

The NKT logo is rendered in a white, stylized, blocky font. The letters are interconnected, with the 'N' and 'K' sharing a vertical stroke, and the 'T' having a unique, angular design. The background of the entire slide is a blue-tinted photograph of two workers in hard hats and safety gear working on a large, metallic industrial component, possibly a cable joint or transformer part, in an outdoor setting.

NKT

19 August 2020

Interim Report Q2 2020

Webcast presentation

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 A/S' control, may cause that the actual development and results differ materially from the expectations.



Today's presenters



Alexander Kara

NKT A/S

President & CEO



Line Andrea Fandrup

NKT A/S

CFO



Basil Garabet

NKT Photonics

President & CEO



Michael Nass Nielsen

NKT A/S

Head of Investor Relations

Line Andrea Fandrup appointed new CFO

- Joined on 10 August 2020 and is part of the NKT A/S Executive Management Team together with President and CEO Alexander Kara
- Strong international business approach and coming from listed and privately held companies that have successfully completed finance transformation processes
- Came from a position as Group Finance Vice President in Rockwool
- Has held leading finance positions with large Danish headquartered companies such as COWI, Novozymes and Maersk Line



Agenda



05 NKT

14 NKT Photonics

17 Financial highlights

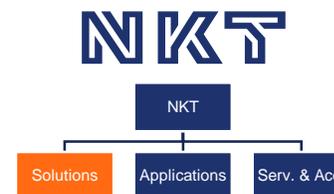
26 Questions & Answers

Key highlights Q2 2020

<p>EUR 277.8m Revenue (std. metal prices)</p>	<p>Increased from EUR 245.0m in Q2 2019. Driven by contribution from all three business lines</p>
<p>15% Organic growth</p>	<p>This reflected organic growth of 21% in Solutions, 10% in Applications and 4% in Service & Accessories</p>
<p>EUR 16.0m Operational EBITDA</p>	<p>Up from EUR 9.4m in Q2 2019. Solutions and Applications more than doubled earnings</p>
<p>EUR 2.68bn High-voltage order backlog</p>	<p>Up from EUR 1.24bn at end-Q1 2020 to a an all-time high driven by significant DC project awards</p>

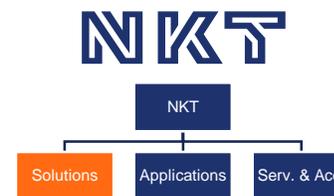
- This growth in **Solutions** was primarily due to higher factory output driven by execution of recent years' order awards
- Significant high-voltage project awards of more than EUR 1.6bn in Q2 2020: SuedLink, SuedOstLink and Attica-Crete
- Driven by double-digit organic growth, **Applications** achieved its highest operational EBITDA since Q2 2017
- Growth continued in **Service & Accessories** driven by positive development in the accessories segment
- NKT has not been materially impacted by the coronavirus pandemic

High-voltage project awards of more than EUR 1.6bn in Q2 2020...



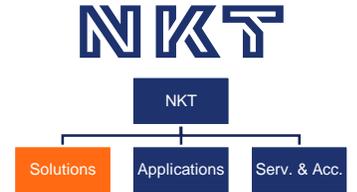
Project	Contract value	Segment	Country	Cable type	Expected commissioning
	EUR ~500m	Interconnector	Germany	XLPE high-voltage DC onshore	2025
	EUR >1bn	Interconnector	Germany	XLPE high-voltage DC onshore	2026
	EUR ~115m	Interconnector	Greece	MI high-voltage DC onshore	2023

... and additional high-voltage project awards of almost EUR 500m so far in Q3 2020



Project	Contract value	Segment	Country	Cable type	Expected commissioning
Shetland 	EUR ~235m	Interconnector	Scotland	XLPE high-voltage DC onshore and offshore	2024
BorWin5 	EUR <250m	Offshore wind	Germany	XLPE high-voltage DC onshore and offshore	2025

Solutions – Q2 2020



Higher factory output driven by execution of recent years' order awards

Customer offerings



- High-voltage AC/DC on-/off-shore power cables

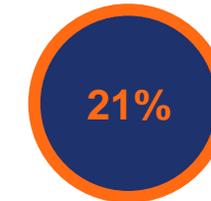
Development during Q2 2020

- NKT progressed on several high-voltage orders during the quarter. Overall project execution was satisfactory
- NKT completed work on two projects during the period:
- The **Gina Krog** project comprised supply of AC XLPE high-voltage power cables to connect Equinor's Gina Krog and Johan Sverdrup 2 oil and gas platforms. The **Öresund** project constituted the replacement of one of the high-voltage AC interconnector systems between Denmark and Sweden.
- Utilization of NKT Victoria, the company's cable-laying vessel, was satisfactory, executing on both high-voltage projects as well as repairs.

