



**NKT**

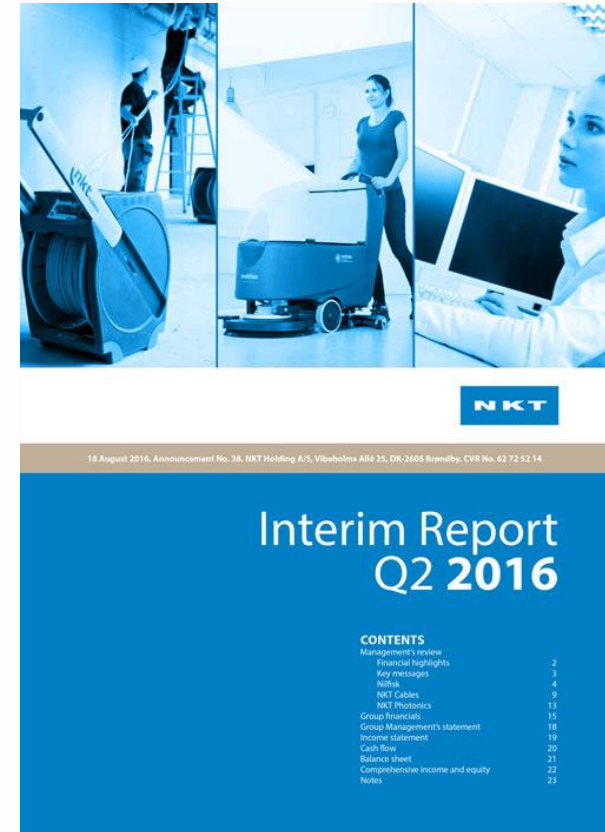
# Copenhagen Reverse Roadshow - Danske Bank

Copenhagen, 31 August 2016

# Forward looking statements

This presentation and related comments contain forward-looking statements

Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT Group's control, may cause that the actual development and results differ materially from the expectations



# Agenda

## Introduction to NKT

Highlights Q2 2016




Business units

- Nilfisk
- NKT Cables
- NKT Photonics

Questions & Answers

# Industrial conglomerate with global presence...

## NKT Holding A/S

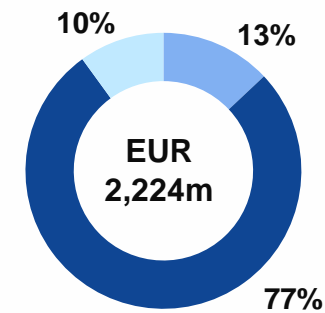
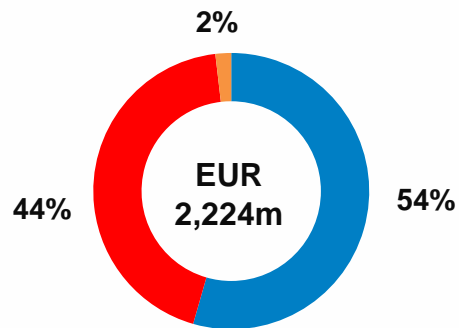
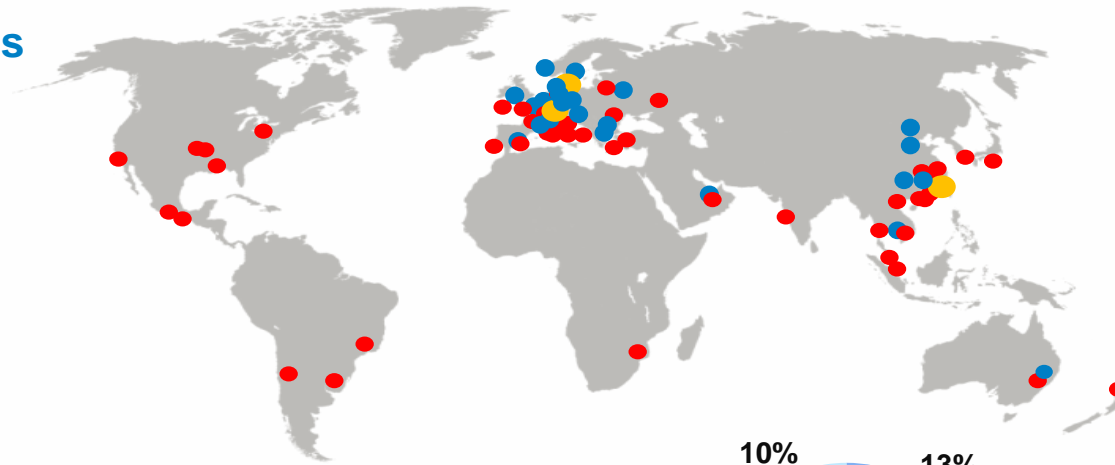
Business area	Key Products		Geographic coverage	Revenue	Employees
<b>NKT Cables</b>	<ul style="list-style-type: none"> <li>• Low &amp; medium voltage cables</li> <li>• High voltage cables</li> <li>• Submarine cables</li> <li>• Railway wires</li> </ul>		North, Central and Eastern Europe, China, Australia	EUR 1,212m (54%)	3,208
<b>Nilfisk</b>	<ul style="list-style-type: none"> <li>• Floor care machines</li> <li>• Vacuum cleaners</li> <li>• High-pressure washers</li> </ul>		Global	EUR 972m (44%)	5,545
<b>NKT Photonics</b>	<ul style="list-style-type: none"> <li>• Supercontinuum lasers and accessories</li> <li>• Single frequency lasers</li> <li>• Ultrafast lasers</li> <li>• Photonic crystal fibers</li> </ul>		Global	EUR 41m (2%)	174
<b>Total</b>				EUR 2,224m	8,938

FY 2015 data. Revenue in market prices. Employees at year end. Total employees include ~11 employees in NKT Holding (IR, Legal etc.)

# ... and a strong European position

## Sales and manufacturing facilities

- Nilfisk
- NKT Cables
- NKT Photonics



## Sales by business unit

- Nilfisk
- NKT Cables
- NKT Photonics

## Sales by geography

- EMEA
- Americas
- APAC

# Agenda

Introduction to NKT

## Q2 2016

Business units

- Nilfisk
- NKT Cables
- NKT Photonics

Questions & Answers

# Highlights Q2 2016



## Organic growth and earnings improved. New organisation and cost savings to secure future growth and profitability

- Organic growth 3% overall, driven by EMEA, and operational EBITDA improved by 0.4%-points
- Positive effects seen from increased sales and service focus, but overall organic growth lower than expected
- New organisational structure by end-2016 to ensure growth and realise cost savings of EUR 35m by 2019



## Overall growth and earnings as expected with positive performance by Products

- Products business delivered 9% organic growth, while Projects was impacted by current order portfolio
- Roll-out of the EXCELLENCE 2020 strategy is on track
- New Group Management team complete and new organisational structure being finalised



## Satisfactory financial performance. Basis for commercial scale enhanced

- Satisfactory organic growth and earnings slightly improved
- Integration of Fianium and Lios progressed as planned and basis for more industrial solutions to gain commercial scale is in place
- Major 18-month frame contract signed with industrial customer



## Earnings in line with expectations. Outlook for 2016 maintained, underlying assumptions specified

- Organic growth of -5% in Q2 as expected
- Operational EBITDA margin\* of 10.9% in Q2 in line with expectations and based on organic growth of -5%
- Working capital, LTM, reduced significantly driven by NKT Cables and Nilfisk
- Cash flow improved to EUR 28.7m and net-interest bearing debt remained at a low level
- Overall outlook 2016 maintained with flat organic growth and operational EBITDA margin\* of ~9.4% with underlying assumptions specified
 

- Nilfisk	Organic growth	1 – 3%
	Oper. EBITDA, %	10.0 – 10.5%
- NKT Cables	Oper. EBITDA, %*	~ 9.0%

\* std. metal prices

# Financial highlights Q2 2016

**Revenue** EUR **553.2m** (Q2 2015: EUR 600.4m), impacted by lower revenue in NKT Cables

<b>Organic growth</b>	<b>Q2 2016</b>
<b>NKT</b>	<b>-5%</b>
Nilfisk	3%
NKT Cables	-13%
NKT Photonics	9%

