

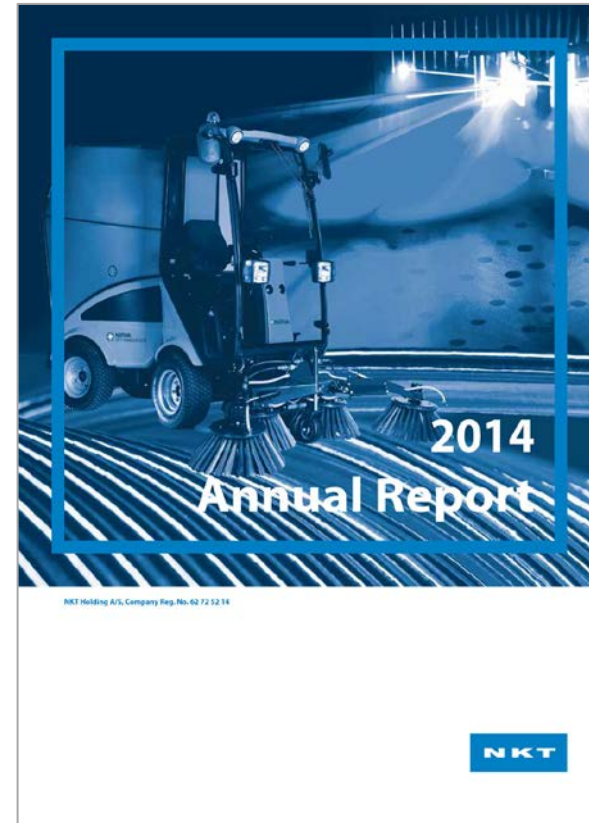
NKT

Annual Report 2014

Webcast, 27 February 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.



Introducing **today's presenters**



Michael Hedegaard Lyng

NKT Holding **NKT Cables**

Group Executive
Director

President
& CEO



Jonas Persson

Nilfisk

President & CEO

Agenda

Highlights 2014

Outlook 2015

NKT Group

- Strategy
- Financials

Business units

- Nilfisk
- NKT Cables
- Photonics Group

Questions & Answers

Highlights 2014

2014, a good year for NKT – performance exceeding guidance

- Operational EBITDA increased by 17%; Organic growth of 1%
- Return on Capital Employed improved by 2.7%-points to 9.4%
- Strong cash flow improvement underpins solid financial position and strategic flexibility
- Strategic direction set for NKT with clear themes defined for future value creation

All three businesses are on the right track – 2015 will continue the strong development

- Nilfisk set for growth
 - Investing in sales and commercial excellence
 - New business strategy to be presented in March 2015
 - New company and brand name
- NKT Cables continue transformation
 - New CEO and leaner management structure
 - DRIVE programme showing clear impact; Next phase being launched with focus on excellence
 - Business strategy under review – will be presented in August 2015
- Photonics Group with focus on reaching commercial scale
 - Strategic core re-defined to focus on Imaging and Sensing

Guidance successfully reached in 2014

	2014	Expected 2014	Revised Q3 2014	Realised 2014	Evaluation
NKT					
- Organic growth		0 - 3%	Unchanged	1%	✓
- Operational EBITDA, % std. metal prices		9 – 9.5%	Unchanged	9.6%	✓
Nilfisk					
- Organic growth		2 - 3%	4 - 5%	6%	✓
- Operational EBITDA, %		12 – 12.5%	~ 11.5%	11.7%	
NKT Cables					
- Organic growth		Neg. 2 - 3%	Neg. 2 - 5%	Neg. 5%	
- Operational EBITDA, % std. metal prices		~ 7.1%	Unchanged	8.0%	✓
Photonics Group					
- Organic growth		10 - 20%	Unchanged	9%	
- Operational EBITDA, %		5 – 10%	Unchanged	7.2%	✓

Planning assumptions

Financial highlights Q4 and 2014

Q4 Revenue DKK **4,024**m (Q4 2013: DKK 4,186m)

2014 Revenue DKK **15,863**m (2013: DKK15,809m)

Organic growth **-2%** in Q4 2014 and **1%** in 2014

Organic growth	Q4 2014	2014
Nilfisk	9%	6%
NKT Cables	-12%	-5%
Photonics Group	5%	9%

Q4 Operational EBITDA DKK **421**m, **12.4%** std. metal prices (Q4 2013: DKK 332m, 9.7% std. metal prices)

2014 Operational EBITDA DKK **1,269**m, **9.6%** std. metal prices (2013: DKK 1,085m, 8.4% std. metal prices)

Q4 Profit after tax DKK **86**m
(Q4 2013: DKK 99m)

2014 Profit after tax DKK **280**m
(2013: DKK 253m)

WC amounts to DKK **2.2**bn (Q3 2014: DKK 3.0bn), LTM, at **18.1%** vs. 18.7% end-Q3, LTM, 2014

Cash flow from operations DKK **1,583**m
(2013: DKK 545m)

NIBD decreased to DKK **1,135**m, **0.9x** operational EBITDA (Q3 2014: DKK 2,089m, 1.8x operational EBITDA)

Dividend of DKK 4.0 per share proposed, total dividend payment of DKK 96m (payout ratio of 34%)

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Outlook 2015

In 2015, NKT expects a consolidated **organic growth of up to 3%** and an **improved operational EBITDA margin in std. metal prices of up to 1%-point** from 9.6% realised in 2014

2015	Planning Assumptions
NKT	
- Organic growth	Up to 3%
- Operational EBITDA, % std. metal prices	Up to 10.6%
Nilfisk	
- Organic growth	~5%
- Operational EBITDA, %	~11.7%
NKT Cables	
- Organic growth	~0%
- Operational EBITDA, % std. metal prices	8.5% – 9.0%
Photonics Group	
- Organic growth	10 - 20%
- Operational EBITDA, %	8 – 10%

