

# Interim Report

## Q3 2019



# NKT

*Power to life since 1891*

## Management Review

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# Key messages

## Q3 2019

The Q3 2019 financial performance for NKT was as expected negatively impacted by the reduced level of activity in Solutions. This outweighed the improvement in Applications and in Service & Accessories. Operational EBITDA in Applications increased slightly, but remained unsatisfactory. Service & Accessories reported double-digit percentage organic growth in both business areas.

Progress continued on several tenders in the high-voltage market. NKT was awarded a number of projects in Q3 2019, which increased the order backlog to EUR 1.09bn. The most significant award in Q3 2019 was an approx. EUR 90m contract for the Viking Link interconnector project.

After the balance sheet date, NKT announced a contract with a value of approx. EUR 360m for the Dogger Bank offshore wind farms Creyke Beck A/B.

This is the largest XLPE power cables order ever for NKT. Additionally, NKT confirmed being evaluated as best bidder for delivery and installation of the onshore power cable systems for the Attica-Crete interconnector project.

NKT Photonics reported organic growth of 8% in Q3 2019 and more than doubled its EBITDA margin. Further increase in organic growth is expected in Q4.

The net interest-bearing debt, excluding the impact of IFRS 16, increased slightly by EUR 15m in Q3 2019 to EUR 317m. This was in line with expectations and mainly due to the annual coupon payment on the company's hybrid security, while the working capital development was positive. At end-Q3 2019, NKT A/S had net drawn EUR 149m on its committed EUR 300m revolving credit facility.

Amounts in EURm	NKT				NKT Photonics			
	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018
Revenue	308.6	367.0	926.2	1,125.3	16.7	15.2	49.1	45.2
Revenue in std. metal prices	232.4	286.9	682.8	847.8	16.7	15.2	49.1	45.2
Organic growth	-16%	-1%	-17%	6%	8%	21%	7%	22%
Operational EBITDA	6.9	26.1	13.9	78.6	3.9	1.5	7.4	1.0
Operational EBITDA margin*	3.0%	9.1%	2.0%	9.3%	23.3%	9.9%	15.1%	2.2%
Working capital			-4.7	61.2			27.8	20.9
Working capital % of revenue, LTM			1.1%	-0.5%			35.2%	31.1%
RoCE**			-7.1%	2.9%			6.8%	-0.3%

\* Std. metal prices

\*\* RoCE is calculated on operational EBIT, LTM, as a percentage of average capital employed, as defined in Note 5 on page 28

## 2019 financial outlook

The financial outlooks for NKT and NKT Photonics are updated:

For NKT, revenue (std. metal prices) is expected to be in the lower half of the previously communicated range of approx. EUR 0.9–1.0bn. The operational EBITDA is expected to be in the lower half of the previously communicated range of approx. EUR 10–30m.

When the financial outlook was released in November 2018, two main assumptions were to improve the profitability level in Applications and secure additional high-voltage projects with financial impact in 2019. With the development during the first nine months of 2019, Applications is not expected to improve profitability sufficiently in 2019 and while the anticipated high-voltage orders have been awarded to NKT, these will not have material financial impact in 2019.

As previously stated, the operational EBITDA for NKT is expected to improve in 2020 compared to 2019.

For NKT Photonics, organic revenue growth is expected to be approx. 10% (previously 15–20%). The EBITDA margin is expected to be in the higher end of the previously communicated range of approx. 15–20%.

As in previous years, a large part of NKT Photonics' revenue and earnings for 2019 are expected to be generated in Q4. The updated revenue outlook is based on the expectation that a few larger projects will be postponed to 2020 and not have the anticipated positive impact in Q4 2019.

## NKT A/S announces review of strategic alternatives for NKT Photonics

**The NKT A/S Board of Directors has decided to review strategic alternatives for NKT Photonics with the objectives of maximizing value creation, positioning NKT Photonics for long-term growth, and support the deleveraging of the NKT A/S balance sheet.**

**This is in line with the NKT A/S strategy of relevant business separations, most recently with the demerger of Nilfisk in October 2017.**

**NKT A/S has not set a definitive schedule to complete this review and no decision on any particular transaction or alternative has been reached at this time. Equally, there is no certainty that any transaction or alternative will be undertaken or pursued.**

**NKT A/S does not intend to make further announcements regarding the review unless it concludes they are warranted by the circumstances or are expressly required by law.**

***This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities, and shall not constitute an offer, solicitation, or sale in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.***

# NKT

## 232.4m

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

Down from EUR 286.9m in Q3 2018. The decrease was mainly due to the expected reduction in activity in Solutions

## -16%

### Organic growth

Business line organic growth of -32% in Solutions, 3% in Applications and 19% in Service & Accessories

## 6.9m

### Operational EBITDA, EUR

Down from EUR 26.1m in Q3 2018. As expected, the reduced level of activity in Solutions drove down earnings, while earnings in Applications and Service & Accessories increased

## 1.09bn

### High-voltage order backlog, EUR

Up from EUR 1.05bn at end-Q2 2019 as NKT was awarded a number of projects during Q3 2019. The contract for Dogger Bank Creyke Beck A/B was not included in the backlog at end-Q3 2019



## 16.7m

### Revenue, EUR

Up from EUR 15.2m in Q3 2018. The increase in revenue came from the Imaging & Metrology and Material Processing businesses

## 8%

### Organic growth

The growth rate improved against Q2 2019 and is expected to increase further in Q4

## 3.9m

### EBITDA, EUR

Up by EUR 2.4m compared to Q3 2018, driven by higher revenue, effective cost containment and some positive non-recurring items

## 12%

### Order intake growth

The level of new orders exceeded revenue and will contribute to future growth





# Financial review

**As expected, the revenue and earnings for Q3 2019 were lower than last year due to the reduced activity level in Solutions. Applications and Service & Accessories both delivered positive organic growth and increased operational EBITDA. The free cash flow was slightly negative as investments exceeded the earnings contribution and positive working capital development.**

## Revenue impacted by lower activity in Solutions

NKT generated revenue\* of EUR 232.4m in Q3 2019, against EUR 286.9m in Q3 2018, corresponding to organic growth of -16%. The decreased revenue was primarily due to a reduced activity level in Solutions, which outweighed the positive organic growth delivered by Applications and Service & Accessories.

The revenue\* for the first nine months of 2019 totalled EUR 682.8m, compared to EUR 847.8m for the same period last year. The organic growth in the first nine months of 2019 was -17% due to the development in Solutions.

The revenue measured in market prices was EUR 308.6m in Q3 2019, against EUR 367.0m in Q3 2018.

## Operational EBITDA lower than Q3 2018 as expected

The reduced revenue for NKT led to lower profitability, with operational EBITDA of EUR 6.9m for Q3 2019, against EUR 26.1m for Q3 2018.

The implementation of IFRS 16 increased operational EBITDA by EUR 1.1m in Q3 2019 compared to Q3 2018.

Consequently, the operational EBITDA margin\* was 3.0% in Q3 2019, against 9.1% in Q3 2018.

The operational EBITDA for the first nine months of 2019 was EUR 13.9m, compared to EUR 78.6m last year. As expected, this was primarily driven by Solutions.

Total one-off items in Q3 2019 amounted to EUR -4.9m. The costs related to strategic initiatives primarily aimed at reducing head count and improving production efficiency.

