

NKT

Annual Report 2013

Webcast, 28 February 2014 at 9:00 am CET

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 Group's control, may cause that the actual development and results differ materially from the expectations.

Introducing today's participants



NKT Holding
Michael Hedegaard Lyng
Group Executive
Director & CFO



Nilfisk-Advance
Jonas Persson
President & CEO



NKT Cables
Marc van't Noordende
President & CEO



Photonics Group
Søren Isaksen
Chairman

Agenda

Highlights 2013

Group financials Q4 and FY2013

Business areas

Nilfisk-Advance

NKT Cables

Photonics Group

Expectations 2014

Questions & Answers



Highlights

Strong Q4 secured full year results to fulfil expectations

- FY 2013 revenue of 15.809 mDKK (4% organic growth) and operational EBITDA of 1.085 mDKK , 8,4% (Std. metal prices)
- Strong cash flow from operating activities in Q4 of 720 mDKK. Significant impact from reduced working capital

Organic growth across all business areas despite tough market conditions

- Nilfisk-Advance with 3% growth driven by EMEA and Americas, operational EBITDA margin stable at 11,9%
- NKT Cables growth of 4% in revenue driven by HV Projects and Railway in China, margin up to 5,6%
 - Overall, still not at satisfactory levels why DRIVE programme was initiated in Q4
 - DRIVE will in the first phase focus on reducing the cost base with 300 mDKK
- Photonics Group growing 13% and continuing towards commercialisation

Expectations 2014

- Organic growth of around 0-3%
- Operational EBITDA margin (std metal prices) of 9-9,5% compared to 8,4% realised in 2013

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Nilfisk-Advance

NKT Cables

Photonics Group

Expectations 2014

Questions & Answers

Group financials Q4 and 2013

Q4 Revenue 4.186 mDKK (Q4 2012: 4.002 mDKK)

FY2013 Revenue 15.809 mDKK (FY2012: 15.253 mDKK)

Organic growth 3% in Q4 2013 and **4%** FY2013

	Q4 2013	FY2013
Nilfisk-Advance	1%	3%
NKT Cables	4%	4%
Photonics Group	17%	13%

Q4 Operational EBITDA 332 mDKK, **9,7%** std. metal prices (Q4 2012: 320 mDKK, 9,9% std. metal prices)

FY2013 Operational EBITDA 1.085 mDKK, **8,4%** std. metal prices (FY2012: 1.039 mDKK, 8,6% std. metal prices)

Q4 Earnings before tax (EBT) 130 mDKK (Q4 2012: 128 mDKK)

FY2013 Earnings before tax (EBT) 348 mDKK (FY2012: 277 mDKK)

Q4 Profit after tax amounts to **99** mDKK (Q4 2012: 93 mDKK)

FY2013 Profit after tax amounts to **253** mDKK (FY2012: 196 mDKK)*

Working capital amounts to **2,8** bnDKK (2012: 2,4 bnDKK) at **20,2%** LTM vs. 19,8% compared to FY2012 revenue

NIBD decreased to **2.111** mDKK, **1,9x** operational EBITDA (Q3 2013: 2.753 mDKK, 2,6x operational EBITDA LTM)

Cash conversion rate, LTM decreased to 50% (Q3 2013 LTM: 77%)

Proposed dividend of 3,5 DKK per share, corresponding to a total dividend payment of 84 mDKK or 33% of profit for the year

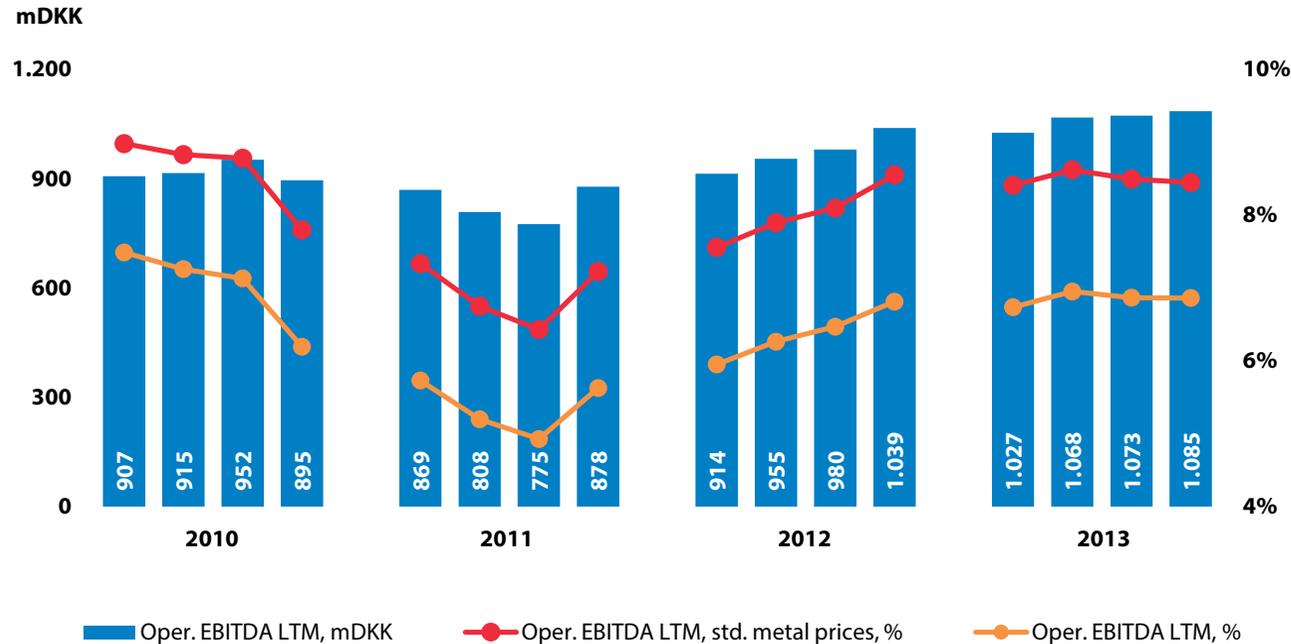
* Net profit of continuing operations

Expectations for 2013 fulfilled

mDKK	Original expectations 2013	Updated Q3 2013	Realised 2013
Revenue, std. metal prices	~12.148		12.843
Organic growth	0%	2-4%	4%
Operational EBITDA	~1.039		1.085
Cash flow from investments (excl. acquisition)	-500		-468
Net interest bearing debt	<2,5x		1,9x

Q4 continued the positive trend in earnings although small decline on marginal level

Operational EBITDA, LTM



Q4 Operational EBITDA of 332 mDKK, increased LTM to 1.085 mDKK
 2013 revenue of 12.843 mDKK in std. metal prices (2012: 12.148 mDKK)

Margins, LTM slightly lower at 8,4% in Q4 2013 vs 8,5% in Q3 2013 due to larger share of revenues from NKT Cables

Changes Q4 2013 vs. Q4 2012

mDKK	Q4 2013	Q4 2012	Change
Revenue	4.186	4.002	184 *01
<i>Revenue, std. metal prices</i>	3.438	3.227	211
Operational EBITDA	332	320	12 *02
One-off's	34	-7	41
EBITDA	366	313	53
Depreciation/Amortisation	-200	-144	-56
EBIT	166	169	-3
Financial items, net	-36	-41	5 *03
EBT from continuing operations	130	128	2
Tax from continuing operations	-31	-35	4
Profit	99	93	6
<i>Oper. EBITDA margin (std.)</i>	9,7%	9,9%	
<i>Tax %</i>	24%	27%	
Capex	158	161	3
Working capital	2.812	2.409	-403
NIBD	2.111	1.909	-202

