



**NKT**

# Annual Report 2008

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The NKT 2008 annual report is presented in accordance with International Financial Reporting Standards adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. Statements in this report relating to the future reflect the current expectations of NKT Group Management regarding future events and financial results. There is naturally some uncertainty about 2009 and final results may therefore differ from initial expectations. The factors that may cause this difference include, but are not limited to, developments in trading

conditions and financial markets, changes in legislation and regulations in NKT company markets, trends in product demand, competitive conditions, and energy and raw material prices. See also 'Risks' on page 11, the company reviews and Note 30 to the consolidated financial statements.

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# POSITIONING FOR THE FUTURE

For everyone involved in NKT, whether employees, management, investors, shareholders and other stakeholders, 2008 was a year which turned everyday events and future expectations upside down

The marked, negative trend that characterized the 4th quarter entirely overshadowed the fact that, for the first nine months of the year, the NKT Group enjoyed positive earnings development compared with the previous year.

Our employees delivered an impressive performance. Without it we would not have achieved what was, in September, the best result in the history of NKT. Regrettably, as a result of developments in the final quarter, we were forced to make valuable staff redundant. In the final months of the year the negative development made itself felt, necessitating a downward adjustment in expected operating earnings. From an initial earnings before tax forecast of around 900 mDKK to around 725 mDKK. In addition, one-off expenditure of 135 mDKK was committed to a range of structural initiatives, all of which are designed to build an even stronger NKT. With total net income before tax of 592 mDKK, earnings were in line with our most recently published forecast.

2008 brought with it a 37% increase in the number of registered shareholders, from 18,500 to 25,400. We are pleased with the interest in NKT which this reflects and we welcome our new shareholders. The year also saw us set a negative record, with a 77% fall in NKT share price. The cause was partly due to the uncertain market conditions combined with subdued expectations for developments in the years ahead.

In 2009 we will use the vacuum following in the wake of expected lower demand in the cyclically sensitive parts of our business to accelerate a number of structural initiatives which were to have been implemented anyway.

Our aim is to further streamline our businesses to ensure they are in good shape to deliver competitive products and solutions when demand once more increases.

In 2008 we strengthened NKT's cash resources further in a market where obtaining financing on reasonable terms is difficult. Against this background the Board has taken the unusual step of recommending to the general meeting that departure be made from NKT's dividend policy and that no dividend therefore be paid for 2008. However, if trade conditions normalize and it is deemed appropriate, an interim dividend will be paid later on in 2009.

There was also good news, however. Two significant orders cemented NKT Cables' position among the leading European cable suppliers [an upgrade to the Dutch electricity supply network and an offshore windfarm project in Germany]. NKT Flexibles also achieved breakthrough with a three-year framework contract to supply offshore pipes to the Brazilian oil company Petrobras.

Our initiatives in other areas included accession to the principles of the UN's Global Compact, and adoption of a more systemized approach at Group level to a number of issues falling within the sphere of Corporate Social Responsibility [CSR]. Particular focus will be placed on sustainable development and reductions in CO<sub>2</sub>.

We have made a determined start to 2009 and are actively taking up the challenge posed by the current economic crisis. It is by our response to adversity that we shall be measured, and our approach will be continued pursuit of innovation, paralleled by adjustment in cost structures and production levels. This will put us in fine form for the economic upturn when it comes, whether this is towards the end of 2009 or beyond.

5 March 2009

NKT Group Management

In NKT Group Management we have considered the extent to which the uncertain conditions in the world market should influence the goals of our corporate strategy, 'Building Power'. We have reached the conclusion that the substance of the strategy and its initiatives should not be adjusted, but that the date for realization, 2012, is not realistic. In particular, the target of 10% for annual organic growth in revenue appears unlikely in the light of the present severe decline in the world economy. However, we will review the situation when the economic tide turns and we can see further into the future.



THOMAS HOFMAN-BANG

President and CEO, NKT Holding A/S

# 2008 IN BRIEF

The difficult macroeconomic conditions left their mark on the year on several fronts. From record-high income levels of 1.5 bnDKK, LTM\*, at the end of September, the year ended on 1.3 bnDKK\*\* after downturn in the 4th quarter

## 2008

- › Group earnings before tax were 592 mDKK, which matched with our last reported earnings forecast.
- › Revenue increased by 303 mDKK to 13,828 mDKK, equal to organic growth of 2%.
  - NKT Cables realized organic growth of 3%
  - Nilfisk-Advance realized organic growth of 1%
  - Photonics Group realized organic growth of 18%
- › NKT Flexibles realized revenue of 1,397 mDKK, equal to organic growth of 13%.
- › Reported operating income [EBIT] of 818 mDKK was influenced by one-off costs of around 135 mDKK relating to a series of structural initiatives. After adjustment for these items, operating income fell by 110 mDKK, or 10%, against 2007.
- › Cash flow from operating activities was 763 mDKK, a fall of 399 mDKK, primarily due to decreased earnings. A fall in working capital contributed positively to the amount of 152 mDKK.
- › At the NKT annual general meeting on 2 April 2009 the Board of Directors will recommend that no dividend be paid for 2008. If trade conditions normalize and it is deemed appropriate, an interim dividend will be paid later on in 2009.

## 2009

- › NKT's budgeted activity level for 2009 is based on a negative organic growth of around 10% against 2008. The fall is expected to be greater than 10% in the first half of the year.
- › Planned operating income before interest, tax, depreciation and amortization [EBITDA] for 2009 is around 700-900 mDKK excluding costs of around 150 mDKK relating to structural initiatives. See page 10 for full review.
- › Planned overall investment in non-current assets and capitalized development costs is around 900 mDKK.
- › With macroeconomic and financial market conditions being as uncertain and volatile as is currently the case, our expectations reflect significantly greater uncertainty than normally.
- › The severe and unexpected changes in the economy are impacting on the targets set out in the NKT corporate strategy, 'Building Power'. See page 12 for full review.

\* Last 12 months

\*\* Excl. one-off costs



# FIVE-YEAR FINANCIAL HIGHLIGHTS

Amounts in mDKK	2004	2005	2006	2007	2008
<b>Income statement</b>					
Revenue	7,138	8,750	10,815	13,525	13,828
Earnings before interest, tax, depreciation and amortization [EBITDA]	433	713	1,022	1,433	1,218
Depreciation and impairment on property, plant and equipment	(216)	(159)	(139)	(192)	(275)
Amortization and impairment on intangible assets	(35)	(69)	(65)	(108)	(125)
Earnings before interest and tax [EBIT] <sup>1)</sup>	182	485	818	1,133	818
Financial items, net	(24)	(22)	(49)	(145)	(226)
Earnings before tax <sup>1)</sup>	158	463	769	988	592
Profit for the year	198	361	603	820	404
Profit attributable to equity holders of NKT Holding A/S	186	356	582	805	401
<b>Cash flows</b>					
Cash flows from operating activities	285	41	265	1,162	763
Investments in property, plant and equipment	213	242	252	458	756
<b>Balance sheet</b>					
Share capital	490	490	470	473	474
Equity attributable to equity holders of NKT Holding A/S	2,674	2,672	2,787	3,246	3,427
Minority interests	76	63	19	36	38
Group equity	2,750	2,735	2,806	3,282	3,465
Total assets	5,869	6,177	7,350	9,099	9,935
Interest bearing items, net <sup>2)</sup>	(145)	(764)	(1,023)	(1,995)	(2,260)
Capital employed <sup>3)</sup>	2,895	3,499	3,829	5,005	5,725
Working capital	1,435	1,826	2,104	2,176	2,036
<b>Financial ratios and employees</b>					
Equity share, 31 December	47%	44%	38%	36%	35%
Return on capital employed [RoCE] <sup>4)</sup>	8.1%	14.4%	18.8%	22.0%	16.4%
Number of 20 DKK shares ['000]	24,500	24,500	23,500	23,638	23,718
Earnings, DKK, per outstanding share [EPS] <sup>5)</sup>	7.6	14.7	24.9	34.2	17.0
Dividend paid, DKK, per share	8.0	8.0	12.0	10.0	11.0
Equity value, DKK, per outstanding share <sup>6) 7)</sup>	109	114	119	137	145
Market price, DKK, per share	159	289	503	459	106
Average number of employees	5,747	5,906	6,016	7,575	8,610

1) For 2006, EBIT before special item and earnings before tax and special item.

2) Interest bearing cash items, investments and receivables less interest bearing debts.

3) Group equity plus net interest bearing debt and, for 2007, minus receivables of 272 mDKK relating to sale of property.

4) Operating income [EBIT] adjusted for one-off items as a percentage of average capital employed. One-off items comprise, 2008: (135) mDKK, 2007: 70 mDKK, 2006: 108 mDKK, 2005: 0 mDKK and 2004: (9) mDKK

5) Profit attributable to equity holders of NKT Holding A/S relative to average number of outstanding shares [EPS].

