



NKT

19 May 2021

Q1 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 Q1 2021

- **Organic revenue growth** of 21% in NKT with all three business lines contributing positively
- **Operational EBITDA almost tripled in NKT** mainly driven by increased activity in Solutions and record-high quarterly performance in Service & Accessories
- **Highest ever Q1 revenue** in NKT Photonics with a recovery in Industrial and continued growth in Medical & Life Science

Agenda

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

NKT performance in Q1 2021

Positive Q1 performance driven by all three business lines

Key developments in Q1

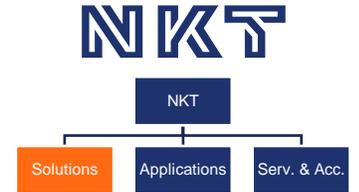
- All three business lines in NKT delivered improved revenue and earnings
- Organic growth amounted to 21%
- **Solutions'** positive financial development driven by higher factory utilization from execution of orders across power cable types awarded over recent years
- After quarter-end, NKT was awarded a contract of approx. EUR 95m for the Troll West electrification project in Norway
- **Applications** continued to improve financial performance with several initiatives and efficiencies in place
- **Service & Accessories** achieved the highest ever quarterly revenue for the business line mainly due to increased service repair work

Key financial highlights (EURm)



* Std. metal prices

Solutions – Q1 2021



Improvement driven by execution of order backlog

Customer offerings



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

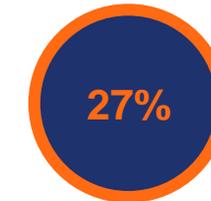
Development during Q1 2021

- NKT had several projects in execution in Q1 2021 covering a blend of power cable types
- These projects included Dogger Bank A+B, Moray East, Ostwind 2 and Viking Link
- Finalized the manufacture and delivery of both the export cable system and inter-array cables for the Triton Knoll offshore wind farm in the UK
- NKT Victoria, the company's cable-laying vessel, was deployed on a number of installation and service assignments

Q1 2021 financial highlights



Revenue* EUR
(Q1 2020: EUR 124m)



Organic growth
(Q1 2020: 37%)



Oper. EBITDA EUR
(Q1 2020: EUR 5.6m)

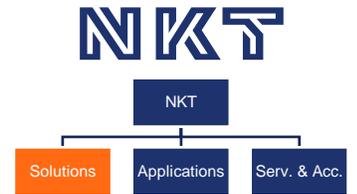


* Std. metal prices

Note: AC = Alternating Current and DC = Direct current

High-voltage market development

A few major projects awarded in the market in Q1 2021



Key developments

- In Q1 2021, NKT was awarded a range of new orders in the onshore segment as well as variation orders to projects currently in execution
- After quarter-end, NKT was awarded the turnkey order to provide power from shore to Troll West in Norway. The contract value is approx. EUR 95m
- NKT estimates that the total award level in the market (addressable high-voltage power cable projects larger than EUR 5m) amounted to around EUR 700m in Q1 2021
- Progress continued on several tenders across market segments and geographies
- During 2020, 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
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
Attica-Crete 	May 2020	~115	Interconnector

