

CHAIRMAN'S REPORT

Dear Shareholders

Welcome to the NKT Annual General Meeting. The AGM has a familiar framework and format – but there is also a difference: This is the first time since 1989 that our presentation of the year's results and activities does not include Nilfisk.

The demerger of Nilfisk as a separately listed company was approved on 10 October 2017, and two days later it became possible to trade in two independent shares: Nilfisk and NKT. Each company therefore now has a clearly defined investment profile with an optimised basis for future exploitation of potential and added value. At the same time we said farewell to NKT Holding, and welcomed in the future as NKT A/S.

In the Board of Directors we have been satisfied to note that the historic demerger decision has been well received by our shareholders and investors, something that has also been reflected in the development in the shares.

The development in the NKT share was naturally affected by the demerger, when all shareholders were allocated one Nilfisk share for each NKT share held already. If we assume that all the allocated Nilfisk shares had been sold and re-invested in NKT, the NKT share would still have provided a yield of 16% in 2017. However, to date in 2018, NKT share development appears to be influenced by a lower number of orders for high-voltage cables than expected compared with last year.

The demerger was also the concluding event of what I would call a profoundly transformative year in the NKT history. Allow me to mention a few more examples:

- We completed the acquisition of ABB HV Cables announced in September 2016. We thereby created a leading global provider of cable solutions, because we gained access to the DC technology which we expect to have major potential both in offshore wind and for the continued global expansion of the electricity supply grid.
- This acquisition also included the world's foremost cable-laying vessel, NKT Victoria, and we can now offer our customers turnkey solutions across the value chain from cable design to installation.
- We presented the world's first commercial 640 kV onshore DC high-voltage cable
- Lastly, I would mention that NKT Photonics also made an important acquisition in the form of the Swiss company Onefive and thereby achieved revenue of more than DKK 50m for the first time.

In 2018 we must continue to execute on all these fronts with a view to optimizing our companies. Where our cable business is concerned we must be well equipped to seize the opportunities we see in the medium term, particularly in the area of high-voltage cables. In the case of NKT Photonics we must continue to grow, organically and through acquisitions, in order to reach commercial scale.

I shall now present our financial results for 2017, first for the Group as a whole, and then for each of our businesses.

Overall financial performance was as anticipated and was consistent with the revenue and earnings expectations published in our Q3 Interim Report. In our cable business, development was primarily driven by the Projects segment, i.e. our on- and offshore high-voltage cables. At the same time, return on capital employed decreased from 9.3% in 2016 to 7.5% in 2017 due to acquired operations. I am confident that

this key figure will increase along with the realization of synergies from the acquisition, which is also included in our mid-term financial targets. In NKT Photonics the primary contributors to growth and income were the Imaging & Metrology segment and the acquired Onefive operations.

As regards our capital structure, NKT had a net interest-bearing debt of EUR 293.2m at end-2017. This was an increase from EUR -64.4m at end-2016, and primarily related to funding of acquisitions and allocation of debt in connection with the Nilfisk demerger. It is our goal in the medium term to keep net interest-bearing debt at around 1.5x operational EBITDA. The debt figure for NKT at end-2017 was 1.9x operational EBITDA.

Due to the acquisition of ABB's high-voltage operations in March 2017 there is not financial headroom for payment of dividend for 2017, as we are focused on reducing our debt, an effect that was also mentioned at the Extraordinary General Meeting in the Autumn. However, it remains NKT's policy to distribute approximately one third of the year's net profit as dividend when the capital structure permits.

I will now turn my attention towards the development in our cable business.

As I have already mentioned, 2017 was strongly influenced by our acquisition, by our integration of the two organisations, and by simultaneous focus on driving the business in the right direction. We have seen the first positive effects of the acquisition, while the majority of the expected synergies lie ahead of us and are dependent on optimizing capacity utilization at our factories in Karlskrona and Cologne.

NKT delivered a satisfactory financial performance in 2017. Revenue increased by EUR 308m to EUR 1,058m in standard metal prices, which corresponds to EUR 1.42bn in market prices. This growth was primarily driven by the acquired operations. For the same reason, operational EBITDA almost doubled to EUR 138.3m, and the EBITDA margin increased by 3.4%-points to 13.1%. The working capital was exceptionally low at the end of 2017, amounting to EUR -106.5m. This was also attributable to the acquired operations, the reason being that on large high-voltage projects we receive payment before we embark on cable manufacture. As previously mentioned, the return on capital employed decreased to 7.5%.