## Key financials

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
<b>Income statement</b>					
Revenue	308.6	367.0	926.2	1,125.3	1,434.6
Revenue in std. metal prices	232.4	286.9	682.8	847.8	1,080.1
Operational EBITDA	6.9	26.1	13.9	78.6	70.2
EBITDA	2.0	16.3	8.1	58.2	40.8
Depreciations and amortizations	-20.8	-19.3	-61.7	-58.4	-79.4
Operational EBIT	-13.9	6.8	-47.8	20.2	-9.2
EBIT	-18.8	-3.0	-53.6	-0.2	-38.6
Financial items, net	-2.7	-2.2	-6.2	-5.9	-7.7
EBT	-21.5	-5.2	-59.8	-6.1	-46.3
Tax	0.6	2.6	5.9	3.5	-2.0
Net result	-20.9	-2.6	-53.9	-2.6	-48.3
<b>Cash flow</b>					
Cash flow from operating activities	10.4	-35.5	-22.1	-127.5	-46.3
Cash flow from investing activities excl. acq. & div.	-13.1	-8.7	-36.2	-28.3	-49.1
Free cash flow	-2.7	-44.2	-58.3	-155.8	-95.4
<b>Balance sheet</b>					
Capital employed	1,054.5	1,158.3	1,054.5	1,158.3	1,065.3
Working capital	-4.7	61.2	-4.7	61.2	-16.2
<b>Financial ratios and employees</b>					
Organic growth	-16%	-1%	-17%	6%	0%
Operational EBITDA margin*	3.0%	9.1%	2.0%	9.3%	6.5%
RoCE	-7.1%	2.9%	-7.1%	2.9%	-0.8%
Full-time employees, end of period	3,271	3,424	3,271	3,424	3,419

\* Std. metal prices

In February 2019, NKT launched a cost programme to reduce staff costs and general spend. The reduction in general spend has been satisfactory compared to 2018. Up to end-Q3 2019, white-collar head count had been reduced by 70. The targeted employee reduction of around 130 remains unchanged and is expected to be achieved after successful implementation of specific projects. During 2019, NKT has additionally reduced the blue-collar workforce to adjust to the activity level.

The EBIT amounted to EUR -18.8m in Q3 2019, against EUR -3.0m in Q3 2018, negatively impacted by the operational EBITDA. The net result was EUR -20.9m in Q3 2019, down from EUR -2.6m in Q3 2018. The reported tax level was low due to less capitalization of tax assets.

### Improvement in working capital

NKT improved its working capital position from EUR 4.0m at end-Q2 to EUR -4.7m at end-Q3 2019. This was driven by a positive development in Applications as a result of lower inventories and trade receivables. In Solutions, the working capital development was unfavourable due to phasing of milestone payments on projects under execution.

The working capital ratio, LTM, was 1.1% at the end-Q3 2019, against 1.4% at end-Q2 2019.

### Investments exceeded operational cash flow

In Q3 2019, NKT delivered a free cash flow of EUR -2.7m. The cash flow from operating activities amounted to EUR 10.4m driven by positive EBITDA and favourable development in working capital. The cash flow from investing activities was EUR -13.1m due to continued upgrading of equipment in Solutions.

### RoCE down due to reduced earnings

The reduction in earnings impacted RoCE, which fell from -5.1% at end-Q2 2019 to -7.1% at end-Q3 2019.

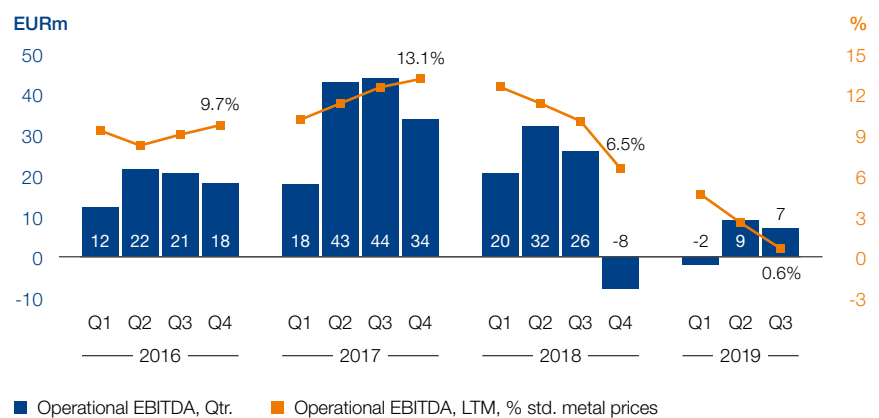
## Revenue development and organic growth

### Amounts in EURm

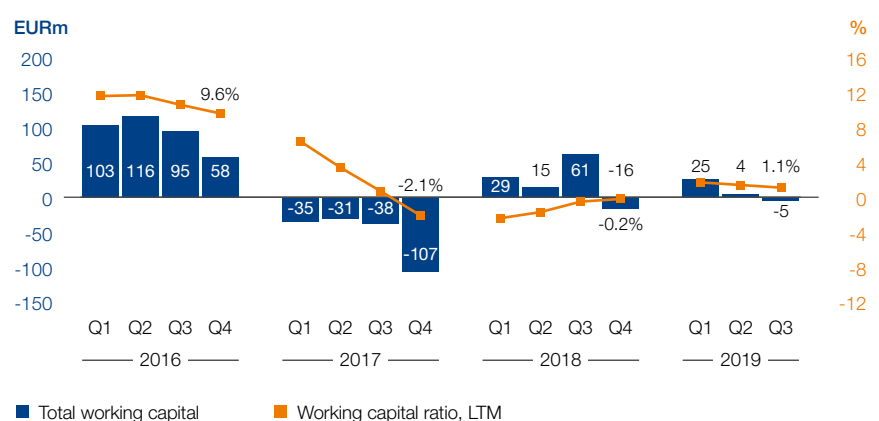
<b>Q3 2018 revenue*</b>	<b>286.9</b>
Currency effect	-4.2
Acquisitions	0
Divestments and reclassifications	-5.5
<b>Q3 2018 adjusted revenue*</b>	<b>277.2</b>
Organic growth	-44.8
<b>Q3 2019 revenue*</b>	<b>232.4</b>
<b>Organic growth, %</b>	<b>-16%</b>

\* Std. metal prices

## Operational EBITDA



## Working capital



# Business Lines

## Q3 2019 Reviews

**The segment reporting structure for NKT comprises three business lines:**

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### **Solutions**

This business line provides a broad range of both AC and DC high-voltage power cable solutions for onshore and offshore purposes. Supported by its own cable-laying vessel, NKT Victoria, NKT can offer customers end-to-end turnkey solutions including full installation services.

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### **Applications**

The Applications business line offers a wide selection of low- and medium-voltage power cables. NKT markets high-quality products that conform to regulatory requirements for flame-retardant materials and has developed ergonomic solutions. Telecom power cables are also developed and marketed.

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### **Service & Accessories**

This business line focuses on asset management services for onshore and offshore power cables. In addition, a full portfolio of accessories is offered across the high- and medium-voltage power cable categories.



# Business review

## – Solutions

# 110m

**Revenue\*, EUR**  
(Q3 2018: EUR 166m)

# -32%

**Organic growth**  
(Q3 2018: 0%)

# 3.8m

**Operational EBITDA, EUR**  
(Q3 2018: EUR 27.5m)

### Highlights – Solutions

- Revenue and earnings were lower than Q3 2018 as expected
- A number of new projects awarded in Q3 2019, leading to increased order backlog
- Strengthening of leadership resources, with three new members added to the Group Leadership Team

### Revenue\* down by EUR 56.6m

As expected, the revenue\* in Q3 2019 declined against Q3 2018 due to reduced activity at the Karlskrona factory. This slowdown continued to reflect the relatively low number of high-voltage projects awarded in the market in 2017 and 2018.

The revenue\* in the first nine months of 2019 amounted to EUR 313.0m, compared to EUR 466.8m in the corresponding period of 2018. The organic growth in the first nine months of 2019 was -30%.

Revenue measured in market prices was EUR 125.4m in Q3 2019, against EUR 176.8m in the same period last year.

### Operational EBITDA impacted by lower revenue

The operational EBITDA in Q3 2019 was below Q3 2018, mainly due to the reduced activity level. Overall, execution on current projects was in line with expectations in Q3 2019. Performance in Karlskrona exceeded expectations, while Cologne experienced production delays.

NKT completed the Caithness-Moray turnkey project in Scotland. This 320 kV HVDC interconnector link connects the electricity grid on either side of the Moray Firth and has been in commercial operation since end-2018. The cable-laying vessel NKT Victoria made her maiden installation voyage for this project in 2017.