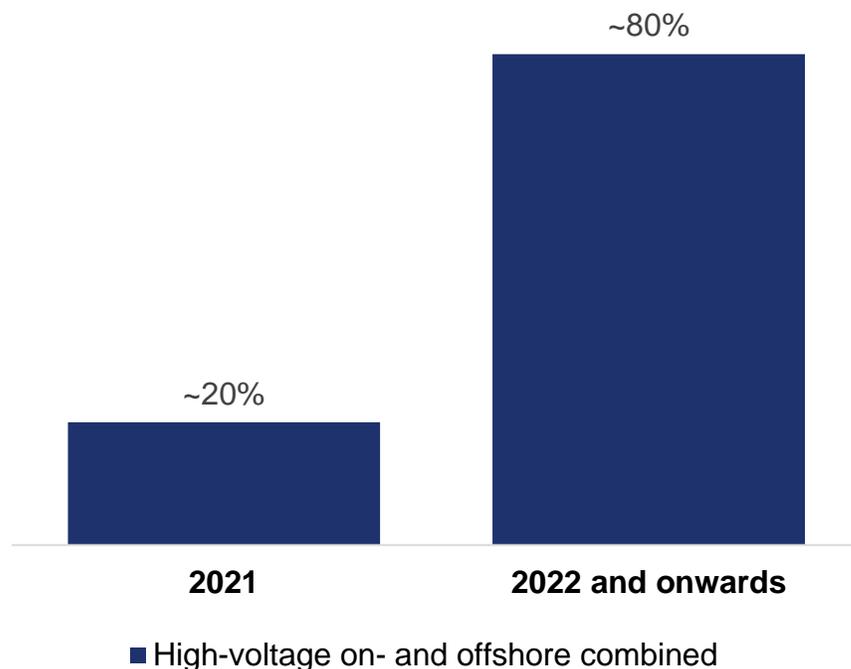
* Planned year production commence

** Planned commissioning year

High-voltage order backlog

The high-voltage order backlog remained at a high level of EUR 2.95bn* at end-Q1 2021, down from EUR 3.07bn at end-2020

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	



INTERCONNECTORS

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

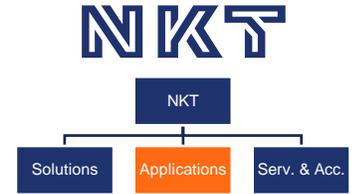


OIL & GAS

Johan Sverdrup 2	2022	
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* Market prices (EUR 2.48bn in std. metal prices)

Applications – Q1 2021



Continued earnings improvement

Customer offerings



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

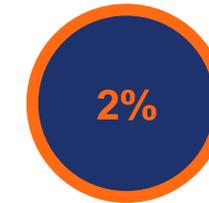
Development during Q1 2021

- Several countries contributed to the organic growth with limited negative impact by the COVID-19 pandemic
- The increase in revenue was reflected in improved profitability, and the strategy to restore the profitability level is gradually achieved
- As part of the ongoing optimization in Applications, NKT has initiated the relocation of building wires from its production site in Denmark to Poland
- In the beginning of 2021, NKT satisfactorily initiated the rollout of a uniform IT platform across its Eastern European sites

Q1 2021 financial highlights



Revenue* EUR
(Q1 2020: EUR 94m)



Organic growth
(Q1 2020: 3%)

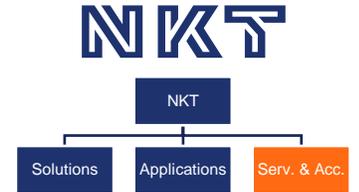


Oper. EBITDA EUR
(Q1 2020: EUR 3.5m)



* Std. metal prices

Service & Accessories – Q1 2021



Growth within both Service and Accessories

Customer offerings

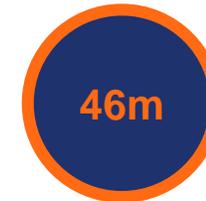


- High- and medium-voltage accessories
- Services

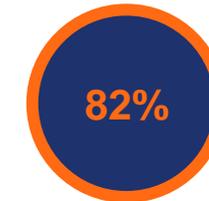
Development during Q1 2021

- The service business reported significant organic growth in Q1 2021, mainly due to a high level of activity in power cable repair work including the HVDC BritNed power cable system connecting UK and the Netherlands
- A focus area for NKT is to expand the portfolio of service agreements. In March 2021, NKT signed a long-term service contract with Energinet in Denmark
- Accessories business also contributed to the growth in revenue. Sales of medium-voltage accessories from the production site in Germany increased significantly
- To enable continued improvements, production of high-voltage accessories is being centralized from Cologne, Germany to NKT's existing production site in Sweden

Q1 2021 financial highlights



Revenue* EUR
(Q1 2020: EUR 28m)



Organic growth
(Q1 2020: 10%)



Oper. EBITDA EUR
(Q1 2020: EUR 2.9m)



