



NKT

Interim report Q2 2016

Webcast, 18 August 2016, 09:00 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



NKT

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Interim Report Q2 2016

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Today's presenters



Michael Hedegaard Lyng

NKT Holding **NKT Cables**

Group Executive President &
Director CEO



Jonas Persson

Nilfisk

President & CEO



Basil Garabet

NKT Photonics

President & CEO

Agenda

Highlights 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

Organic growth	Q2 2016
NKT	-5%
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)

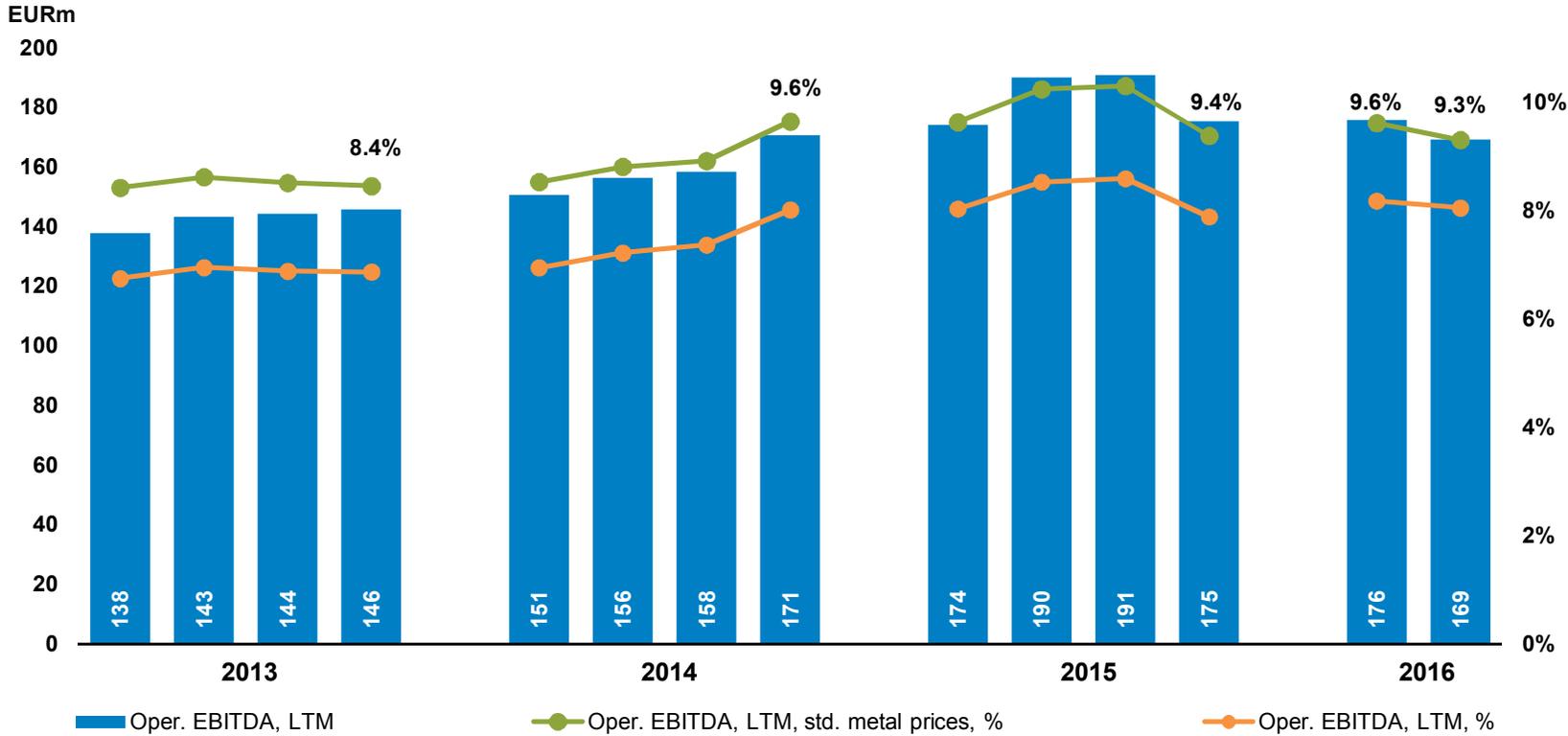
Overall outlook 2016 maintained, underlying assumptions specified

	2016	Original	Specified Q2
Planning assumptions	NKT		
	- Organic growth	~ 0%	<i>Unchanged</i>
	- Operational EBITDA, %*	On par with 2015 (~ 9.4%)	<i>Unchanged</i>
	Nilfisk		
	- Organic growth	0 - 5%	1 - 3%
	- Operational EBITDA, %	10 - 11%	10.0 – 10.5%
	NKT Cables		
	- Organic growth	~ neg. 5%	<i>Unchanged</i>
	- Operational EBITDA, %*	8 – 9%	~ 9.0%
	NKT Photonics		
	- 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
Revenue	553.2	600.4	-47.2	2,223.6
<i>Revenue, std.metal prices</i>	485.5	494.8	-9.3	1,869.2
Operational EBITDA	52.9	59.5	-6.6	175.2
<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
EBITDA	50.8	54.9	-4.1	152.0
Depreciation/Amortisation	-20.5	-56.2	35.7	-76.9
Impairment	-	-41.0	41.0	-40.9
EBIT	30.3	-5.7	36.0	34.2
Financial items, net	-2.9	-2.8	-0.1	-6.1
EBT	27.4	-8.5	35.9	28.1
Tax	-7.2	-19.4	12.2	-26.9
Profit	20.2	-27.9	48.1	1.2
RoCE, LTM	9.3%	11.2%	-1.9%	10.1%
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