01

	mDKK
Revenue increased by	184
Metal prices	-75
FX changes	-91
Acquisitions	262
3% organic growth	88
- NKT Cables	4%
- Nilfisk-Advance	1%
- Photonics Group	17%

02

	mDKK
Oper. EBITDA increased by	12
NKT Cables	
Margin 6,8% (Q4 2012: 6,8%)	16
Nilfisk-Advance	
Margin 13,1% (Q4 2012: 12,9%)	-3
Photonics Group and other	-1

03

	mDKK
Financial items decreased by	5
Reduced net interest expenses	7
Other financial items, net	-2

Changes FY2013 vs. FY2012

mDKK	FY2013	FY2012	Change
Revenue	15.809	15.253	556 *01
<i>Revenue, std. metal prices</i>	<i>12.843</i>	<i>12.148</i>	<i>695</i>
Operational EBITDA	1.085	1.039	46 *02
One-off's	18	-30	48
EBITDA	1.103	1.009	94
Depreciation/Amortisation	-595	-536	-59
EBIT	508	473	35
Financial items, net	-160	-196	36 *03
EBT from continuing operations	348	277	71
Tax from continuing operations	-95	-81	-14
Profit from continuing operations	253	196	57
Profit from discontinuing operations	-	1.410	-1.410
Profit	253	1.606	-1.353
<i>Oper. EBITDA margin (std.)</i>	<i>8,4%</i>	<i>8,6%</i>	
<i>Tax %</i>	<i>27%</i>	<i>29%</i>	
Capex	501	569	-68
Working capital	2.812	2.409	403
NIBD	2.111	1.909	202

01

	mDKK
Revenue increased by	556
Metal prices	-236
FX changes	-218
Acquisitions	567
4% organic growth	443
- NKT Cables	4%
- Nilfisk-Advance	3%
- Photonics Group	13%

02

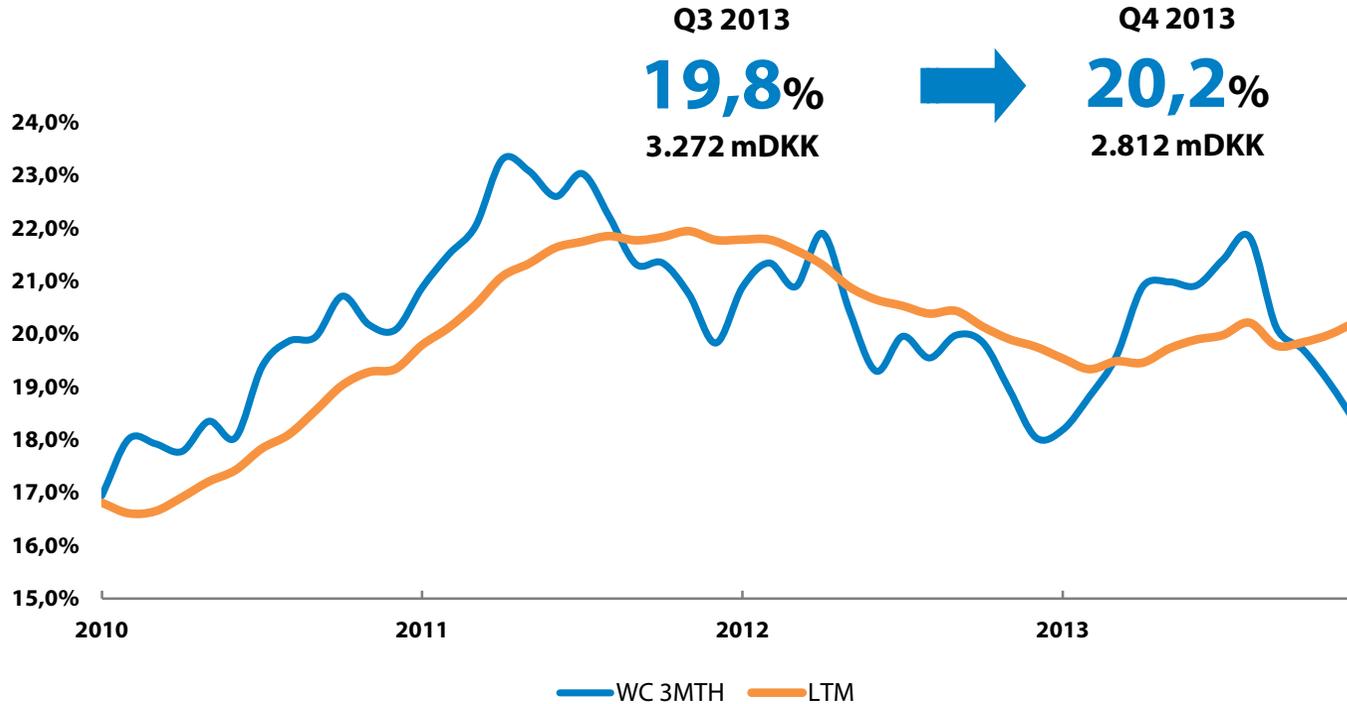
	mDKK
Oper. EBITDA increased by	46
NKT Cables	45
Margin 5,6% (2012: 5,3%)	
Nilfisk-Advance	3
Margin 11,9% (2012: 11,9%)	
Photonics Group and other	-2

03

	mDKK
Financial items decreased by	36
Reduced net interest expenses	52
Other financial items, net	-16

Working capital in slight rebound vs. last year low

Working capital (in % of revenue)



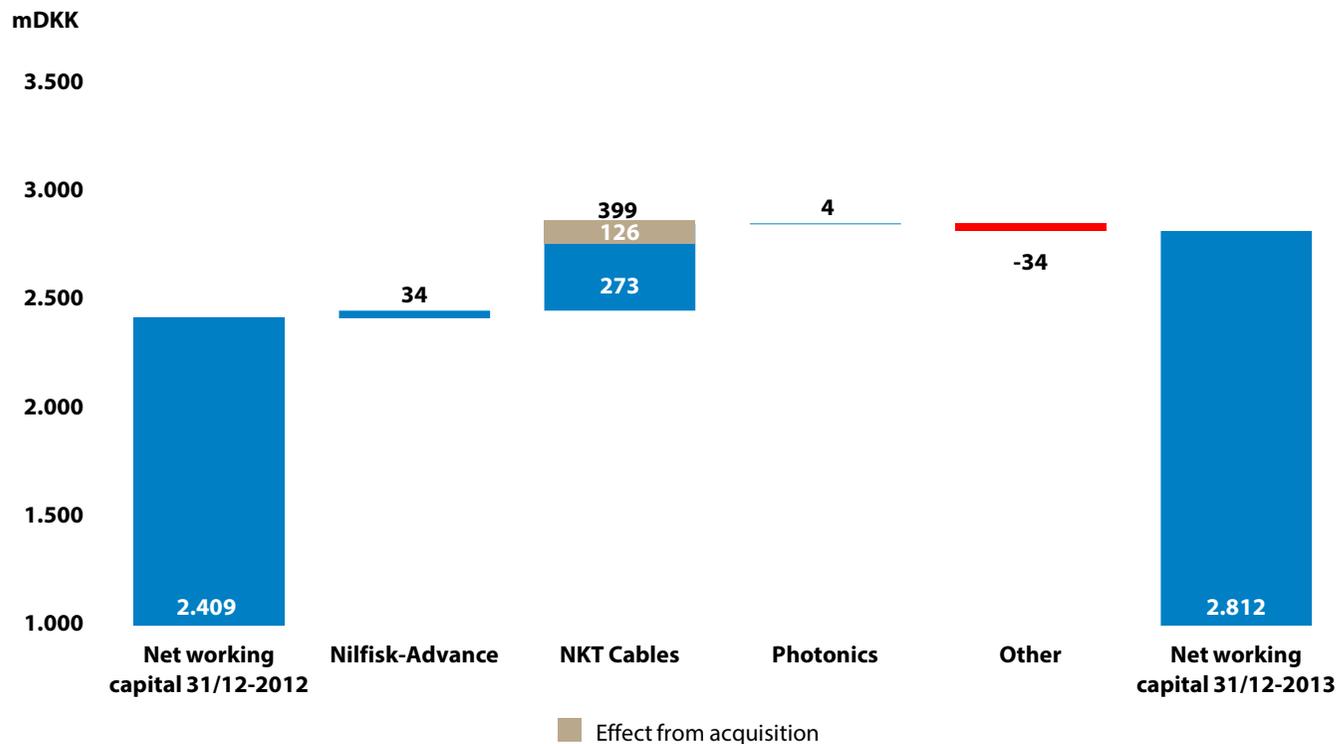
WC increased to **20,2%** vs. 19,8% end Q4 2012 (LTM)

