


NKT

Interim Report Q2 2014

Webcast, 20 August 2014 at 9:00 CET

Forward looking statements

This presentation and related comments contain forward-looking statements. Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT Group's control, may cause that the actual development and results differ materially from the expectations.



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20 August 2014, Announcement No. 13
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**Interim Report
Q2 2014**

NKT

Introducing **today's presenters**



NKT Holding
Michael Hedegaard Lyng
Group Executive
Director & CFO



Nilfisk-Advance
Jonas Persson
President & CEO



NKT Cables
Marc van't Noordende
President & CEO

Agenda

Highlights Q2 2014

Business areas

- Nilfisk-Advance
- NKT Cables
- Photonics Group

Expectations 2014

Questions & Answers

Highlights Q2 2014

Q2 operational performance was satisfactory - Baltic 1 project finally settled

- Operational EBITDA increased 16% y-o-y to 324 mDKK, margin up 1.2% point to 9.7% *
- One-offs of 102 mDKK, whereof 75 mDKK is related to Baltic 1, impact EBITDA negatively
- Continued strong improvement in cash flow due to higher operational EBITDA and working capital performance
- Cost reductions in DRIVE realised faster than anticipated and expected full-year impact raised to 130 mDKK

Commercial performance in line with expectations

- 4% organic growth in Nilfisk-Advance driven by EMEA and Americas. Oper. EBITDA flat due to investments in growth
- As expected, negative organic growth in NKT Cables, -11% in Q2, Operational EBITDA margin up 2.9% points to 7.7% *
- Photonics Group recording 10% organic growth

Maintaining expectations for full-year 2014

- Consolidated organic growth of 0-3%
- Operational EBITDA margin of 9-9.5% (std metal prices)
- The upper range of organic growth being achieved if 1st half market developments continue throughout the year

*) Std. metal prices

Group financial highlights Q2 2014

Revenue 4,028 mDKK (Q2 2013: 4,038 mDKK)

Organic growth -3% (H1 2014: 2%)

	Q2 2014	H1 2014
Nilfisk-Advance	4%	7%
NKT Cables	-11%	-3%
Photonics Group	10%	14%

Operational EBITDA 324 mDKK, **9.7%** std. metal prices
(Q2 2013: 279 mDKK, 8.5% std. metal prices)

One off costs -102 mDKK (Q2 2013: 0 mDKK)

Financial items -27 mDKK
(Q2 2013: -40 mDKK)

Profit after tax amounts to **47** mDKK
(Q2 2013: 76 mDKK)

Working capital amounts to **2.9** bnDKK at **19.0%**, LTM
(Q2 2013: 3.3 bnDKK at 19.9%)

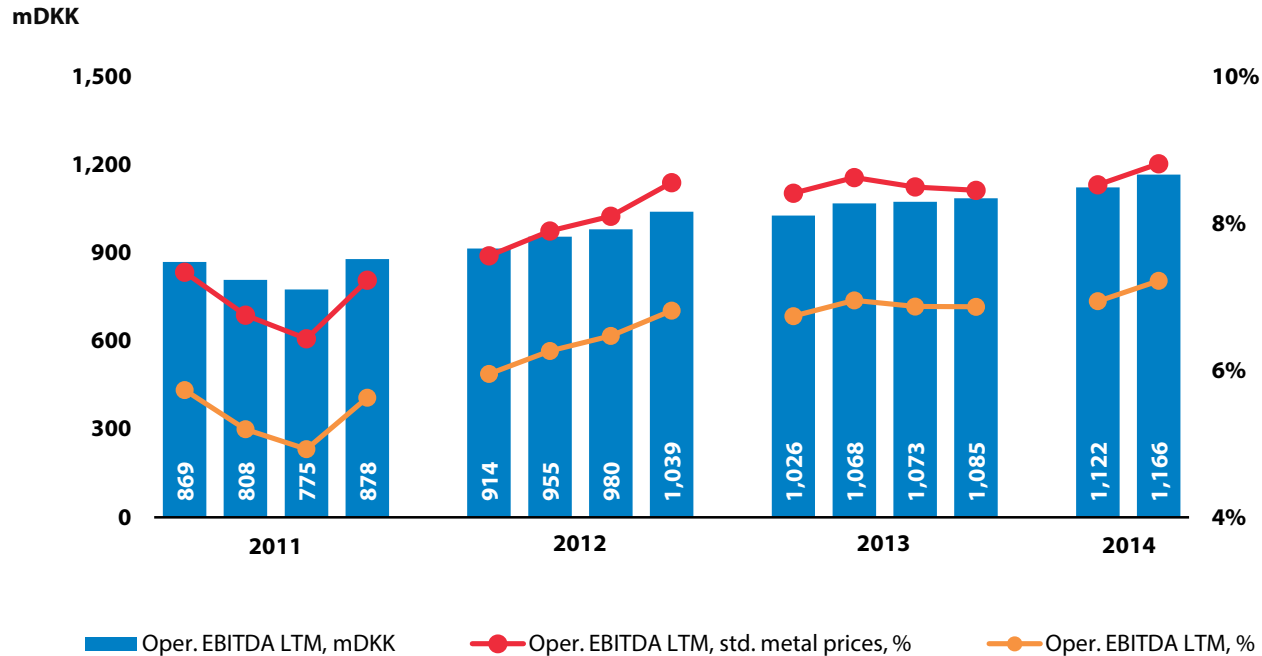
Cash flow from operations of **109** mDKK
(Q2 2013: -10 mDKK)

Cash conversion rate, LTM increased to **119%**
(Q1 2014 LTM: 113%)

Net interest bearing debt amounts to **2,008** mDKK,
1.7x operational EBITDA
(Q1 2014: 1,999 mDKK, 1.8x operational EBITDA, LTM)

