

Interim Report

Q1 2018

NKT

Power to life since 1891

Management Review

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Key messages

Q1 2018

In Q1 2018, NKT and NKT Photonics both delivered increased revenue and earnings compared to Q1 2017, seasonally low quarters for both businesses.

The financial performance in Solutions was satisfactory. NKT was not awarded material high-voltage orders in Q1 2018. However, no tenders were lost as the interconnector market remain impacted by project postponements. The long-term market potential remains attractive.

Applications' earnings were down due to colder than normal weather in Scandinavia. The Service & Accessories business demonstrated its earnings potential with a strong quarter.

For NKT Photonics, the revenue growth was driven by all business segments.

The working capital ended higher in Q1 2018 than the extraordinary low level realized end-2017. In NKT, working capital fluctuates mainly due to timing of project related milestone payments.

Driven by the current lower high-voltage order backlog, and to further accelerate acquisition synergies and the journey towards excellence, NKT has initiated a reduction of its cost base with an expected annual positive impact of approx. EUR 10m

2018 financial outlook unchanged

The financial outlook for NKT and NKT Photonics for 2018 is unchanged from Company Announcement No. 1 of 27 February 2018:

For NKT, revenue* is expected to be approx. EUR 1.0-1.1bn and the operational EBITDA is expected to be approx. EUR 90-110m.

For NKT Photonics, revenue is expected to be approx. EUR 65-70m and the EBITDA is expected to be approx. EUR 10m.

Amounts in EURm	NKT		NKT Photonics	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Revenue	351.1	273.8	12.4	7.5
Revenue in std.metal prices	254.5	185.2	12.4	7.5
Organic growth	7%	-8%	18%	-18%
Operational EBITDA	20.4	17.8	-1.5	-2.1
Operational EBITDA margin*	8.0%	9.6%	neg.	neg.
Working capital	28.7	-35.2	19.6	12.2
Working capital % of revenue, LTM	-2.4%	6.4%	31.4%	25.6%
RoCE**	5.3%	9.5%	neg.	neg.

* Std. metal prices

** RoCE is calculated on Operational EBIT, LTM as a percentage of average capital employed as defined in Note 4 on page 24

EUR 254.5m

Revenue (std. metal prices)

Increased by EUR 69.3m compared to Q1 2017, primarily due to the two additional months of revenue from the acquired activities

7%

Organic growth

Contribution by all three business lines with Service & Accessories up 26%

EUR 20.4m

Operational EBITDA

Satisfactory margins in Solutions and Service & Accessories, while Applications was impacted negatively by sales development in Scandinavia and costs for initiatives to improve the operating platform

EUR 0.64bn

High-voltage order backlog

NKT was not awarded material high-voltage orders in Q1 2018. However, no tenders were lost either. The interconnector market remained impacted by project postponements



EUR 12.4m

Revenue

Up by EUR 4.9m against Q1 2017, driven by both the existing business and the acquired Onefive activities

18%

Organic growth

Solid performance with contributions from all three business segments

EUR -1.5m

Operational EBITDA

Improvement on Q1 2017 due to higher revenue. In the comparison period, provisions for the LTI programmes to senior management were not included

45%

Order intake growth

Orders received were significantly above the level in Q1 2017, and will drive growth in the remainder of 2018

Financial review

The revenue and operational EBITDA of NKT increased in Q1 2018 compared to Q1 2017, driven by broader exposure to the high-voltage market combined with high activity in the Service business. This more than offset a challenging start to the year in the Scandinavian medium-voltage market due to colder than normal weather conditions

Increased revenue led by Solutions

Revenue* increased by EUR 69.3m to EUR 254.5m in Q1 2018, driven by a range of market and product categories. The acquired activities of ABB HV Cables were the primary growth contributors with EUR 66.1m. In the comparison period in 2017, the divested Automotive business contributed with a revenue* of EUR 11.0m.

The increase in revenue in Q1 2018 translated into organic growth of 7%, which was based on growth in all three business lines. The organic growth includes pro forma revenue for the acquired activities for January and February 2017. Excluding the impact of the acquired ABB HV Cables activities, the organic growth for Q1 2018 was 10%.

Operational EBITDA up by 2.6m

In Q1 2018, the operational EBITDA amounted to EUR 20.4m, against EUR 17.8m in Q1 2017. Q1 and also Q4 are typically seasonally lower than Q2 and Q3, due to production flow and lower activity in the construction industry due to the weather. This impacts earnings negatively.

The operational EBITDA margin* in Q1 2018 was 8.0% compared to 9.6% in the same period in 2017. The decrease was due to the lower performance in the Applications business. The LTM margin* was 12.5%, a decrease of 0.6%-points against end-2017.

One-off costs in Q1 2018 were EUR 3.1m. These costs comprised EUR 1.8m linked to the integration of the ABB HV Cables activities and EUR 1.3m for strategic initiatives primarily related to the implementation of EXCELLENCE 2020. The one-off costs were down by EUR 11.5m compared to Q1 2017.

Higher working capital

Working capital increased to EUR 28.7m at end-Q1 2018, against the extraordinary low level of EUR -106.5m end-2017. The increase was primarily due to timing of payments in the Solutions business and to temporary higher inventories in Applications due to lower than anticipated sales volumes in Q1 2018.

Key financials

Amounts in EURm	Q1 2018	Q1 2017	FY 2017
Income statement			
Revenue	351.1	273.8	1,428.9
Revenue in std.metal prices	254.5	185.2	1,058.0
Operational EBITDA	20.4	17.8	138.3
EBITDA	17.3	3.2	93.4
Depreciations and amortisations	-19.8	-10.7	-73.5
Impairment	0.0	0.0	-0.9
Operational EBIT	0.6	7.1	63.9
EBIT	-2.5	-7.5	19.0
Financial items, net	-1.9	-1.6	-13.8
EBT	-4.4	-9.1	5.2
Tax	1.9	3.6	-6.4
Profit for the year	-2.5	-5.5	-1.2
Cash flow			
Cash flow from operating activities	-131.8	-23.0	78.2
Cash flow from investing activities excl. acq.&div.	-8.7	-12.5	-63.0
Free cash flow	-140.5	-35.5	15.2
Balance sheet			
Capital employed	1,140.5	1,006.7	1,040.5
Working capital	28.7	-35.2	-106.5
Financial ratios and employees			
Organic growth	7%	-8%	7%
Operational gross margin*	44.7%	45.2%	47.7%
Operational EBITDA margin*	8.0%	9.6%	13.1%
RoCE	5.3%	9.5%	7.5%
Full-time employees, end of period	3,393	3,703	3,393

