

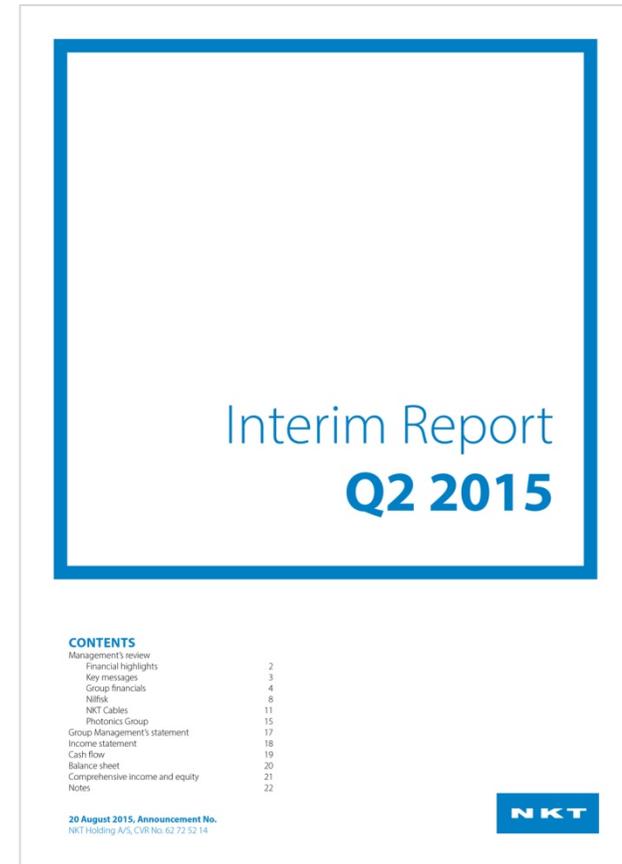
# NKT

## Interim Report Q2 2015

Webcast, 20 August 2015, 10:00 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

CEO



**Jonas Persson**

**Nilfisk**

CEO

# Agenda

## Highlights Q2 2015

### Business units

- Nilfisk
- NKT Cables
- Photonics Group

### Outlook 2015

### Questions & Answers

# Highlights Q2 2015

## Overall Q2 2015 performance in line with expectations

- Q2 operational EBITDA margin of 12% and organic growth of 6%
- 2015 outlook specified within original guidance

## NKT Cables' growth exceeding expectations and full potential of DRIVE increased

- Significantly improved operational EBITDA of 14.1% in Q2 (std. metal prices)
- Race Bank offshore order confirmed
- APAC strategic review finalised, impairment of DKK 374m (non-cash)
- DRIVE Q2 impact of DKK 125m, full potential savings target increased by DKK 50m to DKK 450m
- New 2020 strategy will be presented on Capital Markets Day 23 September

## Nilfisk's growth lower than expected

- Growth and earnings impacted by lower sales, front-end investments and temporary delivery issues
- Continued investments in sales and service; Commercial Excellence roll-out on track
- Three companies acquired in Australia, New Zealand, and the United Kingdom

## Photonics Group CEO appointed, and Fiber Processing divested

- Basil Garabet appointed as Photonics Group CEO to drive commercial scale strategy in Imaging and Sensing
- Fiber Processing divested, assumed effective during September 2015 with impairment of DKK 19m (non-cash)

## Financial highlights Q2 2015

**Revenue** DKK **4,471**m (Q2 2014: DKK 4,028m)

**Organic growth** **6%** (H1 2015: 6%)

Organic growth	Q2 2015	H1 2015
Nilfisk	0%	-1%
NKT Cables	13%	15%
Photonics Group	-14%	-9%

**Operational EBITDA** DKK **441**m, **12.0%** (std. metal prices) (Q2 2014: DKK 324m, 9.7%)

**One-off costs** DKK **34**m from DRIVE programme (Q2 2014: DKK 102m)

**Impairments** total DKK **393m (non-cash)** from NKT Cables APAC operations DKK 374m and Photonics Group Fiber Processing divestment DKK 19m

**Profit after tax** DKK **-206**m (Q2 2014: DKK 47m)

**Working capital** amounted to DKK **2.8**bn and LTM at **16.9%** (Q2 2014: DKK 2.9bn and 19.0%)

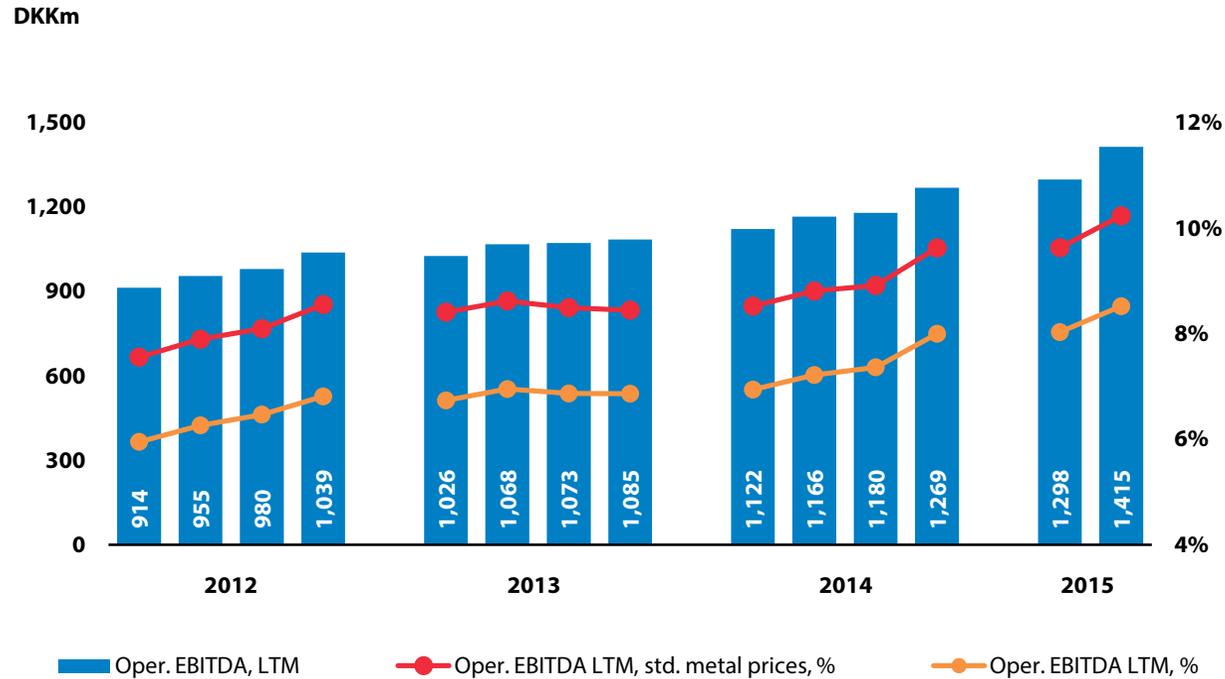
**Free cash flow** DKK **-180**m (Q2 2014: DKK -1m) primarily due to working capital increase (DKK 281m) and acquisitions (DKK 117m)