Operational EBITDA continue the positive momentum

Operational EBITDA, LTM



Q2 Operational EBITDA of 324 mDKK increased LTM to 1,166 mDKK

0.3%-point increase in Oper. EBITDA margins, LTM, to 8.8% since Q1 2014

NKT Cables drive increase in operational performance

mDKK	Q2 2014	Q2 2013	Change
Revenue	4,028	4,038	-10 *01
<i>Revenue, std. metal prices</i>	3,337	3,264	73
Operational EBITDA	324	279	45 *02
One-offs	-102	-	-102
EBITDA	222	279	-57
Depreciation/Amortisation	-136	-130	-6
EBIT	86	149	-63
Financial items, net	-27	-40	13
EBT from continuing operations	59	109	-50
Tax from continuing operations	-12	-33	21
Profit	47	76	-29
<i>Oper. EBITDA margin (std. metal prices)</i>	9.7%	8.5%	
<i>Tax %</i>	20%	30%	
Capex	106	109	-3
Working capital	2,869	3,291	-422
NIBD	2,008	2,839	-831

01

	mDKK
Revenue decreased by	-10
Metal prices	-132
FX changes	-96
Acquisitions	298
-3% organic growth	-80
- NKT Cables	-11%
- Nilfisk-Advance	4%
- Photonics Group	10%

02

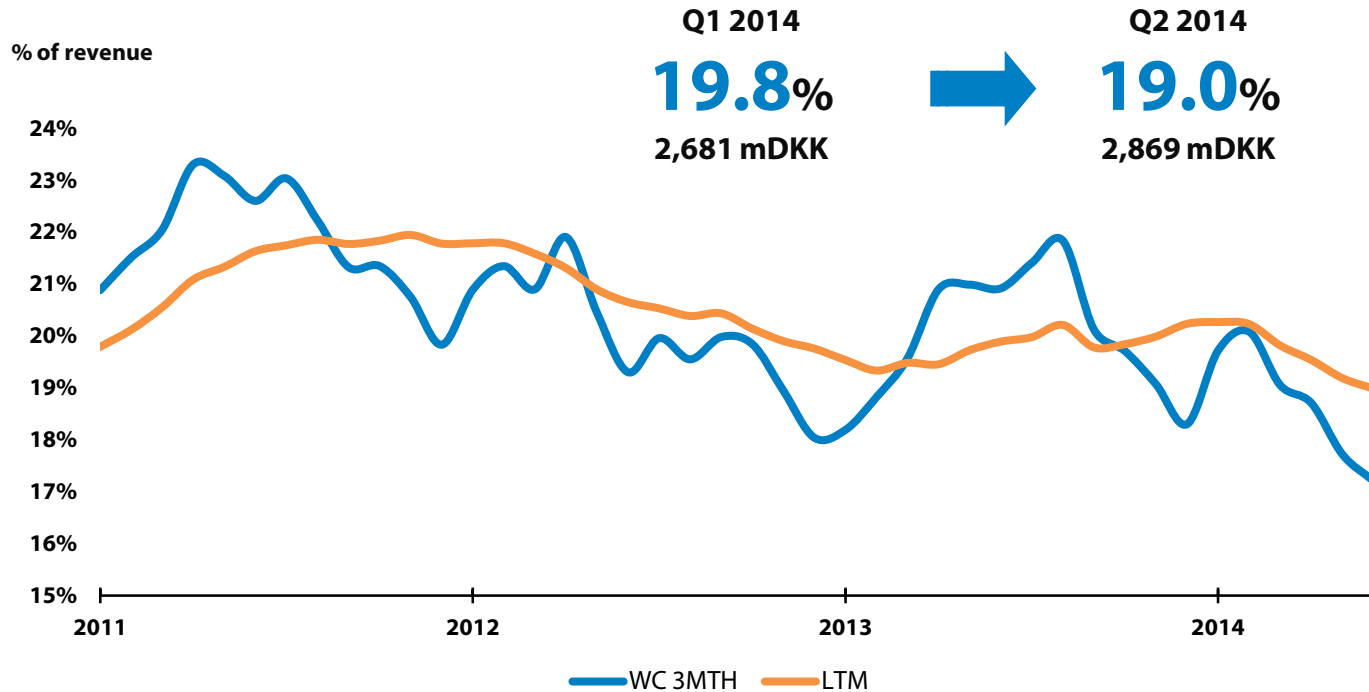
	mDKK
Oper. EBITDA increased by	45
NKT Cables	
Margin 7.7% (Q2 2013: 4.8%)	46
Nilfisk-Advance	
Margin 12.4% (Q2 2013: 12.9%)	-6
Photonics Group and other	5

03

	mDKK
One offs	-102
DRIVE	-27
Baltic 1 settlement	-75

Working capital improvement continue ...

