

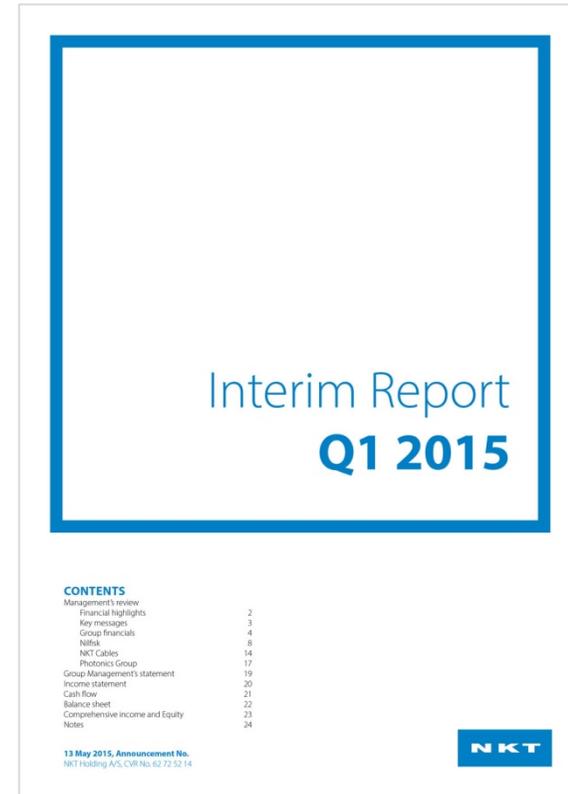
# NKT

## Interim Report Q1 2015

Webcast, 13 May 2015, 08:30 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.



## Today's presenters



**Michael Hedegaard Lyng**

**NKT Holding** **NKT Cables**

Group Executive  
Director

President  
& CEO



**Jonas Persson**

**Nilfisk**

President & CEO

# Agenda

## Highlights Q1 2015

### Business units

- Nilfisk
- NKT Cables
- Photonics Group

### Outlook 2015

### Questions & Answers

# Highlights Q1 2015

## Q1 2015 performance in line with expectations

- Operational EBITDA increase of 11% and organic growth of 6%
- Satisfactory cash flow from operating activities in light of seasonal NWC build-up
- 2015 outlook maintained

## NKT Cables continued positive development

- Continued transformation and significantly improved operational EBITDA
- DRIVE efficiency programme on track, Q1 impact of DKK 72m. Phase 2 launched
- New business strategy will be presented in August 2015

## Nilfisk's performance weaker than expected

- Growth and earnings impacted by temporary delivery issues
- 'Accelerate' new business strategy launched
- Investments in sales and service continue, Commercial Excellence roll-out on track

## Significant order intake in Photonics Group

- Sizeable build-up of order book
- Future 'best ownership' of Fiber Processing being explored

## Financial highlights Q1 2015

**Revenue** DKK **4,164**m (Q1 2014: DKK 3,865m)

**Organic growth** **6%**

<b>Organic growth</b>	<b>Q1 2015</b>
Nilfisk	-2%
NKT Cables	16%
Photonics Group	-4%

**Operational EBITDA** DKK **283**m, **8.1%** (std. metal prices) (Q1 2014: DKK 254m, 8.0% (std. metal prices))

**One-off costs** DKK **-38**m from DRIVE programme (Q1 2014: DKK 42m)

**Financial items** DKK **16**m (Q1 2014: DKK -25m) due to CNY hedge contracts, positive FX effects, and lower interest payments

**Profit after tax** DKK **91**m (Q1 2014: DKK 87m)

**WC** amounts to DKK **2.7**bn and LTM at **17.2%** (Q1 2014: DKK 2.7bn and 19.8%) due to lower working capital in NKT Cables' Projects business

**Cash flow from operations** DKK **95**m (Q1 2014: DKK 199m)

**Free cash flow** DKK **2**m (Q1 2014: DKK 191m) despite seasonal build-up in working capital of DKK 207m

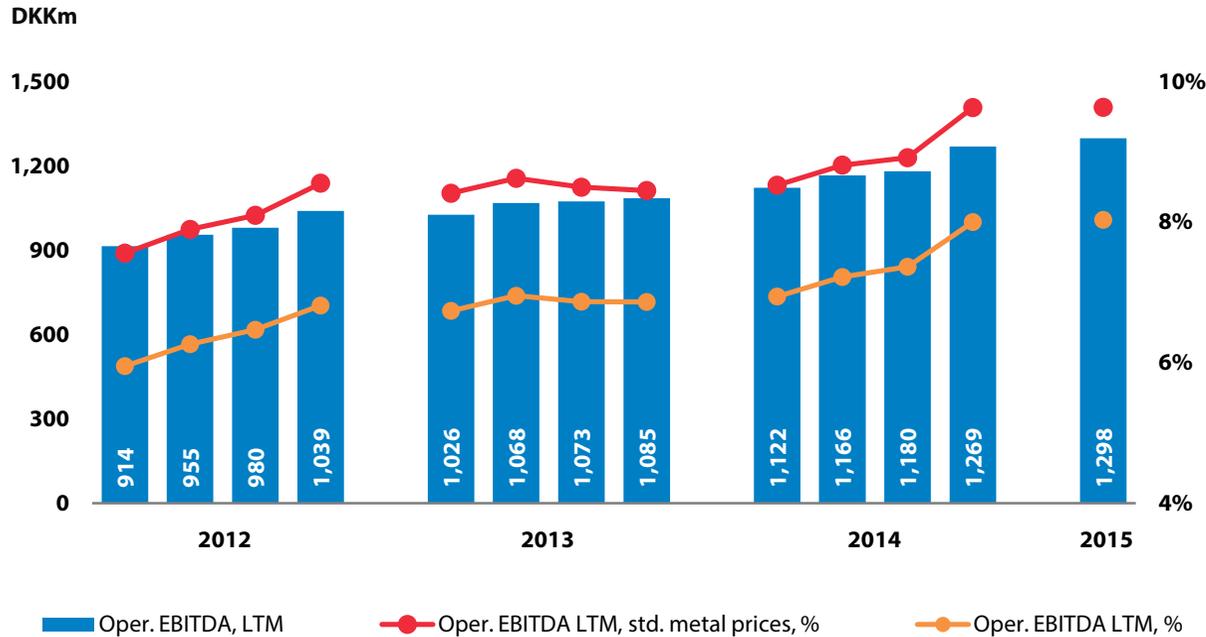
**Cash conversion rate**, LTM **114%** due to reduction in working capital in NKT Cables

**NIBD** increased to DKK **1,322**m, **1.0x** operational EBITDA, LTM (End-2014: DKK 1,135m, 0.9x operational EBITDA, LTM)

**2015 outlook** is **maintained**

# Strong Q1 performance in operational EBITDA

## Operational EBITDA, LTM



**Operational EBITDA of DKK 283m, 8.1% oper. EBITDA margin, std. metal prices (Q1 2014: DKK 254m, 8.0% oper. EBITDA margin)**