6) Equity attributable to equity holders of NKT Holding A/S per outstanding share at 31 December.

7) Dilutive effect from potential shares from executives' and employees' share option plan are not recognized in the financial ratio.

# REVIEW OF FINANCIAL STATEMENTS

The difficult market conditions have left their mark on several fronts. Overall, the first nine months of 2008 continued the positive development from 2007, but the 4th quarter significantly undermined the aggregate result

The consolidated earnings before tax for 2008 of 592 mDKK is considered acceptable considering the exceptional conditions in the financial markets and the resultant economic impact. After adjustment for one-off items, earnings before tax for 2008 was 727 mDKK, as against 918 mDKK for 2007. The consolidated profit for the year was in line with our earnings forecast in December 2008.

2008 may be described as a remarkable year in many ways. Operating income [EBITDA], measured on a rolling 12-month basis, developed as described in '2008 in brief', and NKT reported record-high income levels of around 1.5 bnDKK at the end of September 2008 [LTM]. Thereafter, in 4th quarter 2008, the negative effect of the international market unrest impacted swiftly and severely on Nilfisk-Advance and NKT Cables, both of which are sensitive to trade conditions. This is the primary reason why the initially declared financial targets for 2008 were not met. Our earnings expectations for 2008 were revised for the last time in December and final results were in line with this forecast.

## REVENUE

Consolidated net revenue amounted to 13,828 mDKK in 2008, as against 13,525 mDKK in 2007, corresponding to both nominal and organic growth of 2%. Revenue was influenced in 2008 by metal prices (3)%, exchange rates 1% and acquisitions 2%. Organic growth was 3% for NKT Cables, 1% for Nilfisk-Advance and 18% for Photonics Group.

Revenue development in 2008 followed a positive trend for the year's first nine months and then a strong negative trend in the final three months. By way of example, Nilfisk-Advance had realized organic growth of 5.5% at the end of September, only to end the year on 1% after negative growth of 12% in the final quarter.

Revenue development for NKT's individual business segments is shown in Fig. 1, which includes adjustments of (355) mDKK for metal prices, 152 mDKK for exchange rates and 235 mDKK for acquisitions.

In 2008, NKT Flexibles once again delivered significant progress, realizing revenue of 1,397 mDKK for the year, equal to 13% organic growth. As NKT Flexibles is recognized in one line in the financial statements, the company's revenue is not contained in NKT's consolidated revenue.

A more detailed description of revenue is contained in the company reviews starting on page 20.

## INCOME DEVELOPMENT

Consolidated operating income [EBITDA] was 1,218 mDKK, which includes restructuring costs of 82 mDKK. Of this amount, 50 mDKK related to Nilfisk-Advance, 25 mDKK to NKT Cables and 7 mDKK to the winding up of Nanon. After adjustment for one-off items, EBITDA was 1,300 mDKK, as against 1,363 mDKK in 2007. This is a fall of 63 mDKK [5%] in which NKT Cables represents 119 mDKK, Nilfisk-Advance represents 21 mDKK and Photonics Group including 'Others' represents 22 mDKK, while NKT Flexibles made a positive contribution of 99 mDKK.

The development led to a 1% fall in profit [EBITDA margin] at standard prices, from 12.6% at end-2007 to 11.6% at end-2008.

Operating income [EBIT], excluding one-off items, was 953 mDKK, as against 1,063 mDKK for 2007, corresponding to a fall of 110 mDKK or 10%. Operating income by business segment is shown in Fig. 2.

### REVENUE DEVELOPMENT BY COMPANY

FIG. 1

Amounts in mDKK	2007	Metal- prices	Exchange- rates	Acqui- sitions	Org. growth	2008		Org. growth
						Nom. growth	Org. growth	
NKT Cables	7,624	(355)	302	0	195	7,766	2%	3%
Nilfisk-Advance	5,784	0	(150)	197	51	5,882	2%	1%
Photonics Group	112	0	0	38	21	171	52%	18%
Other	5	0	0	0	4	9	-	-
<b>Total</b>	<b>13,525</b>	<b>(355)</b>	<b>152</b>	<b>235</b>	<b>271</b>	<b>13,828</b>	<b>2%</b>	<b>2%</b>

Org.: Organic

Nom.: Nominal

### OPERATING INCOME [EBIT] BY COMPANY

FIG. 2

Amounts in mDKK	Realized		Nom. change	Change
	2008	2007		
NKT Cables	373	504	(131)	(26)%
Nilfisk-Advance	441	494	(53)	(11)%
Photonics Group	(46)	(32)	(14)	(44)%
NKT Flexibles [51%]	222	121	101	83%
Other	(37)	(24)	(13)	(54)%
<b>Comparable EBIT</b>	<b>953</b>	<b>1,063</b>	<b>(110)</b>	<b>(10)%</b>
Net one-off items	(135)	70	(205)	-
<b>Reported EBIT</b>	<b>818</b>	<b>1,133</b>	<b>(315)</b>	<b>(28)%</b>

Further details on the operating income [EBIT] are given for each company under the descriptions starting on page 20.

## DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased from 300 mDKK in 2007 to 400 mDKK in 2008. The increase of 100 mDKK includes around 53 mDKK relating to restructuring at NKT Cables. The net increase, 47 mDKK, relates partly to acquisitions amounting to 7 mDKK by Nilfisk-Advance, and partly to a generally higher investment level in the past 2-3 years.

## FINANCIAL ITEMS

Net financials for 2008 amounted to an expense of 226 mDKK, as against an expense of 145 mDKK in 2007. Of this 81 mDKK increase, 13 mDKK was attributable to higher interest rates and 23 mDKK to higher average net interest bearing debt. Financial items were negatively influenced by exchange rate adjustments to the amount of 18 mDKK in 2007 and 62 mDKK in 2008. These adjustments related to exchange rate developments in several currencies, the most important being GBP (14) mDKK and CZK (13) mDKK.

NKT experienced rising finance costs in 2008 in the form of growth in both market interest rates and interest margins to lenders. Overall finance cost increased by around 1.5-2.0%-points since the start of the year, which all other things being equal corresponds to an annual additional expense on the current net interest bearing debt of around 50 mDKK.

## INCOME BEFORE TAX

Consolidated earnings before tax was 592 mDKK, against 988 mDKK in 2007. Excluding one-off items [(135) mDKK in 2008 and 70 mDKK in 2007], there was a fall of 191 mDKK or 21%.

Our last declared earnings forecast [stock exchange release no. 22 of 18 December 2007] was just under 600 mDKK and this was realized therefore.

## TAX AND PROFIT FOR THE YEAR

Income taxes related to earnings before tax [EBT] amounted to 188 mDKK, corresponding to a tax expense of 32%. The tax is based on determination of current tax and change in deferred tax for the Group's companies.

The tax rate is higher than expected as the tax rate relating to NKT Cables shows a rising trend. This is because a greater share of earnings was generated in western Europe [mainly Germany] where tax is notably higher than in eastern Europe [Poland and Czech Republic]. The direct cause may be attributed to the effect of market conditions on the low voltage segment, leading to weak results in tax terms from NKT Cables' plants in Poland and the Czech Republic.

Profit for the year was 404 mDKK, against 820 mDKK the previous year.

## CHANGE IN DIVIDEND POLICY FOR 2008

NKT's dividend policy for the current strategic period [2008-2012] provides for the distribution as dividend of an amount

FINANCIAL TARGET PERFORMANCE 2008					4TH QUARTER 2008					
Amounts in mDKK	Realized 2008	Realized 2007	Initial	Final	Amounts in mDKK					
			forecast [approx.]	forecast [approx.]	2008	Total	4Q	3Q	2Q	1Q
<b>Group</b>					Revenue	13,828	3,145	3,528	3,789	3,366
Net revenue	13,828	13,525	14,500	13,900	EBIT	818	(26)	241	377	226
Organic growth	2%	11%	7%	2%	EBT	592	(88)	187	309	184
Operating EBT	727	918	900	725	Total EBIT		818	844	603	226
EBT incl. restructuring costs	592	988		<600	<b>2007</b>	Total	4Q	3Q	2Q	1Q
Investments in property, plant and machinery	764	457	~800	~800	Revenue	13,525	3,427	3,356	3,612	3,130
Net interest bearing debt	2,260	1,995	~2,400	~2,400	EBIT	1,133	363	248	331	191
<b>NKT Cables</b>					EBT	988	305	215	308	160
Net revenue	7,766	7,624	8,100	7,700	Total EBIT		1,133	770	522	191
Net revenue std.	5,211	4,897	5,300	5,000	Until the end of 3rd quarter 2008, revenue and operating income [EBIT] were better than 2007.					
Organic growth	3%	15%	8%	3%	Revenue in 4th quarter 2008 was 8% down on 2007. The fall comprised 5% in October, 13% in November and 7% in December and was due to both decreased activity and changes in metal prices and exchange rates.					
EBIT-margin, std.	7.2%	10.3%	9.5%	~7%						
<b>Nilfisk-Advance</b>										
Net revenue	5,882	5,784	6,200	5,900						
Organic growth	1%	7%	5%	1%						
EBIT margin	7.5%	8.5%	8.5%	~7.5%						
<b>Photonics Group</b>										
Net revenue	171	112	180	180						
Organic growth	18%	19%	30%	30%						
Profit, EBIT	(46)	(32)	(20)	(35)						
<b>NKT Flexibles</b>										
Profit margin, EBITDA	33%	22%	23%	32%						
Net income [51%]	222	121	120	230						
<i>EBIT margin excludes restructuring costs</i>										

corresponding to around one third of profit for the year. For the 2008 financial year this would have meant distribution of around 130 mDKK.

