

# NKT

*Power to life since 1891*

## Management Review

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# Key messages

## Q3 2020

NKT Group delivered improved financial results in Q3 2020, with operational EBITDA more than doubling to EUR 22.4m from EUR 10.8m in Q3 2019. This was a continuation of the previous quarters' improved performance in the power cables business.

NKT, the power cables business, delivered improved revenue and earnings in Q3 2020 in all three business lines. The main growth contributor was the Solutions business line driven by the execution of recent years' high-voltage order awards.

In Q3 2020, NKT was awarded high-voltage projects that will contribute to the ongoing European transition towards increased renewables energy generation. The two largest awards were the power link between Shetland and mainland Scotland, with a contract value of approx. EUR 235m, and the offshore wind power connection in northern Germany, BorWin5, with a value of below EUR 250m.

In NKT Photonics, the organic growth turned positive in Q3 2020 driven by Medical & Life Science. The Industrial segment continued to be negatively impacted by the COVID-19 pandemic.

In October 2020, the Board of Directors announced its intention to resume the strategic review of NKT Photonics when the business and financial performance is no longer materially affected by the COVID-19 pandemic and the general economic situation. This is with the objectives of maximizing value creation, and positioning NKT Photonics for long-term growth. The company is currently contemplating a divestment of a smaller non-core part of the NKT Photonics business and is evaluating approaches from interested parties.

The Group's net interest-bearing debt amounted to EUR 194m at end-Q3 2020, which was EUR 130m lower than at the end of the previous quarter. The improvement was primarily attributable to favourable development in working capital from phasing of payments in Solutions. The net interest-bearing debt relative to operational EBITDA was 3.6x.

As previously communicated, the intention is to issue shares with pre-emptive rights for the current shareholders before end-2020. This is subject to prevailing market conditions and other factors. The prospectus is expected to be released in the second part of November 2020.

Amounts in EURm	NKT				NKT Photonics			
	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Revenue	376.6	308.6	1,054.2	926.2	16.7	16.7	44.0	49.1
Revenue in std. metal prices**	300.2	232.4	818.3	682.8	16.7	16.7	44.0	49.1
Organic growth**	28%	-16%	21%	-17%	3%	8%	-10%	7%
Operational EBITDA**	21.4	6.9	47.6	13.9	1.0	3.9	-1.6	7.4
Operational EBITDA margin*, **	7.1%	3.0%	5.8%	2.0%	6.2%	23.3%	-3.6%	15.1%
EBIT	0.3	-18.8	-22.9	-53.6	-2.2	1.8	-10.3	0.7
Working capital**			-130.4	-4.7			30.9	27.8
RoCE***			-4.1%	-7.1%			-5.9%	6.8%

\* Std. metal prices

\*\* Alternative performance measures

\*\*\* RoCE is calculated on operational EBIT, LTM, as a percentage of average capital employed as defined in Note 4 on page 28

# NKT

## 300m

### Revenue (std. metal prices), EUR

Up from EUR 232m in Q3 2019. All three business lines contributed with improved revenue

## 28%

### Organic growth

Reflecting growth of 47% in Solutions, 34% in Service & Accessories, and 5% in Applications

## 21.4m

### Operational EBITDA, EUR

More than tripled from EUR 6.9m in Q3 2019, the main contributor being Solutions where operational EBITDA increased by EUR 8.5m

## 3.12bn

### High-voltage order backlog, EUR

Up from EUR 2.68bn at end-Q2 2020 to another record high. Driven by new project awards of more than EUR 0.5bn, mainly the award of the Shetland and BorWin5 projects

# NKT Photonics

## 16.7m

### Revenue, EUR

On par with Q3 2019. Revenue stabilized after the decrease in 1st half 2020 due to negative impact of the COVID-19 pandemic

## 3%

### Organic growth

Positive development in Medical & Life Science outweighed negative development in the Industrial segment

## 1.0m

### EBITDA, EUR

Reduction from EUR 3.9m in Q3 2019 due to a less favourable customer mix and a higher cost base driven by investments in future growth opportunities

## 11%

### Order intake growth

Based on positive contributions from all three market segments, mainly Medical & Life Science and Aerospace & Defence

# Financial outlooks



## 2020

The financial outlook for NKT is specified further. The revenue (std. metal prices) is expected to be around EUR 1.1bn (previously approx. EUR 1.0–1.1bn). The operational EBITDA is expected to be in the upper end of approx. EUR 40–60m.

## 2021

Revenue (in std. metal prices) is expected to be approx. EUR 1.1–1.2bn and the operational EBITDA is expected to be approx. EUR 80–110m in 2021. This is a continuation of the growth achieved in 2020.

The targeted improvement in revenue and earnings compared to 2020 is mainly expected to be driven by Solutions.

Historically, the financial outlook for the following year has been provided in the Annual Report. However, given the intention to issue new shares before end-2020, it has been decided to provide it earlier than usual.

Delivering on the financial outlook is based on several assumptions. The most critical are:

- The global COVID-19 pandemic and consequences thereof will not have material negative impact on the markets NKT is operating in or on NKT's ability to execute customers' orders
- Satisfactory execution of high-voltage projects to deliver on expected profitability margin
- Award of additional high-voltage projects with financial impact in 2021
- Continued profitability improvement in Applications driven by increased revenue and improved production efficiency
- Satisfactory offshore power cable repair work activity

## Medium-term ambitions

The ambition is to grow revenue\* organically from 2019 (EUR 945m) to the medium-term by a CAGR above 10% and to increase the operational EBITDA margin\* to approx. 10–14%.

To achieve the targeted medium-term financial ambitions, NKT has to perform satisfactorily in its three business lines. Additionally, the COVID-19 pandemic is assumed not to impact financial performance materially.

In Solutions, NKT needs to continuously be successful in relevant high-voltage project tenders across market segments and to ensure the projects awarded will be based on satisfactory terms and conditions. Order wins will be a prerequisite to have optimal utilization of production and installation assets with satisfactory mix of power cable types. Following the project awards, it is key for NKT to deliver satisfactory project execution in order to generate the expected profitability on the individual projects.

NKT is investing around EUR 150m in strengthening its high-voltage manufacturing facilities during 2020–2022.

In Applications, NKT has to improve profitability and has several initiatives ongoing. The main areas include a strong commercial mindset, improved production efficiency and control of the cost level. To support profitability further, NKT is focusing on having the relevant product portfolio available and targeting the most attractive market segments.

In Service & Accessories, the overall focus area is to maintain its growth momentum. This will be achieved through various initiatives such as geographical expansion in new and existing markets. Furthermore, the portfolio of products and services is continuously being expanded with a broader customer offering.

\* Std. metal prices



## 2020

The financial outlook for NKT Photonics is unchanged from Company Announcement No. 22 of 8 October 2020. The expectation is that organic revenue growth will be approx. -12% to -2%, and the EBITDA margin is expected to be approx. 1% to 6%.

## 2021

The financial outlook for 2021 will not be provided until better visibility in the markets is established. NKT Photonics has been negatively impacted by the COVID-19 pandemic causing weaker market demand. A gradual improved market environment was experienced during Q3 2020, but market uncertainty remains high.

## Medium-term ambitions

In 2017, NKT Photonics provided medium-term financial targets. The annual organic growth was to be above 10%, the EBITDA margin to reach approx. 25% and RoCE to be approx. 20%.

NKT Photonics delivered financial performance in 2018 and 2019 moving towards achievement of these targets. NKT Photonics' financial development in 2020 has been negatively impacted by the COVID-19 pandemic leading to performance below expectations.

The medium-term targets for NKT Photonics are withdrawn due to the uncertain market situation caused by the COVID-19 pandemic.

The expectations are that revenue development will return to healthy growth rates once the markets have normalized.

## Capital structure target

NKT Group aims to be perceived as a company with an investment grade credit profile and therefore strives to maintain a capital structure within defined medium-term targets for a leverage ratio (net interest-bearing debt relative to operational EBITDA) of up to 1.0x and a solvency ratio of minimum 30%. Previously the target for the leverage ratio was up to 1.5x.

The company is targeting a more robust capital structure as NKT will become a relatively larger project dependent

business due to the planned investments in the Solutions business line with large-scale complex projects and potentially large fluctuations in cash flows. The relatively larger size of Solutions and the associated higher order backlog will additionally require an increased need for bank guarantee capacity.

The company's dividend policy still targets pay-out of approximately one third of profit for the year, provided the capital structure allows for it. Further excess cash may be distributed as share buybacks or extraordinary dividends.

# Impact of COVID-19

In the first nine months of 2020 the COVID-19 pandemic had limited impact on the financial performance of the Group's power cables business, NKT, while NKT Photonics was negatively impacted.

The health and safety of the company's employees has the highest priority and management continues to monitor the situation closely, including observing national and local official guidelines and also safeguarding the supply chain. The measures introduced have been successfully implemented at all sites, and all production sites for both NKT and NKT Photonics remain in operation. These areas will continue to be a high priority as the ability to maintain production output is of highest importance.

In Q4 2020, the pandemic has again intensified in Europe. NKT has registered a few cases of COVID-19 infection of staff at production sites mainly in Czech Republic and Germany. However due to strict segregation policies and quick response plans in place the operational impact remained limited.

Commercially the implications for NKT have so far been limited. Several high-voltage projects have been awarded during 2020, and the demand has generally experienced limited impact. Within low- and medium-voltage, market activity has gradually slowed in recent months. NKT Photonics has experienced a more negative impact on customer demand, mainly in the Industrial segment.