**Increase in operational EBITDA, LTM of 16% to DKK 1,298m (Q1 2014: DKK 1,122m)**

**Oper. EBITDA margin, LTM stays at 9.6% compared with full year guidance of up to 10.6%**

## Changes Q1 2015 vs. Q1 2014

DKK <b>m</b>	Q1 2015	Q1 2014	Change
<b>Revenue</b>	<b>4,164</b>	<b>3,865</b>	<b>299</b> *01
<i>Revenue, std. metal prices</i>	<i>3,475</i>	<i>3,179</i>	<i>296</i>
<b>Operational EBITDA</b>	<b>283</b>	<b>254</b>	<b>29</b> *02
One-off's	-38	42	-80
<b>EBITDA</b>	<b>245</b>	<b>296</b>	<b>-51</b>
Depreciation/Amortisation	-137	-135	-2
<b>EBIT</b>	<b>108</b>	<b>161</b>	<b>-53</b>
Financial items, net	16	-25	41 *03
<b>EBT</b>	<b>124</b>	<b>136</b>	<b>-12</b>
Tax	-33	-49	16
<b>Profit</b>	<b>91</b>	<b>87</b>	<b>4</b>
<i>Oper. EBITDA margin, std. metal prices</i>	<i>8.1%</i>	<i>8.0%</i>	
<i>Tax %</i>	<i>27%</i>	<i>36%</i>	
Capex	93	94	-1
Working capital	2,653	2,681	-28
NIBD	1,322	1,999	-677

### 01

	DKK <b>m</b>
<b>Revenue increased by</b>	<b>299</b>
Metal prices	-7
FX changes	123
Acquisitions	0
6 % organic growth	183
- NKT Cables	16%
- Nilfisk	-2%
- Photonics Group	-4%

### 02

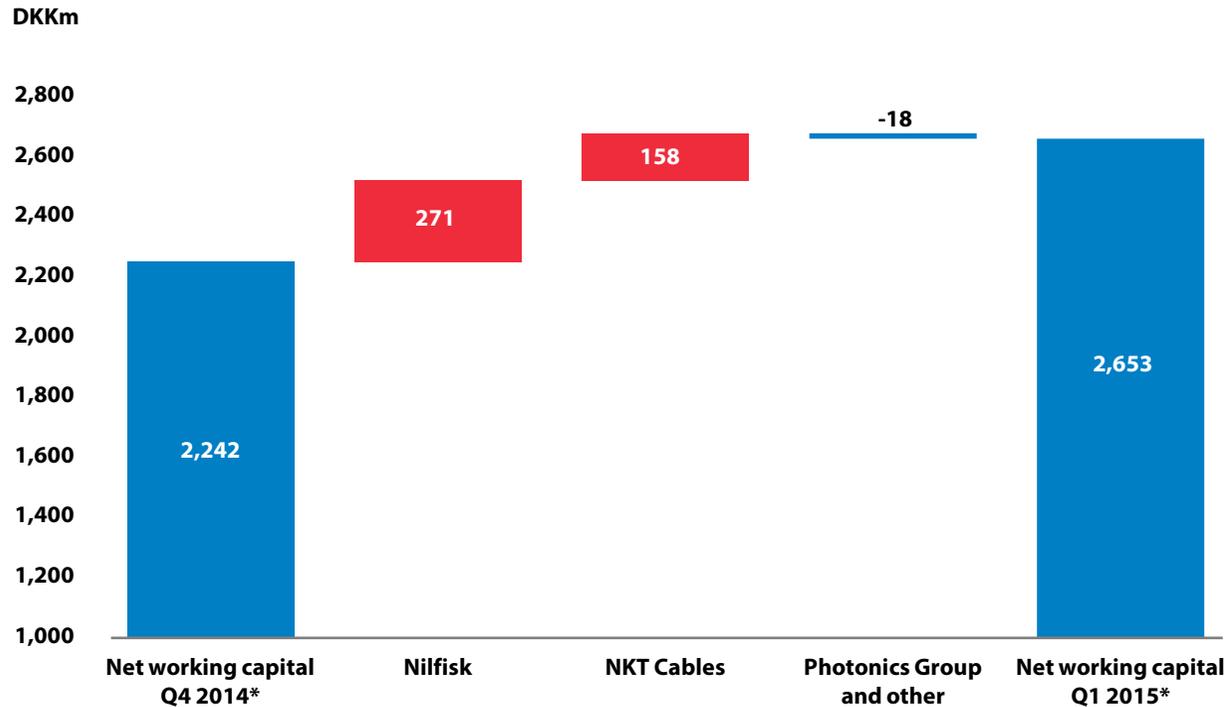
	DKK <b>m</b>
<b>Operational EBITDA increased by</b>	<b>29</b>
NKT Cables	59
Margin 6.7% (Q1 2014: 3.6%)	
Nilfisk	-31
Margin 10.1% (Q1 2014: 12.3%)	
Photonics Group and other	2

### 03

	DKK <b>m</b>
<b>Financial items</b>	<b>41</b>
Lower interest rate payments	12
FX effects	27
Other	2

# Working capital increase due to seasonal build-up...

## Working capital bridge by business unit



**Nilfisk and NKT Cables** in normal seasonal build-up during Q1

In addition, **FX rate effects (USD)** and **distribution** issues impact Nilfisk WC levels significantly

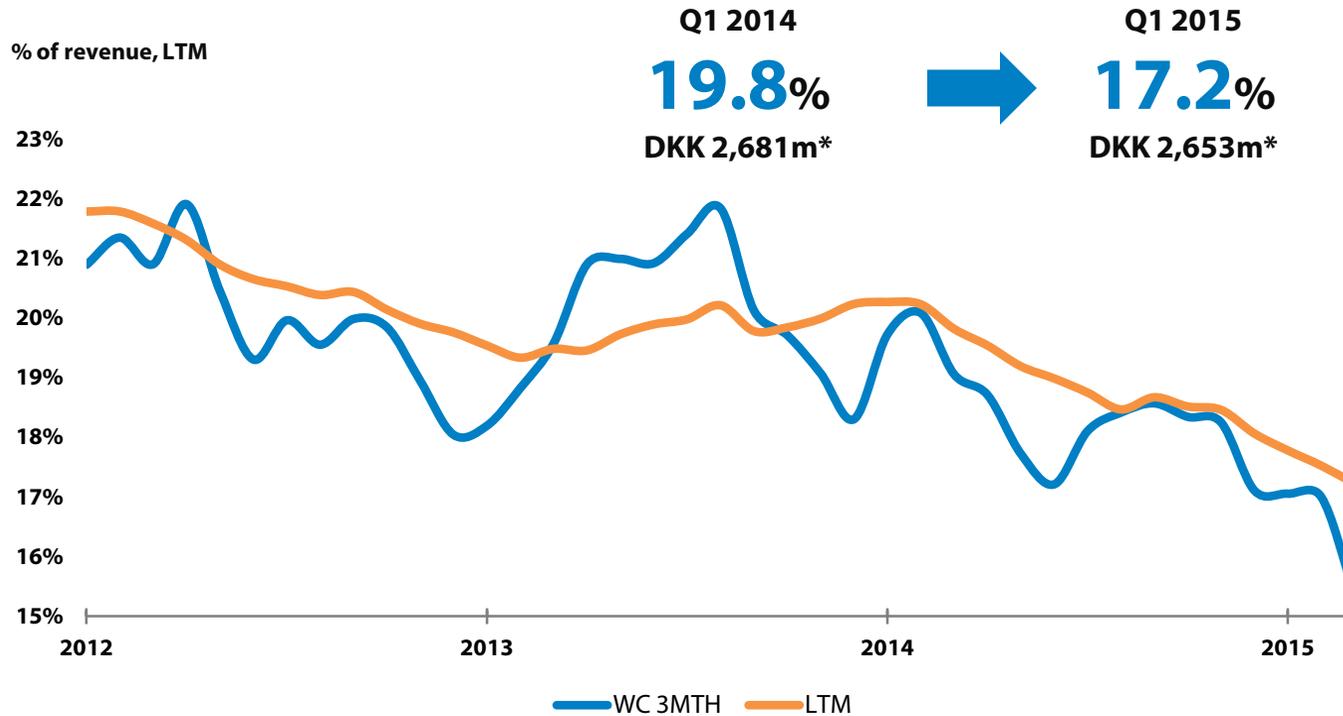
Cash effect only  
~ DKK 200m due to FX effects