**2015 outlook** now specified within initial guidance:

- **Organic growth of around 3%** (previously: 0-3%)
- **Increase in operational EBITDA margin** (std. metal prices) **of around 0.5%-point** from 9.6% in 2014 (previously: up to 1.0%-point)

# Strong operational EBITDA development

## Operational EBITDA, LTM



**Oper. EBITDA, LTM**, increased to DKK 1,415m (end-March 2015: DKK 1,298m)

**Oper. EBITDA margin, LTM**, increased to 10.2% (end-March 2015: 9.6%)

## Changes Q2 2015 vs. Q2 2014

DKKm	Q2 2015	Q2 2014	Change
<b>Revenue</b>	<b>4,471</b>	<b>4,028</b>	<b>443 *01</b>
<i>Revenue, std. metal prices</i>	<i>3,684</i>	<i>3,337</i>	<i>347</i>
<b>Operational EBITDA</b>	<b>441</b>	<b>324</b>	<b>117 *02</b>
One-off's	-34	-102	68
<b>EBITDA</b>	<b>407</b>	<b>222</b>	<b>185</b>
Depreciation/Amortisation	-144	-132	-12
Impairment	-305	-4	-301
<b>EBIT</b>	<b>-42</b>	<b>86</b>	<b>-128</b>
Financial items, net	-21	-27	6
<b>EBT</b>	<b>-63</b>	<b>59</b>	<b>-122</b>
Tax	-143	-12	-131
<b>Profit</b>	<b>-206</b>	<b>47</b>	<b>-253</b>
<i>Oper. EBITDA margin, std. metal prices</i>	<i>12.0%</i>	<i>9.7%</i>	
Capex	103	110	-7
Working capital	2,788	2,869	-81
NIBD	1,438	2,008	-570

### 01

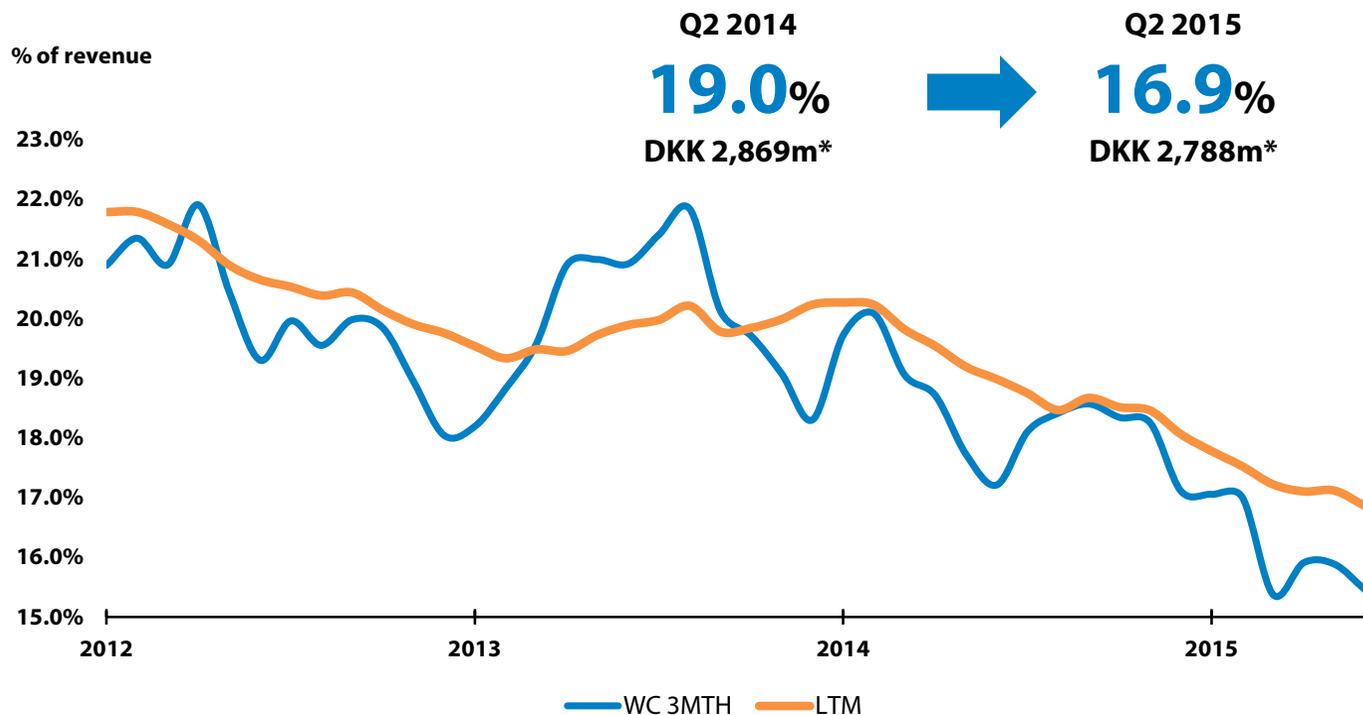
	DKKm
<b>Revenue increased by</b>	<b>443</b>
Metal prices	67
FX changes	181
Acquisitions	6
6 % organic growth	189
- NKT Cables	13%
- Nilfisk	0%
- Photonics Group	-14%

### 02

	DKKm
<b>Operational EBITDA increased by</b>	<b>117</b>
NKT Cables	127
- Margin 14.1% (Q2 2014: 7.7%)	
Nilfisk	-4
- Margin 11.4% (Q2 2014: 12.4%)	
Photonics Group and other	-6

# Working capital at lowest level since 2010

## Working capital



In NKT Cables, working capital ratio, LTM, continued to **decline to 14.0% from 14.9%** at end-March 2015

In Nilfisk, working capital ratio, LTM, **increased to 20.2% from 20.0%** at end-March 2015