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NKT Group

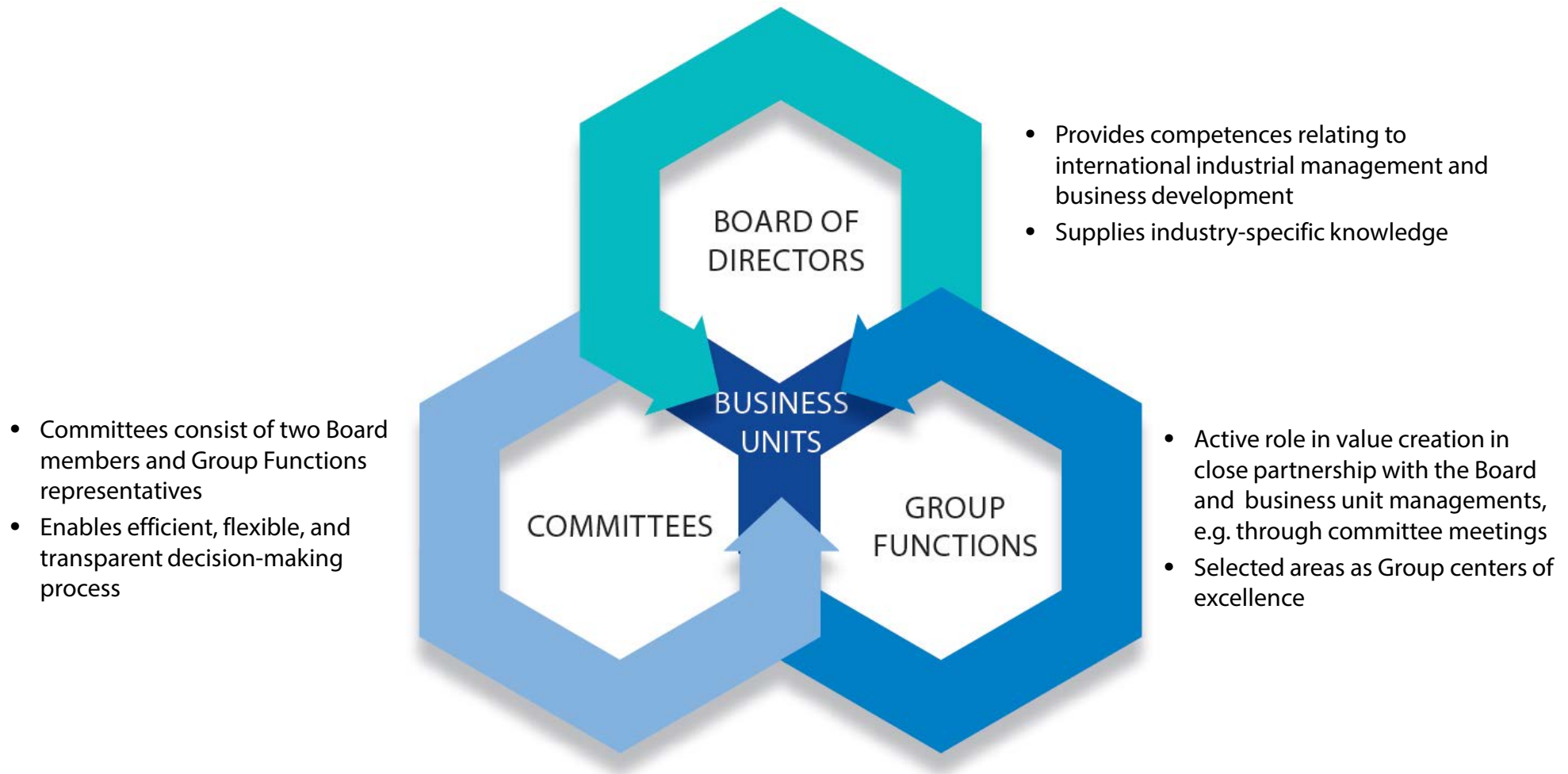
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Questions & Answers

Our active ownership model



Unlocking the value of the NKT structure



COMPETENCES & TALENT

- Ability to attract members for the Board of Directors and the Executive Management
- Group Excellence Centre: Legal, M&A, IR, Finance, Treasury, Indirect procurement
- Talent sharing



ACCESS TO CAPITAL

- Balance sheet strengths
- Capital market access
- Lower financial costs
- Long-term transformation/investments



OPERATIONAL SYNERGIES

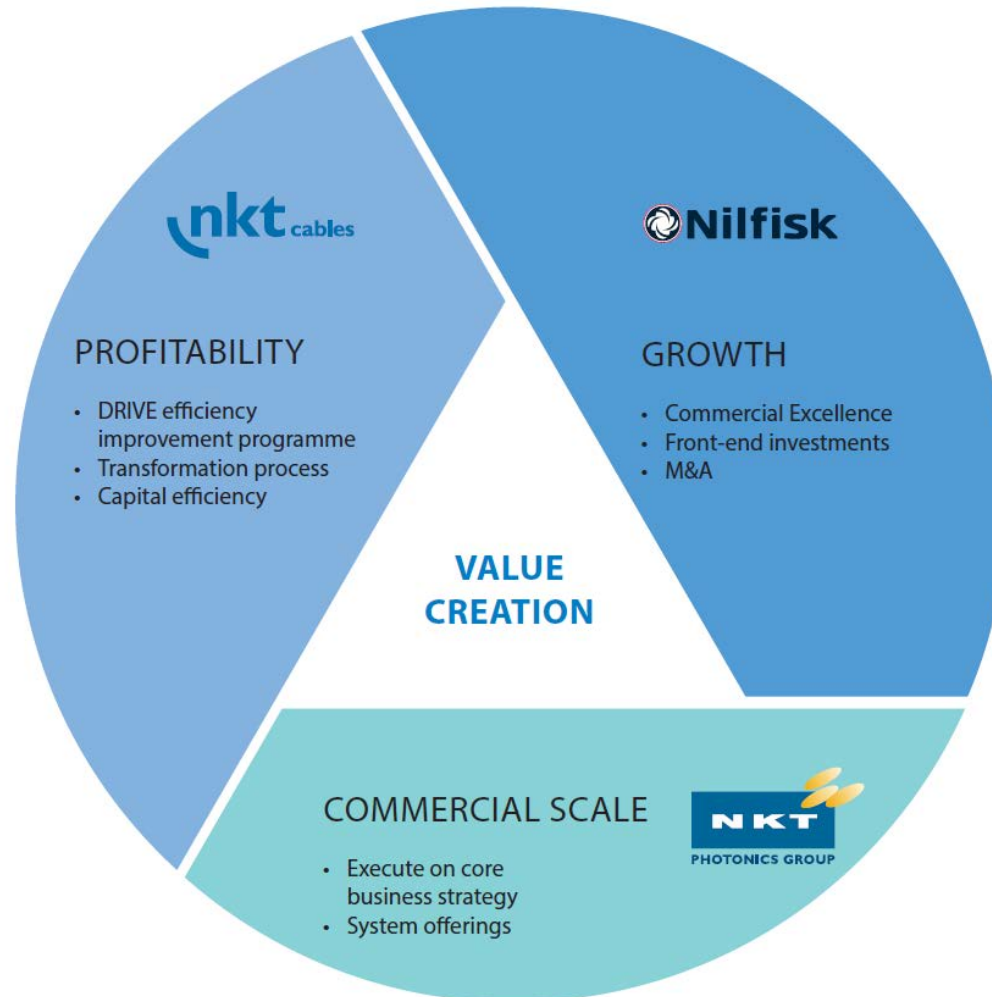
- Global market footprint
- Group functions; e.g. indirect procurement
- Best practise sharing



REDUCED RISKS

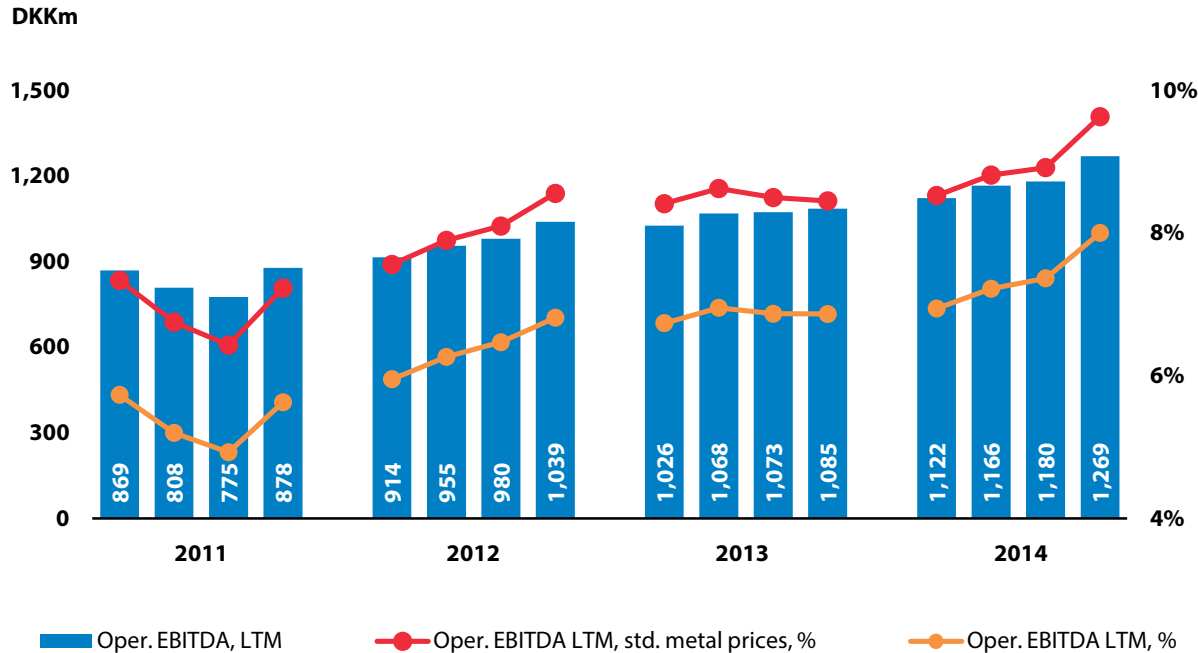
- Reduced portfolio risk
- Risk management
- Compliance