* Std. metal prices

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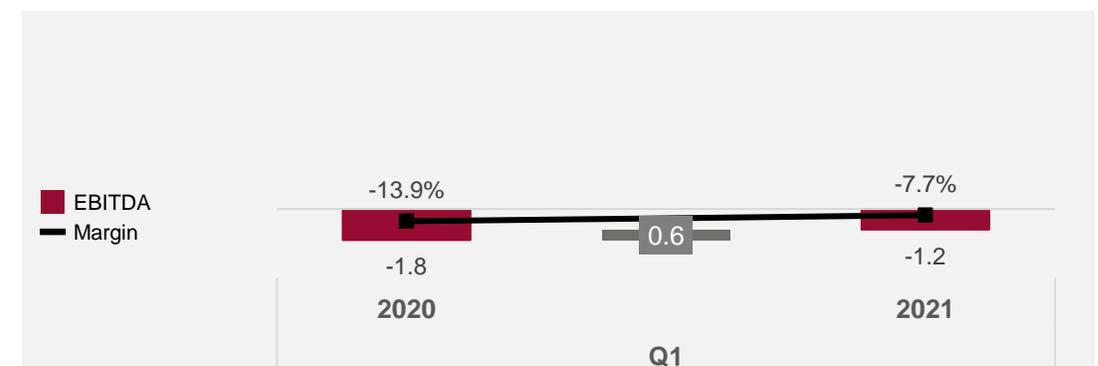
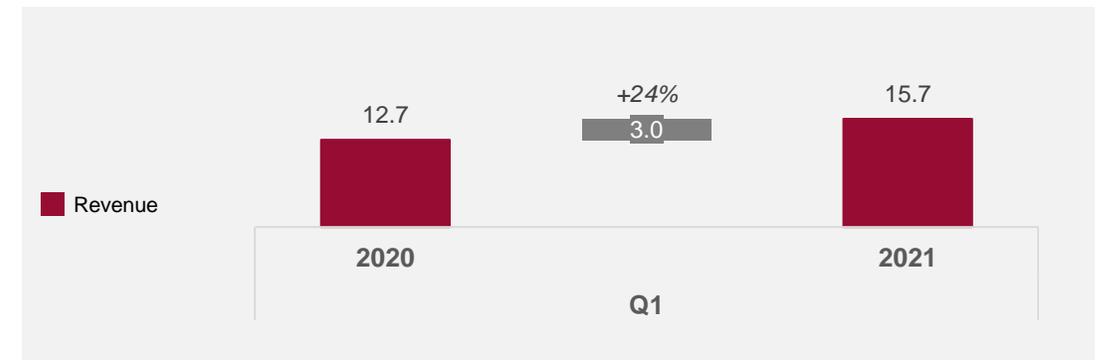
NKT Photonics performance in Q1 2021

Highest Q1 revenue in the history of NKT Photonics

Key developments in Q1

- NKT Photonics started 2021 satisfactorily with **growth in both revenue and EBITDA**
- **Organic growth was 26%** mainly driven by a broad-based comeback in revenue in the Industrial segment, and in the Medical & Life Science segment, where growth continued driven by the products launched in 2020
- Supported by the higher revenue, **EBITDA increased**. Earnings in Q1 2021 were impacted negatively by redundancy costs of EUR 1.2m
- NKT Photonics recorded its **highest ever Q1 order intake**, corresponding to a 36% increase. Mainly due to improved market conditions, especially in the Industrial segment

Key financial highlights (EURm)



Business development

Medical & Life Science



Main applications:

Bio-imaging & Microscopy
 Medical devices
 Ophthalmology

- NKT Photonics continued to perform well in the segment, where the drivers are primarily microscopy and ophthalmology

Industrial



Main applications:

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

- The segment saw a significant recovery in Q1 2021
- Recovery in research markets after a weak 2020 as many institutions were closed, and the semiconductor market is on a high

Aerospace & Defence

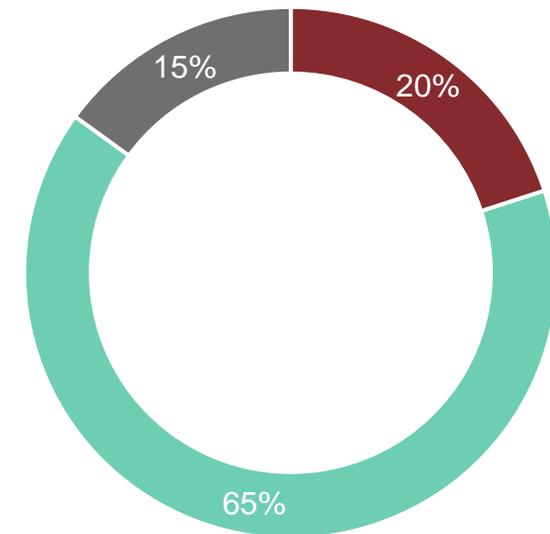


Main applications:

Aerospace
 DIRCM
 Directed Energy
 Remote sensing

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

Revenue distribution (Q1 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	Q1		FY
	2021	2020	2020
Revenue	430	331	1,470
Revenue (Std. metal prices)	312	253	1,155
Organic growth			
NKT	21%	19%	15%
NKT Photonics	26%	-13%	-6%
Operational EBITDA	29	8	59
NKT	30	10	57
NKT Photonics	-1	-2	3
Operational EBITDA margin*			
NKT	10.2%	4.2%	5.2%
NKT Photonics	-7.7%	-13.9%	3.7%
One-off items	2	0	-10
EBITDA	31	8	49
Depreciation, amortization and impairment	-25	-23	-97
Financial items, net	-4	-7	-17
Tax	-1	2	-10
Net result	2	-21	-75
Full-time employees, average			
NKT	3,571	3,340	3,390
NKT Photonics	401	409	410

Key developments in Q1 2021

- **>20% organic growth** in both NKT and NKT Photonics
- **Operational EBITDA** for the NKT Group tripled in Q1 2021
 - NKT: Increased activity level led to improved profitability in all three business lines
 - NKT Photonics: Driven by the revenue growth and was impacted negatively by redundancy costs of EUR 1.2m
- **One-off items** positive due to the divestment of the plant in Stenlille, Denmark
- **Financial items** mainly comprised interest and unrealized currency losses
- **FTE level** increased primarily due to the increasing activity level in Solutions

* Std. metal prices

NKT Group: Expected increase in working capital from unusually low level at end-2020