**Working capital increased** in Q2 by DKK 135m

- Nilfisk DKK 17m
- NKT Cables DKK 108m
- Photonics Group DKK 10m

\*End of period

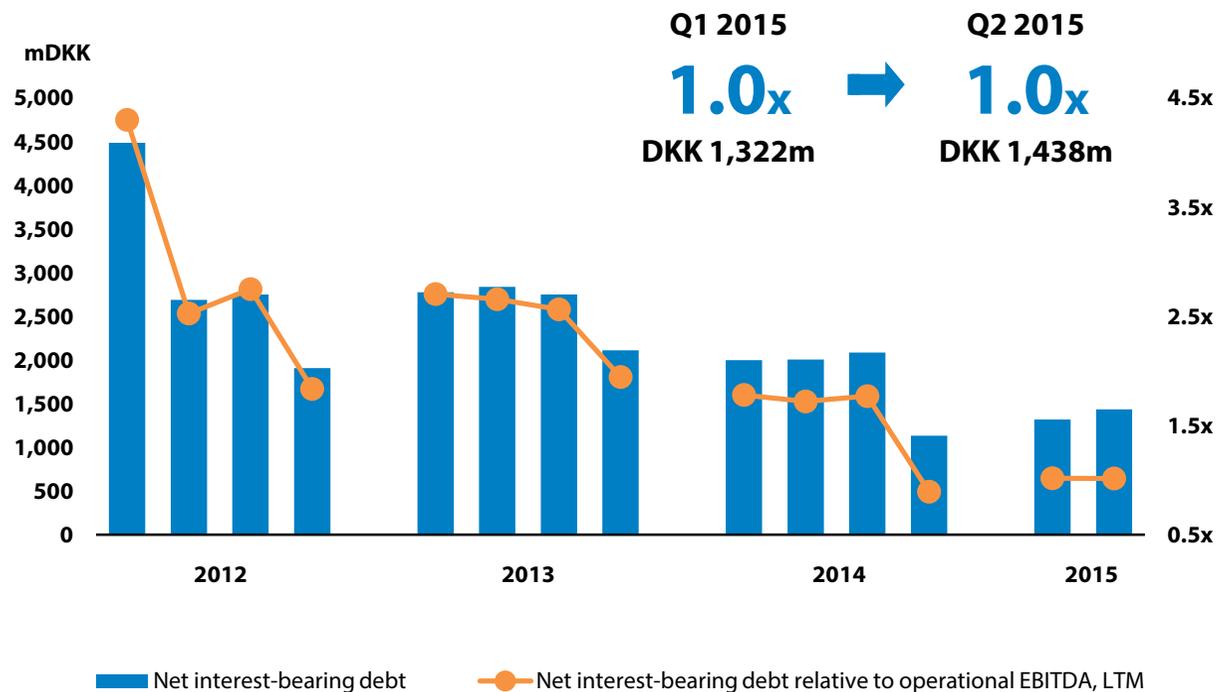
## Cash flow impacted by **increased working capital and acquisitions**

DKKm	Q2 2015	Q2 2014	FY2014
Earnings, EBITDA	407	222	1,061
Interest, net	-21	-27	-99
Change in working capital, adjusted for FX	-281	-161	760
Other	-65	75	-139
<b>Cash flows from operating activities</b>	<b>40</b>	<b>109</b>	<b>1,583</b>
Acquisition of business activities	-117	-	-44
Divestment of business activities	-	-	126
Acq. of property, plant and equipment, net	-55	-49	-231
Other investments, net	-48	-61	-221
<b>Cash flows from investing activities</b>	<b>-220</b>	<b>-110</b>	<b>-370</b>
<b>Free cash flow</b>	<b>-180</b>	<b>-1</b>	<b>1,213</b>
Change in long- and short-term loans	251	-118	-1,160
Dividend paid	-	-	-84
Cash from exercise of share-based options, etc.	-	-	-
<b>Cash flows from financing activities</b>	<b>251</b>	<b>-118</b>	<b>-1,244</b>
<b>Net cash flow</b>	<b>71</b>	<b>-119</b>	<b>-31</b>

- **Operating cash flow** of DKK 40m due to increased working capital
- **Free cash flow of DKK -180m** additionally impacted by acquisitions

# Strong leverage position is maintained

## Net interest-bearing debt



### Capital structure targets

- NIBD:** Max. NIBD of 2,5x operational EBITDA (Q2 2015: 1.0x) ✓
- Gearing ratio:** Max. 100% (Q2 2015: 24%) ✓
- Solvency ratio:** Above 30% (Q2 2015: 43%) ✓