\*End of period



# ...but is still at lowest levels since 2010

## Working capital in % of revenue, LTM



**2.6%-points decrease in WC level since Q1 2014**

In NKT Cables, working capital ratio, LTM continued to **decline to 14.9% from 16.8%** at end-2014

In Nilfisk, working capital ratio, LTM **increased to 20.0% from 19.5%** at end-2014

\*End of period

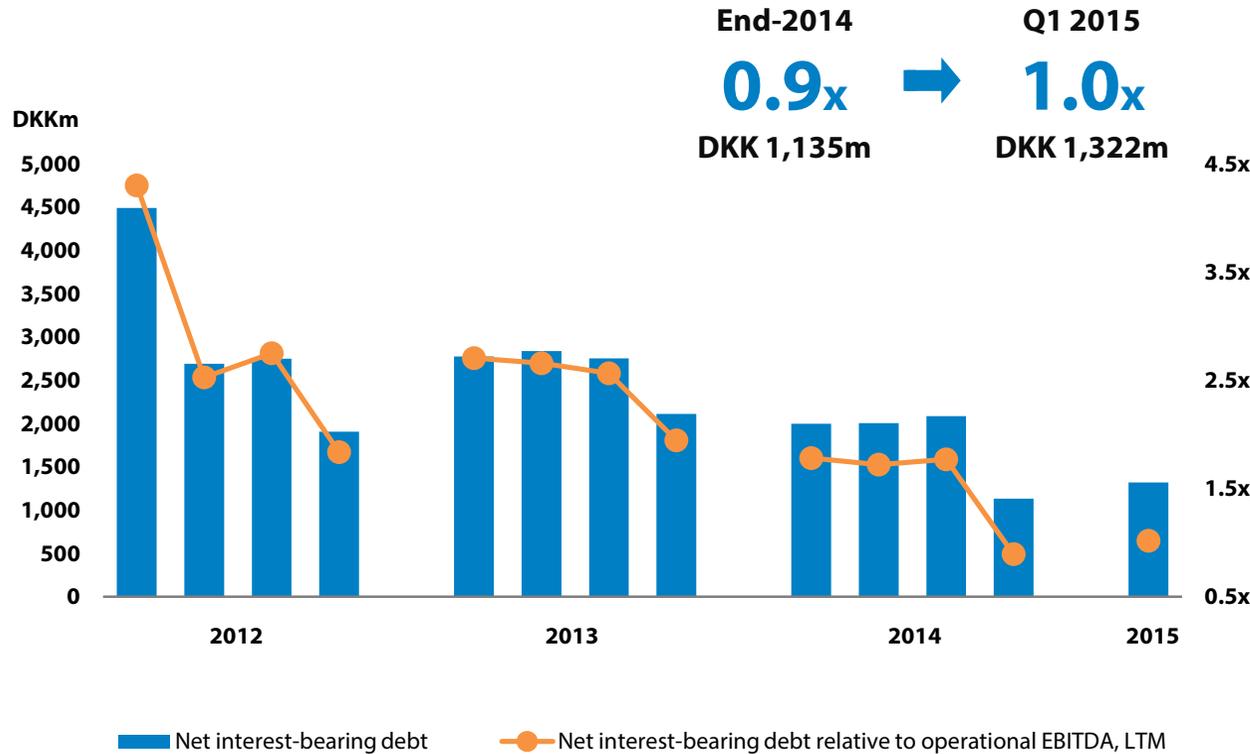
## Cash flow satisfactory in light of seasonal NWC build-up

DKKm	Q1 2015	Q1 2014	FY2014
Earnings, EBITDA	245	296	1,061
Interest, net	16	-25	-99
Change in working capital, adjusted for FX	-207	70	760
Other	41	-142	-139
<b>Cash flows from operating activities</b>	<b>95</b>	<b>199</b>	<b>1,583</b>
Acquisition of business activities	-	-22	-44
Divestment of business activities	-	108	126
Acq. of property, plant and equipment, net	-38	-50	-231
Other investments, net	-55	-44	-221
<b>Cash flows from investing activities</b>	<b>-93</b>	<b>-8</b>	<b>-370</b>
<b>Free cash flow</b>	<b>2</b>	<b>191</b>	<b>1,213</b>
Change in long- and short term loans	8	-69	-1,160
Dividend paid	-97	-84	-84
Cash from exercise of share-based options etc	85	1	-
<b>Cash flows from financing activities</b>	<b>-4</b>	<b>-152</b>	<b>-1,244</b>
<b>Net cash flow</b>	<b>-2</b>	<b>39</b>	<b>-31</b>

- **Operating cash flow of DKK 95m**
- **Free cash flow of DKK 2m, despite working capital build-up of DKK 207m**
- **Q1 2014 strong free cash flow of DKK 191m** due to reduction of working capital of DKK 70m and divestment of floor-sanding activities of DKK 108m