**Operational EBITDA** EUR **52.9m**, **10.9%** (std. metal prices) (Q2 2015: EUR 59.5m, 12.0%), compared with a strong Q2 2015 where NKT Cables finalised several projects

**One-off costs impacting EBITDA** EUR **2.1m** (Q2 2015: EUR 4.6m), all related to NKT Cables

**Profit after tax** EUR **20.2m** (Q2 2015: EUR -27.9m)

**Working capital** amounted to EUR **318.8m** and LTM at **15.4%** (Q1 2016: EUR 308m and 15.8%), driven mainly by NKT Cables' Projects business

- Nilfisk **19.6%** (Q1 2016: 20.2%)
- NKT Cables **11.0%** (Q1 2016: 11.6%)

**Cash flow** from operating activities increased due to improvement in working capital ratio

- Operating activities EUR **28.7m** (Q2 2015: EUR 5.2m)
- Investing activities EUR **-17.5m** (Q2 2015: EUR -29.8m)
- Free cash flow EUR **11.2m** (Q2 2015: EUR -24.6m)

**Net cash flow** EUR **-13.4m** (Q2 2015: EUR 8.8m) impacted by share buyback programme (EUR 20.1m) and dividend payment (EUR 13.0m)

**Net interest-bearing debt** amounted to EUR **188.2m** (Q1 2016: EUR 158.9m)



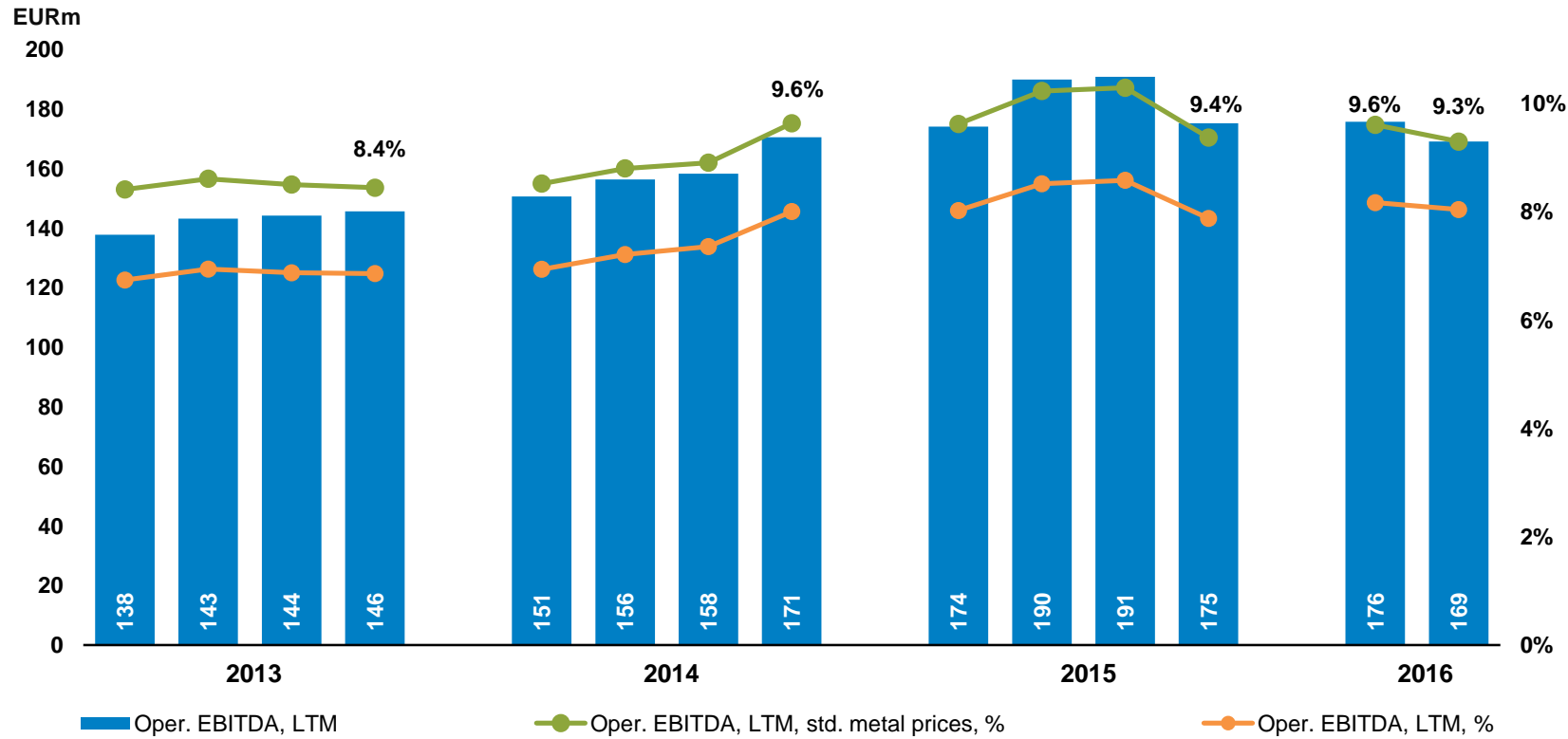
# Overall outlook 2016 maintained, underlying assumptions specified

	2016	Original	Specified Q2
Planning assumptions	<b>NKT</b>		
	- Organic growth	~ 0%	<i>Unchanged</i>
	- Operational EBITDA, %*	On par with 2015 (~ 9.4%)	<i>Unchanged</i>
	<b>Nilfisk</b>		
	- Organic growth	0 - 5%	<b>1 - 3%</b>
	- Operational EBITDA, %	10 - 11%	<b>10.0 – 10.5%</b>
	<b>NKT Cables</b>		
	- Organic growth	~ neg. 5%	<i>Unchanged</i>
	- Operational EBITDA, %*	8 – 9%	<b>~ 9.0%</b>
	<b>NKT Photonics</b>		
	- Organic growth	~ 10%	<i>Unchanged</i>
	- Operational EBITDA, %	12 - 14%	<i>Unchanged</i>

\* std. metal prices

# Operational EBITDA impacted by lower revenue in NKT Cables

## Operational EBITDA, LTM



**Operational EBITDA margin, LTM, decreased to 9.3% (Q1 2016: 9.6%)**

This is compared with a **strong Q2 2015 in NKT Cables** where several projects were finalised

# Changes Q2 2016 vs. Q2 2015

EURm	2016	2015	Change	2015
<b>Revenue</b>	<b>553.2</b>	<b>600.4</b>	<b>-47.2</b>	<b>2,223.6</b>
<i>Revenue, std.metal prices</i>	485.5	494.8	-9.3	1,869.2
<b>Operational EBITDA</b>	<b>52.9</b>	<b>59.5</b>	<b>-6.6</b>	<b>175.2</b>
<i>Oper. EBITDA margin, std.metal prices</i>	10.9%	12.0%	-1.1%	9.4%
One-off's	-2.1	-4.6	2.5	-23.2
<b>EBITDA</b>	<b>50.8</b>	<b>54.9</b>	<b>-4.1</b>	<b>152.0</b>
Depreciation/Amortisation	-20.5	-56.2	35.7	-76.9
Impairment	-	-41.0	41.0	-40.9
<b>EBIT</b>	<b>30.3</b>	<b>-5.7</b>	<b>36.0</b>	<b>34.2</b>
Financial items, net	-2.9	-2.8	-0.1	-6.1
<b>EBT</b>	<b>27.4</b>	<b>-8.5</b>	<b>35.9</b>	<b>28.1</b>
Tax	-7.2	-19.4	12.2	-26.9
<b>Profit</b>	<b>20.2</b>	<b>-27.9</b>	<b>48.1</b>	<b>1.2</b>
<b>RoCE, LTM</b>	<b>9.3%</b>	<b>11.2%</b>	<b>-1.9%</b>	<b>10.1%</b>
CAPEX	17.9	14.7	3.2	70.1
<i>PPE</i>	7.5	7.9	-0.4	39.0
<i>Intangible assets</i>	10.4	6.8	3.6	31.0
Working capital	318.8	374.2	-55.4	269.2
NIBD	188.2	193.1	-4.9	88.9