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EURm

Revenue decreased by	-47.2
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

Operational EBITDA decreased by	-6.6
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

Highlights Q2 2016

Business units

- Nilfisk
- NKT Cables
- NKT Photonics

Questions & Answers

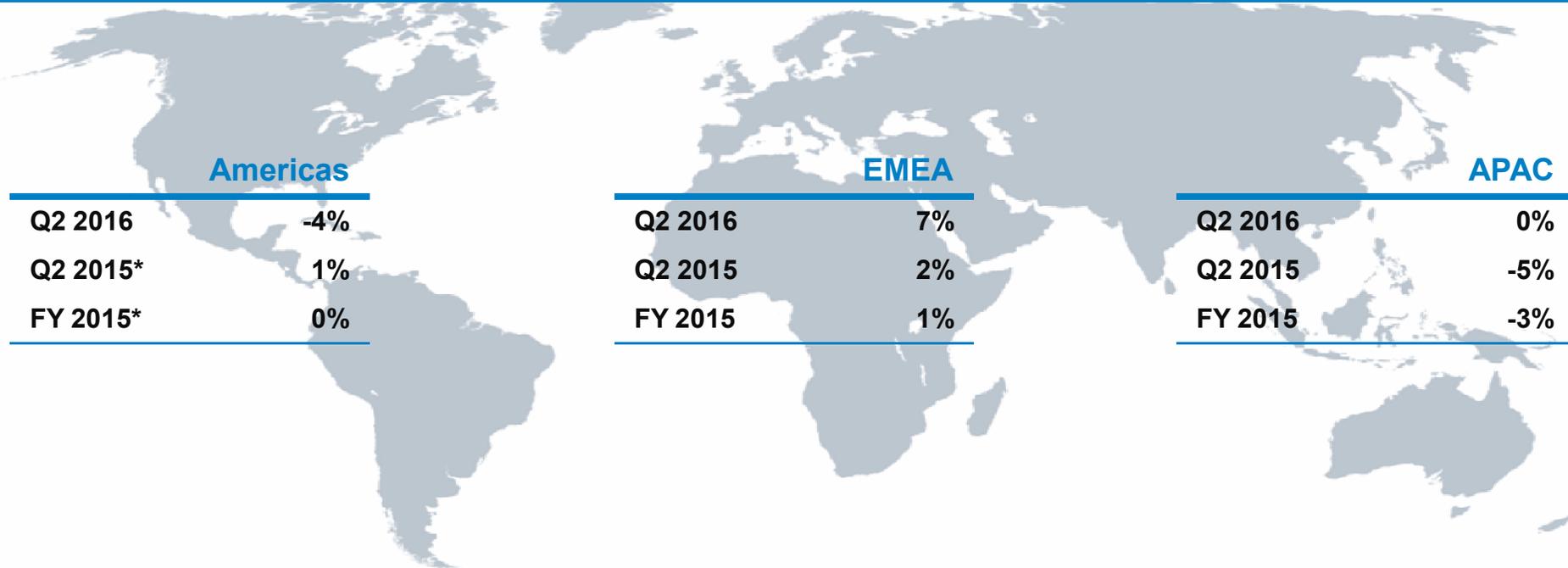


Nilfisk

Nilfisk organic growth of 3% in Q2 driven by EMEA

Americas below expectations

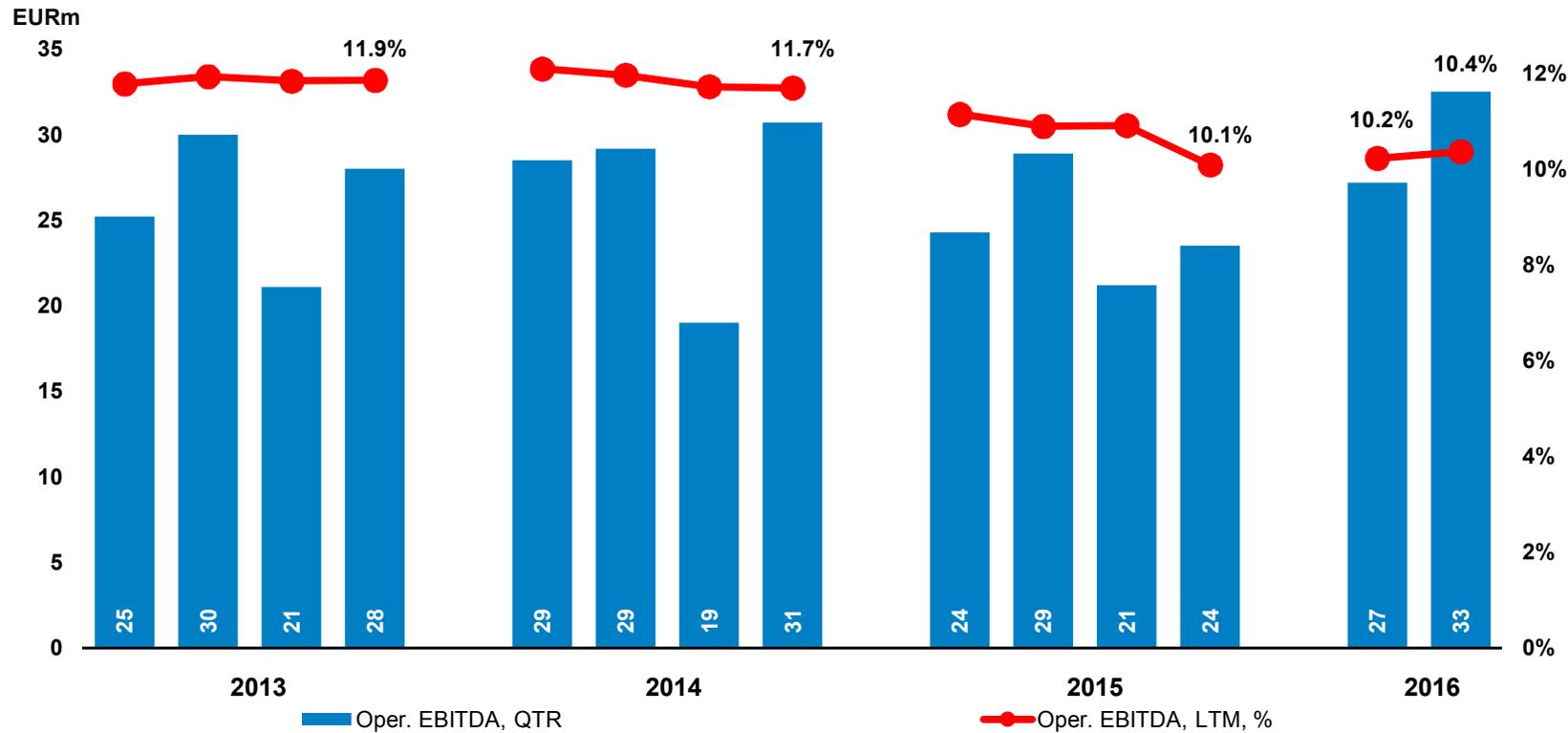
Organic growth	2013				2014				2015*				2016	
- Quarterly (Y/Y)	1%	4%	7%	1%	9%	4%	0%	9%	0%	0%	4%	-2%	-1%	3%
- Annually	3%				6%				0%				1%	



* 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⁺: Four organisational elements to secure growth



