

**NKT**

# Hybrid Investor Presentation

August/September 2018



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# Agenda

- 1. Introduction to NKT A/S**
2. NKT
3. NKT Photonics
4. Financial highlights
5. Q&A
6. Term sheet
7. Appendix: Income statement and balance sheet

# Listed entity NKT A/S has a broad shareholder base and consists of two businesses with leading positions

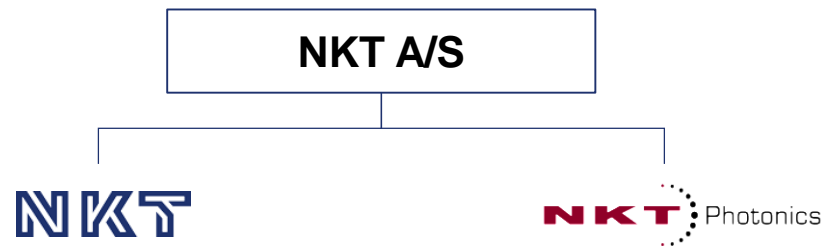
## Company overview and structure

**Listed entity**

**Underlying businesses**

**Key highlights**

**Revenue<sup>1</sup> (2017)**



- Leading supplier of alternating current and direct current high-voltage power cables
- Significant synergy potential
- Strong market positions in selected European low- and medium-voltage cables markets

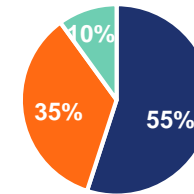
**EUR 1,429m**  
(~97%)

- A leading supplier of high-end fibre-based photonic components
- Significant growth and M&A potential
- Proven and successful commercialization strategy

**EUR 51m**  
(~3%)

## Shareholders

Shareholder structure, end of 2017



- Registered Danish shareholders
- Registered foreign shareholders
- Non registered shareholders

Holders owning >5% of NKT A/S<sup>2</sup>

- ATP (Denmark)
- Kirkbi INVEST A/S (Denmark)
- Ferd A/S (Norway)
- Nordea Funds Ltd, Danish Branch (Finland)

## Experienced management team



**Michael Hedegaard Lyng**

President and CEO

Danish citizen  
22 years of relevant industry experience



**Roland M. Andersen**

CFO

Danish citizen  
21 years of experience in Finance

<sup>1</sup> Expressed in market prices

<sup>2</sup> As of 1 August 2018

# NKT A/S key credit highlights



- 1 Leading market position
- 2 Lean production
- 3 NKT Victoria – cable-laying vessel
- 4 Strong client base
- 5 NKT Photonics
- 6 Sound financial policy

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# NKT: A history of innovations and acquisitions for +125 years

**1891**

The Dane Hans Peter Prior founded Nordisk Elektrisk Ledningstråd og kabelfabrik, later known as NKT



**1960**

NKT develops the first methods to recycle cable scrap



**1995**

Introduction of a new range of PVC and halogen-free cables and cord to meet environmental and safety requirements



**2010**

Opening the new state-of-the-art production plant in Cologne, Germany



**2013**

Acquisition of Ericsson power cable operations, Sweden



**1922**

NKT was the first company in the world to make telephone cables



**1986**

NKT produces the world's first 145 kV XLPE cross-linked cables



**1999**

Acquisition of Felten & Guillaume Kabelwerke GmbH, Germany



**2011**

Introduction of Qaddy®, a unique cable drum and trolley in one



**2017**

Acquisition of ABB HV Cables  
Launch of the world's first tested and qualified 640 DC underground cable



# NKT at a glance – positioned to support the growing need for energy



**Leading power cable producer**

With strong position in HVDC<sup>1</sup> power cable market globally

**EUR 1.4bn**

2017 revenue (EUR 1.1bn in std. metal prices<sup>2</sup>)

**EUR 138m**

2017 operational EBITDA

**~3,500 employees**

In 12 different countries

**Broad power cable coverage**

NKT covers most major power cable sectors

**Embrace and drive change**

Acquisition of ABB HV Cables and disposal of non-core operations

**Technological leadership**

In attractively growing Solutions business

**> 125 years**

NKT looks back to more than 125 years of proud history

**Entrenched customer base for MV/LV Products<sup>3</sup>**

In more stable Applications business

**Cost-effective manufacturing facilities**

Operating at the highest technological level

<sup>1</sup> HVDC = High-voltage direct current

<sup>2</sup> Revenue at standard prices for copper and aluminium is set at EUR/tonne 1,550 and EUR/tonne 1,350 respectively

<sup>3</sup> MV = Medium-voltage and LV = Low-voltage

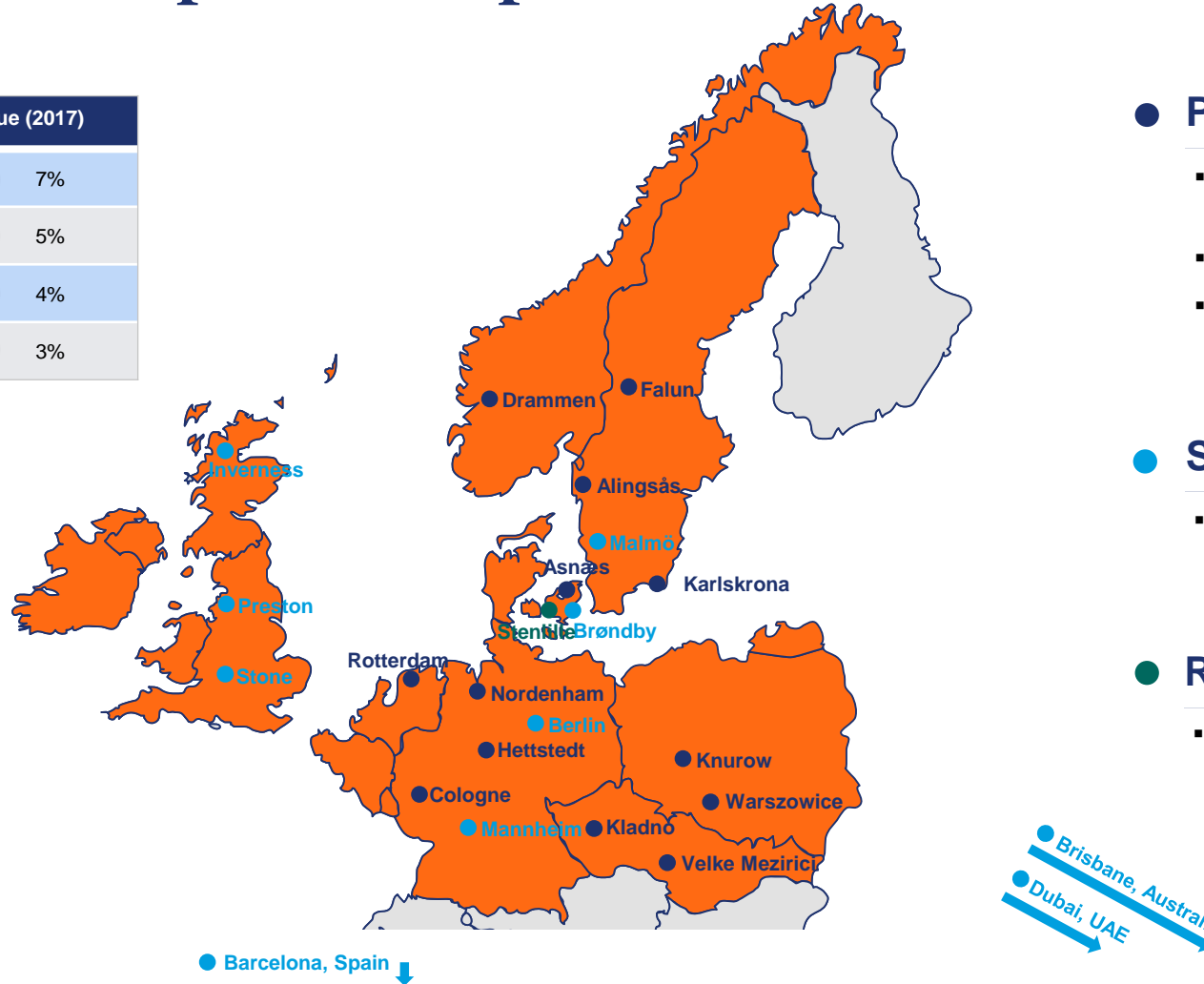


# Nordic heritage with global reach: NKT has a “glocal” mind-set rooted in trusted partnerships



Largest geographies by revenue (2017)	
25%	7%
16%	5%
14%	4%
12%	3%

- Dallas, US
- Raleigh, US



## ● Production sites (13)

- Well developed operational network with 13 sites in seven countries
- Sales in more than 60 countries globally in 2017
- Implementing a unified production approach across borders and product categories

## ● Sales offices (12)

- NKT has sales offices across Europe, as well as in Australia and United Arab Emirates. In 2017 offices were also established in the US

## ● Recycling plant (1)

- Unique cable scrap recycling plant

# Global megatrends supporting long-term growth in the global cable industry



## 1 Green energy

- Legislative goals to reach Paris 2015 goals worldwide
- Fast expansion of renewable energy sources



## 2 Displacement in electricity production

- Large production capacity located far away from consumption
- Security of supply ensured by connected grid



## 3 Shift towards underground cables

- Aging grid infrastructure needs to be replaced
- Public pressure to use cables supported by government initiatives



## 4 Connected grid

- Rapid expansion of transnational grid due to cost efficiency, increased grid reliability and active trade (e.g. Europe)
- Legislative goals in Europe



## 5 Economic & population growth

- Growing world economy, population expansion and urbanisation increase the demand for modern infrastructure



