

The NKT logo is displayed in a white, stylized, blocky font. The background of the entire slide is a blue-tinted photograph of three workers in safety gear performing maintenance on a large, multi-tiered electrical insulator at a power substation.

NKT

17 August 2021

Q2 2021 Interim Report

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 presenting team



Alexander Kara
President & CEO

NKT A/S



Line Andrea Fandrup
CFO

NKT A/S



Basil Garabet
President & CEO

NKT Photonics

Key messages Q2 2021

- **Organic growth** of 21% in NKT with all three business lines contributing positively and increased operational EBITDA to the highest level since 2017
- **NKT's high-voltage order backlog returned to a record level** driven by the project awards of Troll West and Dogger Bank C
- **Highest ever Q2 revenue** in NKT Photonics with 28% organic growth driven by the Industrial segment
- The Board of Directors decided to **resume the review of strategic alternatives for NKT Photonics**

Agenda

- 05 **NKT**
- 12 NKT Photonics
- 15 Financial highlights
- 22 Questions & Answers

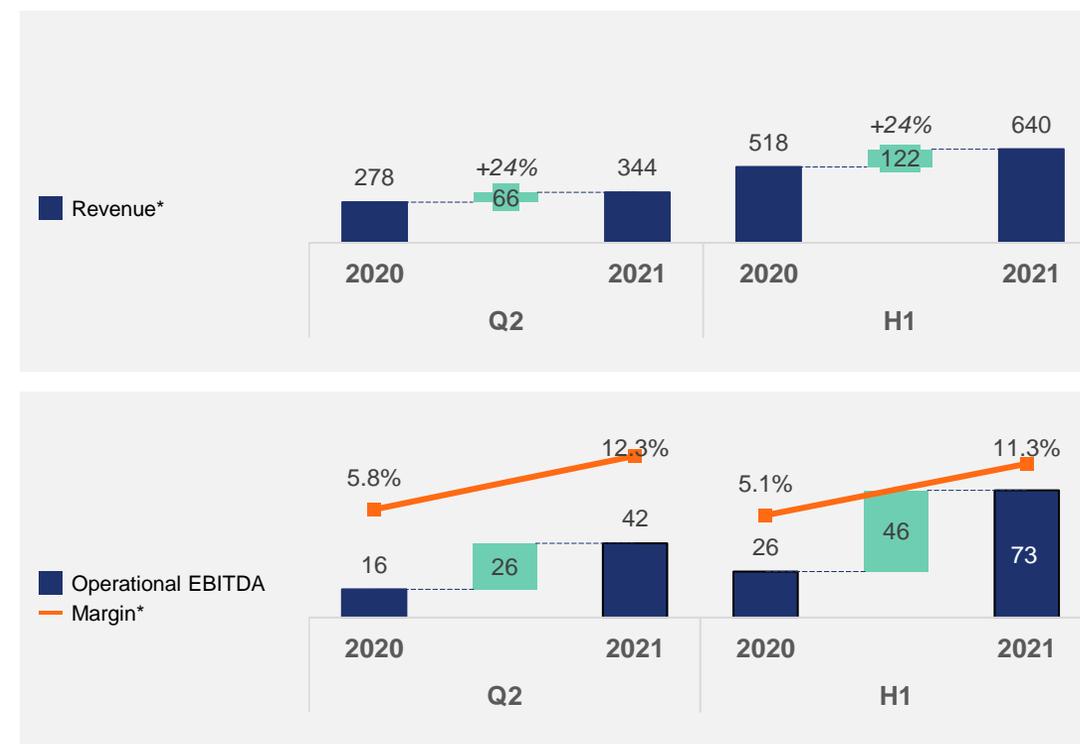
NKT performance in Q2 2021

Positive performance driven by all three business lines

Key developments in Q2 2021

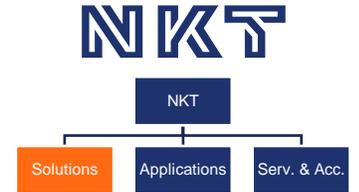
- All three business lines in NKT delivered improved revenue and earnings. Organic growth amounted to 21%
- **Solutions'** positive financial development was driven by higher factory utilization from execution of orders across power cable types awarded over recent years
- Awards of Troll West in Norway and Dogger Bank C in the UK returned NKT's high-voltage order backlog to a record level of EUR 3.16bn at end-Q2 2021
- **Applications** continued to improve financial performance due to increased revenue and effectiveness of efficiency initiatives
- **Service & Accessories** achieved the highest ever quarterly revenue and operational EBITDA due to an exceptionally high volume of repair work in the service business