On the power cable connection between Guernsey and Jersey in the English Channel, NKT has also completed all physical works. The project was initiated earlier this year for both production and installation which

NKT succeeded finalizing within the short timeframe of only a few quarters.

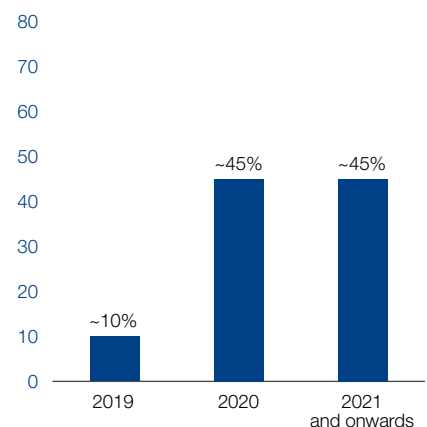
Utilization of NKT Victoria in Q3 2019 did not reach the level of 1st half 2019. The vessel was deployed on a small number of installation and offshore assignments, including the mentioned project in the Channel Islands.

The operational EBITDA for the first nine months of 2019 amounted to EUR 8.5m, compared to EUR 72.3m in the same period last year, reflecting the reduced activity.

### Order backlog up to EUR 1.09bn

NKT was awarded a number of projects in Q3 2019, which increased the high-voltage order backlog to EUR 1.09bn (EUR 0.97bn in std. metal prices) at end-Q3 2019. Around 10% of the backlog is expected to be realized in Q4 2019, around 45% in 2020, and the remaining approximately 45% in 2021 and beyond.

### Expected revenue distribution of high-voltage order backlog (EUR 1.09bn) at end-Q3 2019



\* Std. metal prices

The most significant project award in Q3 2019 was a contract valued at approx. EUR 90m (approx. EUR 75m in std. metal prices) for the Viking Link interconnector project between Denmark and UK. This project comprises supply of approx. 150 km of 525 kV MI high-voltage DC onshore power cables.

Further smaller projects for production in both Cologne and Karlskrona were also awarded.

In November 2019, NKT announced a contract for delivery and installation of the export cable systems for the Dogger Bank offshore wind farms Creyke Beck A/B. The contract value of approx. EUR 360m (approx. EUR 300m in std. metal prices) is the largest XLPE power cables order ever for the company.

Additionally, NKT confirmed being evaluated as best bidder for delivery

and installation of the onshore power cable systems for the Attica-Crete interconnector project, but no bilateral contractual agreement has been entered yet.

These two projects were not included in the order backlog at end-Q3 2019.

### Continued tender activity

In the first nine months of 2019, projects with a total value of around EUR 2bn were awarded in the market for high-voltage power cables. In September 2019, offshore wind farms with a total capacity of 5.5 GW were allocated Contracts for Difference (CfD) in the UK, the region's main mechanism for incentivizing investments in low-carbon electricity generation, reaffirming continued political commitment to wind power.

Progress continued on several tenders across market segments and

geographies. The timing of project awards will depend on the timelines for the individual projects. It is expected that some projects with financial impact in 2020 will be awarded in the market, but the primary impact will be in the following years. 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.

While the timing of future project awards is subject to uncertainty, particularly in the interconnector market, the anticipated future project awards are expected to make the supply and demand situation for power cable manufacturers more favourable in the coming years.

### Strengthening of leadership team

In Q3 2019, NKT's Group Leadership Team was strengthened with the addition of three new members from Solutions, the Executive Vice Presidents (EVP) of the high-voltage sites in Cologne and Karlskrona and the Chief Commercial Officer (CCO) for Solutions. All three will report directly to the CEO of NKT. The positions have been filled through internal promotions.

The two EVPs will be fully responsible for their respective high-voltage site, including production and project execution. The CCO will have overall responsibility for prioritization of tenders, sales, customer relations and allocation of projects between the high-voltage factory sites. The objective is to enhance P&L ownership, improve project execution and ensure faster decision making while maintaining focus on overall capacity utilization in the business line.



# Business review

## – Applications

# 99m

**Revenue\*, EUR**  
(Q3 2018: EUR 97m)

# 3%

**Organic growth**  
(Q3 2018: -2%)

# 0.8m

**Operational EBITDA, EUR**  
(Q3 2018: EUR 0.2m)

### Highlights – Applications

- Slight improvement in profitability in Q3 2019, but still unsatisfactory
- Organic growth driven by Germany and Eastern Europe
- Satisfactory production output at eastern European sites

### Positive revenue\* development

In line with expectations, positive revenue growth was restored in Q3 2019, driven primarily by increased sales in Germany and Eastern Europe. Foreign currency changes, especially the depreciation of SEK against EUR, had a slight negative impact on revenue in Q3 2019.

The revenue\* in the first nine months of 2019 amounted to EUR 296.7m, against EUR 304.0m in the same period last year. The organic growth for the first nine months of 2019 was -1%.

In market prices, the revenue amounted to EUR 161.2m in Q3 2019, against EUR 162.1m in Q3 2018.

### Operational EBITDA slightly up

Driven by the higher revenue, the operational EBITDA increased by EUR 0.6m in Q3 2019 compared to the same period last year. Despite this development, the earnings level remained unsatisfactory.

NKT is continuously focused on improving efficiency across its production sites. During Q3 2019 the sites in Eastern Europe delivered satisfactory production output, whereas factory performance in Scandinavia was below expectations.

In late Q1 2019, NKT initiated the roll-out of a uniform IT platform across its Scandinavian sites. As expected, this process initially had a negative impact on financial performance, but the platform is now operating largely as planned.

In the first nine months of 2019, the operational EBITDA amounted to EUR 2.9m, compared to EUR 4.2m in the same period of 2018.

### Growth driven by Germany and Eastern Europe

The overall market conditions in areas where NKT operates were generally as expected in Q3 2019. The medium-voltage market was characterized by stable development, while development in the market for low-voltage power cables was more differentiated. Generally, the Eastern European markets are growing faster than markets in Germany and Scandinavia.

The organic growth in Applications was 3% in Q3 2019, driven by positive development in Germany and Eastern Europe. NKT has improved its position in the medium-voltage segment, particularly in Germany, where the performance was better than the market, while revenue in France was down against a strong performance in the same period 2018.

In Scandinavia, the organic growth was slightly negative. Increased competitive pressure in the low-voltage segment impacted performance.

\* Std. metal prices

# Business review

## – Service & Accessories

# 29m

**Revenue\*, EUR**  
(Q3 2018: EUR 31m)

# 19%

**Organic growth**  
(Q3 2018: -1%)

# 4.1m

**Operational EBITDA, EUR**  
(Q3 2018: EUR 2.1m)

### Positive revenue development in both business areas

The revenue\* for Service & Accessories was lower in Q3 2019 than in the same period last year. This was due to the impact of the divested railway activities, which contributed EUR 5.5m in Q3 2018. The underlying trend during the quarter was positive, driven by double-digit percentage organic growth in both areas of the business line.

The first nine months of 2019 generated revenue\* of EUR 86.1m, against EUR 97.9m in the first nine months of 2018 (revenue\* for the divested railway activities was EUR 17.3m in this period). The organic growth for the first nine months of 2019 was 2%.

The revenue in market prices amounted to EUR 28.7m in Q3 2019, compared to EUR 36.9m in Q3 2018.

### Operational EBITDA almost doubled compared to Q3 2018

Despite lower absolute revenue, Service & Accessories improved profitability in Q3 2019 against the same period last year, as both business areas delivered higher earnings. In the Service business, the higher offshore repair activity increased profitability, while in the Accessories business, the positive earnings development came from higher revenue, increased production output and improved product mix.

In the first nine months of 2019, the operational EBITDA amounted to EUR 11.0m, compared to EUR 11.7m for the same period of 2018.

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

### Service growth against low comparison base

The revenue and earnings in the Service business increased in Q3 2019. The performance in the same period of 2018 was relatively weak with no offshore repair work.