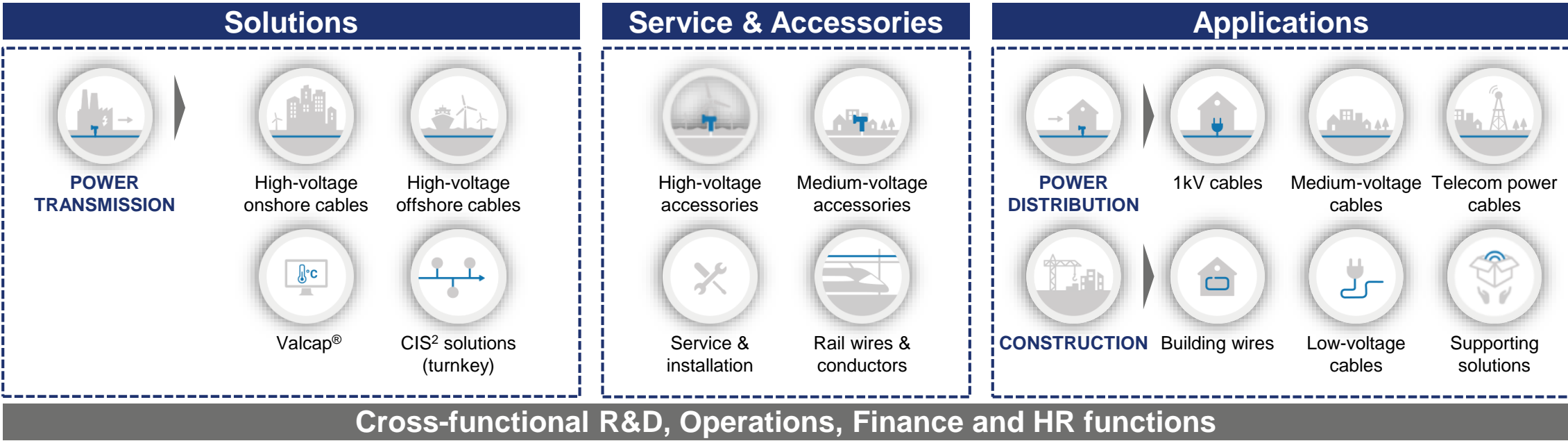
## 6 Industry consolidation

- Current cable player landscape fragmented
- Further consolidation expected

# Three business lines comprise a complementing mix of growth and cash focused products and services



2017 financials	Solutions	Services & Accessories	Applications
Revenue, EURm <sup>1</sup>	589 (~55%)	89 (~8%)	400 (~37%)
Op. EBITDA, EURm <sup>1</sup>	111 (~76%)	11 (~8%)	23 (~16%)
Margin, % <sup>1</sup>	18.8%	12.9%	5.8%



<sup>1</sup> Management estimate, external revenue in std. metal prices

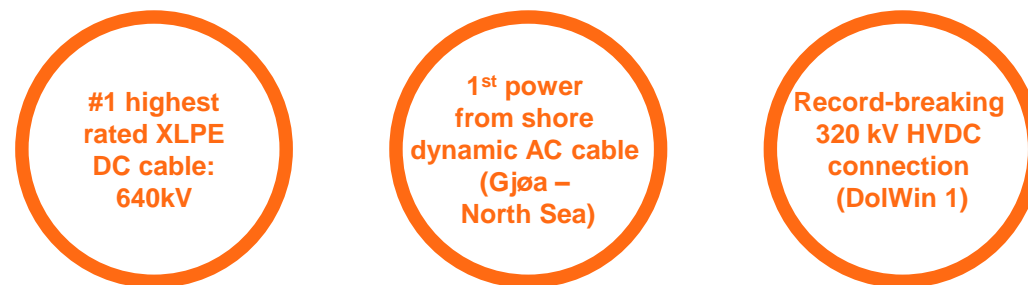
<sup>2</sup> Cable, Installation and Service

# Solutions: Leading provider of high quality solutions to address the growing global high-voltage markets

## Capabilities

- Leading supplier of premium **off- and onshore** high-voltage cable systems
- A market leader in **Offshore Wind**
- Unmatched experience in **HVDC**
- **Complete offering** of design, manufacture, installation & service offering
- Offshore competence center and logistics center in Rotterdam
- Long **lasting, close customer relationships** based on reliable project execution

## NKT is a global technological leader



## NKT has a complete product portfolio



HV offshore DC cables



HV onshore DC cables

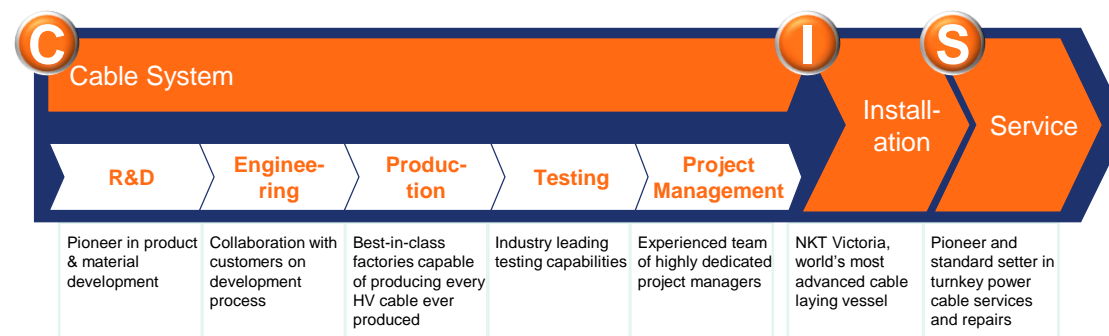


HV offshore AC cables



HV onshore AC cables

## NKT operates a fully-integrated CIS model



Dedicated teams and assets across value chain enable solid track record of executed turnkey projects

# Solutions: Well invested platform and among the world's most technologically advanced production facilities



## State-of-the-art cable laying vessel



### NKT Victoria

- Minimized installation risk and reduced charter costs in the cable installation process
- Technology: World's most advanced cable laying vessel
- Dimensions: 140 meters in length, 30 meters in width
- Capacity: Turntable space for 9,000 tons of cable

*"The level of expertise and professionalism displayed by all those involved is recognized and appreciated"*

Customer

*"I was especially impressed by the cable touch down monitoring system"*

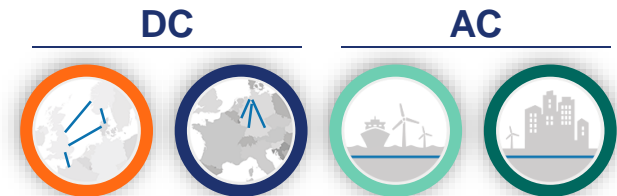
Customer

## Two of the world's most technologically advanced and efficient HV production facilities



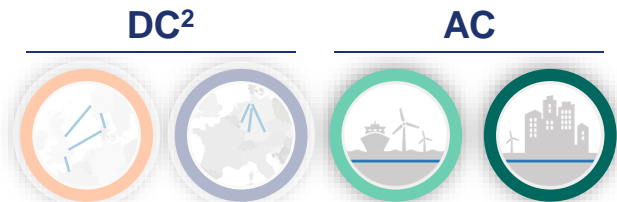
### Karlskrona, Sweden

- Invested in significant upgrades in the past years
- World's largest HV test laboratory for qualification of cable systems built to meet 1,000kV cable requirements
- Own harbour with direct sea access
- Potential for capacity expansion



### Cologne, Germany<sup>1</sup>

- Longest CCV line in the world allowing to produce best-in-class cable lengths without joints
- Currently in the process of being qualified for DC cable production
- Inaugurated in 2010
- Potential for capacity expansion

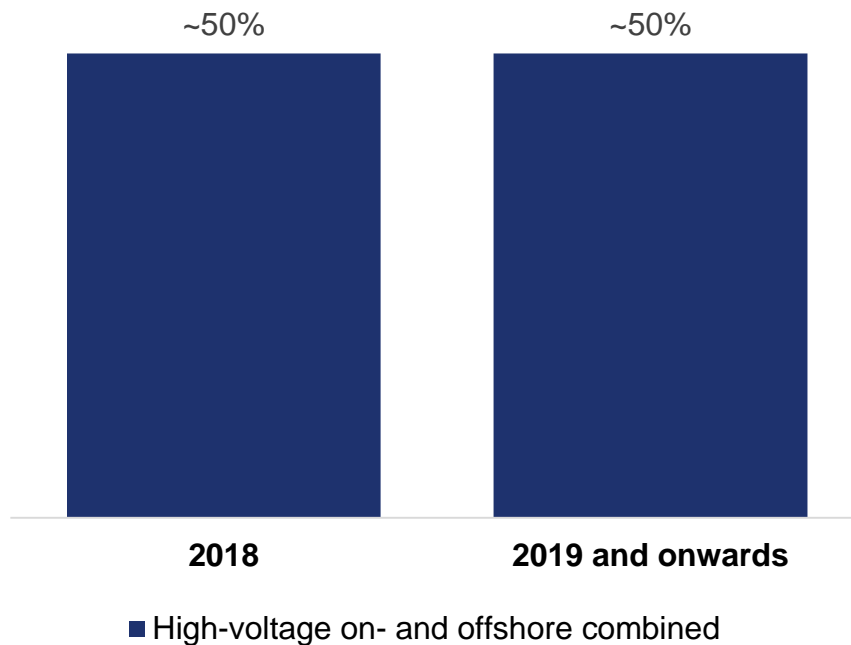


<sup>1</sup> Supported by our dedicated logistic & marine and offshore engineering centre in Rotterdam

