



NKT

21 November 2019

Interim Report Q3 2019

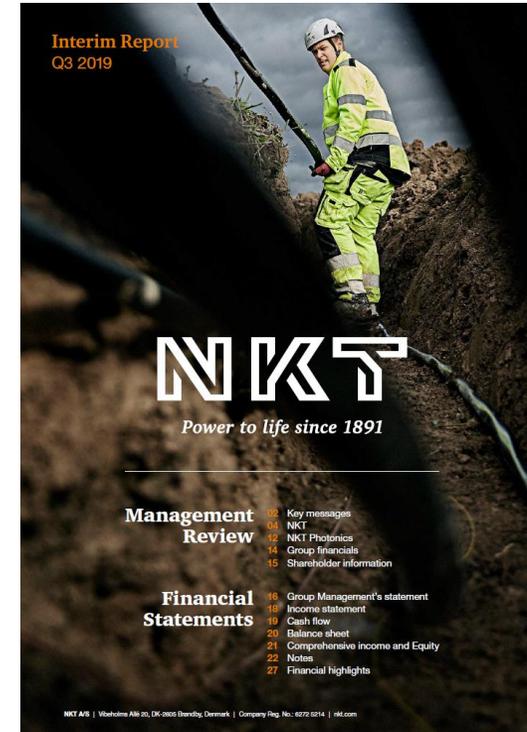
Webcast presentation

Forward looking statements



This presentation and related comments contain forward-looking statements.

Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT A/S' control, may cause that the actual development and results differ materially from the expectations.



Today's presenters



Alexander Kara

NKT A/S

President & CEO



Roland M. Andersen

NKT A/S

CFO



Basil Garabet

NKT Photonics

President & CEO

Review of strategic alternatives for NKT Photonics

- The NKT A/S Board of Directors has decided to review strategic alternatives for NKT Photonics with the objectives of:
 - maximizing value creation
 - positioning NKT Photonics for long-term growth
 - support the deleveraging of the NKT A/S balance sheet
- NKT A/S has not set a definitive schedule to complete this review and no decision on any particular transaction or alternative has been reached at this time
- NKT A/S does not intend to make further announcements regarding the review unless it concludes they are warranted by the circumstances or are expressly required by law

Agenda



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12 NKT Photonics

15 Financial highlights

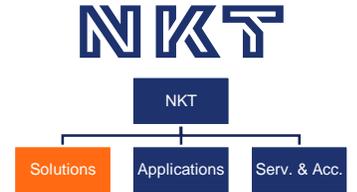
24 Questions & Answers

Key highlights Q3 2019

<p>EUR 232.4m Revenue (std. metal prices)</p>	<p>Down from EUR 286.9m in Q3 2018, which mainly was due to the expected reduced activity in Solutions</p>
<p>-16% Organic growth</p>	<p>The development in Solutions outweighed positive growth in Applications and Service & Accessories</p>
<p>EUR 6.9m Operational EBITDA</p>	<p>Down from EUR 26.1m in Q3 2018. As expected due to the reduced earnings in Solutions</p>
<p>EUR 1.09bn High-voltage order backlog</p>	<p>Increased from EUR 1.05bn at end-Q2 2019. NKT was awarded a number of projects in Q3 2019</p>

- Reduced activity did as expected lead to lower revenue and earnings in **Solutions**
- In November, 2019 NKT announced a contract for Dogger Bank Creyke Beck A/B, with a value of approx. EUR 360m, which is the largest XLPE power cables order ever for NKT
- Profitability in **Applications** improved slightly, but remained unsatisfactory
- **Service & Accessories** reported double-digit percentage organic growth and operational EBITDA almost doubled
- Financial outlook for 2019 updated
 - Revenue (std. metal prices): Lower half of EUR ~0.9-1.0bn
 - Operational EBITDA: Lower half of EUR ~10-30m

Solutions – Q3 2019



Reduced level of activity as expected

Customer offerings	
Development during Q3 2019	<ul style="list-style-type: none"> High-voltage AC/DC on-/off-shore cables Execution on current projects was in line with expectations in Q3 2019 Performance in Karlskrona exceeded expectations, while Cologne experienced production delays Completion of the Caithness-Moray turnkey project in Scotland. Installation of this 320 kV HVDC interconnector link done by NKT Victoria Physical works for the power cable connection between Guernsey and Jersey in the English Channel completed
Strengthened leadership team	<ul style="list-style-type: none"> Three new members from Solutions added to NKT's Group Leadership Team to enhance P&L ownership, improve project execution and ensure faster decision making