Q2 2020 financial highlights



Revenue* EURm
(Q1 2019: EUR 111m)



Organic growth
(Q2 2019: -29%)



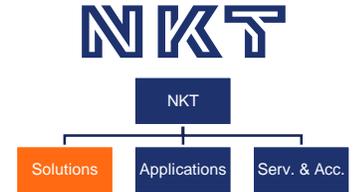
Oper. EBITDA EURm
(Q2 2019: EUR 4.3m)



* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market update

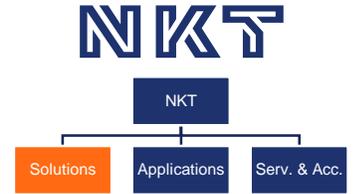


Significant high-voltage project awards

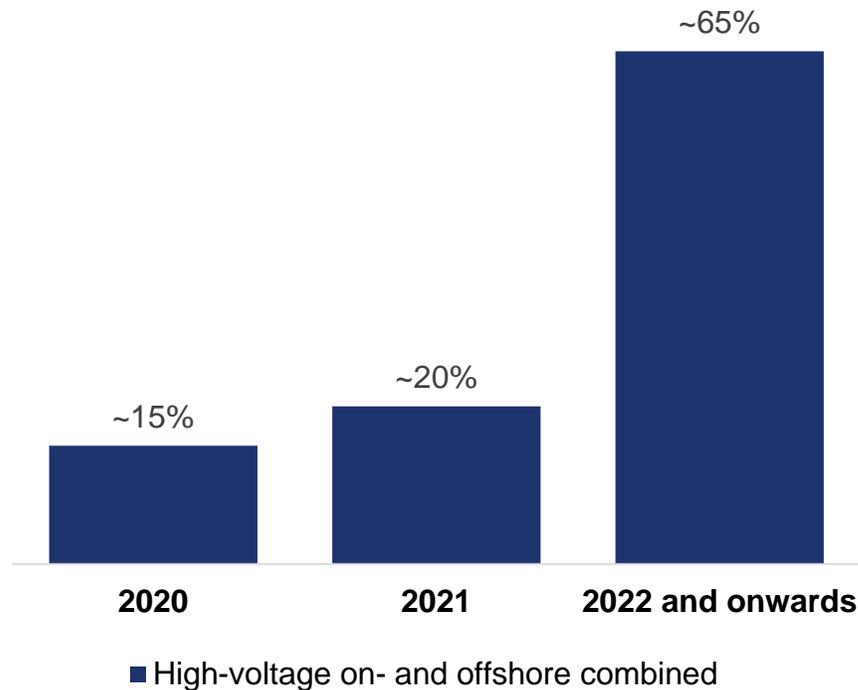
- In H1 2020, the total award level in the market had an estimated value of more than EUR 5bn and covered various segments. The project awards as well as ongoing tenders have primarily been DC technology, while the level of AC projects have been below expectations
- NKT was awarded orders of more than EUR 1.6bn during the period
- After the quarter-end NKT announced further high-voltage project awards of almost EUR 500m
- Progress continued on several tenders across market segments and geographies
- Market activity relating to awards of high-voltage projects has not been materially impacted by the coronavirus pandemic
- Market outlook still attractive in the medium to long-term



High-voltage order backlog



High-voltage order backlog of EUR 2.68bn* at end-Q2 2020, up from EUR 1.24bn at end-Q1 2020



Mix of high-voltage projects

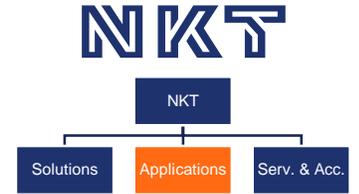
Offshore wind			Interconnectors		
Borssele Beta	2020		Nordlink	2020	
Triton Knoll	2020		Beckombergga-Bredäng	2023	
Hornsea 2	2021		Viking Link	2023	
Moray East	2021		Attica-Crete	2023	
Ostwind 2	2022		SuedOstLink	2025	
Dogger Bank A & B	2023		SuedLink	2026	
Oil & Gas					
Johan Sverdrup 2	2022				

