

2015 Annual Report

Webcast, 26 February 2016, 09:30 CET

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 Group's control, may cause that the actual development and results differ materially from the expectations



Today's presenters



Michael Hedegaard Lyng

NKT Holding **NKT Cables**

Group Executive Director President & CEO



Jonas Persson

Nilfisk

President & CEO



Basil Garabet

NKT Photonics

President & CEO

Agenda

Highlights

NKT Group

Business units

- Nilfisk
- NKT Cables
- NKT Photonics

Questions & Answers

Highlights 2015



Performance in line with expectations

- Organic growth as expected (3%)
- Operational EBITDA margin in line with expectations (9.4%)
- RoCE improved by 0.7% (to 10.1%)
- NIBD decreased securing strong financial position to further develop businesses
- Proposed dividend per share of DKK 4
- Initiation of share buyback of EUR 74m



Financial results below expectations

- Flat organic growth
- Oper. EBITDA margin decreased (from 11.7% to 10.1%) due to delayed impact from sales investments and delivery issues
- Accelerate business strategy launched
- Commercial Excellence now covering 10 countries and 60% of total revenue
- Five acquisitions completed



Transformation and profitability improvement continue

- Organic growth (4%) driven by Projects and Products
- Oper. EBITDA margin increased (from 8.0% to 9.0%) due to DRIVE and Products
- DRIVE annual savings target reached one year ahead of schedule (EUR 60m)
- Launch of EXCELLENCE 2020 strategy
- Satisfactory backlog for high-voltage offshore



Satisfactory growth and profitability improvements

- Launch of business strategy focusing on growth and commercialisation
- NKT Photonics - one management entity to leverage on synergies
- Good organic growth (9%) and oper. EBITDA margin increased (from 7.2% to 9.6%)
- Key contracts signed with industrial customers



2015 financial performance in line with expectations

Planning assumptions

2015	Original	Update Q2	Update Q3	Realised
NKT				
- Organic growth	Up to 3%	~3%	~3%	3% ✓
- Operational EBITDA, %*	Increase of ~1.0%-point (from 9.6%)	Increase of ~0.5%-point (from 9.6%)	9.2% EUR 174.5m	9.4% EUR 175.2m
Nilfisk				
- Organic growth	~5%	~0%	~0%	0%
- Operational EBITDA, %	~11.7%	~Reduction of ~1.0%-point (from 11.7%)	~10%	10.1%
NKT Cables				
- Organic growth	~0%	~5%	~5%	4% ✓
- Operational EBITDA, %*	8.5% – 9.0%	~9.0%	~9.0%	9.0% ✓
NKT Photonics				
- Organic growth	10 - 20%	~10%	~10%	9% ✓
- Operational EBITDA, %	8 – 10%	8-10%	8-10%	9.6% ✓

* std. metal prices

Financial highlights

Q4 Revenue EUR 541.1m (Q4 2014: EUR 540.3m)

2015 Revenue EUR 2,223.6m (2014: EUR 2,129.4m)

Organic growth	Q4 2015	2015
NKT	1%	3%
Nilfisk	-2%	0%
NKT Cables	2%	4%
NKT Photonics	22%	9%

Q4 Operational EBITDA EUR 41.2m, 8.8% (std. metal prices)
(Q4 2014: EUR 56.5m, 12.4%)

2015 Operational EBITDA EUR 175.2m, 9.4% (std. metal prices)
(2014: EUR 170.5m, 9.6%)

One-off costs impacting EBITDA EUR 23.2m, all from
DRIVE programme (2014: EUR 27.9m)

Impairment APAC EUR 48.6m incl. tax and divestment of Fiber
Processing EUR 2.6m, adjusted in operational EBIT

Profit after tax EUR 1.2m (2014: EUR 37.9m)

Working capital amounted to EUR 269.2m and ratio at 15.9%
(2014: EUR 300.6m and 18.1%)

Cash flow from operating activities EUR 173.2m
(2014: EUR 212.4m)

Free cash flow EUR 85.3m (2014: EUR162.7m) impacted by
working capital decrease (EUR 31.4m) and acquisitions
(EUR -29.1m)

Net interest-bearing debt amounted to EUR 88.9m
(2014: EUR 152.4m)

Outlook 2016

Consolidated flat organic growth

Nilfisk	0 - 5%
NKT Cables	~ neg. 5%
NKT Photonics	~ 10%

Operational EBITDA margin * on par with 2015 (9.4%)

Nilfisk	10 - 11%
NKT Cables	8 - 9%*
NKT Photonics	12 - 14%

NKT Cables

- Potential effects of quality issues related to a raw material supplier not included in outlook
- One-off costs of EUR 10m related to EXCELLENCE 2020 restructuring initiatives expected

* Std. metal prices

Agenda

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- NKT Photonics

Questions & Answers

Clear strategic themes defined for each business unit

	Strategic themes	Long-term RoCE target
	<p>Accelerate </p> <p><i>Growing our company to lead the industry</i></p> <ul style="list-style-type: none"> • Front-end investments • Commercial Excellence • Consolidation through M&A 	18-19%*
	<p>excellence ²⁰²⁰ </p> <ul style="list-style-type: none"> • Focus on profitable markets & customers • Functional excellence & organisation 	>15%
	<ul style="list-style-type: none"> • Execution on core business strategy • System offerings • Commercialisation 	20%

* Includes 1-2% margin dilution due to short-term effects of acquisitions

Operational EBITDA increased by 3% to EUR 175m

Operational EBITDA, LTM

EURm



Oper. EBITDA, LTM, of EUR 175m (2014: EUR 171m)

Oper. EBITDA margin, LTM, 9.4% (2014: 9.6%)

Changes 2015 vs. 2014

EURm	2015	2014	Change
Revenue	2,223.6	2,129.4	94.2 *01
<i>Revenue, std. metal prices</i>	1,869.2	1,769.2	100.0
Operational EBITDA	175.2	170.5	4.7 *02
One-offs	23.2	27.9	-4.7
EBITDA	152.0	142.6	9.4
Depreciation/Amortisation	-76.9	-72.1	-4.8
Impairment	-40.9	-2.7	-38.2 *03
EBIT	34.2	67.8	-33.6
Financial items, net	-6.1	-13.1	7.0
EBT	28.1	54.7	-26.6
Tax	-26.9	-16.8	-10.1
Profit	1.2	37.9	-36.7
<i>Oper. EBITDA margin, std. metal prices</i>	9.4%	9.6%	
Capex	70.1	61.1	9.0
Working capital	269.2	300.6	-31.4
NIBD	88.9	152.4	-63.5

01

	EURm
Revenue increased by	94.2
Metal prices	-5.8
FX changes	54.3
Acquisitions	4.6
3% organic growth	41.1
- Nilfisk	0%
- NKT Cables	4%
- NKT Photonics	9%