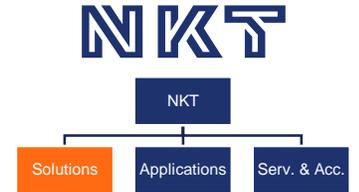
Q3 2019 financial highlights



* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market update

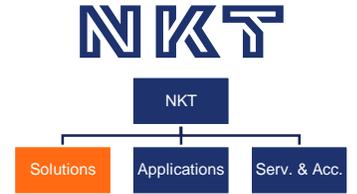


NKT awarded a number of projects. Continued tender activity

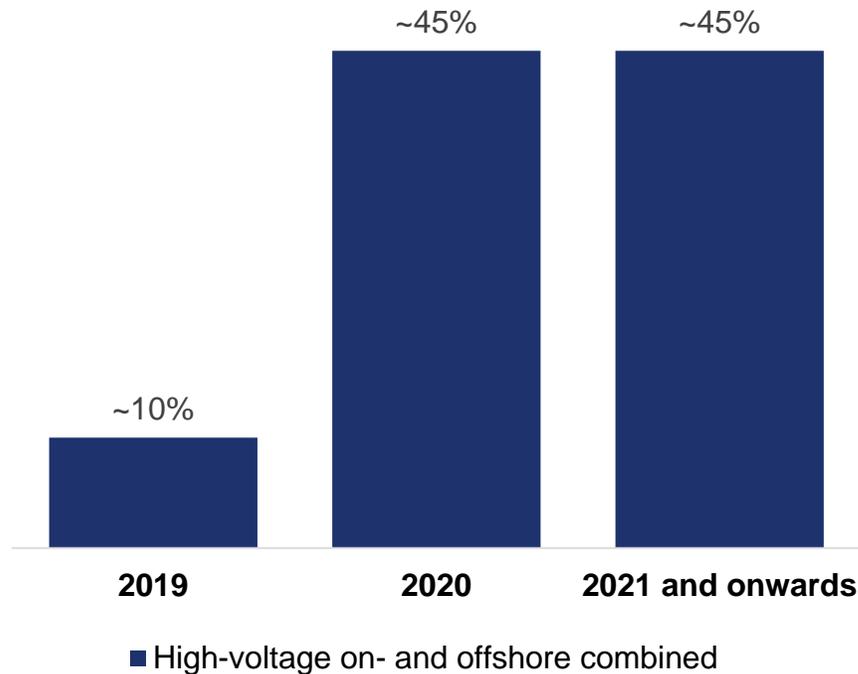
- In the first nine months of 2019, projects with a total value of around EUR 2bn were awarded in the market for high-voltage power cables
- NKT has been awarded a number of projects in Q3 2019 with the most significant project award being a contract valued at approx. EUR 90m (approx. EUR 75m in std. metal prices) for the Viking Link interconnector project
- Continued progress on several tenders across geographies and market segments
- In September 2019, offshore wind farms with a total capacity of 5.5 GW were allocated Contracts for Difference (CfD) in the UK
- Market outlook still attractive in the medium to long-term



High-voltage order backlog



High-voltage order backlog of EUR 1.09bn* at end-Q3 2019, up from EUR 1.05bn at end-Q2 2019



Mix of high-voltage projects

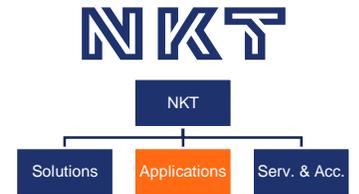
Offshore wind		Interconnectors	
Borssele Alpha	2019	Nordlink	2020
Borssele Beta	2020	Viking Link	2023
Hornsea 1	2019	Oil & Gas	
Triton Knoll	2020	Johan Sverdrup 2	2022
Hornsea 2	2021		
Moray East	2021		
Ostwind 2	2022		

Not part of order backlog at end-Q3 2019 (estimated contract value, EURm):

Dogger Bank CB A/B (~360m)	2023	Announced in Q4 2019
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* Market prices (EUR 0.97bn in std. metal prices)

Applications – Q3 2019



Slight improvement in revenue and earnings, but profitability still unsatisfactory

Customer offerings

- Medium- and low-voltage cables & building wires
- Power cables for telecom market