<sup>2</sup> Currently in the process of being qualified for DC cable production

# Solutions: High-voltage order backlog with various project segments

High-voltage order backlog of EUR 0.52bn\* at end-Q2 2018



## Mix of high-voltage projects

Offshore wind			Interconnectors		
Walney East & West	2018		Caithness Moray	2018	
Borssele Alpha	2018		Nordlink	2019	
Rentel	2018		Oil & Gas		
Kriegers Flak	2019				
Hornsea 1	2019		Johan Sverdrup	2018	
Borssele Beta	2019		Martin Linge	2018	

Not part of order backlog at end-Q2 2018 (estimated contract values):

Hornsea 2 (EUR +145m)	2021		▶ Awarded on 4 July 2018	
Triton Knoll (EUR ~115m)	2020			Preferred supplier agreement
Moray East (EUR ~130-170m)	2020			Preferred supplier agreement

\* Market prices (EUR 0.47bn in std. metal prices)

# Solutions: Major trends to drive growth in pipeline

## Pipeline shows major projects up to 2025

- Major steps are planned for the interconnector market in the next decade
- The offshore wind market is also showing a strong pipeline of projects
- Europe has historically driven the high-voltage markets, but projects are also being developed in the US and Asia
- With best-in-class technology, advanced cable production plants, a specialized DP3 cable laying vessel and being a leading provider of high quality turnkey solutions, NKT is well positioned to take advantage of the pipeline in the wind and interconnector markets
- Revenue streams for cable providers from future projects initiates years before the commissioning year

## Strong fundamentals drive growth



### Strong offshore wind demand

Increasing windfarm demand and windfarms are being build further away from shore



### Onshore market stays strong

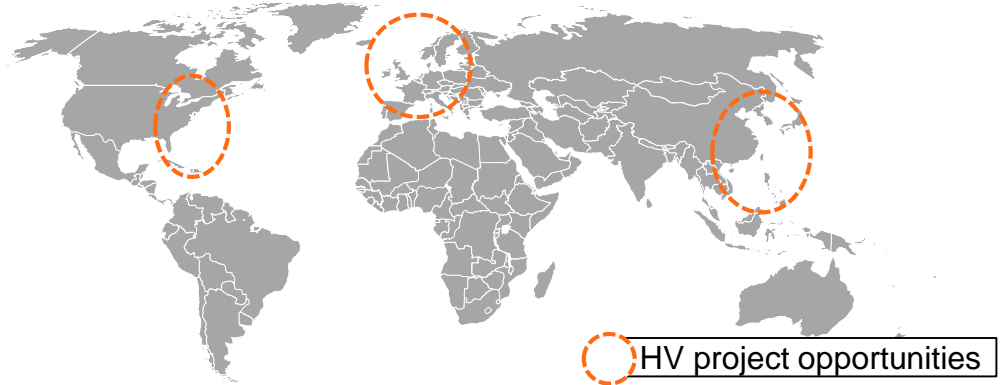
Public opinion and legislative support to increase usage of underground cabling



### Large interconnector projects planned

Political agenda targeting >15% interconnection capacity by 2030

## A global pipeline is prevailing



## Sample of European interconnector and wind projects

Intercon. projects			MW	Year	Wind projects			MW	Year <sup>3</sup>
		German HV Corridor	8,000	2025		Norfolk Vanguard	1800	2024	
		Biscay Gulf	2,000	2025		Borssele	1500	2021	
		Aquind	2,000	2020		Hornsea II	1400	2022	
		Viking Link	1,400	2022		Hollandse Kust Zuid	1400	2023	
		NeuConnect	1,400	2021-23		Adlergrund	1000	2021	
		North Connect	1,400	2022		Moray East	950	2023	
		FAB Link	1,400	2021		Triton Knoll	860	2022	

<sup>1</sup> Source: European commission; Technical document PCI 3rd list. Neuconnect: www.neuconnect.eu. SuedOstLink: www.50hertz.com

<sup>2</sup> Based on the ENTSO-E “Ten-Year Network Development Plan” – Capex of whole Interconnector project

<sup>3</sup> Commissioning year, source: 4c Offshore wind farms database, January 2017

# Solutions: NKT with a sound competitive position in the attractive high-voltage segment

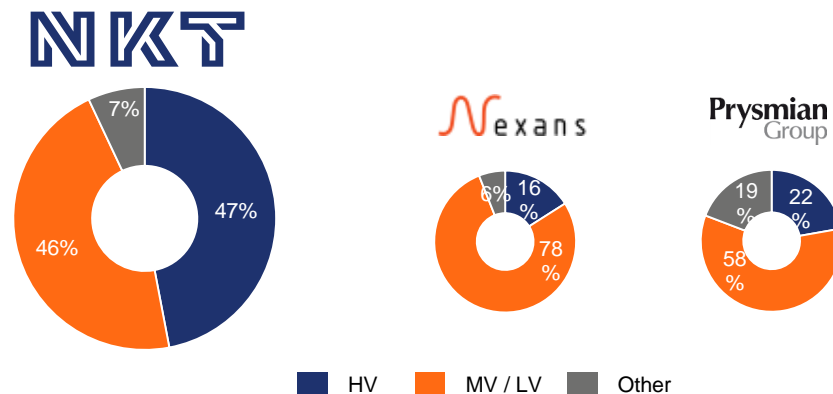
## NKT and its main competitors in the HV market



## Key market characteristics for NKT

- The HV market offers an attractive growth opportunity, and NKT has a leading market position in the HV markets following the acquisition of ABB HV Cables
- The HV market has relatively few competitors
- In the HV segment, and particularly for DC power cables, entry barriers are relatively high
- Most production sites are based in Europe and Asia
- The market concentration varies across product types and voltage levels
- NKT has a balanced revenue split between the high-voltage and low- and medium-voltage segments compared to its key global competitors, Nexans and Prysmian
- In the more stable low- and medium-voltage market, NKT holds strong market positions in selected Northern and Eastern European countries, but more local and regional competitors are present in the markets
- Strong product portfolio and a “glocal” mind set will lead to further growth inside Europe and opportunities outside Europe for NKT

## Pro-forma revenue splits<sup>1</sup>



<sup>1</sup> NKT is 2017 number and source is 2017 annual report. Prysmian and Nexans are 2016 numbers and sources are their respective 2016 annual reports. Revenues are in market prices.

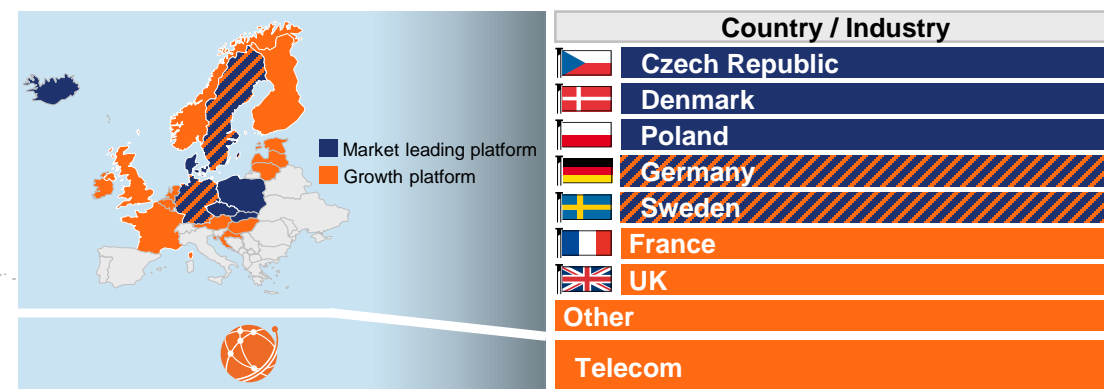


# Applications: A leading European player in the low- and medium-voltage segments with focus on profitable growth

## Capabilities

- Market leading position in selected European countries with **limited needs for investments**
- **Premium MV cables** from 6kV to 50kV single or multi core
- Comprehensive range of **1kV cables**
- High-quality, **environmentally-friendly building wires** – meeting regulatory requirements for flame-retardant material
- **Innovative Telecom power cables** serving customers globally
- **Enhanced delivery levels**, smart packaging & ergonomic solutions
- **Long-term customer relationships** due to technical and service reliability