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q2 2021



Improvement driven by execution of order backlog

Customer offerings



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

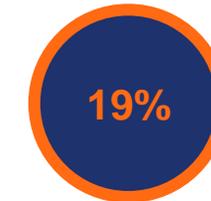
Development during Q2 2021

- Improved revenue and profitability with progress on several projects through varying stages of execution including Dogger Bank A, Ostwind 2, Shetland, Troll West and Viking Link
- The NordLink power cable system was put in operation enabling efficient exchange of renewable energy between Norway and Germany
- NKT Victoria, the company's cable-laying vessel, was utilized extensively for installation and service assignments
- To further support the journey towards the medium-term ambitions, NKT is currently reviewing the setup and cost structure in Solutions

Q2 2021 financial highlights



Revenue* EUR
(Q2 2020: EUR 135m)



Organic growth
(Q2 2020: 21%)



Oper. EBITDA EUR
(Q2 2020: EUR 9.1m)

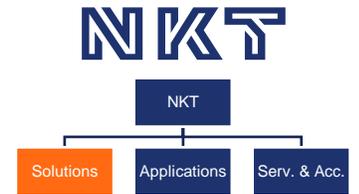


* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market development

High activity level leading to order awards



Key developments

- NKT awarded two large projects in Q2 2021:
 - NKT was awarded the turnkey order to provide power from shore to **Troll West** in Norway. The order comprised turnkey supply and installation by NKT Victoria of a high-voltage AC offshore power cable system with three dynamic sections
 - NKT secured the high-voltage turnkey order for the **Dogger Bank C** offshore wind farm. The order comprised the manufacture and delivery of DC offshore export power cables and accessories as well as installation by NKT Victoria
- NKT estimates that the value of projects awarded in the market in 1st half 2021 was more than EUR 2bn (NKT's assessment of its addressable high-voltage power cable projects)
- These projects covered all power cable types and geographies
- During first half of 2021, the majority of projects awarded in the market was with DC technology while awards of AC projects were at a lower level