Due to the uncertain and unstable financial markets the Board of Directors wishes to deviate from its declared dividend policy and will recommend at the general meeting that no ordinary dividend be paid for 2008.

The Board will continuously monitor developments in the financial loan markets. If trade conditions normalize and it is deemed appropriate, and if the Group's financial resources are still considered adequate, an interim dividend will be paid later in 2009.

## CASH FLOW

Cash flow from operating activities was 763 mDKK, as against 1,162 mDKK in 2007, a decrease of 399 mDKK. Of the amount, 247 mDKK was attributable to net operating earnings excluding non-cash items, such as depreciation. Change in working capital made a negative contribution of 59 mDKK, while financial items and tax rose by 93 mDKK on 2007.

Cash flow from investing activities comprised 623 mDKK, as against 1,505 mDKK for 2007. Net investments for the year mainly related to investment in the high voltage factory in Cologne and acquisitions [mainly relating to Nilfisk-Advance's acquisition of HydraMaster and Cyclone]. The decrease in investing activity, amounting to 882 mDKK, was due to a higher level of acquisitions in 2007 than in 2008 [mainly relating to NKT Cables' acquisition of Kablo Elektro, and Nilfisk-Advance's acquisition of Viper Group].

## BALANCE SHEET

The balance sheet total was 9,935 mDKK at the end of 2008, as against 9,099 mDKK at the end of 2007, an increase of 836 mDKK. The rise was attributable partly to the construction of the high voltage factory in Cologne and partly to acquisitions.

## INVESTMENT

Fig. 5 shows investment in intangible assets and property, plant and equipment for 2008 by business segments.

As seen, overall gross investment rose by 287 mDKK in 2008, which included increased investment in property, plant and equipment of 309 mDKK by NKT Cables. This investment by NKT Cables was significantly influenced by the Cologne project for which 404 mDKK was invested in 2008. After adjusting for this, the level of investment was in real terms lower than in 2007, which fully reflects established planning.

## INVESTED CAPITAL

Invested capital comprised 5,725 mDKK, an increase of 720 mDKK compared to 31 December 2007 [5,005 mDKK]. Of this increase, 671 mDKK was attributable to increased investment in property, plant and equipment, which included 404 mDKK for construction of the high voltage factory in Cologne. The remainder related to acquisitions, mainly by Nilfisk-Advance. Return on invested capital [RoCE] was 16% for 2008, as against 22% for 2007.

RoCE development for NKT Cables and Nilfisk-Advance can be seen in the company reviews on pages 25 and 31.

## WORKING CAPITAL

Working capital at the end of 2008 was 2,036 mDKK, corresponding to 19.8% of revenue measured as a 12-month average [LTM]. This is a reduction of 140 mDKK on 31 December 2007 [2,176 mDKK or 18.7% LTM]. Of this nominal improvement, 178 mDKK was attributable to NKT Cables [reduced capital tie-up in stocks and receivables and rise in other debt], while Nilfisk-Advance increased working capital by 35 mDKK, primarily due to the acquisition of HydraMaster and Cyclone.

## CAPITAL STRUCTURE

Consolidated equity comprised 3,465 mDKK at the end of 2008, as against 3,283 in 2007. Equity [solvency ratio] amounted to 35% of the total balance sheet, against 36% the previous year. Dividend paid in 2008 reduced equity by 260 mDKK.

Besides equity, NKT's financing is based on debt in both DKK and other currencies. At 31 December 2008, 45% of the Group's gross debt was in DKK. A further 30% was in CZK, relating to NKT Cables' investments in the Czech Republic [three plants]. The remaining financing is primarily raised in EUR,

## INVESTMENT AND DEPRECIATION/AMORTIZATION

	Intangibles		Property plant and equipment		Total investment		Total depreciation/amortization	
	2008	2007	2008	2007	2008	2007	2008	2007
<i>Amounts in mDKK</i>								
NKT Cables	16	18	655	346	671	364	155	145
Nilfisk-Advance	98	115	99	97	197	212	172	140
Photonics Group	0	1	9	12	9	13	16	14
Other	0	0	1	2	1	2	4	1
<b>Gross total</b>	<b>114</b>	<b>134</b>	<b>764</b>	<b>457</b>	<b>878</b>	<b>591</b>	<b>347</b>	<b>300</b>
Impairments relating to restructuring initiatives							53	0
<b>Total</b>							<b>400</b>	<b>300</b>

FIG. 5

## WORKING CAPITAL

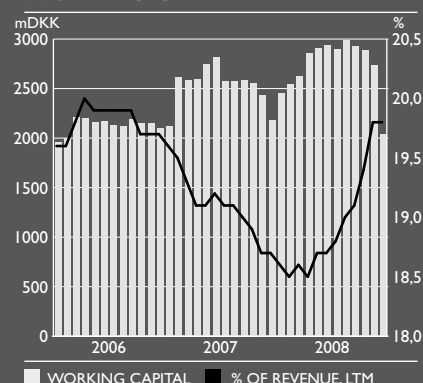


FIG. 6

USD and CNY, and therefore helps hedge the economic effect from variations in the relevant currencies. The bulk of the financing is subject to floating interest rates, which means the Group is exposed to interest rate changes.

Net interest bearing debt at 31 December 2008 was 2,260 mDKK, against 1,995 at the end of 2007, an increase of 265 mDKK. Besides the general effect from Group operations the debt was negatively influenced by dividend payment of 260 mDKK and by acquisitions amounting to 214 mDKK.

Debt at end-2008 corresponded to 1.7 x EBITDA, as against 1.4 x EBITDA at end-2007. This must be seen against the declared strategic goal of maximum 2.5 x EBITDA. Gearing was 65% [2007: 61%], against the goal of maximum 100%. The Group's financial latitude relative to the declared strategic goals was theoretically around 750-1,200 mDKK at 31 December 2008.

The Group's debt is subject to no form of financial covenants with lenders [see also 'NKT shares'].

## CASH RESOURCES

At 31 December 2008 the Group had undrawn credit facilities of around 1.4 bnDKK. With the addition of readily available cash and cash equivalents, amounting to 374 mDKK, total cash resources were 1.8 bnDKK.

Committed credit facilities are distinctive in that the banks cannot - as a standard principle - demand repayment before maturity. Among other things due to the financial market unrest it was decided during the third quarter to convert part of the uncommitted facilities to committed facilities. The current distribution between both types is seen in Fig. 7.

The committed credit facilities with less than one year's maturity consist of a repayment on facilities with two years maturity that fall due in October 2009, and 1.4 bnDKK that was converted in 2008 from uncommitted facilities to committed facilities with 12-month's maturity. At the beginning of 2009 the latter had their maturity re-extended once more, which means they will

now expire in February/March 2010. The credit facilities are spread over four banks.

In order to further strengthen cash resources, and to support the funding of investment in the new Cologne factory, the Group has received a binding 20-year offer of a 500 mDKK mortgage loan. With the inclusion of this increase in credit, total cash resources in March 2009 amounts to around 2.3 bnDKK, which includes debt to the joint venture company.

It is Group policy to have appropriate cash resources at all times, and ongoing consideration is given to whether restructuring of credit facilities is advantageous with regard to cost, the Group's capital structure - including remaining time to maturity - and long-term strategic goals. It is the assessment of NKT Group Management that the existing capital resources are wholly adequate at the present time.

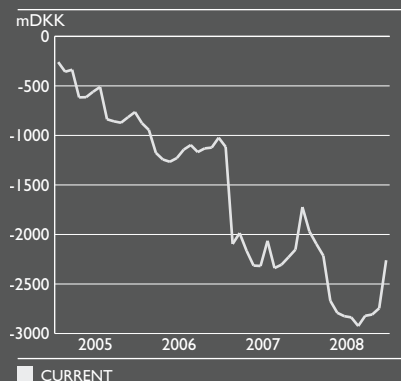
## EMPLOYEES

The NKT Group had 8,210 employees at the end of 2008, against 8,324 at 31 December 2007. The decrease was mainly caused by restructuring at NKT Cables and Nilfisk-Advance. In geographical terms, the decrease in workforce related to China and Eastern Europe. The geographical breakdown on NKT employees can be seen in '2008 in brief'.

