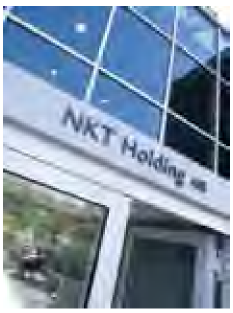
NKT ANNUAL REPORT 2010



NKT HOLDING

NKT CABLES

NILFISK-ADVANCE

PHOTONICS GROUP

NKT FLEXIBLES

Reader's guide to 2010 Annual Report

The structure of the 2010 Annual Report has changed from previous years. The development reviews for the four business units have now been combined while the 360° industry overview is included in the section on NKT's business strategy for the period 2011-2015. Risks and corporate social responsibility are discussed in Management's review under 'Corporate Matters'. A general financial review precedes the consolidated financial statements.

CONTENTS

The 2010 Annual Report is presented in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and Danish disclosure requirements for annual reports of listed companies. Statements in the report concerning the future reflect the Management's current expectations with regard to future events and financial results. Statements concerning the future are naturally subject to uncertainty, and the results achieved may therefore differ from expectations. Issues that may cause this difference include, but are not limited to, economic and financial market developments, legislative and regulatory changes in NKT markets, developments in product demand, competitive conditions and energy and raw material prices. See also sections on risks on page 40 and Note 30 to the consolidated financial statements.

This Annual Report was published on 1 March 2011 in Danish and English via NASDAQ OMX Copenhagen. In questions of interpretation the Danish text shall prevail. The Annual Report can also be found on www.nkt.dk and is emailed to all registered subscribers to NKT's e-news service

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Contact: See 'Investor Contacts' on page 36

Christian Kjær,
Chairman of the
Board of Directors

Thomas Hofman-Bang,
President and
Chief Executive Officer

POWERED BY NKT

During the economic downturn of the past few years NKT has shown a massive commitment to strengthening its competitiveness, both by relocating production and by investing in new, groundbreaking technology. Now the spotlight turns to growth and creation of value. Supported by talented people with international experience, NKT has set its sights on solid increase in earnings. This goal is reflected in ambitious targets for 2015

Earnings in 2010 were in line with expectations, and the year was spent on preparing our new factories and products. Cash flow and borrowing reflect the focus on the future.

The title of the business strategy for the period 2011-2015 is 'Powered by NKT'. From baseline revenue of 14.5 bnDKK in 2010 the Group is aiming to realize average organic growth (CAGR) of approx. 7-8% p.a., an operational EBITDA margin of approx. 14-15% and a return on investment of 20%.

The philosophy behind 'Powered by NKT' derives from NKT's active ownership of a number of business units which we wish to develop and expand. Under our long-term ownership these companies receive managerial, financial and strategic support. In this way NKT provides a kind of industrial home for each individual enterprise until such time as they may be ready for further development and growth under 'better' ownership. We term this our 'best owner' philosophy.

Based on the investment implemented by the Group in recent years, 'Powered by NKT' is designed to create further growth in the period to 2015.

The Group wishes to be an active player in the necessary consolidation in existing business segments and will also be open to acquisition of other enterprises in NKT's sphere of interest. 'Powered by NKT' is the next step up from 'Building Power', our previous strategy from 2007. The aims of this strategy included investing in new factories, expanding into new markets and developing new products, and these initiatives have largely been realized. At the same time the recession and the measures taken by NKT served to keep down costs.

Accordingly, NKT is today poised to reap benefit both from advanced factories in Germany, China and Mexico and from new products: NKT Cables' long-length submarine cables, Nilfisk-Advance's sustainable Ecoflex cleaning technology, Photonics Group's new laser light sources, and NKT Flexibles' subsea pipes which can cope with conditions in waters up to two kilometres deep. All four business units have set ambitious strategic targets for the years ahead. The focus is on high-value products with high earnings potential combined with increased revenue and earnings from emerging markets.

1 March 2011
NKT Group Management
NKT Holding A/S

The conglomerate structure is now showing its strength. Vision and international experience are benefitting all NKT's business units in all sectors. With investment of almost 2 bnDKK during the 2009-2010 recession, NKT Holding has equipped its companies with a strong platform from which to win new markets.

Thomas Hofman-Bang, President and CEO

SUMMARY

2010 was the year in which NKT's revenue climbed to 14.5 bnDKK, and the considerable investment of the past few years is now set to yield positive return. Relocation of production followed by acquisitions and establishment in new markets led to rising earnings for Nilfisk-Advance. NKT Cables made a strong entry into the market with its unique technology, but significant challenges of a transitory nature combined with factory commissioning expenses negatively impacted earnings by more than 200 mDKK

2010

- Revenue increased to 14.5 bnDKK, corresponding to organic growth of 12%, which exceeded the expected growth figure of approx. 10%. The 12% organic growth was distributed:
  - NKT Cables 16%
  - Nilfisk-Advance 7%
  - Photonics Group 14%

- The Group's operational EBITDA was 985 mDKK, which was in line with the year's EBITDA prediction of approx. 1 bnDKK.

- The Group's operational EBITDA margin (std.) was 8.6% (2009: 9.4%). The increased EBITDA margin for Nilfisk-Advance could not compensate for decreased earnings for NKT Cables combined with an expected smaller profit contribution from NKT Flexibles.

- NKT Flexibles realized revenue of 1,199 mDKK (2009: 1,311 mDKK), a decrease of 9%.

- Costs relating to structural initiatives in Nilfisk-Advance amounted to 86 mDKK (2009: 152 mDKK). EBITDA in the profit and loss was therefore 899 mDKK (2009: 783 mDKK).

- At the Annual General Meeting on 23 March 2011 the Board of Directors will propose payment of a dividend of 2.0 DKK per share for 2010, corresponding to a total distribution of 47 mDKK and 18% of net profit for the year (2009: 83 mDKK).

- Group working capital amounted to 2,997 mDKK, an increase of 1,023 mDKK. Working capital as a percentage of revenue (LTM) remained on a par with the average for previous periods, and a large part of the increase was due to the record-high levels of raw material prices.

2011

- Organic growth in revenue is expected to increase in 2011 by approx. 5% on 2010:
  - NKT Cables approx. 5%
  - Nilfisk-Advance approx. 5%
  - Photonics Group min. 20%

- Main focus in 2011 will be on establishing significant earnings growth. Increased earnings margin of approx. 1% point is planned in Nilfisk-Advance. Earnings for NKT Cables will only to a minor extent be influenced by transfer of production and running in of factories, and planned improvement in EBITDA margin is approx. 2.5-3% point.

- Planned Group EBITDA for 2011 is 1,200 mDKK, excluding costs of approx. 25 mDKK relating to completion of structural initiatives in progress at Nilfisk-Advance.

- The expectation with regard to NKT Cables is based on estimated losses on construction contracts being adequately accounted for in 2010.

- Planned total investment in non-current assets and capitalized development projects is approx. 550 mDKK. To this must be added 150 mDKK relating to acquisitions.

- Group interest bearing debt relative to operational EBITDA is expected to be reduced from 4.2x EBITDA at the start of 2011 to approx. 3.5x at year-end. The reduction decrease will not take place until late in the period and is dependent on development in raw material prices. The price of copper in particular influences the Group's working capital.

Please see page 6 for a full review.

5 YEARS FINANCIAL HIGHLIGHTS

Amounts in mDKK

	2006	2007	2008	2009	2010
Income statement					
Revenue	10,815	13,525	13,828	11,687	14,451
Revenue in standard prices [1]	9,000	10,798	11,273	9,950	11,478
Operational earnings before interest, tax, depreciation and amortization (EBITDA) [2]	914	1,363	1,300	935	985
Earnings before interest, tax, depreciation and amortization (EBITDA)	1,022	1,433	1,218	783	899
Depreciation and impairment on property, plant and equipment	-139	-192	-275	-243	-279
Amortization and impairment on intangible assets	-65	-108	-125	-124	-140
Earnings before interest and tax (EBIT) [3]	818	1,133	818	416	480
Financial items, net	-49	-145	-226	-125	-135
Earnings before tax [3]	769	988	592	291	345
Profit for the year	603	820	404	238	270
Profit attributable to equity holders of NKT Holding A/S	582	805	401	240	266
Cash flows					
Cash flows from operating activities	265	1,162	763	582	-374
Investments in property, plant and equipment	252	458	756	912	744
Balance sheet					
Share capital	470	473	474	474	475
Equity attributable to equity holders of NKT Holding A/S	2,787	3,246	3,427	3,719	4,105
Minority interests	19	36	38	21	7
Group equity	2,806	3,282	3,465	3,740	4,112
Total assets	7,350	9,099	9,935	10,124	12,556
Net interest bearing debt [4]	1,023	1,995	2,260	2,725	4,105
Capital employed [5]	3,829	5,005	5,725	6,465	8,218
Working capital [6]	2,104	2,176	2,036	1,974	2,997
Financial ratios and employees					
Gearing	36%	61%	65%	73%	100%
Net interest bearing debt relative to operational EBITDA	1.1	1.5	1.7	2.9	4.2
Solvency	38%	36%	35%	37%	33%
Return on capital employed (RoCE) [7]	18.8%	22.0%	16.4%	9.4%	7.5%
Number of 20 DKK shares ('000)	23,500	23,638	23,718	23,718	23,738
Earnings, DKK, per outstanding share (EPS)	24.9	34.2	17.0	10.2	11.3
Dividend paid, DKK, per share	12.0	10.0	11.0	0.0	3.5
Equity value, DKK, per outstanding share [8] [9]	119	137	145	157	173
Market price, DKK, per share	503	459	106	291	297
Average number of employees	6,016	7,575	8,610	7,938	8,454

[1] - [9] Explanatory comments appear in Note 37 to consolidated financial statements.

Financial ratios are stated in Note 34 to consolidated financial statements.

EXPECTATIONS FOR 2011

The expectations for 2011 are based on Group business activities being essentially unchanged during the year and on no adverse development taking place in the international economy. The expectations also assume no sudden major fluctuations in exchange rates and energy and raw material prices.

NKT Group Management considers the general earnings expectations to be subject to a certain degree of risk, as a result of NKT Cables' changed risk profile where it is a fact that the potential swing factor for the 2011 earnings is larger than previously due to increased exposure towards single projects.

REVENUE

NKT expects organic growth in revenue of approx. 5% in 2011.

This is based on the following assumptions:

- Planned organic growth for NKT Cables of approx. 5%. In Electricity Infrastructure and Building organic growth of 5-10% is expected, the figure for Automotive and Railway being 10-15%. The expectations are based on existing visibility in the respective markets for the individual product segments.

- Planned organic growth for Nilfisk-Advance of approx. 5%, evenly distributed between product and customer segments. Organic growth of 3-4% is expected in mature markets like Europe and the United States, while growth rates of at least 25% are expected for the BRIC-MT countries (Brazil, Russia, India, China, Mexico and Turkey).

- Planned organic growth for Photonics Group of at least 20%.

EBITDA BEFORE STRUCTURAL INITIATIVES

Planned EBITDA for 2011 is approx. 1,200 mDKK, excluding costs related to structural initiatives.

This is based on the following assumptions:

- For NKT Cables, an expected improvement in EBITDA margin of approx. 2.5-3% points over the year, in relation to 5.9% realized for 2010. The improvement will derive from a significant reduction in dual operating costs and additional costs relating to one major project. Productivity at the new factory in Cologne is expected to rise through 2011, but the early part of the year particularly will continue to be negatively affected by relocation and running-in of equipment and implementation of a major submarine cable project.

- The expectation with regard to NKT Cables is based on estimated losses on construction contracts being adequately accounted for in 2010.

- For Nilfisk-Advance, an expected improvement in EBITDA margin of approx. 1% points at the end of 2011, in relation to 10.7% realized for 2010. The improvement is expected to be realized evenly over the year.

- For Photonics Group, expected EBITDA at breakeven, corresponding to an improvement of 11 mDKK in relation to 2010.

- For NKT Flexibles, an expected decrease in EBITDA margin of up to 5% points, in relation to 18.7% realized for 2010. This expectation reflects existing visibility and a historic level of risk reservation, and does not include deviations from this. Any effects caused by the price regulating mechanism relating to a framework agreement are also not included.

STRUCTURAL INITIATIVES

New structural initiatives are not planned for implementation in 2011. Completion of initiatives already in progress at Nilfisk-Advance will lead to costs of approx. 25 mDKK which are primarily expected to impact 1st half 2011.

INVESTMENT

Total planned investment in property, plant and equipment and capitalized development costs is approx. 550 mDKK, to which must be added 150 mDKK relating to acquisitions. Approx. 200 mDKK of the 550 mDKK is attributable to capacity or productivity improvements, including a new turntable at NKT Cables for submarine cable products. The remaining amount of around 350 mDKK represents a normal level of for maintenance investment and for investment in development projects.

The 150 mDKK relating to acquisitions predominantly pertains to the acquisition of Egholm by Nilfisk-Advance at the start of January 2011.

INTEREST BEARING DEBT

It is expected that NKT's net interest bearing debt in relation to EBITDA will decrease from 4.2x at the start of 2011 to approx. 3.5x at the end of 2011. The decrease will not take place until the end of the period and is dependent on the development in raw material prices. The price of copper in particular affects Group working capital.

We expect:

- Organic growth of approx. **5%**
- EBITDA of approx. **1,200 mDKK**

FINANCIAL TARGET PERFORMANCE

Financial target performance

Amounts in mDKK	Expectations 2010	Changes during 2010	Realized 2010	
NKT Group				
Organic growth	6-10%	approx. 10%	12%	✓
Operational EBITDA	approx. 1 bnDKK	no change	985	✓
NKT Cables				
Organic growth	min. 10%	no change	16%	✓
EBITDA-margin	approx. 8.5%	approx. 7.5%	5.9 %	÷
Nilfisk-Advance				
Organic growth	min. 2%	approx. 6%	7%	✓
Operational EBITDA margin	approx. 10.2%	approx. 10.7%	10.7%	✓
Structural initiative costs	approx. 75	no change	86	✓
Photonics Group				
EBITDA	-10-20	no change	-11	✓
NKT Flexibles				
EBITDA margin	approx. 13%	approx. 15%	18.7%	✓

2010 was a challenging year dominated by the start of NKT Cables' new factory in Cologne. Together with a number of unforeseen delays on one major project, this impacted negatively on the Group's earnings. In contrast, the other business units - Nilfisk-Advance in particular - delivered better than expected results at the start of the year. Overall, the Group realized operational EBITDA on a par with initial expectations. Expectations with regard to organic growth were also satisfied by all business units. Initial expectations for organic growth were 6-10%, the final figure being 12%.

For NKT Cables, 2010 was a particularly demanding year, and this was also reflected in the realized EBITDA margin of just 5.9%. This was in no way satisfactory and it was significantly below the initially expected level (8.5%). The commissioning of the Cologne factory, which subsequently gave rise to challenges with the realization of a major project, impacted negatively on earnings to the amount of 200 mDKK. However, the factory is back on track, and particularly towards the end of the year produced high organic growth rates and generated higher sales in all other product segments in NKT Cables.

Nilfisk-Advance performed strongly in 2010. The limited visibility characterizing this industry meant that revenue guidance was relatively cautious at the start of the year. It was to prove, already early in 2010, that Nilfisk-Advance was capable of maintaining higher than predicted sales momentum. Organic growth of 7% was realized for 2010, compared with initial minimum expectations of 2%. At the same time the expected effects of the many structural initiatives implemented since early 2008 were also realized, impacting positively on earnings. As a result of this positive combination Nilfisk realized significantly better margins than initially expected (EBITDA margin 10.7% against 10.2%).

2010 was a reasonable year for Photonics Group, with growth returning to a more normal level in the various business segments. Expectations at the start of 2010 were for an EBITDA loss of 10-20 mDKK. Realized EBITDA, amounting to -11 mDKK, was therefore at the better end of the prediction interval.

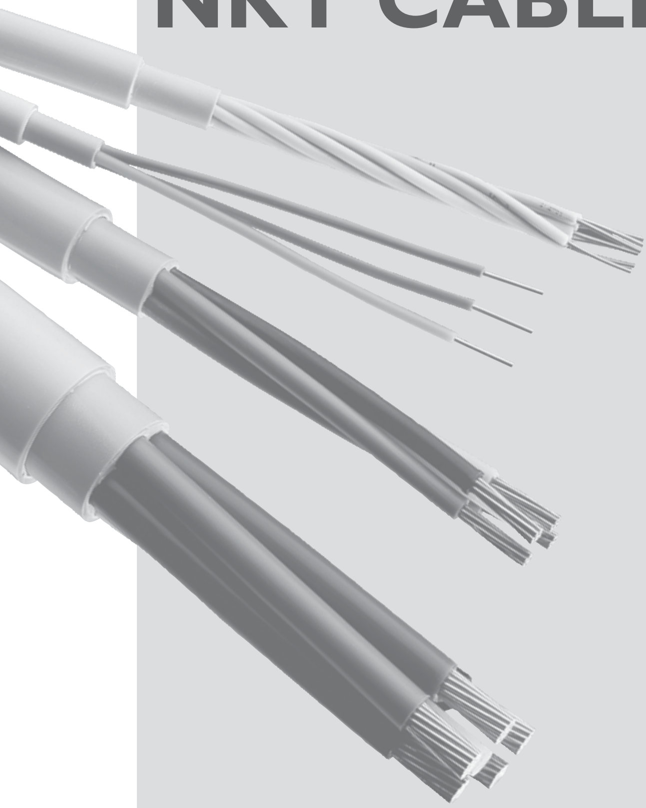
NKT Flexibles started the year already certain of a decrease in EBITDA margin due to the reduced level of activity caused by the underlying weakness of the oil sector. Positive development in production at the factory in Kalundborg limited this decrease. The EBITDA margin, initially forecasted as 13%, ended 2010 on 18.7%, corresponding to net profit of 90 mDKK for NKT.

Further analysis of NKT's individual business units can be found on pages 8-19. The full financial review begins on page 43.

NKT fulfilled the expectations for 2010. The commissioning of NKT Cables' new factory made 2010 especially challenging - but growth in all other business units meant that overall expectations for the year were maintained. Working capital was in focus - and when we include the effect of the record-high metal prices and the strong organic growth in revenue, working capital is at the expected level.

Michael Hedegaard Lyng, CFO

Fachsheet
NKT CABLES

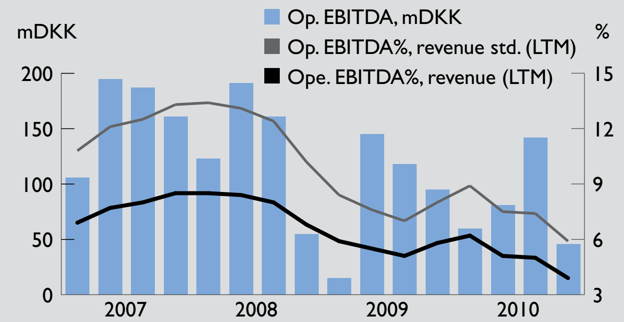


Highlights

Amount in mDKK	2010	2009	2008
Revenue	**8,520**	**6,383**	**7,766**
Revenue in standard prices	5,547	4,646	5,211
- Growth	33%	-18%	2%
- Organic growth	16%	-7%	3%
Operational EBITDA*	**329**	**373**	**530**
Operational EBITDA margin, std. prices*	5.9%	8.0%	10.2%
Operational EBIT*	109	197	372
Capital employed	4,701	3,313	2,442
Return on capital employed (RoCE)	2.6%	6.9%	14.0%
Working capital	1,856	1,089	877
Number of employees, 31 December	3,490	3,127	3,158

** Adjusted for one-off items*

EBITDA



The most important event of 2010 was the inauguration of the new factory in Cologne on 25 October when customers and business contacts had the opportunity to view production. In April 2011 company staff will also be invited to an 'open house' event.

Dion Metzemaekers, CEO, NKT Cables Group.

Management 2010

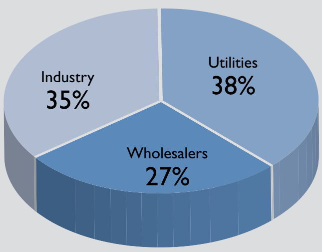
Dion Metzemaekers, CEO

Asger Bruun-Christensen, COO

Paul Langelaan, CFO

Detlev Waimann, CCO

SALES BY
CUSTOMERS



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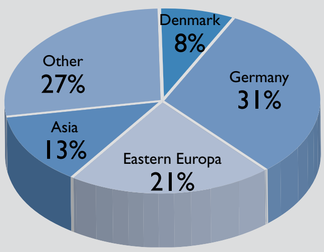

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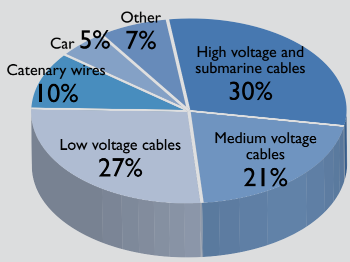
PRODUCTS



Distribution of sales is based on revenue for 2010

NKT CABLES

NKT Cables is one of the leading suppliers of power cables to the European market. With a newly built submarine and high voltage cable factory in Germany, and yet another factory in China, NKT Cables has expanded its presence in global high voltage markets. High speed rail and automotive are rapidly growing business segments

2010 NKT CABLES

NKT Cables realized solid growth in revenue following a weak 2009 which was influenced by the global economic recession. Revenue measured in standard metal prices increased to 5,547 mDKK (2009: 4,646 mDKK), corresponding to organic growth of 16%. This development was particularly strong in the 2nd half of the year when the commissioning of the new factory in Cologne made a serious contribution to growth in revenue. This growth derived partly from production of an important cable project at the new factory, and also from higher than expected growth in the other product segments.

Revenue measured in market prices was 8,520 mDKK (2009: 6,383 mDKK) influenced by increases in metal prices, which for the most part are passed on to the customer. See also page 44.

Despite the organic growth achieved, earnings did not follow suit. EBITDA in 2010 was 329 mDKK compared with 373 mDKK in 2009, corresponding to an EBITDA margin of 5.9% (2009: 8.0%). The unsatisfactory earnings were solely attributable to the commissioning of the new factory in Cologne, and the resulting delay to a major project. All other product segments performed better than expected at the beginning of 2010.

HIGH VOLTAGE AND SUBMARINE CABLES

Segment performance in 2010 was influenced by the commissioning of the new factory, including the transfer of production from the previous location to the new one.

The commissioning process gave rise to a number of production challenges, caused partly by commissioning new machines and processes and partly by a natural need for build-up of staff experience.

At the end of 2010, following a steep learning curve, the factory was fully on track. The delay in starting up the new factory set back relocation from the old factory by around three months, and it is now expected that the final production unit will have left the old factory by the end of 1st quarter 2011.

The commissioning of the new factory in Cologne additionally resulted in production delays on a large submarine cable project, which subsequently also led to delays with cable-laying. This gave rise to substantial additional costs which, all in all, turned the project into a loss for NKT Cables and was the main reason for the unsatisfactory earnings. The delayed start-up of the new Cologne factory and the subsequent challenges added costs of more than 200 mDKK to the 50 mDKK originally predicted for 2010.

Despite the challenges, this project was a significant milestone for NKT Cables and an important reference for future projects. During the year substantial new orders were received for submarine cables, a segment in which only a few manufacturers can supply long length high voltage submarine cables.

The order backlog for high voltage and submarine cables for the years to come confirms the correctness of the decision to focus on this segment.

Development in the high voltage cables business was disappointing in 2010, mainly due to the increased level of competition at the low end of the segment and to delays on a major project that were outside the company's control. In addition, the global market economy has also been reflected in reduced grid investment in Europe. This reduction in investment is considered to be temporary.

NKT Cables began winning market shares in China following the acquisition of the high voltage factory in Cangzhou at the start of 2010 and succeeded in landing initial orders for cables in the 110 kV range. Type-testing of 220 kV cables is currently taking place at the GuoDian Wuhan High-voltage Testing Research Institute, and the factory is not expected to achieve satisfactory profitability until the necessary approvals are in place, which will probably be late in 2011.

The newly created presence in Australia has given NKT Cables an additional market for its high and medium voltage products, and the first successful result of this was an order for a large high voltage project in New Zealand.

MEDIUM VOLTAGE

In terms of volume, the production and sale of medium voltage cables developed positively in 2010, which was related to frame agreements concluded at the start of the year. As expected, however, this resulted in a slight decrease in the level of segment earnings. Revenue from medium voltage cable accessories was positively impacted by the increased activity.

LOW VOLTAGE

Revenue development in the low voltage segment was favourable, especially in the 2nd half of the year when positive organic growth was restored. This was partly due to success in new markets where NKT Cables previously had little or no presence. However, positive development was also recorded in the company's main markets - Germany and particularly Poland - while the Nordic markets - primarily Denmark - remained weak.

In addition to the slightly more positive market development, 2010 saw a shift in focus, away from volume sales and towards smaller customers and better prices. This optimization of customer mix and sales prices is expected to continue in the years ahead, gradually increasing gross profit to an acceptable level.

RAILWAY PRODUCTS

Railway revenue in 1st half 2010 was on a par with 2009, but then picked up strongly based on NKT Cables' leading position in China where the investments in high speed rail infrastructure helped NKT Cables win very large orders, notably for the high-profile connection between the two main cities of Beijing and Shanghai. In conjunction with sales of catenary wire NKT Cables also succeeded in cross-selling medium voltage cables and accessories for the railway industry.

AUTOMOTIVE PRODUCTS

After a difficult start to the year, new customers brought fresh growth. This led to a need for modest expansion of capacity, which triggered transfer and optimization of production between company factories. The associated costs were predominantly absorbed in 2010.

PRODUCT DEVELOPMENT

A number of product development initiatives made possible by the new factory are under way in the area of high voltage and submarine cables. The new products will be launched onto the market on an ongoing basis. In addition, development projects have also begun in the area of DC technology. In 2011, type-testing will be performed aimed at having products ready and certified for inclusion in DC project tenders in 2012-2013.

In the automotive business, work is taking place in partnership with a leading European car manufacturer to define and develop the electrical architecture for future hybrid and electric cars. The goal is to define dedicated new products in this segment within the next two years.

The challenge in the railway business is to achieve ever faster rail travel. One solution is the use of higher-strength, higher-conductivity catenary wires. In 2010 the Chinese Ministry of Railways (MOR) carried out test rides at speeds of more than 500 km/h using NKT Cables' technology and products. As a new area of focus in this segment the product range has been widened to include signal cables. Production will take place in Denmark and it is expected that these new products will contribute to growth in the course of 2011. Segment participation has been conditional on a number of close customer relationships to guarantee order intake in the start phase.

In the new factory in Cologne it is now possible for NKT Cables to record the CO2 footprint of its cables. The company's 'nkt.doc' design software will be upgraded so that customers can select those building cables that make the most efficient use of electricity and reduce carbon footprint – a customer wish that can now be met.

THE EUROPEAN COMMISSION'S INVESTIGATION INTO THE CABLE MARKET

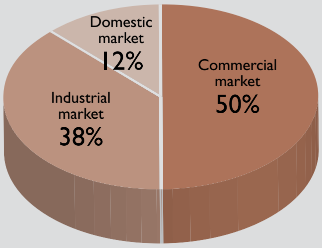
In connection with the EU's investigation into the cable market, NKT Cables has received a number of questions from the European Commission. The investigation concerns the sale of high voltage and submarine cables, and similar questions have been sent to many other cable manufacturers in the EU. NKT has replied to the questions asked, and on this basis NKT assesses that no more will follow. It remains the company's policy not to participate in illicit activities. Please refer to NKT's ethical guidelines on www.nkt.dk.

ORGANIZATION AND MANAGEMENT

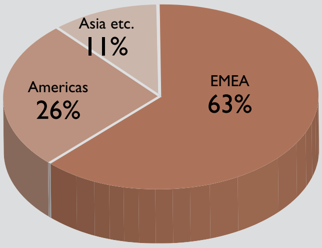
The organizational changes that were announced in 2009 were largely implemented in 2010, as also evidenced by the strong growth that the company has realized. With the increase in the number and size of projects, additional project competences have become necessary. Measures to address this include the appointment of staff with solid experience in project management and implementation.

Factsheet
NILFISK-ADVANCE

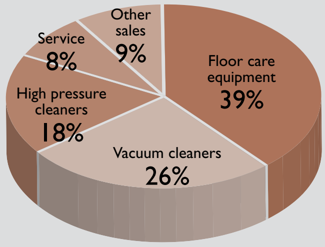
SALES BY **CUSTOMERS**



SALES BY **MARKET**



SALES BY **PRODUCTS**



Distribution of sales is based on revenue for 2010

Our focus is on customer lead time requirements. In 2010 we therefore initiated a project which spotlights the whole of the supply chain and involves large parts of the organization.

Jørgen Jensen, CEO, Nilfisk-Advance

Management 2010

Jørgen Jensen,
President & CEO

Morten Johansen,
CFO

Christian Cornelius-Knudsen,
Executive Vice President, Americas

Anders Terkildsen,
Executive Vice President, EMEA Sales

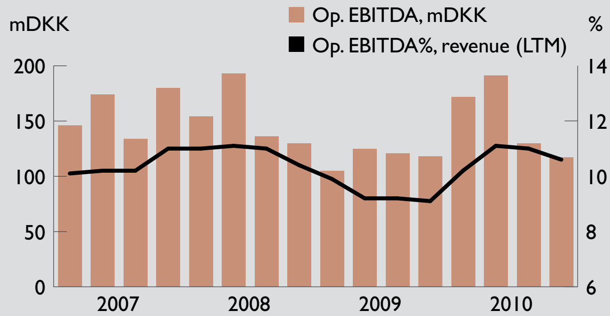
Lars Gjødsbøl,
Executive Vice President, European and Asian Product Companies & supply chain

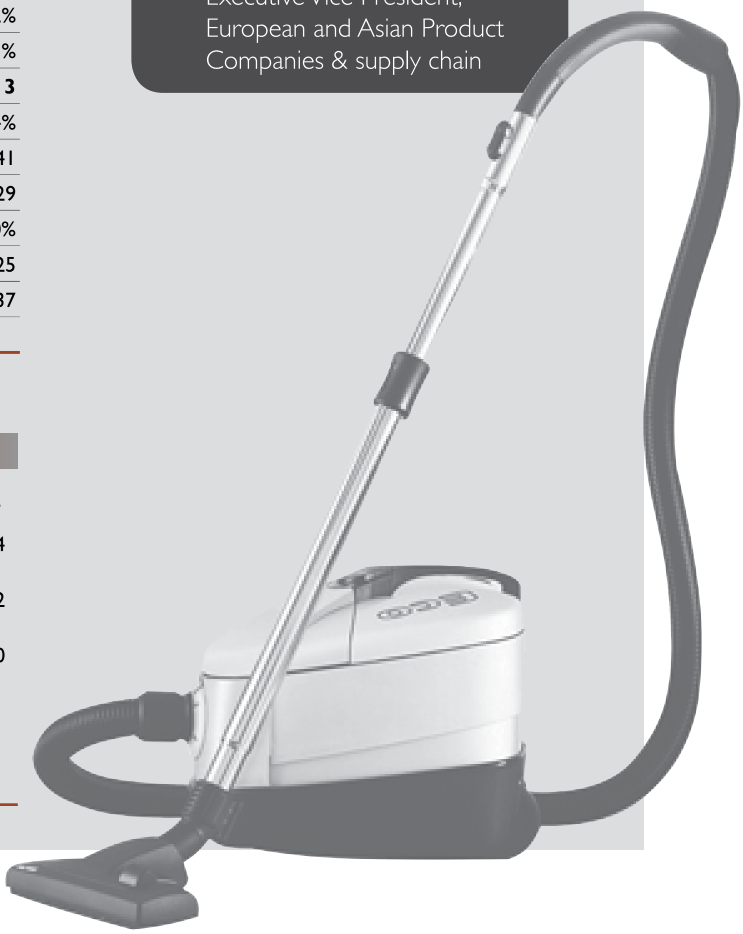
Highlights

Amounts in mDKK	2010	2009	2008
Revenue	**5,747**	**5,138**	**5,882**
- Growth	12%	-13%	2%
- Organic growth	7%	-13%	1%
Operational EBITDA*	**612**	**469**	**613**
Operational EBITDA margin*	10.7%	9.2%	10.4%
Operational EBIT*	426	293	441
Capital employed	2,898	2,580	2,829
Return on capital employed (RoCE)	15.1%	10.9%	16.0%
Working capital	1,074	852	1,125
Number of employees, 31 December	4,894	4,779	4,837

** Adjusted for one-off items*

EBITDA





NILFISK-ADVANCE

Nilfisk-Advance is a world leading supplier of professional cleaning equipment with sales in most principal markets. The company makes equipment for all types of cleaning applications, both indoors and outdoors. Individual service agreements are also provided, ensuring that customers can always rely on equipment availability

2010 NILFISK-ADVANCE

The market for professional cleaning equipment stabilized somewhat in 2010. Nilfisk-Advance realized a revenue of 5,747 mDKK (2009: 5,138 mDKK), corresponding to organic growth of 7%. Operational EBITDA was 612 mDKK (2009: 469 mDKK), an operational EBITDA margin of 10.7% (2009: 9.2%).

In 2010 Nilfisk-Advance reaped the reward for its rapid and effective response to the downturn in the world market in recent years. Labour adjustments and acceleration of a number of future-oriented restructuring measures resulted in a stronger and more streamlined company. Restructuring costs in 2010 were 86 mDKK (2009: 152 mDKK).

The relocation of production from Western Europe to Hungary was completed at the end of 2010. The transfer of production from the United States to Mexico is proceeding to plan and continues in 2011. The relocations in progress will lead to annual savings of more than 100 mDKK.

The savings are expected to impact fully from 2nd half 2012, but a large number will take effect already in 2011.

MARKET COVERAGE AND ACQUISITIONS

Global representation in all principal markets is a key strategy for Nilfisk-Advance. The goal therefore is to increase the number of sales units over the coming years from 43 currently to around 50. Work will also continue on building a solid portfolio of potential acquisitions covering local dealers, large and small companies.

The following companies joined the Nilfisk-Advance family:

- Egholm, Denmark. Acquired 3 January 2011, Egholm is a successful supplier of compact outdoor sweepers, snow movers and garden maintenance equipment. The acquisition of Egholm strengthens Nilfisk-Advance's product range in the market for outdoor cleaning and maintenance equipment.

- Plataforma, Sao Paulo, Brazil. Platforma produces, sells and services a range of high-quality floor care equipment and wet & dry vacuum cleaners. This acquisition widens Nilfisk-Advance's business presence in Brazil to include product development, manufacture, sales, distribution and customer service. As a local manufacturer, Nilfisk-Advance will be able to give its Brazilian customers even better service and at the same time gain access to local sourcing, markets and financing facilities.

- IndustroClean, South Africa. (Ownership share: 30%). A dealer in cleaning equipment and cleaning materials, IndustroClean is the leading supplier to contract cleaners and institutions in the South African market. This strategic partnership will expand Nilfisk-Advance's market coverage and is expected to double the company's South African revenue within 3-5 years.

FAST-GROWING MARKETS

Nilfisk-Advance realized 7% organic growth in the EMEA region (Europe, Middle East and Africa) and is gaining market shares. Organic growth in the Americas was also 7%, which was in line with market development. Organic growth in the Asia/Pacific region was 9%.

With a strategic commitment to leadership in principal fast-growing markets, Nilfisk-Advance is strongly focused on the BRIC-MT nations (Brazil, Russia, India, China, Mexico and Turkey). The company has sales subsidiaries in all these countries and strengthened its position in 2010 by acquiring the Brazilian producer Plataforma. In addition, strong increase in direct sales was achieved in Turkey and several new offices were set up in Russia. Overall growth in 2010 in the BRIC-MT countries was just under 40%.

> "Ecoflex technology saves on resources

Continued growth was registered in sales to the contract cleaning segment, and sales to the industrial segment recovered strongly in both mature and emerging markets. Sales to the European and US farming segments did not increase appreciably however, and towards the end of 2010 savings on public budgets in mature markets began impacting sales to schools, hospitals and local authorities.

STABLE FINANCIAL DEVELOPMENT

The growth in revenue supported satisfactory development in gross margin in 2010. Increased production volumes together with a stable price picture resulted in a high gross margin in the 1st half of the year. During the 2nd half, gross margin came under pressure from price increases on raw materials and rising freight costs. Gross margin ended 2010 on 42%.

Continuously rising raw material prices, general inflationary pressures, and Nilfisk-Advance's established price adjustment policy means that market prices at the start of 2011 will increase by 2-3% and further if necessary. However, the company will ensure its prices are competitive in all local markets.

A number of sourcing initiatives have been launched to combat rising raw material prices as effectively as possible. These initiatives include further consolidation of procurement volumes, sourcing from low-cost countries and use of alternative materials.

Efforts to meet increased customer supply needs led to increased stocks particularly in the 1st half of 2010. The increase in stocks impacted negatively on working capital, and in the 2nd half of the year focus was given to optimizing supply of products and at the same time significantly reducing tie-up in stocks.

In 2010, longstanding relationships with suppliers were reflected in significant increase in creditor days, contributing positively to development in working capital.

CUSTOMER FOCUS

In 2010 the company took firmly on board the findings of a major interview survey of the needs and wishes of existing and potential customers. All employees attended workshops focused on customer satisfaction, and the project will continue in years to come. The goal is that all employees must see their work directly in relation to customer needs.

PRODUCT DEVELOPMENT

Development of new customer products and offers is key to Nilfisk-Advance and continued unabated in 2010. During the year, 38 new products and product versions were launched, including 10 floor-care units, 14 vacuums, six high-pressure cleaners and eight special-purpose products. As part of the renewed focus on customer needs, a new customer-oriented development process was introduced, which as a central element will include extended use of qualitative and quantitative customer and market surveys. The aim is to make the new customer focus measurable from one product platform to the next.

2010 saw widespread implementation of Nilfisk-Advance's new Ecoflex technology into the company's floor-care programme. Ecoflex provides a unique approach to sustainable cleaning. With Ecoflex, cleaning is done with pure water where this will do the job, but at the press of a button the operator can switch briefly to detergent for tackling particularly heavy dirt. Ecoflex ensures effective cleaning of all areas, with no difficult mechanical changeovers, while at the same time saving on resources. The result is optimum cleaning at the lowest price/cost combined with consideration for the environment.