NKT Cables increased to **20,7%** vs. 19,7% end Q4 2012 (LTM)

Nilfisk-Advance decreased to **19,2%** vs. 19,5% end Q4 2012 (LTM)

Working capital change tied to **project work in NKT Cables** - and conceals general improvements

Working capital by business area (mDKK)



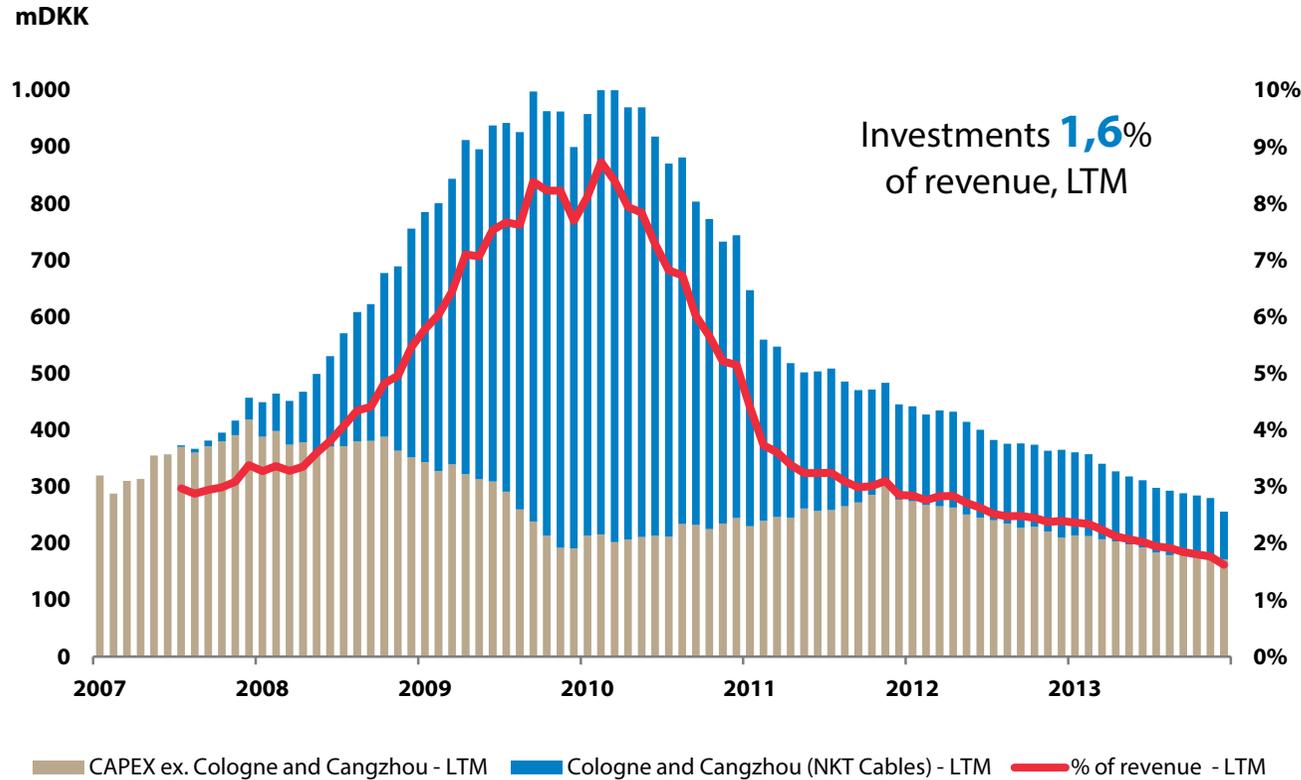
Nilfisk-Advance
working capital slightly up with increase in revenue

NKT Cables working capital increased by timing of progress invoicing and additions from acquisition (126 mDKK)

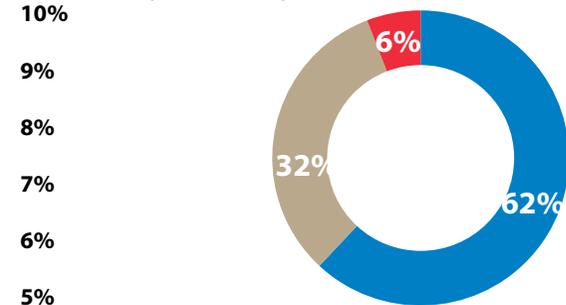
Overall, improvements in Inventory and Receivables management

Capex continues to decrease towards maintenance levels

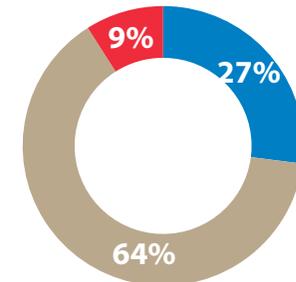
Investments in Property, Plant & Equipment (gross, LTM)



Investments, PPE 2013 of 279mDKK
(2012: 366)



Investments, intangibles 2013 of 222 mDKK
(2012: 203 mDKK)