Predicting the future impact of the pandemic remains challenging, with uncertainty increasing due to the development in recent months. Overall, the megatrends driving growth in both the power cable and the photonics markets are expected to prevail.





# Financial review

**NKT delivered improved revenue and earnings in Q3 2020 driven by contributions from all three business lines. Cash flow generation was also positive due to the improved financial performance and favourable development in working capital. NKT's high-voltage order backlog again reached a record level as Q3 2020 project awards exceeded EUR 0.5bn.**

## Growth in revenue across all business lines

In Q3 2020, NKT's three business lines delivered improved revenue\* totalling EUR 300m, an increase of EUR 68m from the same period of 2019. This equalled organic growth of 28%. The main growth contributor was Solutions driven by the execution of recent years' high-voltage order awards, and the Applications and Service & Accessories business lines also contributed.

The revenue\* for the first nine months of 2020 amounted to EUR 818m, against EUR 683m in the same period in 2019. The organic growth for the first nine months of 2020 was 21%, mainly due to higher revenue in Solutions.

Q3 2020 revenue in market prices was EUR 377m, against EUR 309m in Q3 2019.

## Operational EBITDA more than tripled in Q3 2020

The revenue growth translated into higher earnings for all three business lines. Operational EBITDA in Q3 2020 increased to EUR 21.4m from EUR 6.9m in Q3 2019. The main contributors were Solutions and Applications based on improved production output and gradual efficiency measures.

The operational EBITDA margin\* increased to 7.1% in Q3 2020, against 3.0% in Q3 2019.

The operational EBITDA for the first nine months of 2020 was EUR 47.6m, compared to EUR 13.9m in the same period of 2019, primarily driven

by increased activity in Solutions and profitability improvements in Applications.

## Key financials

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
<b>Income statement</b>					
Revenue	376.6	308.6	1,054.2	926.2	1,268.2
Revenue in std. metal prices**	300.2	232.4	818.3	682.8	945.0
Operational EBITDA**	21.4	6.9	47.6	13.9	15.1
EBITDA	20.4	2.0	37.5	8.1	3.1
Depreciations and amortizations	-20.1	-20.8	-60.4	-61.7	-90.3
Operational EBIT**	1.3	-13.9	-12.8	-47.8	-75.7
EBIT	0.3	-18.8	-22.9	-53.6	-87.7
Financial items, net	-4.5	-2.7	-10.8	-6.2	-11.6
EBT	-4.2	-21.5	-33.7	-59.8	-99.3
Tax	-2.1	0.6	0.2	5.9	20.8
Net result	-6.3	-20.9	-33.5	-53.9	-78.5
<b>Cash flow</b>					
Cash flow from operating activities	158.8	10.4	30.5	-22.1	117.8
Cash flow from investing activities excl. acq. & div.**	-14.4	-13.1	-41.7	-36.2	-52.3
Free cash flow excl. acq. & div.**	144.4	-2.7	-11.2	-58.3	65.5
<b>Balance sheet</b>					
Capital employed**	937.1	1,054.5	937.1	1,054.5	941.6
Working capital**	-130.4	-4.7	-130.4	-4.7	-146.3
<b>Financial ratios and employees</b>					
Organic growth**	28%	-16%	21%	-17%	-10%
Operational EBITDA margin*, **	7.1%	3.0%	5.8%	2.0%	1.6%
RoCE**	-4.1%	-7.1%	-4.1%	-7.1%	-7.2%
Full-time employees, end of period**	3,429	3,271	3,429	3,271	3,303

\* Std. metal prices

\*\* Alternative performance measures



Total one-off items in Q3 2020 amounted to EUR -1.0m, compared to EUR -4.9m in Q3 2019. The costs related to various items, including strategic initiatives aimed at improving production efficiency.

The EBIT amounted to EUR 0.3m in Q3 2020, against EUR -18.8m in Q3 2019, the improvement reflecting the growth in operational EBITDA. The net result in Q3 2020 was EUR -6.3m, against EUR -20.9m Q3 2019, as financial items were impacted negatively by foreign exchange rate effects and tax was impacted by capitalization of deferred tax assets in Germany.

### Improved working capital driven by Solutions

Working capital improved significantly from EUR 2.9m at end-Q2 2020 to EUR -130m at end-Q3 2020, mainly due to phasing of milestone payments in Solutions. NKT received a number of prepayments related to projects awarded earlier in 2020.

The working capital ratio, LTM, was -4.8% at end-Q3 2020, against -3.1% at end-Q2 2020.

### Positive cash flow generation

In Q3 2020, the cash flow from operating activities amounted to EUR 159m, an increase of EUR 148m from Q3 2019. The improved performance was driven by the higher earnings level and the favourable development in working capital.

The cash flow from investing activities, excluding acquisitions and divestments, was EUR -14.4m in Q3 2020, compared to EUR -13.1m in Q3 2019. The primary investments were conducted in Solutions. A higher investment level is expected in Solutions in the upcoming quarters driven by execution of the previously announced investment programme of around EUR 150m during 2020–2022.

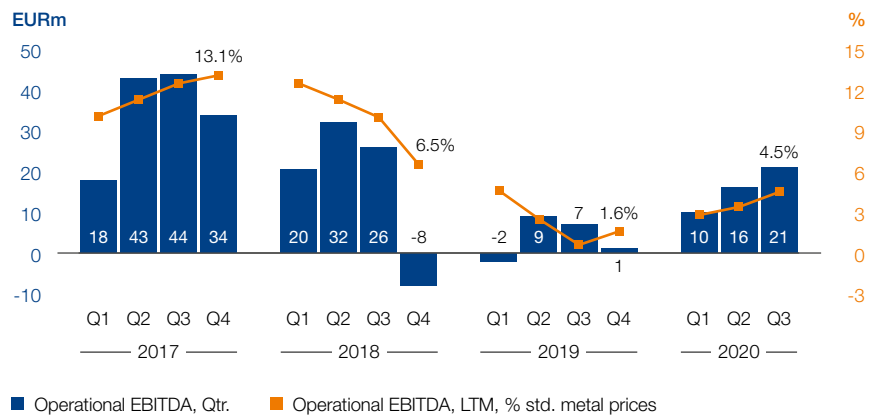
## Revenue development and organic growth

### Amounts in EURm

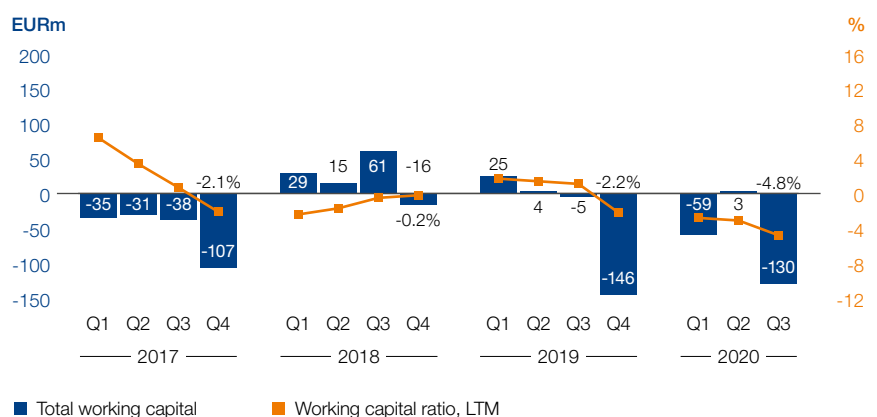
<b>Q3 2019 revenue*</b>	<b>232.4</b>
Currency effect	1.6
Acquisitions	0.0
Divestments and reclassifications	0.6
<b>Q3 2019 adjusted revenue*</b>	<b>234.6</b>
Organic growth	65.6
<b>Q3 2020 revenue*</b>	<b>300.2</b>
<b>Organic growth, %</b>	<b>28%</b>

\* Std. metal prices

## Operational EBITDA



## Working capital



# Business review – Solutions

## 165m

**Revenue\*, EUR**  
(Q3 2019: EUR 110m)

## 47%

**Organic growth**  
(Q3 2019: -32%)

## 12.3m

**Operational EBITDA, EUR**  
(Q3 2019: EUR 3.8m)

### Highlights – Solutions

- Improved revenue and profitability in Q3 2020
- New high-voltage project awards worth more than EUR 0.5bn leading to record-high order backlog
- Continued progress on tenders across market segments

### Revenue increased by EUR 55m

The revenue\* for Solutions amounted to EUR 165m in Q3 2020, up from EUR 110m in Q3 2019, equal to organic growth of 47%. This development was due to higher factory output driven by execution of orders awarded over recent years.

The revenue\* in the first nine months of 2020 amounted to EUR 423m, compared to EUR 313m in the corresponding period of 2019. The organic growth in the first nine months of 2020 was 35%.

### Operational EBITDA more than tripled

The higher revenue resulted in operational EBITDA of EUR 12.3m in Q3 2020, compared to EUR 3.8m in Q3 2019. The operational EBITDA for the first nine months of 2020 amounted to EUR 27.0m, up from EUR 8.5m in the same period of 2019, driven also by the increased activity level.

In Q3 2020, NKT progressed a number of high-voltage projects in various project stages, including Dogger Bank A and B, Johan Sverdrup 2, Hornsea 2, Triton Knoll and Viking Link. Overall execution was satisfactory, with projects advancing better than anticipated, while a few experienced delays.

NKT has completed the upgrade of a high-voltage power link connecting Denmark and Sweden. In this project, four existing high-voltage power cables between the two countries have been successfully replaced by new 400kV AC XLPE power cables manufactured and delivered by NKT.