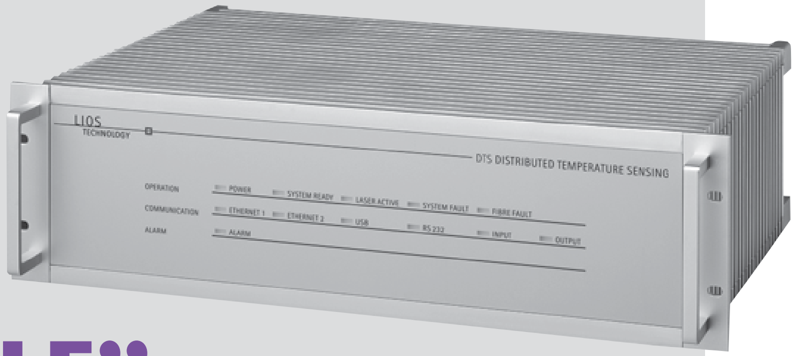
RIGHT-TIME DELIVERY

Nilfisk-Advance has begun a project designed to increase right-time delivery to customers. Part one of the project involves improving and stabilizing existing processes in the short term. Part two of the project will review the existing procedure, after which an optimized procedure focused on customer wishes will be formulated for the entire supply chain. This part of the project will involve large areas of the organization.

ORGANIZATION AND MANAGEMENT

By far the company's most valuable resource is its people. In the past, the human resources function was predominantly locally based, but in 2010 a stronger, globally-oriented HR function was created in which all Nilfisk-Advance's HR personnel are now under the same management. The new global HR function is intended to ensure that employees at all levels share a common understanding of the company's strategies and goals, bringing global synergy benefits. The aim is to ensure that the company moves in the same direction globally, thereby guaranteeing that customers of Nilfisk-Advance continue to receive a positive experience and professional treatment wherever in the world they are. A global CSR function has also been created along with a CR (Corporate Responsibility) Board to advise and propose new initiatives.

Factsheet
PHOTONICS GROUP



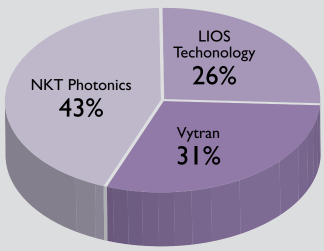
AN EXAMPLE OF RESEARCH WORKING FOR INDUSTRY IS THE FIBRE LASER WHICH DISCLOSE WHAT WAS PREVIOUSLY

"INVISIBLE"

Highlights

Amounts in mDKK	2010	2009	2008
Revenue	**185**	**160**	**171**
- Growth	16%	-6%	52%
- Organic growth	14%	-8%	18%
EBITDA	**-11**	**-31**	**-30**
EBIT	-23	-46	-46
Capital employed	172	122	120
Working capital	63	40	33
Number of employees, 31 December	181	163	174

SALES BY
COMPANY



Distribution of sales is based on revenue for 2010

"

In 2010 we strengthened our sales organization so we could reach more customers in more markets. Within product development we have matured and adapted our products to make them even more compatible with user needs.

Søren Isaksen, CTO, NKT Holding and CEO of the Photonics Group companies

PHOTONICS GROUP

NKT Photonics – the power of light

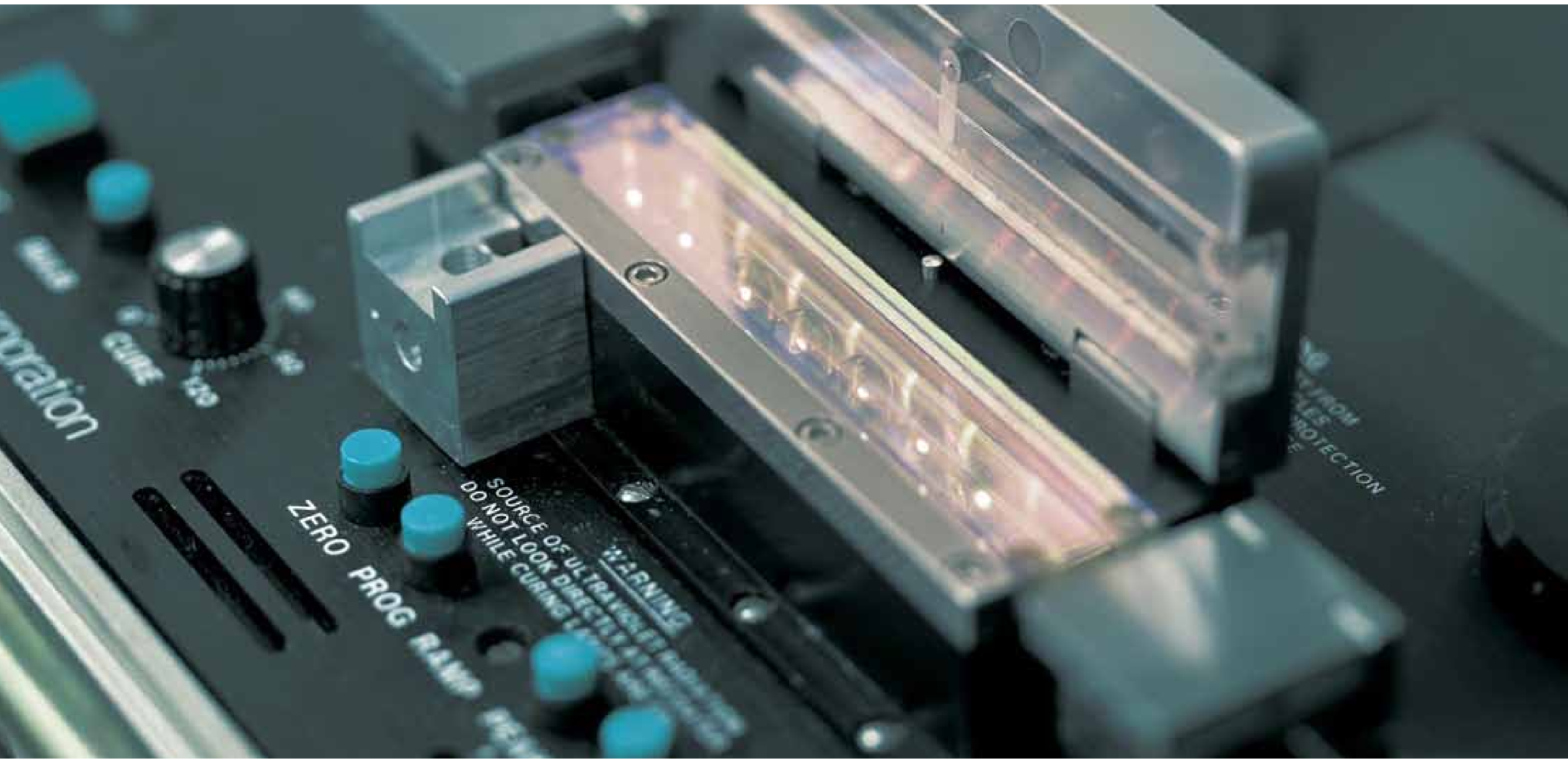
Management: Jakob D. Skov, CEO
Head office: NKT Photonics is based in Birkerød, Denmark, where it makes crystal fibers, lasers and modules. There are sales offices in Germany, France and US.

LIOS TECHNOLOGY

Management: Thomas Oldemeyer, CEO
Head office: The company is based in Cologne and has a sales office in the US aimed at the US market.

vytran

Management: Jean-Michel Pelaprat, CEO
Head office: The company is based and has production facilities in New Jersey, US and has software development and a customer support centre in the UK.



PHOTONICS GROUP

Photonics Group consists of three companies, NKT Photonics, LIOS Technology and Vytran, all with activities based on optical fiber technology. The products are sophisticated, with functionalities essentially based on the unique light-conducting properties of optical fibers. Products range from new types of fibers, new types of lasers and advanced measuring devices to fiber handling equipment

2010 PHOTONICS GROUP

All Photonics Group business segments recorded satisfactory progress in 2010. Order intake showed a rising trend, particularly towards the end of the year. Events during the year therefore supported expectations with regard to the Group's development potential.

Photonics Group realized revenue of 185 mDKK (2009: 160 mDKK), corresponding to organic growth of 14%. EBITDA was -11 mDKK (2009: -31 mDKK).

In 2010 all three companies gave high priority to increasing their shares in a variety of industrial markets. NKT Photonics thus established a sales organization in France and strengthened its sales organization in North America as well as expanded distribution channels.

All three companies are currently looking into establishing a presence in China, a strong growth market for Photonics Group's activities. Employee numbers increased during the year by 18 to a total 181, the new staff being evenly distributed between all segment disciplines.

> “Fiber lasers are winning ever larger market shares

NKT PHOTONICS

There is growing interest in the use of NKT Photonics' crystal fibers in industrial products. In step with this, development personnel are working hard to document and optimize product performance and to evolve related products and technologies that simplify the use of crystal fibers in the products of industrial customers.

The primary application potential for crystal fibers lies in high-power fiber lasers. Fiber lasers are gaining increasing market shares at the expense of conventional laser systems. Large established industrial laser manufacturers and new laser companies are now developing and selling products based on NKT Photonics' crystal fiber technology. The fibers are also attracting interest for military applications. Primarily within high-sensitivity fiber-optic gyroscopes for direction-finding as well as extremely high-power lasers.

A new product type, fiberglass rods, notable for their ability to amplify laser pulses to even higher power levels, is beginning to gain ground and is now in commercial use with the first industrial customers.

Considerable resources continued to be spent on defending the company's strong position in technology patents, particularly crystal fiber patents. In 2009 NKT Photonics brought proceedings against its UK rival Fianium for several violations. The case ended in 2010 with Fianium being forced to recognize NKT Photonics' rights, abstain from further violations and to pay damages for previous violations.

SuperK™, a universal laser light source, is increasingly gaining a foothold both in industry and science. The core product is supplemented by a portfolio of accessories making it easier for customers to use in specific applications. This has been a success in sales terms, but also in widening the applications for SuperK™ products. The 2nd generation of SuperK™ products was developed in 2010 and will be introduced early in 2011. These products are characterized by increased robustness and availability.

> "China is a growth market for Photonics Group

The KOHERAS™ fiber laser, which is primarily used in sensor contexts, attracted renewed interest from the oil industry after the oil price began rising. As one application example, KOHERAS™ is a key component in the fiber-optic based seismic monitoring system that was installed in the North Sea in 2010, the largest of its type to date. Monitoring of oil fields holds considerable potential for the KOHERAS™ laser. For example, the Brazilian oil company Petrobras has announced plans to use fiber-optic based seismic monitoring systems in its major Jubarte field, and as a first step is currently performing trials.

NKT Photonics continued its internal production optimization. As a natural step in the company's continuing evolution, a quality assurance system was introduced specifically focused on increasing efficiency in product development, and maturing and in manufacture. The system was subsequently certified in accordance with ISO 9001.

LIOS TECHNOLOGY

LIOS Technology experienced positive development. This was mainly due to expected growth segments - monitoring of high voltage cable systems and oil and gas wells - coming back on track after a weak 2009 characterized by reluctance to invest. Sales of fire detection systems for tunnels etc. have been largely unchanged in recent years and now represent less than 50% of sales.

After many years during which it was only used for field trials, the company's distributed temperature monitoring system now finally appears to be gaining acceptance in the oil and gas industry. LIOS Technology is today a qualified supplier to two major players in this sector and promising sales development was registered in 2010, primarily based on sales to North American and Russian oil wells.

The technological requirements for distributed temperature measuring systems used in the oil and gas industry and for cable monitoring differ, and are often more demanding in terms of accuracy and range than the requirements for fire detection systems. In order to address this difference, LIOS Technology has been developing a new generation of temperature measuring equipment capable of meeting the technical specifications far more effectively. The new equipment made its trade fair debut towards the end of 2010 with sale and supply due to commence early in 2011.

This new technology development was also aimed at cementing the company's strong market position. In a few less demanding segments, not least in the area of short-range fire detection, LIOS Technology is particularly confronted by growing competition from new players, especially local players in the Chinese market.

VYTRAN

Vytran experienced continued growth in 2010. However, 1st half years' order intake was weak, leading to reduction in backlog. The trend was reversed in the 2nd half of the year with a positive flow of new orders. This must be seen against the background of Vytran's efforts over the last two years to strengthen its sales, service, engineering and development functions. Lead times have been reduced significantly and in 2010 the company introduced two new dedicated products for processing large-section optical fibers: LFS-4000 a fiber-splicing unit and LDC-400 a fiber-cutting unit.

On the sales front, in step with the spread of optical fibers to new segments the company continued its work to cultivate new geographical markets and find new product applications. Successes in 2010 included sale of fiber handling equipment to the life science industry which utilizes specialist fibers in devices such as endoscopes.

Factsheet
NKT FLEXIBLES

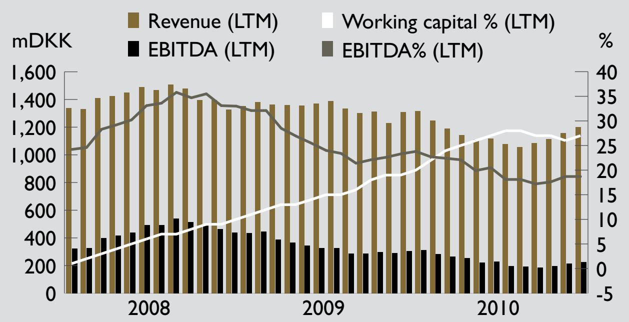
Highlights

Amounts in mDKK	2010	2009	2008
Revenue	**1,199**	**1,311**	**1,397**
- Growth	-9%	-6%	13%
EBITDA	**224**	**305**	**463**
EBITDA margin	18.7%	23.3%	33.1%
EBIT	171	261	428
Capital employed	1,123	780	556
Return on capital employed (RoCE)	18.3%	37.5%	88.8%
Working capital	433	250	139
Number of employees, 31 December	619	490	610
Profit share recognized in financial statements for NKT Holding A/S	90	136	222

NKT FLEXIBLES ENGINEERS ARE DEVELOPING DEEPWATER TECHNOLOGY FOR USE DOWN TO

2,500 METRES

EBITDA



Management 2010

Michael C. Hjorth, CEO

Reidar Kleven, COO

Keld Ringgaard, CFO

“ Innovation is essentially the ability to transform a good idea into a solution which brings changes for the better and thereby creates more value. Going forward, innovation is fundamental to the realization of the company’s strategy.

Michael C. Hjorth, CEO, NKT Flexibles

NKT FLEXIBLES

NKT Flexibles supplies flexible pipe systems for oil and gas extraction from offshore fields and for conveyance of chemicals and water to coastal installations. 49% of the company is owned by the offshore contractor Subsea 7 (after merger with Acergy), the remaining 51% being owned by NKT Holding

2010 NKT FLEXIBLES

Activity for the segment supplying flexible pipe systems to the offshore oil and gas market remained at a low level throughout 2010, reflecting underlying uncertainty in the oil industry regarding long-term oil prices. The willingness to invest in developing new fields was also influenced by the after-effects of the financial crisis, not least the diminished access to capital. Towards the end of 2010 signs of a general optimism in the subsea construction market began to emerge regarding the years ahead, but when this will impact on the supply segment for flexible pipe systems is uncertain.

The oil price stayed solid at around 75-80 USD/bbl through 2010 before climbing to 94 USD/bbl towards the end of the year. This strengthens the belief that an improved balance is slowly developing between supply and demand.

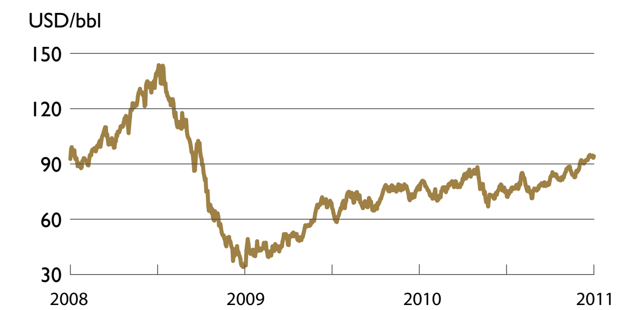
ACTIVITIES / ECONOMIC CONDITIONS

Despite the market conditions for subsea flexible pipe systems, final earnings for 2010 exceeded initial earnings expectations. Revenue decreased slightly compared with the previous few years but solid operation and efficient project performance ensured reasonable profitability.

Production output reached its highest ever level, which must be seen in the light of the Kalundborg factory expansion. The production mix combined with lower project sales margins led to reduced revenue of 1,199 mDKK (2009: 1,311 mDKK).

2010 was characterized by continuing strong pressure on prices due to the imbalance between supply and demand. This trend is expected to continue well in to 2011. The situation is expected to correct itself when the level of activity increases, resulting in longer lead times.

Oil price



EBITDA fell to 224 mDKK in 2010 (2009: 305 mDKK), corresponding to an EBITDA margin of 18.7% (2009: 23.3%).

The strategy of improving competitiveness by focusing on product development, production efficiency and materials technology has given NKT Flexibles a good platform for being a supplier of projects to all parts of the demanding market for flexible pipe systems. This niche strategy is considered essential for continued positive development.

OPERATIONS

In 2010 NKT Flexibles produced around 135 km of flexible pipe in the range 4'' - 14'' (internal diameter), which resulted in good overall capacity utilization at the Kalundborg factory. During the year around 25 projects were under way on average, reflecting the continuing trend towards fewer but larger projects.

The System Assessment Services department experienced continued positive development in 2010, receiving and implementing a number of front-end engineering studies (FEED). These studies are considered very important for safeguarding the use of flexible pipe system solutions compared with alternative technologies. The company was also involved in a number of service and maintenance projects aimed at extending the life of installed solutions.

Work on implementing LEAN manufacturing continued where it was relevant and could create value. In addition to its direct impact of production procedures, LEAN is also being used as a primary source of continuous process improvement.

In late February 2011 NKT Flexibles found that steel delivered by one supplier in the period 2006-2010 may not have been within the agreed product specifications despite evidence of certification. The issue is currently being investigated and at this stage it is not possible to determine any potential economic or other consequences for NKT Flexibles.

INVESTMENT

As a longstanding player in the offshore oil and gas market, NKT Flexibles invests regularly in product development, production efficiency programmes, and expansion of production competence and capacity.

At the end of 2010 NKT Flexibles completed its ambitious programme of investment in capacity expansion which has added new production technology to the Kalundborg factory and duplicated all critical production processes. The established investment criteria were met and capacity has been increased by around 40%. With moderate investment a further increase in capacity of 20-25% can be achieved, and this may become a reality when a strong increase in demand for flexible pipe systems is once again in prospect.

PROJECTS

Important projects in 2010 included progressing two orders for the Brazilian oil company Petrobras, P56 (Marlim Sul) and P57 (Jubarte), under the three-year framework agreement dating from 2008. The orders consist of dynamic flexible risers and static flexible flowlines for installation at depths to 1,600 metres off the Atlantic coast of Brazil.

NKT Flexibles also successfully completed a number of projects in important offshore regions such as 'Trym' on behalf of DONG, 'A-12' for Statoil in the North Sea, 'Manifa' for Saudi Aramco, 'ABK' for Total in the Persian Gulf, 'B-22' and the final phase of 'PRP-II' for ONGC in India, and the 'Halyard' project for Apache in Australia.

One project currently still in progress is 'TGT' in Vietnam for which NKT Flexibles has developed a special solution for dynamic riser systems in shallow water. The solution involves fabrication of a subsea steel structure to support the flexible pipes.

PRODUCT DEVELOPMENT

R&D activities in 2010 once again concentrated on deepwater technology to enable NKT Flexibles' products to be used at depths to 2,000 metres. Under the framework agreement with Petrobras, extensive testing is under way for validation of solutions developed.

NKT Flexibles has also taken this work a stage further with a view to developing a flexible pipe system for use in ultra-deep waters down to 2,500 metres. The first production trials to test and validate design, materials and processes are under way at the Kalundborg factory.

During 2010 more than 30 km of customer pipe was supplied based on NKT Flexibles' patented XLPE solution in which a lining of cross-linked polyethylene plastic is used as a barrier against the oil and gas transported. This is seen as solid evidence of the value of focusing on establishment of both technological and production niches.

As flexible pipe systems are customized for individual projects and therefore vary considerably from application to application it is difficult to directly compare NKT Flexibles' product programme with that of its competitors. However, it is a fact that NKT Flexibles supports the vast majority of projects tendered and even possesses a competitive edge in some technological niches. On some deepwater projects the company's lack of historic exposure still poses a competitive challenge.

AUDITING

Quality and safety levels at NKT Flexibles are inspected on an ongoing basis by external consultants and customers. NKT Flexibles is certified in accordance with the health and safety system OHSAS 18001 and the environmental management system ISO 14001.

ORGANIZATIONAL CHANGES

It is essential for its future development that NKT Flexibles can continue to attract and retain highly qualified and specialist personnel, including engineers with knowledge of offshore activities.

As a natural consequence of the increase in production volume in 2010, along with a wish to prepare the company for an expected escalation of activity in the years ahead, the company's workforce gradually increased to more than 600 at year-end, thereby securing skills and resources for performance of projects and production. Know-how development within the existing work force has been maintained despite the market downturn which became entrenched in autumn 2008. The strategy has been to maintain critical mass within key areas of competency in order to protect the company's long-term knowledge and capacity levels.

STRATEGY 2011-2015 'POWERED BY NKT'

The conglomerate structure has shown its strength. For NKT's companies the Group is an industrial home where the combination of active ownership, long-term industrial mindset, and strict financial focus on creation of value is the underlying strength

The years 2008-2010 transformed the world economy and fundamentally changed the external conditions for running a business. Today, capital markets are changing, competition has increased, globalization has accelerated, emerging markets are making a rising contribution to global economic growth, and raw material prices and exchange rates have changed the competitive power of many companies. Depending on baseline position, this means both challenges and opportunities.

NKT was strongly positioned before the economic slowdown changed the world, and the years 2009 and 2010 were used to strengthen the company further. NKT is therefore ready to capitalize on the opportunities that have arisen, and the strategic plan 'Powered by NKT' is the framework which will guide our growth in the years ahead.

'Powered by NKT' contains individual plans for the company's four business units designed to take them to the next level strategically and in terms of performance. It also provides a strategic framework for the Group.

'Powered by NKT' underlines our commitment to active ownership as the way to bring further strength to our business units. Active ownership is the foundation which has taken our current business units to their present level. NKT's active ownership was also the foundation which enabled other business units before them to successfully continue under other ownership when NKT's 'best owner' role was over.

Going forward, NKT will continuously focus on ways to exercise its active ownership as effectively as possible for the purpose of creating value. 'Powered by NKT' will also focus on exploiting such opportunities as may be created by consolidation and break-up of existing forms of ownership both within the four existing business units and in related segments.

STATUS REPORT: 'BUILDING POWER 2008-2012'

Entitled 'Building Power', NKT's previous business strategy was introduced in 2007 and was based on a world economy in growth and the expectation was that this growth would continue.

'Building Power' was a strategy of expansion. It was focused on organic growth and on a number of concrete plans for product development, capacity and market expansion, and increased competitiveness through continued relocation of production to low-cost countries.

Key initiatives implemented under 'BUILDING POWER 2008-2012'

NKT HOLDING

Has further strengthened its base and how it operates. Has also endorsed the UN Global Compact, joined the Carbon Disclosure Project, introduced a global whistleblower system and implemented Denmark's revised corporate governance recommendations. In addition, the number of shareholders has been increased from around 25,000 (including 18,500 registered) at end- 2007 to 39,300 (28,500 registered) at end-2010. High share liquidity has thereby been strengthened further, maintaining NKT's position in the C20 index of most frequently traded shares.

NKT CABLES

Has built a new high voltage and submarine cable factory in Cologne, established high voltage cable production in China, and increased capacity of catenary wire production for high speed railways in China. These major investments are focused on increasing presence in the electricity infrastructure segment. There has also been geographical expansion, widening market coverage from the historic core area of Central and Northern Europe to the whole of Europe, the Middle East, Russia, China and now also Australia and New Zealand. To support this initiative, product development and product certification in emerging markets has been intensified, and the company has changed from a country-based organization to a new, activity-split, global 'one company' organization.

NILFISK-ADVANCE

Has outsourced production of components to subcontractors, relocated assembly plants from the US and Italy to a newly built factory in Mexico and an existing factory in Hungary respectively, established production in Brazil, strengthened presence in new growth markets by establishing sales units in 7 new countries, and enlarged its product programme through acquisition and product development. The company has strengthened organizationally and investment has been made in increased customer focus, innovation and sustainability.

PHOTONICS GROUP

Has consolidated and strengthened its company cluster by merging Crystal Fibre and KOHERAS to form NKT Photonics. Technology platform and product programme have been developed further in interplay with global customers and partners, and activities to mature markets in multiple segments have continued. LIOS Technology has bolstered its market position, and crystal fiber technology has been strengthened by the acquisition of Vytran. Finally, market presence has been expanded through establishment of sales organizations in main.

NKT FLEXIBLES

Has achieved market breakthrough in Brazil by signature of a framework agreement with Petrobras. Under this agreement, 6" and 8" pipes have been qualified for depths to 2,000 metres. Substantial expansion has taken place at the factory in Denmark, increasing annual capacity from 125 km to 175 km (measured in 8" equivalents). Further to entering the Brazilian market, preparatory steps have been taken with Petrobras to widen collaboration further.

At the end of 2010 all the key initiatives contained in the strategy had been implemented. These are described above.

The Group therefore enters 2011 strengthened in strategic terms and ready to meet the challenges and exploit the opportunities resulting from the radically changed external conditions.

The same changes have also meant, however, that the financial targets contained in 'Building Power' could not be fully realized. The global recession at the end of 2008 and through the whole of 2009 reduced the possibilities for achieving the growth planned. Combined with changed balances in raw materials and currency markets and the short-term negative impact on earnings and return on investment resulting from the many investment and restructuring initiatives, this has temporarily hindered the possibilities for achieving and maintaining the expected 20% return on investment. This figure had been achieved when the recession became entrenched in 2nd half 2008, but was reduced to less than half by the end of 2010.

The ambition of 'Powered by NKT' is to restore return on investment to 20%, and as the Group has grown larger and therefore has significantly more capital invested, there is implicit expectation of greatly increased earnings in the years ahead.

The main focus in recent years, under the 'Building Power' strategy, has been to create a stronger company by investing in increased competitiveness, additional capacity, as well as capability, new markets, new products and organizational improvements.

'POWERED BY NKT' 2011-2015

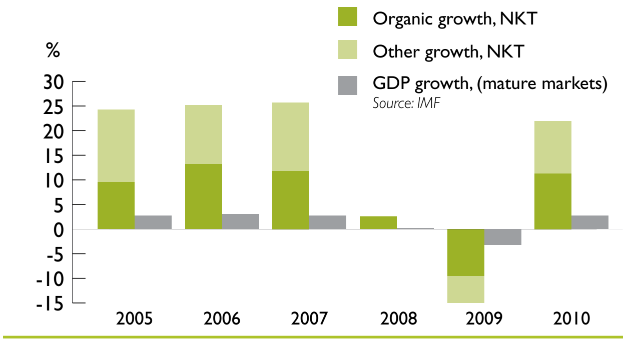
The strategy and the financial calculations that relate thereto are based on external conditions applying at the end of 2010, i.e. interest rates, exchange rates, raw material prices etc.

As far as economic prospects are concerned, moderate economic growth of around 1-3% is expected in mature markets, principally Europe and the US, with continued high growth of around 5-10% p.a. being anticipated in new growth markets.

NKTs MISSION

TO CREATE VALUE THROUGH EXERCISE OF LONG-TERM AND ACTIVE OWNERSHIP IN BUSINESSES WHERE NKT IS BEST OWNER

Growth 2005-2010



Based on this economic outlook and the Group's geographical and product composition the expectations are that all the Group's business units will achieve significantly higher growth rates than the underlying global economic growth rate. The most significant contributors to this are expected to be:

- Increased market shares in existing and new markets.
- Increased proportion of NKT's activities in growth markets.
- Exploitation of potential created by the many investments made under 'Building Power'.
- Megatrends supporting specific growth in the Group's business units.

MEGATRENDS

When determining the strategic direction for the NKT Group an assessment was made of what the key trends driving global development - so-called megatrends - might be expected to mean for each of the business units in terms of opportunities and challenges.

The economic turbulence of the past few years is believed to have strengthened these trends. This development is a result of a revolution in communications technology, increasing globalization which is accelerating in strength and breaking down the hitherto more regionalized distribution of economic growth, as well as higher living standards, competition, trading patterns, technical standards and so on.

All this is leading to increased competition, but also to increased sales opportunities. Globalization has also created opportunities to increase competitiveness by siting production, development, logistics, marketing and administration where most advantageous in terms of level of costs, access to talent, qualified labour, knowledge, customers, competitive subcontractors etc.

A global mindset is therefore a prerequisite for success. For this reason, NKT thinks and acts globally in all its business segments and seeks to be among the leading international industrial players.

This development is also accompanied by a number of other megatrends relevant for the NKT Group's strategic evolution: Urbanization, demographic changes and improved living standards - all combined with the need to find sustainable solutions.

BUSINESS OPORTUNITIES

For the NKT Group, opportunities lie in the fact that these trends will necessitate investment in efficient and flexible electricity supply (high and medium voltage cables and optic-fiber sensors), sustainable energy production (submarine cables for offshore wind farms), expansion of transport infrastructure (catenary wire for high speed railways and fiber-optic fire sensors in tunnels), increased investment in deepwater oil recovery (flexible pipes and optical sensors for seismic surveys), improved recovery from existing oil and gas reservoirs (optical sensors), development in new growth markets with improved pay and prosperity levels, and increased environmental focus (automation of cleaning processes and related need for cleaning equipment).

A further consequence of this development is a polarization where the strong get stronger. This will lead to further consolidation in which companies unable to exploit globalization in order to achieve competitiveness and/or unable to access capital to take part in consolidation will themselves be acquired. Active participation in this elimination race requires a strong support base for the individual company. For the NKT Group this will lead to opportunities to continue expanding its existing businesses. Ongoing assessment will also be made to determine whether commercial opportunities exist on the periphery of the existing business units. Hence the name 'Powered by NKT'.

GROUP STRUCTURE

The Group's strategy is focused around a number of business units organized under a holding company which exercises active ownership, among other things by supporting the Group's companies with specialist competences that create value for NKT as a whole. Examples are legal assistance with M&A activities, corporate tax planning, debt restructuring, hedging of currency, communications and IR activities. Grouping these specialist tasks within the holding company achieves critical mass and a professional environment with high competency levels, benefiting those individual areas of the Group which need specialist expertise and assistance on a case-to-case basis.

The management model is based on fixed meeting routines and a close, individual exchange of ideas which stimulates and challenges the independent managements of the business units and at the same time increases incentive.

The Group therefore functions as an industrial home where the combination of active ownership, long-term industrial mindset, shielding of business units from the capital market, and stringent financial focus on the creation of value has shown its strength. Furthermore, developments have demonstrated the diversity implicit in the conglomerate structure.

A prerequisite for the structure is the continuing availability of adequate managerial capacity and financial resources to exploit the full potential in all business units. Ongoing consideration will be given during the strategy period as to whether this is the case, including whether managerial and financial resources should be strengthened and whether changes should be made in the number of business units.

The number of business units in the Group and how their interfaces are defined are not set in stone. However, the present structure comprising a minimum of four business units is expected to continue during the first half of the strategy period while the Group's financial flexibility is strengthened.

FINANCIAL BASE

The NKT Group continuously endeavours to optimize its capital structure so that equity and financial gearing match the Group's activities and risk profile and at the same time provide sufficient financial flexibility for the Group's continued further-development. At the same time, priority is given to maintaining a stable dividend policy corresponding to the distribution of one third of the year's net profit.

Focus is on achieving a capital structure with a solvency of at least 30%, net interest bearing debt of approx. 2.5x operational EBITDA and equity not exceeding 100%. This is considered to be the level at which capital costs, creditworthiness and financial flexibility are maximized. Temporary departure from the above will be permitted on major investments.

> NKT is a unique industrial fairytale which began 120 years ago

At the beginning of the new strategy period NKT does not meet this objective, the level of net interest bearing debt being too high relative to operational income (operational EBITDA). At the start of the strategy period cash flow from operations and increased earnings will be important for normalizing the capital structure.

As part of the maintenance of adequate financial flexibility the Group is mandated by the Annual General Meeting to effect a capital increase of up to 60%, issue convertible bond loans, acquire up to 10% of NKT's treasury shares or declare an extraordinary dividend. Continuous consideration will be given during the strategy period to the use of such initiatives.

FINANCIAL TARGETS

Annual average organic growth (CAGR) for the Group as a whole is expected to be around 7-8%, specifically 6-7% for Nilfisk-Advance and 7-8% for NKT Cables. This will lead to revenue in standard prices of around 16 bnDKK by 2015. Based on current metal prices this corresponds to revenue in market prices of around 20 bnDKK.

The target is to increase EBITDA margin (measured in standard metal prices) during the strategy period from 8.6% in 2010 to around 14-15% in 2015, which will also achieve the goal of restoring return on capital employed (RoCE) to the level of 20%. The target is also to achieve minimum earnings per share (EPS) of 50 DKK by 2015, more than quadrupling the level realized in 2010.

Strategic target for the Group

	Realized 2010	Target 2015
Revenue in market prices, bnDKK	14.5	approx. 20
Revenue in std.prices, bnDKK	11.5	approx. 16
Average organic growth, CAGR	12%	7-8%
Operational EBITDA margin, std. prices	8.6%	15%
Return on capital employed	7.5%	20%
Earnings per share	11,3	50

CORE VALUES

'Powered by NKT' is based on NKT's core values, as expressed in the ambition to be a professional, credible, open and quality-driven company focused on long-term ownership. It is this ambition which guides the everyday decision-making of NKT Group Management.

Parallel with this, the Group's development is determined by the 'best ownership' philosophy. For NKT this means that long-term ownership is conditional upon the individual companies having development or value-creating potential which equals or exceeds what another potential owner would pay.

The Group's development has shown that lasting value and potential are, almost without exception, created over a lengthy period of time through focused effort and with continuous gradual improvement as the goal. In addition, the right 'timing' in the broad sense is another key parameter which determines the potential value that can be created or activated.

It is alpha and omega for future activities that staff with unique skills can be attracted and retained and that NKT can function together with all players in the value chains - customers, suppliers, competitors, universities and research laboratories - with a view to optimizing processes, joint learning, and utilization of knowledge and skills possessed by each party.

NKT's innovative initiatives build on the ability to combine technological and market opportunities, including establishing partnerships with other players, and to effectively protect and expand NKT's intellectual property rights.

COMPETENCIES

The NKT Group has existed for 120 years. Hans Peter Prior started a unique fairytale in Denmark in 1891 after a period spent working in the United States with Edison. Skills, curiosity, willingness to take risks, global vision, business acumen, and the ability to read megatrends – in this case electrification – were some of the factors which made a difference and enabled NKT to 'grow out of the garage' and become a global industrial Group.

In expanding from a one-man business to a business currently with 9,200 employees the ability to attract, develop and retain talented people has been vitally important. Capital, equipment and promising technology are only half the story. It's all about the people. 'Building Power' focused strongly on people. People will play an even stronger role in "Powered by NKT'.

NKT CABLES

Strategy for 2011-2015

NKT Cables is a front-line supplier of power cables to the electricity sector in Europe and China. Focus is on supplying system solutions for expansion of transmission and distribution grids (Electricity Infrastructure), and installation cables for buildings (Building), wires for cars (Automotive) and catenary wires for high speed railways (Railway).

PRODUCTS

The products are organized into the application areas Electricity Infrastructure, Construction, Automotive and Railway. Electricity Infrastructure includes high voltage cables (72-500 kV), medium voltage cables (1-72 kV) and submarine cables together with associated accessories, engineering, control systems, fiber-based monitoring systems for cables and overhead lines, and installation services. Turnkey system solutions and component supply are both supported, depending on customer needs.

MARKETS

The cable market consists of a number of different segments characterized by different types of customers, sales outlets, geographical scope etc. The market is further defined by technical standards, technology, type approval requirements, transport costs, references from similar previous projects, etc. For NKT Cables this means that the company operates in the four application areas referred to above.

Electricity Infrastructure and Railway are global segments, while Construction and Automotive are more regionalized. This means that NKT Cables sells products and solutions for the first two segments in its natural domestic markets, Europe and China, but also in many other countries such as Russia, the Middle East, Australia, New Zealand and South East Asia. Construction and Automotive sales are confined to Europe, with Eastern Europe and Scandinavia as the primary markets and rising sales in Central Europe.

One area of focus in the continuing strategic efforts was to spotlight market segments seeking product solutions with high technology and know-how content and therefore with high added value. This makes differentiation possible and is therefore attractive. The focus on Electricity Infrastructure and Railway is a result of this strategy, and together these segments now represent 70% of NKT Cables' revenue. These segments are also investment-intensive, and taken overall this means there are relatively high entry barriers in these segments. The customers in these segments are typically electricity transmission and distribution companies, and railway owners and operators.

The Construction segment represents 20% of revenue. This segment is highly competitive as there are many suppliers, few large customers, and the products have relatively low technology and know-how content. Segment strategy is to achieve increased competitiveness through cost-effective organization of production, and in partnership with customers to contribute to an efficient supply system. Segment customers are electrical wholesalers supplying building industry end-users.

The Automotive segment represents 5% of revenue. Segment end-users are car manufacturers, and the customers are specialist firms who use the wires and install switches etc. to supply the car manufacturers with wiring harnesses. NKT Cables is a minor niche player in this relatively large industry, and strategic success is based on quality, flexibility and an efficient supply system.

The remaining 5% of revenue covers a variety of different areas and are all together grouped as 'others'.

CUSTOMERS

NKT Cables supplies submarine cables and high and medium voltage products to most of Europe's leading energy companies, such as EON, EDF, RWE, Scottish Power, Dong Energy and Vattenfall.

The low voltage products are principally sold via large European wholesalers such as Rexel, Sonepar and Solar, but there are also many national customers.

Automotive customers are predominantly suppliers to leading car manufacturers with production in Europe.

Customers for Railway products comprise the Chinese Ministry of Railways and major rail contractors such as Siemens and Balfour Beatty.

PRODUCT DEVELOPMENT

The continued development of submarine cables and high and medium voltage products is linked to the growing need for alternative energy sources. These energy sources are often situated a long way from the consumption point. This necessitates new, non-standard cable and connection solutions, which in turn call for development and testing of new designs and optimization of materials and processes.

NKT Cables was the first cable manufacturer to offer lead-free cables, and among the first to offer PVC-free cables and PVC cables with plasticizers free from phthalates.

The European Commission's new Building Materials Directive will impact on the low voltage segment by necessitating the develop-

VISION

NKT Cables is creating value for its customers by providing solutions with cables ment of products with higher safety specifications. This will add more value to the individual product and improve profit margin. The products are principally sold to the construction sector for use in tunnels, hospitals, airports and other locations where the requirements for fire safety are high.