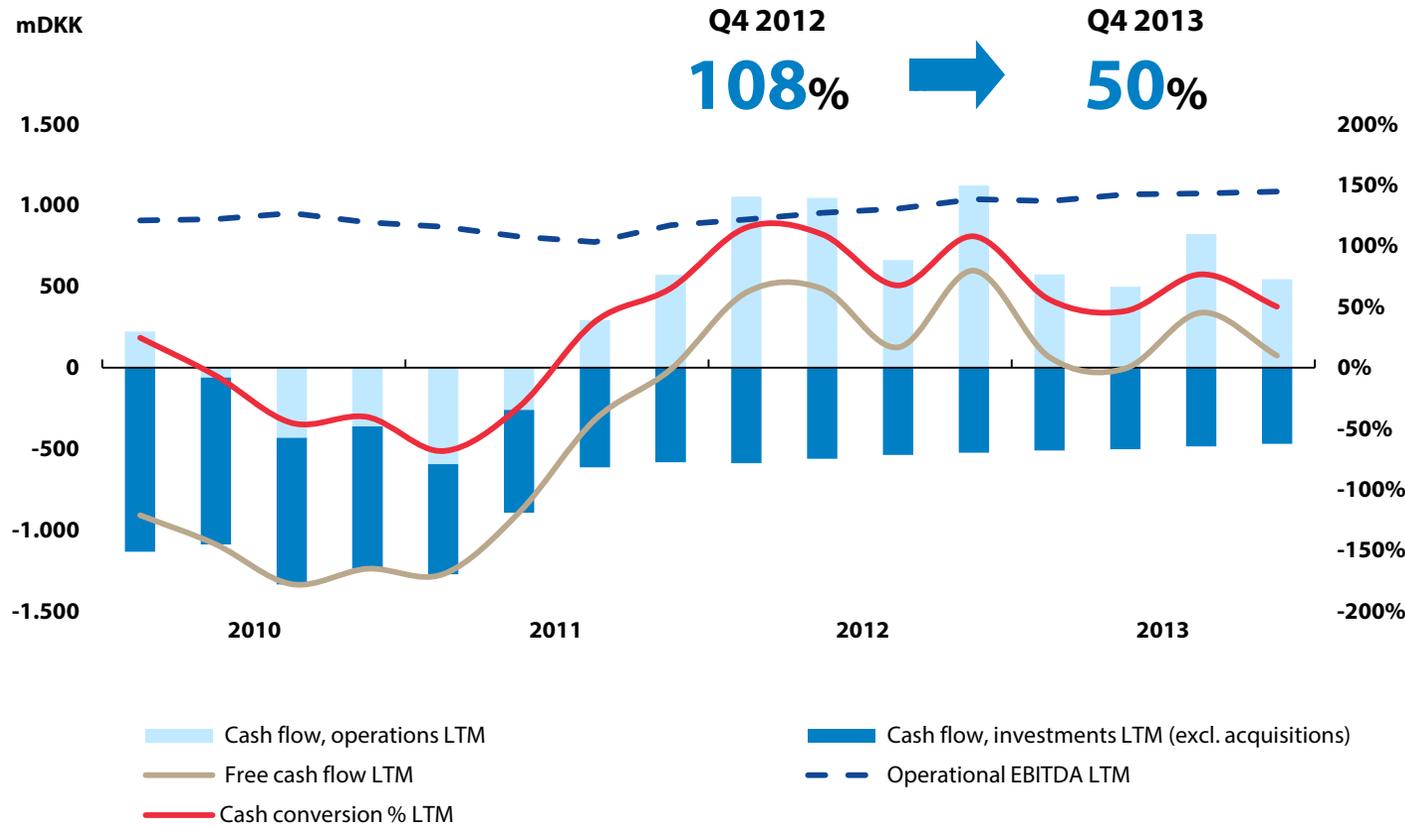


- % NKT Cables
- % Nilfisk-Advance
- % Other



Cash conversion rate adversely impacted by working capital change

Cash conversion, LTM



As of December 2013 cash conversion rate was 50%, LTM (Q3 2013: 77%)

*Cash conversion, LTM: Cash flow from operations LTM, divided by Operational EBITDA, LTM

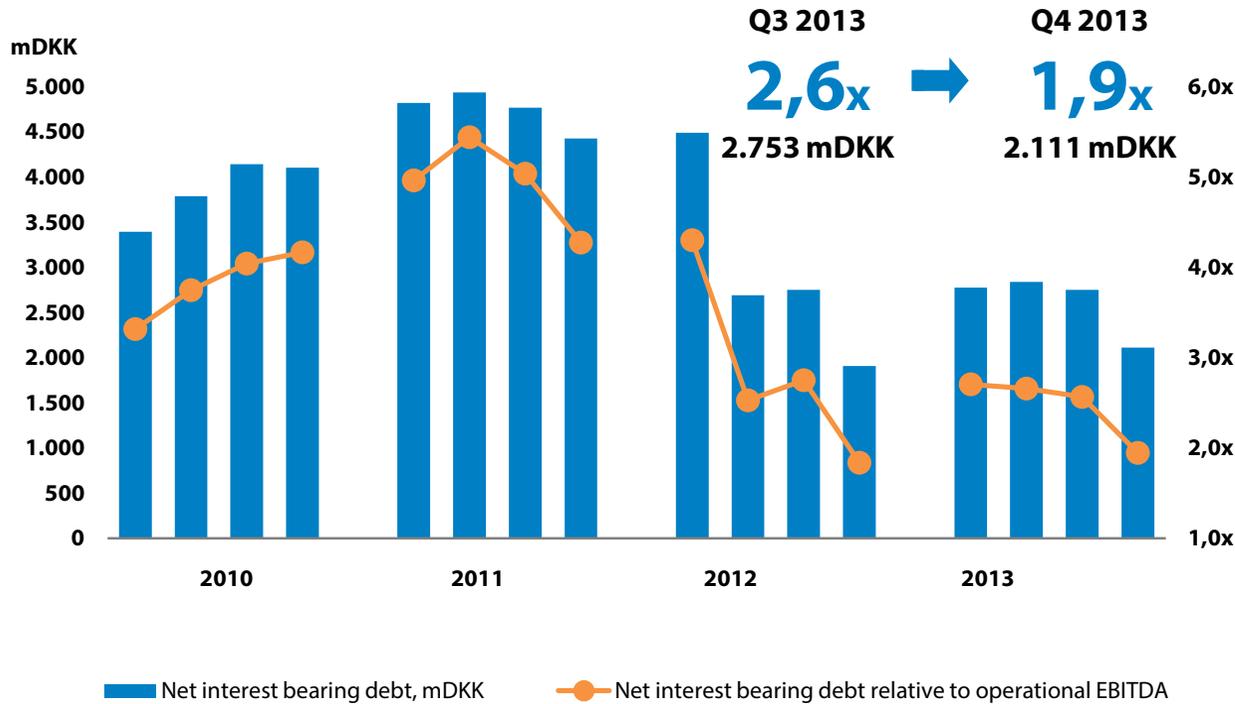
Strong Q4 cash flow from decreasing working capital

mDKK	Q4 2013	Q4 2012	FY2013	FY2012
Earnings, EBITDA	366	313	1.103	1.009
Interest, net	-36	-41	-160	-196
Change in working capital	468	722	-222	386
Other	-78	5	-176	-77
Cash flows from operating activities	720	999	545	1.122
Acquisition of business activities	9	2	-226	-8
Acq. of property, plant and equipment, net	-78	-109	-243	-318
Other investments, net	-74	-54	-225	-206
Cash flows from investing activities	-143	-161	-694	-532
Free cash flow	577	838	-149	590
Change in long- and short term loans	-553	-755	362	-2.435
Dividend paid	-	-	-191	-48
Cash from exercise of share-based options etc	-	-	7	21
Cash flows from financing activities	-553	-755	178	-2.462
Net cash flow from discontinued operations	0	5	0	1.967
Net cash flow	24	88	29	95

Q4 saw decrease in working capital of 468 mDKK contributing to strong free cash flow of 577 mDKK

Leverage ratio **significantly below threshold**

Net interest bearing debt (x Oper. EBITDA)



NIDB of 2.111 mDKK (1,9x Operational EBITDA) vs. 1.909 mDKK (1,8x Operational EBITDA) end Q4 2012

Leverage Max. NIBD of 2,5x Operational EBITDA

Gearing of 37% (end Q4 2012: 33%). Target: Max. ratio of 100%

Solvency ratio of 44% (end Q4 2012: 44%). Target: Ratio >30%

Long term funding in place with recent refinancing

Refinancing of bank facilities going into 2014 provide a substantial financial flexibility

- Significant cash resources available to operate the business and support the strategic development of the businesses
- Total of 4,7 bnDKK cash resources available, undrawn facilities of 4,3 bnDKK plus cash of 0,4 bnDKK
- NKT Policy to preserve committed facilities equal to the gross debt plus 1 bnDKK reserve
- No financial covenants on committed facilities

bnDKK	31.12.13	30.09.13	31.12.12
Committed (>3 years)	1,9	0,4	3,6
Committed (1-3 years)	3,8	3,7	0,1
Committed (<1 year)	0,2	1,0	1,4
Committed total	5,9	5,0	5,1
% of total	86%	81%	77%
Uncommitted	1,0	1,2	1,5
% of total	14%	19%	23%
Total	6,9	6,3	6,6
Cash	0,4	0,4	0,4
Drawn	-2,6	-3,3	-2,4
Cash resources available	4,7	3,4	4,6

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Nilfisk-Advance

'We enable sustainable cleaning worldwide to improve quality of life'