Q3 2020 saw satisfactory utilization of the company's cable-laying vessel, NKT Victoria, with completed installation of the export power cables for the Moray

East offshore wind farm. In Q4 2020, NKT Victoria will install export power cables for another UK offshore wind farm, Hornsea 2.

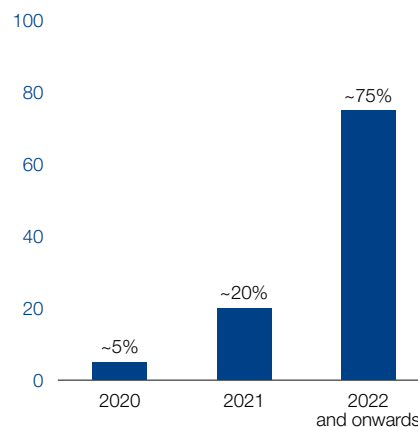
### High-voltage project awards exceeded EUR 0.5bn in Q3 2020

In Q3 2020, NKT was awarded high-voltage projects that will contribute to the ongoing European transition towards increased generation of renewable energy.

In July 2020, NKT was awarded the turnkey order for the Shetland HVDC Link, a combined on- and offshore project with a contract value of approx. EUR 235m (approx. EUR 230m in std. metal prices). The order comprises manufacturing of approx. 2x260 km of 320 kV high-voltage DC on- and offshore power cables, installation by NKT Victoria, and cable protection measures. Production will take place in Karlskrona with expected start in 2021.

In August 2020, NKT was awarded a turnkey contract from TenneT with a value of below EUR 250m (EUR 235m

### Expected revenue distribution of high-voltage order backlog (EUR 3.12bn) at end-Q3 2020



\* Std. metal prices

in std. metal prices) for delivery and installation of a high-voltage DC XLPE power cable system for the BorWin5 project in northern Germany. The order comprises the manufacturing of approx. 2x230 km of 320 kV high-voltage DC on-and offshore power cables and accessories, and subsequent offshore installation by NKT Victoria.

### Record-high order backlog topped EUR 3bn

With the projects awarded in Q3 2020, the high-voltage order backlog totalled EUR 3.12bn (EUR 2.70bn in std. metal prices) at end-Q3 2020. This was another record high, and an increase of more than EUR 400m compared to the previous quarter. Around 5% of the backlog is expected to be realized in 2020, around 20% in 2021 and the remaining approximately 75% in 2022 and beyond.

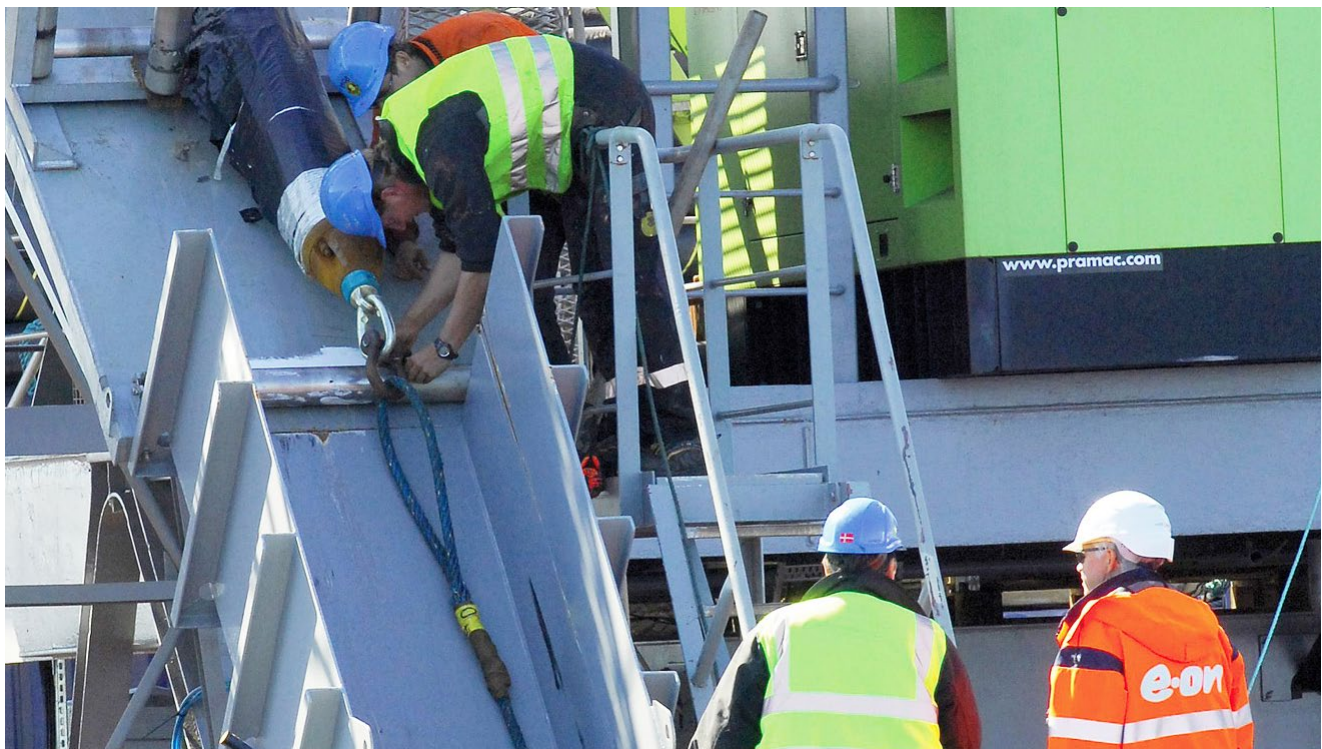
### Continued tender activity

In the market overall, awards of high-voltage power cable projects were considerably above previous years. In the first nine months of 2020, total awards in the market relevant for NKT were estimated at around EUR 6bn, driven by the three German high-voltage DC corridor projects. The project awards and ongoing tenders have primarily been DC technology, while the level of AC projects has been below expectations.

Progress continued on several tenders across market segments and geographies. The timing of project awards will depend on the timelines for the individual projects. For NKT, achieving optimal production and installation flow, and thereby improving earnings, is contingent upon high utilization of capacity across all

production and installation phases, which among other things requires a balanced mix of DC and AC projects.

Market activity relating to high-voltage project awards has not been materially impacted by the COVID-19 pandemic.



# Business review

## – Applications

# 103m

**Revenue\*, EUR**  
(Q3 2019: EUR 99m)

# 5%

**Organic growth**  
(Q3 2019: 3%)

# 5.1m

**Operational EBITDA, EUR**  
(Q3 2019: EUR 0.8m)

### Highlights – Applications

- Continued improvement in financial performance in Q3 2020
- Significant increase in operational EBITDA
- Revenue growth driven by Denmark, Germany and Netherlands

### Positive revenue development

The revenue\* for Applications increased to EUR 103m in Q3 2020, up from EUR 99m in Q3 2019, equal to organic growth of 5%. The growth was mainly driven by Denmark, Germany and Netherlands. The performance in these markets outweighed that in others which were more negatively impacted by the global economic slowdown caused by the COVID-19 pandemic.

In the first nine months of 2020, the revenue\* amounted to EUR 310m, against EUR 297m in the same period of 2019. The organic growth in the first nine months of 2020 was 6%.

### Operational EBITDA increased by EUR 4.3m

The operational EBITDA for Applications totalled EUR 5.1m in Q3 2020, up from EUR 0.8m in Q3 2019. The increase was driven by the growth in revenue, a positive change in product mix towards more profitable medium-voltage power cables, and continued focus on cost and production efficiencies.

The operational EBITDA margin\* in Q3 2020 was 5.0%, compared to 0.8% in Q3 2019.

To further optimize its production footprint by improving efficiency and lowering costs, NKT will among other things relocate 1kV power cable production capacity from Denmark to the Czech Republic.

The operational EBITDA for the first nine months of 2020 amounted to EUR 14.1m, compared to EUR 2.9m for the first nine months of 2019, driven by the same growth drivers as in Q3 2020.

### Mixed geographical performance

The market impact of the COVID-19 pandemic has varied between countries. Despite the economic slowdown NKT has nevertheless managed to maintain positive revenue development in Q3 2020. However, the market situation is subject to uncertainty due to economic instability and high stock levels among customers in parts of the market.

NKT's positive 1st half 2020 performance in Germany and the Netherlands continued in Q3, driven by demand for medium-voltage power cables to sustain power grid optimization. Medium-voltage performance in the Danish market also strengthened in Q3 2020.

These positives were partly offset by lower sales to the Czech Republic and the UK. In the Czech Republic the market for building wires slowed due to a reduction in activity in construction and industry, which resulted in increased competitive pressure. The UK market has been among the most challenged during the COVID-19 pandemic, and the associated restrictions led to lower sales in UK.

\* Std. metal prices

# Business review

## – Service & Accessories

# 38m

**Revenue\*, EUR**  
(Q3 2019: EUR 29m)

# 34%

**Organic growth**  
(Q3 2019: 19%)

# 4.4m

**Operational EBITDA, EUR**  
(Q3 2019: EUR 4.1m)

### Highlights – Service & Accessories

- Satisfactory financial performance in Q3 2020
- Increased Service activity driven by offshore cable repairs
- Continued growth in the Accessories business

### Positive organic growth in both business areas

The revenue\* for Service & Accessories was EUR 38.2m in Q3 2020, up from EUR 28.6m in Q3 2019. Both the Service and the Accessories business areas contributed to the growth.

In the first nine months of 2020, the revenue\* amounted to EUR 103m, against EUR 86m in the same period of 2019, corresponding to organic growth of 16%.