Not part of order backlog at end-Q2 2020 (estimated contract value, EURm):

Shetland (~235m)	2024		▶ Awarded in Q3 2020
BorWin5 (<250m)	2025		▶ Awarded in Q3 2020

* Market prices (EUR 2.32bn in std. metal prices)

Applications – Q2 2020



Highest quarterly operational EBITDA since Q2 2017

Customer offerings



- Medium- and low-voltage cables & building wires
- Power cables for telecom market

Development during Q2 2020

- Organic growth driven by Germany, Netherlands and Eastern Europe
- Earnings increase mainly derived from higher revenue, improved margins in certain markets and continued focus on cost and production efficiency
- NKT was awarded further medium-voltage frame contracts in Germany, Sweden and Denmark
- Appointment of new EVP, Head of Applications, in April 2020 to further strengthen the business line

Q2 2020 financial highlights



Revenue* EURm
(Q2 2019: EUR 106m)



Organic growth
(Q2 2019: -8%)

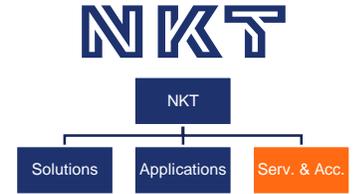


Oper. EBITDA EURm
(Q2 2019: EUR 2.0m)



* Std. metal prices

Service & Accessories – Q2 2020



Satisfactory financial performance

Customer offerings



- High- and medium-voltage accessories
- Services

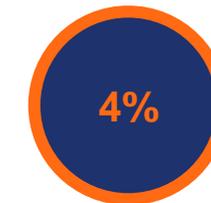
Development during Q2 2020

- The Accessories business area drove the positive revenue development, while growth in Service was down against a strong comparison base
- NKT completed a turnkey offshore repair of the 250 km, 450 kV, high-voltage DC Baltic cable connecting the power grids in Sweden and Germany. The power cable system was restored within 29 days
- NKT continued to grow its Accessories business in Q2 2020. This growth was mainly contributed by higher sales of medium-voltage accessories to the Middle East
- To strengthen growth of the business line, a new EVP, Head of Accessories, was appointed in April 2020

Q2 2020 financial highlights



Revenue* EURm
(Q2 2019: EUR 32m)



Organic growth
(Q2 2019: 9%)



Oper. EBITDA EURm
(Q2 2019: EUR 4.6m)



* Std. metal prices

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Key highlights in Q2 2020

<p>EUR 14.6m Revenue</p>	<p>Down from EUR 17.9m in Q2 2019 due to the impact of the coronavirus pandemic on the Industrial segment</p>
<p>-20% Organic growth</p>	<p>Positive development in Medical & Life Science and Aerospace & Defence outweighed by Industrial</p>
<p>EUR -0.8m EBITDA</p>	<p>Down from EUR 3.9m in Q2 2019. This development was driven by the lower revenue</p>
<p>-26% Order intake growth</p>	<p>Impacted by timing of Aerospace & Defence projects, while order intake in Medical & Life Science and Industrial was largely on par</p>

- The Industrial segment, which is the largest and comprised around 70% of revenue in 2019, has been negatively impacted by the pandemic, with demand slowing in several parts of the market
- In light of the consequences of the coronavirus pandemic, NKT Photonics has adopted short-term measures to keep costs down. However, the company continues to prioritize support for growth opportunities

Business development – Q2 2020

Medical & Life Science ~15% of revenue



Main applications:

Bio-imaging & Microscopy
 Medical devices
 Ophthalmology

- In Q2 2020, NKT Photonics grew revenue
- Primary growth drivers were within bio-imaging, microscopy and ophthalmology.

