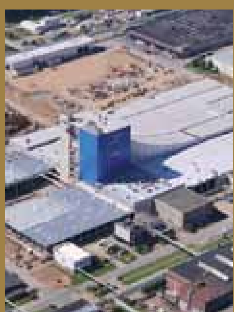
NKT

2009
Annual Report

The NKT Group consists of:

NKT Holding
Since 1991 listed parent company for the fully or partly owned companies



NKT Cables
A leading European supplier of power cables to the electricity and energy sector

Nilfisk-Advance
A global supplier of professional cleaning equipment

Photonics Group
Fiber lasers, crystal fibers and fiber-based measuring equipment

NKT Flexibles
One of three global suppliers of flexible pipes to the offshore oil industry

CONTENTS

The annual report for 2009 is presented in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. Statements about the future in this report reflect the current expectations of the NKT Group Management with regard to future events and financial results. Statements concerning 2010 are naturally accompanied by 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 the 'risks' sections on page 34, in the company reviews, and in Note 30 to the consolidated financial statements.

This annual report was published on 2 March 2010 in Danish and English via NASDAQ OMX Copenhagen. In questions of interpretation the Danish text shall prevail. The annual report is available on www.nkt.dk and is emailed to all subscribers registered for NKT's e-news service.

NKT's Annual Report for 2009 is published by:
NKT Holding A/S, Vibeholms Allé 25,
DK-2605 Brøndby, Denmark,
CVR No. 62 72 52 14.
Text and production: NKT Holding A/S.
Photos: Lars Thornblad, NKT companies.

Please address any enquiries to this annual report to our investor contact - see page 30.

"The Board of Directors considers the performance realized in 2009 to be the best achievable in the circumstances. The conglomerate structure has shown its strength in the implementation of strategic initiatives. The Board of Management's overall strategic control has provided the management teams in our four businesses with the necessary calm to focus on operations and make the requisite adjustments."

Christian Kjær, Chairman of the Board of Directors, NKT Holding

A **STRONGER** NKT

2009 has been an unusual year. What at the outset seemed likely to be an annus horribilis proved to be a year which brought out the best in our people. Showing dedication, industry and zeal the Group's employees at all levels have striven to counter the effects of the economic crisis. So as we enter a new decade NKT now stands better equipped.

At the start of 2009, visibility was so diminished due to the economic crisis that when we announced our earnings expectations for the year it was not without some scepticism. An operational EBITDA of 700-900 mDKK was initially forecasted, and shareholders have been able to see, quarter by quarter, how our progress mirrored this prediction until after an upward revision at the start of 2010 operational EBITDA closed on 935 mDKK.

Aided not least by specific plans and initiatives contained in 'Building Power', NKT's corporate strategy published in 2007, we responded swiftly to the crisis signals, among other things by accelerating a number of measures already planned. Sourcing from low cost countries was strengthened, while at the same time tight control was maintained on costs and production was transferred from high to low cost countries.

Our strategic focus areas received continued priority through 2009, with product development remaining unchanged at a high level. A new high voltage factory entered service in Germany, new production facilities were inaugurated in Mexico, sales offices were opened in new markets, and additional focus was given to environment and social responsibility. Our business units had to adjust activities to new, reduced levels, unfortunately resulting in some 900 redundancies among our able work force. At the end of the day, however, as a result of these efforts NKT is today better equipped for further expansion than before the economic crisis.

This is the starting point for a new strategic plan, which is under preparation and will be published in the spring of 2011.

At the annual general meeting we will propose a resumption of dividend policy, with 35% of profits for the year being distributed as dividend. NKT was among the best performers on the Copenhagen Stock Exchange in 2009, with a 175% rise in share price, and increasing interest in NKT is being shown by foreign investors. We extend a welcome to our new shareholders.

2 March 2010
Group Management
NKT Holding A/S

NKT Cables

Revenue **6,383** mDKK

Oper. EBITDA **373** mDKK

Capital employed **3,313** mDKK

Nilfisk-Advance

Revenue **5,138** mDKK

Oper. EBITDA **469** mDKK

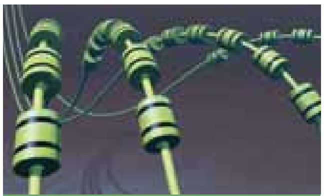
Capital employed **2,580** mDKK

Photonics Group

Revenue **160** mDKK

Oper. EBITDA **-31** mDKK

Capital employed **122** mDKK



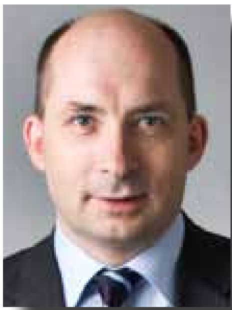
NKT Flexibles

Revenue **1,311** mDKK

Oper. EBITDA **305** mDKK

Capital employed **780** mDKK

Summary



"2010 too will be a challenging year. At a macroeconomic level, growth is forecasted for Asia, particularly China, while optimism is more subdued for Europe and the US. We stand ready for the return of opportunities for growth so that we can realize NKT's earnings potential and bring benefit to our shareholders."

Thomas Hofman-Bang, President and CEO

2009 was a difficult year which in spite of unpredictable macroeconomic conditions ended with satisfactory earnings. As a result of a number of structural initiatives the NKT Group today stands stronger than when the economic crisis began. 2010 too will be a challenging year with uncertain trading conditions. It will also be a year of transition as the results of the many strategic decisions will not manifest themselves fully until 2011 and onwards. A revised corporate strategy is in preparation and will be published in conjunction with the 2010 annual report

2009

- The Group's operational EBITDA was 935 mDKK, which was consistent with our last published prediction and equates to an EBITDA margin of 9.4% compared with 11.6% for 2008.

- Revenue decreased to 11.7 bnDKK, corresponding to organic growth of -10%:
  - NKT Cables -7%
  - Nilfisk-Advance -13%
  - Photonics Group -8%

- NKT Flexibles realized revenue of 1,311 mDKK, corresponding to organic growth of -6%.

- Reported EBITDA of 783 mDKK was influenced by one-off items in Nilfisk-Advance amounting to 152 mDKK and relating to a number of structural initiatives.

- At the annual general meeting on 25 March 2010 the Board of Directors will propose the payment of a dividend for 2009 of 3.50 DKK per share, corresponding to a total of 83 mDKK and 35% of profit for the year after tax.

2010

- Organic revenue growth for 2010 is expected to rise by 6-10% on 2009.

- Planned earnings (EBITDA) for 2010 are around 1 bnDKK, excluding approx. costs of 75 mDKK relating to structural initiatives.

- Planned total investment in non-current assets and capitalized development costs is approx. 750 mDKK, including 250 mDKK for completion of the production facility in Cologne and 150 mDKK for the acquisition of a high voltage factory in China, as previously reported.

- Net interest bearing debt is expected to temporarily increase by up to 500 mDKK during 2010, while forecast year-end debt is similar to the start of the year (2.7 bnDKK).

- Please refer to page 6 for a full review.

Reader's guide to 2009 annual report

The layout of this year's annual report has changed from previous years. The individual company reviews open with a 360^0 description of the relevant industry, followed by material risks and events in 2009.

The consolidated financial statements are preceded by a financial review, and various issues relevant to a broad group of stakeholders are discussed in the section 'Corporate matters'.

Five-year financial highlights

amounts in **mDKK**

	2005	2006	2007	2008	2009
Income statement					
Revenue	8,750	10,815	13,525	13,828	11,687
Revenue in standard prices [1]	8,180	9,000	10,798	11,273	9,950
Operational earnings before interest, tax, depreciation and amortization (EBITDA) [2]	713	914	1,363	1,300	935
Earnings before interest, tax, depreciation and amortization (EBITDA)	713	1,022	1,433	1,218	783
Depreciation and impairment on property, plant and equipment	-159	-139	-192	-275	-243
Amortization and impairment on intangible assets	-69	-65	-108	-125	-124
Earnings before interest and tax (EBIT) [3]	485	818	1,133	818	416
Financial items, net	-22	-49	-145	-226	-125
Earnings before tax [3]	463	769	988	592	291
Profit for the year	361	603	820	404	238
Profit attributable to equity holders of NKT Holding A/S	356	582	805	401	240
Cash flows					
Cash flows from operating activities	41	265	1,162	763	582
Investments in property, plant and equipment	242	252	458	756	912
Balance sheet					
Share capital	490	470	473	474	474
Equity attributable to equity holders of NKT Holding A/S	2,672	2,787	3,246	3,427	3,719
Minority interests	63	19	36	38	21
Group equity	2,735	2,806	3,282	3,465	3,740
Total assets	6,177	7,350	9,099	9,935	10,124
Net interest bearing debt [4]	764	1,023	1,995	2,260	2,725
Capital employed [5]	3,499	3,829	5,005	5,725	6,465
Working capital [6]	1,826	2,104	2,176	2,036	1,974
Financial ratios and employees					
Gearing (net interest bearing debt / Group equity)	28%	36%	61%	65%	73%
Net interest bearing debt relative to operational EBITDA	1.1	1.1	1.5	1.7	2.9
Equity share (solvency)	44%	38%	36%	35%	37%
Return on capital employed (RoCE) [7]	14.4%	18.8%	22.0%	16.4%	9.4%
Number of 20 DKK shares ('000)	24,500	23,500	23,638	23,718	23,718
Earnings, DKK, per outstanding share (EPS) [8]	14.7	24.9	34.2	17.0	10.2
Dividend paid, DKK, per share	8.0	12.0	10.0	11.0	0.0
Equity value, DKK, per outstanding share [9] [10]	114	119	137	145	157
Market price, DKK, per share	289	503	459	106	291
Average number of employees	5,906	6,016	7,575	8,610	7,938

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

Expectations for **2010**

We expect:

- Organic growth of **6-10%**
- EBITDA of approx. **1** bnDKK
- Investment of **750** mDKK

The global economic slowdown that dominated 2009 is also expected to influence 2010. Only limited economic growth is thus anticipated.

The NKT Group Management considers that overall the earnings expectations contain a moderate degree of risk. The expectations also reflect the view of 2010 as a year when the effect of the strategic decisions of recent years will only partly be realized.

Many of the strategic initiatives outlined in 'Building Power', NKT's corporate strategy from 2007, are being implemented, but as a result of the economic slowdown revenue expectations are not achievable. A revised corporate strategy will therefore be prepared in 2010 and is expected to be published in conjunction with the 2010 annual report.

Revenue

NKT expects organic growth in revenue of 6-10% in 2010.

This is based on the following assumptions:

- For NKT Cables, organic growth is planned of minimum 10% based on existing visibility in the markets for high and medium voltage cables, submarine cables and railway catenary wires, and provided that customers do not postpone the planned delivery dates. No appreciable organic growth is expected in the low voltage segment.
- For Nilfisk-Advance, ongoing improvement in plannede activity level, resulting in organic growth of minimum 2%.
- For Photonics Group, organic growth of 20% is planned.

EBITDA before structural initiatives

Planned EBITDA for 2010 is approx. 1 bnDKK, excluding costs for structural initiatives.

This is based on the following assumptions:

- For NKT Cables, EBITDA margin is expected to improve over the year by approx. 0.5%-points, against 8.0% realized in 2009. The improvement will come from changed product mix, but will be negatively influenced by cost duplication of approx. 50 mDKK due to parallel operation of the two high voltage cable factories in Cologne.
- For Nilfisk-Advance, EBITDA margin is expected to improve over the year by approx. 1%-point against 9.2% realized in 2009. Half of this will come from organic growth, the other half coming from the effect of the structural initiatives introduced.
- For Photonics Group, negative EBITDA of approx. 10-20 mDKK is anticipated, an improvement of 10-20 mDKK on 2009 EBITDA.
- For NKT Flexibles, a reduction of EBITDA margin to approx. 13% is expected as a result of price and product mix in the existing order book at the start of 2010. NKT's profit share is expected to be down by approx. 80 mDKK on 2009.

Structural initiatives 2010

A series of structural measures was introduced in Nilfisk-Advance in 2009, the most significant being the transfer of production to low cost countries. A number of these - already implemented - initiatives will continue in 2010 and result in costs of approx. 75 mDKK, around two thirds of which will be incurred in the 1st half and one third in the 2nd half of the year.

Investments

Overall Group investments in property, plant and equipment and capitalized development costs are planned at approx. 750 mDKK, which includes around 250 mDKK for completion of the new high voltage facility in Cologne and 150 mDKK for the high voltage factory in China which was finally taken over at the start of 2010.

Interest bearing debt

NKT's net interest bearing debt at the start of 2010 was 2.7 bnDKK, and a similar figure is expected at year end. In the course of the year the debt is expected to temporarily rise by as much as 500 mDKK, partly due to time lag between the above investments and receipt of earnings. In addition, a rise in working capital is expected for NKT Cables following completion of a number of major projects.

Other assumptions

Besides the above assumptions, 2010 expectations are based on the composition of Group business activities remaining materially unchanged during the year and on no significant deterioration in the international economy.

It is further assumed that there will be no major and sudden fluctuations in exchange rates and in energy and raw material prices.

Material risks are discussed in the 'Risks' section of this report.

Financial
target performance

"NKT fully realized its earnings expectations for 2009 but the year was a challenging one for all business units. The structural and strategic initiatives performed mean that the NKT Group is equipped to exploit the strategic and market opportunities arising in 2010 and years ahead."

Michael Hedegaard Lyng, Group Executive Director, CFO

When releasing its financial results for 2009 NKT also published a table intended to provide insight into the assumptions underlying revenue and EBITDA development from 2008 to 2009. As seen from the figure below, the final results for 2009 were basically in line with initial expectations. NKT ended with organic growth of -10%, as expected at the start of 2009, and with operational EBITDA of 935 mDKK, which exceeded the initial announcement of 700-900 mDKK.

For NKT Cables the sharp slowdown in the building industry led to negative organic growth of 8% and 16% respectively in the medium and low voltage segments, and a total earnings reduction of around 83 mDKK. A staffing reduction at the end of 2008 helped limit losses, and the company also tried to adjust production capacity to demand by measures that included closing down production at periods when the level of costs is higher.

Similarly, changing the product mix with a view to increasing the proportion of high value products also helped mitigate the negative impact, the high value component increasing by around 25% from 2008 to 2009. This has been the result of a number of major investments, among other things in increased capacity for railway catenary wires in China and in the new high voltage facility in Germany.

For Nilfisk-Advance too the development in the world economy led to slowdown in new equipment sales to the professional cleaning industry. Organic growth was -13%, which as well as reducing revenue by 747 mDKK also reduced earnings by 270 mDKK. It was clear as early as mid-2008 that considerable harder times were in store for the cleaning industry, and this meant a changed management agenda focused on protecting earnings and cash flows.

A string of structural initiatives has been carried out and some are still in progress. These improved earnings by 130 mDKK and will continue to improve profitability on a yearly basis. Several one-off cost savings, amounting to 40 mDKK, have also been implemented. Overall market development was worse than expected at the start of 2009 (-13% compared with -10%), but the resulting negative effect has been more than compensated for by the stronger and speedier impact of the structural initiatives. Despite the market development, earnings margin was successfully maintained.

NKT Flexibles reported satisfactory development at its Kalundborg facility. However, this was unable to prevent an expected 10% decrease in earnings margin due to generally lower market price levels. This equated to a fall in income of 86 mDKK for the NKT Group.

For further analysis of the individual business segments, please refer to pages 8-27. The full financial review begins on page 36.

Financial target performance 2009

	Initial expectations 2009			Realized 2009			
Amounts in mDKK	Exp. devel.	Rev. in std. prices	Oper. EBITDA	Actual devel.	Rev. in std. prices	Oper. EBITDA	Diff. effect
Realized 2008		11,213	1,300		11,213	1,300	
NKT Cables							
Organic growth LV*	-20%	-426	-85	-16%	-264	-53	20%
Organic growth MV**	-10%	-88	-27	-8%	-100	-30	30%
Fall in earnings margin and Other	5% points		-107	3% points		-74	
Nilfisk-Advance							
Organic growth	-10%	-588	-212	-13%	-747	-270	36%
Effect of structural initiatives			90			130	
Cost savings						40	
Fall in earnings margin	1% point		-53	0.4% points		-20	
Other						-24	
NKT Flexibles							
Fall in EBITDA margin	12% points		-92	10% points		-86	
Other, incl. currency					**-152**	**22**	
Expected/realized 2009		**10,110**	**814**		**9,950**	**935**	

** LV: Low Voltage ** MV: Medium Voltage* nkt cables

NKT CABLES

NKT Cables is one of Europe's most significant suppliers of power cables, particularly for transport and distribution of electricity. In recent years production has been established in China where the expanding high speed rail network provides a growing market for catenary wires

Highlights

Amounts in mDKK	2009	2008	2007
Revenue	6,383	7,766	7,624
Revenue in standard prices	4,646	5,211	4,897
Operational EBITDA*	373	530	649
Operational EBIT*	197	372	504
Capital employed	3,313	2,442	2,220
Working capital	1,089	877	1,055
Oper. EBITDA margin (standard prices)	8.0%	10.2%	13.3%
Number of employees, 31 December	3,127	3,158	3,209

* Adjusted for non-recurring items in 2008 and 2007

The strategic perspective

NKT Cables' vision is to develop energy cable solutions that can help customers by optimizing the transport and distribution of electricity. The objective is also to continue strengthening the company's profitable market position in railway catenary wires.

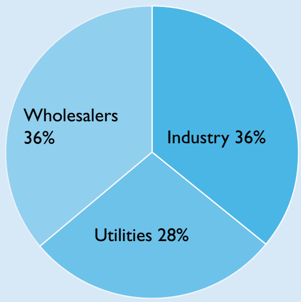
Products

NKT Cables develops, manufactures and markets power cables and cable systems for electricity transmission (high voltage cables, submarine cables and accessories), electricity distribution (medium voltage cables and accessories), and electrical installations (low voltage cables). In addition, the company supplies turnkey projects in which NKT Cables is responsible for the overall installation and for coordinating subcontractors. The product programme also includes control systems (VALCAP), fiber based monitoring cables, Optical Ground Wires (OPGW) and Optical Phase Conductors (OPPC), catenary wires for railways, automotive cables, and specialist industrial cables. To this must be added a range of consultancy and engineering services.

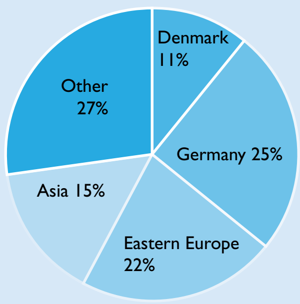
Market

The market for the company's submarine cables and high voltage products is global. The medium and low voltage markets are primarily centred in Europe. NKT Cables is active in most of Europe and in parts of

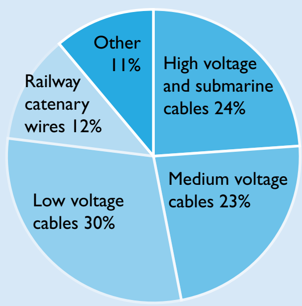
Sales by customers



Sales by markets

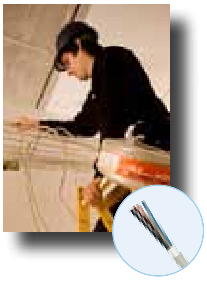


Sales by products



Data based on 2009

Where the cables are used



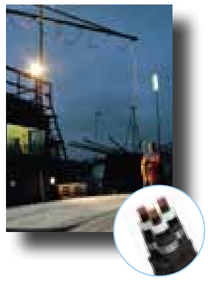
Low voltage cables

Medium voltage cables

High voltage cables

Cable accessories

Railway catenary wires



Submarine cables

Asia, particularly in China. The number of markets covered by the growing sales organization is steadily increasing.

The prime focus for NKT Cables is the electricity sector.

1. High voltage and submarine cables represent 24% of revenue. Customers are utilities and energy consortiums.
2. Medium voltage products represent 23% of revenue. Customers are utilities and some sales take place through wholesale outlets.
3. Low voltage cables, corresponding to 30% of revenue, are predominantly sold through electrical wholesalers to electrical installers where they are typically used in the building industry or sold directly to industrial companies.
4. Railway catenary wires represent 12% of revenue and customers are railway operators and railway contractors.
5. Special cables represent 11% of revenue and include automotive cables (3% of revenue) and data transmission solutions (2% of revenue). Automotive wiring materials are sold through subcontractors.

1 - High voltage and submarine cables: High voltage grid investment by the utilities is among other things driven by the growing need for renewable energy installations to be connected to the grid. The transmission companies are also under pressure to invest in the grid by the continuing demands for greater grid reliability and the trend towards increased electricity trading. NKT Cables is one of four leading suppliers in the segment in Europe. NKT Cables wishes to increase its market share by focusing on complete cable solutions that can help the transmission companies by increasing efficiency and reducing power loss during transmission.

Environmental consideration has placed increasing focus on renewable energy as a means of reducing CO_2 emission. This is being reflected in significant investments in for example offshore wind farms, which will in turn increase the demand for high voltage and submarine cables that can connect these installations to the grid. At the same time there is strong political focus on power supply reliability.

The EU target is for 20% of energy to be supplied from alternative energy sources by 2020. In the UK the target is for renewable energy to supply 40% of electricity by 2020. This will lead to a strong expansion in offshore wind capacity in the next decade at nine locations in the North and Irish Seas. NKT Cables has received orders for various projects and expects to gain more in years ahead.

In 2009, nine European countries, including Denmark, signed the North Seas Countries' Offshore Grid Initiative, which aims to encourage the expansion of wind power by establishing a North Sea 'supergrid'. The supergrid will cross national borders and facilitate energy transmission between the countries. A Baltic seagrid that can combine offshore wind farms into a single network is also being discussed. With its new high voltage production facility in Cologne NKT Cables can supply submarine cables and complete solutions to these projects.

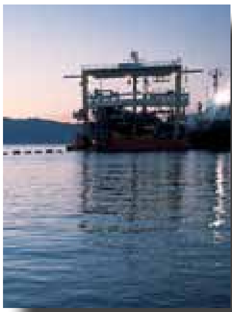
China is also in the process of expanding its energy infrastructure and the market for high voltage cables is expected to grow considerably in the next decade.

2 - Medium voltage: Medium voltage cables and accessories are used for electricity distribution. The application of medium voltage cables is directly linked to both expansion in the electricity infrastructure and replacement of overhead power lines. For the utilities, increased reliability is an important driver in this replacement. NKT Cables has many years' experience in customizing solutions for both utilities and industry, and the medium voltage cable facilities in Cologne, Asnæs and Velké Meziříci have specialist expertise for developing these solutions.

3 - Low voltage: The market for low voltage cables is chiefly to be found in the building and construction sector, which is influenced by the level of activity in both new building and renovation. With customers' access to financing abruptly curtailed by the recession, 2009 was characterized by general slowdown and reduced activity in building and construction. Primary markets for NKT Cables are Scandinavia, Germany, Austria, Poland, Czech Republic and other Eastern European countries.

NKT Cables' low voltage revenue includes sales of 1 kV cables to both utilities and the building industry, which each account for around 50%. Activity level in this market segment is influenced not only by building activities but also by the general improvement of the distribution network.

4 - Railway products: Railway catenary wires and accessories are sold globally, with particular focus on the growing Chinese market. NKT Cables focuses on systems for high speed trains with speeds in excess of 300 km/h.



5 - Special cables: The automotive industry utilizes a range of special cables manufactured by NKT Cables in the Czech Republic. Production is chiefly sold in the European market.

OPGW and OPPC products (Optical Fiber Ground Wires and Optical Phase Conductors) are used for data transmission through the power distribution grid and sold to the global market. This is a project-oriented market which is driven by the demand from utilities for data communication capacity in the cable network.

VALCAP monitoring systems build intelligence into high voltage cables and are used to monitor temperature and performance so as to optimize load. This minimizes power loss during transmission.

Customers

Submarine cables and high and medium voltage products are supplied by NKT Cables to most leading European power companies, including EON, EDF, RWE, Scottish Power, Dong Energy and Vattenfall. Low voltage products are principally sold via large European wholesalers such as Rexel, Sonepar and Solar, but also to a large number of national customers.

Customers for railway products comprise the Chinese Ministry of Railways and major railway contractors such as Siemens, Adtranz and Balfour Beatty.

Automotive industry customers are all suppliers to major, well-known car manufacturers with European production.

Product development

NKT Cables has always given high priority to innovation and future-oriented solutions. As an example, NKT Cables has developed the world's first superconducting high voltage cable, which is characterized by minimal power loss.

The continuing development of submarine cables and high and medium voltage products is linked to the growing need for alternative energy sources. Product examples are cable systems for use with wind farms, solar energy and more efficient use of existing grid capacity.

NKT Cables is one of the few European cable manufacturers with a complete recycling concept for all types of recyclable cables, and also has its own recycling facility in Stenlille, Denmark. The first manufacturer to offer lead-free cables, NKT Cables followed this by developing alternatives to PVC cables and then replacing unwanted phthalates by non-toxic alternatives.

In the low voltage segment the European Commission's new building products directive has led to development of products for a higher safety category, which adds increased value to the individual product and improves earnings margin. Products are sold to building and construction companies and product application examples are tunnels, hospitals and airports where fire safety requirements are high.

Production

NKT Cables has 13 production plants situated in Germany (4), Czech Republic (3), Poland (1), Denmark (2), Norway (1) and China (2). The new high-tech plant in Cologne integrates production innovations that increase productivity and reduce CO_2 emission. The factory, one of the most advanced cable manufacturing units in the world, provides NKT Cables with new facilities for producing high and medium voltage cables and submarine cables.

Competitors

In the segments covering submarine and high voltage cables NKT Cables has four competitors: Nexans (France), Prysmian (Italy), ABB (Sweden) and General Cables (USA). In the medium voltage segment there are 10-15 regional competitors. The low voltage competition typically consists of a large number of local European producers which in addition to the above also include Draka (Netherlands) and TeleFonika (Poland).