### Satisfactory operational EBITDA

The growth in revenue led to an increase in operational EBITDA to EUR 4.4m in Q3 2020. The operational EBITDA margin\* in Q3 2020 was 11.5%, compared to 14.3% in Q3 2019.

In the first nine months of 2020, the operational EBITDA amounted to EUR 11.4m, compared to EUR 11.0m for the same period of 2019.

Fluctuations in earnings and profitability will occur from quarter to quarter, particularly depending on the volume of large offshore cable repairs, which impacts the balance of revenue between the two business areas.

### Service business positively impacted by offshore repair work

The Service business delivered material organic growth in Q3 2020, primarily driven by offshore cable repair work.

In Q3 2020, NKT completed the first part of the turnkey offshore repair of the Skagerrak 1 and Skagerrak 2 HVDC power links between Norway and Denmark. The repair related to the 250kV MI-insulated HVDC power cables. The repair of Skagerrak 1 was completed in September, while Skagerrak 2 was completed in the first part of Q4.

NKT's Service business continues to focus on expanded customer solutions. The most recent addition is extended storage services for spare power cables. These services reduce customer need for physical management and ensure shorter turnaround time.

During Q3 2020 a new facility was established in Troisdorf, Germany. In addition to a new warehouse for storing both customer parts and NKT stock, the new facility features a customer training centre and an oil & gas competence centre.

The COVID-19 pandemic has negatively impacted onshore market activity, causing certain projects to be postponed.

### Accessories business growth driven by medium-voltage sales

The revenue growth in the Accessories business in Q3 2020 was mainly attributable to high sales of medium-voltage power cable accessories. NKT is gradually investing to further increase production output from the factory in Nordenham, Germany, in preparation for anticipated growth in the years ahead.

The positive development in medium-voltage sales, particularly in the Middle East but also in Western Europe, was partly offset by reduced sales in certain non-European markets due to restrictions related to the COVID-19 pandemic.

High-voltage accessory sales were impacted by a few order postponements in Q3 2020, but preparation is ongoing to deliver on several future DC projects.

\* Std. metal prices



# NKT Photonics – Financial & Business review

After a challenging 1st half 2020, NKT Photonics' organic growth was positive in Q3. Parts of the Industrial segment continued to be negatively impacted by the COVID-19 pandemic, but gradual improvement was recognized during the quarter. Earnings decreased compared to Q3 2019 mainly due to customer mix and investments in future growth. The order intake increased as markets moved towards normalized conditions.

## Positive organic growth

The revenue in Q3 2020 amounted to EUR 16.7m, on par with the revenue in Q3 2019, and equal to organic growth of 3%.

The positive revenue performance in Q3 2020 was mainly driven by the Medical & Life Science segment. This market has been relatively resilient despite the global economic slowdown and NKT Photonics is delivering new-generation solutions to support the development in this market.

The Industrial segment remained challenged in Q3 2020, as in the previous quarters. NKT Photonics has experienced a significant slowdown in demand in various parts of the market triggered by the COVID-19 pandemic. Though a gradual improvement was recognized during the quarter, market uncertainty remains high.

The revenue for the first nine months of 2020 was EUR 44.0m, against EUR 49.1m in the same period of 2019, corresponding to organic growth of -10%.

## EBITDA lower than in Q3 2019

EBITDA for Q3 2020 amounted to EUR 1.0m, against EUR 3.9m generated in Q3 2019. The comparison period included some positive non-recurring items.

The customer mix and temporary yield inefficiencies associated with a shift to high-volume customers have impacted

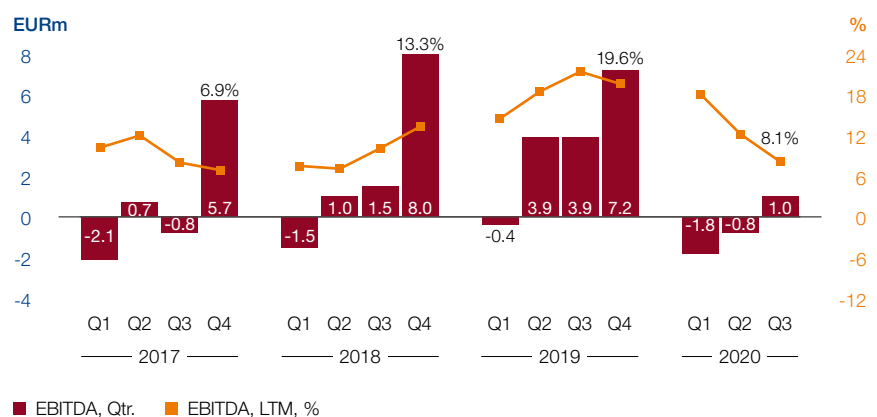
profitability and margins negatively in Q3 2020.

## Revenue development and organic growth

### Amounts in EURm

<b>Q3 2019 revenue</b>	<b>16.7</b>
Currency effect	-0.3
Acquisitions	0.0
Divestments and reclassifications	-0.1
<b>Q3 2019 adjusted revenue</b>	<b>16.3</b>
Organic growth	0.4
<b>Q3 2020 revenue</b>	<b>16.7</b>
<b>Organic growth, %</b>	<b>3%</b>

## NKT Photonics EBITDA



Further, NKT Photonics has continuously invested in future growth opportunities in anticipation of attractive market opportunities in the years ahead. NKT Photonics' cost base has therefore increased in 2020.

EBITDA amounted to EUR -1.6m for the first nine months of 2020, down from EUR 7.4m in the same period of 2019. The decrease in earnings reflected the combination of reduced revenue and higher cost level in the period as in Q3 2020.

In Q3 2020, EBIT and net result were down by EUR 4.0m and EUR 5.3m, respectively, compared to Q3 2019.

### Improved working capital

The working capital of EUR 30.9m at end-Q3 2020 was largely on par with level at end-Q2 2020. The decrease in trade receivables was balanced out by lower payables.

### Order intake up by 11%

The order intake increased in Q3 2020 compared to Q3 2019, with contributions from all three market segments, mainly within Medical & Life Science and Aerospace & Defence.

The positive development was due to recovery from COVID-19 related delays and shutdowns of customer sites, combined with timing factors relating to Aerospace & Defence projects.

## Key financials

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	FY 2019
<b>Income statement</b>					
Revenue	16.7	16.7	44.0	49.1	74.6
EBITDA	1.0	3.9	-1.6	7.4	14.6
Depreciations and amortizations	-3.2	-2.1	-8.7	-6.7	-9.9
EBIT	-2.2	1.8	-10.3	0.7	4.7
Financial items, net	-2.4	0.3	-3.0	0.0	-0.7
EBT	-4.6	2.1	-13.3	0.7	4.0
Tax	1.0	-0.4	2.9	-0.1	-1.5
Net result	-3.6	1.7	-10.4	0.6	2.5
<b>Cash flow</b>					
Cash flow from operating activities	-0.1	0.6	-5.1	1.6	7.2
Cash flow from investing activities excl. acq. & div.**	-3.5	-4.2	-11.9	-11.6	-16.7
Free cash flow excl. acq. & div.**	-3.6	-3.6	-17.0	-10.0	-9.5
<b>Balance sheet</b>					
Capital employed**	110.4	101.7	110.4	101.7	104.4
Working capital**	30.9	27.8	30.9	27.8	28.2
<b>Financial ratios and employees</b>					
Organic growth**	3%	8%	-10%	7%	10%
EBITDA margin	6.2%	23.3%	-3.6%	15.1%	19.6%
RoCE**	-5.9%	6.8%	-5.9%	6.8%	4.9%
Full-time employees, end of period**	407	380	407	380	403

\*\* Alternative performance measures

The order intake for the first nine months of 2020 was 11% below the same period of 2019.

## Medical & Life Science

NKT Photonics grew revenue in the Medical & Life Science segment in Q3 2020 as the company continued to strengthen its market position. This part of the business has been the fastest growing segment in 2020. The primary growth drivers were in bio-imaging and microscopy.

## Industrial

In Q3 2020, the Industrial market continued to experience headwind due to the COVID-19 pandemic. Within the research part of the segment, improvements occurred in Asia and Europe as companies and institutions returned closer to normal operation. However, the COVID-19 situation in the US resulted in many customers still operating under restrictions leading to delays. NKT Photonics will continue to work with new OEM customers to support future growth. New design wins were secured during Q3 2020.

## Aerospace & Defence

The Aerospace & Defence segment benefitted from fewer restrictions related to the COVID-19 pandemic in Q3 2020, and NKT Photonics performed well despite revenue being slightly lower than Q3 2019. Delivery on large contracts was resumed and new contracts were secured during Q3 2020. The majority of the activities in the quarter were within Remote Sensing and Directed Energy.

# Group financials

## Operational EBITDA and EBIT

The NKT Group reported operational EBITDA of EUR 22.4m in Q3 2020, up from EUR 10.8m in Q3 2019, a continuation of the trend from 1st half 2020. This was driven by improved performance in its power cables business. The operational EBITDA for the first nine months of 2020 was EUR 46.0m, against EUR 21.3m for the same period in 2019. Operational EBITDA, LTM, amounted to EUR 54.4m at end-Q3 2020.

The EBIT improved to EUR -1.9m in Q3 2020 from EUR -17.0m in Q3 2019, driven by the same factors behind the growth in operational EBITDA.