Industrial ~70% of revenue



Main applications:

Device characterization, sorting and control
 Materials & Nanostructures
 Micromachining & Display
 Remote sensing & Semiconductors

- The market experienced headwind that has been worsened by the coronavirus pandemic
- Continue work with new OEM customers to support future growth

Aerospace & Defence ~15% of revenue

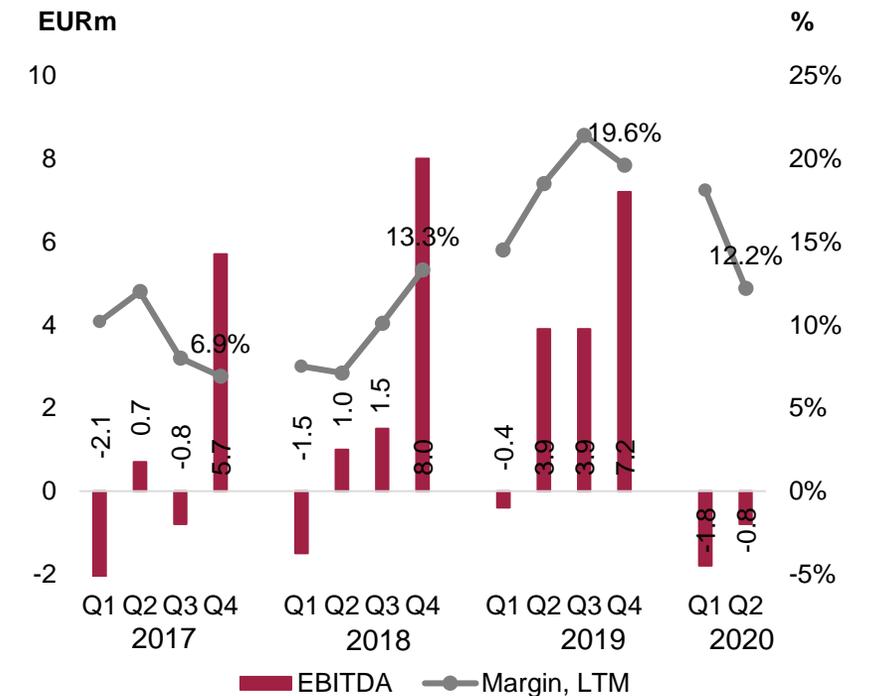


Main applications:

Aerospace
 DIRCM
 Directed Energy
 Remote sensing

- Despite the coronavirus pandemic, the Aerospace & Defence segment performed well
- New contracts were secured

EBITDA performance



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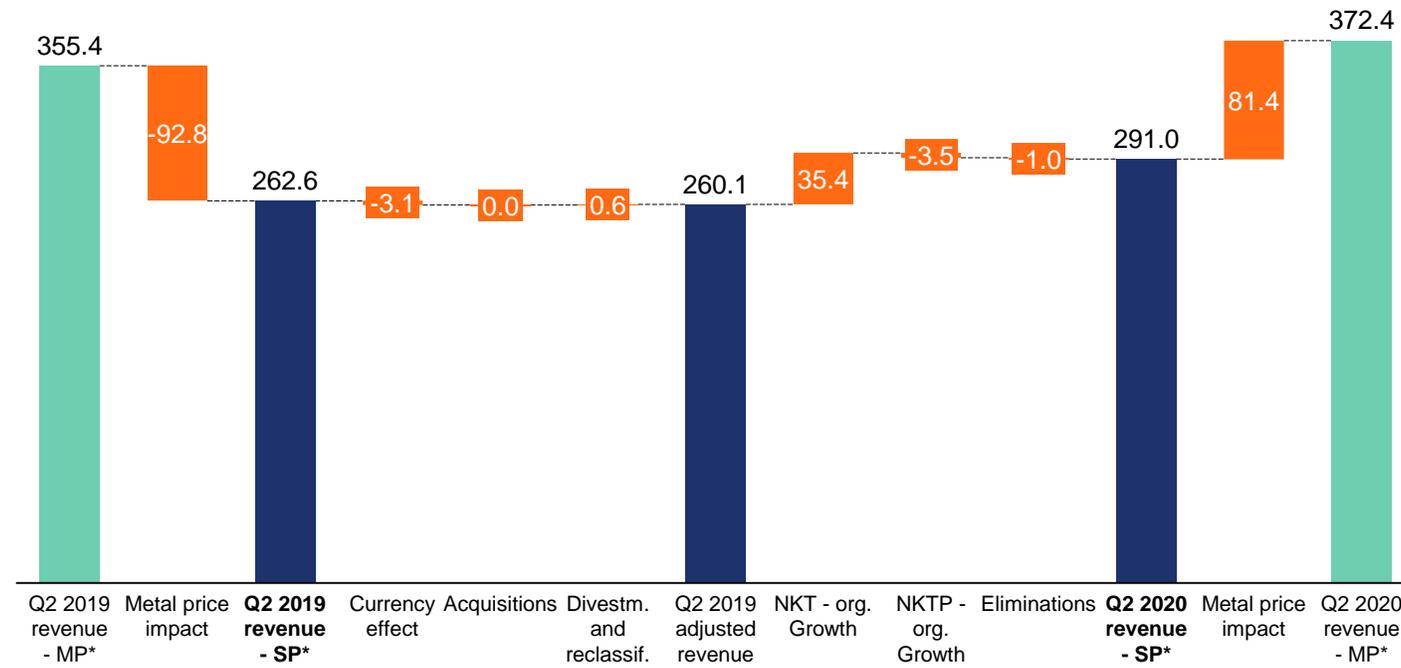