Get closer to the customers



Customer orientation **1**



Accountability **2**

Empower the organisation

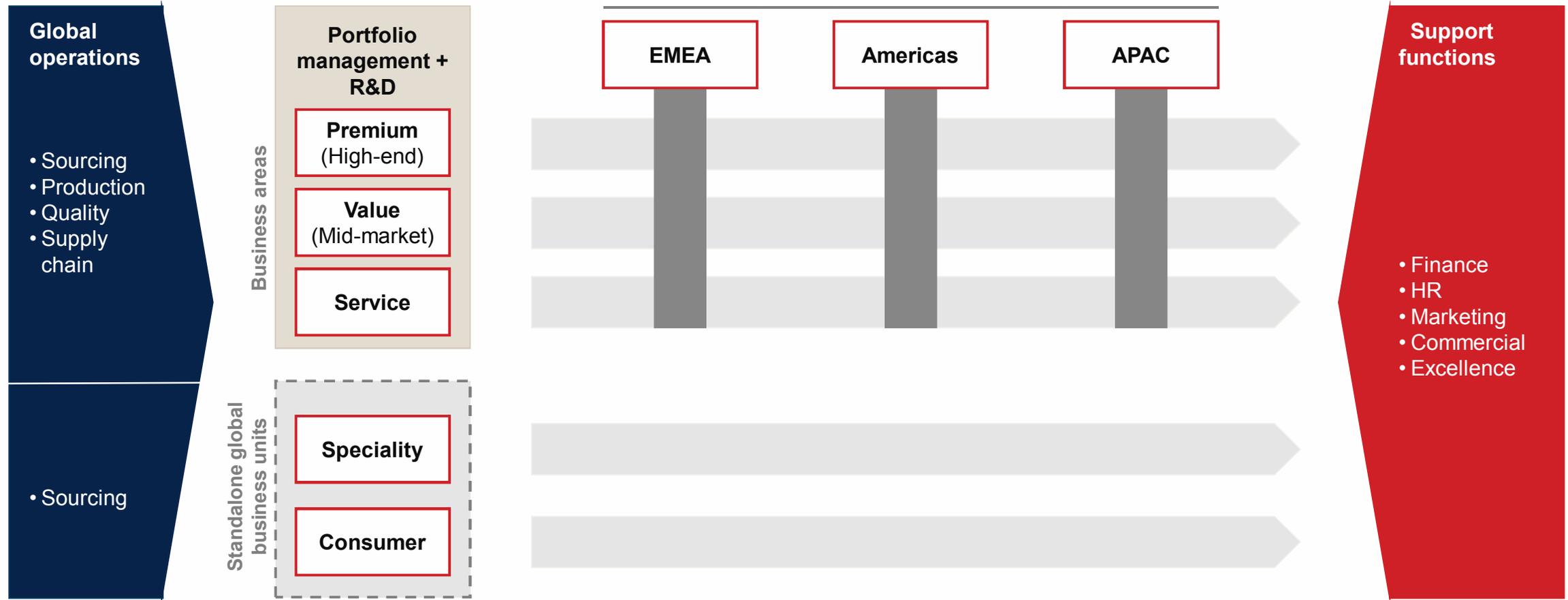


Simplify **3**



Speed and agility **4**

ACCELERATE⁺: Simpler and more agile organisation focused on sales



ACCELERATE⁺: 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
Revenue	276.5	253.2	531.9	494.2	971.5
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%
Operational EBITDA	32.5	28.9	59.7	53.2	97.9
Operational EBITDA margin	11.8%	11.4%	11.2%	10.8%	10.1%
RoCE, LTM	12.7%	15.1%	12.7%	15.1%	12.9%
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