# Low leverage enables strategic flexibility

## Net interest-bearing debt, relative to operational EBITDA



### Capital structure targets

**NIBD:** Max. NIBD of 2,5x operational EBITDA ✓  
(Q1 2015: 1.0x)

**Gearing ratio:** Max. 100% ✓  
(Q1 2015: 21%)

**Solvency ratio:** Above 30% ✓  
(Q1 2015: 46%)

Increase of ~DKK 200m in NIBD due to **FX effects**

# Agenda

Highlights Q1 2015

## **Business units**

- Nilfisk
- NKT Cables
- Photonics Group

Outlook 2015

Questions & Answers



**Nilfisk**

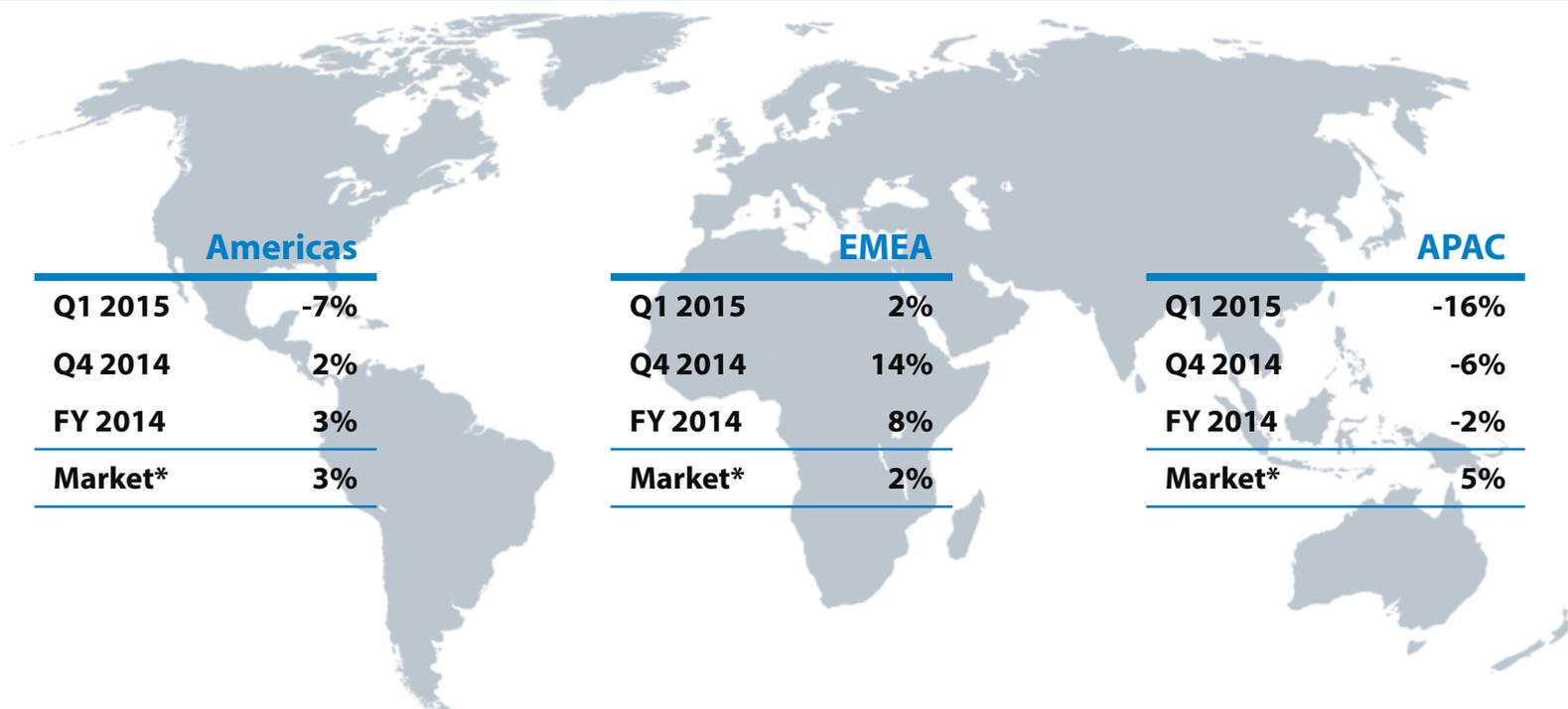
**NKT**

# Overall organic growth in Q1 was not satisfactory

## Americas and APAC had weak performance

### Nilfisk Organic growth

	2012				2013				2014				2015
- Quarterly (Y/Y)	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%	0%	9%	-2%
- Annually	0%				3%				6%				-2% (YTD)



### Americas

Q1 2015	-7%
Q4 2014	2%
FY 2014	3%
Market*	3%

### EMEA

Q1 2015	2%
Q4 2014	14%
FY 2014	8%
Market*	2%

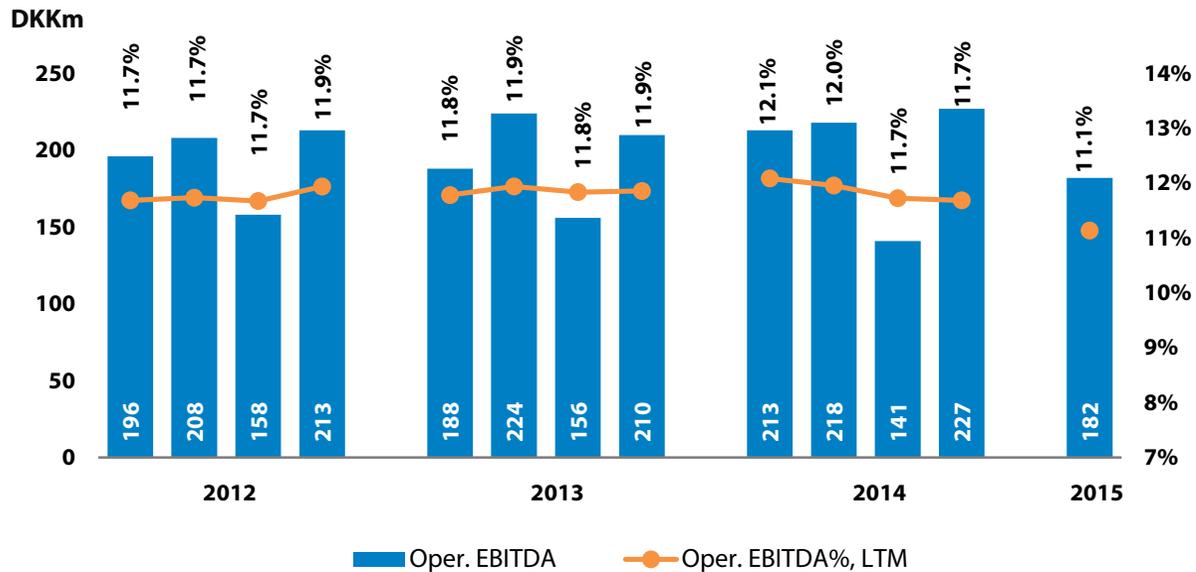
### APAC

Q1 2015	-16%
Q4 2014	-6%
FY 2014	-2%
Market*	5%

\* Market figures are internal estimates on annual market growth rates 2013-2016

# Earnings remain impacted by **investments in sales and service**

## Nilfisk - Operational EBITDA



**EBITDA margin, LTM lower at 11.1%** (Q4 2014: 11.7%) due to:

- Negative organic growth
- Increased investments in sales growth
- High distribution costs due to delivery issues



