



NKT

Chairman's report 2019

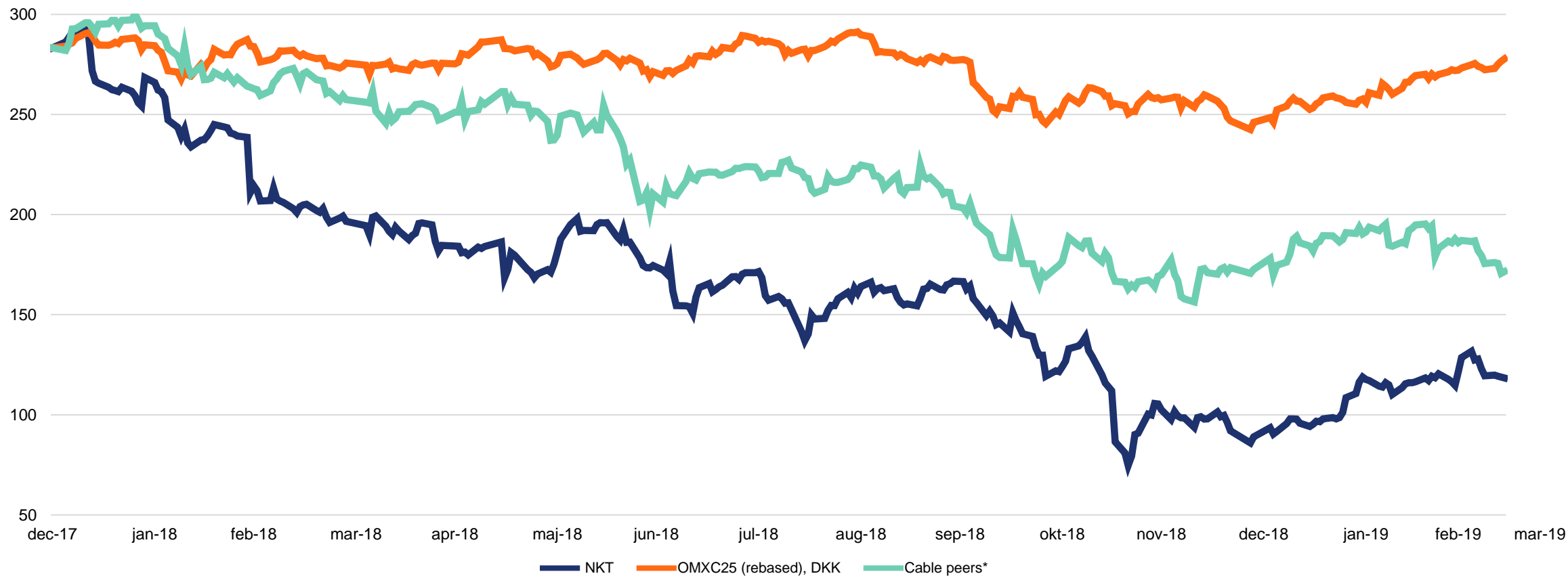
Challenging 2018 for the power cable business

- growth in NKT Photonics



NKT share development

- ultimo December 2017 till mid-March 2019



* Peers are Prysmian and Nexans

Financial results for 2018 were not satisfactory



	Initially**	Adjusted in Aug. 2018	Adjusted in Nov. 2018	Realized
<u>NKT</u>				
Revenue (EUR)*	~1.0–1.1bn	~1.0–1.1bn.	~1.0–1.1bn.	1.08bn
Operational EBITDA (EUR)	~90–110m	Lower end of ~90–110m	~70m	70.2m
<u>NKT Photonics</u>				
Revenue (EUR)	~65-70m	~65-70m	~65-70m	67.7m
EBITDA	~10m	~10m	~10m	9.0m

* Std. metal prices

** The adjusted financial outlook for NKT was communicated in Company Announcement No. 17 of 16 November 2018 and for NKT Photonics in the Annual Report 2017.

Capital structure

- end 2018



Net interest-bearing debt,
EURm



Net interest-bearing debt x
operational EBITDA

Development in NKT



Financial results for 2018

The infographic features three large orange circles arranged horizontally. Each circle contains a white numerical value. Below each circle is a white text label. The first circle contains '1,080.1' and is labeled 'Revenue in std.metal prices EURm'. The second circle contains '70.2' and is labeled 'Operational EBITDA'. The third circle contains '6.5%' and is labeled 'Operational EBITDA-margin'.