# Agenda

Highlights Q2 2015

## **Business units**

- Nilfisk
- NKT Cables
- Photonics Group

Outlook 2015

Questions & Answers



**Nilfisk**

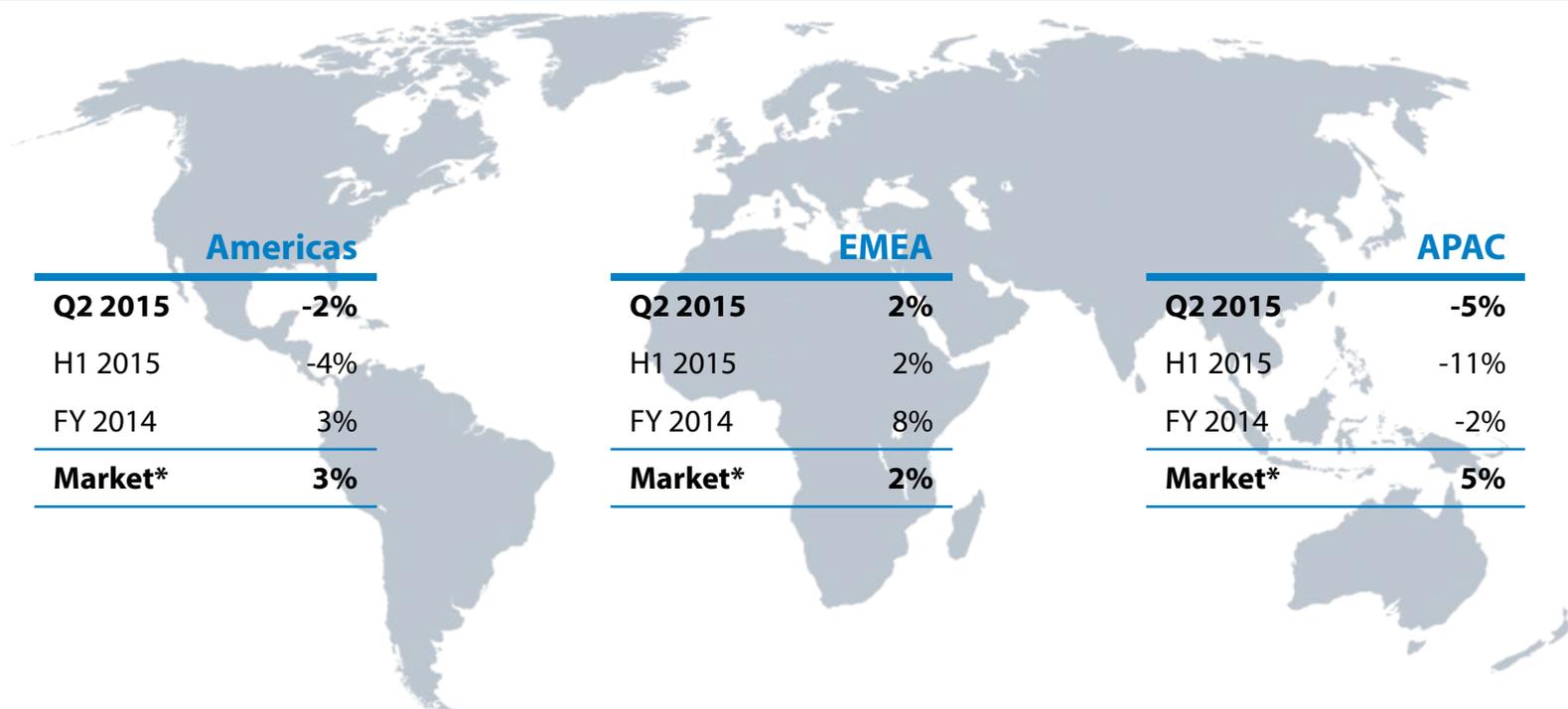
**NKT**

# Organic growth in Q2 weaker than expected

## Americas and APAC still not performing satisfactory

### Nilfisk Organic growth

	2012				2013				2014				2015	
- Quarterly (Y/Y)	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%	0%	9%	-2%	0%
- Annually	0%				3%				6%				-1% (H1)	



#### Americas

<b>Q2 2015</b>	<b>-2%</b>
H1 2015	-4%
FY 2014	3%
<b>Market*</b>	<b>3%</b>

#### EMEA

<b>Q2 2015</b>	<b>2%</b>
H1 2015	2%
FY 2014	8%
<b>Market*</b>	<b>2%</b>

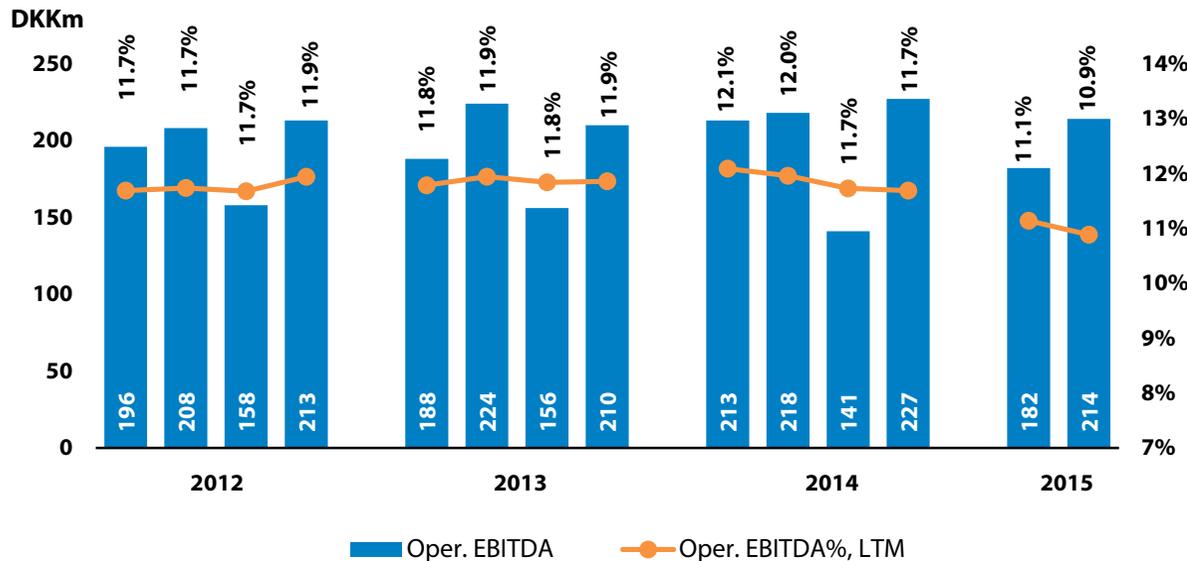
#### APAC

<b>Q2 2015</b>	<b>-5%</b>
H1 2015	-11%
FY 2014	-2%
<b>Market*</b>	<b>5%</b>

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

# Operational EBITDA remain impacted by lower sales, front-end investments, and delivery issues

## Nilfisk - Operational EBITDA



**Oper. EBITDA margin, LTM, of 10.9%** (end-March 2015: 11.1%)

**Oper. EBITDA margin decrease in Q2** equivalent to DKK 20m due to extra costs for

- Sales and service
- Distribution
- Consultancies for acquisitions

# Delivery issues resolved

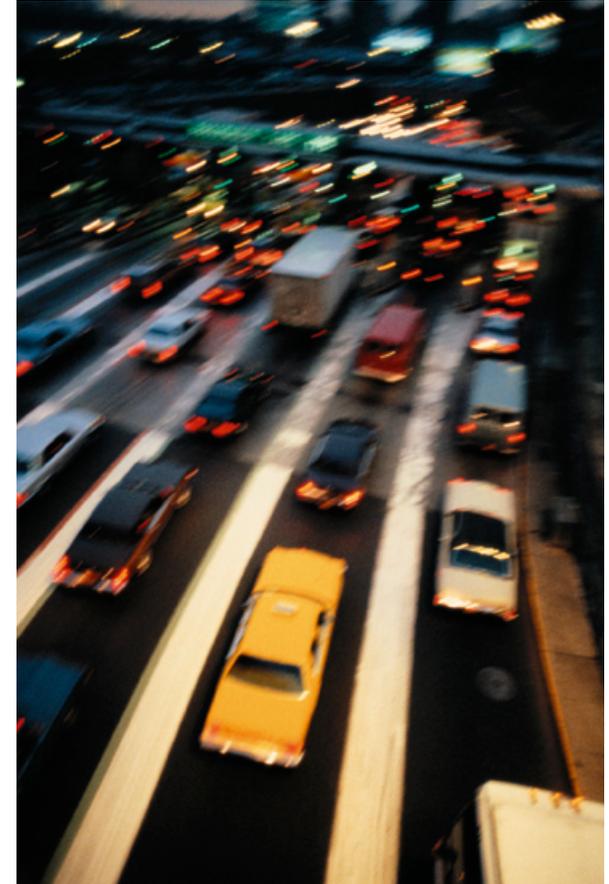
## Focus on restoring customer confidence to distribution