**Accelerate** 

*Growing our company to lead the industry*

**New Nilfisk strategy**

**NKT**

## Six key trends shaping the industry

1

Commoditisation

4

Battle for distribution

2

Need for  
basic products

5

Technology change

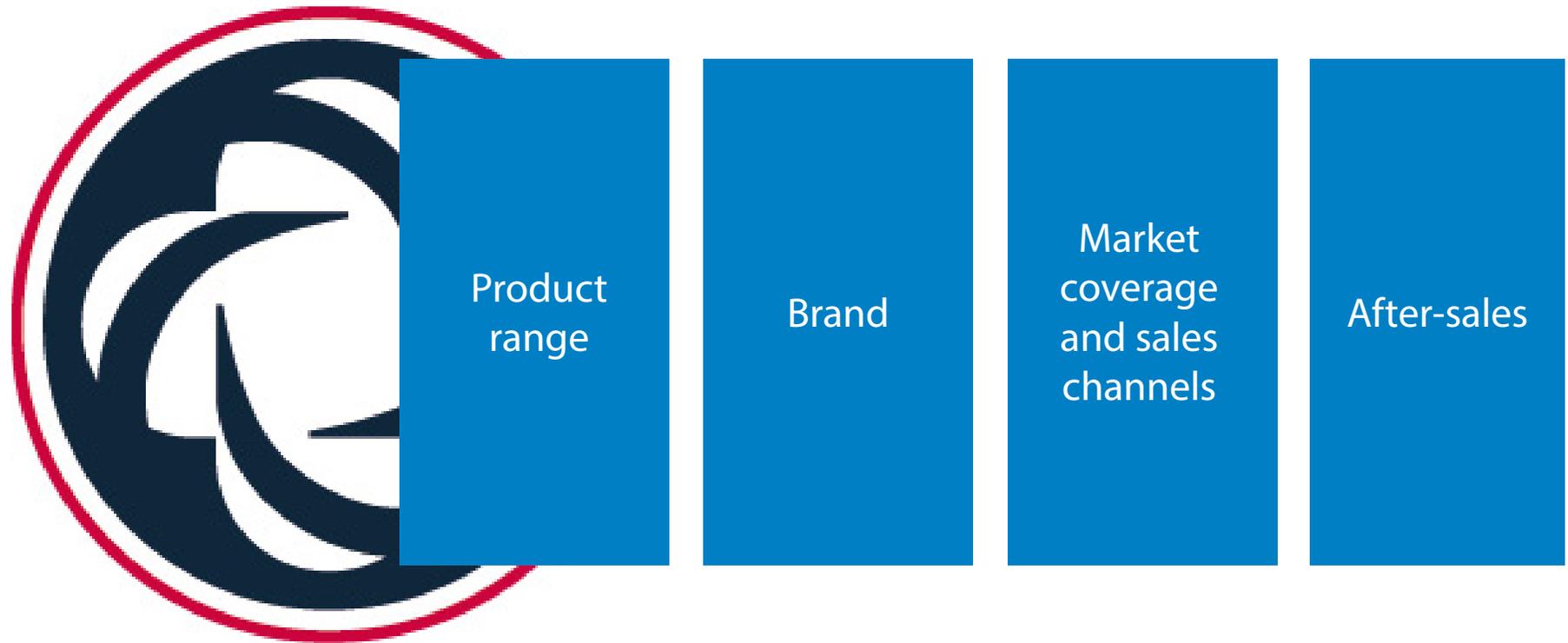
3

Pressure on  
cleaningcost

6

Capitalising on  
emerging markets

## Four current competitive advantages



# Future strategic direction

## Financial aspirations

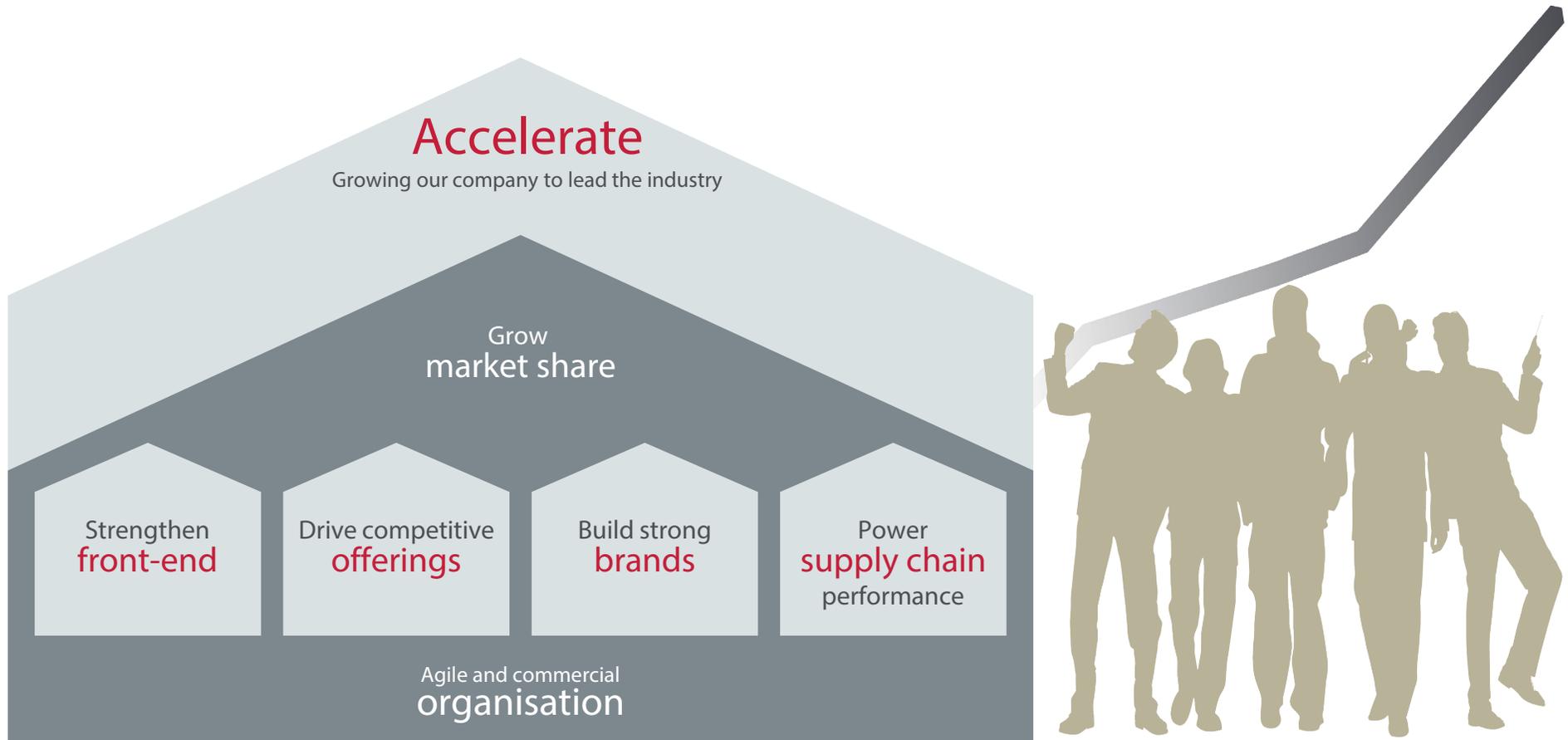
For the strategy period 2015-18, financial targets have been defined within **above market growth and RoCE**

Nilfisk expects **organic growth of 2-3% above GDP**. Average industry growth is below global GDP

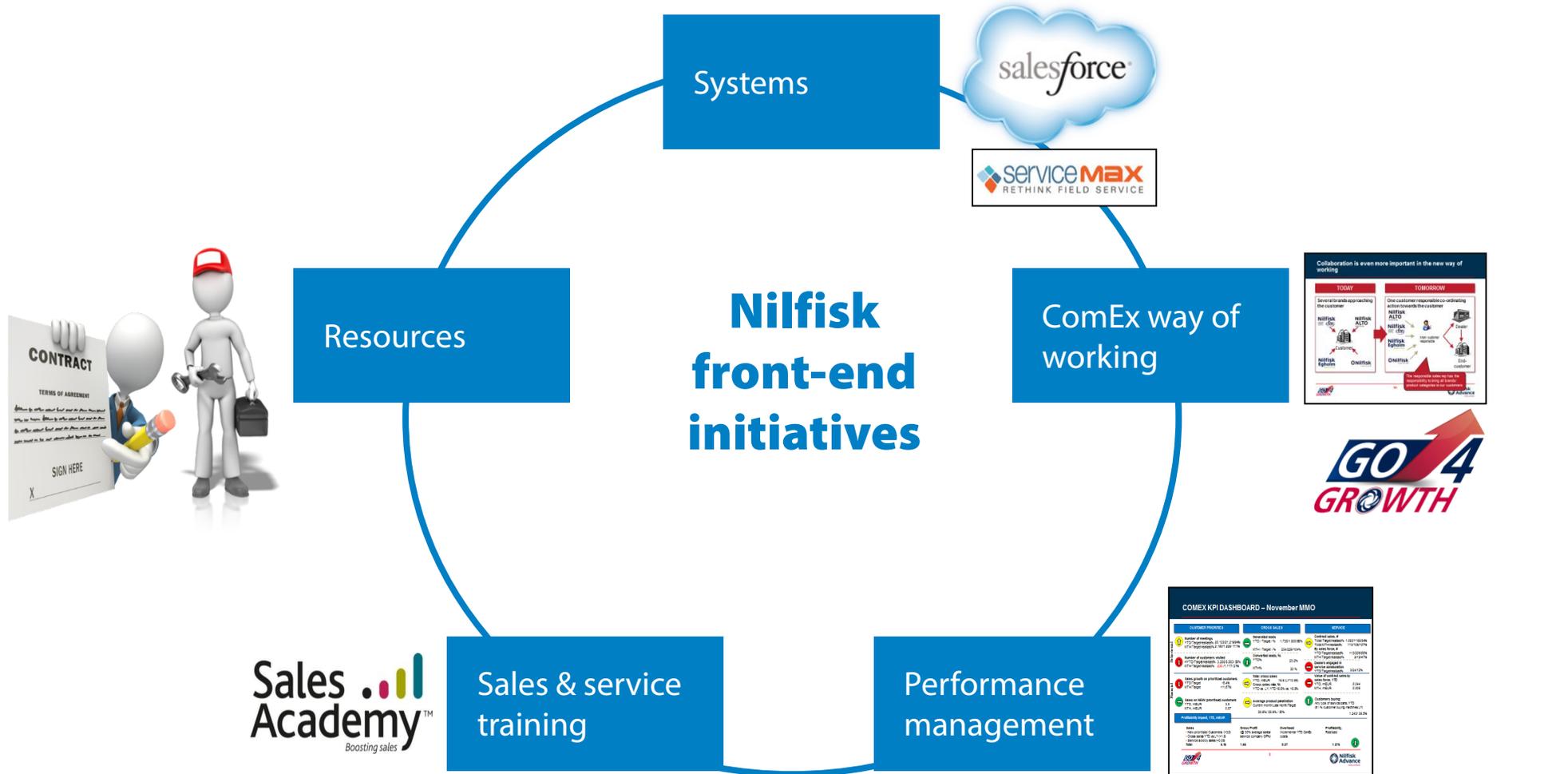
**Nilfisk expects RoCE of 18-19%** due to short-term effects of acquisitions