Revenue development and organic growth

Amounts in EURm	
Q1 2017 revenue*	185.2
Currency effect	-3.2
Acquisitions**	68.5
Divestments and reclassifications	-12.5
Q1 2017 adjusted revenue*	238.0
Organic growth*	16.5
Org. growth excl. acquisitions*	14.6
Org. growth ABB HV Cables**	1.9
Q1 2018 revenue*	254.5
Organic growth %	7%
Org. growth % excl. ABB HV Cables	10%

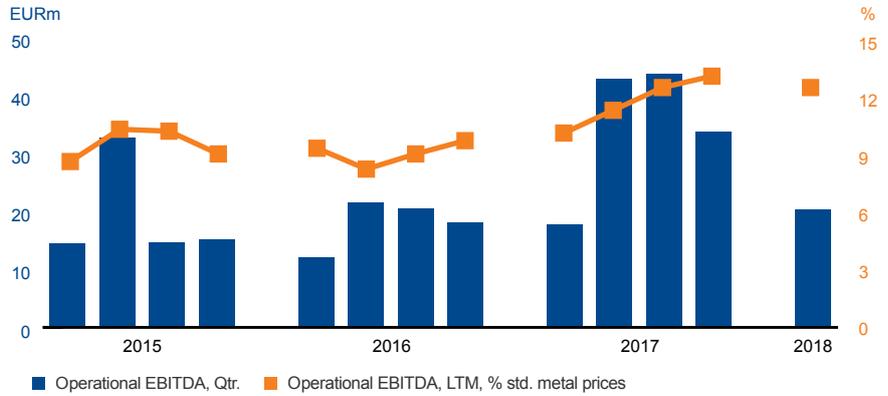
The timing of payments in Solutions continues to result in quarterly fluctuations in working capital.

The working capital ratio, LTM, was -2.4% at the end of Q1 2018, which was 0.3%-points lower than at end-2017.

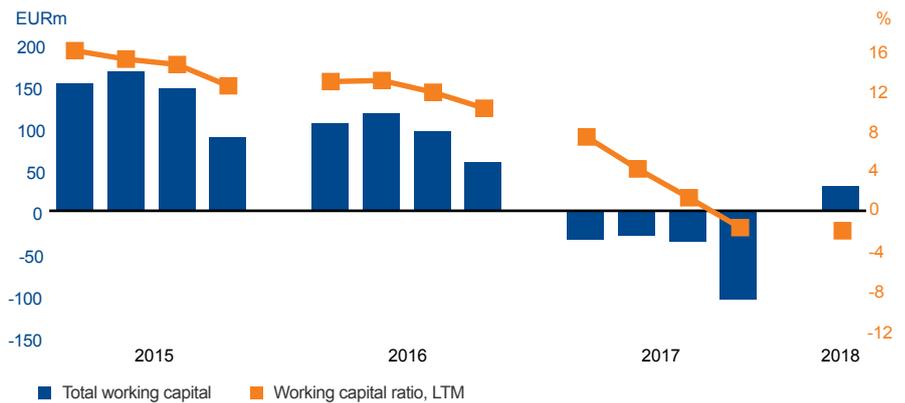
RoCE decreased in line with expectations

The acquisition of the ABB HV Cables activities increased capital employed, and this impacted RoCE. In Q1 2018, RoCE amounted to 5.3%, which was 2.2%-points lower than at end-2017.

Operational EBITDA



Working capital



New financial segment reporting structure for NKT

NKT has introduced a new segment reporting structure comprising three business lines: **Solutions**, **Applications** and **Service & Accessories**, compared to two previously, **Projects** and **Products**. The development in each of the segments is presented on page 6-8. An amount of non-allocated costs related to central functions will be expensed outside these business segments.

Previous segmentation

- Projects**
 - HV AC/DC offshore cables
 - HV AC/DC onshore cables
- Services**
 - HV accessories

- Products**
 - LV and MV accessories
 - Railway
- Products**
 - MV cables
 - LV cables
 - Building wires
 - Telecom cables

Segmentation as of 2018

- Solutions**
 - HV AC/DC offshore cables
 - HV AC/DC onshore cables

- Service & Accessories**
 - Services
 - HV accessories
 - LV and MV accessories
 - Railway

- Applications**
 - MV cables
 - LV cables
 - Building wires
 - Telecom cables

LV = Low-voltage, MV = Medium-voltage and HV = High-voltage

* Std. metal prices
 ** Based on pro forma revenue

Business review – Solutions

140m

Revenue* EUR
(Q1 2017: EUR 74m)

6%

Organic growth

18.7m

Operational EBITDA EUR
(Q1 2017: EUR 7.8m)

- **NKT was not awarded material orders in Q1 2018. However, no tenders were lost as the interconnector market remain impacted by project postponements**
- **Long-term market potential remains attractive**
- **Q1 2018 revenue and earnings in line with expectations**

Increase in revenue driven by offshore exposure

Revenue for Solutions increased, primarily driven by the offshore AC and DC segments. The corresponding period last year included two months less with revenue from ABB HV Cables that was acquired on 1 March 2017.

The Q1 2018 revenue measured in market prices was EUR 160m versus EUR 85m in Q1 2017.

Operational EBITDA at satisfactory level

The operational EBITDA margin* in Q1 2018 was 13.4%, up from 10.6% in Q1 2017, which was satisfactory given the revenue composition in the period. The main earnings contributor was the high-voltage offshore projects.

Continued progress on delivery of project portfolio

Progress was achieved in Q1 2018 on a range of high-voltage projects from the order backlog. The first part of the Hornsea 1 cables were delivered to the site for installation. This project is among the largest in the current portfolio and will be a strong revenue contributor in 2018. Furthermore, the cables for the Johan Sverdrup project have been finalized and are ready for installation later this year.

The final installation of cables was initiated for the Caithness Moray project by the cable-laying vessel NKT Victoria and further installation assignments will follow in the remaining part of 2018.

In the high-voltage AC onshore sector conditions remained challenging. NKT has launched initiatives to respond to the market situation with a view to improving both volumes and profitability.

Order backlog of EUR 0.64bn

At end-Q1 2018, NKT had a high-voltage order backlog totaling EUR 0.64bn (EUR 0.58bn in std. metal prices). Around 50-60% of this amount is expected to be realized in 2018, with the remainder anticipated in 2019 and beyond.

The order backlog at end-Q1 2018 is lower than the EUR 0.76bn at end-2017, which reflects that no material high-voltage orders were awarded. This development was similar to during 2017, where projects awarded in the market was at a relatively low level.

Larger projects have been postponed in the interconnector market mainly due to external factors. These projects are among others depending on political decisions and legal approvals and permits. Importantly, no material projects have been cancelled, and NKT has not lost any tenders during Q1 2018. The offshore wind market is generally more stable and with a more predictable route to realization.

