



NKT

Interim Report Q1 2017

Webcast, 17 May 2017

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



Today's presenters



Michael Hedegaard Lyng

NKT A/S (formerly NKT Holding)

Group Executive Director

NKT (formerly NKT Cables)

President & CEO



Karina Deacon

Nilfisk

CFO



Basil Garabet

NKT Photonics

President & CEO

Agenda

Update on the intended split of NKT A/S (formerly NKT Holding A/S)

Highlights Q1 2017

Business units

- NKT (formerly NKT Cables)
- Nilfisk
- NKT Photonics

Questions & Answers

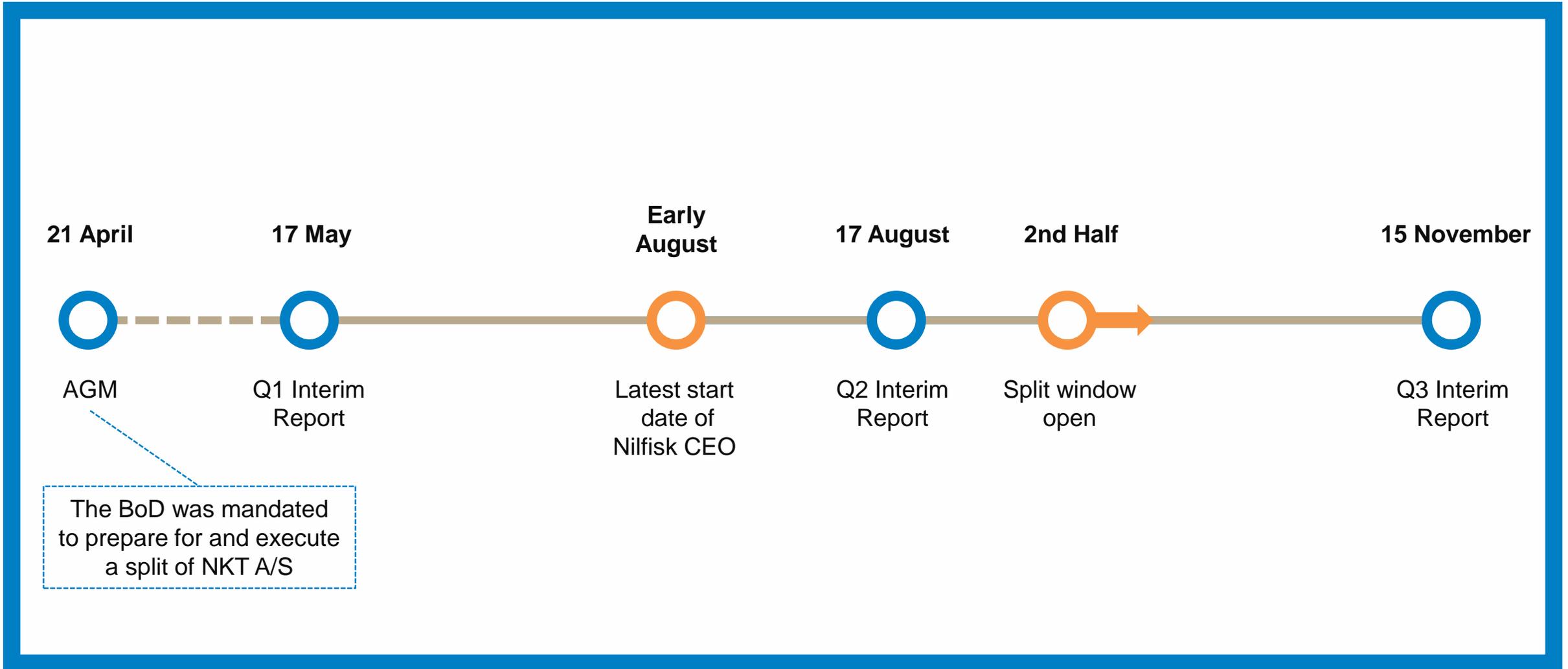
Intention to split NKT A/S into two separately listed entities

Listed entity	<p>Nilfisk</p> <p><i>Discontinued operations</i></p>	<p>NKT</p>	
Underlying businesses			
Key highlights	<ul style="list-style-type: none"> • A leading professional cleaning equipment company with strong global market position • Organic growth potential • Significant M&A opportunities • Strong cash flow 	<ul style="list-style-type: none"> • NKT, including the acquired ABB HV Cables, is a leading AC and DC high-voltage power cables supplier with a strong project backlog • Significant synergy potential 	<ul style="list-style-type: none"> • A leading high-end photonics player • Significant growth and M&A potential
Revenue	<p>EUR 1,059m</p>	<p>EUR 1,405m*</p>	<p>EUR 43m</p>

* Pro forma figures are 2016 NKT actuals, combined with 2016 pro forma figures for ABB HV Cables. Revenue is in market prices



Unchanged timeline for the intended split of NKT A/S



Agenda

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Questions & Answers

Highlights Q1 2017



Continued improved performance and company transformation

- EUR 185m in revenue* (EUR 274m in market prices), up EUR 22m due to the acquisition of ABB HV Cables
- Organic growth of -8% due to timing of revenues in the Projects business
- Operational EBITDA of EUR 17.8m and margin of 9.6%*, up from EUR 12.1m and 7.4% in Q1 2016
- Acquisition of ABB HV Cables completed on 1 March 2017
- Introduced the world's most powerful underground DC cables system: 640 KV
- The divestment of the Automotive business was closed on 30 April 2017



Significant steps towards commercialisation

- EUR 7.5m in revenue, an increase of EUR 0.3m driven by acquisition of Fianium
- Organic growth was -18% due to timing of revenue – strong organic growth expected again in Q2 2017
- Operational EBITDA of EUR -2.1m versus EUR -0.3m in Q1 2016 due to investments in future growth
- Sales pipeline was at an all-time high



Discontinued operations

Solid performance and focus on execution

- EUR 269m in revenue, increase of 5%, organic growth also 5%
- Operational EBITDA of EUR 35.1m, equivalent to a margin of 13.0%, up 2.3%-points from Q1 2016
- New operational model and organizational structure implemented in Q1 2017
- Continued positive contribution from roll-out of the Accelerate+ strategy
- Hans Henrik Lund, new CEO, still to join no later than August 2017

* Std. metal prices

Outlook for 2017 reconfirmed

	<u>Revenue (EURm)</u>	<u>Organic growth</u>	<u>Operational EBITDA</u>
NKT	~EUR 1.1bn*	-	~EUR 140m
NKT Photonics	-	~10%	~15% (margin)
<hr/>			
Nilfisk**	-	2-4%	11-11.5% (margin)