02

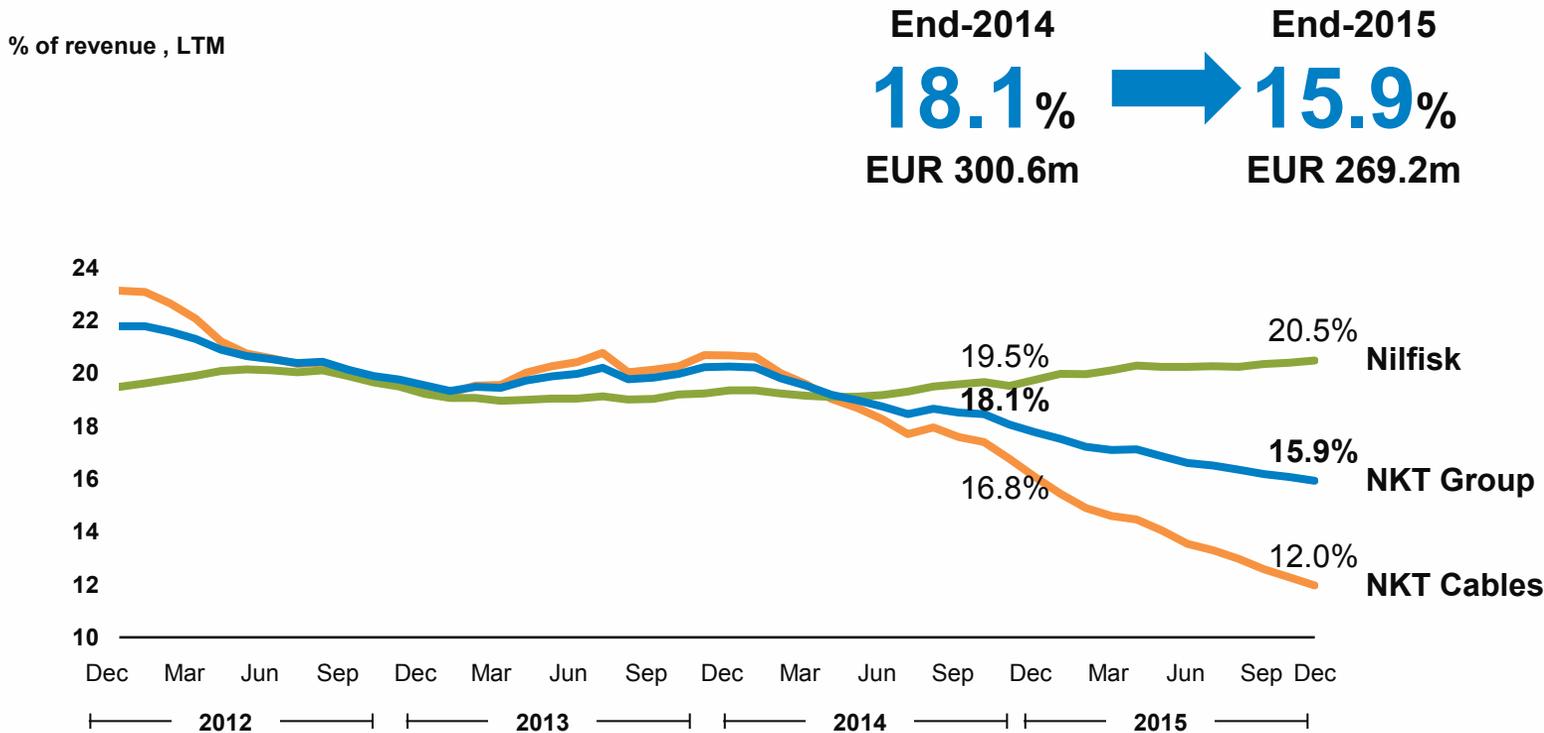
	EURm
Operational EBITDA increased by	4.7
Nilfisk - Margin 10.1% (2014: 11.7%)	-9.5
NKT Cables - Margin 9.0% (2014: 8.0%)	12.0
NKT Photonics	2.2

03

	EURm
Impairment	-40.9
Nilfisk	-0.5
NKT Cables	-37.8
NKT Photonics	-2.6

Working capital improvement continues and reaches new low level

Working capital development



NKT Group working capital ratio improved to 15.9% (End-2014: 18.1%)

NKT Cables working capital ratio lowered to 12.0% (End-2014: 16.8%)

Nilfisk working capital ratio increased to 20.5% (End-2014: 19.5%)

Working capital decreased in 2015 by EUR -31.4m

- Nilfisk EUR 13.7m
- NKT Cables EUR -42.5m
- NKT Photonics EUR -2.6m*

* Including effects from other

Strong free cash flow driven by working capital change

EURm	Q4 2015	Q4 2014	FY 2015	FY 2014
Earnings, EBITDA	32.5	42.6	152.0	142.6
Financial items, net	-2.0	-3.1	-6.1	-13.1
Change in working capital	85.3	108.8	31.4	76.8
Other	3.6	5.5	-4.1	6.1
Cash flow from operating activities	119.4	153.8	173.2	212.4
Acquisition of business activities	-11.6	-3.0	-29.1	-6.0
Divestment of business activities	1.5	2.4	6.0	16.9
Acq. of property, plant and equipment, net	-16.6	-8.3	-35.1	-31.1
Other investments, net	-8.5	-8.3	-29.7	-29.5
Cash flow from investing activities	-35.2	-17.2	-87.9	-49.7
Free cash flow	84.2	136.6	85.3	162.7
Change in long- and short term loans	-64.6	-128.2	-79.3	-156.0
Dividend paid			-13.0	-11.2
Cash from exercise of share-based options etc			11.3	0.1
Cash flow from financing activities	-64.6	-128.2	-81.0	-167.1
Net cash flow	19.6	8.4	4.3	-4.4

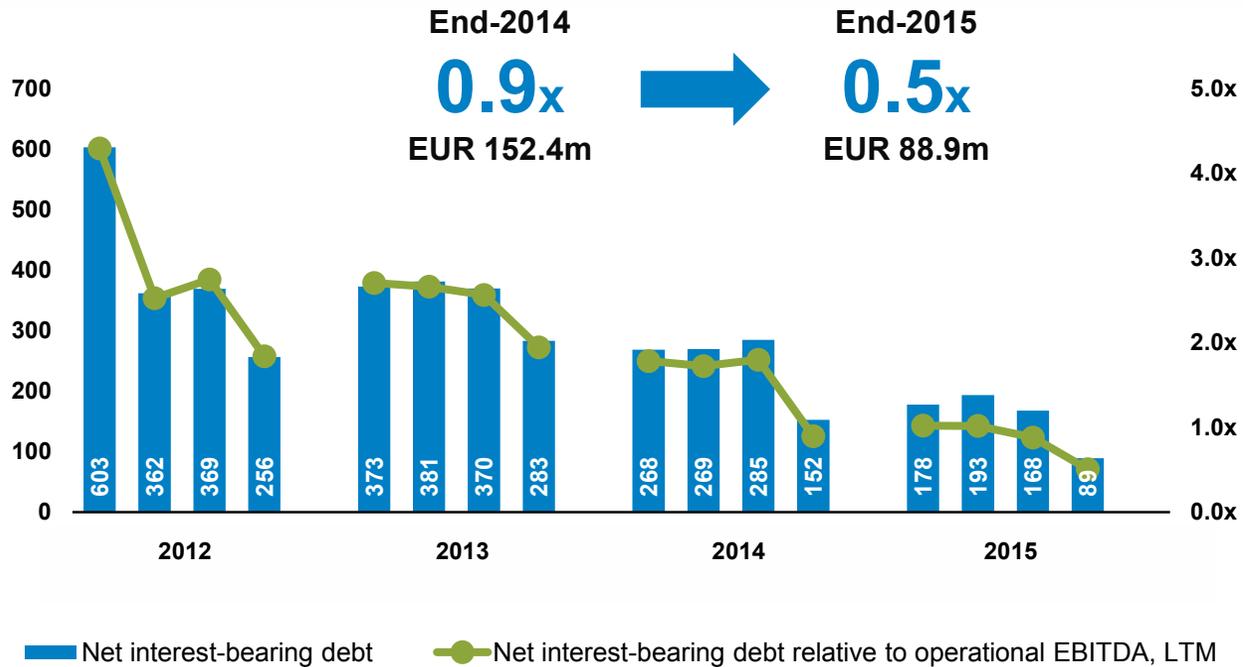
Operating cash flow of EUR 173m driven by increase in earnings and change in working capital EUR 31m (2014: EUR 77m)