Clear strategic themes set for all three businesses



Continued improvement of operational EBITDA

Operational EBITDA, LTM



17% increase in operational EBITDA to DKK 1,269m

1.2%-point increase in oper. EBITDA margin, to 9.6%

Q4 operational EBITDA of DKK 421m, 12.4% oper. EBITDA (Q4 '13: 9.7%)

Changes 2014 vs. 2013

DKK m	2014	2013	Change
Revenue	15,863	15,809	54 *01
<i>Revenue, std. metal prices</i>	<i>13,180</i>	<i>12,843</i>	<i>337</i>
Operational EBITDA	1,269	1,085	184 *02
One-off's	-208 *03	18	-226
EBITDA	1,061	1,103	-42
Depreciation/Amortisation	-556	-595	39
EBIT	505	508	-3
Financial items, net	-99	-160	61
EBT	406	348	58
Tax	-126	-95	-31
Profit	280	253	27
<i>Oper. EBITDA margin std. metal prices</i>	<i>9.6%</i>	<i>8.4%</i>	
<i>Tax %</i>	<i>31%</i>	<i>27%</i>	
Capex	455	477	-22
Working capital	2,242	2,812	-570
NIBD	1,135	2,111	-976

01

	DKK m
Revenue increased by	54
Metal prices	-394
FX changes	-190
Acquisitions	540
1% organic growth	98
- NKT Cables	-5%
- Nilfisk	6%
- Photonics Group	9%

02

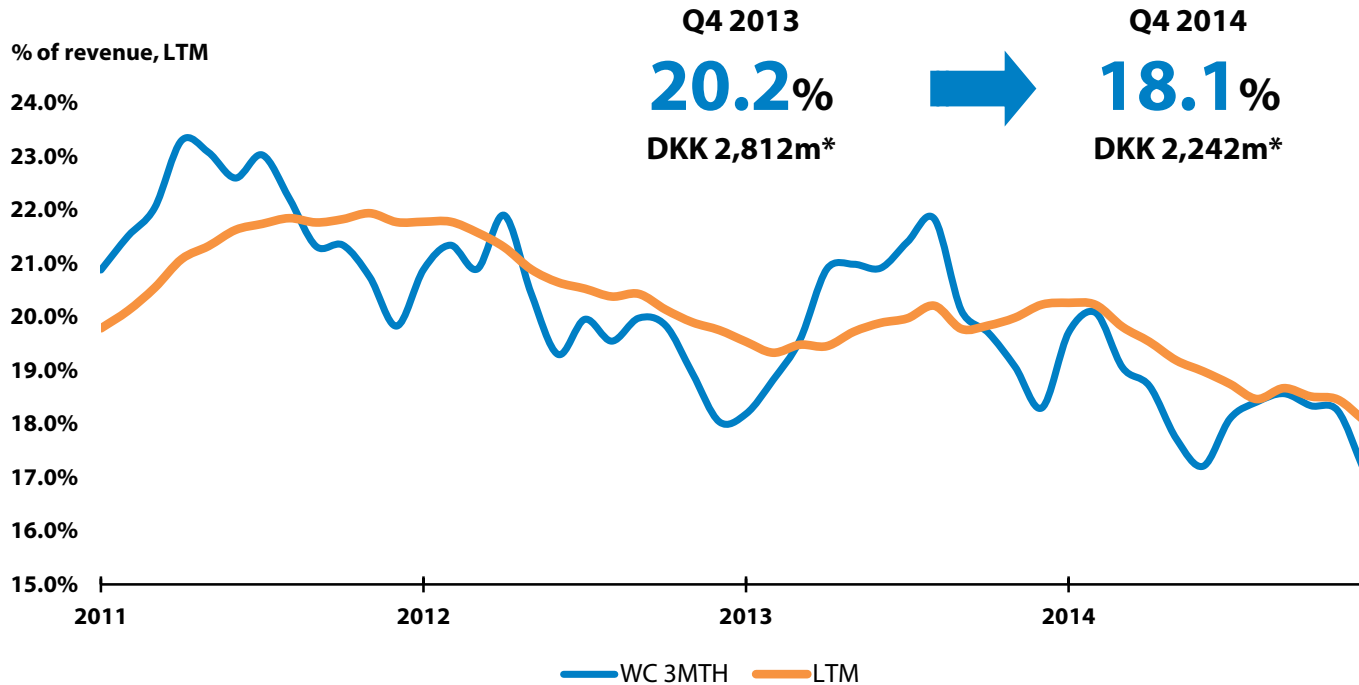
	DKK m
Operational EBITDA increased by	184
NKT Cables	149
Margin 8.0% (2013: 5.6%)	
Nilfisk	21
Margin 11,7% (2013: 11,9%)	
Photonics Group and other	14