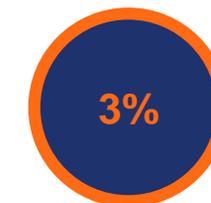
Development during Q3 2019

- Organic growth driven primarily by increased sales in Germany and Eastern Europe
- The overall market conditions in areas where NKT operates were generally as expected
- NKT is continuously focused on improving efficiency across its production sites
- Eastern European sites delivered satisfactory production output, whereas factory performance in Scandinavia was below expectations
- Continued implementation of a uniform IT platform across its Scandinavian sites

Q3 2019 financial highlights



Revenue* EURm
(Q3 2018: EUR 97m)



Organic growth
(Q3 2018: -2%)

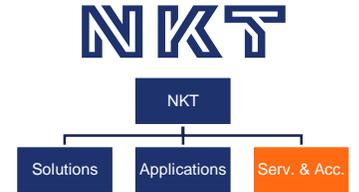


Oper. EBITDA EURm
(Q3 2018: EUR 0.2m)



* Std. metal prices

Service & Accessories – Q3 2019



Satisfactory financial performance

Customer offerings

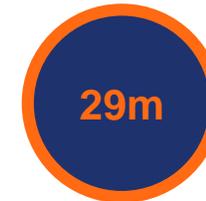


- High- and medium-voltage accessories
- Services

Development during Q3 2019

- Double-digit percentage organic growth in both Service and Accessories
- The divested railway activities, which contributed revenue* of EUR 5.5m in Q3 2018
- Despite lower absolute revenue, profitability improved against Q3 2018, as both business areas delivered higher earnings
- In the offshore Service business, NKT completed a large repair assignment
- Positive performance by Accessories was primarily based on increased output of medium-voltage products and solutions for the offshore wind segment

Q3 2019 financial highlights



Revenue* EURm
(Q3 2018: EUR 31m)



Organic growth
(Q3 2018: -1%)



Oper. EBITDA EURm
(Q3 2018: EUR 2.1m)



* Std. metal prices

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Key highlights in Q3 2019

EUR 16.7m

Revenue

Up from EUR 15.2m in Q3 2018. Imaging & Metrology and Material Processing drove growth

8%

Organic growth

Growth rate improved against Q2 2019, and is expected to increase further in Q4

EUR 3.9m

EBITDA

Up from EUR 1.5m in Q3 2018, driven by higher revenue, effective cost containment and some positive non-recurring items

12%

Order intake growth

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

- In October 2019, NKT Photonics officially opened its facility in Boston, US. The site will be important for servicing this market
- NKT Photonics to deliver lasers for 20 kW defence project in cooperation with the German company Rheinmetall Waffe Munition
- NKT Photonics went live with a new global ERP system. Transitional delays led to part of revenue recognition being postponed to Q4. The new ERP system integrates all primary sites under one IT platform
- Financial outlook for 2019 adjusted:
 - Organic revenue growth: ~10% (previously ~15-20%)
 - EBITDA margin: Higher end of ~15-20%

Business development – Q3 2019

Imaging & Metrology 38% of revenue



Markets:

Semiconductor
Bio-imaging & Medical
Industrial metrology

- Continued to be a primary growth driver in 2019
- New potential OEM customers took delivery of supercontinuum test units during Q3 2019

Sensing & Energy 29% of revenue



Markets:

Energy
Security
Structural monitoring

- FIOPS, a small business mainly focusing on monitoring of pipelines, closed down in September 2019
- Selected for an important project in India to supply Koheras single-frequency lasers