Free cash flow of EUR 85m impacted by Nilfisk acquisitions

Financial strength to fully support strategic agenda

Net interest-bearing debt

EURm



Financial strength to drive strategic agenda with cash resources of EUR 604m

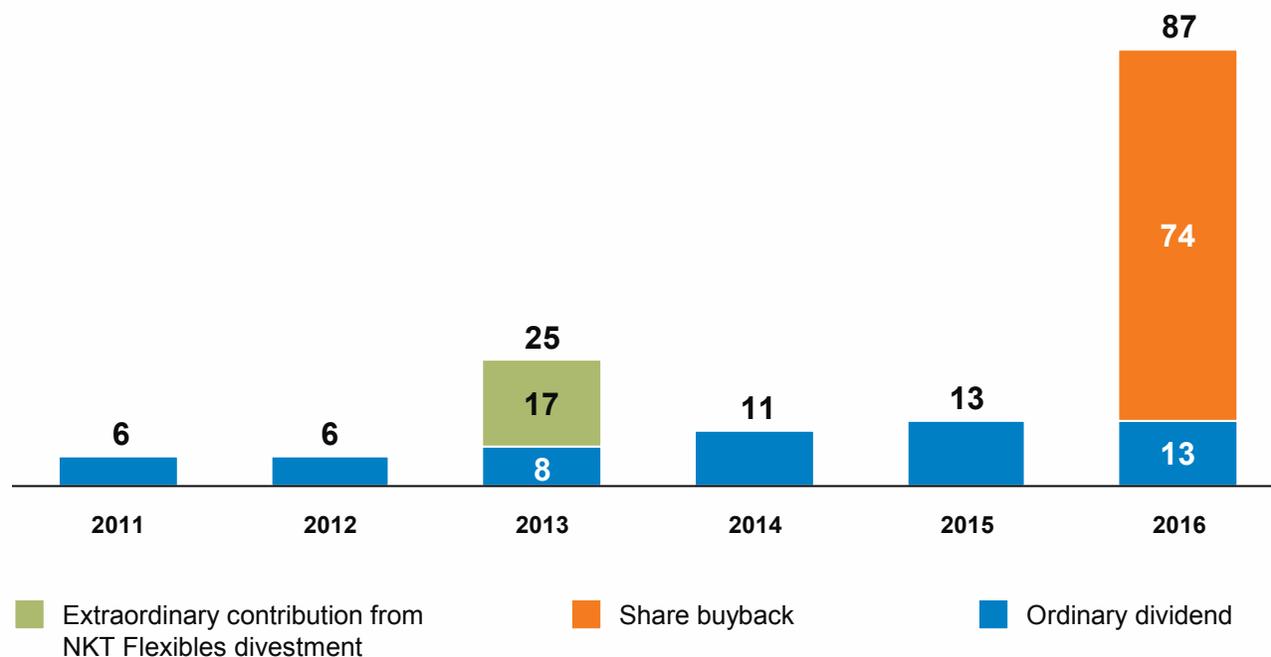
Capital structure targets unchanged

- Debt ratio 2,5x operational EBITDA (End-2015: 0.5x)
- Gearing ratio max. 100% (End-2015: 11%)
- Solvency ratio above 30% (End-2015: 48%)

Proposed distribution of EUR 87m to shareholders in 2016

Distribution to shareholders

EURm



Initiation of share buyback programme, EUR 74m

Proposed dividend of DKK 4 per share, EUR 13m, ~34% payout ratio

Dividend policy of 33% payout ratio

Note: Payout years refer to preceding financial years
Shareholder buyback programme to start 26 February 2016

Agenda

Highlights

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Questions & Answers

1906-2016
110
years
of knowledge

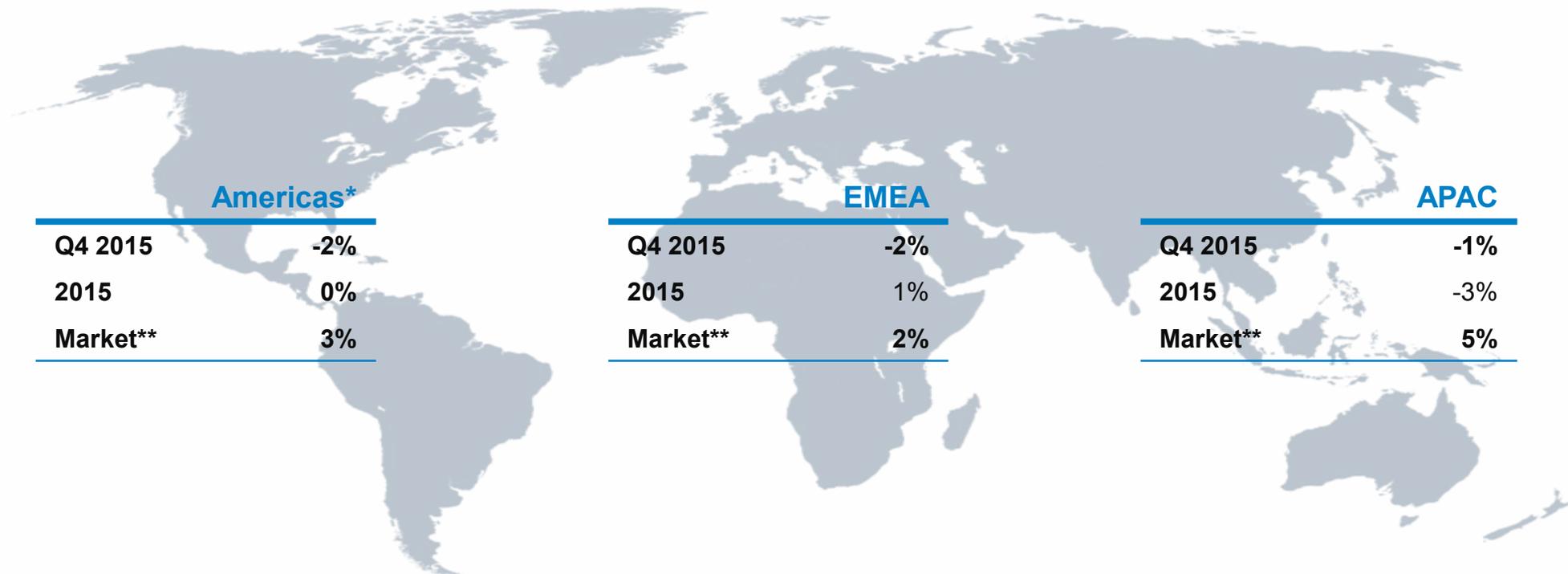


Nilfisk

Nilfisk realised flat organic growth for 2015

Positive growth in EMEA offset by APAC

Organic growth	2012				2013				2014				2015*			
- Quarterly (Y/Y)	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%	0%	9%	0%	0%	4%	-2%
- Annually	0%				3%				6%				0%			