In the offshore Service business, Q3 2019 saw the completion of a large repair assignment initiated in the previous quarter, while the onshore Service business was characterized by moderate activity on par with last year.

The volume of service contracts is gradually increasing. Two larger agreements have been prolonged, and NKT has been awarded a contract by TenneT for the cable-jointing part of a larger offshore service agreement. These contracts will support further revenue growth going forward.

### Continued growth in Accessories

The positive performance by Accessories was primarily based on increased output of medium-voltage products from the Nordenham factory. The company continued to improve its market presence, particularly in the Middle East, but also delivered solid performance in Central Europe.

In the offshore wind segment, NKT benefitted from its position as a well-developed supplier of innovative accessories, which also contributed to growth in Q3 2019.

This development more than compensated for challenging market conditions in the high-voltage accessories market in the US and Russia.

#### Highlights – Service & Accessories

- Double-digit percentage organic growth in both Service and Accessories in Q3 2019
- Increased Service activity driven by offshore cable repairs
- Continued medium-voltage growth in Accessories

\* Std. metal prices





# NKT Photonics – Financial & Business review

**NKT Photonics delivered 8% organic growth in Q3 2019 and the EBITDA margin more than doubled to 23.3%. The organic growth rate is expected to increase further in Q4. The order intake grew by 12% in Q3 2019. The number of orders continued to exceed revenue in EUR terms, supporting future growth.**

### Revenue growth of EUR 1.5m

The revenue for NKT Photonics amounted to EUR 16.7m in Q3 2019, against EUR 15.2m in Q3 2018, corresponding to 8% organic growth. Increased growth is expected in Q4 driven by execution of the order backlog, additional market opportunities and postponement of revenue from Q3 to Q4 due to the roll-out of a new global ERP system that went live in Q3 2019.

The growth in revenue was mainly driven by continued improved performance in Imaging & Metrology, and Material Processing.

The revenue for the first nine months of 2019 was EUR 49.1m, compared to EUR 45.2m in the same period of 2018. Organic growth for the first nine months of 2019 was 7%.

### EBITDA margin more than doubled

The EBITDA increased to EUR 3.9m in Q3 2019 from EUR 1.5m in Q3 2018. This development was due to higher revenue, effective cost containment and some positive non-recurring items. The EBITDA margin was 23.3% in Q3 2019, up from 9.9% in Q3 2018.

NKT Photonics continued to prepare for further growth, with FTE count up by 9% from Q3 2018 to Q3 2019.

The implementation of IFRS 16 increased EBITDA for Q3 2019 by EUR 0.3m against Q3 2018.

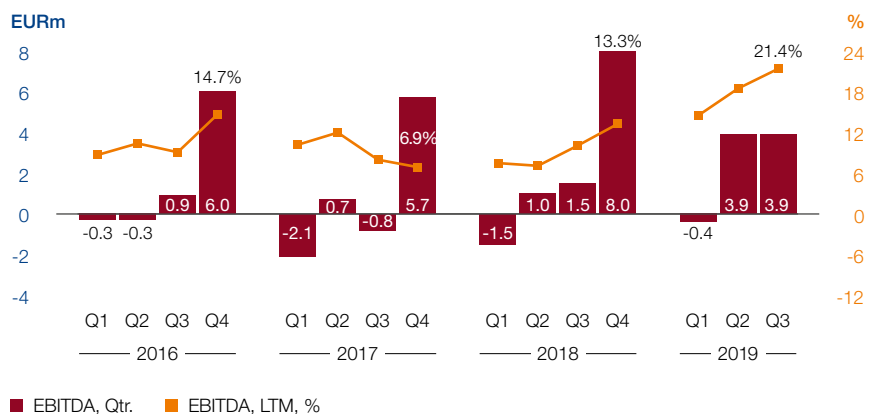
The EBITDA was EUR 7.4m for the first nine months of 2019, compared to EUR 1.0m for the same period last

### Revenue development and organic growth

#### Amounts in EURm

<b>Q3 2018 revenue</b>	<b>15.2</b>
Currency effect	0.3
Acquisitions	0.0
Divestments and reclassifications	0.0
<b>Q3 2018 adjusted revenue</b>	<b>15.5</b>
Organic growth	1.2
<b>Q3 2019 revenue</b>	<b>16.7</b>
<b>Organic growth, %</b>	<b>8%</b>

### NKT Photonics EBITDA



year. Earnings were up due to higher revenue, improved project profitability and cost focus.

Driven by the improved EBITDA, NKT Photonics increased EBIT and net result in Q3 2019 by EUR 1.8m and EUR 1.9m, respectively.

### Working capital slightly up

Working capital for NKT Photonics amounted to EUR 27.8m at end-Q3 2019, up by EUR 0.9m compared to the end of the previous quarter. This increase reflected build-up of inventory ahead of the expected revenue increase in Q4 2019.

### Order intake up by 12%

NKT Photonics reported continued growth in order intake in Q3 2019 compared to Q3 2018. The level of new orders exceeded revenue and will contribute to future growth. Quarterly order intake can fluctuate depending on the size of project awards.

### NKT Photonics to deliver lasers for 20 kW defence project

NKT Photonics has in cooperation with the German company Rheinmetall Waffe Munition announced the successful test of a 20 kW laser source based on spectral combining of 12 fiber lasers. The 12 narrow linewidth high-power lasers are a main component of the effector. The aerospace and

### Key financials

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	FY 2018
<b>Income statement</b>					
Revenue	16.7	15.2	49.1	45.2	67.7
EBITDA	3.9	1.5	7.4	1.0	9.0
Depreciations and amortizations	-2.1	-1.5	-6.7	-5.1	-7.9
EBIT	1.8	0.0	0.7	-4.1	1.1
Financial items, net	0.3	-0.4	0.0	-0.3	-0.3
EBT	2.1	-0.4	0.7	-4.4	0.8
Tax	-0.4	0.2	-0.1	0.9	1.2
Net result	1.7	-0.2	0.6	-3.5	2.0
<b>Cash flow</b>					
Cash flow from operating activities	0.6	0.7	1.6	-2.7	4.1
Cash flow from investing activities excl. acq. & div.	-4.2	-2.3	-11.6	-5.7	-11.8
Free cash flow	-3.6	-1.6	-10.0	-8.4	-7.7
<b>Balance sheet</b>					
Capital employed	101.7	73.7	101.7	73.7	78.6
Working capital	27.8	20.9	27.8	20.9	24.0
<b>Financial ratios and employees</b>					
Organic growth	8%	21%	7%	22%	16%
EBITDA margin	23.3%	9.9%	15.1%	2.2%	13.3%
RoCE	6.8%	-0.3%	6.8%	-0.3%	1.6%
Full-time employees, end of period	380	348	380	348	349

defence segment represents an attractive growth opportunity.

### Opening of US facility

In October 2019, NKT Photonics officially opened its facility in Boston,

US. The site will be important for servicing this market and will be the location for US based sales and single-frequency laser production.

### Imaging & Metrology

Imaging & Metrology continued to be a primary growth driver in 2019. This business is dominated by a few large OEMs within bio-imaging and semiconductors as well as several smaller customers. New potential OEM customers took delivery of supercontinuum test units during Q3 2019 with the aim of adding these to their production lines and tools in 2019 and 2020.

### Sensing & Energy

The business did not grow in Q3 2019. The small FIOPS business, which mainly focuses on monitoring of pipelines, performed below expectations, and with the discouraging outlook it was decided in September 2019 to close down these operations to focus further on core business.

NKT Photonics was selected for an important project in India to supply Koheras single-frequency lasers. The first units were delivered in Q3 2019. Delivery will continue in Q4 and in 2020 and production capacity is currently being ramped up.

### Material Processing

Growth in this business was driven by the aerospace and defence segment, specifically the large laser project with Rheinmetall Waffe Munition. New opportunities in industrial micromachining were identified, which was driven by the new ultrafast laser products introduced end-Q2 2019.