Nilfisk	Financial aspirations
<b>Organic growth</b>	2-3% above GDP
<b>RoCE %</b>	18-19%

# 'Accelerate' consists of six key themes



# Strengthen front-end Key initiatives



# Drive competitive offerings

## Focusing product development

### Objective

Customer-led & innovative  
Support growth agenda



Complexity  
reduction

Product  
portfolio

Focus

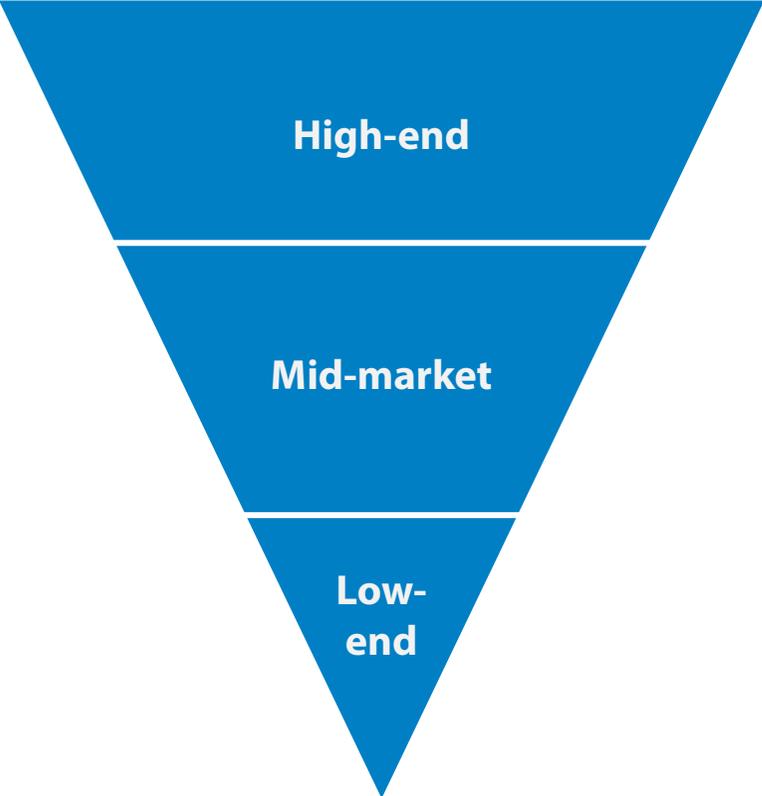


Innovation

Impactful launches

# Building strong brands

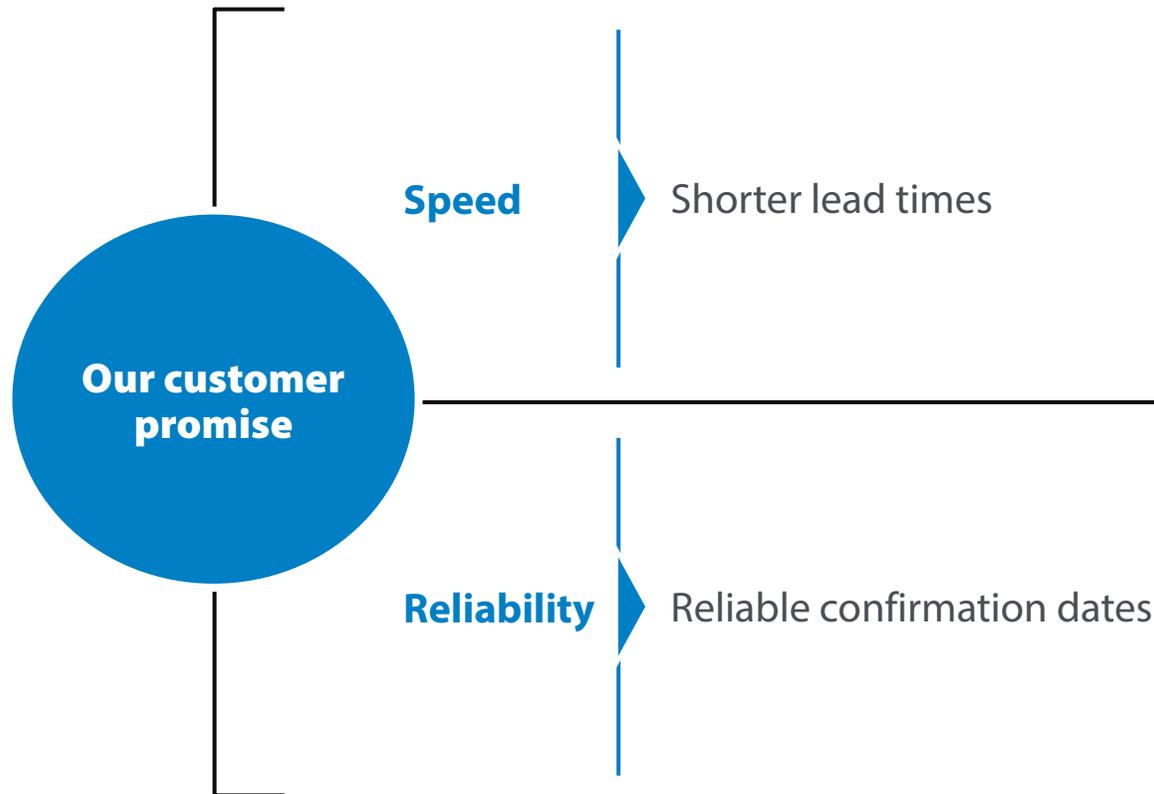
## Strengthening high-end and growing mid-market

	Market value*	Nilfisk position	New strategy	Nilfisk global brands
 <p><b>High-end</b></p>	~45%	Strong	Strengthen position	 <p>High-quality, full-range, high service level and quick service response time</p>
<p><b>Mid-market</b></p>	~40%	Potential for growth	Invest and grow	 <p>Basic, reliable, easy-to-use products</p>
<p><b>Low-end</b></p>	~15%	Not in strategic scope Many local, low-cost producers		

