

The NKT logo is displayed in a white, stylized, blocky font. The background of the entire image is a blue-tinted photograph of two workers in hard hats and safety glasses working on a large, metallic industrial component, possibly a transformer or a large valve, in an outdoor industrial setting. The workers are focused on their task, and the overall scene conveys a sense of industrial precision and safety.

NKT

28 February 2019

Annual Report 2018

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



Roland M. Andersen

NKT A/S

Interim CEO and CFO



Basil Garabet

NKT Photonics

President & CEO

Agenda



04 NKT

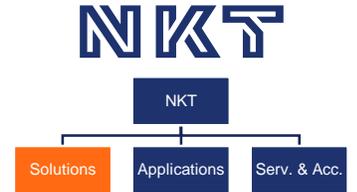
- 14 NKT Photonics
- 18 Financial highlights
- 27 Questions & Answers

Key highlights Q4 2018

<p>EUR 232.3m Revenue (std. metal prices)</p>	<p>Compared to EUR 281.5m in Q4 2017. Development in line with latest financial outlook</p>
<p>-16% Organic growth</p>	<p>Positive development in Applications was more than offset by Solutions with lower project activity</p>
<p>EUR -8.4m Operational EBITDA</p>	<p>Down from EUR 33.8m in Q4 2017 due to lower activity and two projects delayed due to external factors in Q4 2018 in Solutions</p>
<p>EUR 1.12bn High-voltage order backlog</p>	<p>Increased by EUR 0.47bn compared to end-Q3 2018 as three large projects were added</p>

- Revenue and Earnings in **Solutions** were negatively impacted by lower production activity in Karlskrona, and delays of two high-voltage projects due to external factors
- Profitability in **Applications** unsatisfactorily low impacted negatively by implementation of transformational initiatives
- Satisfactory performance in **Service & Accessories**
- Pick-up in high-voltage project awards during 2nd half of 2018. Three large projects of around EUR 560m awarded to NKT in Q4 2018, but without material production impact for Karlskrona in 2019
- Realized figures compared to financial outlook for 2018
 - Revenue: EUR 1.08bn vs. outlook of EUR ~1.0-1.1bn
 - Operational EBITDA: EUR 70.2m vs. outlook of EUR ~70m

Solutions – Q4 2018



Lower operational EBITDA as expected.
Three large high-voltage project awards in Q4 2018

Customer offerings	
Development during Q4 2018	<ul style="list-style-type: none"> High-voltage AC/DC on/-off-shore cables Project execution in line with expectations communicated in November 2018 Profitability negatively impacted by external factors related to two ongoing high-voltage projects. Both projects are now on track according to revised timetables Cable system delivery finalized for the offshore wind farm Kriegers Flak
NKT Victoria	<ul style="list-style-type: none"> NKT Victoria registered satisfactory deployment in Q4 2018, with deployment to various offshore projects

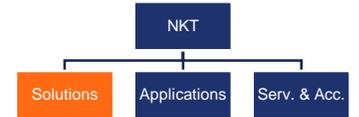
Q4 2018 financial highlights



* Std. metal prices

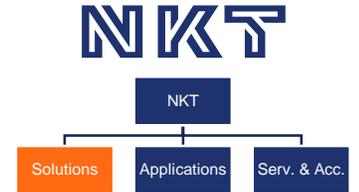
Note: AC = Alternating Current and DC = Direct current

Three large projects awarded in Q4 2018



	Highlights	Contract value	Cable type
Offshore wind	 <p>Moray East</p> <ul style="list-style-type: none"> • Award of delivery and installation of export cable system • Manufacturing as well as installation by NKT Victoria • Production to start in Karlskrona in 2019 and installation to commence in 2020 		<ul style="list-style-type: none"> • ~175 km of 220 kV AC offshore export cables
	 <p>Ostwind 2</p> <ul style="list-style-type: none"> • The largest offshore export cable order ever to NKT • Cables will be manufactured both in Karlskrona and Cologne • Production start beginning of 2020 and fully commissioned at end-2022 		<ul style="list-style-type: none"> • ~270 km of 220 kV AC offshore export cables • ~8 km of 220 kV AC onshore cables
Oil & Gas	 <p>Johan Sverdrup 2</p> <ul style="list-style-type: none"> • Award of turnkey HVDC power cable solution • NKT completed supply and installation of the high-voltage DC power cable solution for Johan Sverdrup 1 • Expected production start-up is end-2019 in Karlskrona 		<ul style="list-style-type: none"> • 2 x ~200 km of 80 kV DC offshore cables

High-voltage market update



Market improved in 2nd half 2018.