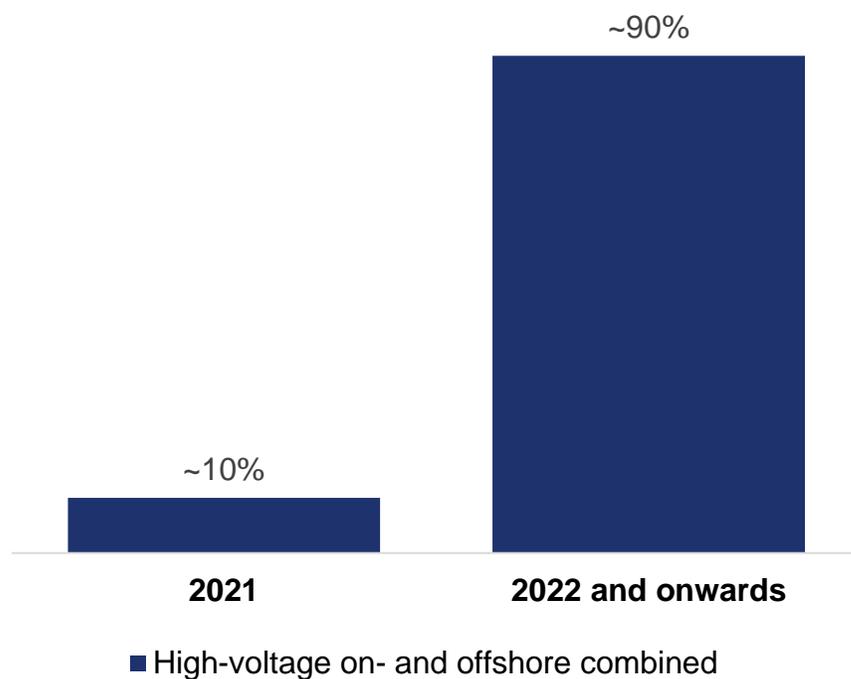
Recent notable order wins for NKT

| Name | Announced | Size (EURm) | Type |
|--|-----------|-------------|------------------|
| Dogger Bank C  | Jun 2021 | ~280 | Offshore wind |
| Troll West  | Apr 2021 | ~95 | Power from shore |
| BorWin5  | Aug 2020 | <250 | Offshore wind |
| Shetland  | Jul 2020 | ~235 | Interconnector |
| SuedLink  | Jun 2020 | >1,000 | Interconnector |

High-voltage order backlog

The high-voltage order backlog returned to a record level of EUR 3.16bn* at end-Q2 2021, up from EUR 2.95bn at end-Q1 2021

Order backlog providing future coverage...



...and diverse across application and commissioning



OFFSHORE WIND

| | | |
|-------------------|------|--|
| Borssele Beta | 2021 | |
| Hornsea 2 | 2021 | |
| Moray East | 2021 | |
| Ostwind 2 | 2022 | |
| Dogger Bank A & B | 2023 | |
| BorWin5 | 2025 | |
| Dogger Bank C | 2026 | |



INTERCONNECTORS

| | | |
|--------------------|------|--|
| Nordlink | 2021 | |
| Beckomberg-Bredäng | 2023 | |
| Viking Link | 2023 | |
| Attica-Crete | 2023 | |
| Shetland | 2024 | |
| SuedOstLink | 2025 | |
| SuedLink | 2026 | |

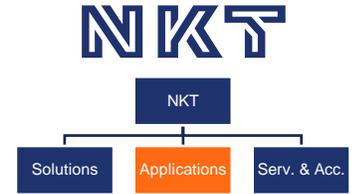


OIL & GAS

| | | |
|------------------|------|--|
| Johan Sverdrup 2 | 2022 | |
| Troll West | 2023 | |

* Market prices (EUR 2.66bn in std. metal prices)

Applications – Q2 2021



Continued improvement in profitability

Customer offerings



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

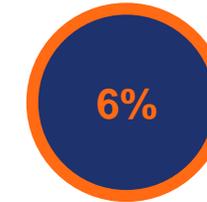
Development during Q2 2021

- Healthy market conditions and the Covid-19 pandemic was assessed to have had limited negative impact
- High demand for building wires in Poland supplemented by surrounding markets in Northern Europe
- Relocation of building wire production from Denmark to Poland progressed according to plan with investment in the required production area in Poland
- Medium-voltage segment in Scandinavia also contributed to growth, but sales to the German and Dutch markets were down

Q2 2021 financial highlights



Revenue* EUR
(Q2 2020: EUR 114m)



Organic growth
(Q2 2020: 10%)

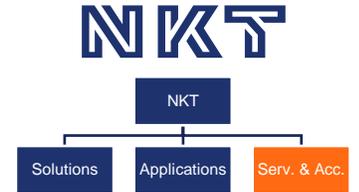


Oper. EBITDA EUR
(Q2 2020: EUR 5.5m)



* Std. metal prices

Service & Accessories – Q2 2021



Exceptional strong financial performance

Customer offerings



- High- and medium-voltage accessories
- Services

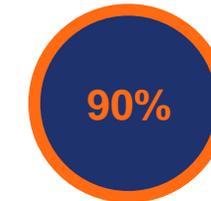
Development during Q2 2021

- Record quarter for the service business due to exceptionally high volume of offshore power cable repair work. NKT successfully concluded three offshore cable repairs in parallel
- NKT's recurring onshore maintenance business also performed well driven by both the German and Swedish markets
- The accessories business contributed to the growth in revenue driven by the medium-voltage accessories segment
- NKT continued the centralization of high-voltage accessories production from Cologne in Germany to Alingsås in Sweden