Jonas Persson, New CEO of Nilfisk-Advance



Jonas Persson (1969)

President & CEO

2009-2013: Assa Abloy, Head of Asia Pacific Division

1994-1999: Alfa Laval Group

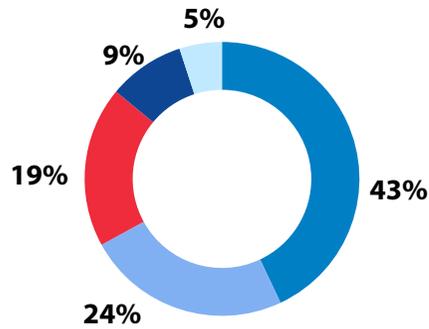
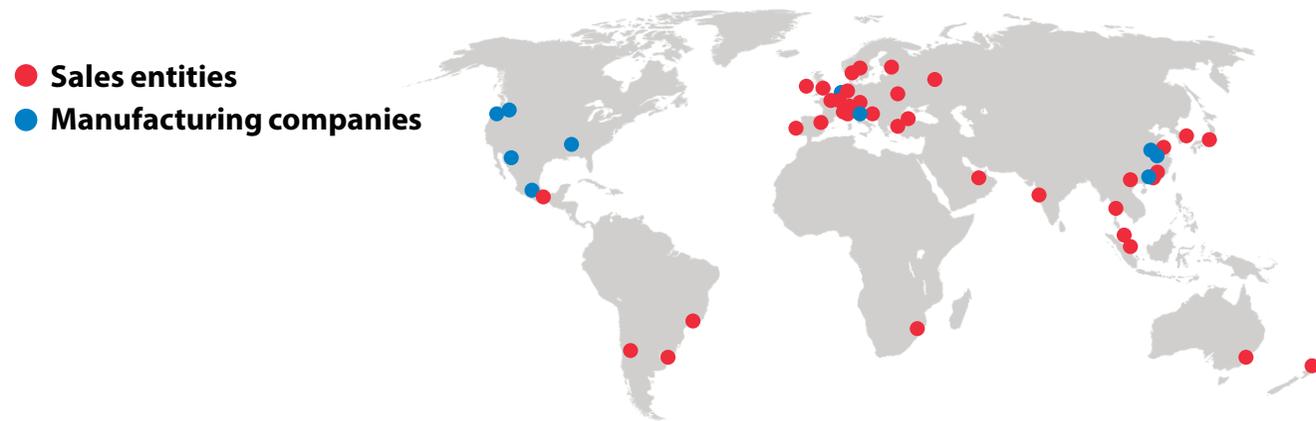
1999-2009: Nolato, Telecom

MSc. in Engineering from Lund University

First impression on Nilfisk-Advance

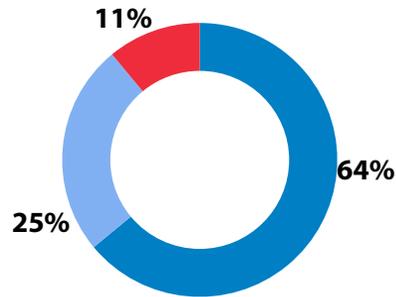
- Nilfisk-Advance is a well run company with many competent people
- Internal processes are good
- Nilfisk-Advance has a great product range which we need to sustain and develop
- Quality has improved over the years but we still have room to improve
- Organisation is ready to put more focus on front end and emerging markets to drive growth

Nilfisk-Advance overview



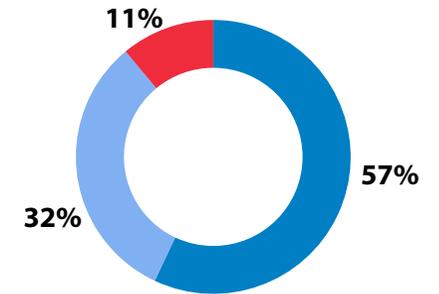
Sales by products

- Floor care
- Vacuum cleaners
- High-pressure washers
- Service
- Other



Sales by geography

- EMEA
- Americas
- Asia/Pacific

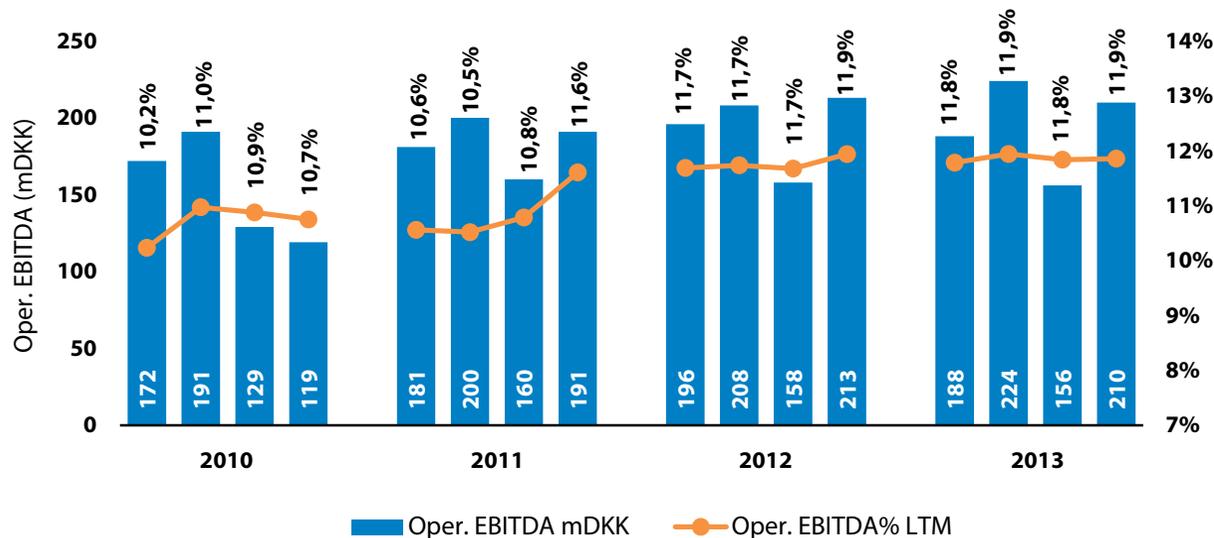


Sales by customers

- Commercial market
- Industrial market
- Private consumer market

Growth higher than expected and earnings stable

Nilfisk-Advance - Operational EBITDA, LTM



Higher than expected organic growth of 3% in 2013 (Q4: 1%)

- EMEA 5% (Q4: 5%)
- Americas 4% (Q4: -2%)
- APAC -4% (Q4: -9%)

Organic growth in peer 3% in FY2013 (Q4: 5%)

- EMEA: Q4 -3%
- Americas: Q4 6%
- APAC: Q4 15%

Organic growth

	2010				2011				2012				2013			
- Quarterly (Y/Y)	6%	10%	5%	7%	5%	8%	9%	9%	4%	1%	-4%	1%	1%	4%	7%	1%
- Annually	7%				8%				0%				3%			

Limited growth in Q4, but **strong EBITDA margin**

Financial

mDKK	Q4		FY	
	2013	2012	2013	2012
Revenue	1.609	1.645	6.561	6.491
- Org. growth	1%	1%	3%	0%
Oper. EBITDA	210	213	778	775
Oper. EBITDA margin	13,1%	12,9%	11,9%	11,9%
Capital employed	3.074	3.073	3.074	3.073
# FTEs, end of period	5.321	5.224	5.321	5.224