Working capital as % of revenue, LTM

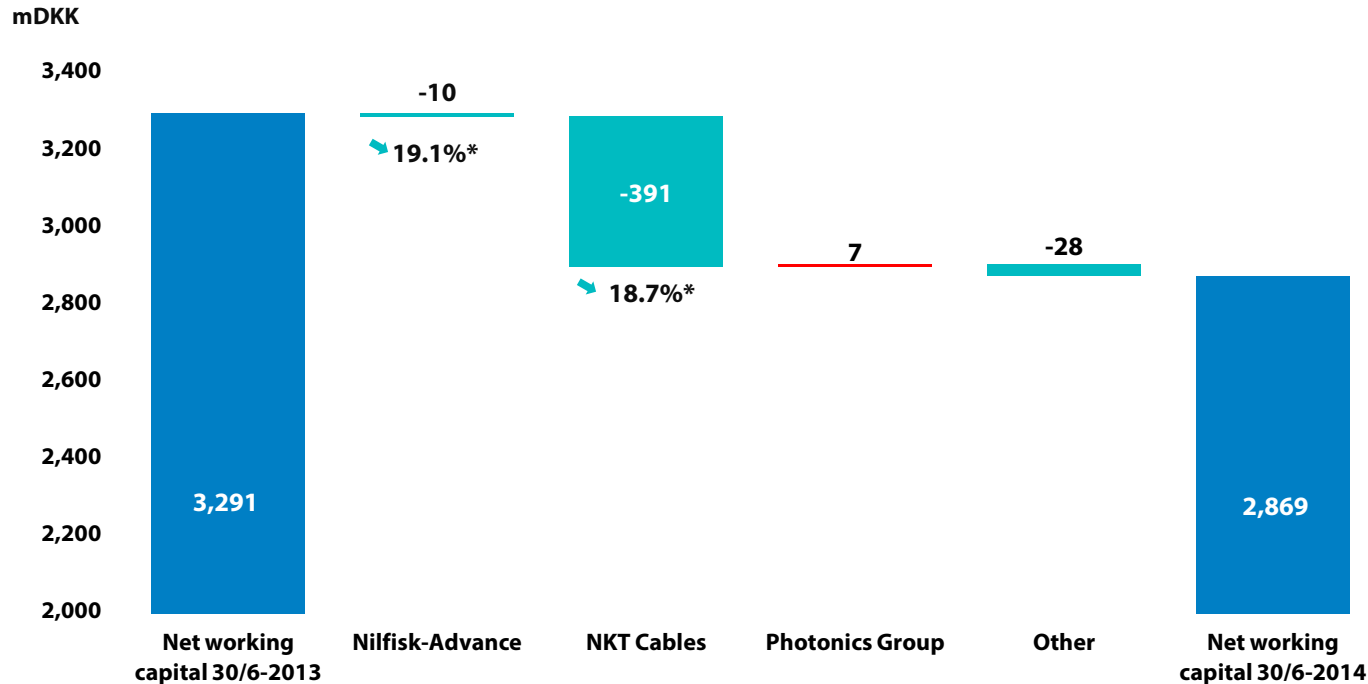


0.8% decrease in WC %-point vs. 19.8% Q1 2014 (LTM)

Despite seasonal build up of inventory, increased focus on working capital management has allowed continued improvement

... reduction by more than 400 mDKK since Q2 last year

Working capital by business area



Nilfisk-Advance lowered working capital in spite of revenue increase

NKT Cables reduced working capital with net 391 mDKK - including 217 mDKK added from acquisitions

* % of revenue, LTM

Strong cash flow development maintained

mDKK	Q2 2014	Q2 2013	H1 2014	H1 2013
EBITDA	222	279	518	496
Interest, net	-27	-40	-52	-88
Change in working capital	-161	-217	-91	-883
Other*	75	-32	-67	-56
Cash flows from operating activities	109	-10	308	-531
Acquisition of business activities	-	-4	-22	-5
Divestment of business activities	-	-	108	-
Acq. of property, plant and equipment, net	-50	-54	-102	-118
Other investments, net	-60	-54	-102	-102
Cash flows from investing activities	-110	-112	-118	-225
Free cash flow	-1	-122	190	-756
Change in long- and short term loans	-118	142	-187	967
Dividend paid	-	-	-84	-191
Cash from exercise of share-based options etc	-	-	1	7
Cash flows from financing activities	-118	142	-270	783
Net cash flow	-119	20	-80	27

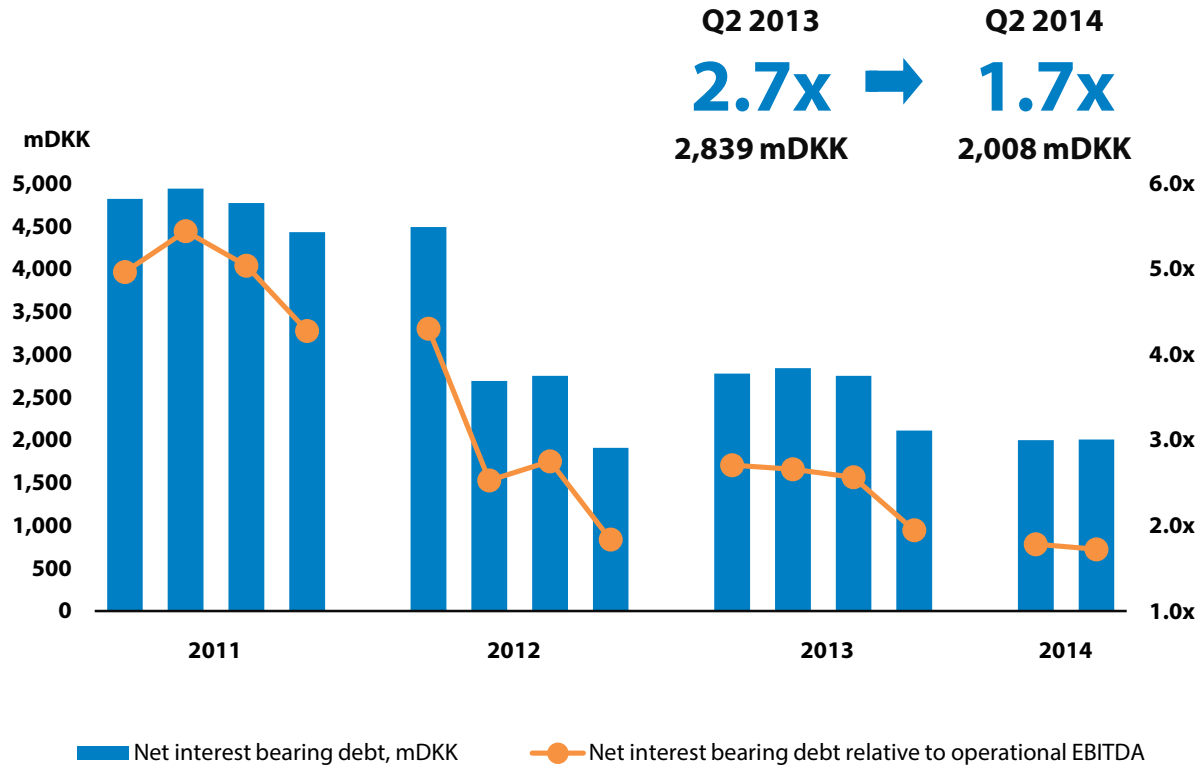
119 mDKK improvement in cash flow from operations in Q2 '14 (vs. Q2 '13)

