

Company Announcement

18 September 2017
Announcement No. 19

NKT A/S
Vibeholms Allé 25
DK-2605 Brøndby
Denmark

T: +45 43 48 20 00
www.nkt.com
CVR 62725214

NKT A/S to be split into two independently listed companies

As previously announced, the Board of Directors of NKT A/S (NKT) has decided to seek a split of the company into two stand-alone businesses - Nilfisk and NKT. With the acquisition of ABB HV Cables as of March 2017, NKT became a leading power cable supplier, while Nilfisk is a leading player in the professional cleaning equipment industry. Both businesses are, thus, viable stand-alone companies.

As a consequence of the decision, NKT today publishes a demerger statement, cf. attachment to this announcement. The demerger is subject to approval at an Extraordinary General Meeting to be held on 10 October 2017 and which will be convened via a separate announcement today. The demerger statement supplements the demerger plan, which was published on 11 September 2017, cf. Company Announcement no. 18.

Chairman of the NKT Board of Directors, Jens Due Olsen, says:

- The decision to split the holding company into two independently listed companies is the culmination of a long strategic journey to create two viable businesses, each with a clearly defined investment case as amongst the leaders in their respective industries: Nilfisk, a leading supplier of professional cleaning equipment and services, and NKT, a leading power cable supplier. We see the split as the beginning of a new chapter and an opportunity for both companies to unlock their full value potential.

Below is a brief description of NKT and Nilfisk. The listed Nilfisk entity will be Nilfisk Holding A/S. Please see attached demerger statement for further details.

Nilfisk

Nilfisk is a leading player in the professional cleaning equipment industry. The global professional cleaning equipment market relevant to Nilfisk is estimated at a value of around EUR 7.5bn annually and is in general growing in line with real GDP.

Selected key strengths

A global leader in the attractive professional cleaning equipment industry

Nilfisk has an estimated global market share of approx. 11-13% and holds a strong market position within the high-end segment, which is estimated to account for approx. 45-50% of the total market value. Nilfisk holds an estimated market share within the high-end segment of approximately 20-25%. Nilfisk sees growth opportunities in its core high-end segment as well as growth opportunities in the mid-market and emerging markets. Also, within intelligent cleaning new technologies can increase the market scope for professional cleaning equipment.

Strong customer access

Nilfisk operates globally, and is present in 45 countries with own sales companies and more than 1,700 sales representatives. With an additional network of dealers Nilfisk is reaching more than 100 countries in total. Nilfisk services a large and diversified customer base of more than 200,000 active customers. Top ten customers accounted for approximately 10% of Nilfisk's revenue in 2016. Nilfisk has a strong portfolio of highly recognised and trusted brands some of which carry 100+ years of legacy. The global brands Nilfisk and Viper are supplemented by a number of strong regional and local brands.

Extensive range of premium products and a reputable aftermarket offering

Nilfisk offers a wide range of high performing and reliable cleaning equipment (floorcare machines, vacuum cleaners and high-pressure washers). In addition, Nilfisk also provides value-added aftermarket offerings such as service solutions, spare parts and accessories, which in 2016 accounted for around for 35% of total revenue. The aftermarket offering serves to strengthen customer relationships thereby securing high customer retention and creates further sales opportunities. In 2016, Nilfisk spent 3.6% of revenue on product development and had more than 250 employees within this area.

Low capital intensity through effective sourcing and assembly focused production

Nilfisk has a standardised assembly-focused production and flexible manufacturing footprint with limited capital expenditure and working capital requirements. Nilfisk has a total of 17 production sites in 10 countries with the main facilities located in Hungary, Italy, China, the United States and Mexico. From 2012 to 2016, Nilfisk has had tangible capital expenditures of between 1.3% and 2.2% of annual revenue, and Nilfisk has available capacity to support future growth.

Financial guidance and dividend policy

In connection with the demerger, Nilfisk has set medium-term, three to five years, financial targets:

- Organic revenue growth of 3% to 5% per year
- EBITDA margin before special items of 13% to 15%
- Return on Capital Employed (RoCE) above 20%

For 2017, Nilfisk expects organic revenue growth of 2% to 4% and an EBITDA margin before special items of 11.0% to 11.5%. The expectations for 2017 are unchanged compared to the guidance provided in the Q2 Interim Report 2017 released on 17 August 2017.

Nilfisk targets a leverage ratio at or below 2.5, measured as net interest-bearing debt divided by EBITDA before special items. As of 30 June 2017, pro forma leverage ratio was 3.1, measured as net interest-bearing debt divided by EBITDA before special items, LTM.

Nilfisk plans to adopt a dividend policy with a target pay-out of approximately one third of profit for the year. The first dividend payment is expected to be paid in 2019 on the basis of the 2018 results. Further excess cash can be distributed as share buybacks or extraordinary dividends.

Board of Directors and management of Nilfisk Holding A/S

The following candidates will be proposed appointed to the Board of Directors of Nilfisk Holding A/S by the Extraordinary General Meeting:

Jens Due Olsen
René Svendsen-Tune
Jens Maaløe
Jutta af Rosenborg
Anders Runevad
Lars Sandahl Sørensen

Nilfisk management consists of Chief Executive Officer Hans Henrik Lund and Chief Financial Officer Karina Deacon.

NKT

NKT is a leading supplier of AC and DC power cable systems and solutions. NKT has modern and technologically advanced production facilities in Europe and sales offices around the world.