The postponed interconnector projects have led to an unfavorable supply/demand balance for the cable manufacturers compared to in 2015 and 2016, with limited visibility on timing of project awards. This is expected to impact the activity level for NKT during 2018 as well as 2019 due to the duration of projects spanning over a longer period of time.

NKT continues to view the interconnector and offshore markets as being attractive backed by the ongoing tender activity, where NKT is involved in a number of projects. The timing in particular in the interconnector market will though be subject to uncertainty.

Synergy potential intact, and relies on higher capacity utilization

The annual run-rate synergy potential of approx. EUR 30m from the acquisition of ABB HV Cables remains intact. As previously stated, the majority of the synergies are sales and volume-related and timing hereof will depend on the ability to increase capacity utilization, which will be driven by project awards in the high-voltage market. The synergies realized in 2017 and 2018 will be related to optimization of the cost structure.

DC qualification in Cologne ongoing

NKT continues to progress the qualification of the Cologne facility for DC cable production. As part of this process, selected machinery in the factory will be upgraded. The investments will be part of the ongoing regular investment programme.

Business review – Applications

92m

Revenue* EUR
(Q1 2017: EUR 102m)

4%

Organic growth

-0.5m

Operational EBITDA EUR
(Q1 2017: EUR 10.6m)

- **Earnings for Q1 2018 were not satisfactory**
- **Scandinavian sales down due to colder than normal weather**
- **Increase in costs to support initiatives to improve the operating platform**

Mixed revenue development

Q1 2018 revenue for the Applications business was up on the corresponding period last year, when excluding the now divested Automotive business. The Q1 2018 revenue for Applications, expressed in market prices, was EUR 163m, against EUR 174m in Q1 2017.

In Poland, early 2018 brought an improved sales climate after a challenging 2017, and NKT recorded growth in both revenue and earnings in this important market. NKT also performed satisfactorily in the Czech Republic.

In Germany, after subdued growth in 2017 following significant investments in the medium-voltage market in 2016, slightly lower revenue was achieved in Q1 2018. Improved revenue is expected in the remainder of the year.

France and UK are becoming increasingly important markets for NKT. In France, towards end-Q1 2018, NKT successfully initiated deliveries to a sizable frame contract in the medium-voltage segment. This has strengthened the company's position in the French market. In UK, the robust growth experienced by NKT in 2017 has continued into 2018, and the company is well positioned to support the upcoming optimization of the electrical grid.

In Scandinavia, revenue development during Q1 2018 was impacted by the colder than normal weather, which leads to challenges in installing medium-voltage cables outdoors. While the performance of NKT in Denmark was not badly affected, the impact on the large Swedish market was more significant, leading to negative growth. However, the outlook for the Swedish market remains positive, and a catch-up effect is expected to materialize during 2018.

Operational EBITDA negatively impacted by Sweden and operating platform improvements

The operational EBITDA in Q1 2018 for Applications decreased compared to Q1 2017. However, with Q1 being a seasonally low quarter fluctuations in earnings will occur from year to year.

The revenue distribution between countries developed unfavorably as the negative revenue development in Sweden during Q1 2018 impacted the profitability level for the entire Applications business.

EBITDA was also impacted by costs related to the planned initiatives to create a stronger operating platform in Applications. Among others, NKT entered into a partnership agreement with an external maintenance provider to deliver more efficient production and increased factory output. The development to date has been positive, but higher costs initially in 2018 will occur during the ramp-up period.

Telecom preparing for growth

NKT is continuing to improve its position in the telecom power cable market, which is moving steadily towards the next-generation 5G mobile network. This represents an attractive growth opportunity for NKT.

With this potential in mind, NKT participated in Elektroskandia Telecom Day during Q1 2018. This created positive attention for NKT, and particularly for the multi-power cables where NKT offers customers strong flexible solutions.

In Q1 2018, NKT generated its first revenue streams from the telecom power cable market in the US. NKT established a sales subsidiary in Dallas, Texas, towards end-2017.

* Std. metal prices

Business review

– Service & Accessories

30m

Revenue* EUR
(Q1 2017: EUR 14m)

26%

Organic growth

5.8m

Operational EBITDA EUR
(Q1 2017: EUR 0.9m)

- **Strong financial performance in Q1 2018 demonstrates future potential**
- **Going forward quarterly earnings will be volatile depending on cable repair activity**

Positive revenue development

The decision to establish Service & Accessories as a separate business line was taken to improve focus and accelerate growth. The development in Q1 2018 underlined the potential with high revenue and attractive earnings.

Revenue measured in market prices for the Service & Accessories business in Q1 2018 was EUR 36m versus EUR 16m in Q1 2017.

Attractive EBITDA margin

Service & Accessories delivered an operational EBITDA margin* of 19.2% in Q1 2018. This margin level was driven by the positive performance in service operations.

Due to the unpredictable nature of the NKT Service business in the existing form, fluctuations in earnings and profitability will occur from quarter to quarter. This will particularly be the case for the service side depending on the number of offshore cable repairs.

Service drove growth

Service revenue grew strongly during Q1 2018. NKT successfully performed a number of offshore cable repair assignments, with positive impact on growth. NKT also participated in a range of onshore repair operations primarily across the Northern European countries.

NKT is engaged in discussions with several cable system operators to establish long-term service agreements. These include cable systems supplied either by NKT and other cable manufacturers. Opportunities for the remainder of 2018 also includes potential cable repair tasks, where discussions are ongoing.

Mixed development in accessories market

In Q1 2018, the accessories business delivered more mixed results. NKT is establishing a stronger presence in the less mature markets in Asia, and these contributed with positive development. In central Europe, challenging market conditions with low demand have impacted the company's performance negatively.

The development in the DC accessories business is directly linked to growth in the high-voltage DC cable market. Q1 2018 performance for NKT in this segment was impacted by a low level of orders in the market.

The railway business recorded growth in Q1 2018 against the background of unusually quiet market activity in the comparison period.

Strategic options under consideration for railway business

As the railway business is a relatively small part of the company's operations and not closely related to other areas of activity, this has led to considerations around its future setup. NKT is currently assessing various strategic options including a potential divestment and a decision is expected later this year.

Cost adjustments planned – focus on excellence remains

- NKT has initiated a process to reduce its cost base by adjusting the organization in the coming months
- Focus remains on delivering on the EXCELLENCE 2020 strategy with the aim to create a stronger and more efficient future platform

Cost base to be adjusted

Driven by the current lower high-voltage order backlog, and to further accelerate acquisition synergies and the journey towards excellence, NKT has initiated a reduction of its cost base. In the coming months, NKT plans to adjust

mainly its white-collar organization in Karlskrona and Cologne with an expected annual positive cost impact from 2019 of approx. EUR 10m compared to the previous strategy plan. The positive impact in 2018 will be limited. The expected one-off costs related to the exercise are approx. EUR 5m to be expensed in 2018.