The global market is estimated at around 750 bnDKK annually. Leading global players include Nexans with an estimated market share of around 8%, Prysmian with around 6% and General Cables with around 5%. NKT Cables has a global market share of around 1%, equal to around 3% of the European market. Europe is a highly fragmented market where there is no player with a market share of more than 10%.

Corporate social responsibility

Sustainable solutions have been a hallmark of NKT Cables for many years. The company also prioritizes a safe and healthy working environment for employees.

Production of cables and accessories entails consumption of resources in the form of raw materials and energy. By contrast, the finished products help limit the consumption of natural resources and protect the environment by ensuring efficient transport and distribution of energy.

2009 management

Dion Metzemaekers, CEO
Asger Bruun-Christensen, COO
Paul Langelaan, CFO
Detlev Waimann, CCO

By way of example, NKT Cables supplies monitoring systems that can help reduce power loss during transmission and distribution by up to 50%.

Noise, water and air pollution are virtually negligible in modern cable production. More important are energy consumption in the form of direct emission of greenhouse gases from production, and consumption of non-renewable resources. The primary raw material is copper, but aluminium and oil industry products such as plastics are also important. It is therefore imperative to minimize energy consumption and maximize efficient use of raw materials, and at the same time avoiding use of harmful and toxic materials in products and processes.

NKT Cables' production facilities are among the most modern, flexible and cost-efficient in Europe.

Organization and management

The head office of NKT Cables is in Cologne, Germany. The company has an international management headed by CEO Dion Metzemaekers from the Netherlands.

At the end of 2009 NKT Cables had around 3,100 employees, based mainly in the Czech Republic followed by Germany and Denmark.

Risks

General risks affecting the company are described on page 34. An assessment of the principal risks is also provided on page 35.

Operating 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 interplay with customers.

The key to this 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, which will also 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 interplay 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 sales price with the existing product mix. However, this may vary from 20% to 75% depending on product type.

Earnings sensitivity to changing metal prices is deemed limited as these changes are reflected relatively quickly in sales 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.

Financial risks

Around 54% of the revenue of NKT Cables is achieved on sales in the EUR zone, including Denmark, 22% on sales to Eastern Europe and 14% on sales to China, while around 10% derives from other markets. Currency sensitivity primarily relates to monetary developments in Poland, Czech Republic, UK, Sweden and China, and to price development in USD-based metals.

Please refer also to Note 30 to the consolidated financial statements, 'Financial risks and financial instruments', which besides describing currency risks also refers to risks relating to interest rates, credit, liquidity and raw materials.

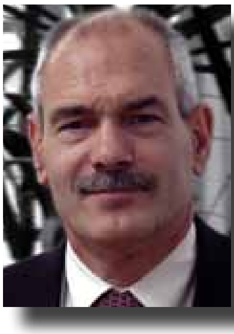
Cyclical sensitivity

Approaching half of NKT Cables' revenue, principally that part of revenue which relates to low voltage products for the building industry, is considered very sensitive to cyclical developments.

NKT's remaining revenue, relating to submarine cables, high and medium voltage cables, 1 kV cables and accessories, derives mainly from energy sector sales. This sector is normally considered less cyclically sensitive, sector activity primarily being driven by grid maintenance requirements, grid expansion due to increased power consumption, and above all grid upgrade resulting from increased focus on improved system reliability and use of renewable energy. In the light of the current economic outlook, however, these segments too may be affected by slowdown and delays.

“The global economic crisis influenced our business segments in a variety of ways, making 2009 a very challenging year. At NKT Cables we made use of the economic slowdown to open a new, state-of-the-art high voltage and submarine cable facility, and we restructured our organization with a view to capturing market shares in the new decade.”

Dion Metzemaekers, CEO, NKT Cables Group



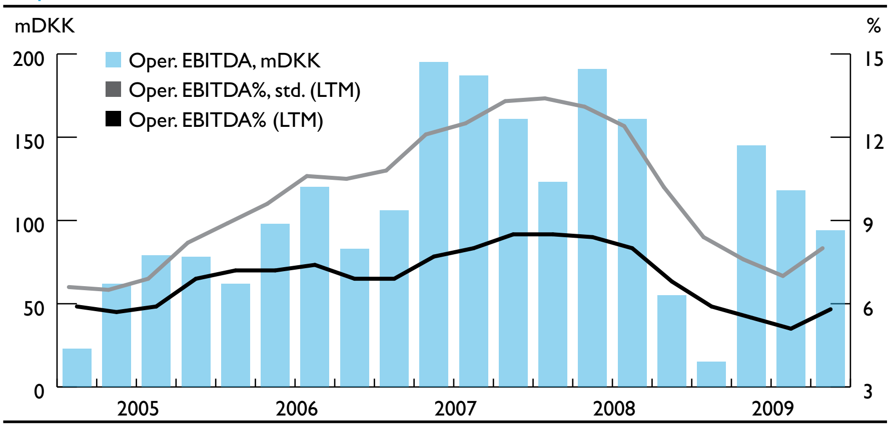
2009 NKT Cables

With strongly reduced activity in almost all countries, organic growth in low voltage revenue was -16%. Decreased grid investment by the power utilities resulted in organic growth in medium voltage revenue of -8%, and at the low end of the high voltage segment (< 110 kV) revenue was weak. However, the loss of volume in the 110 kV segment was partly offset by the award of a number of high voltage orders (> 220 kV).

The railway segment grew by 53%, principally driven by demand in China.

NKT Cables realized revenue (determined in standard metal prices) of 4,646 mDKK in 2009, compared with 5,211 mDKK in 2008. In market prices, revenue was 6,383 mDKK in 2009, against 7,766 mDKK in 2008. Metal prices and exchange rates decreased revenue by approx. 649 mDKK and 250 mDKK, respectively. Organic growth was -7%, down from 3% in 2008, with an operational EBITDA of 373 mDKK (2008: 530 mDKK), corresponding to an operational EBITDA margin of 8,0% (2008: 10.2%).

Operational EBITDA



High voltage and submarine cables

The expansion into more renewable energy, particularly wind power, by the utilities led to a continuing strong market for high voltage and submarine cable projects, and NKT Cables' ability to attract new customers was bolstered by the opening of the new Cologne factory. High voltage (> 220 kV) and submarine cable margins remained satisfactory, but increasing competition, and thus also growing price pressure, was evident for ordinary high voltage. At the 110 kV level particularly, falling prices were seen in 2009.

Work on completing the new Cologne factory, an advanced production facility for high voltage and submarine cables, remained on schedule. The maritime access afforded via the river Rhine and the port of Rotterdam opens opportunities which were beyond the scope of the previous factory.

The company's presence in China was further strengthened by acquisition of the Xinhua high voltage factory, which was finally taken over early in 2010. NKT Cables has been well received by the local power utilities, creating expectations of increased sales of high voltage cables to the growing Chinese market. It is planned to offer Chinese customers the full range of high voltage products and solutions.

Production work on the first important submarine cable project began in 4th quarter 2009 (cf. stock market announcement 2 of 15 January 2009), and is expected to proceed according to plan.

Medium voltage

Despite low level activity in medium voltage cables, NKT Cables managed to capture market shares in new markets, which partially compensated for volume loss in important markets like Germany, Denmark and the Czech Republic.

Medium voltage margins are under pressure and are expected to fall further in the months ahead as overall demand is low relative to existing capacity.

In November, NKT Cables signed a successfully extended framework contract with EDF, France, which will lead to a significant increase in sales volume from 2010.

Low voltage

The decline in construction led to a substantial fall in sales of installation cables for buildings and in sales of cables used to connect buildings with the grid. The impact for NKT Cables was pronounced, although slight compensation was provided by growth in new markets.

Low voltage price levels were further reduced by the low level of activity.

2009 facts

NKT Cables produced **400** kV high voltage cables for the London **Olympic Games** and installation will take place in 2010

NKT Cables has acquired a further 11.5% shareholding in its Polish listed subsidiary, taking its ownership to 87.5%. The intention is to increase ownership to over 90% and then delist the company.

Railway products

China invested heavily in its national infrastructure in 2009. This strongly benefited NKT Cables, particularly in the railway catenary wire segment where documented supply reliability is a key competitive parameter. NKT Cables was awarded a number of projects by China's Ministry of Railway, resulting in 53% growth in this niche segment.

Special cables

NKT Cables manufactures automotive cables at its factory in Velké Meziríćí, Czech Republic. Competitors focused on declining demand and overlooked the need of newly established car makers for a strategic partnership. NKT Cables took advance of the market opportunities and will continue consolidating in special automotive cables.

NKT Cables also manufactures cables with special functionality, such as cables that are extra hardwearing, serve a wider temperature range or meet special EMI (electromagnetic interference) requirements. These cables are sold to minor industrial segments in the market.

Product development

Product development at NKT Cables is focused on realizing the strategic objective of supplying complete cable solutions.

Development efforts in high voltage and submarine cables are largely based on projects received, such as TenneT and Baltic 1. Development of new cable joints and cable constructions is the consequence of agreements between NKT Cables and its customers.

Within the framework of Ultera, a joint venture with the US company Southwire, NKT Cables is involved in three new HTS (High Temperature Superconductivity) projects that call for custom solutions in the years ahead.

The pressure on prices in the medium voltage segment is being addressed through improved design that delivers a better cost/price ratio for both NKT Cables and the customers.

Catenary wires used to power high speed trains are constantly improved with a view to enhancing strength and conductivity, thus increasing operating reliability for trains that travel at 300 km/h or more.

The VALCAP control system has been further improved. Customers are now offered solutions that enable use of cable systems to be optimized, thereby eliminating unnecessary power production. Customers reduce their CO_2 footprint and also their costs, to the benefit of the customer, the environment and NKT Cables.

Corporate social responsibility

NKT Cables has formulated new goals aimed at reducing CO_2 consumption by a further 12% per produced tonne over the next three years.

In human and employee rights there will be focus on:

- All factories have a target of zero accidents and NKT Cables will continuously monitor, analyze and improve its processes.
- No NKT Cables employee will be compelled to perform tasks conflicting with normal practice.
- All employees receive equal opportunities regardless of gender, race, age or religion.

In order to achieve these goals the local managements must actively support NKT Cables' policies on corporate social responsibility. Each year the progress made will be stated in the annual report submitted by NKT Holding under the UN Global Compact.

In the low voltage segment NKT Cables supports increased use of cables in higher safety classes as this benefits both customers and the environment.

Organization and management

To create access to as many markets as possible for its complete product portfolio NKT Cables initiated a company reorganization entitled 'One Company'. NKT Cables has transitioned from being country-based to function-based. With this reorganization NKT Cables stands ready to exploit a future upswing. And recent experience shows that NKT Cables' ambition of offering its full range of products to as many markets as possible is correct. In 2009 new sales offices were established in countries which included Italy, Romania and Vietnam.

NILFISK-ADVANCE

Nilfisk-Advance is a global supplier of professional cleaning equipment. Strong focus is placed on product development in close dialogue with the customers. The product range covers equipment for both indoor and outdoor applications

Highlights

Amounts in mDKK	2009	2008	2007
Revenue	5,138	5,882	5,784
Operational EBITDA*	469	613	634
Operational EBIT*	293	441	494
Capital employed	2,580	2,829	2,511
Working capital	852	1,125	1,090
Operational EBITDA margin	9.2%	10.4%	11.0%
Number of employees, 31 December	4,779	4,837	4,946

* Adjusted for non-recurring items

The strategic perspective

Nilfisk-Advance is committed to being a part of a consolidated market for professional cleaning equipment. This will be achieved partly through organic growth with focus on further structural initiatives, product development and market expansion, and partly through acquisitions.

Products

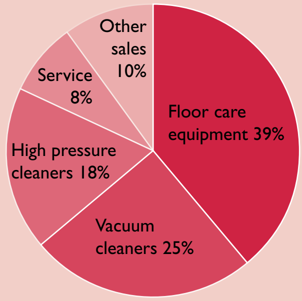
Nilfisk-Advance markets a broad product range comprising both equipment and service packages. Products include floor care equipment (sweepers, sanders, washers, dryers and polishers), vacuum cleaners in all sizes (from handheld domestic vacuums to models used in production industry), and a wide selection of high pressure cleaners, including special models that feature low water consumption and recirculation and that save customers money and shield the environment.

Nilfisk-Advance also provides individual service contracts and spare parts sales, ensuring that customers can always rely on equipment availability.

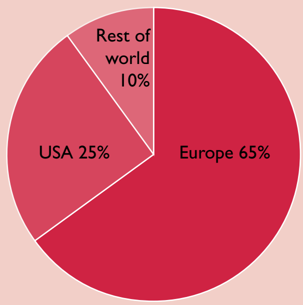
Market

The global market for professional cleaning equipment is estimated at around 45 bnDKK annually. Demand for automated cleaning is closely linked to living standards and wage costs. In the past, Western Europe and North America were therefore the biggest customers for professional cleaning equipment, jointly representing around 80% of the world market, and the rest of the world made up the remainder. In the next

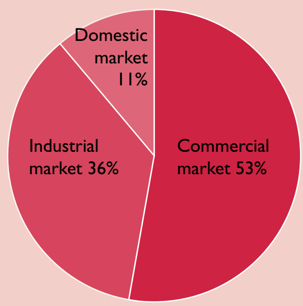
Sales by products



Sales by markets



Sales by customers



Data based on 2009

few years the highest growth rates are expected to be in Eastern Europe, Asia and South America.

Total market growth over an economic cycle is assumed to be approximately 3-4%, of which the mature markets of the US and Europe represent up to 1-2%-points. In the years ahead growth rates in the rest of the world are expected to exceed that of the global economy.

Over a normal economic cycle, 4-6% growth is expected in periods of boom and 0-2% in periods of recession. After an exceptionally sharp fall in the market of 15-20% in 2009, organic growth of 0-1% is expected in mature markets in 2010. Organic growth of 5-9% is expected in new growth markets, with Asia leading the way. Total organic growth for 2010 is expected to be approximately 2%.

The market was hit surprisingly hard by the global economic slowdown as early as 2008, and this trend continued into 2009. This underlines the importance of Nilfisk-Advance's plans to establish a massive presence in the new Eastern European, Asian and South American growth markets, while at the same time maintaining its position in mature markets.

Sales

Nilfisk-Advance markets and sells its products through a combination of sales subsidiaries and distributors. The company is represented by sales subsidiaries in 43 countries, mainly in Europe, the US and Asia. Markets where Nilfisk-Advance does not have subsidiaries are serviced by an extensive network of dealers.

Following extensive acquisitions in recent years Nilfisk-Advance today markets a long line of associated brands. Advance, Clarke, Clarke American Sanders, U.S. Products and HydraMaster are well-known names in the North American market, while Viper originates from China. If deemed important for product continuation, brand names are retained, sometimes in combination with the name Nilfisk. Examples are Nilfisk-ALTO and Nilfisk-CFM.

Customers

Nilfisk-Advance professional cleaning equipment primarily addresses commercial customers, such as contract cleaners, and industries that have special cleaning requirements.

Other equipment customers are institutions, organizations, authorities, shops, hotels and companies employing their own cleaning personnel.

Sales to domestic consumers take place as single units through household appliance dealers, retail shopping chains and building marts.

Production and product development

Nilfisk-Advance draws on a large network of component suppliers, its own factories primarily being used for assembly, quality control and logistics. The company has plants in Western Europe (2), Eastern Europe (2), North America (5), Mexico (1) and China (2). Related distribution centres are situated in Denmark, Germany and the US.

Product development takes place at competence centres specializing in high pressure cleaners (Denmark and China), vacuum cleaners (Denmark, Italy and China) and floor care equipment (the US, Italy and China). The company's ultimate objective is to design and manufacture reliable, high quality, high productivity equipment which makes cleaning cheaper and easier for the customer. Around 3% of revenue is spent on product development. An important element in this context is to increase the equipment's value to the user. This means providing products that have reliability, environmental sustainability, ease of operation, attractive after-sales service and user safety. And last but not least, product pricing must be able to be based on lowest possible production cost. For Nilfisk-Advance, quality is always the core principle at all levels.

In recent years, through means such as extensive customer surveys, increased focus has been placed on ensuring that product innovations are consistent with customer needs. User-driven innovation and industrial design are both integral to development strategy at Nilfisk-Advance, and the company's goal is to market around 30 new products a year.

Competitors

The market for professional cleaning equipment is traditionally characterized by a low level of consolidation. The five largest manufacturers, apart from Nilfisk-Advance, - Kärcher (Germany), Tennant (USA), Hako (Germany) and IPC (Italy) - have a combined market share of less than 40%.

The rest of the market is shared between around 100 suppliers who are mainly regional players with a limited product range.

2009 management

Jørgen Jensen, President and CEO
Christian Cornelius-Knudsen, Executive Vice President Americas
Lars Gjødsbøl, Executive Vice President European and Asian Product Companies
Dan Stig Jensen, Executive Vice President Supply Chain
Morten Johansen, Executive Vice President and CFO
Anders Terkildsen, Executive Vice President EMEA Sales

Corporate social responsibility

Nilfisk-Advance has individually signed the UN Global Compact - the United Nations' guidelines for company administration and social responsibility - and both CSR and environmental reporting will be established in years ahead. The duty to behave in all situations in a way that shows respect for the rest of society is inherent to being a global enterprise. Nilfisk-Advance meets a variety of cultural and development-related attitudes to human and employee rights, use of resources, and so on. But wherever in the world it operates Nilfisk-Advance believes that showing basic social consideration is a matter not only for the local authorities but also for the company itself.

Companies are increasingly being questioned by society about their responsibility, and environmental sustainability is a specific competitive parameter in the industrial cleaning equipment sector. Particular focus is therefore also given to product consumption of resources.

Nilfisk-Advance is committed to minimizing consumption of energy, water and detergents, while at least maintaining the same cleaning quality as previously. The company is also focused on limiting its consumption of resources in production and product transport. Finally, work is in progress to maximize sustainability in product disposal. For example, 95% of the Extreme Eco domestic vacuum can be recycled at the end of its useful life.

Fair play for all is vital for a global company. Corruption distorts healthy competition and Nilfisk-Advance will fight the negative effects. A major effort will be mounted by management to ensure that the ethical guidelines are distributed company-wide and that regular follow-up on compliance takes place.

Organization and management

The head office of Nilfisk-Advance is in Brøndby, Denmark, and the Group is managed by CEO Jørgen Jensen.

At the end of 2009 Nilfisk-Advance had 4,779 employees, including around 530 in Denmark.

227 employees are engaged in R&D, the remainder working in production and distribution or in sales and administration.

Geographically, 53% of the workforce is based in Europe, 27% in Asia (primarily China), 2% in South and Central America and 18% in North America.

Risks

General risks affecting the company are described on page 34. An assessment of the principal risks is also provided on page 35.

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 and ergonomics and combining environmental focus 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 in the US market, Nilfisk-Advance is exposed to US dollar developments, exposure relating primarily to translation risk. A +/-5% movement in the US dollar will increase/ reduce the revenue of Nilfisk-Advance by approx. +/-60 mDKK and profit before tax (EBT) by approx. +/-4 mDKK.

Please refer also to the consolidated financial statements, Note 30 'Financial risks and financial instruments'.

Cyclical sensitivity

Nilfisk-Advance is cyclically sensitive. This is because most end customers are professional or institutional users for whom buying cleaning equipment is a capital investment. In times of recession, new investment is traditionally postponed in order to optimize and protect company liquidity.

2009 Nilfisk-Advance

Adjustment to a new level

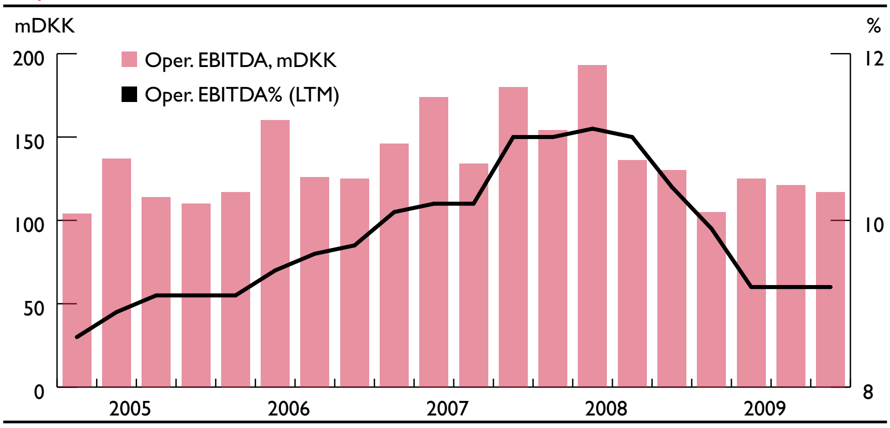
Like the world economy generally the market for professional cleaning equipment slowed dramatically in 2009. Due to customer restraint and substantial inventory reductions, the global market fell by an estimated 15-20% in 2009. At the same time there was continuous pressure on prices. In spite of negative organic growth of 13% Nilfisk-Advance ended the year with operational EBITDA of 469 mDKK (2008: 613 mDKK), corresponding to an operational EBITDA margin of 9.2% (2008: 10.4%).

Nilfisk-Advance responded swiftly to the negative economic development in the world market. From as early as mid-2008 the management agenda was therefore

"Nilfisk-Advance entered 2010 with a stronger platform than ever. The market for professional cleaning equipment declined dramatically in 2009 but the company responded swiftly to the challenges and adjusted its operations to the new level. At the same time, structural investments continued unchanged, ensuring strong and healthy development in years ahead."

Jørgen Jensen, CEO, Nilfisk-Advance

Operational EBITDA



focused on protecting earnings and minimizing working capital. This paved the way for staffing adjustments in 2008 and at the start of 2009 which led to some 800 redundancies. It was further decided to accelerate the implementation of a number of future-oriented restructuring measures.

Transfer of production for Western Europe to Hungary and from North America to Mexico was initiated, and the company is now well through these restructuring projects. Restructuring costs in 2009 amounted to 152 mDKK. The adjustment to the new business level has resulted in a cost reduction of 170 mDKK (2009 effect), while the restructuring measures now under way are expected, when completed, to provide a saving of more than 250 mDKK annually.

Focus on costs

Despite the negative market development Nilfisk-Advance has maintained a gross margin of approx. 41-42%. This testifies to the company's ability to withstand most of the pressure on market prices and actively focus on reducing production costs.

Nilfisk-Advance has in recent years adopted a structured approach to sourcing activities. The ambition is to increase the proportion of components sourced from low cost countries from today around 30% to more than 50% by 2012, with the aim of protecting gross margin in both the short and long term. It is also customary practice for Nilfisk-Advance to raise its product prices by 2-3% a year, also in times of crisis, in order to reflect price increases on raw materials, innovation measures as well as general inflation. However, Nilfisk-Advance will always ensure that local prices are in line with the market.

By maintaining its gross margin while reducing its cost base, Nilfisk-Advance has been able to provide satisfactory earnings in a challenging market.

The effect of the refocus begun in mid-2008 is also reflected in the sharp reduction of working capital in percentage of sales (LTM) from 21% to 19%. This positive development reflects a number of major projects in which the focus has principally been to substantially reduce inventories. Control of working capital has also enabled Nilfisk-Advance to reduce its debtor days in a situation where access to credit has generally been tightened.

New markets

Although the main focus in 2009 has been to ensure adequate earnings, Nilfisk-Advance has also taken long term initiatives. The opening of a new sales subsidiary in Brazil is a part of the strategy of positioning Nilfisk-Advance in new markets at an early stage. In the long term there are high hopes for the South American market and Nilfisk-Advance has secured a good platform for further growth by establishing own representation in the three largest markets (Chile, Argentina and Brazil).

A core strategy of Nilfisk-Advance is to be represented in all significant markets globally. It is thus the aim, over a number of years, to increase the number of sales units from 43 at present to around 50.

Acquisitions in 2009

In 2009 only one smaller acquisition was made: Viper Northern in the 4th quarter. This was a natural element in strengthening the direct sales organization in China.

Nilfisk-Advance remains committed to establishing a solid portfolio of potential acquisitions. Growth ambitions in years ahead are therefore expected to be supported by acquisition of both local dealers and large and small product companies.

Product development

Development of new products and new customer offers is key to Nilfisk-Advance and has continued unabated. 2009 saw the launch of 43 new products and product versions, including 11 floor care units,

Sustainable

Extreme Eco vacuum cleaners have lower power consumption and 95% of the product materials can be recycled

3 street cleaners, 18 vacuums, 3 carpet cleaners, 5 high pressure cleaners and 3 specialist products. Work has also been done to improve product cleaning efficiency and environmental sustainability.

2009 saw market launch of the new EcoFlex concept for both environmental and effective cleaning. EcoFlex cleaners can perform solely using water, while for exceptionally grimy floors the correct amount of detergent is also available at the push of a button. EcoFlex technology minimizes consumption of water, detergents and power without compromising on cleaning quality. In the course of 2010 EcoFlex will be made available for the majority of floor washers.

Customer understanding

In 2008/2009 Nilfisk-Advance carried out a major interview survey of the needs and wishes of current and potential customers. The survey was performed in nine countries and covered the largest markets. The survey results have provided a clear picture of what commercial cleaning customers want now and in the future. During 2010 this insight will be integrated across the company so that all staff can better relate to customer needs.

Corporate social responsibility

The environmental ambition is that from 2010 all new products will embody sustainable solutions within at least one and preferably more of the following areas: power consumption, water consumption, detergent consumption, noise, operating convenience and use of recyclable materials.

A major survey has also been started to map product consumption of resources throughout their life cycle from manufacture to replacement.

Organization and management

Nilfisk-Advance continuously reviews and improves its internal processes. This was also the case in 2009, one result being a reduction in the number of legal units.

Employees are by far the most valuable resource, and staff development and training therefore continued in 2009. Nilfisk-Advance is working with the International Institute for Management Development (IMD) in Switzerland on the training and assessment of Nilfisk-Advance global management group throughout the world. Via this cooperation the continued development and strengthening of the group is ensured. A set of Leadership Values that managers all over the world must comply with was also developed.

These leadership development initiatives are intended to ensure that Nilfisk-Advance moves in the same direction globally, so that customers continue in the future to receive the same positive and professional experience wherever they meet Nilfisk-Advance worldwide.

PHOTONICS GROUP

Photonics Group consists of three companies - NKT Photonics, LIOS Technology and Vytran - all of which base their activities around optical fiber technology. Their focus is on sophisticated products with functionality essentially based on the unique light-conducting properties of optical fibers. Products range from entirely new types of fibers to new fiber lasers, fiber-based measuring equipment, and production equipment related to optical fiber handling

Highlights

Amounts in mDKK	2009	2008	2007
Revenue	160	171	112
Operational EBITDA	-31	-30	-18
Operational EBIT	-46	-46	-32
Capital employed	122	120	96
Working capital	40	33	16
Number of employees, 31 December	163	174	126

The strategic perspective

The ambition of Photonics Group is to lead the way in transforming the photonics industry. Today's optical industry is dominated by conventional technology and often based on mechanical installation and assembly of a wide variety of products. In future, many products such as lasers and sensors will instead be based on the unique properties of optical fibers, and thereby set new standards for the application and production of light sources and optical sensor systems.

Photonics Group's product activities range from basic components to system solutions. The common denominator for the Group's products is that market focus is aimed at industrial applications and product development often takes place in partnership with industry players. Importance is given to establishing cooperation with reliable manufacturers and system builders in the laser, life science, energy, food and defence industries, and the goal is also to create agreements with local distributors.

The Photonics Group companies work together on R&D so as to benefit from synergies and optimize use of resources. Strategic partnerships have also been forged with world leading universities and research laboratories for development of tomorrow's laser and sensor technology.

In the laser segment, strategic focus is on adapting products for industrial application, creating successful partnerships, building a global service network and preparing for volume production when the market grows.

In the crystal fiber segment the strategy is to develop partnerships with leading laser producers and, possibly using Vytran equipment, to support customers with fiber handling.

The focus in the segment for distributed temperature measuring equipment is on supplying system solutions rather than selling just part of an overall solution.

Products and market

Photonics Group activities can be categorized into the following product segments:

- Ultra-precise lasers, white light sources, crystal fibers and components - marketed by NKT Photonics
- Distributed temperature measuring systems - marketed by LIOS Technology
- Fiber handling equipment - marketed by Vytran.

Ultra-precise lasers (KOHERAS™):
Ultra-precise lasers are fiber lasers with extremely narrow line width in the light frequency and low noise level. Such lasers are used as sensors in industrial applications for:

- Measuring wind speed (wind farms, turbines and aircraft)
- Monitoring borders, oil pipelines, ports and coastal areas
- Exploration and monitoring of oil reserves.

Most of these application spheres are in course of development, and the size of the market for ultra-precise lasers will therefore be determined by the success that such new instruments achieve. If several of the new applications achieve breakthrough it is likely that the total sensor market for ultra-precise lasers will increase to more than

Photonics Group

NKT Photonics the power of light

Management: Jakob D. Skov, CEO since 2001
Head office: The company is based in Birkerød, Denmark, where photonic crystal fibers, lasers and modules are also manufactured, and has a US sales office located at Vytran in New Jersey.

LIOS TECHNOLOGY

Management: Thomas Oldemeyer, CEO since 2006
Head office: The company is resident in Cologne and has a sales office in New Jersey targeted at the North American market.

vytran

Management: Jean-Michel Pelaprat, CEO since 2008
Head office: The company is based in and has production facilities in New Jersey, the US, as well as customer support centres in Exeter, UK, and Birkerød, Denmark.

1 bnDKK annually. NKT Photonics A/S is the leading global supplier of fiber lasers for a number of these purposes.

In wind speed measurement, equipment based on lasers from NKT Photonics is being used in standard devices aimed at identifying sites for potential new wind farms. Similar equipment is being tested on large wind turbines. Several customers are also trialling NKT Photonics' lasers for seismic surveys of the ocean floor with view to optimizing extraction of oil reserves.

White light sources (SuperK™): A white light source is a fiber laser that emits a broad spectrum of light. The SuperK is an entirely new type of white light source that typically finds application where several lasers or other light sources are utilized in the same product, examples being microscopes, cell sorting systems, and optical measuring instruments used for quality control. The existing market for lasers potentially replaceable by white light sources is estimated at around 1 bnDKK annually. NKT Photonics is one of two leading producers of this new type of light source. The SuperK Extreme™ was developed in close collaboration with microscope manufacturer Leica Microsystems and is now marketed as an integral part of Leica's high-end confocal microscopes.

Photonic crystal fibers and components (Crystal Fibers): Photonic crystal fibers are used in a number of product segments with widely differing areas of application and have varying structure and functionality. Applications range from, among other, white light sources (non-linear fibers), high power fiber lasers (active fibers with amplifier properties), gyroscopes (hollow-core fibers), and other sensor applications. NKT Photonics markets both photonic crystal fibers and systems with multiple integrated functionalities that make it easier for the customer to exploit the fibers' special properties. The non-linear fibers are today routinely used in commercial products, such as the white light sources stated. NKT Photonics is the dominant player in photonic crystal fibers, with a substantial edge on its competitors in both technology and patents. The addressable market for photonic crystal fibers is estimated at around 200-400 mDKK annually and the market for laser systems, etc. which can usefully exploit the unique characteristics of crystal fibres, is estimated to be worth several billion DKK annually. As many applications are still at an early stage of development it is expected that some years will pass before full product potential is realized.

Distributed temperature measuring systems (DTS): are principally used for fire detection applications in hazardous constructions, including tunnel systems, for monitoring high voltage cables and for optimizing oil production. The potential total global market for DTS systems is estimated at 600 mDKK by 2012.

LIOS Technology is one of the leading suppliers of distributed temperature measuring systems for monitoring tunnels and buildings (fire detection systems), and for monitoring temperature conditions along high voltage cables. The company has supplied a total of more than 2,000 systems to most parts of the world. In recent years LIOS Technology has entered the oil and gas sector with increased sales and development resources.

Fiber handling equipment: Vytran is focused on two key product areas: 1) Optical fiber splicing and the necessary pre- and post-processing technologies, ie. equipment for fiber cutting and removal and replacement of fiber coating. 2) Glass processing equipment used to combine and shape optical fibers and fiber components. Vytran's equipment is used by customers working with telecom-standard fibers or specialty fibers, in laboratory environments and in situations where extra high-quality splicing is required. Splicing applications mainly relate to optical communications, fiber-based sensors and other use of specialty fibers. Glass processing applications mainly relate to fiber lasers and life science components. Vytran is considered one of the three leading suppliers in this segment, which is estimated at around 200-300 mDKK annually.

Sales and customers

NKT Photonics' ultra-precise lasers primarily address the established players in the field of offshore oil exploration and new players in wind measurement and safety systems. These lasers are also sold to major players within the western defence and security industries.

Sales of white light sources from NKT Photonics primarily take place through partnerships with established players in potential areas of application. Examples include Leica in the field of confocal microscopy and leading players supplying measuring equipment for quality inspection purposes etc. to the semiconductor and food industries.

Photonic crystal fiber products from NKT Photonics address a broad customer group that includes manufacturers of white light sources, lasers and sensors as well as R&D units. Focus is on industrial customers and the defence industry.

“While the global photonics industry had a difficult year in 2009 with revenue down by around 30%, Photonics Group turned in a financial performance almost on par with last year. This shows that Photonics Group is well equipped for the future.”

Søren Isaksen, Group Executive Director, CTO, NKT Holding, and Chairman of the Board of the Photonics Group

The primary customers for LIOS Technology's distributed temperature measuring systems are major partners in the individual areas of application, such as Siemens cable producers (monitoring of high voltage cables) and oil companies (monitoring and optimizing of oil wells).

Vytran's products address customers using photonic crystal fiber products from NKT Photonics and other types of specialty fibers. The customer group is extensive, ranging from industry and optical communications laboratories to fiber laser manufacturers, aerospace, defence, life science companies and R&D centres.

Production and product development

Development results are turned into scalable industrial production. At NKT Photonics these activities are based at Birkerød, Denmark. Parts of company production, particularly relating to ultra-precise lasers, have recently successfully been automated by means of FAS splicing equipment from Vytran with a view to achieving cost savings, consistent high quality and effective traceability. Strong focus is being given to developing and maturing photonic crystal fibers. This development usually takes place in close partnership with potential customers and in some cases with support from national or international foundations and authorities.

LIOS Technology's operations are based in Cologne. Development of products is principally concentrated on applications and systems development and on development of a new generation of the company's temperature measuring system.

Vytrans' operations are based in New Jersey. The company also has a small service, software and electronics department in Exeter, UK. Product development is mainly centred on applications development with and for customers.

Competitors

In ultra-precise lasers NKT Photonics has a single competitor for fiber laser based solutions, the US company NP Photonics. Alternative solutions in the form of semiconductor laser based systems are viewed as the principal competitor to NKT Photonics' products.

In white light sources, NKT Photonics has one direct competitor, the UK company Fianium Ltd. Competition from existing light sources, predominantly comes from companies like Coherent and Newport.

NKT Photonics is the only genuine industrial supplier of photonic crystal fibers. A number of smaller companies offer customers such fibers at development level. High power fiber lasers are currently the largest potential market for photonic crystal fiber technology. This market is dominated by IPG Photonics who have their own fiber production. NKT Photonics is one of a small number of independent suppliers of fibers for high power fiber lasers. The main competitors are a couple of small suppliers of non-crystal specialty fibers.

The market for distributed temperature measuring systems is relatively mature compared with those for other Photonics Group products. LIOS Technology's largest competitor is Sensa, a company in the Schlumberger Group. Other important players are Sensornet (UK), SensorTran (the US) and the Japanese company Sumitomo.

The market for optical fiber splicing equipment is dominated by the three large Japanese companies Fujikura, Furukawa and Sumimoto whose focus is on the large market for field installation equipment. Vytran's focus lies in an industrial niche that deals with splicing and glass processing of specialty fibers. Here the primary competitors are Fujikura and Furukawa. No other suppliers of splicing equipment are active in this segment.

Social responsibility

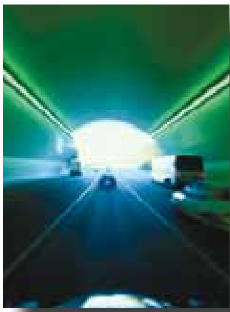
A substantial number of Photonics Group products find application in situations where they are used to improve either environmental conditions or human safety. Examples are fire detection in tunnels, better use of high voltage cables, more efficient wind power, control of food quality, development of better foods, and new and improved medicines.

The principal health and safety risk in Photonics Group is probably eye injury caused by the very high light intensities that may accompany certain products. To avoid such injuries many precautions are therefore taken in the form of instructions, eye protection, guards and alarm systems.

Organization and management

Development and manufacture of Photonics Group products both demand a very high level of competence, and thus require the ability to attract and retain highly qualified personnel.

Photonics Group is headed by Søren Isaksen, Group Executive Director, CTO, NKT Holding. At 31 December 2009 the three Photonics Group companies employed a total of 163 people in Denmark, Germany, UK and the US.

Risks

General risks affecting the company are described on page 34. An assessment of the principal risks is also provided on page 35.

Commercial risks

The success of Photonics Group 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.

Financial risks

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

Cyclical sensitivity

At their present stage of development the Photonics Group companies are considered cyclically medium-sensitive. While it lasts, the economic recession is predominantly expected to influence the sales of LIOS Technology and Vytran but it is also delaying breakthrough for NKT Photonics products, particularly in the semiconductor industry. Relative to the NKT Group as a whole, the cyclical sensitivity of the Photonics Group companies is currently negligible.

2009 Photonics Group

The Photonics Group business units experienced widely differing market conditions in 2009. As all their products are wholly or partly used for industrial applications, the market for Photonics Group has generally been difficult. This is illustrated by the fact that leading competitors such as Coherent, Newport and IPG Photonics posted negative growth rates in the order of 25-40% in 2009. Under these difficult conditions Photonics Group succeeded in realizing revenue similar to the previous year. This underlines the expectations to the group's development potential.

Photonics Group realized revenue of 160 mDKK in 2009, against 171 mDKK 2008, corresponding to organic growth of approx. -8% for 2009. EBITDA reached -31 mDKK (2008: -30 mDKK).

In 2009 further resources were invested in market development. Vytran established a sales and service office in Denmark to cover Central and Eastern Europe, and LIOS Technology opened a sales office in the US. Due to lower than expected sales at the start of the year, production resources were adjusted. Overall the number of employees decreased by 11 during the year.

NKT Photonics

The integration of Crystal Fibre and KOHERAS in NKT Photonics has been a success in the shape of greater organizational efficiency, a more focused strategy and improved financial performance. However, the economic crisis has led to smaller than expected growth for NKT Photonics as the anticipated sales growth for the company's industrial customers failed to materialize. A substantial part of the company's development effort was concentrated on documenting and improving long term product performance. A new type of product, a fiberglass rod able to amplify laser pulses to extremely high power levels has gained considerable attention and is already in service with the first industrial customers.

Substantial resources continue to be devoted to obtaining and defending patents for company technologies. As an example, NKT Photonics has sued its UK competitor Fianium for violating a number of its patents for photonic crystal fibers.

LIOS Technology

Sales of tunnel fire detection equipment in 2009 were largely unchanged from 2008, while sales of temperature measuring systems for monitoring high voltage cables decreased sharply. The customer enquiry level both for the latter application and for use in the oil and gas industry was reasonable, but only a few projects materialized and decision processes have generally been very slow. Development activity was concentrated on new applications in the form of solutions for particularly demanding environments. Examples are fiber cables capable of withstanding the combination of high temperatures and corrosive conditions in oil wells, and monitoring cables capable of detecting leaks in pipelines or in liquid gas storage during tanker transport by sea.

Vytran

Despite the difficult market conditions Vytran reported growth in revenue in 2009. This was achieved partly by increased sales effort in markets like China, and by exploiting special openings in niche markets, such as sale of fiber handling equipment for research projects sponsored by US defence funding. New and more efficient production processes have been developed within the company, and these have accelerated manufacturing and increased capacity. These improvements are seen as contributing to company growth in an otherwise negative market.

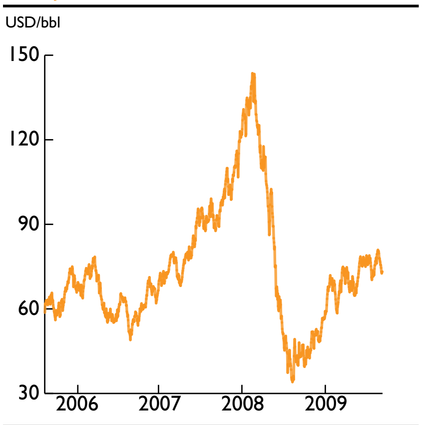
NKT FLEXIBLES

NKT Flexibles supplies flexible pipe systems for use in recovering oil and gas from offshore fields and conveying chemicals and water to coastal installations. 49% of the company is owned by the offshore contractor Acergy, the remaining 51% being owned by NKT Holding

Highlights

Amounts in mDKK	2009	2008	2007
Revenue	1,311	1,397	1,237
Operational EBITDA	305	463	269
Operational EBIT	261	428	237
Capital employed	780	556	413
Working capital	250	139	83
Operational EBITDA margin	23.3%	33.1%	21.7%
Number of employees, 31 December	490	610	540
Share of net profit recognized in NKT Holding A/S	136	222	121

Oil price



The strategic perspective

The global offshore oil and gas market is driven by the expectations of the oil companies regarding the long term oil price. As such, the activity level in the offshore market is dependent on the potential for obtaining a future oil price of or above 60-80 USD/bbl, which is the long term price level required to make it viable to develop new offshore fields.

The world's oil and gas reserves have been declining in recent years, and the oil companies have been forced to invest in water and/or gas injection in order to maintain the pressure in production wells. The oil companies must also continue their exploration programmes in order to replace already depleted reserves.

NKT Flexibles operates a three-pronged strategy in which focus is on ensuring a sustainable future business based on the existing product portfolio, while at the same time developing products and systems for the future offshore oil and gas market. The three elements in the strategy are to:

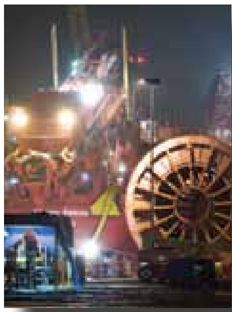
- Secure revenue through close collaboration with selected partners. Development of new technology, a reduced cost base and new services, combined with an aggressive market position will ensure adequate utilization of production facilities.

- Secure profitability through continued development of employee competences, gradual development of new technologies, and sustainable processes.

- Expand the product portfolio to meet the demand in the future offshore oil and gas market. Focus will include ultra deepwater initiatives, including a flexible pipe solution for use at depths beyond 2,500 metres.

Innovation strategy

In an attempt to strengthen the development processes within NKT Flexibles a dedicated innovation strategy has been introduced. The aim is to promote the evolution of an enterprise culture that provides room for both gradual improvements and radical progress. While the innovation strategy will be implemented across the company and involve all processes within the company, it is particularly expected to increase R&D associated activities.


Products
Flexible pipe systems are today used to recover oil and gas in waters as deep as 2,000 metres. The existing product programme consists of flexible pipe solutions ranging from 2"-19" (approx. 50-483 mm internal diameter) designed to operate under highly demanding conditions in all parts of the world. The products are unique as they retain flexibility even at very high pressures, up to 600 bar, and can also withstand working temperatures up to +130°C.

NKT Flexibles offers a unique condition monitoring system for its flexible pipe system solution based on the use of optical fibers embedded in steel reinforcement.

In addition to the flexible pipe products made at the company's Kalundborg facility in Denmark, the provision of flexible pipe systems also encompasses a wide range of additional equipment, such as accessories and steel structures required to obtain the desired system configuration. The ability to correctly design and produce such elements is an important part of being a solutions provider to the offshore oil and gas market.

Market
The annual global market for flexible pipe systems is estimated at around 1.5 bnUSD annually, although the market level for 2009 was substantially reduced due to the economic crisis. The largest single market for flexible pipe systems is Brazil whose national oil company Petrobras accounts for some 50% of global annual consumption. Other important markets for flexible pipe systems are the North Sea and coasts along India, the Far East, Australia and West Africa.

As well as the price of crude oil, oil companies are driven by the need to find new oil reserves. Depending on the technology used in each field, most oil companies operate with a breakeven price per produced barrel (160 litres) ranging from 35-50 USD.

Historically, oil and gas have been extracted from the most cost-effective locations, which means onshore and in relatively shallow offshore waters. In step with depletion of these resources, exploration and recovery are now taking place in ever deeper waters, often using floating production installations. This trend is beneficial to NKT Flexibles because such installations are often dependent on flexible pipe systems to convey oil and gas from the subsea wells to the production installation at the surface.

In the longer term the maintenance of a reliable supply situation will be determined by political and economic decisions in which renewable energy and atomic energy will also have an influence. In the short term, demand for oil and gas is expected to continue growing at around 1-2% annually.

Customers
NKT Flexibles is a project-oriented company whose business is based upon tenders from customers. The company has its own sales organization that handles all customer relations, and which can also bid for new projects through Acergy.

Projects are typically let by tender, and in some cases incorporate overall responsibility for the entire subsea architecture required for a field development. Such projects are termed EPIC contracts and are traditionally managed by a nominated installation contractor. Alternatively the tender may encompass only the provision of components for the flexible pipe system, in which case the term EPC contract is used.

In addition to sales effected in close partnership with Acergy, NKT Flexibles supplies direct to the global offshore oil and gas industry. The proportion of direct to indirect (Acergy) sales is historically around 80%:20%. The customer portfolio includes, among others, Statoil, Petrobras, Saudi Aramco, ONGC, ExxonMobil, Shell, BP, Total, Nexen and Maersk, along with a number of specialist offshore contractors such as BW/APL, SBM and Bluewater Energy Services.

Product development
NKT Flexibles has its own laboratory and testing facilities split between the Kalundborg plant and the head office in Brøndby. More than 40 development engineers and technicians are involved in materials technology, process optimization and methodology for determining service life of flexible pipe systems under varied design conditions.

R&D activities are focused on value creation activities that meet existing or expected future market needs, and R&D strategy is consistent with the general company strategy:

- Development of improved technology and reduction in cost base through gradual development of better materials, more stable and efficient processes and an active patent strategy. The R&D department will further play an active role in customer projects where specific product validation may be required.
- Improved profitability through development of related technologies that may create niches for NKT Flexibles.
- Expansion of capabilities through radical development of new products and new

“Market conditions in 2009 were difficult and challenging for NKT Flexibles owing to the company's general dependence on the future predictions for consumption of oil and natural gas. Adapting the organization to the changing and more volatile market conditions expected during 2010-2011 has helped to shape the company for the future.”

Michael C. Hjorth, CEO, NKT Flexibles

solutions compared to the existing product range.

Representative examples of successful product development include single-layer unplasticized PVDF (polyvinylidene fluoride) for high temperature applications, PEX (cross-linked polyethylene), which is cross-linked online as part of the extrusion process, integrated optical systems for monitoring dynamic flexible pipes, appliance of multi-layer insulation in serial production with tensile armouring process, and flexible pipe structures for use in water depths down to 2,000 metres.

Production

The factory in Kalundborg is situated in the docks which offer sufficient draught for the large, specialized vessels required for offshore installation of flexible pipe systems. Prominent on site are the huge reels and turntables used in production and for transporting the completed products to the installation vessel.

Competitors

Globally, NKT Flexibles is one of three established suppliers of flexible pipe systems servicing the offshore oil and gas industry. Based on current capacity the company represents approximately 15% of the global market share.

The other two suppliers in this market are Technip (factories in France and Brazil) and Wellstream (factories in UK and Brazil) with market shares around 55% and 30% respectively. The market leader, Technip, is the dominant supplier of very large and/or technically very challenging all-in solutions for the largest oil companies.

Technip supplies flexible pipe products in sizes from 2"-19" (approx. 50-483 mm internal diameter) designed to operate in highly demanding service conditions in all parts of the world.

Wellstream has in recent years established itself as a supplier to projects requiring large volumes of standardized products, mainly to the Brazilian market. Wellstream supplies flexible pipe products in sizes from 2"-16" (approx. 50-406 mm internal diameter).

In addition to the three established players, an initiative has been launched by the Italian cable manufacturer Prysmian that will potentially, in the long term, add its name to the list. Prysmian is reportedly currently expanding an existing cable facility in Brazil to manufacture flexible pipe primarily intended for the Brazilian market.

Corporate Social responsibility

NKT Flexibles works to a code of business ethics to which it is committed to comply along with applicable legislation and operating regulations. This code includes respect for human rights and maintaining conduct consistent with the company's values.

As a global player, NKT Flexibles operates in parts of the world with different cultures and traditions, also in relation to human rights. The company wishes to create a balance between respect for different cultures and traditions, and support and respect for internationally proclaimed human rights. NKT Flexibles will not be complicit to human rights abuses.

It is important that all employees be granted safe and fair working conditions, and in this respect NKT Flexibles is committed to exerting positive influence on its stakeholders when deemed appropriate. Aware that its customers are professional and responsible businesses, NKT Flexibles therefore seeks to match or surpass these customers' expectations for the company's CSR performance.

NKT Flexibles issues annual environmental statements and is certified to ISO 14001 (environmental management) and OHSAS 18001 (health and safety). The company is considered to have a very high safety rating, which is audited by external consultants and customers, and work is continuously under way to strengthen safety levels still further. Information campaigns and compulsory safety courses are held for all employees, the ultimate aim being to eliminate accidents entirely.

Organization and management

NKT Flexibles is governed at Board of Directors level in an interplay between the two joint venture partners under the chairmanship of NKT Holding. Day to day operations are managed by CEO Michael C. Hjorth.

At the end of December 2009 NKT Flexibles employed some 500 people. 60% of the employees work at the Kalundborg facility, which principally manufactures flexible pipe products. The remaining 40% of the work force are based at the head office in Brøndby working on R&D, project management and engineering, general management and administration. NKT Flexibles also has a small R&D unit in Aalborg and a sales presence in Rio de Janeiro, Brazil.

2009 highlight

Engineers at NKT Flexibles are developing technology for application in waters as deep as 2,500 metres.

Risks

General risks affecting the company are described on page 34. An assessment of the principal risks is also provided on page 35.

Commercial risks

The foremost commercial risk relates to the level of oil industry activity, and thus the size of the offshore market in a given period. This activity level is partly linked to the current price level for crude oil and the expected future price level and strongly influences willingness to invest.

The relative competitiveness of the three leading suppliers of flexible pipes depends on their ability to design pipes that match the customer's needs in terms of quality and specifications and also delivers the most cost-effective solution in terms of product life.

Financial risks

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

Cyclical sensitivity

NKT Flexibles rates moderate on cyclical sensitivity. The company forms part of the value chain for the global offshore industry, and the need for the company's products is primarily determined by the expansion of existing oil fields or establishment of new ones. The offshore industry operates with a long planning horizon and investment decisions are primarily driven by developments in oil prices and the size and composition of oil reserves.

2009 in NKT Flexibles

Market conditions

The level of activity in the offshore oil and gas market was disappointing in 2009, reflecting the uncertain expectations for the long term oil price. This situation was underpinned by the effect of the global economic crisis which led to a temporary fall in energy demand. In particular the fact that OPEC still has some three million barrels of oil equivalent (BOE) available within its existing production capacity has caused a number of planned projects to be delayed.

Despite this the oil price strengthened throughout 2009 from a level around 40 USD/bbl at the start of the year to around 80 USD/bbl at the year end. Despite the increase in oil price, market conditions for flexible pipe systems remained challenging throughout 2009. The subsea oil and gas market is not expected to recover ground until balance is restored between supply and demand as a result of an improved global economy leading to increased energy demand.

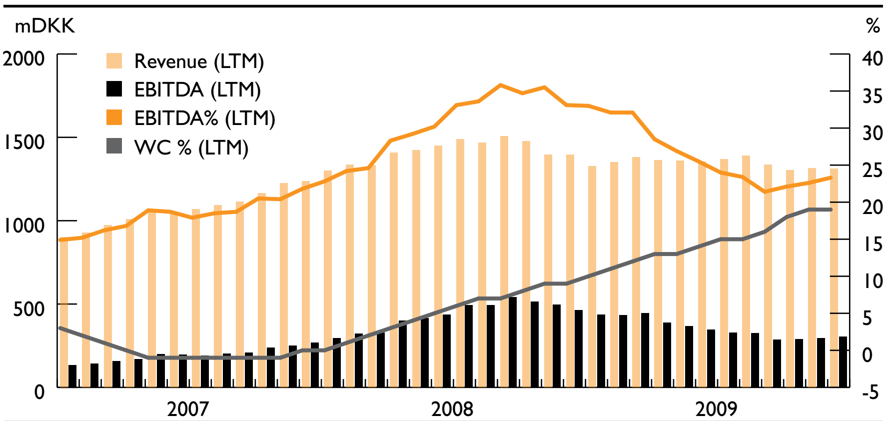
Development in activities and economic conditions

Despite a turbulent year and challenging market conditions for subsea flexible pipe systems, performance for the year as a whole was largely in accordance with initial expectations. NKT Flexibles realized revenue of 1,311 mDKK in 2009, as against 1,397 mDKK in 2008, corresponding to negative organic growth of approximately 6%. The revenue is not recognized 'in revenue for the NKT Group' as NKT Flexibles is not fully recognised in NKT's consolidated financial statements. The share of profit attributable to NKT Holding is reported on one line.

Production volume decreased compared with 2008, but the production mix resulted in satisfactory revenue. 2009 was characterized by a combination of projects, with larger pipes, technically more complex pipes and more deepwater pipes than in the previous year.

Prices generally were under pressure due to declining demand, and EBITDA fell from 463 mDKK in 2008 to 305 mDKK in 2009, corresponding to an EBITDA margin of 23% in 2009 compared with 33% in 2008.

EBITDA



2009 projects

Troll O2
Norne M
Gjøa
Snorre B
Visund Future
Veslefrikk

NKT Flexibles continued its evolution as a flexible pipe systems provider for the SURF segment (Subsea Umbilical, Riser & Flowline - a general product term for the market segment), confirming its market position as an established supplier of high quality solutions.

The strategy of improving competitiveness by focusing on product development, process efficiency and materials technology has provided a strong platform for NKT Flexibles to pursue projects across the whole of the complex flexible pipe market.

Operations

During 2009 NKT Flexibles manufactured around 100 km of flexible pipe products in the range 3"-16" (internal diameter), resulting in a reasonable load for the Kalundborg facility. On average some 30 projects were in progress during the year, reflecting a combination of fewer but larger projects and a general reduction in activity compared with previous years.

Establishment of the System Assessment Services unit led to project sale for the company's proprietary optical condition monitoring solution that enables movement of the tensile wires inside the flexible pipe structures to be continuously measured online.

NKT Flexibles continued LEAN implementation where applicable and deemed to create value. This work will continue in 2010.

As in previous years, NKT Flexibles' environmental statement for the Kalundborg plant showed negligible emissions of smoke, noise and waste water. To enable NKT Cables to continue satisfying both national and international standards, high priority is accorded to continued application of the company's environmental management system (ISO 14001) and health and safety system (OHSAS 18001).

Investments

As a long term player in the offshore oil and gas market NKT Flexibles undertakes ongoing investment in product development, production efficiency programmes, and expansion of production capability and capacity.

In 2009, NKT Flexibles confirmed long term expectations to the flexible pipe market by continuing its planned capacity expansion with an investment programme for new machinery and process technology. Aimed at increasing productivity and capacity at the Kalundborg factory, the bulk of this investment was allocated to the expansion project launched in 2008 and scheduled for completion in mid-2010. This will also reduce the company's risk profile as all critical production processes will be duplicated.

Projects

NKT Flexibles consolidated its position during the year in primary offshore oil and gas regions by executing a number of projects for both new and existing customers.

Significant projects included several for Statoil, including 'Troll O2', 'Norne M', 'Gjøa', 'Snorre B', 'Visund Future' and 'Veslefrikk', which were all completed in 2009. Significant projects progressed but not yet installed included PRP-II (for ONGC) and Manifa (for Saudi Aramco), and not least the preparations for the P-57 project for Petrobras under the three-year framework agreement.

Product development

R&D activities in 2009 were primarily focused on the continued development of deepwater technology enabling the use of company products in waters down to 2,000 metres. A range of specific deepwater product tests were successfully executed, principally as part of the three-year framework agreement with Petrobras.

NKT Flexibles also launched an ultra deepwater initiative aimed at developing a flexible pipe system for operation in water depths of 2,500 metres.

Several large-bore pipe projects were successfully executed during 2009, including some requiring very demanding plastic coverings.

Organizational changes

It is imperative for its continued development that NKT Flexibles is able to attract and maintain highly skilled and specialist manpower, including engineers with offshore know-how.

In May 2009 NKT Flexibles implemented structural changes in order to adjust the company's resources to the expected level of activity in 2010 and also to strengthen market competitiveness. As a result around 15% of the work force was made redundant in 2nd half 2009, the 610 employees at the start of the year being reduced to around 500 at year end. The company's strategy has been to maintain critical mass in key competence areas in order to protect long term capability and capacity levels, insuring that NKT Flexibles stands ready for the increase in activity anticipated in the years ahead.

CORPORATE MATTERS

2009 attracted heightened Group focus on Corporate Governance. Ethical guidelines were prepared, the first report on corporate social responsibility was submitted to the UN, and the processes surrounding financial reporting and assessment of risks has generally received increased focus

NKT share

The NKT share performed well in a difficult market in 2009. With an increase in share price of 175%, NKT was among the highest climbers on the Danish stock market. NKT Holding has total share capital of 474 mDKK, corresponding to 23.7 million shares each of a nominal value of 20 DKK. NKT has one share class and no shares have special rights.

The annual general meeting is NKT's supreme authority and the Articles of Association provide the principal guidelines for operations. All amendments to the company's Articles must be submitted to the general meeting and adoption requires approval by at least two thirds of the votes present.

NKT has been granted a mandate by the annual general meeting to purchase up to 10% of the company's shares for the purpose of adjusting the Group's capital structure should this be appropriate. This mandate is renewed each year at the annual general meeting.

In the period up to 1 April 2013 mandate also exists from the annual general meeting to issue warrants, in one or several transactions, up to a nominal amount of 10 mDKK (500,000 shares) of 20 DKK each, to employees and the Board of Management of the NKT Group. No warrants were exercised in 2009.

In the period up to 11 April 2012 mandate further exists from the annual general meeting to raise loans against bonds or debt instruments, in one or several transactions, with the lender having entitlement to convert his claim for a maximum nominal amount of 44 mDKK, to shares of 20 mDKK each (2.2 million new shares, which corresponds to just 10% of the share capital).

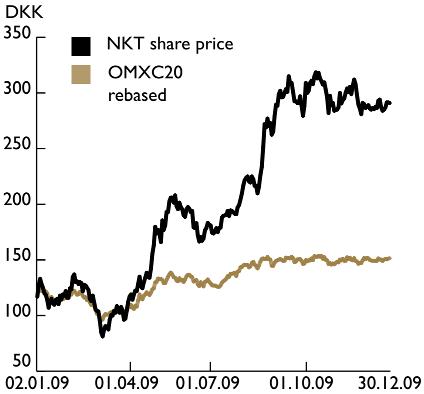
The company's Articles of Association were last updated in December 2009 in conjunction with issue of warrants.

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 share price rose by 175% in 2009, ending the year on 291.00 DKK, as against 105.75 DKK at the end of 2008. No dividend was paid in 2009 so the net increase in value corresponded to the increase on the stock exchange. The OMX C20 share index rose by 36% during the same period.

Share price trend



The market value of NKT's shares amounted to 6.9 bnDKK at 31 December 2009, against 2.5 bnDKK at the end of 2008.

In 2009, average daily trading turnover on NKT shares was 32 mDKK, against 49 mDKK in 2008. Total turnover on NKT shares in 2009 was 8 bnDKK, against 12 bnDKK in 2008. An average of 159,000 shares was traded daily in 2009, against 156,000 in 2008.

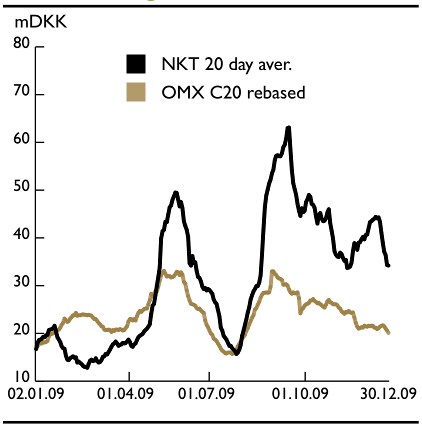
Shareholders

At 31 December 2009 NKT had some 38,400 shareholders, an 11% rise on the year before. Shareholders are urged to register their portfolio in order to enable and simplify direct communication. NKT had around 28,000 registered shareholders at the end of 2009, against 25,400 at the end of 2008, an increase of 10% on the previous year. Registered shareholders represented 75% of share capital, as against 68% the previous year. At 31 December 2009 the Danish Labour Market Supplementary Fund held 6.2% (11.1% at end-2008) of NKT's share capital, and was hence the only investor registered under section 29 of the Danish Securities Trading Act with more than a 5% shareholding.

Financial calendar 2010

2 March	Publication of annual report 2009
25 March	Annual general meeting, Radisson Blu Falconer Hotel, Frederiksberg
11 May	Publication of Ist quarter interim report
24 August	Publication of 2nd quarter interim report
16 November	Publication of 3rd quarter interim report

Share trading turnover



All the share capital is considered to be in free float, and based on available information determined at year end 2009, 72% (83% end-2008) of the share capital was estimated to be in Danish hands, while the remaining 28% (17% end-2008) was assumed to be in foreign ownership. The proportion of foreign shareholders was therefore up by 11% point on year end 2008.

Issues relating to NKT's share capital are covered in section 3 (II) of the Articles of Association.

Group Management's holdings of NKT shares

At 31 December 2009 a total of 363,288 NKT shares were held by the members of NKT's Board of Directors. This represents a total market value of 106 mDKK. A total of 95,724 shares were held by the Board of Management, corresponding to a market value of 28 mDKK. The Board of Management also holds a total of 367,050 warrants which can first be exercised in 2010, 2011, 2012 and 2013 at the share price 596 DKK, 583 DKK, 155 DKK and 364 DKK, respectively.

Due to regulations on insider trading of NKT shares, no shares were transacted by the Group Management in 2009.

Members of the Group Management are covered by 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 releases containing details of realized results and expected income development. The period of six weeks also 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 42-43 discloses the individual shareholdings held by NKT Group Management - and their related parties - as at 1 March 2010.

Financial communication and investor relations (IR)

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

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 interim and annual reports.

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

NKT works actively to give investors and financial analysts 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.

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.

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

FSA's conclusions regarding NKT's procedure

As stated in the 2008 annual report, the Danish Financial Supervisory Authority had opened an inquiry into whether NKT was in compliance with the provisions of the Danish Securities Trading Act when the Group's earnings expectations for 2008 were revised downwards on 24 November 2008. FSA examined whether inside knowledge existed at NKT which according to the Securities Trading Act (Section 27-1) should have been made public earlier. In a letter of 29 January 2010 FSA found that against the background of its inquiry response of 17 February 2009 NKT was in compliance with ruling practice and legislation.

Investor contact

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Shareholder groups

	31.12.09	31.12.08
ATP	6%	11%
Credit Suisse	-	5%
Other Danish institutional investors > 1 mDKK	14%	10%
Other foreign institutional investors > 1 mDKK	9%	4%
NKT Group Management	2%	3%
Other registered Danish shareholders < 1 mDKK	32%	36%
Other registered foreign shareholders < 1 mDKK	13%	3%
Unregistered Danish shareholders	18%	24%
Unregistered foreign shareholders	6%	4%

Stock market announcements in 2009

The following stock market announcements were issued during calendar year 2009 via NASDAQ OMX Copenhagen, and can be found together with earlier and more recent announcements on www.nkt.dk.

05.01.09	#1	NKT Holding issues share warrants
15.01.09	#2	NKT Cables lands subsea project
20.01.09	#3	Articles of Association up-date
06.02.09	#4	Updated earnings expectations for 2008
05.03.09	#5	The Board of Directors of NKT Holding has at its meeting today approved the NKT Annual Report for 2008
18.03.09	#6	Announcement - Annual General Meeting 2009
26.03.09	#7	NKT Cables expands Chinese production of high voltage cables
02.04.09	#8	Annual General Meeting 2009
14.04.09	#9	New Articles of Association
12.05.09	#10	Interim Report 1st quarter 2009
12.06.09	#11	Large Shareholder Announcement (ATP) pursuant to section 29 of the Danish Securities Trading Act
25.08.09	#12	Interim Report 2nd quarter 2009
14.09.09	#13	NKT Cables acquires Chinese high voltage cable factory
10.11.09	#14	Change of amount of shares, Credit Suisse
24.11.09	#15	Interim Report - 3rd quarter 2009
24.11.09	#16	Financial calendar 2010
17.12.09	#17	NKT Holding issues share warrants
17.12.09	#18	Articles of Association up-date

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 part of company profits reinvested in the Group's future development and growth. The NKT Group has declared a dividend policy for the current corporate strategy period (2008-2012) whereby approximately one third of yearly profit will be distributed as dividend.

For 2009, a dividend of 3.5 DKK per share will be recommended at the annual general meeting. This corresponds to a total dividend distribution of 83 mDKK, corresponding to 35% of profit after tax for 2009.

Board meetings and financial reports

A minimum of five ordinary Board meetings are held annually - in February/March (annual report), before the annual general meeting, and in May, August and November (interim reports 1, 2 and 3). Extraordinary Board meetings are held as and when necessary. 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 2010 financial calendar at page 29.

Corporate Governance

In August 2009, Center for Corporate Governance at Copenhagen Business School found NKT totally in compliance with the 'comply or explain principle' as defined by the Danish Corporate Governance Committee. The Committee's recommendations are available on www.corporategovernance.dk and reproduced on NKT's website, www.nkt.dk, with a description of NKT's compliance.

Corporate Governance

The NKT Group is operated in accordance with the recommendations for Corporate Governance as formulated by the Danish Corporate Governance Committee, directly reflecting NKT's principles for farsighted ownership. Listed companies must either follow the recommendations or give reasons for their non-compliance.

NKT fully accords with the 'comply or explain' principle, and in 2009 updated the Corporate Governance section of its website. NKT deviates in one area from the recommendations, namely in the number of other directorships held by Board members. NKT's Board has a small number of members who in this respect breach the recommendations, but the Board does not believe that this impacts negatively on the commitment and efforts of these members on behalf of NKT.

The Group Management consists of a Board of Directors and a Board of Management. The Board of Directors consists of nine members, of whom three are employee-elected, under the chairmanship of Christian Kjær. The Board has appointed an Audit Committee consisting of two independent members (see page 43). The Board of Management, consisting of three persons, is headed by President and CEO Thomas Hofman-Bang and also includes Group Executive Director, CFO, Michael Hedegaard Lyng and Group Executive Director, CTO, Søren Isaksen. The Group's business units are each headed by a CEO reporting to the Board of Management.

The transparency that surrounds the company reflects NKT's fundamental belief in matching the world of which it is part by being a professional, credible, open and quality-conscious player. As an example, NKT's website contains a profile of each Board member, stating the particular competences relevant to their NKT involvement, number of NKT shares held, remuneration and other directorships. A brief presentation of the Group Management also appears on page 42-43.

Extract from Board of Directors' Evaluation

'The evaluation shows that an extremely positive and open working climate exists within NKT's Board of Directors, which makes for effective collaboration and good use of the Board's collective competences and broad-based experience. The work of the Board is based on an overall, holistic perspective.

The global recession has also made its mark on the Board's work form, with deeper Board involvement now in certain areas, particularly finance. Strategic issues have traditionally represented a central part of the Board's work, and it is the Board's ambition to again devote more time to strategic discussions.'

The directors' remuneration is approved on an annual basis at the general meeting. In 2009 the general meeting agreed to a proposal from the Board for its remuneration for 2009 to be reduced, as a temporary measure, by 10% against the 2008 level. The Chairman based this proposal on the global recession and the Board's wish to show solidarity with shareholders.

The Board of Management's remuneration is negotiated by the Board of Directors and appears in Note 28 to the consolidated financial statement. The Board of Management is further remunerated by warrants, and these appear in Notes 28 and 29, to the consolidated financial statement and are furthermore reported directly to the stock exchange.

A new website with a more logical and informative layout was launched in spring 2009 and provides easier shareholder access to information about the NKT Group and its shares. In 2009 the Board of Management attended some 200 meetings with Danish and international investors. NKT also hosted capital market days with visits to NKT Cables in Germany and Nilfisk-Advance in Hungary and speakers from Photonics Group.

A Board evaluation is conducted every two years and in 2007 took the form of a self-evaluation. In 2009, as part of efforts to continuously improve its work form, the Board of Directors engaged a firm of external consultants to assess its work. The purpose of the evaluation was to identify the Board's strengths and spotlight future areas of focus for the work of the Board.

The evaluation took the form of individual interviews with the members of the Group Management. The conclusions were presented in a report and discussed at a Board meeting. They are now publicly available on NKT's website.

As an extension of the Board of Directors' own evaluation, the work of the Board of Management is also evaluated both in relation to the interaction between Board of Directors and Group Management and in relation to the competences of the individual Board of Management members.

UN Global Compact

In March 2009 NKT Holding signed the UN Global Compact. In accordance with the UN's principles for corporate social responsibility NKT will provide yearly reports on its activities in the areas of human rights, working conditions, environment and corruption. The first report was published in February 2010.

The evaluation takes the form of a general discussion among the Board of Directors, the conclusions then being passed on to the CEO by the Chairman of the Board.

The Board of Directors has visited several of the NKT companies in recent years. In 2009 a Board meeting was held at NKT Photonics in Denmark and later in the year the Board travelled to Cologne where NKT Cables has built one of the world's most advanced high voltage facilities. The Board then continued to Budapest where Nilfisk-Advance's factory has been at the centre of several of the year's structural activities.

In 2009 the Board of Directors established an Audit Committee which has held six meetings. The Committee's task is to monitor NKT's financial reporting process and internal control environment, and to establish the framework for external audit. The Committee, which started work in April 2009, consists of two NKT directors, Jens Due Olsen, chairman, and Jan Trøjborg. There are no other Board sub committees.

When appointing new representatives to the Danish Corporate Governance Committee in 2009, at that time the Danish Minister for Economic and Business Affairs Lene Espersen chose NKT's CEO, Thomas Hofman-Bang as one of five new members. At the end of 2009, the Committee proposed changes to the existing recommendations which are expected to be adopted in 2010.

Corporate Social Responsibility (CSR)

During the almost 120 years of its existence as a company NKT has always focused on supplying high quality products, fostering positive and enduring relationships with customers and suppliers, having a motivated work force, and living in harmony with its environment. Social responsibility has therefore always played a major role for NKT. Today, customers are increasingly demanding that NKT supply its products and services in a socially responsible manner, and this trend is expected to increase in years ahead.

In March 2009 NKT acceded to the 10 UN principles for corporate social responsibility, the UN Global Compact. Eleven months later NKT published its first progress report, which can be found under 'NKT Holding' and 'NKT and the community' on www.nkt.dk. The report is also available on the UN website, www.unglobalcompact.org.

The UN 10 CSR principles cover four main areas:

1. Human rights
2. Employee rights
3. Climate and environment
4. Anti-corruption.

In this report the concrete steps taken by NKT companies are stated in the individual company reviews.

NKT has a good platform for its activities on behalf of the UN Global Compact, but there are also challenges. NKT has transformed from a predominantly Scandinavian company to a global group of companies. Accordingly, the Group now has to operate under vastly different conditions, also as regards social responsibility.

To maximize internal awareness and commitment with regard to report publication, NKT has opted to report to the UN out of sync with the financial/calendar year. Its reporting period for CSR activities is 1 July-30 June and the initial report therefore covers the period to 30 June 2009.

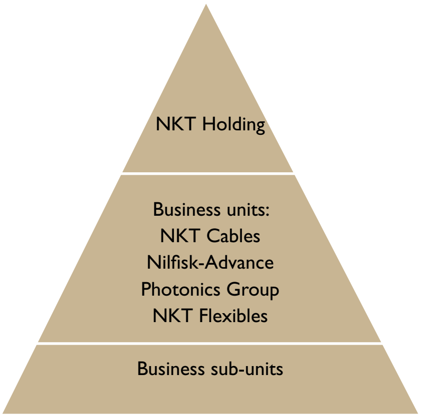
Activities in 2009 and future goals

In 2009 NKT formulated a set of corporate ethical guidelines based on the 10 UN principles. These guidelines supplement the Group's other policies, which were revised in conjunction with the publication of the guidelines in late 2009. The guidelines and policies can be viewed on NKT's website under 'NKT Holding'.

Activities were initiated to ensure implementation, and work took place on establishing an associated data acquisition and reporting platform. More continuous acquisition of data relating to the Group's performance under the 10 principles will commence on 1 January 2010.

In 2009, in the area of **human and employee rights**, a process was initiated to ensure that the Group's supply chains also comply with the UN principles. The goal is to secure our suppliers' contractual commitment to these principles within two years so that at least 80% of Group procurement (measured in purchase value) is covered. Once the contracts are in place the next step will be to establish an audit process to monitor supplier compliance.

Climate and environment have always been focus of considerable NKT attention. In 2008 NKT joined the Carbon Disclosure Project (CDP), and the Group's total CO_2 consumption for 2008 was subsequently computed and reported in 2009. Energy consumption per tonne of cable produced was cut by 25% in the period 2001-2008, and it is NKT's ambition to reduce the



1 *The Board of Management is responsible for maintaining an effective control environment in conjunction with the financial reporting process.*

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

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

Group's total CO_2 consumption by at least 12% (measured in relation to manufactured volumes) in the period 2009-2011. More on NKT's CDP involvement can be found at www.nkt.dk under 'NKT Holding' and 'NKT and the community'. NKT's reports are available on the CDP website, www.cdproject.net.

NKT Cables and NKT Flexibles process large quantities of raw metals and plastics by energy-intensive means. It is largely the market that dictates the use and size of consumption of these raw materials, and in its progress reports to the UN Global Compact NKT will enter the total consumption of metals and plastics. In terms of environment, NKT's principal contribution to improvement will therefore consist in continuously reducing its level of scrap production and helping to develop entirely new products or applications that can reduce environmental load throughout the supply chain. The principal environmental challenges and improvement measures in the supply chain of which Nilfisk-Advance is part lie within the following two areas:

- Reduction of environmental load from products in the utility situation
- Recyclability of products in the disposal situation.

Both the above will therefore be included in future reporting.

Employee health and safety in the workplace is accorded high priority by NKT. In future serious injuries will be reported for each business unit as 'Absence caused by work injury'.

Risk of corruption in areas in which NKT operates is due to several reasons:
- Large-volume procurement
- Large project sales
- In areas where NKT is active a number of cartel and corruption cases have been identified
- NKT has within the last decade transoceanic from a company with a traditional Scandinavian focus to a global enterprise with local presence in areas where corruption is more culturally accepted.

NKT advocates competition on fair terms and views its refusal to participate in illegal and anti-competitive practices as an important customer asset, and NKT is committed to reporting cases of corruption involving companies or employees. Efforts will be directed towards ensuring employee knowledge of and compliance with NKT policy. Naturally this especially applies to employees in regular interaction with suppliers or customers. NKT's individual unit heads are responsible for ensuring that corruption policy, and the consequences of non-compliance, are known.

EuroSox

The statutory statement for enterprise management, cf. section 107(b) of the Danish Financial Statements Act includes, among other things, rules on 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 the financial reporting presents a true and fair view without material misstatements in accordance with current legislation, standards and other regulation
- that appropriate accounting policies are chosen and 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 to limit 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 the financial reporting will be avoided.

The Group Management has the overall responsibility for NKT's risk management and internal control in connection with the financial reporting process. The managements of the Group's individual business units are responsible for ensuring an effective control environment in connection with the financial reporting for the individual business units. The managers in the individual units and at different levels are responsible within their respective areas.

The Audit Committee and the Board of Management systematically and continuously assess material risks in relation to the financial reporting process as well as compliance with essential internal controls relating to the process. The Board of Directors is kept regularly informed.

The work of the Audit Committee is established in a year plan approved by the Board of Directors. From this it is evident that the Audit Committee must monitor the financial reporting process in connection

with quarterly and annually reporting. Standard procedures have been established, among other things with focus on update of financial reporting standards etc., examination of items with a high degree of accounting estimation, one-off items, checklists concerning presentations, etc.

Risk management and internal control in relation to the financial reporting process have hitherto chiefly been operated in the business units with only overall control by NKT Holding. The majority of Group policies etc. on which risk management and internal control relating to the financial reporting process are based have thus been established in the business units in order to meet the particular characteristics of the individual units. In more recent years, however, NKT Holding has given increased focus to the control environment and on establishing uniform policies and procedures.

In 2009 adjustments were made in the form of new and updated policies, procedures etc. which, however, do not fundamentally change the control environment. The work on the provision relating to risk management and internal control in connection with the financial reporting process has created increased transparency and uniformity in the Group's internal control environment. The work has, among other things, been based on the process described in the figure below.

NKT has chosen to publish the statutory statement for enterprise management, cf. section 107(b) of the Danish Financial Statements Act, on NKT's website under 'NKT Holding' and the heading 'Policies/ section 107(b) - www.nkt.dk/uk/Menu/NKT+Holding/Policies/%c2%a7+107b/%c2%a7+107b.

Risks

NKT is continuously working to identify, analyze and manage all material risks with a view to Group optimization for the benefit of 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 exploiting the opportunities provided by changes in the risk picture.

A detailed account of the specific risks affecting the individual business units is provided in the company reviews, cf. NKT

Financial Reporting Process: Risk management and internal control process

Planning of work on risk management and internal control in connection with the financial reporting process is based on a five-step model:

1. Risk assessment at Group level	2. Establishment of scope	3. Establishment of control catalogue	4. Evaluation of control level	5. Examination and reporting
Identify items in consolidated accounts based on assessment of whether materiality and risk of error are considered high.	For identified high risk items, establish what proportion the individual companies have. This distribution manages the basis for the further process.	Items with high risks are allocated to accounting process. At process level, establish a control catalogue equipped with the minimum key controls required to be implemented.	The companies identified perform a self-assessment of the maturity and effect of the key controls established in step 3.	Group Finance examines the self-assessment and reports this to Group Management and the Audit Committee.

Material risks

*The number of * represents Group Management's subjective assessment of earnings exposure to the risk.*

* * *= Lowest exposure*
*** *= Highest exposure*
HV = High Voltage
RW = Railway Catenary Wires
MV = Medium Voltage
LV = Low Voltage

		NKT Cables	Nilfisk-Advance	Photonics Group	NKT Flexibles
% of revenue 2009		55%	44%	1%	-
% of oper. EBITDA		40%	50%	-3%	14%
Risk factors:					
Cyclical sensitivity	HV, RW	*	***	**	*
	MV	**			
	LV	***			
Currency exposure		**	**	*	
Raw materials exposure	HV, RW, MV	*	**	*	**
	LV	**			
Commercial factors		**	*	**	**

Cables, page 11, Nilfisk-Advance page 16, Photonics Group page 22, and NKT Flexibles page 26.

The figure on page 35 is used to assess which risk factors have greatest influence on Group earnings and the likelihood of these risks occurring. The figure also shows what proportion of Group revenue and operational EBITDA the individual business units represent for NKT. 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 the relative likelihood of their occurrence, and of their occurrence in the individual business segments. This is the Management's subjective assessment and it is included to provide insight into Management's view of the situation.

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

Compared to Management's assessment of the risk factors in the 2008 annual report, the assessment for Photonics Group with regard to cyclical sensitivity and commercial factors has changed from lowest exposure (one star) to medium exposure (two stars).

As well as market competition, 'commercial factors' include relationship to suppliers etc. These risks are further stated in the individual company reviews.

In addition to the risk factors in the company reviews NKT is exposed to a number of more general risks described below. The description of risks here and in the company reviews is not exhaustive and the risks are not listed in order of priority.

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 the note 'Financial risks and financial instruments' to the consolidated financial statements.

Investments and acquisitions

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

Ethical standards

In step with increased awareness among NKT's stakeholders with regard to human and employee 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'.

FINANCIAL REVIEW

NKT realized EBITDA of 935 mDKK in 2009 and organic growth of -10%. These results were achieved in spite of extremely difficult macroeconomic conditions and low visibility. Committed credit facilities increased by 1.5 bnDKK and their maturity dates were extended generally

Revenue

Consolidated net revenue comprised 11,687 mDKK in 2009 against 13,828 mDKK in 2008, corresponding to organic growth of -10% and nominal growth of -15%. Metal prices influenced revenue by approximately -5% in 2009, while the influence of exchange rates was approximately -1%. Organic growth of approximately -10% for 2009 was in line with expectations for the year as stated in the 2008 annual report. A more detailed review of results for the year relative to expectations can be found in 'Financial target performance' on page 7. Organic growth at the end of the year was less negative, -6% for 4th quarter 2009 against -11% for the first nine months of 2009. Quarterly organic growth development is shown in Fig. 4.

Fig. 1 shows the breakdown by business unit of the decrease in revenue for 2009. Comparison of revenue (determined in standard prices) for 2008 and 2009 is shown on page 7.

NKT Cables realized revenue in standard metal prices of 4,646 mDKK in 2009 compared with 5,211 mDKK for the same period in 2008, corresponding to a fall of 565 mDKK. Determined in market prices, NKT Cables realized revenue of 6,383 mDKK in 2009, against 7,766 mDKK for 2008. Metal prices influenced revenue by approximately -649 mDKK, while currency influence on revenue was approximately -250 mDKK. Net organic growth was -7% in 2009.

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 as this is normally passed on to the customer. At 31 December 2009 the price of copper had risen by 108% relative to year end 2008, which must be seen in relation to a sharp price fall at the end of 2008. The price of copper similarly increased by 53%, cf. Fig. 2.

Organic growth in the high voltage cable segment was -8% for 2009, and level of activity was characterized by increased price pressure. High voltage represented 23% of total revenue for NKT Cables in 2009.

NKT Cables commenced production of submarine cables at its new Cologne factory late in 2009, and this did not materially influence total revenue for 2009. The majority of contracts signed are scheduled for completion in 2010.

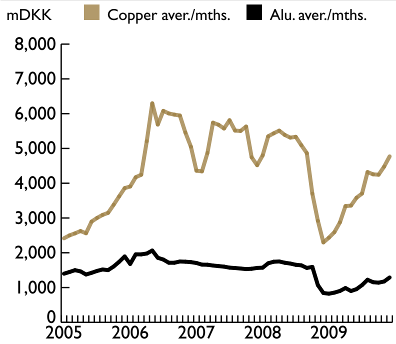
Railway catenary wires, aimed particularly at the growing Chinese market, showed organic sales growth of 53%. This segment accounted for 12% of NKT Cables' total revenue in 2009, an increase of 5%-points on 2008.

In 2009, revenue in the medium voltage segment, which primarily relates to framework contracts with utilities, showed organic growth of -8% compared with 2008. The sales focus on new markets provided partial compensation for the

Revenue development by business unit — **Fig. 1**

Amounts in mDKK	2008	Metal prices	Exch. rates	Acqui-sitions	Growth	2009	Nominal growth	Org. growth
NKT Cables	7,766	-649	-250	0	-484	6,383	-18%	-7%
- Rev. std. prices	*5,211*	*0*	*-201*	*0*	*-364*	*4,646*	*-11%*	*-7%*
Nilfisk-Advance	5,882	0	3	0	-747	5,138	-13%	-13%
Photonics Group	171	0	2	0	-13	160	-6%	-8%
Other	9	0	0	0	-3	6	-	-
Rev. market prices	13,828	-649	-245	-	-1,247	11,687	-15%	-10%
Rev. std. prices	11,273	-	-196	-	-1,127	9,950	-12%	-10%

Metal prices Fig. 2



*** 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.

decrease in sales in existing markets. The medium voltage segment accounted for 23% of NKT Cables' total revenue for 2009.

The low voltage segment was influenced by the low level of activity in building and construction, but activity were stabilizing in the 2nd half of the year. Organic growth for the segment was -16% in 2009 and represented 30% of NKT Cables' total revenue for 2009.

'Other' includes cables and wires for the automotive industry. Organic growth in revenue for 2009 was -23% but revenue picked up as a result of new orders late in the year. 'Other' accounted for 11% of NKT Cables' total revenue for 2009.

Nilfisk-Advance realized revenue of 5,138 mDKK in 2009 against 5,882 mDKK for the same period in 2008, a fall of 744 mDKK (-13%). The influence of exchange rates was minimal in 2009. Organic growth was -13%, which comprised -15% for Europe and -11% for North America while revenue development for RoW (Rest of World) was unchanged.

Photonics Group realized revenue of 160 mDKK in 2009 against 171 mDKK for the same period in 2008, corresponding to organic growth of -8% (a nominal fall of 6%). NKT Photonics and Vytran recorded rising revenues, but this was more than offset by the decrease in revenue for LIOS Technology which experienced a sharp fall in sales of temperature measuring systems for monitoring high voltage cables.

NKT Flexibles realized revenue of 1,311 mDKK in 2009 compared with 1,397 mDKK for the same period in 2008, corresponding to organic growth of -6%. The decrease in revenue was principally attributable to composition of product mix, lower selling prices and lower level of activity in the 4th quarter which resulted in vacant capacity. The revenue is not recognized in the revenue of the NKT Group as NKT Flexibles is not fully recognized in the consolidated financial statements, but the share of net profit is recognized as a separate-line item.

Income development, EBITDA

NKT's operational EBITDA for 2009 was 935 mDKK compared with 1,300 mDKK for the same period in 2008, corresponding to a decrease of 365 mDKK (28%). The fall in EBITDA was chiefly due to the fall in revenue (nominal fall in revenue -15%), but was positively influenced by the effect of a change in NKT Cables' product mix towards higher-margin products and the effect of structural initiatives at Nilfisk-Advance. Of the fall in operational EBITDA, -157 mDKK was attributable to NKT Cables, -144 to Nilfisk-Advance, -86 to NKT Flexibles, and -1 to Photonics Group. EBITDA was positively influenced by 'Other' with 23 mDKK.

As expected, costs relating to structural initiatives at Nilfisk-Advance amounted to 152 mDKK in 2009 (2008: Nilfisk-Advance 50 mDKK, NKT Cables 25 mDKK and 'Other' 7 mDKK - total 82 mDKK). NKT's reported EBITDA was therefore 783 mDKK against 1,218 mDKK for 2008, corresponding to a fall of 435 mDKK (36%).

Measured in standard metal prices, operational EBITDA margin was 9.4%, a fall of 2.2%-points from 11.6% at year end 2008.

Fig.3 shows breakdown of operational EBITDA by business unit. In addition, the development in the Group's operational EBITDA (LTM - last 12 months) is shown on a quarterly basis in Fig. 4. On page 7 is shown the comparison of operational EBITDA for 2008 and 2009.

NKT Cables realized operational EBITDA in 2009 of 373 mDKK in relation to 530 mDKK for the same period in 2008. Measured in standard metal prices, operational EBITDA margin was 8.0%, compared with 10.2% for the same period in 2008.

The fall in operational EBITDA was essentially due to the decrease in revenue. The gradual change in product mix from low and medium voltage cables to high voltage cables, submarine cables and catenary railway wires influenced EBITDA positively as a result of higher margins. These margins were negatively influenced, however, by relocation

Operational EBITDA by business unit Fig. 3

Amounts in mDKK	Realized 2009	Realized 2008	Nom. change	Diff.
NKT Cables	373	530	-157	-30%
Nilfisk-Advance	469	613	-144	-24%
Photonics Group	-31	-30	-1	3%
NKT Flexibles (51%)	136	222	-86	-39%
Other	-12	-35	23	-66%
Operational EBITDA	**935**	**1,300**	**-365**	**-28%**
One-off items	-152	-82	-70	-
Reported EBITDA	**783**	**1,218**	**-435**	**-36%**

Quarterly breakdown

Fig. 4

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
EBT	291	63	107	120	1
Organic growth	-10%	-6%	-12%	-9%	-12%
Total operational EBITDA		935	704	441	147

2008 *Amounts in mDKK*	Total	Q4	Q3	Q2	Q1
Revenue	13,828	3,145	3,528	3,789	3,366
Revenue, std. prices	11,273	2,679	2,814	3,081	2,699
Operational EBITDA	1,300	174	360	461	305
EBT	592	-88	187	309	184
Organic growth	2%	-5%	4%	4%	4%
Total operational EBITDA		1,300	1,126	766	305

to the new Cologne factory and its running in. In spite of the difficult market conditions NKT Cables managed to defend its overall gross margin for 2009 with a rise of 1%-point.

Nilfisk-Advance realized operational EBITDA in 2009 of 469 mDKK, against 613 mDKK for the same period in 2008. This equates to an operational EBITDA margin of 9.2% for 2009, against 10.4% in 2008.

The gross margin for 2009 was similar to 2008, but showed a rising trend in the 2nd half of 2009. This was in spite of rising 2nd half raw material prices. The very satisfactory development in gross margin was due to focus on efficiency improvements, sourcing, and also Nilfisk-Advance's ability to resist price pressure and maintain selling prices.

Costs relating to structural initiatives were approx. 152 mDKK in 2009 against 50 mDKK for 2008. Among other things, initiatives begun previously led to a reduction in the cost base (staff costs and other costs adjusted for costs of structural initiatives) of approx. 10% in 2009 against the same period in 2008. The structural initiatives introduced are going according to plan and are continuing into 2010.

Photonics Group realized operational EBITDA in 2009 of -31 mDKK compared with -30 mDKK for 2008. The change of -1 mDKK consists of an improvement of 18 mDKK for NKT Photonics that was outweighed by developments for LIOS Technology and, partly, Vytran. The negative development for LIOS Technology was chiefly due to decreased sales of temperature measuring systems. This product segment has shown itself to be sensitive to economic developments.

NKT Flexibles realized operational EBITDA in 2009 of 305 mDKK, against 463 mDKK for the same period in 2008. EBITDA margin for 2009 was 23% against 33% for 2008. The 10%-points fall in EBITDA margin was the primary reason for the decrease in earnings as revenue for 2009 was similar to 2008. The development in oil prices along with access to financing are crucial to the start of new projects, and these factors thus have a decisive influence on pricing at contract signature. Production in 2009 was chiefly based on contracts signed in 2008 and earlier.

51% of NKT Flexibles' net profit after depreciation, amortization and financial items is recognized in NKT Group EBITDA. An amount of 136 mDKK was recognized for 2009, against 222 mDKK for 2008.

'Other' includes proceeds from sale of a property corresponding to 9 mDKK.

Depreciation and amortization

Depreciation and amortization for 2009 totalled 368 mDKK (2008: 400 mDKK) and consisted of 244 mDKK and 124 mDKK, respectively. The decrease of 32 mDKK (8%) relates primarily to extraordinary impairment of production assets etc. in NKT Cables in 2008 by 53 mDKK. After adjustment for these one-off costs, depreciation and amortization increased by 21 mDKK in 2009 relative to 2008, which was primarily due to part-commissioning of the new cable factory in Cologne. Composition of depreciation is shown in Fig. 5

Income development, EBIT

Operational EBIT for 2009 amounted to 568 mDKK against 953 mDKK for the same period in 2008, a fall of 385 mDKK (40%). At EBIT level, costs relating to structural initiatives comprised approx. 152 mDKK for 2009, against 135 mDKK for the same period in 2008. Fig. 6 shows EBIT breakdown by business unit.

Measured in standard metal prices, operational EBIT margin for 2009 was 5.7%, against 8.5% for 2008. The primary reason for the fall of 2.8%-points is described under 'Income development, EBITDA'.

Investment and depreciation/amortization

Fig. 5

Amounts in mDKK	Intangibles		Property, plant and equipment		Total investment		Total depreciation/ amortization	
	2009	2008	2009	2008	2009	2008	2009	2008
NKT Cables	31	16	860	655	891	671	175	155
Nilfisk-Advance	96	98	66	99	162	197	177	172
Photonics Group	-	-	8	9	8	9	14	16
Other	-	-	-	1	-	1	2	4
Gross total	**127**	**114**	**934**	**764**	**1,061**	**878**	**368**	**347**
Impairment related to restructuring								53
Total							**368**	**400**

Financial items

Net financial items comprised an expense of 125 mDKK in 2009, against an expense of 226 mDKK in 2008, an improvement of 101 mDKK. This improvement was due to reduced foreign exchange translation adjustments combined with a general reduction in Group borrowing costs. Foreign exchange losses in 2009 comprised 7 mDKK, against 62 mDKK in 2008, a reduction of 55 mDKK. Lower interest rates also led to a reduction of 46 mDKK in Group borrowing costs, from 164 mDKK in 2008 to 118 mDKK in 2009.

Tax and profit for the year

Consolidated net profit before tax was 291 mDKK for 2009, compared with 592 mDKK for the same period in 2008, a fall of 301 mDKK (51%). The difference comprised changes in EBITDA of -435 mDKK, depreciation and amortization +32 mDKK and financial items +101 mDKK.

Income tax related to net profit was 53 mDKK compared with 188 mDKK for the same period in 2008, corresponding to a fall of 135 mDKK (72%). The tax rate for 2009 was 18% compared with 32% for 2008. The lower tax rate was primarily due to positive revaluations of tax assets. After adjustment for these revaluations, tax rate for 2009 was 28%.

Net profit for the year after tax was 238 mDKK, against 404 mDKK the previous year, a fall of 166 mDKK (41%).

Cash flow

Cash flow from operating activities was 582 mDKK for 2009, against 763 mDKK for 2008, a decrease of 181 mDKK. This decrease of 181 mDKK comprised the change in EBITDA of -435 mDKK, the change in working capital of 5 mDKK, a contribution of 70 mDKK from change in financial items, and a contribution of 27 mDKK from tax paid.

Added to this was a contribution of 152 mDKK from change in profit on sale of non-current assets and 'non-cash' items. 'Non-cash' items include 135 mDKK (2008: 222 mDKK) relating to the share of profit attributable to the joint venture company NKT Flexibles. This profit share is first recognized in the cash flow statement at the time of dividend distribution.

Cash flow from investing activities amounted to 1,005 mDKK for 2009, an increase of 383 mDKK in relation to 2008. Investment in the new high voltage factory in Cologne was 690 mDKK for 2009, against 404 mDKK for 2008, an increase of 286 mDKK and the major component in this cash flow change.

Investment

Investment in intangibles and property, plant and equipment totalled 1,061 DKK for 2009. Breakdown by business segment is shown in Fig. 5.

Investment in intangibles and investment in property, plant and equipment increased by 13 mDKK and 170 mDKK, respectively. The total investment increase was therefore 183 mDKK. This increase principally related to NKT Cables, with investment of 690 mDKK in the new high voltage facility in Cologne.

After adjustment for investment in the Cologne factory, investment in property, plant and equipment amounted to 244 mDKK in 2009, which equates to 2.5% of revenue in standard metal prices.

Working capital

Group working capital was 1,974 mDKK, corresponding to 17.1% measured as an average over 12 months as a percentage of revenue (LTM). This was a decrease of 62 mDKK and 2.7% points relative to 31 December 2008 (2,036 mDKK, equal to 19.8% (LTM) at 31 December 2008). The nominal improvement of 62 mDKK includes 273 mDKK relating to Nilfisk-Advance and -211 mDKK relating to NKT Cables. Working capital as a percentage of revenue at NKT Cables was 15.2% (LTM) at 31 December 2009 against 18.5% for the same period in 2008. For Nilfisk-Advance the figure was 19.2% at 31 December 2009, against 21.4% for the same period in 2008.

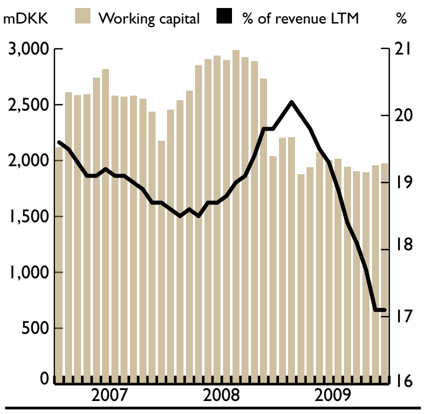
Working capital relating to NKT Cables was positively influenced in 2009 by a number of substantial prepayments. Together with

Operational EBIT by business unit

Fig. 6

Amounts is mDKK	Realized 2009	Realized 2008	Nom. change	Diff.
NKT Cables	197	373	-176	-47%
Nilfisk-Advance	293	441	-148	-34%
Photonics Group	-46	-46	-	0%
NKT Flexibles (51%)	136	222	-86	-39%
Other	-12	-37	25	-67%
Operational EBIT	**568**	**953**	**-385**	**-40%**
One-off items	-152	-135	-17	-
EBIT	**416**	**818**	**-402**	**-49%**

Working capital Fig. 7



inventory reductions this was the reason why the working capital as a percentage of revenue decreased by 3.3% points.

The development in working capital is seen in Fig. 7.

Balance sheet

Total assets amounted to 10,124 mDKK at 31 December 2009, an increase of 189 mDKK in relation to year end 2008. Non-current assets were 5,172 mDKK, against 4,322 mDKK at the end of 2008, a rise of 850 mDKK. The rise was chiefly due to investment in property, plant and equipment, as stated above. Current assets comprised 4,952 mDKK in relation to 5,613 mDKK at 31 December, 2008, a fall of 661 mDKK. The fall was chiefly due to reduction of funds tied up in inventories and receivables and to reduction in cash.

The total assets of 10,124 mDKK at 31 December 2009 were financed via equity with 3,740 mDKK (corresponding to 37%, 2008: 35%), non-current liabilities with 2,498 mDKK (corresponding to 25%, 2008: 18%), and current liabilities with 3,886 mDKK (corresponding to 38%, 2008: 47%).

The shift between non-current and current liabilities from 31 December 2008 to 31 December 2009 was chiefly due to the conversion of the Group's interest bearing debt as described below.

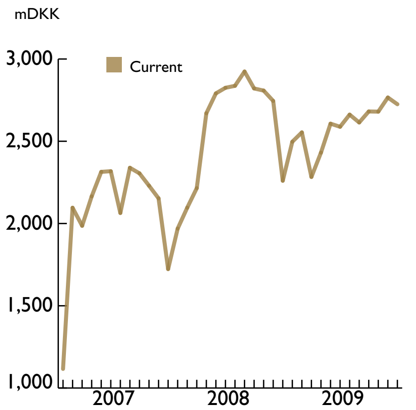
Net interest bearing debt

NKT's net interest bearing debt was 2,725 mDKK at 31 December 2009 compared with 2,260 mDKK at year end 2008, a rise of 465 mDKK. The rise in net interest bearing debt was caused by the high voltage factory in Cologne. Development in net interest bearing debt is shown in Fig. 8

The present debt level corresponds to 2.9 x operational EBITDA for the last 12 months, which exceeds NKT's internal target of 2.5 x operational EBITDA for the last 12 months. This was also the case at 30 June and 30 September and is in accordance with expectations and consistent with earlier statements.

Equity gearing relative to net interest bearing debt was 73% (2008: 65%) compared with the internal target of max. 100%.

Net interest bearing debt Fig. 8



At 31 December 2009 58% of interest bearing debt was in DKK. A further 29% was in CZK, which was attributable to NKT Cables' investment in production plant in the Czech Republic. The remaining financing was primarily raised in EUR, USD and CNY. The financing is predominantly based on variable interest rates, which means Group exposure to interest rate developments. The effect on the Group's interest bearing debt of an increase in the market interest rate is described in Note 30 to the consolidated financial statements.

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

Cash resources

At the end of 2009 NKT had undrawn credit facilities of approx. 2.2 bnDKK. After the addition of cash funds of 0.3 bnDKK total cash resources amounted to approx. 2.5 bnDKK.

Fig. 9 shows the distribution of Group cash resources into committed and uncommitted credit facilities. The committed facilities are broadly characterized by the fact that the credit institutions cannot demand repayment prematurely.

The committed credit facilities increased by 1.5 bnDKK against 31 December 2008, while the uncommitted facilities decreased by 0.6 bnDKK. A number of credit facilities that at year end 2008 were due to mature within 12 months were converted in 2009 as committed facilities with 18-month terms. The intention is to continuously extend the term of these committed facilities so that payment does not fall due within 12 months. Further committed facilities have also been

2009 highlight

In October 2009 NKT held capital market days for financial analysts and the press in Cologne and Budapest.

Credit facilities — Fig. 9

Amounts in bnDKK	31.12.09 Total	31.12.08 Total
Committed (>3 years)	1.3	0.8
Committed (1-3 years)	2.0	0.5
Committed (< 1 year)	1.0	1.5
Committed total	**4.3**	**2.8**
% of total	83%	66%
Uncommitted	0.9	1.5
% of total	17%	34%
Total	**5.2**	**4.3**
Cash	0.3	0.4
Drawn	-3.0	-2.9
Cash resources	**2.5**	**1.8**

established, including a 20-year mortgage credit loan on the new Cologne factory. NKT's debt is not subject to financial covenants with lenders. For non-financial covenants, see information in Note 30 to consolidated financial statements.

Return on capital employed (RoCE)

Capital employed comprised 6,465 mDKK at 31 December 2009 in relation to 5,725 mDKK at 31 December 2008, a rise of 740 mDKK (13%). The increase was primarily due to investments in current assets of 1,061 mDKK, including 690 mDKK relating to the Cologne factory.

Determination of Capital employed appears in Note 36 to the consolidated financial statements.

Return on Capital employed for the NKT Group (determined on the basis of operational EBIT and average Capital employed) was 9% for 2009 against 16% for 2008.

The strategic target of minimum 20% RoCE, which has previously been realized, was unchanged.

For NKT Cables, RoCE was 7% for 2009 against 13% in 2008. In addition to decrease in operational EBIT of 176 mDKK to 197 mDKK, Capital employed increased by approximately 870 mDKK during 2009. The rise in Capital employed was particularly influenced by the Cologne factory construction in which 690 mDKK was invested during 2009. Moreover RoCE was influenced by the fact that the new factory saw only limited production in 2009 and therefore made only limited contribution to 2009 earnings. In 2010 the factory is expected to contribute to earnings via production of submarine cables etc.

For Nilfisk-Advance, RoCE was 11% for 2009, against 16% in 2008. In 2009 Nilfisk-Advance reduced Capital employed by approximately 250 mDKK against 31 December 2008, but RoCE declined by 5% points in 2009 as operational EBIT decreased by 148 mDKK in 2009 to 293 mDKK.

'Going concern'

According to the regulations for financial statements preparation the Group Management is required to decide whether the financial statements can be presented on a 'going concern' basis. In addition, a draft consultation document issued by the Danish Committee for Corporate Governance recommends that the Group Management should confirm in the annual report that the financial statements are presented on a 'going concern' basis and should state the assumptions that support this.

Based on outlook estimates, including examination of budget, future cash flow expectations, existence of credit facilities etc. it is the opinion of the Group Management, that there are no factors giving rise to doubt as to whether NKT will continue trading for a minimum of 12 months from the balance sheet date. It is therefore considered valid for the financial reporting for 2009 to be presented on a 'going concern' basis.

Information concerning Group cash resources is included in Fig. 9 and information concerning expectations for 2010 are included in 'Expectations for 2010' on page 6.