H1 '14 cash flow from operations improved by 839 mDKK compared to H1 '13

* The non-cash nature of the Baltic 1 settlement provision is reflected in the "Other" line item

Leverage further reduced to **1.7x Operational EBITDA**

Net interest bearing debt (x oper. EBITDA)



Strong operating performance and cash flow has **reduced NIBD with additional 0.8 bnDKK** since Q2 '13

Strong financial headroom with **1.7x operational EBITDA** vs internal target of 2.5x operational EBITDA

Gearing of 35%
Target: Max. ratio of 100%

Solvency ratio of 44%
Target: Ratio >30%

Agenda

Highlights Q2 2014

Business areas

- Nilfisk-Advance
- NKT Cables
- Photonics Group

Expectations 2014

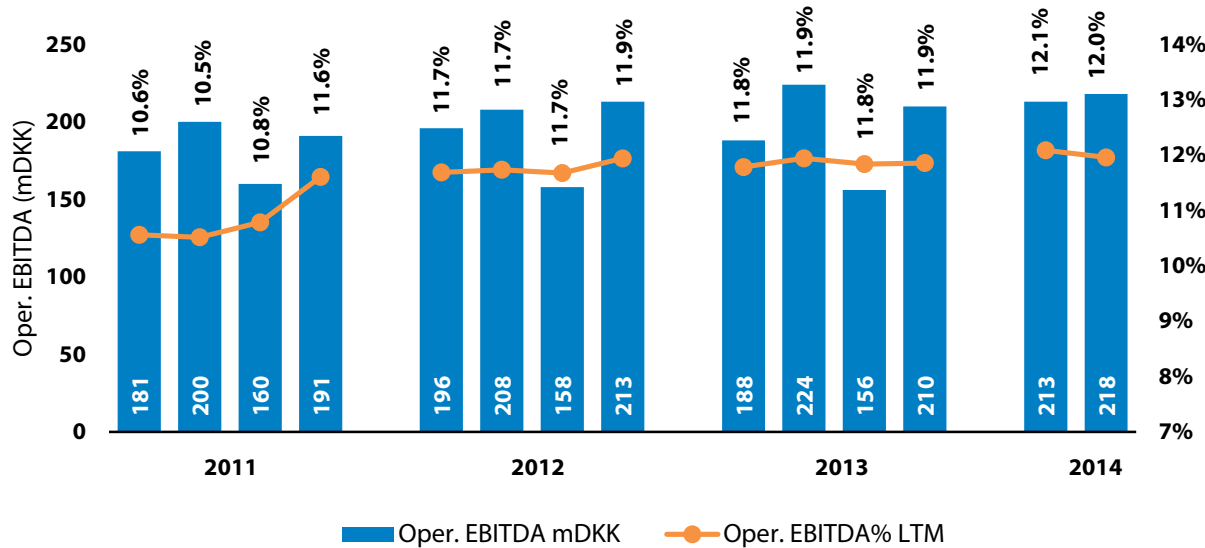
Questions & Answers



Nilfisk-Advance

Growth in Q2 slightly above expectations significant front-end investments keep earnings flat

Nilfisk-Advance - Operational EBITDA, LTM



Realised 4% organic growth (Q1: 9%)

(Q1: 9%)

- EMEA 6% (Q1: 8%)
- Americas 3% (Q1: 8%)
- APAC -5% (Q1: 14%)

Organic growth in peer 9% (Q1: 11%)

(Q1: 11%)

- EMEA: -2% (Q1: 5%)
- Americas: 11% (Q1: 10%)
- APAC: 19% (Q1: 26%)

Organic growth

	2011				2012				2013				2014	
- Quarterly (Y/Y)	5%	8%	9%	9%	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%
- Annually	8%				0%				3%				7% (YTD)	

Strong growth in EMEA, focus on Commercial Excellence

Financials

mDKK	Q2		1st half	
	2014	2013	2014	2013
Revenue	1,763	1,741	3,500	3,396
- Org. growth	4%	4%	7%	3%
Oper. EBITDA	218	224	431	412
Oper. EBITDA margin	12.4%	12.9%	12.3%	12.1%
Invested capital	3,325	3,399	3,325	3,399
# FTEs, ultimo	5,475	5,285	5,475	5,285

Organic growth

	Q2 2014	1st half 2014
EMEA	6%	7%
Americas	3%	6%
APAC	-5%	4%

Highlights

- **EMEA:** Strong growth
- **Americas:** Moderate growth
- **APAC:** Disappointing quarter with negative growth, despite continued strong growth in China
- **Gross margin:** Up 0.2% despite negative product mix effect
- **Fixed cost:** Overhead ratio temporarily up 0.8% point due to investments in strategic projects and front-end
- **Product launches:** 14 in Q2, 25 in H1
- **Strategy:** Further roll-out of ComEX in US and France
- **M&A:** Acquisition of small service business in Belgium

Commercial Excellence Programme

- Global programme to further improve sales and service effectiveness in sales companies
- Part of the front-end market approach
- Key elements:
 - Tools to enhance cross-sales and offer full product portfolio
 - New collaboration models and systematic sales approach to meet customer requirements
 - Integrate service as part of the customer offering