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NKT A/S: Group revenue development in Q2 2020

Positive performance in NKT drove revenue growth

Revenue development (EURm)



Comments

- Higher revenue driven by development in NKT
 - Organic growth was 15% in NKT and -20% in NKT Photonics

* MP = Market prices and SP = Std. metal prices

NKT A/S: Group income statement highlights

Improved earnings driven by NKT

Financial highlights

EURm	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	FY 2019
Revenue	372.4	355.4	703.5	649.7	1,342.4
Revenue (Std. metal prices)	291.0	262.6	544.0	482.5	1,019.3
Organic growth					
NKT	15%	-17%	17%	-17%	-10%
NKT Photonics	-20%	1%	-17%	7%	10%
Operational EBITDA	15.2	13.3	23.6	10.5	29.7
NKT	16.0	9.4	26.2	7.0	15.1
NKT Photonics	-0.8	3.9	-2.6	3.5	14.6
Operational EBITDA margin					
NKT	5.8%	3.8%	5.1%	1.6%	1.6%
NKT Photonics	-5.9%	21.7%	-9.6%	10.8%	19.6%
One-off items	-8.7	-3.9	-9.1	-0.9	-12.0
EBITDA	6.5	9.4	14.5	9.6	17.7
Depreciation and impairment of PP&E	-17.1	-17.4	-34.9	-34.7	-75.1
Amortization and impairment of int. assets	-5.5	-5.3	-10.9	-10.8	-25.6
Financial items, net	0.2	-1.7	-6.9	-3.8	-12.3
Tax	2.5	-0.1	4.2	5.6	19.3
Net result	-13.4	-15.1	-34.0	-34.1	-76.0
Full-time employees, end of period					
NKT	3,354	3,275	3,354	3,275	3,303
NKT Photonics	407	367	407	367	403