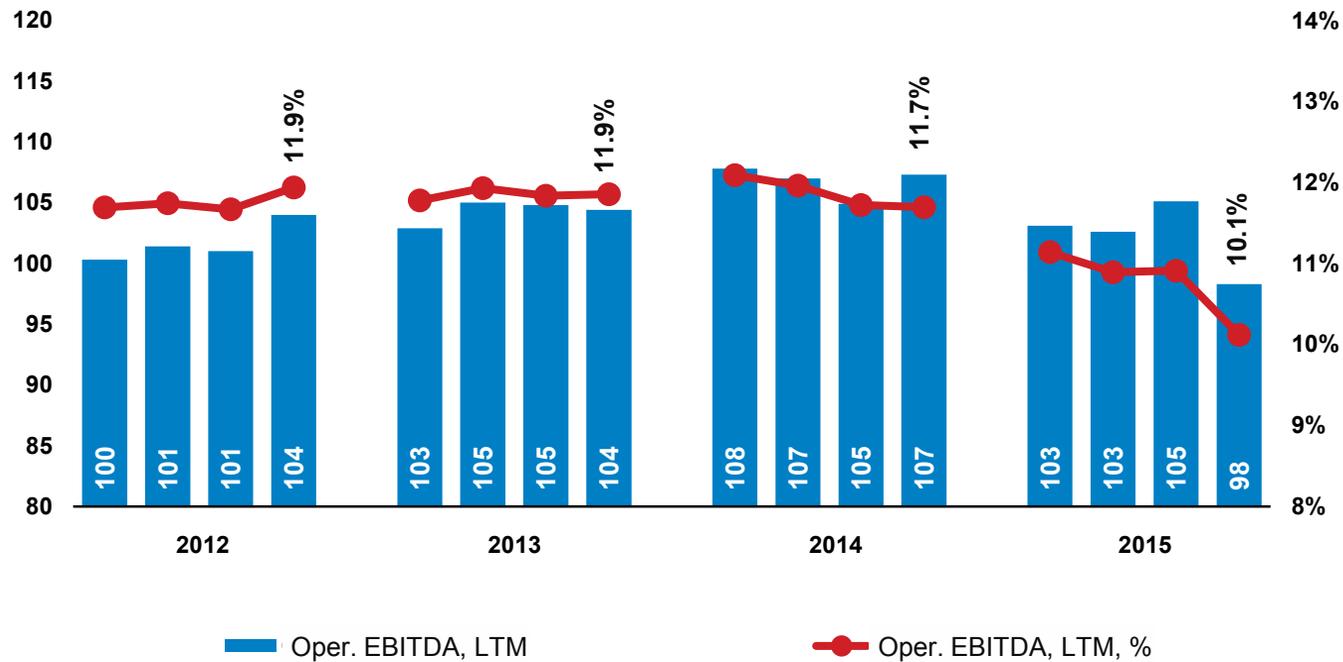
* Adjusted for the impact of the divested floor sanding activities by 4%-points for the Americas for 2015

** Market figures are internal estimates on annual market growth rates 2013-2016

Operational EBITDA margin diluted by delayed impact from sales investments

Operational EBITDA

EURm



Oper. EBITDA margin, LTM, reduced to **10.1%** due to lower organic growth, investment in sales, and distribution costs (2014: 11.7%)

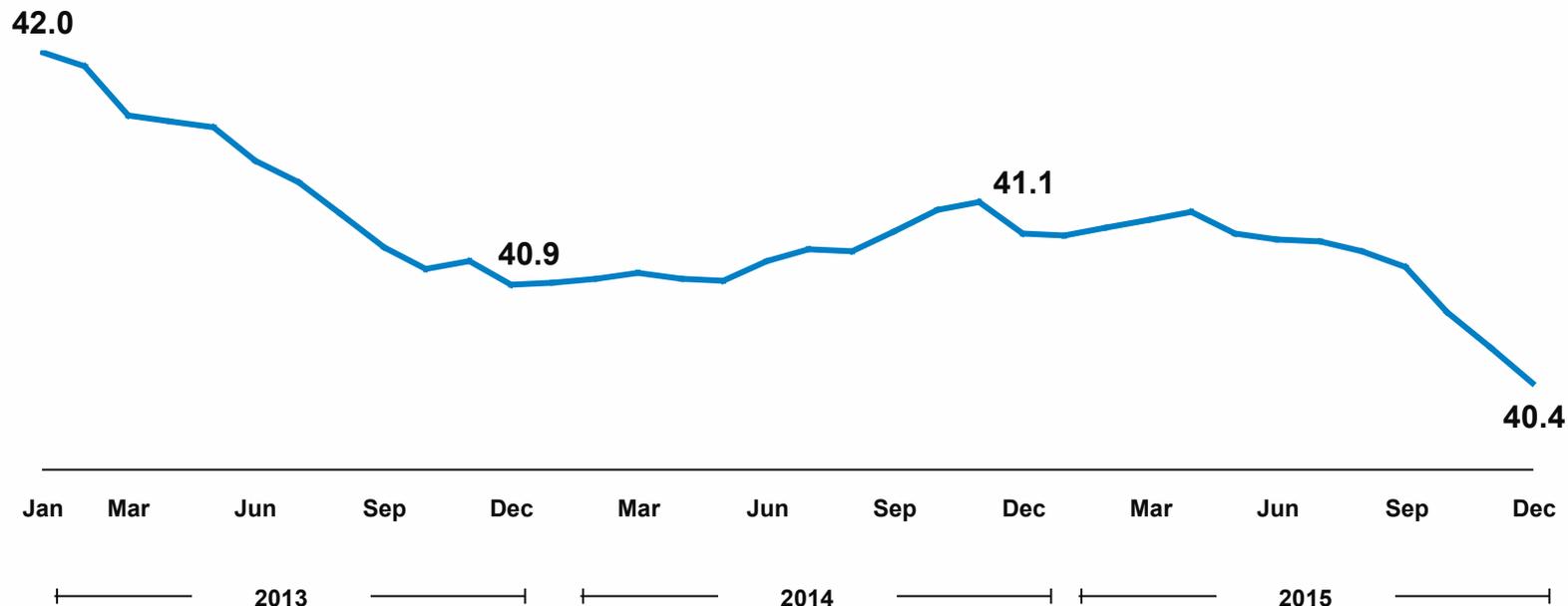
Oper. EBITDA, LTM, decreased to **EUR 98m** (2014: EUR 107m)