Group Management

Board of Directors

1 Christian Kjær, R[1] (1943)
Chairman
Chamberlain, Master of the Royal Hunt,
Attorney, LLM 1972
Member and Deputy Chairman 1987
Chairman 1990
Shares in NKT: 622,286

Chairman of the Board of
A/S Segalit af 1/4 1987
Sankt Gjertruds Stræde 10 A/S
Skærbæk Plantage A/S

Member of the Board of
Ejendomsselskabet D.F.K. A/S

2 Jan Trøjborg (1955)
Deputy Chairman
Mayor of Horsens
Former Government Minister and MP
M.Sc. C.Eng. 1986
Member of the Board and Deputy
Chairman 2005
Audit Committee member 2009
Shares in NKT: 429

Member of the Board of
Billund Lufthavn A/S
KL (Kommunernes Landsforening)
Egns-Invest IFS A/S

3 Krister Ahlström (1940)
Director
M.Sc.Tech., 1966, bergsråd, Dr. dr.h.c.
Member of the Board 1995
Shares in NKT: 0

Member of the Board of
MetroAuto Group Oy, Finland
Desigence Oy, Finland
and two Swedish and one Finnish trustees.

4 Gunnar Karsten Jørgensen* (1946)
Fitter, NKT Flexibles I/S, joined NKT 1997
Member of the Board 2005
Shares in NKT: 50

5 Arne Dan Kjærulff* (1948)
Service Technician, Nilfisk-Advance A/S,
joined NKT 1974
Member of the Board 2006
Shares in NKT: 624

6 Jens Maaløe (1955)
President and CEO, Terma A/S
M.Sc. E.Eng. 1979 - PhD 1983
Member of the Board 2004
Shares in NKT: 450

Member of the Board of
Topdanmark A/S
Ingeniørhøjskolen i Århus

7 Jørgen Bjergskov Nielsen* (1949)
Electrician, NKT Cables A/S,
joined NKT 1976
Member of the Board 1991
Shares in NKT: 410

8 Jens Due Olsen (1963)
MSc. 1990
Member of the Board 2006
Chairman of Audit Committee 2009
Shares in NKT: 0

Chairman of the Board of
Atchik Realtime A/S

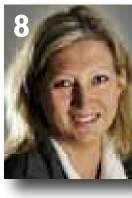
Member of the Board of
Industriens Pension A/S (Investment
Committee member)
Invitel A/S (Chairman Audit Committee)
Cryptomathic A/S
Dtechnet A/S
EG A/S

9 Lone Fønss Schrøder (1960)
President, Wallenius Lines AB
LLM 1987, MSc. 1985
Member of the Board 2008
Shares in NKT: 0

Chairman of the Board of
Bioneer A/S

Member of the Board of
Aker ASA, Norway (Audit Committee
member)
Eukor Inc, Korea
Handelsbanken AB, Sweden (Audit
Committee member)
Vattenfall AB, Sweden (Audit Committee
member)
Yara ASA, Norway (Audit Committee
member)

** Employee-elected board members*



Group Management

Board of Management

1 Thomas Hofman-Bang (1964)

President and CEO
cand.merc.aud. 1992
State-Authorized Public Accountant
Joined NKT and the Board of Management 2000
Shares in NKT: 48,000

Chairman of the Board of
NeuroSearch A/S

Member of the Board of
William Demant Holding A/S

2 Søren Isaksen (1952)

Group Executive Director, CTO
cand.scient. 1977 - PhD 1981
Joined NKT 1981
Member of the Board of Management 1999
Shares in NKT: 47,275

Chairman of the Board of
Photonic Energy A/S

Member of the Board of
Glud & Marstrand A/S

3 Michael Hedegaard Lyng (1969)

Group Executive Director, CFO
cand.merc.aud. 2001
Joined NKT 2007
Member of the Board of Management 2008
Shares in NKT: 449

Heads of Group services

4 Karsten Riis Andersen (1970)

Controlling and accounting

5 Ole Bramsnæs (1946)

Legal affairs

6 Søren Magdal Christensen (1975)

Treasury

7 Mette Rona (1970)

Tax

8 Anne Schoen (1956)

Communications

NKT Group

- NKT Holding
  - NKT Cables
  - Nilfisk-Advance
  - Photonics Group
  - NKT Flexibles (51%)

All members of the Board of Directors are regarded as being independent as defined in accordance with section V (4) of the Danish Corporate Governance recommendations.

Reported shareholdings are stated as at 1 March 2010 and include shareholdings of related parties. The NKT Group Management has not had the opportunity to transact shares in 2009.

Information on directorships is given pursuant to section 107(a) of the Danish Financial Statements Act concerning managerial posts in other Danish companies, and NKT's Corporate Government practice.

More information about NKT Group Management can be found on www.nkt.dk.

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 2009.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by EU and additional Danish disclosure requirements for Annual Reports of listed companies. It is our opinion that the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2009 and of the Group's and parent company's operations and cash flow for the financial year 1 January – 31 December 2009.

The Management's Review gives a true and fair review of the development in the Group's and the parent company's operations and financial matters, the results of the Group and the parent company's operations and financial position and describes the material risks and uncertainties affecting the Group and the parent company.

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

Brøndby, 2 March 2010

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

Jan Trøjborg
Deputy Chairman

Krister Ahlström

Gunnar Karsten Jørgensen

Arne Dan Kjærulff

Jens Maaløe

Jørgen Bjergskov Nielsen

Jens Due Olsen

Lone Fønss Schrøder

Statements

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 2009, pages 5-109. 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 additional 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 additional 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 2009 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 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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, 2 March 2010

KPMG

Statsautoriseret Revisionspartnerselskab

Finn L. Meyer	Søren P. Krejler
State Authorised Public Accountant	*State Authorised Public Accountant*

Financial statements

Contents

Income statement

amounts in **mDKK**

1 January - 31 December

	Note	2009	2008
Revenue	3	11,687.3	13,827.5
Other operating income	4	63.9	87.4
Changes in inventories of finished goods and work in progress		-36.5	-56.6
Work performed by the Group and capitalized		26.1	12.1
Raw materials, consumables and goods for resale		-6,886.1	-8,522.4
Employee benefits, expenses	5,6	-2,379.3	-2,529.9
Other costs	6,7	-1,840.3	-1,830.0
Shares of profit after tax in associates and joint ventures	8,9	147.9	229.9
Earnings before interest, tax, depreciation and amortization (EBITDA)		783.0	1,218.0
Depreciation and impairment of tangible assets	16	-243.2	-274.5
Amortization and impairment of intangible assets	15	-124.2	-125.0
Earnings before interest and tax (EBIT)		415.6	818.5
Financial income	10	134.9	152.1
Financial expenses	11	-259.5	-378.2
Earnings before tax (EBT)		291.0	592.4
Tax	12	-53.1	-188.1
Profit for the year		237.9	404.3
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		240.4	401.1
Profit attributable to minority interests		-2.5	3.2
		237.9	404.3
Basic earnings per share (EPS)	13	10.2	17.0
Diluted earnings per share (EPS-D)	13	10.1	17.0

The Board of Directors proposes a dividend for the year of 3.5 DKK per share (2008: 0 DKK per share) for approval at the annual general meeting.

Statement of comprehensive income

amounts in **mDKK**

1 January - 31 December

	Note	2009	2008
Profit for the year		237.9	404.3
Other comprehensive income			
Foreign exchange adjustment, foreign companies		3.1	-1.3
Excess capital paid on acquisition of minority interests		0.0	-15.3
Value adjustment of hedging instruments:			
Value adjustment for the year		87.5	-9.4
Transferred to revenue		13.0	49.1
Transferred to consumption of raw materials		-41.4	0.0
Transferred to financial expenses		1.7	0.0
Fair value adjustment of available for sale securities		-1.6	0.0
Tax on equity movements		-15.1	-5.9
Total other comprehensive income		47.2	17.2
Comprehensive income for the year		285.1	421.5
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		286.4	424.0
Profit attributable to minority interests		-1.3	-2.5
		285.1	421.5

Cash flow statement

amounts in **mDKK**

1 January - 31 December

	Note	2009	2008
Operating earnings before depreciation and amortization (EBITDA)		783.0	1,218.0
Non-cash operating items:			
Share of profit of NKT Flexibles I/S		-135.9	-221.7
Profit on sales of non-current assets, used and increase of provisions, and other non-cash operating items, etc.		-11.2	-77.7
Changes in working capital		156.6	151.5
Cash flows from operations before financial items etc.		792.5	1,070.1
Interest received		98.8	118.4
Interest paid		-244.4	-334.1
Income tax paid		-64.6	-91.6
Cash flows from operating activities		582.3	762.8
Acquisition of subsidiaries	27	-10.8	-213.6
Investments in property, plant and equipment		-912.4	-755.5
Disposal of property, plant and equipment		44.0	315.3
Other investments, net		-126.0	31.1
Cash flows from investing activities		-1,005.2	-622.7
Changes in non-current loans from credit institutions		623.6	-9.3
Changes in current loans from credit institutions		-513.5	170.0
Minority interests		-23.3	0.0
Dividends paid		0.0	-260.2
Cash from exercise of share-based options		0.0	12.9
Cash flows from financing activities		86.8	-86.6
Net cash flows from operating, investing and financing activities		-336.1	53.5
Cash at bank and in hand, 1 January		586.6	538.7
Currency adjustments		3.4	-5.6
Net cash flows		-336.1	53.5
Cash at bank and in hand, 31 December	26	253.9	586.6

Balance sheet

amounts in **mDKK**

31 December

	Note	2009	2008
Assets			
Non-current assets			
Intangible assets	15		
Goodwill		1,051.7	1,042.9
Trademarks etc.		47.2	55.5
Customer related assets		91.5	103.9
Development projects completed		170.1	147.5
Patents and licences etc.		172.4	170.4
Development projects in progress and prepayments		87.7	65.0
		1,620.6	1,585.2
Property, plant and equipment	16		
Land and buildings		721.5	483.0
Manufacturing plant and machinery		766.6	620.4
Fixtures, fittings, tools and equipment		282.4	290.4
Property, plant and equipment under construction and prepayments		896.8	615.2
		2,667.3	2,009.0
Other non-current assets			
Investments in associates and joint ventures	8,9	627.7	481.0
Other investments and receivables		36.4	41.2
Deferred tax	22	219.8	205.3
		883.9	727.5
Total non-current assets		5,171.8	4,321.7
Current assets			
Inventories	17	2,195.0	2,228.1
Trade and other receivables	18,24	2,464.7	2,467.1
Income tax receivable		38.3	59.6
Receivables from sale of property		0.0	271.9
Cash at bank and in hand	26	253.9	586.6
Total current assets		4,951.9	5,613.3
Total assets		10,123.7	9,935.0

Balance sheet

amounts in **mDKK**

31 December

	Note	2009	2008
Equity and liabilities			
Equity			
Share capital	19,20	474.4	474.4
Reserves		-27.8	-73.8
Retained earnings		3,189.2	3,026.6
Proposed dividends		83.0	0.0
Total equity attributable to equity holders of NKT Holding A/S		3,718.8	3,427.2
Minority interests		21.0	37.5
Total equity		3,739.8	3,464.7
Liabilities			
Non-current liabilities			
Deferred tax	22	154.4	122.8
Employee benefits	21	284.7	280.1
Provisions	23	112.0	90.9
Interest bearing loans and borrowings	24,30	1,946.6	1,315.0
		2,497.7	1,808.8
Current liabilities			
Interest bearing loans and borrowings	24,30	925.7	1,415.3
Trade and other payables	24,25	2,755.6	2,998.4
Income tax payable		75.0	108.9
Provisions	23	129.9	138.9
		3,886.2	4,661.5
Total liabilities		6,383.9	6,470.3
Total equity and liabilities		10,123.7	9,935.0

amounts in **mDKK**

Consolidated statement of changes in equity

1 January - 31 December

	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
Equity, 1 January 2008	472.8	-107.7	-4.4	0.1	2,625.3	260.0	3,246.1	36.4	3,282.5
Other comprehensive income									
Foreign exchange translation differences		4.4					4.4	-5.7	-1.3
Increase in value on purchase of minority interests					-15.3		-15.3		-15.3
Value adjustment of hedging instruments:									
Value adjustment for the year			-9.4				-9.4		-9.4
Transferred to revenue			49.1				49.1		49.1
Tax on other comprehensive income		4.6	-10.5				-5.9		-5.9
Total other comprehensive income	0.0	9.0	29.2	0.0	-15.3	0.0	22.9	-5.7	17.2
Profit for the year					401.1	0.0	401.1	3.2	404.3
Comprehensive income for the year	0.0	9.0	29.2	0.0	385.8	0.0	424.0	-2.5	421.5
Paid dividend					-0.2	-260.0	-260.2		-260.2
Paid dividend of treasury shares					0.8		0.8		0.8
Additions minority interests							0.0	3.6	3.6
Share-based payment					3.6		3.6		3.6
Subscribed by exercise of share-based options	1.6				11.3		12.9		12.9
Total changes in equity in 2008	1.6	9.0	29.2	0.0	401.3	-260.0	181.1	1.1	182.2
Equity, 31 December 2008	474.4	-98.7	24.8	0.1	3,026.6	0.0	3,427.2	37.5	3,464.7

	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				-1.6			-1.6		-1.6
Tax on other comprehensive income		-0.3	-15.2	0.4			-15.1	0.0	-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

1 Account 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 judgments 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.

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 financial statements for 2009, 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 to the consolidated financial statements.

- 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.

- 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.

  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.

1 Accounting estimates and judgments (continued)

- 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 to a divested factory property 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 carrying amount prior to acquisition and the fair value at the time of acquisition for assets, liabilities and contingent liabilities. Determination of assets, liabilities and contingent liabilities may be subject to subsequent adjustment within a 12-month period from acquisition date.

- 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.

Assesement 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 2009 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.

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. ("the 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 accounts. 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.

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

amounts in mDKK

2 Segment reporting (continued)

2008	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	7,765.5	5,881.8	169.0	0.0	11.2	13,827.5	0.0	13,827.5
Inter-segment revenue	0.4	0.0	1.8	0.0	0.0	2.2	-2.2	0.0
Total revenue	7,765.9	5,881.8	170.8	0.0	11.2	13,829.7	-2.2	13,827.5
Costs and other income, net	-7,260.2	-5,327.8	-200.3	0.0	-53.3	-12,841.6	2.2	-12,839.4
Share of profits after tax of associates and joint ventures	-1.0	9.2	0.0	221.7	0.0	229.9	0.0	229.9
Earnings, (EBITDA)	504.7	563.2	-29.5	221.7	-42.1	1,218.0	0.0	1,218.0
Depreciation and amortization	-156.9	-172.0	-16.1	0.0	-1.6	-346.6	0.0	-346.6
Impairment loss	-50.0	0.0	0.0	0.0	-2.9	-52.9	0.0	-52.9
Segment result (EBIT)	297.8	391.2	-45.6	221.7	-46.6	818.5	0.0	818.5
Financial income	118.7	29.7	1.2	0.2	147.2	297.0	-144.9	152.1
Financial expenses	-259.3	-157.8	-11.9	0.0	-94.1	-523.1	144.9	-378.2
Tax	-107.0	-65.3	9.7	-55.5	30.0	-188.1	0.0	-188.1
Profit for the year	50.2	197.8	-46.6	166.4	36.5	404.3	0.0	404.3
Balance								
Segment assets	5,156.5	4,678.8	218.2	306.1	1,982.7	12,342.3	-2,407.3	9,935.0
Segment goodwill	149.8	867.8	25.3	0.0	0.0	1,042.9	0.0	1,042.9
Investments in associates and joint ventures	22.3	54.6	0.0	404.1	0.0	481.0	0.0	481.0
Segment liabilities	4,151.3	3,283.8	202.5	0.0	1,240.0	8,877.6	-2,407.3	6,470.3
Other Information								
Cash flow from operations before financial items and tax	663.5	488.4	-44.0	0.0	-37.8	1,070.1	0.0	1,070.1
Additions to property, plant and equipment and intangible assets	668.6	199.8	9.1	0.0	1.0	878.5	0.0	878.5
Average number of full-time employees	3,265	5,136	168	0	41	8,610	0	8,610

amounts in mDKK

2 Segment reporting (continued)
Geographical information, revenue

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.

	2009	2008
Denmark	956.2	1,296.4
Germany	2,320.1	2,816.8
Czech Republic	575.0	930.2
USA	1,295.1	1,406.7
China	1,015.6	746.7
Other	5,525.3	6,630.7
	11,687.3	13,827.5

Geographical information, non-current assets

	2009	2008
Denmark	757.7	671.4
Germany	1,424.4	745.3
Czech Republic	698.3	727.6
USA	535.9	552.0
China	385.9	347.2
Other	485.7	550.7
	4,287.9	3,594.2

3 Revenue

	2009	2008
Goods	10,717.6	12,868.2
Services	620.6	791.9
Rentals	7.9	8.2
Construction contract revenue	341.2	159.2
	11,687.3	13,827.5

amounts in mDKK

4 Other operating income

	2009	2008
Release of unused provisions	9.3	6.3
Gain on disposal of property, plant and equipment and intangible assets	21.6	33.9
Government grants	2.3	1.1
Other	30.7	46.1
	63.9	87.4

5 Employee benefits, expense

Wages and salaries	2,007.9	2,130.8
Social security costs	274.6	291.0
Defined contribution plans	74.7	81.0
Defined benefit plans	17.4	23.5
Share-based payments	4.7	3.6
	2,379.3	2,529.9
Average number of full-time employees	7,938	8,610

See Notes 28 and 29 for information regarding management remuneration.

6 Research and development costs

Research and development costs recognized as other costs	117.2	128.4
Research and development costs recognized as employee benefits	55.2	67.3
Research and development costs expensed as incurred	172.4	195.7
Development costs recognized as assets	117.4	94.3
	289.8	290.0

7 Fees paid to auditor elected at the annual general meeting

KPMG:		
Statutory audit	16.5	16.2
Other certainty declarations	0.2	0.4
Tax and VAT advice	5.9	4.0
Other services	1.4	0.8
	24.0	21.4

8 Investments in associates

Summary financial information - 100%

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

Revenue	400.0	370.5
Profit for the year	27.3	19.0
Total assets	344.1	300.6
Liabilities	157.9	146.5
The NKT Group's share of profit for the year	12.0	8.2
The NKT Group's share of equity	85.5	70.3
Goodwill	6.6	6.6
Carrying amount, 31 December	92.1	76.9

amounts in mDKK

9 Interest in joint venture

Summary of financial information - 100 %

NKT Flexibles I/S, Denmark	2009	2008
Revenue and other income	1,316.5	1,409.7
Expenses	-1,050.1	-975.0
Profit for the year	266.4	434.7
Non-current assets	530.0	417.4
Current assets	877.8	715.7
Total assets	1,407.8	1,133.1
Equity	1,068.1	792.4
Non-Current liabilities	8.8	0.0
Current liabilities	330.9	340.7
Total equity and liabilities	1,407.8	1,133.1
The NKT Group's ownership	51%	51%
The NKT Group's share of profit / (loss) for the year	135.9	221.7
The NKT Group's share of equity	544.7	404.1
Value adjustment	-9.1	0.0
Carrying amount, 31 December	535.6	404.1

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 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.	8.6	22.4
Foreign exchange gains	126.2	129.5
Gains on available-for-sale equity securities	0.1	0.2
	134.9	152.1

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

11 Financial expenses

Interest etc.	154.1	194.9
Foreign exchange losses	127.0	191.7
Borrowing costs recognized in cost of assets	-21.6	-8.4
	259.5	378.2

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 of between 3-6% (2008: 6%) has been applied, corresponding to the Group's weighted average cost on general borrowing. No specific loans have been raised for construction of assets.

amounts in mDKK

12 Tax

	2009	2008
Recognized in the income statement		
Current tax	51.7	132.7
Deferred tax	1.4	55.4
	53.1	188.1
Tax rate for the year	18.2%	31.8%
Reconciliation of tax		
Calculated 25% tax on earnings before tax	72.7	148.1
Tax effect of:		
Foreign tax rates relative to Danish tax rate	3.0	37.3
Non-taxable income/non-deductible expenses, net	-5.3	8.9
Adjustment for previous years, including estimates	-13.1	0.0
Adjustment for previous years due to value adjustment of tax assets	-4.2	-6.2
	53.1	188.1

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

13 Earnings per share

Profit attributable to equity holders of NKT Holding A/S	240.4	401.1
Earnings effect of warrants of subsidiaries	0.0	0.0
Diluted profit attributable to equity holders of NKT Holding A/S	240.4	401.1
Profit, continuing operations	237.9	404.3
Profit attributable to minority interests	2.5	-3.2
Profit, continuing operations, attributable to equity holders of NKT Holding A/S	240.4	401.1
Earnings effect of warrants of subsidiaries	0.0	0.0
Diluted profit, continuing operations, attributable to equity holders of NKT Holding A/S	240.4	401.1
Weighted average number of shares:		
Average number of issued shares	23,718,379	23,698,173
Average number of treasury shares	-77,675	-77,675
Weighted average number of shares outstanding	23,640,704	23,620,498
Effect of share-based options	99,298	0
Diluted weighted average number of shares outstanding	23,740,002	23,620,498
Basic earnings per share (EPS)	10.2	17.0
Diluted earnings per share (EPS-D)	10.1	17.0

The calculation of diluted earnings per share excludes 317,025 share options (2008: 261,831) which are out-of-the-money but which may potentially dilute future earnings per share.

14 Impairment test

Impairment charges for the year amount to 0 mDKK. Impairment charges for 2008 amounted to 52.9 mDKK, of which 50.0 mDKK related to NKT Cables and 2.9 mDKK to Nanon A/S.

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:

	2009	2008
NKT Cables	153.1	149.8
Nilfisk-Advance	873.3	867.8
Photonics Groups	25.3	25.3
	1,051.7	1,042.9

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 2010 and financial forecasts for 2011-2014 approved by Management. A discount rate in the range 11.0-12.0% (2008: 11.0-12.7%) has been used before tax, and a discount rate of 8.5% (2008: 8.6-9.5%) after tax. The cash flows beyond 2014 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:

EBITDA for 2010-2014:

EBITDA is calculated as operating profit before depreciation, amortization and impairment and has been based on the following:

NKT Cables:
- Organic growth and gross profit are expected to increase from 2010 to 2014.
- Sales are expected to increase for all product categories, but at varying rates.

Nilfisk-Advance:
- Organic growth is expected to increase from 2010 to 2014.
- Gross profit for 2010 is expected to be on a par with 2009 and then to increase from 2011 to 2014.

The above assumptions for the period 2010-2014 are based on realized figures for 2009 and on NKT Group Management's expectations for the period. The 'Economic Outlook' from OECD has been used in Management's extrapolation of growth rate beyond 2014.

amounts in mDKK

14 Impairment test (continued)

Capital expenditure:

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:
- completion of high and medium voltage factory in Cologne, Germany.
- a yearly average of 122% of depreciation for the perioden 2010-2014, incl. the new factory in Cologne (2009: 106%).

Nilfisk-Advance:
- a yearly average of 100% of depreciation for the period 2010-2014 (2009: 121 %).

Working capital:

NKT Cables:
- an average of 20% of revenue for the year (2009: 15.2%). Strategic target of <17%.

Nilfisk-Advance:
- an average of 16% of revenue for the year (2009: 19.2%). Strategic target of <18%.

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 2011-2014 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%	11.8%	13.0%	>15%
Long-term growth rate (Beyond 2014)	2.0%	2.0%	-1.0%	>-15%
Change in EBITDA compared to the starting point	-	-	>-15%	>-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, NKT Cables Poland and NKT Cables Denmark. As per 31 December the carrying amount of property, plant and equipment for these entities was as follows:

	Operating segment	2009	2008
NKT Cables Czech Republic	NKT Cables	579.2	596.8
NKT Cables Poland	NKT Cables	129.2	133.2
		708.4	730.0

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 2014 for NKT Cables Czech Republic and NKT Cables Poland. The recoverable amount is significantly higher than the carrying amount. However, the analysis shows that the growth in EBITDA must be -7% for both NKT Cables Czech Republic and NKT Cables Poland before the carrying amount equals the recoverable amount.

Other intangibles

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

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 2008	911.4	76.2	133.0	199.5	203.0	102.6	1,625.7
Acquisitions through business combinations	112.8	28.6	23.7	0.0	11.3	0.0	176.4
Additions	2.7	0.0	1.1	17.9	16.5	76.0	114.2
Disposals	-6.0	0.0	0.0	0.0	-0.9	-1.3	-8.2
Transferred between classes of assets	-1.4	1.0	-0.8	91.7	23.9	-113.2	1.2
Exchange rate adjustments	23.4	0.8	1.4	4.0	2.6	0.9	33.1
Costs, 31 December 2008	1,042.9	106.6	158.4	313.1	256.4	65.0	1,942.4
Amortization and impairment, 1 January 2008	-6.0	-43.0	-30.7	-109.9	-48.7	0.0	-238.3
Amortization for the year	0.0	-10.5	-24.0	-52.1	-38.4	0.0	-125.0
Disposals	6.0	0.0	0.0	0.0	0.8	0.0	6.8
Transferred between classes of assets	0.0	0.1	0.2	0.0	-0.6	0.0	-0.3
Exchange rate adjustments	0.0	2.3	0.0	-3.6	0.9	0.0	-0.4
Amortization and impairment 31 Dec. 2008	0.0	-51.1	-54.5	-165.6	-86.0	0.0	-357.2
Carrying amount, 31 December 2008	1,042.9	55.5	103.9	147.5	170.4	65.0	1,585.2
Costs, 1 January 2009	1,042.9	106.6	158.4	313.1	256.4	65.0	1,942.4
Acquisitions 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
Amortization period (years)		3-20	3-7	5-10	5-15		

Trademarks with a carrying amount of 23.4 mDKK (2008: 23.8 mDKK) are not amortized as their useful life cannot be defined. Management assesses that the value of these trademarks can be maintained indefinitely.