Details of employee numbers in the individual business segments can be found in the company reviews and in the segment reporting data in Note 2 to the consolidated financial statements.

CREDIT FACILITIES,	FIG. 7		
Amounts in bnDKK	Total	Drawn	Undrawn
Committed [5 years]	0.8	0.8	-
Committed [1-2 years]	0.5	0.5	-
Committed [< 1 year]	1.5	1.0	0.5
Committed total	2.8	2.3	0.5
% of total	66%	79%	38%
Uncommitted	1.5	0.6	0.9
% of total	34%	21%	62%
<b>Total</b>	<b>4.3</b>	<b>2.9</b>	<b>1.4</b>
Cash			0.6
Non-accessible liquidity			(0.2)
Cash resources, 31 December 2008			1.8
Loan commitment received February 2009			0.5
<b>Cash resources, March 2009</b>			<b>2.3</b>

NET INTEREST BEARING DEBT FIG. 8



# EXPECTATIONS FOR 2009

In recent years NKT has published detailed earnings forecasts for both the Group and the individual business segments. As stated in stock exchange release No. 4 of 6 February 2009, while the macroeconomic and financial market conditions are as uncertain and volatile as is presently the case, we no longer consider this practice appropriate

The current global economic slowdown is expected in 2009 to impact negatively on all NKT business segments. Changing exchange rates and raw material prices are also expected to have negative effect on the Group. Against this background, budgeted activity levels for NKT's businesses for 2009 are based on a negative organic growth of around 10% compared with 2008, which was characterized by high 1st half-year growth and negative growth in the 4th quarter. For the 1st half-year 2009 a fall of more than 10% is budgeted for compared to 2008. For the 2nd half-year 2009 a fall of slightly less than 10% is budgeted for compared with 2008.

## OPERATING INCOME [EBITDA] BEFORE STRUCTURAL INITIATIVES

Operating earnings [EBITDA], and excluding costs for structural initiatives, is expected to be in the 700-900 mDKK interval. Relatively, 1st half-year earnings are expected to correspond to the lower figure, while earnings corresponding to the upper level are conditional on improved 2nd half-year performance.

## STRUCTURAL INITIATIVES

In 2008 a series of measures was introduced aimed at adjusting to a lower level of activity. In 2009 these measures will be supplemented by further structural initiatives at Nilfisk-Advance, which as previously reported [stock exchange release No. 4 of 6 February 2009] will result in structural costs of around 150 mDKK. These costs are expected to be divided evenly between 1st and 2nd half of 2009.

Around 50 mDKK was spent on structural initiatives at Nilfisk-Advance in 2008, and around 150 mDKK will be spent in 2009. It is expected that, when fully implemented, these initiatives will by themselves result in annual earnings improvement of 200 mDKK, including around 120 mDKK in 2009. This improvement is contained in the above EBITDA earnings forecast. See also company review for Nilfisk-Advance.

The forecast for 2009 does not include costs for additional adjustment measures at NKT Cables. Should market conditions deteriorate further; however, additional measures will be introduced.

## INVESTMENT

Planned Group investment in tangible assets and capitalized development costs totals around 900 mDKK, including around two thirds for establishment of the new high voltage factory in Cologne.

## BASIS FOR EXPECTATIONS

Due to the uncertainty surrounding macroeconomic and financial market conditions, our expectations regarding revenue and earnings development in 2009 naturally reflect significantly greater uncertainty than is normally the case. This is the direct reason for the change of practice regarding release of NKT's earnings expectations.

Our expectations for 2009 are based on the composition of the Group's business operations remaining essentially unchanged, and on no significant deterioration in international trade conditions.

Consequences attributable to further structural initiatives are not included in our expectations, and major changes in exchange rates and energy and raw material prices are also not considered.

Our expectations in respect of NKT Flexibles and NKT Cables' high voltage business are based on execution as planned of orders booked for 2009. Any order cancellations or delays will therefore impact negatively on earnings. Provision for such event is not made in the above expectations.

Please refer to 'Risks', page 11, for a description of significant risk factors.

# RISKS

A key objective is to ensure that risks to the Group are always identified and that NKT is equipped in the form of policies and procedures to manage these risks

A detailed account of the particular risks relating to our businesses is contained in the individual company reviews as follows: NKT Cables page 23, Nilfisk-Advance pages 29-30, Photonics Group page 38 and NKT Flexibles pages 41-42.

The figure below shows which risks are considered to have greatest influence on Group earnings, and the probability of these risks occurring. The figure also states the share of overall Group revenue and EBITDA which the individual businesses represent. In this way the significance of the risks for the Group as a whole can be assessed.

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

As well as market competition, 'commercial factors' in the figure below covers the relationship to suppliers, etc. These matters are further discussed in 'Risk factors' in the individual company reviews.

Besides the risk factors stated in the company reviews NKT is exposed to a number of more general risks described below. The risks described in this section and in the company reviews are not exhaustive and the risk factors are not listed in order of priority.

## IT RISKS

Like other companies, NKT uses IT to an increasing extent 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 protection in order to uphold continuing high levels of security.

## TAX RISKS

NKT is subject to the tax legislation of the countries in which it operates, and changes in tax and VAT legislation in these countries can affect NKT's tax position. NKT is involved in major international transactions, and the tax position of its businesses is therefore exposed to challenge from local tax authorities. NKT has consequently planned transfer pricing 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 such as takeovers. These contracts imply opportunities, but also risks which requires effective safeguards.

## INSURANCE RISKS

NKT establishes such insurance cover as is deemed relevant and customary in the sectors in which it operates and for a company of NKT's size.

## FINANCIAL RISKS

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

SIGNIFICANT RISKS					The number of ★ represent Group Management's subjective assessment of earnings exposure to risk.  ★★★ represents highest exposure ★ represents lowest exposure  HV = High voltage RW = Railway MV = Medium voltage LV = Low voltage
	NKT Cables	Nilfisk-Advance	Photonics Group	NKT Flexibles	
% of revenue for 2008	56%	43%	1%	-	
% of adjust. EBITDA for 2008	44%	40%	(2)%	18%	
<b>Risk factors</b>					
Cyclical sensitivity	HV, RW ★ MV ★★ LV ★★★	★★★	★	★	
Currency exposure	★★	★★	★		
Raw materials exposure	HV, RW, MV ★ LV ★★	★★	★	★★	
Commercial factors	★★	★	★	★★	

# 'BUILDING POWER' - STRATEGY

NKT's corporate strategy 'Building Power', defining the Group's direction and financial targets for the period 2008-2012, was published in August 2007. The full text can be found on [www.nkt.dk](http://www.nkt.dk)

## RADICALLY CHANGED FRAMEWORK CONDITIONS

The economic calculations linked to the strategic plan were based on the framework conditions - ie. macroeconomic situation, interest rates, exchange rates, raw material prices, etc. - known at mid-2007. As regards the economic situation, the strategy was based on economic growth of 2-3% per annum, which reflects the average growth over an economic cycle. The plan was also based on maintenance of critical mass for the Group's main activities in the respective markets driven by continued competitiveness. The financial goals for the strategic period were based on organic growth added to the effect of selective acquisitions.

At the start of 2008 the economic outlook gave no cause to change the plans linked to the corporate strategy. During 3rd quarter 2008, however, a picture began to emerge of impending dramatic change in the framework conditions. Global economic progress and growth gave way to financial crisis and the global economy was hit by recession of historic dimensions. This abrupt economic slowdown impacted strongly on the main markets for the Group's business segments. This is illustrated in Fig. 1, showing development in the PMI Index [Purchasing Managers' Index] for industrial companies, and Fig. 2 showing forecast development in GNP for 2009.

The PMI Index is a business barometer that builds on responses from a large number of firms to the question of whether their business activity levels rose/fell/were unchanged compared with the previous month. The key indexes are those for the USA and the EUR zone. An index score of more than 50 indicates rising activity, below 50 denotes falling activity.

The GNP forecasts are not static and continuously change as figures are published for economic indicators. The GNP forecast in Fig. 2 is based on available information at the start of March 2009.