* Std. metal prices

** For Nilfisk, EBITDA before special items

Changes Q1 2017 versus Q1 2016

EURm	Continuing oper		Incl. discontinued oper		
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	
Revenue	281.3	230.2	550.3	485.6	*01
<i>Revenue, std.metal prices</i>	192.7	170.5	461.7	425.9	
Operational EBITDA	15.7	11.1	50.8	38.3	*02
<i>Oper. EBITDA margin, std.metal prices</i>	8.1%	6.5%	11.0%	9.0%	
One-off's	-14.6	-2.4	-18.8	-2.4	*03
EBITDA	1.1	8.7	32.0	35.9	
Depreciation/Amortisation	-11.7	-10.1	-11.7	-19.7	
Impairment	-	-	-	-	
EBIT	-10.6	-1.4	20.3	16.2	
Financial items, net	-1.9	1.5	-4.4	-1.2	
EBT	-12.5	0.1	15.9	15.0	
Tax	4.6	-0.7	-3.3	-4.4	
Profit for the year from continuing oper.	-7.9	-0.6	-	-	
Profit for the year from discontinued oper.	20.5	11.2	-	-	
Profit for the year	12.6	10.6	12.6	10.6	
RoCE, LTM			12.1%	10.0%	
CAPEX			23.5	17.6	
<i>PPE</i>			14.0	10.8	
<i>Intangible assets</i>			9.5	6.8	
Acquisition of business			633.4	53.0	
Working capital			156.7	307.9	
NIBD			616.8	158.9	

*01

EURm	
Revenue increased by	64.7
Nilfisk (discontinued)	13.6
Revenue increased by (cont.)	51.1
Metal prices	28.9
FX changes	-1.3
Acquisitions	48.6
Divestments	-8.2
Organic growth	-16.9
NKT	-15.3
NKT Photonics	-1.6

*02

EURm	
Operational EBITDA increased by	12.5
Nilfisk (discontinued) - Margin 13.0% (Q1 2016: 10.7%)	7.9
Operational EBITDA increased by (cont.)	4.6
NKT - Margin 9.6% (Q1 2016: 7.4%)	5.7
NKT Photonics	-1.8
Other	0.7

*03

EURm		
EBITDA one-offs	18.8	
NKT	ABB transaction costs	7.0
	ABB integration costs	6.0
	Excellence 2020	1.2
	Cost related to split of NKT A/S	0.4
Nilfisk	Accelerate+	2.9
	Cost related to split of NKT A/S	1.3

Cash flow impacted by acquisition of ABB HV Cables

EURm	Q1		FY
	2017	2016	2016
EBITDA from continuing operations	1.1	8.7	27.9
EBITDA from discontinued operations	30.9	27.2	96.8
Financial items, net continuing and discontinued oper	-4.4	-1.2	-5.3
Change in working capital	-55.1	-38.3	57.6
Other	-10.9	-5.5	-23.1
Cash flows from operating activities	-38.4	-9.1	153.9
Acquisition of business	-633.4	-53.0	-53.3
Divestment of business	-	-	-3.0
Inv./disp. of property, plant and equipment, net	-13.1	-10.3	-37.2
Other investments, net	-9.4	-7.0	-38.5
Cash flows from investing activities	-655.9	-70.3	-132.0
Free cash flow	-694.3	-79.4	21.9
Change in long- and short term loans	559.2	65.0	-54.2
Non-Controlling interest	-	-	-4.4
Dividend paid / dividends treasury shares	-	-	-13.0
Cash from disposal of treasury shares /share buyback	-	-4.7	11.0
Cash from issue of new shares / exercise of warrants	7.8	6.3	139.5
Cash flows from financing activities	567.0	66.6	78.9
Net cash flow	-127.3	-12.8	100.8

Operating cash flow

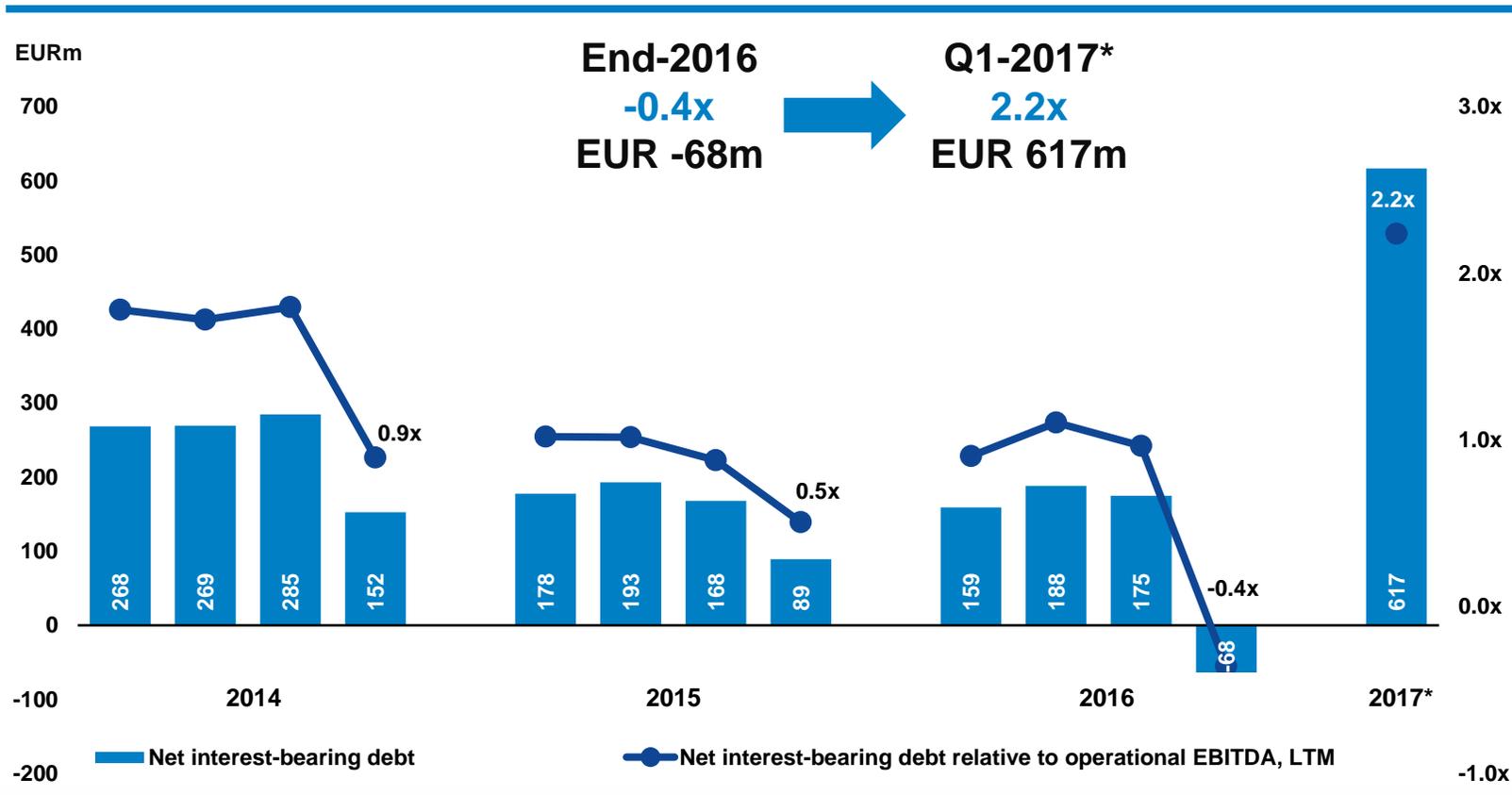
impacted by one-off costs of EUR 19m, whereof EUR 4m was related to Nilfisk