Material Processing 33% of revenue

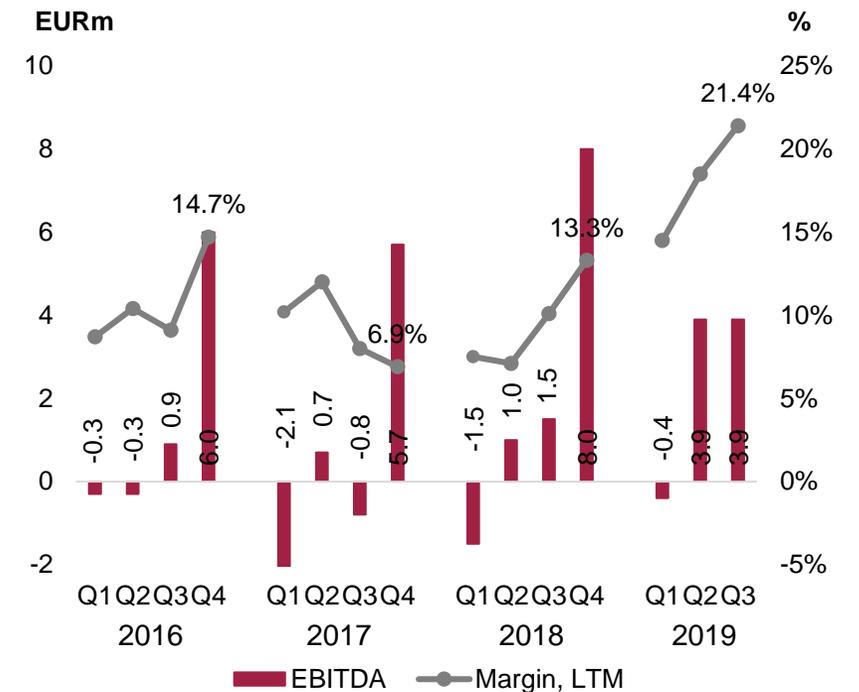


Markets:

Micromachining
Medical
R&D

- Growth was driven by the aerospace and defence segment, specifically the large laser project with Rheinmetall Waffe Munition
- New opportunities in industrial micromachining were identified

EBITDA performance



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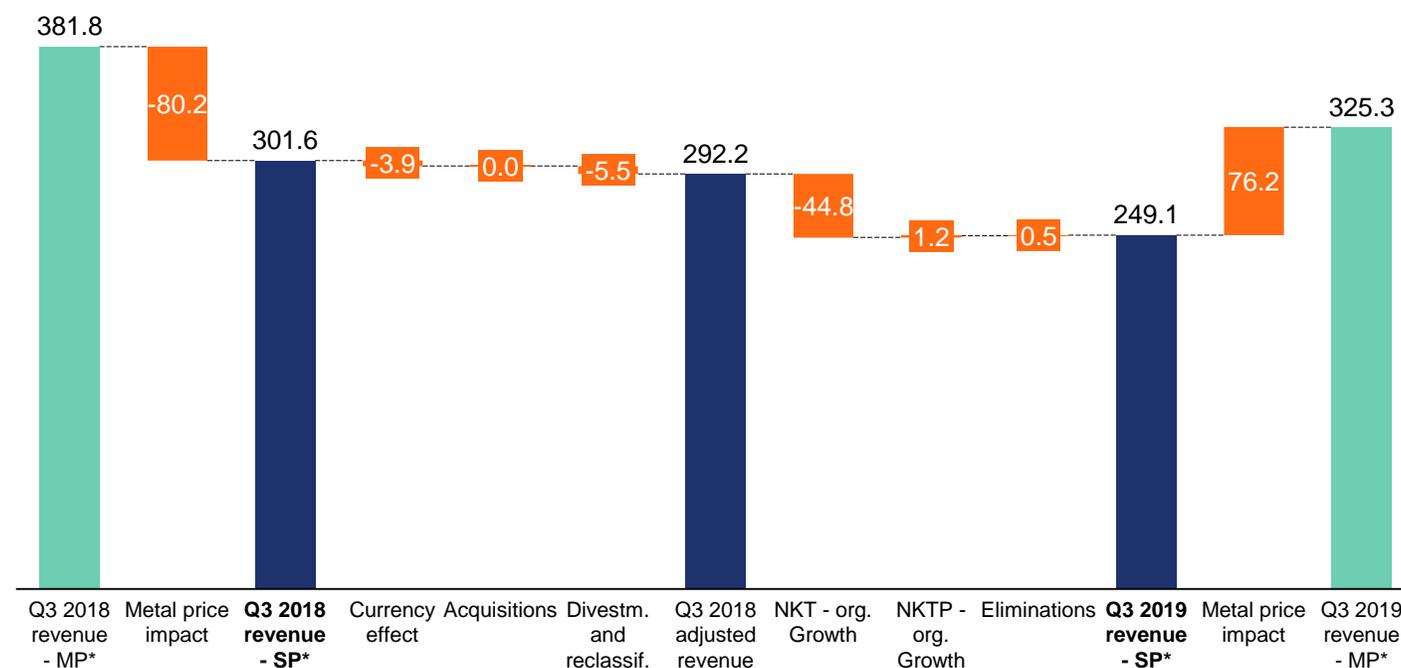


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NKT A/S: Group revenue development in Q3 2019

Growth negatively impacted by NKT as expected

Revenue development (EURm)



