

NKT Cables EXCELLENCE 2020 strategy



excellence ²⁰²⁰





VISION:

“ By driving ‘excellence’ we will be the best power cable company by 2020 in the eyes of our customers and our people ”

EXCELLENCE 2020

In September, NKT Cables launched its EXCELLENCE 2020 strategy focused on obtaining excellence with the aim of increasing profitability and accelerating targeted growth. The strategy features overall must-win battles to meet the ambitions set out below, supported by a number of initiatives for each business segment.

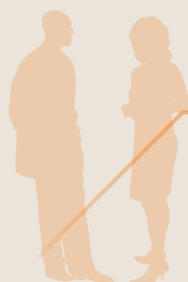
Strategic targets

Overall, NKT Cables tracks its ambition of becoming the best in the eyes of its shareholders, customers and employees in terms of:

- Realising RoCE >15%
- Becoming customers' preferred choice
- Obtaining an employee trust index of >80%

The long-term financial target of RoCE >15% is expected to position NKT Cables on par with top industry performance and builds on profitability improvement achieved since the launch of the DRIVE efficiency improvement programme at end-2012. Furthermore, NKT Cables strives to become customers' preferred choice based on offering excellent expertise as well as superior products and solutions. This target is strongly supported by the aim of attracting the best employees in the industry and being an attractive workplace with annually measured employee satisfaction well above the industry average.

EXCELLENCE 2020 builds on the foundation already established by the DRIVE efficiency improvement programme, initially a three-phased concept designed to reduce costs, strengthen competitiveness and increase value creation. With the first phase of DRIVE focusing on cost savings already well on track, the coming strategy period will centre on increasing profitability and accelerating growth.



EXCELLENCE 2020 ADDRESSES THE KEY TRENDS SHAPING THE INDUSTRY:

NKT Cables holds strong market positions

NKT Cables has a strong market position in several businesses. In the building wire and low- and medium voltage cables segments NKT Cables is a leading player in the Nordic region and a significant manufacturer in Central Europe. Furthermore, the company is global market leader in the catenary railway business and an acknowledged player in the offshore wind market with a state-of-the-art plant in Cologne that has the option of enlarging capacity by up to 45% if warranted by market demand.

Cable market in transformation

NKT Cables operates in a global market characterised by constant transformation that is changing the traditional rules of business operations and the competitive landscape. This shift includes increased cost pressure and competition, demand for and use of new technologies as well as changing market and customer developments.

1 Slow growth in traditional core business

2 Decreasing potential to differentiate

3 Harsh outlook for utilities

4 New material technologies

5 Wholesaler consolidation

6 Technology focus by big players

Must-win battles defined with aim to become best in class

NKT Cables seeks to meet the market challenges and position itself for future growth and profitability through its new strategy. Four cross-organisation must-win battles have been defined and are considered paramount to realise the ambition of becoming the best-in-class cable company:



1. Safety, people and organisation

Improved working environment, an agile, engaged workforce, a leaner organisation and excellent management and leadership skills



2. Operational and commercial excellence

Strive for leaner and more efficient operations by implementing e.g. lean production and supporting functions, obtain best-in-class sales capabilities, review and improve product offerings



3. Material and product development

Development based on customer needs, e.g. proactive and systematic portfolio management, and differentiation from competitors, e.g. in use of compound material



4. Digitalisation

Optimisation of internal production processes and customer service interfaces

Initiatives to streamline business segments

EXCELLENCE 2020 includes a detailed plan for each business segment. The magnitude, scope and development potential of each segment differ. Three overall directions have therefore been defined:

