



Annual General Meeting 2019
NKT A/S

Thursday, 21st March 2019

Brief Introduction

Jens Due Olsen

Chairman of the Board of Directors, NKT

Format of AGM

Conducted in English and Danish

[Danish 00.03-0.05]

I would like to welcome you to this 2019 Annual General Meeting for NKT. I'm happy to see some very well-known favourites and some new faces in the audience. I'm looking forward to the AGM and a good debate which is our tradition. The Annual General Meeting is being held in Danish, but you may ask questions in English. Interpreters are making sure that foreign guests and participants can listen to the AGM via their headsets and immediately afterwards, you will be able to look at our homepage where you will find the report from the Chairman and other relevant information. Our chairman of the AGM is Mr. Christian Lundgren, Partner in Kromann Reumert. Thank you very much to the Chairman.

Procedures

Christian Lundgren

Partner, Kromann Reumert

I was sort of feeling a little bit out of my depth when you suddenly said when it was going to be in English, but I understand it in Danish and I would have surely been able to cope. I'm sure we're going to have an AGM with a lively debate but according to the rules. This is being held in Danish with simultaneous interpretation and questions may be asked in English.

Asking Questions, Leaving Room and Voting Procedures

If participants wish to ask for the floor when the debate is called for, please raise your hand and come to the top table, introduce yourselves and then I will introduce you to the audience so that we can coordinate things properly and as these are timed[?], I would say that comments from the participants will be included in the protocol and the minutes will be publicly available. If you wish to leave the room during the AGM, please remember to take with you your access card and if you want to leave it altogether, you have to be de-registered. If necessary, if we need a written vote, I would ask you to remain in the room until the end of the vote. You have received voting cards and if necessary, I will give you the necessary instructions. Last of all, I will ask those of you with a mobile phone, please mute it or switch it off. Thank you.

Compliance and Rules Regarding the Annual General Meeting Date

Previous Announcement and Document Publishing Dates

Next, I have to note whether we can continue this AGM, whether it's been duly convened, and it is a correct[?] and I note that is the case. I have to go through why I reached that conclusion. First of all, it has to be held in the capital area near Copenhagen and the AGM has to be held by the end of April and the date has been published on Friday, 16th November

2018. That is more than eight weeks before the date of the AGM. The company has noted that the agenda and full proposals was published on 20 Wednesday, 27th February 2019 on the company homepage and sent by mail or post to those shareholders who have so requested. This is in accordance with articles five on concerning the convening of the meeting, and it has to be done at least five weeks – but no more than three weeks – before the date of the AGM on the agenda.

I also see that this also complies with the rules of the articles. Finally, the company has confirmed that the notice, the agenda and all necessary documentation has been available on the homepage of the company since Thursday, 28th February 2019. This is to ensure that we comply with the rule of NASDAQ's and we issued a company statement on Wednesday, 27th February 2019.

Simple Majority Vote

We do not need a particular quorum or a qualified majority. So all decisions today may be adopted with a simple majority of people represented. So I note that we have been duly convened and that AGM is current[?] in accordance to the necessary articles. This is my conclusion, but does anybody disagree? No, thank you. Then we have to look at the agenda.

Today's Agenda

The agenda is fully in accordance with the articles one, we have the report of the Board of Directors and the company's activities in 2018. The presentation of the audited annual report including the annual consolidated accounts, the statements of the management, the Board of Directors; three, adoption of the audited annual reported; four, proposal by the Board of Directors for the distribution of profit or cover of loss; five, granting of the state charge to management and Board of Directors; item six, remuneration of the Board of Directors for this year 2019. Then we have the election of members of the Board and the election of one or more auditors until nine, we have no new proposals and the Board of Directors do not have any either. But then we have any other business.

Formal Opening of AGM

Let's open the AGM formally and as we normally do, I would propose that we take items one through four on block and that means first of all, we have the report by Jens Due Olsen. He will introduce the annual report and also explains the attitude of the board with respect to dividend or lack of same. Then we open the floor for a debate on items one through four together. Unless there is some disagreement, I will now give the floor to the Chairman of the Board.

Chairman's Report

Jens Due Olsen

Chairman of the Board of Directors, NKT

Challenges of 2018

Challenges in Slowdown

Thank you. So dear shareholders, welcome to the AGM in NKT. I will now go through the developments of 2018 both at regards our business and the work with the Board of Directors

and I'll also look to the future. 2018 was a challenging year where the results were not satisfactory and unfortunately, this could not be balanced out by the fact that NKT Photonics delivered a very satisfactory account and were prosperous. The cable business was influenced by a number of internal/external factors which have also slowed down the speed of the transformation. This will influence our results in 2019 and therefore, we ended our cooperation with the CEO Michael Hedegaard Lyng.

New CEO arriving in August

And as we announced last Tuesday, we now have found our new CEO and I'm very happy to welcome Alexander Kara. He has more than 30 years' experience from a managerial post in ABB which gives him the necessary combination of experience and knowledge of the field which is necessary for operating and for driving forward the development of NKT. Until he begins on Thursday, 1st August 2019, Roland M. Andersen will continue as the temporary CEO and he has carried out this work very well, I must say.