## NEED TO PUSH BACK GOALS

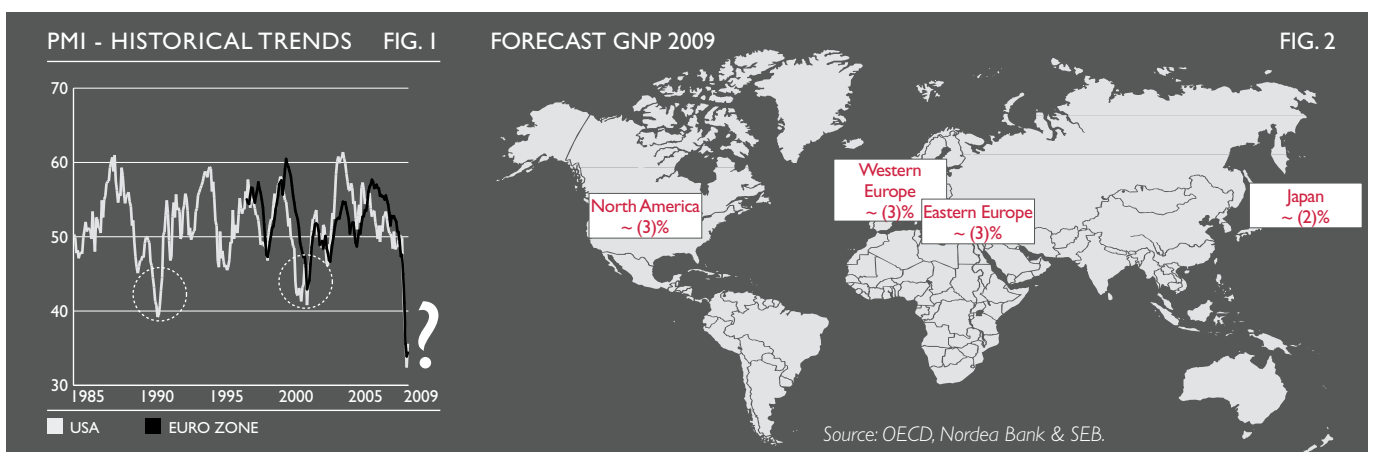
The severe and unexpected changes in the global economy also influence the objectives in our corporate strategy.

Five primary focal areas were identified for compliance by NKT Cables and Nilfisk-Advance as part of plan fulfilment. These were:

1. Develop customer understanding
2. Develop innovative products
3. Geographical market development, incl. logistics
4. Streamlining of production, incl. logistics
5. Organization and management development

When the individual focal areas are reviewed and the realized and planned initiatives considered, the conclusion is clear: The substance and individual elements of the strategy should not be adjusted. However, the global economic changes have resulted in a number of initiatives being accelerated. The purpose of this acceleration is to turn focus away from revenue growth and towards protection of earnings and cash flows. The methods applied are production optimization and organizational adjustment. The effect of the changed economic conditions therefore relates more to prioritization between the five primary focal areas than the need for a new plan.

As regards the financial targets, when the plan was launched a number of goals were announced:



Average growth in revenue [CAGR]	10%
Raise EBITDA margin [std.] to approx.	13-14%
Raise EBITA margin [std.] to approx.	11-12%
Gearing	< 100%
NIBD/EBITDA	< 2.5x
Equity ratio	> 30%
RoCE	min. 20%
Investments [new capacity and maintenance]	2,5-3,0 bn. DKK
Profit for the year	min. 8% of revenue [std.]

As a result of the economic changes it is now easy to conclude that the objective of annual average organic growth in revenue of 10% [CAGR] is not realistic owing to weak organic growth in 2008 and forecast 10% fall in organic growth in 2009, cf. 'Expectations for 2009'. In addition, visibility in the individual markets and in the various business segments is extremely short due to the present macroeconomic conditions. This currently makes it impossible to assess when the economic tide will turn and trade conditions improve.

Regarding realization of the financial targets for RoCE and income margins, it is impossible at this juncture to determine whether 2012 is realistic. But the targets remain unchanged. On the one hand it is clear that the reduced organic growth by itself will lead to lower income margins for a period. On the other hand the many structural initiatives introduced will help safeguard and protect income, and also have the effect of accelerating income levels when the tide turns and positive organic growth rates are once again restored.

We must conclude that at this stage it is not possible to determine the year in which the earnings targets can be realized. These targets remain unchanged, but as far as 2009 is concerned it is still too early for precise predictions about when the goals in our strategic plan can be realized.

## STRATEGIC MEASURES IN 2008

Despite the negative global development a large number of measures, all aligned with the strategic plan, were introduced in 2008. A description of the strategic platform on which each of our business segments rests, the world in which our businesses operate and the background against which they must realize their strategic plans, is contained in the individual company reviews.

At **NKT Cables**, strategic development in 2008 was focused on construction of a new factory in Cologne for production of high voltage cables, including armoured subsea cables. The investment is close on 1 bnDKK and the factory will be production-ready in mid-2009. This investment is the cornerstone of NKT Cables' strategic development for the period to 2012. Investment in the future has also been made, however, in catenary wires for high-speed railways, and during 2009 new production capacity will be ready in China to meet rising demand resulting from the Chinese government's strong focus on infrastructure.

A new and reinforced organization structure will be implemented during 2009. It will be part of securing that the full product programme of NKT Cables, will be accessible at the fast expanding number of markets where NKT Cables is operating, hereby cement and further develop the market position within energy cables and accessories. Details of specific initiatives and events are given in the section on NKT Cables starting on page 20.

At **Nilfisk-Advance**, the economic developments have accelerated a number of the initiatives contained in the catalogue of strategic improvement measures scheduled for the period to 2012. As one example, the work of optimizing production and logistics has been accelerated by relocating production to low-wage countries and increasing focus on component procurement also from low-wage countries.

Innovation and product development remain focal areas, and the decision to continue spending around 3% of revenue on product development is unchanged. In 2008 a number of selective acquisitions were made, which combined with newly established sales subsidiaries are intended to strengthen Nilfisk-Advance's global presence and help ensure attractive growth rates when the economic tide turns. Further details of specific measures and events in 2008 can be found in the section on Nilfisk-Advance on page 27.

In the R&D-intensive **Photonics Group** the strategic aim is to mature the markets for the groups products and thereby establish volume production. In step with realization of the planned organic growth the intention is to strengthen the Group's position and market presence via acquisitions.

It can be difficult to measure specific progress in an environment characterized by innovation and the development of future technology. Nevertheless 2008 saw a number of results that will support the goal of revenue of 500 mDKK by 2012. Particulars of Photonics Group can be found on page 34.

In spring 2008, **NKT Flexibles** approved investment of around 300 mDKK to expand the capacity of the plant in Kalundborg by up to a further 65%. The expansion will be completed in stages during 2010-2011. Award of an impressive framework contract with Brazilian oil company Petrobras has documented NKT Flexibles' qualifications as a leading player in the industry.

For NKT Flexibles, innovation and product development are focal areas. A series of primary patents will ensure the company a leading position in its industry in the years to 2012. Specific initiatives and events at NKT Flexibles in 2008 are discussed starting on page 39.

We will take final decision on the time element in the strategic plan when the economic tide turns and we can see further into the future.

# NKT AND THE COMMUNITY

At NKT we give high priority to responsibility. From the way we manage and run our business to the way we interact with people and the environment. NKT is a global player, and in the countries in which we have operations we are committed to being in dialogue with the community around us

For NKT, good corporate governance is about how the company is managed and the principles and structures that regulate the interaction between management, owners and other stakeholders. We base our conduct on published recommendations on corporate governance, and we have established internal control systems aimed at preventing, detecting and correcting any errors and anomalies. In 2008 we took steps to set up a Board of Directors' audit committee tasked with ensuring that increased focus is given to discussion of complex accounting and audit issues and internal controls. The committee will start work in April 2009.

At a day to day level we are committed to fighting corruption and to integrating consideration for human rights, social issues, climate and the environment into our operations. We have had policies in all these areas for a number of years. From 2009 we intend to monitor our efforts more systematically, and at the start of this year we therefore adopted the principles of the UN's Global Compact.

## CORPORATE GOVERNANCE

As NKT's head office is in Denmark, NKT's shares are listed on the Danish stock exchange, NASDAQ OMX Copenhagen, and the bulk of NKT's investors live in Denmark, we prioritize compliance with the Danish Corporate Governance recommendations, as recently updated in December 2008. Issued by the Committee on Corporate Governance the recommendations follow the European Commission guidelines. Listed companies must either comply with the recommendations or explain the background for any divergence.

A presentation of the recommendations can be found on the NKT website, [www.nkt.dk](http://www.nkt.dk), by selecting the 'NKT Holding' tab followed by the menu heading 'NKT and the community'. The presentation has been updated and shows in clear and easy to understand form what the recommendations say and how NKT complies with them.

With the measures implemented by NKT in 2008 it is the view of NKT Group Management that at the start of 2009 NKT's corporate governance practice fully complies with the recommendations except in marginal respects. In one area - the number of directorships held by members of the Board of Directors in other companies - we are not in full compliance with the recommendations. NKT's Board includes few members that exceed the recommendations in this respect, but in the opinion of the Board this does not impact negatively on the commitment and efforts of these members on behalf of NKT.

### MEASURES IN 2008

The year brought development in NKT's activities within 7 of the 8 recommendations.

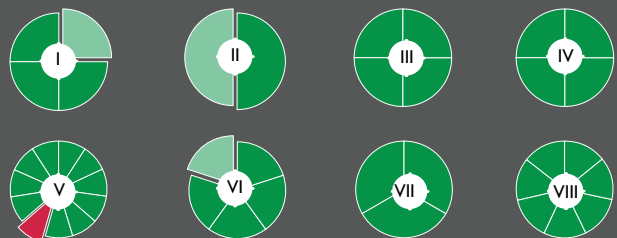
**Corporate governance [CG] recommendations, Item I: The role of the shareholders and their interaction with the management of the company.** In 2008 NKT has continuously worked with updating of NKT's website - including preparation of a new website which has a new investor module. The new website will be launched in April 2009.

With the launch of the new website we are examining the possibility of providing electronic shareholder-to-shareholder




### HOW OUR ASSESSMENT SYSTEM WORKS:

The corporate governance recommendations comprise eight main headings (I-VIII), each with a varying number of subheadings.

- I. The role of the shareholders and their interaction with the management of the company
- II. The role of the stakeholders and their importance to the company
- III. Openness and transparency
- IV. The tasks and responsibilities of the supervisory board
- V. The composition of the supervisory board
- VI. Remuneration of the members of the supervisory board and the executive board
- VII. Risk management
- VIII. Audit



Next to each main heading is a circle divided into segments corresponding to the number of subheadings. The colour indicates the extent to which we consider that NKT's practice conforms to the recommendation.

Complies fully  Complies partly  Does not comply 

contact, as recommended. So far, the annual general meeting has been the only joint forum for the company's around 35,300 shareholders, of whom 25,400 are registered shareholders.

**CG II: The role of the stakeholders and their importance to the company.** In 2008 NKT Group Management took part in some 200 investor meetings inside and outside Denmark. NKT also hosted a capital market day which focused on NKT Cables and included a visit to the company's new factory in Cologne.

**CG III: Openness and transparency.** In 2008 NKT took the first steps towards more systematic reporting by Group companies in respect of social, ethical and environmental issues.

**CG V: Composition of Board of Directors:** At the general meeting in spring 2008, Lone Fønss Schrøder was elected to the NKT Board of Directors. This widened the number and scope of strategic competencies represented on the Board in relation to globally oriented industrial activities.

**CG VI: Remuneration of Board of Directors and Board of Management:** Guidelines on incentive pay for directors and management were adopted at the 2008 general meeting and have subsequently been published on the NKT website.

**CG VII: Risk management:** In 2008 steps were taken to widen existing practice concerning identification of risks and planning of risk management.

**CG VIII: Audit:** In 2008 NKT took steps to appoint an audit committee and formulate terms of reference. See 'Audit committee' below.

## AUDIT COMMITTEE

In accordance with EU legislation and due to the growing demands relating to the work of Board of Directors, including the increasing complexity of accounting and audit regulations and focus on internal control, the NKT Board determined to appoint an audit committee. The committee will be constituted at the first Board meeting after the general meeting in April 2009.

The terms of reference for the audit committee can be found on the NKT website, [www.nkt.dk](http://www.nkt.dk), by selecting the 'About NKT' tab followed by the menu heading 'NKT and the community'.

## INTERNAL CONTROL

Accounting and control systems are designed to ensure that internal and external financial reporting present a true and fair view without material misstatements. The systems are further intended to ensure that appropriate accounting principles are chosen and that applied accounting estimates are reasonable under the circumstances.

The accounting and control systems established by NKT are designed with a view to effectively control the risk of error. No guarantee can be given, however, that errors and anomalies in the financial reporting process will be detected and corrected.

## CONTROL ENVIRONMENT

Powers and responsibilities for key areas are defined in policies approved by the Board of Directors and/or NKT Group Management. These policies include communication, treasury and finance, tax and reporting - and supervision of policy compliance is performed. Rules for bookkeeping and financial reporting procedures appear in finance manuals for the individual business segments, and these manuals are available to financial staff in the segments concerned. The organizational structure and the internal policies and procedures constitute the control environment, together with legislation and other regulations. NKT Holding undertakes overall supervision of compliance with bookkeeping regulations and financial reporting procedures for the individual business segments.

## RISK ASSESSMENT

Risk of error is relatively greater for accounting entries based on estimates or generated by complex processes than for other accounting entries. The areas and transactions where risk of error is greater than normal are described under 'Accounting estimates and judgements' in Note 1 to the consolidated financial statements.

## WEB STATISTICS

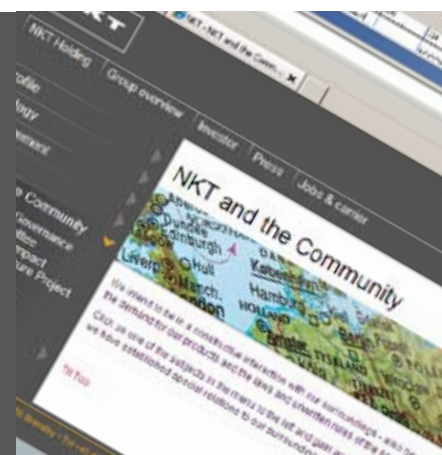
In 2008 the NKT website received some 143,000 hits and each visitor viewed an average of three pages.

Most hits were from Denmark, but interest from the United States, Germany, Sweden and UK was also recorded.

2009 will see the launch of NKT's new website which will offer improved service to investors and make increased use of video clips for communicating NKT's messages.



Read more at [www.nkt.dk](http://www.nkt.dk)



The principal business risks that also influence financial reporting are described in the sections of Management's review covering risks.

### CONTROL SYSTEMS

The purpose of the control systems is to prevent, detect and correct any errors and anomalies. The systems are integrated into NKT's accounting and reporting procedures and include, among other things, procedures for certification, approval, reconciliation, analysis of results, segregation of incompatible functions, controls relating to IT applications, and general IT controls.

### INFORMATION AND REPORTING

NKT maintains information and reporting systems to ensure that the Group's financial reporting presents a true picture. Accounting manuals and other reporting guidelines - including procedures for budget and monthly closure of accounts - are updated as necessary. These materials are available to the Group's staff together with other policies relevant to internal control of financial reporting, such as guidelines for capital investment, credit facilities etc.

### MONITORING

NKT's financial statements are presented in accordance with IFRS standards. Accounting manuals for the individual business segments include accounting and assessment principles as well as reporting instructions, and must be closely complied with by all businesses. This compliance is continuously monitored by the segment managements, and overall by NKT Holding. Formal confirmation of compliance with accounting manuals etc. is provided annually through accounting declarations from all Group businesses.

Detailed monthly accounts data and quarterly forecast updates are reported from all business units to the segment managements who analyze and monitor the data. The segment managements then forward consolidated data for monitoring by NKT Holding.

## CORPORATE SOCIAL RESPONSIBILITY - CSR

As from 2009, Denmark's 1,100 largest companies are required to report annually on the actions they are taking in order to be socially responsible - and explain themselves if they are doing nothing [the 'comply or explain' principle]. The term 'social responsibility' covers topics like human rights, social issues, climate, work and environmental conditions, and anti-corruption. These are areas that NKT has naturally focused on in its companies for many years through the medium of policies on health and safety, environment, human rights and HR. These policies can be found on the NKT website by selecting the 'About NKT' tab followed by the menu heading 'NKT and the community', and under the tab 'Investor' followed by the menu heading 'Policies'.

In 2009 NKT's Board of Directors determined to adopt the principles of the UN Global Compact, which sets standards for company conduct in the areas of human rights, environment and anti-corruption. See [www.unglobalcompact.org](http://www.unglobalcompact.org) for more details. By adopting the Global Compact, NKT undertakes to report each year on the Group's fulfilment of the UN's objectives, and to actively communicate on its commitment to the Global Compact.

Carbon Disclosure Project, CDP, is an organization consisting of 475 institutional investors representing investment of 55 trillion USD. CDP gathers insight into enterprise climate activities via yearly questionnaires prior to possible investment. In 2008 CDP invited NKT to notify details of its CO<sub>2</sub> status and NKT responded by submitting basic data. In 2009 NKT expects to provide more detailed specification of the Group's CO<sub>2</sub> profile. See [www.cdproject.net](http://www.cdproject.net).

### CORPORATE GOVERNANCE

NKT's CG description is reviewed by NKT Group Management at the start of each year.

Responsibility for CG activities resides with NKT Holding's Communications Department.



For latest updates, see [www.nkt.dk](http://www.nkt.dk)

### AUDIT COMMITTEE

The committee will start work in May 2009.