Progress towards operational excellence

Operational excellence is an important focus area for NKT. Headed by the Chief Operating Officer (COO), the factories are gradually optimizing production and implementing a best practice culture. An optimized operating system across NKT factories will provide structures

and processes to systematically solve customer and business challenges. Positive outcomes have been recorded during 2018, where factory output improvements have been achieved, but material impact on results will not be recorded in the short-term.

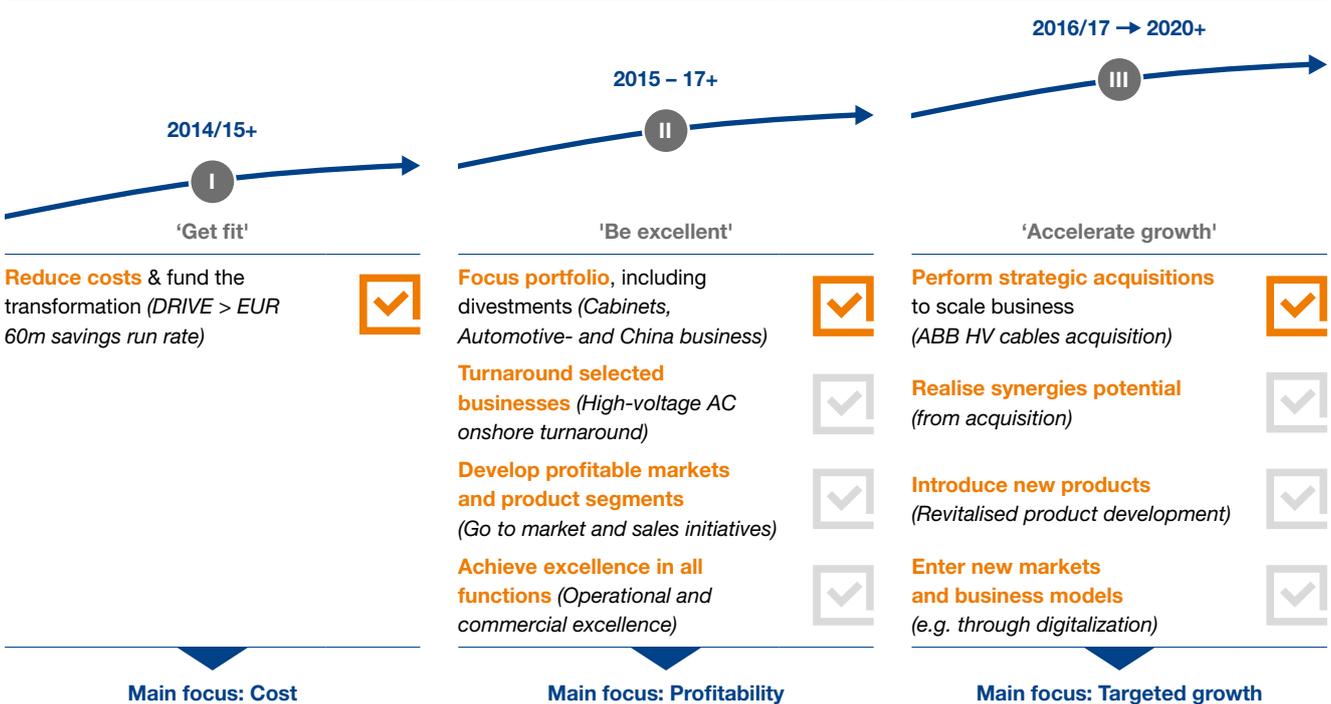
Launch of shared service centre

In January 2018, NKT announced the establishment of a new shared service centre in Lithuania. This step will create improved financial processes and a leaner and more efficient structure. The process is running according to plan and handover of the selected tasks from existing NKT locations to the new colleagues in Lithuania will start in Q2 2018.

EXCELLENCE 2020

Launched in 2015, EXCELLENCE 2020 is the strategic roadmap by which NKT intends to become the best power cable company in the eyes of customers and employees. Following the successful execution of the DRIVE programme, NKT is currently executing on the next two phases.

Three strategic phases



☑ Completed ☑ In progress

Financial & Business review

NKT Photonics started 2018 positively. Revenue increased significantly in Q1 2018 driven by both acquisitive and organic growth, leading to improved EBITDA. The market activity was high translating into an increase in order intake of 45% compared to Q1 2017

Increase in revenue

As reported in the financial outlook, NKT Photonics is expected to deliver substantially improved revenue in 2018. This expectation was met in the year's first quarter when revenue increased by EUR 4.9m, or 65%, to EUR 12.4m. The growth was partly attributable to the acquisition of Onefive, which contributed EUR 2.1m to the revenue during the period.

The organic growth in Q1 2018 was 18%, against -18% in Q1 2017. The performance was broad-based with all business segments contributing.

EBITDA driven up by higher revenue

As in previous years, Q1 delivered a moderate earnings contribution in 2018. The EBITDA amounted to EUR -1.5m, an improvement of EUR 0.6m on Q1 2017. However, the underlying improvement was even stronger as the period under review included provisions of EUR 0.7m for the Long-Term Incentive (LTI) programme for senior management. No similar provisions were made in the same period in 2017.

NKT Photonics continued to invest in realizing the growth potential in the market. The number of full-time employees has increased to pursue growth opportunities as well as a consequence of the acquisitions. Furthermore, the process of implementing a new global ERP system across the company is ongoing.

The earnings development in Q1 2018 was in line with expectations, marking a satisfactory start to the year. As of Q1 2018, the EBITDA margin, LTM, amounted to 7.5%, which is an improvement of 0.6%-points compared to FY 2017.

Increase in working capital due to growth and acquisition

The working capital for NKT Photonics amounted to EUR 19.6m at end-Q1 2018, an increase of EUR 7.4m on 31 March 2017. The rise was driven by improved revenue from the underlying positive performance and

Key financials

Amounts in EURm	Q1 2018	Q1 2017	FY 2017
Income statement			
Revenue	12.4	7.5	50.9
Operational EBITDA	-1.5	-2.1	3.5
EBITDA	-1.5	-2.1	3.5
Depreciations and amortisations	-1.6	-1.0	-5.2
Operational EBIT	-3.1	-3.1	-1.7
EBIT	-3.1	-3.1	-1.7
Financial items, net	-0.2	-0.3	-0.9
EBT	-3.3	-3.4	-2.6
Tax	0.8	1.0	0.4
Profit for the year	-2.5	-2.4	-2.2
Cash flow			
Cash flow from operating activities	0.0	1.5	-0.4
Cash flow from investing activities excl. acq.&div.	-0.9	-1.0	-7.5
Free cash flow	-0.9	0.5	-7.9
Balance sheet			
Capital employed	67.1	46.3	69.0
Working capital	19.6	12.2	23.1
Financial ratios and employees			
Organic growth	18%	-18%	7%
Gross margin	72.8%	65.5%	70.9%
Operational EBITDA margin	neg.	neg.	6.9%
RoCE	neg.	neg.	neg.
Full-time employees, end of period	296	254	302

the Onefive acquisition. In comparison to end-2017, the working capital level has decreased by EUR 3.5m.