Share Price Development

Lack of Orders in High Voltage

Now I will look to the share price which reflect the challenges that we had in 2018. In 2017, and at the beginning of 2018, we were influenced by the lack of orders in the high voltage field. There was a potential of enough orders, but we were not able to do what we used to do and that meant that we had a low expectation of capacity in our factory in Karlskrona, and unsatisfactory earnings within low and medium voltage cables. That made us lower our financial expectations of 2018, but also to communicate or announce that 2019 will not be a good year. This of course has influenced the share price negatively.

Clearer Communication in the Future

I can see that we have not really been able to communicate properly how the lack of all those high voltage orders will affect our earnings in the coming period, and therefore we will focus on communicating even clearer how this development will influence the financial results for a longer period of time.

Comparison to General Market

As you can see, we have actually done more badly than the general Denmark market generally and also worse than our competitors. If you look at the past four months, we, Prysmian and Nexans have fallen to more or less the same level. So we have seen quite a lot of extension of projects and so on in this high voltage market.

Financial Results for NKT A/S

Operational EBITDA and Cash Flow

When we look at the results for NKT A/S, the earnings in 2018 increased to EUR 1.1 billion which was 39 billion more than 2017. Operational EBITDA fell to EUR 79.3 million from 141.8 million in 2017.

The development in the EBITDA was the result of the contribution of the cable business being less than in 2017. Our operational cash flow fell from EUR 87.8 million in 2017 to minus EUR 42.2 million in 2018 and there were three reasons for this.

The operational EBITDA was lower as I mentioned before and the development in our working capital, which increased from a very low level at the end of 2017 and which is very much influenced by the timing of the individual products. Also in 2017, Nilfisk was included in the first nine months which had a positive influence on the cash flow. Because of this de-merger, Nilfisk has not been included in 2018. So our return on capital employed fell from 11.8% in 2017 to minus 0.7% in 2018 because of the lower earnings in the cable business and the increased working capital.

Capital Structure and Board Recommendation

At the end of 2018, we had an interest-bearing debt of EUR 248.3 million which is a decline of EUR 48 million from the end of 2017. It's our objective in the medium term to operate with a net interest-bearing debt of 1.5x operational EBITDA. At the end of 2018, this was 3.1 times operational EBITDA. So the board, therefore, recommend that no dividend would be paid out for the year 2018. It's still our policy to pay out a cert of the year's results in dividend when our capital structure allows this.

Refinancing of Credit Facilities

In September 2018, we refinanced our credit facilities a total of EUR 450 million by issuing a hybrid bond and a credit facility which was made available by a Nordic group of banks. These refinancing replaced all existing bank facilities and we assessed that we have the financial space now to counter the consequences of the lower order book and the level of activity in 2019.

Financial Performance for NKT

So I'll now look at our cable business which operate in three areas. The first one is Solutions which covers high voltage cables for both on and offshore projects. The second one is Applications which serves the market for low and medium voltage cables which includes building wires. Then we have Service and Accessories which carry out service on cable solutions and which sell accessories to cable projects within primarily medium and high voltage.

In the cable business, the turnover in standard metal prices saw a low increase to EUR 1.08 billion while operational EBITDA fell to EUR 70 million compared to EUR 138 million in 2017. The development was primarily driven by Solutions and by unsatisfactory earnings in Applications.

Solutions

As regards to Solutions, the result for 2018 was influenced by a satisfactory execution of projects, but there were fewer projects and in average, lower earnings. In addition, two projects were delayed in the fourth quarter caused by external factors. First, an extraordinary low level of water in the river Rhine meant that it was not possible to sail cables from our factory in Cologne and second, one of our sub-suppliers damaged one of our cables during a job. So therefore, there were delays.

Activity of NKT Victoria

Our ship NKT Victoria – you can see her here – she had a year with satisfactory activity, and she placed cables for the Norwegian oil platform Johan Sverdrup 1 and to several offshore

wind parks such as Kriegers Flak which will be the largest park of wind turbines in Denmark when it's fully operational in 2021.

New Orders in 2018

So with that being said, we ended 2018 by gaining five large orders. One of the orders was the German project Ostwind 2 where our cables will connect a number of wind parks to shore. The value of that contract is EUR 300 million which makes it the largest order in our history. At the same time, it's the first time that we win a project that will be produced in both Cologne and Karlskrona and this emphasizes the possibilities we have with two high-voltage factories which are strategically well-placed to deliver cables to the important market in Northern Europe and by both factories being involved, we can offer our customers more flexibility and it makes us able to handle even larger projects than today.

So altogether, the five orders meant that an additional EUR 800 million was added to our order backlog, which at the end of 2018, amounted to EUR 1.1 billion. This positive twist emphasizes our trust in the great potential in green transition where we are well-positioned with our know-how and our technologies to gain our shares of projects in the years to come.

Importance of High-Voltage Orders

To understand our business, it's important to know how it influence our financial results when the number of high-voltage orders decline as we saw in 2017 and the first half of 2018. When there are periods with low market activity and less orders, then there will be increased competition on the projects that are already in the market and that means lower earnings, generally, because of fewer projects but also a lower earning per project. When we also win fewer orders, then we are not able to utilize the capacity in our factories to the full extent and this would also mean lower earnings to cover our fixed costs.

At the same time, it's important to understand that big cable projects typically extend over several years from when we receive the order until we deliver the finalized project to the customer and that is also what will influence us in 2019 where our earnings will be influenced negatively despite the satisfactory order intake in the second half of 2018.