Product mix and inflation on sourcing and salary decreased gross margin

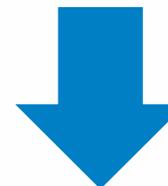
Gross margin development

2015 main effects

Gross margin, LTM, %



- Price increases
- Procurement initiatives

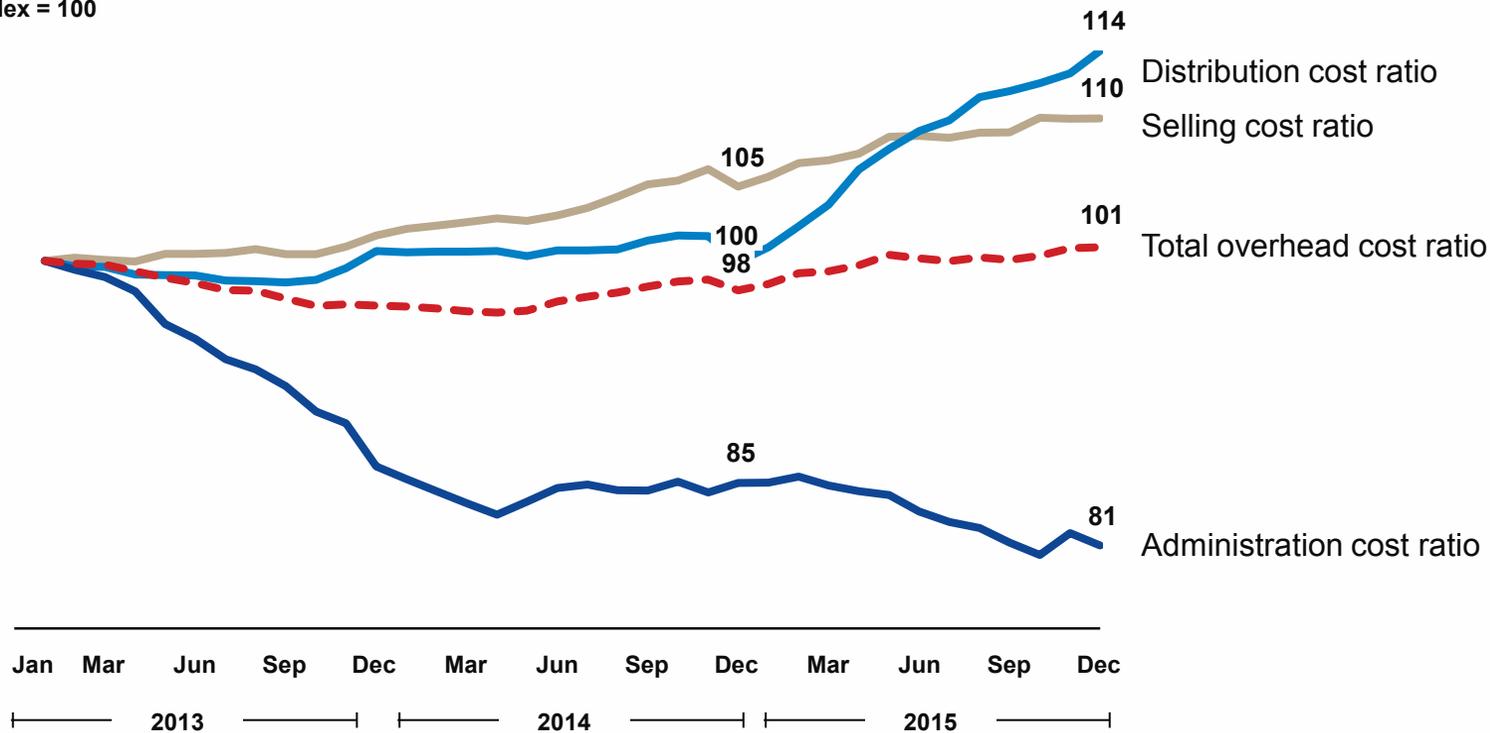


- Product mix
- Sourcing and salary inflation driven by FX effects

Distribution cost ratio temporarily increased due to delivery issues

Overhead cost ratio development*

Index = 100



Distribution cost increased in 2015 due to delivery issues

Selling cost ratio increased by investments in sales and service force

Admin costs ratio continues to be reduced due to strong focus on complexity reduction and efficiency improvements

* 12 mths. rolling costs in % of total net sales. Indexed to Jan 2013=100. Total includes product development (not displayed)

Accelerate strategy rolled out in 2015



- Five acquisitions improving high-end position
- Viper introduced 200 new dealers globally to grow mid-market



- Commercial Excellence launched in 10 countries (60% of revenue)
- Investments in sales force (140 FTE) and systems



- 35 products launched incl. new Nilfisk GO-Line range
- Reduced time to market by 20-25% and platforms by 15%



- Consolidation of brands and reduced complexity
- Two global brands; Nilfisk for high-end and Viper for mid-market



- New European and US set up in Q4 to ensure 2016 performance
- On-time delivery at all-time-high level
- Significant quality improvement, also reflected in customer feedback



2016 Management agenda

ACCELERATE	PRIORITY	ACTIONS
RESTORE GROWTH	Grow market share	<ul style="list-style-type: none"> • Strengthen high-end position and grow mid-market share • Drive consolidation proactively
	Strengthen front-end	<ul style="list-style-type: none"> • Finalise ComEx roll-out and leverage increased sales force • Improve CRM and service management
	Agile and commercial organisation	<ul style="list-style-type: none"> • Shared sales methodology via new global Sales Academy • New sales incentives
DRIVE INNOVATIVE OFFERINGS	Product development	<ul style="list-style-type: none"> • Improve time-to-market • Reduce complexity
	Building strong brands	<ul style="list-style-type: none"> • Launch “hero” campaigns • Strengthen main brands
IMPROVE SUPPLY CHAIN EFFICIENCY	Delivery	<ul style="list-style-type: none"> • Improve best-in-class delivery performance • Drive fast delivery of parts and accessories
	Efficiency	<ul style="list-style-type: none"> • Improve best-in-industry quality levels • Drive cost efficiency

Accelerate strategy launched in 2015 and execution to continue in 2016

Financials

EURm	Q4		FY	
	2015	2014	2015	2014
Revenue	246.8	238.5	971.5	917.6
- Org. growth (Y/Y)	-2%	9%	0%	6%
Gross margin	38.6%	40.8%	40.4%	41.1%
Overhead cost ratio	-31.7%	-30.5%	-33.1%	-32.1%
Oper. EBITDA	23.5	30.7	97.9	107.4
Oper. EBITDA margin	9.5%	12.8%	10.1%	11.7%
RoCE, LTM	12.9%	17.6%	12.9%	17.6%
Capital employed	501.6	440.6	501.6	440.6
# FTEs, end of period	5,545	5,420	5,545	5,420

Highlights and summary

- **Accelerate** - growth strategy launched in Q1
- **Nilfisk - new company name** and brand consolidation
- **Commercial Excellence roll-out** continues - Total revenue covered 60%. Goal 85%
- **Five acquisitions** completed and M&A agenda continues
- **35 products** launched

Outlook 2016

- Organic growth **0 - 5%**
- Operational EBITDA margin **10 - 11%**



NKT Cables

4% growth driven by strong performance in Projects and Products APAC with focus on profitability

Organic growth	2012				2013				2014				2015			
- Quarterly (Y/Y)	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%	1%	-12%	16%	13%	-12%	2%
- Annually	-4%				4%				-5%				4%			

Projects

Q4 2015	-1%
2015	15%

Market

Offshore	
Onshore	

Products

Q4 2015	11%
2015	5%

Market

Nordics	
Central Europe	
Specialties	

APAC

Q4 2015	-36%
2015	-37%

Market

Railway	
Medium-/high-voltage	

Highlights: Offshore outlook is promising

Growth potential for Products continues



Projects

- Two major offshore orders in 2015
- Stable onshore market

Trends

- Promising offshore cable market
- High-voltage onshore market driven by changed energy sourcing
- High-voltage DC technology potential



Products

- Central Europe delivered strong organic growth in 2015 including MV in Germany
- Nordics realised low organic growth

Trends

- Low-voltage market growth is expected to be moderate driven by construction activity level
- Opportunities in European accessories and railway



APAC

- Decreasing revenue in APAC due to unchanged difficult conditions and NKT Cables' focus on profitability