### Key root-causes of temporary delivery issues

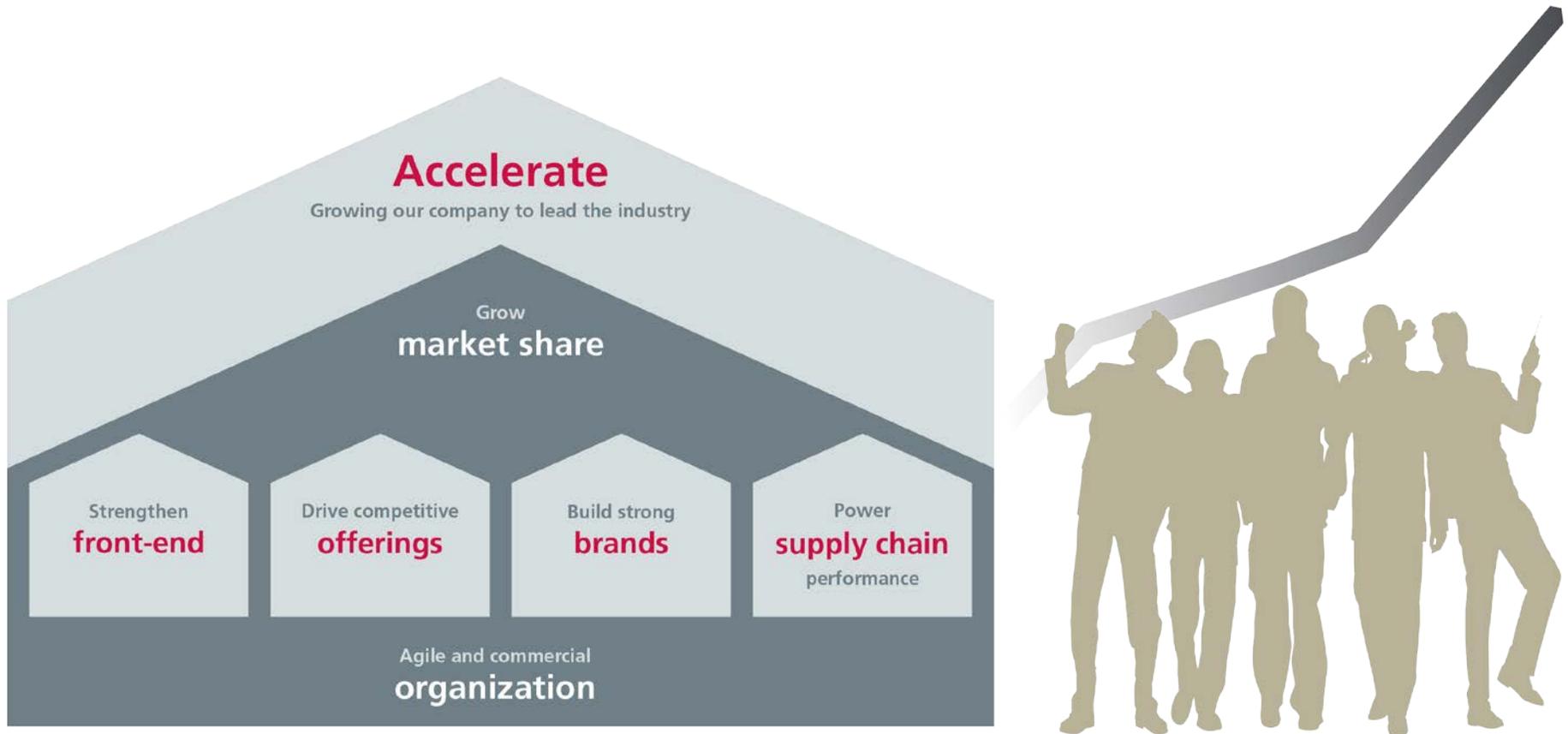
- System change at the European distribution centre solved during Q2
- Port strikes and subcontractor challenges in Americas resolved in Q2
- More complex shipments requested by customers

### Impact and actions taken

- Negative impact of 1-2% on revenue in H1 2015
- New supply chain management in place from mid-August
- Delivery performance back at all time high level in June 2015
- H2 2015 will be used to restore customer confidence in distribution