Healthy market

Business conditions in the photonics markets remain positive and developed favourably in Q1 2018. NKT Photonics performed well under these market conditions, and order intake improved by 45% compared to the same period in 2017. This improvement was driven by all business areas, and both by the underlying and the acquired business.

The order pipeline is also attractive and serves as a foundation for the company's growth ambitions.

NKT Photonics EBITDA



Imaging & Metrology

As the largest division of NKT Photonics, Imaging & Metrology is an important driver of growth for the company. Both revenue and order intake grew solidly in the segment during Q1 2018. The growth within Imaging & Metrology was broadly founded across markets, including semiconductors and life sciences.

Sensing & Energy

The Sensing & Energy segment was primarily driven by projects relating to fire detection, power cable monitoring and other remote sensing.

During Q1 2018, NKT Photonics won the prestigious 2018 Prism Award in the category Detectors and Sensors. The award was presented for the new LIOS EN.SURE long-range cable monitoring system that can measure temperature and strain in power cables and transmission lines at distances up to 70 km.

Material Processing

With the acquisition of Onefive, the Material Processing segment saw significant growth in Q1 2018. This growth came mainly from ultrafast lasers for medical applications and components for industrial ultrafast lasers used for micromachining.

As part of the growth journey for NKT Photonics, the acquisition of Onefive, a manufacturer in the ultrafast laser segment, in September 2017 was an important step. The integration process is well advanced and Onefive is now an integral part of NKT Photonics. Onefive's Swiss location has been renamed NKT Photonics Switzerland.

Group financials

Increased operational EBITDA

The operational EBITDA for NKT A/S increased by EUR 3.2m to EUR 18.9m in Q1 2018 with contributions from both NKT and NKT Photonics. This increase translated into an operational EBITDA margin* of 7.1%, compared to 8.1% in the same period last year.

The operational EBITDA, LTM, amounted to EUR 145.0m at end-Q1 2018.

Financial items, earnings and tax

In Q1 2018, the net financial items amounted to EUR -2.1m against EUR -1.9m in Q1 2017. The financial items primarily consist of interest used for servicing the net interest-bearing debt. The increase in operational EBITDA also positively impacted earnings before tax (EBT), which amounted to EUR -7.7m in Q1 2018, up EUR 4.8m on the same period in 2017. The reported tax rate in Q1 2018 was 35%.

Cash flow

The cash flow from operating activities was impacted by the working capital development in NKT and amounted to EUR -131.8m for Q1 2018. In the same period in 2017, the level was EUR -38.4m. The cash flow figures in the comparison period include the discontinued Nilfisk operations. Cash flow from investing activities was EUR -9.6m in Q1 2018. This was due to a relatively low level of investments.

Net interest-bearing debt



* 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 was based on ABB HV Cables' estimated average annual pro forma EBITDA of EUR 79m for 2014-2016.

Liquidity, debt leverage and equity

The net interest-bearing debt was EUR 433m for NKT A/S at end-March 2018. This increase compared to end-2017 was primarily due to the development in working capital for NKT.

The net interest-bearing debt relative to operational EBITDA amounted to 3.0x at end-March 2018 compared to 1.9x at end-2017. NKT A/S targets a

leverage ratio of up to approx. 1.5x in the medium term as earnings and cash flows are expected to improve.

At end-Q1 2018, the total available liquidity reserves for NKT A/S amounted to EUR 212m, comprising cash of EUR 30m and undrawn credit facilities of EUR 182m. The equity amounted to EUR 775m. The solvency ratio was 40%, which was above the internal target of minimum 30%.

Q1 2018 financial development for NKT A/S

Amounts in EURm	Revenue*			Oper. EBITDA			Oper. EBITDA margin*	
	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017
NKT	254.5	185.2	69.3	20.4	17.8	2.6	8.0%	9.6%
NKT Photonics	12.4	7.5	4.9	-1.5	-2.1	0.6	neg.	neg.
NKT A/S, continuing oper.	266.9	192.7	74.2	18.9	15.7	3.2	7.1%	8.1%

* Std. metal prices

Shareholder information

NKT share price



* NKT peers are: Nexans S.A. and Prysmian S.p.A.

NKT A/S shares

In Q1 2018, the average daily turnover in the company's shares on all trading markets was EUR 14m, which was on a similar level as in Q1 2017. Average daily trading volume was 444,000 shares in Q1 2018, compared to 199,000 in the same period last year. Nasdaq Copenhagen was the main trading market for the company's shares with 58% of the total traded volume.

At end-March 2018 the company's share price was DKK 196.60, against DKK 283.30 at end-2017, a decrease of 31%. In the same period the Danish OMX C25 index decreased by 3%.

Three NKT investors have reported shareholdings of more than 5%: ATP (Denmark), Ferd AS (Norway) and Kirkbi INVEST A/S (Denmark).

Annual General Meeting

On 22 March 2018, NKT held its Annual General Meeting (AGM) in Copenhagen and the resolutions passed were published in Company Announcement No. 3 of the same date. These resolutions included adoption of the 2017 Annual Report, amendment of the articles of association, and approval of the Board of Directors' proposal for the

remuneration policy for the Board of Directors and Executive Management. Furthermore, it was decided that no dividend would be distributed to shareholders, but that profits from 2017 would be transferred to retained comprehensive income.

All AGM-elected members of the Board of Directors were re-elected: Jens Due Olsen, René Svendsen-Tune, Jens Maaløe, Andreas Nauen, Jutta af Rosenberg, and Lars Sandahl Sørensen. Three new employee-elected Board members were presented at the AGM: Jack Ejlersen, Stig Nissen Knudsen and Peter Wennevold.

NKT Committees

Chairmanship	Jens Due Olsen (Chair), René Svendsen-Tune
Audit	Jutta af Rosenberg (Chair), Jens Maaløe
Nomination	Lars S. Sørensen (Chair), Jens Due Olsen
Remuneration	Jutta af Rosenberg (Chair), Jens Maaløe
NKT Photonics	Jens Maaløe (Chair), Jens Due Olsen

Deloitte Statsautoriseret Revisionspartnerselskab was re-elected as sole auditor of the company.



