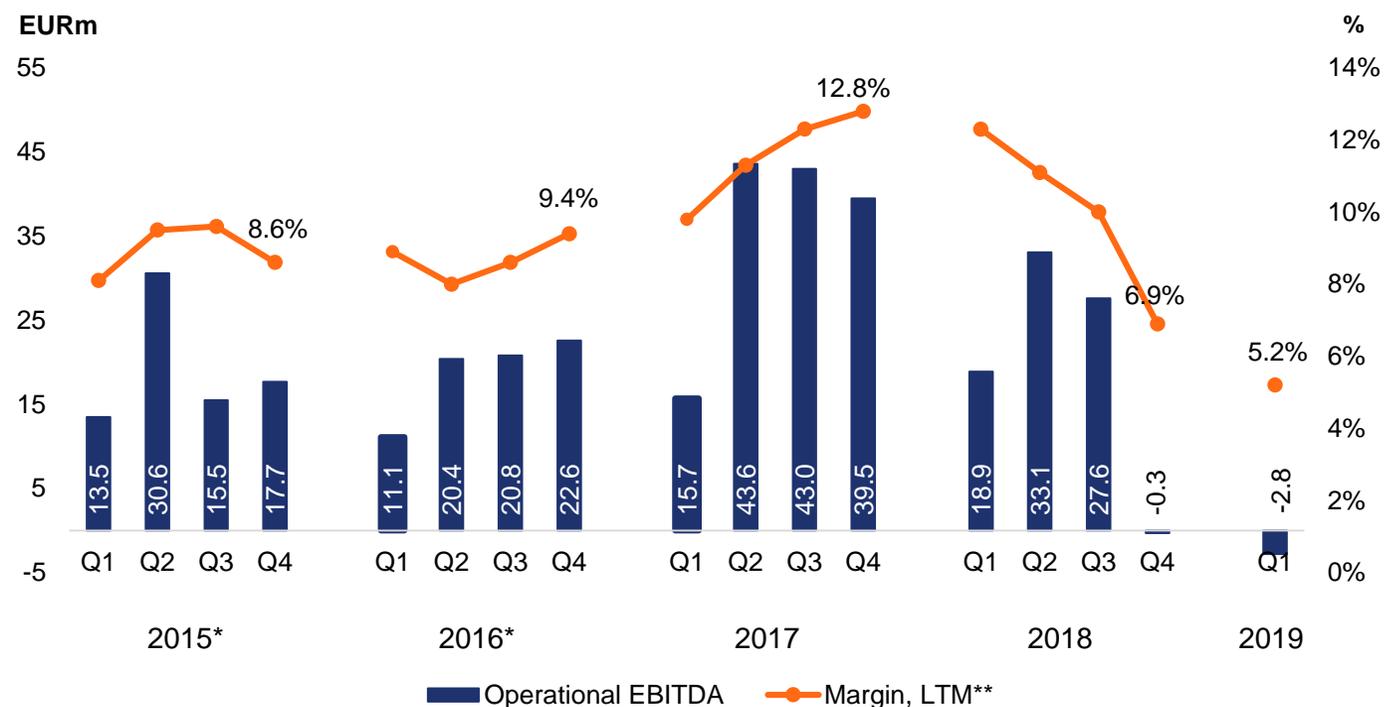
Comments

- Operational EBITDA in Q1 2019 impacted by the lower revenue
 - NKT: Profitability in Solutions was attributable to the lower level of activity to the high-voltage factory in Karlskrona
 - NKT Photonics: Improvement driven by revenue growth
- Implementation of IFRS 16 increased operational EBITDA by EUR 1.6m
 - EUR 1.1m in NKT and EUR 0.5m in NKT Photonics
- One-off items in Q1 2019 related to NKT
 - Divestment of the railway activities led to an accounting gain of EUR 6.4m
 - EUR 3.4m that were related to implementation of strategic initiatives, primarily production efficiency programmes and employee reductions
- Net profit down driven by the lower EBITDA

NKT A/S: Group operational EBITDA

Operational EBITDA as expected low in Q1 2019

Quarterly development in operational EBITDA



Comments

- The operational EBITDA margin, LTM, was down 1.7%-points from Q4 2018 to Q1 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 increased during Q1 2019 driven by NKT

