



Nasdaq Copenhagen  
Nikolaj Plads 6  
DK-1007 Copenhagen K

21 September 2016  
Announcement No. 45

## **INTENTION TO SPLIT NKT HOLDING INTO TWO LISTED COMPANIES. NKT CABLES TO ACQUIRE ABB'S HIGH-VOLTAGE CABLES BUSINESS**

NKT has decided to split the Holding company into two separately listed companies, which both will be among the market leaders in their respective industries. The timing of this decision is linked to NKT Cables' acquisition of ABB's high-voltage cables business ("ABB HV Cables").

### **Creation of a leading high-voltage on- and offshore power cables company**

NKT Cables has entered into a purchase agreement to acquire ABB HV Cables, a wholly owned business of the ABB Group, at an enterprise value of EUR 712m (DKK 5.3bn). Including ABB HV Cables' committed investment in a new, cutting-edge cable-laying vessel to be delivered and paid in Q1 2017 of EUR 124m (DKK 0.9bn), total enterprise value amounts to EUR 836m (DKK 6.2bn).

ABB HV Cables is a leading supplier in the premium segment of AC and DC high-voltage cable systems for on- and offshore power transmission. In 2015, ABB HV Cables revenue was EUR 472m (DKK 3.5bn). As per 30 June 2016, ABB HV Cables had an order backlog of EUR 1.1bn (DKK 8.3bn) corresponding to 2.4 years of sales based on 2015 revenue.

### **Strong strategic rationale for acquisition of ABB's high-voltage cables business**

The combination of NKT Cables and ABB HV Cables creates a leading on- and offshore high-voltage power cables company. ABB HV Cables is a leading player within DC high-voltage power cables, a position which allows NKT Cables to enter this market, which has strong growth potential. Since 2012, ABB has made significant investments to position the business at the technological forefront of the high-voltage cable industry with best-in-class manufacturing facilities in Karlskrona, Sweden.

The new combined business will be strongly positioned in both the growing offshore wind industry as well as for the development of the interconnector grid in Europe. In addition, a strong organisational fit rooted in a shared Nordic heritage and culture is believed to support the integration of the business.

**NKT Holding A/S**  
CVR No. 62 72 52 14  
www.nkt.dk

Vibeholms Allé 25  
DK-2605 Brøndby  
Denmark

Phone +45 4348 2000  
e-mail : nkt.holding@nkt.dk

To secure future co-operation, NKT Cables and ABB Group has signed an agreement for long-term strategic partnership to pursue market opportunities within interconnectors and onshore power transmission projects.

President and CEO of NKT Cables, Michael Hedegaard Lyng, states:

- The acquisition of ABB's high-voltage cables business is a landmark transformation of NKT Cables. We operate in an industry where innovation and scale is instrumental, and ABB's cables business is the perfect strategic match to our business. Joining forces puts us among the leaders in the European high-voltage power transmission industry based on a strong and efficient manufacturing network, geographical presence and complementary know-how. Furthermore, with access to ABB's DC cable technology we are strongly positioned to take active part in the development of the European grid infrastructure planned for the next 10-15 years. We look forward to welcoming our many new and highly skilled colleagues from ABB.

President and CEO of ABB Group, Ulrich Spiesshofer, comments:

- We are combining two strong cable portfolios resulting in a business that is more competitive on a larger scale under NKT Cables ownership, whilst maintaining access to supply through a long-term strategic partnership.

President of ABB Power Grids Division, Claudio Facchin, says:

- We have entered into an agreement for the sale of our high-voltage business with NKT Cables. ABB has been the proud owner of this world-leading business that holds an extensive track record within high-voltage cables systems. With NKT Cables' strong commitment to continue the development of the business, we have found the right combination to secure future technology leadership as well as a strong cultural fit between the two companies. We look forward to continue building the strong relationship with NKT Cables and to cooperate on projects in the future and continue to support customers with the latest technologies.

Combined, the two businesses had a 2015 revenue of EUR 1.7bn and operational EBITDA margin of 11.4% (standard metal prices). Full impact of annual synergies of approx. EUR 30m is expected by end-2018. Total integration costs are expected to be a total of EUR 35-40m by end-2018. The integration process is expected to be completed by end-2018.

### **Transaction overview**

- Enterprise value (EV) at closing of EUR 712m (DKK 5.3bn)
- Total enterprise value of EUR 836m (DKK 6.2bn), including ABB HV Cables' investment in new, cutting-edge cable-laying vessel to be delivered and paid in Q1 2017 of EUR 124m (DKK 0.9bn)

- ABB HV Cables EBITDA: Average 2014-2016 (expected) EUR 79m (DKK 0.6bn)
- Implied EV/EBITDA transaction multiples: 9.0x EBITDA average 2014-2016 (expected), corresponding to 6.5x EBITDA (incl. run-rate synergies) average 2014-2016 (expected)
- Nordea and Danske Bank have committed to finance the transaction
- NKT Group pro forma net interest-bearing debt/operational EBITDA is estimated to be approx. 3.0x at closing of the acquisition with an expected subsequent strong deleverage within 12 months
- Closing is expected in Q1 2017 and conditional upon regulatory approvals and fulfilment of certain other conditions related to the transfer of ABB HV Cables

### **Intention to split NKT Holding into two separately listed companies**

With the acquisition of ABB HV Cables, NKT Cables will become one of the leading power cable suppliers in Europe, while Nilfisk is already a leading company in the professional cleaning equipment industry. Both businesses will be viable, stand alone companies, and when the acquisition is closed, it is the Board of Directors' intention to split NKT Holding into two separately listed companies; NKT Cables (including ABB HV Cables and NKT Photonics) and Nilfisk. While the choice of optimal separation structure is still being considered, the Board of Directors expects to announce the model for splitting NKT Holding at or shortly after closing of the acquisition of ABB HV Cables.