## 01

EURm	
<b>Revenue decreased by</b>	<b>-47.2</b>
Metal prices	-37.9
FX changes	-7.5
Acquisitions/divestments	20.9
-5% organic growth	-22.7
- Nilfisk	3%
- NKT Cables	-13%
- NKT Photonics	9%

## 02

EURm	
<b>Operational EBITDA decreased by</b>	<b>-6.6</b>
Nilfisk      Margin 11.8% (Q2 2015: 11.4%)	3.6
NKT Cables   Margin 10.8% (Q2 2015: 14.0%)	-11.2
NKT Photonics & Other	1.0

# Agenda

Introduction to NKT

Highlights Q2 2016

## **Business units**

- Nilfisk
- NKT Cables
- NKT Photonics

Questions & Answers



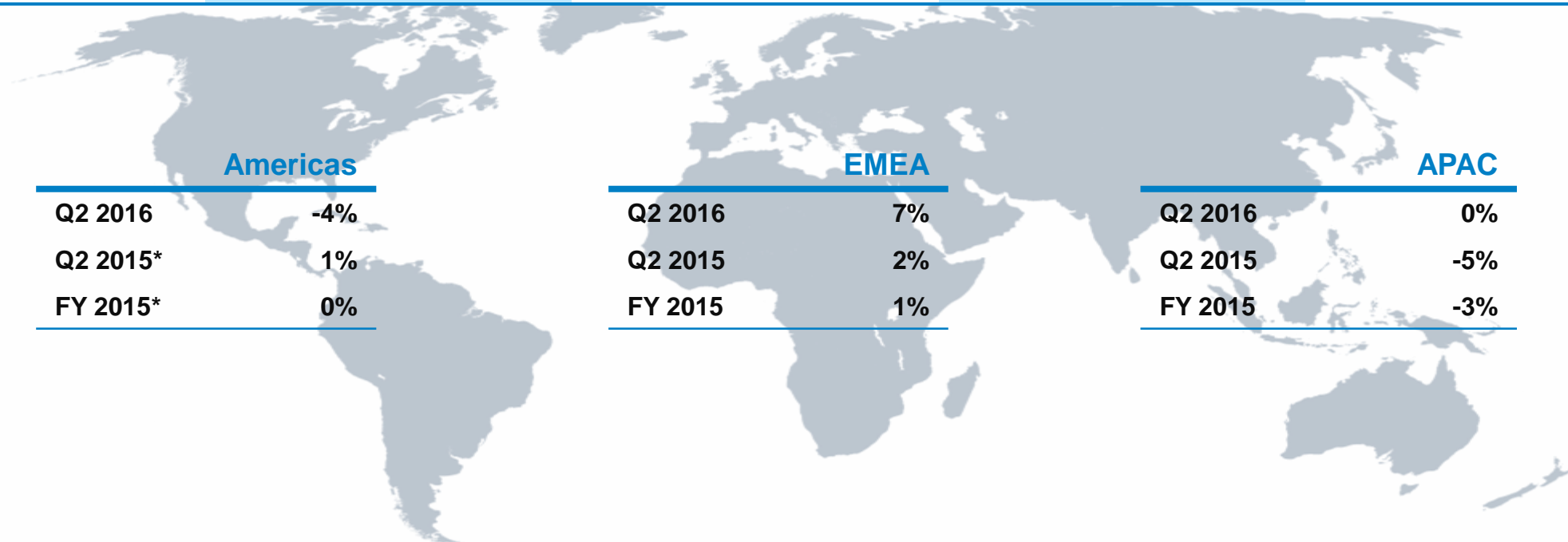
**Nilfisk**

# Nilfisk organic growth of 3% in Q2 driven by EMEA

## Americas below expectations

### Organic growth

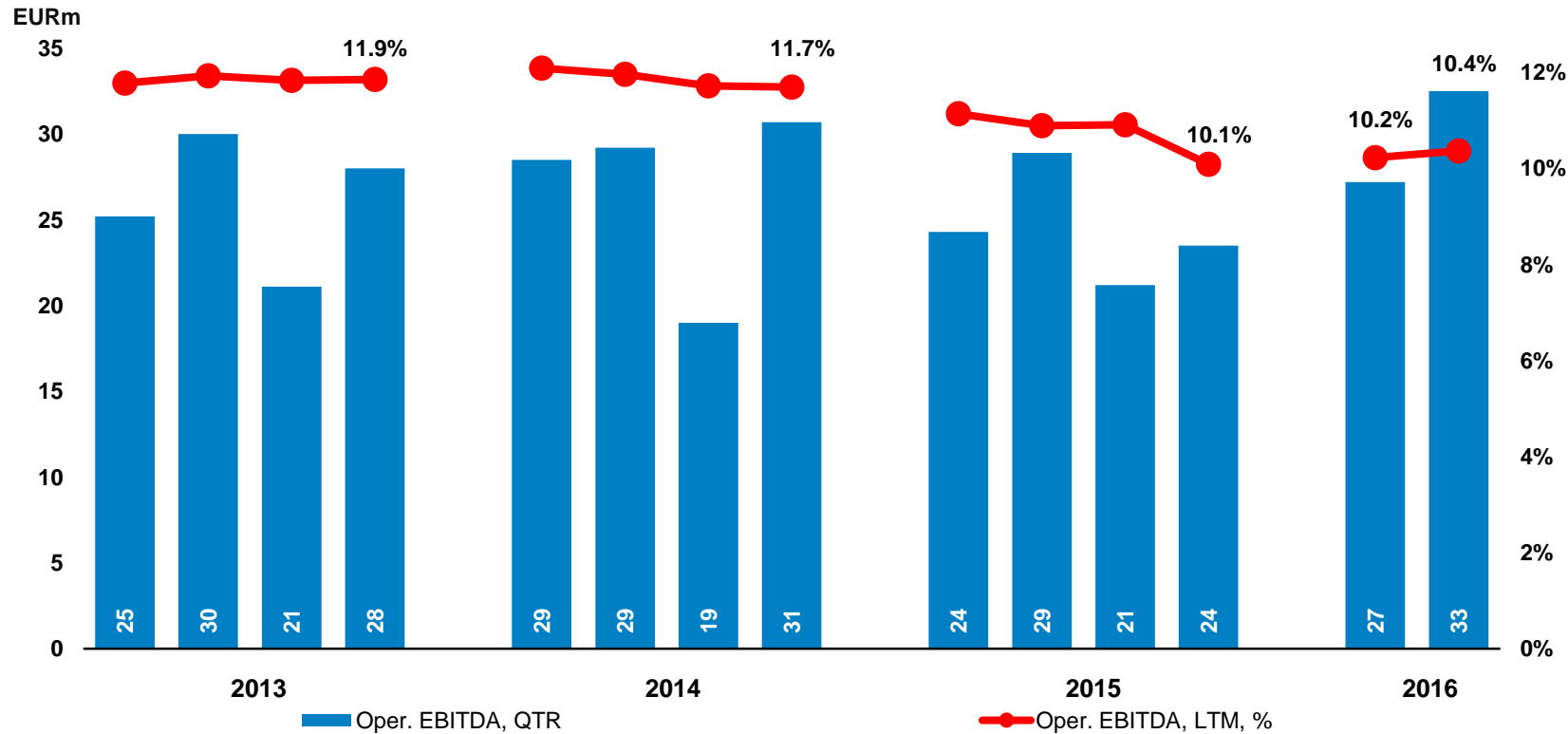
	2013				2014				2015*				2016	
- Quarterly (Y/Y)	1%	4%	7%	1%	9%	4%	0%	9%	0%	0%	4%	-2%	-1%	3%
- Annually	3%				6%				0%				1%	



\* Adjusted for the impact of the divested floor sanding activities by 4%-points for the Americas for 2015