Phase of Orders

Now there are many phases in the individual projects from when we receive the order until we finally deliver it to the customer, and you can see this up here. To maximize or to use the factories to our full extent, we would like to have several orders divided or spread out over all the phases. That means that ideally, we like projects which are starting up, projects which have been going on for some time and projects which we are terminating. The last time we experienced that was in 2017 where we had projects in various phases at the same time with being able to exploit NKT Victoria for the installation of produced cables. So when things slow down, it takes some time before we actually see the effect and it will take some time before things speed up again and we can see the effects.

Applications

And now I would like to look at Applications. The earnings of Applications which cover our low and medium voltage business was not satisfactory in 2018 and the primary reasons have

been that internally we've probably been too ambitious and we have launched too many projects in order to optimize this part of the business and this means that we haven't executed the projects as we expected to do. On top of that, we were also challenged by the weather in the Swedish market which in several periods prevented the installation of medium voltage cables. The winters were too cold and during the summer, we were not able to carry out work because of the risk of wild fires. In Applications, we executed a number of prioritized initiatives which we expect will improve earnings during 2019.

Service and Accessories

So finally, Service and Accessories, which is the third leg of our business. We saw results which is in line with our expectations. For example, we had the potentials within, especially the Service business confirmed. In 2018, we carried out several service tasks on both on and offshore cable solutions and we have also expanded our service model so we're able to help our customer quickly when there are problems with their cable connections.

In Accessories, which cover our business for cable accessories, we saw positive development in the Middle East, and we entered into several contracts. In Europe, we were influenced by challenges in the German market while the results in our key markets in the Nordic countries was as expected.

Continuing Initiatives in 2019

Despite the challenges of 2018 and also the difficult 2019, we still have faith in our strategic direction which was set in 2015. We executed a number of initiatives developed specifically for the individual business lines and their segments and during the year, we have seen progress in many of them. They are grouped here in development and growth, profitability and turnaround.

[Danish 21.09-21.10]

Innovation and Digitization as a Focus

We have sold a number of non-core areas to focus our cable business. This includes our investment in railway which was finally divested in February this year. Innovation and digitization are still strategic focus areas in NKT and in 2018, we have a number of digital initiatives. One of them is that our digital hub has launched the first project in the shape of a digital platform for handling cable drums where customers via an app can get information as to where the drum is and how much cable is left on it. You wouldn't believe it's necessary, but it's like containers. They just sort of end up anywhere.

New Head of Technology

Therefore, we have employed Anders Jensen as our new Head of Technology in September. It's an important step to strengthen our product development and innovation. Anders is present and I'm sure he'll be happy to answer your questions afterwards outside in the lobby.

2019 Outlook

If we look at 2019, it's going to be a challenging year for the cable business where as we have mentioned in the past, expect to see lower capacity exploitation of our factory in Karlskrona.

Main Priorities

Therefore, we have fully focus on three overall priorities in 2019. We must continue to increase our order backlog of high voltage projects, we must increase our earnings in Applications by focusing on fewer, important initiatives and we must reduce our cost without compromising the future growth possibilities we see in the market.

Cut-Costing Programme

Therefore, we launched a cost-reduction programme in February which will be focusing on our general expenses and adaptation of the organization. We expect to reduce the number of white-collar positions by 8% in 2019 which amounts to approx. 130 positions across Europe and about 70 of them will be in Sweden. The expected savings will be about EUR 15 million, and we expect to see half of it realized in 2019.

Growing Demand

Having said that, we have seen increased activity in the market in the second half of 2018 which we expect to continue in 2019 and in future years. There's growing demand for green and renewable energy backed up by broad political forces and a growing demand in the general population. This development is run mainly by wind power parks both at offshore and offshore and there will be an ongoing phasing out of nuclear and coal-powered power plants. This development will mean that we have more flexibility in transmissions as renewable energy sources are dependent on, for example, if the wind actually blows.

We see in this transmission that projects and constructions of wind energy fields is prevalent in many European countries and many countries outside Europe and United States and Taiwan. And at the same time, we see many projects where the power grid is connected across borders and which we expect will be awarded to the cable manufactures in the coming years.

In the market of big cable projects it is crucial to have a broad product portfolio within AC and DC and with the acquisition of ABB's high-voltage business two years ago, we strengthened our product portfolio as it gave us access to the DC technology which we expect will be central to the cable market in the coming years and we also took a very strategically important step by equipping NKT for future growth and we are well positioned to maintain and strengthen our position within high-voltage.

2018 Development for NKT Photonics

Now I will look at NKT Photonics which produces and markets products within imaging and metrology which allows us to take images of very small structures such as, for example, skin cells. Sensing and Energy which are lasers for use in monitoring and measuring equipment and then Material Processing, which are lasers that can cut hard materials such as, for example, glass and metal very accurately.

Leader in the Market

In these fields, NKT Photonics is a leading producer in the market based on several years of development and we expect these segments to continue in a positive fashion in the coming years. NKT Photonics has particular expertise in developing lasers that are precise and efficient and with a growing population, there's a need for efficient and optimal use of the resources available. We see this in the pharmaceutical industry where lasers from NKT Photonics ensure that screening and diagnostics for illnesses has become more efficient.

The ongoing development with smaller and smaller technological solutions in a range of products is also an important growth driver for NKT Photonics. Our ultrafast lasers can, for example, cut very precisely in even very small structures used in industrial products.