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 2008	691.1	1,422.6	762.1	192.3	3,068.1
Acquisitions through business combinations	10.8	2.6	7.1	0.0	20.5
Additions	20.3	89.5	94.7	559.8	764.3
Disposals	-2.0	-42.2	-68.1	-2.4	-114.7
Transferred between classes of assets	36.6	66.4	29.7	-133.9	-1.2
Other adjustments	-0.1	0.3	8.4	0.0	8.6
Exchange rate adjustments	-0.6	-10.3	-0.9	0.2	-11.6
Costs, 31 December 2008	756.1	1,528.9	833.0	616.0	3,734.0
Depreciation and impairment, 1 January 2008	-222.1	-849.7	-487.8	0.0	-1,559.6
Depreciation for the year	-19.5	-92.4	-109.7	0.0	-221.6
Impairments	-36.6	-13.9	-1.6	-0.8	-52.9
Transferred between classes of assets	0.2	2.9	-2.8	0.0	0.3
Disposals	-0.4	41.3	64.3	0.0	105.2
Other adjustments	0.1	-0.3	-8.4	0.0	-8.6
Exchange rate adjustments	5.2	3.6	3.4	0.0	12.2
Depreciation and impairment, 31 December 2008	-273.1	-908.5	-542.6	-0.8	-1,725.0
Carrying amount, 31 December 2008	483.0	620.4	290.4	615.2	2,009.0
Of which, assets leased under finance leases	0.0	0.8	2.1	0.0	2.9
Costs, 1 January 2009	756.1	1,528.9	833.0	616.0	3,734.0
Acquisitions 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
Depreciation period (years)	10-50	4-20	3-17		

17 Inventories

	2009	2008
Raw materials, consumables and goods for resale	736.4	749.3
Work in progress	473.3	301.1
Finished goods	985.3	1,177.7
	2,195.0	2,228.1
Carrying amount of inventories recognized at fair value less costs of sale	156.7	241.1
Impairments on inventories for the year recognized as expenses in the income statement	38.2	54.2

18 Receivables

Trade receivables	1,994.1	1,998.6
Receivables due from associates and joint ventures	0.6	1.4
Construction work in progress	51.8	17.7
Other receivables from associates and joint ventures	0.5	0.4
Other receivables	358.0	368.8
Prepayments	59.7	80.2
	2,464.7	2,467.1
Impairment set off against trade receivables	149.1	103.5
Construction work in progress		
Costs incurred and recognized profits less losses	506.8	165.6
Progress billings	-735.0	-147.9
	-228.2	17.7
Construction work in progress is recognized thus:		
Recognized as assets	51.8	17.7
Recognized as liabilities	-280.0	0.0
	-228.2	17.7
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)

Shares outstanding, 1 January	23,718	23,638
Increase in capital by exercise of share options	0	80
Shares outstanding, 31 December	23,718	23,718
Treasury shares	-78	-78
Shares outstanding, 31 December	23,640	23,640

At 31 December 2009 the share capital comprised 23,718,379 shares of par value of 20 DKK (2008: 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 83.0 mDKK (2008: 0 mDKK) is proposed, corresponding to a dividend per share of 3.5 DKK (2008: 0 DKK).

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

20 Treasury shares

2009 - 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%	8.2
Dividends received	-	-	0.0	-	-
31 December	77,675.0	1.6	0.0	0.3%	22.6

2008 - 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%	35.7
Dividends received	-	-	0.8	-	-
31 December	77,675.0	1.6	0.8	0.3%	8.2

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

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 support 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:	2009	2008	2007	2006	2005
Present value of defined benefit pension plans liabilities	355.3	325.4	353.6	384.6	381.4
Fair value of plan assets	-100.1	-75.0	-94.3	-88.6	-73.6
Deficit	255.2	250.4	259.3	296.0	307.8
Unrecognized actuarial gains/ -losses	24.4	25.3	22.6	-10.9	-27.5
Unrecognized pension costs relating to previous years	0.2	-0.6	0.0	0.0	0.0
Liabilities (net), defined benefit pension plans	279.8	275.1	281.9	285.1	280.3
Other long-term employee benefits	4.9	5.0	4.7	3.2	3.7
Liabilities (net) recognized in balance sheet	284.7	280.1	286.6	288.3	284.0
Experience adjustment on plan liabilities	-17.2	23.6	24.0	-11.4	35.2
Experience adjustment on plan assets	15.8	-21.5	3.0	5.5	9.4

Plan assets of 100.1 mDKK (2008: 75.0 mDKK) relate to a hedged benefit plan that is recognized with 127.5 mDKK (2008: 102.7 mDKK) under present value of plan liabilities, net liability of 27.4 mDKK (2008: 27.7 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.

	2009	2008
Amounts recognized in the balance sheet:		
Liabilities, defined benefit pension plans etc.	284.7	280.1
Assets	0.0	0.0
Net liability	284.7	280.1
Expense recognized in the income statement:		
Expected current service costs	4.4	10.4
Expected interest costs on obligations	17.7	17.8
Expected return on plan assets	-3.1	-5.6
Amortization of actuarial gains and losses	-0.8	0.9
Pension costs relating to previous years	-0.8	0.0
	17.4	23.5
Actual return on plan assets	16.2	-15.9

21 Employee benefits (continued)

	2009	2008
Changes in the present value of the defined benefit obligation:		
1 January	325.6	353.6
Expected current service costs	4.4	10.4
Expected interest costs on obligations	17.7	17.8
Pension costs relating to previous years	-0.8	0.0
Contributions by plan participants	0.6	0.0
Benefits paid	-13.3	-12.5
Adjustment between pension assets and pension liabilities	0.0	20.9
Settlements	-1.0	-0.5
Actuarial (gains) and losses	18.1	-23.7
Currency differences on foreign plans	4.0	-40.6
	355.3	325.4

The Group's expected contribution to defined benefit plans in 2010 amounts to 17.9 mDKK

Changes in the fair value of plan assets		
1 January	75.0	94.3
Expected return on plan assets	3.1	5.6
Paid by NKT Group	6.3	4.7
Benefits paid	-4.9	-5.3
Adjustment between plan assets and plan liabilities	0.0	20.9
Settlements	0.4	-0.2
Actuarial gains and (losses)	15.8	-21.5
Exchange differences on foreign plans	4.4	-23.5
	100.1	75.0

The major categories of plan assets are as follows:		
Equities	43.1	39.3
Bonds	32.6	27.1
Property	0.6	1.6
Cash	23.8	7.0
	100.1	75.0

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

Discount rate	5.0%	5.9%
Expected rates of return on plan assets	4.4%	5.0%
Future salary increases	3.1%	3.0%
Future pension increases	2.7%	3.0%

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

22 Deferred tax assets and liabilities

	2009	2008
Recognized deferred tax assets and liabilities		
Deferred tax assets, 1 January	205.3	247.3
Deferred tax liabilities, 1 January	-122.8	-94.8
Addition relating to business combination	0.2	-5.6
Foreign exchange adjustment	-0.8	-2.9
Tax of adjustments recognized in equity	-15.1	-5.9
Deferred tax recognized in income statement	-1.4	-55.4
Other	0.0	-0.2
Deferred tax, 31 December, net	65.4	82.5

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

	2009	2008
Recognized deferred tax:		
Deferred tax assets, 31 December	219.8	205.3
Deferred tax liabilities, 31 December	-154.4	-122.8
Deferred tax, 31 December, net	65.4	82.5

Specification of deferred tax assets and liabilities	2009		2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	16.6	-121.9	23.5	-88.9
Tangible assets	68.0	-97.2	94.6	-87.0
Other non-current assets	3.7	-92.1	2.9	-70.9
Current assets	221.4	-75.9	71.2	-81.6
Non-current liabilities	58.6	-29.3	42.9	-30.1
Current liabilities	70.6	-191.5	99.2	-51.1
Tax losses	329.5	0.0	263.0	0.0
Recapture of trading losses	0.0	-30.1	0.0	-36.5
Valuation allowance	-65.0	0.0	-68.7	0.0
	703.4	-638.0	528.6	-446.1
Set off in legal tax units and jurisdictions	-483.6	483.6	-323.3	323.3
	219.8	-154.4	205.3	-122.8

Change in valuation allowance excluding foreign currency translation adjustment is 4.2 mDKK (2008: 144.5 mDKK). The adjustment in valuation of recognized tax assets amounts to 0 mDKK(2008: 138.3 mDKK). The effect for the year is an income of 4.2 mDKK (2008: 6.2 mDKK), as shown in Note 12.

amounts in mDKK

23 Provisions

	Warranties	Restruc-turing	Other	Total
Provisions, 1 January 2009	93.7	19.2	116.9	229.8
Addition relating to business combination	2.4	0.0	0.0	2.4
Provisions made during the year	86.4	7.6	55.3	149.3
Used during the year	-82.8	-15.9	-29.0	-127.7
Reversed during the year	-5.9	0.0	-8.3	-14.2
Other	0.0	0.0	0.0	0.0
Foreign exchange adjustment	2.0	0.0	0.3	2.3
Provisions, 31 December 2009	95.8	10.9	135.2	241.9
Provisions are recognized in the balance sheet as:				
Non-current liabilities	5.3	4.2	102.5	112.0
Current liabilities	90.5	6.7	32.7	129.9
	95.8	10.9	135.2	241.9

Provisions are expected to be paid with the stated amounts within 1-3 years from the balance sheet date.

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 a divested factory property in Cologne (NKT Cables), and also rent pertaining to unutilized leases.

24 Receivables, 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

	2009	2008
Trade payables	1,013.4	1,012.0
Trade payables to associates and joint ventures	0.0	0.7
Loans from associates	143.8	133.0
Other payables	993.3	1,260.4
Construction contracts (cf. Note 18)	280.0	0.0
Prepayments regarding construction contracts	22.4	238.2
Prepayments from customers	250.8	279.9
Deferred income	51.9	74.2
	2,755.6	2,998.4

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.

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 2009.

	2009	2008
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	116.2	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

	2009	2008
Carrying amount of assets provided as security for credit institutions		
Land and buildings	256.7	46.1
Plant and machinery	29.0	23.3
Assets under construction	733.5	0.0
Cash relating to forward contracts on metal supplies	0.0	213.1
Liabilities secured on assets	646.1	325.8

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

Contractual obligations

	2009	2008
Contractual obligations relating to purchase of buildings and production plants	109.6	237.7

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:

	2009	2008
Within 0-1 year	176.7	205.4
Within 1-5 years	292.8	405.6
After 5 years	253.2	62.7
	722.7	673.7
Lease payments recognized in income statement	216.9	240.9
Of which subrental, income	3.5	0.8

Operating lease income

Operating lease income relates to property rentals.

Interminable minimum rent income is specified as follows:

	2009	2008
Within 0-1 year	4.5	6.8
Within 1-5 years	5.0	4.2
After 5 years	1.5	0.0
	11.0	11.0

amounts in mDKK

27 Acquisition of subsidiaries

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 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	Carrying amount before acquisition	Adjustment to previous years' acquisitions
Non-current assets			
Intangible assets	7.5	0.0	3.1
Property, plant and equipment	0.2	0.2	0.0
Deferred tax	0.0	0.0	0.4
Current assets			
Inventories	1.1	1.1	-2.0
Receivables	0.0	0.0	0.5
Cash at bank and in hand	0.4	0.4	0.0
Non-current liabilities			
Deferred tax liabilities	0.0	0.0	-0.2
Provisions	0.0	0.0	-2.4
Current liabilities			
Interest bearing loans and borrowings	0.0	0.0	0.0
Payables and provisions	-0.3	-0.3	-1.1
Net assets acquired	8.9	1.4	-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.

27 Acquisition of subsidiaries (continued)

2008

A number of minor acquisitions were made during the year.
As from 1 January 2008 Nilfisk-Advance acquired ownership of its South African distributor, WAP South Africa (Pty) Ltd. The acquisition took place as part of the plans of Nilfisk-Advance to expand operations in both new and existing markets.

As from 1 February 2008 NKT acquired a further 73% interest in the associate Vytran LLC, USA, which is now wholly owned by Crystal Fibre. The company is part of Photonics Group.

As from 29 February 2008 Nilfisk-Advance acquired HydraMaster, USA. This acquisition follows on that of U.S. Products on 1 January 2007 and is part of Nilfisk-Advance's strategy of product and market expansion in North America.

As from 1 May 2008 Nilfisk-Advance acquired the total equity of the Swedish distributor Aquatech which employs 20 people. From the same month Nilfisk-Advance also acquired the total equity of the US company Cyclone (now Nilfisk-Advance Technologies). The company is a market leader in large cleaners for maintenance of extensive outdoor areas such as airports, car parks and amusement parks.

In June Nilfisk-Advance acquired full ownership of Frithiof, Denmark, a distributor and vendor of centralized vacuum cleaning systems.

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	Carrying amount before acquisition
Non-current assets		
Intangible assets	63.6	-
Property, plant and equipment	20.5	10.6
Current assets		
Inventories	50.7	53.1
Receivables	49.5	50.9
Cash at bank and in hand	14.2	14.2
Non-current liabilities		
Deferred tax liabilities	(5.6)	-
Provisions	(6.6)	(2.0)
Current liabilities		
Interest bearing loans and borrowings	(2.0)	(2.0)
Payables and provisions	(42.2)	(41.7)
Disposal of recognized value of associate	(9.3)	
Net assets acquired	132.8	83.1
Goodwill	112.8	
Acquisition cost	245.6	
Of which cash at bank and in hand	(14.2)	
Provision for earn-out commitment	(17.8)	
Cash acquisition cost	213.6	
Interest bearing payables acquired	1.8	
Effect on interest bearing items	215.4	
Direct purchase costs	6.4	
Recognized net income after tax	(12.6)	

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.

Group revenue and net earnings for 2008, determined on a pro-forma basis as if the acquisitions were made on 1 January 2008, comprise 13,861 mDKK and 407 mDKK, respectively. It is Management's opinion that the fair value adjustments at 1 January 2008 would have been the same as those at the acquisition dates. No significant adjustments have been made to net assets recognized in earlier years.

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 immediate families. 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

	2009		2008	
	Associates	Joint ventures	Associates	Joint ventures
Goods sold to	79.3	0.0	8.9	0.0
Goods purchased from	26.4	0.0	0.2	0.0
Interest received, net	0.0	-0.8	0.0	-2.4
Other services	0.0	3.5	0.0	5.8
Sale of property, plant and equipment	0.0	17.9	0.0	0.0
Receivables	3.2	0.0	5.5	0.8
Loans to, net	0.0	-143.8	0.0	-133.0
Dividends received	4.1	9.1	0.0	25.5
Capital contribution	8.5	0.0	16.6	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	2009			2008		
	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng
Short-term staff benefits	4.5	2.2	2.2	4.5	2.1	2.0
Bonus [1)]	0.0	0.0	0.1	0.0	0.3	0.2
Pension contributions	0.7	0.3	0.3	0.7	0.3	0.3
Share-based payment	2.3	0.6	0.6	1.7	0.6	0.3
Total remuneration	7.5	3.1	3.2	6.9	3.3	2.8

[1)] Bonus payment for 2008 relates to achievement of specific targets in 2007. For the year 2009 Søren Isaksen has achieved a bonus of 0.2 mDKK and Michael Hedegaard Lyng a bonus of 0.3 mDKK for payment in 2010 following approval of the annual report by the Board of Directors.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	0.3	0.2	0.2

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	2009	2008
Short-term staff benefits (Board of Directors' remuneration)	3.1	3.2

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.

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 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

29 Share option scheme for Management and employees (continued)

No options were exercised in 2009.

The subscription rights granted in 2005 may be exercised in March 2010. The exercise price is 194. Dividend payments after 1 January 2010 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in 2006 may be exercised in March 2010 or March 2011. The exercise price is 357.5 at exercise in March 2010. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2010 and 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 2010, March 2011 or March 2012. The exercise price is 596 at exercise in March 2010. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2010 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 583 at exercise in March 2011. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2010 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 154.58 at exercise in March 2012. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2010 and until the date when the shares are received are deducted from the exercise price. With the price 122.71 as the starting point the value of the newly issued subscription rights has been calculated by the Black-Scholes formula as 5.4 mDKK if exercise takes place at the earliest possible juncture. The calculation assumes a volatility of 40% and an interest rate of 5% p.a.

The subscription rights granted in November 2009 may be exercised in March 2013, March 2014 or March 2015. The exercise price is 364.42 at exercise in March 2013. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2010 and until the date when the shares are received are deducted from the exercise price. With the price 289.29 as the starting point the value of the newly issued subscription rights has been calculated by the Black-Scholes formula as 5.1 mDKK if exercise takes place at the earliest possible juncture. The calculation assumes a volatility of 34% and an interest rate of 5% p.a.

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 2009, based on the Black-Scholes formula, has been calculated at 33 mDKK (2008: 0 mDKK), including the value of the share option schemes of the Management, 23 mDKK (2008: 0 mDKK). The values have been calculated on the basis of the Black-Scholes formula, assuming an interest rate of 5.0% (2008: 5.0%) and volatility of 34.0% (2008: 40%).

amounts in mDKK

29 Share option scheme for Management and employees (continued)

Outstanding options 2008

Outstanding options	Management: Thomas Hofman-Bang	Management: Søren Isaksen	Management: Michael Hedegaard Lyng	Executive employees	Others	Total
Granted in 2003:						
1 January	0	0	0	0	6,326	6,326
Forfeited	0	0	0	0	-6,326	-6,326
31 December	0	0	0	0	0	0
Granted in 2004:						
1 January	0	0	0	0	413	413
Exercised	0	0	0	0	-275	-275
31 December	0	0	0	0	138	138
Granted in 2005:						
1 January	20,000	20,000	0	32,700	27,699	100,399
Adjust. to previous year	0	0	0	-3,000	3,000	0
Exercised	-20,000	-20,000	0	-17,100	-23,449	-80,549
31 December	0	0	0	12,600	7,250	19,850
Granted in 2006:						
1 January	35,000	20,000	0	31,200	16,375	102,575
Adjust. to previous year				-3,000	3,000	0
Forfeited	0	0	0	-3,600	-2,500	-6,100
31 December	35,000	20,000	0	24,600	16,875	96,475
Granted in 2007:						
1 January	32,000	10,100	9,400	11,400	11,050	73,950
Forfeited	0	0	0	-2,600	-700	-3,300
31 December	32,000	10,100	9,400	8,800	10,350	70,650
Granted in 2008:						
Granted	39,000	9,100	7,650	7,700	11,550	75,000
Forfeited	0	0	0	0	-300	-300
31 December	39,000	9,100	7,650	7,700	11,250	74,700
Total outstanding options						
31 December	106,000	39,200	17,050	53,700	45,863	261,813
Total						
Options, 1 January	87,000	50,100	9,400	75,300	61,863	283,663
Adjust. to prev. year	0	0	0	-6,000	6,000	0
Exercised	-20,000	-20,000	0	-17,100	-23,724	-80,824
Granted	39,000	9,100	7,650	7,700	11,550	75,000
Forfeited	0	0	0	-6,200	-9,826	-16,026
31 December	106,000	39,200	17,050	53,700	45,863	261,813

30 Financial risk 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 2009 and 2008. 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.

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 2009 would have been reduced by 251 mDKK (2008: 239 mDKK) if the exchange rates for USD, 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 2009 and at 31 December 2008, 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	2009	2008
DKK/GBP	12%	24.9	23.1
DKK/HUF	15%	9.9	6.1
DKK/NOK	10%	9.6	6.4
DKK/SEK	12%	11.5	6.5
DKK/USD	12%	0.7	4.4
DKK/AUD	12%	7.2	4.1
DKK/CZK	10%	2.4	0.0

The sensitivity is calculated on the basis of financial instruments existing at 31 December 2009 and at 31 December 2008, all of which are considered 100% effective.

30 Financial risk 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.

	2009			2008		
	Notional value *) mDKK	Gain/loss recog. in equity mDKK	Maturity months	Notional value *) mDKK	Gain/loss recog. in equity mDKK	Maturity months
GBP	-207.3	12.3	0-12	-192.1	39.2	0-12
HUF	65.8	0.5	0-12	40.7	0.1	0-12
NOK	-96.0	-4.1	0-12	-64.4	9.8	0-12
SEK	-95.6	-2.9	0-12	-54.5	4.9	0-12
USD	5.8	-0.5	0-12	36.6	0.0	0-12
AUD	-59.6	-3.5	0-12	-33.8	4.2	0-12
CZK	-23.6	0.5	0-12	0.0	0.0	0-12
Other European	-6.6	-0.2	0-12	-4.1	-0.3	0-12
Other currencies	-52.2	-1.5	0-12	-44.2	-1.3	0-12
I alt	-469.3	0.6		-315.8	56.6	

*) 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 2,725 mDKK (2008: 2,260 mDKK).

At 31 December 2009 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 2008.

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 22 mDKK p.a. (2008: 19 mDKK).

30 Financial risk 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 2009 included a total of 2,143.2 mDKK (2008: 2,102.1 mDKK) impaired to 1,994.1 mDKK (2008: 1,998.6). Movements for the year in impairments from sales are specified thus:

Receivables from sales and services

	2009	2008
Receivables from sales and services (gross)	2,143.2	2,102.1
Impairment for bad and doubtful debtors:		
1 January	103.5	95.8
Additions through business combinations	0.0	1.4
Exchange rate adjustment	0.1	-0.5
Writedowns for year included in income statement under 'Other costs'	72.5	11.2
Reversal of impairment for the year included in income statement under 'Other costs'	-8.4	-2.8
Realized losses during year	-18.6	-1.6
Impairment, 31 December	149.1	103.5
Total receivables from sales and services	1,994.1	1,998.6

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 149.1 mDKK (2008: 103.5 mDKK) include 84.9 mDKK (2008: 37.9 mDKK) attributable to individual impairment.

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

	2009	2008
Maturity periods:		
Up to 30 days	257.2	298.9
Between 30 and 60 days	70.7	113.1
Between 60 and 120 days	69.6	57.0
More than 120 days	93.3	98.1
	490.8	567.1

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 committed and uncommitted facilities which are specified in Management's review. It is the view of the Management that the Group's and the Company's resources are wholly adequate. It is the aim of the Group to have sufficent cash resources to continue to act effectively in the event of unforeseen fluctuations in liquidity.

30 Financial risk and financial instruments (continued)

Liquidity risks (continued)

The committed credit facilities increased by 1.5 bnDKK in relation to 31 December 2008, while the uncommitted credit facilities decreased by 0.5 bnDKK. A number of credit facilities with less than one year to maturity 31 December 2008 were converted in 2009 to 18-month committed facilities. It is intended to continously extend the maturity period for these committed facilities so that the maturity date never falls below 12 months. In addition, further committed credit facilities have been established, including a 20-year mortgage credit loan on the cable factory in Cologne.

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:

	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						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						2,700.1
	3,629.4	608.0	21.3	863.7	31.3	444.4	5,598.1

	2008						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 y.	Total
Forward contracts	223.6						223.6
Credit institutions	1,415.3	450.2	0.8	0.8	834.9	28.3	2,730.3
Other financial liabilities	2,700.6						2,700.6
	4,339.5	450.2	0.8	0.8	834.9	28.3	5,654.5

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 2,872.3 mDKK (2008: 2,730.3), while the contractual cash flows amount to 2,894.4 mDKK for 2009 (2008: 2,730.3).

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 227.5 mDKK (2008: 578,1 mDKK) with a positive fair value of 95.6 mDKK (2008: negative value 222.9 mDKK). It is estimated that a 10% increase in raw materials would - all other things being equal - influence the Group's equity by around 23 mDKK for forward transactions at 31 December 2009 (2008: 58 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.

30 Financial risk 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.

"Building Power", NKT's corporate strategy for the period 2008-2012, targets a solvency ratio of at least 30%, a net interest bearing debt of up to 2.5 x operational EBITDA, and an equity gearing of up to 100%. The Group's position in relation to this is described in 'Review of Financial Statements' in Management review.

It is intended to maintain a stable dividend policy with an annual dividend distribution of approx. one third of net profit for the year. For 2008, however, the Board of Directors chose to deviate from this principle. For 2009 a dividend distribution of 83 mDKK is proposed.

NKT's Articles of Association empower the Board of Directors to increase the Company's share capital by issuing up to 10,000,000 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

	2009 Carrying amount	2008 Carrying amount
Financial assets:		
Trading portfolio (derivative financial instruments)	98.9	59.5
Loans and receivables	2,951.4	3,268.0
Financial assets available for sale	16.0	18.7
Financial liabilities:		
Trading portfolio (derivative financial instruments)	3.6	223.6
Financial liabilities, measured at amortized cost	5,572.4	5,430.9

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 2009 and 2008 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.

31 Post balance sheet events

NKT Cables has signed a contract for the subsea cable link between Anholt wind farm and Jutland. The order has a contract value of around 135 mDKK.

NKT Cables has also signed a contract for a high voltage project in Greece. The order has a contract value of around 300 mDKK. Project completion is scheduled for mid-2011.

Nilfisk-Advance introduced a number of structural initiatives in 2009. The most important initiatives focus on transfer of production to low cost countries. Several of these initiatives already begun willl continue in 2010 and result in costs of approximately 75 mDKK. Two thirds of these costs are expected to be incurred in 1st half 2010 and one third in 2nd half 2010.

32 Accounting standards issued but not yet effective

IASB has published the following new financial reporting standards (IAS and IFRS) and interpretations (IFRIC), which were not mandatory for NKT during the preparation of the 2009 report: IFRS 3, amendments to IAS 27, several amendments to IAS 32 and 39 as well as IFRIC 9, amendments to IFRS 2, amendments to IFRS 1, a few parts of 'improvements to IFRSs (May 2008), improvements to IFRSs (April 2009)', IFRIC 17-19, amendment to IFRIC 14, revised IAS 24 og IFRS 9. Amendments to IFRS 2, amendments to IFRS 1, Improvements to IFRS (April 2009), IFRIC 19, amendment to IFRIC 14, revised IAS 24 and IFRS 9 have not yet been approved by the EU.