ComEx roll-out status

Partially	Under implementation	Pending launch
Germany	France US	Spain Sweden UK

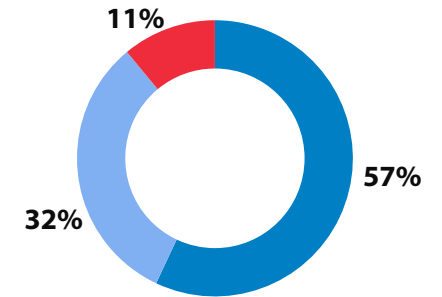
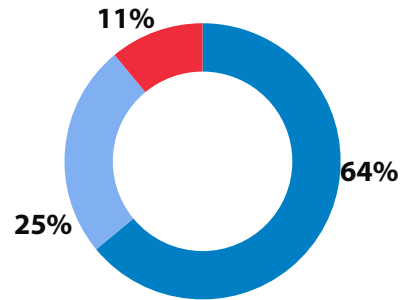
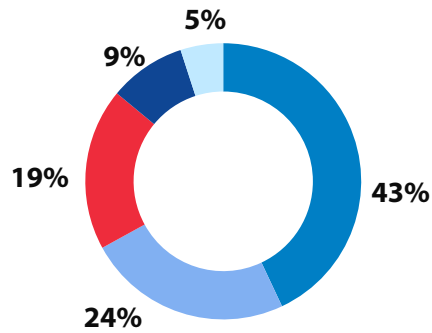
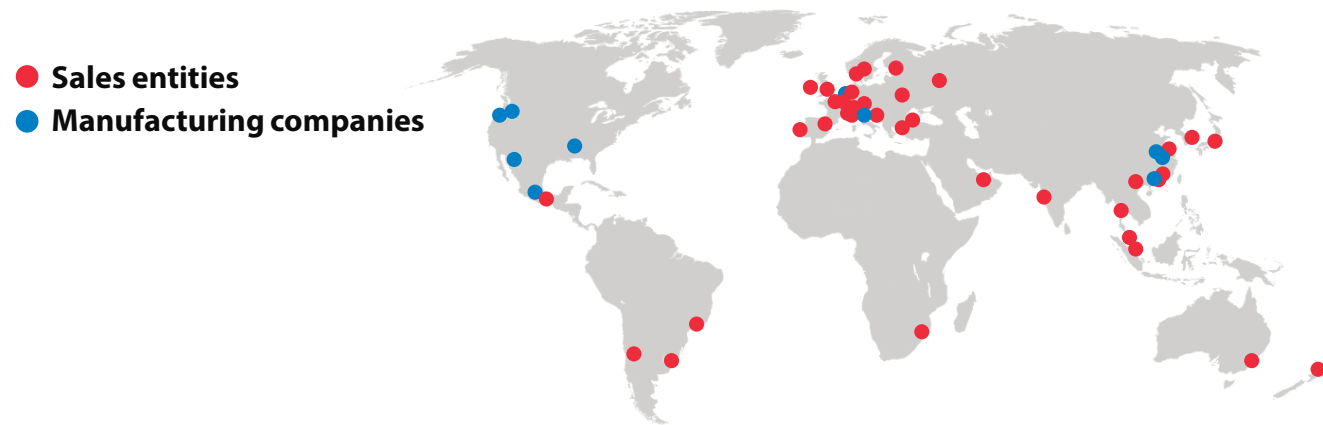
Products - TrackClean

- 3% of revenue invested in product development
- Example of solution selling, adding value: TrackClean
 - Aimed at contract cleaners and other large customers
 - Introduced at ISSA/INTERCLEAN tradeshow in Amsterdam in May 2014
- Key features of TrackClean (phase 1)
 - Records and monitors operational fleet data
 - Data transmitted to a secure web portal
 - Customer can optimise cleaning and reduce cost

TrackClean



Nilfisk-Advance overview



Sales by products

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

Sales by geography

- EMEA
- Americas
- Asia/Pacific

Sales by customers

- Commercial market
- Industrial market
- Private consumer market

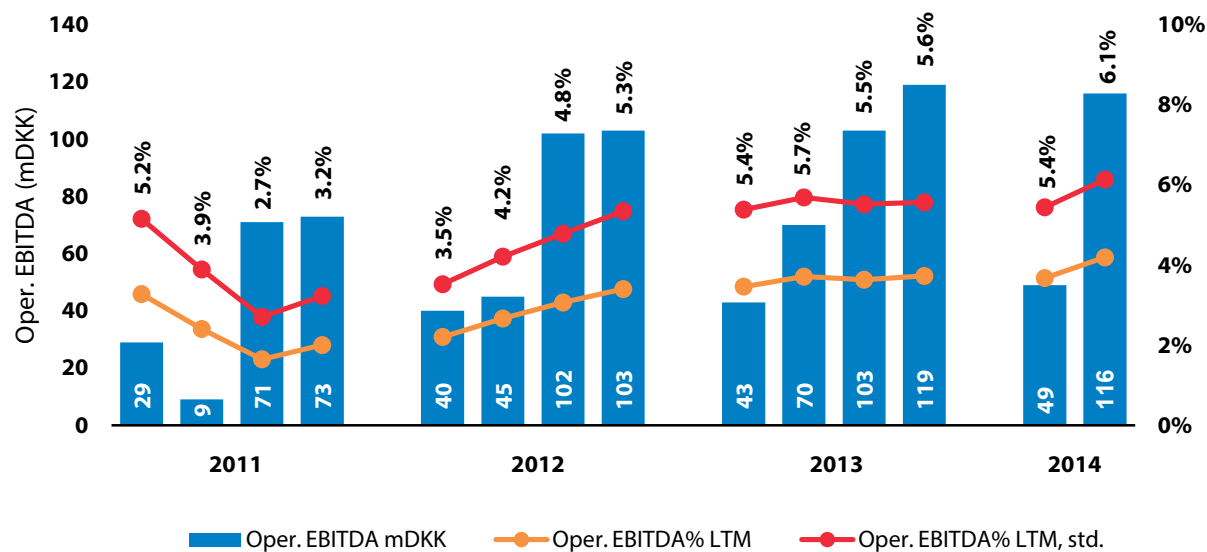


NKT Cables

NKT

Operational EBITDA improved, despite lower revenues

NKT Cables - Operational EBITDA, LTM



Realised **-11%** organic growth (Q1: **6%**)