Financial Performance

In 2018, NKT Photonics delivered a satisfactory result in accordance with our expectations. The revenue increased by EUR 17 million to 67.7 on 2017. Development has been driven on a stable execution across the business areas where the orderbook grew by 38% on 2017. And NKT Photonics achieved a record EBITDA of EUR 9 million primarily driven by higher revenues. The organic growth was 16% and 2018 was the first year where NKT Photonics again delivered double-digit organic growth since 2013.

Growth in all segments

These great results for 2018 can be ascribed to all three business areas. We saw good growth in sales for Sensing and Energy, for example, with the detection of fires and monitoring of cables. At the beginning of the year, we received the prestigious Prism Award for the new product LIOS EN.SURE that can measure and monitor temperatures in cables over distances of 70 kilometres. Still the smallest, but fast-growing segment, Material Processing has also seen good growth primarily within ultrafast lasers for healthcare equipment.

Completion of One-Five Integration

In the second quarter, the integration of One-Five, the acquisition from 2017, was concluded which has strengthened our position in the market and we have throughout the year strengthened our organization so that we are ready to make the best of the growth opportunities. For example, we're setting up an office in the United States to expand our business there.

Strategic Focus on Commercialization

In 2018, we executed well on our strategy which is about commercializing the business. The initiatives cover, for example, moving upwards in the value chain and focusing on become a solutions provider rather than product provider for industrial customers, to focus on organic growth after two successful acquisitions in 2016 and 2017 to ensuring efficient and lean production centred in centralized functions and to continue the fast introduction of new products as our technological foundation grows stronger.

In 2018, we have launched a number of new products which has helped found our position in the market. In 2019, the focus in NKT Photonics is intended to use the present momentum for growth and continue the commercialization.

Board of Directors Update

Now I will briefly look at the Board and give a brief update on our activities. Back in 2013, we introduced a new management model and as you see, we still have many meetings both in the Board and in the companies where we work close together with the management. It means that the cable business and the photonics business are run as two separate business entities that refer directly to the Board of Directors.

Evaluation of Composition

We think that this rather atypical management model has proven an advantage to NKT. We also assess that the Board has the right composition with the necessary qualifications to drive NKT towards further value creation and growth. In the board, we have evaluated our position and concluded we are a good team where there's room for good discussions. We have room for disagreement. There's a great deal of confidence between the members; our governance model also works well as well as the committees that have been appointed. We think we have the good composition of skills, but not on gender composition as we wanted to increase the share of the less-represented gender from 17 to 30% so that it's a good reflection of the composition in our company. Members of the board are well-prepared and there's good meeting discipline. Where we assess there have been challenges was the question of the dismissal of our CEO and our reaction to the development. Not so much Solutions, which has found further orders and increased our market share and we have also executed well.

But in relations to Applications, the slowdown in earnings is partly self-inflicted. Our cable business in Solutions is characterized by having a long braking distance and as further mentioned, we also are ready to make sure that investor communications on the projects is efficient.

Re-Election of AGM-elected Board Members

I'm happy that all members of the Board elected by the AGM have expressed their wish to stand for re-election and they still want to be part of our journey. I have now been on NKT's board since 2006 which means I am no longer independent according to the recommendations of good corporate governance, but the Board still thinks that it's in the interest of NKT that I stay, and in the event that we are re-elected by the general meeting the Board will unanimously reappoint me as Chairman.

Remuneration to Board of Directors

The Remuneration will be unchanged which means that we receive remuneration for our positions and committee positions levelled with comparable companies and I will say that the Chairman's participation in committees does not call for a special fee. This is discussed on item six on the agenda, and the Board does not participate in the incentive schemes programme.

Thanks to Employees

I would like to thank the employees for their efforts in 2018 which helped to ensure that customers select us as their working partners and we've seen, both the Board and the Management Board sharing responsibility in making sure that we look at promising business opportunities and we are good at sparring as well.

2019 Financial Expectations

The tradition prescribes that I talk about the financial outlooks for this present year. In the cable business we expect a revenue in standard metal prices of EUR 0.9-1.0 billion and an operational EBITDA of EUR 10-30 million in 2019. Both these key figures are lower than what we realized in 2018. This is because we expect a low utilization of our factory in Karlskrona

We maintain our targets in the medium term where we expect an operational EBITDA of EUR 200-225 million and a return on capital employed of 13% or more.

For NKT Photonics, we expect the growth momentum to continue in 2019 with an organic growth of 15-20% and an EBITDA margin of 15-20%. In the medium-term, we're talking about an annual organic growth of more than 10%, EBITDA margin of 25% and a return on capital employed of about 20%. As I said, this is unchanged compared with previous announcements.

Priorities and Execution

Initially I said that 2018 was a challenging year for NKT and 2019 will also be difficult. Therefore, it's important to focus on the execution in accordance with the prioritizations and set up our cable business for our future growth. Then we will onboard our new CEO Alexander Kara from Thursday, 1st August 2019 and leverage his strong competencies to improve our position. In NKT Photonics, focus will be on the continued commercialization and the maintenance of the present momentum in the market. This is all I have to say, and I now give the floor back to the conductor, Christian.