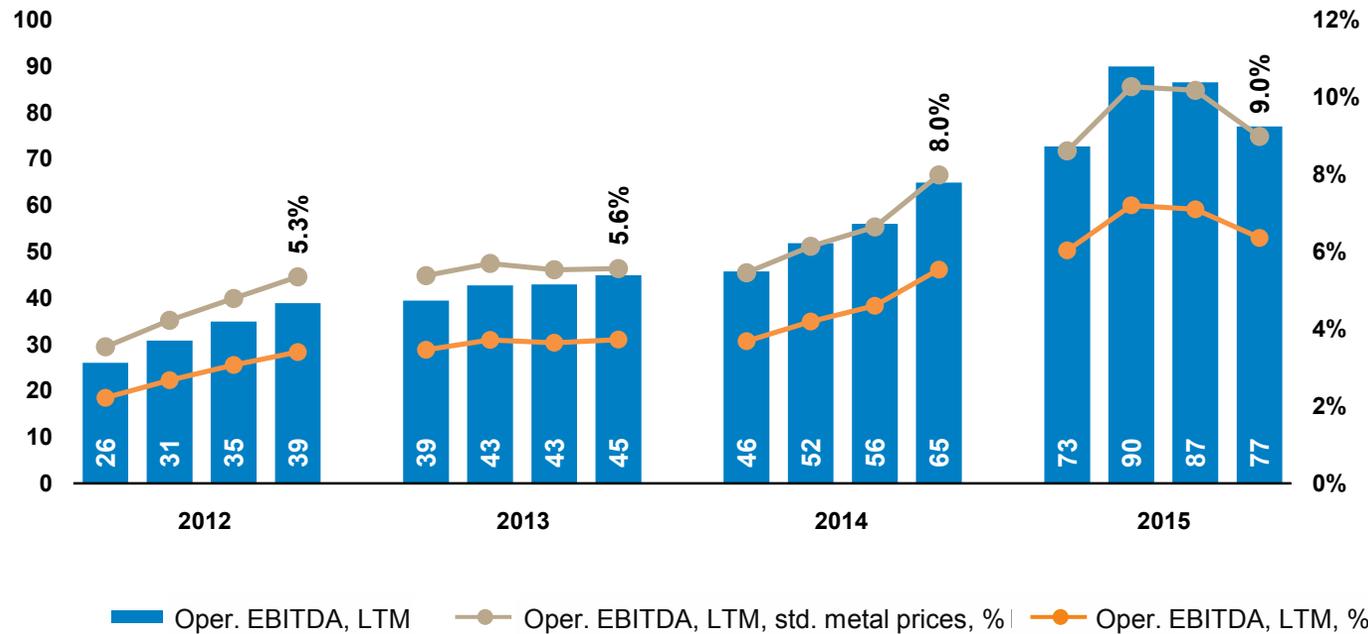
Trends

- Growth driven by investments in electricity infrastructure

Operational EBITDA positively impacted by DRIVE and Products

Operational EBITDA

EURm



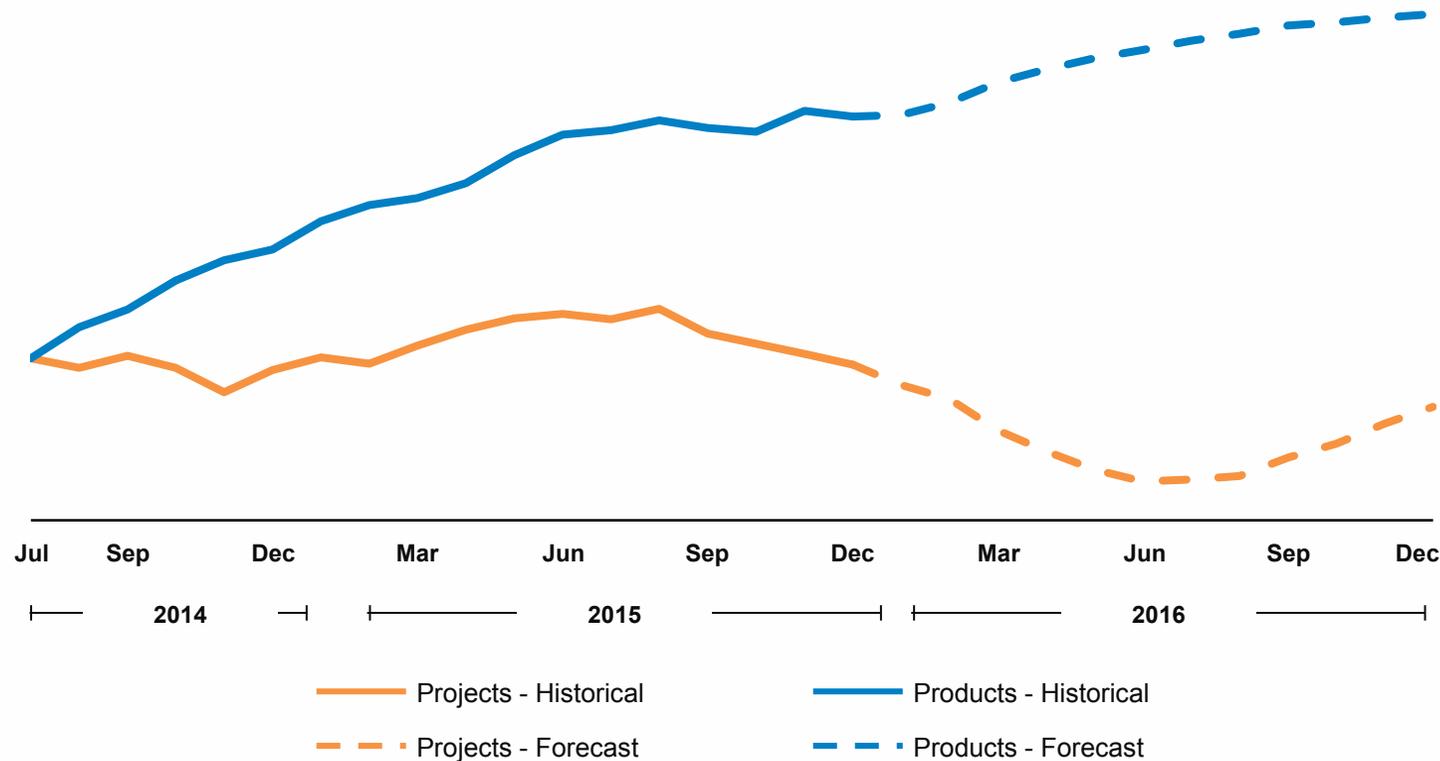
Oper. EBITDA, LTM, EUR 77m, increase of EUR 12m (2014: EUR 65m) driven by Products and DRIVE

Oper. EBITDA margin, LTM, of 9.0% as expected (2014: 8.0%). Decrease against Q3 due to lower profitability of Race Bank project as guided

Products' improved profitability expected to offset decline in Projects in 2016

Business unit profitability development*

Index = 100



Products showed strong improvement in 2014 and 2015 and is expected to improve profitability further in 2016