Medium- to long-term attractiveness remains

- Project awards improved in 2nd half 2018. However, during 2017 and 2018 the market has been impacted by postponements of large interconnector projects
 - The reasons are partly political and legislative, and partly due to a number of other specific local issues
- NKT estimates that project awards in the relevant high-voltage market* amounted to approx. EUR 3bn in 2018 compared to approx. EUR 1.2bn in 2017
- NKT expects that the value of new high-voltage project awards in 2019 will be at least on par with the level in 2018
- The high-voltage market viewed attractive in the medium- to long-term. Tender activity is ongoing on a number of projects across geographies and market segments

NKT well positioned in the market

Leading provider of high quality turnkey solutions

Advanced cable production factories and specialized DP3 cable laying vessel

Highly experienced cable manufacturer produced ~50% of all installed wind export cables**

Best in class technology with ability to produce highest voltage ratings worldwide

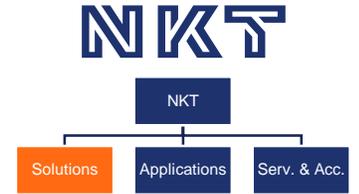
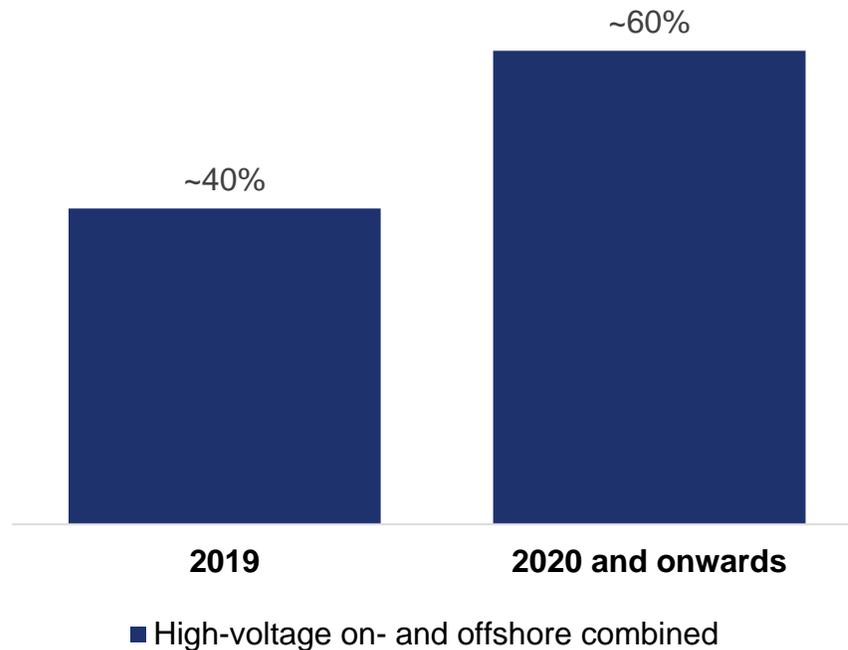
Well positioned for future HVDC offshore and onshore projects

* Management estimate of projects larger than EUR 5m

** Source: 4C Offshore 2017. Market share of cable manufacturers 132-220kV – all offshore construction since 2010 (NKT incl. ABB HV Cables)

High-voltage order backlog

High-voltage order backlog increased to EUR 1.12bn* at end-2018 from EUR 0.65bn at end-Q3 2018

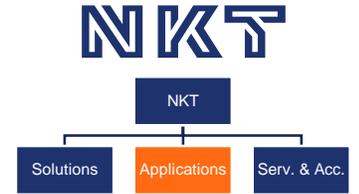


Mix of high-voltage projects

Offshore wind			Interconnectors		
Borssele Alpha	2019		Caithness Moray	2019	
Borssele Beta	2020		Nordlink	2020	
Hornsea 1	2019		Oil & Gas		
Triton Knoll	2020		Martin Linge	2019	
Hornsea 2	2021		Johan Sverdrup 2	2022	
Moray East	2021				
Ostwind 2	2022				

* Market prices (EUR 0.94bn in std. metal prices)

Applications – Q4 2018



Solid organic growth, but profitability unsatisfactorily low

Customer offerings	<ul style="list-style-type: none"> ▪ Medium- and low-voltage cables & building wires ▪ Power cables for telecom market
Development during Q4 2018	<ul style="list-style-type: none"> ▪ Solid organic growth performance driven by relatively smaller markets in France and the UK ▪ Normalized situation in Sweden following negative weather-related market impact ▪ Competitive market situations in Denmark and Germany impacting growth
Lower operational EBITDA	<ul style="list-style-type: none"> ▪ Operational EBITDA still at unsatisfactory level ▪ Transformational initiatives was not implemented according to plan and that continued to impact earnings negatively

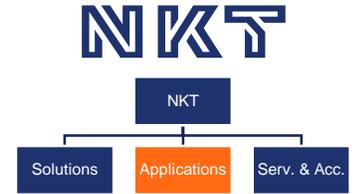
Q4 2018 financial highlights



* Std. metal prices

More focused approach to transformation in Applications to come in 2019

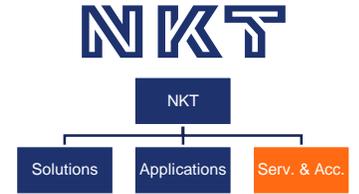
Unsatisfactory level of profitability in 2018



More focused execution required

- Implementing a number of transformational initiatives proved more difficult than expected during 2018
- A more focused approach to implementation and follow-up introduced
- Initiatives will for now be limited to those that improve near-term profitability including:
 - Workforce reductions
 - Improve production throughput
 - Supply chain planning
 - Procurement optimizations
- The positive effects from these initiatives are expected to gradually materialize during 2019

Service & Accessories – Q4 2018



Satisfactory financial results

Customer offerings	 <ul style="list-style-type: none"> High-, medium- and low-voltage accessories Services
Development during Q4 2018	<ul style="list-style-type: none"> NKT executed on a number of onshore cable maintenance and repair projects No large offshore cable repairs were conducted during Q4 2018 Revenue growth in Accessories driven by regions outside Europe such as Middle East and Australia The business line and especially the service part has demonstrated its potential during 2018
Railway divested	<ul style="list-style-type: none"> The divestment of the railway activities was completed in February 2019

Q4 2018 financial highlights



* Std. metal prices

Cost programme launched in February 2019

Execution without hindering future anticipated growth

Cost reduction lever

Comments

Staff costs

- NKT plans to reduce the white-collar organization by around 8% which is equivalent to around 130 white-collar employees
- Reduction executed without hindering anticipated growth in the coming years

General spend

- Focused approach to lower various general and administrative cost items
- Procurement efficiency initiatives
- Cash flow optimization

Expected annual positive EBITDA impact is approx. EUR 15m, of which approx. half will materialize in 2019. One-off costs related to the programme expected at approx. EUR 8-10m to be expensed in 2019.

Agenda



- 04 NKT
- 14 NKT Photonics**
- 18 Financial highlights
- 27 Questions & Answers

Key highlights in Q4 2018

EUR 22.5m

Revenue

Up by EUR 1.5m against Q4 2017, driven by broad-based growth

7%

Organic growth

Solid growth momentum throughout 2018 with organic growth of 16%

EUR 8.0m

EBITDA

Increased by EUR 2.3m compared to Q4 2017, driven by the growth in revenue

22%

Order intake growth

Improvement across product categories and business segments

- Continued favourable market conditions across product categories and business segments
- As in the previous years, the final quarter of 2018 was the most significant earnings contributor
- NKT Photonics continues to invest in creating a stronger organizational platform
- Establishment of a US facility in Boston to increase presence in the global photonics market
- Realized figures compared to financial outlook for 2018
 - Revenue: EUR 67.7m vs. outlook EUR ~65-70m
 - EBITDA: EUR 9.0m vs. outlook of EUR ~10m