1,080.1

Revenue
in std.metal prices EURm

70.2

Operational EBITDA

6.5%

Operational EBITDA-margin

Solutions

- affected by lower market activity and external factors



Satisfactory level of order awards in second half of 2018



– five large orders added more than EUR 800m to the high-voltage order backlog

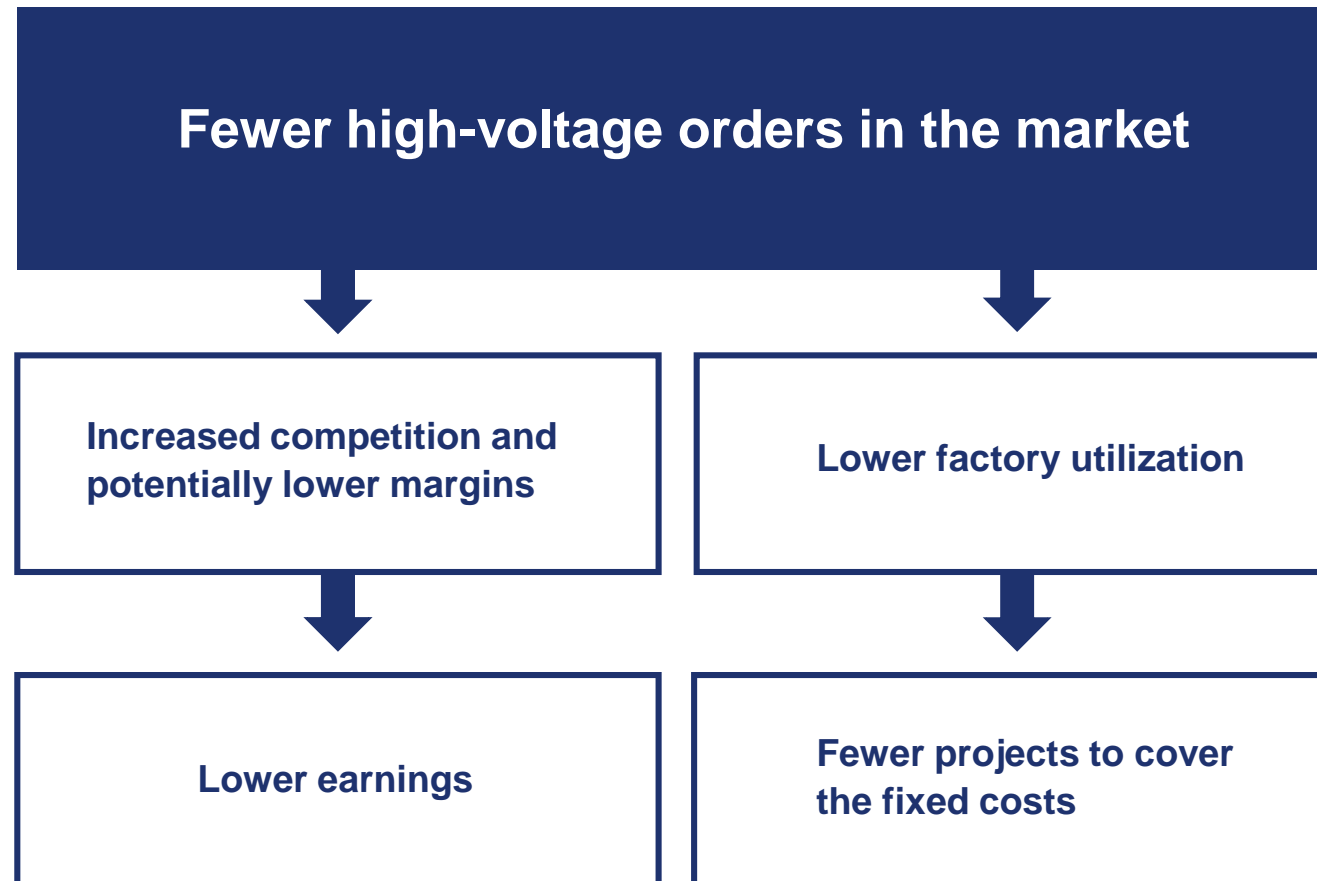
	Highlights	Value	Cable type
Offshore wind	Hornsea 2 <ul style="list-style-type: none"> • Award of delivery of export cable system • Production started up in Q3 2018 	EUR >145m	• ~190 km, 220 kV AC ¹ offshore export cable
	Moray East <ul style="list-style-type: none"> • Award of delivery and installation of export cable system • Production to start in 2019 and installation to commence in 2020 	EUR ~150m	• ~175 km, 220 kV AC offshore export cable
	Triton Knoll <ul style="list-style-type: none"> • Award of delivery of array and export cable system • Cables to be delivered in Q4 2019 and Q2 2020, respectively 	EUR ~115m	• ~100 km, 220 kV AC offshore export cable • ~144 km, 66 kV AC array cables
	Ostwind 2 <ul style="list-style-type: none"> • The largest offshore export cable order ever to NKT • Production start beginning of 2020 and fully commissioned at end-2022 	EUR ~300m	• ~270 km, 220 kV AC offshore export cables • ~8 km, 220 kV AC onshore cable
Oil & Gas	Johan Sverdrup 2 <ul style="list-style-type: none"> • Award of turnkey HVDC power cable solution • Expected production start-up is end-2019 	EUR ~110m	• 2 x ~200 km, 80 kV DC ² offshore cable