Free cash flow was negative due to completion of the acquisition of ABB HV Cables

Cash flow from financing activities included draw down for acquisition facilities

Net debt up as expected

Net interest-bearing debt



Increase in net interest-bearing debt due to closing of ABB HV Cables acquisition

Gearing level was as **expected** and in line with previous communication

Delivery of NKT Victoria will impact interest-bearing debt in Q2 2017 by EUR 126m

* For the Q1 2017 gearing ratio, 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 is based on ABB HV Cables' estimated average annual pro forma EBITDA of EUR 79m for 2014-2016



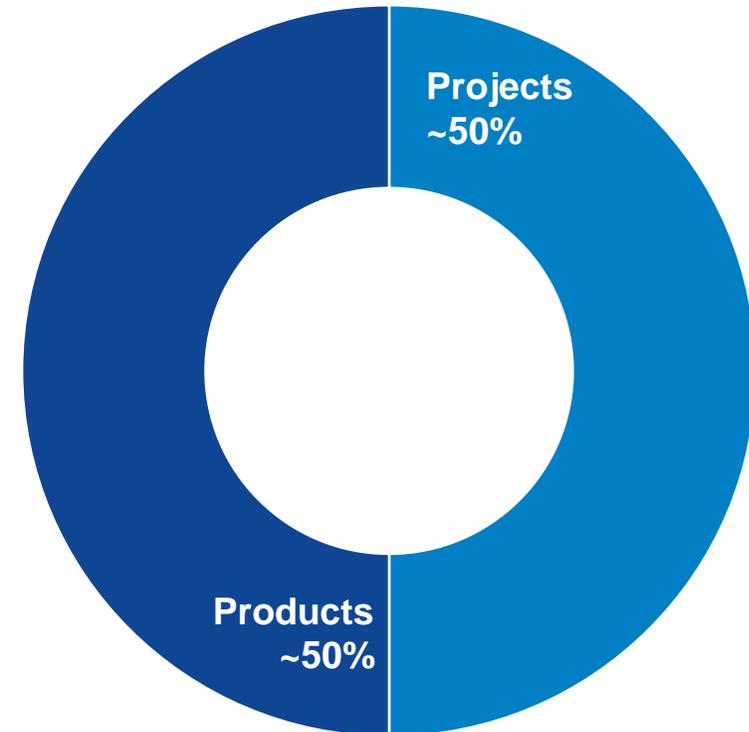
NKT (formerly NKT Cables)

Creation of a leading player within high-voltage power cables

A milestone in the history of NKT

- The acquisition of ABB HV Cables was **closed on 1 March 2017**
- **Creation of a leading on- and offshore HV power cables company** with balanced composition of revenue
- Satisfactory ownership period in the first months with **integration process on track**
- **Pioneering the industry** with the world's most powerful underground DC cables system: 640 KV
- **Synergy potential** of annual run-rate of EUR 30m from end-2018 confirmed
 - 1) *Commercial synergies*
 - 2) *Bottom line synergies*
 - 3) *Manufacturing synergies*

Balanced expected revenue split



Acquisition with strong financial impact

Financial impact from the acquired ABB HV Cables

- **The updated outlook 2017** (incl. ABB HV Cables) was released on 11 April 2017
 - Expected **revenue* of approx. EUR 1.1bn**
 - Expected operational EBITDA margin was lifted from approx. 9.5% (equivalent to approx. EUR 70m) to **approx. EUR 140m in operational EBITDA**
- The acquired ABB HV Cables activities had EUR 32.1m of revenue* and operational EBITDA of EUR 5.3m in Q1 2017
- The Q1 2017 report includes a preliminary purchase price allocation that is still subject to change
 - Recognised goodwill of EUR 385m
 - Tangible assets of EUR 356m with buildings and equipment acquired
 - Net working capital is negative
- In Q2 2017, EUR 126m related to NKT Victoria and EUR 29m related to pension liabilities were paid

Preliminary purchase price allocation

EURm (preliminary)		ABB HV Cables acquisition
<i>Non-current assets</i>	Intangible assets	114.9
	Tangible assets	355.7
	Deferred tax	0.0
<i>Current assets</i>	Inventories	46.7
	Receivables	76.1
	Cash at bank and in hand	14.4
<i>Non-current liabilities</i>	Deferred tax	-41.1
	Provisions	-10.0
<i>Current liabilities</i>	Interest-bearing loans and borrowings	0.0
	Payables and provisions	-254.7
	Net assets acquired	302.0
	Goodwill	384.5
	Purchase consideration	686.5
	Cash acquired	-14.4
	Deferred purchase consideration	-38.7
	Cash purchase consideration	633.4
	Interest-bearing loans and borrowings acquired	0.0
	Total effect on net interest bearing debt	633.4

* Std. metal prices

Delivery of state-of-the-art cable-laying vessel NKT Victoria

- On 10 April 2017, delivery of **NKT Victoria**, a new **state-of-the-art cable-laying vessel**, took place
- NKT Victoria is **among the world's most advanced cable-laying vessels** with several cutting-edge features
 - DP3 (Dynamic Positioning) capability
 - Remotely operated vehicle using cameras and sonar
 - Total turntable capacity of 9,000 tonnes cables
- The ownership of NKT Victoria positions **NKT as a turnkey solutions provider**
- Increased project flexibility and lower execution risks and costs
- NKT Victoria was named at a well visited **naming ceremony in Karlskrona, Sweden**, on 4 May 2017 - and thereafter went for its first operations in Scotland



NKT Victoria

Projects impacted by timing of revenue and Products slightly down as expected

Organic growth

	2014				2015				2016				2017
- Quarterly (Y/Y)	6%	-11%	1%	-12%	16%	13%	-12%	2%	-24%	-13%	1%	-2%	-8%
- Annually	-5%				4%				-10%				-8%