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%

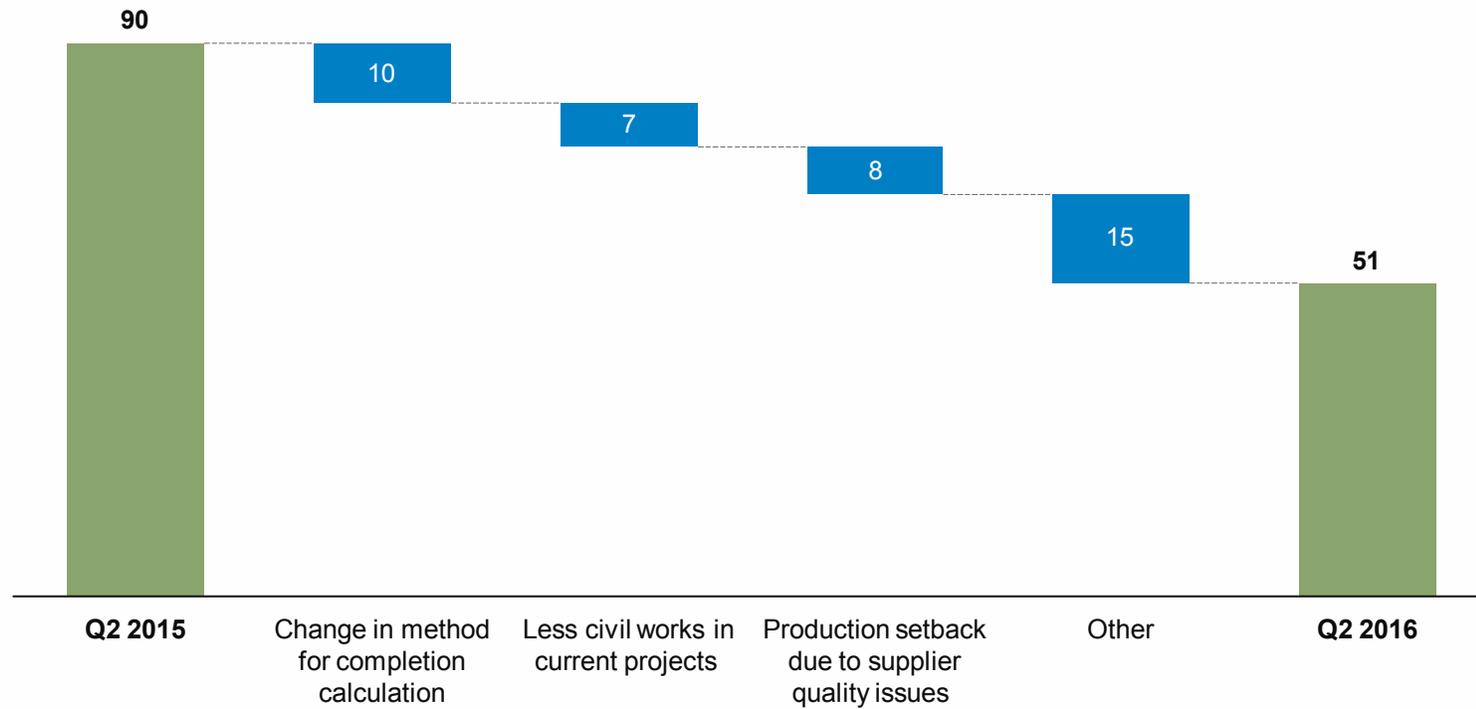
Market

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

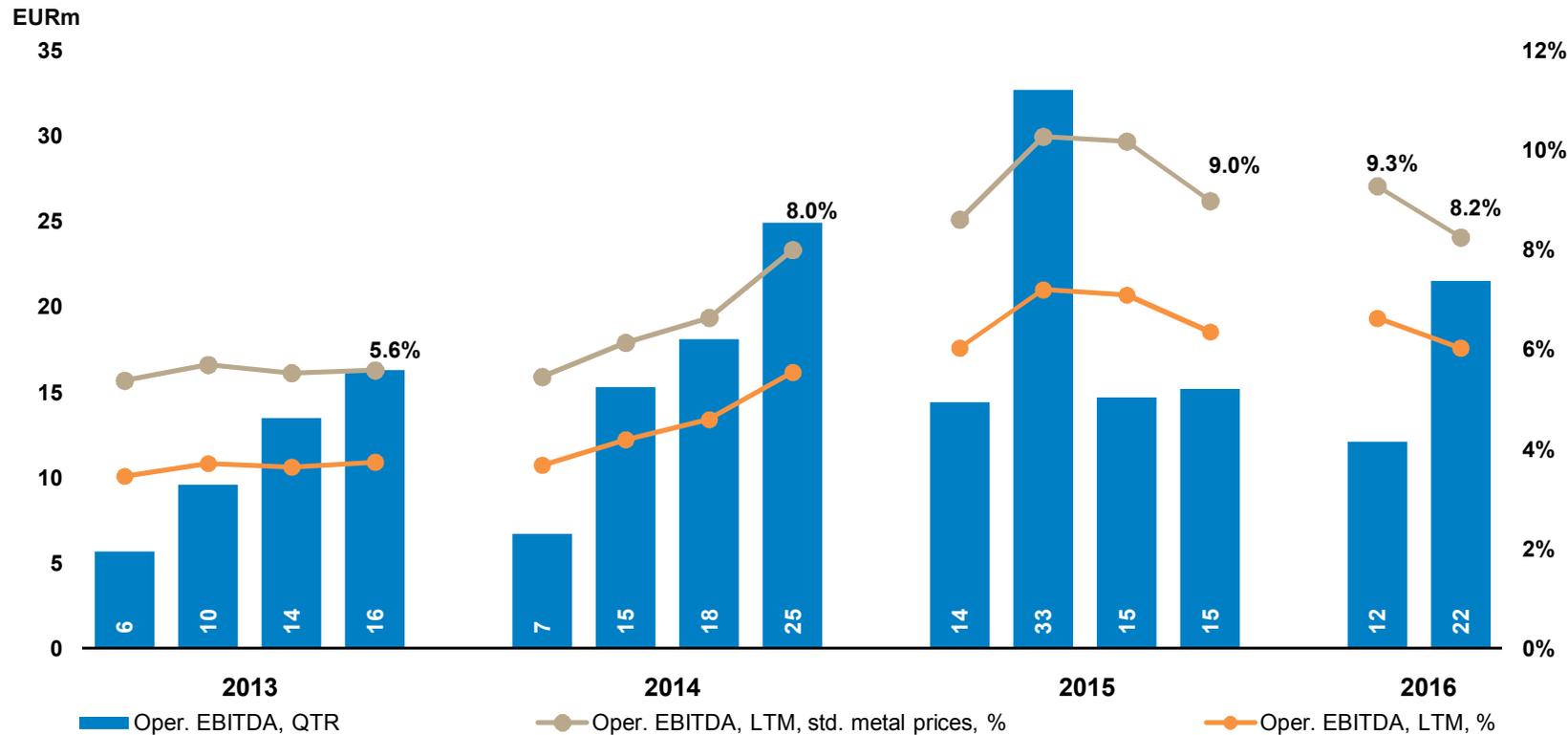