# Group financials

## Operational EBITDA and EBIT

The NKT Group reported operational EBITDA of EUR 10.8m in Q3 2019, against EUR 27.6m in Q3 2018. This development was due to the expected decreased profitability in the power cables business, NKT.

In the first nine months of 2019, operational EBITDA was EUR 21.3m, compared to EUR 79.6m in the same period last year due to lower earnings in NKT. The operational EBITDA, LTM, at end-Q3 2019 amounted to EUR 21.0m.

In Q3 2019, EBIT decreased to EUR -17.0m from EUR -3.0m in Q3 2018 driven by the development in operational EBITDA in NKT.

## Financial items and net result

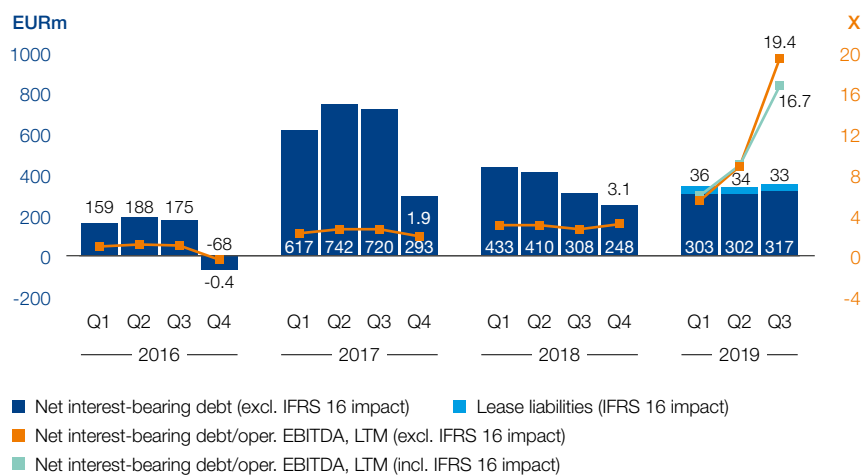
The net financial items in Q3 2019 amounted to EUR -2.4m, against EUR -2.6m in Q3 2018. The financial items primarily consisted of interest costs on debt.

The earnings before tax comprised EUR -19.4m in Q3 2019, compared to EUR -5.6m in Q3 last year, reflecting the decrease in operational EBITDA. The net result decreased from EUR -2.8m in Q3 2018 to EUR -19.2m in Q3 2019.

## Cash flow

In Q3 2019, the cash flow from operating activities amounted to EUR 11.0m, up from EUR -34.8m in Q3 2018. This was driven by positive development in working capital. The cash flow from investing activities was EUR -17.3m in Q3 2019,

## 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.

compared to EUR -11.0m in Q3 2018, reflecting higher investment levels in both NKT and NKT Photonics. The cash flow from financing activities was impacted by the coupon payment of EUR 8.1m made on the hybrid security in September 2019.

## Liquidity, debt leverage and equity

The net interest-bearing debt, excluding the impact of IFRS 16, amounted to EUR 317.0m at end-Q3 2019, which was EUR 14.8m higher than at end-Q2 2019. This was mainly due to the coupon payment of EUR 8.1m on the hybrid security. The net interest-bearing debt, including IFRS 16 impact, at end-Q3 2019 was EUR 349.9m.

At end-Q3 2019, net interest-bearing debt relative to operational EBITDA amounted to 19.4x, excluding IFRS 16 impact (16.7x including IFRS 16 impact), compared to 8.8x at the end of the previous quarter, which was in line with the anticipated decrease in profitability. At end-Q3 2019, NKT A/S had net drawn EUR 149m on its committed EUR 300m revolving credit facility.

NKT A/S had total available liquidity reserves of EUR 174.0m, comprising cash of EUR 5.9m and undrawn credit facilities of EUR 168.1m. Group equity, including the hybrid security issued in Q3 2018, amounted to EUR 806m and the solvency ratio was 43%.

## Q3 2019 financial development for NKT A/S

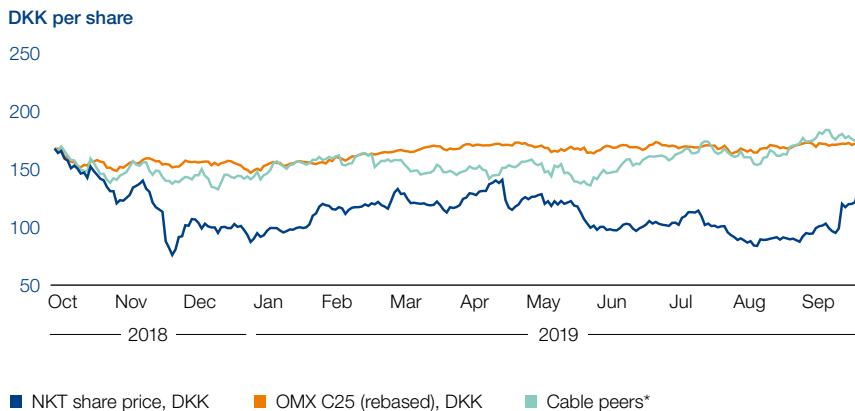
Amounts in EURm	Revenue*			Operational EBITDA			Oper. EBITDA margin*	
	Q3 2019	Q3 2018	Change	Q3 2019	Q3 2018	Change	Q3 2019	Q3 2018
NKT	232.4	286.9	-54.5	6.9	26.1	-19.2	3.0%	9.1%
NKT Photonics	16.7	15.2	1.5	3.9	1.5	2.4	23.3%	9.9%
Elimination	0.0	-0.5	0.5	0.0	0.0	0.0	-	-
<b>NKT Group</b>	<b>249.1</b>	<b>301.6</b>	<b>-52.5</b>	<b>10.8</b>	<b>27.6</b>	<b>-16.8</b>	<b>4.3%</b>	<b>9.1%</b>

\* Std. metal prices



# Shareholder information

## NKT A/S Share price



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

## NKT A/S shares

The average daily turnover in NKT A/S shares on all trading markets was EUR 3m in Q3 2019, compared to EUR 7m in Q3 2018. The average daily trading volume was 252,000 shares in Q3 2019, against 308,000 in Q3 last year. Nasdaq Copenhagen was the main trading market for the company's shares with 56% of the total traded volume in Q3 2019.

At end-Q3 2019, the NKT A/S share price stood at DKK 132.90, compared to DKK 88.95 at end-2018, equal to a share price return of 49%. The corresponding dividend-adjusted share price returns for the company's largest European competitors, Prysmian and Nexans, were 19% and 40%, respectively. The Danish OMX C25 index, adjusted for dividends, increased by 17% in the first nine months of 2019.

At end-Q3 2019, four NKT A/S investors had reported shareholdings of between 5.00–9.99%: ATP (Denmark), Ferd AS (Norway), Kirkbi INVEST A/S (Denmark), and Nordea Funds Ltd, Danish Branch (Finland).

The total share capital consists of 27,126,369 shares, each with a nominal value of DKK 20, corresponding to a total nominal share capital of EUR 72,822,500 (DKK 542,527,380).

## New employee-elected Board member

Peter Wennevold, an employee-elected member of the NKT A/S Board of Directors, has resigned from his position as Finance Business Partner at NKT with effect from 31 December 2019 and will consequently also step down as a member of the Board.

In his place Thomas Torp Hansen, Production Manager at NKT Photonics, will join as a new member of the Board.



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

## NKT A/S shares basic data

**ID code:** DK0010287663

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

**Share capital:** EUR 73m (DKK 543m)

**Number of shares:** 27.1 million

**Nominal value:** DKK 20

**Share classes:** 1

## Financial calendar 2020

**26 Feb:** Annual Report 2019

**26 Mar:** Annual General Meeting

**13 May:** Interim Report, Q1 2020

**19 Aug:** Interim Report, Q2 2020

**18 Nov:** Interim Report, Q3 2020

# 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 2019.

The Interim Report, which has not been audited or 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 2019 and the results of the Group's activities and cash flow for the period 1 January – 30 September 2019.