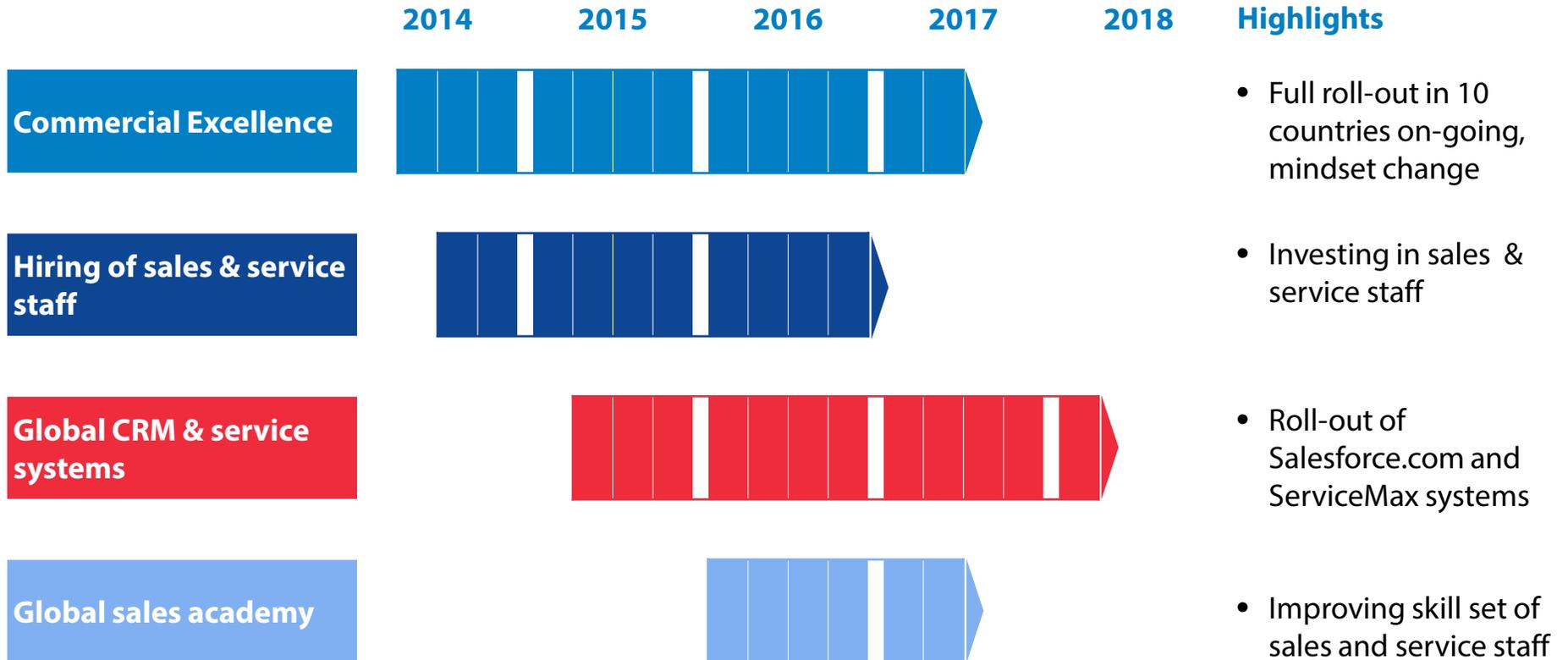


# Execution of "Accelerate" strategy according to plan



# Strengthen front-end

## Implementation plan of major front-end growth initiatives



# Drive competitive offerings

## Medium-sized scrubber for mid-market customers



**Viper AS710R**



**Nilfisk VU500**



**Nilfisk Select**



**Nilfisk MC3C/MC4M**

### Viper AS710R

- First ride-on medium-sized scrubber dryer from Viper
- Targeting 'mid-market' customers
- Compact, powerful, easy to operate

### Other key Q2 launches

- **Nilfisk VU500:** Upright commercial vacuum for US market
- **Nilfisk Select:** Consumer vacuum, improved cleaning performance, low energy consumption
- **Nilfisk MC3C/MC4M series:** Professional high-pressure washers

## Three Nilfisk acquisitions in Q2



### Actively consolidating the cleaning equipment industry

- **Kerrick (AUS/NZ)** July 2015  
Broad-ranged dealer/service company, 50 employees
- **Contractor (UK)** June 2015  
Leading floorcare service company with unique business model, 40 employees
- **Smithson (AUS)** May 2015  
Broad-ranged dealer/service company, 15 employees

# Organic growth in Q2 weaker than expected

## Earnings impacted front-end investments and delivery issues

### Financials

DKKm	Q2		H1	
	2015	2014	2015	2014
<b>Revenue</b>	<b>1,886</b>	<b>1,763</b>	<b>3,682</b>	<b>3,500</b>
- Org. growth (Y/Y)	0%	4%	-1%	7%
Gross margin	40.9%	41.3%	41.3%	41.4%
Overhead cost ratio	32.7%	31.6%	33.1%	31.8%
<b>Oper. EBITDA</b>	<b>214</b>	<b>218</b>	<b>396</b>	<b>431</b>
Oper. EBITDA margin	11.4%	12.4%	10.8%	12.3%
RoCE, LTM	15.1%	17.8%	15.1%	17.8%
Invested capital	3,838	3,325	3,838	3,325
# FTEs, end of period	5,409	5,475	5,409	5,475

### Highlights and summary

- **Gross margin:** Impacted by changes in sales mix for Q2
- **Overhead ratio:** Temporarily up 1.1% point (1.3% H1) due to investments in sales and service, and higher distribution costs due to delivery issues
- **Operational EBITDA:** Decrease due to sales and service investments, distribution costs, relocation of HQ, and transaction costs related to acquisitions

### Outlook specified:

- **Organic growth** to be flat (previously: ~5%) due to ComEx effects materialising later than expected and strong organic growth of 9% in Q4 2014
- **Oper. EBITDA margin** to be reduced by around 1%-point on 11.7% (previously: ~11.7%) due to lower growth, investments in front-end, and increased delivery costs



# NKT Cables

# Growth driven by Projects

## APAC impacted by lower railway sales

### NKT Cables Organic growth

	2012				2013				2014				2015	
- Quarterly (Y/Y)	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%	1%	-12%	16%	13%
- Annually	-4%				4%				-5%				15% (H1)	