Comments

- Lower revenue driven by development in NKT
 - Organic growth was -16% in NKT and 8% in NKT Photonics
- The currency effect mainly related to the weakening of SEK
- The railway cable activities in NKT were divested on 1 February 2019

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

NKT A/S: Group income statement highlights

Lower profitability in NKT offsetting positive development in NKT Photonics

Financial highlights

EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Revenue	325.3	381.8	975.0	1,170.0	1,501.6
Revenue (Std. metal prices)	249.1	301.6	731.6	892.5	1,147.1
Organic growth					
NKT	-16%	-1%	-17%	6%	0%
NKT Photonics	8%	21%	7%	22%	16%
Operational EBITDA	10.8	27.6	21.3	79.6	79.3
NKT	6.9	26.1	13.9	78.6	70.2
NKT Photonics	3.9	1.5	7.4	1.0	9.0
Operational EBITDA margin					
NKT	3.0%	9.1%	2.0%	9.3%	6.5%
NKT Photonics	23.3%	9.9%	15.1%	2.2%	13.3%
One-off costs	-4.9	-9.8	-5.8	-20.4	-29.5
EBITDA	5.9	17.8	15.5	59.2	49.8
Depreciation and impairment of PP&E	-16.4	-16.0	-48.3	-48.4	-66.4
Amortization and impairment of int. assets	-5.2	-4.8	-16.0	-15.1	-20.9
Depreciation of right-of-use assets	-1.3	0.0	-4.1	0.0	0.0
Financial items, net	-2.4	-2.6	-6.2	-6.2	-8.0
Tax	0.2	2.8	5.8	4.4	-0.8
Net result	-19.2	-2.8	-53.3	-6.1	-46.3
Full-time employees, end of period					
NKT	3,271	3,424	3,271	3,424	3,419
NKT Photonics	380	348	380	348	349