## Strong European footprint



## Full range of MV, LV and BW products



MV cables



Flexible cables



Building Wires



LV cables

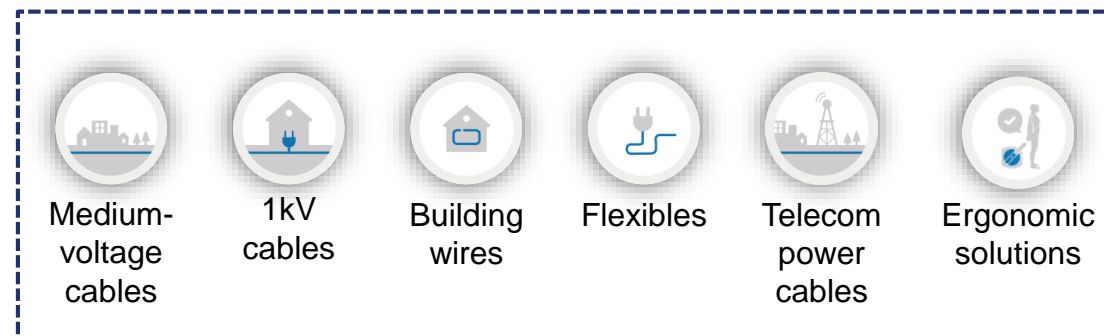


Installation cables



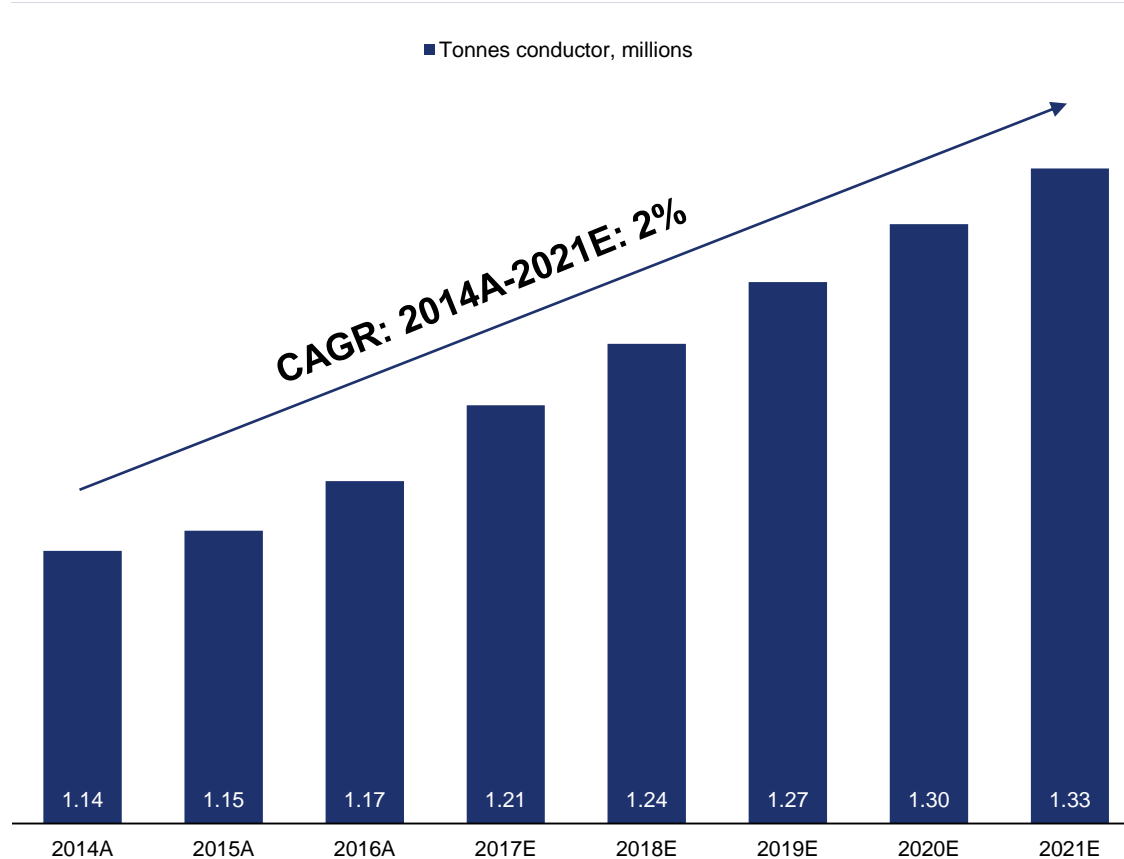
Telecom power cables

## Product segments



# Applications: Continued opportunities for NKT in a more stable growing market

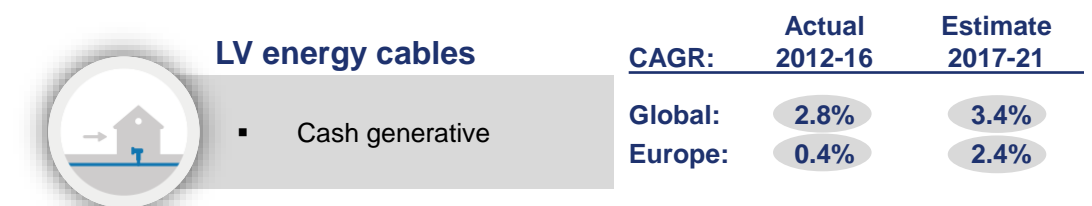
## European LV energy cable market growth



## NKT Applications growth expectations

- The LV market is mainly driven by construction activity, and the MV market is supported by modernization of the electrical infrastructure and undergrounding of cables
- The market growth has been relatively stable in recent years and expected to maintain this development in the coming years
- NKT has focus on profitable growth and cost efficiencies for the LV / MV part of Applications
- The telecom market is preparing for growth with next-generation 5G network
- NKT continuing to improve its position in the telecom power cable market. This was supported by establishment of a US office in 2017

## LV energy estimated market growth toward 2021



# Service & Accessories: Separate division created to focus & accelerate growth

## Service & Accessories

- **Separate division** created to **focus & accelerate growth** of both business areas and to **reap existing synergies**, e.g. within training and jointing capabilities

### Service

- **Growing opportunity** in offering fast repair and maintenance services on power cables given the high costs of cable down time
- **Pioneering Asset Management Services in the industry** with a dedicated service & installation team for on- & offshore
- **Strong growth potential** as installed base increasing significantly & majority of cables without service contract

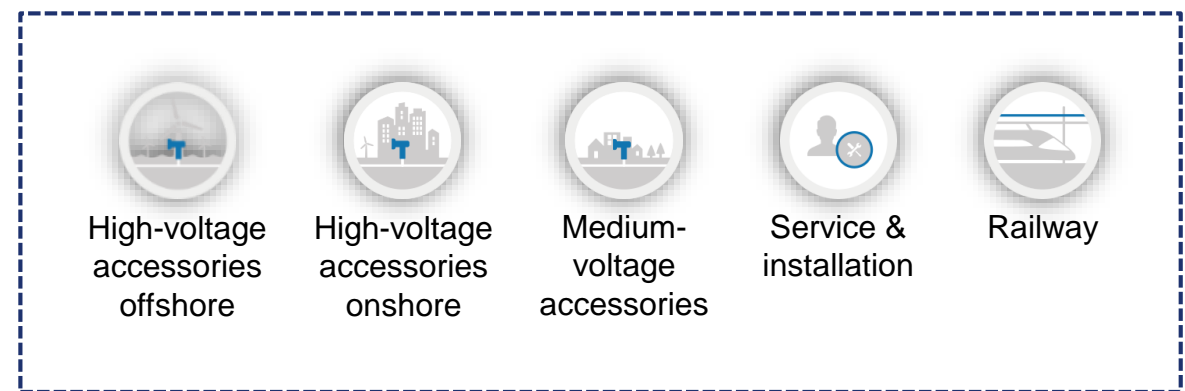
### Accessories

- Offering a **full Accessories portfolio** across medium-voltage (MV), high-voltage (HV) & extra high-voltage (EHV)
- Continuous innovations launched to market
- **Strong growth potential** in core markets with new innovative products & expansion to attractive export markets

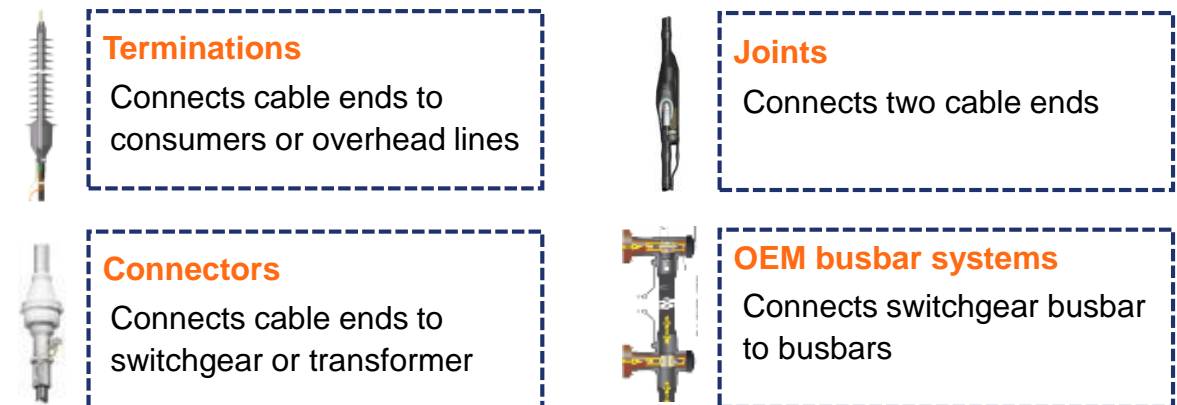
### Railway

- NKT is currently assessing various strategic options including a potential divestment

## Product segments



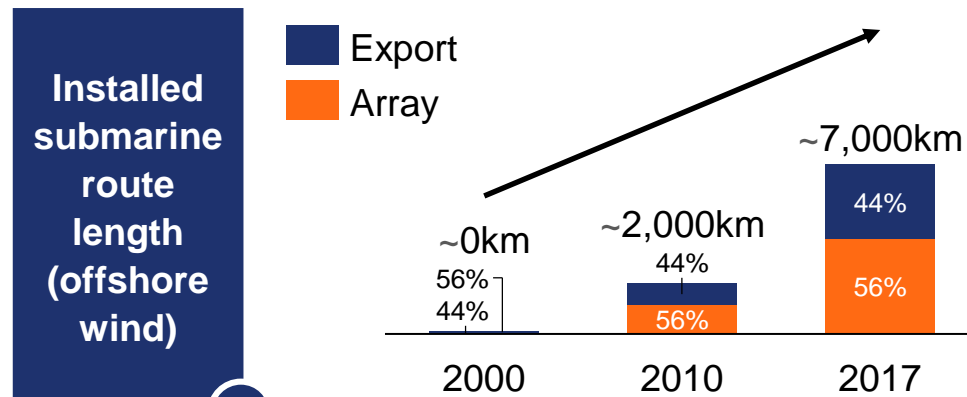
## Accessories product portfolio



# Services & Accessories: Critical cost of down time leads to increasing demand for cable services



Installed cable base is growing rapidly leading to a growing demand for services



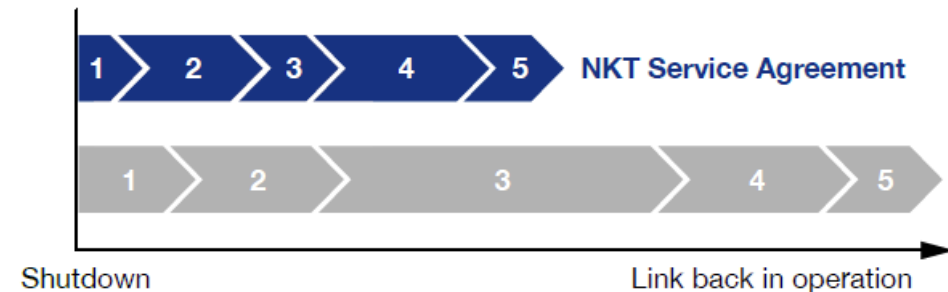
- Installed submarine route length (offshore wind) X
- Risk of failure X
- Cost of down time