#### Projects

Q2 2015	72%
H1 2015	62%
FY2014	-12%

#### Market

Offshore	➔
Onshore	➔

#### Products

Q2 2015	0%
H1 2015	1%
FY2014	5%

#### Market

Nordics	➔
Central Europe	➔
Specialties	➔

#### APAC

Q2 2015	-40%
H1 2015	-30%
FY2014	-24%

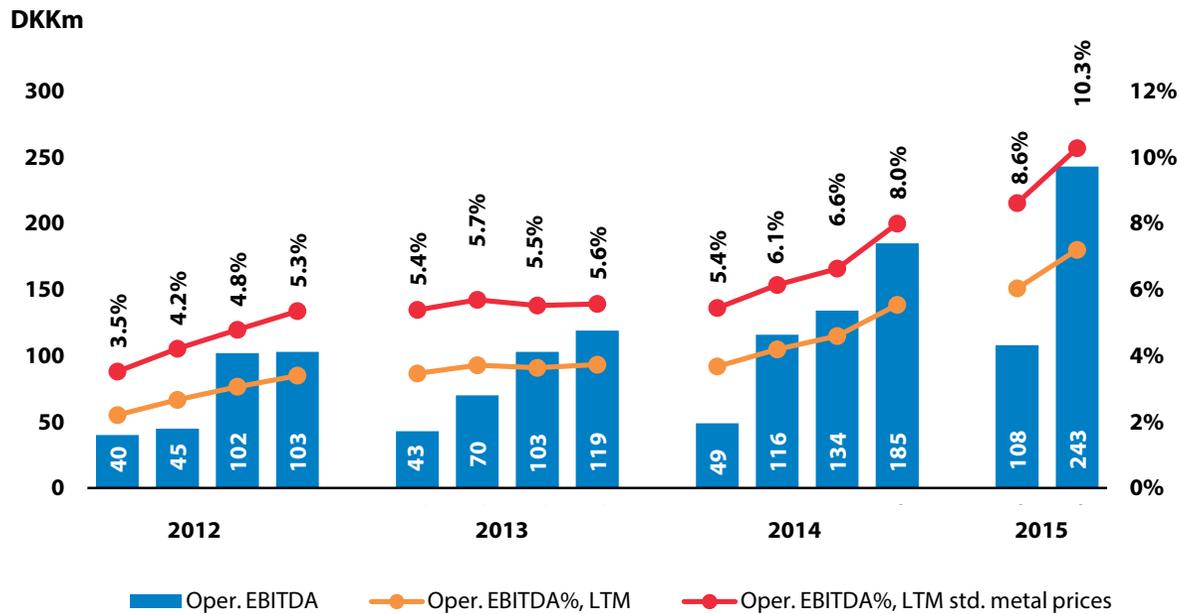
#### Market

Railway	➔
Medium-/high-voltage	➔

# Operational EBITDA of DKK 243m in Q2

## Highest quarterly earnings since 2007

### NKT Cables - Operational EBITDA



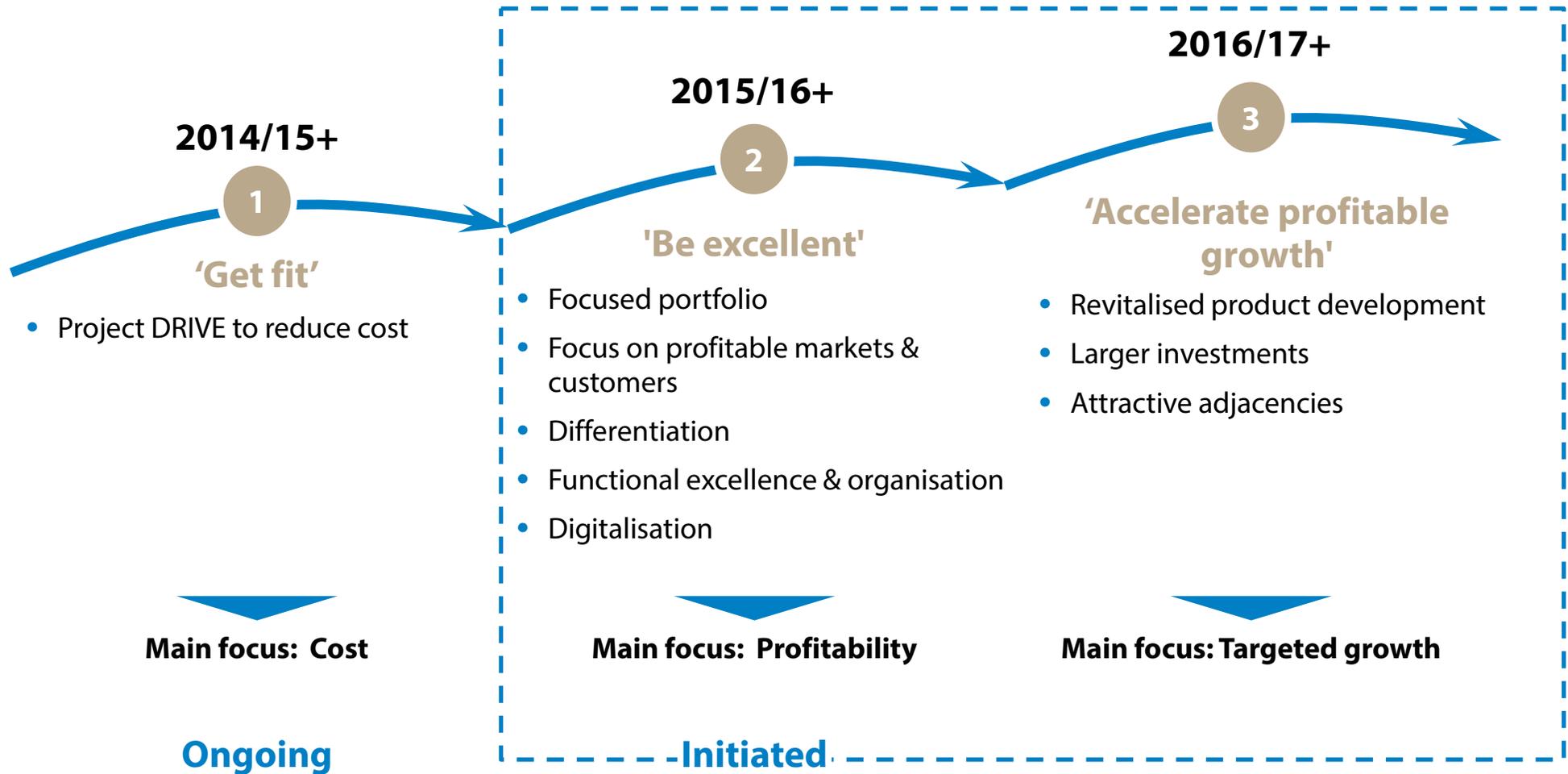
**Oper. EBITDA margin, LTM, of 10.3%**, an increase of 1.7% (end-March 2015: 8.6%)

**Oper. EBITDA of DKK 243m**, an increase of DKK 127m (Q2 2014: DKK 116m)

## Full potential of DRIVE increased to DKK 450m

	Cost improvements	FTE reduction	One-off costs	Capex
Q2 2015 realised	DKK 125m	29 FTE	DKK 34m	DKK 0m
Year to date	DKK 197m	48 FTE	DKK 72m	DKK 1m
Project to date	DKK 400m (run-rate)	319 FTE	DKK 272m	DKK 13m
Full potential (from 2017)	DKK ~450m	400-450 FTE	DKK ~360m	DKK ~50m

# New 2020 strategy framework



# Three key goals of new 2020 strategy

## Full strategy to be presented at Capital Markets Day

1

### Shareholder value



**RoCE > 15%**  
**on a Group level**

2

### Customer focus



**Customers'**  
**preferred choice**

3

### Employee satisfaction



**Increased employee**  
**satisfaction**  
**Trust index > 80%**

# Four group-wide Must-Win Battles to achieve 2020 strategy goals

1

## Safety, people & organisation

- Investment in talent development: Lean, agile, and engaged organisation
- Increased focus on creating safe, accident-free work place

2

## Operational & Commercial Excellence

- Continuous improvement across the supply chain
- Systematic development of commercial operations

3

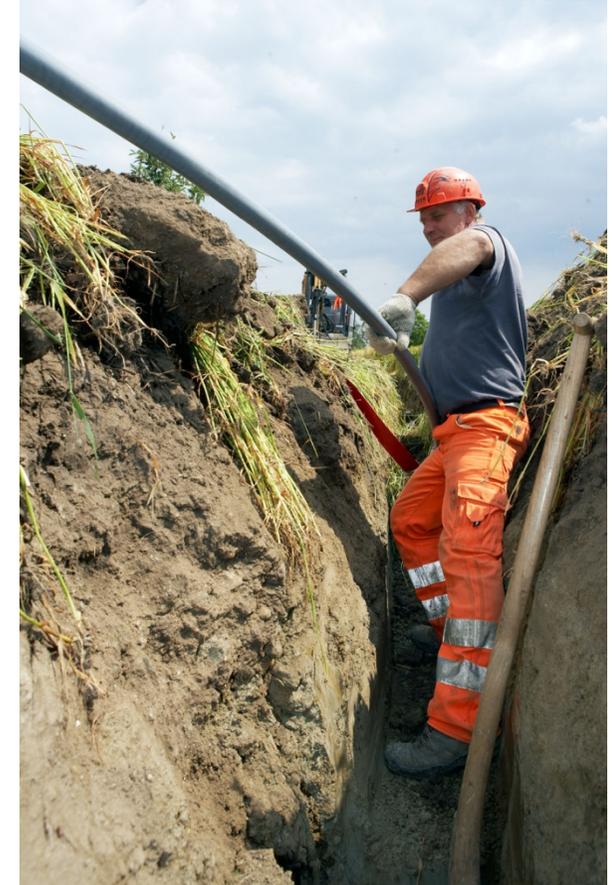
## Material and product development

- Revitalisation of setup, capabilities, roadmap for product development
- Systematic portfolio management