Projects stable profitability in 2015 due to Gemini project

Projects lower profitability in 2016 due to Race Bank project

* LTM rolling Oper. EBITDA per unit indexed to July 2014 =100. APAC excluded

DRIVE run-rate of EUR 60m successfully achieved

	Cost improvements	FTE reduction	One-off costs	Capex
Q4 2015 realised	EUR 12.8m	36 FTE	EUR 9.8m	EUR 0.1m
Full-year 2015	EUR 54.2m	110 FTE	EUR 23.2m	EUR 0.9m
Project to date	EUR 60.5m (run-rate)	381 FTE	EUR 50.1m	EUR 1.9m
Full potential (from 2017)	EUR ~60m	400-450 FTE	EUR ~50m	EUR ~6.5m

2016 Management agenda

EXCELLENCE 2020	PRIORITY	ACTIONS
SEGMENT INITIATIVES	Develop & grow	<ul style="list-style-type: none"> • Secure new offshore projects • Accelerate in-house DC development • Execute on newly gained railway orders
	Focus on profitability	<ul style="list-style-type: none"> • Secure key frame contacts in medium-voltage segment • Introduce Halogen-free flame retardant (HFFR) cables • Start in-house compounding
	Turnaround	<ul style="list-style-type: none"> • Increase share of projects in attractive onshore high-voltage segments • Break even in APAC business, improve cash flow
MUST-WIN BATTLES	Safety, people and organisation	<ul style="list-style-type: none"> • Define and implement adjusted operating model • Increase safety performance • Improve employee satisfaction
	Operational and Commercial Excellence	<ul style="list-style-type: none"> • Lean operations • Strengthen Operational and Commercial Excellence functions • Continue roll-out of Pricing Excellence
	Digitalisation	<ul style="list-style-type: none"> • Implement integrated IT-platform

Transformation of NKT Cables continues with EXCELLENCE 2020

Financials

EURm	Q4		FY	
	2015	2014	2015	2014
Revenue	282.0	289.4	1,211.9	1,173.0
Revenue, std. metal prices	210.5	203.2	857.5	812.8
- Org. growth (Y/Y)	2%	-12%	4%	-5%
Oper. EBITDA	15.2	24.9	77.0	65.0
Oper. EBITDA margin, std. metal prices	7.2%	12.2%	9.0%	8.0%
RoCE, LTM	8.2%	4.2%	8.2%	4.2%
Capital employed	381.3	491.5	381.3	491.5
# FTEs, end of period	3,208	3,211	3,208	3,211

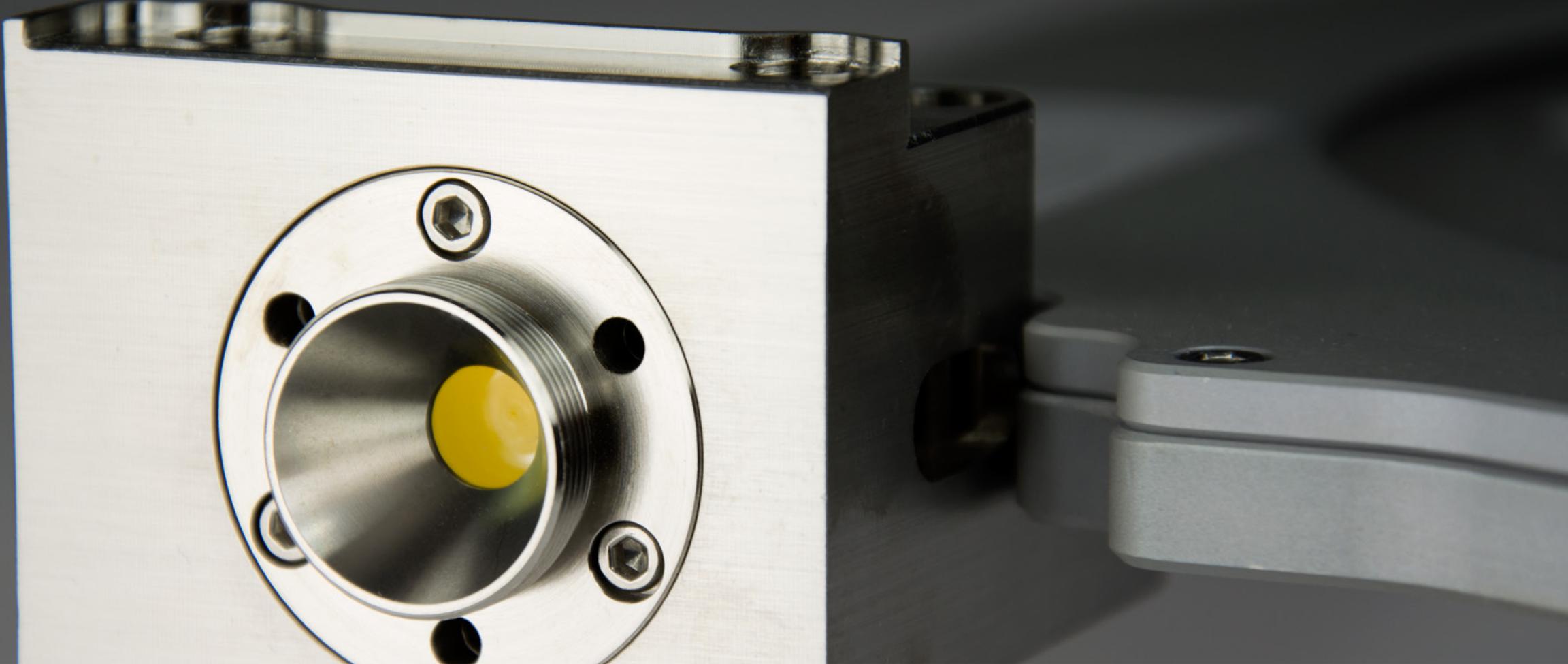
Highlights and summary

- Launch of **EXCELLENCE 2020 strategy**
- **DRIVE** efficiency improvement programme reached EUR 60m annual savings target (run rate)
- **Two offshore projects** won
- **Turnaround of APAC and high-voltage onshore businesses** initiated
- Strengthened **Group Management**

Outlook 2016

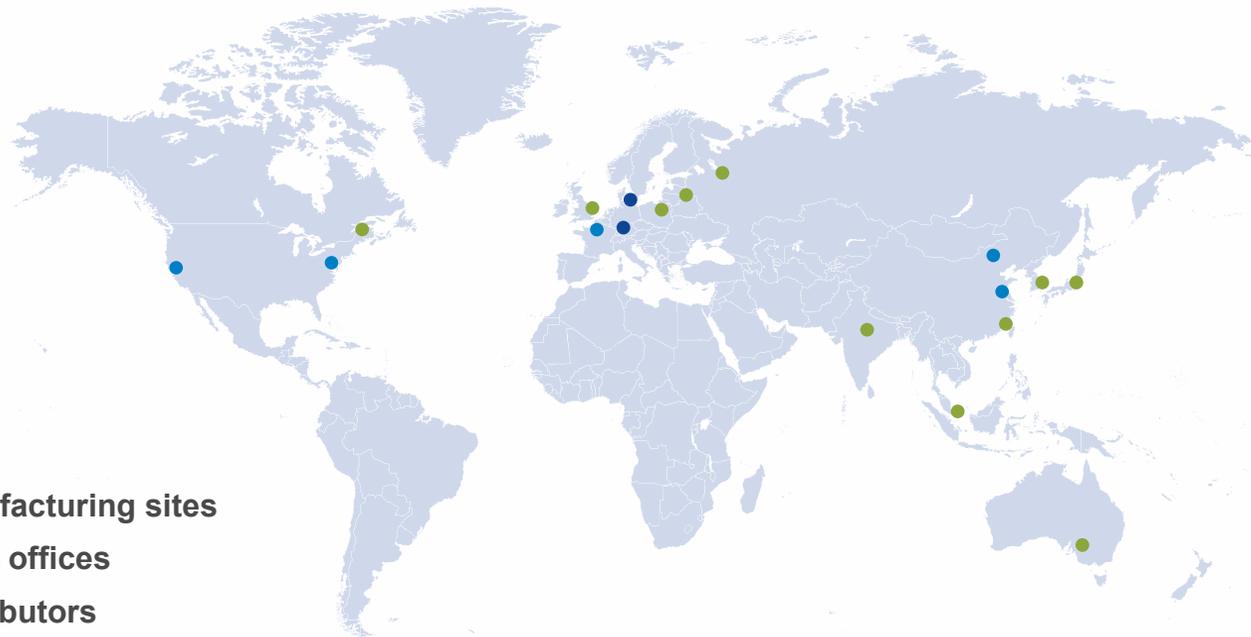
- Organic growth ~ **neg. 5%**
- Operational EBITDA margin* **8 - 9%**