Organic growth

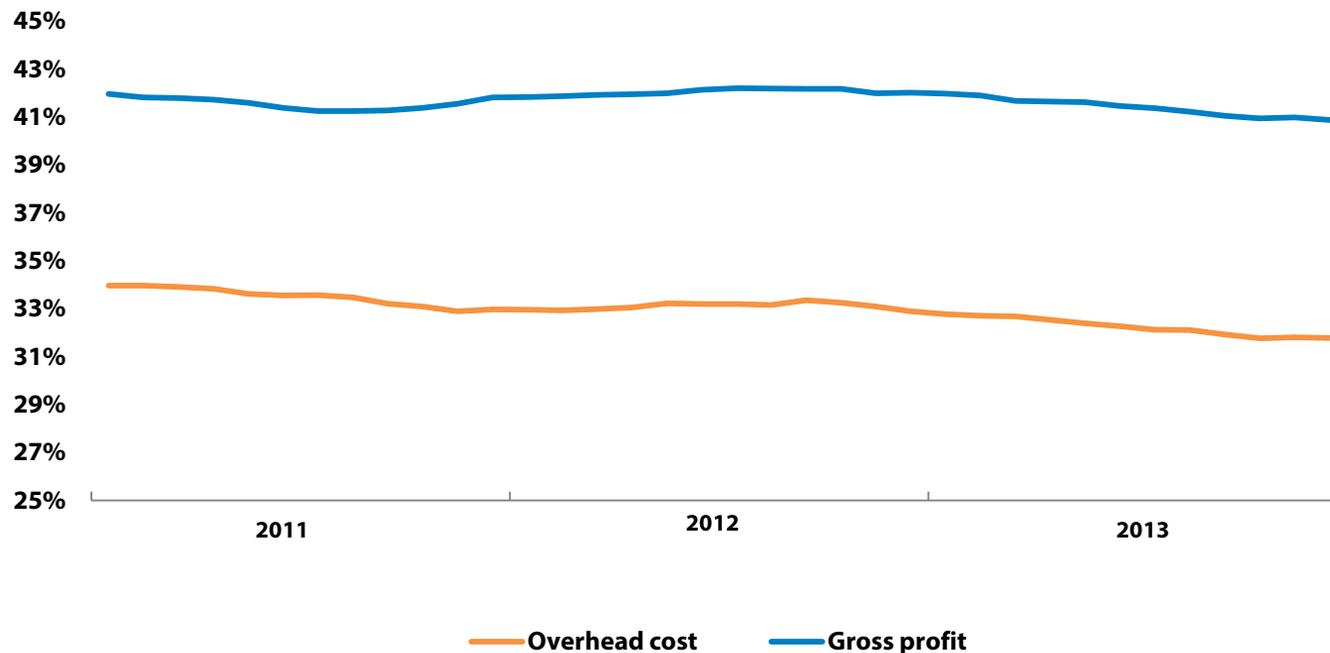
	Q4 2013	FY 2013
EMEA	5%	5%
Americas	-2%	4%
APAC	-9%	-4%

Highlights

- **EMEA:** Strong growth. Double digit growth in Turkey and Russia (Sochi Olympics contributing)
- **Americas:** Good growth throughout 2013, while Q4 was more soft, primarily due to reduced or postponed public sector spending in US
- **APAC:** Challenges throughout the year, in China and Australia. Korea and Japan doing well
- **Gross Margin:** The trend improved in Q4 2013 where the GP % was only 0.7% below Q4 of 2012. Challenged primarily due to customer/product mix, exchange rates and customer price consciousness
- **Fixed cost:** Continued benefit from savings initiatives (e.g. Product pruning, Sales Company process optimisation (Barnacles), Structural changes in Americas region, Consolidation of functions within specific countries and regions)
- **Product launches:** 10 new products launched in Q4, including high end consumer vac "Elite"
- **Strategy:** Declared "Victory" on MWB "Meet Customers' Delivery Expectations" in Q4 as strategic targets on delivery performance were met
- **M&A:** Acquisition of Scottish dealer and remaining share of South African JV partner by end Q4. In 2014, conditional agreement signed to divest non-core assets within Sanders (expect profit impact of 100 mDKK)

Reduced overhead costs compensate lower gross profit

Gross margin and Overhead costs, LTM (%)



Gross margin decline from changed product mix towards higher share of DIY sales

Overhead costs improved by continuous improvement on efficiency measures and tight cost containment

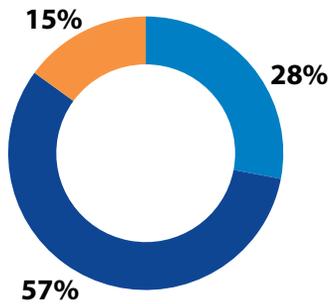
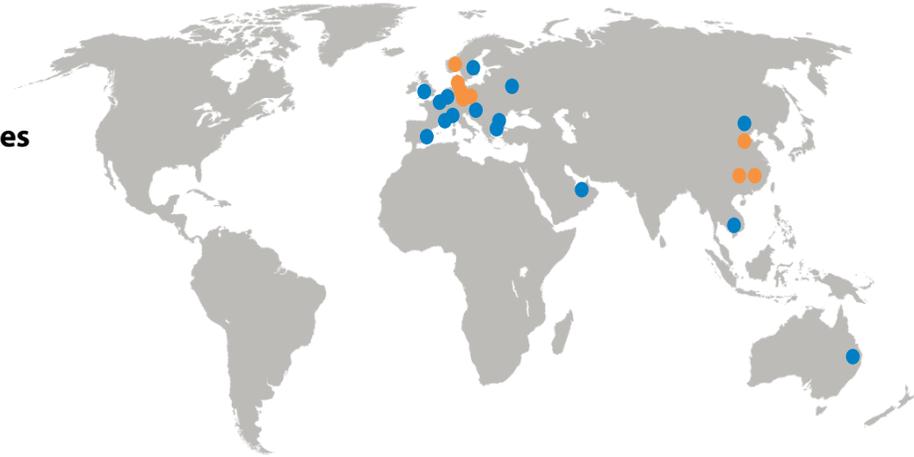


NKT Cables

'NKT Cables is creating value for its customers by providing solutions with cables'

NKT Cables overview

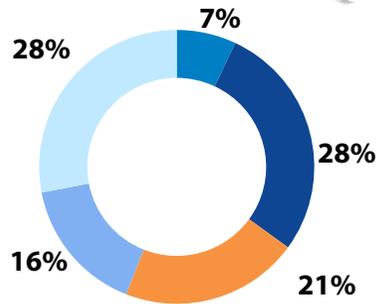
- Sales entities
- Manufacturing companies and Sales companies