03

	DKK m
One-off's	-208
Nilfisk	97
NKT Cables	-305

Working capital at lowest levels since 2010

Working capital



2.1%-point decrease in WC level since 2013

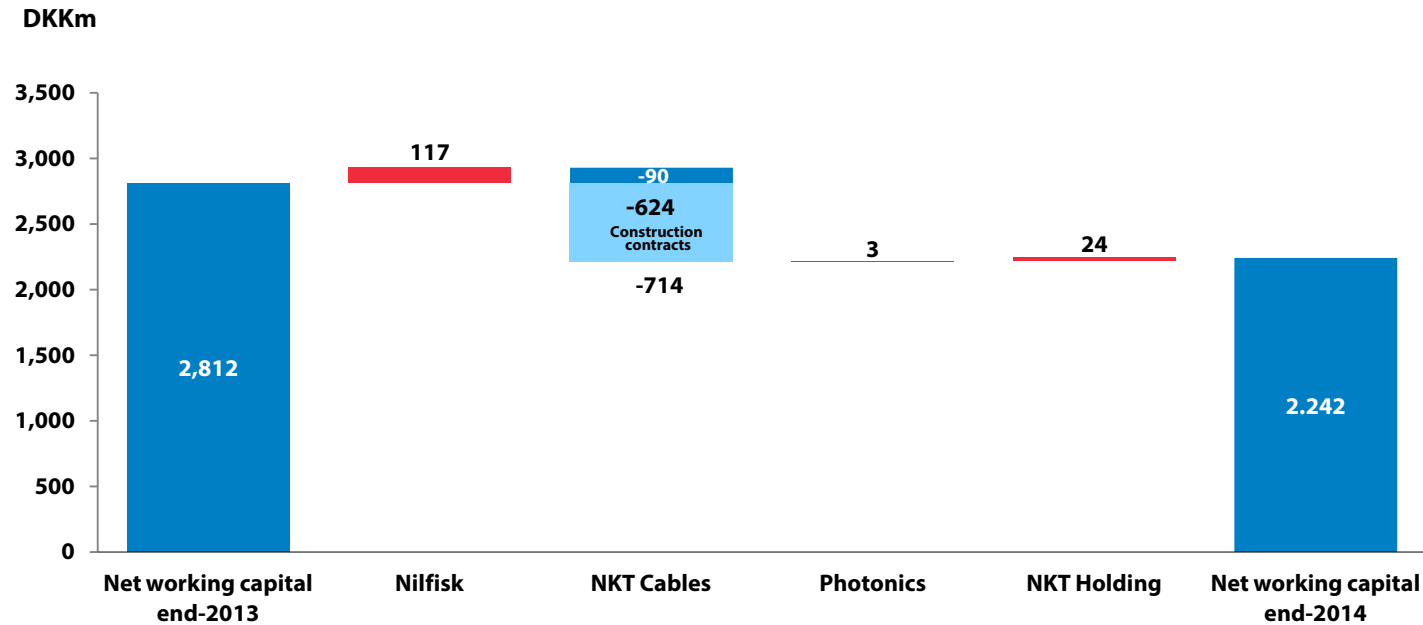
Driven by lower working capital in NKT Cables

Positive, downward trend is expected to continue

*End of period

Decrease in working capital driven by NKT Cables

Working capital bridge by business unit



Nilfisk adding DKK 117m, due to growth of 6 %, acquisitions and FX rate effects (USD)

NKT Cables decreased due to reduced construction contracts, and improved working capital management within DRIVE

Strong cash flow improvement

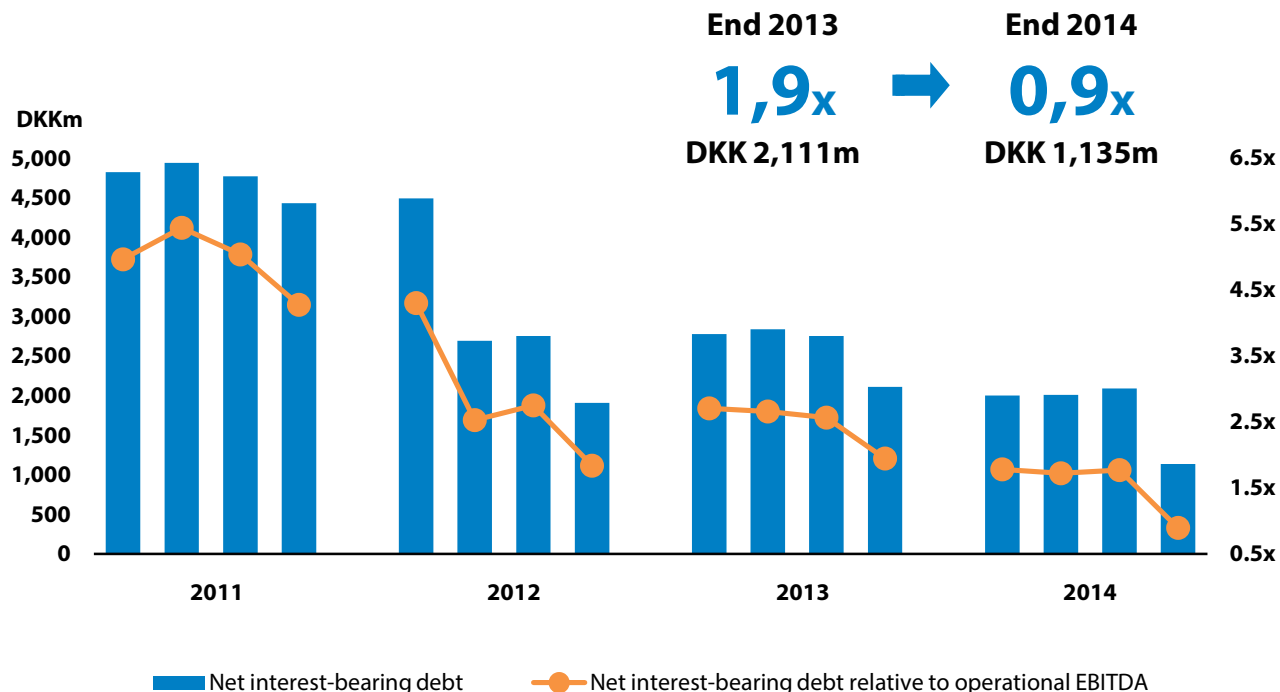
DKKm	Q4 2014	Q4 2013	2014	2013
Earnings, EBITDA	317	366	1,061	1,103
Interest, net	-30	-36	-103	-160
Change in working capital	867	468	760	-222
Other	-8	-78	-135	-176
Cash flows from operating activities	1,146	720	1,583	545
Acquisition of business activities	-22	-	-44	-226
Divestment of business activities	18	9	126	-
Acq. of property, plant and equipment, net	-62	-78	-231	-243
Other investments, net	-62	-74	-221	-225
Cash flows from investing activities	-128	-143	-370	-694
Free cash flow	1,018	577	1,213	-149
Change in long- and short term loans	-955	-553	-1,160	362
Dividend paid	-	-	-84	-191
Cash from exercise of share-based options, etc.	-	-	-	7
Cash flows from financing activities	-955	-553	-1,244	178
Net cash flow	63	24	-31	29

Free cash flow for 2014 improved by DKK 1.3bn vs. 2013

- Operating: + DKK 1bn
- Investing: + DKK 0.3bn

Strong financial position support strategic flexibility

Net interest-bearing debt, relative to operational EBITDA



Capital structure targets

NIBD: Max. NIBD of 2,5x ✓
 operational EBITDA
 (Q4 2014: 0.9x)

Gearing ratio: Max. 100% ✓
 (Q4 2014: 19%)

Solvency ratio: Above 30% ✓
 (Q4 2014: 48%)

Cash resources of ~DKK 4.6bn maintained

DKKbn	2014	2013
Committed (>3 years)	3.8	2.0
Committed (1-3 years)	0.9	3.8
Committed (<1 year)	0.1	0.1
Committed total	4.8	5.9
% of total	86%	86%
Uncommitted	1.0	1.0
% of total	14%	14%
Total	5.8	6.9
Cash	0.4	0.4
Drawn	-1.6	-2.6
Cash resources available	4.6	4.7
Average duration (years)	3.8	2.9