Q2 2021 financial highlights



Revenue* EUR
(Q2 2020: EUR 36m)



Organic growth
(Q2 2020: 4%)



Oper. EBITDA EUR
(Q2 2020: EUR 4.1m)



* Std. metal prices

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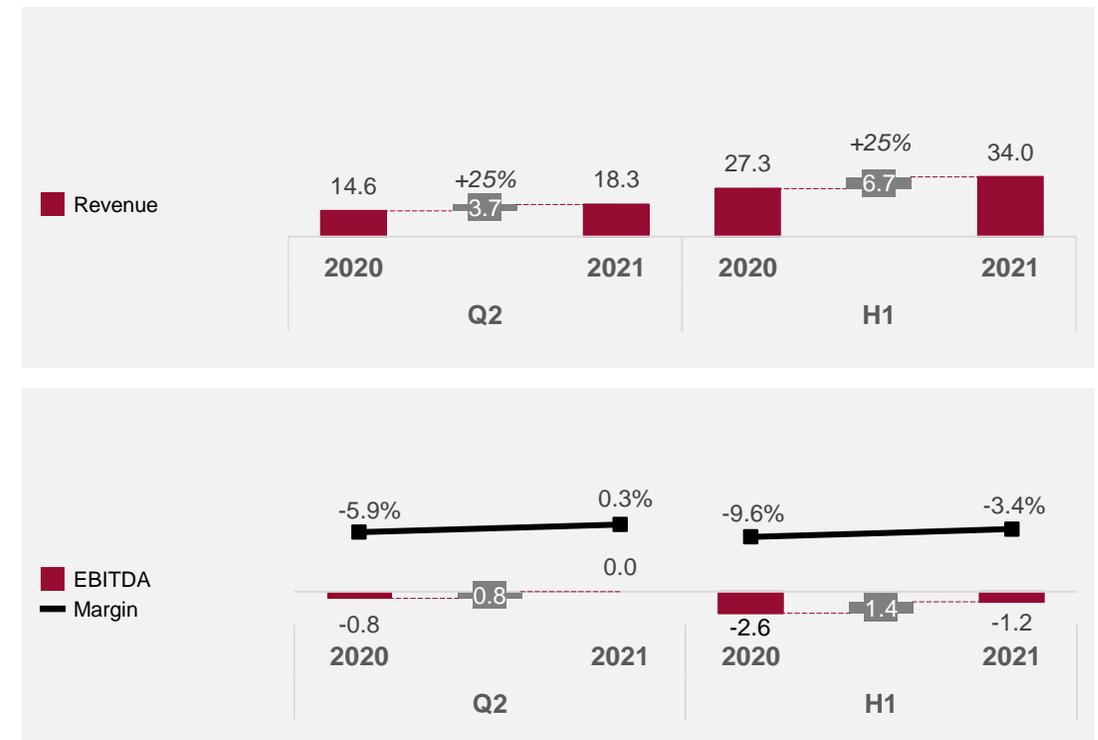
NKT Photonics performance in Q2 2021

Highest Q2 revenue ever for NKT Photonics

Key developments in Q2 2021

- NKT Photonics **improved both revenue and EBITDA** after the corresponding period last year was adversely impacted by the COVID-19 pandemic
- **Organic growth was 28%** mainly driven by growth in the industrial, while Medical & Life Science and Aerospace & Defence reported modest growth
- Due to the higher revenue **EBITDA increased**. Earnings included redundancy costs of EUR 0.4m
- NKT Photonics recorded its **highest ever Q2 order intake**, with the order intake up by 41%
- In July 2021, the Board of Directors decided to resume the review of strategic alternatives for NKT Photonics

Key financial highlights (EURm)



Business development

Medical & Life Science



Main applications:

Bio-imaging & Microscopy
 Medical devices
 Ophthalmology

- Primary growth drivers were microscopy and ophthalmology
- Continued to benefit from laser product launches in 2020

Industrial



Main applications:

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

- Most significant growth contributors were the semiconductor industry, growing areas within quantum research and quantum computing, and power cable monitoring and Distributed Acoustic Sensing

Aerospace & Defence

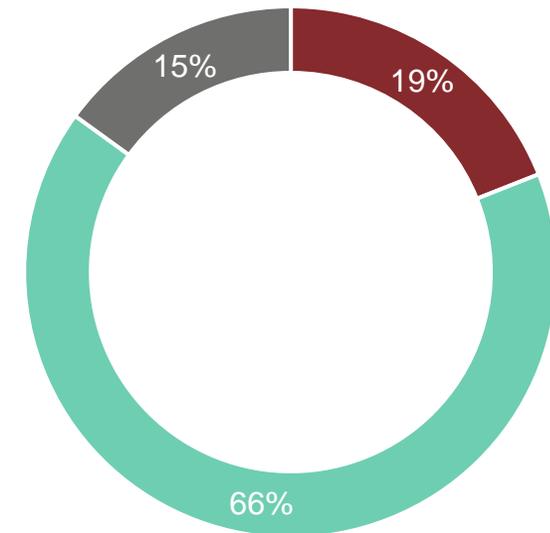


Main applications:

Aerospace
 DIRCM
 Directed Energy
 Remote sensing

- The activity level in the project-heavy market was high
- The segment is growing, and new orders are expected in the coming quarters

Revenue distribution (Q2 2021, LTM)



■ Medical & Life Science ■ Industrial ■ Aerospace & Defence

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NKT Group: Improved revenue and operational EBITDA driven by both NKT and NKT Photonics



Income statement highlights

| EURm | Q2 | | 1st half | | FY |
|---|------------|------------|------------|------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2020 |
| Revenue | 515 | 372 | 945 | 704 | 1,470 |
| Revenue (Std. metal prices) | 362 | 291 | 673 | 544 | 1,155 |
| Organic growth | | | | | |
| NKT | 21% | 15% | 21% | 17% | 15% |
| NKT Photonics | 28% | -20% | 27% | -17% | -6% |
| Operational EBITDA | 42 | 15 | 71 | 24 | 59 |
| NKT | 42 | 16 | 73 | 26 | 57 |
| NKT Photonics | 0 | -1 | -1 | -3 | 3 |
| Operational EBITDA margin | | | | | |
| NKT* | 12.3% | 5.8% | 11.3% | 5.1% | 5.2% |
| NKT Photonics | 0.3% | -5.9% | -3.4% | -9.6% | 3.7% |
| One-off items | 0 | -9 | 2 | -9 | -10 |
| EBITDA | 42 | 7 | 73 | 15 | 49 |
| Depreciation, amortization and impairment | -25 | -23 | -50 | -46 | -97 |
| Financial items, net | -4 | 0 | -7 | -7 | -17 |
| Tax | -3 | 3 | -4 | 4 | -10 |
| Net result | 11 | -13 | 13 | -34 | -75 |
| Full-time employees, average | | | | | |
| NKT | 3,729 | 3,354 | 3,650 | 3,275 | 3,390 |
| NKT Photonics | 391 | 407 | 396 | 408 | 410 |

Key developments in Q2 2021

- >20% **organic growth** in both NKT and NKT Photonics
- Strong growth in **operational EBITDA** for the NKT Group
 - NKT: Increased activity level led to improved profitability in all three business lines
 - NKT Photonics: Revenue growth resulted in break even in operational EBITDA
- **No one-off items** were recognized
- **FTE level** increased primarily due to the increasing activity level in Solutions