¹ Alternating current

² Direct current

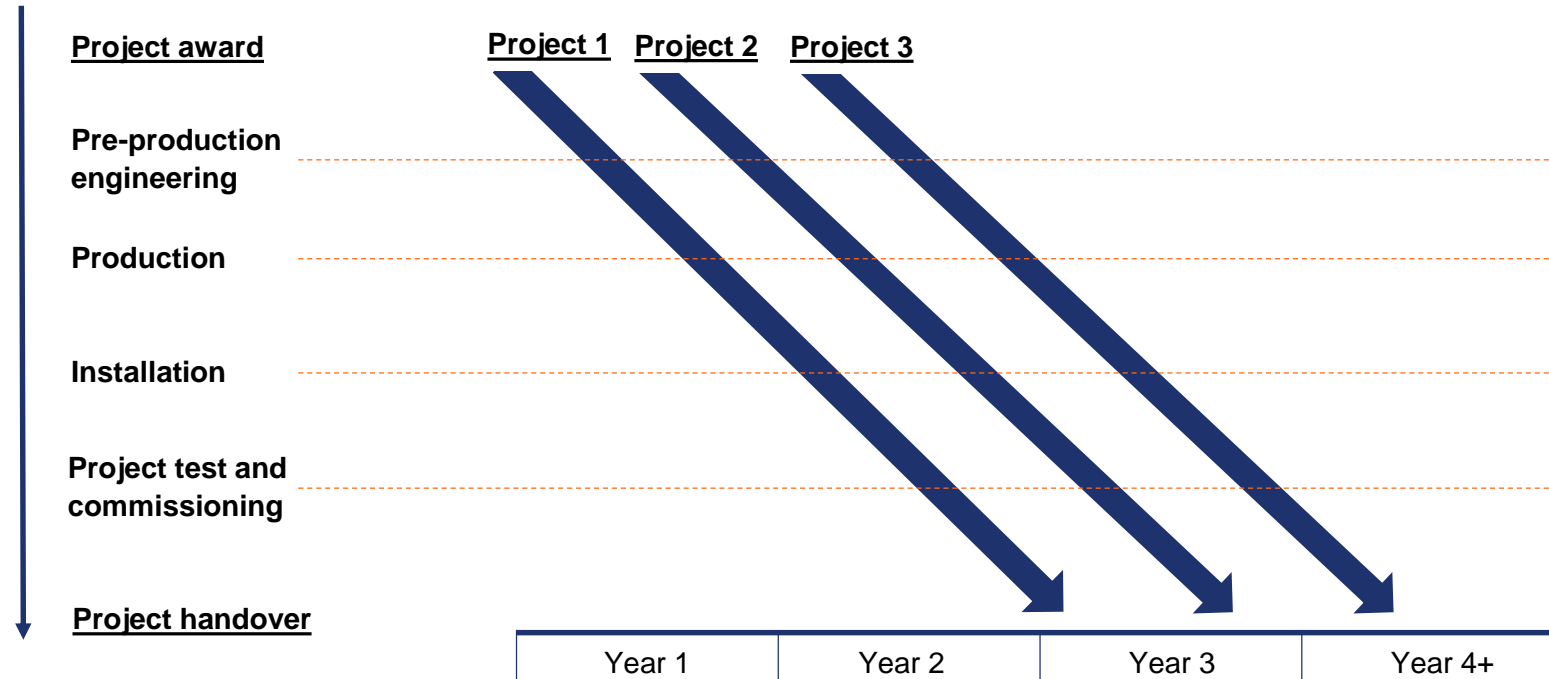
High-voltage orders have high impact on the business

- low market activity affects earnings



Low market activity is prolonged by project lead time

Example of high-voltage project lead time (illustrative)



Applications

- unsatisfactory earnings

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Service & Accessories
- result in line with expectations

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EXCELLENCE 2020

- continued execution of strategic initiatives



Develop and grow



**AC¹/DC² high-voltage,
offshore**



**DC² high-voltage,
onshore**



Accessories



Service & Installation

Focus on profitable growth



**Building wires and
low-voltage**



Medium-voltage

Turnaround



**AC¹ high-voltage,
onshore**

¹ Alternating current

² Direct current

Railway divested to focus on the core business

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2019 will be challenging

Low capacity utilization will impact earnings in 2019

The cable business has three main priorities in 2019:

- Add more projects to the high-voltage order backlog
- Increase profitability in low- and medium-voltage by focusing on fewer, important initiatives
- Reduce cost without compromising future growth



Attractive market outlook driven by the transition to renewable energy

- Development in renewable energy drives demand of cable solutions
- Importance of HVDC technology is expected to grow in the market
- The acquisition of ABB HV Cables strengthens our position within high-voltage cable solutions



Development in NKT Photonics



Leica

Financial results for 2018 – earnings milestone

67.7

Revenue, EURm

16%

Organic Growth

9.0

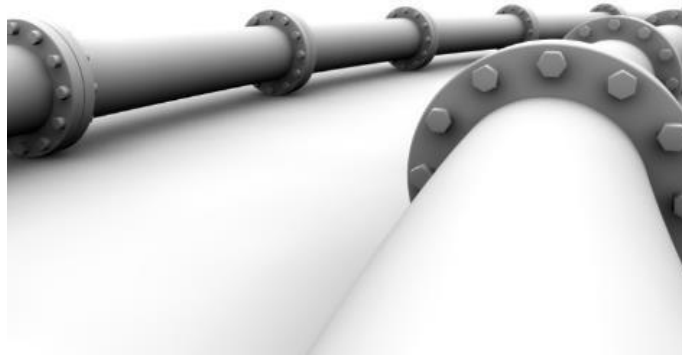
EBITDA, EURm

Growth across all business areas

Imaging & Metrology



Sensing & Energy



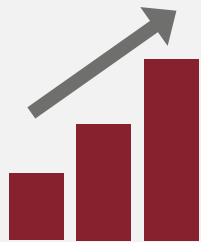
Material Processing



Strategic focus on commercialization

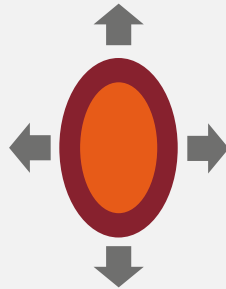
Move up in value chain

Expand from supply of components to complete optical systems



Focus on organic growth

Actively pursue growth opportunities within core areas organically and through partnerships



LEAN Operations

Scalable manufacturing and commercial excellence



Fast introduction of new products

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



Bestyrelsen

The work of the Board of Directors



No. of meetings

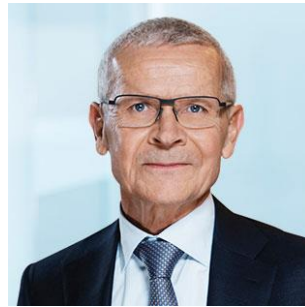
Committee	Members	Meetings in 2018
Chairmanship	Jens Due Olsen (Chair), René Svendsen-Tune	-
Audit	Jutta af Rosenberg (Chair), Jens Maaløe	7
Remuneration	Jutta af Rosenberg (Chair), Jens Maaløe	7
Nomination	Lars S. Sørensen (Chair), Jens Due Olsen	6
NKT Photonics	Jens Maaløe (Chair), Jens Due Olsen	7
Board meetings*	All	8

* Including extraordinary meetings

Re-election of AGM-elected Board members



**Jens Due
Olsen***



**René Svendsen-
Tune**



Jens Maaløe*



**Jutta af
Rosenborg**



**Lars Sandahl
Sørensen**



Andreas Nauen

* Not considered independent, cf. Danish Recommendations for Corporate Governance

Remuneration* to the Board of Directors 2019



Amounts in DKK 1,000

Chairman (3x base amount of 300)	900
Deputy Chairman (2x base amount of 300)	600
Other members (base amount of 300 per member)	2,100
Audit Committee (Chairman 200 and member 100)	300
Remuneration Committee (Chairman 100 and member 50)	150
Nomination Committee (Chairman 100 and member 50)	150
Working Committee NKT Photonics (Chairman 150 and member 75)	225
Total remuneration	4,425

* To the extent that the Chairman takes part in committee work, he does not receive remuneration for this work. Therefore total remuneration for 2019 amounts to DKK 4.3m.

Thank you to the employees!



Financial outlook for NKT



2019 outlook



Revenue,
std. metal prices



Operational EBITDA

Medium-term targets



Revenue,
std. metal prices



Return on Capital
Employed (RoCE)

Financial outlook for NKT Photonics

2019 outlook

~15-20%

Organic growth

~15-20%

EBITDA margin

Medium-term targets

+10%

Annual organic growth

~20%

Return on Capital
Employed (RoCE)

~25%

EBITDA margin

2019 – focus on prioritisation and execution

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**NKT Annual
General Meeting
2019**