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, 20 November 2019*

## Executive Management

Alexander Kara  
*President & CEO*

Roland M. Andersen  
*CFO*

## Board of Directors

Jens Due Olsen  
*Chairman*

René Svendsen-Tune  
*Deputy Chairman*

Jack Ejlersen\*

Stig Nissen Knudsen\*

Jens Maaløe

Andreas Nauen

Jutta af Rosenberg

Lars Sandahl Sørensen

Peter Wennevold\*

\* *Employee-elected member*

# Financial Statements

# Income statement

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Year 2018
Revenue	325.3	381.8	975.0	1,170.0	1,501.6
Costs of raw materials, consumables and goods for resale	-216.3	-252.2	-649.3	-778.5	-988.6
Staff costs	-64.1	-64.6	-200.8	-204.3	-277.8
Other costs etc.	-39.0	-47.2	-109.4	-128.0	-185.4
<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>	<b>5.9</b>	<b>17.8</b>	<b>15.5</b>	<b>59.2</b>	<b>49.8</b>
Depreciation of property, plant and equipment	-16.4	-16.0	-48.3	-48.4	-66.4
Amortization of intangible assets	-5.2	-4.8	-16.0	-15.1	-20.9
Depreciation of right-of-use assets	-1.3	0.0	-4.1	0.0	0.0
<b>Earnings before interest and tax (EBIT)</b>	<b>-17.0</b>	<b>-3.0</b>	<b>-52.9</b>	<b>-4.3</b>	<b>-37.5</b>
Financial items, net	-2.4	-2.6	-6.2	-6.2	-8.0
<b>Earnings before tax (EBT)</b>	<b>-19.4</b>	<b>-5.6</b>	<b>-59.1</b>	<b>-10.5</b>	<b>-45.5</b>
Tax	0.2	2.8	5.8	4.4	-0.8
<b>Net result</b>	<b>-19.2</b>	<b>-2.8</b>	<b>-53.3</b>	<b>-6.1</b>	<b>-46.3</b>
To be distributed as follows:					
Profit attributable to equity holders of NKT A/S	-21.2	-2.8	-59.3	-6.1	-48.7
Profit attributable to hybrid capital holders of NKT A/S	2.0	0.0	6.0	0.0	2.4
	<b>-19.2</b>	<b>-2.8</b>	<b>-53.3</b>	<b>-6.1</b>	<b>-46.3</b>
Basic & diluted earnings, EUR per outstanding share (EPS)	-0.8	-0.1	-2.2	-0.2	-1.8

# Cash flow

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Year 2018
Earnings before interest, tax, depreciation and amortization (EBITDA)	5.9	17.8	15.5	59.2	49.8
Profit on sales of non-current assets, use and increase of provisions, and other non-cash items etc.	-3.3	-3.2	-7.9	-7.2	-10.8
Changes in working capital	12.9	-49.0	-20.3	-164.4	-76.0
Cash flow from operations before financial items, etc.	15.5	-34.4	-12.7	-112.4	-37.0
Net financial items paid	-2.4	-2.8	-6.2	-6.4	-8.3
Income tax paid	-2.1	2.4	-1.6	-11.4	3.1
<b>Cash flow from operating activities</b>	<b>11.0</b>	<b>-34.8</b>	<b>-20.5</b>	<b>-130.2</b>	<b>-42.2</b>
Acquisition of business	0.0	0.0	-1.8	0.0	0.0
Divestment of business	0.0	0.0	9.5	0.0	0.0
Investments in property, plant and equipment	-7.9	-6.1	-23.7	-15.8	-28.5
Disposal of property, plant and equipment	0.4	-0.2	1.7	-0.3	1.2
Intangible assets and other investments, net	-9.8	-4.7	-25.8	-17.9	-33.6
<b>Cash flow from investing activities</b>	<b>-17.3</b>	<b>-11.0</b>	<b>-40.1</b>	<b>-34.0</b>	<b>-60.9</b>
<b>Free cash flow</b>	<b>-6.3</b>	<b>-45.8</b>	<b>-60.6</b>	<b>-164.2</b>	<b>-103.1</b>
Changes in non-current loans from credit institutions	13.6	-104.9	51.3	-19.6	-64.4
Changes in current loans from credit institutions	-1.0	-0.3	-1.2	0.0	3.5
Repayment of lease liabilities	-1.0	0.0	-3.6	0.0	0.0
Coupon payments on hybrid capital	-8.1	0.0	-8.1	0.0	0.0
Cash from issue of hybrid capital	0.0	148.3	0.0	148.3	148.3
<b>Cash flow from financing activities</b>	<b>3.5</b>	<b>43.1</b>	<b>38.4</b>	<b>128.7</b>	<b>87.4</b>
<b>Net cash flow</b>	<b>-2.8</b>	<b>-2.7</b>	<b>-22.2</b>	<b>-35.5</b>	<b>-15.7</b>
Cash at bank and in hand at the beginning of the period	9.0	11.7	28.2	44.7	44.7
Currency adjustments	-0.3	0.2	-0.1	0.0	-0.8
Net cash flow	-2.8	-2.7	-22.2	-35.5	-15.7
<b>Cash at bank and in hand at the end of the period</b>	<b>5.9</b>	<b>9.2</b>	<b>5.9</b>	<b>9.2</b>	<b>28.2</b>

# Balance sheet

Amounts in EURm	30 September 2019	30 September 2018	31 December 2018
<b>Assets</b>			
Intangible assets	581.1	578.2	589.2
Property, plant and equipment	602.9	651.2	645.2
Right-of-use assets	32.4	0.0	0.0
Other non-current assets	37.9	64.8	29.7
<b>Total non-current assets</b>	<b>1,254.3</b>	<b>1,294.2</b>	<b>1,264.1</b>
Inventories	232.0	237.2	219.8
Receivables and income tax	394.0	396.6	347.0
Interest-bearing receivables	0.1	0.8	0.1
Cash at bank and in hand	5.9	9.2	28.2
<b>Total current assets</b>	<b>632.0</b>	<b>643.8</b>	<b>595.1</b>
<b>Total assets</b>	<b>1,886.3</b>	<b>1,938.0</b>	<b>1,859.2</b>
<b>Equity and liabilities</b>			
Equity attributable to equity holders of NKT A/S	656.0	774.5	743.2
Hybrid capital	150.3	150.0	152.4
<b>Group equity</b>	<b>806.3</b>	<b>924.5</b>	<b>895.6</b>
Deferred tax	43.1	57.3	46.3
Pension liabilities	49.6	52.8	49.9
Provisions	13.7	20.1	18.5
Lease liabilities	28.2	0.0	0.0
Interest-bearing loans and borrowings	317.0	312.6	268.4
<b>Total non-current liabilities</b>	<b>451.6</b>	<b>442.8</b>	<b>383.1</b>
Lease liabilities	4.7	0.0	0.0
Interest-bearing loans and borrowings	6.0	4.9	8.2
Trade payables, tax and other liabilities	602.9	551.7	559.1
Provisions	14.8	14.1	13.2
<b>Total current liabilities</b>	<b>628.4</b>	<b>570.7</b>	<b>580.5</b>
<b>Total liabilities</b>	<b>1,080.0</b>	<b>1,013.5</b>	<b>963.6</b>
<b>Total equity and liabilities</b>	<b>1,886.3</b>	<b>1,938.0</b>	<b>1,859.2</b>

# Comprehensive income and Equity

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Year 2018
<b>Comprehensive income</b>					
Net profit	-19.2	-2.8	-53.3	-6.1	-46.3
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	1.8
<i>Items that may be reclassified to income statement:</i>					
Currency adjustment of foreign subsidiaries and value adjustment of hedging instruments, etc.	-10.5	11.8	-27.9	-34.0	-24.5
<b>Total comprehensive income for the period</b>	<b>-29.7</b>	<b>9.0</b>	<b>-81.2</b>	<b>-40.1</b>	<b>-69.0</b>
<b>Statement of changes in equity</b>					
Group equity, 1 January			895.6	816.3	816.3
Total comprehensive income for the period			-81.2	-40.1	-69.0
Issue of hybrid capital			0.0	150.0	150.0
Costs from issue of hybrid capital			0.0	-1.7	-1.7
Coupon payments on hybrid capital			-8.1	0.0	0.0
<b>Group equity at the end of the period</b>			<b>806.3</b>	<b>924.5</b>	<b>895.6</b>

# Notes

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

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The Interim Report 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.