## Financial items and net result

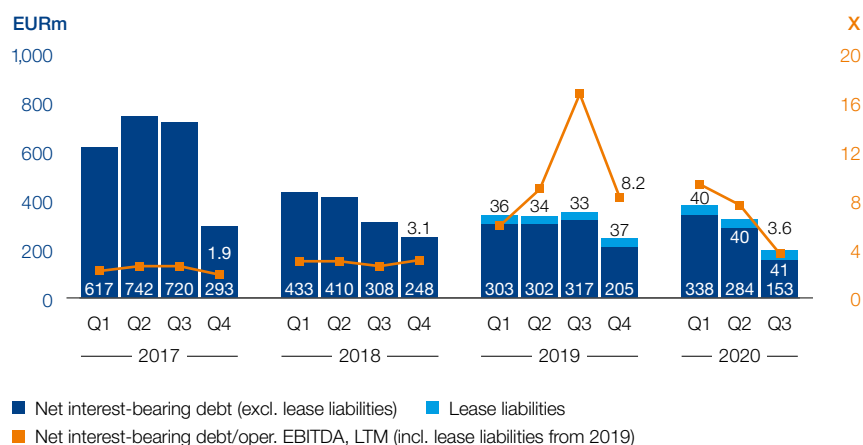
The net financial items in Q3 2020 amounted to EUR -6.9m, against EUR -2.4m in Q3 2019. The development was driven by foreign exchange rate effects. Financial items for the first nine months of 2020 amounted to EUR -13.8m compared to EUR -6.2m in the first nine months of 2019.

Earnings before tax (EBT) comprised EUR -8.8m in Q3 2020, compared to EUR -19.4m in Q3 2019. The net result improved from EUR -19.2m in Q3 2019 to EUR -9.9m in Q3 2020 driven by changes in deferred tax.

## Cash flow

The cash flow from operating activities amounted to EUR 159m in Q3 2020, up from EUR 11.0m in Q3 2019, driven

## Net interest-bearing debt



\* 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 was based on ABB HV Cables' estimated average annual pro forma EBITDA of EUR 79m for 2014–2016.

by the positive contribution from the power cable business, NKT. The cash flow from investing activities was EUR -17.9m in Q3 2020, on par with the figure of EUR -17.3m in Q3 2019.

## Liquidity, debt leverage and equity

The net interest-bearing debt, including lease liabilities, amounted to EUR 194m at end-Q3 2020, compared to EUR 324m at the end of the previous quarter. The improved debt level was primarily driven by the favourable development in working capital in NKT.

At end-Q3 2020, the net interest-bearing debt relative to operational EBITDA amounted to 3.6x, down

from 7.6x at end-Q2 2020. This was driven by the positive mix of increased earnings and decreased debt level. NKT A/S has sufficient financial headroom to manage the level of activity expected in 2020.

At end-Q3 2020, NKT A/S had total available liquidity reserves of EUR 188m, comprising cash of EUR 6.8m and undrawn credit facilities of EUR 181m. Group equity, including the hybrid security issued in Q3 2018, amounted to EUR 853m. The solvency ratio was 42%, compared to 45% at the end of the previous quarter.

## Q3 2020 financial development for NKT A/S

Amounts in EURm	Revenue*			Operational EBITDA			Oper. EBITDA margin*	
	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019
NKT	300.2	232.4	67.8	21.4	6.9	14.5	7.1%	3.0%
NKT Photonics	16.7	16.7	0.0	1.0	3.9	-2.9	6.2%	23.3%
Elimination	-0.2	0.0	-0.2	0.0	0.0	0.0	-	-
<b>NKT Group</b>	<b>316.7</b>	<b>249.1</b>	<b>67.6</b>	<b>22.4</b>	<b>10.8</b>	<b>11.6</b>	<b>7.1%</b>	<b>4.3%</b>

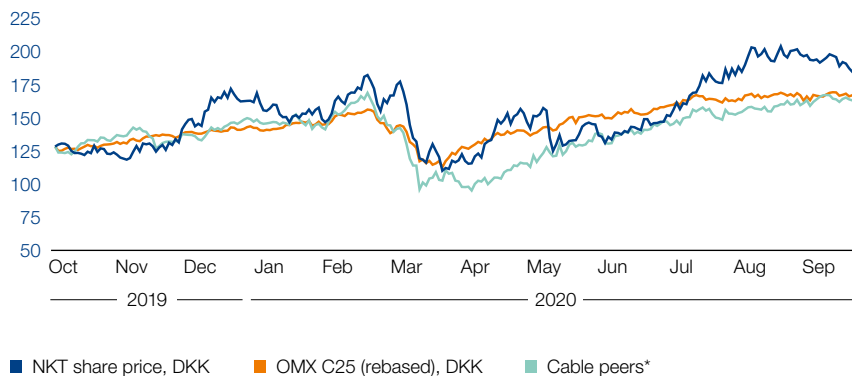
\* Std. metal prices



# Shareholder information

## NKT A/S Share price

DKK per share



\* NKT peers are: Nexans S.A. and Prysmian S.p.A.

## NKT A/S shares basic data

**ID code:** DK0010287663

**Listing:** Nasdaq Copenhagen, part of the Mid Cap index

**Share capital:** EUR 87m (DKK 645m)

**Number of shares:** 32.2 million

**Nominal value:** DKK 20

**Share classes:** 1

## NKT A/S shares

The average daily turnover in NKT A/S shares on all trading markets was EUR 8m in Q3 2020, compared to EUR 3m in Q3 2019. The average daily trading volume was around 330,000 shares in Q3 2020, up from around 250,000 in Q3 2019. Nasdaq Copenhagen continued to be the main trading market for the company's shares with 53% of the total traded volume in Q3 2020.

At end-Q3 2020, the NKT A/S share price was DKK 189.60, compared to DKK 160.80 at end-2019, equal to a share price return of 18%. NKT has not paid dividends in 2020. The corresponding dividend-adjusted share price returns for the Group's largest European competitors, Prysmian and Nexans, were 17% and 14%, respectively. The Danish OMX C25 index, adjusted for dividends, increased by 22% in the first nine months of 2020.

At end-Q3 2020, four NKT A/S investors had reported shareholdings of between 5.00–9.99%: ATP (Denmark), Greenvale Capital (UK), Kirkbi INVEST A/S (Denmark), and Nordea Funds Ltd, Danish Branch (Finland).

## Intention to issue shares with pre-emptive rights

The intention, subject to prevailing market conditions and other factors, is to utilize the authorization to issue shares with pre-emptive rights for the current shareholders before end-2020. The prospectus is expected to be released in the second part of November 2020.

The company has engaged Danske Bank, J.P. Morgan and Nordea as Joint Global Coordinators and Joint Bookrunners in connection with the intended issue of new shares.



More shareholder information is available at [investors.nkt.com](http://investors.nkt.com)

## Financial calendar 2021

**24 Feb:** Annual Report 2020

**25 Mar:** Annual General Meeting

**19 May:** Interim Report, Q1 2021

**17 Aug:** Interim Report, Q2 2021

**17 Nov:** Interim Report, Q3 2021

# Group Management's statement

The Board of Directors and the Executive Management Board have today considered and adopted the Interim Report of NKT A/S for the period 1 January – 30 September 2020.

The Interim Report for the period 1 January – 30 September 2020, which was reviewed by the company auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as approved by the EU, and Danish disclosure requirements for interim reporting by listed companies.

In our opinion the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 September 2020 and the results of the Group's activities and cash flow for the period 1 January – 30 September 2020.

We also find that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group, and a description of major risks and elements of uncertainty faced by the Group.

*Brøndby, 10 November 2020*

## Executive Management

Alexander Kara  
*President & CEO*

Line Andrea Fandrup  
*CFO*

## Board of Directors

Jens Due Olsen  
*Chairman*

René Svendsen-Tune  
*Deputy Chairman*

Jack Ejlersen\*

Thomas Torp Hansen\*

Stig Nissen Knudsen\*

Karla Lindahl

Jens Maaløe

Andreas Nauen

Jutta af Rosenborg

\* *Employee-elected member*

# Financial Statements

# Income statement

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Revenue	393.1	325.3	1,096.6	975.0	1,342.4
Costs of raw materials, consumables and goods for resale	-235.1	-216.3	-713.8	-649.3	-883.3
Staff costs	-69.6	-64.1	-208.5	-200.8	-266.3
Other costs etc.	-67.0	-39.0	-138.4	-109.4	-175.1
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>21.4</b>	<b>5.9</b>	<b>35.9</b>	<b>15.5</b>	<b>17.7</b>
Depreciation of property, plant and equipment	-16.9	-17.7	-51.8	-52.4	-75.1
Amortization of intangible assets	-6.4	-5.2	-17.3	-16.0	-25.6
<b>Earnings before interest and tax (EBIT)</b>	<b>-1.9</b>	<b>-17.0</b>	<b>-33.2</b>	<b>-52.9</b>	<b>-83.0</b>
Financial items, net	-6.9	-2.4	-13.8	-6.2	-12.3
<b>Earnings before tax (EBT)</b>	<b>-8.8</b>	<b>-19.4</b>	<b>-47.0</b>	<b>-59.1</b>	<b>-95.3</b>
Tax	-1.1	0.2	3.1	5.8	19.3
<b>Net result</b>	<b>-9.9</b>	<b>-19.2</b>	<b>-43.9</b>	<b>-53.3</b>	<b>-76.0</b>
To be distributed as follows:					
Equity holders of NKT A/S	-11.9	-21.2	-49.9	-59.3	-84.1
Hybrid capital holders of NKT A/S	2.0	2.0	6.0	6.0	8.1
	<b>-9.9</b>	<b>-19.2</b>	<b>-43.9</b>	<b>-53.3</b>	<b>-76.0</b>
Basic earnings, EUR, per share (EPS)	-0.3	-0.8	-1.4	-2.2	-3.1
Diluted earnings, EUR, per share (EPS-D)	-0.3	-0.8	-1.5	-2.2	-3.1