- Projects -27% (Q1: -7%)
- Products 10% (Q1: 22%)
- APAC -36% (Q1: -17%)

Organic growth in peer **3%** (Q1: 4%)

- Construction 4% (Q1: 6%)
- Infrastructure 3% (Q1: -2%)
- Industry -1% (Q1: 3%)

Organic growth

	2011				2012				2013				2014	
- Quarterly (Y/Y)	20%	0%	-4%	-6%	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%
- Annually	1%				-4%				4%				-3% (YTD)	

Type of projects executed result in lower revenue

DRIVE showing clear impact

Financials

	Q2		1st half	
	2014	2013	2014	2013
Revenue	2,197	2,237	4,261	4,036
Revenue, std. prices	1,506	1,463	2,884	2,612
- Org. growth	-11%	10%	-3%	7%
Oper. EBITDA	116	70	165	113
Oper. EBITDA margin, std. prices	7.7%	4.8%	5.7%	4.3%
Invested capital	4,223	4,820	4,223	4,820
# FTEs, ultimo	3,373	3,312	3,373	3,312

Organic growth

	Q2 2014	1st half 2014
Projects	-27%	-18%
Products	10%	16%
APAC	-36%	-30%

Highlights

- **Oper. EBITDA:** Satisfactory result of 116 mDKK with oper. EBITDA margin of 7.7%. Increased result driven by Product growth in revenue and positive impact of DRIVE
- **DRIVE** is in full implementation, savings ahead of plan and outlook for full-year increased to 130 mDKK
- **Projects:** Project Gemini contract came into force during Q2 securing full submarine cable load of Cologne factory well into 2015
- **Products:** Organic growth of 10% in Q2, driven by building wire and 1kV
- **APAC:** Continued high volume of railway deliveries in Q2. Price pressure from Q1 continued due to increased number of competitors
- Profitability programme started end of Q2 in APAC to adjust company to market conditions
- **Settlement of Baltic 1 claim** closed just after the end of Q2

Baltic 1 claim finally settled

Background

- NKT Cables has together with 50Hertz agreed to a final settlement of the claim regarding burial issues of the Baltic 1 cable
- The settlement reduces the risks and uncertainties associated with the project and moreover it ensures that NKT Cables continues to be a strategic business partner to 50Hertz going forward
- The agreement is estimated to leave NKT Cables with an additional net loss of 35- 75 mDKK

Effect on the Q2 2014 financials

- The provision of 75 mDKK is a prudent cost estimate in relation to closing the matter fully
- No impact on Operational EBITDA
- EBITDA impact of 75 mDKK loss
- Net result impact of 51 mDKK due to tax effects
- The settlement will have a net cash impact of between 15 mDKK to -25 mDKK

Successful integration of Ericsson close to be completed...

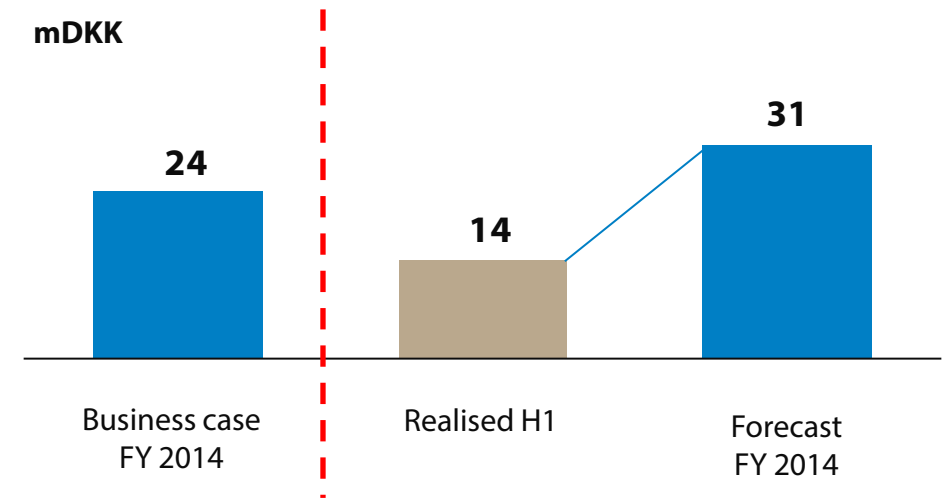


- Products strategy: To increase Nordic footprint significantly within medium and low voltage segments
- New product range added along with new customer base
- Key achievements in first year of ownership
 - New Nordic organisation formed and fully operational
 - Optimisation of Nordic production setup is almost complete
 - IT setup is fully migrated to NKT Cables platforms
 - Renewed frame contracts with key customers




...and delivering results above ambitious business case

- Synergies realised faster than planned
- Key synergy drivers
 - **Purchasing:** Bundling of volumes and converting to NKT Cables supplier agreements has allowed considerable savings
 - **Cross-selling:** Improved product range enables access to cross-selling to key customers in Sweden
 - **Consolidation:** The new Nordic organisation has allowed for streamlining and FTE reductions
 - Production swaps and optimisation between plants has enabled savings on FTEs and materials