On average there are **0.5-2 faults per year per 1000km cable**

Costs of downtime for offshore windfarm can reach **EUR 250-300k/day**

NKT service agreements with clear benefits for customers

- Cables form small portion of windfarm CAPEX but large part of insurance pay-outs due to lost production
- 'Repair Preparedness' service contracts offer significant benefit for our customers as down time of power cables are minimized



1. Engineering and documentation – where is the cable located and what is its design?
2. Fault location – find the fault
3. Mobilisation – resources, equipment and spare parts
4. Repair and jointing
5. Cable testing and deployment

# The customers: NKT ensures that customers across all product groups are at the forefront of their industries

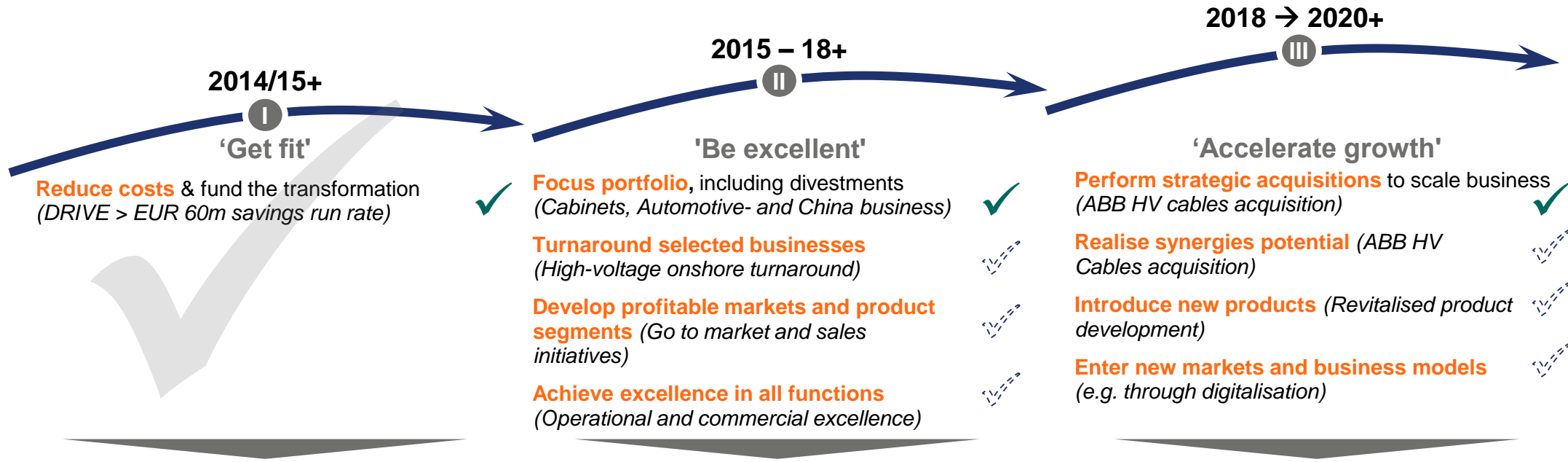
## Customer considerations:

- ✓ **Customers with high creditworthiness**
- ✓ **Majority of clients in Northern Europe & UK**
- ✓ **Customers operate in a variety of sectors**
- ✓ **Longstanding relationships with clients**

Customer group	TSO & developers	Utilities/ DSO	Contractors	Wholesalers	OEMs	Railway
<b>Products and Services</b>	<ul style="list-style-type: none"> <li>▪ HV cables and accessories</li> <li>▪ System approaches</li> <li>▪ Installation services</li> <li>▪ Monitoring services</li> <li>▪ On- and Offshore</li> </ul>	<ul style="list-style-type: none"> <li>▪ HV/MV/LV cables</li> <li>▪ Accessories</li> <li>▪ Installation services</li> <li>▪ Monitoring services</li> </ul>	<ul style="list-style-type: none"> <li>▪ HV cables</li> <li>▪ MV/LV cables</li> <li>▪ BW<sup>1</sup> cables</li> <li>▪ Installation services</li> </ul>	<ul style="list-style-type: none"> <li>▪ BW and LV cables</li> <li>▪ Fire resistant cables</li> <li>▪ Delivery and Inventory mgmt. services</li> </ul>	<ul style="list-style-type: none"> <li>▪ BW and LV cables</li> <li>▪ Flexibles</li> <li>▪ Accessories</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cable conductors</li> <li>▪ Return conductors</li> <li>▪ MV accessories</li> </ul>
<b>Customers selection</b>						

<sup>1</sup> Building wires

# With Excellence 2020, we are focusing on profitability and targeted growth in our transformation journey



Main focus:  
Cost

Main focus:  
Profitability

Main focus:  
Targeted growth

	2014	2015	2016	2017	2018H1
Revenue (EURm) <sup>1</sup>	813	858	750	1,058	561
Op. EBITDA (EURm)	65	77	73	138	53
Margin, % <sup>1</sup>	8.0%	9.0%	9.7%	13.1%	9.4%

Note: Numbers are for NKT only  
<sup>1</sup> Std. metal prices

# Agenda

1. Introduction to NKT A/S
2. NKT
- 3. NKT Photonics**
4. Financial highlights
5. Q&A
6. Term sheet
7. Appendix: Income statement and balance sheet

# NKT Photonics: A leading supplier of high performance fiber lasers and photonic crystal fibers



## NKT Photonics at a glance

- NKT Photonics is headquartered in Denmark with sales and service worldwide
- Products include ultrafast lasers, supercontinuum white light lasers, low noise fiber lasers, distributed temperature sensing systems and a wide range of specialty fibers
- NKT Photonics has expertise in precision laser-based manufacturing and life sciences and the main markets are within imaging, sensing and material processing
- NKT Photonics is executing on commercialization strategy with experienced management team

## Production sites

- Denmark
- Germany
- Switzerland
- UK

## Selected peers

- IPG Photonics (US)
- nLIGHT (US)
- Coherent (US)
- Trumpf (Ger)

## Journey from NKT investment to commercialisation



**1980**

NKT starts production of optical fibers



**2000**

NKT establishes Crystal Fibre and Koheras that would form the foundation of NKT Photonics



**2004–2009**

**2004: Acquisition of Blaze Photonics (GB)**

**2005: Acquisition of LG Laser (DE)**

**2007:** Koheras merges with NKT research

**2009:** Crystal Fibre and Koheras merge and become NKT Photonics



**2016**

LIOS technologies becomes part of NKT Photonics

**Acquisition of Fianium (GB)**

**2017**

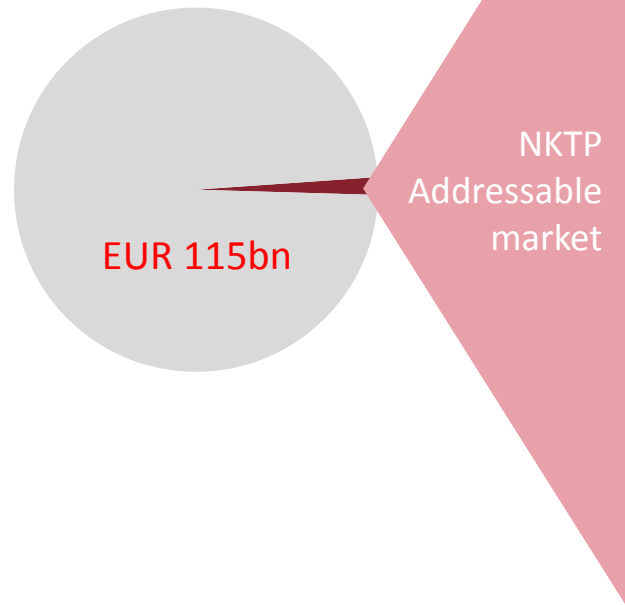
**Acquisition of Onefive (CH)**



# NKT Photonics: Focus on the fastest growing photonics segments



2015 Global Photonics Market for Medical, Components and systems, Measurement and Production technology<sup>1</sup>:



56% of revenue <sup>2</sup>		31% of revenue <sup>2</sup>		13% of revenue <sup>2</sup>	
<b>Imaging &amp; Metrology</b>		<b>Sensing &amp; Energy</b>		<b>Material processing</b>	
<b>Semiconductor</b>		<b>Energy</b>		<b>Micromachining</b>	
EUR ~ 50m ~5%		EUR ~ 100m ~5%		EUR ~ 275m ~15%	
<b>Bio-imaging &amp; Medical</b>		<b>Security</b>		<b>Medical</b>	
EUR ~ 750m ~15%		EUR ~ 100m ~5%		EUR ~ 100m ~30%	
<b>Industrial metrology</b>		<b>Structural monitoring</b>		<b>R&amp;D</b>	
EUR ~ 150m ~10%		EUR ~ 150m ~5%		EUR ~ 200m ~5%	