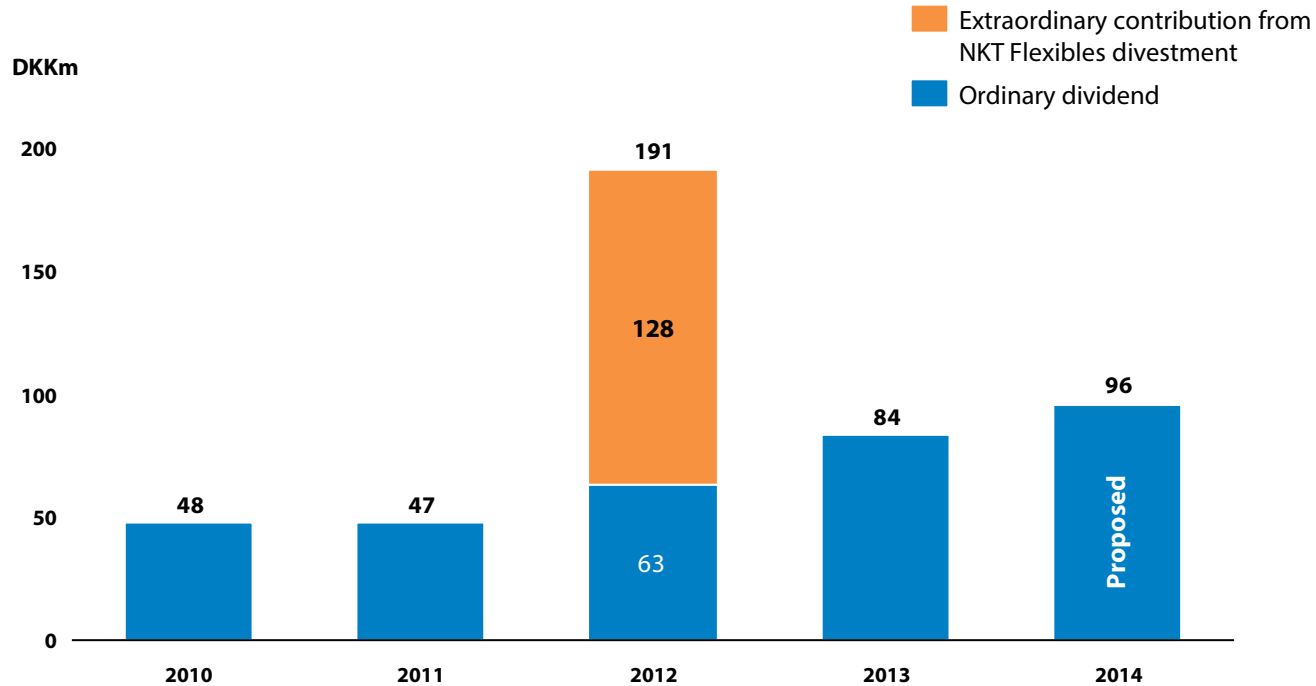
Committed facilities lowered to reduce cost of credit lines

Cash resources available unchanged compared to last year

Increased duration of committed facilities through recent refinancing

Dividend payments steadily growing

Dividend payout



Proposed dividend of DKK 4 per share, totaling DKK 96m, ~34% payout ratio

Dividend policy of 33% payout ratio unchanged

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Questions & Answers



Nilfisk

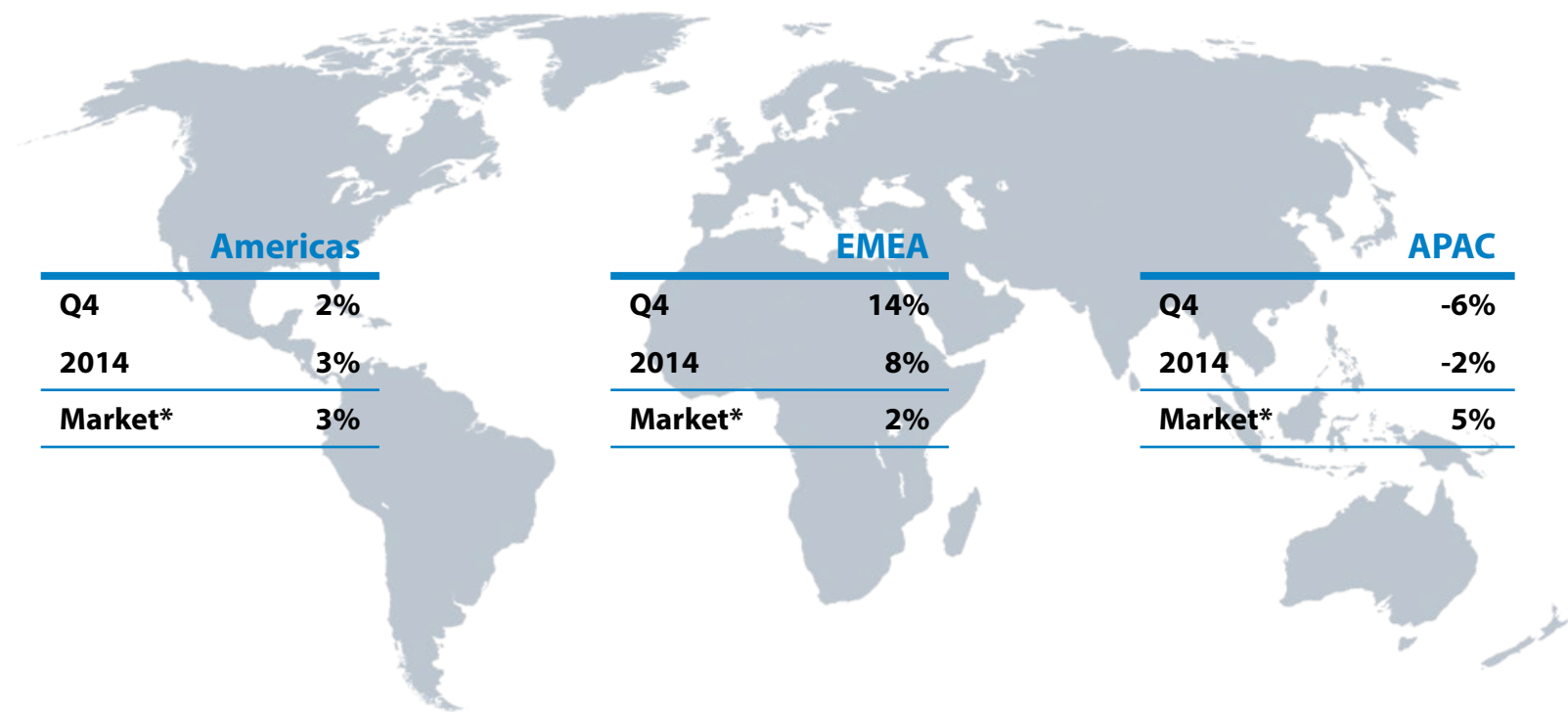
NKT

Organic growth for 2014 above expectations

EMEA is the main driver of growth, APAC disappoints

Nilfisk Organic growth

	2011				2012				2013				2014			
- Quarterly (Y/Y)	5%	8%	9%	9%	4%	1%	-4%	1%	1%	4%	7%	1%	9%	4%	0%	9%
- Annually	8%				0%				3%				6%			