Business development – Q4 2018

Imaging & Metrology 35% of revenue



Markets:

- Semiconductor
- Bio-imaging & Medical
- Industrial metrology

- Continued to be an important driver for growth
- The growth was broadly based across markets, including semiconductors, life sciences, and scientific markets

Sensing & Energy 32% of revenue



Markets:

- Energy
- Security
- Structural monitoring

- Positive revenue development primarily driven by the Koheras single-frequency fiber laser product line, and the LIOS product series

Material Processing 33% of revenue

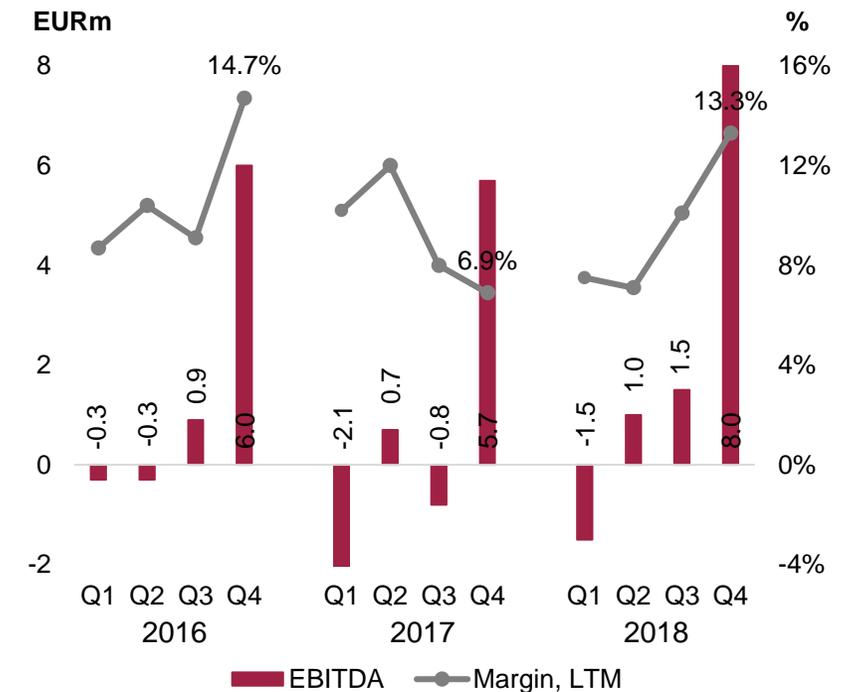


Markets:

- Micromachining
- Medical
- R&D

- Growth came mainly from ultrafast lasers for medical applications and from components for ultrafast lasers used in industrial micromachining

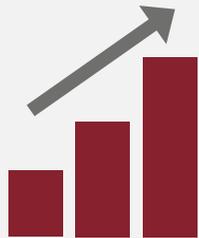
EBITDA performance



Strategic direction continues in 2019

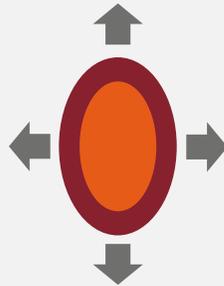
Move up in value chain

Expand from supply of components to complete optical systems



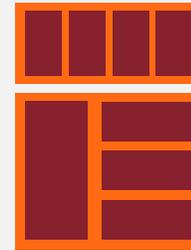
Focus on organic growth

Actively pursue growth opportunities within core areas organically and through partnerships



LEAN Operations

Scalable manufacturing
Commercial excellence



Fast introduction of new products

Continued introduction of new products and technologies to meet customers' needs



- Since 2015, the strategic direction of NKT Photonics has been to grow the business and increase profitability by prioritizing focus on commercialization
- During 2018, 14 initiatives within the four above key focus areas were launched