Synergy realisation 2014



DRIVE expectations increased to 130 mDKK for 2014

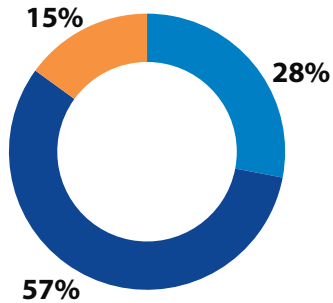
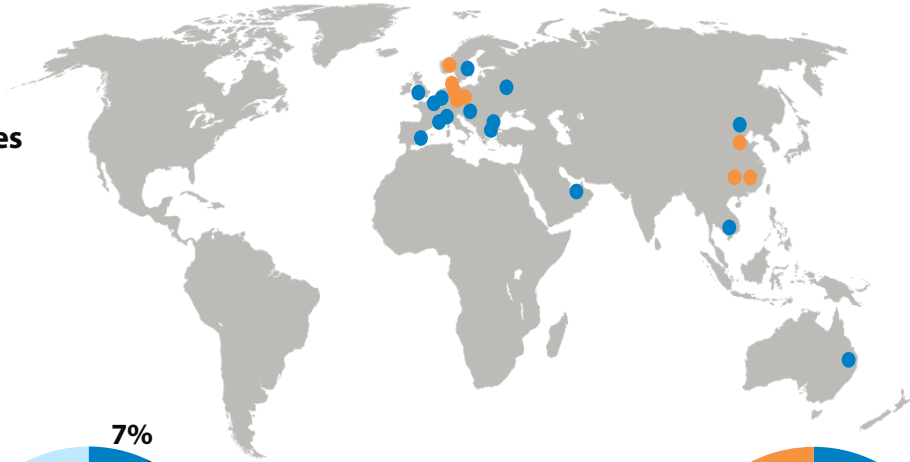
	Cost improvements	FTE reduction	One-off costs	Capex
Q2 2014 Realised	~ 40 mDKK	33 FTE	27 mDKK	2 mDKK
H1 2014 Realised	~ 60 mDKK (~130 mDKK run-rate)*	118 FTE	53 mDKK	2 mDKK
FY 2014 Expectation	 ~ 130 mDKK (~220 mDKK run-rate)*	~ 200 FTE	 ~160 mDKK	 ~20 mDKK
Full impact going into 2016	~ 300 mDKK p.a.	~400-450 FTE	~240 mDKK **	~50 mDKK **

* Run rate effect: Estimate for full year effect if fully implemented ** Total accumulated effect when fully implemented

Note: All cash effects

NKT Cables overview

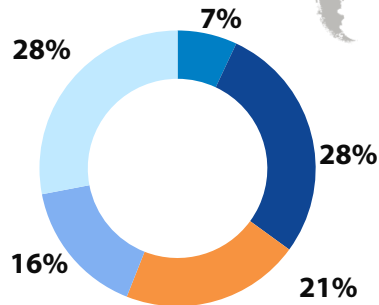
- Sales entities
- Manufacturing companies and sales companies



Sales by Business Unit

- BU Projects
- BU Products
- BU APAC

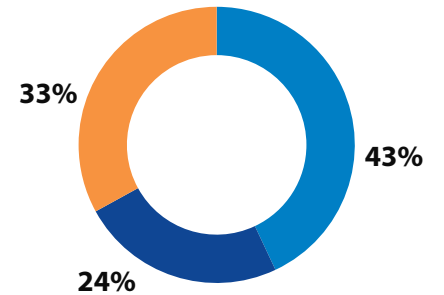
Measured in market prices



Sales by geography

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

Measured in market prices



Sales by fields of application

- Utilities
- Wholesalers
- Industry

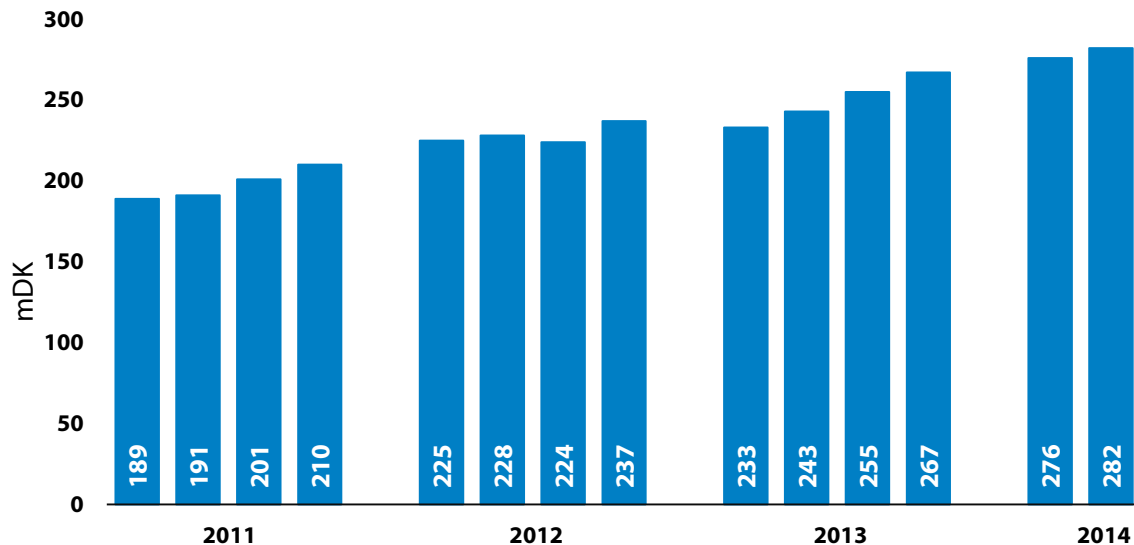
Measured in standard metal prices



Photonics Group

Growth of 10% driven by Sensing and Fiber processing

Photonics Group - Revenue, LTM



Imaging: Challenging market conditions prevails in Q2, but order intake expected to pick up in the remaining part of the year