Q&A

Christian Lundgren (Kromann Reumert): Thank you. Okay so now I will ask you to decide on the annual report and the other items of the agenda. Claus Wiinblad from ATP has announced that he wants to say something and then the Danish Shareholders Association. If you want to say something, please indicate and we will let you come to the floor.

Claus Wiinblad (ATP): Yes, thank you very much. My name is Claus Wiinblad and I represent ATP. And I'd like to thank the Chairman for his report and for the presentation of the account for 2018. As the Chairman said himself, 2018 was a disappointing year in many ways for NKT; neither results nor the communication to the shareholders has been satisfactory. EBITDA of 2018 amounted to EUR 70 million in the cable business which was very much below expectations.

Part of the explanation can be ascribed to external factors because the order book has been less than what was expected and also the delays on a couple of the projects as mentioned. The development in the application business has also been disappointing and this development, as the chairman himself said, that this development is in NKT's own fault.

It's disappointing that the initiatives to improve earnings did not have an impact more quickly and that the earnings are much less than should be expected of this kind of business. I look forward to seeing some positive effect of the initiatives launched. As regard to communication, it's clear that NKT was much too optimistic about the opportunities in the high voltage market on the Capital Market Day in the Autumn of 2017 which was held in connection with the demerger and at the same time, the company has not been sufficiently proactive when it comes to explaining the economic or financial impacts of the lower order intake of 2018, but I'm glad that the chairman acknowledges this problem and will be able to do something about it in the future.

It's positive in any way that NKT wins five large orders in 2018, but they were received too late to have an impact in 2019 and there are still some major challenges for the management of NKT to ensure a long-term expectation of capital and balance flow[?] to capital.

In light of these problems and challenges, I'm happy that a new CEO has now come on board. One of the large focus areas in the future is whether NKT will win its share of some of the high-voltage projects which will be allocated in the time to come.

So my question is what are the prospects here if NKT will win a fair share of these contenders that will be good, but what are the consequences if there are still delays again in those projects or if NKT will not be able to maintain its market share because of the large competition? So if the order intake must be disappointing again in the short-term, what will NKT do?

So despite my criticism, I still have a positive view on the potential within high-voltage projects, but there is a need for investing in the expansion of the existing projects and wind power also in Europe, but also outside Europe. And on the other hand, I'm not quite sure that we'll not see some delays in the development of market again and that is the reason for my question.

A positive thing for NKT in 2018 is Phototonics which delivered good growth. It will be an exciting story to follow in the coming years. We would like you to have more focus on Phototonics in the future, so we have a better view of the development of the business. So also here, I think you have some work to do and you need to improve your communication to the share market. And with those words, I would like to wish you and your employees good luck with your work of 2019.

Christian Lundgren: Thank you, Klaus. I noted that you had one question and my proposal is that we also hear the Danish Shareholder Association and then we hear their question then the Chairman will answer them both combined.

Karsten Kristiansen (Danish Shareholder Association): Yeah, thank you very much. My name is Karsten Kristiansen and I represent the Danish Shareholder Association. I'd also like to thank the Chairman for a good report, but I also have some questions and I would like some answers to those questions.

One of the most significant developments in 2018 was in Solutions. There would be a low factory utilization in 2019 and a bit more perhaps in 2020. This order situation has had a negative impact on the share price, and this has been dealt with in the accounts of this year.

I'd still like to ask how did we end up in this situation and what can we do so that we will not land in this kind of situation again? Another area is Applications, and we have seen good growth in sales, but we did not really make any money in 2018 and the results has been named unsatisfactory.

You need to launch some activities that will bring earnings back on track, but I'd like to ask you to what level would the margins reach when those initiatives have finished and then the Chairman of the meeting have said to me it may be a problem as regards to NASDAQ rules to talk about this, but perhaps you can give us an indication so we would see better guidance in the future or in the quarter reports in this area.

The next item, well, the weather. The weather as in the weather is a risk factor for NKT. In this year's annual report I read that weather had caused some problems for Applications: a very cold winter in Sweden, a dry and warm and long summer with a low water level in the river Rhine.

But NKT also has to reconsider these risks and consider how they can influence financial results and minimize the risks. These are conditions that have also been described in the Annual Report on pages 38 and 39, but apart from the weather, you did not write lots about the weather. So I'd like to ask the chairman, what are you going to do to handle those risks, the risks connected with the weather so that they will not affect the financial results again?

Finally, I must say that Photonics is positive news because it would be good to see the results in the future and see how this area can expand in the future and I look forward to follow Photonics in the future and with these comments and these questions, I'd also like to say thank you.

[Danish 44.03-44.04]

Christian Lundgren: Thank you very much Karsten. I now give the floor to the Chairman who can answer your questions. So as we are listed on the Stock Exchange there is some limitations to what we can communicate if the information is sensitive to our share price, as we'd have to interrupt the AGM. Perhaps you could give a general answer with that in mind.

Jens Due Olsen (NKT): Thank you to Claus Wiinblad from ATP for his excellent comment. We are very humble here and we agree with your observations that we have not prepared the market well enough for the consequences of a low order backlog and as Applications has not shown a satisfactory performance. I hope that is reflected in the report.

You asked about the consequences if we do not get any of the new orders for high-voltage networks. In this cycle we have gathered about 40% relevant orders, so I think it's relevant for our technology and capacity to deliver and it's being recognized by the market. Of course, there's the question of the execution of the individual orders. Once we lose an order, there's a greater chance of us getting the next order because the capacity of our competitors is also being locked in. You should bear that in mind every time.