PRODUCTION

NKT Cables has 14 factories located in Czech Republic (3), Germany (3), China (3), Denmark (2), Poland (2) and Norway (1). The new HV factory in China will create new opportunities in the transmission segment in China, whereas the new factory in Cologne will facilitate grid operators to reduce CO2 emissions globally.

> "NKT Cables has 14 factories, 11 in Europe and three in China

COMPETITORS

The industry generally is highly fragmented and NKT Cables has a global market share of around 1%. However, the segmented market means that NKT Cables typically ranks as one of five to ten players in the respective market areas.

In the submarine cables and high voltage segment NKT Cables has five global competitors: Nexans (France), Prysmian (Italy), ABB (Sweden), General Cable (USA) and LS (South Korea), as well as a small number of more regional players in Asia and the Middle East. In the medium voltage segment the company has between 10 and 15 regional competitors. The low voltage segment includes a number of small local European manufacturers and a few major players consisting of the companies named above as well as Draka (Netherlands) and TeleFonika (Poland).

Competitors within Automotive are mainly Leoni, Draka, Nexans, KBE and Coficab and within the Railway Segment the companies Isodraht, Sundwig, Lafarga Lacambra, TeleFonika and Hitachi.

The global cable market is estimated at around 750 bnDKK annually. The market leaders are global players such as Nexans, with an estimated market share of approx. 8%, Prysmian with approx. 6% and General Cable with approx. 5%. NKT Cables' global market share of approx. 1% corresponds to approx. 3% of the European market. The European market is highly fragmented with no single player controlling more than 10%.

ORGANIZATION AND MANAGEMENT

Headquartered in Cologne, Germany, NKT Cables Group has an international management team headed by CEO Dion Metzemaekers (Netherlands).

At the end of 2010 NKT Cables had approx. 3,500 employees, principally based in the Czech Republic, Germany and China, respectively.

INDUSTRY DRIVERS

Market development in the Electricity Infrastructure segment is supported by the initiatives to create an efficient European electricity market, and by the focus on increasing the amount of sustainable energy. These factors are creating a need for increased grid capacity and flexibility, and for establishment of links between the individual grid systems to achieve a single, integrated European electricity network. A general quality improvement is also necessary due to the age of the grids, and in some markets there is focus on replacing overhead lines with cables. Market growth outside Europe is driven by the need for efficient electricity infrastructure to support the strong economic growth in emerging markets.

Market development in the Construction segment is linked to the level of both new build and renovation activity. After a number of busy years until 2009, subdued activity is expected for the short term.

Market development in the Automotive segment is linked to car sales, but NKT Cables' role as a niche player means the company is well-placed to respond to developments.

In the Railway segment, infrastructure development is oriented towards the introduction of high speed trains as a supplement or alternative to air travel. This activity is particularly high in China.

STRATEGIC PERSPECTIVE

NKT Cables' vision is unchanged: 'To create value for customers by providing cable solutions'. This is a natural continuation of previous strategic development in which significant resources were invested in know-how, products and services and associated production capacity in selected areas where NKT Cables can differentiate itself as a supplier of intelligent solutions which optimizes energy efficiency and thereby creates maximum value for customers.

The point of departure is the company's knowledge and profound understanding of the function and performance of power cables, and thus its ability to contribute to optimization of electrical infrastructures primarily at macro level - transmission and distribution networks and high speed rail electrification, and secondarily at micro level - buildings, cars and industrial applications.

The company's focus on application areas drives the four business segments, Electricity Infrastructure, Construction, Automotive and Railway which have well-defined markets and products and differ in terms of drivers and principal challenges.

General assessment of company development prospects during the strategy period indicates significant growth potential for the Electrical Infrastructure segment and to some extent also for the Railway segment. The development outlook for Construction and Automotive is more static and price-sensitive, although there

will be niche opportunities geographically and in product terms. Against this background, and in the light of the technology and capacity investments made in recent years, it is the ambition of NKT Cables to evolve into a business with increased emphasis on the two high-value segments: Electricity Infrastructure and Railway. During the strategy period the target is to grow the share of revenue represented by these segments from 70% today to around 80% in 2015.

As part of this strategy, focus areas have been identified for the four segments. These focus areas are described below and include a number of specific initiatives which support the realization of the company's financial targets and also relate to its vision.

> The strategy segments are: Electricity Infrastructure, Construction, Automotive og Railway

Electricity Infrastructure: Through target-oriented investments in a new high voltage and submarine cable factory in Cologne and a high voltage cable factory in China, NKT Cables is optimally positioned to exploit an expected long-term high level of investment in expansion of transmission and distribution systems in Europe, Russia, the Middle East, China, South East Asia, Australia and New Zealand where sales presence has been established.

Products manufactured by the Cologne factory comprise all types of AC cables up to 500 kV together with associated accessories, engineering, monitoring systems, installation services etc. Turnkey system solutions and supply on component basis are both supported. In an industry where earlier reference projects are the key to winning new contracts, NKT Cables is strongly positioned as a leading, long-term supplier to the segment, and development is now putting focus on DC cables and system solutions. The years ahead will also focus on production optimization at the newly-built factory in Cologne and on achievement of excellence in project execution.

In China the main challenge is to certify a product programme up to 500 kV. Type approval for 220 kV cables is expected in 2011, and certification will then begin for higher voltage cables. Work will simultaneously take place on optimizing production and building market position principally in the Chinese domestic market.

In the medium voltage cable segment, high utilization of capacity has already been assured in the form of a number of important frame agreements, and the main focus is on increasing the profitability of these agreements through further production efficiencies.

Construction: Cost management, efficient logistics, and utilization of sales presence in all main markets in Europe is the key to success in this segment. A sound platform has been established as production predominantly takes place in specialist factories in Eastern Europe, and good market positions have been established primarily in Scandinavia, Germany, Poland and the Czech Republic. Sales in these markets principally take place through partnerships with leading electrical equipment wholesalers.

Focus areas during the coming strategy period primarily include product certification in non-core markets where NKT Cables already has a sales presence. Together with logistic partners focus will also be placed on expanding concepts which create increased end-user value and on developing solutions which harmonize and support the increasing focus on sustainability and which therefore optimize electricity consumption in buildings. There will additionally be focus on continuously improving production efficiency and further-strengthening cost management.

Automotive: Quality, cost effectiveness and flexibility are significant competitive parameters for NKT Cables as a niche supplier of automotive cables. Partnerships have therefore been established with a number of car component suppliers, resulting in high capacity utilization at the company's specialist production plant in the Czech Republic.

In the coming strategy period focus will be placed on maintaining and expanding this position. At the same time pilot projects already initiated with car manufacturers to develop solutions and concepts for future hybrid and electric cars will be further progressed. With the high voltages relevant to these types of cars NKT Cables commands a unique platform of knowledge and technology.

Railway: Prompted by a major expansion of high speed passenger rail links between major cities, first in Europe and subsequently in China, the company's railway business has grown strongly in recent years. With a strong technology base in copper-magnesium alloys and proven supply capability and high quality documented by reference projects carried out over many years, NKT Cables has managed to take advantage of this development and is now the clear leader in the Chinese market and a leading supplier in other markets.

The coming strategy period will focus on further expansion of this position through investment in technology, extension of system solutions to include medium voltage cables and signal cables for the application area, and strengthening of market presence in expected future growth markets. At the same time production capacity will be adjusted to meet demand, particularly in China.

FINANCIAL TARGETS

Yearly organic growth (CAGR) is expected to average approx. 7-8% p.a. This growth is expected to vary across the segments, reflecting differences in cyclical sensitivity and structural growth drivers. Growth is expected to be strongest in Electricity Infrastructure.

The target is to increase EBITDA margin (measured in standard metal prices) over the strategy period to approx. 13% in 2015, from the realized level of approx. 5.9% in 2010.

Strategic targets for NKT Cables

	Realized 2010	Target 2015
Revenue, std. prices, bnDKK	5.5	7.8
Average organic growth, CAGR	16%	8%
EBITDA margin, std. price	5.9%	13%

NILFISK-ADVANCE

Strategy for 2011-2015

Nilfisk-Advance is an international supplier of cleaning equipment and cleaning solutions to the global professional cleaning market and wishes to be part of a market consolidation through both organic growth and strategic acquisitions.

PRODUCTS

Nilfisk-Advance offers a broad range of professional cleaning equipment and allied services. The company's leading segment is floor-care equipment, which includes sweepers, washers, dryers, polishers and burnishers.

The second-largest product segment consists of vacuum cleaners. These are primarily for professional use but domestic models are also supplied. The third segment consists of high-pressure cleaners and includes models with minimum water consumption and recycling. This saves on customer costs and protects the environment.

In addition to the three main product segments Nilfisk-Advance also proves individual service agreements and spare parts sales, assuring customers of equipment availability at all times.

> “The new strategy places focus on the customer

MARKET

The global market for professional cleaning equipment is estimated at around 45 bnDKK annually, of which mature markets such as Western Europe and North America represent around 80%. The remainder is accounted for by the rest of the world (RoW), including the BRIC-MT countries (Brazil, Russia, India, China, Mexico and Turkey), which are expected to show the highest growth rates in the years ahead.

Total market growth over an economic cycle is predicted to be around 3-4%, including up to 1-3% points represented by the mature US and European markets. RoW performance in the years ahead is expected to significantly exceed the global economic growth rate. Over a normal economic cycle, market growth of 4-6% is expected in good times and 0-2% in periods of slowdown.

SALES

Nilfisk-Advance markets and sells its products through company sales units and distributors. Company sales units are present in 43 countries - principally in Europe, the United States and Asia. An extensive network of distributors services customers in countries where Nilfisk-Advance does not have sales units.

In addition to the Nilfisk brand, Nilfisk-Advance today markets a large number of acquisition brand names. Examples are Advance, HydraMaster, ALTO, Viper and Egholm.

CUSTOMERS

Nilfisk-Advance's cleaning equipment primarily addresses professional users such as contract cleaning companies and industries with highly specialized cleaning requirements.

Cleaning equipment is also sold to institutions, organizations, public authorities, shops, hotels and businesses that employ their own cleaning staff.

Products for domestic users are sold individually through retail chains, domestic appliance stores and building marts.

PRODUCTION AND PRODUCT DEVELOPMENT

Nilfisk-Advance utilizes a large network of component suppliers, and assembly, quality control and logistics are therefore predominantly performed by the company's own factories. These factories are located in Western Europe (2), Eastern Europe (2), North America (3), Mexico (1) and China (2) and there are related distribution centres in Denmark, Germany and the United States.

Product development takes place in three virtual competency centres with physical representation in Europe, Asia and the US, and is focused on user-driven innovation, industrial design, environmental sustainability and cost. Nilfisk-Advance designs and manufactures high-quality, high-reliability products, and to continue doing so around 3% of revenue is committed to product development. Some 30 new products are introduced every year. A significant element in this context is to increase the value which the equipment has for the end-user. In other words, operating reliability, sustainability, convenient operation, attractive service, high safety levels and - not least - affordability.

COMPETITORS

There has traditionally been very little consolidation among the manufacturers of professional cleaning equipment. For example, the five largest suppliers - Nilfisk-Advance, Kärcher, (Germany), Hako (Germany), IPC (Italy) and Tennant (US) - have a combined market share of just under 40%.

MISSION

WE ENABLE SUSTAINABLE CLEANING WORLDWIDE TO IMPROVE QUALITY OF LIFE

The rest of the market is split between some 100 suppliers who are primarily regional players.

ORGANIZATION AND MANAGEMENT

Nilfisk-Advance is headquartered in Brøndby, Denmark, and is headed by CEO Jørgen Jensen.

At the end of 2010 the company had 4,900 employees, including some 520 based in Denmark. 240 employees work on development, the remainder being involved in production, distribution, sales and administration. 54% of the employees work in Europe, 26% in Asia (mainly China), 16% in North America, and 4% in South and Central America.

INDUSTRY DRIVERS

The demand for automated cleaning is closely related to living standards and wage costs. Higher standards of living drive a need for increased cleanliness and higher pay, which in turn drives a need for automation. Western Europe and North America have hitherto been the largest markets, representing around 80% of the global total. In years ahead the largest growth rates are expected to be in the rest of the world, specifically the BRIC-MT markets (Brazil, Russia, India, China, Mexico and Turkey).

A fundamentally close link therefore exists between world economic growth and sales of cleaning equipment. Cleaning equipment is seldom a vital purchase item for the end-user. The cleaning industry is therefore particularly hard hit in the case of global economic slowdown, as was the case in 2008-2009 when sales of cleaning equipment fell by up to 20% in mature markets like Europe and the US and by 5-10% in the BRIC-MT countries.

OUR STRATEGIC DIRECTION

STRATEGIC PERSPECTIVE

The main theme in the previous strategy plan was implementation of a series of strategic initiatives, among other things aimed at optimizing production, sourcing and the interplay between them. This was referred to in the strategy as 'Production driven with customer focus'.

In the past few years significant infrastructure improvements relating to production and logistics have been made, and these will remain a focal area. However, Nilfisk-Advance will devote increasing attention to customers, with strategic focus centred on being the 'Customers' preferred choice'.

As a part of this strategy, five main areas for action - 'Must Win Battles' - have been identified and a number of specific initiatives have been established which support the realization of the financial targets and also have relation to the company's fundamental mission.

Create maximum customer satisfaction: A high level of customer satisfaction with Nilfisk-Advance is essential. A large number of customer surveys have been performed and the results have now crystallized into a set of initiatives aimed at ensuring that customers meet the same professionalism and dedication from Nilfisk-Advance wherever they are in the world. Means to this end include further investment in training and workshops, specific development projects, and solutions targeted on satisfying customer needs.

Establish a leading position in significant emerging markets: Nilfisk-Advance's markets are divided into three regions: EMEA (Europe, Middle East and Africa), the Americas and the Asia/Pacific region. Special focus is further given to the 'traditional' BRIC countries plus Mexico and Turkey (BRIC-MT). BRIC-MT's share of revenue is increasing strongly, and from approx. 1% in 2000 it grew to approx. 5% of overall business by 2010. Growth is expected to continue averaging 20-30% a year so that this part of overall revenue will be approx. 8-10% as early as 2015. It is vital that Nilfisk-Advance increases its shares in these markets, and this will be done by continued investment in establishing local sales, service setups, distribution, and in a few cases local satellite production, as is the case in Brazil. The new inflow will be characterized by greater willingness to take risks, which also in the short term may result in smaller earnings margins from these markets.

Focus on organization, culture and management: Retention and ongoing development of key personnel are crucial for realizing the strategic targets. Qualified employees are expected to be in increasingly short supply. To support this initiative it is planned to spend up to 0.5% of revenue on personnel training and development. Systematic use will be made of personnel evaluations, individual goals and in-service training, all with a view to ensure a strong culture supported by broad-based managers on several levels.

> "Higher living standards drive up wages, which in turn drive a need for automation

Live up to customers' expectations regarding lead times: The professional cleaning industry is characterized by limited predictability regarding customer product supply needs. High demands are therefore made on forecasting and production planning etc. to ensure correct product availability and lead times reasonably in line with customer expectations.

The overriding objective is significant reduction in lead time. In the short term, focus will be given to continued process optimization. In the longer term the fundamental supply chain setup will be reviewed. Among other things this will lead to deliberations regarding differentiated solutions for the individual customer segments.

Reduce complexity: Reducing complexity was the driver behind several initiatives implemented during the previous strategic term.

The main aim of reducing complexity will be to make it easier for customers to do business with Nilfisk-Advance. Steps must continuously be taken to ensure that the business model is optimized, starting from R&D at one end of the value chain, followed by production, sourcing, distribution and sales etc. to the after-sales market at the other end of the value chain. In relation to the customer, distribution must be located as close to the market as makes sense. Steps must be taken to ensure that profitability is present in all customer and product segments. Last but not least, work must take place on optimizing 'back-office' functions such as the number of IT systems.

The above review of the five most important 'Must Win Battles' is a brief summary. Each 'battle' is divided into a number of specific initiatives coordinated timewise with the overall strategic targets. Where possible and relevant, specific Key Performance Indicators (KPI) and reporting tools have been created to measure and ensure progress.

Strategic targets for Nilfisk-Advance

	Realized 2010	Target 2015
Revenue, bnDKK	5.7	7.7
Average organic growth, CAGR	7%	6-7%
Operational EBITDA margin	10.7%	14%

The strategic action areas reflect to a greater or lesser degree five main segments to be addressed in the years ahead: Personnel, Unique cleaning equipment, Sustainability, Global presence and Quality.

Furthermore, to actively drive consolidation in the professional cleaning equipment market will remain an objective. This will be effected through: 1) Increased global market share via organic growth with focus on further structural initiatives, product development and market expansion, and 2) Acquisitions.

FINANCIAL TARGETS

Average organic growth p.a., CAGR, is expected to be approx. 6-7% p.a., to which must be added the effect of acquisitions. This growth is divisible into three relatively equal parts: coming from the mature markets (Europe and North America), from faster growth in the BRIC-MT countries, and annual growth from other markets.

The target is to increase operational EBITDA margin during the strategy period from 10.7% in 2010 to around 14% in 2015.

PHOTONICS GROUP

Strategy for 2011-2015

Photonics Group is a player in the laser industry and consists of the companies NKT Photonics A/S, LIOS Technology GmbH and Vytran Inc.

PRODUCTS, MARKETS, CUSTOMERS AND COMPETITORS

Product activities range from manufacture of basic components to system solutions, and embrace the following product segments:
NKT Photonics: KOHERAS™, SuperK™ and Crystal Fibre™
LIOS Technology: Distributed temperature measuring systems (DTS)
Vytran: Fiber handling equipment

KOHERAS™ is a type of fiber laser used in wind speed measuring equipment and in monitoring equipment for airports, oil, gas and water pipelines, coastal areas and oil reservoirs. Many applications are in course of development and all are characterized as global 'high-end' niches. The total addressable market for this type of laser is potentially as high as 0.5 bnDKK.

The primary customers are established players in offshore oil exploration, new players involved in wind speed measurement and safety systems, and suppliers to the Western defence and security industries. The US companies NP Photonics and Orbitz are NKT Photonics' direct competitors in this fiber laser discipline. However, alternative solutions in the form of semiconductor lasers are considered the most serious competitor.

SuperK™ is a type of fiber laser which emits a broad spectrum of light. SuperK™ is used in multi-laser products such as microscopes, cell sorting systems and optical measuring instruments for quality control purposes etc. The addressable markets which are potentially replaceable with these light sources are estimated at around 1bnDKK.

SuperK™ is currently marketed via direct sales, via distributors to research laboratories etc., and via partnerships with established players in these application segments. As SuperK™ gains market acceptance, sales to component manufacturers are expected to far exceed sales to laboratories. NKT Photonics' main competitor is the UK company Fianium Ltd. The competition from conventional light sources comes primarily from companies such as Coherent and Newport.

Crystal Fibre™: Crystal fibers are expected to be incorporated in a range of applications, including high-power fiber lasers, white light sources, gyroscopes and other sensors. NKT Photonics markets both crystal fibers and crystal fiber modules. The addressable market for crystal fibers is valued at around 200-400 mDKK and the market for systems which could benefit from the unique properties of crystal fibers is estimated at several billion Danish kroner. The market valuation and market potential will be influenced for the short term by a pending lawsuit between IPG Photonics and IMRA.

Crystal Fibre™ products target broad customer segments including laser and sensor manufacturers and R&D laboratories. Focus is aimed at industry and defence customers. NKT Photonics is the only industrial supplier of crystal fibers and has an edge on potential competitors in both technology and patents. The high-power fiber laser market, the biggest market for crystal fiber technology, is dominated by IPG Photonics which has its own fiber production. NKT Photonics is one of a small number of independent suppliers of fibers for high-power fiber lasers.

Distributed Temperature measuring Systems (DTS) are principally used for fire detection in tunnels and buildings, monitoring temperature conditions in high voltage cable lines, and optimizing oil well production. The total global market for DTS systems is estimated at 0.5 bnDKK.

LIOS Technology's DTS systems are principally sold to partners in the respective application segments such as Siemens (fire warning systems), cable manufacturers (monitoring of high voltage cables) and oil companies (oil well production). The market for DTS systems is relatively mature compared with that for other Photonics Group products. LIOS Technology is among the leading DTS suppliers, particularly for fire detection and cable monitoring applications, and has supplied more than 2,000 systems to most of the world. The principal competitor is Sensa, a company in the Schlumberger Group. Other significant players are Sensornet (UK), SensorTran (US) and Sumitomo (Japan).

Fiber handling equipment: Vytran has two key product segments: Splicing of optical fibers, including necessary pre- and post-processing equipment, and glass-forming equipment for production of fiber components. Vytran's equipment is used for production and development testing by customers working with optical fibers, including almost all companies handling NKT Photonics' crystal fibers. The market for the type of equipment marketed by Vytran is estimated at around 0.5 bnDKK and constitutes a small niche in the splicing equipment segment which is dominated by equipment for field installations.

Customers range from industry and laboratories to communications firms, fiber laser manufacturers, space, defence, life science companies and development centres. The market for optical fiber splicing equipment is dominated by the three large Japanese companies Fujikura, Furukawa and Sumitomo. Vytran and Fujikura are the main players in the niche market, where Vytran is active.

VISION

TO LEAD THE WAY IN TRANSFORMING THE PHOTONICS INDUSTRY

ORGANIZATION AND MANAGEMENT

Photonics Group is headed by Søren Isaksen, CTO of NKT Holding. At the end of 2010 the three companies employed 181 people based in Denmark, Germany, UK, France and USA.

INDUSTRY DRIVERS

Photonics Group's activities are related to the laser industry, which in recent decades has achieved an annual average growth rate of 8%. This high level of growth has been fuelled by the many advantages provided by the use of light and lasers in industrial contexts:

- Miniaturization, i.e. manufacture of increasingly smaller structures, e.g. in the semiconductor industry.
- Potential for 'seeing the invisible', e.g. the ability to see structures and interactions in living cells.
- Precision manufacturing, e.g. cutting and welding of mechanical components.
- Quality assurance and traceability by means of precision measuring techniques and marking.

With future focus on nanotechnology, life science, improved production efficiency and quality enhancement there is every reason to expect this high growth rate for lasers and laser applications to continue for many years in the future.

Fiber lasers and fiber sensors account today for only a limited part of the total market for lasers and sensors. These products offer possibilities superior to those of conventional laser and sensor solutions in the form of robustness, power levels and/or sensitivity. The underlying base technologies were developed by the communications and entertainment industries and therefore provide a platform for product flexibility and 'cost-of-scale' benefits. It must therefore be expected that the fiber laser and fiber sensor solutions targeted by Photonics Group products will experience growth rates substantially in excess of 10% for many years ahead.

> In recent decades, growth in the laser industry has averaged around 8% p.a

STRATEGIC PERSPECTIVE

Photonics Group is positioned in technology and market segments which have substantial growth prospects. The Group contains both established and developing elements offering major potential:

- NKT Photonics is leading the development of the global crystal fiber market.
- LIOS Technology is established as a leading player in one of the largest fiber-optic sensor segments, and the KOHERAS™ laser developed by NKT Photoncis is a key component for the fiber-optic sensors of the future.
- Vytran is established as an important supplier to all manufacturers of equipment utilizing the unique properties of optical fibers.

As part of Photonics Group strategy, four main action areas have been identified, within which a number of specific initiatives have been formulated. These initiatives support the realization of the financial targets and also have relation to Photonics Group's fundamental mission:

Strategic targets for Photonics Group

	Realized 2010	Target 2015
Revenue, mDKK	185	500
Average organic growth, CAGR	14%	20%
EBITDA margin	neg.	20%

Continue maturing **crystal fiber technology.** The existing strong position combined with technological potential opens up opportunities for significant prospective earnings. To fully realize this earnings potential it is important that the technology also gains acceptance among established, more conservative laser manufacturers.

Harness the technological strength of NKT Photonics and LIOS Technology to become **key suppliers** to industrial market leaders in the next stage in the value chain:

- Crystal Fibre™: Become supplier to leading manufacturers of laser systems and defence equipment
- SuperK™: Develop new market segments such as life science, semiconductor industry, measuring instruments etc.
- KOHERAS™: Grow with customers in seismic and monitoring system segments
- DTS systems: Become leading independent supplier of temperature monitoring equipment for oil wells

Exploit Vytran's strong **market position** to realize high-level earnings in existing product segments and create growth by developing a wider product platform.

Exploit the strong **technology position** in selected segments to engage in partnerships and thereby generate higher revenue and earnings.

Furthermore, ongoing endeavours will be made to widen market presence, partly by expanding company sales networks in countries such as China, and partly by expanding distribution networks. This activity will proceed throughout the strategy period. In addition, ongoing assessment will be made of the potential gain of transferring or outsourcing production to low-cost countries. This activity will principally take place towards the end of the strategy period.

FINANCIAL TARGETS

Photonics Group's strategic ambitions over the five-year period are to deliver average annual organic growth in revenue, CAGR, of around 20% and still have major growth potential at the end of the period.

In addition, Photonics Group aims to increase EBITDA earnings from -11 mDKK at the start of the strategy period to an EBITDA margin of around 20% of revenue in 2015. Parallel with organic growth, Photonics Group will work to further increase creation of value by means of acquisitions or other ownership arrangements which will either strengthen market presence or widen product portfolio.

NKT FLEXIBLES

Strategy for 2011-2015

NKT Flexibles is one of a small number of global players supplying flexible pipe systems to the offshore oil and gas sector. The need for such pipe systems is related to increasing extraction of offshore oil and gas deposits.

PRODUCTS

The pipe systems supplied by NKT Flexibles are today used for recovering of oil and gas from waters as deep as 2,000 metres. The existing product programme consists of flexible pipe solutions in the 2"-16" range (approx. 50-406 mm internal diameter). The pipes are designed to function under very demanding offshore conditions and are unique as they retain their flexibility even under very high pressures up to 600 bar and can withstand temperatures up to 130°C. Deliveries of flexible pipe systems also include a wide range of auxiliary equipment.

MARKET

The global market for flexible pipe systems is estimated at around 8 bnDKK p.a., although the investment input that drives this market is strongly dependent on the price of oil. Measured in theoretical length of 'standard pipe' (8") this corresponds to an annual consumption of around 1,200 km of pipe.

The largest single market for flexible pipe systems is Brazil where the national oil company Petrobras accounts for around 50% of global annual consumption. Other important markets for flexible pipe systems are the North Sea and off the coast of India, the Far East, Australia and West Africa.

CUSTOMERS

NKT Flexibles is a project-oriented production company whose business is based on customer tenders. The company has its own sales organization which deals with all customer contacts. This organization can also bid for new projects through the company's joint venture partner Subsea 7 (formerly Acergy). Acergy's merger with the market player Subsea 7 is expected to mean improved market access for NKT Flexibles. In addition to sales effected in close partnership with Subsea 7, NKT Flexibles supplies products and systems directly to the global offshore oil and gas industry. The ratio of direct to indirect sales has historically been approx. 80% / 20%.

The customer portfolio includes Statoil, Petrobras, Saudi Aramco, ONGC, Exxon Mobil, Shell, BP, Total, Nexen and Maersk as well as a number of affiliated specialist offshore contractors.

PRODUCT DEVELOPMENT

NKT Flexibles has laboratory and testing facilities at its Kalundborg factory and at its head office in Brøndby.

R&D activities are oriented towards creation of value and towards satisfying existing or anticipated market needs, and are supported by an active patents strategy. Efforts are made to improve technology and reduce cost base by developing better materials and more stable and efficient processes. New products and new solutions differing radically from their predecessors are also developed. Examples are new pipe design and use of totally new materials for producing flexible pipes that can operate at depths of more than 2,000 metres.

PRODUCTION

The Kalundborg factory is situated in the harbour which has sufficient draught for the large specialist ships necessary for installing flexible pipe systems. The factory has recently been expanded with additional production capacity, and after allowing for variations in product mix and changeover time between orders, effective annual capacity is now approx. 175 km of standard (8") pipe.

COMPETITORS

NKT Flexibles is one of three established global suppliers of flexible pipe systems for the offshore oil and gas industry. Based on current loadings and capacity the company represents a market share of almost 15%.

The other two suppliers in this market are Technip (factories in France, Brazil and Malaysia) and Wellstream (factories in UK and Brazil) with current market shares of around 55% and 30% respectively.

The market leader, Technip, is the leading supplier of very large and/or technically very challenging all-in-one solutions, principally to the largest oil companies. Technip supplies flexible pipe products in the 2"-19" size range (approx. 50 mm-483 mm internal diameter) intended for very demanding conditions in all parts of the world.

Wellstream primarily focuses on projects requiring large volumes of standard products and mainly services the Brazilian market. The company supplies flexible pipe products in sizes from 2"-16" (approx. 50 mm-483 mm internal diameter). As an example of the consolidation trend under way in this industry, Wellstream is currently being taken over by General Electric.

In addition to the three established players, the cable manufacturer Prysmian is currently commissioning a new pipe factory in Brazil. This factory will focus on smaller-dimension pipes principally for use in the Brazilian market.

VISION

BY EXCELLENT PERFORMANCE TO BECOME THE PREFERRED SUPPLIER OF HIGH QUALITY FLEXIBLE PIPE SYSTEMS BASED ON BEST-IN-CLASS TECHNOLOGY

The total effective production capacity of these four manufacturers is estimated at 1,300-1,400 km of standard pipe (8").

ORGANIZATION AND MANAGEMENT

NKT Flexibles is governed at Board of Directors' level by the two joint venture partners working together under the chairmanship of NKT Holding. Day-to-day activities are headed by CEO Michael C. Hjorth.

NKT Flexibles has around 620 employees, around 60% of whom work at the Kalundborg factory. The remaining 40% are based at the head office in Brøndby and engaged in R&D management, project management and administration. NKT Flexibles also has an R&D function in Aalborg and sales representation in Rio de Janeiro, Brazil.

INDUSTRY DRIVERS

The global offshore oil and gas market is driven by the expectations of the oil companies regarding long-term oil price. A price level of around 60-80 USD/bbl is typically required to make it viable to develop new offshore fields. Despite intense efforts to find substitutes for the use of oil and gas, all indications point to continued rise in oil prices in the years ahead fuelled by increasing growth in global energy consumption and depletion of existing readily available oil and gas deposits.

The depletion of existing oil and gas fields has the following market significance for flexible pipe systems:

- Increased focus on deeper waters.
- Expansion of existing offshore fields with satellite wells.
- Increased extraction from existing offshore fields using gas and water injection.

Furthermore, the pipes in many existing offshore installations are now reaching the end of their useful lives, hence there is a growing need for replacement. All these factors point to a future growth market for flexible pipes. This is also supported by ambitious plans for investment unveiled by the world's largest consumer of flexible pipes, Petrobras.

STRATEGIC PERSPECTIVE

NKT Flexibles' strategy is focused on building a business based on its existing product portfolio combined with the development of new products and systems which meet the increasingly demanding requirements of the future offshore oil and gas market.

Historically, NKT Flexibles has developed niches based on special competences in materials technology, production and design which have enabled the company to take on exceptionally demanding customer projects. Viewed in the light of global production capacity and the trend towards recovering increasingly more difficult deposits, it is essential for NKT Flexibles to maintain this strategic focus and thereby achieve attractive margins which reflect the company's ability.

Strategic targets for NKT Flexibles

	Realized 2010	Target 2015
Revenue, bnDKK	1.2	2.5
Average organic growth, CAGR	-9%	15%
EBITDA margin	18.7%	20-25%

NKT Flexibles has succeeded in qualifying as a principal supplier to the Brazilian market. In view of its size and the demanding solutions entailed, it is imperative for the company to cement its position in this market.

The principal challenges and tasks facing NKT Flexibles are therefore:

- To cement its position in the Brazilian market with a new, larger framework agreement that sooner or later will lead to deliberations regarding establishment of local presence.
- To follow the trend towards recovery of deposits in increasingly deeper waters by developing new solutions for depths as great as 2,500 metres.
- To maintain its historically good market position in the rest of the world, i.e. primarily the North Sea, West Africa and India.
- To develop and expand the company to a new level, aiming particularly at a strengthened position in Brazil.

Furthermore, continuous focus will be placed on improving the company's products and processes in order to preserve present market position and continue to maintain an attractive earnings base.

FINANCIAL TARGETS

NKT Flexibles is expected to realize annual average organic growth (CAGR) of around 15%. This will lead to revenue of around 2.5 bnDKK by 2015.

In step with a normalization of the level of activity in the oil industry a return to an EBITDA margin of 20-25% is targeted by 2015 at the latest.

CORPORATE MATTERS

2010 was dominated by the implementation of NKT's ethical statement, the work on a new corporate strategy, revision of corporate governance compliance, introduction of a whistleblower scheme, and publication of the first comprehensive progress report following NKT's signature of the UN Global Compact

THE NKT SHARE

The share capital of NKT Holding A/S comprises a total of 475 mDKK, corresponding to 23.7 million shares, each of 20 DKK value. NKT has one share class and no shares have special rights.

The general meeting is the company's supreme authority and the articles of association constitute the principal guidelines for operations. All amendments to the company's articles must be submitted to the Annual General Meeting. Approval by at least two thirds of the votes present is required for adoption.

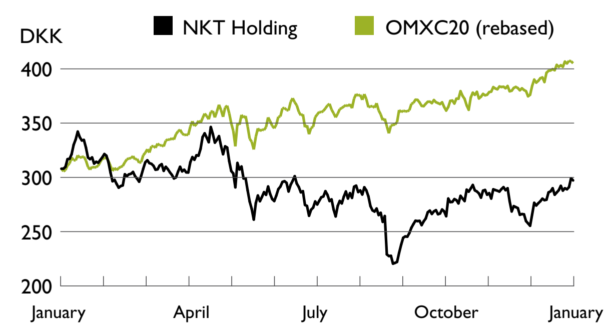
Authorization has been granted by the Annual General Meeting enabling, by resolution of the Board of Directors, the capital of the company to be increased by issue of shares to a maximum nominal amount of 300 mDKK in the period until 25 March 2015.

In addition, authorization has been granted by the Annual General Meeting enabling NKT to purchase a maximum of 10% of the company's shares for the purpose of adjusting the Group's capital structure should this be appropriate. This mandate is considered each year at the general meeting.

Authorization has further been granted by the Annual General Meeting for issue of warrants, in the period up to 1 April 2013, in one or several transactions, up to a maximum nominal amount of 10 mDKK (500,000 shares) of 20 DKK each, to employees and the Board of Management of the NKT Group. At the end of 2010 the framework of this authorization had been fully exercised. A proposal for a new authorization and framework will be made at the Annual General Meeting in 2011.

Warrants granted in 2005 were exercised in 2010 by subscription for a total of 19,600 new shares. The weighted annual subscription price for the warrants exercised was 191.2 DKK per share.

Development in share price 2010



In addition, in the period up to 11 April 2012 authorization has been granted by the Annual General Meeting to raise loans against bonds or debt instruments, by one or more issues, with a right for the lender to convert his claim to shares of 20 DKK each, nominally 44 mDKK as a maximum (2.2 million new shares, equal to just under 10% of the share capital).

The company's articles of association were last updated in December 2010 in conjunction with issue of warrants.

SHARE PRICE DEVELOPMENT, MARKET VALUE AND TURNOVER

NKT shares are listed under ID code DK0010287663 on the NASDAQ OMX Copenhagen Stock Exchange and are included in the OMX C20 index.

NKT's stock exchange share price rose by 2% in 2010, ending the year on 297.2 DKK, as against 291.0 DKK at end-2009. The C20 index rose by 36% in the same period. A dividend of 3.50 DKK per share was paid in 2010 so the real increase in value was 3.3%. The development in 2010 must be seen against the background of an increase in the share price in 2009 of 175% in relation to an increase in the C20 index of 36%.

The company's shares had a market value of 7.1 bnDKK at 31 December 2010, against 6.9 bnDKK at the end of 2009.

In 2010 the average daily trading turnover in NKT shares was 39 mDKK, against 32 mDKK in 2009. Total turnover on NKT shares in 2010 was 10 bnDKK, against 8 bnDKK in 2009. An average of 135,000 shares was traded daily in 2010, against 159,000 in 2009.

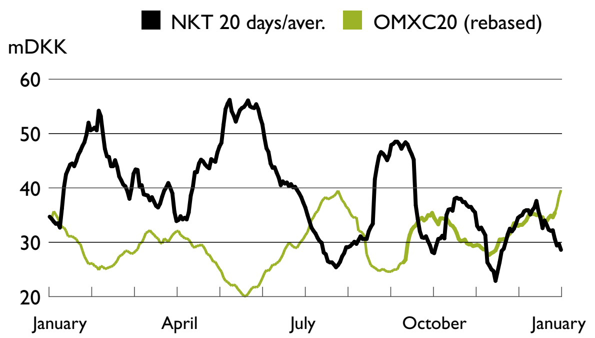
SHAREHOLDERS

At 31 December 2010 NKT had approx. 39,300 shareholders, a 2% rise on the year before. NKT urges shareholders to register their portfolio in order to aid and simplify direct communication. NKT had approx. 28,500 registered shareholders at the end of 2010, against approx. 28,000 at the end 2009. Registered shareholders represented 78% of the share capital, against 75% the previous year. At 31 December 2010 the Danish Labour Market Supplementary Fund (ATP) held 5.3% (6.2% at end-2009) of NKT's share capital, and was thus the only investor registered under section 29 of the Danish Securities Trading Act with a shareholding exceeding 5%.

All the share capital is considered to be in free float, and based on available information determined at year-end 2010, 75% (72% end-2009) of the share capital was estimated to be in Danish hands, while the remaining 25% (28% end-2009) was assumed to be in foreign ownership.

Issues relating to the company's share capital are covered in section 3 (II) of the articles of association.

Development in share turnover 2010



Stock market calender 2011

23 March - Annual General Meeting
11 May - 1st quarter interim report
23 August - 2st quarter interim report
15 November - 3st quarter interim report

GROUP MANAGEMENT'S HOLDINGS OF NKT SHARES

At 31 December 2010 a total of 426,108 NKT shares were held by the members of NKT's Board of Directors. This represents a total market value of 127 mDKK. A total of 96,773 shares were held by the Board of Management, corresponding to a market value of 29 mDKK. The Board of Management also holds a total of 534,050 warrants which can first be exercised in 2011, 2012, 2013 and 2014. Details of exercise prices are contained in Note 29 to the consolidated financial statements.

During 2010 members of the NKT Board of Directors acquired a net total of 63,230 shares, while the Board of Management acquired 1,049 shares.

Members of the Group Management are included in NKT's register of persons having inside knowledge, and their transactions involving NKT shares must be reported. Persons covered by the regulations, along with their spouses, partners, children and other household relatives, may only transact NKT shares for a period of six weeks after issue of earnings releases. The six-week period also applies to other releases containing details of realized results and expected income development. The period of six weeks comes into operation if the Board of Directors otherwise deems the NKT share transaction to be in accordance with the Securities Trading Act.