Agenda

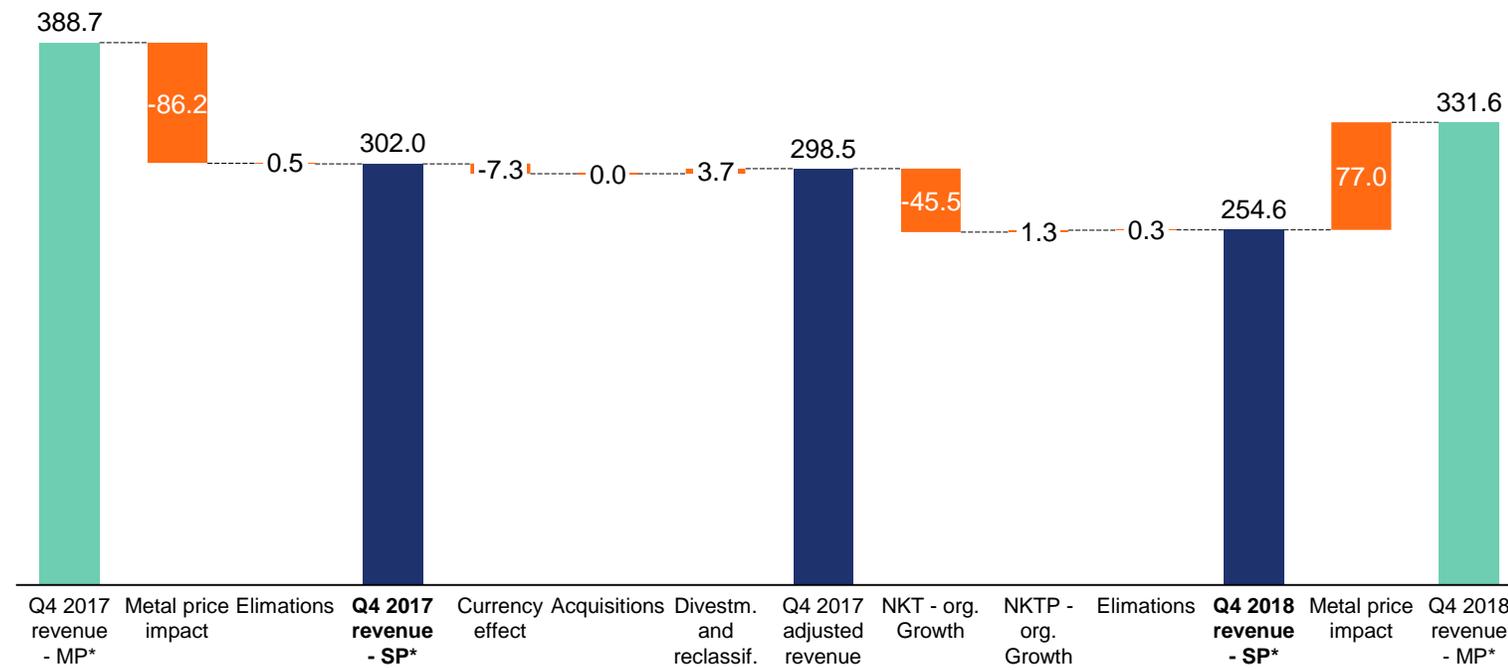


- 04 NKT
- 14 NKT Photonics
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NKT A/S: Group revenue development in Q4 2018

Growth negatively impacted by NKT

Revenue development (EURm)



Comments

- Lower revenue driven by development in NKT
 - Organic growth was -16% in NKT and 7% in NKT Photonics
- The currency effect mainly related to the weakening of SEK
- Smaller reclassifications in NKT impacted revenue