* std. metal prices



NKT Photonics

NKT Photonics as one management entity



- Manufacturing sites
- Sales offices
- Distributors

**Integration across sales,
marketing and engineering.
Further synergies in 2016**

**Annual EUR 400k cost
synergies expected with
possible upside**

Growth expected across all segments

Imaging & Metrology



Focus growth area

- Strong 2015 revenue growth, flat Q4 but good order intake
 - Leica Microsystems signed a 14-month supply contract for significant numbers of SuperK™ lasers in Q4

NKT Photonics
2015 revenue split

~45%

Sensing & Energy



Established area

- Robust Q4 pipeline security market
 - Very strong Q4 sales

~42%

Material Processing



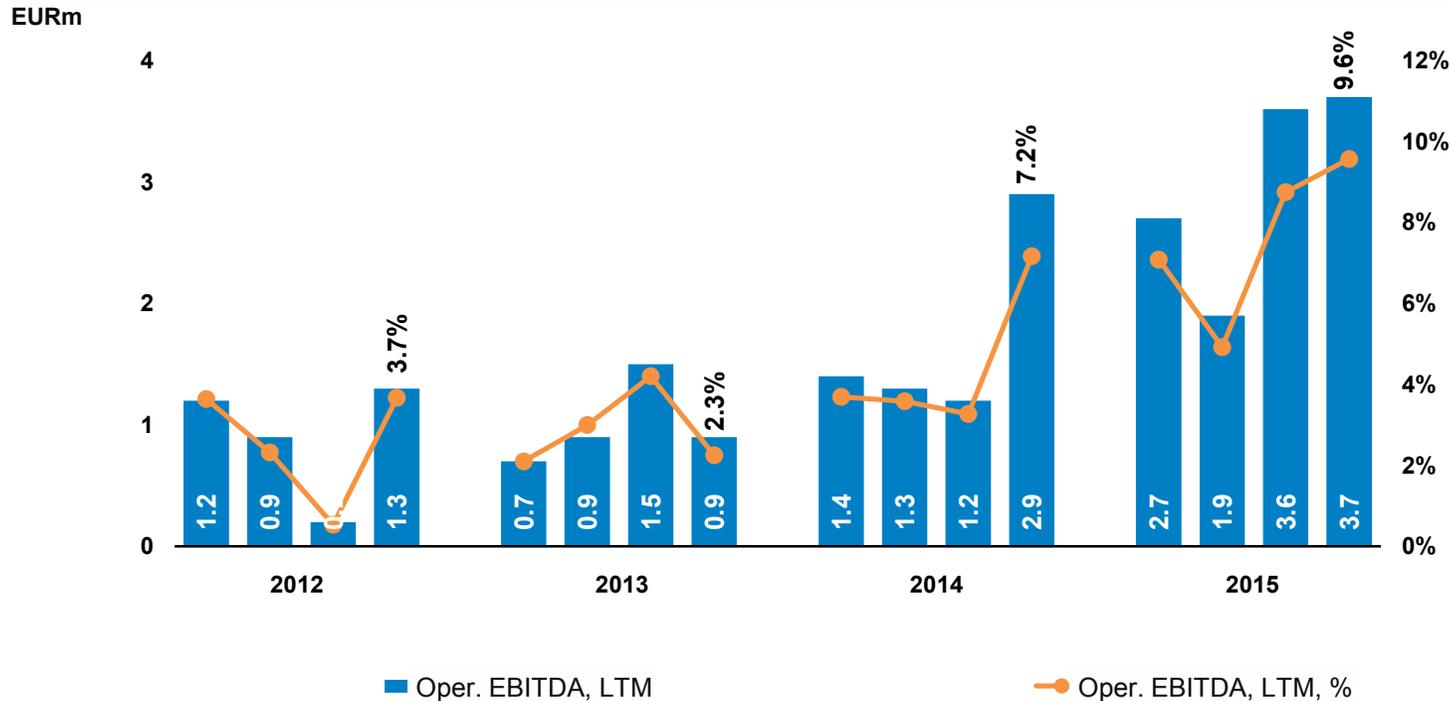
New growth area

- Fibers and modules for ultrafast lasers at record high sales levels

~13%

Operational EBITDA margin increased to 9.6%

Operational EBITDA



Oper. EBITDA margin, LTM, 9.6%, increase of 2.4%-points continuing NKT Photonics' strong trend

Oper. EBITDA of EUR 3.7m, a increase of EUR 0.8m

2016 Management agenda

DRIVER	PRIORITY	ACTIONS
GAIN COMMERCIAL SCALE	Focus on core business	<ul style="list-style-type: none"> • Integrate Lios Technology business into NKT Photonics • Realise sales and R&D synergies
	Secure profitable growth	<ul style="list-style-type: none"> • Increase number of long-term customer contracts • Actively pursue partnerships • Actively pursue M&A opportunities
	Production	<ul style="list-style-type: none"> • Lean manufacturing • Improve time-to-market on new product introduction

Significant organic growth in Q4 of 22% driving operational EBITDA increase

Financials

EURm	Q4		FY	
	2015	2014	2015	2014
Revenue	12.7*	12.6	40.6	39.1
- Org. growth (Y/Y)	22%*	5%	9%	9%
Operational EBITDA	3.9*	2.8	3.7	2.9
Capital employed	19.2	26.8	19.2	26.8
# FTEs, end of period	174	209	174	209

*Continuing business not including Fiber Processing

Organic growth - based on new structure

	Q4 2015	2015
Imaging & Metrology	1%	12%
Sensing & Energy	58%	10%
Material Processing	7%	17%
Total	22%	11%

Highlights

- **Good growth in all segments** (11% on continuing business)
- **22% growth in Q4** driven by Sensing & Energy
- **New CEO took office** in July
- **Significant OEM customer contracts** signed
- **Redefined business strategy** aimed at growth and commercialization
- **Fiber Processing** operations divested 1 September 2015

Outlook 2016

- Organic growth ~ 10%
- Operational EBITDA margin 12 - 14%

Agenda

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Questions & Answers

Financial calendar

2016

3 March	Deadline for receipt of resolutions for the AGM
31 March	Annual General Meeting
12 May	Interim Report, Q1
18 August	Interim Report, Q2
11 November	Interim Report, Q3

2017

1 March	2016 Annual Report
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 For list of Investor Relations events, go to www.nkt.dk