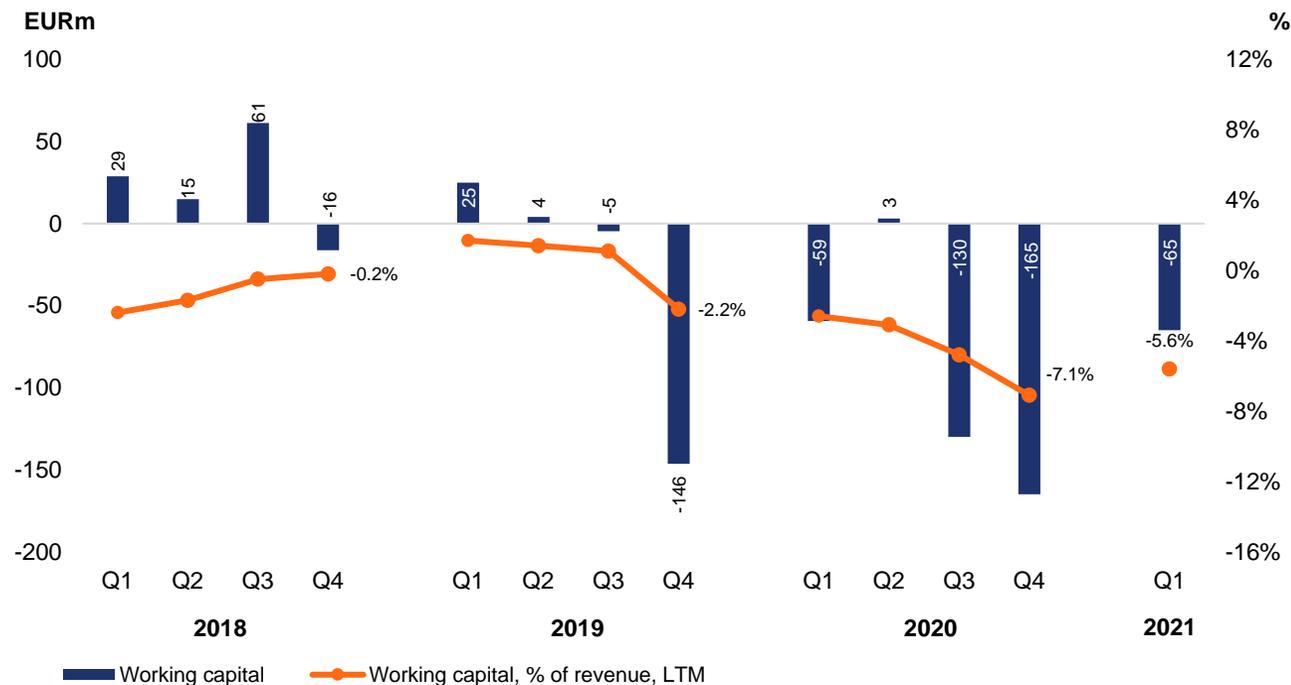
Balance sheet highlights

EURm	31 Mar		31 Dec
	2021	2020	2020
Working capital	-39	-30	-137
NKT	-65	-59	-165
NKT Photonics	26	29	27
Capital employed	1,140	1,102	1,051
NKT	1,030	994	940
NKT Photonics	110	108	111
Return on Capital Employed (RoCE)	-1.7%	-5.3%	-3.5%
NKT	-0.9%	-6.1%	-2.9%
NKT Photonics	-9.0%	3.0%	-8.8%
Net interest-bearing debt (NIBD)	31	378	-26
NIBD / LTM Operating EBITDA	0.4x	9.3x	-0.4x
Assets	2,246	1,796	2,151
Equity	1,109	724	1,076

- Working capital increased from end-2020
 - NKT: Increase was driven by phasing of milestone payments related to Solutions projects, and the seasonal build-up of working capital in Applications
 - NKT Photonics: Reduction in working capital driven by continued focus on lowering trade receivables
- Increase in RoCE due to improved profitability in NKT
- The debt level and leverage ratio remained at low level as at end-2020
 - Compared to Q1 2020, the lower debt was due to the cash flow generation in the period and issuance of new shares

NKT: Increase in working capital mainly due to the phasing of milestone payments in Solutions

NKT: Quarterly development in working capital



- In line with expectations, working capital increased compared to end-2020:
 - Driven by phasing of milestone payments related to Solutions projects
 - Seasonal build-up of working capital in Applications
- Large value adjustments of hedging instruments due to the increase in commodity prices in Q1 2021 without cash impact
- 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	Q1		FY
	2021	2020	2020
Cash flow from operating activities	-22	-122	136
EBITDA	31	8	49
Financial items, net	-4	-7	-17
Changes in working capital	-51	-116	115
Others	2	-7	-11
Cash flow from investing activities	-30	-14	-107
Capex	-32	-14	-107
Acquisition and divestment of businesses	2	0	0
Free cash flow	-52	-136	29
Cash flow from financing activities	-8	133	204
Net cash flow	-60	-3	233

- Cash flow from operating activities was negative in Q1 2021
 - EBITDA was positive driven by NKT, but working capital development contributed negatively as expected
- Cash flow from investing activities impacted by higher investments in NKT in Q1 2021
 - Solutions progressed its investment programme to upgrade its high-voltage production sites. The programme is expected to be completed in 2022 as planned
- Limited change in Cash flow from financing activities in Q1 2021 as revolving credit facility was undrawn

Financial outlook 2021



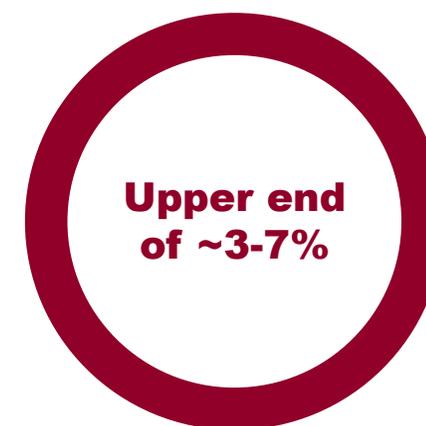
Revenue*



Operational EBITDA



Organic growth



EBITDA margin

- Targeted improvement in revenue and earnings compared to 2020 is mainly expected to be driven by Solutions
- Due to the anticipated phasing of revenue in 2021, operational EBITDA in the 1st half of the year is expected to be at a higher level than in the 2nd half

- Subject to high uncertainty given the unknown development of the COVID-19 pandemic

* Std. metal prices

Key messages Q1 2021

- **Organic revenue growth** of 21% in NKT with all three business lines contributing positively
- **Operational EBITDA almost tripled in NKT** mainly driven by increased activity in Solutions and record-high quarterly performance in Service & Accessories
- **Highest ever Q1 revenue** in NKT Photonics with a recovery in Industrial and continued growth in Medical & Life Science



QUESTIONS & ANSWERS

Financial calendar



2021

Event

17 August

➤ **Interim Report, Q2 2021**

17 November

➤ **Interim Report, Q3 2021**

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