\*Market value only includes professional mechanical cleaning equipment and not manual cleaning equipment (mops etc.) in low-end

# Power supply chain performance

## Key customer benefits



- Improve **end-to-end supply chain efficiency**
- Improve full **customer experience**
- **Continue to improve** inventory management and distribution processes end-to-end

# Distribution issues reduced growth

## Investments in sales and service lead to decreased margin

### Financials

DKKm	Q1		FY
	2015	2014	2014
<b>Revenue</b>	<b>1,796</b>	<b>1,737</b>	<b>6,836</b>
- Org. growth (Y/Y)	-2%	9%	6%
Gross margin	41.7%	41.5%	41.1%
Overhead cost ratio	33.7%	32.0%	32.1%
<b>Oper. EBITDA</b>	<b>182</b>	<b>213</b>	<b>799</b>
Oper. EBITDA margin	10.1%	12.3%	11.7%
RoCE	16.0%	18.0%	17.6%
Invested capital	3,731	3,251	3,283
# FTEs, end of period	5,524	5,550	5,420

### Highlights

**Gross margin:** Up 0.2%-points on same quarter last year due to changed product mix and price increases

**Fixed cost:** Overhead ratio temporarily up 1.7%-points due to continued investments in front-end sales people

**Distribution issues:** For EMEA and APAC, temporary delivery issues were caused by an IT system- and process change at the European distribution centre in Denmark. For Americas, US port strikes caused delivery issues

**Operational EBITDA:** The operational EBITDA margin decreased due to the negative fixed cost development. Q1 2014 was further positively impacted by high margins in divested floor-sanding activities



# NKT Cables

# Growth driven by Projects' offshore sales

## APAC impacted by lower railway sales

### NKT Cables Organic growth

	2012				2013				2014				2015
- Quarterly (Y/Y)	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%	1%	-12%	16%
- Annually	-4%				4%				-5%				16% (YTD)