Projects

Period	Change	Market
Q1 2017	-12%	Market
Q1 2016	-55%	Offshore 
FY 2016	-25%	Onshore 

- Organic growth of 11% in Q1 2017 in the Projects business excluding the acquired ABB HC Cables activities
- Solid execution of offshore projects such as Hornsea, Caithness Moray and Nordlink
- The AC onshore market remains challenging

Products

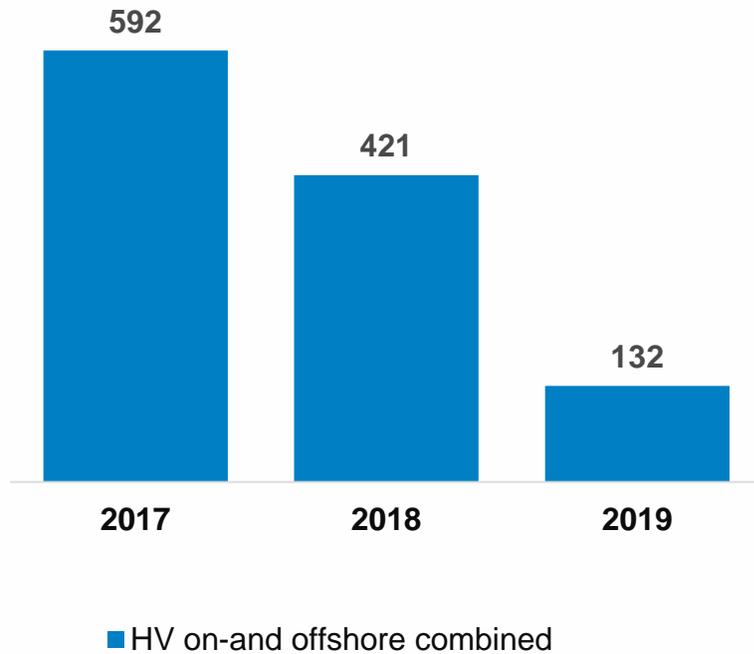
Period	Change	Market
Q1 2017	-4%	Market
Q1 2016	1%	Nordics 
FY 2016	0%	Central Europe 
		Specialties 

- Positive development in Scandinavia and UK
- Q1 2016 positively impacted by “photo-year” effect in Central Europe
- Challenging competitive situation in Poland
- Slowdown in the global railway market continued

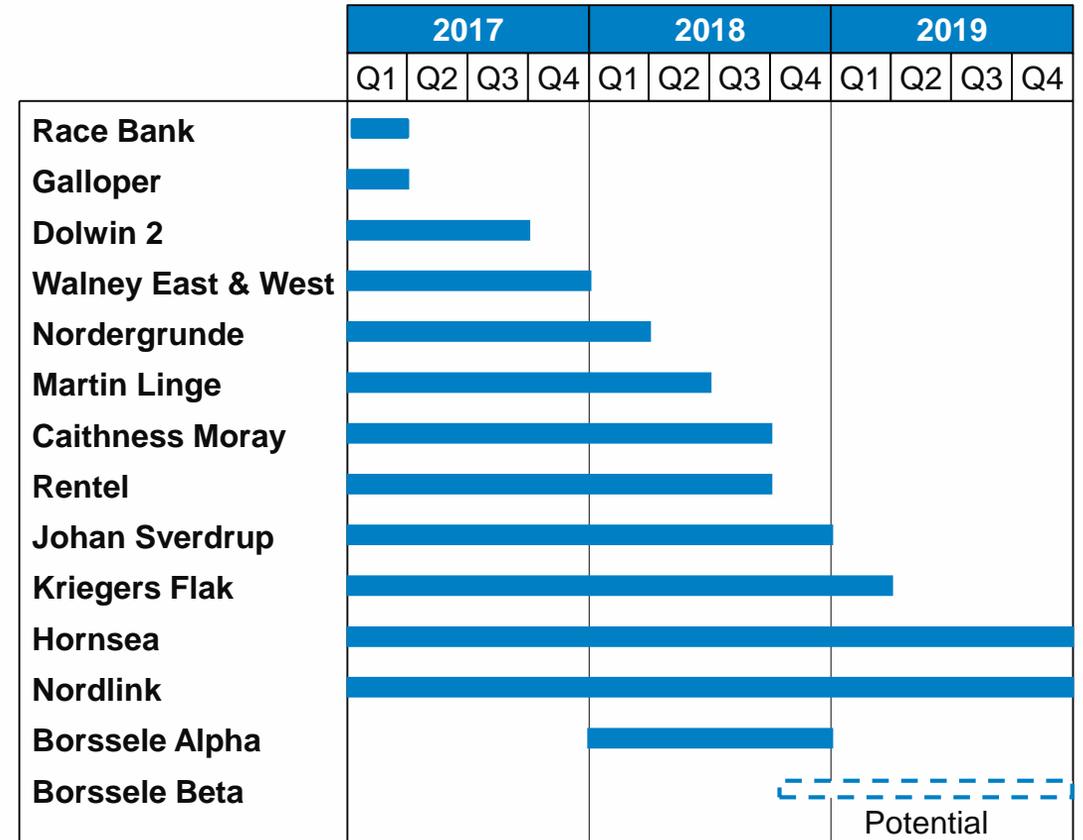
A range of high-voltage orders on hand providing good visibility into 2018