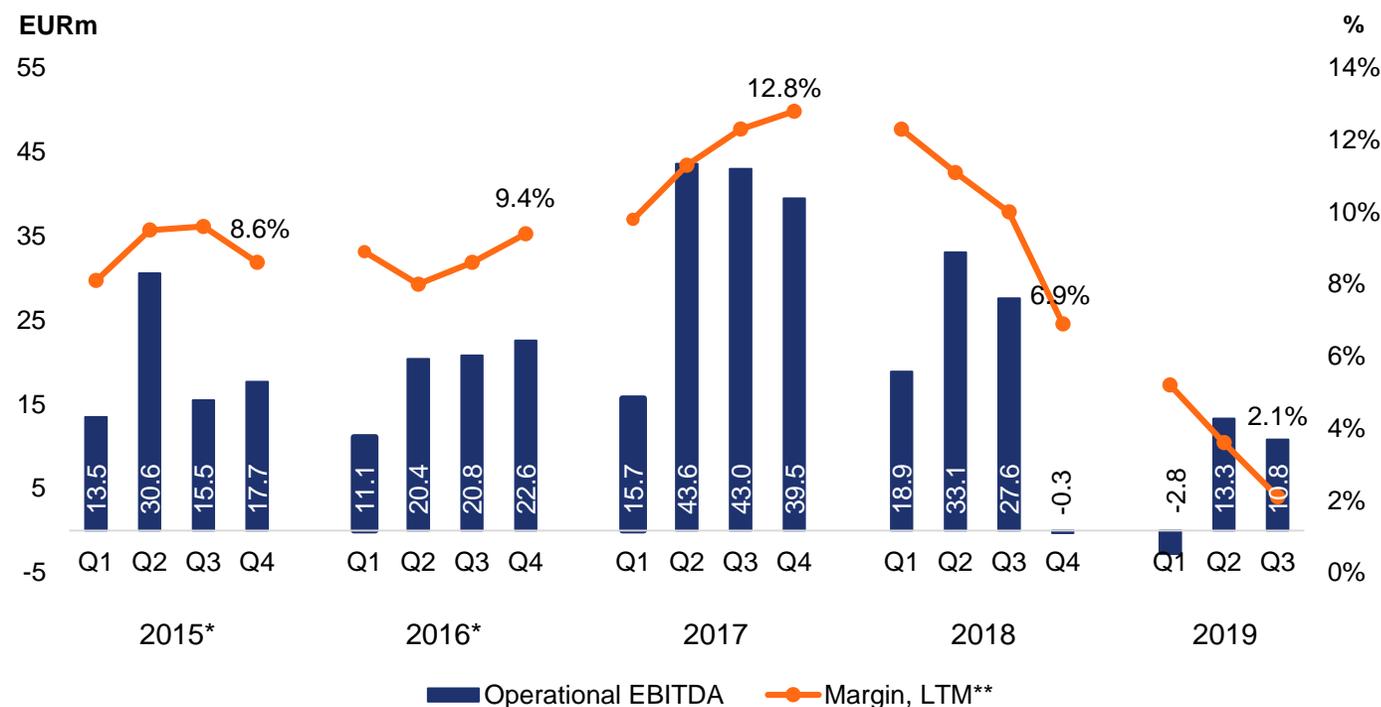
Comments

- Operational EBITDA in Q3 2019 impacted by the lower revenue
 - NKT: Profitability in Solutions was attributable to the lower level of activity at the high-voltage factory in Karlskrona, while earnings increased in Applications and Service & Accessories
 - NKT Photonics: Development driven by higher revenue, effective cost containment and some positive non-recurring items.
- Implementation of IFRS 16 increased operational EBITDA by EUR 1.4m
 - EUR 1.1m in NKT and EUR 0.3m in NKT Photonics
- One-off items of EUR -4.9m in Q3 2019 related to NKT
 - The costs related to strategic initiatives primarily aimed at reducing head count and improving production efficiency
- Net profit down driven by the lower EBITDA

NKT A/S: Group operational EBITDA

Operational EBITDA as expected lower in Q3 2019

Quarterly development in operational EBITDA



Comments

- As expected, the operational EBITDA margin, LTM, has moved down in 2019. This was due to the lower profitability level in NKT
- The operational EBITDA margin, LTM, was 1.5%-points lower in Q3 2019 compared to Q2 2019
- The profitability improvement from 2015 to 2017 was primarily driven by the acquisition of the ABB HV Cables activities and divestment of Chinese operations in NKT

* Excluding figures from Nilfisk

** Based on revenue in std. metal prices

NKT A/S: Group balance sheet highlights

Working capital improved during Q3 2019 driven by NKT

Financial highlights

EURm	30 Sep 2019	30 Sep 2018	31 Dec 2018
Working capital	23.1	82.1	7.7
NKT	-4.7	61.2	-16.2
NKT Photonics	27.8	20.9	24.0
Capital employed	1,156.2	1,232.0	1,143.9
NKT	1,054.5	1,158.3	1,065.3
NKT Photonics	101.7	73.7	78.6
RoCE	-6.0%	2.5%	-0.7%
NKT	-7.1%	2.9%	-0.8%
NKT Photonics	6.8%	-0.3%	1.6%
Net interest-bearing debt (NIBD)	349.9	307.5	248.3
Interest-bearing loans, borrowings and receivables - cash at bank and in hand	317.0	307.5	248.3
Lease liabilities (IFRS 16)	32.9	0.0	0.0
Total assets	1,886.3	1,938.0	1,859.2
Total equity	806.3	924.5	895.6