#### Projects

Q1 2015	52%
Q4 2014	-24%
FY2014	-12%

#### Market

Offshore	➔
Onshore	➔

#### Products

Q1 2015	2%
Q4 2014	1%
FY2014	5%

#### Market

Nordics	➔
Central Europe	➔
Specialties	➔

#### APAC

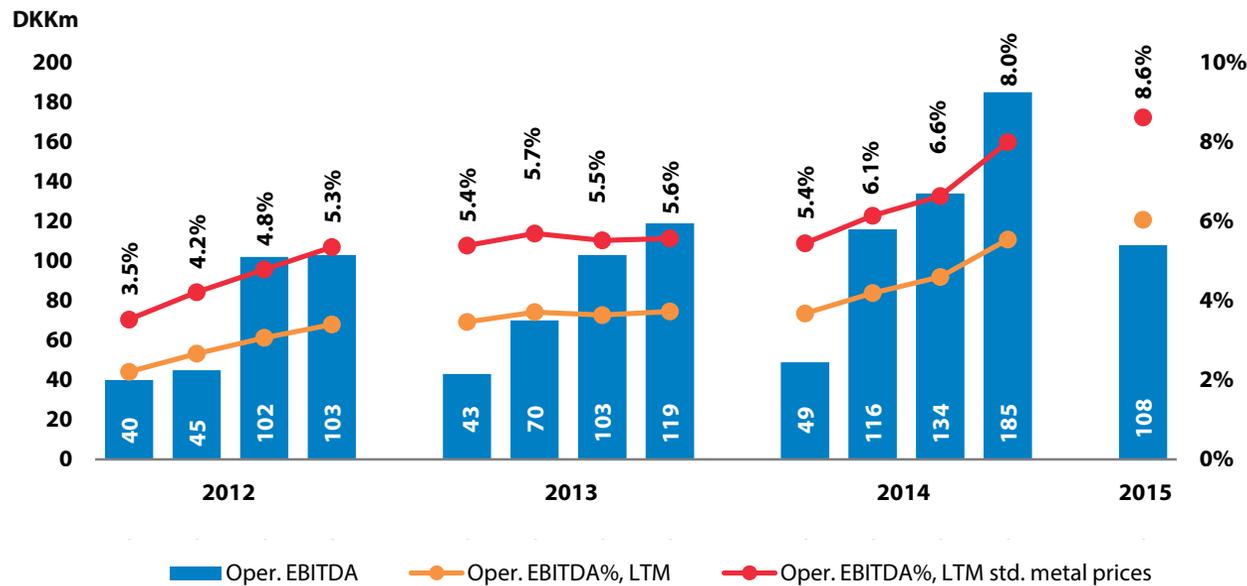
Q1 2015	-14%
Q4 2014	-23%
FY2014	-24%

#### Market

Railway	➔
Medium-/high-voltage	➔

# Operational EBITDA increased by 120% against Q1 2014

## NKT Cables - Operational EBITDA

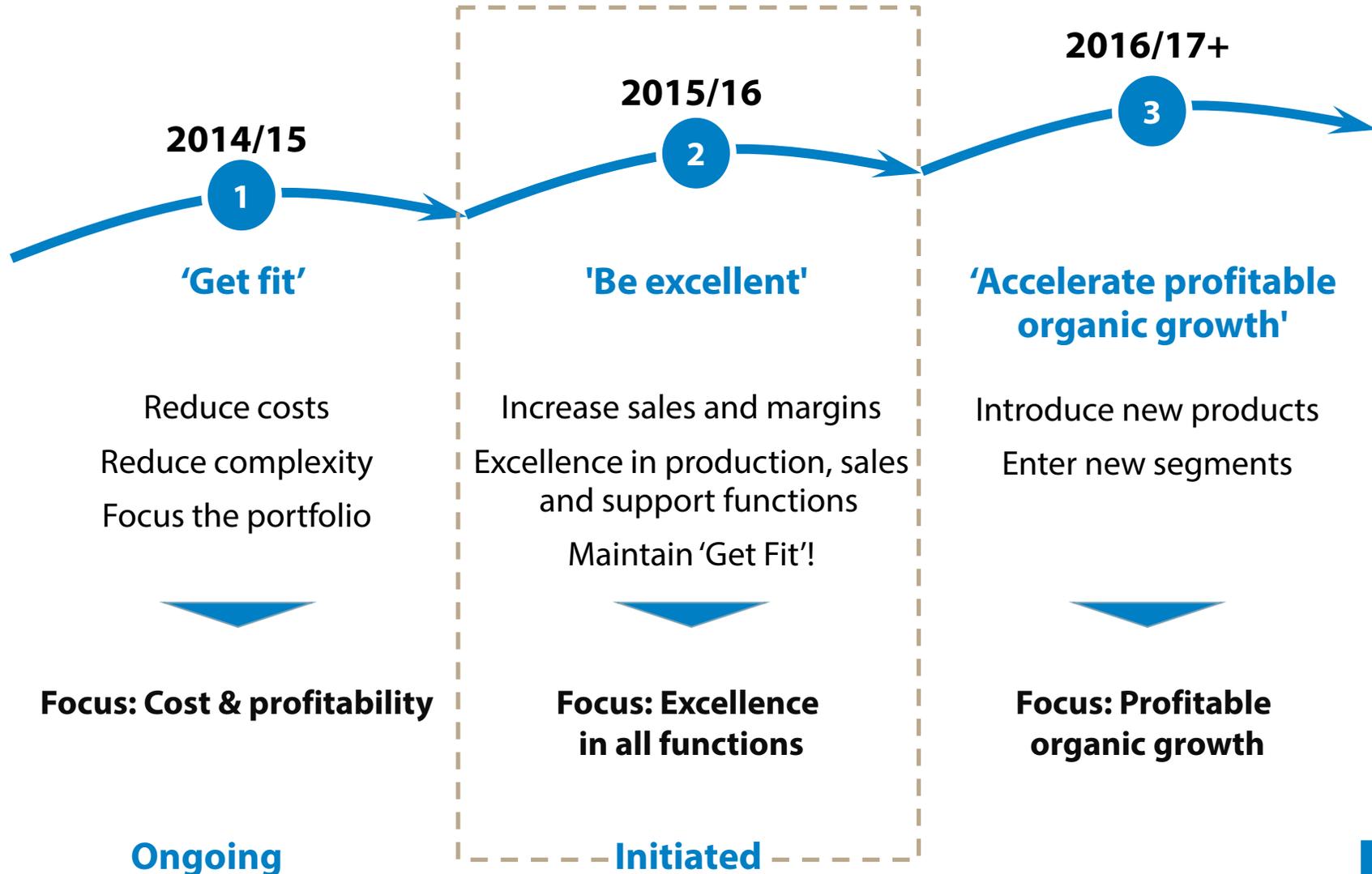


**Achieved 8.6% operational EBITDA, LTM margin** -within guidance of 8.5-9.0%

# Q1 cost improvements on track to meet FY2015 expectations

	Cost improvements	FTE reduction	One-off costs	Capex
FY 2014 realised	DKK 169m	271 FTE	DKK 200m	DKK 12m
Q1 2015 realised	DKK 72m	19 FTE	DKK 38m	DKK 1m
Programme to date (5 quarters)	DKK 241m	290 FTE	DKK 238m	DKK 13m
Full-year impact from 2017	~ DKK 400m	~ 450 FTE	~ DKK 320m	~ DKK 50m

# DRIVE programme defines the transformational journey



# Three strategic projects being executed in “Be excellent” phase

## Key objectives of projects

1

### Strategy 2019

- Strategic targets: Increase shareholder value, customer focus , and employee satisfaction
- Set clear roadmap on strategic priorities and implementation
- Identify new business opportunities

2

### Tender management (Projects)

- Improve tender management performance end-to-end for high-voltage and Projects including organisational structure
- Implement tools to optimise opportunity identification and tender process

3

### Sales excellence (Products)

- Increase sales force effectiveness for Products in Europe
- Implement tools and methodologies for improved pricing

## Offshore: Order backlog provides good visibility

Project	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Gemini	[Bar chart showing activity in Q1 and Q2 2015]							
2 Race Bank					[Bar chart showing activity from Q3 2015 through Q4 2016]			

**1 Gemini**

- Wind farm placed in the Dutch zone of the North Sea
- **209 kilometres 220 kV** high-voltage offshore cables + onshore cable access (5 km 380kV & 30 km 220kV)

**2 Race Bank**

- Wind farm to be placed in the southern North Sea, 27 km north off the coast of Norfolk
- **~150 kilometres of 220 kV** high-voltage offshore cables
- **Subject to final investment decision** by DONG Energy

# High-voltage onshore: Good visibility for rest of 2015

## Promising project tendering



- **Full utilisation** in 2015
- **Key projects:**
  - Dudgeon (UK, 132 kV, ~300 km)
  - Thy-Mors-Salling (DK, 170 kV, ~400 km)

## Strong references and competitive advantage



- **World record:** Longest 400 kV XLPE system (Afrati-Avlida, GR, ~13.5 km)
- Competitive advantage through **know-how**
- Example: Fewer cable joints **than competitors** (~20% less)

# Operational EBITDA up 120% against Q1 2014

## DRIVE proceeding as expected

### Financials

DKKm	Q1		FY
	2015	2014	2014
Revenue	2,303	2,064	8,738
<b>Revenue, std. metal prices</b>	<b>1,614</b>	<b>1,378</b>	<b>6,055</b>
- Org. growth (Y/Y)	16%	6%	-5%
<b>Oper. EBITDA</b>	<b>108</b>	<b>49</b>	<b>484</b>
Oper. EBITDA margin, std. metal prices	6.7%	3.6%	8.0%
RoCE	5.8%	0.8%	4.2%
Invested capital	3,764	4,215	3,661
# FTEs, end of period	3,213	3,438	3,211

### Highlights

- **Oper. EBITDA** increased by 120% compared with Q1 2014 delivering a satisfactory result of DKK 108m with oper. EBITDA margin (std. metal prices) of 6.8%. Increased result mainly due to DRIVE
- **Projects:** Organic growth of 52% due to installation work and projects being finalised
- **Products:** Overall positive organic growth of 2% driven by price increases and new customer segments such as onshore wind farms in Poland
- **APAC:** Decreasing railway revenue due to intense price competition. High-voltage continues to have good growth opportunities
- **Business strategy:** Review currently ongoing with planned announcement in August 2015



**Photonics Group**

# Strong growth in Imaging business and significant order intake in all segments

## Financials

DKKm	Q1		FY
	2015	2014	2014
<b>Revenue</b>	<b>65</b>	<b>65</b>	<b>290</b>
- Org. growth (Y/Y)	-4%	19%	9%
<b>EBITDA</b>	<b>-1</b>	<b>0</b>	<b>21</b>
EBITDA margin	neg.	0.0%	7.2%
Invested capital	192	202	201
# FTEs, end of period	206	200	209

## Highlights

- **Photonics Group:** Maintained revenue level due to positive currency effects, org. growth of -4%, and EBITDA of DKK -1m
  - Significant order intake in all segments
  - Launch of several new products
- **Imaging:** Strong growth of 35%
  - Three significant R&D contracts awarded from life science and microelectronic industries
  - Further, similar contracts in pipeline
- **Sensing:** Declining growth but strong order book for remainder of 2015
  - Declining oil prices and developments in the important Russian market caused the -32% organic growth
  - Additional sales staff hired and improvement of flow to customer
- **Fiber Processing:** Promising product launch pipeline
  - Good order intake, revenue satisfactory level end-Q1
  - Best ownership of Fiber processing explored

## Organic growth

	Q1 2015
Imaging	35%
Sensing	-32%
Fiber Processing	-7%

# Agenda

Highlights Q1 2015

Business units

- Nilfisk
- NKT Cables
- Photonics Group

**Outlook 2015**

Questions & Answers

## Maintained outlook for 2015

In 2015, NKT expects a consolidated **organic growth of up to 3%** and an **improved operational EBITDA margin in std. metal prices of up to 1%-point** from 9.6% realised in 2014

2015	Planning assumptions
<b>NKT</b>	
- Organic growth	Up to 3%
- Operational EBITDA, % std. metal prices	Up to 10.6%
<b>Nilfisk</b>	
- Organic growth	~5%
- Operational EBITDA, %	~11.7%
<b>NKT Cables</b>	
- Organic growth	~0%
- Operational EBITDA, % std. metal prices	8.5% – 9.0%
<b>Photonics Group</b>	
- Organic growth	10 - 20%
- Operational EBITDA, %	8 – 10%

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Outlook 2015

**Questions & Answers**

## Financial calendar

### 2015

<b>8 June</b>	Roadshow: London, Carnegie
<b>11 June</b>	Roadshow: Paris, Danske Bank
<b>20 August</b>	Interim Report, Q2 2015
<b>12 November</b>	Interim Report, Q3 2015

### 2016

<b>26 February</b>	2015 Annual Report
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