NKT expects to implement the new financial reporting standards and interpretations when they become mandatory. Standards and interpretations approved by the EU with different commencement dates than the corresponding IASB commencement dates will be implemented prematurely, so that implementation follows IASB's commencement dates. Apart from those below, none of the new standards or interpretations are expected to significantly influence NKT's financial reporting.

- IFRS 3, Business Combinations, (and the simultaneous revision of IAS 27, Consolidated and Separate Financial Statements) is valid for financial years commencing 1 July 2009 or later. The standard will mean that NKT must recognize cost of purchase and changes to contingent purchase consideration relating to acquisitions directly in the income statement. The implementation may further mean change in accounting policy both for goodwill relating to minority interests' share of acquisitions, and for step acquisitions and part-disposals of investments in subsidiaries.

amounts in mDKK

33 Group companies as of 31 December 2009

Companies owned directly or indirectly by NKT Holding A/S.

Group companies	Domicile	Equity share
Nilfisk-Advance A/S	Denmark	100%
Nilfisk-Advance Nordic A/S	Denmark	100%
ALTO International A/S	Denmark	100%
ALTO Danmark 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 Manufacturing 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%

Group companies	Domicile	Equity share
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 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%
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 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%

Nilfisk-Advance A/S also own 3 companies with no commercial activity.

amounts in mDKK

33 Group companies as of 31 December 2009 (continued)

Group companies	Domicile	Equity share
NKT Cables Group A/S	Denmark	100%
NKT Cables A/S	Denmark	100%
NKT Cables S.A.	Poland	87%
NKT Cables Warszowice Sp. z.o.o.	Poland	100%
(owned by NKT Cables S.A.)		
NKT Cables AS	Norway	100%
Ericsson NKT Cables Venture Ltd.	UK	100%
NKT Cables Group GmbH	Germany	100%
NKT Cables GmbH Nordenham	Germany	100%
NKT Cables GmbH Köln	Germany	100%
NKT Immobilien Verwaltung 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 China Ltd.	China	100%
NKT Cables Ultera A/S	Denmark	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 Co. Ltd	Vietnam	100%
CCC Cables System + Consulting PTE. Ltd	Singapore	100%
Unique Vantage Ltd.	Hongkong	100%
NKT Cables Accessories Co. Ltd.	China	100%
Changzhou Co. Ltd.	China	100%
NKT Cables LLC	Russia	100%
NKT Cables Spain SL	Spain	100%

Associerede virksomheder		
NKT Cables		
Nanjing Daqo nkt Cables Co., Ltd.	China	50%
Ultera GP	USA	50%

NKT Cables owns one company in the course of liquidation.

Group companies	Domicile	Equity share
Photonics Group:		
NKT Photonics A/S	Denmark	98%
Crystal Fibre A/S	Denmark	100%
(owned by NKT Photonics A/S)		
NKT Photonics GmbH	Germany	100%
LIOS Technology GmbH	Germany	100%
LIOS Technology Inc.	UK	100%
NKT Research & Innovation A/S	Denmark	100%
Vytran LLC	USA	100%
(owned by Crystal Fibre A/S)		
NKT Photonics Inc.	USA	100%
(owned by NKT Photonics A/S)		
Nanon A/S	Denmark	100%
SubSeaFlex Holding A/S	Denmark	100%
Industriselskabet af 1. januar 2002 A/S	Denmark	100%

Jointly controlled entity		
NKT Flexibles I/S	Denmark	51%
(owned by SubSeaFlex Holding A/S)		

NKT Holding owns 7 companies with no commercial activity.

Notes

amounts in **mDKK**

34 Accounting policies 2009

NKT Holding A/S is a public limited company domiciled in Denmark. The annual report for the period 1 January - 31 December 2009 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 of NKT Holding A/S for 2009 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, cf. NASDAQ OMX Copenhagen's disclosure requirements for annual reports of listed companies and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

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.

New accounting standards

With effect from 1 January 2009 NKT Holding A/S has implemented IAS 1 (revised 2007) 'Presentation of Financial Statements' and IFRS 8 'Operating Segments'. In addition, other new and amended standards and interpretations effective as at 1 January 2009 have been implemented from 1 January 2009.

The new accounting standards and interpretations have not influenced recognition and measurement or earnings per share and diluted earnings per share. IAS 1 and IFRS 8 have solely resulted in changes to formats and to notes. Comparatives have been restated.

IAS 1 has changed the presentation of the primary statements. As provided for under the standard, NKT has chosen to present an 'Income statement' and a 'Statement of comprehensive income'. In addition, owner-related equity movements are presented in a separate 'Statement of changes in equity'.

IFRS 8 requires the segment reporting reported by the Group to be based on the segment reporting used by NKT's senior operating management for allocation of resources and performance control. The change has not resulted in significant changes to the Group's presentation of segment information.

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 has control of 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.

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.

Business combinations

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition/formation. Enterprises sold or wound up are recognized in the consolidated income statement until the date of disposal/winding up. The comparative figures are not restated for acquisitions or disposals. Discontinued operations are, however, 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, and the fair value can be reliably measured. Deferred tax on revaluations is recognized.

Minority interests are measured on initial recognition at the proportionate share of the identifiable assets, liabilities and contingent liabilities of the acquired enterprise.

The date of acquisition is the date at which NKT Holding A/S actually gains control of the acquired enterprise.

A positive difference (goodwill) between the cost of the enterprise and the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill under 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 with a functional currency other than the presentation currency used in the NKT Holding A/S Group's financial statements are treated as assets and liabilities belonging to the foreign entity and are translated into the foreign entity's functional currency at the exchange rate at the transaction date. Negative differences (negative goodwill) are recognized in the income statement at the acquisition date.

The cost of an enterprise consists of the fair value of the agreed consideration, plus expenses directly attributable to the acquisition. If parts of the consideration are conditional upon future events, these parts are included in the cost to the extent that the events are likely and the consideration can be calculated reliably.

If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error. However, subsequent realization of the deferred tax assets of the acquired enterprise that were not recognized at the acquisition date will require recognition of the tax benefit in the income statement and at the same time write-down of the carrying amount of goodwill to the amount which would have been recognized if the deferred tax asset had been recognized as an identifiable asset at the acquisition date.

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.

Acquisition and sale of minority interests

In the case of acquisition or sale of minority interests where a controlling interest is maintained, the difference between cost and carrying amount of minority interests is recognized directly in the statement of changes 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 rates at the transaction date to the exchange rates at the balance sheet date are recognized directly in equity under a separate translation reserve.

Foreign exchange adjustments of balances which are considered part of the total net investment in enterprises with 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 which are designated as hedges of the net investment in such enterprises, and which efficiently hedge against corresponding foreign exchange gains and losses on the net investment in the subsidiary, 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 full or partial disposal of foreign units or on repayment of the balances considered part of the net investment, the share of the accumulated foreign exchange adjustments recognized directly in equity and attributable thereto is recognized in the income statement concurrently with any gain or loss on the disposal.

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.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognized assets and liabilities are recognized in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Apart from foreign currency hedging of future cash flows in accordance with a firm commitment is treated as hedging of the fair value of a recognized asset or liability.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as cash flow hedges and which effectively hedge cash flow changes are recognized in equity in a separate reserve for hedging transactions until the hedged cash flows influence the income statement. At this time, gains or losses concerning such hedging transactions are transferred from equity and recognized in the same item as the hedged.

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 equity in a separate translation reserve.

As regards derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement on a continuous basis as financial income or financial expenses.

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 on a straight-line basis as the services are provided.

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.

Staff costs

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 results after tax of 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. Realized and unrealized gains and losses on derivative financial instruments which are not designated as hedging arrangements are also included.

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.

Balance sheet

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, the management considers that business segments are the smallest cash-generating units to which the carrying amount of goodwill can be allocated during impairment testing. The reportable segments are identified without aggregation of operating segments.

Other intangible assets

Clearly defined and identifiable development projects for which the technical rate of utilization, sufficient resources and a potential future market or development possibility in the Company can be proved, and where the intention is to produce, market or use the project, are included as intangible assets if the cost can be determined reliably and provided 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, and also the development costs. Other development costs are recognized 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, borrowing costs arising from general borrowing or loans 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, borrowing costs arising from general borrowing or loans 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. When calculating the present value, the interest rate implicit in the lease or the Group's alternative borrowing rate is used as 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.

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 prepayments 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. Impairment of goodwill is recognized in a separate line item in the income statement.

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. However, 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, borrowing costs arising from general borrowing or loans directly relating to production of the qualifying 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.

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 under Trade and other payables.

Prepayments from customers are recognized under Trade and other payables.

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 amortized 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 units, and exchange adjustments relating to hedging transactions that protect the Group's net investment in such units.

On full or partial realization of net investments in foreign enterprises, the foreign exchange adjustments are recognized in the income statement.

At 1 January 2004 the translation reserve was deemed to be zero in accordance with IFRS 1.

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 dissolved or transferred to the income statement in step with sale or writedown of the investment.

Share option scheme
The NKT 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.

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 employees' expected average remaining working life in the Group. 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 goodwill which is 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.

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 mortgage 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.

Financial liabilities also include the capitalised residual obligation on finance leases.

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.

Deferred income

Deferred income is measured at amortized 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'.

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 comprise a major whose activities and cash flows can be clearly distinguished, operationally and in financial reporting terms, from the rest of the enterprise. The unit 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.

Financial ratios

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:

Equity ratio	$\frac{\text{Equity excl. minority int. at year end} \times 100}{\text{Liabilities at year end}}$
Earnings per Share (EPS)	$\frac{\text{Profit/loss*}}{\text{Average number of shares in circulation}}$
Earnings per Share Diluted (EPS-D)	$\frac{\text{Diluted profit/loss*}}{\text{Diluted average number of shares in circulation}}$
Equity value per share	$\frac{\text{Equity excl. minority int.}}{\text{Number of shares in circulation}}$

* Profit/loss attributable to shareholders of the parent company

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 comprise 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.

amounts in mDKK

35 Net interest bearing debt

	2009	2008
Net interest bearing debt comprises:		
Non-current loans	1,946.6	1,315.0
Current loans	925.7	1,415.3
Loans from associates	143.8	133.0
Interest bearing debt, gross	3,016.1	2,863.3
Receivables	-2,464.7	-2,467.1
Of which, not interest bearing	2,427.8	2,450.3
Cash and cash equivalents	-253.9	-586.6
Net interest bearing debt	2,725.3	2,259.9
Development in net interest bearing debt:		
Net interest bearing debt, 1 January	2,259.9	1,994.7
Cash flow from operating activities	-582.3	-762.8
Acquisition of companies	10.8	215.4
Investments in property, plant and equipment, net	868.4	440.2
Other investments, net	126.0	121.1
Dividends	0.0	260.2
Paid on exercise of share options	0.0	-12.9
Dividends relating to treasury shares, options etc.	0.0	-0.8
Additions and disposals, minority interests	23.3	0.0
Foreign currency translation adjustment	19.2	4.8
Total change	465.4	265.2
Net interest bearing debt, 31 December	2,725.3	2,259.9

36 Capital employed

Capital employed comprises:		
Total assets	10,123.7	9,935.0
Of which, excluding interest bearing assets:		
Interest bearing receivables	-36.9	-16.8
Cash and cash equivalents	-253.9	-586.6
Included assets	9,832.9	9,331.6
Non-current liabilities:		
Deferred income tax	-154.4	-122.8
Pension liabilities	-284.7	-280.1
Provisions	-112.0	-90.9
Current liabilities:		
Trade payables and other payables	-2,755.6	-2,998.4
Of which, loan from associated company	143.8	133.0
Corporate income tax	-75.0	-108.9
Provisions	-129.9	-138.9
Offset liabilities	-3,367.8	-3,607.0
Capital employed	6,465.1	5,724.6

37 Explanatory comments to five-year highlights

Items below refer to overview of five-year highlights, cf. Management's review.

1) Revenue with 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 2009: -152 mDKK, 2008: -82 mDKK, 2007: 70 mDKK, 2006: 108 mDKK og 2005: 0 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 - Cash, investments and interest bearing receivables less interest bearing debt. Specified for 2009 and 2008 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) - Operating income (EBIT) adjusted for one-off items as a percentage of average capital employed. One-off items comprise, 2009: -152 mDKK, 2008: -135 mDKK, 2007: 70 mDKK, 2006: 108 mDKK and 2005: 0 mDKK
8) Earnings, DKK, per outstanding share (EPS) - Profit attributable to equity holders of NKT Holding A/S relative to average number of outstanding shares (EPS).
9) Equity value, DKK, per outstanding share - Equity attributable to equity holders of NKT Holding A/S per outstanding share at 31 December.
10) 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

amounts in **mDKK**

1 January - 31 December

	Note	2009	2008
Income statement			
Dividends from subsidiaries	3	143.1	341.1
Sale of services		26.6	24.1
Revenue		169.7	365.2
Staff costs	4	-36.1	-33.8
Other costs	5	-18.9	-25.1
Depreciation and impairment of tangible assets	9	-0.2	-0.2
Operating earnings (EBIT)		114.5	306.1
Financial income	6	107.8	140.1
Financial expenses	7	-72.8	-146.6
Earnings before tax (EBT)		149.5	299.6
Tax	8	1.5	-2.3
Profit for the year		151.0	297.3

Proposed distribution:		
Proposed dividend of 3.5 DKK per share (2008: 0 DKK per share)	83.0	0.0
Retained earnings	68.0	297.3
	151.0	297.3

Statement of comprehensive income		
Profit for the year	151.0	297.3
Transactions with minority interests	0.0	-8.4
Total comprehensive income	151.0	288.9

Cash flow statement

amounts in **mDKK**

1 January - 31 December

	2009	2008
Operating earnings before depreciation	114.7	306.3
Non-cash items	4.2	3.8
Changes in working capital	7.0	8.6
Cash flows from operations before financial items	125.9	318.7
Interest received	107.8	140.1
Interest paid	-70.7	-93.1
Cash flows from ordinary activities	163.0	365.7
Income tax paid	-3.9	-8.6
Cash flows from operating activities	159.1	357.1
Increase and decrease of capital in subsidiaries	-44.7	-8.8
Investments in property, plant and equipment	-0.1	-0.2
Disposal of property plant and equipment	0.2	0.0
Changes in loans to/from subsidiaries	56.2	-5.2
Changes in loan to joint venture	0.0	151.4
Cash flows from investing activities	11.6	137.2
Changes in non-current loans	784.7	2.9
Changes in current loans	-871.3	-75.8
Dividend paid	0.0	-260.2
Cash from exercise of share-based options	0.0	12.9
Dividends on treasury shares	0.0	0.8
Cash flows from financing activities	-86.6	-319.4
Net cash flows	84.1	174.9
Cash at bank and in hand, 1 January	236.8	61.9
Net cash flows	84.1	174.9
Cash at bank and in hand, 31 December	320.9	236.8

Balance sheet

amounts in **mDKK**

31 December

	Note	2009	2008
Assets			
Non-current assets			
Tangible assets			
Property, plant and equipment	9	0.5	0.8
		0.5	0.8
Other non-current assets			
Investments in subsidiaries	10	3,050.8	3,019.1
Receivables from subsidiaries		93.8	102.4
		3,144.6	3,121.5
Total non-current assets		3,145.1	3,122.3
Current assets			
Receivables from subsidiaries	14	1,621.1	1,564.9
Receivables from joint venture	14	0.6	0.8
Other receivables	14	0.8	4.2
Cash at bank and in hand		320.9	236.8
Total current assets		1,943.4	1,806.7
Total assets		5,088.5	4,929.0

Balance sheet

amounts in **mDKK**

31 December

	Note	2009	2008
Equity and liabilities			
Equity	12		
Share capital		474.4	474.4
Retained earnings		3,277.0	3,204.3
Proposed dividends		83.0	0.0
Total equity		3,834.4	3,678.7
Liabilities			
Non-current liabilities			
Deferred tax	11	31.8	38.5
Retirement benefit liabilities	13	0.6	1.1
Credit institutions	14	787.6	2.9
		820.0	42.5
Current liabilities			
Credit institutions	14	2.0	884.1
Liabilities to subsidiaries	14	278.1	172.6
Liabilities to joint venture	14	143.8	133.0
Trade and other payables	14	10.2	18.1
		434.1	1,207.8
Total liabilities		1,254.1	1,250.3
Total equity and liabilities		5,088.5	4,929.0

Statement of changes in equity

amounts in **mDKK**

1 January - 31 December

	Share capital	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2008	472.8	2,899.9	260.0	3,632.7
Changes in equity in 2008				
Total comprehensive income for the year		288.9		288.9
Dividend paid		-0.2	-260.0	-260.2
Dividend paid of treasury shares		0.8		0.8
Share-based payment		3.6		3.6
Subscribed by exercise of share-based options	1.6	11.3		12.9
Total changes in equity in 2008	1.6	304.4	-260.0	46.0
Equity at 31 December 2008	474.4	3,204.3	0.0	3,678.7
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

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 policies

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.

Change in accounting polices

As from 1 January 2009 the parent company has implemented the revised IAS 27, 'Consolidated and Separate Financial Statements'. The revision means that dividends from subsidiaries included in the annual financial statements of the parent company must always be recognized in the income statement and not offset against cost even if they originate from income relating to the period prior to the acquisition date. The changes have not influenced recognition and measurement in the annual financial statements of the parent company.
See also description in Note 34 to the consolidated financial statements.

Description of accounting policies

In relation to the accounting policies described for the financial statements of the Group (please see Note 34 thereto), 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 re-cognized 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.

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 the section on risk factors in the Management's review.

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 Dividends from subsidiaries

	2009	2008
Dividends received from subsidiaries	143.1	371.1
Dividends offset against costs of investments	0.0	-30.0
	143.1	341.1

4 Staff costs

Wages and salaries	28.6	25.4
Social security contributions	0.2	0.1
Defined contribution plans	2.9	4.5
Defined benefit plans	-0.3	0.2
Share-based payments	4.7	3.6
	36.1	33.8
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.

5 Other expenses

Other expenses included fees to auditor elected by the annual general meeting

KPMG:

Statutory audit	0.9	0.9
Other certainty declarations	0.0	0.0
Tax and VAT advice	0.8	0.3
Other services	0.1	0.0
	1.8	1.2

6 Financial income

Interest income, etc.	28.1	21.9
Interest from subsidiaries	67.0	104.8
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	1.9	0.0
Foreign exchange gains	10.8	13.4
	107.8	140.1

7 Financial expenses

Interest expenses, etc.	54.8	65.3
Interest to subsidiaries	1.4	6.6
Impairment charge on investments in subsidiaries on discontinued operation	13.0	28.0
Reversal/provision for loss relating to investment in subsidiary on discontinued operation	-13.0	13.0
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	0.9	12.5
Loss on portfolio of investments held for trading (derivative financial instruments)	4.6	-3.5
Foreign exchange losses	11.1	24.7
	72.8	146.6

amounts in mDKK

8 Tax

	2009	2008
Current tax	0.8	1.7
Joint taxation contribution	4.4	5.6
Deferred tax	-6.7	-5.0
	-1.5	2.3
Reconciliation of tax:		
Tax at 25% of earnings before tax	37.4	74.9
Tax effect:		
Non-taxable dividend income	-35.8	-85.3
Value adjustment of investment/receivables in subsidiaries	0.0	10.3
Non-deductable expenses	1.2	2.4
Adjustment of tax for prior periods	-4.3	0.0
	-1.5	2.3

9 Tangible assets

Equipment		
Cost, 1 January	4.0	4.1
Additions	0.1	0.2
Disposals	-0.7	-0.3
Cost, 31 December	3.4	4.0
Depreciation, 1 January	-3.2	-3.3
Depreciation	-0.2	-0.2
Disposals	0.5	0.3
Depreciation, 31 December	-2.9	-3.2
Book value, 31 December	0.5	0.8
Depreciation period (years)	4-5	4-5

amounts in mDKK

10 Investments in subsidiaries

	2009	2008
Cost, 1 January	3,327.0	3,318.2
Disposals	0.0	-30.0
Capital contribution	44.7	38.8
Cost, 31 December	3,371.7	3,327.0
Impairment, 1 January	-307.9	-279.9
Charges 1)	-13.0	-28.0
Disposals	0.0	0.0
Impairment, 31 December	-320.9	-307.9
Book value, 31 December	3,050.8	3,019.1

[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 2009	Ownership 2008
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk-Advance A/S	Brøndby, Denmark	100%	100%
NKT Photonics A/S	Brøndby, Denmark	98%	97%
LIOS Technology GmbH	Cologne, Germany	100%	100%
NKT Research & Innovation A/S	Birkerød, Denmark	100%	100%
SubSeaFlex Holding A/S (owns 51% af NKT Flexibles I/S)	Brøndby, Denmark	100%	100%
Nanon A/S	Brøndby, Denmark	100%	100%
Industriselskabet af 1. januar 2002 A/S	Brøndby, Denmark	100%	100%

NKT Holding owns further more 7 companies (2008: 7 companies) with no commercial activity.

11 Deferred tax assets and liabilities

	2009	2008
1 January	-38.5	-43.5
Deferred income tax for the year recognized in profit for the year	6.7	5.0
31 December	-31.8	-38.5
Deferred tax relates to:		
Current liabilities	0.2	0.3
Tax loss carry-forward	-1.9	-2.3
Recapture of trading losses	-30.1	-36.5
	-31.8	**-38.5**

12 Share capital

Details of share capital, treasury shares and dividend are given in Note 19 and 20 to the consolidated financial statements.

13 Retirement benefit liabilities

	2009	2008
Retirement benefit liabilities, 1 January	1.1	0.9
Pension costs	-0.3	0.5
Paid benefits	-0.2	-0.3
Retirement benefit liabilities, 31 December	0.6	1.1

NKT Holding A/S expects to pay 0.2 mDKK in 2010 to defined benefit plans.

14 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.

15 Financial 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	2009	2008
Financial assets:		
Trading portfolio (derivative financial instruments)	0.0	2.1
Loans and receivables	2,037.2	1,909.1
Financial liabilities:		
Trading portfolio (derivative financial instruments)	0.0	0.0
Financial liabilities, measured at amortized cost	1,221.7	1,210.7

The parent company's payables fall due as follows:

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			432.1
	434.1	782.2	5.4	1,221.7

2008	Within 1 year	1-2 years	4-5 years	Total
Credit institutions	884.1		2.9	887.0
Other financial liabilities	323.7			323.7
	1,207.8	0.0	2.9	1,210.7

16 Contingent liabilities

Items not included in the balance sheet	2009	2008
Guarantees for subsidiaries	1,179.0	1,176.0
Guarantees for joint venture	116.2	116.2
Liability in respect of subsidiary company credit facilities under the Group account scheme	792.9	782.2
Leasing agreements for property, etc.	9.1	11.0
Of which payable within:		
0-1 years	3.8	4.5
1-5 years	5.3	5.5
>5 years	0.0	1.0

4.7 mDKK (2008: 4.5 mDKK) for 2009 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.

17 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:

	2009	2008
Subsidiaries:		
Sale of services to	25.6	22.4
Purchase of services from	0.0	0.0
Interest received, net	65.6	98.2
Receivables, non-current	93.8	102.4
Receivables, current	1,621.1	1,564.9
Payables to subsidiaries	278.1	172.6
Dividends received	143.1	341.1
Dividends received set off against cost	0.0	30.0
Capital contribution	44.7	38.8
Joint venture:		
Sale of services to	0.6	1.0
Interest received from, net	-1.0	-2.4
Receivables	0.6	0.8
Payable	143.8	133.0

18 Events after the balance sheet date

Please see Note 31 to the consolidated financial statements

19 New accounting standards issued but not yet effective

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.

Five-year financial highlights

amounts in **mEUR**

	2005	2006	2007	2008	2009
Income statement					
Revenue	1,176	1,453	1,818	1,858	1,571
Revenue in standard prices 1)	1,099	1,209	1,451	1,515	1,337
Operational earnings before interest, tax, depreciation and amortization (EBITDA) 2)	96	123	183	175	126
Earnings before interest, tax, depreciation and amortization (EBITDA)	96	137	193	164	105
Depreciation and impairment on property, plant and equipment	-21	-19	-26	-37	-33
Amortization and impairment on intangible assets	-9	-9	-15	-17	-17
Earnings before interest and tax (EBIT) 3)	65	110	152	110	56
Financial items, net	-3	-7	-19	-30	-17
Earnings before tax 3)	62	103	133	80	39
Profit for the year	49	81	110	54	32
Profit attributable to equity holders of NKT Holding A/S	48	78	108	54	32
Cash flows					
Cash flows from operating activities	6	36	156	103	78
Investments in property, plant and equipment	33	34	62	102	123
Balance sheet					
Share capital	66	63	64	64	64
Equity attributable to equity holders of NKT Holding A/S	359	375	436	461	500
Minority interests	8	3	5	5	3
Group equity	368	377	441	466	503
Total assets	830	988	1,223	1,335	1,360
Net interest bearing debt 4)	103	137	268	304	366
Capital employed 5)	470	515	673	769	869
Working capital 6)	245	283	292	274	265
Financial ratios and employees					
Gearing (net interest bearing debt / Group equity)	28%	36%	61%	65%	73%
Net interest bearing debt relative to operational EBITDA	1.1	1.1	1.5	1.7	2.9
Equity share (solvency)	44%	38%	36%	35%	37%
Return on capital employed (RoCE) 7)	14.4%	18.8%	22.0%	16.4%	9.4%
Number of 20 DKK shares ('000)	24,500	23,500	23,638	23,718	23,718
Earnings, DKK, per outstanding share (EPS) 8)	2.0	3.3	4.6	2.3	1.4
Dividend paid, DKK, per share	1.1	1.6	1.3	1.5	0.0
Equity value, DKK, per outstanding share 9) 10)	15	16	18	19	21
Market price, DKK, per share	39	68	62	14	39
Average number of employees	5,906	6,016	7,575	8,610	7,938

1) - 10) Explanatory comments appear in Note 37 to consolidated financial statements.

When converting from DKK to EUR the exchange rate ruling at 30.12. 2009 of 744.15 has been applied.

NKT

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