Orders on hand of EUR 1.15bn at end-Q1 2017

EURm

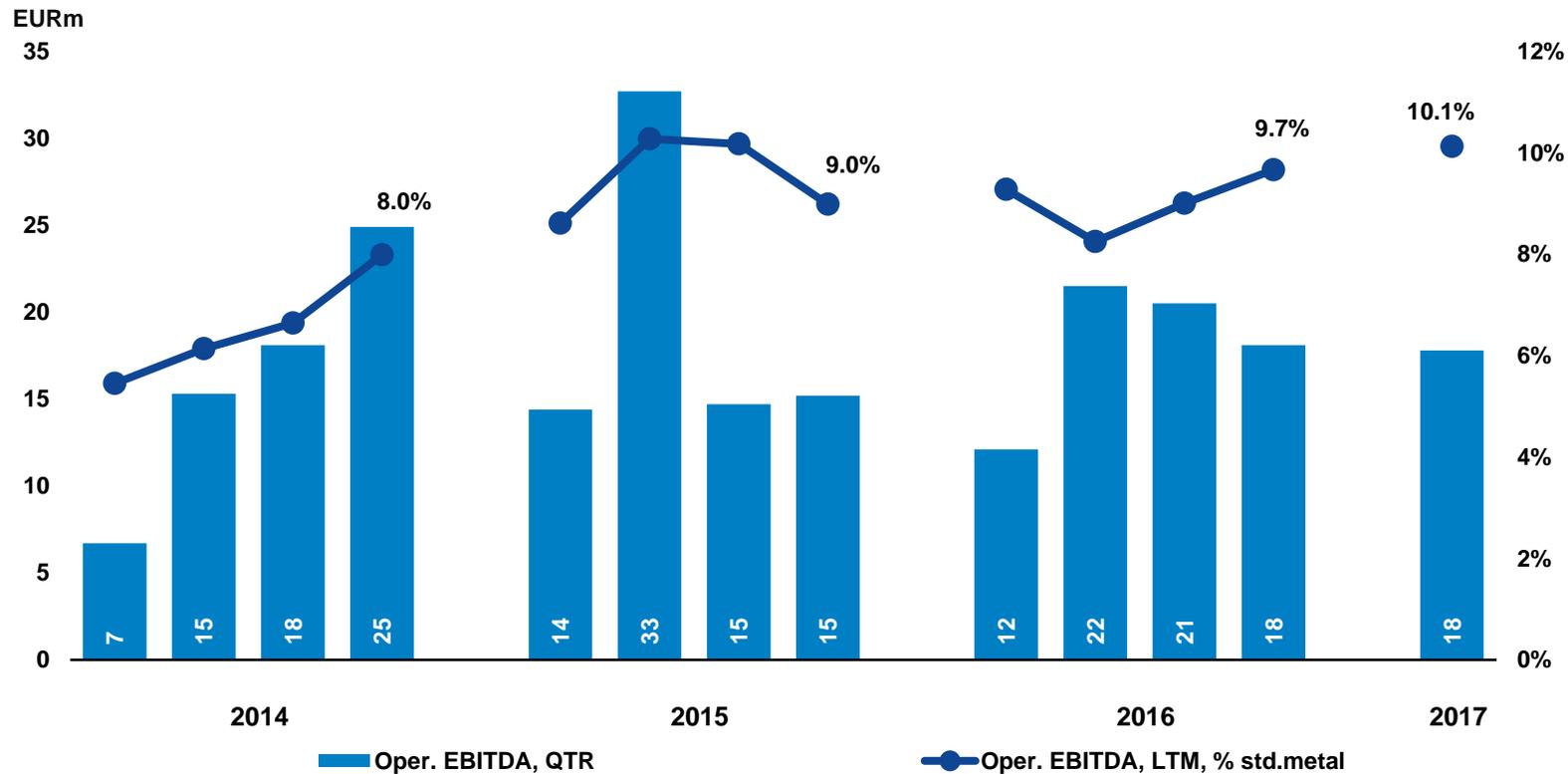


Good visibility on offshore in coming years



Operational EBITDA of EUR 18m and LTM margin now above 10%

Operational EBITDA, QTR



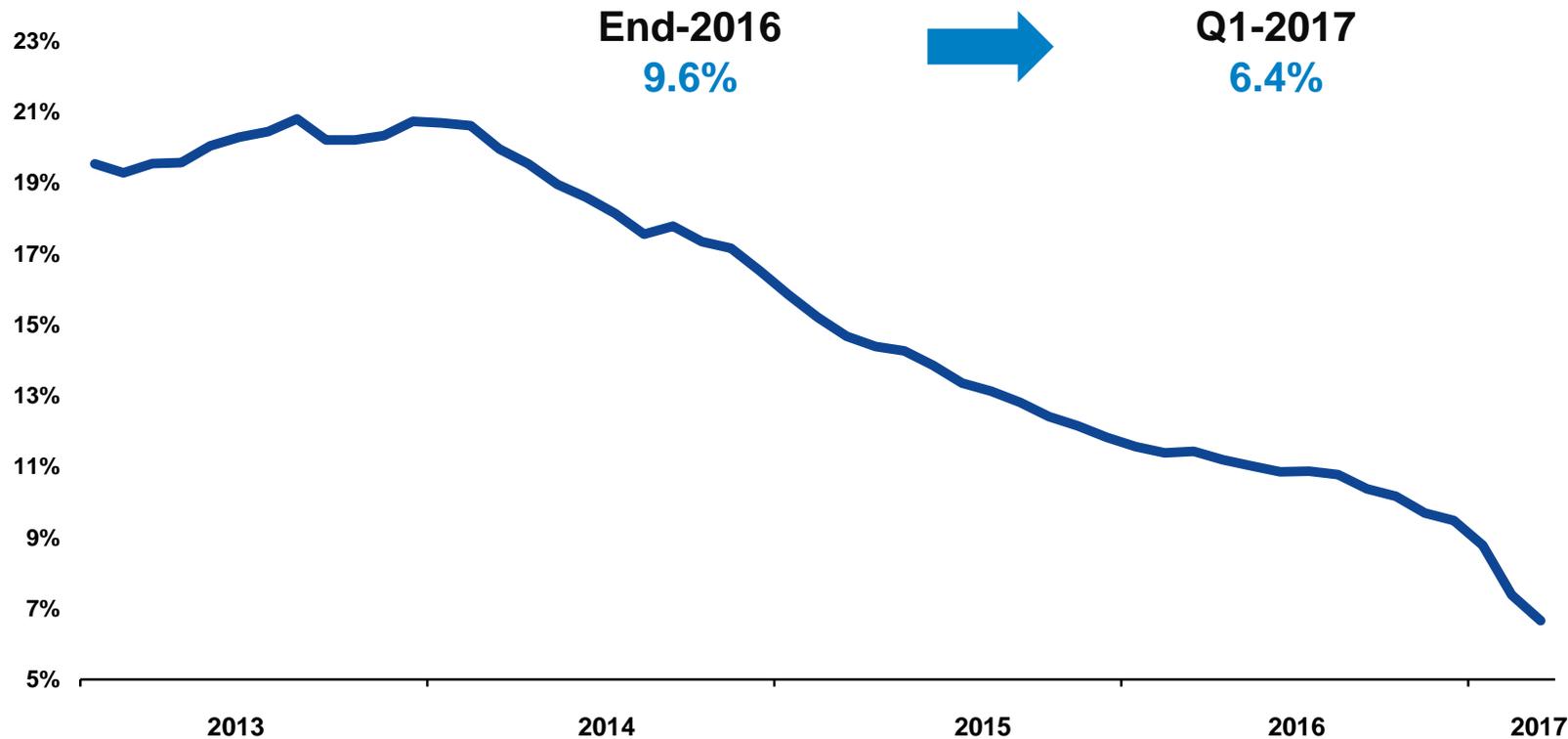
Operational EBITDA increased by EUR 5.7m in Q1 2017 with margin up by 2.2%-points compared to Q1 2016