NKT Board members Jens Due Olsen and Jan Trøjborg have been nominated for the committee.



For the committee's terms of reference, see [www.nkt.dk](http://www.nkt.dk)

### INTERNAL CONTROL

NKT's accounting and control systems are designed to eliminate errors and anomalies in the financial reporting process.

Responsibility for internal control resides with NKT Holding's Finance Department.

# THE NKT SHARE

NKT Holding A/S has a 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 constitute the primary guidelines for the company's operation. All amendments to the Articles of Association 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 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 general meeting.

In the period up to 1 April 2013 mandate also exists from the 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 management of the NKT Group. Warrants granted in 2004 and 2005 were exercised in 2008 to subscribe for a total of 80,824 new shares. The weighted average share price for the exercised subscription rights constituted 352 DKK per share.

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

In addition, in the period up to 11 April 2012 mandate exists from the general meeting to raise loans, in one or several transactions, against bonds or other financial instruments with a right for the lender to convert his claim up to a maximum nominal amount of 44 mDKK [2.2 million new shares] of 20 DKK each.

## PRICE TREND, MARKET VALUE AND TRADING TURNOVER

NKT shares are listed on the NASDAQ OMX Copenhagen stock exchange under ID code DK0010287663 and currently included in the OMX C20 index.

The NKT share price fell by 77% in 2008, ending the year on 106, as against 459 DKK at the end of 2007. After adjustment for dividend paid, the net decrease in value was 75%. During the same period the OMX C20 share index fell by 47%.

The market value of the company's shares amounted to 2.5 bnDKK at 31 December 2008, against 10.8 bnDKK at the end of 2007.

In 2008, average daily trading turnover on NKT shares was 49 mDKK, against 84 mDKK in 2007. Overall turnover on NKT shares in 2008 was 12 bnDKK, against 21 bnDKK in 2007. An average of 156,075 shares was traded daily, against 160,632 in 2007, a drop of 3%.

## SHAREHOLDERS

At 31 December 2008 NKT had around 35,300 shareholders. This included 25,400 registered shareholders, against 18,500 in 2007, an increase of 37% on the previous year. Registered shareholders represented 68% of share capital, as against 73% the previous year. At 31 December 2008 the Danish Labour Market Supplementary Fund [ATP], Hillerød Denmark, and Credit Suisse, London, represented 11.1% and 5% respectively of NKT's share capital, and were therefore the only investors registered under section 29 of the Danish Securities Trading Act with an ownership interest of more than 5%.

All the share capital is considered to be in free float, and based on available information determined at 31 December 2008, around 83% of the share capital is estimated to be in Danish hands, the remaining 17% being assumed in foreign ownership. Compared with 31 December 2007 the number of non-Danish shareholders has fallen, but due to changes in the methods of analysis the statements for 2007 and 2008 are not directly comparable.



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 2008 a total of 624,249 NKT shares were held by members of the Board of Directors. This represented a total market value of 66 mDKK. A total of 95,724 shares were held by management, corresponding to a market value of 10 mDKK. The management also holds a total of 162,250 warrants that may initially be exercised in 2009, 2010 and 2011 at the share prices 329 DKK, 596 DKK and 583 DKK, respectively.

With the exception of warrants exercised by two members of the Board of Management in April 2008, no shares were traded by the Board of Directors and Board of Management in 2008.

Members of the Board of Directors and Management are covered by NKT's register of persons with inside knowledge, and their transactions involving NKT shares must be reported. Persons with inside knowledge, 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 results realized and expected earnings development. The period of six weeks also enters into force if the NKT share transaction is otherwise considered to be in accordance with the Danish Securities Trading Act.

The overview of the NKT Group Management on pages 44-45 states the individual shareholdings of the Board of Directors and Management of NKT Holding A/S - and their related parties - as at 1 March 2009.

## FINANCIAL COMMUNICATION AND INVESTOR RELATIONS [IR]

Both investors and other stakeholders can subscribe to earnings releases, annual reports, stock exchange releases and other investor-oriented publications issued by NKT Holding, all of which are distributed electronically immediately after their announcement via NASDAQ OMX Copenhagen. E-mail subscription takes place on [www.nkt.dk](http://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 shareholders, including both institutional and private investors. One purpose is to actively present NKT's 'equity story' to national and international institutional investors.

NKT works actively to provide investors and financial analysts with optimum insight into factors relevant to ensure fair share price formation. This takes place through the information NKT supplies to the market on an ongoing basis, combined with IR meetings, capital market days, and presentation of annual and interim financial results.

The NKT website - [www.nkt.dk](http://www.nkt.dk) - contains historic and current information on the company and its shares, including stock exchange releases, current and historic share price data, investor presentation material, and annual and interim reports.

NKT Group Management only expresses views on NKT share price development in very general terms.

## FSA LOOKS AT NKT PROCEDURE

The Danish Financial Supervisory Authority has opened an inquiry into whether NKT was in compliance with the provisions of the Danish Securities Trading Act in connection with a downward adjustment of the Group's 2008 earnings forecast on 24 November. The adjustment was made at the same time as publication of the interim report for 3rd quarter 2008. FSA is examining whether inside knowledge existed at NKT which under the Securities Trading Act [Section 27-1] should have been made public earlier. NKT Group Management considers that NKT was fully in compliance with ruling practice and legislation. The inquiry is expected to be concluded in 2009.

## 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.

## SIGNIFICANT OWNERSHIP CHANGES

Credit agreements contain change of control provisions whereby significant credit facilities can be cancelled if a shareholder or group of shareholders gains controlling interest of NKT Holding, or if NKT Holding is no longer listed on NASDAQ OMX Copenhagen.

Change of control provisions are also contained in the NKT Flexibles joint venture agreement. The contents are not to be disclosed.

The notice period for NKT's CEO is 24 months and 12 months for the other members of the Board of Management. In the event of significant changes in the company's ownership structure the stated notice periods will be extended by a further 12 months for a transitional period.

## INVESTOR GROUPS

	31.12.08	31.12.07
ATP >	10%	10%
Credit Suisse >	5%	-
Other Danish institutional investors > 1 mDKK	11%	16%
Other foreign institutional investors > 1 mDKK	4%	13%
NKT Group Management	3%	3%
Other registered Danish shareholders < 1 mDKK	36%	29%
Other registered foreign shareholders < 1 mDKK	3%	2%
Unregistered Danish shareholders	24%	19%
Unregistered foreign shareholders	4%	8%

## DIVIDEND POLICY

NKT strives to maintain a dividend policy that provides shareholders with an ongoing, stable cash return on their investment, while at the same time part of company profits is reinvested in the Group's future development and growth.

NKT has declared a dividend policy for the current corporate strategy period [2008-2012] whereby an amount corresponding to around one third of profit for the year will be annually distributed as dividend. For the 2008 financial year this would have meant distribution of around 130 mDKK.

Due to the uncertain and unstable financial markets the Board of Directors has decided to deviate from its declared dividend policy and to recommend to the annual general meeting that no ordinary dividend be paid for 2008.

The Board will continuously monitor developments in the financial lending markets. If trading conditions normalize and it is considered appropriate, and if the Group's financial resources are still deemed adequate, an interim dividend may be paid.

## BOARD MEETINGS AND FINANCIAL REPORTS

A minimum of five ordinary Board meetings are held annually - in March [annual report], April [annual general meeting], May, August and November [interim accounts 1, 2 and 3]. Extraordinary Board meetings are held as and when necessary.

After discussion and approval by the Board, the annual and interim financial statements are released via NASDAQ OMX Copenhagen. For the current year this will take place on the dates stated in the 2009 financial calendar.

## INVESTOR CONTACT

Financial analysts and institutional investors

**Michael Hedegaard Lyng**, Group Executive Director, CFO

Tel.: +45 4348 3203, e-mail: michael.lyng@nkt.dk

Private investors

**Anne Schoen**, Corporate Communications Manager

Tel.: +45 4348 3216, e-mail: anne.schoen@nkt.dk

## FINANCIAL CALENDAR 2009

5 March	Publication of annual report 2008
2 April	Annual General Meeting, Radisson SAS Falconer Center, Frederiksberg
12 May	Publication of 1st quarter interim report
25 August	Publication of 2nd quarter interim report
24 November	Publication of 3rd quarter interim report

## STOCK EXCHANGE RELEASES 2008

The following stock exchange releases were issued via NASDAQ OMX Copenhagen in 2008. These and previous releases can be found on [www.nkt.dk](http://www.nkt.dk).

