



NKT

24 February 2021

Annual Report 2020

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 presenting team



Alexander Kara
President & CEO

NKT A/S



Line Andrea Fandrup
CFO

NKT A/S



Basil Garabet
President & CEO

NKT Photonics

Key messages 2020

- **Record high order intake** driven by the green transformation. This global trend is expected to represent further growth opportunities to all NKT business lines in the years ahead
- **Operational EBITDA more than tripled in NKT** with contributions from all three business lines
- NKT Photonics' **financial performance challenged by the COVID-19 pandemic**, in particular in 1st half 2020
- **Debt level lowered** by positive free cash flow contribution and capital increases

Agenda

- 05 **NKT**
- 13 NKT Photonics
- 16 Financial highlights
- 24 Questions & Answers

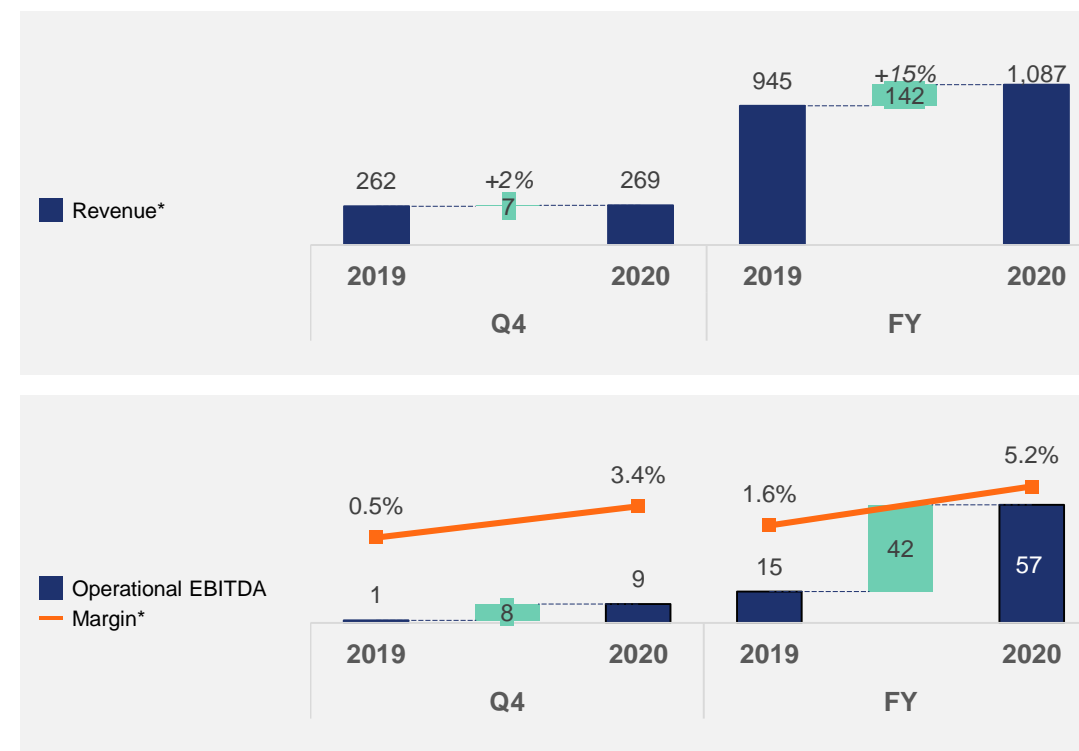
NKT performance in Q4/FY 2020

Positive Q4 performance driven by all three business lines

Key developments in Q4

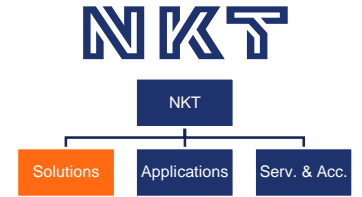
- NKT improved earnings in all three business lines in Q4 2020
- **Solutions** delivered positive financial development driven by higher factory output based on the orders awarded over recent years
- Preferred Supplier Agreement as main contractor for a European offshore wind farm announced. The estimated contract value exceeds EUR 250m
- **Applications**' revenue was negatively impacted by the COVID-19 pandemic. However, earnings still improved compared to Q4 2019
- Growth continued in **Service & Accessories**, with improved sales across the Service and Accessories businesses
- Organic growth amounted to 1% compared to Q4 2019