**NKT Photonics grows above the market CAGR of 5-7% as old technology is replaced with fiber-based systems**

<sup>1</sup> Management estimates based on Optech Consulting report for Photonics21 / EU Commission  
<sup>2</sup> Based on 2017 revenue

# NKT Photonics: Rising energy demands will continue to drive growth



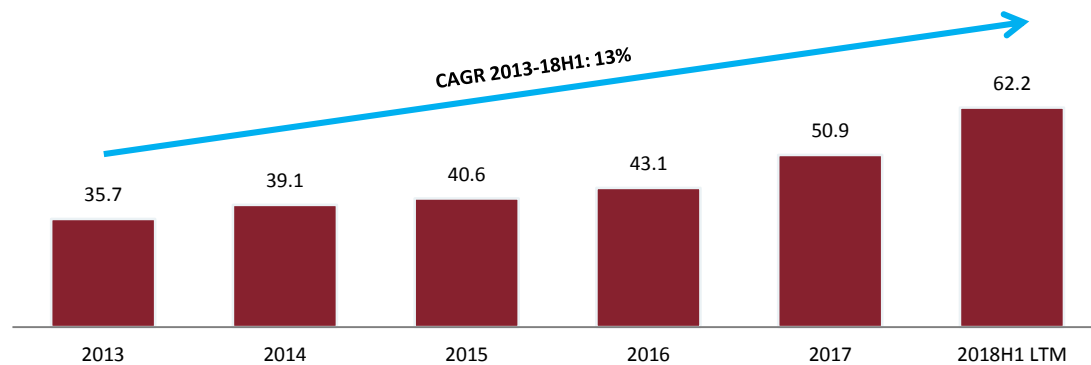
## Growth driven by macro trends

<b>Growing and aging population</b> Population to reach 8.5bn and ageing population to grow by 56% until 2030 <sup>1</sup>	<b>Increased technological complexity</b> Move towards smaller technology platforms
<b>Resource pressure on environment</b> Increased health care costs	<b>Smaller structures</b>
Increased demand for optical sensing and monitoring to optimize use of energy and infrastructure. Faster and cheaper medical instrumentation for mass screening, diagnostics and treatment based on lasers	Transformation of manufacturing towards more precise ultrafast lasers for measurements and processing

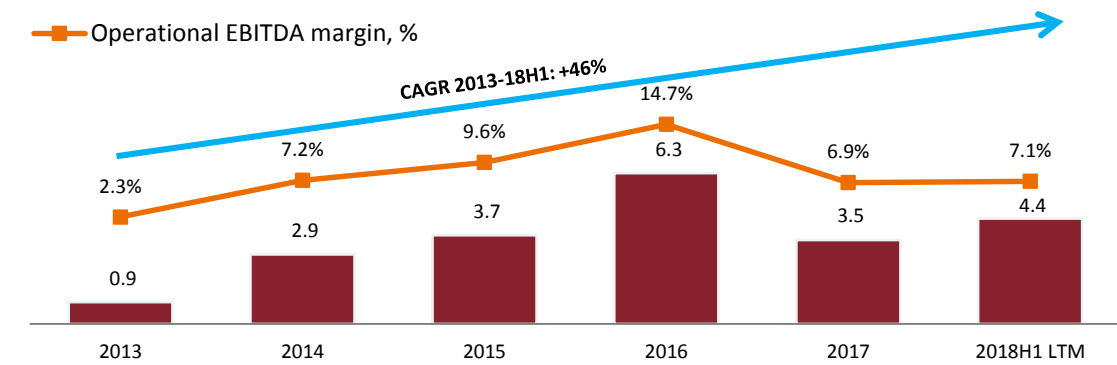
## Strategic priorities

<b>Move up in value chain</b> Expand from supply of components to complete optical systems	<b>Focus on organic growth</b> Actively pursue growth opportunities within core organically and through partnerships	<b>LEAN operations</b> Scalable manufacturing Commercial excellence	<b>Fast introduction of new products</b> Continued introduction of new products and technologies to meet customers' needs

## Revenue, EURm



## EBITDA, EURm



The need for speed and precision, coupled with rising energy demands at a lower cost will continue to drive growth of the photonics industry for the foreseeable future

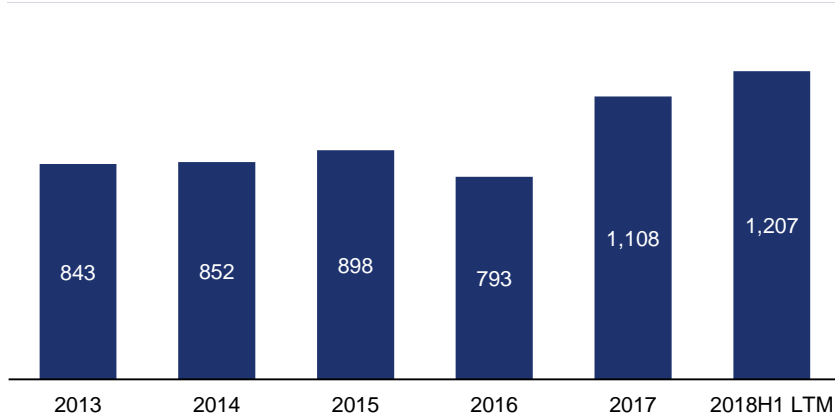
<sup>1</sup> Source: United nations – Department of Economic and Social Affairs

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# NKT A/S: Steady growth in group profitability

## Revenue, EURm<sup>1</sup>



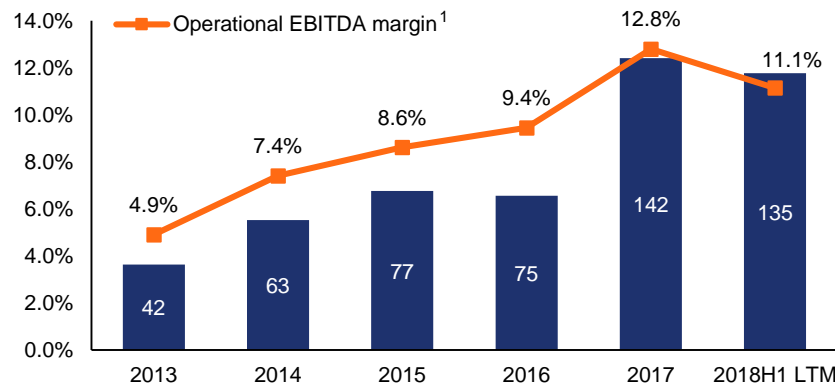
## Revenue and organic growth 2016-2017<sup>1</sup>

<b>NKT A/S 2016 revenue</b>	<b>793</b>
- NKT Photonics 2016 revenue	43
<b>NKT 2016 revenue</b>	<b>750</b>
Currency effect	-6
Acquisitions <sup>2</sup>	307
Divestments	-60
<b>NKT 2016 adjusted revenue</b>	<b>992</b>
Org. Growth	66
Org. Growth excl. acquisitions	-30
Org. Growth ABB HV Cables <sup>2</sup>	97
<b>NKT 2017 revenue</b>	<b>1,058</b>
<b>NKT Photonics 2017 revenue</b>	<b>51</b>
<b>NKT A/S 2017 revenue<sup>3</sup></b>	<b>1,108</b>

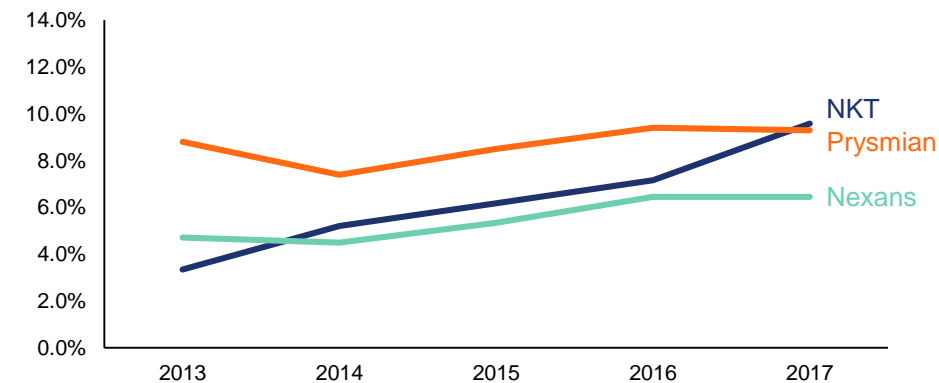
NKT  
org. growth  
7%

NKT Photonics  
org. growth  
7%

## Operational EBITDA, EURm



## Margin EBITDA benchmark vs peers<sup>4</sup>



## Comments

- Revenue development in recent years impacted by the recent acquisition and disposals of non-core assets
- From 2016 to 2017:
  - ABB HV Cables was acquired
  - Non-core activities (Automotive, Chinese business, and Cabinets) were divested
  - The acquired activities delivered robust organic growth
- Consistent improvement of profitability through cost and efficiency initiatives, as well as disposal of non-core or unprofitable segments
- Consolidation of ABB HV Cables positively impacted margin in 2017