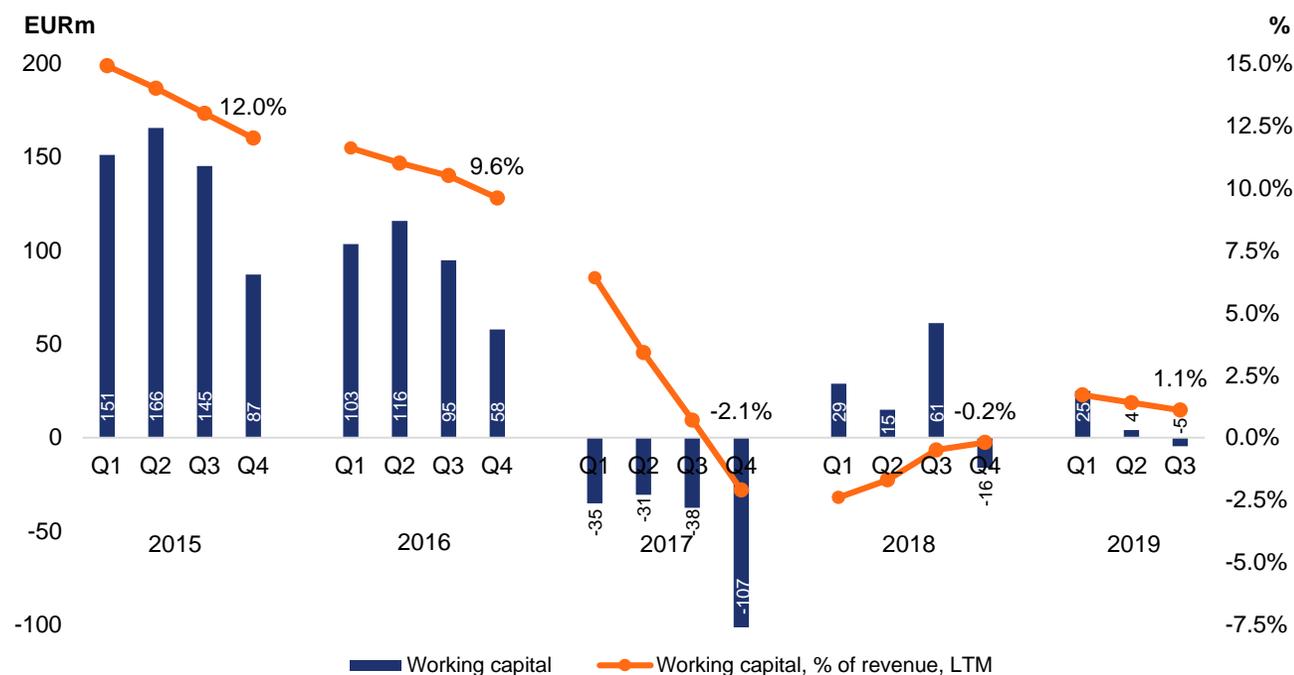
Comments

- Working capital improved since end-Q2 2019
 - NKT: This was driven by a positive development in Applications (see next slide)
 - NKT Photonics: At end-Q3 2019, working capital was up by EUR 0.9m compared to the end of the previous quarter. This increase reflected build-up of inventory ahead of the expected revenue increase in Q4
- RoCE decreased due to the lower profitability in NKT
- The implementation of IFRS 16 increased asset base compared to end-2018

NKT: Working capital

Applications improving working capital level

Quarterly development in working capital



- Working capital continued to decrease Q3 2019 as it also did in Q2 2019
 - In Solutions, the working capital development was unfavourable due to phasing of milestone payments on projects under execution
 - Applications improved working capital as a result of lower inventories and trade receivables
 - Service & Accessories increased compared to end-Q2 2019
- Over the past years, NKT has been reducing its working capital driven by various initiatives and divestments
- Working capital will primarily depend on timing of payments in Solutions, which will cause quarterly fluctuations

NKT A/S: Group cash flow statement highlights

Positive earnings and working capital

Financial highlights*

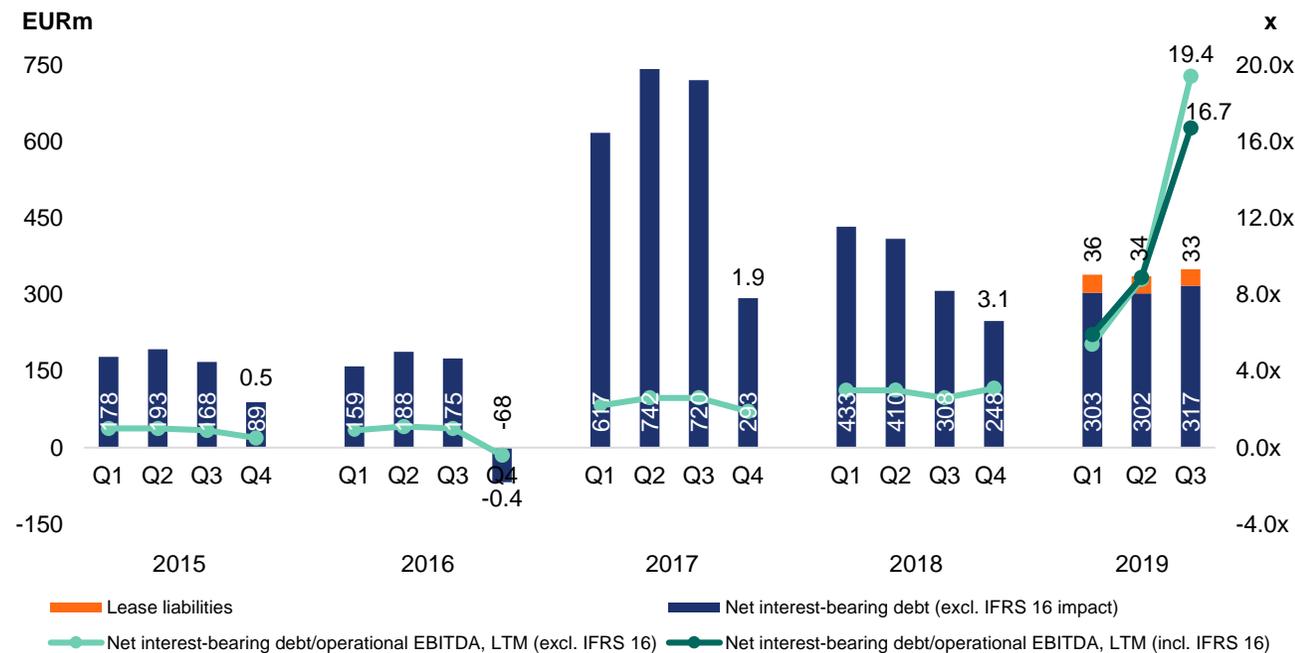
EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
Cash flow from operating activities	11.0	-34.8	-20.5	-130.2	-42.2
EBITDA	5.9	17.8	15.5	59.2	49.8
Financial items, net	-2.4	-2.8	-6.2	-6.4	-8.3
Changes in working capital	12.9	-49.0	-20.3	-164.4	-76.0
Others	-5.4	-0.8	-9.5	-18.6	-7.7
Cash flow from investing activities	-17.3	-11.0	-40.1	-34.0	-60.9
Capex	-17.3	-11.0	-47.8	-34.0	-60.9
Acquisition and divestment of businesses	0.0	0.0	7.7	0.0	0.0
Free cash flow	-6.3	-45.8	-60.6	-164.2	-103.1
Cash flow from financing activities	3.5	43.1	38.4	128.7	87.4
Net cash flow	-2.8	-2.7	-22.2	-35.5	-15.7