# Earnings increased due to improved margin and reduced overhead cost ratio

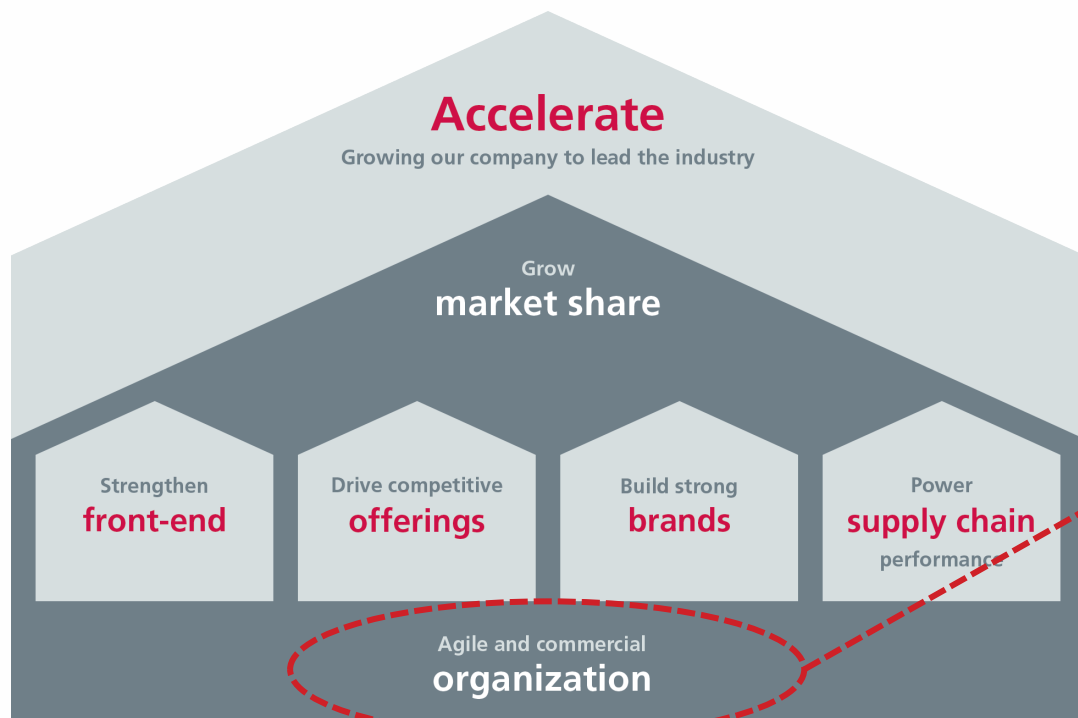
## Operational EBITDA, QTR



**Gross margin increased to 41.2%** (Q2 2015: 40.9%), driven by all regions and related to pricing and procurement initiatives

**Overhead cost ratio reduced to 32.2%** (Q2 2015: 32.7%), driven by cost saving initiatives

# ACCELERATE<sup>+</sup>: Four organisational elements to secure growth



## Get closer to the customers



Customer orientation **1**



Accountability **2**

## Empower the organisation



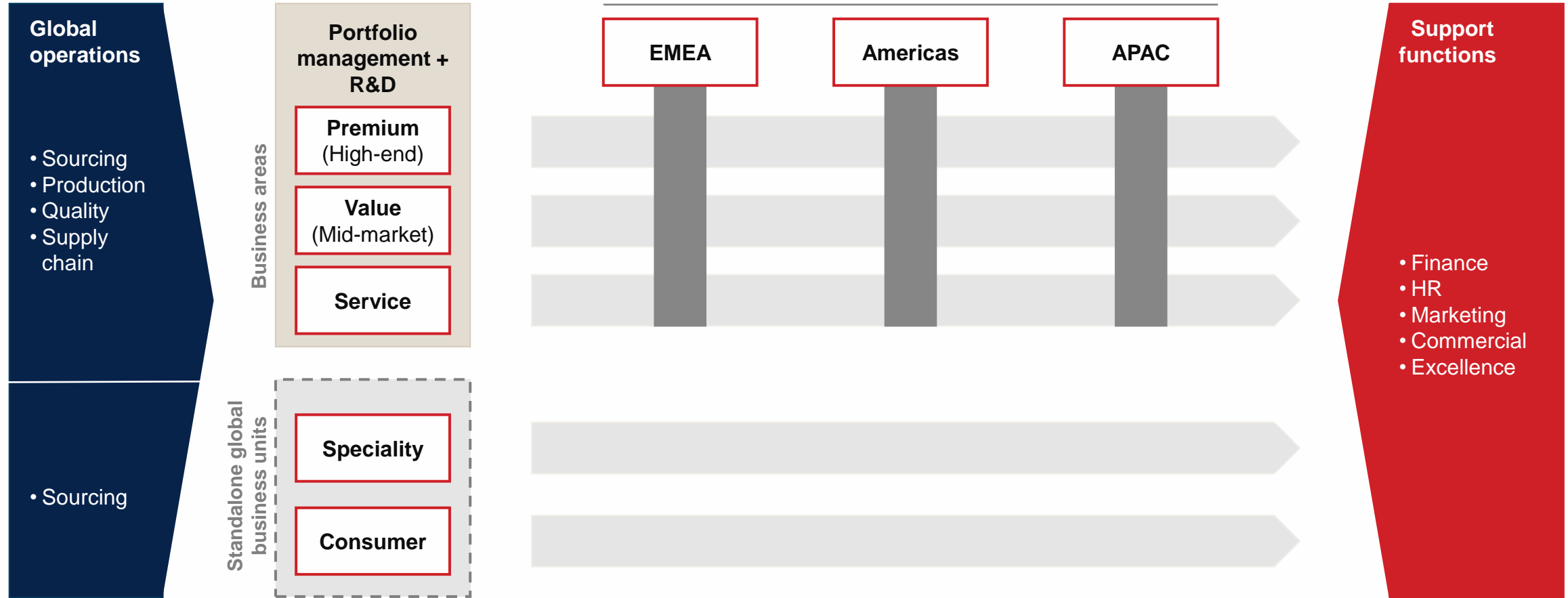
Simplify **3**



Speed and agility **4**



# ACCELERATE<sup>+</sup>: Simpler and more agile organisation focused on sales



# ACCELERATE<sup>+</sup>: Identified EUR 35m cost savings

## Cost savings impact

Full EBITDA impact 2019

**EUR 35m**

- Overhead reductions through structural changes
- Sourcing
- Production footprint optimisation
- Complexity reduction
- Margin optimisation

## Expected one-off costs for savings

Total by 2019

**EUR 35m**

- One-off costs to realise identified savings

## Expected one-off costs for new organisational structure

Total by 2019

**EUR 5m**

- One-off costs to implement new organisational structure

# New organisational structure and improved organic growth and earnings

## Financials

EURm	Q2		1st half		FY
	2016	2015	2016	2015	2015
<b>Revenue</b>	<b>276.5</b>	<b>253.2</b>	<b>531.9</b>	<b>494.2</b>	<b>971.5</b>
Organic growth	3%	0%	1%	-1%*	0%*
Gross margin	41.2%	40.9%	41.9%	41.3%	40.4%
Overhead cost ratio	32.2%	32.7%	33.5%	33.2%	33.1%
<b>Operational EBITDA</b>	<b>32.5</b>	<b>28.9</b>	<b>59.7</b>	<b>53.2</b>	<b>97.9</b>
Operational EBITDA margin	11.8%	11.4%	11.2%	10.8%	10.1%
<b>RoCE, LTM</b>	<b>12.7%</b>	<b>15.1%</b>	<b>12.7%</b>	<b>15.1%</b>	<b>12.9%</b>
CAPEX	11.0	9.9	23.4	19.6	44.2
<i>PPE</i>	3.5	4.6	11.5	8.0	21.7
<i>Intangible assets</i>	7.5	5.3	11.9	11.6	22.5
Capital employed	545.4	515.1	545.4	515.1	501.6
Working capital	193.8	198.4	193.8	198.4	173.4
Full-time employees, end of period	5,673	5,409	5,673	5,409	5,545