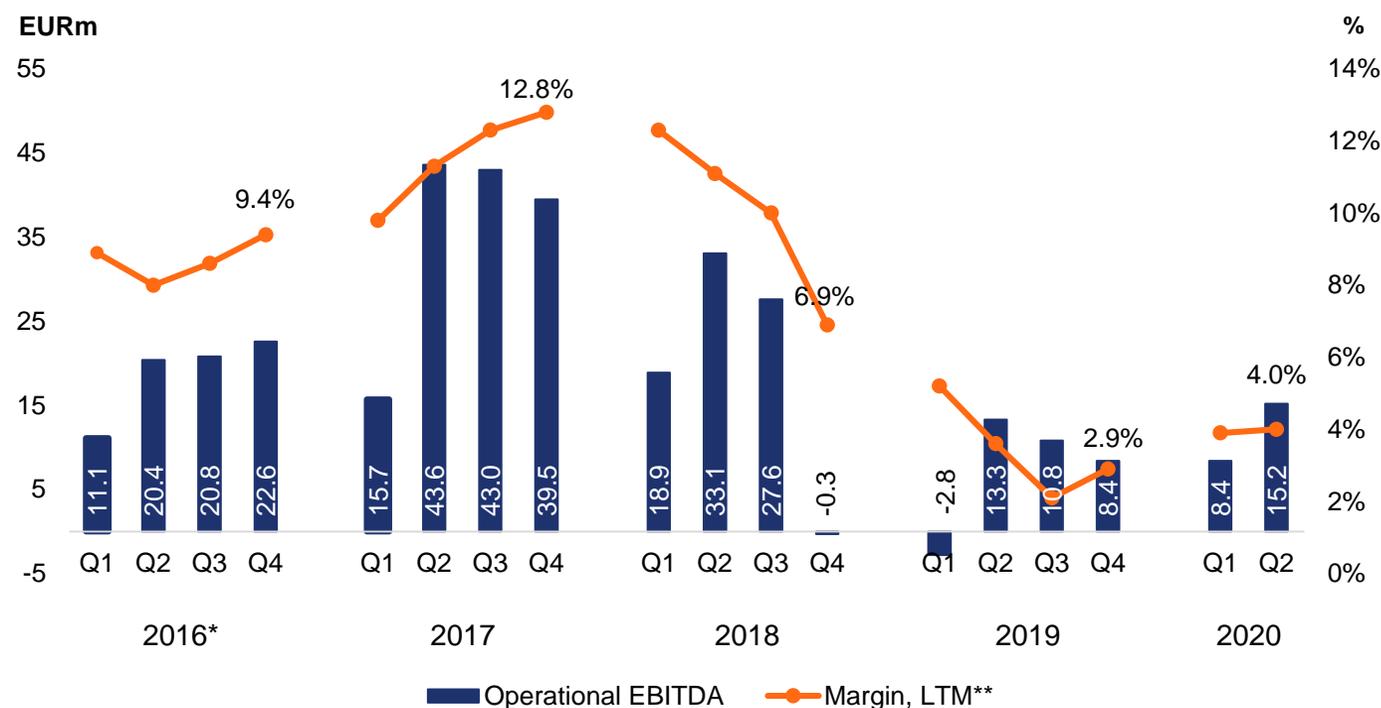
Comments

- Operational EBITDA in Q2 2020 driven by improved performance in NKT
 - NKT: Both Solutions and Applications more than doubled earnings compared to Q2 2019, while earnings in Service & Accessories were slightly lower as last year was positive impacted by a higher offshore repair level
 - NKT Photonics: The decrease in EBITDA was driven by the lower revenue that was negatively impacted by the coronavirus pandemic, with demand slowing in several parts of the Industrial market
- One-off items of EUR -8.7m in Q2 2020 related to NKT
 - The majority of these costs were provision of legal costs related to the European Commission assessment in 2014 regarding alleged high-voltage power cable project cartel activities
- Net profit in Q2 2020 up compared to Q2 2019 due to beneficial development in financial items and tax

NKT A/S: Group operational EBITDA

Operational EBITDA increased driven by NKT

Quarterly development in operational EBITDA



Comments

- The operational EBITDA margin** was 5.2% in Q2 2020, against 5.1% in Q2 2019 with higher profitability in NKT and lower profitability in NKT Photonics
- The profitability improvement from 2016 to 2017 was primarily driven by the acquisition of the ABB HV Cables activities and divestment of Chinese operations in NKT

* Excluding figures from Nilfisk

** Based on revenue in std. metal prices

NKT A/S: Group balance sheet highlights

Working capital up from end-Q1 2020 due to development in NKT

Financial highlights

EURm	30 Jun 2020	30 Jun 2019	31 Mar 2020	31 Mar 2019	31 Dec 2019
Working capital	33.7	30.9	-30.0	51.4	-118.1
NKT	2.9	4.0	-59.3	24.8	-146.3
NKT Photonics	30.8	26.9	29.3	26.6	28.2
Capital employed	1,186.0	1,180.2	1,102.0	1,207.2	1,046.0
NKT	1,075.9	1,083.5	993.7	1,113.5	941.6
NKT Photonics	110.1	96.7	108.3	93.7	104.4
RoCE	-5.1%	-4.4%	-5.3%	-2.6%	-6.2%
NKT	-5.4%	-5.1%	-6.1%	-2.9%	-7.2%
NKT Photonics	-2.2%	5.1%	3.0%	2.2%	4.9%
Net interest-bearing debt (NIBD)	323.8	336.1	378.1	339.0	242.2
Interest-bearing loans, borrowings and receivables - cash at bank and in hand	284.0	302.2	337.9	303.4	204.6
Lease liabilities	39.8	33.9	40.2	35.6	37.6
Total assets	1,901.8	1,895.9	1,795.8	1,867.8	1,789.4
Total equity	862.2	844.1	723.9	868.2	803.8