Less civil works and revenue due to different profile of current projects

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)

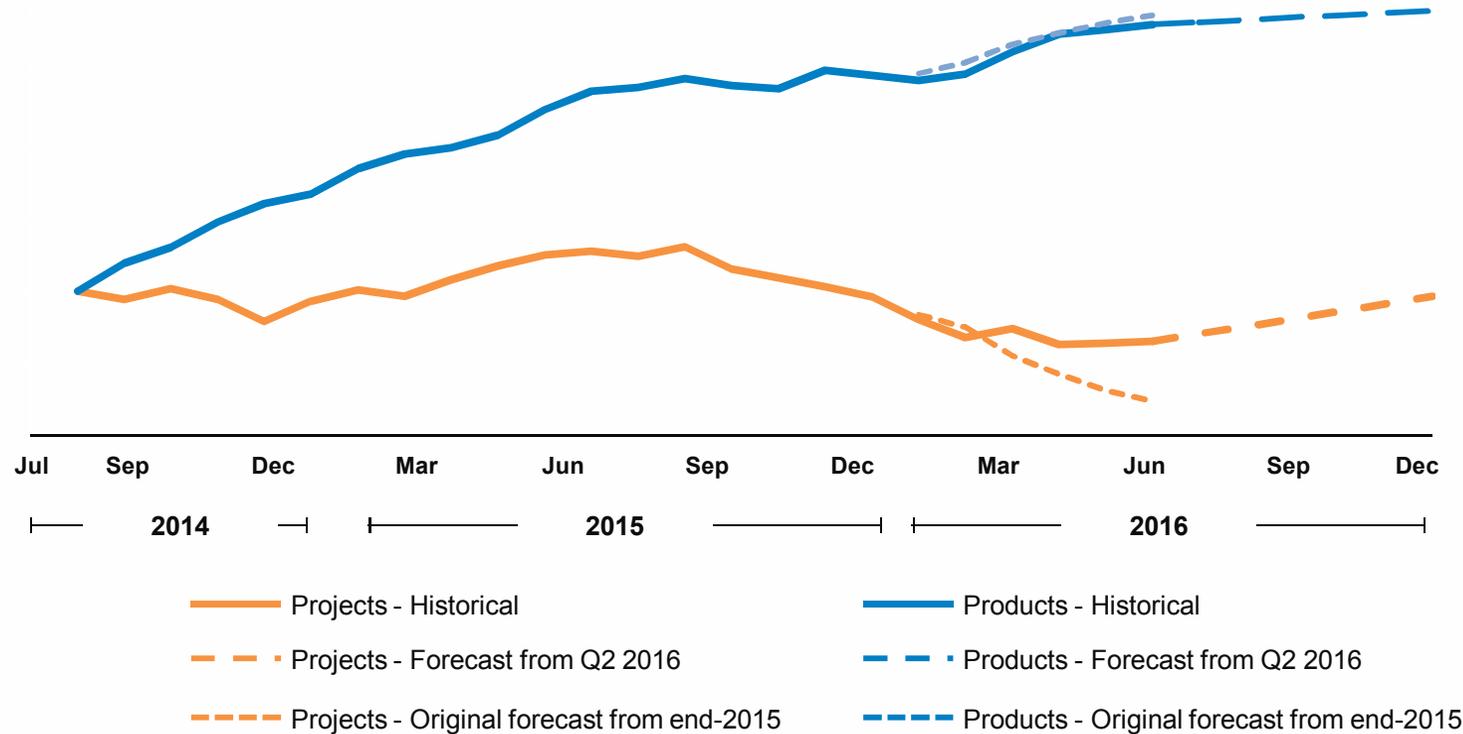
Driven by lower revenue and profitability on current offshore projects