Americas

Q4	2%
2014	3%
Market*	3%

EMEA

Q4	14%
2014	8%
Market*	2%

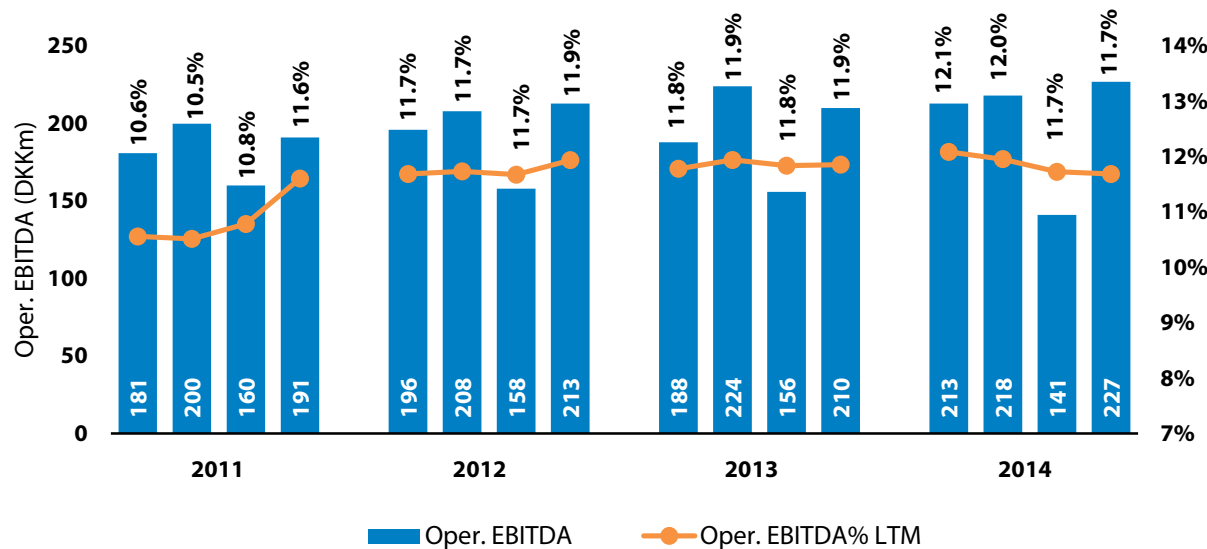
APAC

Q4	-6%
2014	-2%
Market*	5%

* Market figures are internal estimates on annual market growth rates

Strongest quarterly EBITDA ever

Nilfisk - operational EBITDA, LTM



Strong operational EBITDA of DKK 227m in Q4

- Investments in sales and service affect EBITDA margin which stabilised around 11.7% (Q3: 11.7%)

New Nilfisk business strategy ready for roll-out

A new strategy will be presented internally in March for the period 2015-18

Key elements of new strategy

- Maintain a strong focus on accelerating growth
- Strengthen front-end sales via Commercial Excellence programme
- Enter new markets and segments
- Leverage service as an important growth driver
- Exploit strong brand position

Nilfisk - New name and corporate brand



Rationale behind the brand change

- Stronger alignment to the company's main global product brands
- Reduces complexity in the branding
- Advance continues as strong regional product brand in the Americas
- No changes of internal structure
- To be implemented from 1 April 2015

46 new products launched in 2014



- Outdoor City Ranger CR2250 update
- Compact multifunction machine

Other incl. Outdoor



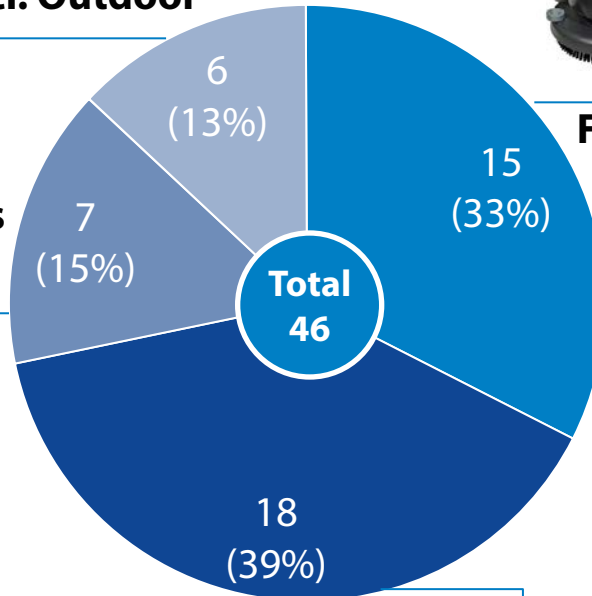
- Viper AS430/510
- Walk-behind scrubber dryer

Floorcare

High pressure washers



- E130.3 and E140.3
- Consumer high-pressure washers



Vacuum cleaners



- Nilfisk GD930Q
- Reduced vacuum cleaner with improved sound profile

Commercial Excellence programme, global roll-out continues

Global programme to further improve mid- to long-term sales and service effectiveness

- New tools and initiatives to enhance sales setup, particularly cross-sales
- New collaboration models with dealer to increase cross- and service sales
- Investment in CRM and service systems
- Already rolled out in Germany, US, France, Spain, Portugal, Sweden

Initial positive effects in Nilfisk:

- Increased cross-selling of products
- New sales activities and leads initiated
- More service sales
- Better tracking on service collaboration agreements with dealers

Roll-out plan per country	2015				Remark
	Q1	Q2	Q3	Q4	
UK Denmark Benelux					<ul style="list-style-type: none"> ▪ Full scale roll-out
China Switzerland Canada Italy					<ul style="list-style-type: none"> ▪ Light roll-out ▪ Exact countries in this wave are TBD

Gross margin increase from pricing management and sourcing

Continued focus on M&A

Financials

DKKm	Q4		FY	
	2014	2013	2014	2013
Revenue	1,777	1,609	6,836	6,561
- Org. growth (Y/Y)	9%	1%	6%	3%
Gross margin	40.8%	40.8%	41.1%	40.9%
Overhead cost ratio	30.5%	30.7%	32.1%	31.8%
Oper. EBITDA	227	210	799	778
Oper. EBITDA margin	12.8%	13.1%	11.7%	11.9%
Return on capital emp.	17.6%	17.5%	17.6%	17.5%
Invested capital, end year	3,283	3,074	3,283	3,074
# FTEs, end year	5,420	5,321	5,420	5,321

Other highlights

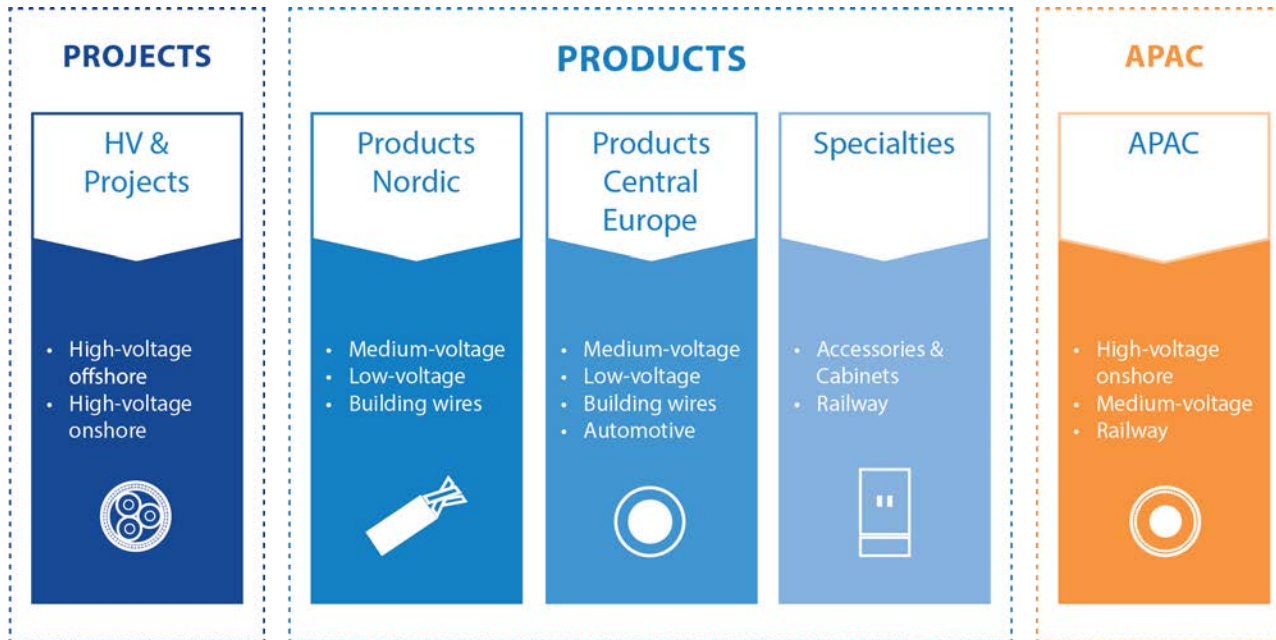
- **Revenue:** Organic growth of 6% year on year
- **Gross margin:** Up 0.2 pp. year on year due to strong pricing management and sourcing
- **Fixed cost:** Overhead ratio temporarily up 0.3% point due to investments in front-end sales people
- **Operational EBITDA:** Margin dropped as the slightly improved gross margin was offset by the negative fixed cost development
- **M&A:**
 - Industroclean, South-African distributor, where the remaining 50% ownership was acquired
 - Arrow Supplies, a British dealer specialising in sales and service of commercial cleaning equipment
 - Gesco, one of the largest dealers within professional cleaning equipment in Belgium