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

NKT A/S: Group income statement highlights

Lower profitability due to NKT

Financial highlights

EURm	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenue	331.6	388.7	1,501.6	1,479.3
Revenue (Std. metal prices)	254.6	302.0	1,147.1	1,108.4
Organic growth				
NKT	-16%	-1%	0%	7%
NKT Photonics	7%	13%	16%	7%
Operational EBITDA	-0.3	39.5	79.3	141.8
NKT	-8.4	33.8	70.2	138.3
NKT Photonics	8.0	5.7	9.0	3.5
Operational EBITDA margin				
NKT	-3.6%	12.0%	6.5%	13.1%
NKT Photonics	35.6%	27.1%	13.3%	6.9%
One-off costs	-9.1	-17.7	-29.5	-44.9
EBITDA	-9.4	21.8	49.8	96.9
Depreciation and impairment of PP&E	-18.0	-18.2	-66.4	-61.3
Amortisation and impairment of int. assets	-5.8	-6.2	-20.9	-18.3
Financial items, net	-1.8	-3.3	-8.0	-14.7
Tax	-5.2	-4.8	-0.8	-6.0
Profit from continuing operations	-40.2	-10.7	-46.3	-3.4
Full-time employees, end of period				
NKT	3,419	3,393	3,419	3,393
NKT Photonics	349	302	349	302

Comments

- Operational EBITDA in Q4 2018 impacted by the lower revenue
 - NKT: Profitability in Solutions was reduced by two project specific delays and lower capacity utilization in Karlskrona. Profitability in Applications was not satisfactory
 - NKT Photonics: Improvement driven by revenue growth
- One-off costs in Q4 2018 related to NKT
 - EUR 2.3m for the integration of ABB HV Cables
 - EUR 4.7m for strategic initiatives primarily related to the EXCELLENCE 2020 strategy and to the cost base adjustment announced in the Q1 2018 Interim Report
 - EUR 2.0m of severance costs related to the previous CEO
- Net profit down due to the lower EBITDA

NKT A/S: Group operational EBITDA

Operational EBITDA, LTM, down from peak in 2017

Quarterly development in operational EBITDA



Comments

- The operational EBITDA margin, LTM, was down 3%-points from Q3 2018 to Q4 2018, which reflected the lower profitability level in NKT
- The profitability improvement from 2015 to 2017 was primarily driven by the acquisition of the ABB HV Cables activities and divestment of Chinese operations in NKT
 - The acquisition of the ABB HV Cables was completed in Q1 2017
 - Divestment of all Chinese business activities in Q4 2016

* Excluding figures from Nilfisk

** Based on revenue in std. metal prices

NKT A/S: Group balance sheet highlights

Positive working capital development during Q4 2018 driven by NKT

Financial highlights

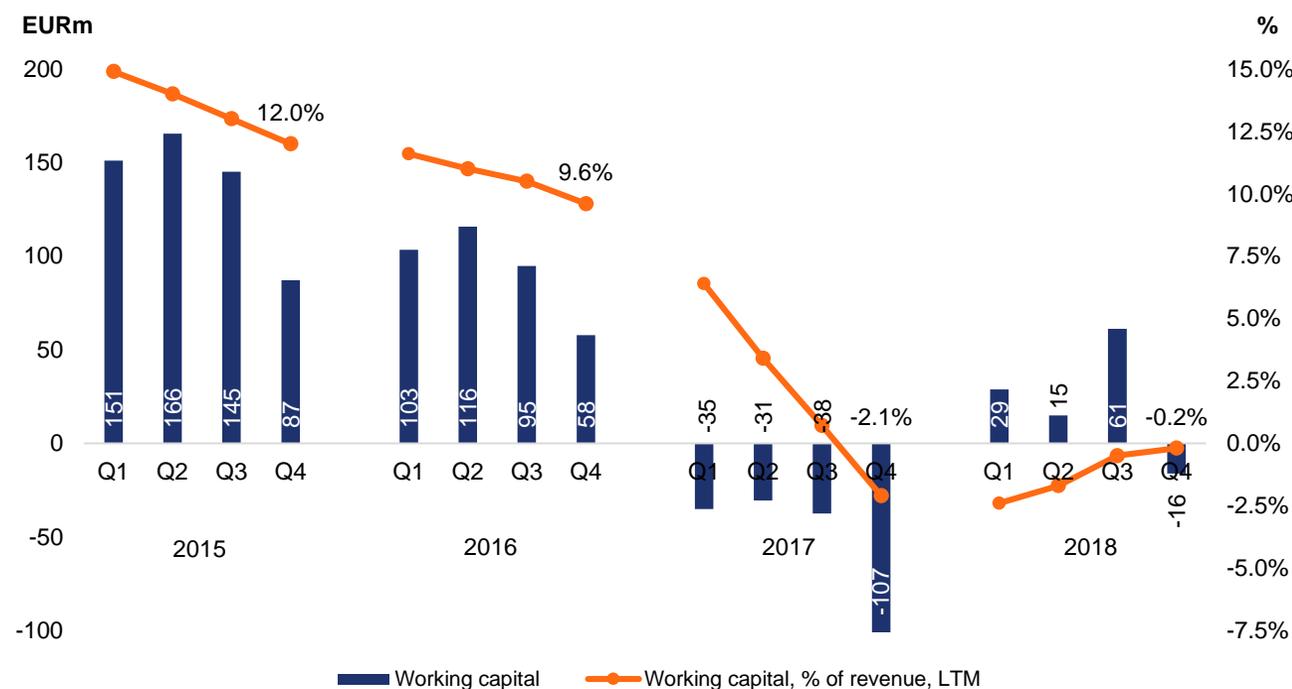
EURm	30 Dec 2018	30 Sep 2018	31 Dec 2017
Working capital	7.7	82.1	-83.5
NKT	-16.2	61.2	-106.5
NKT Photonics	24.0	20.9	23.1
Capital employed	1,143.9	1,232.0	1,109.5
NKT	1,065.3	1,158.3	1,040.5
NKT Photonics	78.6	73.7	69.0
RoCE	-0.7%	4.8%	11.8%
NKT	-0.8%	2.9%	7.5%
NKT Photonics	1.6%	neg.	neg.
Net interest-bearing debt (NIBD)	248.3	307.5	293.2
Total assets	1,859.2	1,938.0	1,904.6
Total equity	895.6	924.5	816.3