NKT consists of three business segments:

- The Projects segment, which handles high-voltage on- and offshore projects
- The Products segment, which services the market for low- and medium-voltage cables and building wires
- The Service & Accessories segment, which includes, among other things, installation of high-voltage projects, accessories, and railway operations

The Projects segment, which after the acquisition of ABB Cables represents around 60% of our revenue, executed satisfactorily in 2017 on a number of projects for future offshore windfarms, including the world's largest offshore wind park, the Hornsea 1 project owned by Oersted and placed some 120 km off the coast of Yorkshire, England. In addition, our cable-laying vessel NKT Victoria successfully participated in several installation projects in Scotland, Denmark, Belgium and elsewhere, and also performed cable repairs in the Skagerrak and other offshore locations.

In 2017 we received a large order for the Borssele Beta offshore windfarm project in the Netherlands, as a follow-up to the Borssele Alpha order awarded the previous year. We were also named 'preferred supplier' on two UK projects, Morey East and Triton Knoll, subject to both these projects being given the final investment go-ahead. 2017 was therefore a year in which we have firmly demonstrated our leadership credentials in the European offshore wind market.

At the same time, however, we also have to recognise that the number of allocated projects in the high-voltage market was at a relatively low level in 2017. As a result, segment order intake was down on expectations. We therefore expect capacity utilization in our Karlskrona factory to be lower in second-half 2018. Our offshore capacity in Cologne is fully booked in 2018, but our client contracts preclude the transfer of production between the two factories.

In order to increase our flexibility in the future, focused efforts are being made to qualify the Cologne factory to produce DC as well as AC cables. The Karlskrona factory can already produce both types. When this is achieved we will be well-equipped to take part in the positive market development anticipated in both the offshore windfarm and interconnector markets in the medium term.

Based on our technological proficiency in DC cables, 2017 was also the year in which we opened a sales office in the United States. Our leading-edge technology means we are well placed to take an active role in projects based on renewable energy sources. Renewable-energy projects are gradually maturing in the US market, and North America may in time represent an important growth market, supplementing our strong position in Europe.

The Products segment, which represents our sales of low- and medium-voltage products, experienced a slight slowdown in 2017. This was mainly due to a high level of investment in the German medium-voltage market back in 2016 together with a challenging Polish market.

We have entered into a number of important framework agreements with utilities in France, Sweden, Czech Republic, Germany and elsewhere. Several of these agreements are based on longstanding relationships and close cooperation with customers with a view to ensuring optimum solutions. This is an important element in securing revenue for the years ahead.

Another example of close cooperation on innovative solutions is our relationship with the Swedish company Waves4Power. Together we have operated a pilot project in Norway for utilization of wave power. NKT has developed an ultra-flexible cable that transports the energy produced to transformers on shore. Subsequently a number of other parties have voiced interest in cooperating.

We launched the EXCELLENCE 2020 strategy in 2015. In autumn 2017, following the significant development in our business the last two years, we updated and adapted this strategy to reflect our present position and the new market opportunities that have arisen. The strategy itself is essentially unchanged; there is continued focus on our vision of excellence in all we do, on our ambition to be the best cable company in the eyes of our customers and employees, and on our three strategic goals.

The adjustments made concern the strategic initiatives in the individual business arms and in the underlying segments; including how to achieve growth in some segments, how to maintain our focus on profitability in others, and in two specific segments how to turn development around.

Here I would add that in 2017 we set up a so-called 'digital hub' in Berlin, currently manned by four staff who are working - independently of the rest of the company – on developing digital solutions and on being at the forefront as regards the expected potential drivers of future development in the cable sector. We expect to be able to present the first solutions in the course of 2018.

In 2017, for the first time in the company's history, NKT Photonics achieved revenue exceeding EUR 50m - EUR 50.9m to be precise. Organic growth was 7%, driven by the Imaging & Metrology segment and the Onefive acquisition completed in September 2017. Operational EBITDA was EUR 3.5m, while the EBITDA

margin was 6.9%. This was slightly down on the guidance figure of 10%, influenced by provisions for an incentive programme for senior executives.

NKT Photonics manufactures and markets products for:

- 1) Imaging & Metrology - lasers that enable imaging of microstructures such as skin cells
- 2) Sensing & Energy – lasers for use in monitoring and measuring equipment
- 3) Material Processing – lasers for ultra-precision cutting in hard materials such as glass and metal.

Material Processing is currently the smallest business segment in NKT Photonics, but also that which has the strongest expected growth potential. Onefive, whose acquisition included some 40 employees and a production plant in Switzerland, is now well on the way to being integrated and makes NKT Photonics a leading player in this field.