Selected key strengths

Attractively positioned in some of the most profitable segments within the cable industry

NKT has an attractive product mix balance between the attractively growing AC and DC high-voltage segment and the more stable medium- and low-voltage segment. The growth prospects for the high-voltage market is attractive with several projects in the pipeline in the years to come. In the medium- and low-voltage segment, markets are more stable, with NKT strongly positioned in selected countries in Northern and Western Europe.

Leading provider of high quality solutions to address the growing global high-voltage DC and established high-voltage AC markets

With a technology leading product portfolio in the high-voltage segment, NKT is well prepared to capture parts of this growing market. NKT has established a solid high-voltage market position both within AC and DC technology through delivery of a range of projects during the past years. In April 2017, NKT launched the world's most powerful extruded DC landcable system of 640kV, which will be supportive towards serving the increasing share of high-voltage DC projects coming to the market both in and outside Europe.

A leading European player in medium- and low-voltage markets with focus on profitable growth

NKT holds strong market positions within the medium- and low-voltage segments in Denmark, Germany, Sweden, Poland and Czech Republic and with further attractive growth opportunities in other European markets. The strong market positions are founded on long-standing relationships with key customers across Europe. NKT offers a string of products across segments, and with a multi-channel distribution approach, NKT ensures an offering that meet custom-specific demands.

Scalable cost-effective manufacturing facilities and world-class turnkey capabilities

In the high-voltage segment, NKT operates two of the most cost effective, technology advanced production facilities globally in Cologne, Germany, and Karlskrona, Sweden. The facilities are modern and have state-of-the-art equipment. The plant in Cologne was inaugurated in 2010 and the plant in Karlskrona has been significantly upgraded in recent years. As one of the few players in the power cable industry, NKT offers its customers complete turn-key solutions; including design and production of the high-voltage cable as well as full installation and related cable-laying services with the cable-laying vessel NKT Victoria.

Financial guidance and dividend policy

In connection with the demerger, NKT has set medium-term, three to five years' financial targets:

- Operational EBITDA of approx. EUR 200-225m
- Return on Capital Employed (RoCE) above 13%

For 2017, NKT expects revenue, std. metal prices of approx. EUR 1.1bn and operational EBITDA of approx. EUR 140m corresponding to an operational EBITDA margin of approx. 12.7%.

NKT targets a leverage ratio up to approx. 1.5, measured as net interest-bearing debt divided by EBITDA. As of 30 June 2017, pro forma leverage ratio was 2.2, measured as net interest-bearing debt divided by EBITDA, LTM.

NKT plans to adopt a dividend policy with a target pay-out of approximately one third of profit for the year, provided that capital structure allows for it. Further excess cash can be distributed as share buybacks or extraordinary dividends. No dividend payment is expected

to be paid out in 2018 on the basis of the 2017 results due to focus on reducing the debt level.

NKT Photonics

NKT Photonics, a leading supplier of high performance fiber lasers and photonic crystal fibers, will after the demerger remain under a joint holding structure with NKT while it continues to operate as a fully stand-alone company reporting directly to the NKT Board of Directors.

NKT Photonics has set medium-term, three to five years' financial targets:

- Annual organic growth above 10%
- EBITDA margin of approx. 25%
- Return on Capital Employed (RoCE) of approx. 20%

Board of Directors and management of NKT

The NKT Board of Directors encompasses the following General Meeting elected members:

Jens Due Olsen
René Svendsen-Tune
Jens Maaløe
Jutta af Rosenborg
Anders Runevad
Lars Sandahl Sørensen

Anders Runevad has decided to step down from his position, and the Board of Directors proposes Andreas Nauen to be elected at the Extraordinary General Meeting on 12 October 2017.

NKT management consists of Chief Executive Officer Michael H. Lyng. Basil Garabet is Chief Executive Officer of NKT Photonics.

Details about the demerger

As announced in the demerger plan published on 11 September 2017, the split will be conducted as a partial, tax-exempt demerger of NKT, which - for accounting purposes - will have retrospective effect as of 1 January 2017.

At completion of the demerger, the shareholders in NKT will also become shareholders in Nilfisk Holding A/S in the same proportion as they are shareholders in NKT. The Nilfisk Holding A/S shares will be registered in the names of the eligible receiving shareholders. Immediately after registration in VP Securities, receiving shareholders will receive a notification of the number of Nilfisk Holding A/S shares allocated to them. Thus, receiving shareholders do not have to take any action in connection with the issue of Nilfisk Holding A/S shares. Further details about the demerger are available in the demerger statement.

Expected timetable of principal events

Event	Date
Extraordinary General Meeting to approve the demerger, including election of Board of Directors of Nilfisk Holding A/S	10 October 2017
Registration of the Demerger with the Danish Business Authority	10 October 2017
Last day of trading in NKT shares including Nilfisk (cut-off date)	11 October 2017 at 5.00 pm CET
Official listing of shares of Nilfisk Holding A/S on Nasdaq Copenhagen and first day of trading (Permanent ISIN: DK0060907293, trading symbol "NLFSK")	12 October 2017
Record date (i.e. date and time for determining which shareholders of NKT will be the receiving shareholder for the purpose of the demerger)	13 October 2017 at 5.59 pm CET
Delivery of Nilfisk Holding A/S shares to receiving shareholders	16 October 2017

The above timetable is subject to change. Any changes will be announced via Nasdaq Copenhagen.

J. P. Morgan Securities plc. and Nordea Danmark, filial af Nordea Bank AB (publ), Sverige have acted as financial advisers and Kromann Reumert as legal adviser in connection with the demerger.

Contact

Investor Relations: Michael Nass Nielsen, Head of Investor Relations, Tel: +45 2494 1654

Media Relations: Helle Gudiksen, Head of Group Communications, Tel: +45 2349 9098