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q4 2020



Improvement driven by execution of order backlog

Customer offerings

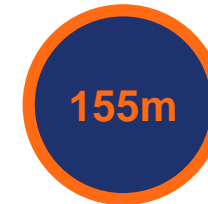


- High-voltage AC/DC on-/off-shore power cables

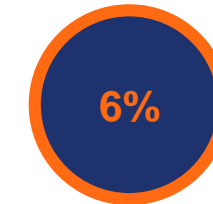
Development during Q4 2020

- Execution progressed on several high-voltage projects that have been awarded over recent years across various power cable segments
- Overall execution of projects was satisfactory and in line with expectations
- NKT Victoria, the company's cable-laying vessel, was utilized for installation purposes

Q4 2020 financial highlights



Revenue* EUR
(Q4 2019: EUR 143m)



Organic growth
(Q4 2019: 35%)



Oper. EBITDA EUR
(Q4 2019: EUR 5.6m)

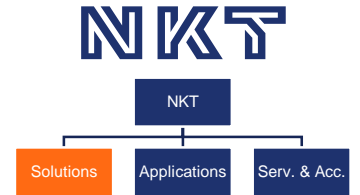


* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market development

Significant market increase in 2020



Key developments

- NKT's total high-voltage order intake in 2020 amounted to EUR 2.3bn and was driven by five large DC projects
- The value of project awards in the high-voltage power cable market was significantly higher in 2020 than in previous years. Management estimates that the total award level in the market (addressable high-voltage power cable projects larger than EUR 5m each) amounted to around EUR 6bn
- The majority of these project awards were DC technology, predominantly related to interconnector power cable projects and offshore wind export power cable projects
- NKT expects the value of relevant new high-voltage project awards to be more than EUR 3bn in 2021. This expectation is subject to uncertainty as the pipeline includes a number of large projects with no fixed award date. The prospective order awards are expected to continuously improve the supply and demand situation

Notable order wins in 2020

Name	Size (EURm)	Start Year*	Comm. Year**
Attica-Crete 	~115	2021	2023
Shetland 	~235	2021	2024
BorWin5 	<250	2021	2025
Sued-OstLink 	~500	2021	2025
Suedink 	>1,000	2022	2026