4

## Digitalisation

- Development of digital capabilities
- Improvement of external customer interfaces and offering



# Operational EBITDA increased to DKK 243m from DKK 116m in Q2 2014

## Financials

DKKm	Q2		H1	
	2015	2014	2015	2014
Revenue	2,523	2,197	4,826	4,261
<b>Revenue, std. metal prices</b>	<b>1,736</b>	<b>1,506</b>	<b>3,350</b>	<b>2,884</b>
- Org. growth (Y/Y)	13%	-11%	15%	-3%
<b>Oper. EBITDA</b>	<b>243</b>	<b>116</b>	<b>351</b>	<b>165</b>
Oper. EBITDA margin, std. metal prices	14.1%	7.7%	10.5%	5.7%
RoCE, LTM	9.3%	1.9%	9.3%	1.9%
Invested capital	3,453	4,223	3,453	4,223
# FTEs, end of period	3,212	3,373	3,212	3,373

## Highlights and summary

- **RoCE, LTM:** Increased to 9.3% (Q2 2014: 1.9%) driven mainly by increased profitability
- **DRIVE target:** Full potential increased by DKK 50m to DKK 450m. One-offs up by DKK 40m to DKK 160m for FY2015
- **APAC impairment:** Strategic review finalised, led to impairment of DKK 374m (non-cash)
- **Anholt wind farm incident:** Failure in minor section of cable for Energinet.dk, reproducing minor section as preventive measure
- **New 2020 business strategy:** Will be presented at Capital Markets Day on 23 September

## Outlook specified:

- **Organic growth** around **5%** (previously: flat) due to good offshore visibility and expectations for Products in H2
- **Oper. EBITDA margin** around **9.0%** (previously: 8.5-9.0%) due to finalisation of offshore projects



# Photonics Group

# High order intake and backlog

## Q2 organic growth lower than expected

### Financials

DKK <sup>m</sup>	Q2		H1	
	2015	2014	2015	2014
<b>Revenue</b>	<b>62</b>	<b>67</b>	<b>127</b>	<b>132</b>
- Org. growth (Y/Y)	-14%	10%	-9%	14%
<b>EBITDA</b>	<b>-8</b>	<b>-2</b>	<b>-9</b>	<b>-2</b>
Invested capital	166	203	166	203
# FTEs, end of period	207	208	207	208

### Highlights

- **Photonics Group CEO:**
  - Basil Garabet has been appointed CEO as of 1 July 2015
  - Will drive strategy of achieving commercial scale in Imaging and Sensing
- **All areas realised contractions in Q2**
- **Order intake increased by 29% on Q2 2014**
- **Fiber Processing:**
  - Divested to Thorlabs, a leading US-based manufacturer of photonics products. Divestment assumed effective during September 2015

### Organic growth

	Q2 2015	H1 2015
Imaging	-7%	12%
Sensing	-22%	-27%
Fiber Processing	-10%	-9%
<b>Total</b>	<b>-14%</b>	<b>-9%</b>

# Agenda

Highlights Q2 2015

Business units

- Nilfisk
- NKT Cables
- Photonics Group

**Outlook 2015**

Questions & Answers

## Outlook for 2015 specified within original guidance

In 2015, NKT expects

- **Organic growth of around 3%** (previously: 0-3%)
- **Increase in operational EBITDA margin of around 0.5%-point** (previously: up to 1%-point) from 9.6% realised in 2014

Outlook 2015	Original	Specified Q2
<b>NKT</b>		
- Organic growth	Up to 3%	~3%
- Operational EBITDA, % std. metal prices	Increase of up to 1%-point (from 9.6%)	Increase of ~0.5%-point (from 9.6%)
<b>Nilfisk</b>		
- Organic growth	~5%	~0%
- Operational EBITDA, %	~11.7%	Reduction of ~1%-point (from 11.7%)
<b>NKT Cables</b>		
- Organic growth	~0%	~5%
- Operational EBITDA, % std. metal prices	8.5 – 9.0%	~9.0%
<b>Photonics Group</b>		
- Organic growth	10 – 20%	~10%
- Operational EBITDA, %	8 – 10%	8 – 10%

# Agenda

Highlights Q2 2015

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- Photonics Group

Outlook 2015

**Questions & Answers**

# Capital Markets Day

NKT invites institutional investors, analysts and media to **Capital Markets Day** in Copenhagen, Denmark on **23 September 2015**

At the event we will present:

- **Launch of new NKT Cables strategy**
- **Strategic updates on Nilfisk**
- **Strategic updates on Photonics Group**

 For more information, go to [www.nkt.dk](http://www.nkt.dk)



**Capital Markets Day**  
Copenhagen, Denmark, 23 September 2015

NKT has the pleasure of **inviting** institutional investors, analysts and media to **Capital Markets Day** in Copenhagen, Denmark on **23 September 2015**

**Launch of new NKT Cables strategy and strategic updates on Nilfisk and Photonics Group**  
At the event we will launch NKT Cables' 2019 strategy as well as give updates on Nilfisk and Photonics Group strategies. The presentations will be hosted by NKT's Group Executive Director and members of the business unit managements.

**Programme**  
13:00 – 13:30 Registration and light lunch  
13:45 -> Presentations start  
17:30 - 18:30 Wrap-up drinks and snacks  
The final programme will be distributed to the participants early September.

**Venue**  
Mogens Dahl Koncertsal, Srensenegade 22, DK-2300 Copenhagen 3.  
Driving directions can be found at [www.mogensdahl.dk](http://www.mogensdahl.dk)

**Sign up**  
Please sign up by email to [CMD2015@nkt.dk](mailto:CMD2015@nkt.dk) as soon as possible and no later than 1 September 2015.  
We look forward to seeing you!

Kind regards,  
**NKT**

**FOR INQUIRIES PLEASE CONTACT**

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 For further details go to [www.nkt.dk/investors/capital-markets-day](http://www.nkt.dk/investors/capital-markets-day)

**NKT**

# Financial calendar

## 2015

<b>23 September</b>	Capital Markets Day, Copenhagen
<b>12 November</b>	Q3 Interim Report

## 2016

<b>26 February</b>	2015 Annual Report
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 For the list of Investor Relations events, go to [www.nkt.dk](http://www.nkt.dk)