# Statement of comprehensive income

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
<b>Comprehensive income</b>					
Net profit	-9.9	-19.2	-43.9	-53.3	-76.0
Other comprehensive income:					
<i>Items that may not be reclassified to income statement:</i>					
Actuarial gains/(losses) on defined benefit pension plans	0.0	0.0	0.0	0.0	-4.5
<i>Items that may be reclassified to income statement:</i>					
Currency adjustment of foreign subsidiaries and value adjustment of hedging instruments, etc.	1.0	-10.5	12.0	-27.9	-4.9
<b>Total comprehensive income for the period</b>	<b>-8.9</b>	<b>-29.7</b>	<b>-31.9</b>	<b>-81.2</b>	<b>-85.4</b>

# Balance sheet

Amounts in EURm	30 September 2020	30 September 2019	31 December 2019
<b>Assets</b>			
Intangible assets	600.4	581.1	594.0
Property, plant and equipment	614.4	635.3	641.3
Other investments and receivables	1.3	2.0	1.9
Deferred tax	54.0	35.9	49.8
<b>Total non-current assets</b>	<b>1,270.1</b>	<b>1,254.3</b>	<b>1,287.0</b>
Inventories	237.9	232.0	229.7
Receivables, contract assets and income tax	378.6	394.0	265.7
Interest-bearing receivables	125.7	0.1	0.1
Cash at bank and in hand	6.8	5.9	6.9
<b>Total current assets</b>	<b>749.0</b>	<b>632.0</b>	<b>502.4</b>
<b>Total assets</b>	<b>2,019.1</b>	<b>1,886.3</b>	<b>1,789.4</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of NKT A/S	703.0	656.0	651.4
Hybrid capital	150.3	150.3	152.4
<b>Group equity</b>	<b>853.3</b>	<b>806.3</b>	<b>803.8</b>
Deferred tax	38.4	43.1	31.8
Pension liabilities	55.6	49.6	55.6
Provisions	9.7	13.7	14.6
Interest-bearing loans and borrowings	315.0	345.2	238.0
<b>Total non-current liabilities</b>	<b>418.7</b>	<b>451.6</b>	<b>340.0</b>
Interest-bearing loans and borrowings	11.7	10.7	11.2
Trade payables, contract liabilities, tax and other liabilities	716.0	602.9	613.5
Provisions	19.4	14.8	20.9
<b>Total current liabilities</b>	<b>747.1</b>	<b>628.4</b>	<b>645.6</b>
<b>Total liabilities</b>	<b>1,165.8</b>	<b>1,080.0</b>	<b>985.6</b>
<b>Total equity and liabilities</b>	<b>2,019.1</b>	<b>1,886.3</b>	<b>1,789.4</b>

# Cash flow

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Earnings before interest, tax, depreciation and amortization (EBITDA)	21.4	5.9	35.9	15.5	17.7
Profit on sales of non-current assets, use and increase of provisions, and other non-cash items etc.	-8.7	-3.3	-5.9	-7.9	0.2
Changes in working capital	151.0	12.9	9.0	-20.3	130.3
Cash flow from operations before financial items, etc.	163.7	15.5	39.0	-12.7	148.2
Net financial items paid	-6.9	-2.4	-14.2	-6.2	-12.2
Income tax paid	1.9	-2.1	0.6	-1.6	-11.0
<b>Cash flow from operating activities</b>	<b>158.7</b>	<b>11.0</b>	<b>25.4</b>	<b>-20.5</b>	<b>125.0</b>
Acquisition of business	0.0	0.0	0.0	-1.8	-7.3
Divestment of business	0.0	0.0	0.0	9.5	9.5
Investments in property, plant and equipment	-9.4	-7.9	-24.7	-23.7	-34.4
Disposal of property, plant and equipment	0.3	0.4	0.7	1.7	1.2
Intangible assets and other investments, net	-8.8	-9.8	-29.6	-25.8	-35.8
<b>Cash flow from investing activities</b>	<b>-17.9</b>	<b>-17.3</b>	<b>-53.6</b>	<b>-40.1</b>	<b>-66.8</b>
<b>Free cash flow</b>	<b>140.8</b>	<b>-6.3</b>	<b>-28.2</b>	<b>-60.6</b>	<b>58.2</b>
Changes in interest-bearing loans and borrowings	-129.1	12.6	-48.5	50.1	-68.1
Repayment of lease liabilities	-1.5	-1.0	-4.2	-3.6	-5.0
Coupon payments on hybrid capital	-8.1	-8.1	-8.1	-8.1	-8.1
Capital increase	0.0	0.0	89.2	0.0	0.0
Cash from issue of new shares / exercise of warrants	0.0	0.0	0.1	0.0	1.7
<b>Cash flow from financing activities</b>	<b>-138.7</b>	<b>3.5</b>	<b>28.5</b>	<b>38.4</b>	<b>-79.5</b>
<b>Net cash flow</b>	<b>2.1</b>	<b>-2.8</b>	<b>0.3</b>	<b>-22.2</b>	<b>-21.3</b>
Cash at bank and in hand at the beginning of the period	4.8	9.0	6.9	28.2	28.2
Currency adjustments	-0.1	-0.3	-0.4	-0.1	0.0
Net cash flow	2.1	-2.8	0.3	-22.2	-21.3
<b>Cash at bank and in hand at the end of the period*</b>	<b>6.8</b>	<b>5.9</b>	<b>6.8</b>	<b>5.9</b>	<b>6.9</b>

The above cannot be derived directly from the income statement and the balance sheet.

# Statement of changes in equity

Amounts in EURm	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Hybrid capital	Total equity
<b>Equity, 1 January 2019</b>	<b>72.8</b>	<b>-27.6</b>	<b>-1.6</b>	<b>0.3</b>	<b>699.3</b>	<b>0.0</b>	<b>743.2</b>	<b>152.4</b>	<b>895.6</b>
<i>Other comprehensive income:</i>									
Foreign exchange translation adjustments		-23.5					-23.5		-23.5
Value adjustment of hedging instruments:									
Value adjustment for the year			-5.2				-5.2		-5.2
Transferred to consumption of raw materials			-0.4				-0.4		-0.4
Tax on other comprehensive income			1.2				1.2		1.2
<b>Total other comprehensive income</b>	<b>0.0</b>	<b>-23.5</b>	<b>-4.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-27.9</b>	<b>0.0</b>	<b>-27.9</b>
Net result					-59.3		-59.3	6.0	-53.3
<b>Comprehensive income for the year</b>	<b>0.0</b>	<b>-23.5</b>	<b>-4.4</b>	<b>0.0</b>	<b>-59.3</b>	<b>0.0</b>	<b>-87.2</b>	<b>6.0</b>	<b>-81.2</b>
<i>Transactions with owners:</i>									
Coupon payments, hybrid capital							0.0	-8.1	-8.1
<b>Total transactions with owners</b>									
<b>Q1-Q3 2019</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-8.1</b>	<b>-8.1</b>
<b>Equity, 30 September 2019</b>	<b>72.8</b>	<b>-51.1</b>	<b>-6.0</b>	<b>0.3</b>	<b>640.0</b>	<b>0.0</b>	<b>656.0</b>	<b>150.3</b>	<b>806.3</b>
<b>Equity, 1 January 2020</b>	<b>73.2</b>	<b>-34.1</b>	<b>0.0</b>	<b>0.3</b>	<b>612.0</b>	<b>0.0</b>	<b>651.4</b>	<b>152.4</b>	<b>803.8</b>
<i>Other comprehensive income:</i>									
Foreign exchange translation adjustments		-9.4					-9.4		-9.4
Value adjustment of hedging instruments:									
Value adjustment for the year			28.9				28.9		28.9
Transferred to financial income			0.1				0.1		0.1
Tax on other comprehensive income			-7.6				-7.6		-7.6
<b>Total other comprehensive income</b>	<b>0.0</b>	<b>-9.4</b>	<b>21.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>12.0</b>	<b>0.0</b>	<b>12.0</b>
Net result					-49.9		-49.9	6.0	-43.9
<b>Comprehensive income for the year</b>	<b>0.0</b>	<b>-9.4</b>	<b>21.4</b>	<b>0.0</b>	<b>-49.9</b>	<b>0.0</b>	<b>-37.9</b>	<b>6.0</b>	<b>-31.9</b>
<i>Transactions with owners:</i>									
Coupon payments, hybrid capital							0.0	-8.1	-8.1
Capital increase	13.3				75.9		89.2		89.2
Exercise of warrants	0.1				0.2		0.3	0.0	0.3
<b>Total transactions with owners</b>									
<b>Q1-Q3 2020</b>	<b>13.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>76.1</b>	<b>0.0</b>	<b>89.5</b>	<b>-8.1</b>	<b>81.4</b>
<b>Equity, 30 September 2020</b>	<b>86.6</b>	<b>-43.5</b>	<b>21.4</b>	<b>0.3</b>	<b>638.2</b>	<b>0.0</b>	<b>703.0</b>	<b>150.3</b>	<b>853.3</b>

# Notes

## Note 1 Accounting policies, estimates and risks, etc.

This condensed consolidated interim financial report for the period 1 January – 30 September 2020 (3rd quarter) is presented in accordance with IAS 34 'Interim Financial Reporting', which has been approved by the EU, and Danish disclosure requirements for interim reports for listed companies.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards, amendments and interpretations effective as of 1 January 2020:

- Conceptual Framework for Financial Reporting
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IFRS 3: Definition of a Business;

which do not have an impact on this condensed consolidated interim report.