The overview on pages 48-50 discloses the individual shareholdings of the NKT Group Management - and their related parties - as at 31 December 2010.

FINANCIAL COMMUNICATION AND INVESTOR RELATIONS (IR)

As part of IR activities, dialogue is pursued with existing and potential investors, both institutional and private. A part of the objective is to actively present NKT's 'equity story' to national and international institutional investors.

NKT works actively to give investors and financial analysts the best possible insight into matters that can ensure fair pricing of the NKT share. This is done via the information given regularly by NKT to the market, combined with investor meetings, capital market days, and presentation of annual and interim financial results.

In 2010 the Group Management attended some 250 Danish and international meetings of investors (2009: approx. 200). In addition,

Shareholder groups

	31.12.10	31.12.09
ATP, Denmark	5%	6%
Other Danish institutional investors > 1 mDKK	18%	14%
Other foreign institutional investors > 1 mDKK	13%	9%
NKT Group Management	2%	2%
Other registered Danish shareholders < 1 mDKK	31%	32%
Other registered foreign shareholders < 1 mDKK	9%	13%
Unregistered Danish shareholders	19%	18%
Unregistered foreign shareholders	3%	6%

NKT participated in a number of important investor events and hosted capital market days with visits to Nilfisk-Advance and to NKT Cables in the Shanghai area of China.

NKT's communication with investors, financial analysts and the press is subject to special restrictions for a period of three weeks prior to publication of annual and interim reports.

NKT Group Management expresses its view of NKT's share price development in only very general terms.

The NKT website - www.nkt.dk - contains historic and current information about the NKT Group and its shares, including stock market announcements, current and historic share price data, investor presentations and annual and interim reports. All information is published in both Danish and English.

Investors and other stakeholders can subscribe to earnings releases, annual reports, stock market announcements and other investor-oriented publications which are issued by NKT, and which are all distributed electronically immediately after their release via NASDAQ OMX Copenhagen. Email registration can take place on www.nkt.dk under 'Investor' / 'News' / 'News Service'.

SHAREHOLDER REGISTER AND REGISTRATION

Shares can be registered by name by contacting the bank in which the shares are held in custody.

NKT's register of shareholders is administered by VP Investor Services A/S, Weidekampsgade 14, 2300 Copenhagen S, Denmark. All registered shareholders receive separate invitation to NKT's annual general meeting.

DIVIDEND POLICY

NKT strives to maintain a dividend policy that gives shareholders a regular, stable cash return on their investment at the same time as part of company profits are reinvested in the Group's future development and growth. The NKT Group has published a dividend policy for the current corporate strategy period (2008-2012) whereby approximately one third of yearly profit will be distributed as dividend. An exception was made in 2009 when the world market was hit by recession.

The level of dividend distribution for 2010 has been established taking into account the Group's present capital situation.

For 2010, a dividend of 2.00 DKK per share will be recommended at the annual general meeting 23 March 2011. This corresponds to a total dividend distribution of 47 mDKK, equal to 18% of profit for 2010.

BOARD MEETINGS AND FINANCIAL REPORTS

A minimum of five ordinary Board meetings are held annually - in February/March (annual report) ahead of the AGM, and in May, August and November (interim reports 1, 2 and 3). Extraordinary Board meetings are held as and when necessary (see also section on Corporate Governance, pages 37-40). After discussion and approval by the Board the annual and interim reports are released via NASDAQ OMX Copenhagen. The dates for the current year are shown in the stock market calendar for 2011 on page 35.

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Stock market announcements in 2010

The following stock market announcements were issued during calendar year 2010 via NASDAQ OMX Copenhagen, and can be found together with earlier and more recent announcements on **www.nkt.dk.**

12.01.10	**#01**	NKT's earnings expectations 2009 revised upwards
12.02.10	**#02**	NKT Cables wins order for one of the world's largest submarine cables
16.02.10	**#03**	NKT Cables wins Extra High Voltage Project in Greece
02.03.10	**#04**	NKT Annual Report 2009
02.03.10	**#05**	Announcement - Annual General Meeting 2010
18.03.10	**#06**	Employee Representation on NKT's Board of Directors
19.03.10	**#07**	Exercise of warrants - increase of NKT Group share capital
22.03.10	**#08**	Articles of Association up-date
25.03.10	**#09**	Decisions of Annual General Meeting 2010
26.03.10	**#10**	Articles of Association up-date
20.04.10	**#11**	Exercise of warrants - increase of NKT Holding's share capital and changes in Articles of Association
11.05.10	**#12**	Interim Report 1st quarter 2010
10.06.10	**#14**	Employee representation on NKT's Board of Directors
24.08.10	**#18**	Interim Report 2nd quarter 2010
13.09.10	**#22**	NKT Cables lands 260 mDKK submarine project
16.11.10	**#24**	Interim Report 3rd quarter 2010
18.11.10	**#25**	Financial Calendar 2011
29.12.10	**#26**	NKT Holding issues share warrants
29.12.10	**#27**	Articles of Association up-date

Announcements 13, 15, 16, 17, 19, 20, 21 and 23 concern insider trading with NKT shares

CORPORATE GOVERNANCE

As an industrial owner with focus on long-term ownership NKT is managed on the basis of principles such as credibility, quality and openness. NKT endeavours as far as possible to follow the recommendations of the Danish Committee for Corporate Governance, which were last updated on 8 April 2010. As a listed company NKT is also subject to the guidelines of NASDAQ OMX Copenhagen which includes the Danish Committee for Corporate Governances 2010 recommendations in its 'Rules for share issuers as at 1 July 2010'.

There are 78 corporate governance recommendations, all of which were fully adopted by NKT in autumn 2010. For complete description of NKT's corporate governance, please refer to: www.nkt.dk under 'About NKT' / 'Management'.

The NKT Group Management consists of a Board of Directors and a Board of Management. The Board of Directors consists of nine members, three of whom are elected by the employees for a period of four years, and six of whom are up for election each year at the Annual General Meeting.

> NKT complies with the 78 corporate governance recommendations

Four of the six members of the Board of Directors elected by the Annual General Meeting are independent (as defined in section 5.4.1 of the Committee for Corporate Governances recommendations). The remaining two members both joined NKT's Board more than 12 years ago, and therefore are not independent as per the recommendations. Due to the retirement age applicable to NKT Board members one of them will not be re-elected at the Annual General Meeting in March 2011.

The Board of Directors is headed by Chairman Christian Kjær. The Board members represent a broad spectrum of both Danish and international business experience, politics and high-tech industry.

The Board of Directors has set up three committees: the Audit Committee consisting of two independent members (cf. section 5 of the Committee for Corporate Governances recommendations. The Audit Committee is separately described on page 38). The Nomination Committee and the Remuneration Committee each consist of two members (Chairman Christian Kjær and Deputy Chairman Jens Due Olsen), one of whom is independent and one of whom has been a Board member for more than 12 years and therefore does not qualify as independent.

The Board of Management consists of three persons headed by President and Chief Executive Officer Thomas Hofman-Bang and includes Executive Director, CFO, Michael Hedegaard Lyng and Executive Director, CTO, Søren Isaksen. The Group's business units are all headed by separate chief executives reporting to the NKT Holding Board of Management.

The NKT website describes the competences that the Board of Directors today estimate they need to perform its duties as effectively as possible. There is also a presentation of each Board member, stating the special competences relevant to their NKT involvement, number of NKT shares held, remuneration and other directorships. The Board members are also presented on page 48, along with information such as specialist competences, independence, posts held, NKT shareholdings for current and previous year, and age. The retirement age for Board members is 67 years but 70 years for members up for re-election who joined the Board before 26 August 2003.

The NKT website describes the rules for employee election and representation on the NKT Board of Directors. A brief presentation of the NKT Group Management is also included on page 48-50.

REMUNERATION

Remuneration policy proposals are submitted to the company's Annual General Meeting. The policy is appendixed to the rules of procedure for the Board of Directors and the Board of Management and describes the guidelines for establishment and approval of remuneration for the Chairman, Deputy Chairman, other directors, and members of the Board of Management. Under the policy the Chairman shall receive twice the basic remuneration (a recommendation will be made at the Annual General Meeting in March 2011 that for the year 2011 this be changed to 3x the basic remuneration) and the Deputy Chairman one and a half times the basic remuneration. No adjustment mechanisms are linked to the basic remuneration. Members of the Board of Directors are not granted share options and there are no other variable remuneration components. As a basic principle the basic remuneration shall be on a par with that paid by listed industrial companies (cf. also Note 28 to the consolidated financial statements).

The annual general meeting in 2010 approved a Board of Directors' proposal to reinstate the previous remuneration level following a temporary one-year reduction of 10% due to the recession in 2009 and the Board's wish to show solidarity with the shareholders.

The Board of Management's pay was negotiated in 2010 with the Board of Directors and will in future be negotiated in the newly

appointed Remuneration Committee. The remuneration is stated in Note 28 to the consolidated financial statements and consists of a fixed basic component, a short-term cash bonus, a long-term share-based incentive scheme, pension, and other customary non-monetary benefits such as company car, etc.

The bonus portion of the incentive pay is a yearly payment conditional upon achievement of specified targets. This bonus cannot exceed 15% of the fixed basic pay. The share-based portion of the incentive pay comprises annually granted warrants initiated by the Board of Directors. The warrants are calculated using the Black-Scholes formula. The value may represent up to 50% of the fixed annual pay, including pension, of the individual executive. The warrants may be exercised not earlier than three years and not later than five years after being granted. The incentive scheme is stated in Notes 28 and 29 to the consolidated financial statements and is disclosed directly to the stock exchange. Severance arrangements are described in Note 28 to the consolidated financial statements.

The remuneration policy states that the Board of Management shall receive a competitive salary commensurate with the duties it is assigned and which represents an attractive retention elememt, cf. also description of the principles for Board of Management remuneration in the corporate governance section of the NKT website under 'About NKT' / 'Management'.

ASSESSMENT OF BOARD OF DIRECTORS

The Board of Directors is subject to an annual assessment and the Board gives ongoing consideration to whether external assistance should be used. The assessment's purpose is to consider the contribution of the individual Board members, identify the Board's strengths, and direct attention towards future areas of focus for the Board's work. In 2010 the Board assessment was performed by the Chairman and the findings were discussed at a Board meeting.

As an extension of the Board's own assessment, an assessment is also performed of the Board of Management, partly with regard to the interplay between both Boards, and partly with regard to the competences of the individual executives. The assessment takes the form of a general discussion among the members of the Board of Directors, and the conclusions are then passed on by the Chairman to the Chief Executive Officer.

ACTIVITIES

The Board of Directors has in recent years visited a number of the Group's companies. In 2010 the Board visited Nilfisk-Advance in Mexico, viewing the company's new factory in Querétaro north of Mexico City. The Board held six ordinary meetings during the year as well as a seminar relating to the new strategic plan for 2011-2015. Attendance rate was 90%.

The Board's Audit Committee held four physical meetings and four telephone conferences, including two relating to the 2009 financial year. The task of the Audit Committee is to monitor the company's financial reporting and internal control environment and to establish the conditions and framework for the external audit. The Committee's terms of reference may be found on www.nkt.dk under 'About NKT' / 'Management' / 'Corporate Governance' / 'Audit Committee'. The Committee consists of two Board members, Jens Due Olsen (Chairman) and Jan Trøjborg. Jens Due Olsen possesses specialist insight into the financial aspects of listed companies as well as other financial and economic matters, including accounting and auditing. Jan røjborg's qualifications are a broad general understanding of accounting, commercial insight and a healthy scepticism.

> "Responsibility is a core principle for NKT, and in its activities the Group has always worked to show respect for its employees and other stakeholders.

Employees

With a total of 9,200 employees, including 600 in NKT Flexibles, NKT plays a role in many people's lives. 7,500 employees are based outside Denmark and 1,700 in Denmark, corresponding to 82% and 18%, respectively.

CORPORATE SOCIAL RESPONSIBILITY

NKT is a global Group with production spanning several continents and a number of industries. Responsibility is a fundamental NKT principle, and in its work the Group has always shown respect for its employees and other stakeholders. Formerly a primarily Danish company, NKT is now an international player in countries such as China, the United States and Easteren Europe, and the requirements to NKT have changed.

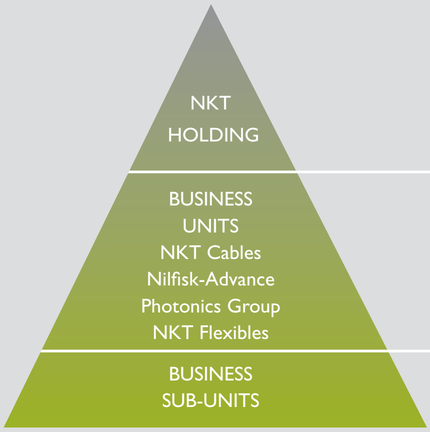
NKT wishes to show action and direction through its support for the UN Global Compact (signed by NKT in March 2009), and has therefore committed itself to work for the UNs global standards in the areas of human rights, labour rights, environment and anti-corruption. Accordingly, the Group has established a set of ethical guidelines with rules for how its business must be run.

NKT submits a yearly progress report to the UN cf. www.nkt.dk under 'CSR' / 'UN Global Compact'. See also the report on www.unglobalcompact.org. The progress report expands the statutory CSR statement required under section 99 (a) of the Danish Financial Statements Act. As the report covers the period 1 July 2009 - 30 June 2010, NKT's CSR performance has also to be described in the Management' review of this Annual Report. NKT has chosen to publish the statutory CSR statement on its website under the heading 'CSR' and the right-hand box 'Management review's section on CSR in the Annual Report:

- http://www.nkt.dk/uk/Menu/CSR/99a_2010_UK.pdf

ACTIVITIES IN 2010

In 2010, NKT set up a management information system to report non-financial data from the business units as a basis for management of Group CSR initiatives. The system uses the Global Reporting Initiative (GRI) as a basis.



The NKT Group Management has the overall responsibility for maintaining an effective control environment in connection with the financial reporting process

The managements of the Group's business units are responsible for ensuring an effective control environment in their respective units

The managements of the individual operating units and at different levels are responsible within their respective areas

Procedures and systems relating to various control measures and data quality are currently being run in. Data gathered includes information on occupational accidents, oil, energy and raw material consumption, carbon emissions from travel and product transport, and details of pollution, lawsuits or fines.

In 2010 a central whistleblowing scheme was set up that enables all Group employees to anonymously report some situations, events or circumstances which seem wrong and in conflict with NKT statements.

As part of the fight against corruption, an annual management declaration was also introduced for signature by local NKT managements, certifying their compliance with NKT's ethical statements.

The increased focus on CSR has led all four business units to new product development on the basis of sustainability, recycling and energy efficiency.

In 2010, NKT Cables, Nilfisk-Advance, Photonics Group and NKT Flexibles all recorded progress in the areas of human rights, labour rights, environment and anti-corruption. A more detailed account of these activities is contained in the statutory CSR statement on www.nkt.dk under 'CSR', and in the progress report sections for the individual business units on www.nkt.dk under 'CSR' / 'UN Global Compact'.

There is a heightened awareness in all the business units concerning energy and raw materials consumption. This awareness is benefitting not only the environment but also earnings by leading to changes in for example factory layout and production processes.

> "Awareness of energy and raw materials consumption benefits environment and earnings

FUTURE TARGETS

The four business units work closely together with NKT Holding with regard to their collective involvement in CSR. Focus issues include:

- Minimizing number of occupational accidents. For example, NKT Cables has targeted the introduction of regular reporting of occupational injuries by 30 June 2011. Goals will then be set for 2011-2012.
- Targets have been set for NKT's energy consumption and carbon emission. For 2011 the aim is to reduce total carbon emission by 12% relative to revenue (in standard metal prices) compared with 2008. NKT's reports to the Carbon Disclosure Project can be found on www.cdproject.net.
- NKT urges suppliers Group-wide to also work for the 10 principles of the UN Global Compact. As one example, Nilfisk-Advance has targeted 30 June 2011 as the date by which 80% of their procurement (with a value of more than 50,000 EUR per supplier) shall be made through partners who have accepted the principles of the UN Global Compact.

EUROSOX

The statutory statement for enterprise management, cf. section 107 (b) of the Danish Financial Statements Act includes, among other things, rules concerning risk management and internal control in relation to financial reporting, popularly known as EuroSox.

NKT's risk management and internal control in connection with the financial reporting process have been established to ensure that financial reporting presents a true and fair view without material misstatements in accordance with current legislation, standards and other regulations. The process has further been established to ensure that appropriate accounting policies are applied and that accounting estimates exercised are reasonable under the circumstances.

Risk management and internal control in relation to the financial reporting process are designed with a view to limiting the risk of material errors and can create reasonable, but not absolute, certainty that wrongful use of assets, losses and/or material errors and omissions in connection with financial reporting will be avoided.

NKT consists of a number of companies structured for operational purposes into four business units under the parent company NKT Holding. Each business unit is structured as a sub-group with its own subsidiaries. The individual business units operate with a high degree of autonomy and have their own managements with responsibility for unit operations.

Material Risks

	NKT Cables		Nilfisk-Advance	Photonics Group	NKT Flexibles
% of revenue 2010		59%	40%	1%	-
% of operational EBITDA		33%	62%	-1%	9%
Risk factors:					
Cyclical sensitivity	High voltage and submarine cables	*	***	**	*
	Railway products	*			
	Medium voltage	**			
	Low voltage	***			
Currency exposure		**	**	*	
Raw materials exposure	High voltage and submarine cables	*	**	*	**
	Railway products	*			
	Medium voltage	*			
	Low voltage	**			
Commercial factors		**	*	**	**

The numbers of * represents Group Management's subjective assessment of earnings exposure to the risk:

- * Lowest exposure
- ** Medium exposure
- *** Highest exposure

The underlying subsidiaries of the business units perform activities which are closely related to the general activities of the business units, something which enables uniform systems and procedures to be established.

The majority of the Group policies etc. are established in the business units in order to accommodate their individual characteristics. That is the reason why NKT Holding in more recent years has given increased focus to the control environment and to establishing uniform policies and procedures.

In 2009 NKT initiated a process whereby the strength of a number of key controls was evaluated and reported to the Group Management and the Audit Committee. This has created increased transparency and uniformity in the internal control environment at Group level, but has not fundamentally changed the control environment. NKT continued this work in 2010, and more of the Group's companies were included in the assessment and reporting procedures.

In a number of smaller companies it has not been possible to establish adequate functional segregation as a consequence of the small number of employees in the units. Compensatory control either has been or is currently being established to the extent possible.

General IT control has hitherto been assessed at company level. For 2011, focus will be on general IT control at Group level in order to create transparency and uniformity for this control within the Group.

NKT has chosen to publish the statutory statement for enterprise management, cf. section 107(b) of the Danish Financial Statements Act, on the NKT website, see under 'About NKT' / 'Policies/§ 107b' - http://www.nkt.dk/uk/Menu/About+NKT/Policies/%c2%a7+107b/107b_2010_UK.pdf

RISKS

NKT is continuously working to identify, analyze and manage all material risks with a view to optimizing the Group for the benefit of its stakeholders.

NKT is equipped with risk management tools in the form of policies and procedures. The general aim is to avoid, hedge and manage risks while at the same NKT optimizes the possibilities which changes in the risk picture provide.

The figure 'Material Risks' assesses which risk factors have greatest influence on Group earnings and the likelihood of these risks occurring. The figure also shows the proportion of Group revenue and operational EBITDA which the individual business units represent.

In this way the importance of the risks for the Group as a whole can be assessed.

The assessment of risk probability is not an absolute measure but an opinion of their relative likelihood and of the likelihood of them occurring in the individual business segments. This is the Management's subjective assessment and is included to provide insight into Management's view of the situation.

In assessing the risk factors, gain possibilities are considered on an equal par with loss probabilities. The effect of an economic cyclical improvement would therefore be strongest for Nilfisk-Advance and for NKT Cables' low voltage segment.

'Commercial factors' include not only market competition but also the relationship to suppliers etc.

The general risks relating to NKT's business are described below followed by the specific risks relating to each of the four business units.

The description of risk is not exhaustive and the risks are not listed in order of priority.

GENERAL RISKS

NKT is exposed to a number of more general risks which are described in this section. This description must be seen in context with the description below of the specific risks relating to the individual business units.

IT risks: NKT makes extensive use of IT and is therefore exposed to operational disruption and security issues. This may result in operating and financial losses and loss of reputation. NKT maintains ongoing focus on IT security in order to uphold continuing high levels.

Tax risks: NKT is subject to the tax and excise legislation of the countries in which it operates, and changes in such legislation in these countries may affect NKT's position in this regard. NKT is involved in major transactions in many countries and its tax and excise position is therefore exposed to challenge from local tax authorities. NKT has consequently covered the most significant risks and prepared associated documentation.

Legal risks: NKT continuously monitors developments in legislation and regulations and adopts a structured approach to ensure compliance. NKT is frequently signatory to agreements, including agreements relating to operations and strategic issues. These contracts imply opportunities, but also risks which are assessed and covered at time of contract signature.

Insurance risks: NKT establishes statutory insurance cover and such other insurance cover as is deemed relevant and customary in the sectors and in the countries in which it operates. NKT reviews its insurance policies at regular intervals with an insurance specialist.

Financial risks: In addition to currency risks, which are discussed in the company reviews, NKT is exposed to interest rate changes and to credit and liquidity risks. The Group's financial risks are described in Note 30 to the consolidated financial statements: 'Financial risks and financial instruments'.

Investments and acquisitions: As part of NKT's strategy, opportunities for acquisitions and for investment in production plant etc. are regularly assessed. Acquisitions and major investments in production plant imply a number of risks in relation both to the investment process itself and to its subsequent integration into NKT's business. These risks are assessed and covered as effectively as possible.

Ethical standards: In step with an increased awareness among NKT's stakeholders of human rights, labour rights, anti-corruption and environmental protection, activities related to corporate social responsibility are increasingly influencing NKT's potential for sales, attracting qualified personnel, and so on. Dealing with such risks is further discussed in the section 'Corporate Social Responsibility'.

SPECIFIC RISKS RELATING TO NKT CABLES

In 2010 NKT Cables represented 59% of the NKT Group's total revenue of 14,451 mDKK and 33% of the NKT Group's total operational EBITDA of 985 mDKK.

Commercial risks: NKT Cables is a significant player in a competitive and mature European industry. Both the competitiveness and profitability of the company are directly related to its ability to manufacture quality products at acceptable unit costs and to establish close interaction with customers.

The key to achieving satisfactory competitiveness is critical mass, meaning that NKT Cables needs to manufacture its individual product categories in series large enough to be supplied at attractive prices. Provided manufacture is based on optimal product formulas, efficient raw materials procurement, efficient logistics and low sales and administrative costs, NKT Cables will essentially be able to offer its products at competitive prices. This will mean increased sales, increased market shares and increased earnings.

Against this background, NKT Cables has given strong focus in recent years to adjusting its costs and product range, exploiting cross-sales, establishing growth in new markets, and also on optimizing its interaction with customers.

Metals - primarily copper and aluminium - are the company's most important production raw material and represent on average more than 50% of the selling price with the existing product mix. However, this may vary from 20% to 75% depending on product type.

> NKT continuously monitors development in legislation and regulations

Earnings sensitivity to changing metal prices is deemed limited as these changes are reflected relatively quickly in selling prices. However, major price fluctuations may impact on earnings through inventory adjustments. High and medium voltage prices are usually determined contractually, while in the low voltage segment price lists are used which are covered during their validity period by various hedging contracts.

In step with the growing share of business represented by project sales (supply and installation of high voltage and submarine cables), project risk management is becoming increasingly important. Prior to bidding for major tenders, project evaluations are performed in order to minimize unforeseen events. In the project performance phase, project management is critically important to ensure optimal coordination of cable production and cable installation in collaboration with the customer and an external company to which most of the installation task is contracted out by NKT Cables.

Financial risks: NKT Cables obtains around 31% of its sales revenue from Germany, 8% from Denmark, 21% from Eastern Europe and 13% from Asia, around 27% being derived from other markets. Currency sensitivity is primarily related to currency developments in Poland, Czech Republic, UK, Sweden and China and to price development in USD-based metals.

Cyclical sensitivity: Almost half of NKT Cables' revenue, principally that part of revenue which derived from low voltage sales to the building industry, is considered extremely cyclically sensitive.

Around 50% of revenue relating to submarine cables, high and medium voltage cables, 1 kV cables and accessories derives chiefly from sales to the energy sector. This sector is normally considered less cyclically sensitive as activity is primarily governed by necessary grid maintenance, expansion due to rising energy consumption, and in particular, expansion due to increased focus on improved system reliability and use of renewable energy. The remaining 10% derives from railway products, sales of which are chiefly governed by infrastructure projects in China and therefore are currently less cyclically sensitive.

SPECIFIC RISKS RELATING TO NILFISK-ADVANCE

In 2010 Nilfisk-Advance represented 40% of the NKT Group's total revenue of 14,451 mDKK and 62% of the NKT Group's total operational EBITDA of 985 mDKK.

Commercial risks: To consistently remain among the major suppliers of professional cleaning equipment it is vital for Nilfisk-Advance to have a range of products that can compete successfully with rivals. New quality products featuring enhanced productivity, reliability, ergonomics and environmental focus along with reduced operating costs are therefore launched on a regular basis.

Nilfisk-Advance also focuses on constant improvements to its business systems through efficiencies in production, sales, administration and distribution.

Financial risks: With approx. 25% of its revenue derived from the US market, Nilfisk-Advance is exposed to USD developments, this exposure relating primarily to translation risk. A +/-5% movement in the USD will increase/reduce company revenue by approx. +/- 65 mDKK and profit before tax (EBT) by approx. +/- 4 mDKK.

Added to this, a significant part of production for the EMEA region (Europe, Middle East and Africa) is based in Hungary. Net exposure is assessed on a continuous basis for 12 months ahead.

Cyclical sensitivity: Nilfisk-Advance is considered cyclically sensitive. This is because most final customers are professional or institutional users for whom buying cleaning equipment is a capital expenditure. In times of recession, new investment is traditionally postponed in order to protect and optimize company liquidity. It is estimated that a 5% decrease in sales will impact EBITDA by approx. 100 mDKK.

SPECIFIC RISKS RELATING TO PHOTONICS GROUP

In 2010 Photonics Group represented 1% of the NKT Group's total revenue of 14,451 mDKK and -1% of the NKT Group's total operational EBITDA of 985 mDKK.

Commercial risks: The success of Photonics Group's companies depends on their ability to create groundbreaking products for demanding and predominantly global, niche-type markets. The ability to attract innovative and well-qualified people and establish constructive interplay between technological and commercial drivers is therefore crucial to company success, as is also the company's ability to maintain and preserve its existing strong patents position.

Financial risks: As international market players, the Photonics Group companies are exposed to currency risks.

Cyclical sensitivity: The companies in Photonics Group are considered cyclically sensitive. The reason is that the majority of final customers consider the purchase of products embodying Photonics Group components to be capital expenditure and thus seek to postpone such purchases in times of recession.

SPECIFIC RISKS RELATING TO NKT FLEXIBLES

NKT Flexibles represented 9% of the NKT Group's total operational EBITDA of 985 mDKK in 2010.

Commercial risks: The greatest commercial risk relates to the level of activity in the offshore oil and gas industry and thus the size of the offshore market in a given period. The level of activity is partly linked to the current and expected price level of crude oil and strongly influences willingness to invest. Substitution solutions such as conventional steel pipes, submarine process plant and horizontal drilling are also significant factors influencing the proportion of projects based on flexible pipe systems.

> "Quality is key to NKT Flexibles' market position

The relative competitiveness of the three suppliers of flexible pipes depends on their ability to design pipes that match the customer needs in terms of quality and specifications and also deliver the most cost-effective solution in terms of product life. Invoicing is predominantly done in DKK or EUR and more than 50% of sales are made to Brazil.

Final customers are exposed to significant operating losses and also latent pollution risks. Accordingly, very considerable focus is placed on the quality aspects of NKT Flexibles' products as a fault can mean loss of production and, in the worst case, escape of oil and subsequent pollution risk. As a main rule NKT Flexibles does not accept liability for any loss of production incurred by the customer or for risk of oil spillage resulting from operation with the company's products. This means that the customer's trust in the quality of NKT Flexibles' products is crucial for maintaining the company's present market position. Safety in connection with the manufacture of NKT Flexibles' products, and safety in connection with their operational usage are other vital factors influencing customers' choice of supplier.

Financial risks: As an international market player NKT Flexibles is exposed to currency risks. As a main rule the company hedges its currency risks wherever possible.

Cyclical sensitivity: NKT Flexibles is considered cyclically sensitive. The company is part of the global offshore industry's value chain and the need for NKT Flexibles' products is primarily linked to expansion of existing oil fields or establishment of new ones. The offshore industry has a long planning horizon and investment decisions are primarily based on the development in oil price and the size and composition of oil reserves.

Access to venture capital is another important parameter influencing activity levels in small and medium-sized oil companies, Since the financial crisis became entrenched in autumn 2008 these players have significantly curtailed their activities, leading to diminishing demand and resulting in pressure on prices.

FINANCIAL REVIEW

Nominal revenue rose quarter by quarter and increased by 24%. Revenue and earnings increased in Nilfisk-Advance. NKT Cables also saw growth in all segments, but costs incurred on one project impacted negatively on overall performance

With organic growth of 12%, revenue was higher than ever before - well above the expected 6-10%. However, an increased EBITDA margin for Nilfisk-Advance was unable to make up for the loss incurred on a project in our cable business and this contributed to EBITDA growth for the NKT Group of only 5%.

REVENUE AND EBITDA

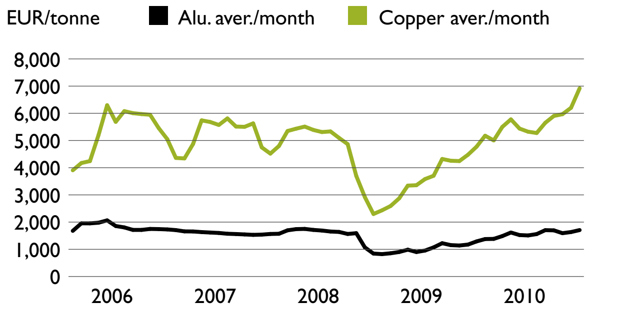
NKT's net revenue amounted to 14,451 mDKK (2009: 11,687 mDKK), corresponding to organic growth of 12% and nominal growth of 24%. Metal prices and exchange rates influenced revenue positively by approximately 7% and 3% respectively. Breakdown of revenue growth by business unit can be seen in Fig. 1.

The Group's operational EBITDA amounted to 985 mDKK (2009: 935 mDKK), corresponding to a nominal increase of 50 mDKK or 5%. Breakdown of Group operational EBITDA by business unit is shown in Fig. 3. Operational EBITDA margin measured in standard metal prices was 8.6% (2009: 9.4%). The fall of 0.8% points was negatively influenced by decrease in profit share from NKT Flexibles (down 46 mDKK) and by a reduced EBITDA margin for NKT Cables (down 2.1% points), but positively influenced by a

Fig. 1 Revenue development by business unit

Amounts in mDKK	2009	Metal-prices	Exch. rates	Acqui-sitions	Growth	2010	Nominal growth	Org. growth
NKT Cables	6,383	771	142	47	1,177	8,520	33%	16%
- Revenue std. prices	4,646	0	100	32	769	5,547	-	-
Nilfisk-Advance	5,138	0	223	0	386	5,747	12%	7%
Photonics Group	160	0	3	0	22	185	16%	14%
Other	6	0	0	0	-7	-1	-	-
Revenue market prices	11,687	771	368	47	1,578	14,451	24%	12%
Revenue std. prices	9,950	0	326	32	1,170	11,478	-	-

Fig. 2 Metal prices



* Standard metal prices, std.
NKT Cables has since 2007 adjusted and validated data so that the effect of changes in metal prices can be isolated from standard copper and aluminium prices set at 1,550 EUR/tonne and 1,350 EUR/tonne, respectively. (2003 price level).

higher operational EBITDA margin for Nilfisk-Advance (up 1.5% points).

As expected, costs relating to structural initiatives amounted to 86 mDKK and related solely to Nilfisk-Advance (2009: 152 mDKK relating to Nilfisk-Advance). EBITDA thus comprised 899 mDKK (2009: 783 mDKK), an increase of 116 mDKK or 15%.

A more detailed review of revenue and operational EBITDA relative to expectations is included in 'Financial target performance' on page 7.

NKT realized 4th quarter revenue of 4,029 mDKK (4th quarter 2009: 2,927 mDKK), corresponding to organic growth of 23%. 4th quarter organic growth was up on the first nine months of 2010 with 9%. NKT's operational EBITDA for 4th quarter 2010 amounted to 193 mDKK (4th quarter 2009: 231 mDKK). This corresponds to a fall of 38 mDKK, which was primarily due to a contract loss incurred by NKT Cables (more details below). The development in quarterly financial performance for 2010 and 2009 is shown in Fig. 4.

NKT Cables realized revenue of 5,547 mDKK (2009: 4,646 mDKK) calculated in standard metal prices, corresponding to organic growth of 16%. This positive organic growth primarily derived from high voltage and submarine cables, along with medium voltage cables and automotive products. For further information, see review for NKT Cables on page 8.

Metals in the form of copper and aluminium are a paramount cost item in the manufacture of power cables. Revenue is therefore significantly influenced by the development in metal prices, which is predominantly passed on to the customer. At 31 December 2010 the price of copper was up by 45% on year-end 2009. Similarly, the price of aluminium was up by 32%. The price increases for copper and aluminium in 2010 must be seen in relation to similar strong price increases in 2009. The development in copper and aluminium prices is shown in Fig. 2.

NKT Cables realized EBITDA of 329 mDKK (2009: 373 mDKK), a decrease of 44 mDKK. EBITDA margin measured in standard metal prices was 5.9% compared with 8.0% for the corresponding period in 2009. Besides the positive effect of revenue, EBITDA development was negatively affected by expected costs relating to the commissioning of the Cologne factory and a major submarine cable project.

The submarine cable project impacted positively on revenue but negatively on EBITDA. Production of the cable was delayed, leading to delay in cable installation and to additional costs. Overall the project therefore made a loss. Project completion is now expected at the end of 1st quarter 2011. Determination of the overall project loss is subject to uncertainty, and a loss with an effect on EBIT of approximately 70 mDKK was recognized in the 2010 financial statements. The loss arising from the project, including loss attributable to work to be performed in 2011, has been estimated and included in the 2010 financial statements. Earnings for NKT Cables' other segments showed positive development in relation to 2009.

Nilfisk-Advance realized revenue of 5,747 mDKK (2009: 5,138 mDKK), corresponding to nominal growth of 609 mDKK (12%). Of this, 4% was attributable to exchange rates, and organic growth was 7%. Organic growth was 7% (2009: -15%) for the EMEA region (Europe, Middle East and Africa), 7% (2009: -11%) for the Americas and 9% (2009: 0%) for the Asia/Pacific region.

Operational EBITDA for Nilfisk-Advance amounted to 612 mDKK (2009: 469 mDKK), an increase of 143 mDKK or 30%. This corresponds to an operational EBITDA margin for 2010 of 10.7% (2009: 9.2%).

Gross margin increased by 1% points in relation to 2009. Growth in revenue, transfer of production from high-cost to low-cost countries and sourcing initiatives were the primary reasons for the improvement in gross margin.

The structural initiatives which for 2010 amounted to 86 mDKK (2009: 152 mDKK) included relocation of production from the US to Mexico and from Western Europe to Hungary. The structural initiatives are proceeding to plan and are expected to be completed in 2011.

Fixed costs in percentage of revenue were reduced by 0.8% points against 2009 despite investment in sales promotion activities and the company's organization etc.

Photonics Group devoted increased focus to market development and realized revenue of 185 mDKK (2009: 160 mDKK), corresponding to organic growth of 14% (nominal growth 16%). The three companies (NKT Photonics, LIOS Technology and

Fig. 3 Operational EBITDA by business unit

Amount in mDKK	Realized 2010	Realized 2009	Nom. change	Change
NKT Cables	329	373	-44	-12%
Nilfisk-Advance	612	469	143	30%
Photonics Group	-11	-31	20	65%
NKT Flexibles (51%)	90	136	-46	-34%
Other	-35	-12	-23	-
Operational EBITDA	**985**	**935**	**50**	**5%**
On-off items	-86	-152	66	-
EBITDA	**899**	**783**	**116**	**15%**

Fig. 4 Highlights - quarterly breakdown

2010 Amounts in mDKK	Total	Q4	Q3	Q2	Q1
Revenue	14,451	4,029	3,725	3,635	3,062
Revenue std. prices	11,478	3,088	2,943	2,953	2,494
Operational EBITDA	985	193	275	282	235
Profit before tax	346	10	105	138	93
Organic growth	12%	23%	17%	5%	5%
Total operational EBITDA		985	792	517	235

2009 Amounts in mDKK	Total	Q4	Q3	Q2	Q1
Revenue	11,687	2,927	2,981	3,144	2,635
Revenue std. prices	9,950	2,453	2,463	2,691	2,343
Operational EBITDA	935	231	263	294	147
Profit before tax	291	63	107	120	1
Organic growth	-10%	-6%	-12%	-9%	-12%
Total operational EBITDA		935	704	441	147

Vytran) all recorded double-digit growth rates, reaffirming their potential.

EBITDA for Photonics Group amounted to -11 mDKK (2009: -31 mDKK), an improvement of 20 mDKK. Increased focus on market development also enabled capitalization of part of the development costs, and for 2010 an amount of 13 mDKK (2009: 0 mDKK) was capitalized.

NKT Flexibles realized revenue of 1,199 mDKK (2009: 1,311 mDKK), a decrease of 9%.

The revenue for NKT Flexibles is not included in the revenue for the NKT Group as NKT Flexibles is not fully recognized in the consolidated financial statements.

EBITDA for NKT Flexibles amounted to 224 mDKK (2009: 305 mDKK) and EBITDA margin was 18.7% (2009: 23.3%).

The reduction of 112 mDKK in revenue, the decrease of 81 mDKK in EBITDA, and the decrease of 5% points in EBITDA margin were caused by lower selling prices resulting from the lower level of activity in the industry in recent years and by changed product mix. The development in oil prices and access to financing are decisive factors regarding implementation of new projects, and these factors therefore have a decisive influence on contract pricing.

Production of orders under a framework agreement with Petrobras signed in 2008 represented a significant part of the activity in 2010. The agreement contains a price adjustment mechanism based on the development in raw material prices etc. There is uncertainty with regard to the method of determination for this mechanism and an amount has not therefore been recognized in the financial statements for 2010.