## Highlights and summary

- **Growth of 3% overall** driven by strong increase in EMEA of 7% with Americas below expectations. Change in Americas management to improve performance
- **Oper. EBITDA margin, LTM**, improved driven by price increases and procurement initiatives improving gross margin and from overhead cost savings

\* Adjusted for the impact of the divested floor sanding activities by 4%-points for the Americas for 2015

**125**  
**YEARS**  
1891-2016

**nkt** cables



**NKT Cables**

**nkt** cables

# Overall organic growth in line with expectations

Products grew by 9% while Projects was impacted by current project portfolio

## Organic growth

	2013				2014				2015				2016	
- Quarterly (Y/Y)	4%	10%	-2%	4%	6%	-11%	1%	-12%	16%	13%	-12%	2%	-24%	-13%
- Annually	4%				-5%				4%				-19%	

### Projects

Q2 2016	-43%
Q2 2015	72%
FY 2015	15%


#### Market

Offshore	
Onshore	

### Products

Q2 2016	9%
Q2 2015	0%
FY 2015	5%


#### Market

Nordics	
Central Europe	
Specialties	

### APAC

Q2 2016	-26%
Q2 2015	-40%
FY 2015	-37%

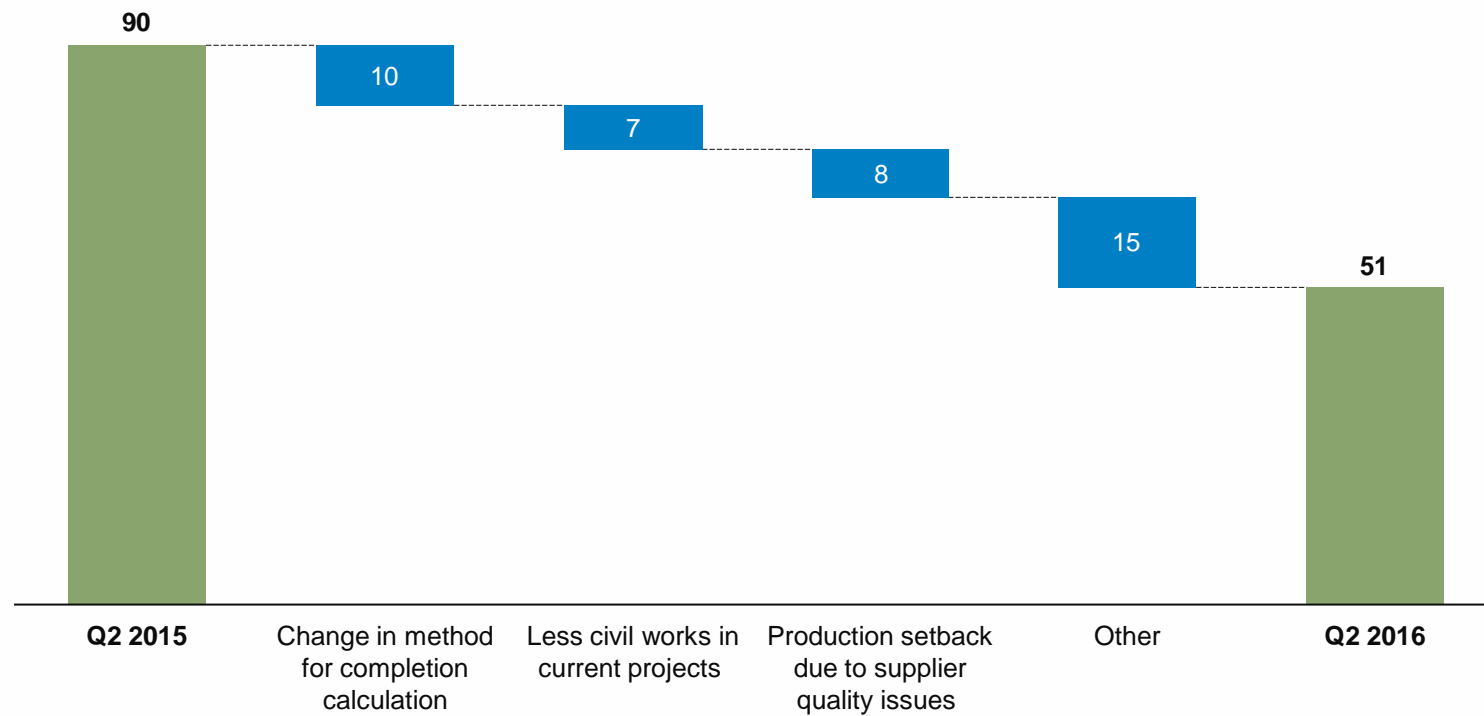
#### Market

Railway	
Medium-/high-voltage	

# Projects' revenue decrease driven by calculation change and less civil works

## Projects revenue bridge\*, Q2 2015 to Q2 2016

EURm



**Changed in method for completion calculation in Q1 2015 impacts comparison**

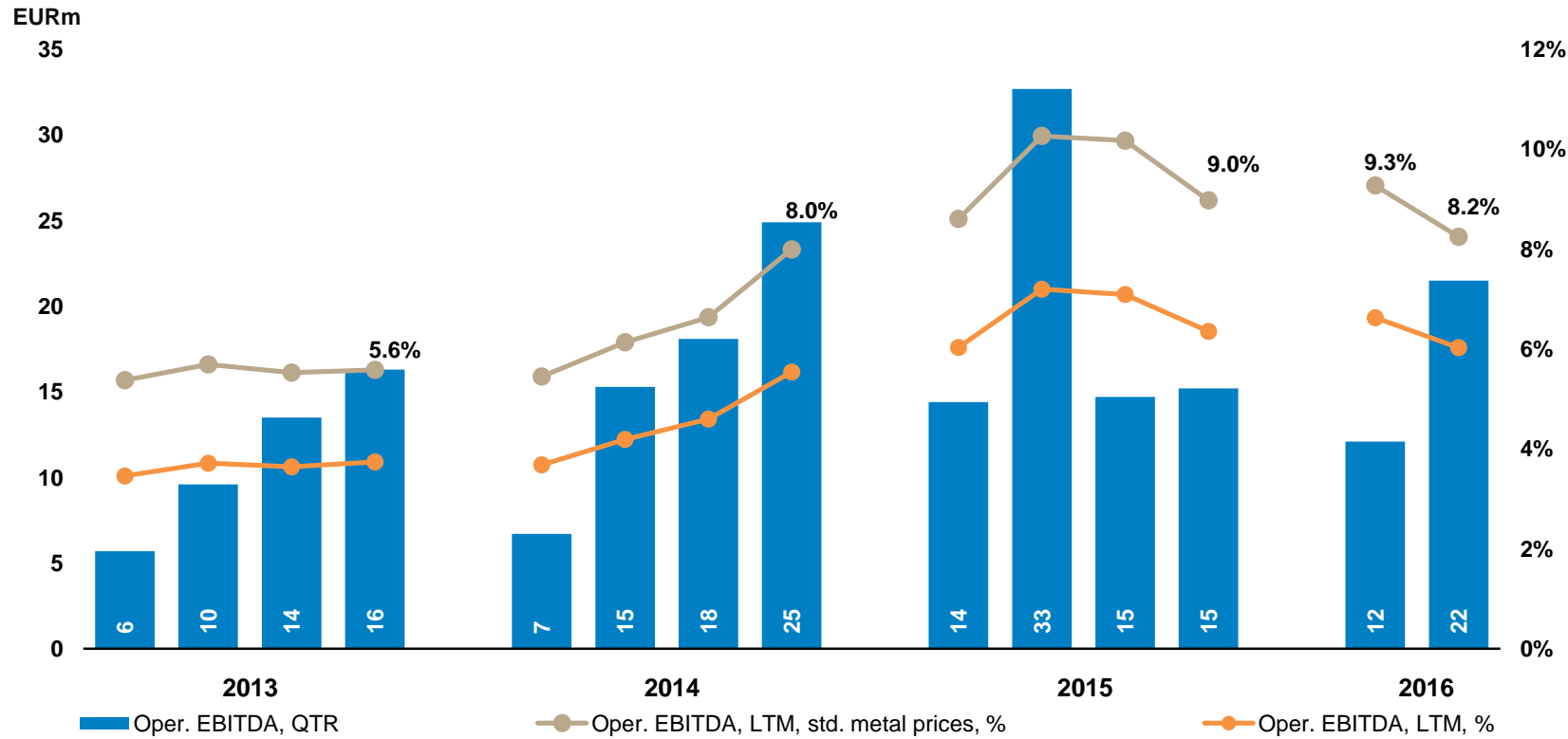
**Less civil works and revenue due to different profile of current projects**