And also, we have to ensure that we are technologically relevant. That's why we acquired the ABB High-voltage Cables business in 2017. We have to be able to deliver the most efficient, the best and the strongest cable types and have them type-approved which is one way of making sure we are relevant. We also have to be geographically relevant. Before the acquisition from ABB, we have operated mainly in the northern European market and with acquisitions, we got an organization that is used to work in the US and Asian markets where we now see market opportunities in the future. Also, if we don't get projects, we have to make the necessary adjustments to the organization, make sure that we have a cost basis which can cope with the situation – which in fact is what we're doing presently. So we certainly foresee that we will get our fair share of the market. If the market is still characterized by delays, we have to reflect that in our organization.

One of your comments was NKT Photonics that you should've opened more up as to what is actually happening within Photonics and I think as a company we are doing that, and I can say our CFO Mads is here today. He is keen to answer any questions you may have outside in

the lobby, but I do realize we have to talk a lot more about Photonics because it's a good and interesting journey we are on.

Then there was a question from Karsten Kristiansen from the Danish Shareholders Association. You asked us why we have ended up in the order situation we're in now and what we will do not to be in the same situation again and I have to answer that our business is like any other business. The products and solutions we produced a while ago can now be produced by many others, so we have to make sure that we have better revenue from what we do. That's why we built a factory in Cologne and we acquired the high-voltage cable business from ABB. That is how we want to be able to ensure that we can supply cables for the transition to green energy. We see projects being realized in Europe, United States and Asia with respect to offshore wind farms and with the development of transmission systems.

So we have to focus on technology and development and we have to also win projects. In terms of orders, we've seen many delays. These are not our delays, but our customers putting off projects. We have also been trying to make sure that we are winning the right projects and participate in the right tenders and then we must broaden our range. With the acquisitions from ABB, we got an organization that is used to operating in other markets than the ones we know well for example in the United States and Asia.

Then there's the question about Applications and what level to expect there. On the Capital Markets Day two years ago when we divested or demerged Nilfisk, we expected a percentage of 7-9%. That was the brief answer. And then the weather as a risk factor and this is true. We can't do anything specific about the weather, but we can make sure we're not quite so exposed to the risk of weather conditions. The Rhine, for example, the paradox is that with the climate changes we see, when we built our factory in Cologne, we had sort of the 100-year analysis and there were two days within the last 50 years where the water levels had been too low in the Rhine for shipping cables out from our factory and since we built that factory, we've seen it for more than 20 days in fact.

So we are developing a barge for the Rhine areas which would be able to operate even at lower water levels. We have increased our shipping facilities in Rotterdam so we don't have the cables in Cologne on stock there. We can then transport them to Rotterdam where we're not so dependent on the water level of the Rhine. Of course, we want to be able to produce cables in both our big facilities. If you can't do it one place, you can do it in the other. Even though you can't just change this from one day to the next. So we have more possibilities, but as many others, we are still dependent on the weather situation.

[Danish 51.02-51.04]

Christian Lundgren: Let me just check whether you have received a satisfactory answer for your questions. Any other questions? Please come to the front.

Björn Hansen: The name is Bjørn Hansen[?]. Thank you very much. It's been a couple of years ago since I was here.

We have to dig deeper to get money in since the share price has fallen. It's true what the Danish Shareholders Association and the ATP are saying. There was sort of a division a couple years ago and Nilfisk can be bought as an immediate deal in Danske Bank for example. Then you have NKT which I prefer, and you cannot deal with that share in the

same way. There's a limit. It's kind of true that you have to pay 40-50% more or less rather than when you can buy the share on the spot. Then you run a certain risk for that in order to be on board. That's important.

Secondly, it's something that I've discussed before. After the fall of the Soviet Union in 1989-90, NKT has never been able to give me what amount or what currency we're talking about in dollars perhaps, not rubles. This is the compensation for the cables that were laid out in the Russian area or Soviet Union before present day.

My father was very keen on NKT so I have some archives, some material. Maybe I can help out in that. Some of that compensation, has that been also internalized in Nilfisk and been integrated into the shares of that company. As I see from NKT A/S, we see the granting of shares in interface holding 2017 285.2.

A number of investors are asking whether the present debt in NKT has been reduced over the last two years. A number of people phoned me. They said sell it, get rid of it and I said no, no, go easy. Just because there's a reporter saying that, we don't have to listen to others. Some people said they were actually closing down. I said but there are orders coming in and people said what if I die? Women don't die, we know that. They live to 120.

And I also have a couple of ideas for you. I had better response to these ideas than I had foreseen. That is, if you invest abroad – I don't know what your orders are – but Karlstad University in Sweden have analysed the situation and the land situation in Botswana. A couple of days ago, there was a BBC documentary on television about Botswana. I think it's the only country that is practically free of corruption in Africa and they have good exports and imports.

But look at Botswana, they have the Kalahari Desert which is bigger than Great Britain, France and Germany together. In that desert, I have noticed when I was at the Renewable Energy Show where heads of states meet developers of renewable energy, you should go down there with the new CEO and there are also exhibitions from Danish companies who are good at this. They receive very large sales and cables in an area that's not corrupt, and they can pay such as Botswana. You can transmit energy to neighbouring states. We know when we're getting close to South Africa, it may be okay, but when you get a bit further north, that's not where NKT should start laying cables.