The price adjustment may impact positively in 2011 and the effect may be significant.

51% of NKT Flexibles' net profit after depreciation, amortization and financial items is recognized in NKT Group EBITDA. For 2010, the amount recognized was 90 mDKK (2009:136 mDKK).

For **Others**, consisting of NKT Holding and a few property companies, EBITDA was negatively affected by 23 mDKK due to gains on sale of property amounting to 18 mDKK in 2009.

EBIT

NKT realized operational EBIT of 566 mDKK (2009: 568 mDKK), a decrease of 2 mDKK.

The rise of 50 mDKK in operational EBITDA is described in 'Revenue and EBITDA. To this must be added increased depreciation of 52 mDKK, hence the decrease in operational EBIT of 2 mDKK in relation to 2009.

Measured in standard metal prices, operational EBIT margin was 4.9% (2009: 5.7%). The primary reasons for the fall of 0.8% points are described above.

Costs relating to structural initiatives amounted to approximately 86 mDKK, compared with 152 mDKK for 2009. Operational EBIT by business unit is shown in Fig. 6.

FINANCIAL ITEMS

Net financial items comprised an expense of 134 mDKK in 2010 (2009: -125 mDKK), an increase of 9 mDKK. The development was negatively influenced by an increase in Group net interest bearing debt, and positively influenced by a decrease in interest rate for this debt. There was a foreign exchange gain of 2 mDKK compared with a loss of 7 mDKK in 2009.

Fig. 5 Investment and depreciation/amortization

	Intangibles		Property, plant and equipment		Total investment		Total depreciation/ amortization	
Amount in mDKK	2010	2009	2010	2009	2010	2009	2010	2009
NKT Cables	55	31	660	860	715	891	221	175
Nilfisk-Advance	101	96	75	66	176	162	177	177
Photonics Group	13	-	9	8	22	8	12	15
Other	-	-	-	-	-	-	-	1
Gross total	**169**	**127**	**744**	**934**	**913**	**1,061**	**410**	**368**
Impairment related to restructuring	-	-	-	-	-	-	10	-
Total	**169**	**127**	**744**	**934**	**913**	**1,061**	**420**	**368**

Fig. 6 Operational EBIT by business unit

Amount in mDKK	Realized 2010	Realized 2009	Nom. change	Change
NKT Cables	109	197	-88	-45%
Nilfisk-Advance	426	293	133	45%
Photonics Group	-23	-46	23	50%
NKT Flexibles (51%)	90	136	-46	-34%
Other	-36	-12	-24	-
Operational EBIT	**566**	**568**	**-2**	**1%**
One-off items	-86	-152	66	-
EBIT	**480**	**416**	**64**	**15%**

TAX AND PROFIT FOR THE YEAR

Consolidated net profit before tax was 346 mDKK (2009: 291 mDKK), an increase of 19%.

Income tax related to net profit was 76 mDKK (2009: 53 mDKK), an increase of 23 mDKK. The tax rate for 2010 was 22% (2009: 18%). The tax rate was influenced by the submarine cable project referred to previously.

Net profit for the year after tax was 270 mDKK (2009: 238 mDKK).

CASH FLOW

Cash flow from operating activities amounted to -374 mDKK for 2010, against 582 mDKK for 2009, and was therefore 956 mDKK lower than in 2009. The difference of 956 mDKK consists of the change in EBITDA of 116 mDKK, a negative contribution of 1,076 mDKK from the change in working capital, cf. opposite text, a positive contribution of 22 mDKK from the change in financial items, and a negative contribution of 57 mDKK from tax paid. To this must be added a positive contribution of 39 mDKK from change in 'non-cash' items. 'Non-cash' items include 90 mDKK (2009: 136 mDKK) related to the NKT Groups share of earnings in the joint venture company NKT Flexibles. The share of profit is not recognized until dividend is paid.

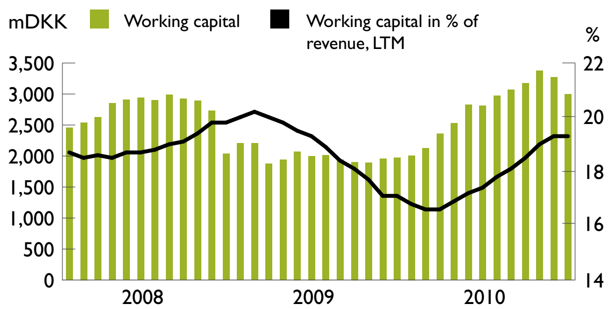
Cash flow from investing activities amounted to 849 mDKK for 2010, a decrease of 157 mDKK in relation to 2009. Investment in the new high voltage factory in Cologne was reduced by 330 mDKK in relation to 2009 and represents the main component in this change in cash flow.

INVESTMENT

Investment in intangibles and in property, plant and equipment amounted to 913 mDKK in 2010 (2009: 1,061 mDKK) and comprised 169 mDKK (2009: 127 mDKK) relating to intangibles and 744 mDKK (2009: 934 mDKK) relating to property, plant and equipment. Fig. 5 shows the breakdown by business segment.

Total investment in intangibles and property plant and equipment was reduced by 148 mDKK, principally because investment in the new cable factory in Cologne decreased to 360 mDKK (2009: 690 mDKK). The new factory was officially inaugurated in October 2010. Investment was increased by 140 mDKK (2009: 19 mDKK) relating to the high voltage factory in Cangzhou, China. After adjusting for investment in the high voltage factories in Cologne and China, investment in property, plant and equipment amounted to 244 mDKK (2009: 225 mDKK), corresponding to 2.1% of revenue at standard metal prices.

Fig 7. Working capital



WORKING CAPITAL

NKT's working capital was 2,997 mDKK (2009: 1,974 mDKK), an increase of 1,023 mDKK. This corresponds to 19.3% (2009: 17.1%) averaged over 12 months as a percentage of revenue (LTM). Working capital showed a rising trend through 2010, topping at 3.4 bnDKK in October.

The increase in working capital of 1,023 mDKK includes 767 mDKK which is attributable to NKT Cables and 222 mDKK relating to Nilfisk-Advance. At 31 December, working capital as a percentage of revenue (LTM) was 19.4% (2009: 15.2%) for NKT Cables and 19.0% (2009: 19.2%) for Nilfisk-Advance.

The increase in working capital was attributable to higher levels of activity, rising raw material prices, cf. Fig. 2, and a number of prepayments in 2009 on projects produced by NKT Cables in 2010.

Working capital as a percentage of revenue (LTM) continued on a par with the average for previous periods, cf. Fig. 7.

BALANCE SHEET

Total assets amounted to 12,556 mDKK (2009: 10,124 mDKK), an increase of 2,432 mDKK. The increase was due partly to investment in intangibles and property, plant and equipment, and partly to increase in capital tied up in stocks and receivables.

The total assets of 12,556 mDKK were financed by equity of 4,112 mDKK corresponding to 33% (2009: 37%), by non-current liabilities of 4,035 mDKK corresponding to 32% (2009: 25%) and by current liabilities of 4,408 mDKK corresponding to 35% (2009: 38%). The difference between non-current and current liabilities was chiefly due to restructuring of the Group's interest bearing debt as described below.

The change in equity over the year, amounting to 373 mDKK, included 201 mDKK (2009: 47 mDKK) relating to currency adjustments of foreign companies and value adjustment of financial instruments etc. recognized directly in equity. These adjustments consisted chiefly of currency translation of net investments in foreign subsidiaries resulting from increase in USD and other currencies.

NET INTEREST BEARING DEBT

The Group's net interest bearing debt amounted to 4,105 mDKK (2009: 2,725 mDKK), a rise of 1,380 mDKK. The increase was mainly based on investment in intangibles and in property, plant and equipment amounting to 913 mDKK and by further tie-up of funds in working capital of 1,023 mDKK. To this must be added the positive impact of profit for the period, which reduced the debt amount. The development in net interest bearing debt is shown in Fig. 8.

The present debt level corresponds to 4.2x operational EBITDA for the last 12 months (2009: 2.9x), which exceeds NKT's target of 2.5x. As well as by the increase in working capital and non-current assets the ratio is influenced by the fact that operational EBITDA for the last 12 months includes less earnings from the investment in the Cologne and Cangzhou cable factories, whereas the investment in the period 2008-2010 fully impacts the debt.

Equity gearing relative to net interest bearing debt was 100% (2009: 73%).

At 31 December 2010, 62% of interest bearing debt was in DKK (2009: 58%) and 20% (2009: 29%) was in CZK, which was attributable to NKT Cables' investment in a Czech production factory. The remaining financing was mainly raised in EUR, USD and CNY. The financing is predominantly based on variable interest rates and the Group is therefore exposed to interest rate changes. The interest rate risk is described further in Note 30 to the consolidated financial statements.

The determination of net interest bearing debt is clarified in Note 35 to the consolidated financial statements.

CASH RESOURCES

NKT's total cash resources comprised approximately 1.8 bnDKK (2009: 2.5 bnDKK).

The Group's total credit facilities of 6.0 bnDKK include DKK 4.8 bnDKK in committed credit facilities. The credit institutions cannot demand premature repayment of these facilities.

In 2010 a number of facilities due to mature within three years were rescheduled to mature beyond that date. At the same time the total facilities were increased by 0.5 bnDKK. The rescheduled credit facilities mature in January 2014 at the earliest. If interest bearing debt/operational EBITDA at end-2011 and end-2012, respectively, are below a predefined level the credit institutions are obliged to extend the maturity date to January 2015 and January 2016 respectively.

Fig. 8 Net interest bearing debt in relation to operational EBITDA

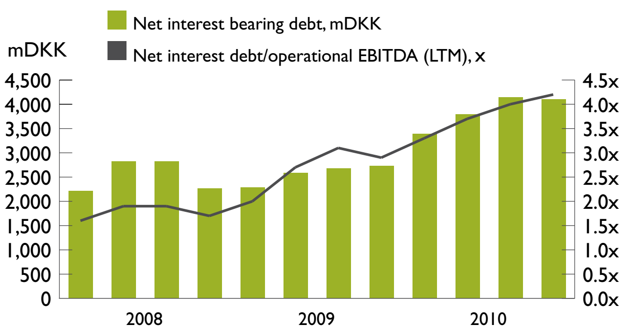


Fig. 9 Credit facilities

Amounts in bnDKK	31.12.10 Total	31.12.09 Total
Committed (>3 years)	4.6	1.3
Committed (1-3 years)	0.1	2.0
Committed (< 1 years)	0.1	1.0
Committed total	**4.8**	**4.3**
% of total	80%	83%
Uncommitted	1.2	0.9
% of total	20%	17%
Total	**6.0**	**5.2**
Cash	0.2	0.3
Drawn	-4.4	-3.0
Cash resources	**1.8**	**2.5**

Further information concerning Group cash resources are shown in Fig. 9.

NKT's debt is not subject to financial covenants with lenders. For non-financial covenants, see information in Note 30 to the consolidated financial statements.

RETURN ON CAPITAL EMPLOYED (RoCE)

Capital employed comprised 8,218 mDKK (2009: 6,465 mDKK), an increase of 1,753 mDKK (27%). The increase was due to investment in intangibles and property, plant and equipment of 913 mDKK and increased tie-up of funds in working capital of 1,023 mDKK.

Determination of capital employed is shown in Note 36 to the consolidated financial statements.

Return on Capital Employed (determined on the basis of operational EBIT and average capital employed) for the NKT Group amounted to 7.5% (2009: 9.4%).

The Group's strategic target is for a Return on Capital Employed of 20% by 2015, cf. page 23.

For NKT Cables the Return on Capital Employed was 2.6% (2009: 6.9%). In addition to a decrease in operational EBIT of 88 mDKK to 109 mDKK (2009:197 mDKK), as further described on page 45, capital employed increased in 2010 by 1.4 bnDKK to 4,701 mDKK. Capital employed was influenced by the construction of the new Cologne factory and by the acquisition of the Cangzhou cable factory in which 1.7 bnDKK was invested in 2008-2010. To this must be added further tie-up of funds in working capital.

For Nilfisk-Advance the Return on Capital Employed was 15.1% (2009: 10.9%). The increase of 4% points was based on a positive rise in operational EBIT of 133 mDKK to 426 mDKK (2009: 293 mDKK), an increase of 45%. To this must be added an increase in capital employed of 318 mDKK to 2,898 mDKK (2009: 2,580 mDKK), an increase of 12%.

GROUP MANAGEMENT

BOARD OF DIRECTORS

Christian Kjær, R[1] (1943), *Chairman*
Chamberlain, Master of the Royal Hunt, Attorney, LLM 1972
Member and Deputy Chairman of the Board 1987. Chairman 1990
Chairman of Nomination Committee 2010-. Chairman of Remuneration Committee 2010-
NKT shares at end-2010: 421,753 (2009: 361,325)

Member of the Board of Directors of:
A/S Segalit af 1/4 1987, Chairman • Sankt Gjertruds Stræde 10 A/S, Chairman
Skærbæk Plantage A/S, Chairman • Ejendomsselskabet D.F.K. A/S

Member of Board of Representatives of Rudersdal Forsyning A/S
Member of Rudersdal Municipal Council

Special qualifications: Industrial management experience at board of directors' level

Jens Due Olsen (1963),** *Deputy Chairman*
MSc. 1990
Member of the Board 2006. Deputy Chairman 2010-. Chairman of Audit Committee 2009-
Member of Nomination Committee 2010-. Member of Remuneration Committee 2010-
NKT shares at end-2010: 1,500 (2009: 0)

Member of the Board of Directors of:
Atchik Realtime A/S, Chairman • Pierre.dk A/S, Chairman • Cryptomathic A/S • EG A/S
Industriens Pension A/S, Investment Committee member • Royal Unibrew A/S

Member of Investment Committee of LD Equity 2 K/S

Special qualifications: Economic and financial experience, and experience from a variety of industrial sectors

Krister Ahlström (1940)
Director
M.Sc.Tech., 1966, bergsråd, Dr.dr.h.c.
Member of the Board 1995
Retirement age 70: 2011 (not up for re-election)
NKT shares at end-2010: 0 (2009: 0)

Member of the Board of Directors of:
Desigence Oy, Finland, and one Finnish and two Swedish Boards of Trustees

Special qualifications: Experience in international industrial management

Jan Erik Jensen* (1956)
Production Assistant, joined Nilfisk-Advance 1978
Member of the Board 2010. Elected for four-year period expiring 2014
NKT shares at end-2010: 0

Special qualifications: Experience in production conditions at Nilfisk-Advance

* Employee-elected
** Independent member as per section 5 of Danish Corporate Governance Recommendations.

Particulars of directorships are provided pursuant to section 107 (a) of the Danish Financial Statements Act concerning executive functions in other companies and NKT's Corporate Governance policies

Gunnar Karsten Jørgensen* (1946)

Fitter, joined NKT Flexibles I/S 1997
Member of the Board 2005
Elected in 2010 for four-year period expiring 2014
NKT shares at end-2010: 50 (2009: 50)

Special qualifications: Experience in production conditions at NKT Flexibles

Arne Dan Kjærulff* (1948)

Service Technician, joined Nilfisk-Advance A/S 1974
Member of the Board 2006
Elected in 2010 for four-year period expiring 2014
NKT shares at end-2010: 994 (2009: 624)

Special qualifications: Experience in production conditions at Nilfisk-Advance

Jens Maaløe (1955) **

President & CEO, Terma A/S
M.Sc. E.Eng. 1979, PhD 1983
Member of the Board 2004
NKT shares at end-2010: 515 (2009: 450)

Member of the Board of Directors of:

Topdanmark A/S • Ingeniørhøjskolen i Århus

Member of Executive Committee and General Council of the Confederation of Danish Industry

Special qualifications: Technology know-how, experience in high-tech development activities

Lone Fønss Schrøder (1960)**

LLM 1987, MSc. 1985
Member of the Board 2008
NKT shares at end-2010: 500 (2009: 0)

Member of the Board of Directors of:

Aker ASA, Audit Committee member • Aker Solution ASA, Audit Committee member
Det Norske Oljeselskap ASA, Substitute • Svenska Handelsbanken AB, Audit Committee member
Vattenfall AB, Audit Committee member • Volvo Car Corporation AB, Chairman Audit Committee

Special qualifications: Experience in globally-oriented industrial activities

Jan Trøjborg (1955)**

Mayor of Horsens.
MSc. C. Eng. 1986
Member of the Board 2005
Deputy Chairman 2005-2010
Member of Audit Committee 2009-
NKT shares at end-2010: 796 (2009: 429)

Member of the Board of Directors of: Billund Lufthavn A/S

Local Government Denmark, Chairman

Special qualifications: Experience in industrial policy and organization

BOARD OF MANAGEMENT

Thomas Hofman-Bang (1964)
President and CEO
MSc (Business Administration and Auditing) 1992
State-Authorized Public Accountant 1994
Joined NKT and the Board of Management 2000
Appointed Precident and CEO 2006
NKT shares at end-2010: 48,000 (2009: 48,000)

Member of the Board of Directors of:
NeuroSearch A/S, Chairman • William Demant Holding A/S

Søren Isaksen (1952)
Group Executive Director, CTO
MSc (Mathematics and Economics) 1977 - PhD 1981
Joined NKT 1981
Member of the Board of Management 1999
NKT shares at end-2010: 47,275 (2009: 47,275)

Member of the Board of Directors of:
Glud & Marstrand A/S

Member of the Board of Trustees of Tuborgfonden

Michael Hedegaard Lyng (1969)
Group Executive Director, CFO
MSc (Business Administration and Auditing) 2001
Joined NKT 2007
Member of the Board of Management 2008
NKT shares at end-2010: 1.498 (2009: 449)

Member of the Board of Directors of:
Topsil Semiconductor Materials A/S, Audit Committee Chairman

HEADS OF GROUP SERVICES

Karsten Riis Andersen (1970)
Controlling & Accounting

Ole Bramsnæs (1946)
Legal Affairs

Søren Magdal Christensen (1975)
Treasury

Mette Rona (1970)
Tax

Anne Schoen (1956)
Communications

STATEMENTS BY THE BOARD OF DIRECTORS AND THE MANAGEMENT

Today the Board of Directors and Board of Management have discussed and approved the Annual Report of NKT Holding A/S for the financial year 1 January - 31 December 2010.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion the consolidated financial statements and the Company's financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January – 31 December 2010.

The Management's Review contains in our opinion a true and fair review of the development in the Group's and the Company's operations and financial circumstances, the results for the year, the Group and the Company's financial position, and the overall financial position of the companies covered by the consolidated financial statements, and describes the material risks and uncertainties affecting the Group and the Company.

We recommend that the Annual Report be approved at the annual general meeting.

Brøndby, 1 March 2011

BOARD OF MANAGEMENT

Thomas Hofman-Bang, President and CEO

Søren Isaksen, Group Executive Director, CTO

Michael Hedegaard Lyng, Group Executive Director, CFO

BOARD OF DIRECTORS

Christian Kjær, Chairman

Jens Due Olsen, Deputy Chairman

Krister Ahlström

Jan Erik Jensen

Gunnar Karsten Jørgensen

Arne Dan Kjærulff

Jens Maaløe

Lone Fønss Schrøder

Jan Trøjborg

INDEPENDENT AUDITORS' REPORT

To the shareholders of NKT Holding A/S

We have audited the consolidated financial statements and the parent company financial statements of NKT Holding A/S for the financial year 1 January - 31 December 2010, pages 53-116. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements for listed companies and issued a statement in this regard.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with Danish disclosure requirements for listed companies.

AUDITORS' RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements and the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

OPINION

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2010 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 1 March 2011

KPMG

Statsautoriseret Revisionspartnerselskab

Finn L. Meyer	Carsten Kjær
State Authorized	State Authorized
Public Accountant	Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

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NOTES

INCOME STATEMENT

1 Januar - 31 December

Amounts in mDKK

	Note	2010	2009
Revenue	2,3	14,451.1	11,687.3
Other operating income	4	52.5	63.9
Changes in inventories of finished goods and work in progress		433.3	-36.5
Work performed by the Group and capitalized		36.2	26.1
Raw materials, consumables and goods for resale		-9,649.9	-6,886.1
Employee benefits, expenses	5,6	-2,569.9	-2,379.3
Other costs	6,7	-1,963.3	-1,840.3
Shares of profit after tax in associates and joint ventures	8,9	109.2	147.9
Earnings before interest, tax, depreciation and amortization (EBITDA)		899.2	783.0
Depreciation and impairment of tangible assets	16	-279.4	-243.2
Amortization and impairment of intangible assets	15	-140.1	-124.2
Earnings before interest and tax (EBIT)		479.7	415.6
Financial income	10	259.4	134.9
Financial expenses	11	-393.8	-259.5
Earnings before tax (EBT)		345.3	291.0
Tax	12	-75.5	-53.1
Profit for the year		269.8	237.9
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		266.2	240.4
Profit attributable to minority interests		3.6	-2.5
		269.8	237.9
Basic earnings per share (EPS)	13	11.3	10.2
Diluted earnings per share (EPS-D)	13	11.2	10.1

The Board of Directors proposes a dividend for the year of 2.0 DKK per share (2009: 3.5 DKK per share) for approval at the annual general meeting.

STATEMENT OF COMPREHENSIVE INCOME

1 Januar - 31 December

Amounts in mDKK

	Note	2010	2009
Profit for the year		269.8	237.9
Other comprehensive income			
Foreign exchange adjustment, foreign companies		216.2	3.1
Value adjustment of hedging instruments:			
Value adjustment for the year		84.0	87.5
Transferred to revenue		30.6	13.0
Transferred to consumption of raw materials		-144.3	-41.4
Transferred to financial expenses		3.7	1.7
Fair value adjustment of available for sale securities		1.7	-1.6
Share of equity movements in Investments in associates and joint ventures		-1.6	0.0
Tax on equity movements		10.4	-15.1
Total other comprehensive income		200.7	47.2
Comprehensive income for the year		**470.5**	**285.1**
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		465.3	286.4
Profit attributable to minority interests		5.2	-1.3
		470.5	**285.1**

CASH FLOW STATEMENT

1 Januar - 31 December

Amounts in mDKK

	Note	2010	2009
Operating earnings before depreciation and amortization (EBITDA)		899.2	783.0
Non-cash operating items:			
Share of profit of NKT Flexibles I/S		-89.9	-135.9
Profit on sales of non-current assets, used and increase of provisions, and other non-cash operating items, etc.		-18.2	-11.2
Changes in working capital		-919.3	156.6
Cash flows from operations before financial items etc.		-128.2	792.5
Interest received		149.0	98.8
Interest paid		-273.1	-244.4
Income tax paid		-121.7	-64.6
Cash flows from operating activities		-374.0	582.3
Acquisition of subsidiaries	27	-48.3	-10.8
Investments in property, plant and equipment		-743.9	-912.4
Disposal of property, plant and equipment		20.7	44.0
Other investments, net		-77.0	-126.0
Cash flows from investing activities		-848.5	-1,005.2
Changes in non-current loans from credit institutions		1,462.3	623.6
Changes in current loans from credit institutions		-176.5	-513.5
Minority interests		-23.9	-23.3
Dividends paid		-83.0	0.0
Dividend treasury shares		0.3	0.0
Cash from exercise of share options		3.8	0.0
Cash flows from financing activities		1,183.0	86.8
Net cash flows from operating, investing and financing activities		-39.5	-336.1
Cash at bank and in hand, 1 January		253.9	586.6
Currency adjustments		33.0	3.4
Net cash flows		-39.5	-336.1
Cash at bank and in hand, 31 December		247.4	253.9

BALANCE SHEET

31 December

Amounts in mDKK

	Note	2010	2009
Assets			
Non-current assets			
Intangible assets	15		
Goodwill		1,147.5	1,051.7
Trademarks etc.		49.8	47.2
Customer related assets		84.0	91.5
Development projects completed		184.6	170.1
Patents and licences etc.		162.3	172.4
Development projects in progress and prepayments		138.9	87.7
		1,767.1	1,620.6
Property, plant and equipment	16		
Land and buildings		1,343.7	721.5
Manufacturing plant and machinery		1,215.6	766.6
Fixtures, fittings, tools and equipment		290.6	282.4
Property, plant and equipment under construction and prepayments		375.0	896.8
		3,224.9	2,667.3
Other non-current assets			
Investments in associates and joint ventures	8,9	672.1	627.7
Other investments and receivables		35.1	36.4
Deferred tax	22	264.6	219.8
		971.8	883.9
Total non-current assets		5,963.8	5,171.8
Current assets			
Inventories	17	2,839.5	2,195.0
Trade and other receivables	18,24	3,471.8	2,464.7
Income tax receivable		33.2	38.3
Cash at bank and in hand		247.4	253.9
Total current assets		6,591.9	4,951.9
Total assets		12,555.7	10,123.7

BALANCE SHEET

31 December

Amounts in mDKK

	Note	2010	2009
Equity and liabilities			
Equity			
Share capital	19,20	474.8	474.4
Reserves		172.9	-27.8
Retained earnings		3,410.2	3,189.2
Proposed dividends		47.5	83.0
Total equity attributable to equity holders of NKT Holding A/S		4,105.4	3,718.8
Minority interests		7.0	21.0
Total equity		4,112.4	3,739.8
Liabilities			
Non-current liabilities			
Deferred tax	22	178.1	154.4
Employee benefits	21	292.8	284.7
Provisions	23	112.5	112.0
Interest bearing loans and borrowings	24,30	3,452.0	1,946.6
		4,035.4	2,497.7
Current liabilities			
Interest bearing loans and borrowings	24,30	957.0	925.7
Trade and other payables	24,25	3,254.8	2,755.6
Income tax payable		36.6	75.0
Provisions	23	159.5	129.9
		4,407.9	3,886.2
Total liabilities		8,443.3	6,383.9
Total equity and liabilities		12,555.7	10,123.7

STATEMENT OF CHANGES IN EQUITY

Amounts in mDKK

	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
Equity, 1 January 2009	474.4	-98.7	24.8	0.1	3,026.6	0.0	3,427.2	37.5	3,464.7
Other comprehensive income									
Foreign exchange translation differences		1.9					1.9	1.2	3.1
Value adjustment of hedging instruments:									
Value adjustment for the year			87.5				87.5		87.5
Transferred to revenue			13.0				13.0		13.0
Transferred to consumption of raw materials			-41.4				-41.4		-41.4
Transferred to financial expenses			1.7				1.7		1.7
Fair value adjustment of available for sale securities transferred to income statement				-1.6			-1.6		-1.6
Tax on other comprehensive income		-0.3	-15.2	0.4			-15.1		-15.1
Total other comprehensive income	0.0	1.6	45.6	-1.2	0.0	0.0	46.0	1.2	47.2
Profit for the year					157.4	83.0	240.4	-2.5	237.9
Comprehensive income for the year	0.0	1.6	45.6	-1.2	157.4	83.0	286.4	-1.3	285.1
Addition/disposal minority interests					0.5		0.5	-15.2	-14.7
Share-based payment					4.7		4.7		4.7
Total changes in equity in 2009	0.0	1.6	45.6	-1.2	162.6	83.0	291.6	-16.5	275.1
Equity, 31 December 2009	474.4	-97.1	70.4	-1.1	3,189.2	83.0	3,718.8	21.0	3,739.8

	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
Equity, 1 January 2010	474.4	-97.1	70.4	-1.1	3,189.2	83.0	3,718.8	21.0	3,739.8
Other comprehensive income									
Foreign exchange translation differences		214.6					214.6	1.6	216.2
Value adjustment of hedging instruments:									
Value adjustment for the year			84.0				84.0		84.0
Transferred to revenue			30.6				30.6		30.6
Transferred to consumption of raw materials			-144.3				-144.3		-144.3
Transferred to financial expenses			3.7				3.7		3.7
Fair value adjustment of available for sale securities				1.7			1.7		1.7
Share of equity movements in Investments in associates and joint ventures					-1.6		-1.6		-1.6
Tax on other comprehensive income		-0.6	11.4	-0.4			10.4	0.0	10.4
Total other comprehensive income	0.0	214.0	-14.6	1.3	-1.6	0.0	199.1	1.6	200.7
Profit for the year					218.7	47.5	266.2	3.6	269.8
Comprehensive income for the year	0.0	214.0	-14.6	1.3	217.1	47.5	465.3	5.2	470.5
Dividends paid						-83.0	-83.0		-83.0
Dividend treasury shares					0.3		0.3		0.3
Addition/disposal minority interests					-4.7		-4.7	-19.2	-23.9
Share-based payment					4.9		4.9		4.9
Cash from exercise of share options	0.4				3.4		3.8		3.8
Total changes in equity in 2010	0.4	214.0	-14.6	1.3	221.0	-35.5	386.6	-14.0	372.6
Equity, 31 December 2010	474.8	116.9	55.8	0.2	3,410.2	47.5	4,105.4	7.0	4,112.4

NOTES

Amounts in mDKK

1 ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the annual report, Management makes a number of accounting estimates and judgments that form the basis for recognition and measurement of assets and liabilities. The most significant accounting estimates and judgements are stated below. The Group's accounting policies are described in detail in note 34.

Estimation uncertainty

Determining the carrying value of certain assets and liabilities requires judgments, estimates and assumptions relating to future events.

The estimates and assumptions made about future events are based on historical experience and other factors which by Management are considered reliable but which by nature are associated with uncertainty. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the Group is subject to risks and uncertainties which may lead to actual results differing from these estimates. Particular risks relating to NKT are discussed in the 'Risk factors' section of Management's review and Note 30 of the consolidated financial statements. The description in the Management's Review and Note 30 are not exhaustive.

It may be necessary to change previous estimates due to changes in the conditions on which they were based or due to new information or subsequent events. Changes to accounting estimates are recognized in the accounting period in which the change takes place, and also in future accounting periods if the change affects both the period in which it was made and subsequent accounting periods.

In the consolidated financial statements for 2010, attention is specially drawn to the following assumptions and uncertainties as they have substantially influenced the assets and liabilities recognized in the statements and may necessitate adjustments in subsequent accounting years if the assumed course of events is not realized as anticipated.

- Impairment test. At the annual impairment test for goodwill and other intangible assets that are not amortized, or if there is indication of impairment for other intangible assets and property, plant and equipment, an estimate is made of whether the parts of the business to which the asset is allocated (cash generating units) will be capable of generating sufficient positive net cash flows in the future (value in use) to support the carrying amount of the asset and other net assets in the relevant part of the business.

  Due to the nature of the business, an estimate must be made of expected cash flows for many years in the future as well as a reasonable discount rate, which naturally leads to some uncertainty.

  The impairment test and the particularly sensitive circumstances relating thereto, are more fully described in Note 14.

- Useful life and scrap value. Useful life and scrap value for intangible assets and property, plant and equipment. Estimated useful lives and scrap values for intangible assets that are amortized on a continuous basis, and property, plant and equipment are reviewed periodically. Periodic assessment of useful lives and scrap values is based inter alia on gains/losses from disposal/scrapping of assets, impairment tests and other indicators. Depreciation/amortization for the year and useful lives are seen in Notes 15 and 16.

- Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. The selling price is measured according to the total expected income on the individual contract. The stage of completion is determined from an assesment of the work performed, normally calculated as the ratio of expenses incurred to total expected expenses relating to the contract concerned. The selling price for production on construction contracts is seen in Note 3. Joint venture revenue, which is shown in Note 9, is also measured as the selling price for production on construction contracts for the year.

In addition to the normally occurring uncertainties, significant uncertainty surrounded the following at 31 December 2010:

- NKT Cables: The submarine cable project was delayed, leading to delayed cable installation and additional costs, which has resulted in an overall project loss. The project is now expected to be completed at the end of 1st quarter 2011. The determination of the total loss on the project is subject to uncertainty, and a loss with effect on EBIT of approximately 70 mDKK has been recognized in 2010. The loss relating to the project, including loss relating to 2011, has been estimated and has been recognized in the financial statement for 2010.
- NKT Flexibles (joint venture - see note 9): Production of orders under a framework agreement with Petrobras dating from 2008 accounted for a considerable share of the level of activity in 2010. The framework agreement includes a price adjustment mechanism based on the development in raw material prices, etc. There is uncertainty with regard to the method of determination for the price adjustment mechanism, and as a result an amount has not yet been recognized in the financial statements for 2010. The price adjustment may have a positive effect in 2011 and the effect may be significant.

- Writedown of inventories and receivables. Inventories are written down to net realizable value calculated as the sales amount amount less costs of completion and costs incurred in effecting sale, and are determined taking into account marketability, obsolescence and development in expected sales price. Note 17 shows the carrying value of inventories recognized at net sales price and writedowns of inventories for the year recognized as cost.

NOTES

Amounts in mDKK

1 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Writedowns on receivables are based on an individual assessment of indication of impairment in connection with customer insolvency, expected insolvency, and a mathematical calculation based on grouping of receivables after number of days' maturity. Note 30 shows movements for the year in writedowns arising from receivables relating to sales and services.

- Defined benefit plans. Assessment of the value of defined benefit plans is based on a number of actuarial assumptions including discount rates, expected yield on plan assets, and expected rate of increase in pay and pensions. The value of NKT's defined benefit plans is based on assessments by external actuaries. Further information on these plans is contained in Note 21.

- Provisions is measured at Management's best estimate of the amount at which the obligation is expected to be discharged. Provisions consist chiefly of warranties and other provisions.

  Warranties relate principally to Nilfisk-Advance. The amount recognized is a forecast based on products sold within the last three years and empirical data for previous years. Other provisions relate principally to estimated restoration costs pertaining properties in Cologne (NKT Cables) and also rent relating to unutilized leases. For further information concerning provisions, please refer to Note 23.

- Business combinations. In the case of acquisitions where NKT Holding A/S gains control over the company concerned the purchase method is applied. Uncertainty is related to identification of assets, liabilities and contingent liabilities, and to measurement of their fair value at the acquisition date. Note 27 shows the the fair value at the time of acquisition for assets, liabilities and contingent liabilities.

- Deferred tax, and the significant items that have resulted in the deferred tax assets and liabilities, is stated in Note 22. Deferred tax reflects judgments of actual future tax payable concerning items in the financial statements, taking into account timing and probability. In addition, these estimates reflect expectations of future taxable earnings and the Group's tax planning. Actual future tax may differ from these estimates due to changes in expectations with regard to future taxable earnings, future statutory changes in income tax or the outcome of tax authorities' final review of the Group's tax returns.

Assesment in applied accounting polices

In applying the Group accounting policies, Management makes judgments concerning the accuracy of estimates which may materially influence the amounts recognized in the annual report.

Examples of such judgments is when income and expenditure relating to third-party contracts must be treated in accordance with the percentage of completion method (construction contracts). In 2010 Management made such judgments concerning:

- Use of the percentage of completion method. The Management assesses, at contract signature, whether the products contain a sufficiently high degree of individual adjustment to qualify for recognition as a construction contract under this method. If this is not the case, the products are recognized as revenue on finished products, as described in Note 34 'Accounting policies'.

- Business combinations. On business combinations and establishment of new collaborative agreements, assessment is made in order to classify the acquired business as a subsidiary, joint venture or associate. The assessment is made against the background of the constituent agreements relating to acquisition of ownership/voting interest in the business, and against the background of constituent shareholder agreements etc. that regulate the actual control in the business.

  This classification is significant as subsidiaries are consolidated, while joint ventures and associates are not consolidated but recognized on one line with the proportional share of the equity value of the business and of its profit for the year. Key data for associates and the joint venture are shown in Notes 8 and 9.

Going concern

According to the regulations for preparation of financial statements, the Group Management is required to decide whether the financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flow, existence of credit facilities etc. the Group Management has concluded that there are no factors giving reason to doubt whether NKT can continue operating for at least 12 months from the balance sheet date.

NOTES

Amounts in mDKK

2 SEGMENT REPORTING

The reportable segments consist of strategic business units engaged in sale of various products and services

- NKT Cables, power cables etc.
- Nilfisk-Advance, professional cleaning equipment
- Photonics Group, optical fiber products
- NKT Flexibles, flexible offshore pipe systems

along with the parent company etc. ('Parent company etc.' refers to the parent company and non-material units with operating risks of a similar nature). NKT Flexibles is a joint venture of which NKT Holding owns 51%. Accordingly, 51% of NKT Flexibles' profit after depreciation, amortization and financial items is recognized in NKT Group EBITDA. The segment information below only contains those financial items included in NKT's consolidated financial statement. Particulars of revenue, expenses, assets and liabilities (100% share) are shown in Note 9.

Each business unit operates independently of the others, with separate brands and managements, as each business unit has different customers and end-users, and is based on different technologies and market strategies. A further description of the business units is included in Management's review.

NKT Group Management assesses segment operating results separately to determine allocation of resources and measurement of performance. The internal financial reporting on which the assessments are based complies with the Group's accounting policies.

Transactions between segments are performed on market terms and no single customer represents more than 10% of the revenue. The reportable segments are identified without aggregation of operating segments.