**Delays due to supplier quality issue has revenue impact of EUR -8m in Q2**

\* Std. metal prices

# Operational EBITDA down due to lower revenues

## Operational EBITDA, QTR



**Operational EBITDA** decreased to EUR 21.5m (Q2 2015: EUR 32.7m)

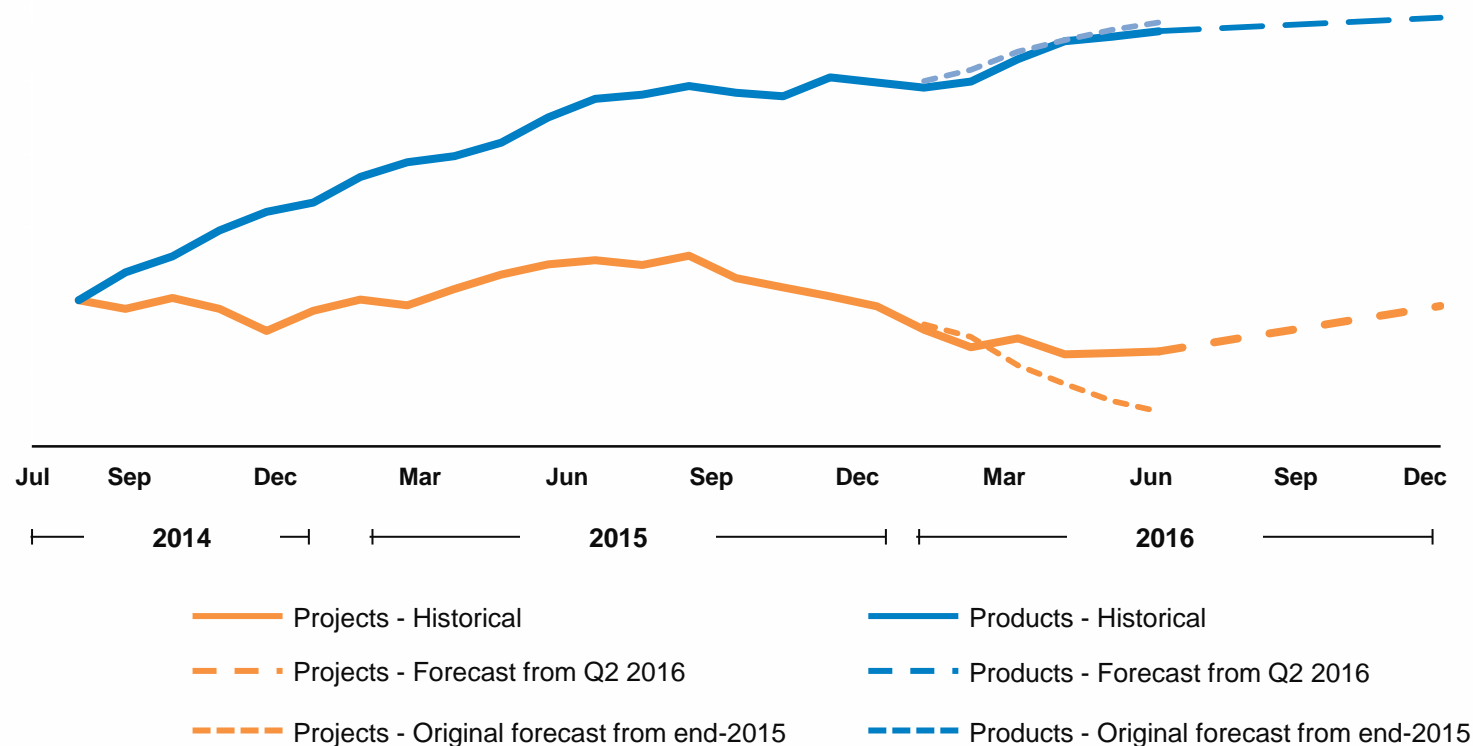
Driven by lower revenue and profitability on current offshore projects

# Products' profitability improvement continued

## Projects better than expected

### Business unit profitability development\*

Index = 100



Products continued **profitability improvement** in Q2 2016 and is expected to improve further

Projects delivered lower profitability in 2016 due to Race Bank project, but **better than originally forecasted**

**Projects'** profitability expected to improve in 2<sup>nd</sup> half of 2016

\* LTM rolling oper. EBITDA per business unit indexed to July 2014 =100. APAC excluded



# Products business continued positive growth and earnings trend in Q2 2016

## Financials

EURm	Q2		1st half		FY
	2016	2015	2016	2015	2015
<b>Revenue</b>	<b>267.8</b>	<b>338.7</b>	<b>490.8</b>	<b>647.9</b>	<b>1,211.9</b>
Revenue, std.metal prices	200.1	233.1	363.4	449.8	857.5
Organic growth	-13%	13%	-19%	15%	4%
<b>Operational EBITDA</b>	<b>21.5</b>	<b>32.7</b>	<b>33.6</b>	<b>47.1</b>	<b>77.0</b>
Operational EBITDA margin, std.metal prices	10.8%	14.0%	9.3%	10.5%	9.0%
<b>RoCE, LTM</b>	<b>6.1%</b>	<b>9.3%</b>	<b>6.1%</b>	<b>9.3%</b>	<b>8.2%</b>
CAPEX	6.2	4.2	10.7	6.8	22.5
<i>PPE</i>	3.9	3.2	6.4	5.2	16.5
<i>Intangible assets</i>	2.3	1.0	4.3	1.6	6.0
Capital employed	404.1	463.6	404.1	463.6	381.3
Working capital	115.7	165.5	115.7	165.5	87.1
Full-time employees, end of period	3,148	3,212	3,148	3,212	3,208

## Highlights and summary

- **Positive growth in Products**, driven especially by Central Europe, but also Nordics and Specialities. Sustainable APAC setup to be defined by end 2016
- **Negative growth as expected in Projects** due to less civil works and a strong Q2 2015, which was impacted by a change in calculation method
- **Profitability better than expected** in Projects compared to initial end-2015 forecast
- **New Group Management team complete** with Frida Norrbom Sams as Head of Applications (from 1 June) and Dietmar Müller as Head of Operations (from 1 October)
- **Execution of EXCELLENCE 2020 strategy** progressed as planned



**NKT Photonics**

# Satisfactory organic growth of 9% driven by Sensing & Energy

## Imaging & Metrology



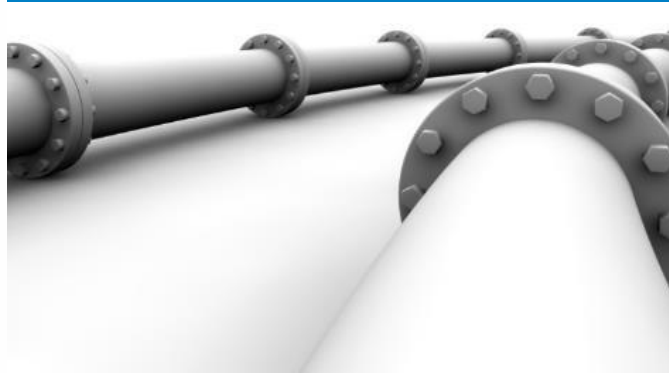
### Focused growth area

- Existing Imaging & Metrology segment delivered moderate organic growth in Q2 2016
- Significant 18-month frame contract signed with large semiconductor customer

Revenue split

~45%

## Sensing & Energy



### Established area

- Strong growth across existing segments, for example the structural monitoring project for the Gotthard Base Tunnel
- Many new growth segments, for example gasifiers and chemical storing