I think there's a huge potential. I also wanted to ask you about that Sverdrup oil field in Norway. Do you have service, do you have some income? I'm looking at the way Vestas is doing it. There's a Vestas windmill and there's cost of that and then we have service agreements which are paying more today.

I hope that will help you create good growth in the future because I believe in this company and I hope that you will be continuing for many years. We have continued since [inaudible] so keep it up. Thank you.

Christian Lundgren: Thank you very much.

Jens Due Olsen: Thank you, Bjørn Hansen. You're a well-known face and thank you for the last time we met. I think that was the Danske Bank Annual General Meeting which took six hours and one minute. I heard you give us two questions and a good tip. You said that NKT couldn't be traded immediately on the internet and Nilfisk could, but I just tried to do it and I

could. I certainly think there's no difference in that respect for the two companies, but I will look into it.

I think we've talked about this before, the expropriation of a cable in the former Soviet Union has nothing to do with us. That's GN Store Nord and René Svendsen-Tune – who's over here – knows all about that project. He's quite happy to talk about it afterwards. Maybe not today, but later one. Otherwise, buy a share in GN. It's an excellent company and you can ask the same question at their annual general meeting.

And then the good tip about Botswana, we'll take a look at that. I hope we don't have to pay you a referral fee, but that the money can go straight into our coffers. Thank you.

[Danish 59.15-59.17]

Christian Lundgren: Thank you. Was that an answer to your question, Bjørn? Thank you. Good, and another question.

[Danish 59.28-59.35]

Gert Leif Gyldvig: Okay well my name is Gert Gyldvig. First and foremost, I would like to say thank you for the good report and many things were said and well I'm just an ordinary man so I take it easy and well, now I'll say since you can't get orders and you dismissed your CEO and 140 white-collared workers, when you get orders, who will receive them because it's just as important. You shouldn't need to hire labour when you get the orders. You need to have qualified employees. Have you set aside money for qualified labour so they can keep up with the development that you want to, because you know what you want.

So to be a shareholder in this business, I have to say it's very important. It's very important to invest money, but it's also important that you look out for what you have already and I'm thinking of your employees because they're also important because without them, nothing will get done.

Christian Lundgreen: Okay, thank you. Thank you, Gert. I don't think you asked a direct question, but perhaps I did not hear correctly. Maybe there will be a comment.

Gert Leif Gyldvig: Well my question was if there were courses for the employees?

Jens Due Olsen (NKT): Well, I'd like to say first and foremost when we acquired the high-voltage cable business from ABB, we knew that they were a little too heavy in several areas, especially among white-collar workers and therefore we look at that population and secondly it's always painful of course for employees and for us when we need to dismiss people but we must live up to the responsibilities we have as managers of a company where we need to create growth and prosperity. So what we are sort of dependent on the agreements that we have with individual factories, we try to agree with colleagues sometimes that can extend a holiday or ten courses or change the kind of qualifications they have and so on.

I'd like to say it's our point of view that dismissal is like the final step and the employees that we have, of course, we look out for them and take care of them and therefore, we spent quite a lot of money on retraining people and on training people in general, but we also have very flexible employees and sometimes they will take a holiday now rather than wait and so they'll take it at a time where there's not many orders.

So on the one hand, we do not have a lot to do right now, but on the other hand, we see more projects than ever before and if we win some of those projects, then we'll know that in six, nine, 12 months, we'll have a lot of work that will need to be done and this is the balance. We have to deal with them. We try to handle it all, including the retraining, yes.

Christian Lundgreen: Do you want to comment on that? No? Thank you. Are there any more comments, questions? Yes, please.

Elling: Elling [inaudible] is the name. Well, when I heard the report from the chairman, we heard about low-voltage and high-voltage cables. What about coaxial cables because they are low voltage and high voltage as well. There are coaxial cables that are more or less like high-voltage cables. So does NKT produce those cables or are they thinking of producing such cables? They're used for mobile phones and so on. Perhaps there will be some [inaudible] rights there, I don't know.

Jens Due Olsen (NKT): Well that's a very good question. We do not have this technology and some of our competitors have it. We are definitely looking at this technology and yes, maybe. Unless you have a point of view here, no? Well that's the brief answer to your question. Thank you. Any more questions? No?

Well I don't think we'll actually have to spend six hours and one minute here, but we'll see how long time we'll spend, but okay.

Voting on Agenda Materials

Christian Lundgren

Partner, Kromann Reumert

So if we finished the debate here, then I'd like to sum up and say that as regarding the annual report, the management report is on page 67 and is dated Thursday, 28th February 2019 and the audit report or the opinion of the auditors is on page 68 and also signed by [inaudible] and Mads Haug Johansen from Deloitte. It's an unqualified opinion and well it takes up a few lines, but it is a confirmation that the accounts have been dealt with and in accordance with the law and rules. I'd like to note that the AGM has to consider the report with the additional comments which we have heard through the debate which will be in the minutes and then I'll move onto item three and ask whether the general meeting can adopt the audited annual reports. Since I only hear silence, I take it for granted that the AGM will adopt the report and then we move on to item four.