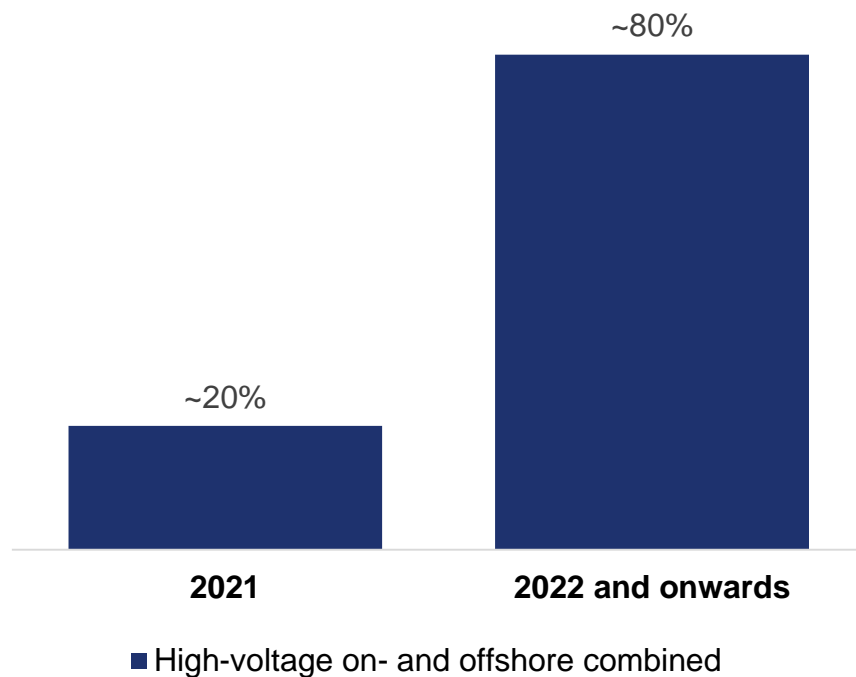
* Planned year production commence

** Planned commissioning year

High-voltage order backlog

The high-voltage order backlog of EUR 3.07bn* at the end of 2020 is at a record level, up from EUR 1.37bn at end-2019

Order backlog providing future coverage...



...and diverse across application and commissioning



OFFSHORE WIND

Borssele Beta	2021	
Triton Knoll	2021	
Hornsea 2	2021	
Moray East	2021	
Ostwind 2	2022	
Dogger Bank A & B	2023	
BorWin5	2025	



INTERCONNECTORS

Nordlink	2021	
Beckomberga-Bredäng	2023	
Viking Link	2023	
Attica-Crete	2023	
Shetland	2024	
SuedOstLink	2025	
SuedLink	2026	

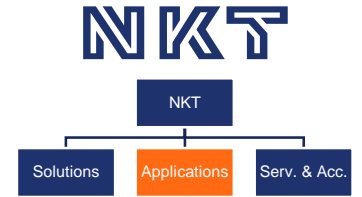


OIL & GAS

Johan Sverdrup 2	2022	
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* Market prices (EUR 2.59bn in std. metal prices)

Applications – Q4 2020



Continued earnings improvement

Customer offerings

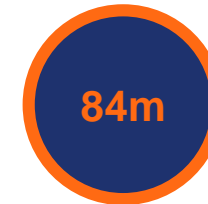


- Medium- and low-voltage cables & building wires
- Power cables for telecom market

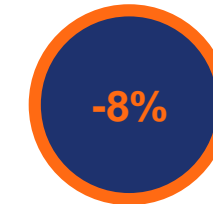
Development during Q4 2020

- Consequences of the COVID-19 pandemic were visible in some markets, such as Sweden and Denmark, leading to negative growth in Applications
- Despite the reduction in revenue, earnings improved driven by a positive change in product mix and continued focus on cost and production efficiencies
- In the beginning of 2021, NKT initiated the rollout of a uniform IT platform across its Eastern European sites. This is the second rollout phase

Q4 2020 financial highlights



Revenue* EUR
(Q4 2019: EUR 92m)



Organic growth
(Q4 2019: -4%)

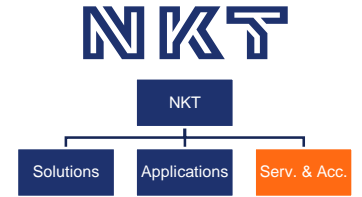


Oper. EBITDA EUR
(Q4 2019: EUR -2.6m)



* Std. metal prices

Service & Accessories – Q4 2020



Growth within both Service and Accessories

Customer offerings

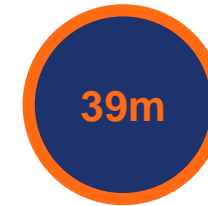


- High- and medium-voltage accessories
- Services

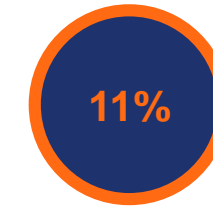
Development during Q4 2020

- In the Service business, revenue growth was driven by offshore repairs, and a higher level of activity in the onshore maintenance business
 - Successfully completed repair of two interconnectors between Denmark and Norway, Skagerrak 1 and 2
 - Service agreements signed covering offshore wind farms and interconnectors in Europe
- Accessories benefitted from increased production output, and improved sales to the Middle East and Scandinavia