~42%

## Material Processing



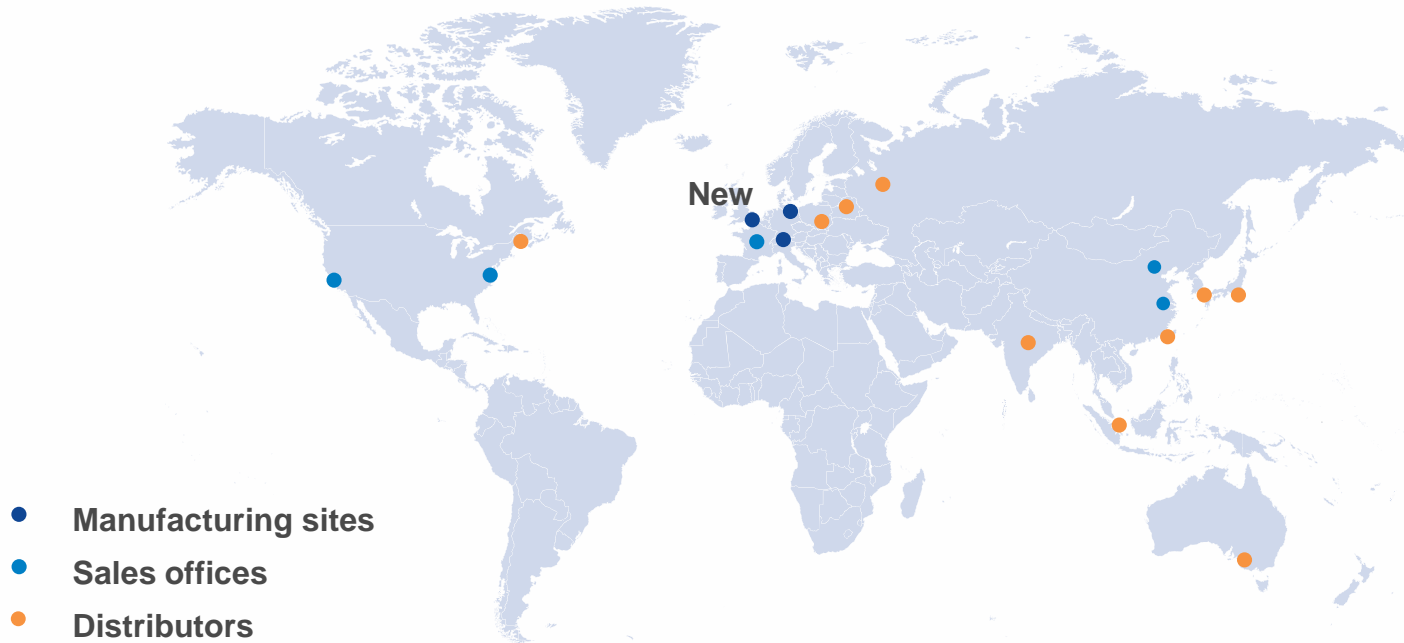
### New growth area

- Very strong overall organic growth in 1st half 2016, despite slightly negative organic growth in Q2
- Deliveries continued in Q2 on major orders awarded in 2015 and Q1 2016

~13%

2015 revenue split

# Integration of Fianium and Lios progressed as planned



*Note: Fianium acquisition date 31 March 2016*

**Integration of Fianium**, the recent UK-based acquisition within ultra-fast lasers, going well and synergies are realised as planned

**Integration of Lios**, the German-based entity within distributed temperature sensing, going better than expected with sales increasing significantly to existing as well as new segments

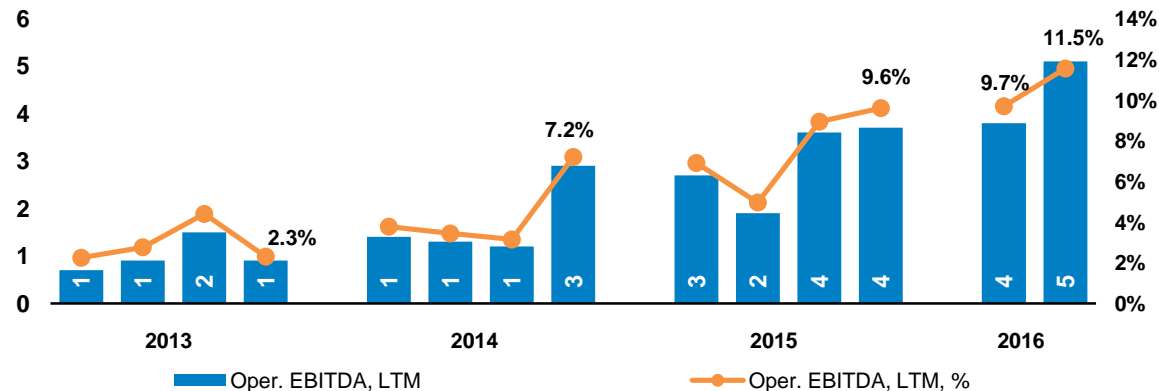
# Satisfactory growth and integration proceeding as expected

## Financials

EURm	Q2		1st half		FY
	2016	2015	2016	2015	2015
<b>Revenue</b>	<b>8.9</b>	<b>8.5</b>	<b>16.1</b>	<b>17.1</b>	<b>40.6</b>
Organic growth	9%	-14%	11%	-9%	9%
<b>Operational EBITDA</b>	<b>-0.3</b>	<b>-1.0</b>	<b>-0.6</b>	<b>-1.0</b>	<b>3.7</b>
Capital employed	44.6	22.2	44.6	22.2	19.2
Working capital	8.9	9.7	8.9	9.7	8.5
Full-time employees, end of period	237	207	237	207	180

## Highlights and summary

- **Good growth in all segments** with Sensing showing strong growth
- **Improved EBITDA** amounted to EUR -0.3m compared with EUR -1.0m in Q2 2015 driven by higher revenue
- **Integration of Fianium and Lios companies going as planned**, important steps to become leader within ultra-fast and supercontinuum fiber lasers and grow distributed temperature sensing business