<sup>1</sup> Based on std. metal prices

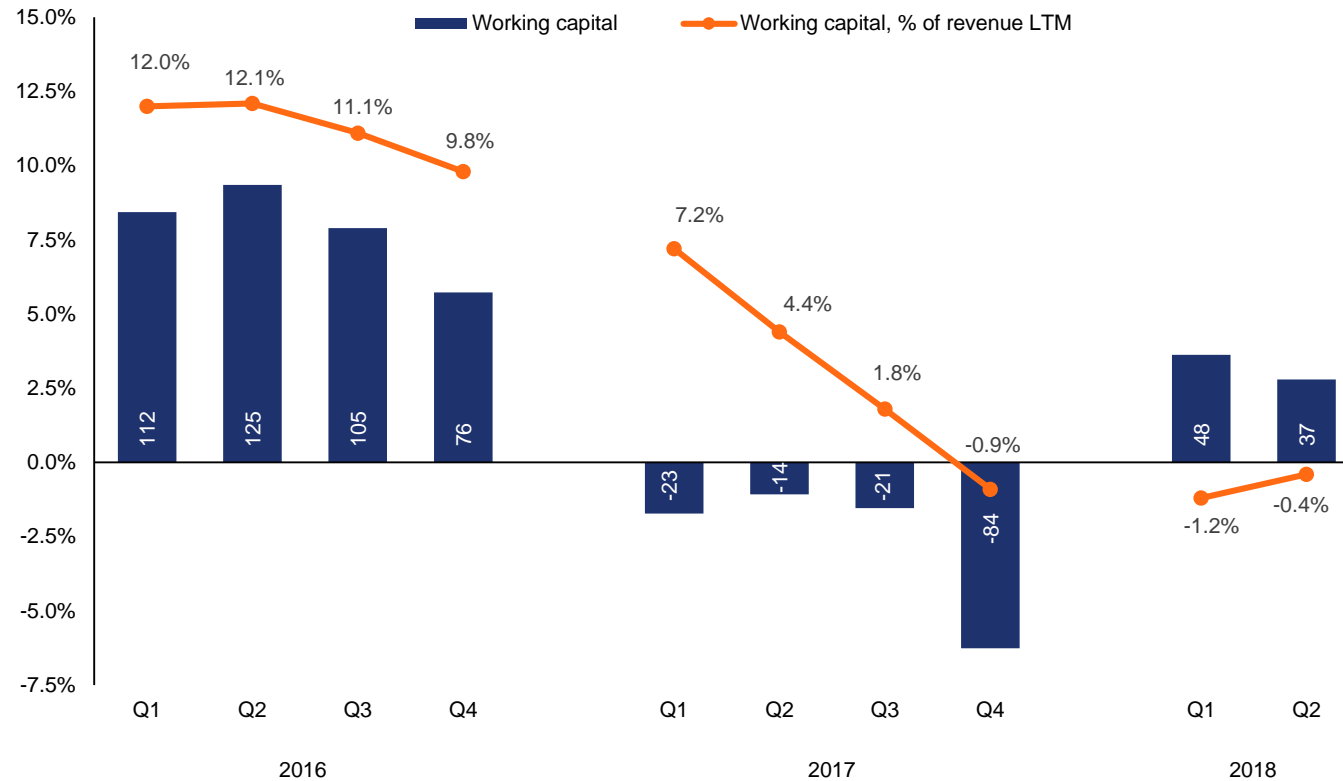
<sup>2</sup> Based on pro forma revenue

<sup>3</sup> Including intersegment transactions of EUR -0.5m

<sup>4</sup> Source: Companies' annual reports. Market prices. NKT and Prysmian are calculated as EBITDA / revenue. Nexans calculated as EBITDA (Operating margin before depreciation and amortization) / revenue.

# NKT A/S: Improving group working capital development

## Working capital 2016-2018, EURm<sup>1</sup>



## Reduced level of working capital

- Over the past years, NKT A/S has been reducing its working capital driven by focused efforts and impact of acquisitions and divestments
- Working capital was at an extraordinary low level at the end of 2017 driven by Solutions in NKT
- The Solutions business line will be the main driver for the working capital level depending on the timing of project milestone payments

<sup>1</sup> Only including NKT and NKT Photonics business divisions.

Note: Working capital ratio calculated as average working capital as a percentage of revenues LTM

# NKT A/S: Cash flow overview

## Cash flow statement<sup>1</sup>

EURm	2016H1	2016FY	2017H1	2017FY	2018Q1	2018Q2
EBITDA, continuing and discontinued operations	86.7	124.7	103.7	180.1	15.8	25.6
Changes in working capital	-47.3	57.6	-90.4	-23.7	-134.9	19.5
Other non-cash operating items	-15.7	-9.2	-22.6	-11.8	-10.4	-7.4
Financial items, net	-4.1	-4.4	-12.3	-24.7	-2.3	-1.3
Income tax paid	-	-14.8	-	-32.1	-	-
<i>Cash flow from operating activities</i>	19.6	153.9	-21.6	87.8	-131.8	36.4
Acquisition of businesses	-53.0	-53.3	-785.1	-800.8	-	-
Divestment of business	-	-3.0	23.8	33.0	-	-
Nilfisk demerger	-	-	-	368.7	-	-
Investments in property, plant and equipment	-18.3	-40.7	-28.6	-50.6	-4.9	-4.8
Disposal of property, plant and equipment	1.4	3.5	1.1	0.2	-	-0.1
Intangible assets and other investments, net	-17.9	-38.5	-21.9	-43.8	-4.7	-8.5
<i>Cash flow from investing activities</i>	-87.8	-132.0	-810.7	-493.3	-9.6	-13.4
<b>Free cash flow</b>	<b>-68.2</b>	<b>21.9</b>	<b>-832.3</b>	<b>-405.5</b>	<b>-141.4</b>	<b>23.0</b>
<i>Cash flow from financing activities</i>	42.0	78.9	725.5	293.6	126.6	-41.0
<b>Net cash flow for the year</b>	<b>-26.2</b>	<b>100.8</b>	<b>-106.8</b>	<b>-111.9</b>	<b>-14.8</b>	<b>-18.0</b>
Cash at bank and in hand, beginning of period	58.3	58.3	158.1	158.1	44.7	30.0
Currency adjustments	-1.0	-1.0	-1.0	-1.5	0.1	-0.3
Net cash flow for the year	-26.2	100.8	-106.8	-111.9	-14.8	-18.0
Cash at bank and in hand, end of period	31.1	158.1	50.3	44.7	30.0	11.7

## Comments

- Cash flow from operating activities was negatively impacted by the increase in working capital during Q1 2018 from the extraordinarily low level at end-2017
- The free cash flow development was positive in Q2 2018, driven by the earnings contribution, the working capital improvement and low investing activities
- In 2017, the free cash flow was impacted by the acquisition of ABB HV Cables. During 1st half 2018, NKT has not conducted any acquisitions or divestments

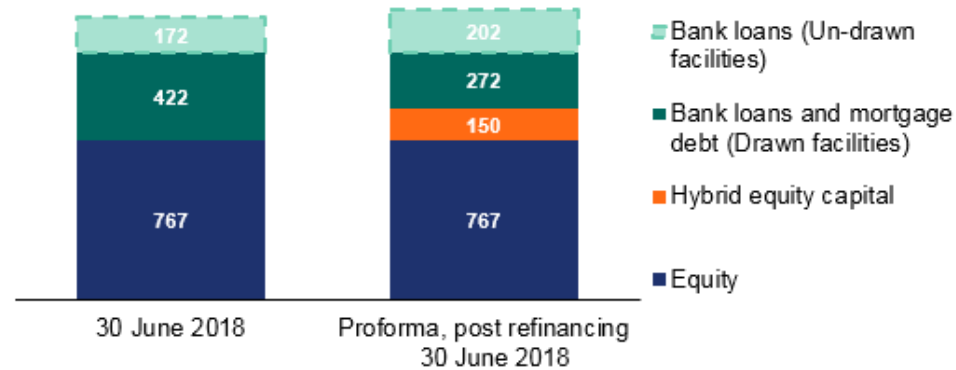
<sup>1</sup> Nilfisk is part of cash flow statements in 2017 and before

# The EUR 150m Hybrid issue will strengthen NKT A/S' balance sheet

## Comments

- Following the issuance of the hybrid security a new committed EUR 300m revolving credit facility with a 4-year maturity will come into force
- In total, the new financing structure will replace all existing financing committed bank facilities, and will conclude the company's current refinancing process

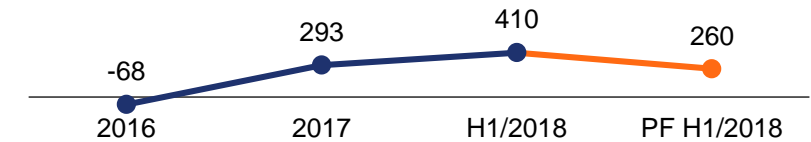
## Capital structure, EURm



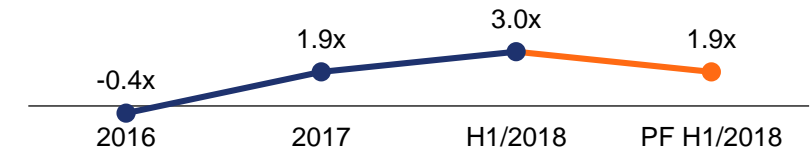
## Capitalisation, EURm

	Reported 30 June 2018	Pro-forma 30 June 2018 <sup>1</sup>
Interest-bearing loans	-422	-272
Cash	12	12
Net interest bearing debt	-410	-260
<b>Leverage</b>	<b>3.0x</b>	<b>1.9x</b>
Equity excl. the hybrid	767	767
Hybrid	-	150
<b>Total equity</b>	<b>767</b>	<b>917</b>