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 2nd 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
Revenue	267.8	338.7	490.8	647.9	1,211.9
Revenue, std.metal prices	200.1	233.1	363.4	449.8	857.5
Organic growth	-13%	13%	-19%	15%	4%
Operational EBITDA	21.5	32.7	33.6	47.1	77.0
Operational EBITDA margin, std.metal prices	10.8%	14.0%	9.3%	10.5%	9.0%
RoCE, LTM	6.1%	9.3%	6.1%	9.3%	8.2%
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



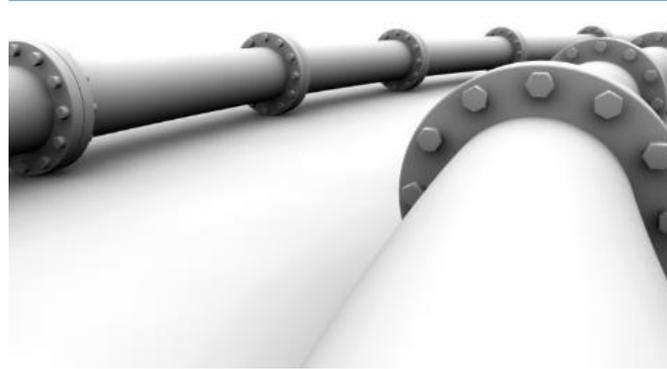
Focused growth area

- 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



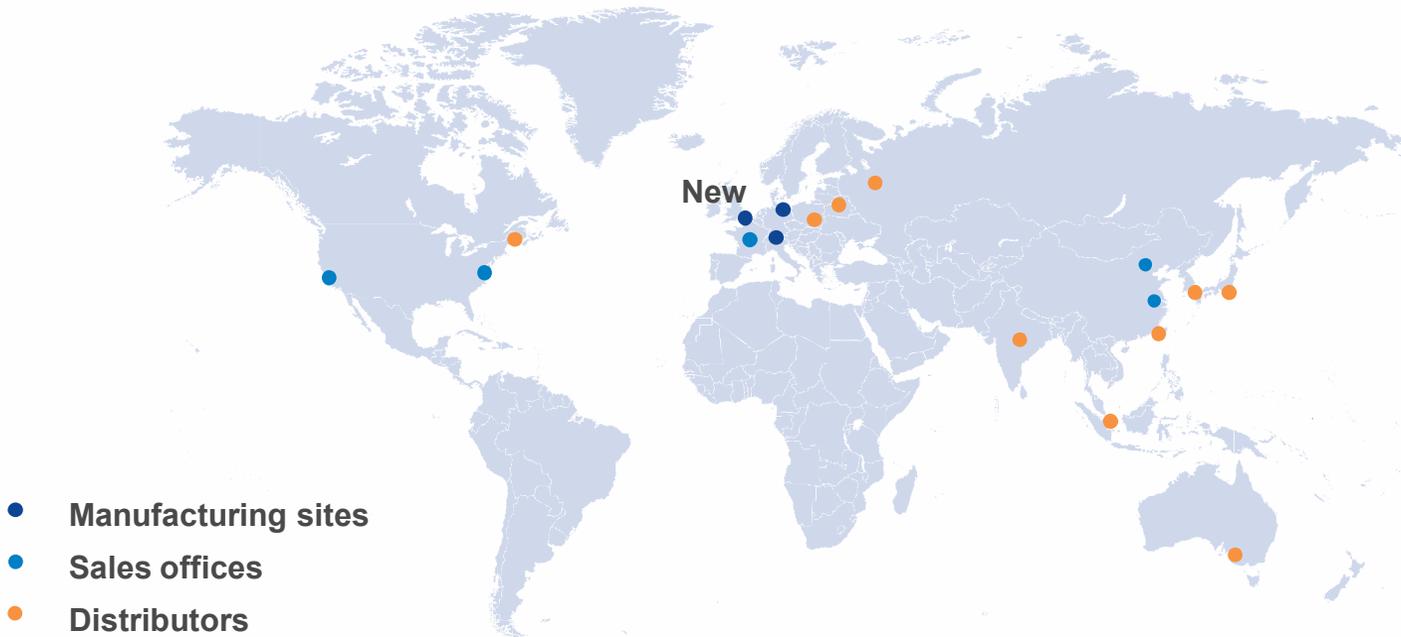
New growth area

- 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

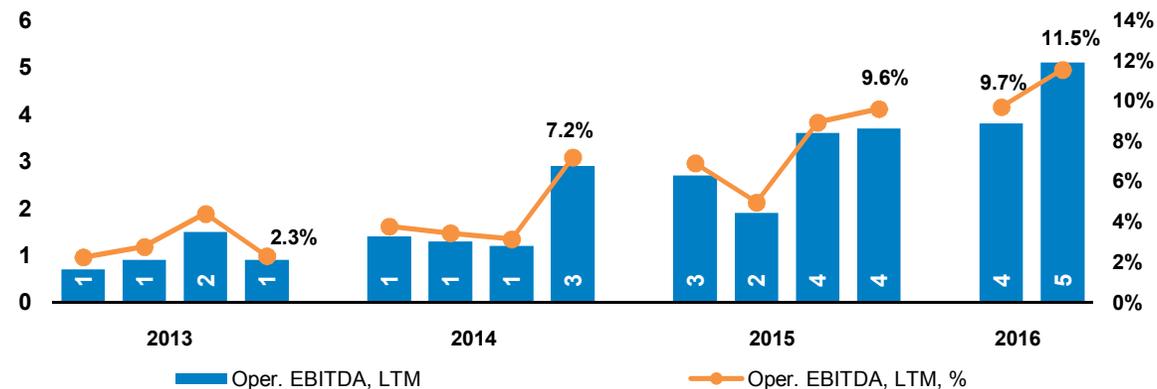
Satisfactory growth and integration proceeding as expected

Financials

EURm	Q2		1st half		FY
	2016	2015	2016	2015	2015
Revenue	8.9	8.5	16.1	17.1	40.6
Organic growth	9%	-14%	11%	-9%	9%
Operational EBITDA	-0.3	-1.0	-0.6	-1.0	3.7
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