Alternative financial measures are presented in the consolidated financial statements that are not defined according to IFRS. These alternative measures are considered to provide valuable information to stakeholders and management. Since other companies might calculate these differently from NKT, they may not be comparable to the measures used 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.

NKT issued EUR 150,000,000 Callable Subordinated Capital Securities in September 2018 NTK, due in 3018. As described on page 16, management decided to pay out interest on the loan in September 2019. The Fair value of the instrument (Hybrid Capital) is classified as equity. Payments of interest on the Hybrid Capital (treated as dividend) is according to current tax legislation deductible for income tax purposes. The tax effect is recorded in the income statement as this is considered distribution of earnings and not in equity where the effect of the dividend paid is recorded. This had no impact on the tax reported for Q3 2019.

NKT has implemented the standards and interpretations that became effective for 2019. The implementation of standards and interpretations has only had insignificant effect on recognition and measurement in 2019. Please refer to Note 8.3 on page 129 of the 2018 Annual Report for further details.

Regarding accounting estimates, please refer to Note 1.1 on page 79 of the 2018 Annual Report. Regarding risks, please refer to Note 6.5 on page 118 of the 2018 Annual Report and the information contained in the sections on risk management on page 38 and on page 52 of the 2018 Annual Report.

NKT has adopted IFRS 16 Leases using the modified retrospective method from 1 January 2019, where the right-of-use assets equal the lease liabilities.

The lease liability is measured using the implicit borrowing rate in the contracts or, where this is not available, the marginal borrowing rate in the countries in which NKT operates. The weighted average incremental borrowing rate for lease liabilities initially recognized at January 1, 2019 was 4.5%.

Right-of-use assets are presented separately in the balance sheet. NKT's portfolio of capitalized lease contracts covers leases of land and buildings. Other lease contracts are short-term or immaterial.

In Q3 2019 the implementation of IFRS 16 has increased EBITDA with EUR 1.4m, total assets with EUR 32.4m and net interest-bearing debt with EUR 32.9m. Please refer to Note 4 on page 27.

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. The European General Court has rejected all appeals against the decision including NKT's appeal. NKT has initiated a further appeal before the European Court of Justice. As a consequence of the Commission's decision, NKT and other power cable producers face exposure to claims for damages in proceedings brought by customers or other third parties. In line with its appeal against the Commission's decision, NKT contests any civil damages claim that is based on this decision.

According to the regulation for financial statements preparation, the Group Management is required to determine whether the interim statement can be presented on a 'going concern' basis. Based on outlook estimates, including examination of the latest 'forecast 2019', and future cash flow expectations, existence of credit facilities, etc., it is the opinion of the Group Management that there are no factors giving rise to doubt as to whether NKT can continue operating for at least 12 months from the balance sheet date. Information concerning Group cash resources and expectations for 2019 are included in the Management's review.



## Note 2 Segment reporting

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Year 2018
<b>Revenue (market prices)</b>					
NKT – Solutions	125.4	176.8	357.0	515.3	640.3
NKT – Applications	161.2	162.1	499.0	517.8	677.4
NKT – Service & Accessories	28.7	36.9	88.1	117.4	154.2
Elimination of transactions between segments	-6.7	-8.8	-17.9	-25.2	-37.3
<b>NKT</b>	<b>308.6</b>	<b>367.0</b>	<b>926.2</b>	<b>1,125.3</b>	<b>1,434.6</b>
NKT Photonics	16.7	15.2	49.1	45.2	67.7
Elimination of transactions between segments	0.0	-0.4	-0.3	-0.5	-0.7
<b>NKT Group</b>	<b>325.3</b>	<b>381.8</b>	<b>975.0</b>	<b>1,170.0</b>	<b>1,501.6</b>
<b>Revenue (std. metal prices)</b>					
NKT – Solutions	109.8	166.4	313.0	466.8	577.9
NKT – Applications	98.9	97.2	296.7	304.0	400.5
NKT – Service & Accessories	28.6	30.6	86.1	97.9	129.4
Elimination of transactions between segments	-4.9	-7.3	-13.0	-20.9	-27.7
<b>NKT</b>	<b>232.4</b>	<b>286.9</b>	<b>682.8</b>	<b>847.8</b>	<b>1,080.1</b>
NKT Photonics	16.7	15.2	49.1	45.2	67.7
Elimination of transactions between segments	0.0	-0.5	-0.3	-0.5	-0.7
<b>NKT Group</b>	<b>249.1</b>	<b>301.6</b>	<b>731.6</b>	<b>892.5</b>	<b>1,147.1</b>
<b>Operational EBITDA</b>					
NKT – Solutions	3.8	27.5	8.5	72.3	62.9
NKT – Applications	0.8	0.2	2.9	4.2	5.4
NKT – Service & Accessories	4.1	2.1	11.0	11.7	15.7
Non-allocated costs	-1.8	-3.7	-8.5	-9.6	-13.8
<b>NKT</b>	<b>6.9</b>	<b>26.1</b>	<b>13.9</b>	<b>78.6</b>	<b>70.2</b>
NKT Photonics	3.9	1.5	7.4	1.0	9.0
Elimination of transactions between segments	0.0	0.0	0.0	0.0	0.1
<b>NKT Group</b>	<b>10.8</b>	<b>27.6</b>	<b>21.3</b>	<b>79.6</b>	<b>79.3</b>
One-off items	-4.9	-9.8	-5.8	-20.4	-29.5
<b>EBITDA</b>					
NKT	2.0	16.3	8.1	58.2	40.8
NKT Photonics	3.9	1.5	7.4	1.0	9.0
<b>NKT Group</b>	<b>5.9</b>	<b>17.8</b>	<b>15.5</b>	<b>59.2</b>	<b>49.8</b>

## Note 2 Segment reporting – continued

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Year 2018
<b>Operational EBIT</b>					
NKT – Solutions	-11.7	12.1	-38.1	25.2	-0.3
NKT – Applications	-1.8	-2.2	-5.2	-3.1	-4.6
NKT – Service & Accessories	2.9	1.2	7.7	9.1	12.0
Non-allocated costs	-3.3	-4.3	-12.2	-11.0	-16.3
<b>NKT</b>	<b>-13.9</b>	<b>6.8</b>	<b>-47.8</b>	<b>20.2</b>	<b>-9.2</b>
NKT Photonics	1.8	0.0	0.7	-4.1	1.2
<b>NKT Group</b>	<b>-12.1</b>	<b>6.8</b>	<b>-47.1</b>	<b>16.1</b>	<b>-8.0</b>
One-off items	-4.9	-9.8	-5.8	-20.4	-29.5
<b>EBIT</b>					
NKT	-18.8	-3.0	-53.6	-0.2	-38.6
NKT Photonics	1.8	0.0	0.7	-4.1	1.1
<b>NKT Group</b>	<b>-17.0</b>	<b>-3.0</b>	<b>-52.9</b>	<b>-4.3</b>	<b>-37.5</b>
<b>Working capital</b>					
NKT – Solutions	-65.1	-24.5	-65.1	-24.5	-108.1
NKT – Applications	46.2	62.7	46.2	62.7	46.4
NKT – Service & Accessories	19.3	7.9	19.3	7.9	9.7
Non-allocated items	-5.1	15.1	-5.1	15.1	35.8
<b>NKT</b>	<b>-4.7</b>	<b>61.2</b>	<b>-4.7</b>	<b>61.2</b>	<b>-16.2</b>
NKT Photonics	27.8	20.9	27.8	20.9	24.0
Non-allocated items	0.0	0.0	0.0	0.0	-0.1
<b>NKT Group</b>	<b>23.1</b>	<b>82.1</b>	<b>23.1</b>	<b>82.1</b>	<b>7.7</b>