Growth driven by acquisition of ABB HV Cables and improved performance in remaining part of business

Q1 is a seasonally low quarter as expected

Working capital further reduced due to increased Projects business

Working capital (% of revenues)



Working capital reduction driven by the acquisition of ABB HV Cables and the divestment of China operations

At the end of Q1 2017 working capital was at EUR -35.2m compared with EUR 57.8m at end-2016

Strategic priorities for 2017

DEVELOP AND GROW



**AC/DC
high-voltage offshore**



**DC high-voltage
onshore**



Accessories

FOCUS ON PROFITABILITY



**Building wire &
Low-voltage**



Medium-voltage

TURNAROUND



**AC high-voltage
onshore**



Railway

NKT - Summary

Financials

EURm	Q1		FY
	2017	2016	2016
Revenue	273.8	223.0	1,003.7
Revenue, std.metal prices	185.2	163.3	750.4
Organic growth	-8%	-24%	-10%
Operational EBITDA	17.8	12.1	72.5
Operational EBITDA margin, std.metal prices	9.6%	7.4%	9.7%
RoCE, LTM	9.5%	8.2%	9.3%
CAPEX	12.8	4.5	30.6
<i>PPE</i>	8.1	2.5	18.6
<i>Intangible assets</i>	4.7	2.0	12.0
Acquisition of business	633.4	-	-
Capital employed	1,006.7	393.7	348.4
Working capital	-35.2	103.4	57.8
Cash flow from operating activities	-23.0	-11.2	33.7
Cash flow from investing activities excl acq/div	-12.5	-4.6	-31.5
Free cash flow	-35.5	-15.8	2.2
Full-time employees, end of period	3,703	3,181	2,769

Highlights and summary

- **Organic growth in Projects impacted by timing**, organic growth in existing business (excl. ABB HV Cables) was 11% in Q1 2017. The acquired ABB HV Cables' revenue was down due to timing of revenue. Satisfactory execution of offshore projects, whereas the AC offshore market continues to be challenging
- **Revenue development in Products** negatively impacted by "photo-year" in Central Europe in 2016. Positive development in Scandinavia and UK. Slowdown in railway market continues
- **Acquisition of ABB HV Cables** completed on 1 March 2017 and integration on track
- **Divestment of non-core Automotive business** completed on 30 April 2017
- **Addition to management team** of Andreas Berthou, formerly SVP of ABB HV Cables, who is now Head of HV Solutions
- **Outlook for 2017 reconfirmed**
 - Revenue (std. metal) ~EUR 1.1bn
 - Operational EBITDA ~EUR 140m