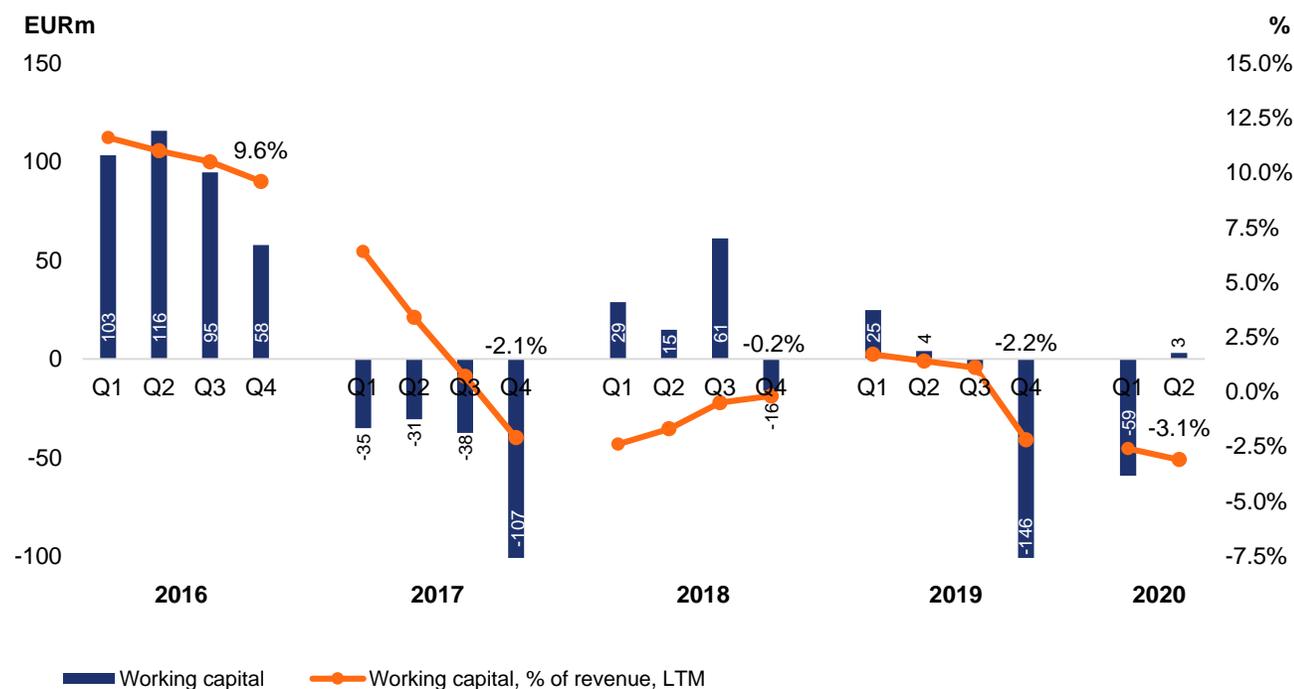
Comments

- Working capital increased from end-Q1 to end-Q2 2020:
 - NKT: The increase in working capital was mainly due to the phasing of milestone payments for existing and new orders in Solutions between Q2 and Q3 2020
 - NKT Photonics: Increase from end-Q1 2020 predominantly driven by an increase in receivable corporate tax, as other working capital items were broadly on par
- RoCE was gradually increased compared to the previous two quarters driven by the improved earnings during 2020
- Increased equity due to the issuance of new shares in May 2020

NKT: Working capital

Working capital increased due to the phasing of milestone payments in Solutions

Quarterly development in working capital



- Working capital up from end-Q1 2020:
 - In Solutions, this was mainly due to the phasing of milestone payments for existing and new orders in Solutions between Q2 and Q3 2020.
 - In Applications, working capital decreased driven by a favourable development in trade payables, which more than outweighed a higher inventory level.
 - In Service & Accessories, working capital was largely on par with the level at end-Q1 2020
 - The working capital position is expected to improve during 2020
- Working capital will primarily depend on timing of payments in Solutions, which will lead to quarterly fluctuations