Now I must say the lawyer in me says that I have to ask you, do you approve this or not that the general meeting cannot adopt a larger amount of dividend than recommended by the Board of Directors. You can propose a small amount of dividends. So unless there are protests, I would take it for granted that the AGM will adopt the proposal by the Board of Directors. Would that be okay? Thank you all.

So let's move onto item five which is the resolution regarding the discharge of management and Board of Directors. You can also translate it as freedom from responsibility or liability as regards the content of the reports and I would like to know whether the general meeting can

adopt this resolution? Well since nobody says anything, I take it for granted that you have adopted this resolution.

So item six, the remuneration of the Board of Directors 2019. I would like to say that it is the same as last year, but just to sum up, there's a minimum sum of DKK 300,000. The Chairman receives three times the amount, the Deputy Chairman two times the basic amount and the members of all the committees, if you're a member of the audit committee, the chairman will receive DKK 200,000 and member DKK 100,000. If you're in the remuneration committee, DKK 100,000 for the chairman and DKK 50,000 for a member. Nomination committee, the chairman DKK 100,000 and the member DKK 50,000 and then we also have a working committee where the chairman will receive DKK 150,000 and a member DKK 75,000. And the overall amount will be formally DKK 425,000. Are there any comments that? Yes, Gert.

Gert Leif Gyldvig: Yeah, well I realize of course that these amounts are not quite up-to-date when you look to the world outside Denmark, but you know, these kinds of remuneration should be given as in accordance to progress or not. If there's no progress, you only get the basic amount. It can be true that every time you ask them about this, they say well we need qualified people, we need people who really know this and then we'll have to give them a higher salary. So yes, if they do the work and they can share us we, the shareholders, that they actually live up to their expectations and if they do the work they have to do. If not, well, give them the basic amount and no golden handshake and so on. Thank you.

Christian Lundgren: Thank you, Gert. Perhaps I have to specify and that it is a base amount, but depending on the workload, you get the base amount, for example, three times if you're the chairman. It's important and the chairman also said that in his report, that there are not any other kind of remuneration involved. No shares or anything like that. Jens, did you have a comment in addition to this?

Jens Due Olsen: Yes, Gert, I'd like to say to you that we have recommendations for good governance and in those recommendation says that the board members cannot receive a bonus or something like that and this is the regime that we have in Denmark at the moment and I think there are forces at play who want to change this to say that there has to be sort of a bonus scheme for board members and so on and then others say no because a Board of Directors has to be independent which will not be influenced by short-term circumstances in the company. So there are two directions here, but it's not generally accepted that the Board of Directors should have a variable pay or remuneration and I guess that's what I can say about that.

[Danish 01.11.18-01.11.20]

Christian Lundgren: And that can be confirmed by me as an expert. Are there any comments to item six on the agenda? And with the approval, I will note that the Annual General Meeting adopts this proposal from the Board. Item seven is election from members of the board. As has already been said, all the present members of the Board elected by the AGM should be re-elected. We're talking about Jens Due Olsen, René Svendsen Tune, Jens Maaløe, Jutta af Rosenborg, Lars Sandahl Sørensen. Are there other candidates? Well there's a round of applaud. Maybe not; one applause. I don't know how we're going to register this

in minutes, but we'll consider this later. Great. You can see the members of the Board on the screen now with an indication of their other responsibilities.

Item eight is the election of the auditors and the recommendation from the Board is that we re-elect Deloitte Statsautoriseret Revisionspartnerselskab as company auditors. Any other proposals? Well, with your support, I can conclude that this has been adopted.

Item nine, we have not received any proposals from the shareholders prior to the AGM and the Board has not put any proposals forward for this AGM either which means that we have reached item ten and this is any other business, and this is where you can speak freely. Nothing can be put to the vote, but if you wish to speak, yes, Bjørn has asked for the floor.

[Danish 01.13.47-01.13.50]

Bjørn Hansen: Well I didn't hear anything about this oil field Sverdrup. There's a big case on your homepage. I want to know whether it's good and solid profitable business and whether you have more projects in Norway. I think it would be good to get some Norwegian kroner rather than rubles.

Jens Due Olsen: Sorry, Bjørn, I forgot. Yes, we have cabled Johan Sverdrup One and we do have expectations of that market trading platforms and production platforms used to operate with their own energy supply and they still do in many other parts of the world, but in Norway, they started providing cables for these platforms so that they could use green energy and we have provided cables for Sverdrup. It's green energy and it's good and it's a profitable business, but we are looking forward to further projects up there. It has been an excellent business for us and also for the customer, I would say.

Christian Lundgren: I'm very sorry that we didn't answer your question. Any other speakers under item ten?

No? Then I personally will just note that we have exhausted the agenda. Thank you for attending the AGM and we have had a very successful AGM. Thank you very much and just a few concluding remarks from Mr. Jens Due Olsen.

Closing Statements

Jens Due Olsen

Chairman of the Board of Directors, NKT

Christian, I'm very happy to have you here to run the show. Thank you for your comments, thank you for the debate. I am very relieved that it wasn't six hours the way we saw in Danske Bank on Monday, but I was happy with the debate and thank you for your support for us on the Board and for the future development of NKT. And I'd like to thank our staff and our management for the dedicated work in 2018 and our business partners and customers for good cooperation throughout the year. Thank you, Christian, and thank you to the interpreters and the technicians.

[END OF TRANSCRIPT]