* Std. metal prices

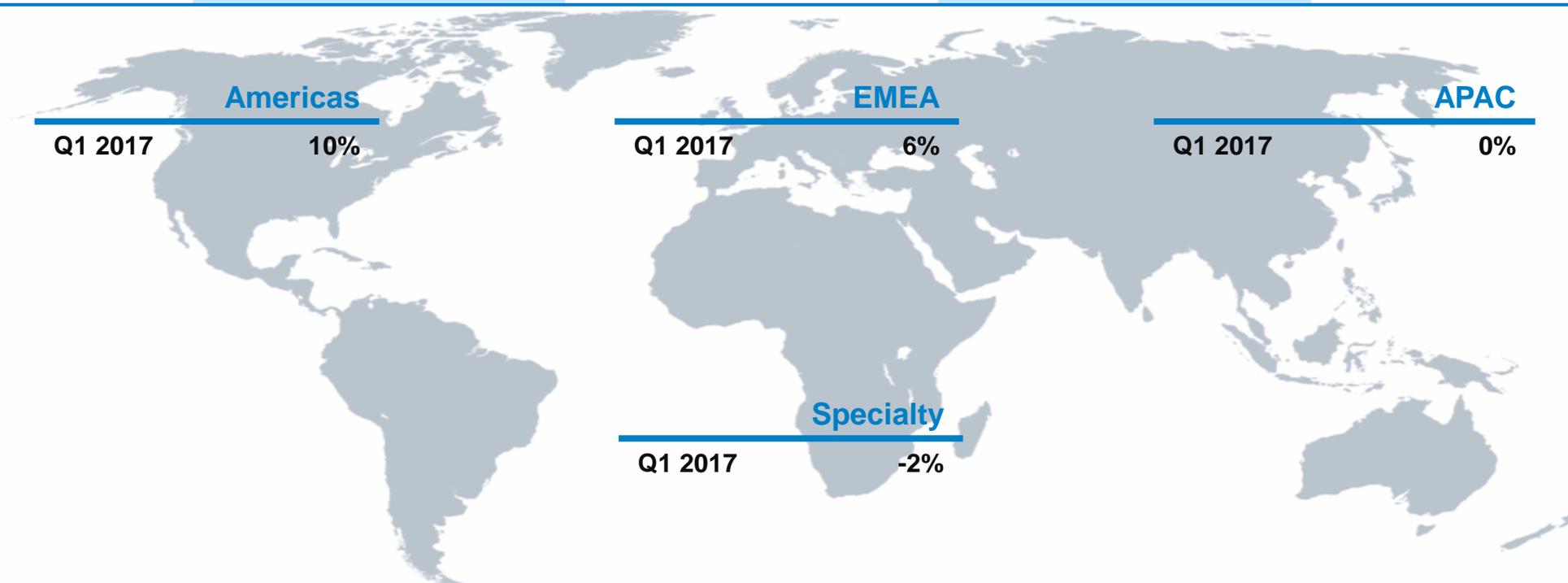


Nilfisk

Solid start to 2017

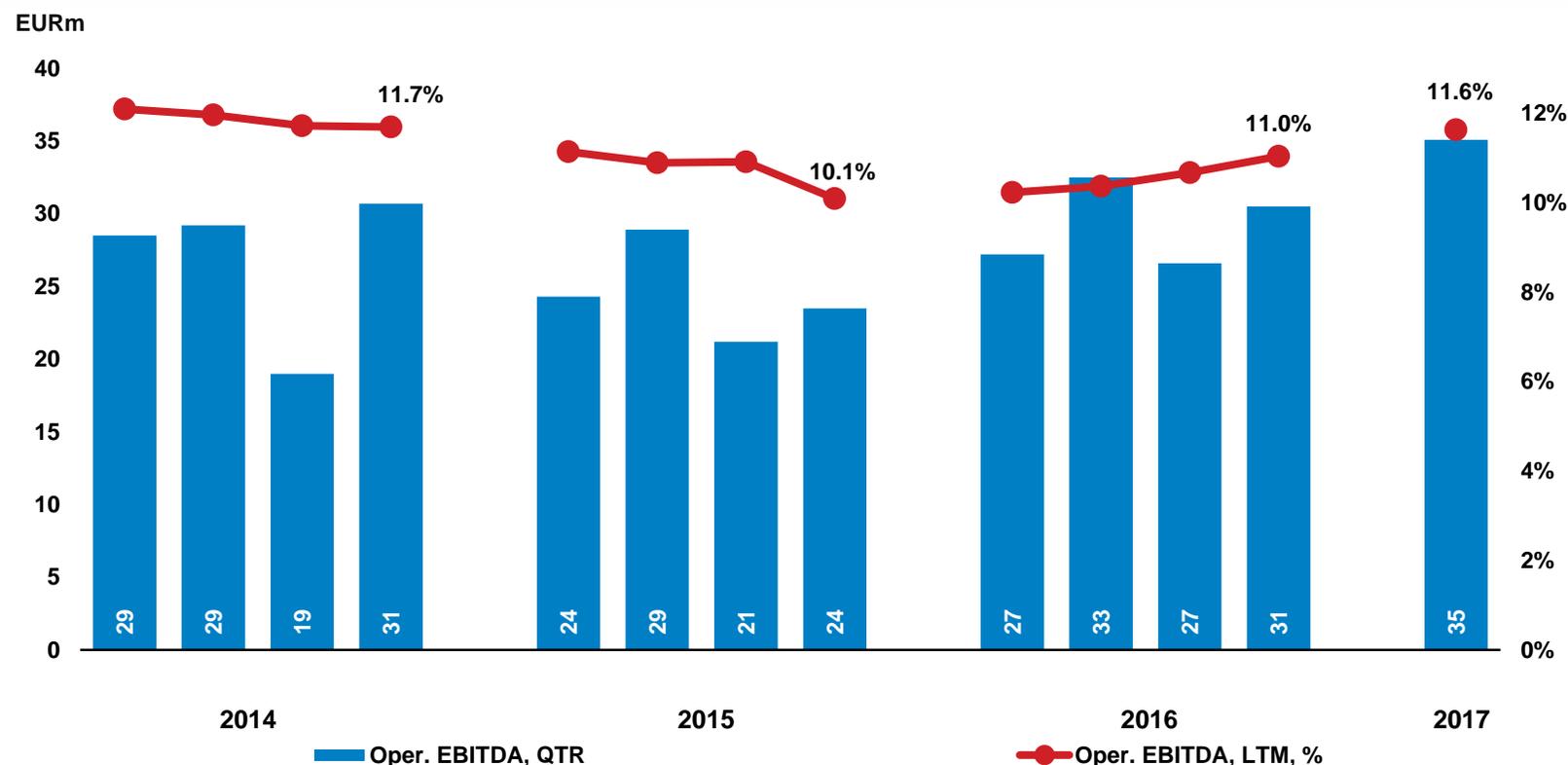
Organic growth

	2014				2015				2016				2017
- Quarterly (YY)	9%	4%	0%	9%	0%	0%	4%	-2%	-1%	3%	4%	8%	5%
- Annually	6%				0%				3%				5%



Operational EBITDA of EUR 35.1m in Q1 2017

Operational EBITDA, QTR



Gross margin increased to 44.5% from 42.6% driven by change in product mix and operational improvements

Overhead cost ratio reduced to 34.5% from 35.0%

Accelerate+ cost saving program of EUR 35m

EBITDA improvements EURm	Full potential* 2019	Run-rate** 2017	P&L impact Q1 2017	P&L impact*** 2017 est
Overhead reductions	17	13	3	13
Global operations initiatives	12	0	0	0
Other initiatives	6	0	0	0
Total	35	13	3	13
Implementation costs	2019	Total spend		
New organisational structure	5	5	0	
Cost saving program	35	13	3	
Total	40	18	3	
Investments	12	1	1	

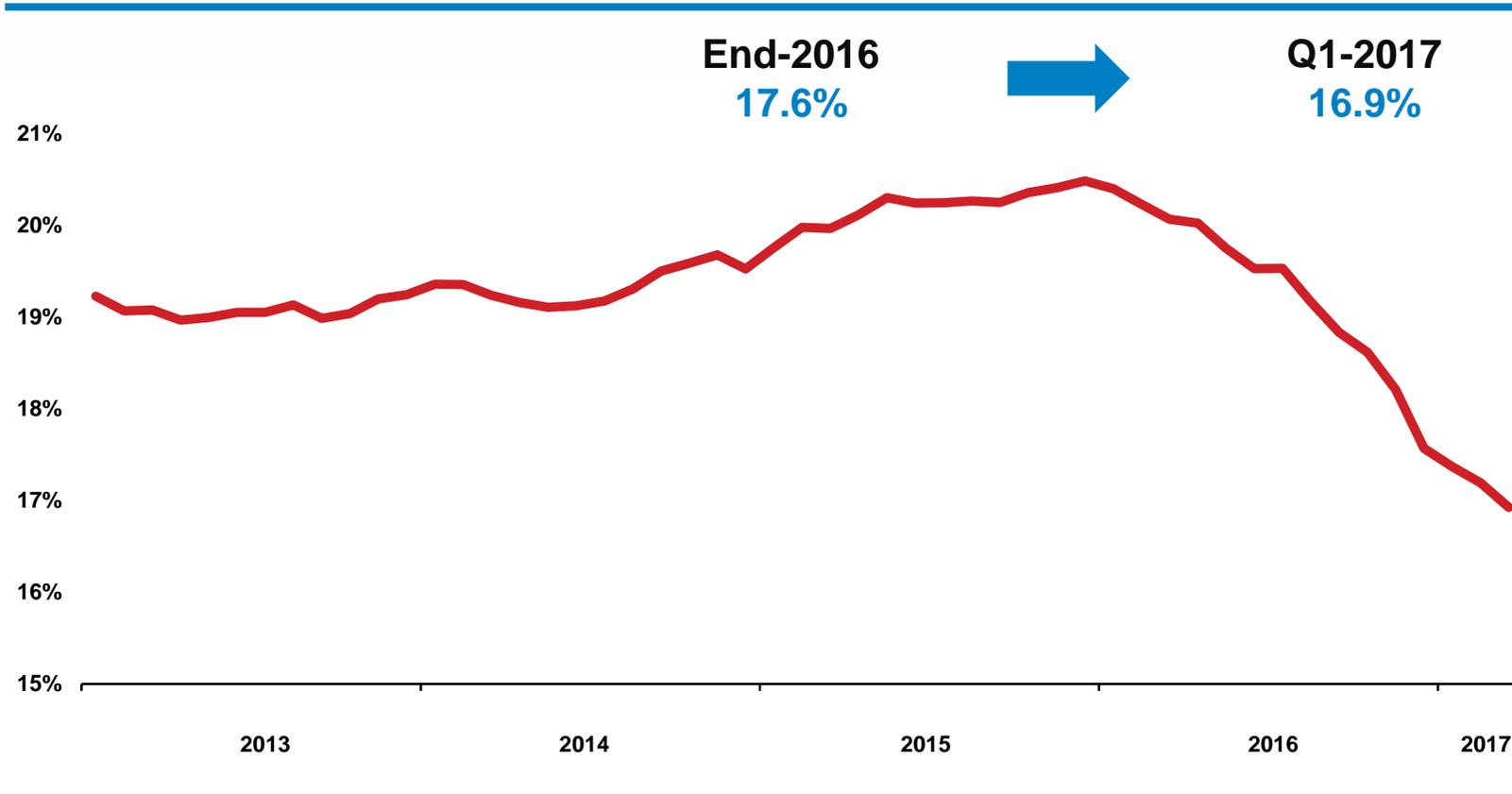
* Annualized expected savings from levers expected to be executed by December 31, 2019. The full cost saving potential is expected to be achieved as from December 2019 with full EBITDA impact from 2020