NKT Cables

Change of CEO, followed by leaner management structure

New Business Line Structure



Direct link between CEO and five commercial Business Lines

- Closer to the business and reduce complexity
- Increased transparency
- Faster decision-making and reaction time

Key enabler to succeed in transformational journey

Overall negative organic growth in 2014 as expected

Products had a strong 2014, whereas Projects had negative growth

NKT Cables Organic growth	2011				2012				2013				2014			
- Quarterly (Y/Y)	20%	0%	-4%	-6%	-13%	-4%	0%	0%	4%	10%	-2%	4%	6%	-11%	1%	-12%
- Annually	1%				-4%				4%				-5%			

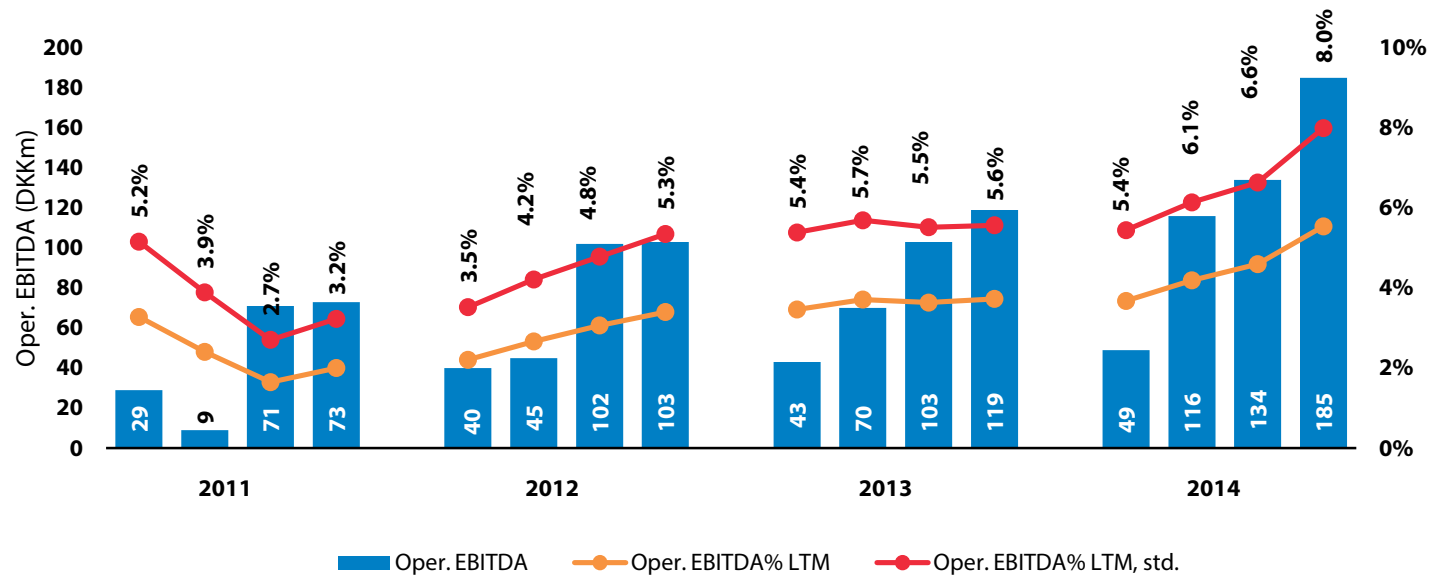
Projects	
Q4	-24%
2014	-12%
Market	
Offshore	➔
Onshore	➔