* Std. metal prices

NKT Group: Temporary increase in working capital driving up total assets



Balance sheet highlights

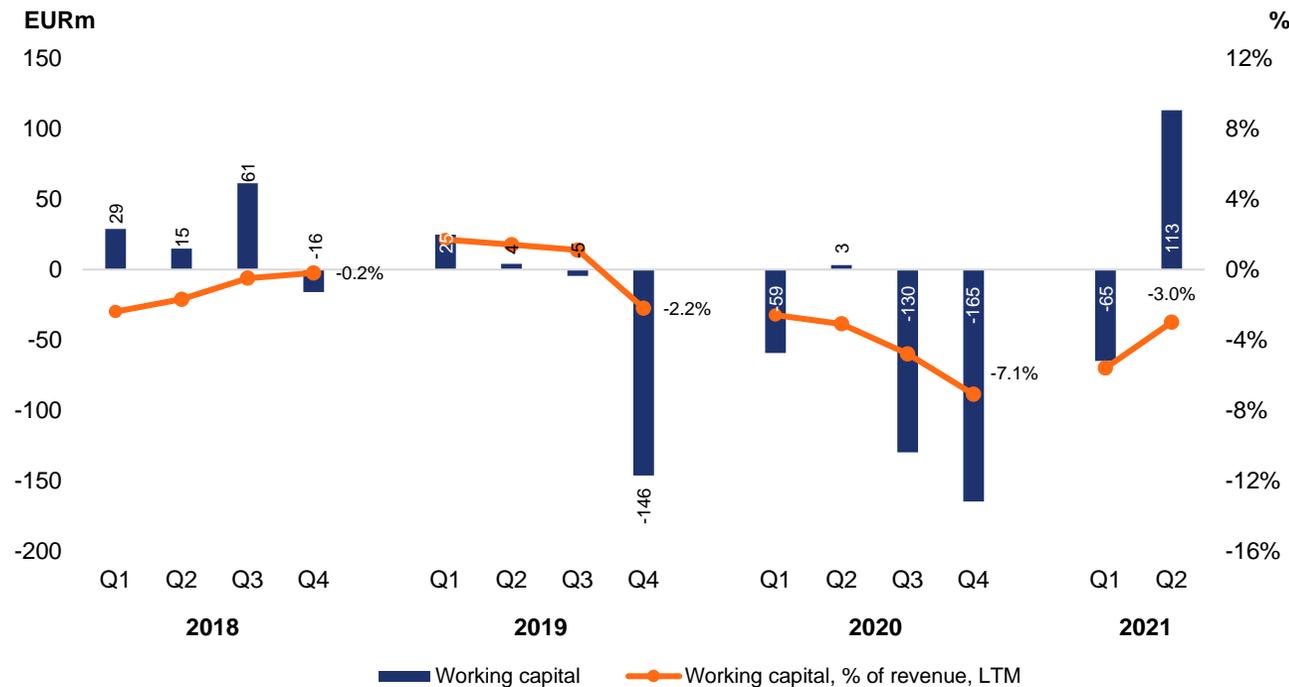
| EURm | 30 Jun | | 31 Mar | | 31 Dec |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2020 |
| Working capital | 139 | 34 | -39 | -30 | -137 |
| NKT | 113 | 3 | -65 | -59 | -165 |
| NKT Photonics | 26 | 31 | 26 | 29 | 27 |
| Capital employed | 1,348 | 1,186 | 1,140 | 1,102 | 1,051 |
| NKT | 1,238 | 1,076 | 1,030 | 994 | 940 |
| NKT Photonics | 110 | 110 | 110 | 108 | 111 |
| RoCE | 0.5% | -5.1% | -1.7% | -5.3% | -3.5% |
| NKT | 1.5% | -5.4% | -0.9% | -6.1% | -2.9% |
| NKT Photonics | -8.7% | -2.2% | -9.0% | 3.0% | -8.8% |
| Net interest-bearing debt (NIBD) | 186 | 324 | 31 | 378 | -26 |
| NIBD / Operating EBITDA, LTM | 1.7x | 7.6x | 0.4x | 9.3x | -0.4x |
| Total assets | 2,405 | 1,902 | 2,246 | 1,796 | 2,151 |
| Total equity | 1,162 | 862 | 1,109 | 724 | 1,076 |