** Annual expected savings from levers executed as of December 31, 2017

*** Expected savings from levers executed as of December 31, 2017

Working capital significantly reduced

Working capital (% of revenues)



Working capital in Q1 2017 approaching normalised level

At Q1 2017 working capital ratio LTM was 16.9% versus 20.1% in Q1 2016

Decrease in Working Capital of EUR 16.2m compared to Q1 2016, mainly driven by reduced inventories and higher payables

Nilfisk - Summary

Financials*

EURm	Q1		FY
	2017	2016	2016
Revenue	268.9	255.4	1,058.5
Organic growth	5%	-1%	3%
Overhead cost ratio	34.5%	35.0%	33.3%
Operational EBITDA*	35.1	27.2	116.8
Operational EBITDA margin	13.0%	10.7%	11.0%
RoCE, LTM	15.9%	12.5%	14.6%
CAPEX	9.6	12.4	44.9
PPE	5.6	8.0	20.6
Intangible assets	4.0	4.4	24.3
Capital employed	528.8	514.7	490.6
Working capital	178.8	195.0	141.7
Cash flow from operating activities	-16.4	-0.8	114.7
Cash flow from investing activities excl acq/div	-8.7	-11.9	-40.5
Free cash flow	-25.1	-12.7	74.2
Full-time employees, end of period	5,772	5,785	5,607

Highlights and summary

- **Organic growth of 5%** driven by EMEA and Americas, with 6% and 10% organic growth respectively
- **Operational EBITDA margin** of 13.0% (from 10.7% in Q1 2016) driven by both increased gross margin and leverage of overhead costs
- **RoCE increased by 3.4%-points**, capital employed slightly up
- **Outlook for 2017 reconfirmed**
 - Organic growth 2-4%
 - EBITDA before special items 11.0-11.5%

* Based on the figures from Nilfisk's Q1 2017 Interim Report



NKT Photonics

Financial development in Q1 2017 as expected

Imaging & Metrology



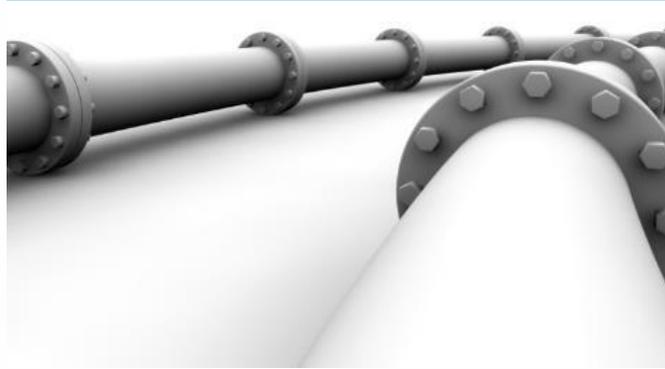
Focused growth area

- Positive organic growth adjusted for the impact of Fianium
- Good progress was recorded in execution of development agreements and frame contracts

Revenue split 2016

~50%

Sensing & Energy



Established area

- Impacted by customer-side delays on a number of contracts
- Several new service contracts and supply agreements in the US

~38%

Material Processing



New growth area

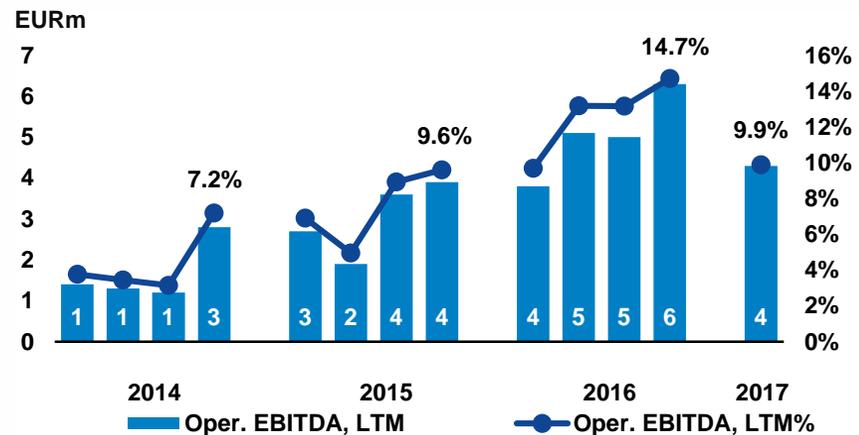
- Fastest growing business area
- Continued execution on NKT Photonics' largest ever fiber order

~12%

NKT Photonics - Summary

Financials

EURm	Q1		FY
	2017	2016	2016
Revenue	7.5	7.2	43.1
Organic growth	-18%	11%	7%
Operational EBITDA	-2.1	-0.3	6.3
Capital employed	46.3	43.0	49.3
Working capital	12.2	9.0	18.5
Full-time employees, end of period	254	239	240



Highlights and summary

- **Revenues** of EUR 7.5m, up 4% versus Q1 2016
- **Organic growth** impacted by timing of revenue - and is expected to turn positive again in Q2 2017
- **Operational EBITDA** lower due to investments in growth opportunities
 - Higher number of full-time employees
- **Sales pipeline** was at an all-time high level
- Increased level of activities at **leading industry exhibitions and conventions**
- **Outlook for 2017**
 - Organic growth ~10%
 - Operational EBITDA ~15%

Agenda

Update on the intended split of NKT A/S (formerly NKT Holding)

Highlights Q1 2017

Business units

- NKT (formerly NKT Cables)
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- NKT Photonics

Questions & Answers

Financial calendar

2017

17 August Interim Report Q2 2017

15 November Interim Report Q3 2017

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