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

Amounts in EURm	30 September 2019	30 September 2018	31 December 2018
<b>Net interest-bearing debt</b>			
Lease liabilities, non-current	28.2	0.0	0.0
Interest-bearing loans and borrowings, non-current	317.0	312.6	268.4
Lease liabilities, current	4.7	0.0	0.0
Interest-bearing loans and borrowings, current	6.0	4.9	8.2
Interest-bearing receivables	-0.1	-0.8	-0.1
Cash at bank and in hand	-5.9	-9.2	-28.2
<b>Net interest-bearing debt</b>	<b>349.9</b>	<b>307.5</b>	<b>248.3</b>
<b>Working capital</b>			
Inventories	232.0	237.2	219.8
Receivables and income tax	394.0	396.6	347.0
Trade payables, tax and other liabilities	-602.9	-551.7	-559.1
<b>Working capital</b>	<b>23.1</b>	<b>82.1</b>	<b>7.7</b>

### Note 4 IFRS 16

Amounts in EURm	Q3 2019	Q1–Q3 2019	30 September 2019		
	Operational EBITDA	Operational EBITDA	Total assets	Net interest- bearing debt	Net interest- bearing debt relative to oper. EBITDA
<b>Reported figures</b>					
NKT	6.9	13.9			
NKT Photonics	3.9	7.4			
<b>NKT Group</b>	<b>10.8</b>	<b>21.3</b>	<b>1,886.3</b>	<b>349.9</b>	<b>16.7</b>
<b>IFRS 16 impact</b>					
NKT	1.1	3.3			
NKT Photonics	0.3	1.4			
<b>NKT Group</b>	<b>1.4</b>	<b>4.7</b>	<b>32.4</b>	<b>32.9</b>	
<b>Figures before IFRS 16 impact</b>					
NKT	5.8	10.6			
NKT Photonics	3.6	6.0			
<b>NKT Group</b>	<b>9.4</b>	<b>16.6</b>	<b>1,853.9</b>	<b>317.0</b>	<b>19.4</b>

## Note 5 Definitions

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

1. **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.
2. **Organic growth** – Absolute organic sales growth (standard price) as a percentage of prior-year adjusted revenue (standard price). Organic growth is a measure of growth, excluding the impact of exchange adjustments from year-on-year comparisons, and including acquisitions and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation, and for divestments revenue for the prior year is removed from the calculation.
3. **One-off items** – consist of non-recurring items such as costs for integration, restructuring and other one-time costs.
4. **Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA)** – Earnings before interest, tax, depreciation and amortization (EBITDA) adjusted for one-off items.
5. **Operational earnings before interest and tax (Oper. EBIT)** – Earnings before interest and tax adjusted for one-off items.
6. **Net interest-bearing debt** – Cash, investments and interest-bearing receivables less interest-bearing debt. Hybrid capital is not included in net interest-bearing debt.
7. **Capital employed** – Group equity plus net interest-bearing debt.
8. **Working capital** – Current assets minus current liabilities (excluding interest-bearing items and provisions).
9. **Net interest-bearing debt relative to operational EBITDA** – Operational EBITDA is calculated on a rolling 12-months basis (LTM). Comparative figures are calculated including discontinued operation.
10. **Solvency ratio (equity as a percentage of total assets)** – Equity incl. hybrid capital and excl. non-controlling interest as a percentage of total assets.
11. **Return on capital employed (RoCE)** – Operational EBIT as a percentage of average capital employed. Calculated on a rolling 12-months basis (LTM). Comparative figures are calculated including discontinued operation.
12. **Earnings, EUR per outstanding share (EPS)** – Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares.
13. **Equity value, EUR per outstanding share** – Equity attributable to equity holders of NKT A/S per outstanding share at period end. Dilutive effect of warrants plan for Group Management and employees is not included in this ratio.

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 2019 was published on 20 November 2019 and released through Nasdaq Copenhagen. The report is also available at [investors.nkt.com](http://investors.nkt.com).

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# Financial highlights and ratios

Amounts in EURm	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Year 2018
<b>Income statement</b>					
Revenue	325.3	381.8	975.0	1,170.0	1,501.6
Revenue in std. metal prices <sup>1)</sup>	249.1	301.6	731.6	892.5	1,147.1
Operational earnings before interest, tax, depreciation and amortization (Oper. EBITDA) <sup>4)</sup>	10.8	27.6	21.3	79.6	79.3
Earnings before interest, tax, depreciation and amortization (EBITDA)	5.9	17.8	15.5	59.2	49.8
Depreciation and impairment of property, plant and equipment	-16.4	-16.0	-48.3	-48.4	-66.4
Amortization and impairment of intangible assets	-5.2	-4.8	-16.0	-15.1	-20.9
Depreciation of right-of-use assets	-1.3	0.0	-4.1	0.0	0.0
Operational earnings before interest and tax (Oper. EBIT) <sup>5)</sup>	-12.1	6.8	-47.1	16.1	-8.0
Earnings before interest and tax (EBIT)	-17.0	-3.0	-52.9	-4.3	-37.5
Financial items, net	-2.4	-2.6	-6.2	-6.2	-8.0
Earnings before tax (EBT)	-19.4	-5.6	-59.1	-10.5	-45.5
Profit for the period	-19.2	-2.8	-53.3	-6.1	-46.3
Profit attributable to equity holders of NKT A/S	-21.2	-2.8	-59.3	-6.1	-48.7
Profit attributable to hybrid capital holders of NKT A/S	2.0	0.0	6.0	0.0	2.4
<b>Cash flow</b>					
Cash flow from operating activities	11.0	-34.8	-20.5	-130.2	-42.2
Cash flow from investing activities	-17.3	-11.0	-40.1	-34.0	-60.9
hereof investments in property, plant and equipment	-7.9	-6.1	-23.7	-15.8	-28.5
Free cash flow	-6.3	-45.8	-60.6	-164.2	-103.1
<b>Balance sheet</b>					
Share capital	72.8	72.8	72.8	72.8	72.8
Equity attributable to equity holders of NKT A/S	656.0	774.5	656.0	774.5	743.2
Hybrid capital	150.3	150.0	150.3	150.0	152.4
Group equity	806.3	924.5	806.3	924.5	895.6
Total assets	1,886.3	1,938.0	1,886.3	1,938.0	1,859.2
Net interest-bearing debt <sup>6)</sup>	349.9	307.5	349.9	307.5	248.3
Capital employed <sup>7)</sup>	1,156.2	1,232.0	1,156.2	1,232.0	1,143.9
Working capital <sup>8)</sup>	23.1	82.1	23.1	82.1	7.7
<b>Financial ratios and employees</b>					
Operational EBITDA margin, continuing operations (std. metal prices)	4.3%	9.2%	2.9%	8.9%	6.9%
Gearing (net interest-bearing debt as % of Group equity)	43%	33%	43%	33%	28%
Net interest-bearing debt relative to operational EBITDA <sup>9)</sup>	16.7	2.6	16.7	2.6	3.1
Solvency ratio (equity as % of total assets) <sup>10)</sup>	43%	48%	43%	48%	48%
Return on capital employed (RoCE) (LTM) <sup>11)</sup>	-6.0%	2.5%	-6.0%	2.5%	-0.7%
Number of DKK 20 shares ('000)	27,126	27,126	27,126	27,126	27,126
Basic & diluted earnings, EUR, per outstanding share (EPS) <sup>12)</sup>	-0.8	-0.1	-2.2	-0.2	-1.8
Equity value, EUR per outstanding share <sup>13)</sup>	24	29	24	29	27
Market price, DKK per share	133	167	133	167	89
Average number of employees	3,666	3,736	3,666	3,736	3,744

<sup>1)–13)</sup> Definitions appear in Note 5.

Financial highlights and ratios are calculated as defined in the 2018 Annual Report.

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