The Onefive acquisition is also consistent with the strategy of achieving commercial scale through both organic growth and acquisitions. NKT Photonics now has production in Denmark, Switzerland, UK and Germany. Greater production also creates a need for more efficient factory operation and achieving synergies across production sites. In 2017 we therefore appointed the company's first COO with responsibility for all the factories.

During 2017 NKT Photonics also entered into a number of new framework agreements with large industrial customers, and launched several products which open the way for new business opportunities expected to bring growth as early as 2018.

The leadership model we introduced in 2013 is continuing in the framework of the 'new' NKT – except that we no longer have a Board of Directors' committee for the cable business. We have still, as can be seen behind me, many meetings both in the Board of Directors and in the companies, where we have close and active collaboration with the leadership teams. We still run the cables business and the photonics business as separate business reporting directly to the Board of Directors. We believe that this slightly untypical governance model has proven beneficial for NKT.

It also continues to be our assessment that the Board of Directors possesses the right specialist qualifications and the right composition to drive NKT towards further value creation. In the Board's annual self-assessment we conclude that we have good co-operation with active discussions on relevant subjects. At the beginning of such discussion we may not always agree, but we are reaching alignment during it. There is a high level of trust between the Board members. We also conclude that our governance model is well functioning and the same goes for our committees. We also believe that we have made some significant decisions related to the company. We have strong work ethics and high level of meeting participation. Finally, we have identified a couple of improvement areas, primarily related to a more stringent reporting from the Remuneration and Nomination Committees.

Given this assessment, all Board members elected by the Annual General Meeting are standing for re-election. I appreciate the desire of all the members to continue contributing to the journey on which NKT is embarked. Election of Board members is Item 7 on the agenda.

Earlier this month we held an ordinary election of employee representatives to the Board. This election is held every four years, and I am gratified to note that a number of employees had announced their candidacy and had worthy agendas. There are three employee-elected members on the Board of Directors and I am pleased to be able to welcome Peter Wennevold, Sig Nissen Knudsen og Jack Ejlertsen. All three will take up their posts immediately after this AGM. At the same occasion I would like to thank Niels-Henrik Dreesen, who has been our employee representative since 2012 for his contributions.

As in recent years, we propose to the Annual General Meeting that the remuneration to the Board of Directors be unchanged, after adjusting for the two committees that no longer exist.

As stated in the agenda, and also in the 2017 Annual Report, we propose the approval by the General Meeting of a new remuneration policy for the Board of Directors and the Executive Management of NKT as a consequence of the Nilfisk demerger. As today, the Board of Directors will receive a basic amount and supplements for chairmanship and committee posts that are on par with comparable companies. For good measures I wish to add that the Chairman's potential participation in committee work does not add supplementary remuneration. The Board will continue not to participate in incentive plans.

We propose a significant change to management remuneration as we, in accordance with best practice, wish to change the long-term incentive programmes from warrants to conditioned share awards. The value at the time of granting is unchanged. The change is driven by a wish to have a closer correlation between strategic targets and the value of the granting and larger coherence between shareholder value and long-term management remuneration.

The conditioned performance share programme is designed so a given member of management receives shares conditional on achievement of long-term financial targets over a period of three years. If performance is lower than anticipated shares are not allocated and high performance calls for maximum attribution. In addition the value of the shares in three years cannot exceed 3x annual pay which is also aligned with good governance. The remuneration policy is Item 9.2 on the agenda.

I wish to thank all employees for their efforts 2017 towards ensuring that customers choose us as their collaboration partners and for promoting our unique products and solutions. It is the responsibility of the Board of Directors and the Executive Managements to set guidelines for the company, and we know that our employees, even in times of change, take upon themselves the task of executing according to these guidelines and at the same time suggesting new ideas and business opportunities.

There is also a tradition for the Board to brief the Annual General Meeting on our financial expectations for the current year. As previously, we provide guidance separately for the two companies.

In 2018 we expect our cable business to deliver a revenue of EUR 1.0-1.1bn, ie. approximately on par with 2017, and an operational EBITDA of EUR 90-110m, which is lower than we achieved in 2017. As stated, this is because we do not see full capacity utilization at our factory in Karlskrona.

NKT Photonics is expected to deliver a revenue of EUR 65-70m and EBITDA of around EUR 10m. This is a significant increase on 2017.

I said at the start that 2017 was the most transformative year in NKT's history. I see 2018 as a year in which we will reap the benefits of our integrated cable organisation, maintain our focus on executing on all the strategic measures we have initiated, and ensure that we receive orders for large high-voltage projects. In NKT Photonics the focus will be on securing full utilization of the acquired Onefive activities and continuing the journey towards achieving commercial scale.

Thank you.