Comments

- Working capital developed positively since end-Q3 2018
 - NKT: Improvement primarily driven by Solutions (see next slide)
 - NKT Photonics: The working capital was up compared to end-Q3 2018 reflecting the increase in revenue. Compared to end-2017, the working capital relative to revenue was down
- In September 2018, NKT A/S issued a EUR 150m hybrid security
 - The hybrid security is classified as equity and total equity thereby increased due to the issuance compared to 2017

NKT: Working capital

Quarterly development in working capital



- Working capital is down by EUR 77m from end-Q3 2018 to end-2018
 - Solutions was the primary reason for the improvement due to inflow of prepayments from new high-voltage project awards and project installments
 - The extraordinary low level at the end of 2017 was driven by the Solutions project portfolio
 - Applications reduced inventory levels during Q4 2018
- Over the past years, NKT has been reducing its working capital driven by various initiatives and divestments

NKT A/S: Group cash flow statement highlights

Free cash flow positive driven by working capital change

Financial highlights*

EURm	Q4 2018	Q4 2017	FY 2018	FY 2017
Cash flow from operating activities	88.0	62.7	-42.2	87.8
EBITDA	-9.4	21.8	49.8	180.1
Financial items, net	-1.9	-7.1	-8.3	-24.7
Changes in working capital	88.4	56.2	-76.0	-23.7
Others	10.9	-8.2	-7.7	-43.9
Cash flow from investing activities	-26.9	348.2	-60.9	-493.3
Capex	-26.9	-23.8	-60.9	-94.2
Acquisition and divestment of businesses	0.0	372.0	0.0	-399.1
Free cash flow	61.1	410.9	-103.1	-405.5
Cash flow from financing activities	-41.3	-424.8	87.4	293.6
Net cash flow	19.8	-13.9	-15.7	-111.9