NKT A/S: Group cash flow statement highlights

Negative cash flow due to the working capital development

Financial highlights

EURm	Q2 2020	Q2 2019	Q1-Q2 2020	Q1-Q2 2019	FY 2019
Cash flow from operating activities	-11.8	23.1	-133.3	-31.5	125.0
EBITDA	6.5	9.4	14.5	9.6	17.7
Financial items, net	-0.2	-1.8	-7.3	-3.8	-12.2
Changes in working capital	-26.5	14.7	-142.0	-33.2	130.3
Others	8.4	0.8	1.5	-4.1	-10.8
Cash flow from investing activities	-21.3	-22.7	-35.7	-22.8	-66.8
Capex	-21.3	-20.9	-35.7	-30.5	-69.0
Acquisition and divestment of businesses	0.0	-1.8	0.0	7.7	2.2
Free cash flow	-33.1	0.4	-169.0	-54.3	58.2
Cash flow from financing activities	34.6	0.8	167.2	34.9	-79.5
Net cash flow	1.5	1.2	-1.8	-19.4	-21.3

Comments

- Cash flow from operating activities was negative:
 - Change in working capital impacted cash flow negatively
 - Partly offset by positive EBITDA contribution from NKT

- Cash flow from investing activities broadly as in Q2 2020:
 - Investment levels in both NKT and NKT Photonics were around the same level as last year. The investments were primarily in Solutions
 - Q2 2019 included a small cash outflow related to NKT Photonics' acquisition of Onefive

NKT A/S: Group financial leverage ratio

Quarterly development in net interest-bearing debt (NIBD)

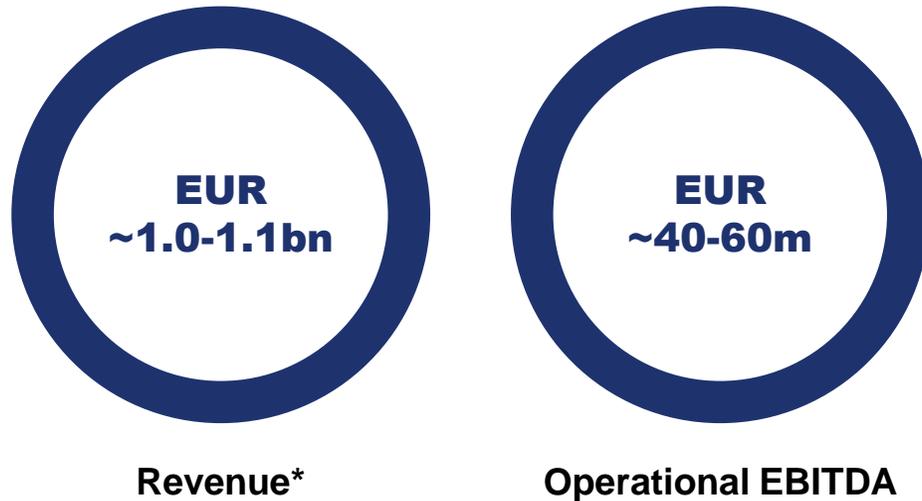


Comments

- NIBD (excl. lease liabilities) was lower than at end-Q1 2020. The debt level was lowered due to the issuance of new shares in May 2020 with gross proceeds of EUR 92m
- Intends to issue shares with pre-emptive rights for the current shareholders before end-2020
- The net interest-bearing debt consists of:
 - EUR 164m of mortgage debt
 - EUR 121m drawn on RCF net of cash (availability EUR 300m)
- Only the RCF is subject to financial covenants. These include agreed remedies in the form of security over NKT Photonics and NKT Victoria
- NKT A/S has sufficient financial headroom to manage the level of activity expected in 2020

* For the 2017 leverage ratios, 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

Financial outlook 2020



“The market outlook for 2nd half 2020 contains such significant uncertainties due to the coronavirus pandemic that an updated and accurate financial outlook cannot be provided at this point of time. The demand has slowed in several parts of the Industrial market, and visibility in regards to customer demand is unusually low for the remainder of the year where NKT Photonics usually generates the main part of its earnings.”

The initial financial outlook, comprising an organic revenue growth of approx. 5–15% and an EBITDA margin of approx. 15–18%, is not deemed possible to achieve.”

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Financial calendar



2020

Event

18 November

➤ **Interim Report Q3 2020**

For full list of Investor Relations events, please visit investors.nkt.com