Sensing: Continues to display strong organic growth driven by the oil & gas segment

Fiber Processing: Growth of 18% underpinning that the turnaround is on track

Organic growth

	2011				2012				2013				2014	
- Quarterly (Y/Y)	13%	6%	25%	19%	31%	3%	-11%	20%	-6%	16%	25%	17%	19%	10%
- Annually	16%				10%				13%				14% (YTD)	

Growth expectations sustained, new US business established

Financials

mDKK	Q2		1st half	
	2014	2013	2014	2013
Revenue	67	62	132	117
- Org. growth	10%	16%	14%	5%
EBITDA	-2	-1	-2	-6
Invested capital	203	224	203	224
# FTEs, ultimo	208	204	208	204

Organic growth

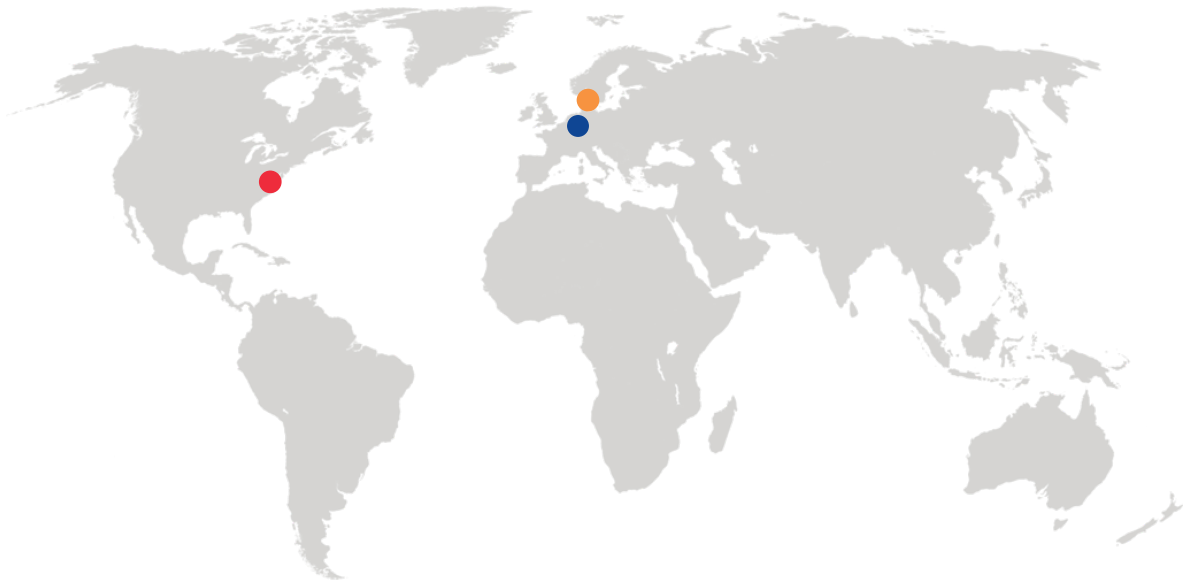
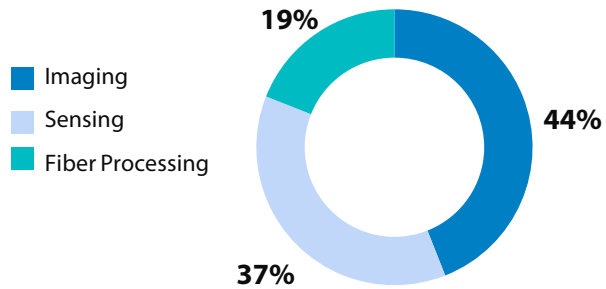
	Q2	1st half
	2014	2014
Imaging	-4%	-4%
Sensing	24%	30%
Fiber Processing	18%	23%

Highlights

- **Imaging:** The base for expansion of blue-chip OEM customers is progressing well
 - Just after end of Q2 new frame contract was signed with major OEM customer
- **Sensing:** New pipeline monitoring business, FiOPS, started in US aiming at delivering and installing full monitoring solutions for onshore oil and gas pipelines
 - Continued high activity for fire detection systems, primarily in new metros around the world
- **Fiber Processing:** Improved performance continues as a result of lower cost base and growth in several product areas
 - A new product offering introduced in this quarter and more product releases to come later in the year
 - EBITDA and EBIT negatively impacted by the discontinuation of a product

Photonics Group overview

Sales by products



- HQ NKT Photonics
- HQ Lios Technology
- HQ Vytran

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Expectations 2014

Questions & Answers

Maintain expectations for full year 2014

NKT expectations

- Consolidated organic growth of around 0-3%
- Operational EBITDA margin of 9-9.5% (std. metal prices)

The upper range of organic growth being achieved if 1st half 2014 market developments continue through 2nd half 2014

One-off costs excluded

- Divestment of floor sanding activities (+97 mDKK)
- Fine imposed by European commission (-29 mDKK)
- 2014 DRIVE related costs (-160 mDKK)
- Provision Baltic 1 settlement (-75 mDKK)

Total EBITDA effect of ~ -167 mDKK

2014	Planning Assumptions
NKT	
- Organic growth	0 - 3%
- Operational EBITDA, % std. metal prices	9 - 9.5%
Nilfisk-Advance	
- Organic growth	2 - 3%
- Operational EBITDA, %	12 - 12.5%
NKT Cables	
- Organic growth	Neg. 2 - 3%
- Operational EBITDA, % std. metal prices	~ 7.1%
Photonics Group	
- Organic growth	10 - 20%
- Operational EBITDA, %	5 - 10%

Agenda

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- Photonics Group

Expectations 2014

Questions & Answers

Financial calendar

2014

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