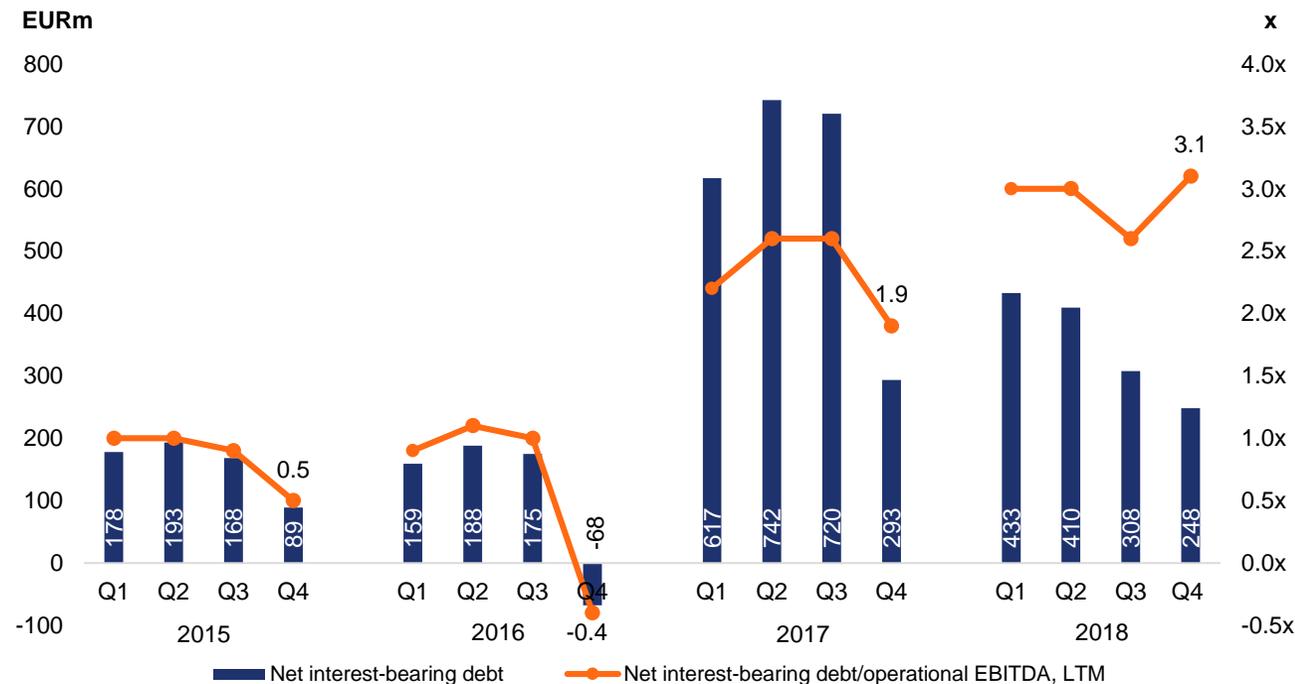
Comments

- Cash flow from operating activities positive
 - Positive development in working capital more than offset the negative EBITDA
- Cash flow from investing activities (excl. acquisitions and divestments) up compared to Q4 2017
 - Capex was higher in Q4 2018 due to investments in rolling out a new IT platform and seasonal equipment upgrades in factories
 - Q4 2017 was positively impacted by the demerger of Nilfisk
- Cash flow from financing activities negative as loans from credit institutions were brought down

* Nilfisk was part of the cash flow up until the demerger was approved on 10 October 2017

NKT A/S: Group financial leverage ratio

Quarterly development in net interest-bearing debt



Comments

- Net interest-bearing debt was EUR 248m at end-2018 down from EUR 308m end-Q3 2018 driven by the working capital development
- The net interest-bearing debt consists of:
 - EUR 171m of mortgage debt
 - EUR 77m net drawn on RCF (availability EUR 300m)
- Only the RCF is subject to financial covenants. These include agreed remedies in the form of security over NKT Photonics and the vessel NKT Victoria.
- The hybrid security of EUR 150m issued in Q3 2018 accounted for as equity according to IFRS
- NKT A/S has sufficient financial headroom to manage the lower level of activity expected in 2019

* 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 2019



Revenue*



Operational EBITDA



Organic growth



EBITDA margin

- Operational EBITDA outlook in line with the preliminary financial outlook from November 2018
- Earnings for NKT are expected to be higher in H2 than H1 2019

- Growth is expected to be across product categories and business segments
- The main part of earnings is expected to be generated in Q4

* Std. metal prices

Agenda



- 04 NKT
- 14 NKT Photonics
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Financial calendar



2019

Event

21 March

➤ Annual General Meeting

16 May

➤ Interim Report Q1 2019

15 August

➤ Interim Report Q2 2019

21 November

➤ Interim Report Q3 2019

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