Financial highlights

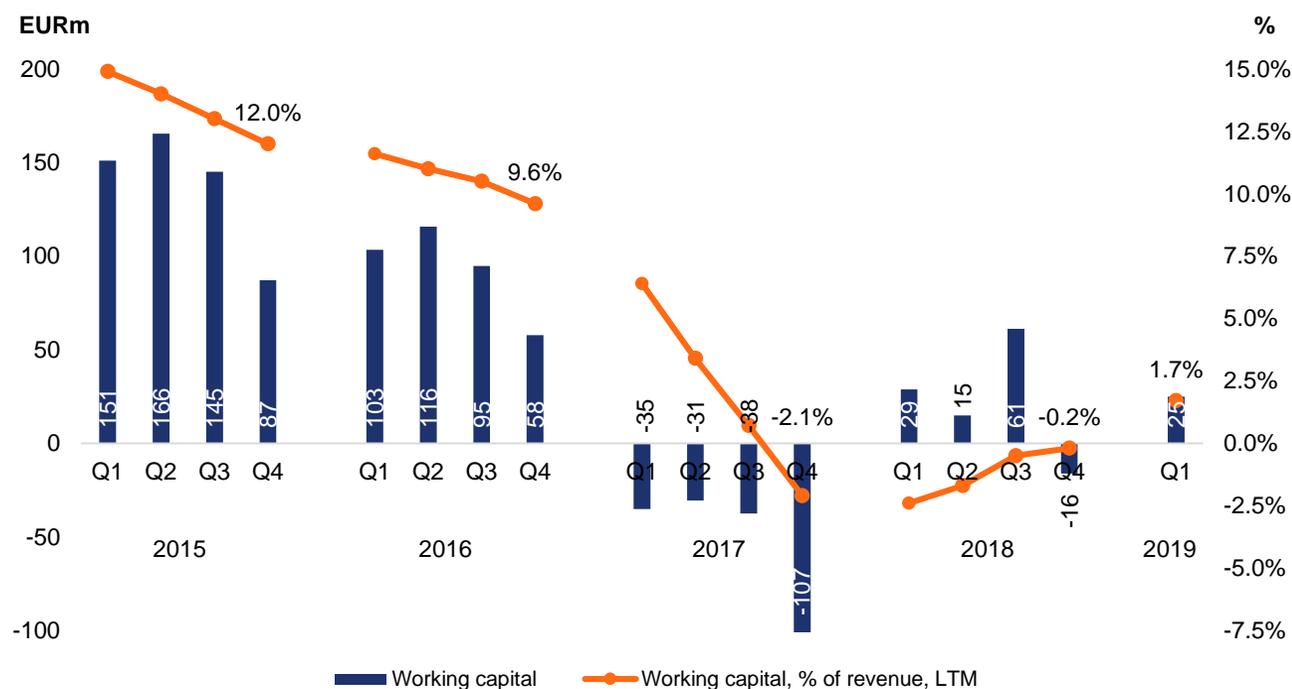
EURm	31 Mar 2019	31 Mar 2018	31 Dec 2018
Working capital	51.4	48.3	7.7
NKT	24.8	28.7	-16.2
NKT Photonics	26.6	19.6	24.0
Capital employed	1,207.2	1,207.6	1,143.9
NKT	1,113.5	1,140.5	1,065.3
NKT Photonics	93.7	67.1	78.6
RoCE	-2.6%	7.8%	-0.7%
NKT	-2.9%	5.3%	-0.8%
NKT Photonics	2.2%	-2.6%	1.6%
Net interest-bearing debt (NIBD)	339.0	432.7	248.3
Interest-bearing loans, borrowings and receivables - cash at bank and in hand	303.4	432.7	248.3
Lease liabilities	35.6	0.0	0.0
Total assets	1,867.8	1,923.3	1,859.2
Total equity	868.2	774.9	895.6

Comments

- Working capital increased since end-2018
 - NKT: Increase in working capital was mainly driven by the development in the high-voltage order backlog in Solutions (see next slide)
 - NKT Photonics: The working capital has increased since end-2018 due to timing of payments from customers
- Capital employed 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 total equity thereby increased due to the issuance compared to 2017

NKT: Working capital

Quarterly development in working capital



- Working capital increased by EUR 41m from end-2018 to end-Q1 2019
 - This was mainly driven by Solutions, where working capital was up driven by timing of milestone payments in the high-voltage order backlog and no significant prepayments from project awards
 - Applications was building up working capital ahead of the seasonally high quarters Q2 and Q3
 - The working capital level for NKT is not expected to be higher at end-2019
- 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