Q4 2020 financial highlights



Revenue* EUR
(Q4 2019: EUR 31m)



Organic growth
(Q4 2019: 17%)



Oper. EBITDA EUR
(Q4 2019: EUR 2.5m)



* Std. metal prices

NKT climate action program will impact the entire life-cycle to drive towards net-zero



Strategic objectives:

- 1 Ensure the transition of all processes within the NKT to renewable energy and decarbonise the emissions that come from production in line with scientific requirements for 1.5°C global warming.
- 2 Drive the transition to renewable energy within the supply chain for all components used to build NKT's power cables and products

Signed up for SBTi in 2020 and using the method to reach net-zero.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS
AMBITION FOR 1.5°C



NKT started working on its environmental footprint a decade ago. Now strengthened the global activities within Scope 1 and 2, NKT's own emissions.



NKT

In 2020, NKT started up data collection for the hot spots for the indirect Scope 3 emissions, NKT's main suppliers.

*Up- and down
stream suppliers*

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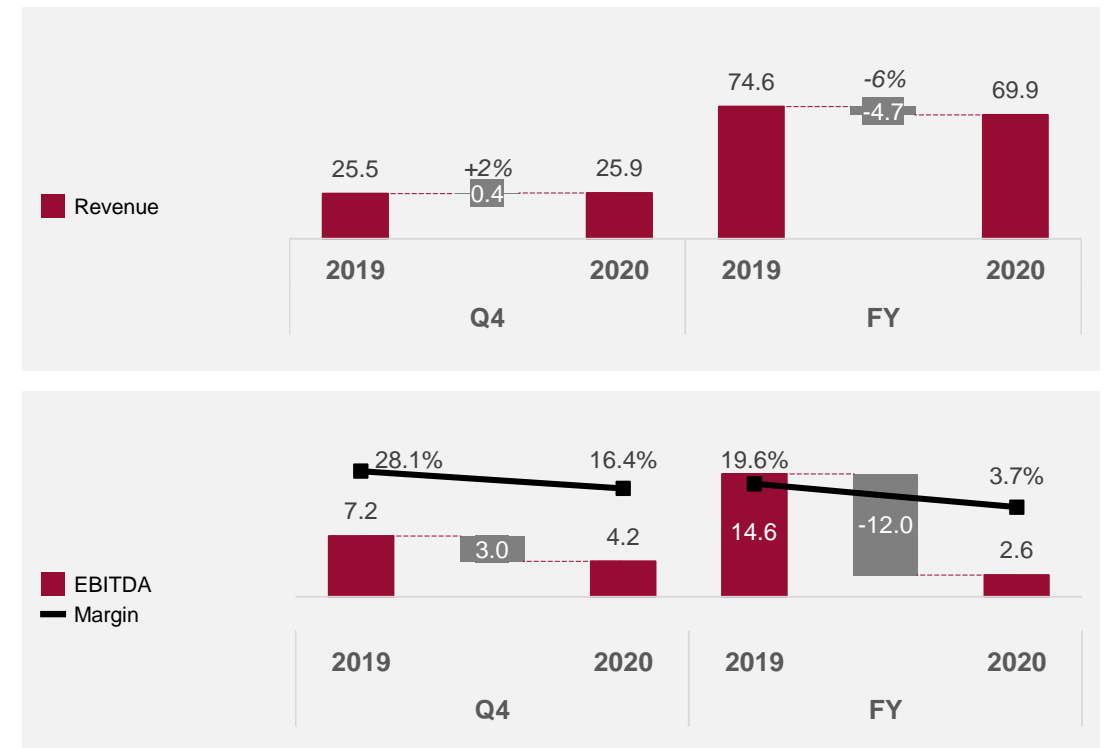
NKT Photonics performance in Q4/FY 2020

Organic growth of 3% in Q4, but performance continued to be impacted by the COVID-19 pandemic