The Group has not early adopted any standard, interpretation or amendment issued but not yet effective.

For a description of accounting judgements and estimates, please refer to Note 1.3 on page 80 of the 2019 Annual Report. Regarding risks, please refer to Note 5.6 on page 122 of the 2019 Annual Report and the information contained in the sections on risk management on page 32 and on page 48 of the 2019 Annual Report. Please also refer to this Interim Report for an assessment of the impact from the spread of COVID-19 on page 6.

The annual impairment test is performed in Q4 following the preparation of the budget for the coming year as well as updated long-term forecasts. In addition, hereto, the impairment test is performed when trigger events occur. Group Management has assessed if indications of impairment on goodwill and other intangible assets with indefinite life exist as of 30 September 2020. While management has assessed that no new trigger events have been identified in Q3, the impairment test was updated based on the Q3 results and latest long-term forecasts.

The impairment test showed no impairment as of 30 September 2020. While COVID-19 continue to impact the world economics, it is still the overall assessment, that the megatrends driving growth in both the power cable and the photonics markets will outlast the COVID-19 pandemic. Group Management will continue to monitor the development closely and take appropriate measures to ensure the health and safety of the employees as well as evaluating the potential impact on the company's performance and asset valuation.

On 2 April 2014 NKT received a fine of EUR 4m following the investigation conducted by the European Commission into alleged price-fixing activities with regard to high-voltage power cable projects, cf. Company Announcement No. 8 2014. While the European Commission assessed that NKT's role had been substantially limited and the fine was considerably smaller than those imposed on other cable manufacturers, NKT disagrees with the Commission's decision and therefore filed an appeal. On 14 May 2020, the European Court of Justice ruled partly in favor of NKT, resulting in a EUR 0.2m lower fine and a narrower scope of NKT infringement. Although NKT is satisfied with the decision from the European Court of Justice, NKT assess that the ruling does not take all submitted evidence into account, which is why an application according to the Rules of Procedure of the European Court of Justice has been filed with the Court. As mentioned in the Annual Report 2019 on page 131, a consequence of the Commission's decision is that NKT and other power cable producers face exposure to claims for damages in proceedings brought by customers or other third parties, including claims that have been filed by National Grid and Vattenfall in the UK. In line with its appeal against the Commission's decision, NKT contests any civil damages claim that is based on this decision. As a consequence of the development in Q2 2020, Management has recognized a provision of EUR 8.3m in the Interim Report Q2 2020 based on the currently available knowledge. In Q3 and Q4, the claims filed by National Grid and Vattenfall have been settled within the provision made in Q2.

The consolidated financial statement includes financial performance measures that are not defined according to IFRS. These measures are considered to provide valuable information to stakeholders and Management. Since other companies might calculate these differently from NKT Group, they may not be comparable to the measures applied by other companies. These financial measures should therefore not be considered a replacement for performance measures as defined under IFRS, but rather as supplementary information. Alternative performance measures are defined in Note 4 in more detail.

Group Management is required to assess whether the financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flows, existence of credit facilities, etc., it is Group Management's opinion that the financial headroom is sufficient to manage the level of activity expected for the NKT Group. See also this Interim financial Report on the current and expected impact from the COVID-19 pandemic, which also forms part of the basis for this conclusion. Other than as described on page 2 and 17 in the Management review, NKT is not aware of events after 30 September 2020, which are expected to materially impact the Group's financial position.



## Note 2 Segment reporting

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
<b>Revenue (market prices)</b>					
NKT – Solutions	180.6	125.4	475.8	357.0	522.5
NKT – Applications	168.6	161.2	504.9	499.0	645.3
NKT – Service & Accessories	38.2	28.7	102.8	88.1	118.8
Elimination of transactions between segments	-10.8	-6.7	-29.3	-17.9	-18.4
<b>NKT</b>	<b>376.6</b>	<b>308.6</b>	<b>1,054.2</b>	<b>926.2</b>	<b>1,268.2</b>
NKT Photonics	16.7	16.7	44.0	49.1	74.6
Elimination of transactions between segments	-0.2	0.0	-1.6	-0.3	-0.4
<b>NKT Group</b>	<b>393.1</b>	<b>325.3</b>	<b>1,096.6</b>	<b>975.0</b>	<b>1,342.4</b>
<b>Revenue (std. metal prices)</b>					
NKT – Solutions	165.0	109.8	423.3	313.0	455.6
NKT – Applications	102.5	98.9	310.1	296.7	389.1
NKT – Service & Accessories	38.2	28.6	102.8	86.1	116.7
Elimination of transactions between segments	-5.5	-4.9	-17.9	-13.0	-16.4
<b>NKT</b>	<b>300.2</b>	<b>232.4</b>	<b>818.3</b>	<b>682.8</b>	<b>945.0</b>
NKT Photonics	16.7	16.7	44.0	49.1	74.6
Elimination of transactions between segments	-0.2	0.0	-1.6	-0.3	-0.3
<b>NKT Group</b>	<b>316.7</b>	<b>249.1</b>	<b>860.7</b>	<b>731.6</b>	<b>1,019.3</b>
<b>Operational EBITDA</b>					
NKT – Solutions	12.3	3.8	27.0	8.5	14.1
NKT – Applications	5.1	0.8	14.1	2.9	0.3
NKT – Service & Accessories	4.4	4.1	11.4	11.0	13.5
Non-allocated costs	-0.4	-1.8	-4.9	-8.5	-12.8
<b>NKT</b>	<b>21.4</b>	<b>6.9</b>	<b>47.6</b>	<b>13.9</b>	<b>15.1</b>
NKT Photonics	1.0	3.9	-1.6	7.4	14.6
<b>NKT Group</b>	<b>22.4</b>	<b>10.8</b>	<b>46.0</b>	<b>21.3</b>	<b>29.7</b>
One-off items	-1.0	-4.9	-10.1	-5.8	-12.0
<b>EBITDA</b>					
NKT	20.4	2.0	37.5	8.1	3.1
NKT Photonics	1.0	3.9	-1.6	7.4	14.6
<b>NKT Group</b>	<b>21.4</b>	<b>5.9</b>	<b>35.9</b>	<b>15.5</b>	<b>17.7</b>

**Note 2** Segment reporting – continued

Amounts in EURm	Q3 2020	Q3 2019	Q1–Q3 2020	Q1–Q3 2019	Year 2019
<b>Operational EBIT</b>					
NKT – Solutions	-3.1	-11.7	-19.3	-38.1	-53.4
NKT – Applications	2.4	-1.8	3.7	-5.2	-14.8
NKT – Service & Accessories	3.2	2.9	7.9	7.7	8.7
Non-allocated costs	-1.2	-3.3	-5.1	-12.2	-16.2
<b>NKT</b>	<b>1.3</b>	<b>-13.9</b>	<b>-12.8</b>	<b>-47.8</b>	<b>-75.7</b>
NKT Photonics	-2.2	1.8	-10.3	0.7	4.7
<b>NKT Group</b>	<b>-0.9</b>	<b>-12.1</b>	<b>-23.1</b>	<b>-47.1</b>	<b>-71.0</b>
One-off items	-1.0	-4.9	-10.1	-5.8	-12.0
<b>EBIT</b>					
NKT	0.3	-18.8	-22.9	-53.6	-87.7
NKT Photonics	-2.2	1.8	-10.3	0.7	4.7
<b>NKT Group</b>	<b>-1.9</b>	<b>-17.0</b>	<b>-33.2</b>	<b>-52.9</b>	<b>-83.0</b>
<b>Working capital</b>					
NKT – Solutions	-194.1	-65.1	-194.1	-65.1	-167.1
NKT – Applications	57.9	46.2	57.9	46.2	17.5
NKT – Service & Accessories	14.5	19.3	14.5	19.3	10.4
Non-allocated items	-8.7	-5.1	-8.7	-5.1	-7.1
<b>NKT</b>	<b>-130.4</b>	<b>-4.7</b>	<b>-130.4</b>	<b>-4.7</b>	<b>-146.3</b>
NKT Photonics	30.9	27.8	30.9	27.8	28.2
<b>NKT Group</b>	<b>-99.5</b>	<b>23.1</b>	<b>-99.5</b>	<b>23.1</b>	<b>-118.1</b>

### Note 3 Net interest-bearing debt and working capital

Amounts in EURm	30 September 2020	30 September 2019	31 December 2019
<b>Net interest-bearing debt</b>			
Interest-bearing loans and borrowings, non-current	315.0	345.2	238.0
Interest-bearing loans and borrowings, current	11.7	10.7	11.2
Interest-bearing receivables <sup>1</sup>	-125.7	-0.1	-0.1
Cash at bank and in hand	-6.8	-5.9	-6.9
<b>Net interest-bearing debt</b>	<b>194.2</b>	<b>349.9</b>	<b>242.2</b>
<b>Working capital</b>			
Inventories	237.9	232.0	229.7
Receivables, contract assets and income tax	378.6	394.0	265.7
Trade payables, contract liabilities, tax and other liabilities	-716.0	-602.9	-613.5
<b>Working capital</b>	<b>-99.5</b>	<b>23.1</b>	<b>-118.1</b>
Amounts in EURm	Q1–Q3 2020	Q1–Q3 2019	Year 2019
<b>Reconciliation to change in working capital in cash flow<sup>2</sup></b>			
Working capital 1 January	-118.1	7.7	7.7
Working capital end of period	-99.5	23.1	-118.1
<b>Change in working capital based on balance sheet</b>	<b>18.6</b>	<b>15.4</b>	<b>-125.8</b>
Effect of unrealized hedges reported on Equity	-28.9	5.2	0.3
Effect of changes in exchange rates, current tax, etc.	1.3	-0.3	-4.8
<b>Change in working capital based on cash flow statement</b>	<b>-9.0</b>	<b>20.3</b>	<b>-130.3</b>

<sup>1</sup> The NKT Group provided a temporary cash collateral of EUR 125.7m to guarantee providers as part of a guarantee facility agreement driven by the significant increase in the high-voltage order backlog. This drove the development in Interest-bearing receivables. After the balance date, the cash collateral will be removed conditional on formal agreement finalization.