Comments

- Cash flow from operating activities positive
 - Positive EBITDA contribution from both NKT and NKT Photonics
 - Development in working capital was positive driven by NKT
- Cash flow from investing activities higher than Q3 2018
 - Capex was mainly driven by NKT investing in upgrade of equipment in Solutions including DC qualification in Cologne and increased investments in NKT Photonics
- Cash flow from financing activities at slightly positive with no significant movements
 - Impacted by the coupon payment of EUR 8.1m made on the hybrid security in September 2019

NKT A/S: Group financial leverage ratio

Quarterly development in net interest-bearing debt (NIBD)



Comments

- NIBD (excl. IFRS 16) increased slightly from end-Q2 2019, mainly due to the annual coupon payment on the hybrid security
- Accounting wise, the implementation of IFRS 16 increased the debt level by EUR 33m
- The net interest-bearing debt consists of:
 - EUR 168m of mortgage debt
 - EUR 149m 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

* 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

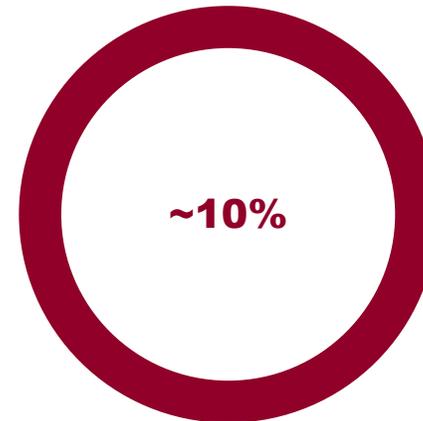
Financial outlook 2019 updated



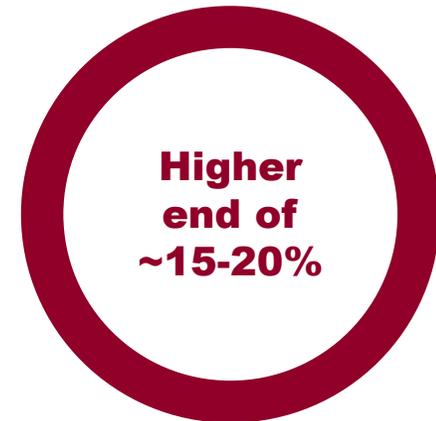
Revenue*



Operational EBITDA



Organic growth



EBITDA margin

* Std. metal prices

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Financial calendar



2020

Event

26 February

➤ **Annual Report 2019**

26 March

➤ **Annual General Meeting**

13 May

➤ **Interim Report Q1 2020**

19 August

➤ **Interim Report Q2 2020**

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