2010	NKT Cables	Nilfisk-Advance	Photonics Group	NKT Flexibles profit share	Parent company etc.	Total reportable segments	Inter-segment transactions	Total NKT Group
Income statement								
Revenue from external customers	8,519.3	5,746.6	184.7	0.0	0.5	14,451.1	0.0	14,451.1
Inter-segment revenue	0.3	0.0	0.5	0.0	0.0	0.8	-0.8	0.0
Total revenue	8,519.6	5,746.6	185.2	0.0	0.5	14,451.9	-0.8	14,451.1
Costs and other income, net	-8,199.7	-5,229.9	-196.0	0.0	-36.3	-13,661.9	0.8	-13,661.1
Share of profits after tax of associates and joint ventures	9.2	9.7	0.0	89.9	0.4	109.2	0.0	109.2
Earnings, (EBITDA)	329.1	526.4	-10.8	89.9	-35.4	899.2	0.0	899.2
Depreciation and amortization	-220.5	-177.3	-11.8	0.0	-0.3	-409.9	0.0	-409.9
Impairment loss	0.0	-9.6	0.0	0.0	0.0	-9.6	0.0	-9.6
Segment result (EBIT)	108.6	339.5	-22.6	89.9	-35.7	479.7	0.0	479.7
Financial income	153.7	88.7	0.2	0.0	109.6	352.2	-92.8	259.4
Financial expenses	-238.6	-164.0	-6.3	-0.4	-77.3	-486.6	92.8	-393.8
Tax	13.7	-72.0	5.7	-22.4	-0.5	-75.5	0.0	-75.5
Profit for the year	37.4	192.2	-23.0	67.1	-3.9	269.8	0.0	269.8
Balance								
Segment assets	7,312.4	5,202.3	223.5	443.0	3,375.3	16,556.5	-4,000.8	12,555.7
Segment goodwill	172.8	947.9	26.8	0.0	0.0	1,147.5	0.0	1,147.5
Investments in associates and joint ventures	43.7	80.6	0.0	556.5	-8.7	672.1	0.0	672.1
Segment liabilities	6,164.9	3,565.2	179.6	0.0	2,534.4	12,444.1	-4,000.8	8,443.3
Other Information								
Cash flow from operations before financial items and tax	-409.4	346.2	-24.4	0.0	-40.6	-128.2	0.0	-128.2
Additions to property, plant and equipment and intangible assets	731.1	180.7	23.6	0.0	0.5	935.9	0.0	935.9
Average number of full-time employees	3,312	4,944	174	0	24	8,454	0	8,454

NOTES

Amounts in mDKK

2 SEGMENT REPORTING (continued)

2009	NKT Cables	Nilfisk-Advance	Photonics Group	NKT Flexibles profit share	Parent company etc.	Total reportable segments	Inter-segment transactions	Total NKT Group
Income statement								
Revenue from external customers	6,382.7	5,137.9	159.5	0.0	7.2	11,687.3	0.0	11,687.3
Inter-segment revenue	0.4	0.0	0.0	0.0	0.0	0.4	-0.4	0.0
Total revenue	6,383.1	5,137.9	159.5	0.0	7.2	11,687.7	-0.4	11,687.3
Costs and other income, net	-6,011.8	-4,831.2	-191.0	0.0	-18.6	-11,052.6	0.4	-11,052.2
Share of profits after tax of associates and joint ventures	1.3	10.7	0.0	135.9	0.0	147.9	0.0	147.9
Earnings, (EBITDA)	372.6	317.4	-31.5	135.9	-11.4	783.0	0.0	783.0
Depreciation and amortization	-175.2	-176.9	-15.1	0.0	-0.2	-367.4	0.0	-367.4
Impairment loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Segment result (EBIT)	197.4	140.5	-46.6	135.9	-11.6	415.6	0.0	415.6
Financial income	87.1	42.2	1.1	0.0	106.7	237.1	-102.2	134.9
Financial expenses	-157.7	-126.0	-5.1	-0.3	-72.6	-361.7	102.2	-259.5
Tax	-36.6	7.2	12.7	-33.9	-2.5	-53.1	0.0	-53.1
Profit for the year	90.2	63.9	-37.9	101.7	20.0	237.9	0.0	237.9
Balance								
Segment assets	5,492.7	4,704.9	214.3	441.3	2,103.4	12,956.6	-2,832.9	10,123.7
Segment goodwill	153.1	873.3	25.3	0.0	0.0	1,051.7	0.0	1,051.7
Investments in associates and joint ventures	30.9	61.2	0.0	544.7	-9.1	627.7	0.0	627.7
Segment liabilities	4,364.4	3,375.4	211.3	28.8	1,236.9	9,216.8	-2,832.9	6,383.9
Other Information								
Cash flow from operations before financial items and tax	275.2	563.1	-27.1	0.0	-18.7	792.5	0.0	792.5
Additions to property, plant and equipment and intangible assets	890.4	162.4	8.2	0.0	0.1	1,061.1	0.0	1,061.1
Average number of full-time employees	3,088	4,648	173	0	29	7,938	0	7,938

NOTES

Amounts in mDKK

2 SEGMENT REPORTING (continued)

In the presentation of geographical information the breakdown of revenue is based on the geographical location of customers while asset breakdown is based on the physical location of the assets.

Geographical information, revenue

	2010	2009
Germany	3,250.9	2,320.1
USA	1,391.0	1,295.1
China	1,318.6	1,015.6
Denmark	851.3	956.2
Poland	828.4	482.3
Czech Republic	764.6	575.0
Other	6,046.3	5,043.0
	14,451.1	11,687.3

Geographical information, property, plant and equipment and intangible assets

Germany	1,738.6	1,424.4
Denmark	802.7	757.7
Czech Republic	732.1	698.3
USA	595.6	535.9
China	581.1	385.9
Poland	133.9	130.9
Other	408.0	354.8
	4,992.0	4,287.9

3 REVENUE

Goods	12,764.3	10,717.6
Services	682.4	620.6
Royalty	4.2	0.0
Rentals	0.6	7.9
Construction contract revenue	999.6	341.2
	14,451.1	11,687.3

NOTES

Amounts in mDKK

4 OTHER OPERATING INCOME

	2010	2009
Release of unused provisions	2.8	9.3
Gain on disposal of property, plant and equipment and intangible assets	7.9	21.6
Government grants	8.6	2.3
Other	33.2	30.7
	52.5	63.9

5 EMPLOYEE BENEFITS, EXPENSE

Wages and salaries	2,161.3	2,007.9
Social security costs	297.6	274.6
Defined contribution plans	89.6	74.7
Defined benefit plans	16.5	17.4
Share-based payments	4.9	4.7
	2,569.9	2,379.3
Average number of full-time employees	8,454	7,938

See Notes 28 and 29 for information regarding management remuneration and share options.

6 RESEARCH AND DEVELOPMENT COSTS

Research and development costs recognized as other costs	154.8	117.2
Research and development costs recognized as employee benefits	73.3	55.2
- recognized as own work capitalized	-9.3	0.0
Research and development costs expensed as incurred	218.8	172.4
Development costs recognized as assets	141.3	117.4
	360.1	289.8

7 FEES PAID TO AUDITOR ELECTED AT THE ANNUAL GENERAL MEETING

KPMG:		
Statutory audit	15.1	16.5
Other certainty declarations	0.4	0.2
Tax and VAT advice	2.6	5.9
Other services	2.2	1.4
	20.3	24.0

8 INVESTMENTS IN ASSOCIATES

Summary financial information - 100%

Company information and ownership are listed in Note 33 "Group companies"

Revenue	597.4	400.0
Profit for the year	41.6	27.3
Total assets	475.8	344.1
Liabilities	208.3	157.9
The NKT Group's share of profit for the year	18.9	12.0
The NKT Group's share of equity	108.5	85.5
Goodwill	15.8	6.6
Carrying amount, 31 December	124.3	92.1

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Amounts in mDKK

9 INTEREST IN JOINT VENTURE

Summary of financial information - 100 %

NKT Flexibles I/S, Denmark	2010	2009
Revenue and other income	1,206.6	1,316.5
Expenses	-1,030.3	-1,050.1
Profit for the year	176.3	266.4
Non-current assets	689.8	530.0
Current assets	836.8	877.8
Total assets	1,526.6	1,407.8
Equity	1,091.2	1,068.1
Non-Current liabilities	7.6	8.8
Current liabilities	427.8	330.9
Total equity and liabilities	1,526.6	1,407.8
The NKT Group's ownership	51%	51%
The NKT Group's share of profit / (loss) for the year	89.9	135.9
Adjustment	0.4	0.0
Recognised share of profit / (loss) for the year	90.3	135.9
The NKT Group's share of equity	556.5	544.7
Value adjustment	-8.7	-9.1
Carrying amount, 31 December	547.8	535.6

The NKT Group has a 51% ownership interest in NKT Flexibles I/S. NKT Flexibles I/S is not liable to tax independently and corporate income tax is not recognized in NKT Flexibles I/S. Tax relating to Flexibles I/S is recognized in the consolidated financial statements. NKT Flexibles I/S is accounted for by one line consolidation in accordance with the provisions of IAS 31 on jointly controlled entities as the company is controlled jointly with joint venture partner.

Disclosures of liabilities and security relating to joint venture are shown in Note 26.

The partnership contract for NKT Flexibles contains Change of Control provisions (a shareholder or shareholder group gains a controlling interest in NKT Holding). The contents of this are not disclosed.

10 FINANCIAL INCOME

Interest etc.	15.2	8.6
Foreign exchange gains	237.3	126.2
Gain on derivative financial instruments	6.9	0.0
Gains on available-for-sale equity securities	0.0	0.1
	259.4	134.9

Interest etc. relating to financial assets measured at amortized cost.

11 FINANCIAL EXPENSES

Interest etc.	157.4	148.0
Foreign exchange losses	218.2	127.0
Loss on derivative financial instruments	21.9	6.1
Loss on other investments and receivables	2.5	0.0
Borrowing costs recognized in cost of assets	-6.2	-21.6
	393.8	259.5

Interest etc. relating to financial liabilities measured at amortized cost.
In the calculation of borrowing costs for recognition in the cost of assets an effective interest rate in the level of 3% (2009: 3-6%) has been applied, corresponding to the Group's weighted average cost on general borrowing.

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Amounts in mDKK

12 TAX

	2010	2009
Recognized in the income statement		
Current tax	83.9	51.7
Deferred tax	-8.4	1.4
	75.5	53.1
Tax rate for the year	21.9%	18.2%
Reconciliation of tax		
Calculated 25% tax on earnings before tax	86.3	72.7
Tax effect of:		
Foreign tax rates relative to Danish tax rate	-8.5	3.0
Non-taxable income/non-deductible expenses, net	4.0	-5.3
Adjustment for previous years, including estimates	1.6	-13.1
Adjustment for previous years due to value adjustment of tax assets	-7.9	-4.2
	75.5	53.1

For tax particulars concerning the individual items in other comprehensive income, refer to statement of changes in equity.

13 EARNINGS PER SHARE

	2010	2009
Profit attributable to equity holders of NKT Holding A/S	266.2	240.4
Earnings effect of warrants of subsidiaries	0.0	0.0
Diluted profit attributable to equity holders of NKT Holding A/S	266.2	240.4
Profit, continuing operations	269.8	237.9
Profit attributable to minority interests	-3.6	2.5
Profit, continuing operations, attributable to equity holders of NKT Holding A/S	266.2	240.4
Earnings effect of warrants of subsidiaries	0.0	0.0
Diluted profit, continuing operations, attributable to equity holders of NKT Holding A/S	266.2	240.4
Weighted average number of shares:		
Average number of issued shares	23,733,079	23,718,379
Average number of treasury shares	-77,488	-77,675
Weighted average number of shares outstanding	23,655,592	23,640,704
Effect of share-based options	97,200	99,298
Diluted weighted average number of shares outstanding	23,752,792	23,740,002
Basic earnings per share (EPS)	11.3	10.2
Diluted earnings per share (EPS-D)	11.2	10.1

The calculation of diluted earnings per share excludes 537,025 share options (2009: 317,025) which are out-of-the-money but which may potentially dilute future earnings per share.

NOTES
Amounts in mDKK

14 IMPAIRMENT TEST

The impairment charge for the year comprises 9.6 mDKK. (2009: 0.0 mDKK) relating to a development project in connection with adjustment of the product programme at Nilfisk-Advance.

For impairment test purposes property, plant and equipment have been allocated to cash-generating units and goodwill has been allocated to groups of cash-generating units.

Goodwill
Goodwill has been tested for impairment on the smallest group of cash-generating units within NKT at which goodwill is monitored for internal management purposes and which is not larger than the reportable segment. Goodwill has been allocated to three individual groups of cash generating units: NKT Cables, Nilfisk-Advance and Photonics Group. The carrying amount of goodwill at 31 December was as follows for the reportable segments:

	2010	2009
NKT Cables	172.8	153.1
Nilfisk-Advance	947.9	873.3
Photonics Group	26.8	25.3
	1,147.5	1,051.7

The carrying amount of goodwill allocated to Photonics Group has been tested for impairment. The test shows that goodwill is not impaired. No further information concerning the impairment test for Photonics Group is included in the annual report as goodwill allocated to Photonics Group is not material.

The recoverable amount of the individual groups of cash-generating units has been determined on the basis of a value in use calculation. The calculation uses cash flow projections based on financial budgets for 2011 and financial forecasts for 2012-2015 approved by Management. A discount rate of 11.1% (2009: 11.0-12.0%) has been used before tax, and a discount rate of 7.25-8.0% (2009: 8.5%) after tax. The cash flows beyond 2015 are extrapolated using a steady growth rate of 2.0%. The growth rate is estimated not to exceed the long-term average growth rates for the markets in which NKT Cables and Nilfisk-Advance operate.

Besides the above-stated, the key assumptions used in determining the value in use are:

<u>EBITDA for 2011-2015:</u>
EBITDA is calculated as operating profit before depreciation, amortization and impairment and has been based on the following:

NKT Cables: · Revenue and gross profit are expected to increase from 2011 to 2015.
Nilfisk-Advance: · Revenue is expected to increase from 2011 til 2015 while gross profit is expected to be on a par.

The above assumptions for the period 2011-2015 are based on realized figures for 2010 and on NKT Group Management's expectations for the period.

<u>Capital expenditure:</u>
Capital expenditure cash flow is based on present production capacity and future production capacity already initiated. To indicate the level of capital expenditure the ratio between capital expenditure and yearly average depreciations is stated. This comprises:

NKT Cables: · A yearly average of 107% of depreciation for the period 2011-2015 .
Nilfisk-Advance: · A yearly average of 106% of depreciation for the period 2011-2015 .

<u>Working capital:</u>
NKT Cables: · An average of 17% of revenue for the year (2010: 20.7%). Strategic target of <17%.
Nilfisk-Advance: · An average of 18% of revenue for the year (2010: 18.6%). Strategic target of <18%.

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Amounts in mDKK

14 IMPAIRMENT TEST (continued)

Sensitivity to changes in assumptions:

Management believes that reasonable changes in key assumptions will not cause the carrying amount of goodwill to exceed the recoverable amount. To show the headroom between the recoverable amount and the carrying amount, a sensitivity analysis has been included.

The sensitivity analysis below of goodwill impairment test focuses on change in EBITDA, discount rate and the growth rate beyond 2014. The changes in EBITDA for 2012-2015 are based on the assumption that capital expenditure and working capital follow the decrease in EBITDA. In the sensitivity analysis all other assumptions are unchanged. The following key assumptions must change as follows before the carrying amounts equals value in use.

	Assumptions used when calculating value in use (starting point)		Assumptions must change as follows before the carrying amount equals the value in use	
	NKT Cables	Nilfisk-Advance	NKT Cables	Nilfisk-Advance
Pre-tax discount rate	11.1%	11.1%	> 15%	> 15%
Long-term growth rate (Beyond 2015)	2.0%	2.0%	1.1%	>-15%
Change in EBITDA compared to the starting point	-	-	-7.5%	>-15%

Property, plant and equipment

Property, plant and equipment are impairment-tested at the level of cash-generating units with individual cash flows. The cash-generating units with indications of impairments, and where impairment tests are performed, are NKT Cables Czech Republic and NKT Cables Denmark.
As per 31 December the carrying amount of property, plant and equipment for these entities was as follows:

	Operating segment	2010	2009
NKT Cables Czech Republic	NKT Cables	650.4	579.2
NKT Cables Denmark	NKT Cables	207.5	196.4
		857.9	775.6

Other than disclosed below, Management believes that no reasonable change in any of the key assumptions will cause the carrying value of any property, plant and equipment cash-generating units to exceed its recoverable amount.

A sensitivity analysis has been performed that focuses solely on changes in EBITDA, discount rate and the growth rate beyond 2015 for NKT Cables Czech Republic and NKT Cables Denmark. The recoverable amount is significantly higher than the carrying amount. The analysis shows that the growth in EBITDA must be -9.3% for NKT Cables Czech Republic and -4.5% for NKT Cables Denmark before the carrying amount equals the recoverable amount.

Other intangibles

Other intangibles have been tested for impairment and show no indication of impairment loss.

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Amounts in mDKK

15 INTANGIBLE ASSETS

	Goodwill	Trademarks etc.	Customer related assets	Completed development projects	Patents and software etc.	Development projets in progress and prepayments	Total
Costs,1 January 2009	1,042.9	106.6	158.4	313.1	256.4	65.0	1,942.4
Additions through business combinations	2.3	0.0	5.7	0.0	1.5	0.0	9.5
Additions	2.5	0.0	0.0	5.5	7.5	111.9	127.4
Disposals	0.0	-1.9	0.0	-1.4	-0.6	-0.4	-4.3
Transferred between classes of assets	6.2	0.0	4.3	86.9	67.2	-88.1	76.5
Exchange rate adjustments	-2.2	0.3	0.5	-1.7	-1.3	-0.7	-5.1
Costs, 31 December 2009	1,051.7	105.0	168.9	402.4	330.7	87.7	2,146.4
Amortization and impairment, 1 January 2009	0.0	-51.1	-54.5	-165.6	-86.0	0.0	-357.2
Amortization for the year	0.0	-6.8	-22.9	-54.2	-40.3	0.0	-124.2
Disposals	0.0	1.0	0.0	1.4	0.5	0.0	2.9
Transferred between classes of assets	0.0	0.0	0.0	-16.1	-32.9	0.0	-49.0
Exchange rate adjustments	0.0	-0.9	0.0	2.2	0.4	0.0	1.7
Amortization and impairment 31 Dec. 2009	0.0	-57.8	-77.4	-232.3	-158.3	0.0	-525.8
Carrying amount, 31 December 2009	1,051.7	47.2	91.5	170.1	172.4	87.7	1,620.6
Costs, 1 January 2010	1,051.7	105.0	168.9	402.4	330.7	87.7	2,146.4
Additions through business combinations	24.8	4.7	11.5	0.0	0.9	0.0	41.9
Additions	1.5	0.0	0.0	18.5	10.5	122.8	153.3
Disposals	-2.9	0.0	0.0	-0.1	-7.3	-1.4	-11.7
Transferred between classes of assets	0.6	0.0	0.0	61.4	12.8	-72.4	2.4
Exchange rate adjustments	71.8	5.8	10.8	10.8	12.9	2.2	114.3
Costs, 31 December 2010	1,147.5	115.5	191.2	493.0	360.5	138.9	2,446.6
Amortization and impairment, 1 January 2010	0.0	-57.8	-77.4	-232.3	-158.3	0.0	-525.8
Amortization for the year	0.0	-5.6	-26.2	-58.7	-40.0	0.0	-130.5
Impairment	0.0	0.0	0.0	-9.6	0.0	0.0	-9.6
Disposals	0.0	0.0	0.0	0.0	7.3	0.0	7.3
Transferred between classes of assets	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2
Exchange rate adjustments	0.0	-2.3	-3.6	-7.8	-7.0	0.0	-20.7
Amortization and impairment, 31 Dec. 2010	0.0	-65.7	-107.2	-308.4	-198.2	0.0	-679.5
Carrying amount, 31 December 2010	1,147.5	49.8	84.0	184.6	162.3	138.9	1,767.1
Amortization period (years)		3-20	3-7	5-10	5-15		

Trademarks with a carrying amount of 18.5 mDKK (2009: 23.4 mDKK) are not amortized as their useful life cannot be defined. Management assesses that the value of these trademarks can be maintained indefinitely.

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Amounts in mDKK

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets under construction and prepaym.	Total
Costs, 1 January 2009	756.1	1,528.9	833.0	616.0	3,734.0
Additions through business combinations	0.0	0.0	0.2	0.0	0.2
Additions	224.8	169.0	79.2	460.7	933.7
Disposals	-132.7	-132.6	-73.7	-0.3	-339.3
Transferred between classes of assets	41.3	72.6	120.6	-179.4	55.1
Exchange rate adjustments	3.7	3.5	-2.2	-0.2	4.8
Costs, 31 December 2009	893.2	1,641.4	957.1	896.8	4,388.5
Depreciation and impairment, 1 January 2009	-273.1	-908.5	-542.6	-0.8	-1,725.0
Depreciation for the year	-21.4	-107.2	-114.6	0.0	-243.2
Transferred between classes of assets	0.0	14.1	-87.4	0.9	-72.4
Disposals	123.0	127.9	67.8	0.0	318.7
Exchange rate adjustments	-0.2	-1.1	2.1	-0.1	0.7
Depreciation and impairment, 31 December 2009	-171.7	-874.8	-674.7	0.0	-1,721.2
Carrying amount, 31 December 2009	721.5	766.6	282.4	896.8	2,667.3
Of which, assets leased under finance leases	0.0	0.7	1.6	0.0	2.3
Costs, 1 January 2010	893.2	1,641.4	957.1	896.8	4,388.5
Additions through business combinations	0.0	4.8	1.0	0.0	5.8
Additions	217.9	200.4	73.6	290.7	782.6
Disposals	-1.1	-100.9	-93.2	-5.5	-200.7
Transferred between classes of assets	417.8	399.9	57.2	-814.4	60.5
Exchange rate adjustments	33.9	42.1	30.5	7.4	113.9
Costs, 31 December 2010	1,561.7	2,187.7	1,026.2	375.0	5,150.6
Depreciation and impairment, 1 January 2010	-171.7	-874.8	-674.7	0.0	-1,721.2
Depreciation for the year	-40.9	-128.4	-110.1	0.0	-279.4
Transferred between classes of assets	0.0	-45.1	-17.0	0.0	-62.1
Disposals	0.2	97.4	87.6	0.0	185.2
Exchange rate adjustments	-5.6	-21.2	-21.4	0.0	-48.2
Depreciation and impairment, 31 December 2010	-218.0	-972.1	-735.6	0.0	-1,925.7
Carrying amount, 31 December 2010	1,343.7	1,215.6	290.6	375.0	3,224.9
Of which, assets leased under finance leases	0.0	0.4	0.8	0.0	1.2
Depreciation period (years)	10-50	4-20	3-17		

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Amounts in mDKK

17 INVENTORIES

	2010	2009
Raw materials, consumables and goods for resale	908.4	736.4
Work in progress	677.7	473.3
Finished goods	1,253.4	985.3
	2,839.5	2,195.0
Carrying amount of inventories recognized at fair value less costs of sale	369.4	156.7
Impairments on inventories for the year recognized as expenses in the income statement	66.4	38.2

18 RECEIVABLES

	2010	2009
Trade receivables	2,614.1	1,994.1
Trade receivables due from associates and joint ventures	48.3	0.6
Construction contracts	375.1	51.8
Other receivables from associates and joint ventures	0.0	0.5
Other receivables	360.4	358.0
Prepayments	73.9	59.7
	3,471.8	2,464.7
Of which receivables falling due later than 12 months from the balance sheet date	201.3	70.1
Impairment set off against trade receivables	135.2	149.1
Construction contracts		
Costs incurred and recognized profits less losses	1,506.3	506.8
Progress billings	-1,207.5	-735.0
	298.8	-228.2
Construction contracts is recognized thus:		
Recognized as assets	375.1	51.8
Recognized as liabilities	-76.3	-280.0
	298.8	-228.2
Payments withheld	0.0	0.0

Disclosure of credit risks are included in Note 30.

19 SHARE CAPITAL AND DIVIDENDS

Number of 20 DKK shares ('000)

	2010	2009
Shares 1 January	23,718	23,718
Increase in capital by exercise of share options	20	0
Shares 31 December	23,738	23,718
Treasury shares	-77	-78
Shares outstanding, 31 December	23,661	23,640

At 31 December 2010 the share capital comprised 23,737,979 shares of par value of 20 DKK (2009: 23,718,379 shares). No shares have special rights. The Company's Articles of Association include no limits on ownership or voting right and the Company is not aware of agreements relating thereto.

A dividend of 47.5 mDKK (2009: 83.0 mDKK) is proposed, corresponding to a dividend per share of 2.0 DKK (2009: 3.5 DKK).

Dividend distribution to shareholders of NKT Holding A/S has no tax consequences for NKT Holding A/S.

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Amounts in mDKK

20 TREASURY SHARES

2010 - NKT Holding A/S has acquired the following treasury shares:

	Number of shares	Nom. mDKK	Proceeds mDKK	Proportion of share capital	Market value mDKK
1 January	77,675.0	1.6	-	0.3%	22.6
Disposal	-250.0	0.0	0.0	0.0%	0.0
Dividends received	-	-	0.3	-	-
31 December	77,425.0	1.6	0.3	0.3%	23.0

2009 - NKT Holding A/S has acquired the following treasury shares:

1 January	77,675.0	1.6	-	0.3%	8.2
Dividends received	-	-	0.8	-	-
31 December	77,675.0	1.6	0.8	0.3%	22.6

All treasury shares are owned by NKT Holding A/S. Treasury shares are acquired with view to adjustment of the Group's capital structure.

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Amounts in mDKK

21 EMPLOYEE BENEFITS

Most Group employees are covered by pension schemes, principally in the form of defined contribution pension plans or alternatively defined benefit pension plans. The Group companies contribute to these plans either directly or by contributing to independently administered pension funds. The nature of such schemes varies according to the legal or regulatory basis, the tax regulations, and the economic conditions in the country of employment, and the benefits are usually based on employee pay and seniority. The liability extends to both existing and future pension entitlements.

The Group's defined benefit plans are principally paid in Germany and the UK. Pension schemes are partially hedged by payments from the Group companies and from the employees to pension funds that are independent of the Group. If a scheme is not fully hedged, a pension liability is recognized in the consolidated balance sheet. In accordance with accounting policies, expenses relating to pension benefits are recognized in staff costs.

Development for current year and previous years:	2010	2009	2008	2007	2006
Present value of defined benefit pension plans liabilities	384.5	355.3	325.4	353.6	384.6
Fair value of plan assets	-110.9	-100.1	-75.0	-94.3	-88.6
Deficit	273.6	255.2	250.4	259.3	296.0
Unrecognized actuarial gains/ -losses	10.6	24.4	25.3	22.6	-10.9
Unrecognized pension costs relating to previous years	0.0	0.2	-0.6	0.0	0.0
Liabilities (net), defined benefit pension plans	284.2	279.8	275.1	281.9	285.1
Other long-term employee benefits	8.6	4.9	5.0	4.7	3.2
Liabilities (net) recognized in balance sheet	**292.8**	**284.7**	**280.1**	**286.6**	**288.3**
Experience adjustment on plan liabilities	-17.5	-17.2	23.6	24.0	-11.4
Experience adjustment on plan assets	-1.9	15.8	-21.5	3.0	5.5

Plan assets of 110.9 mDKK (2009: 100.1 mDKK) relate to a hedged benefit plan that is recognized with 134.9 mDKK (2009: 127.5 mDKK) under present value of plan liabilities, net liability of 24.0 mDKK (2009: 27.4 mDKK).

The way the liability is recognized in the balance sheet and income statement is specified below along with the development in the present value of the liability and plan assets. The composition of plan assets and the principal actuarial assumptions are also specified.

	2010	2009
Amounts recognized in the balance sheet:		
Liabilities, defined benefit pension plans etc.	292.8	284.7
Assets	0.0	0.0
Net liability	292.8	284.7
Expense recognized in the income statement:		
Expected current service costs	3.7	4.4
Expected interest costs on obligations	17.8	17.7
Expected return on plan assets	-5.1	-3.1
Amortization of actuarial gains and losses	-0.4	-0.8
Pension costs relating to previous years	0.1	-0.8
Effect of curtailments/settlements	0.4	0.0
	16.5	17.4
Actual return on plan assets	-1.7	16.2

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Amounts in mDKK

21 EMPLOYEE BENEFITS (continued)

	2010	2009
Changes in the present value of the defined benefit obligation:		
1 January	355.3	325.6
Expected current service costs	3.7	4.4
Expected interest costs on obligations	17.8	17.7
Pension costs relating to previous years	0.1	-0.8
Contributions by plan participants	0.3	0.6
Benefits paid	-11.5	-13.3
Curtailments	0.4	0.0
Settlements	-2.5	-1.0
Actuarial (gains) and losses	13.0	18.1
Currency differences on foreign plans	7.9	4.0
	384.5	355.3

The Group's expected contribution to defined benefit plans in 2011 amounts to 18.0 mDKK

	2010	2009
Changes in the fair value of plan assets		
1 January	100.1	75.0
Expected return on plan assets	5.1	3.1
Paid by NKT Group	5.2	6.3
Paid by employees	0.3	0.0
Benefits paid	-3.9	-4.9
Settlements	-0.7	0.4
Actuarial gains and (losses)	-1.9	15.8
Exchange differences on foreign plans	6.7	4.4
	110.9	100.1

	2010	2009
The major categories of plan assets are as follows:		
Equities	0.0	43.1
Bonds	60.9	32.6
Property	0.0	0.6
Cash	50.0	23.8
	110.9	100.1

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2010	2009
Discount rate	4.2%	5.0%
Expected rates of return on plan assets	4.2%	4.4%
Future salary increases	2.9%	3.1%
Future pension increases	2.2%	2.7%

Expected return on plan assets is established on the basis of asset composition and general expectations regarding economic development.

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22 DEFERRED TAX ASSETS AND LIABILITIES

	2010	2009
Recognized deferred tax assets and liabilities		
Deferred tax assets, 1 January	219.8	205.3
Deferred tax liabilities, 1 January	-154.4	-122.8
Addition relating to business combination	-2.4	0.2
Foreign exchange adjustment	4.7	-0.8
Tax of adjustments recognized in equity	10.4	-15.1
Deferred tax recognized in income statement	8.4	-1.4
Deferred tax, 31 December, net	86.5	65.4

Tax assets are recognized if it is probable that they will reduce future tax payments within a short time.

	2010	2009
Recognized deferred tax:		
Deferred tax assets, 31 December	264.6	219.8
Deferred tax liabilities, 31 December	-178.1	-154.4
Deferred tax, 31 December, net	86.5	65.4

Specification of deferred tax assets and liabilities	2010		2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	34.7	-147.1	16.6	-121.9
Tangible assets	56.4	-196.2	68.0	-97.2
Other non-current assets	40.5	-100.2	3.7	-92.1
Current assets	114.3	-152.8	221.4	-75.9
Non-current liabilities	110.7	-22.1	58.6	-29.3
Current liabilities	34.1	-19.9	70.6	-191.5
Tax losses	419.1	0.0	329.5	0.0
Recapture of trading losses	0.0	-27.1	0.0	-30.1
Valuation allowance	-57.9	0.0	-65.0	0.0
	751.9	-665.4	703.4	-638.0
Set off in legal tax units and jurisdictions	-487.3	487.3	-483.6	483.6
	264.6	-178.1	219.8	-154.4

Change in valuation allowance excluding foreign currency translation adjustment is 7.9 mDKK (2009: 4.2 mDKK). The adjustment in valuation of recognized tax assets amounts to 0.0 mDKK (2009: 0.0 mDKK). The effect for the year is an income of 7.9 mDKK (2009: 4.2 mDKK), as shown in Note 12.

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Amounts in mDKK

23 PROVISIONS

	Warranties	Restruc-turing	Other	Total
Provisions, 1 January 2010	95.8	10.9	135.2	241.9
Provisions made during the year	113.1	0.5	58.4	172.0
Used during the year	-94.4	-10.5	-39.5	-144.4
Reversed during the year	-3.8	0.0	-0.9	-4.7
Foreign exchange adjustment	4.5	0.0	2.7	7.2
Provisions, 31 December 2010	115.2	0.9	155.9	272.0
Provisions are recognized in the balance sheet as:				
Non-current liabilities	10.2	0.0	102.3	112.5
Current liabilities	105.0	0.9	53.6	159.5
	115.2	0.9	155.9	272.0

The principal provisions are expected to be paid with the stated amounts within 1-3 years from the balance sheet date. The restoration liability pertaining to a factory property in Cologne is expected to be paid after 30 years.

Warranties relates principally to Nilfisk-Advance. The amount recognized is a forecast based on products sold within the last three years and empirical data for earlier years.

Other provisions relate principally to an estimated restoration liability pertaining to factory properties in Cologne (NKT Cables), and also rent pertaining to unutilized leases.

24 REICEIVABLES, INTEREST BEARING LOANS AND BORROWINGS AND OTHER PAYABLES

Receivables and payables are measured at amortized costs using the effective interest method which essentially corresponds to fair value and nominal value. Interest bearing loans and borrowings are predominantly subject to floating interest rates and are measured at amortized costs. The carrying value essentially corresponds to fair value and nominal value.

25 TRADE AND OTHER PAYABLES

	2010	2009
Trade payables	1,587.2	1,013.4
Trade payables to associates and joint ventures	2.8	0.0
Loans from associates	0.0	143.8
Other payables	1,135.8	993.3
Construction contracts (cf. Note 18)	76.3	280.0
Prepayments regarding construction contracts	39.7	22.4
Prepayments from customers	379.2	250.8
Deferred income	33.8	51.9
	3,254.8	2,755.6

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Amounts in mDKK

26 CONTINGENT LIABILITIES, SECURITY AND CONTRACTUAL OBLIGATIONS

Contingent liabilities

The Group is a party to disputes and inquiries from authorities where the outcome is not expected to have significant effect on profit for the year and the financial position. In connection with disposal of companies, guarantees have been provided, which is not expected to have significant effect on profit for the year.

The management remuneration at Nilfisk-Advance includes 'Change of Control' provisions (significant changes in ownership structure). The content herof is undisclosed.

In late February 2011 NKT Flexibles found that the steel delivered by one supplier in the period 2006-2010 has not always lived up to agreed product specifications despite of certification. The issue is currently being investigated and at this stage it is not possible to determine any potential economic or other consequences for NKT Flexibles.

In a few cases, the Group's foreign companies are subject to special tax schemes stipulating certain conditions which the companies complied with at 31 December 2010.

	2010	2009
The Group is jointly and severally liable with the joint venture participant for the liabilities of the joint venture, please see Note 9.		
Warranty for joint venture	148.9	116.2
Share of contingent liabilities in joint venture	-	-
Share of contingent liabilities in associates	-	-
Contingent assets	-	-
Contingent assets and liabilities from business combinations	-	-
Security		
Carrying amount of assets provided as security for credit institutions		
Land and buildings	737.0	256.7
Plant and machinery	307.8	29.0
Assets under construction	178.3	733.5
Liabilities secured on assets	479.3	646.1

Security can only be effectuated in certain cases of default to credit institutions.

Contractual obligations

	2010	2009
Contractual obligations relating to purchase of buildings and production plants	67.8	109.6

Operating lease commitments

The Group leases property and production equipment, etc. under operating leases. Lease commitments relate principally to property.
The leases are indexed annually and contain no special purchasing rights etc.
Interminable minimum lease payments are specified as follows:

	2010	2009
Within 0-1 year	194.2	176.7
Within 1-5 years	350.0	292.8
After 5 years	231.7	253.2
	775.9	722.7
Lease payments recognized in income statement	226.0	216.9
Of which subrental, income	0.6	3.5

Operating lease income

Operating lease income relates to property rentals.

Interminable minimum rent income is specified as follows:

	2010	2009
Within 0-1 year	3.4	4.5
Within 1-5 years	2.9	5.0
After 5 years	0.0	1.5
	6.3	11.0

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Amounts in mDKK

27 ACQUISITION OF SUBSIDIARIES

2010

On 30 April 2010 NKT Cables acquired all the shares in the Australian company Aussa Power Products Ltd. For the past years the company has been a distributor for NKT Cables. The acquisition is a part of NKT Cables growth strategy in the region. Furthermore, Nilfisk-Advance effected a minor acquisition in the 3rd quarter. Acquisition balance sheets are as follows:

	Fair value at acquisition date
Non-current assets	
Intangible assets	17.1
Property, plant and equipment	5.8
Current assets	
Inventories	4.9
Receivables	10.8
Cash at bank and in hand	3.8
Non-current liabilities	
Deferred tax liabilities	(2.4)
Interest bearing loans and borrowings	(0.1)
Current liabilities	
Interest bearing loans and borrowings	(0.1)
Payables and provisions	(12.5)
Net assets acquired	27.3
Goodwill	24.8
Consideration transferred	52.1
Of which cash at bank and in hand	(3.8)
Cash consideration	48.3
Interest bearing payables acquired	0.5
Effect on interest bearing items	48.8

Goodwill represents the value of the work force and expected synergies arising from integrations with the Group's existing activities. The effect on the Group's revenue and income realized and pro forma for 12 months etc. is insignificant for 2010.

NOTES

Amounts in mDKK

27 ACQUISITION OF SUBSIDIARIES (continued)

2009

As from 31 December 2009 Nilfisk-Advance acquired ownership of Northern Viper. The acquisition took place as part of the plans of Nilfisk-Advance to strengthen its presence in the Chinese market. The company is a distributor of Viper and Nilfisk-Advance products and has 29 employees.

Acquisition balance sheets for the above transactions are in course of preparation and details of final purchase price allocation are not yet available. Provisional balance sheets are as follows:

	Fair value at acquisition date	Adjustment to previous years' acquisitions
Non-current assets		
Intangible assets	7.5	3.1
Property, plant and equipment	0.2	0.0
Deferred tax	0.0	0.4
Current assets		
Inventories	1.1	-2.0
Receivables	0.0	0.5
Cash at bank and in hand	0.4	0.0
Non-current liabilities		
Deferred tax liabilities	0.0	-0.2
Provisions	0.0	-2.4
Current liabilities		
Interest bearing loans and borrowings	0.0	0.0
Payables and provisions	-0.3	-1.1
Net assets acquired	8.9	-1.7
Goodwill	2.3	6.2
Acquisition cost	11.2	4.5
Of which cash at bank and in hand	-0.4	0.0
Minority interest	0.0	-4.5
Cash acquisition cost	10.8	0.0
Interest bearing payables acquired	0.0	
Effect on interest bearing items	10.8	
Direct purchase costs	0.1	
Recognized net income after tax	0.0	

Goodwill is stated at the amount by which the acquisition cost for the business combination exceeds the acquired share of the net fair value of the identifiable assets, liabilities and contingent liabilities. The goodwill amount represents expected synergy effects from integration of the acquired activities with the Group's existing activities, along with the value of the acquired work force.

Adjustment to revenue and consolidated net earnings for 2009, determined on a proforma basis as if the acquisitions were made on 1 January 2009, is immaterial. It is Management's opinion that the fair value adjustments at 1 January 2009 would have been the same as those at the acquisition date.

NOTES

Amounts in mDKK

28 RELATED PARTIES

The Group has no related parties with control.

The Company's related parties comprise the Board of Directors and Management of NKT Holding A/S and their close family members. Related parties also comprise companies in which the above persons have substantial interests. Related parties further comprise associates and the joint ventures, see the Group overview and Notes 8 and 9.

Transactions with associates and joint ventures

	2010		2009	
	Associates	Joint ventures	Associates	Joint ventures
Goods sold to	156.7	0.0	79.3	0.0
Goods purchased from	20.4	0.0	26.4	0.0
Interest received, net	0.0	-0.3	0.0	-0.8
Other services	0.0	0.1	0.0	3.5
Sale of property, plant and equipment	0.0	0.0	0.0	17.9
Receivables	47.2	1.1	3.2	0.0
Loans to, net	-2.8	0.0	0.0	-143.8
Dividends received	4.9	76.5	4.1	9.1
Capital contribution	0.0	0.0	8.5	0.0

The trading took place on normal market condtions.
Interest on loans to and from the joint venture is paid at market rates and adjusted at intervals of 1-3 months.