Working capital change drove down free cash flow

Financial highlights*

EURm	Q1 2019	Q1 2018	FY 2018
Cash flow from operating activities	-54.6	-131.8	-42.2
EBITDA	0.2	15.8	49.8
Financial items, net	-2.0	-2.3	-8.3
Changes in working capital	-47.9	-134.9	-76.0
Others	-4.9	-10.4	-7.7
Cash flow from investing activities	-0.1	-9.6	-60.9
Capex	-9.6	-9.6	-60.9
Acquisition and divestment of businesses	9.5	0.0	0.0
Free cash flow	-54.7	-141.4	-103.1
Cash flow from financing activities	34.1	126.6	87.4
Net cash flow	-20.6	-14.8	-15.7

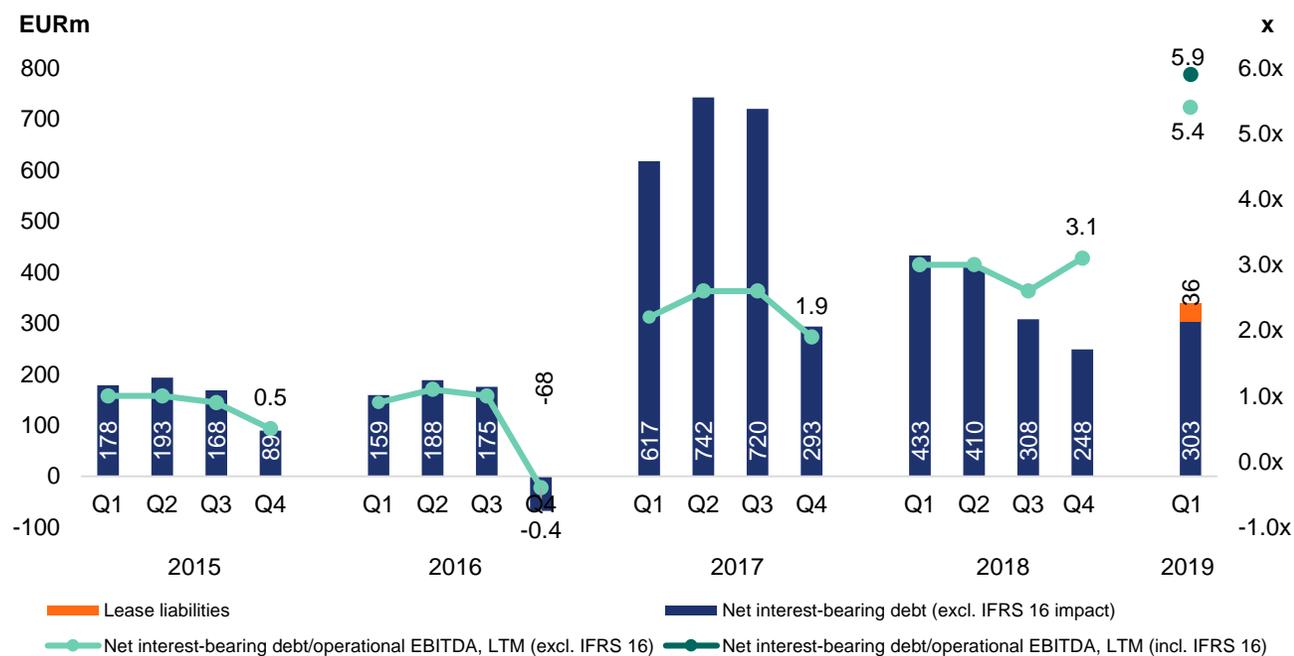
Comments

- Cash flow from operating activities negative
 - EBITDA was slightly positive
 - Development in working capital was negative driven by NKT
- Cash flow from investing activities higher than Q1 2018
 - Capex on par with Q1 2018 and remained at relatively low level
 - The divestment of the railway cable activities in NKT impacted cash flow positively
- Cash flow from financing activities positive as loans from credit institutions were increased

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

NKT A/S: Group financial leverage ratio

Quarterly development in net interest-bearing debt (NIBD)



Comments

- NIBD increased from EUR 248m at end-2018 to EUR 303m (excl. IFRS 16) at end-Q1 2019 mainly driven by the working capital development
- Accounting wise, the implementation of IFRS 16 increased the debt level by EUR 36m
- The net interest-bearing debt consists of:
 - EUR 170m 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

- Earnings for NKT are expected to be higher in H2 than H1 2019
- Growth is expected to be across product categories and business segments
- The main part of earnings is expected to be generated in Q4

* Std. metal prices

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Financial calendar



2019

Event

15 August

➤ **Interim Report Q2 2019**

21 November

➤ **Interim Report Q3 2019**

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