<sup>2</sup> NKT Group uses financial instruments to hedge exposures relating to currency, interest rates and commodities. The fair value of the effective part of the hedge is recognized on a continuous basis in other comprehensive income as hedges of future cash flows. Effective hedges are transferred to the same line as the hedged item in profit/loss when the hedged transaction materializes. Main currencies comprise SEK, USD, GBP and NOK while hedges relating to commodities are hedges of Copper, Lead, Aluminum and Gas-Oil. Refer to note 5.6 Financial risks and financial instruments in the Annual Report for 2019 for a more detailed description of the use of financial instruments for risk management purposes.

## Note 4 Definitions

Items below refer to the Financial Highlights contained on page 29.

The Group operates with the following performance measures which are calculated in accordance with the Danish Finance Society's guidelines:

Performance measures defined by IFRS:

- 1. Earnings, EUR per outstanding share (EPS)**  
– Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares.
- 2. Diluted earnings, EUR per outstanding share (EPS)**  
– Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares, including the dilutive effect of outstanding share programmes.

Further the group presents the following performance measures not defined according to IFRS (non-GAAP measures):

- 3. Revenue at standard metal prices** – Revenue at standard metal prices for copper and aluminium is set at EUR/tonne 1,550 and EUR/tonne 1,350 respectively.
- 4. Organic growth** – Revenue growth (standard metal price) as a percentage of prior-year adjusted revenue (standard metal price). Organic growth is a measure of growth, excluding the impact of exchange rate adjustments and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation.
- 5. One-off items** – Consist of non-recurring income and cost related to acquisitions, divestments, integration, restructuring, severance and other one-time items.
- 6. Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA)**  
– Earnings before interest, tax, depreciation and amortization (EBITDA) excluding one-off items.
- 7. Operational earnings before interest and tax (Oper. EBIT)** – Earnings before interest and tax excluding one-off items.
- 8. Net interest-bearing debt** – Cash and interest-bearing receivables less interest-bearing debt. Hybrid capital is not included in net interest-bearing debt.
- 9. Capital employed** – Group equity plus net interest-bearing debt.
- 10. Working capital** – Current assets minus current liabilities (excluding interest-bearing items and provisions).
- 11. Net interest-bearing debt relative to operational EBITDA** – Comparative figures are calculated as operational EBITDA.
- 12. Solvency ratio (equity as a percentage of total assets)**  
– Equity incl. hybrid capital as a percentage of total assets.
- 13. Return on capital employed (RoCE)** – Operational EBIT as a percentage of average capital employed.
- 14. Equity value, EUR per outstanding share** – Equity attributable to equity holders of NKT A/S per outstanding share at 31 December. Dilutive effect of outstanding share programmes is excluded.

Statements made about the future in this report reflect the Group Management's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, among other things due to economic and financial market developments, legislative and regulatory changes in NKT A/S markets, development in product demand, competitive conditions, and energy and raw material prices. See also latest Annual Report for a more detailed description of risk factors.

NKT A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

The NKT A/S Interim Report Q3 2020 was published on 10 November 2020 and released through Nasdaq Copenhagen. The report is also available at [investors.nkt.com](https://investors.nkt.com).

NKT A/S, Vibeholms Allé 20, DK-2605 Brøndby, Denmark.  
Company reg. no. 62 72 52 14.  
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### Investor Relations contact

Michael Nass Nielsen  
Tel: +45 2494 1654  
[ir@nkt.com](mailto:ir@nkt.com)

# Financial highlights and ratios – NKT A/S

Amounts in EURm	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
<b>Income statement</b>					
Revenue	393.1	325.3	1,096.6	975.0	1,342.4
Revenue in std. metal prices** <sup>3)</sup>	316.7	249.1	860.7	731.6	1,019.3
Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA)** <sup>6)</sup>	22.4	10.8	46.0	21.3	29.7
Earnings before interest, tax, depreciation and amortization (EBITDA)	21.4	5.9	35.9	15.5	17.7
Depreciation and impairment of property, plant and equipment	-16.9	-17.7	-51.8	-52.4	-75.1
Amortization and impairment of intangible assets	-6.4	-5.2	-17.3	-16.0	-25.6
Operational earnings before interest and tax (Oper. EBIT)** <sup>7)</sup>	-0.9	-12.1	-23.1	-47.1	-71.0
Earnings before interest and tax (EBIT)	-1.9	-17.0	-33.2	-52.9	-83.0
Financial items, net	-6.9	-2.4	-13.8	-6.2	-12.3
Earnings before tax (EBT)	-8.8	-19.4	-47.0	-59.1	-95.3
Net result	-9.9	-19.2	-43.9	-53.3	-76.0
Profit attributable to hybrid capital holders of NKT A/S	2.0	2.0	6.0	6.0	8.1
Profit attributable to equity holders of NKT A/S	-11.9	-21.2	-49.9	-59.3	-84.1
<b>Cash flow</b>					
Cash flow from operating activities	158.7	11.0	25.4	-20.5	125.0
Cash flow from investing activities	-17.9	-17.3	-53.6	-40.1	-66.8
hereof investments in property, plant and equipment	-9.4	-7.9	-24.7	-23.7	-34.4
Free cash flow**	140.8	-6.3	-28.2	-60.6	58.2
<b>Balance sheet</b>					
Share capital	86.6	72.8	86.6	72.8	73.2
Equity attributable to equity holders of NKT A/S	703.0	656.0	703.0	656.0	651.4
Hybrid capital	150.3	150.3	150.3	150.3	152.4
Group equity	853.3	806.3	853.3	806.3	803.8
Total assets	2,019.1	1,886.3	2,019.1	1,886.3	1,789.4
Net interest-bearing debt** <sup>8)</sup>	194.2	349.9	194.2	349.9	242.2
Net interest-bearing debt excl. impact of IFRS 16**	153.0	317.0	153.0	317.0	204.6
Capital employed** <sup>9)</sup>	1,047.5	1,156.2	1,047.5	1,156.2	1,046.0
Working capital** <sup>10)</sup>	-99.5	23.1	-99.5	23.1	-118.1
<b>Financial ratios and employees</b>					
Operational EBITDA margin, continuing operations (std. metal prices)**	7.1%	4.3%	5.3%	2.9%	2.9%
Gearing (net interest-bearing debt as % of Group equity)**	23%	43%	23%	43%	30%
Net interest-bearing debt relative to operational EBITDA** <sup>11)</sup>	3.6	16.7	3.6	16.7	8.2
Solvency ratio (equity as % of total assets)** <sup>12)</sup>	42%	43%	42%	43%	45%
Return on capital employed (RoCE) (LTM)** <sup>13)</sup>	-4.2%	-6.0%	-4.2%	-6.0%	-6.2%
Number of DKK 20 shares ('000)**	32,232	27,126	32,232	27,126	27,260
Basic earnings, EUR, per share (EPS) <sup>1)</sup>	-0.3	-0.8	-1.4	-2.2	-3.1
Diluted earnings, EUR, per share (EPS-D) <sup>2)</sup>	-0.3	-0.8	-1.5	-2.2	-3.1
Equity value, EUR per outstanding share** <sup>14)</sup>	22	24	22	24	24
Market price, DKK per share**	190	133	190	133	161
Average number of employees**	3,772	3,666	3,772	3,666	3,671

<sup>1)-13)</sup> Definitions appear in Note 4.

\*\* Alternative performance measures

Financial highlights and ratios are calculated as defined in the 2019 Annual Report.

# Independent auditors' review report on the consolidated interim financial statements

To the shareholders of NKT A/S

We have reviewed the consolidated interim financial statements of NKT A/S for the accounting period 1 January to 30 September 2020, pp. 20–28 which comprise the income statement, statement of comprehensive income, balance sheet, cash flow, statement of changes in equity and notes including a summary of the accounting policies for the Group.

## Management's responsibility for the consolidated interim financial statements

Management is responsible for the preparation of the consolidated interim financial statements in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as Management determines is necessary to enable the preparation of the consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express a conclusion on the consolidated interim financial statements. We conducted our review in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements under Danish audit regulation. This requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the applicable financial reporting framework. This also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with the International Standard on Engagements to Review Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily

consisting of inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review is substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the consolidated interim financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements for the financial period 1 January to 30 September 2020 have not been prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Danish disclosure requirements for listed companies.

Copenhagen, 10 November 2020

## Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No. 33 96 35 56

## Kirsten Aaskov Mikkelsen

State-Authorised Public Accountant  
Identification No  
(MNE) mne21358

## Kåre Kansonen Valtersdorf

State-Authorised Public Accountant  
Identification No  
(MNE) mne34490



**NKT A/S**

Vibeholms Allé 20  
DK-2605 Brøndby  
Denmark

Company Reg. No.: 6272 5214

T: +45 43 48 20 00

[info@nkt.com](mailto:info@nkt.com)

[nkt.com](http://nkt.com)