More information about the 2018 AGM is available at investors.nkt.com

NKT A/S shares basic data

ID code: DK0010287663

Listing: Nasdaq Copenhagen, part of the OMX C25 index

Share capital: EUR 73m (DKK 543m)

Number of shares: 27.1 million

Nominal value: DKK 20

Share classes: 1

Financial calendar 2018

15 Aug: Interim Report, Q2

16 Nov: Interim Report, Q3

They joined the Board of Directors immediately after AGM closure.

At a subsequent ordinary Board meeting Jens Due Olsen and René Svendsen-Tune were appointed Chairman and Deputy Chairman, respectively. Members of the four committees formed by the Board of Directors were also appointed:

Group Management's statement

The Board of Directors and the Executive Management Board have today considered and adopted the Interim Report of NKT A/S for the period 1 January - 31 March 2018.

The Interim Report, which has not been audited or reviewed by the company auditor, has been prepared in accordance with IAS 34 'Interim Financial Reporting', as approved by the EU, and Danish disclosure requirements for interim reporting by listed companies.

In our opinion the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position at 31 March 2018 and the results of the Group's activities and cash flow for the period 1 January - 31 March 2018.

We also find that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, the general financial position of the Group, and a description of major risks and elements of uncertainty faced by the Group.

Brøndby, 15 May 2018

Executive Management

Michael Hedegaard Lyng
President & CEO

Roland M. Andersen
CFO

Board of Directors

Jens Due Olsen, *Chairman*

René Svendsen-Tune, *Deputy Chairman*

Jack Ejlertsen

Stig Nissen Knudsen

Jens Maaløe

Andreas Nauen

Jutta af Rosenborg

Lars Sandahl Sørensen

Peter Wennevold

Financial Statements

NKT A/S

Income statement

Amounts in EURm	Q1 2018	Q1 2017	Year 2017
Revenue	363.5	281.3	1,479.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	15.8	1.1	96.9
Depreciation and impairment of property, plant and equipment	-16.4	-9.2	-61.3
Amortisation and impairment of intangible assets	-5.0	-2.5	-18.3
Earnings before interest and tax (EBIT)	-5.6	-10.6	17.3
Financial items, net	-2.1	-1.9	-14.7
Earnings before tax (EBT)	-7.7	-12.5	2.6
Tax	2.7	4.6	-6.0
Profit from continuing operations	-5.0	-7.9	-3.4
Profit from discontinued operations	0.0	20.5	932.2
Net profit	-5.0	12.6	928.8
To be distributed as follows:			
Profit attributable to equity holders of NKT A/S	-5.0	12.6	928.8
Basic earnings, EUR per outstanding share (EPS)	-0.2	0.5	34.3
Diluted earnings, EUR per share (EPS-D)	-0.2	0.5	34.3
Earnings from continuing operations, EUR per outstanding share (EPS)	-0.2	-0.3	-0.1
Diluted earnings from continuing operations, EUR per share (EPS-D)	-0.2	-0.3	-0.1

Cash flow

Amounts in EURm	Q1 2018	Q1 2017	Year 2017
Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations	15.8	1.1	96.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) from discontinued operations	0.0	30.9	83.2
	15.8	32.0	180.1
Financial items, net from continuing and discontinued operations	-2.3	-4.4	-20.9
Changes in provisions, tax and non-cash operating items, profit on sales of non-current assets, etc.	-10.4	-10.9	-47.7
Changes in working capital	-134.9	-55.1	-23.7
Cash flow from operating activities	-131.8	-38.4	87.8
Acquisition of business	0.0	-633.4	-800.8
Divestment of business	0.0	0.0	33.0
Nilfisk demerger	0.0	0.0	368.7
Investments in property, plant and equipment	-4.9	-14.0	-50.6
Disposal of property, plant and equipment	0.0	0.9	0.2
Intangible assets and other investments, net	-4.7	-9.4	-43.8
Cash flow from investing activities	-9.6	-655.9	-493.3
Free cash flow	-141.4	-694.3	-405.5
Changes in non-current loans from credit institutions	32.7	552.6	250.0
Changes in current loans from credit institutions	93.9	6.6	33.5
Cash from issue of new shares / exercise of warrants	0.0	7.8	10.1
Cash flow from financing activities	126.6	567.0	293.6
Net cash flow	-14.8	-127.3	-111.9
Cash at bank and in hand at the beginning of the period	44.7	158.1	158.1
Currency adjustments	0.1	0.3	-1.5
Net cash flow	-14.8	-127.3	-111.9
Cash at bank and in hand at the end of the period*	30.0	31.1	44.7
*Including cash classified as held for sale/distribution to owners of:	0.0	20.5	0.0

Balance sheet

Amounts in EURm	31 March 2018	31 March 2017	31 December 2017
Assets			
Intangible assets	576.6	576.1	597.4
Property, plant and equipment	673.2	627.8	698.9
Other non-current assets	56.3	43.1	51.9
Total non-current assets	1,306.1	1,247.0	1,348.2
Inventories	247.4	216.6	226.1
Receivables and income tax	339.6	299.4	283.5
Interest-bearing receivables	0.2	0.2	2.1
Cash at bank and in hand	30.0	10.6	44.7
Assets classified as held for sale	0.0	51.5	0.0
Assets classified as held for distribution to owners	0.0	857.1	0.0
Total current assets	617.2	1,435.4	556.4
Total assets	1,923.3	2,682.4	1,904.6
Equity and liabilities			
Equity attributable to equity holders of NKT A/S	774.9	971.5	816.3
Total equity	774.9	971.5	816.3
Deferred tax	55.5	50.1	59.9
Pension liabilities	52.6	53.3	52.5
Provisions	23.6	21.5	28.5
Interest-bearing loans and borrowings	456.4	635.4	332.8
Total non-current liabilities	588.1	760.3	473.7
Interest-bearing loans and borrowings	6.5	14.7	7.2
Trade payables, tax and other liabilities	538.7	559.0	593.1
Provisions and other liabilities	15.1	71.1	14.3
Liabilities associated with assets classified as held for sale	0.0	8.1	0.0
Liabilities associated with assets classified as held for distribution to owners	0.0	297.7	0.0
Total current liabilities	560.3	950.6	614.6
Total liabilities	1,148.4	1,710.9	1,088.3
Total equity and liabilities	1,923.3	2,682.4	1,904.6

Comprehensive income and Equity

Amounts in EURm	Q1 2018	Q1 2017	Year 2017
Comprehensive income			
Net profit	-5.0	12.6	928.8
Other comprehensive income:			
<i>Items that may not be reclassified to income statement:</i>			
Actuarial gains/(losses) on defined benefit pension plans	0.0	0.0	0.2
<i>Items that may be reclassified to income statement:</i>			
Currency adjustment of foreign subsidiaries and value adjustment of hedging instruments, etc.	-36.4	-0.3	-35.0
Total comprehensive income for the period	-41.4	12.3	894.0
Statement of changes in equity			
Group equity, 1 January	816.3	951.4	951.4
Total comprehensive income for the period	-41.4	12.3	894.0
Distribution of shares in Nilfisk Holding A/S to shareholders in NKT A/S	0.0	0.0	-1,039.3
Share-based payment	0.0	0.0	0.1
Exercise of warrants	0.0	7.8	10.1
Group equity at the end of the period	774.9	971.5	816.3

Notes

Note 1 Accounting policies, accounting estimates, and risks, etc.