Key developments in Q4

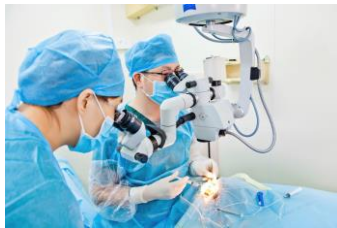
- After a challenging 1st half 2020, NKT Photonics' organic growth was positive in 2nd half 2020
- Positive development mainly driven by **Medical & Life Science** in particular – this market has been relatively resilient through the COVID-19 pandemic
- Demand remained subdued in parts of the **Industrial** market due to restrictions and closedowns because of the COVID-19 pandemic
- Revenue development in **Aerospace & Defence** was flat, slightly impacted by the COVID-19 pandemic
- EBITDA was lower than Q4 2019, negatively impacted by an increased cost base, a less favorable customer mix and temporary yield inefficiencies

Key financial highlights (EURm)



Business development

Medical & Life Science



Main applications:

Bio-imaging & Microscopy
 Medical devices
 Ophthalmology

- Strong growth in 2020 despite the COVID-19 pandemic
- This growth was driven by large customers within bio-imaging, microscopy and ophthalmology

Industrial



Main applications:

Device characterization, sorting and control
 Materials & Nanostructures
 Micromachining & Display
 Remote sensing & Semiconductors

- Headwinds at the start of 2020 strengthened with the COVID-19 pandemic
- The scientific and research markets struggled in 2020 as many institutions were under lockdown

Aerospace & Defence

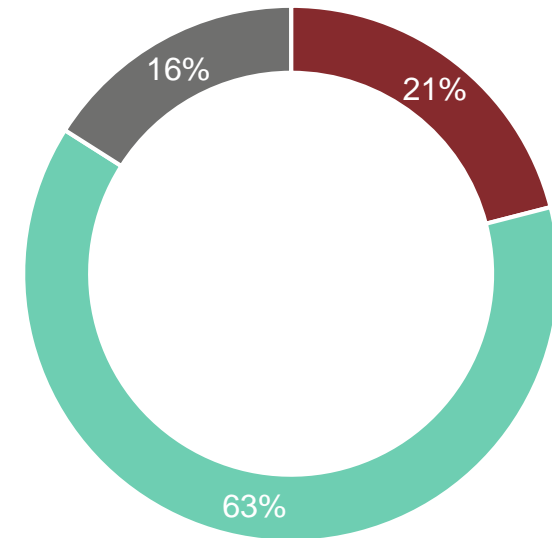


Main applications:

Aerospace
 DIRCM
 Directed Energy
 Remote sensing

- Delays relating to the COVID-19 pandemic affected the segment
- Although the level of activity continued high and both new and existing projects

Revenue distribution (2020)



■ Medical & Life Science ■ Industrial ■ Aerospace & Defence

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NKT Group: Income statement highlights

Improved EBITDA in Q4 2020, driven by NKT

Financial highlights

EURm	Q4		FY	
	2020	2019	2020	2019
Revenue	374	367	1,470	1,342
Revenue (Std. metal prices)	294	288	1,155	1,019
Organic growth				
NKT	1%	16%	15%	-10%
NKT Photonics	3%	15%	-6%	10%
Operational EBITDA	13	8	59	30
NKT	9	1	57	15
NKT Photonics	4	7	3	15
Operational EBITDA margin*				
NKT	3.4%	0.5%	5.2%	1.6%
NKT Photonics	16.2%	28.2%	3.7%	19.6%
One-off items	0	-6	-10	-12
EBITDA	14	2	49	18
Depreciation and impairment of PP&E	-19	-22	-71	-75
Amortization and impairment of int. assets	-10	-10	-27	-26
Financial items, net	-3	-6	-17	-12
Tax	-13	14	-10	19
Net result	-31	-23	-75	-76
Full-time employees, end of period				
NKT	3,469	3,303	3,469	3,303
NKT Photonics	417	403	417	403