Chairman of NKT Holding's Board of Directors, Jens Due Olsen, says:

- Today is a historic day for NKT. Not only do we position NKT Cables among the industry leaders with the acquisition of ABB's high-voltage cables business. It also paves the way for the split of our Holding company into two separate, viable listed companies that will be among the leading players in their respective industries. Both actions are expected to create significant short- and long term value for our shareholders.

### **Intention to raise new equity and cancellation of share buyback programme**

Subject to market conditions and prior to the intended split, the Board of Directors of NKT Holding expects to utilise the authorisation to raise new equity of an amount of up to 9.99% of the company's share capital, combined with sale of the treasury shares with the aim of maintaining a prudent capital structure. NKT Holding currently holds 947.889 shares (equal to 3.89% of the share capital). Although the proceeds will be used to partly repay the financing of the acquisition of ABB HV Cables, completion of the deal is not subject to the outcome of the equity offering.

Concurrent with this announcement, NKT Holding will cancel its current share buyback programme cf. Company Announcement No. 4 of 26 February 2016, with immediate effect.

## **2017 dividend payment**

As a result of the transaction and the intended subsequent split, the Board of Directors has decided that no dividend is paid out for the financial year 2016.

## **2016 outlook**

Assuming that the acquisition of ABB HV Cables will be completed after 31 December 2016, it does not impact NKT's 2016 outlook of consolidated flat organic growth and operational EBITDA margin (std. metal prices), which is adjusted for one-offs, of 9.4%, on par with 2015. One-off costs of EUR 2m related to the transaction will be incurred in 2016, in addition to the EUR 30m already communicated in the Q2 2016 Interim Report. A further EUR 9m is expected at closing of the transaction.

## **Advisors**

J.P. Morgan and Nordea act as financial advisors. Linklaters and Kromann Reumert act as legal advisors.

## **Teleconference and press conference**

NKT will host a teleconference for investors, analysts and others to participate at 09:00 am CET today, and it can be accessed at [www.nkt.dk](http://www.nkt.dk). The presentation for the call will be available shortly after this release. To attend, please dial in from:

Denmark: +45 3544 5583,

UK: +44 203 194 0544,

US: +1 855 269 2604

NKT also hosts a press conference at 10:30 am CET today at Nordea Danmark, Strandgade 3, DK - 1401 Copenhagen K. Chairman of the Board, NKT Holding, Jens Due Olsen and President & CEO, NKT Cables, Michael Hedegaard Lyng will be present.

## **Contacts**

### *Investors*

Lasse Snejbjerg

Tel: +45 2913 6607

### *Press*

Helle Gudiksen

Tel: +45 2349 9098

## **About NKT Holding**

NKT is the active and long-term owner of three industrial businesses: Nilfisk, professional cleaning equipment, NKT Cables, power cables, and NKT Photonics, high-tech photonic products. In total, the NKT Group is present in more than 100 countries and employs approx. 8,950 employees. NKT has a proven track record of successful long-term development of industrial businesses through exercise of active ownership.

Strategic focus, targeted investments and stringent financial governance combined with acquisitions are key elements to grow the businesses and to achieve superior value creation for its shareholders.

### **About NKT Cables**

NKT Cables designs, manufactures and markets power cables for low-, medium- and high-voltage solutions, primarily in Europe and China. NKT Cables has production facilities in Europe and China as well as sales offices around the world. Today, the company employs approx 3,200 people. In 2015, revenue (market prices) was EUR 1.2bn (DKK 8.9bn) and operational EBITDA amounted to EUR 77m (DKK 0.6bn).

### **About ABB's high-voltage cables business**

ABB HV Cables is a leading supplier of high-voltage cable systems, installation and service for all types of on- and offshore power transmission solutions. ABB HV Cables has an extensive track record of manufacturing efficient, reliable and powerful high-voltage cable systems. ABB HV Cables has production facilities in Sweden and employs approx. 900 people. 2015 stand-alone revenue was EUR 472m (DKK 3.5bn).

### **Pro forma financials**

As ABB HV Cables is not a stand-alone entity within the ABB Group, it does not have reported stand-alone historical financial statements. The historic and expected financials of ABB HV Cables presented in this announcement are presented on a pro forma basis as provided by ABB. The NKT Cables/ABB HV Cables combined figures presented are a simple addition of reported figures for NKT Cables and the pro forma historic and expected financials of ABB HV Cables as provided by ABB, and are included for illustrative purposes only. No adjustments have been made for potential intra-group trading, differences in accounting policies, etc. Accordingly, the future consolidated figures may differ from the figures set out herein.

### **Forward looking statements, etc.**

Statements made about the future in this announcement reflect the Group Management's current expectations with regard to future events and financial results based on certain assumptions. Forward-looking statements are statements that are not historical facts and that can be identified by words such as "believe", "expect", "anticipate", "intends", "estimate", "will", "may", "continue", "should", and similar expressions. Statements about the future are by their nature subject to uncertainties, significant known and unknown risks, contingencies and other important factors which are difficult or impossible to predict and that are beyond NKT's control, and the results achieved may therefore differ from the expectations, among other things due to economic and financial market developments, legislative and regulatory changes in the markets, where the NKT Group of companies operate, development in product demand, competitive conditions, and energy and raw material prices. See also latest Annual Report for a more detailed description of risk factors. NKT Holding A/S disclaims any liability to update or adjust statements about the

future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

The information, opinions and forward-looking statements contained in this announcement speak only as at its date, and are subject to change without notice.

This announcement has been prepared in both Danish and English. In case of any inconsistencies, the English version shall prevail.