Products	
Q4	1%
2014	5%
Market	
Nordics	➔
Central Europe	➔
Specialties	➔

APAC	
Q4	-23%
2014	-24%
Market	
Railway	➔
Medium/High voltage	➔

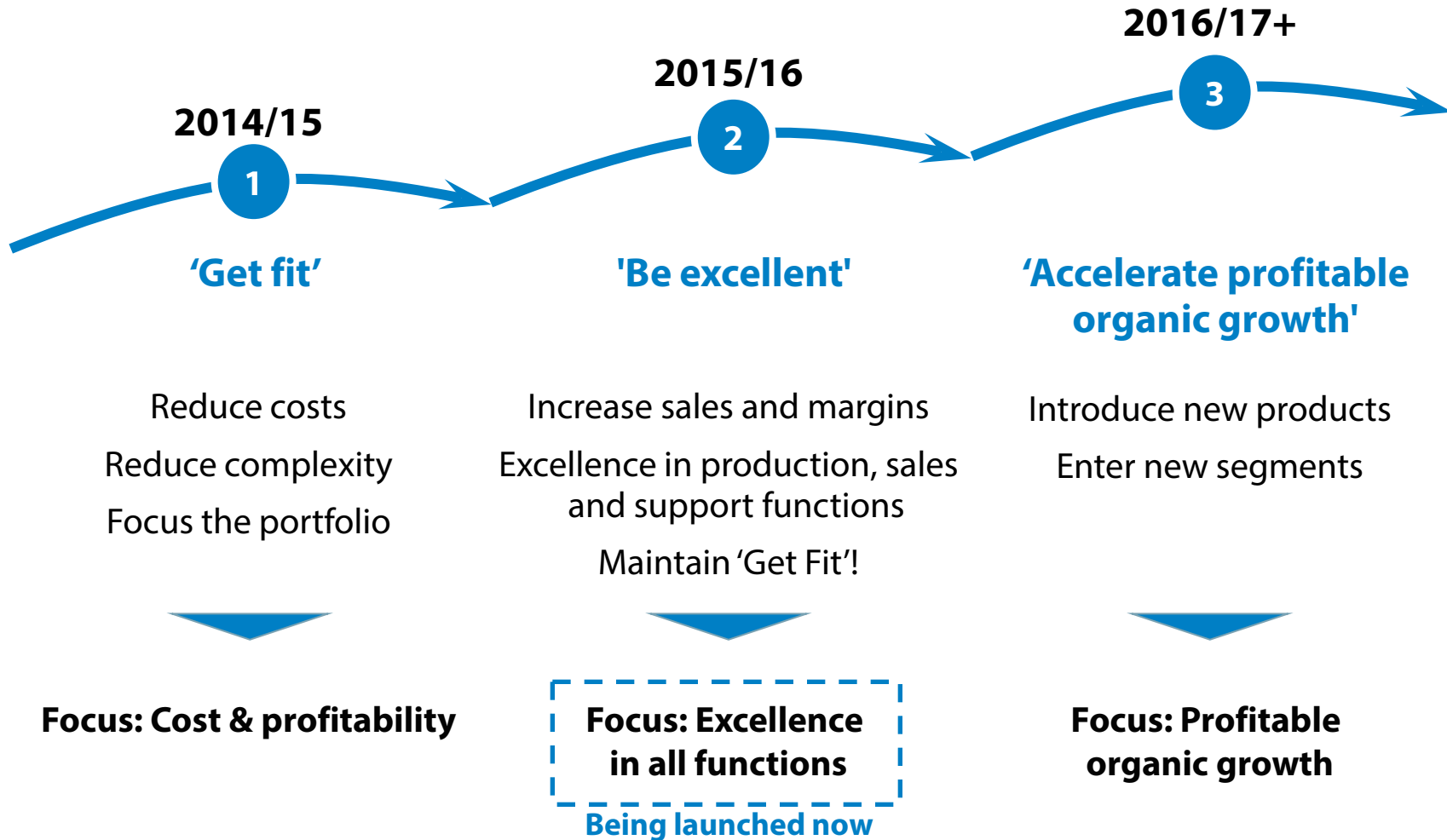
Operational EBITDA increased by 45%

NKT Cables - Operational EBITDA, LTM



Achieved 8.0 % operational EBITDA margin, exceeding guidance of 7.1%

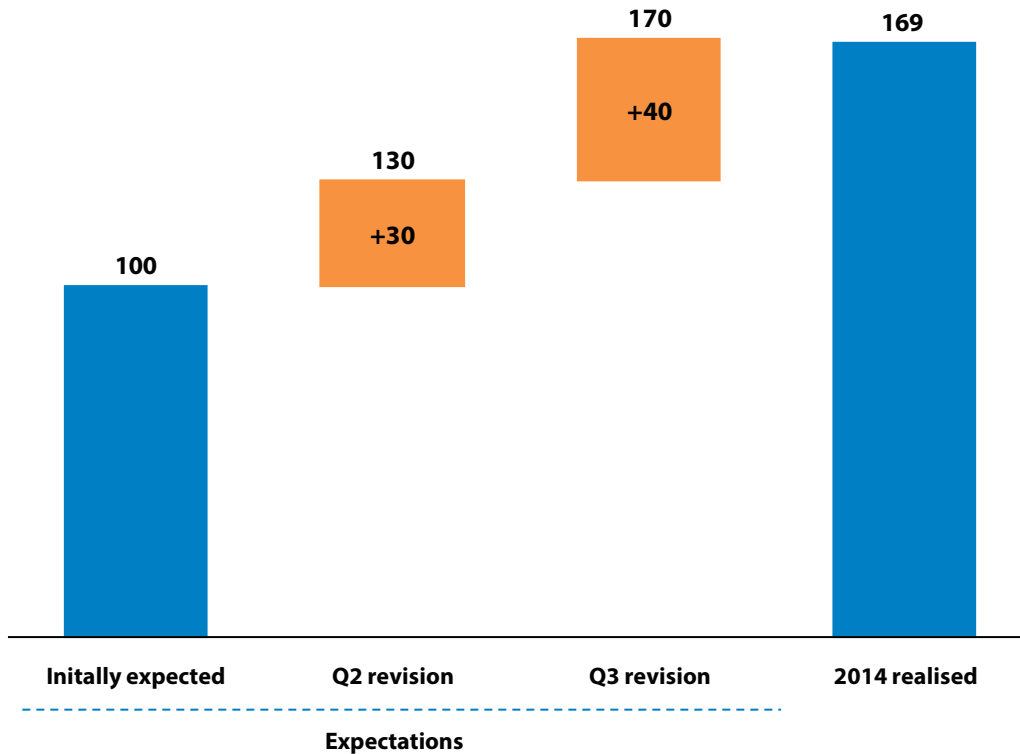
DRIVE programme defines the transformational journey ahead



DRIVE realisation exceeded by 70% in 2014

Development of DRIVE phase 1

DKKm



DRIVE phase 1 show stronger execution than anticipated

- Faster ramp-up on savings
- Overachievement on several saving initiatives
- Additional improvement initiatives identified

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Total impact from DRIVE phase 1 increased to DKK 400m

	Cost improvements	FTE reduction	One-off costs	Capex
FY 2014 Realised	~ DKK 169m (Run rate ~DKK 250m)	271 FTE	DKK 200m	DKK 12m
FY 2015 Expectations	~ DKK 300m	~ 180 FTE	~ DKK 120m	~ DKK 40m
Full impact (from 2017)	DKK 400m	450	~ DKK 320m	~ DKK 50m
Initial guidance	DKK 300m	400-450	~ DKK 240m	~ DKK 50m

Operational EBITDA up 45% compared to 2013

DRIVE deliver above expectations

Financials

DKKm	Q4		FY	
	2014	2013	2014	2013
Revenue	2,156	2,490	8,738	8,983
Revenue, std. metal prices	1,514	1,743	6,055	6,017
- Org. growth (Y/Y)	-12%	4%	-5%	4%
Oper. EBITDA	185	119	484	335
Oper. EBITDA margin, std. metal prices	12.2%	6.8%	8.0%	5.6%
RoCE	4.2%	0.7%	4.2%	0.7%
Invested capital	3,661	4,557	3,661	4,557
# FTEs, end year	3,211	3,560	3,211	3,560

Organic growth

	Q4 2014	FY 2014
Projects	-24%	-12%
Products	1%	5%
APAC	-23%	-24%

Highlights

- **Oper. EBITDA** increased by 45% compared with 2013 delivering a satisfactory result of DKK 484m with oper. EBITDA margin of 8.0%. Increased result mainly due to DRIVE
- **Projects:** Organic growth was -12%. Activity level was lowered due to lack of civil works
- **Products:** Overall positive organic growth of 5%
- **APAC:** Negative development should be seen against a very strong 2013 that included a large Australian order and strong Chinese railway sales
- **Invested capital:** Invested capital reduced by DKK 896m to DKK 3,661m
- **Business strategy:** Review currently ongoing with planned announcement in August 2015.



Photonics Group

Photonics Group improved margins significantly in 2014

Financials

DKKm	Q4		FY	
	2014	2013	2014	2013
Revenue	93	87	290	266
- Org. growth	5%	17%	9%	13%
EBITDA	22	10	21	6
EBITDA margin	23.7%	11.5%	7.2%	2.3%
Invested capital	201	200	201	200
# FTEs, ultimo	209	205	209	205

Organic growth

	Q4 2014	FY 2014
Imaging	9%	5%
Sensing	-4%	11%
Fiber Processing	-1%	10%

Highlights

- **Photonics Group:** Improved margins significantly in 2014, while growth was slightly lower
 - Org. growth of 5% in Q4 and 9% in 2014
 - EBITDA of 23.7% in Q4 and 7.2% in 2014
 - Investment in sales force and new setup in US (FiOPS)
- **Imaging:** Expansion of Life Sciences customers in progress
 - Development with current partners is progressing and more partners have been added
 - Science market in US loosened up
- **Sensing:** New software package for power cable introduced
 - Several projects in the pipeline
 - Sales of Koheras™ lasers continues to do well
- **Fiber Processing:** Improved performance continues.
 - Many new product offerings were introduced early 2015

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Questions & Answers

2015

25 March	Annual General Meeting
13 May	Interim Report, Q1 2015
20 August	Interim Report, Q2 2015
12 November	Interim Report, Q3 2015

2016

26 February	2015 Annual Report
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