The Interim Report is presented in accordance with IAS 34 'Interim Financial Reporting', which has been approved by the EU, and Danish disclosure requirements for interim reports for listed companies.

NKT has implemented the standards and interpretations that become effective for 2018. The implementation of standards and interpretations has only had insignificant effect on recognition and measurement in 2018. Please refer to Note 8.3 on page 115 of the 2017 Annual Report with further details.

Regarding **accounting estimates**, please refer to Note 1.1 on page 73 of the 2017 Annual Report. Regarding **risks**, please refer to Note 6.6 on page 105 of the 2017 Annual Report and the information contained in the sections on risk management on page 30 and on page 42 of the 2017 Annual Report.

On 2 April 2014 NKT received a fine of EUR 4m following the investigation conducted by the European Commission into alleged price-fixing activities with regard to high-voltage power cable projects, cf. Company Announcement No. 8 2014. By defining NKT as a 'fringe player' - as the only European manufacturer - the European Commission explicitly established that the role of NKT was substantially limited. This is further emphasised by the fact that NKT was

the only European manufacturer to receive a 10% reduction on the fine amount. While the European Commission has assessed that NKT's role was substantially limited and the fine is considerably smaller than those imposed on other cable manufacturers, NKT disagrees with the Commission's decision and has therefore filed an appeal. As a consequence of the Commission's decision, NKT and other power cable producers face exposure to claims for damages in proceedings brought by customers or other third parties, including claims that have been filed by National Grid, Scottish Power and Vattenfall in the UK. In line with its appeal against the Commission's decision, NKT contests any civil damages claim that is based on this decision.

'According to the regulation for financial statements preparation, the Group Management is required to determine whether the interim statement can be presented on a 'going concern' basis. Based on outlook estimates, including examination of the latest 'forecast 2018', and future cash flow expectations, existence of credit facilities, etc., it is the opinion of the Group Management that there are no factors giving rise to doubt as to whether NKT can continue operating for at least 12 months from the balance sheet date. Information concerning Group cash resources and expectations for 2018 are included in the Management's review.

Note 2 Segment reporting

Amounts in EURm	Q1 2018	Year 2017*	Q4 2017*	Q3 2017*	Q2 2017*	Q1 2017*
Revenue (market prices)						
NKT - Solutions	159.6	680.2	204.0	214.0	177.6	84.6
NKT - Applications	163.4	668.3	144.1	165.3	185.4	173.5
NKT - Service & Accessories	35.8	106.9	29.0	30.3	31.2	16.4
Elimination of transactions between segments	-7.7	-26.5	-8.9	-13.0	-3.9	-0.7
NKT	351.1	1,428.9	368.2	396.6	390.3	273.8
NKT Photonics	12.4	50.9	21.0	11.2	11.2	7.5
Elimination of transactions between segments	0.0	-0.5	-0.5	0.0	0.0	0.0
NKT A/S	363.5	1,479.3	388.7	407.8	401.5	281.3
Revenue (std. metal prices)						
NKT - Solutions	139.5	589.0	177.8	182.9	154.6	73.7
NKT - Applications	91.7	399.9	86.8	103.2	108.3	101.6
NKT - Service & Accessories	30.2	88.7	24.6	24.2	26.4	13.5
Elimination of transactions between segments	-6.9	-19.6	-7.7	-7.1	-1.2	-3.6
NKT	254.5	1,058.0	281.5	303.2	288.1	185.2
NKT Photonics	12.4	50.9	21	11.2	11.2	7.5
Elimination of transactions between segments	0.0	-0.5	-0.5	0.0	0.0	0.0
NKT A/S	266.9	1,108.4	302.0	314.4	299.3	192.7
Operational EBITDA						
NKT - Solutions	18.7	110.6	31.9	38.1	32.8	7.8
NKT - Applications	-0.5	23.2	3.1	3.3	6.2	10.6
NKT - Service & Accessories	5.8	11.4	2.3	2.8	5.4	0.9
Non-allocated costs	-3.6	-6.9	-3.5	-0.4	-1.5	-1.5
NKT	20.4	138.3	33.8	43.8	42.9	17.8
NKT Photonics	-1.5	3.5	5.7	-0.8	0.7	-2.1
NKT A/S	18.9	141.8	39.5	43.0	43.6	15.7
One-off costs	-3.1	-44.9	-17.7	-7.5	-5.1	-14.6
EBITDA						
NKT	17.3	93.4	16.1	36.3	37.8	3.2
NKT Photonics	-1.5	3.5	5.7	-0.8	0.7	-2.1
NKT A/S	15.8	96.9	21.8	35.5	38.5	1.1

*Allocation between segments is based on management's estimate.

Note 2 Segment reporting - continued

Amounts in EURm	Q1 2018	Year 2017*	Q4 2017*	Q3 2017*	Q2 2017*	Q1 2017*
Operational EBIT						
NKT - Solutions	2.5	51.4	14.8	18.3	17.8	0.5
NKT - Applications	-3.0	11.7	-0.5	0.8	3.6	7.8
NKT - Service & Accessories	5.1	9.4	1.7	2.3	4.9	0.5
Non-allocated costs	-4.0	-8.6	-4.6	-0.6	-1.7	-1.7
NKT	0.6	63.9	11.4	20.8	24.6	7.1
NKT Photonics	-3.1	-1.7	3.7	-1.8	-0.5	-3.1
NKT A/S	-2.5	62.2	15.1	19.0	24.1	4.0
One-off costs	-3.1	-44.9	-17.7	-7.5	-5.1	-14.6
EBIT						
NKT	-2.5	19.0	-6.3	13.3	19.5	-7.5
NKT Photonics	-3.1	-1.7	3.7	-1.8	-0.5	-3.1
NKT A/S	-5.6	17.3	-2.6	11.5	19.0	-10.6
Working capital						
NKT - Solutions	-32.8	-134.6	-134.6	-84.3	-56.1	-72.5
NKT - Applications	50.4	22.1	22.1	31.2	15.4	36.5
NKT - Service & Accessories	15.2	7.9	7.9	8.6	15.3	9.0
Non-allocated items	-4.1	-1.9	-1.9	6.9	-5.2	-8.2
NKT	28.7	-106.5	-106.5	-37.6	-30.6	-35.2
NKT Photonics	19.6	23.1	23.1	17.0	16.2	12.2
Non-allocated items	0.0	-0.1	-0.1	0.0	0.0	0.0
NKT A/S (continuing operations)	48.3	-83.5	-83.5	-20.6	-14.4	-23.0

*Allocation between segments is based on management's estimate.