Management remuneration	2010			2009		
	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng
Short-term staff benefits	4.9	2.4	2.7	4.5	2.2	2.2
Bonus [1)]	0.0	0.2	0.3	0.0	0.0	0.1
Pension contributions	0.7	0.3	0.4	0.7	0.3	0.3
Share-based payment	2.9	0.6	0.8	2.3	0.6	0.6
Total remuneration	8.5	3.5	4.2	7.5	3.1	3.2

[1)] The bonus may not exceed 15% of cash remuneration and is based on economic and non-economic performance targets.

Receivables relating to participation in NKT's employee bond plan (interest 5% p. a)	0.7	0.3	0.3	0.7	0.3	0.3

For information about share options, please see Note 29.

The term of notice for the CEO is 24 months. For the other members of the Board of Management, the term of notice is 12 months. In conjunction with significant changes in the Company's ownership structure the above terms of notice will be extended for a transitional period by a further 12 months. There is no separation benefit plan for the Board of Management of the company.

Board of Directors' remuneration	2010	2009
Short-term staff benefits (Board of Directors' remuneration)	3.5	3.1

Determination of remuneration for the Board of Directors and the Board of Management

A policy has been formulated defining the guidelines for determining and approving remuneration for the Board of Directors and Management. The remuneration for the Board of Directors is approved with forward effect for one year at a time by the annual general meeting. The remuneration for Management is reviewed every 12 months. The elements in the Management's pay package as well as all material adjustments therein are approved by the Board of Directors in its entirety. Under a mandate from the annual general meeting the Board of Directors also approves the basis for calculation and allotment of any share-based incentive schemes and determines ceilings therefore. Pursuant to section 139 of the Danish Companies Act a combined remuneration policy for the Board of Directors and the Board of Management is submitted to the annual general meeting for approval.

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Amounts in mDKK

29 SHARE OPTION SCHEME FOR MANAGEMENT AND EMPLOYEES

The company has established an incentive plan for all employees in NKT Holding. Under the plan, employees are entitled to subscribe for shares in NKT Holding at a price based on the market price at the grant date plus interest calculated from the grant date to the exercise date. It is the Board of Directors who - empowered by the company annual general meeting - adopts the calculation and allotment basis for any share-based incentive plans and also establishes ceilings therefor.

Outstanding options 2010

	Management					
Outstanding options	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Executive employees	Others	Total
Granted in 2005:						
1 January	0	0	0	12,600	7,250	19,850
Exercised	0	0	0	-12,600	-7,250	-19,850
31 December	0	0	0	0	0	0
Granted in 2006:						
1 January	35,000	20,000	0	24,600	16,875	96,475
31 December	35,000	20,000	0	24,600	16,875	96,475
Granted in 2007:						
1 January	32,000	10,100	9,400	8,800	7,750	68,050
31 December	32,000	10,100	9,400	8,800	7,750	68,050
Granted in 2008:						
1 January	39,000	9,100	7,650	7,700	9,050	72,500
31 December	39,000	9,100	7,650	7,700	9,050	72,500
Granted in January 2009:						
1 January	97,800	23,000	23,600	30,600	22,700	197,700
31 December	97,800	23,000	23,600	30,600	22,700	197,700
Granted in November 2009:						
1 January	40,900	9,600	9,900	12,100	7,500	80,000
31 December	40,900	9,600	9,900	12,100	7,500	80,000
Granted in December 2010:						
Granted	111,000	25,000	31,000	31,300	21,700	220,000
31 December	111,000	25,000	31,000	31,300	21,700	220,000
Total outstanding						
31 December	355,700	96,800	81,550	115,100	85,575	734,725
Total:						
Options, 1 January	244,700	71,800	50,550	96,400	71,125	534,575
Granted	111,000	25,000	31,000	31,300	21,700	220,000
Exercised	0	0	0	-12,600	-7,250	-19,850
31 December	355,700	96,800	81,550	115,100	85,575	734,725

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Amounts in mDKK

29 SHARE OPTION SCHEME FOR MANAGEMENT AND EMPLOYEES (continued)

Options were exercised in 2010 by subscription of a total of 19,600 new shares.
The weighted average share price for the warrants exercised i 2010 was 316 DKK per share.

The subscription rights granted in 2006 may be exercised in March 2011. The exercise price is 385.2. Dividend payments after 1 January 2011and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in 2007 may be exercised in March 2011 or March 2012. The exercise price is 641.9 at exercise in March 2011. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2011 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in 2008 may be exercised in March 2011, March 2012 or March 2013. The exercise price is 579.5 at exercise in March 2011. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2011 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in January 2009 may be exercised in March 2012, March 2013 or March 2014. The exercise price is 151.08 at exercise in March 2012. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2011 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in November 2009 may be exercised in March 2013, March 2014 or March 2015. The exercise price is 360.92 at exercise in March 2013. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2011 and until the date when the shares are received are deducted from the exercise price.

The exercise periods for the warrants granted in December 2010 have been set at two weeks after publication of the Company's annual financial statements in each of the years 2014, 2015 and 2016, and as two weeks after publiction of the Company's half-year report in each of the years 2014 and 2015. Each warrant gives entitlement to subscribe for one share of a nominal value of 20 DKK at a subscription price of 349.20 DKK, based on the average share price in the period 24 November - 23 December 2010 with addition of a hurdle rate of 8% p.a. for each of the years 2011, 2012 and 2013 - corresponding to the internal Wacc (Weighted Average Cost of Capital). Dividend payments after 1 January 2011 and until the date when the shares are received are deducted from the exercise price. With the price 277.2 DKK as the starting point the value of the issued warrants has been calculated by the Black-Scholes formula as 5.7 mDKK if exercise takes place at the earlies possible juncture. The calculation is based on a volatility of 22.3% and a risk-free interest rate of 2%.

Condition for exercise is three years' employment, and the employee himself/herself must not have handed in his/her notice.

The value of the share option scheme at 31 December 2010, based on the Black-Scholes formula, has been calculated at 39 mDKK (2009: 33 mDKK), including the value of the share option schemes of the Management, 29 mDKK (2009: 23 mDKK). The values have been calculated on the basis of the Black-Scholes formula, assuming an interest rate of 2.0% (2009: 5.0%) and volatility of 22.3% (2009: 34%).

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Amounts in mDKK

29 SHARE OPTION SCHEME FOR MANAGEMENT AND EMPLOYEES (continued)

Outstanding options 2009

	Management					
Outstanding options	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Executive employees	Others	Total
Granted in 2004:						
1 January	0	0	0	0	138	138
Forfeited	0	0	0	0	-138	-138
31 December	0	0	0	0	0	0
Granted in 2005:						
1 January	0	0	0	12,600	7,250	19,850
31 December	0	0	0	12,600	7,250	19,850
Granted in 2006:						
1 January	35,000	20,000	0	24,600	16,875	96,475
31 December	35,000	20,000	0	24,600	16,875	96,475
Granted in 2007:						
1 January	32,000	10,100	9,400	8,800	10,350	70,650
Forfeited	0	0	0	0	-2,600	-2,600
31 December	32,000	10,100	9,400	8,800	7,750	68,050
Granted in 2008:						
1 January	39,000	9,100	7,650	7,700	11,250	74,700
Forfeited	0	0	0	0	-2,200	-2,200
31 December	39,000	9,100	7,650	7,700	9,050	72,500
Granted in January 2009:						
Granted	97,800	23,000	23,600	30,600	25,000	200,000
Forfeited	0	0	0	0	-2,300	-2,300
31 December	97,800	23,000	23,600	30,600	22,700	197,700
Granted in November 2009:						
Granted	40,900	9,600	9,900	12,100	7,500	80,000
31 December	40,900	9,600	9,900	12,100	7,500	80,000
Total outstanding						
31 December	244,700	71,800	50,550	96,400	71,125	534,575
Total:						
Options, 1 January	106,000	39,200	17,050	53,700	45,863	261,813
Granted	138,700	32,600	33,500	42,700	32,500	280,000
Forfeited	0	0	0	0	-7,238	-7,238
31 December	244,700	71,800	50,550	96,400	71,125	534,575

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Amounts in mDKK

30 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Group risk management policy

As a result of its operations, investments and financing activities the NKT Group is exposed to a number of financial risks. It is the Group's policy not to actively speculate in financial risks. The Group's financial management is thus solely directed towards management of the financial risks that are a direct consequence of the Group's operations, investments and financing.

In managing financial risks the NKT Group uses a number of financial instruments such as forward exchange and metal contracts, currency and interest swaps, options and similar instruments, within the framework of existing policies. Only forward exchange and metal contracts were current at the end of 2010 and 2009. The financial risks can be divided into currency risks, interest rate risks, credit risks, liquidity risks and raw material price risks.

For description of methods applied for recognition criteria and measurement of financial instruments, please refer to Accounting Policies, Note 34.

Currency risks

Currency risks are the paramount financial risk factors for NKT and therefore have considerable influence on the income statement and balance sheet.

Currrency risks refer to the risks of losses (or the possibility of gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets and liabilities in currencies other than the functional currency of the individual Group buinesses.

To counter currency risks the Group employs a number of the financial instruments referred to above. Management and hedging of existing and anticipated currency risks are carried out by the individual Group companies within the framework of existing policies in partnership with the Group's finance department.

Translation risks relating to net investment in subsidiaries

As a basic principle, hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiairies are accounted directly in equity. Regarding the principal investments (exceeding 100 mDKK) in the foreign units, the Group's equity at 31 December 2010 would have been reduced by 285 mDKK (2009: 251 mDKK) if the exchange rates for USD, HUF, CZK, CNY and PLN had been 10% lower than they were in reality. Other currency risks relating to investments in foreign units are not material.

Financial risks relating to net financing

As a basic principle, significant currency risks relating to receivables and payables that influence Group's net income are hedged. Balances with credit-institutions are as a general rule stated in the functional currency of the businesses concerned. The Group had no significant currency risks relating to receivables and payables in foreign currency at 31 December 2010 and at 31 December 2009, and the Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

Financial risks relating to sales and purchases

The Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the Group businesses concerned. Hedging of these currency risks is based on concrete assessments of the likelihood of the future tranasaction being effected, and whether the currency risk arising therefrom is significant. This assessment is ongoing 12 months ahead in time. The fair value of the effective part of the hedge is recognized in Group equity on a continuous basis. The potential impact on equity of currency fluctuations is shown below.

	Change	2010	2009
DKK/GBP	11%	53.1	22.8
DKK/HUF	14%	9.2	9.2
DKK/NOK	8%	7.1	7.7
DKK/SEK	8%	15.8	7.6
DKK/USD	14%	0.9	0.8
DKK/AUD	14%	19.8	8.3
DKK/NZD	14%	3.1	1.1
DKK/SGD	11%	3.9	2.8

The sensitivity is calculated on the basis of financial instruments existing at 31 December 2010 and at 31 December 2009, which are considered 100% effective.

NOTES

Amounts in mDKK

30 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Currency hedging contracts relating to future transactions

Net outstanding forward exchange contracts at 31 December for the Group and which are used for and fulfil the conditions for hedge accounting of future transactions:

Forward exchange contracts relate to hedging of product sales/purchase, cf. Group policy.

	2010			2009		
	Notional value *) mDKK	Gain/loss recog. in equity mDKK	Maturity months	Notional value *) mDKK	Gain/loss recog. in equity mDKK	Maturity months
GBP	-483.1	15.4	0-12	-207.3	12.3	0-12
HUF	65.5	-0.7	0-12	65.8	0.5	0-12
NOK	-88.7	-2.2	0-12	-96.0	-4.1	0-12
SEK	-197.7	-5.0	0-12	-95.6	-2.9	0-12
USD	-6.1	-1.9	0-12	5.8	-0.5	0-12
AUD	-141.5	-10.0	0-12	-59.6	-3.5	0-12
NZD	-22.0	-0.9	0-12	-8.1	-1.0	0-12
SGD	-35.0	-1.6	0-12	-25.9	-0.6	0-12
Other European	-4.4	-0.8	0-12	-30.2	0.3	0-12
Other currencies	-59.5	-0.9	0-12	-18.2	0.1	0-12
Total	-972.5	-8.6		-469.3	0.6	

*) For forward exchange contracts, positive notional values are purchases of the relevant currency, negative notional values are sales.

Ineffectiveness had negligible impact on the income statement during the year. Outstanding forward contracts are recognized in the income statement within the remaining term.

Interest rate risks

Interest rate risks refer to the influence of change in market interest rates on future cash flows relating to the Group's interest bearing assets and liabilities. Owing to its capital structure the NKT Group has only limited exposure to interest rate changes. At year end the Group's interest bearing debt exceeded its interest bearing assets by 4,105 mDKK (2009: 2,725 mDKK).

At 31 December 2010 there were no current hedging contracts for interest rate risk, and Group net interest bearing debt was therefore predominantly subject to floating interest rates, which was also the case at 31 December 2009.

It is considered that a 1% rise in market interest rate for the Group's net interest bearing items at 31 December, based on the relevant interest periods for the Group's actual credit facilities, would - all other things being equal - have an effect on pre-tax earnings of around 29 mDKK p.a. (2009: 22 mDKK).

NOTES

Amounts in mDKK

30 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Credit risks

The Group's credit risks relate partly to receivables and cash at bank and in hand, and partly to derivative financial instruments with positive fair value. The maximum credit risk linked to financial assets corresponds to the values recognized in the balance sheet. It is the Group's policy not to renegotiate payment dates with customers. There have been no significant renegotiations during the year.

The Group has no significant risks relating to a single customer or collaboration partner. The Group's policy for assumption of credit risks entails regular credit rating of all important customers and other collaboration partners. Insurance cover and similar measures to protect receivables are rarely applied as historically there have been few losses.

The Group's receivables from sales at 31 December 2010 included a total of 2,749.3 mDKK (2009: 2,143.2 mDKK) impaired to 2,614.1 mDKK (2009: 1,994.1). Movements for the year in impairments from sales are specified thus:

	2010	2009
Receivables from sales and services (gross)	2,749.3	2,143.2
Impairment for bad and doubtful debtors:		
1 January	149.1	103.5
Additions through business combinations	0.1	0.0
Exchange rate adjustment	5.2	0.1
Writedowns for year included in income statement under 'Other costs'	43.3	72.5
Reversal of impairment for the year included in income statement under 'Other costs'	-52.1	-8.4
Realized losses during year	-10.4	-18.6
Impairment, 31 December	135.2	149.1
Total receivables from sales and services	2,614.1	1,994.1

Impairments are due to individual review for impairment in connection with customer insolvency and anticipated insolvency, and to mathematically computed impairments based on classification of debtors according to maturity.

Impairments at 31 December, amounting to 135.2 mDKK (2009: 149.1 mDKK) include 78.7 mDKK (2009: 84.9 mDKK) attributable to individual impairment.

Receivables overdue at 31 December but not impaired comprised the following:

	2010	2009
Maturity periods:		
Up to 30 days	291.7	257.2
Between 30 and 60 days	60.9	70.7
Between 60 and 120 days	91.7	69.6
More than 120 days	143.8	93.3
	588.1	490.8

Liquidity risks

It is the Group's policy where borrowing is concerned to ensure maximum possible flexibility by diversifying its borrowing between maturity/renegotiation dates and counterparties in consideration of the pricing. The Group's cash reserves consist of cash and cash equivalents and unexercised credit facilities. The credit facilities consist of both comitted and uncommitted facilities which are specified in the Management's review in the Financial review section.
It is the view of the Management that the Group's and the Company's resources are adequate for implementing the planned operating activity. It is the aim of the Group to have sufficient cash resources to act effectively in the event of unforeseen fluctuations in liquidity.

NOTES

Amounts in mDKK

30 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Liquidity risks (continued)

In 2010 a number of committed credit facilities which at 31 December 2009 were due to mature within three years were rescheduled on terms exceeding three years. The rescheduled facilities will mature in January 2014 at the earliest. If NIBD/operational EBITDA at the end of 2011 and 2012 respectively are below a predefined level the credit institutions are obliged to extend the maturity date to January 2015 and 2016 respectively. Furthermore, the committed and uncommitted facilities were increased by 0.5 bnDKK and 0.3 bnDKK respectively, corresponding to a total increase in credit facilities at 0.8 bnDKK.

Credit agreements include change of control provisions which mean that significant credit facilities can be cancelled if a shareholder or shareholder group gains a controlling influence in NKT Holding or if NKT Holding is no longer listed on NASDAQ OMX Copenhagen.

Group liabilities other than provisions mature as follows:

	2010						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 y.	Total
Forward contracts	25.1	0.0	0.0	0.0	0.0	0.0	25.1
Credit institutions	957.0	26.2	902.3	2,093.6	34.7	415.7	4,429.5
Other financial liabilities	3,195.9	0.0	0.0	0.0	0.0	0.0	3,195.9
	4,178.0	26.2	902.3	2,093.6	34.7	415.7	7,650.5

	2009						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 y.	Total
Forward contracts	3.6	0.0	0.0	0.0	0.0	0.0	3.6
Credit institutions	925.7	608.0	21.3	863.7	31.3	444.4	2,894.4
Other financial liabilities	2,700.1	0.0	0.0	0.0	0.0	0.0	2,700.1
	3,629.4	608.0	21.3	863.7	31.3	444.4	5,598.1

The above items do not include interest. The forward contracts are recognized at fair value and the discount element is considered negligible as a result of short maturity. Payables to credit institutions are recognized in the accounts as 4,409.0 mDKK (2009: 2,872.3), while the contractual cash flows amount to 4,429.5 mDKK for 2010 (2009: 2,894.4).

Raw materials price risks

Raw materials price risks include the effect of changes in raw material prices on Group net income. Description of raw materials price development and risks can be found in the Management's review for the Group's two largest segments: cable products (NKT Cables) and professional cleaning equipment (Nilfisk-Advance).

The Group addresses raw materials price risk by utilizing forward transactions for metal supplies. Management and hedging of current and expected future risks are undertaken by the Group's individual businesses within the framework of individual guidelines.

As at 31 December NKT Cables had current forward transactions relating to metal supplies to a value of 336.8 mDKK (2009: 227.5 mDKK) with a positive fair value of 74.5 mDKK (2009: positive 95.6 mDKK). It is estimated that a 10% increase in raw materials would - all other things being equal - influence the Group's equity by around 34 mDKK for forward transactions at 31 December 2010 (2009: 23 mDKK). The fair value of the effective part of the hedge is recognized on a continuing basis in Group equity as hedge of future cash flows. Impact of ineffectiveness on the income statement was negligible during the year.

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Amounts in mDKK

30 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Management of capital structure

It is the Group's policy that the capital structure and financial gearing of the Group shall at all times reflect the Group's activities and risk profile, afford sufficient financial latitude to ensure the Group's creditworthiness, and provide flexibility and room for investments or acquisitions.

Powered by NKT' NKT's corporate strategy for the period 2011-2015, targets a solvency ratio of at least 30%, net interest bearing debt of approximately 2.5 x operational EBITDA, and equity gearing of up to 100%. The Group's position in relation to this is described in the 'Financial Review' section of the Management's Review.

It is intended to maintain a stable dividend policy corresponding to the distribution as dividend of one third of net profit for the year. For 2010 a dividend distribution of 47.5 mDKK (2009: 83.0 mDKK) corresponding to 18% is proposed. The level of dividend distribution for 2010 was determined taking into account the Group's present capital position.

NKT's Articles of Association empower the Board of Directors to increase the Company's share capital by issuing up to 15,000,000 shares or to issue convertible bond loans entitling the lender to convert his claim into a maximum of 2,200,000 new shares.

Categories of financial instruments

	2010	2009
	Carrying amount	Carrying amount
Financial assets:		
Trading portfolio (derivative financial instruments)	82.7	98.9
Loans and receivables	3,614.3	2,951.4
Financial assets available for sale	16.6	16.0
Financial liabilities:		
Trading portfolio (derivative financial instruments)	25.1	3.6
Financial liabilities, measured at amortized cost	7,604.9	5,572.4

Fair values

Financial instruments measured at fair value in the balance sheet are classified in one of the following three categories (the fair value hierarchy):

- Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than listed prices on Level 1 which are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3: Input for the asset or liability which is not based on observable market data (unobservable input).

The position in the hierarchy is determined by the lowest level of variable/input which is material to the fair value measurement in its entirety.

Financial instruments measured at fair value consist of derivative financial instruments. The fair value as at 31 December 2010 and 2009 of NKT's forward transactions (only currency and metal contracts are current at 31 December) is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

NOTES

Amounts in mDKK

31 POST BALANCE SHEET EVENTS

Nilfisk-Advance has acquired Egholm Maskiner A/S with effect from 3 January 2011. The acquisition will strengthen Nilfisk-Advance's product programme in the market for outdoor cleaning and maintenance equipment.

Preliminary fair value calculations pertaining to the acquisition show intangibles and working capital included in net assets to the amount of approximately 70 mDKK and approximately 20 mDKK respectively. Preparation of acquisition balance sheets is in progress and final purchase sum allocation is not yet available. The estimated impact on NKT's revenue and income for 2011 is negligible.

In January 2011 NKT Cables signed a contract to supply 50 km of 155 kV AC high voltage cable to the Riffgat wind farm situated 20 km northwest of the island of Borkum in the Wadden Sea. Contract value is 600 mDKK.

32 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IASB has published the following new financial reporting standards (IAS and IFRS) and interpretations (IFRIC), which are not mandatory for NKT during the preparation of the 2010 report: IFRS 9, amendment to IFRIC 14, IFRIC 19, revised IAS 24, amendments to IFRS 1, amendment to IFRS 7, amendment to IAS 32, improvement to IFRS (May 2010), amendments to IAS 12 and amendments to IFRS 1. IFRS 9, amendments to IFRS1, IFRS 7 and IAS 12 and improvements to IFRS (May 2010) have not yet been approved by the EU

The new standards and interpretations are not expected to significantly influence NKT's financial reporting.

NOTES

Amounts in mDKK

33 GROUP COMPANIES AS OF 31 DECEMBER 2010

Companies owned directly or indirectly by NKT Holding A/S.

Group companies	Domicile	Equity share
Nilfisk-Advance A/S	Denmark	100%
ALTO Sverige AB	Sweden	100%
Tennab Holding AB	Sweden	100%
Aquatech AB	Sweden	100%
ALTO Deutschland GmbH	Germany	100%
ALTO (Ningbo) Mechanical Manufacturing Co. Ltd.	China	100%
Nilfisk-Advance AS	Norway	100%
Nilfisk-Advance AG	Germany	100%
Nilfisk-Advance Ltd.	UK	100%
Nilfisk-Advance Limited	Ireland	100%
Nilfisk-Advance B.V.	Netherlands	100%
Nilfisk-Advance N.V./S.A.	Belgium	100%
Alto France S.A.S.	France	100%
Nilfisk-Advance Lda	Portugal	100%
Nilfisk-Advance S.A.	Spain	100%
CFM Nilfisk-Advance S.p.A.	Italy	100%
Nilfisk-Advance AG	Switzerland	100%
Nilfisk-Advance GmbH	Austria	100%
Nilfisk-Advance Production Kft.	Hungary	100%
Nilfisk-Advance Commercial Kft.	Hungary	100%
Nilfisk-Advance Pte. Ltd.	Singapore	100%
Nilfisk-Advance Ltd.	Taiwan	100%
Nilfisk-Advance Inc.	Japan	100%
Nilfisk-Advance Ltd.	Hong Kong	100%
Nilfisk-Advance Sdn Bhd	Malaysia	100%
Nilfisk-Advance Co. Ltd.	Thailand	100%
Nilfisk-Advance Ltd.	New Zealand	100%
Nilfisk-Advance Pty. Ltd.	Australia	100%
Nilfisk-Advance Inc.	USA	100%
Nilfisk-Advance America Inc.	USA	100%
Nilfisk-Advance Technologies Inc.	USA	100%
HydraMaster North America Inc.	USA	100%
Hathaway North America Inc.	USA	100%
Nilfisk-Advance Canada Company	Canada	100%
Viper North America Inc.	USA	100%
Nilfisk-Advance de Mexico		
Manucaturing Services S.deR.L.deC.V.	Mexico	100%
Nilfisk-Advance A.E.	Greece	100%
Nilfisk-Advance Sp.z.o.o.	Poland	100%
Nilfisk-Advance LLC	Rusia	100%
Nilfisk-Advance s.r.o.	Czech Rep.	100%
Nilfisk-Advance s.r.o.	Slovakia	100%
Nilfisk-Advance Professional Cleaning		
Equipment (Suzhou) Co. Ltd.	China	100%
Nilfisk-Advance de Mexico S.deR.L.deC.V.	Mexico	100%
Nilfisk-Advance de Mexico Services S.deR.L.deC.V.	Mexico	100%
Nilfisk-Advance de Mexico		100%
Manufactoring S.deR.L.deC.V.	Mexico	100%
Nilfisk-Advance Profesynonel Ekipmanlari Tic. A.S.	Turkey	100%
Nilfisk-Advance OY AB	Finland	100%
Nilfisk-Advance Korea Co. Ltd.	Korea	100%
Nilfisk-Advance s.r.l.	Argentina	100%
Nilfisk-Advance S.A.	Chile	51%
Nilfisk-Advance do Brasil LTDA	Brazil	100%
Plataforma Tecnologia em		
Conservação de Pisos Ltda	Brazil	100%
Dongguan Viper Cleaning Equipment Co. Ltd.	China	100%
Viper Cleaning Equipment Co. Ltd	China	100%
Viper (Hong Kong) Co., Ltd.	Hong Kong	100%
Nilfisk-Advance India Ltd.	India	100%
Nilfisk-Advance Ltd.	China	100%
Nilfisk-Advance Ltd. (Shenzen)	China	100%
WAP South Africa S.A.	South Africa	100%

Associates		
Nilfisk-Advance		
M2H S.A.	France	44%
CFM Lombardia S.r.l.	Italy	33%
Industro-Clean (Pty.) Ltd	South Africa	30%

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Amounts in mDKK

33 GROUP COMPANIES AS OF 31 DECEMBER 2010 (continued)

Group companies	Domicile	Equity share
NKT Cables Group A/S	Denmark	100%
NKT Cables A/S	Denmark	100%
NKT Cables S.A.	Poland	100%
NKT Cables Warszowice Sp. z.o.o.	Poland	100%
(owned by NKT Cables S.A.)		
NKT Cables AS	Norway	100%
NKT Cables Ltd.	UK	100%
NKT Cables Group GmbH	Germany	100%
NKT Cables GmbH Nordenham	Germany	100%
NKT Cables GmbH Köln	Germany	100%
NKT Immobilien Verwaltungs GmbH	Germany	100%
NKT Zweite Immobilien GmbH & Co. KG	Germany	100%
NKT Cables s.r.o.	Czech Rep.	100%
NKT Cables Vrchlabi k.s.	Czech Rep.	100%
NKT Cables Velke Mezirici k.s.	Czech Rep.	100%
NKT Cables Ltd., Changzhou	China	100%
NKT Cables Ultera A/S	Denmark	100%
NKT Cables Italia S.r.L.	Italy	100%
CCC Cables System + Consulting GmbH	Germany	100%
CCC Cables System + Consulting B.V.	Netherlands	100%
NKT Cables FZCO, UAE	Dubai	100%
CCC Cables System + Consulting PTE. Ltd	Singapore	100%
Unique Vantage Ltd.	Hongkong	100%
NKT Cables Accessoriers Co. Ltd.	China	100%
NKT Electrical Components (Changzhou) Co. Ltd.	China	100%
NKT Cables LLC	Russia	100%
NKT Cables Spain SL	Spain	100%
NKT Cables Australia Pty Ltd	Australia	100%

Associates		
NKT Cables		
Nanjing Daqo nkt Cables Co., Ltd.	China	50%
Ultera GP	USA	50%

Group companies	Domicile	Equity share
Photonics Group:		
NKT Photonics A/S	Denmark	98%
NKT Photonics GmbH	Germany	100%
NKT Photonics Inc.	USA	100%
LIOS Technology GmbH	Germany	100%
LIOS Technology Inc.	UK	100%
Vytran LLC	USA	100%
Vytran UK Limited	UK	100%
SubSeaFlex Holding A/S	Denmark	100%

Jointly controlled entity		
NKT Flexibles I/S	Denmark	51%
(owned by SubSeaFlex Holding A/S)		

Companies that is not material is not included in this list.

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34 ACCOUNTING POLICIES 2010

NKT Holding A/S is a public limited company domiciled in Denmark. The annual report for the period 1 January - 31 December 2010 comprises both the consolidated financial statements for NKT Holding A/S and its subsidiaries (the Group) and separate financial statements for the parent company.

The annual report for NKT Holding A/S for 2010 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the IASB.

Basis for presentation

The annual report is presented in DKK rounded to the nearest 1,000,000 DKK to one decimal.

The annual report has been prepared according to the historical cost principle, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments in a trading portfolio and financial instruments designated as available for sale.

Non-current assets and disposal groups held for sale are measured at carrying amount before reclassification or fair value less selling costs, whichever is the lower.

The accounting policies described below have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures will not be restated. As the implemented standards and interpretations have not influenced the balance sheet as at 1 January 2009 and the relating notes they have been omitted.

Changes to accounting policies

With effect from 1 January 2010 NKT Holding A/S has implemented IFRS 3 (revised 2008) 'Business Combinations'. In addition, other new and amended standards and interpretations effective as at 1 January 2010 have been implemented from 1 January 2010.

The new accounting standards and interpretations have not materially influenced recognition and measurement or earnings per share and diluted earnings per share.

IFRS 3 has amended Group policy in the following areas with regard to statement of consideration for entities acquired:

- Transaction costs relating to business combinations are expensed as incurred. These costs were previously included in cost of acquisitions.
- Contingent purchase consideration relating for instance to earn-out is recognized at fair value at the date of acquisition, and subsequent value adjustments are recognized in the income statement. Changes in contingent purchase consideration were previously recognized in cost of acquisitions.
- In the case of step acquisitions the purchase price allocation must be effected when NKT obtains control. Previously acquired interests are therefore calculated at fair value when control is obtained, and any adjustment in relation to the carrying amount is recognized in the income statement. Previously, goodwill was calculated upon each individual acquisition and value adjustment was recognized directly in equity.

IFRS 3 (2008) has also amended the calculation of goodwill. Option is now provided for full recognition of goodwill even with less than 100% acquisition of the acquired entity. Previously, goodwill could only be recognized for the acquired portion of the entity. The measurement may be elected on a transaction-by-transaction basis, and the election stated in the notes in conjunction with description of entities acquired.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements comprise the parent company NKT Holding A/S and subsidiaries in which NKT Holding A/S controls financial and operating policies in order to obtain a return or other benefits from its activities. Control is obtained when the company directly or indirectly holds more than 50% of the voting rights in the subsidiary or otherwise has a controlling interest.

Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

When assessing whether NKT Holding A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

An overview of Group companies is contained in Note 33.

Interests in jointly controlled entities are recognized as joint ventures.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains on intra-group transactions are eliminated. Unrealized gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealized losses are eliminated in the same way as unrealized gains to the extent that impairment has not taken place.

Accounting items attributable to the subsidiary companies are recognized in the consolidated financial statements in full. The minority interests' share of the net profit/loss for the year and of the equity of non wholly-owned subsidiaries is included in the Group's net profit/loss and equity respectively, but shown separately.

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Business combinations

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition. Enterprises sold or wound up are recognized in the consolidated income statement until the date of disposal. Comparative figures are not restated for enterprises acquired, sold or wound up. Discontinued operations are presented separately, cf. below.

In the case of acquisitions where NKT Holding A/S gains control of the acquired enterprise the purchase method is used. The identifiable assets, liabilities and contingent liabilities of the acquired enterprise are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

The date of acquisition is the date at which NKT Holding A/S actually gains control of the acquired enterprise.

Positive differences (goodwill) between the purchase consideration, the value of minority interests in the acquired enterprise and the fair value of any previously acquired equity investments on the one hand, and the fair value of acquired identifiable assets, liabilities and contingent liabilities on the other hand are recognized as goodwill in intangible assets. Goodwill is not amortized but an impairment test is carried out at least annually. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments relating to acquisition of a foreign entity having a functional currency other than the presentation currency used in the Group's financial statements are treated as assets and liabilities belonging to the foreign entity and, on first-time recognition, are translated into the functional currency of that entity at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognized in the income statement at the acquisition date.

The purchase consideration for an enterprise consists of the fair value of the agreed consideration in the form of acquired assets, assumed liabilities, and issued equity instruments. If parts of the purchase consideration are contingent upon future events or fulfilment of agreed conditions, this part of the purchase consideration is recognized at fair value at the date of acquisition. Costs relating to business combinations are expensed directly in the income statement as incurred.

If uncertainty exists at the date of acquisition as to identification or the measurement of acquired assets, liabilities or contingent liabilities, or as to the determination of the purchase consideration, first-time recognition is based on preliminary fair values. If identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities subsequently proves to have been incorrect at first-time recognition, the calculation is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and the comparative figures are restated. Thereafter goodwill is not adjusted. As a general principle, revised estimates of contingent purchase consideration are recognized in the income statement.

Gains or losses on sale or disposal of subsidiaries and associates are stated as the difference between the selling price or disposal sum and the carrying amount of net assets including goodwill at the time of sale, and selling or disposal costs.

Minority interests

On first-time recognition, minority interests are measured either at fair value or at their proportional fair value of identifiable assets, liabilities and contingent liabilities of the enterprise acquired. Goodwill relating to minority interests' ownership share of the enterprise acquired is therefore recognized in the first case, whereas in the second case goodwill relating to minority interests is not recognized. Measurement of minority interests is elected on a transaction-by-transaction basis and stated in the notes in conjunction with the description of enterprises acquired.

Acquisition or disposal of minority interests, without loss of control, is recognized directly in equity.

Foreign currency translation

For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting enterprise operates. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable/payable arose or the rate in the latest annual report is recognized in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of enterprises with a functional currency other than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. The average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the picture. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange

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rates at the transaction date to the exchange rates at the balance sheet date are recognized directly in equity under a separate translation reserve. The currency adjustment is distributed between the equity of the parent company and that of the minority interests.

Translation adjustment of balances considered to be a part of the total net investment in enterprises having a functional currency other than DKK are recognized directly in equity under a separate translation reserve in the consolidated financial statements. Correspondingly, foreign exchange gains and losses on that part of loans and derivative financial instruments established to hedge the net investment in such enterprises, and which effectively hedge corresponding foreign exchange gains and losses on the net investment in the enterprise, are also recognized directly in a separate translation reserve in equity in the consolidated financial statements.

On recognition in the consolidated financial statements of associates with a functional currency other than DKK, the share of profit/loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the balance sheet date, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the balance sheet date, are recognized directly in a separate translation reserve in equity.

On disposal of wholly owned foreign entities the currency adjustments which have accumulated in equity via the comprehensive income and which are attributable to the entity are reclassified from the translation reserve to the income statement together with any gain or loss arising from the disposal.

On disposal of partially owned foreign subsidiaries the part of the translation reserve relating to minority interests is not taken to the income statement.

On partial disposal of foreign subsidiaries, without loss of control, a proportional share of the translation reserve is transferred from the equity share of the parent company to that of the minority interests.

On partial disposal of associates and joint ventures, the proportional share of the cumulative translation reserve which is recognized in other comprehensive income is reclassified to the profit for the period.

Repayment of balances which are considered a part of the net investment is not in itself regarded as partial disposal of the subsidiary.

Derivative financial instruments
Derivative financial instruments are recognized from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the enterprise has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedging
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying for recognition as a fair value hedge of a recognized asset or a recognized liability are recognized in the income statement together with changes in the value of the hedged asset or hedged liability. Except for foreign currency hedging, hedging of future payment flows in accordance with a firm commitment is treated as fair value hedging.

The portion of the derivative financial instrument which is not included in a hedging relationship is presented in financial items.

Cash flow hedging
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future payment flows are recognized in equity in a separate hedging reserve until the cash flows hedged influence the income statement. Then gains or losses relating to such hedging transactions are transferred from equity and recognized in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognized in equity is transferred to the income statement when the hedged cash flows influence the income statement.

If the hedged cash flows are no longer expected to be realized, the cumulative change in value is immediately transferred to the income statement.

The portion of the derivative financial instrument not included in a hedging relationship is presented in financial items.

Net investment hedging
Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates and which effectively hedge currency fluctuations in these enterprises are recognized directly in the consolidated financial statements in a separate translation reserve.

The portion of the derivative financial instrument not included in a hedging relationship is presented in financial items.

Other derivative financial instruments
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in financial income or financial expenses as they arise.

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Certain contracts contain characteristics of derivative financial instruments. Such embedded derivatives are recognized separately and measured at fair value if they differ significantly from the contract, unless the entire contract is recognized and measured at fair value.

INCOME STATEMENT

Revenue

Revenue from sales of goods for resale and finished goods is recognized in the income statement if supply and transfer of risk to the buyer have taken place before year end, and if the income can be reliably measured and is expected to be received.

Revenue from services comprising service contracts and extended warranties relating to sold products and other services are recognized in step with the supply of services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognized in revenue.

Construction contracts with a high degree of individual adjustment are recognized as revenue by reference to the percentage of completion. Accordingly, revenue corresponds to the sales price of work performed during the year (the percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent that costs incurred are expected to be recoverable.

Government grants

Government grants comprise grants and funding for development projects, investment grants, etc. Grant amounts are recognized when there is reasonable certainty that they will be received.

Grants for R&D activities, which are recognized directly in the income statement, are recognized as other operating income as the grant-related expenses are incurred.

Grants for acquisition of assets and development projects are recognized in the balance sheet as deferred income and transferred to other operating income in the income statement as the assets for which the grants were awarded are amortized.

Remissible loans provided by public authorities for funding development activities are recognized as liabilities until the terms for loan remission have in all probability been met.

Other operating income

Other operating income comprises items of a secondary nature relative to the enterprise activities, including grant schemes, reimbursements and gains on sale of non-current assets. Gains on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date.

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises changes in the relevant inventories corresponding to staff and other costs charged during the year to the income statement and which are directly or indirectly attributable to the cost of the items stated in the balance sheet.

Work performed by the Group and capitalized

Work performed by the Group and capitalized comprises income corresponding to the staff costs and other costs charged during the year to the income statement and which are directly or indirectly attributable to the cost of non-current assets of own manufacture.

Raw materials, consumables and goods for resale

Raw materials, consumables and goods for resale comprises acquisitions and changes in relevant inventory levels during the year and includes shrinkage, waste production and any write-downs due to obsolescence.

Employee benefits, expenses

Staff costs comprises wages and salaries, consideration, share-based payments, pensions and other staff costs relating to the Group's employees, including remuneration to the Board of Directors and the Board of Management.

Other costs

Other costs comprise external costs relating to production, sale and administration, as well as losses on disposal of intangible assets and property, plant and equipment. Losses on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date. Write-downs of receivables from sales are also included.