* Std. metal prices

Key developments in Q4 2020

- Positive organic growth in both NKT and NKT Photonics
- Operational EBITDA improved in Q4 2020, with all three business lines in NKT contributing
 - NKT: Main contributors were Solutions driven by higher factory output, and Applications with a positive change in product mix and continued focus on cost and production efficiencies
 - NKT Photonics: EBITDA negatively impacted by an increased cost base, a less favorable customer mix and temporary yield inefficiencies
- Largely no one-off items
- The tax level was impacted by a difference between IFRS and local tax accounting for revenue recognition and no capitalization of deferred tax assets
- FTE level increased in preparation for future growth

NKT Group: Balance sheet highlights

Working capital down from end-Q3 2020 due to development in NKT

Financial highlights

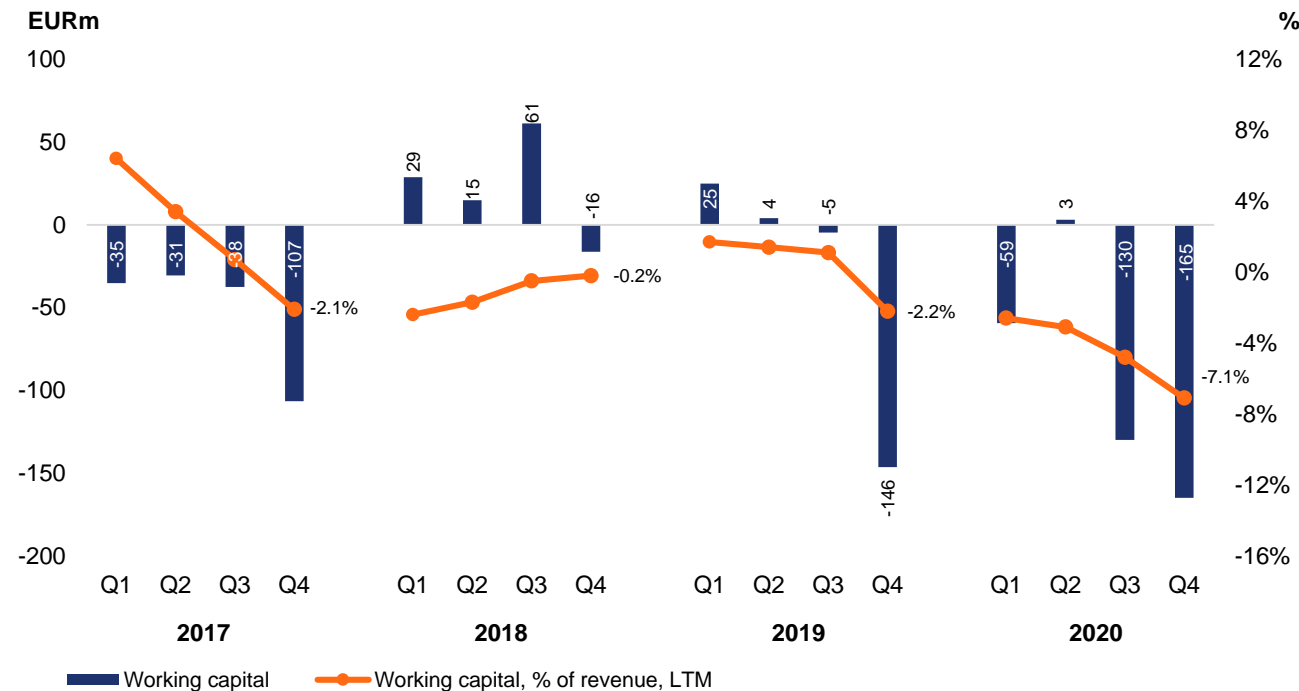
EURm	31 Dec		30 Sep	
	2020	2019	2020	2019
Working capital	-137	-118	-100	23
NKT	-165	-146	-130	-5
NKT Photonics	27	28	31	28
Capital employed	1,051	1,046	1,048	1,156
NKT	940	942	937	1,055
NKT Photonics	111	104	110	102
Return on Capital Employed (RoCE)	-3.5%	-6.2%	-4.2%	-6.0%
NKT	-2.9%	-7.2%	-4.1%	-7.1%
NKT Photonics	-8.8%	4.9%	-5.9%	6.8%
Net interest-bearing debt (NIBD)	-26	242	194	350
NIBD / LTM Operating EBITDA	-0.4x	8.2x	3.6x	16.7x
Assets	2,151	1,789	2,019	1,886
Equity	1,076	804	853	806

- Working capital at unusually low level at end-2020
 - NKT: Due to the record-high order intake in 2020, Solutions was the main contributor to this improvement due to the phasing of prepayments and milestone payments
 - NKT Photonics: The working capital decreased as a result of strengthened accounts receivables collection
- Increase in RoCE due to improved profitability in NKT
- The lower debt level and improved leverage ratio was driven by
 - Issuance of new shares in December 2020
 - Positive development in working capital
 - Higher earnings level

NKT: Working capital

Improved working capital due to the phasing of milestone payments in Solutions

Quarterly development in working capital



- Working capital improved further compared to end-Q3 2020:
 - Improvement in Solutions driven by phasing of milestone payments
 - NKT received a number of prepayments related to projects awarded earlier in 2020
 - Working capital in Applications lower in the seasonally smaller Q4
- Working capital will primarily depend on timing of payments in Solutions, which will lead to quarterly fluctuations

NKT Group: Cash flow statement highlights

Positive cash flow due to earnings contribution and improvements in working capital

Financial highlights

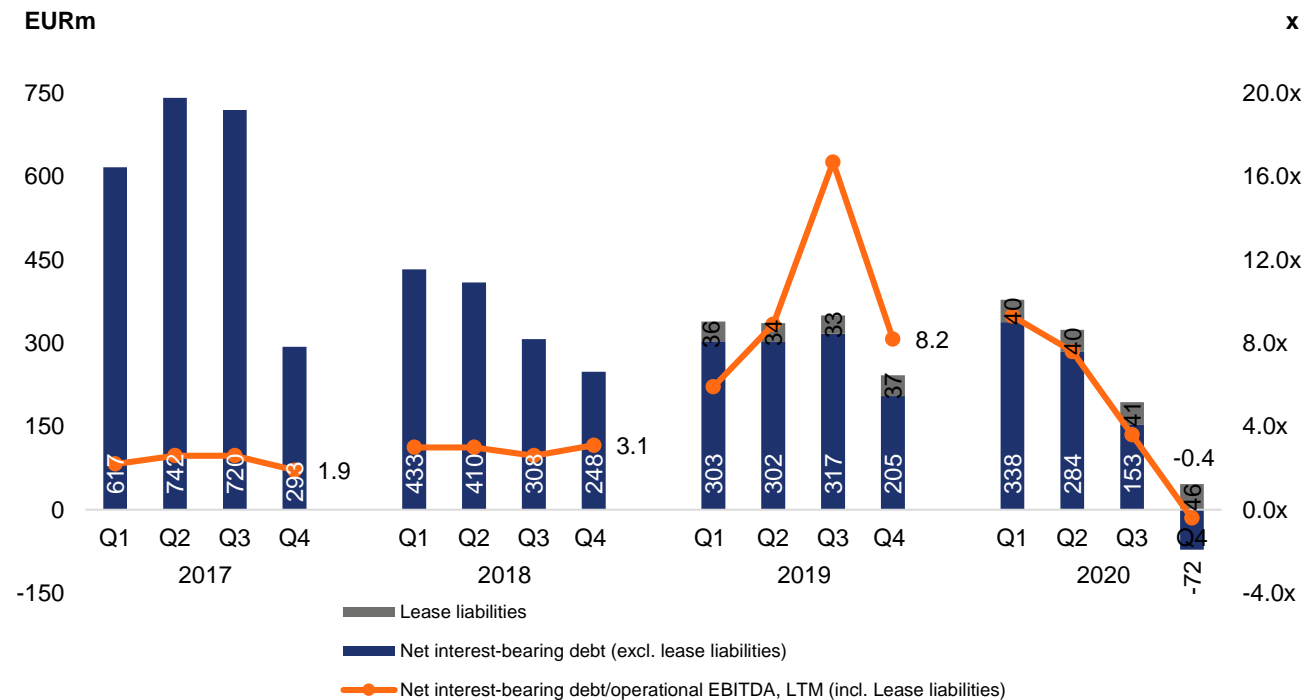
EURm	Q4		FY	
	2020	2019	2020	2019
Cash flow from operating activities	111	146	136	125
EBITDA	14	2	49	18
Financial items, net	-3	-6	-17	-12
Changes in working capital	106	151	115	130
Others	-6	-1	-11	-11
Cash flow from investing activities	-54	-27	-107	-67
Capex	-54	-21	-107	-69
Acquisition and divestment of businesses	0	-6	0	2
Free cash flow	57	119	29	58
Cash flow from financing activities	175	-118	204	-80
Net cash flow	232	1	233	-21