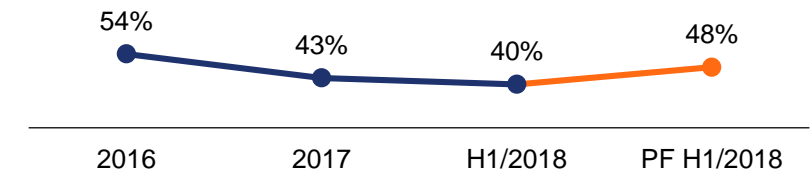
## NIBD, EURm



## NIBD / Operational EBITDA



## Solvency ratio %





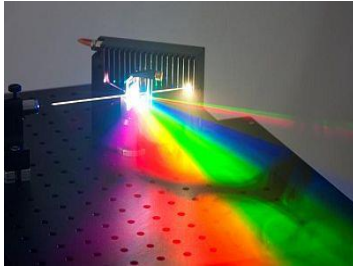



<sup>1</sup> Source: Pro-forma numbers are based on the assumption that the Hybrid bond of EUR 150m would have been issued at 30 June 2018

<sup>2</sup> For the 2017 leverage ratio, pro-forma EBITDA of EUR 13m for the acquired ABB HV Cables activities have been added to LTM EBITDA in the 2 month 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

<sup>3</sup> EBITDA is measured on a LTM basis

# NKT A/S key credit highlights

1 Leading market position	2 Lean production	3 NKT Victoria	4 Strong client base	5 NKT Photonics	6 Sound financial policy
					
<ul style="list-style-type: none"> <li>▪ <b>Attractive market potential</b> in the HV segment</li> <li>▪ <b>Leading provider</b> of solutions to the growing global HV markets</li> <li>▪ <b>Leading European player</b> in the LV/MV segment with focus on profitable growth</li> <li>▪ Well positioned in some of the <b>most profitable segments</b> within the cable industry</li> </ul>	<ul style="list-style-type: none"> <li>▪ Among the world's most technologically advanced and <b>efficient production facilities</b></li> <li>▪ Scalable cost-effective manufacturing facilities and <b>world-class turnkey capabilities</b></li> <li>▪ Implementation of standardized production approach across borders and product categories enabling <b>growth and expansion</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>NKT Victoria</b>, the world's most <b>technologically advanced</b> cable laying vessel</li> <li>▪ Minimizing installation risk and charter costs</li> <li>▪ Securing <b>safe and efficient operations</b> and improved execution reliability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Good service and high quality delivered secures long <b>standing customer relationships</b></li> <li>▪ Customers with <b>high creditworthiness</b></li> <li>▪ The customers operate in a variety of sectors</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Leading supplier</b> of high performance fiber lasers, fiber optic systems and photonic crystal fibers</li> <li>▪ Expertise in <b>precision laser-based</b> manufacturing and life sciences</li> <li>▪ Active in the <b>fastest growing segments</b> in the global photonics industry</li> <li>▪ In 1<sup>st</sup> half on 2018, organic growth was 22%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ambition to return to the <b>leverage target of approx. 1.5x<sup>1</sup></b></li> <li>▪ <b>Conservative dividend policy</b> with no dividends until leverage is reduced</li> <li>▪ <b>Metal prices hedged</b> through contract terms or financial derivatives</li> </ul>

<sup>1</sup> NIBD/Operational EBITDA



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# Key Terms & Conditions for the Hybrid Notes

<b>Issuer:</b>	▪ NKT A/S
<b>Country:</b>	▪ Denmark
<b>Rating:</b>	▪ Unrated
<b>Size:</b>	▪ EUR 150m expected
<b>Maturity:</b>	▪ 1,000 years (non call 4 years)
<b>Status:</b>	▪ Deeply subordinated. Senior only to ordinary shares
<b>Call Schedule:</b>	▪ After 4 years and every Interest Payment Date thereafter
<b>Step-up:</b>	▪ 500 bps after 4 years
<b>Interest rate:</b>	▪ Fixed, annually in arrears (act/act). From the First Call Date the interest rate resets every 4 years to the then prevailing 4-year EUR swap rate plus the initial credit spread plus step-up
<b>Interest Deferral</b>	▪ At the issuer's option on any interest payment date. Cumulative interest deferrals
<b>Compulsory Payment Event:</b>	▪ Mandatory payment of deferred interest upon payment of dividends to shareholders or parity instrument or share or parity instrument repurchase
<b>Change of Control:</b>	▪ Issuer call option if Change of Control Event @ 101% prior to the First Call Date / @ 100% on or after the First Call Date. Coupon step-up 500bps if the securities are not redeemed in full
<b>Other call provisions:</b>	▪ Tax Event (coupon and withholding tax), Accounting Event, Replacing Capital Event (call @ 103% with net proceeds from an equity issue)
<b>Clean-up Call:</b>	▪ At repurchases equal to or greater than 80%
<b>Docs:</b>	▪ Standalone documentation, Danish law
<b>Denomination:</b>	▪ Wholesale denominations (EUR 100k + 1k)
<b>Clearing:</b>	▪ VP Securities A/S
<b>Listing:</b>	▪ Nasdaq OMX, on or about the issue date
<b>Use of Proceeds:</b>	▪ Refinancing of certain outstanding indebtedness and general corporate purposes
<b>Structuring Advisor:</b>	▪ Nordea
<b>Joint Books:</b>	▪ Danske Bank, Nordea, Nykredit
<b>Target market:</b>	▪ Eligible counterparties, professional clients and certain retail investors (contact Bookrunners for full target market assessment) ▪ A PRIIPs KID in English and Danish language will be prepared and made available

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# NKT A/S: Income statement and balance sheet

## Income statement

Income Statement, EURm	2016H1	2016FY	2017H1	2017FY	2018H1
Revenue	506.9	1,046.1	682.8	1,479.3	788.2
Revenue in std. metal prices	379.5	792.8	492.0	1,108.4	590.9
Operational EBITDA	31.5	74.9	59.3	141.8	52.0
One-off items	-4.5	-47.0	-19.7	-44.9	-10.6
EBITDA	27.0	27.9	39.6	96.9	41.4
Depreciation and impairment of PP&E	-16.8	-33.0	-25.4	-61.3	-32.4
Amortisation and impairment of intangibles	-3.9	-8.6	-5.8	-18.3	-10.3
EBIT	6.3	-13.7	8.4	17.3	-1.3
Financial items, net	2.9	5.7	-7.9	-14.7	-3.6
EBT	9.2	-8.0	0.5	2.6	-4.9
Tax	-3.3	-9.5	1.6	-6.0	1.6
Profit, continued operations	5.9	-17.5	2.1	-3.4	-3.3
Profit, discontinued operations	24.9	29.6	43.0	932.2	-
<b>Profit</b>	<b>30.8</b>	<b>12.1</b>	<b>45.1</b>	<b>928.8</b>	<b>-3.3</b>
<b>Financial ratios</b>	<b>2016H1</b>	<b>2016FY</b>	<b>2017H1</b>	<b>2017FY</b>	<b>2018H1</b>
Operational EBITDA margin, std. metal prices	8.3%	9.4%	12.1%	12.8%	8.8%
Return on capital employed RoCE	9.3%	11.7%	12.8%	11.8%	4.8%
Solvency Ratio	45.0%	54.0%	35.0%	43.0%	40.0%

## Balance sheet

Balance Sheet	2016H1	2016FY	2017H1	2017FY	2018H1
Intangible assets	373.5	73.5	574.1	597.4	571.9
Property, plant and equipment	359.3	272.8	720.8	698.9	656.2
Other non-current assets	85.8	36.0	49.6	51.9	57.8
<i>Total non current assets</i>	<i>818.6</i>	<i>382.3</i>	<i>1,344.5</i>	<i>1,348.2</i>	<i>1,285.9</i>
Inventories	393.4	142.1	225.9	226.1	245.7
Receivables incl. Tax	544.1	209.2	356.5	285.6	383.1
Cash at bank and in hand	31.1	127.8	30.6	44.7	11.7
Assets held for sale / distribution to owners	-	885.7	851.5	-	-
<i>Total current assets</i>	<i>968.6</i>	<i>1,364.8</i>	<i>1,464.5</i>	<i>556.4</i>	<i>640.5</i>
<b>Total assets</b>	<b>1,787.2</b>	<b>1,747.1</b>	<b>2,809.0</b>	<b>1,904.6</b>	<b>1,926.4</b>
Equity	801.7	951.4	982.2	816.3	767.2
<i>Total equity</i>	<i>801.7</i>	<i>951.4</i>	<i>982.2</i>	<i>816.3</i>	<i>767.2</i>
Deferred tax	39.3	8.0	51.2	59.9	56.3
Pension liabilities	54.7	53.1	53.2	52.5	52.8
Provisions	18.9	12.8	22.6	28.5	23.0
Interest bearing loans and borrowings	212.5	83.0	773.8	332.8	414.0
<i>Non-current liabilities</i>	<i>325.4</i>	<i>156.9</i>	<i>900.8</i>	<i>473.7</i>	<i>546.1</i>
Interest bearing loans and borrowings	16.3	10.5	27.4	7.2	7.3
Trade payables, other liabilities and tax	643.8	280.8	605.5	593.9	591.4
Provisions	-	15.8	-	13.5	14.4
Liabilities held for sale / distribution to owners	-	331.7	293.1	-	-
<i>Current liabilities</i>	<i>660.1</i>	<i>638.8</i>	<i>926.0</i>	<i>614.6</i>	<i>613.1</i>
<b>Total equity and liabilities</b>	<b>1,787.2</b>	<b>1,747.1</b>	<b>2,809.0</b>	<b>1,904.6</b>	<b>1,926.4</b>