Share of profit after tax in associates and joint ventures

The proportionate share of the results of associates and joint ventures is recognized in the consolidated income statement after tax, minority instruments and elimination of the proportionate share of intra-group profits/losses.

Depreciation, amortization and impairment

Depreciation, amortization and impairment comprises amortization of intangible assets, depreciation of property, plant and equipment, and losses after impairment of assets.

Financial income and expenses

Financial income and expenses comprises interest income and expenditure, dividends, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities, including finance lease commitments, as well as surcharges and refunds under the Danish on-account tax scheme etc. Changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

NOTES

Borrowing costs arising from general borrowing or loans that directly relate to acquisition, construction or development of qualifying assets are attributed to the cost of such assets.

Tax

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to changes directly recognized in equity is recognized directly in equity.

ASSETS

Intangible assets

Goodwill

Goodwill is initially recognized in the balance sheet at cost as described under 'Business combinations'. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing Group, and identification of operating segments based on the presence of segment managers, Management finds that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during impairment testing are the reportable business segments shown. The reportable segments are comprised by the Group's operating segments without aggregation.

Other intangible assets

Clearly defined and identifiable development projects in which technical feasibility, adequacy of resources and potential market or development possibility in the enterprise can be demonstrated, and where it is the intention to produce, market or execute the project, are recognized in intangible assets if the cost can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of raw materials, consumables and goods for resale, staff costs, other costs and amortization, as well as the development costs. Other development costs are expensed in the income statement as incurred.

Recognized development costs are measured at cost less accumulated amortization and impairment losses. The cost includes wages, amortization and other costs relating to the Group's development activities. In the case of qualifying assets, specific and general borrowing costs directly relating to the development of development projects are recognized in the cost.

On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is usually five to ten years. The basis of amortization is reduced by any impairment losses.

Patents and licences are measured at cost less accumulated amortization and impairment losses. Patents and licences are amortized on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter. The amortization period normally consists of 5-8 years.

Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortization and impairment losses. Other intangible assets are amortized on a straight-line basis over the expected useful life, which normally consists of 3-7 years.

Intangible assets with an indefinite useful life are not amortized, however, but are tested for impairment annually.

Property, plant and equipment

Land and buildings, production plant and machinery, fixtures and fittings, and other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time as the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub suppliers and wages. In the case of qualifying assets, specific and general borrowing costs directly relating to acquisition, construction or production of the qualifying asset are recognized in the cost. The cost is supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilized.

The cost of assets held under finance leases is stated at the fair value of the assets or the present value of the future minimum lease payments, whichever is the lower. For calculation of the present value, the interest rate implicit in the lease or the Group's alternative rate of interest is applied as the discount rate.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The carrying amount of the replaced parts is derecognized in the balance sheet and recognized in the income statement. All costs incurred for ordinary repair and maintenance are recognized in the income statement as incurred.

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is effected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	10-50 years
Plant and machinery	4-20 years
Fixtures and fittings, other plant and equipment	3-17 years

Land is not depreciated.

NOTES

The basis of depreciation is calculated according to the residual value less impairment losses. The residual value is determined at the acquisition date and reviewed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Property, plant and equipment under construction and pre-payments therefore are measured at cost. On entry into service the asset is transferred to 'Land and buildings', 'Manufacturing plant and machinery' or 'Fixtures, fittings, tools and equipment', and depreciated.

Investments in associates and joint ventures
Investments in associates and joint ventures are measured in the consolidated financial statements according to the equity method. The investments in the balance sheet are measured at the proportionate share of the enterprises' equity value in accordance with the Group's accounting policies, minus or plus a proportionate share of unrealized intra-group profits and losses and plus excess capital paid on acquisitions, including goodwill.

Investments in associates with negative equity values are measured at DKK 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, this deficit is recognized in liabilities.

Receivables from associates are measured at amortized cost. Write-down is made for bad or doubtful debts.

For acquisition of investments in associates the purchase method is used, cf. description of business combinations.

Impairment of non-current assets
Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, initially before the end of the acquisition year. Development projects in progress are also subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which goodwill is allocated.

Deferred tax assets are subject to impairment tests annually and recognized only to the extent that it is probable they will be utilized.

The carrying amount of other non-current assets is tested annually for indications of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the fair value of the asset less anticipated cost of disposal, or its value in use, whichever is the higher. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset is part.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. Impairment losses are recognized in the income statement under depreciation and impairment of tangible assets and amortization and impairment of intangible assets, respectively. Impairment of goodwill is recognized in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment of other assets is only reversed if changes have taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortization had the asset not been impaired.

Inventories
Inventories are measured at cost in accordance with the FIFO method or at a weighted average. If the net realizable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment as well as costs for production administration and management. In the case of qualifying assets, specific and general borrowing costs directly relating to production of the relevant asset are recognized in the cost. Borrowing costs are not included in the cost of inventories manufactured or otherwise mass-produced in large quantities.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortized cost. Individual write-down for bad and doubtful debts is made where an objective indication of impairment is considered to exist for a receivable or a portfolio of receivables. If such indication exists for an individual receivable, write-down is made at an individual level.

Receivables for which objective indication of impairment does not exist at an individual level are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the Group's credit risk management policy. The objective indicators applied to portfolios are based on historical loss experience.

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If an objective indication of impairment exists for a portfolio, an impairment review is made in which the expected future cash flows are estimated on the basis of historical loss experience adjusted for current market conditions and individual conditions relating to the specific portfolio.

Write-downs are calculated as the difference between the carrying amount and the fair value of the expected cash flows, including recoverable amount of any security received. The effective interest rate applied on initial recognition is used as the discount rate for the receivable or portfolio.

Interest recognition on impaired receivables is calculated on the basis of the impaired amount using the effective rate of interest for the specific receivable or portfolio.

Construction contracts

Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts are characterised by a high degree of individualization in the design of the goods produced. It is furthermore a requirement that before commencement of the work a binding contract is signed that will result in fine or compensation in case of subsequent cancellation.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an assessment of the work performed, normally calculated as the ratio of expenses incurred to total anticipated expenses relating to the contract concerned.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognized as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the selling price is measured as the costs incurred that are likely to be recovered.

Where the selling price of work performed exceeds progress billings and anticipated losses, the excess is recognized under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognized in trade and other payables.

Prepayments from customers are recognized in receivables.

Costs relating to sales work and securing contracts are recognized in the income statement as incurred unless they can be directly attributed to a specific contract and it is probable at the time of cost incurrence that the contract will be entered into.

Prepayments

Prepayments, recognized as assets, comprise incurred costs that relate to subsequent financial years and are measured at cost.

Other investments

Shares, bonds and other securities are classified as available for sale and are recognized at cost at the trade date. Subsequently, quoted securities are measured at fair value, corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of market data and generally accepted valuation method. Unrealized value adjustments are recognized directly in equity. This does not apply to impairment losses, reversals of impairment losses, and foreign exchange adjustments of bonds denominated in foreign currencies, which are recognized in the income statement as financial income or financial expenses. Impairment losses recognized in the income statement and relating to shares (available-for-sale shares) are not reversed through the income statement. On realization, the accumulated value adjustment recognized in equity is transferred to financial income or financial expenses.

EQUITY

Dividend

Dividend is recognized as a liability at the date of adoption at the annual general meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity.

Interim dividends are recognized as a liability at the date when the decision to pay interim dividends is made.

Treasury shares

Cost of acquisition, consideration received and dividends received from treasury shares are recognized directly as retained earnings in equity. Capital reductions from the cancellation of treasury shares are deducted from the share capital by an amount corresponding to the nominal value of the shares.

Proceeds from the sale of treasury shares and issue of shares, respectively, in NKT Holding A/S resulting from the exercise of share options or employee shares are recognized directly in equity.

Translation reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of units having a functional currency other than Danish kroner, exchange adjustments relating to assets and liabilities that form a part of the Group's net investment in such entities, and exchange adjustments relating to hedging transactions that protect the Group's net investment in such entities.

Hedging reserve

The hedging reserve comprises the cumulative net change after tax in the fair value of the hedging instruments which fulfil the criteria's for hedging of future cash flows, when the hedged transactions have not yet occurred.

Fair value adjustment reserve

The fair value adjustment reserve comprises cumulative changes in the fair value of financial instruments classified as available for sale. The reserve, which is a part of the company's free reserves, is

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dissolved or transferred to the income statement in step with sale or write down of the investment.

Share option scheme
The Group's incentive schemes include a share option scheme. The value of services received in exchange for granted share options is measured at the fair value of these options.

For equity-settled share options, the fair value is measured at the grant date and recognized in the income statement under staff costs over the vesting period. The counter-item is recognized directly in equity.

For share options where the option holder has a choice between settlement in shares or in cash, the fair value is initially measured at the grant date and recognized in the income statement under staff costs over the vesting period. Subsequently, the fair value of the share options is measured at each balance sheet date and at final settlement, and any changes in the value of the share options are recognized in the income statement under staff costs in proportion to the lapsed portion of the vesting period. The counter-item is recognized under liabilities.

On initial recognition of the share options an estimate is made of the number of options expected to vest. This estimate is subsequently revised for changes in this number. Accordingly, total recognition is based on the number of options ultimately vested.

The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

LIABILITIES

Pension obligations and similar non-current liabilities
The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees.

Contributions to defined contribution-based pension plans are recognized in the income statement in the period to which they relate. Any contributions outstanding are recognized in the balance sheet as Other payables.

For defined benefit plans an annual actuarial calculation (the Projected Unit Credit Method) is made of the present value of future benefits payable under the plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial presents value less the fair value of any plan assets is recognized in the balance sheet under pension obligations, cf., however, below.

Pension costs for the year are recognized in the income statement on the basis of actuarial estimates and financial expectations at the start of the year. Differences between the expected development in pension assets and liabilities and the realized values at the end of the year are designated actuarial gains or losses. On transition to IFRS, cumulative actuarial gains and losses were recognized in full in the opening balance sheet at 1 January 2004. If subsequent cumulative actuarial gains or losses at the beginning of the year exceed the greater numerical value of 10% of the defined benefit obligation or 10% of the fair value of the plan assets, the excess amount is recognized in the income statement over the expected average remaining working life in the Group for the employees covered. Actuarial gains or losses not exceeding the above limits are not recognized in the income statement or the balance sheet, but are disclosed in the notes.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognized as historical costs. Historical costs are recognized immediately if employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognized in the income statement over the period in which the changed benefits are earned by the employees.

If a pension plan constitutes a net asset, the asset is only recognized if it offsets cumulative actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

Other long-term employee benefits are similarly recognized using actuarial calculation, but without the use of the corridor method. Consequently, actuarial gains and losses are recognized in the income statement immediately. Other long-term employee benefits include anniversary bonuses.

Corporation tax and deferred tax
Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income for previous years and for tax paid on account.

Deferred tax is measured according to the balance-sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to amortization of goodwill not deductible for tax purposes and on office premises and other items where temporary differences - apart from business combinations - arose at the time of acquisition without affecting either profit/loss for the year or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to the management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry forward, are recognized under other non-current assets at the expected value of their utilization; by set-off against tax on future income or by set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

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Deferred tax assets and tax liabilities are offset if the enterprise has a legal right to offset current tax assets and tax liabilities and intends to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealized intra-group profits and losses.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

Provisions
Provisions are recognized when, as a result of events arising before or at the balance sheet date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognized as a provision is the management's best estimate of the amount required to settle the obligation.

When measuring provisions, the costs required to settle the obligation are discounted if this significantly affects the measurement of the liability. A pre-tax discount rate is applied that reflects the current market interest rate and the specific risks relating to the obligation. Changes in present values during the year are recognized as Financial expenses.

Warranty commitments are recognized as the underlying goods and services are sold based on the level of warranty expenses incurred in previous years.

Restructuring costs are recognized under liabilities when a detailed, formal restructuring plan is announced to the affected parties on or before the balance sheet date. On acquisition of enterprises, restructuring provisions in the acquire are only included in goodwill when the acquire has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the Group's unavoidable costs for meeting its contract obligations.

Provisions for dismantling production installations and restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied which reflects the current market interest rate. The obligations are included as they occur and continuously adjusted to reflect changed requirements and price levels etc. The present value of the costs is included in the cost of the relevant tangible assets and depreciated accordingly. The increase in the present value over time is recognized in the income statement as Financial expenses.

Financial liabilities
Amounts owed to credit institutions etc. are recognized at the date of borrowing at the amount of proceeds received net of transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost using 'the effective interest method'. Accordingly, the difference between the proceeds and the nominal value is recognized under financial expenses over the term of the loan.

Amounts owed to credit institutions also include the capitalized residual lease obligation on finance leases measured at amortized cost.

Other liabilities are measured at amortized cost.

Leasing
Lease commitments are divided for accounting purposes into finance leases and operating leases.

A finance lease is a lease that in all essential respects transfers risk and benefits in owning the leased asset. Other leases are designated operating leases.

The accounting treatment of assets held under a finance lease and the related obligation are described in the section on property, plant and equipment and the section on financial liabilities, respectively.

Rental payments made under operational leases are recognized on a straight-line basis over the term of the lease.

Assets leased out under operating leases are recognized, measured and presented in the balance sheet in the same way as the Group's other assets of corresponding type.

Deferred income
Deferred income is measured at cost.

Assets held for sale
Assets held for sale comprise non-current assets and disposal groups held for sale. A disposal group is defined as a group of assets to be disposed of jointly by sale or otherwise in a single transaction. Liabilities concerning such assets are directed related to assets to be transferred in the transaction. Assets are designated as 'held for sale' if the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the carrying amount at the time they are designated 'held for sale' or at fair value less selling costs, whichever is the lower. Assets are not depreciated or amortized from the time they are designated 'held for sale'.

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Impairment losses on initial designation as 'held for sale', and gains and losses on subsequent remeasurement at the carrying amount or fair value less selling costs, whichever is the lower, are recognized in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and liabilities are recognized separately in the balance sheet and main items are specified in the notes. Comparatives in the balance sheet are not restated.

Presentation of discontinued operations
Discontinued operations constitute an important element in the enterprise, with activities and cash flows that can be clearly distinguished, operationally and in financial reporting terms, from the rest of the enterprise. The entity has either been disposed of or is held for sale, completion of the sale being effected within one year in accordance with a formal plan. Discontinued operations also include activities which in conjunction with the acquisition have been designated as 'held for sale'.

Net results of discontinued operations, net value adjustments of related assets and liabilities, and profits/losses on sales are presented in a separate line in the income statement with comparative figures. Revenue, costs, value adjustments and tax of discontinued operations are disclosed in the notes. Assets and liabilities relating to discontinued operations are presented in separate lines in the balance sheet without restatement of comparative figures, cf. 'Assets held for sale', and main items are specified in the notes.

Cash flows from operating, investing and financing activities relating to the discontinued operations are disclosed in a note.

CASH FLOW STATEMENT

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the changes in cash at bank and in hand during the year, and the balances of cash at bank and in hand at the beginning and end of the year.

The cash flow effect of enterprise acquisitions and disposals is shown separately in cash flows from investing activities. Cash flows from acquisitions are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals are recognized until the date of sale.

Cash flows from operating activities
Cash flows from operating activities are calculated by the indirect method as earnings before depreciation and amortization (EBITDA) adjusted for gains and losses on sales of property, plant and equipment, non-cash operating items, changes in working capital, interest, dividends received, and corporation tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments relating to acquisition and sale of enterprises and activities, intangible assets, property, plant and equipment and other non-current assets, as well as acquisition and sale of securities.
Finance leases are considered non-cash transactions.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash flows from assets held under finance leases are recognized as payment of interest and repayment of debt

Cash at bank and in hand
Cash at bank and in hand comprises cash balances and bank deposits.

Cash flows denominated in currencies other than the functional currency are translated using mean exchange rates unless these exchange rates deviate materially from the exchange rates valid at the transaction date.

SEGMENT INFORMATION

Segment information is presented in accordance with the Group's accounting policies and based on internal management reporting.

Segment income and costs and segment assets and liabilities are those items which are directly attributable to the individual segment and those items reasonably allocable to it. All items are attributed to the Group's business segments.

Segment non-current assets are those non-current assets which are used directly in segment operations, including intangible assets, property, plant and equipment, and investments in associates.

Segment current assets are those current assets which are used directly in segment operations, including inventories, trade and other receivables, prepaid expenses, and cash.

Segment liabilities are liabilities resulting from segment operations, including accounts payable and other payables.

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FINANCIAL RATIONS

Earnings Per Share (EPS) and Diluted Earnings Per Share (EPS-D) are calculated in accordance with IAS 33. The financial ratios stated in the financial highlights have been calculated as follows:	
Gearing	$\frac{\text{Net interest bearing debt}}{\text{Group equity}}$
Solvency	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return of Capital Employed (RoCE)	$\frac{\text{EBIT before special items}}{\text{Average capital employed}}$
Earnings Per Share (EPS)	$\frac{\text{Profit attributable to equity holders of NKT Holding A/S}}{\text{Average number of shares}}$
Earnings Per Share Diluted (EPS-D)	$\frac{\text{Profit attributable to equity holders of NKT Holding A/S}}{\text{Diluted average number of shares}}$
Book Value Per Share (BVPS)	$\frac{\text{Equity excl. minority int.}}{\text{Number of shares}}$

NOTES

Amounts in mDKK

35 NET INTEREST BEARING DEBT

	2010	2009
Net interest bearing debt comprises:		
Non-current loans	3,452.0	1,946.6
Current loans	957.0	925.7
Loans from associates	0.0	143.8
Other interest bearing items included in trade payables and other payables	0.8	0.0
Interest bearing debt, gross	4,409.8	3,016.1
Interest bearing items included in receivables	-57.1	-36.9
Cash and cash equivalents	-247.4	-253.9
Net interest bearing debt	4,105.3	2,725.3
Development in net interest bearing debt:		
Net interest bearing debt, 1 January	2,725.3	2,259.9
Cash flow from operating activities	374.0	-582.3
Acquisition of companies	48.8	10.8
Investments in property, plant and equipment, net	723.2	868.4
Other investments, net	77.0	126.0
Dividends	83.0	0.0
Dividend treasury shares	-0.3	0.0
Paid on exercise of share options	-3.8	0.0
Additions and disposals, minority interests	23.9	23.3
Foreign currency translation adjustment	54.2	19.2
Total change	1,380.0	465.4
Net interest bearing debt, 31 December	4,105.3	2,725.3

36 CAPITAL EMPLOYED

	2010	2009
Capital employed comprises:		
Total assets	12,555.7	10,123.7
Of which, excluding interest bearing assets:		
Interest bearing receivables	-57.1	-36.9
Cash and cash equivalents	-247.4	-253.9
Included assets	12,251.2	9,832.9
Non-current liabilities:		
Deferred income tax	-178.1	-154.4
Pension liabilities	-292.8	-284.7
Provisions	-112.5	-112.0
Current liabilities:		
Trade payables and other payables	-3,254.8	-2,755.6
Of which, loan from associated company	0.0	143.8
Of which interest bearing items	0.8	0.0
Corporate income tax	-36.6	-75.0
Provisions	-159.5	-129.9
Offset liabilities	-4,033.5	-3,367.8
Capital employed	8,217.7	6,465.1

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Amounts in mDKK

37 EXPLANATORY COMMENTS TO 5 YEARS' HIGHLIGHTS

Items below refer to overview of five-year highlights, cf. Management's review.

1) Revenue at standard prices - Revenue at standard prices for copper and aluminium fixed at 1,550 EUR/tonne and 1,350 EUR/tonne respectively.
2) Operational earnings before interest, tax, depreciation and amortization (EBITDA) - earnings before interest, tax, depreciation and amortization (EBITDA) adjusted for one-off items. One-off items comprise 2010: -86 mDKK, 2009: -152 mDKK, 2008: -82 mDKK, 2007: 70 mDKK og 2006: 108 mDKK.
3) Earnings before interest and tax (EBIT) and Earnings before tax - For 2006, EBIT before special item and earnings before tax and special item.
4) Net interest bearing debt - Specified for 2010 and 2009 in Note 35.
5) Capital Employed - Group equity plus net interest bearing debt and, for 2007, minus receivables of 272 mDKK relating to sale of property.
6) Working capital - Current assets minus current liabilities (excluding interest bearing items and provisions).
7) Return on capital employed (RoCE) - One-off items comprise, 2010: -86 mKK, 2009: -152 mDKK, 2008: -135 mDKK, 2007: 70 mDKK and 2006: 108 mDKK.
8) Equity value, DKK, per outstanding share - Equity attributable to equity holders of NKT Holding A/S per outstanding share at 31 December.
9) Equity value, DKK, per outstanding share - Dilutive effect from potential shares from executives' and employees' share option plan are not recognized in the financial ratio.

INCOME STATEMENT AND COMPREHENSIVE INCOME

1 Januar - 31 December

Amounts in mDKK

	Note	2010	2009
Income statement			
Dividends from subsidiaries		113.3	143.1
Sale of services		26.8	26.6
Revenue		140.1	169.7
Staff costs	3	-37.1	-36.1
Other costs	4	-26.6	-18.9
Depreciation and impairment of tangible assets	8	-0.3	-0.2
Operating earnings (EBIT)		76.1	114.5
Financial income	5	111.7	107.8
Financial expenses	6	-77.0	-72.8
Earnings before tax (EBT)		110.8	149.5
Tax	7	-0.7	1.5
Profit for the year		110.1	151.0
Proposed distribution:			
Proposed dividend of 2.0 DKK per share (2009: 3.5 DKK per share)		47.5	83.0
Retained earnings		62.6	68.0
		110.1	151.0

Statement of comprehensive income			
Profit for the year		110.1	151.0
Transactions with minority interests		0.0	0.0
Total comprehensive income		110.1	151.0

CASH FLOW STATEMENT

1 Januar - 31 December

Amounts in mDKK

	2010	2009
Operating earnings before depreciation	76.4	114.7
Non-cash items	4.8	4.2
Changes in working capital	-8.7	7.0
Cash flows from operations before financial items	72.5	125.9
Interest received	109.3	107.8
Interest paid	-75.1	-70.7
Cash flows from ordinary activities	106.7	163.0
Income tax paid	-10.2	-3.9
Cash flows from operating activities	96.5	159.1
Increase and decrease of capital in subsidiaries	-43.5	-44.7
Investments in property, plant and equipment	-0.5	-0.1
Disposal of property plant and equipment	0.0	0.2
Changes in loans to/from subsidiaries	-1,424.9	56.2
Cash flows from investing activities	-1,468.9	11.6
Changes in non-current loans	1,398.8	784.7
Changes in current loans	1.4	-871.3
Dividend paid	-83.0	0.0
Dividends on treasury shares	0.3	0.0
Cash from exercise of share-based options	3.8	0.0
Cash flows from financing activities	1,321.3	-86.6
Net cash flows	-51.1	84.1
Cash at bank and in hand, 1 January	320.9	236.8
Net cash flows	-51.1	84.1
Cash at bank and in hand, 31 December	269.8	320.9

BALANCE SHEET

31 December

Amounts in mDKK

	Note	2010	2009
Assets			
Non-current assets			
Tangible assets			
Property, plant and equipment	8	0.7	0.5
		0.7	0.5
Other non-current assets			
Investments in subsidiaries	9	3,113.6	3,050.8
Receivables from subsidiaries		2,106.9	93.8
		5,220.5	3,144.6
Total non-current assets		5,221.2	3,145.1
Current assets			
Receivables from subsidiaries	13	920.5	1,621.1
Receivables from joint venture	13	1.1	0.6
Other receivables	13	1.3	0.8
Cash at bank and in hand		269.8	320.9
Total current assets		1,192.7	1,943.4
Total assets		6,413.9	5,088.5

BALANCE SHEET
31 December

Amounts in mDKK

	Note	2010	2009
Equity and liabilities			
Equity	11		
Share capital		474.8	474.4
Retained earnings		3,348.2	3,277.0
Proposed dividends		47.5	83.0
Total equity		3,870.5	3,834.4
Liabilities			
Non-current liabilities			
Deferred tax	10	22.3	31.8
Retirement benefit liabilities	12	0.5	0.6
Credit institutions	13	2,186.4	787.6
		2,209.2	820.0
Current liabilities			
Credit institutions	13	145.9	2.0
Liabilities to subsidiaries	13	163.2	278.1
Liabilities to joint venture	13	0.0	143.8
Trade and other payables	13	25.1	10.2
		334.2	434.1
Total liabilities		2,543.4	1,254.1
Total equity and liabilities		6,413.9	5,088.5

STATEMENT OF CHANGES IN EQUITY

1 Januar - 31 December

Amounts in mDKK

	Share capital	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2009	474.4	3,204.3	0.0	3,678.7
Changes in equity in 2009				
Total comprehensive income for the year		68.0	83.0	151.0
Share-based payment		4.7		4.7
Total changes in equity in 2009	0.0	72.7	83.0	155.7
Equity at 31 December 2009	474.4	3,277.0	83.0	3,834.4
Equity at 1 January 2010	474.4	3,277.0	83.0	3,834.4
Changes in equity in 2010				
Total comprehensive income for the year		62.6	47.5	110.1
Dividend paid			-83.0	-83.0
Dividend paid of treasury shares		0.3		0.3
Share-based payment		4.9		4.9
Subscribed by exercise of share-based options	0.4	3.4		3.8
Total changes in equity in 2010	0.4	71.2	-35.5	36.1
Equity at 31 December 2010	474.8	3,348.2	47.5	3,870.5

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Amounts in mDKK

NKT Holding A/S functions as a holding company for the Group's activities and undertakes the tasks related thereto. For description of the enterprise's activities, etc., please refer to the Management's Review.

1 ACCOUNTING ESTIMATES AND JUDGEMENTS

The annual financial statements are prepared for the parent company in pursuance of the requirements of the Danish Financial Statements Act. for companies preparing statements according to IFRS.

The annual financial statements of the parent company are prepared in accordance with International Financial Reporting Standards adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

Changes to accounting policies

See description in Note 34 to consolidated financial statemens. The changes have not influenced recognition and measurement in the financial statemens of the parent company.

Description of accounting policies

In relation to the accounting policies described for the financial statements of the Group (please see Note 34 to the consolidated financial statement), the accounting policies of the parent company differ in the following:

Foreign currency translation

Translation adjustment of balances considered part of the total net investment in undertakings that have a functional currency other than DKK are recognized in the annual financial statements of the parent company under financial items in the income statement. Similarly, foreign exchange gains and losses on that part of loans and derivates established to hedge the net investment in these undertakings are also recognized under financial items in the income statement.

Revenue

Dividends from investments in subsidiaries are recognized in the income statement of the parent company in the year the dividends are declared. If the dividend distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. If there is indication of impairment, an impairment test is performed as described in the consolidated financial statements. Where the recoverable amount is lower than cost, investments are written down to this lower value.

At the distribution of reserves other than retained earnings in subsidiaries, the distribution will reduce the cost of investments when the distribution is characterized as repayment of the parent company's investment.

Tax

The parent company is jointly taxed with all Danish subsidiaries. The current Danish income tax is shared between the jointly taxed Danish subsidiaries in in proportion to their taxable incomes. Companies receiving/transferring tax losses from/to other companies pay/receive joint taxation contributions to/from the parent company corresponding to the tax base of the used tax loss (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the tax prepayment scheme.

In the case of Danish subsidiaries, settlement of the tax base of reduced deductions under sections 11B and 11C of the Danish Corporation Tax Act (the interest cap rule and the EBIT rule) is made to the relevant subsidiaries by the parent company according to the same rules as are applied to tax losses.

2 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimation uncertainty

Determining the carrying amount of certain assets and liabilities requires an estimate of how future events will affect the value of these assets and liabilities at the balance sheet date. Estimates that are significant for the preparation of the parent company's financial reporting are made, among other things, by establishing indication of impairment and reversal of write-down on investments in subsidiaries.

The estimates used are based on assumptions which by Management are considered to be reliable, but which by nature are uncertain and unpredictable. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may lead to actual results that differ from these estimates. Particular risks relating to the NKT Group are described in note 30 to the consolidated financial statements and in the section on risk factors in the Management's review.

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Amounts in mDKK

2 ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Accounting policies

It is the opinion of the Management that in the application of the parent company's accounting policies, no judgements other than estimates are made that can materially influence the amounts recognized in the annual report.

3 STAFF COSTS

	2010	2009
Wages and salaries	29.5	28.6
Social security contributions	0.2	0.2
Defined contribution plans	2.5	2.9
Defined benefit plans	0.0	-0.3
Share-based payments	4.9	4.7
	37.1	36.1
Average number of full-time employees	24	24

Remuneration to the Board of Directors and the Board of Management, and share option schemes for executives and employees can be found in Notes 28 and and 29 to the consolidated financial statements.

4 OTHER EXPENSES

Other expenses included fees to auditor elected by the annual general meeting KPMG:

	2010	2009
Statutory audit	1.1	0.9
Other certainty declarations	0.4	0.0
Tax and VAT advice	0.4	0.8
Other services	0.0	0.1
	1.9	1.8

5 FINANCIAL INCOME

	2010	2009
Interest income, etc.	27.3	28.1
Interest from subsidiaries	60.6	67.0
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	2.4	1.9
Gain on portfolio of investments held for trading (derivative financial instruments)	6.9	0.0
Foreign exchange gains	14.5	10.8
	111.7	107.8

6 FINANCIAL EXPENSES

	2010	2009
Interest expenses, etc.	55.6	54.8
Interest to subsidiaries	1.0	1.4
Impairment charge on investments in subsidiaries on discontinued operation	0.0	13.0
Reversal/provision for loss relating to investment in subsidiary on discontinued operation	0.0	-13.0
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	0.0	0.9
Loss on portfolio of investments held for trading (derivative financial instruments)	0.6	4.6
Foreign exchange losses	19.8	11.1
	77.0	72.8

NOTES

Amounts in mDKK

7 TAX

	2010	2009
Current tax	0.8	0.8
Joint taxation contribution	9.4	4.4
Deferred tax	-9.5	-6.7
	0.7	-1.5
Reconciliation of tax:		
Tax at 25% of earnings before tax	27.7	37.4
Tax effect:		
Non-taxable dividend income	-28.3	-35.8
Non-deductable expenses	1.3	1.2
Adjustment of tax for prior periods	0.0	-4.3
	0.7	-1.5

8 TANGIBLE ASSETS

Equipment		
Cost, 1 January	3.4	4.0
Additions	0.5	0.1
Disposals	0.0	-0.7
Cost, 31 December	3.9	3.4
Depreciation, 1 January	-2.9	-3.2
Depreciation	-0.3	-0.2
Disposals	0.0	0.5
Depreciation, 31 December	-3.2	-2.9
Book value, 31 December	0.7	0.5
Depreciation period (years)	4-5	4-5

NOTES

Amounts in mDKK

9 INVESTMENTS IN SUBSIDIARIES

	2010	2009
Cost, 1 January	3,371.7	3,327.0
Capital contribution	62.8	44.7
Cost, 31 December	3,434.5	3,371.7
Impairment, 1 January	-320.9	-307.9
Charges [1])	0.0	-13.0
Impairment, 31 December	-320.9	-320.9
Book value, 31 December	3,113.6	3,050.8

1) Impairment charges of investments in subsidiaries on discontinued operations where assets are written down to net selling price. The charges are recognized under financial expenses.

Subsidiaries	Domicile	Ownership 2010	Ownership 2009
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk-Advance A/S	Brøndby, Denmark	100%	100%
NKT Photonics A/S	Brøndby, Denmark	98%	98%
LIOS Technology GmbH	Cologne, Germany	100%	100%
Vytran LLC	USA	100%	-
SubSeaFlex Holding A/S (owns 51% af NKT Flexibles I/S)	Brøndby, Denmark	100%	100%

Companies of immaterial interest are excluded from the overview.

10 DEFERRED TAX ASSETS AND LIABILITIES

	2010	2009
1 January	-31.8	-38.5
Deferred income tax for the year recognized in profit for the year	9.5	6.7
31 December	-22.3	-31.8
Deferred tax relates to:		
Current liabilities	0.1	0.2
Tax loss carry-forward	4.7	-1.9
Recapture of trading losses	-27.1	-30.1
	-22.3	**-31.8**

NOTES
Amounts in mDKK

11 SHARE CAPITAL
Details of share capital, treasury shares and dividend are given in Note 19 and 20 to the consolidated financial statements.

12 RETIREMENT BENEFIT LIABILITIES

	2010	2009
Retirement benefit liabilities, 1 January	0.6	1.1
Pension costs	0.0	-0.3
Paid benefits	-0.1	-0.2
Retirement benefit liabilities, 31 December	0.5	0.6

NKT Holding A/S expects to pay 0.2 mDKK in 2011 to defined benefit plans.

13 RECEIVABLES, PAYABLES TO CREDIT INSTITUTIONS AND OTHER PAYABLES
Receivables and Other payables are measured at amortized cost, which in all material respects corresponds to fair value and nominal value. Payables to credit institutions are predominantly subject to floating interest rates and measured at amortized cost. The carrying amount therefore in all material respects corresponds to fair value and nominal value.

14 FINCIAL RISK, FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL STRUCTURE
See Note 30 to the consolidated financial statements.
Capital management at NKT Holding A/S is performed for the Group as a whole and no operational targets or policies are therefore established independently for the parent company.

Categories of financial instruments	2010	2009
Financial assets:		
Loans and receivables	3,299.6	2,037.2
Financial liabilities:		
Trading portfolio (derivative financial instruments)	0.6	0.0
Financial liabilities, measured at amortized cost	2,520.0	1,221.7

The parent company's payables fall due as follows:

2010	Within 1 year	3-4 years	4-5 years	Total
Credit institutions	145.9	2,183.9	2.5	2,332.3
Other financial liabilities	188.3	0.0	0.0	188.3
	334.2	2,183.9	2.5	2,520.6

2009	Within 1 year	1-2 years	4-5 years	Total
Credit institutions	2.0	782.2	5.4	789.6
Other financial liabilities	432.1	0.0	0.0	432.1
	434.1	782.2	5.4	1,221.7

NOTES

Amounts in mDKK

15 CONTINGENT LIABILITIES

	2010	2009
Guarantees for subsidiaries	738.8	1,179.0
Guarantees for joint venture	116.2	116.2
Liability in respect of subsidiary company credit facilities under the Group account scheme	857.6	792.9
Leasing agreements for property, etc.	8.9	9.1
Of which payable within:		
0-1 years	4.1	3.8
1-5 years	4.8	5.3
>5 years	0.0	0.0

For 2010 5.6 mDKK (2009: 4.7 mDKK)is charged to the income statement as operational leasing.

The term of notice for the CEO is 24 months. For the other members of the Board of Management, the term of notice is 12 months. In conjunction with significant changes in the Company's ownership structure the above terms of notice will be extended for a transitional period by a further 12 months. Beyond this there is no separation benefit plan for the Board of Management of the company.

The company is represented in a joint taxation scheme with the Danish Group companies and is liable for payment of tax on jointly taxed income for accounting years until and including 2004. The Company is registered jointly with NKT Cables A/S for VAT purposes and is liable for VAT liabilities.

16 RELATED PARTIES

In addition to the comments in Note 28 in the consolidated financial statements the parent company's related parties comprise subsidiaries with affiliated undertakings.

The company's subsidiaries and affiliated undertakings can be found in Note 33 in the consolidated financial statement. No related parties have control. Transactions with affiliated undertakings comprised the following:

	2010	2009
Subsidiaries:		
Sale of services to	25.5	25.6
Interest received, net	59.6	65.6
Joint taxation contribution, net	9.4	4.4
Receivables, non-current	2,106.9	93.8
Receivables, current	920.5	1,621.1
Payables to subsidiaries	163.2	278.1
Dividends received	113.3	143.1
Capital contribution	62.8	44.7
Joint venture:		
Sale of services to	0.1	0.6
Interest received from, net	-0.3	-1.0
Receivables	1.1	0.6
Payable	0.0	143.8

17 EVENTS AFTER THE BALANCE SHEET DATE

Please see Note 31 to the consolidated financial statements

18 NEW ACCOUNTING STANDARDS

See Note 32 to the consolidated financial statements. None of the standards or interpretations stated are expected to have effect on the financial statements of the parent company.

5 YEARS' FINANCIAL HIGHLIGHTS

Amounts in mEUR

	2006	2007	2008	2009	2010
Income statement					
Revenue	1,451	1,814	1,855	1,568	1,939
Revenue in standard prices [1)]	1,207	1,449	1,512	1,335	1,540
Operational earnings before interest, tax, depreciation and amortization (EBITDA) [2)]	123	183	174	125	132
Earnings before interest, tax, depreciation and amortization (EBITDA)	137	192	163	105	121
Depreciation and impairment on property, plant and equipment	-19	-26	-37	-33	-37
Amortization and impairment on intangible assets	-9	-14	-17	-17	-19
Earnings before interest and tax (EBIT) [3)]	110	152	110	56	64
Financial items, net	-7	-19	-30	-17	-18
Earnings before tax [3)]	103	133	79	39	46
Profit for the year	81	110	54	32	36
Profit attributable to equity holders of NKT Holding A/S	78	108	54	32	36
Cash flows					
Cash flows from operating activities	36	156	102	78	-50
Investments in property, plant and equipment	34	61	101	122	100
Balance sheet					
Share capital	63	63	64	64	64
Equity attributable to equity holders of NKT Holding A/S	374	435	460	499	551
Minority interests	3	5	5	3	1
Group equity	376	440	465	502	552
Total assets	986	1,221	1,333	1,358	1,684
Net interest bearing debt [4)]	137	268	303	366	551
Capital employed [5)]	514	671	768	867	1,102
Working capital [6)]	282	292	273	265	402
Financial ratios and employees					
Gearing	36%	61%	65%	73%	100%
Net interest bearing debt relative to operational EBITDA	1.1	1.5	1.7	2.9	4.2
Solvency	38%	36%	35%	37%	33%
Return on capital employed (RoCE) [7)]	18.8%	22.0%	16.4%	9.4%	7.5%
Number of 20 DKK shares ('000)	23,500	23,638	23,718	23,718	23,738
Earnings, DKK, per outstanding share (EPS)	3.3	4.6	2.3	1.4	1.5
Dividend paid, DKK, per share	1.6	1.3	1.5	0.0	0.5
Equity value, DKK, per outstanding share [8) 9)]	16	18	19	21	23
Market price, DKK, per share	67	62	14	39	40
Average number of employees	6,016	7,575	8,610	7,938	8,454

[1) - 9)] Explanatory comments appear in Note 37 to consolidated financial statements.

Financial ratios are stated in Note 34 to consolidated financial statements.

When converting the additional information from DKK to EUR the exchange rate ruling at 30.12.2010 of 745.44 has been applied

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