- Working capital increased from end-Q1 2021
 - NKT: Increase was driven by Solutions and Applications. More information on the next slide
 - NKT Photonics: More effective collection of trade receivables contributed to lower working capital
- Return to positive RoCE mainly due to improved profitability in NKT
- The debt level and leverage ratio increased from end-Q1 2021 due to working capital development and investments
 - Compared to end-Q2 2020, the lower debt was mainly due to the issuance of new shares in December 2020

NKT: Increase in working capital due to developments in Solutions and Applications



NKT: Quarterly development in working capital



- Working capital increased in NKT compared to end-Q1 2021:
 - Solutions: Increased due to 1) phasing of milestone payments relating to projects in the order backlog, and 2) unrealized value adjustments of hedging instruments drove up the working capital due to higher commodity prices
 - Applications: Higher level as 1) higher commodity prices led to increases in inventory and receivables that offset the corresponding increase in payables, and 2) inventory was built up for the summer period
- Working capital will primarily depend on timing of payments in Solutions, which will lead to quarterly fluctuations

NKT Group: Working capital development and investments outweighed positive EBITDA



Cash flow statement highlights

| EURm | Q2 | | 1st half | | FY |
|--|-------------|------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2021 | 2020 | 2020 |
| Cash flow from operating activities | -100 | -12 | -122 | -133 | 136 |
| EBITDA | 42 | 7 | 73 | 15 | 49 |
| Financial items, net | -4 | 0 | -7 | -7 | -17 |
| Changes in working capital | -143 | -27 | -193 | -142 | 115 |
| Others | 4 | 8 | 5 | 2 | -11 |
| Cash flow from investing activities | -56 | -21 | -85 | -36 | -107 |
| Capex | -56 | -21 | -87 | -36 | -107 |
| Acquisition and divestment of businesses | 0 | 0 | 2 | 0 | 0 |
| Free cash flow | -155 | -33 | -207 | -169 | 29 |
| Cash flow from financing activities | 1 | 35 | -7 | 167 | 204 |
| Net cash flow | -154 | 2 | -214 | -2 | 233 |

- Cash flow from operating activities was negative in Q2 2021
 - EBITDA was positive driven by NKT
 - Unfavorable development in working capital due to Solutions and Applications in NKT
- Cash flow from investing activities impacted by higher investments in NKT in Q2 2021
 - In Solutions, the planned investment programme to upgrade the high-voltage production sites was further progressed
- Limited change in Cash flow from financing activities in Q2 2021 as revolving credit facility was almost undrawn

Financial outlook 2021



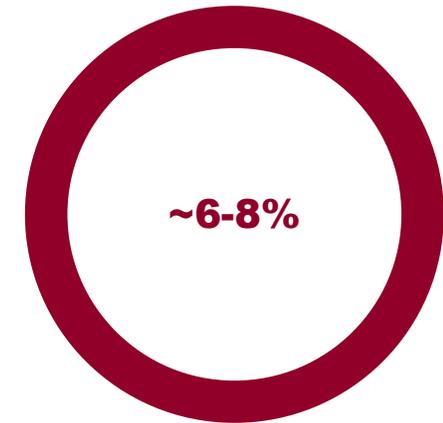
Revenue*



Operational EBITDA



Organic growth



EBITDA margin

- For NKT and NKT Photonics, the financial outlooks are subject to uncertainty due to the general market situation of constrained access to both raw materials and material for the production as well as the continued unknown development of the COVID-19 pandemic

Key messages **Q2 2021**

- **Organic growth** of 21% in NKT with all three business lines contributing positively and increased operational EBITDA to the highest level since 2017
- **NKT's high-voltage order backlog returned to a record level** driven by the project awards of Troll West and Dogger Bank C
- **Highest ever Q2 revenue** in NKT Photonics with 28% organic growth driven by the Industrial segment
- The Board of Directors decided to **resume the review of strategic alternatives for NKT Photonics**



QUESTIONS & ANSWERS

Financial calendar



2021

Event

17 November

➤ **Interim Report, Q3 2021**

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