Agenda

Highlights Q2 2016

Business units

- Nilfisk
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- NKT Photonics

Questions & Answers

Financial calendar

2016

11 November Interim Report, Q3

2017

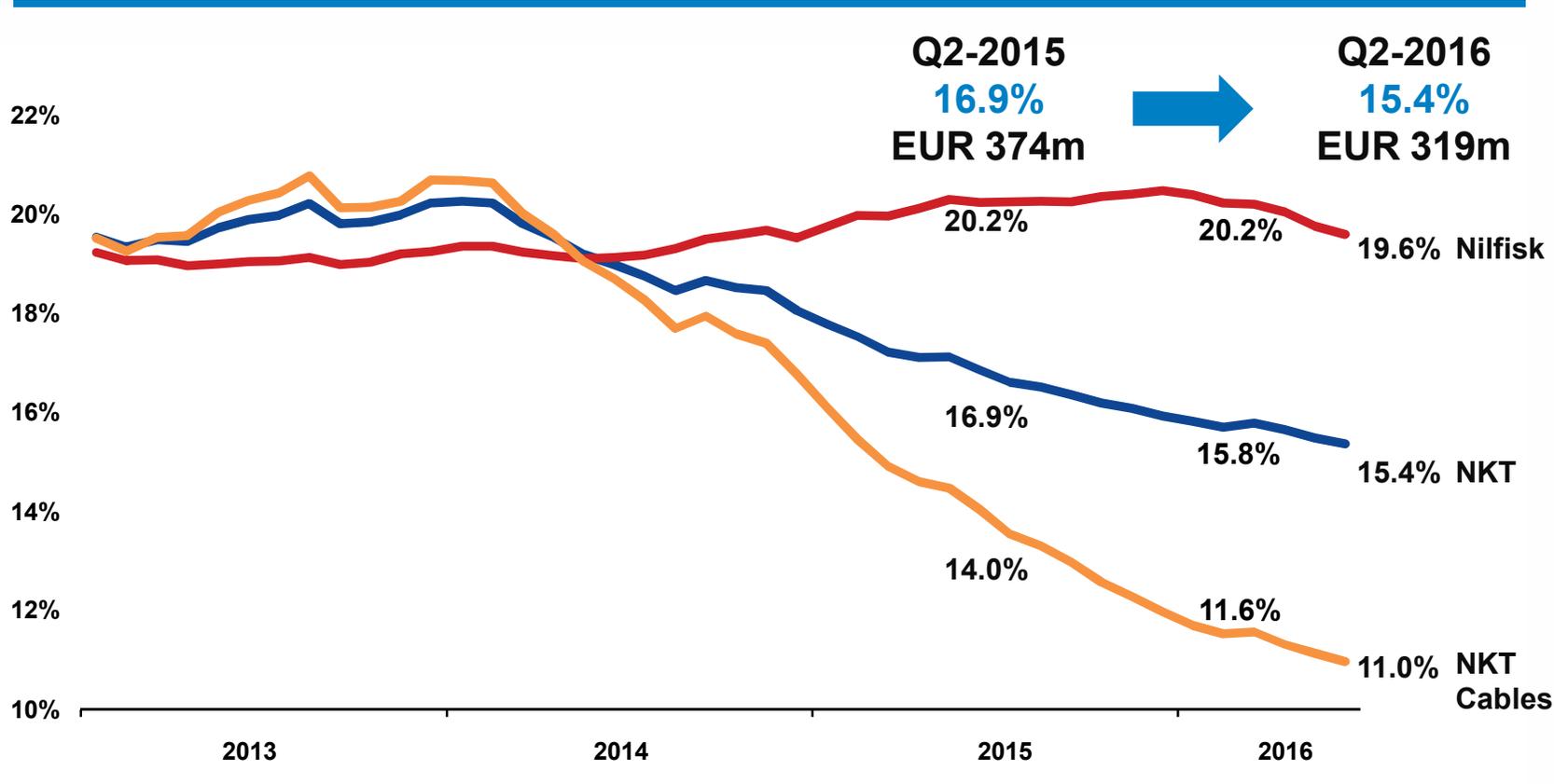
1 March 2016 Annual Report

 For list of Investor Relations events, go to www.nkt.dk

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
Cash flows from operating activities	28.7	5.2	173.2