- Cash flow from operating activities was positive in Q4 2020
 - The improved performance was driven by the higher earnings level and the favorable development in working capital
- Cash flow from investing activities impacted by higher investments in NKT in Q4 2020
 - A higher investment level is also expected in NKT in the coming quarters driven by execution of the previously announced investment programme in Solutions during 2020-2022
- Cash flow from financing activities positively impacted by issuance of new shares

NKT Group: Financial leverage ratio

Leverage ratio turned negative mainly due to capital increase

Quarterly development in net interest-bearing debt (NIBD)



- NIBD at end-2020 was lower than at end-Q3 2020 driven by the cash flow generation and issuance of new shares
- At end-2020, NKT A/S had total available liquidity reserves of EUR 536m comprising
 - Cash of EUR 239m
 - Undrawn credit facilities of EUR 297m
- The leverage ratio (NIBD/Operational EBITDA) was below the targeted level of 1.0x at end-2020

* 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 2021



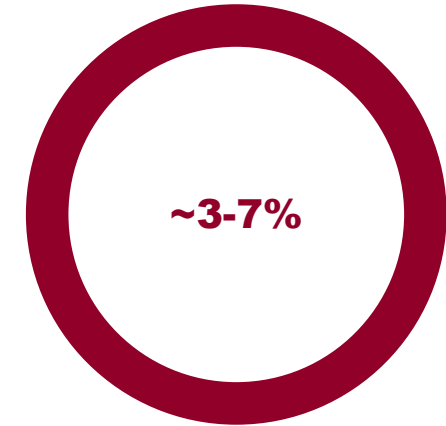
Revenue*



Operational EBITDA



Organic growth



EBITDA margin

- Already published in the Q3 2020 Interim Report and remains unchanged
- Targeted improvement in revenue and earnings compared to 2020 is mainly expected to be driven by Solutions

- Subject to high uncertainty given the unknown development of the COVID-19 pandemic
- Redundancy costs of around EUR 1.5m related to FTE reduction included

* Std. metal prices

Key messages 2020

- **Record high order intake** driven by the green transformation. This global trend is expected to represent further growth opportunities to all NKT business lines in the years ahead
- **Operational EBITDA more than tripled in NKT** with contributions from all three business lines
- NKT Photonics' **financial performance challenged by the COVID-19 pandemic**, in particular in 1st half 2020
- **Debt level lowered** by positive free cash flow contribution and capital increases



QUESTIONS & ANSWERS

Financial calendar



2021

Event

25 March

➤ **Annual General Meeting**

19 May

➤ **Interim Report, Q1 2021**

17 August

➤ **Interim Report, Q2 2021**

17 November

➤ **Interim Report, Q3 2021**

For full list of Investor Relations events, please visit investors.nkt.com