Sales by Business Unit

- BU Projects
- BU Products
- BU APAC

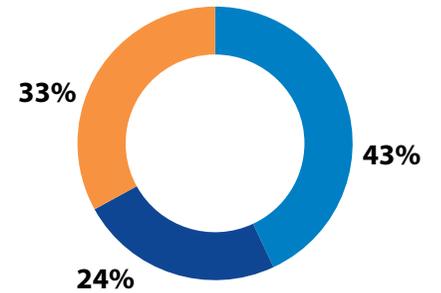
Measured in standard metal prices



Sales by geography

- Denmark
- Germany
- Eastern Europe
- Asia
- Other, primarily Europe

Measured in market prices



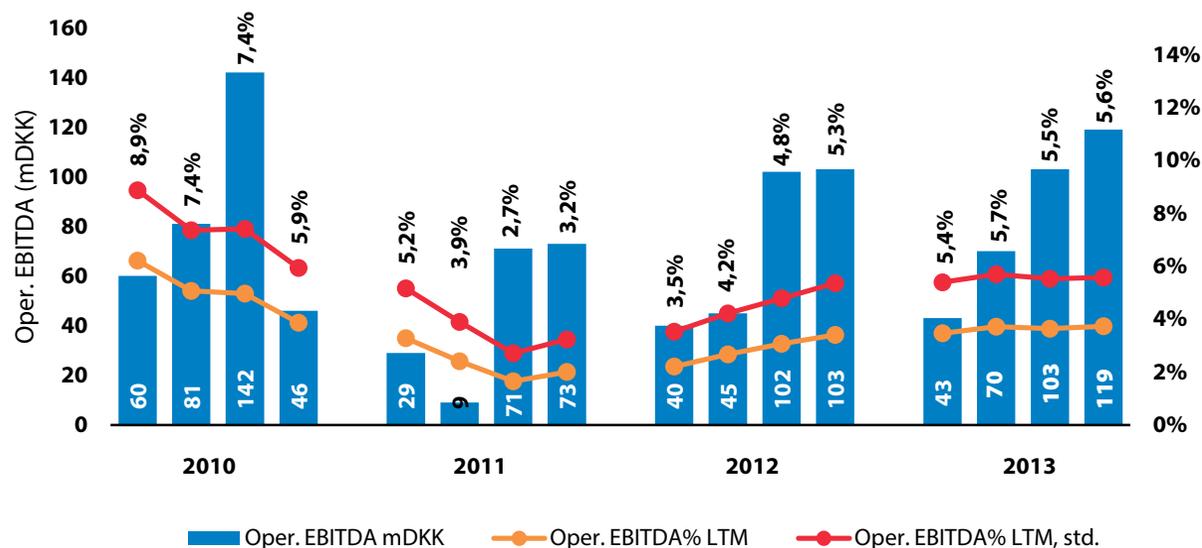
Sales by fields of application

- Utilities
- Wholesalers
- Industry

Measured in standard metal prices

Q4 provided growth and earnings improvement but still not at satisfactory levels

NKT Cables - Operational EBITDA, LTM



Realised 4% organic growth in 2013 (Q4: 4%)

- BU Projects 13% (Q4: 2%)
- BU Products -10% (Q4: 8%)
- BU APAC 49% (Q4: -2%)

2013 organic growth in peer -2%

- Infrastructure -1%
- Construction -6%
- Industry 1%

Organic growth

	2010				2011				2012				2013			
- Quarterly (Y/Y)	1%	25%	25%	34%	20%	0%	-4%	-6%	-13%	-4%	0%	0%	4%	10%	-2%	4%
- Annually	16%				1%				-4%				4%			

Satisfactory growth of 4% in Q4 and FY2013, **DRIVE** initiated

Financial

	Q4		FY	
	2013	2012	2013	2012
Revenue	2.491	2.283	8.983	8.526
Revenue, std. prices	1.744	1.508	6.017	5.421
- Org. growth	4%	0%	4%	-4%
Oper. EBITDA	119	103	335	290
EBITDA margin, std. prices	6,8%	6,8%	5,6%	5,3%
Capital employed	4.557	4.346	4.557	4.346
FTEs, end of period	3.560	3.395	3.560	3.395

Organic growth

	Q4 2013	FY 2013
BU Projects	2%	13%
BU Products	8%	-10%
BU APAC	-2%	49%

Highlights

- **DRIVE** 1st phase cost reduction initiated and in full implementation
- **BU Projects:** Positive development within HV, however, slightly set off customer and weather related delays
- Project Gemini: Financing committed by international banking consortium, financial close expected in the coming months
- High tender activity continues within offshore projects
- **BU Products:** Some early signs of a recovery in construction
- High deliveries within Automotive
- Close down of signal-cable production in Denmark and mothballing MV production in Cologne, Germany
- Ericsson acquisition synergies being harvested according to plan
- **APAC:** High growth rates continue, however, signs of catch up period coming to an end
- **Statement of objections:** Update on expectations regarding timing of a decision to be within 2014. No other changes in relations to this matter.

Why has **DRIVE** been **initiated now**?

Power cable market continues to be under pressure

- Longer-lasting and more severe downturn than originally expected
- Many opportunities exist in BU Projects, but markets are still with low visibility
- Within BU Products; declining volumes, overcapacity and price pressure

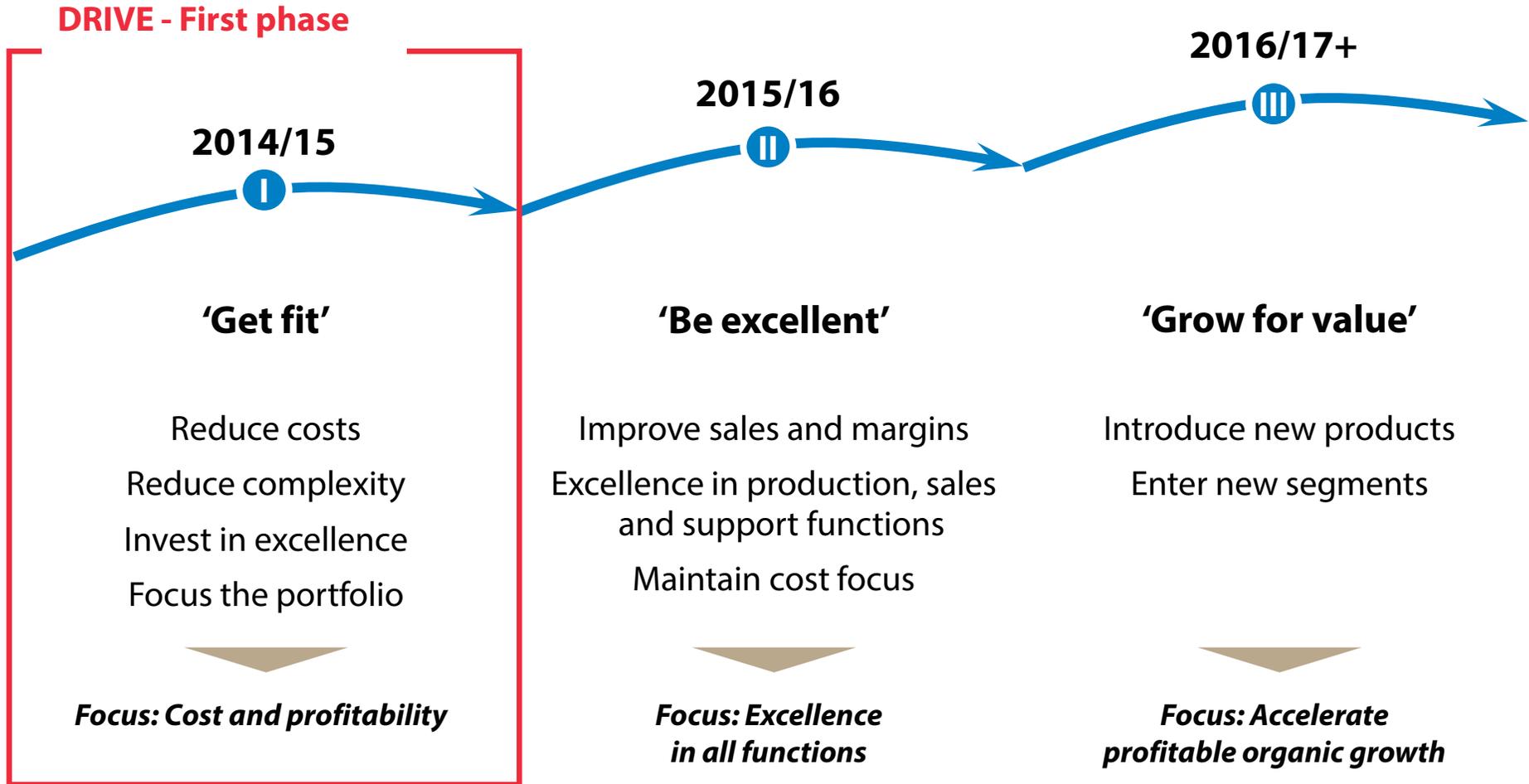
NKT Cables Management ready to execute

- f2c production in Cologne stabilised in 2013; ready to initiate further optimisation
- New BU structure in place and Management team set