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**Questions & Answers**

# Financial calendar

## 2016

11 November Interim Report, Q3

## 2017

1 March 2016 Annual Report



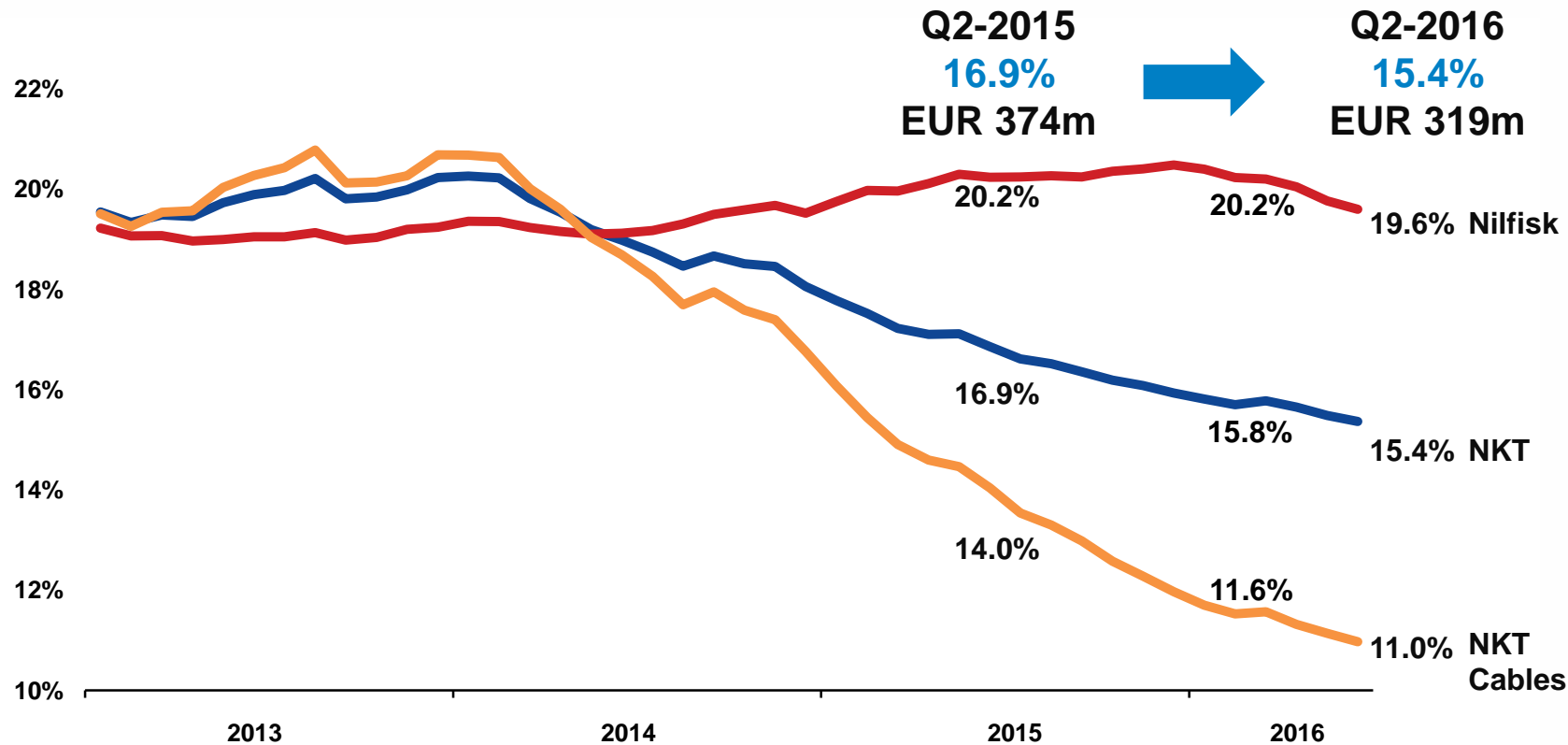
For list of Investor Relations events, go to [www.nkt.dk](http://www.nkt.dk)

# Appendix



# Working capital reduction continued, primarily driven by NKT Cables

## Working capital development



Working capital ratio, LTM reduced to 15.4% (Q1 2016: 15.8%)

Driven mainly by NKT Cables' Projects business

## Strong operating cash flow of EUR 28.7m

EURm	Q2		FY
	2016	2015	2015
EBITDA	50.8	54.9	152.0
Financial items, net	-2.9	-2.8	-6.1
Change in working capital	-9.0	-37.9	41.7
Other	-10.2	-9.0	-14.1
<b>Cash flows from operating activities</b>	<b>28.7</b>	<b>5.2</b>	<b>173.2</b>
Acquisition of business	-	-15.7	-29.1
Divestment of business	-	-	6.0
Acq./disp. of property, plant and equipment, net	-6.6	-7.4	-35.1
Other investments, net	-10.9	-6.7	-29.7
<b>Cash flows from investing activities</b>	<b>-17.5</b>	<b>-29.8</b>	<b>-87.9</b>
<b>Free cash flow</b>	<b>11.2</b>	<b>-24.6</b>	<b>85.3</b>
Change in long- and short term loans	11.5	33.4	-79.3
Non-controlling interest	-3.0	-	-
Share buyback programme	-20.1	-	-
Dividend paid	-13.0	-	-13.0
Cash from exercise of share-based options etc.	-	-	11.3
<b>Cash flows from financing activities</b>	<b>-24.6</b>	<b>33.4</b>	<b>-81.0</b>
<b>Net cash flow</b>	<b>-13.4</b>	<b>8.8</b>	<b>4.3</b>

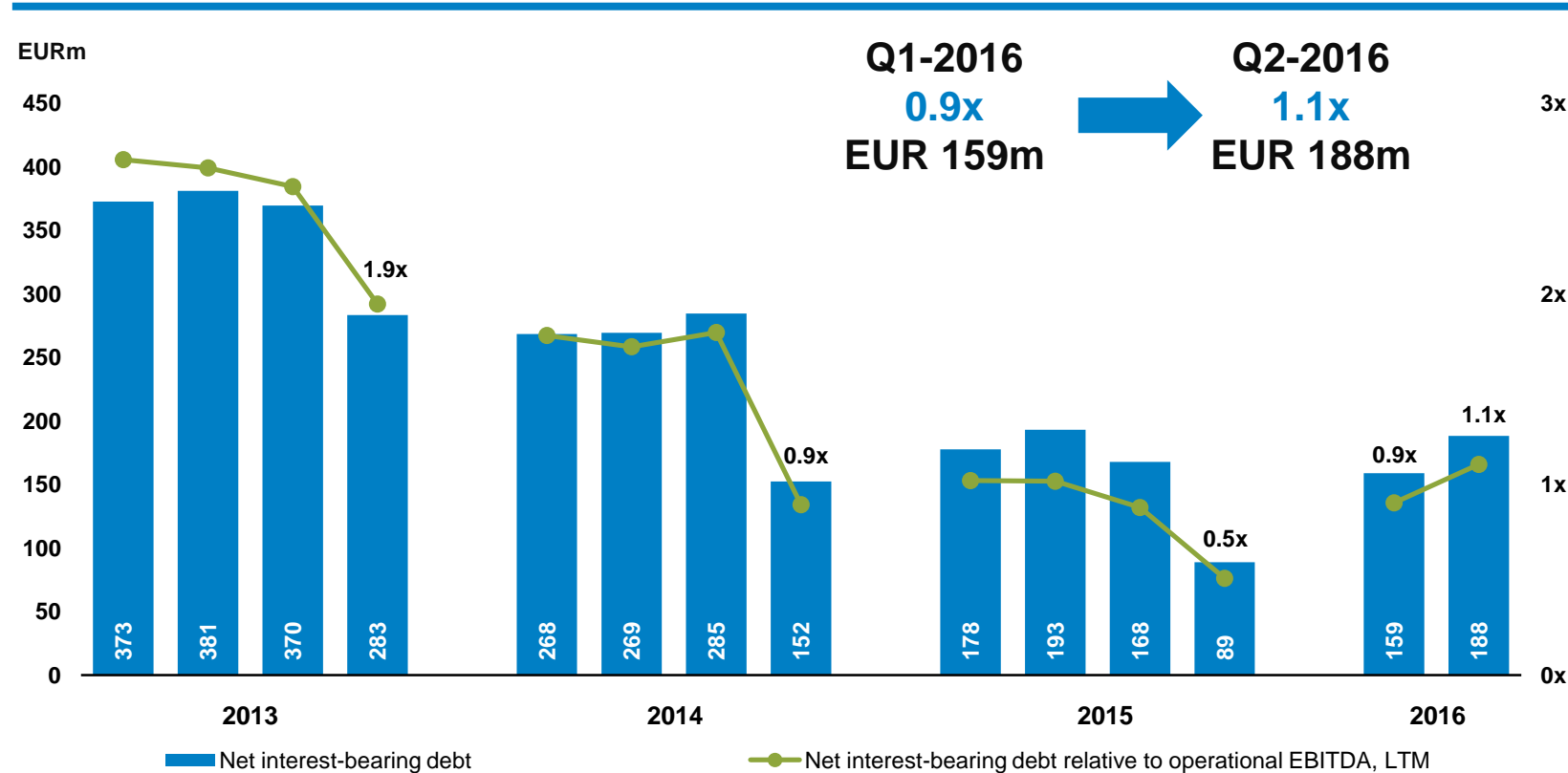
**Operating cash flow of EUR 28.7m** due to change in working capital of EUR -9.0m (Q2 2015 EUR 37.9m)

**Cash flow from investing** was EUR 0.0m due to no acquisitions in Q2 (Q2 2015 EUR -15.7m)

**Share buyback programme and dividend payment** impacted net cash flow

# Net interest-bearing debt still low, impacted by share buyback programme

## Net interest-bearing debt



Positive free cash flow, offset by **share buyback programme** (EUR 20.1m) and **dividend payment** (EUR 13.0m)