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
Cash flows from investing activities	-17.5	-29.8	-87.9
Free cash flow	11.2	-24.6	85.3
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
Cash flows from financing activities	-24.6	33.4	-81.0
Net cash flow	-13.4	8.8	4.3

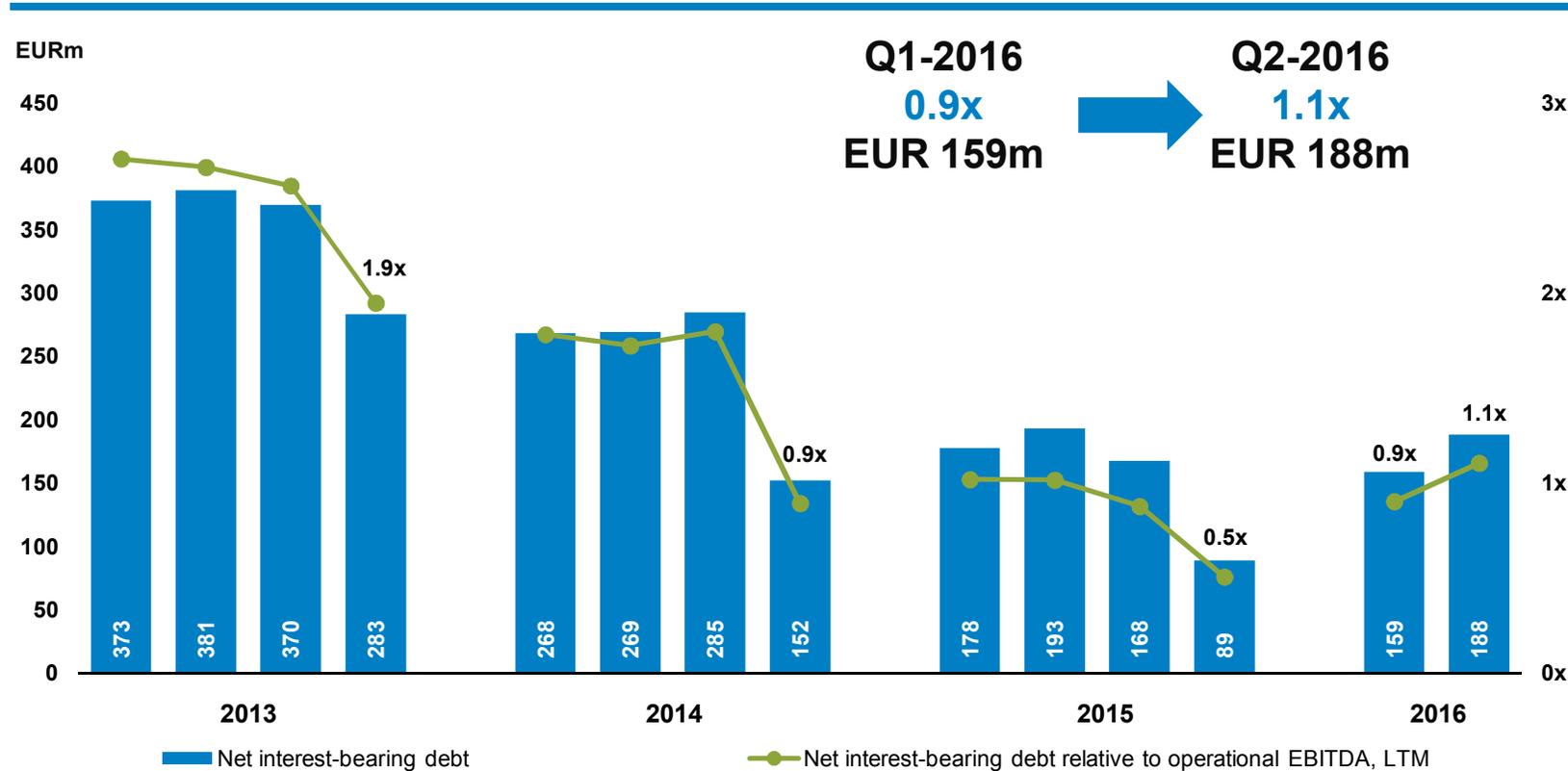
Operating cash flow of EUR 28.7m due to change in working capital of EUR -9.0m (Q2 2015 EUR 37.9m)

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)