“Step change” transformation across European entities

- Adjusting to new market climate
- Secure long term competitiveness and sustainable business
- Ensure return on future investments and value creation for our shareholders

DRIVE to transform performance and value creation - first phase focuses on reducing costs



More than **80 initiatives identified** within **5 focus areas**



DRIVE 1st phase with 100 mDKK cost improvement in 2014

- Full impact in 2016 of 300 mDKK

	Cost improvements	FTE reduction	One-off costs	Capex
2014 impact	<p>~100 mDKK (Run rate: 180 mDKK) *</p>	<p>~200 FTE</p>	<p>~180 mDKK</p>	<p>~50 mDKK</p>
Full impact going into 2016	<p>~300 mDKK</p>	<p>400-450 FTE 25% white collar 75% blue collar</p>	<p>~240 mDKK</p>	<p>~50 mDKK</p>

* Run rate effect: Estimate for full year effect if fully implemented
 Note: All cash effects

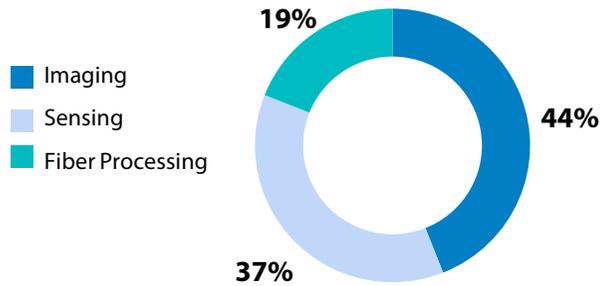


Photonics Group

'To lead the way in transforming the Photonics Industry'

Photonics Group overview

Sales by products



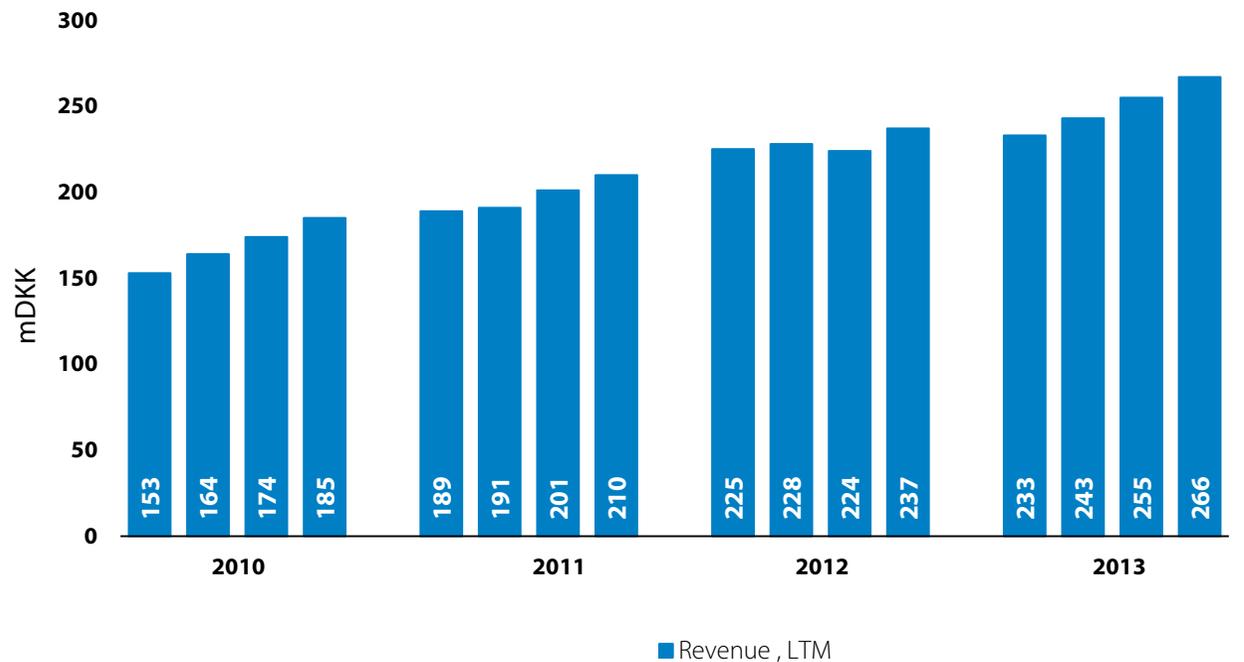
- HQ NKT Photonics
- HQ Lios Technology
- HQ Vytran

All data based on FY 2013



Another quarter with satisfactory **growth of 17%**

Photonics Group - Revenue, LTM



Q4 2013 realised 17% growth with all three areas contributing positively

Imaging continues strong performance within both revenue growth and order intake

Sensing experienced growth in Q4 mainly driven by distributed temperature sensing systems

In **Fiber Processing** demand has stabilised, however, at a relatively low level

Organic growth

	2010				2011				2012				2013			
- Quarterly (Y/Y)	-15%	23%	24%	26%	13%	6%	25%	19%	31%	3%	-11%	20%	-6%	16%	25%	17%
- Annually	14%				16%				10%				13%			

Photonics Group sees **continued growth of 10-20%** primarily from Imaging and Sensing

Financial

mDKK	Q4		FY	
	2013	2012	2013	2012
Revenue	87	75	266	237
- Org. growth	17%	20%	13%	10%
EBITDA	10	15	6	9
Capital employed	200	210	200	210
FTEs, end of period	205	182	205	182

Organic growth

	Q4 2013	FY 2013
Imaging	36%	41%
Sensing	2%	10%
Fiber processing	1%	-18%

Highlights

- **Imaging:** Secured biggest contract ever in Photonics Group
 - Breakthrough in manufacturing capability which enabled the high growth at year end
 - Good balance between industrial and new R&D customers, indicating also new growth areas to evolve in the future
- **Sensing:** Entry into new markets in energy sector, such as pipeline monitoring and process equipment
 - High demand for power cable monitoring systems and good sales of fire detection systems for city metros
 - Successful delivery of major project for energy process monitoring in the US
 - Activity in lasers for seismic sensing lower than 2012, but customers reporting good performance of seismic systems
- **Fiber Processing:** Measures have been implemented to secure healthy future development
 - Leaner organisation and product development in focus
 - Ed Connor, former VP of Sales, has taken over as CEO as of 1 November 2013

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Nilfisk-Advance

NKT Cables

Photonics Group

Expectations 2014

Questions & Answers

Expectations 2014

In 2014, NKT expects a **consolidated organic growth of around 0-3%**

Operational EBITDA margin in std. metal prices of 9-9.5% compared to 8.4% in std. metal prices in 2013

One-offs cost related to Drive (-180 mDKK) and divestment of non-core business activities within sanders (+100 mDKK) in Nilfisk-Advance of **net 80 mDKK**

2014

Planning Assumptions

NKT

- Organic growth	0 - 3%
- Operational EBITDA, % std. metal prices	9 – 9,5%

Nilfisk-Advance

- Organic growth	2 - 3%
- Operational EBITDA, %	12 - 12,5%

NKT Cables

- Organic growth	Neg. 2 - 3%
- Operational EBITDA, % std. metal prices	~ 7,1%

Photonics Group

- Organic growth	10 - 20%
- Operational EBITDA, %	5 – 10%

Agenda

Highlights

Group financials Q4 and FY2013

Business areas

Nilfisk-Advance

NKT Cables

Photonics Group

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Financial calendar

2014

25 March	Annual General Meeting
14 May	Interim Report Q1
20 August	Interim Report Q2
13 November	Interim Report Q3

2015

27 February	Annual Report 2014
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