Note 3 Other notes

Amounts in EURm	31 March 2018	31 March 2017	31 December 2017
Net interest-bearing debt			
Interest-bearing loans and borrowings, non-current	456.4	635.4	332.8
Interest-bearing loans and borrowings, current	6.5	14.7	7.2
Interest-bearing receivables	-0.2	-0.2	-2.1
Cash at bank and in hand	-30.0	-10.6	-44.7
Net interest-bearing debt classified as held for sale	0.0	-1.1	0.0
Net interest-bearing debt classified as held for distribution to owners	0.0	-21.4	0.0
Net interest-bearing debt	432.7	616.8	293.2
 Working capital			
Inventories	247.4	216.6	226.1
Receivables and income tax	339.6	299.4	283.5
Trade payables, tax and other liabilities	-538.7	-559.0	-593.1
Working capital classified as held for sale	0.0	19.2	0.0
Working capital classified as held for distribution to owners	0.0	180.5	0.0
Working capital	48.3	156.7	-83.5

Note 4 Definitions

Items below refer to the Financial Highlights contained on page 25.

- 1. Revenue in std. metal prices** - Revenue in std. metal prices for copper and aluminium fixed at EUR/tonne 1,550 and EUR/tonne 1,350 respectively.
- 2. Organic growth** – Absolute organic sales growth (standard price) as a percentage of prior-year adjusted revenue (standard price). Organic growth is a measure of growth, excluding the impact of exchange adjustments from year-on-year comparisons, and including acquisitions and divestments. For acquisitions a pro forma revenue for the prior year is included in the calculation, and for divestments revenue for the prior year is removed from the calculation.
- 3. Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA)** - Earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for one-off items.
- 4. Operational earnings before interest and tax (Oper. EBIT)** - Earnings before interest and tax (EBIT) adjusted for one-off items.
- 5. Net interest-bearing debt** - Cash, investments and interest-bearing receivables less interest-bearing debt.
- 6. Capital employed** - Group equity plus net interest-bearing debt.
- 7. Working capital** - Current assets minus current liabilities (excluding interest-bearing items and provisions).
- 8. Net interest-bearing debt relative to operational EBITDA** - Operational EBITDA is calculated including discontinued operations on a rolling 12-months basis (LTM).
- 9. Solvency ratio (equity as a percentage of total assets)** - Equity excl. non-controlling interest as a percentage of total assets.
- 10. Return on capital employed (RoCE)** - Operational EBIT as a percentage of average capital employed. Calculated including discontinued operations on a rolling 12-months basis (LTM).
- 11. Earnings, EUR per outstanding share (EPS)** - Earnings attributable to equity holders of NKT A/S relative to average number of outstanding shares (EPS).
- 12. Equity value, EUR per outstanding share** - Equity attributable to equity holders of NKT A/S at period end per outstanding share at period end. Dilutive effect from warrants plan for Group Management and employees is not included in this ratio.

Statements made about the future in this report reflect the Group Management's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, among other things due to economic and financial market developments, legislative and regulatory changes in NKT A/S markets, development in product demand, competitive conditions, and energy and raw material prices. See also latest Annual Report for a more detailed description of risk factors.

NKT A/S disclaims any liability to update or adjust statements about the future or the possible reasons for

differences between actual and anticipated results except where required by legislation or other regulations.

The NKT A/S Interim Report Q1 2018 was published on 15 May 2018 and released through Nasdaq Copenhagen. The report is also available at investors.nkt.com.

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Photos: Courtesy of NKT.

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Financial highlights and ratios

Amounts in EURm	Q1 2018	Q1 2017	Year 2017
Income statement			
Revenue	363.5	281.3	1,479.3
Revenue in std. metal prices ¹⁾	266.9	192.7	1,108.4
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) ³⁾	18.9	15.7	141.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	15.8	1.1	96.9
Depreciation and impairment of property, plant and equipment	-16.4	-9.2	-61.3
Amortisation and impairment of intangible assets	-5.0	-2.5	-18.3
Operational earnings before interest and tax (Oper. EBIT) ⁴⁾	-2.5	4.0	62.2
Earnings before interest and tax (EBIT)	-5.6	-10.6	17.3
Financial items, net	-2.1	-1.9	-14.7
Earnings before tax (EBT)	-7.7	-12.5	2.6
Profit from continuing operations	-5.0	-7.9	-3.4
Profit from discontinued operations	0.0	20.5	932.2
Net profit	-5.0	12.6	928.8
Profit attributable to equity holders of NKT A/S	-5.0	12.6	928.8
Cash flow			
*Cash flow from operating activities	-131.8	-38.4	87.8
*Cash flow from investing activities	-9.6	-655.9	-493.3
*hereof investments in property, plant and equipment	-4.9	-14.0	-50.6
*Free cash flow	-141.4	-694.3	-405.5
Balance sheet			
Share capital	72.8	72.7	72.8
*Equity attributable to equity holders of NKT A/S	774.9	971.5	816.3
*Group equity	774.9	971.5	816.3
*Total assets	1,923.3	2,682.4	1,904.6
*Net interest-bearing debt ⁵⁾	432.7	616.8	293.2
*Capital employed ⁶⁾	1,207.6	1,588.3	1,109.5
*Working capital ⁷⁾	48.3	156.7	-83.5
Financial ratios and employees			
Operational EBITDA margin, continuing operations (std. metal prices)	7.1%	8.1%	12.8%
*Gearing (net interest-bearing debt as % of Group equity)	56%	63%	36%
*Net interest-bearing debt relative to operational EBITDA ⁸⁾	3.0	2.2	1.9
*Solvency ratio (equity as % of total assets) ⁹⁾	40%	36%	43%
*Return on capital employed (RoCE) (LTM) ¹⁰⁾	7.8%	12.1%	11.8%
Number of DKK 20 shares ('000)	27,126	27,071	27,126
*Earnings, EUR per outstanding share (EPS) ¹¹⁾	-0.2	0.5	34.3
Distribution of shares in Nilfisk Holding A/S, value DKK per share	0.0	0.0	285.2
*Equity value, EUR per outstanding share ¹²⁾	29	36	30
*Market price, DKK per share	197	512	283
*Average number of employees	3,689	8,982	3,600

^{1) - 12)} Definitions appear in Note 4. *) Including discontinued operations in 2017

Financial highlights and ratios are calculated as defined in the 2017 Annual Report.



NKT A/S

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