- › 03.01.08 #1 NKT Holding A/S issues share warrants
- › 03.03.08 #2 Nilfisk-Advance makes new US acquisition
- › 05.03.08 #3 NKT Flexibles to increase production capacity by 65%
- › 05.03.08 #4 NKT Annual Report for 2007
- › 05.03.08 #5 Financial calendar 2008 update
- › 14.03.08 #6 Exercise of warrants - increase of NKT Group share capital
- › 18.03.08 #7 Articles of Association update
- › 26.03.08 #8 Announcement - Annual General Meeting 2008
- › 10.04.08 #9 NKT Annual General Meeting 2008
- › 10.04.08 #10 New Articles of Association
- › 16.04.08 #11 Shareholdings report
- › 16.04.08 #12 Exercise of warrants - increase of NKT Group share capital
- › 16.04.08 #13 Articles of Association update
- › 16.04.08 #14 Major shareholding [Credit Suisse]
- › 24.04.08 #15 NKT Cables wins prestigious Extra High Voltage Project in the Netherlands
- › 05.05.08 #16 NKT Flexibles - ground breaking agreement with Brazil's largest oil company
- › 14.05.08 #17 Interim financial report - 1st quarter 2008
- › 23.06.08 #18 NKT Holding A/S - Michael Hedegaard Lyng appointed Group Executive Director, CFO
- › 25.08.08 #19 Interim financial report - 2nd quarter 2008
- › 24.11.08 #20 Interim financial report - 3th quarter 2008
- › 12.12.08 #21 Financial calendar 2009
- › 18.12.08 #22 Changed earnings expectations for 2008

## NKT LEADS WAY IN MARKET COMMUNICATION

Despite its disappointing share price performance where the company experienced a major fall, NKT received top marks from financial analysts for investor relations



Read more at [www.nkt.dk](http://www.nkt.dk)

"While the IR award has nothing to do with current share performance, it does reflect how we communicate with our investors and financial analysts. Here, openness is our watchword in both good times and bad," said CFO Michael Hedegaard Lyng when, in a poll carried out in 2008 among 600 Nordic financial analysts and portfolio managers, NKT took top place for IR activities for the third time in just a few years.



**MICHAEL HEDEGAARD LYNG**

Group Executive Director, CFO, NKT Holding

# NKT CABLES

NKT CABLES RANKS TODAY AS A  
SIGNIFICANT EUROPEAN SUPPLIER OF  
CABLES FOR THE ELECTRICITY  
AND ENERGY SECTOR

## HIGHLIGHTS

Amounts in mDKK	2008	2007	2006
Revenue	7.766	7.624	5.268
EBITDA*	530	649	363
EBIT*	372	504	301
Invested capital	2.442	2.220	1.243
Investments in property, plant & equipment	655	346	167
Average number of employees	3.265	3.122	2.005

\* Adjusted for one-off items

"Our new factory in Cologne enables us to enter the global market for armoured subsea cables with new strength. We can now meet demand from the wind turbine industry, utilities and other sectors"



**DION METZEMAEKERS**  
CEO, NKT Cables

# FOCUS ON NKT CABLES

With the supply of power being augmented through alternative energy sources there is demand for the production of high voltage cables. Solar energy parks and onshore and offshore wind turbine facilities require not only cabling, but also accessories, installation and connection to the existing power network

## THE STRATEGIC PERSPECTIVE

### PRODUCTS

NKT Cables develops, manufactures and markets power cables and cable systems for electricity transmission [high voltage cables and accessories], electricity distribution [medium voltage cables and accessories], and electrical installations [low voltage cables]. Fibre-based monitoring cables and OPGW [Optical Ground Wires] are also part of the product programme aimed at the electrical sector.

Products supplied by NKT Cables also include catenary wires for railways [especially high speed trains], wires for the automotive industry, and a variety of special-purpose cables and wires for industry purposes.

### MARKET

NKT Cables is a player in several European market segments, with pronounced emphasis on the electricity and energy sector. Customers for the medium and high voltage cable products that represent 37% of revenue are electricity companies and/or their main contractors, while the low voltage cables that make up 41% of revenue are mostly sold through electrical wholesalers to electrical installers for use in the building industry - or sold direct to industrial companies.

The remaining 22% of revenue derives from various niche-related products, including catenary wires sold to railways and public authorities and wires sold to the automotive industry. In both these markets NKT Cables has developed special technologies that meet the quality and safety standards demanded by customers in these sectors.

### MEDIUM AND HIGH VOLTAGE

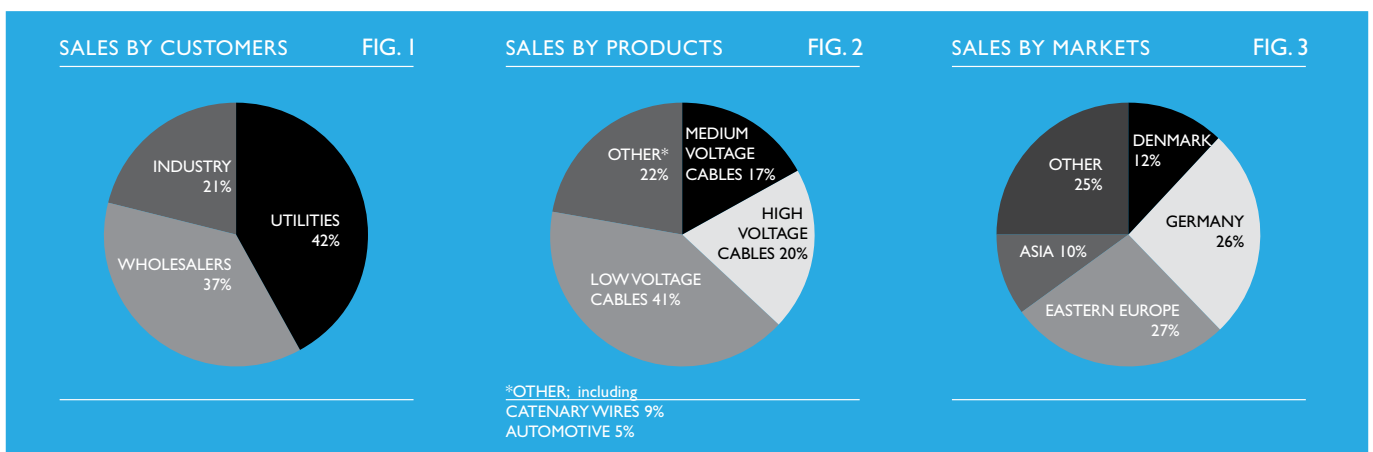
Activity in the medium and high voltage cable segment [37% of revenue] continues on a satisfactory level due to increased investment in the replacement of power lines by cables and in the maintenance and expansion of existing networks. This in turn is a product of the need for additional capacity and reliability. It is the growing trading of electricity that is compelling the power companies to invest in the electricity networks with a view to improving supply availability.

Environmental considerations and CO<sub>2</sub> issues have increased the focus on renewable energy as a means of reducing the level of carbon emission. This is reflected in significant investment in areas such as wind power, which will in turn increase the demand for cables capable of connecting wind farms to the electricity network. Security of supply is the subject of considerable political focus. This is also evident in the European Commission's energy policy proposals of January 2007 that recommend further liberalisation of the European electricity market. When this policy becomes a reality, new cable lines will be needed to connect the electricity networks internationally.

The primary markets for NKT Cables' medium and high voltage cables are Scandinavia, Germany, UK, the Netherlands, France, Russia, Spain, Eastern Europe, China and the Middle East.

### LOW VOLTAGE

The demand for low voltage cables [41% of revenue] reflects market conditions in the building and construction industry, which is influenced by the level of activity in both new building and renovation. NKT Cables' primary markets are Scandinavia, Eastern Europe, Germany, Austria and UK.



Around 50% of NKT Cables' low voltage revenue derives from sales of 1 kV [kilovolt] cables to both utilities and the building industry. Sales to utilities are considered less cyclically sensitive than building sales, the utilities using the cables in the distribution part of the network that connects consumers to the grid. The level of activity in this market segment is not only influenced by building activity, but by the overall development of the distribution network.

Through 2nd half 2008 the low voltage segment in particular was adversely affected by the financial crisis and the general slowdown in the building industry.

### NICHE PRODUCTS

Catenary wires for high speed railways [9% of revenue] are sold to the global market, particular focus being given to the growing Chinese market.

The special wires used in the automotive industry [5% of revenue] are mostly sold in Europe.

The company's OPGW products [2% of revenue] are sold to the global market. This is a project-oriented market that primarily follows in the wake of expansion and upgrade of medium and high voltage networks.

### SALES

NKT Cables has active sales markets in Central, Northern and Eastern Europe and in China. The company has sales subsidiaries in the countries where it has production units - Germany, Denmark, Norway, Poland, Czech Republic and China - and these subsidiaries service the neighbouring markets. In recent years NKT Cables has also set up sales subsidiaries in UK, Spain, the Netherlands, Russia, Romania, Middle East and Italy.

### CUSTOMERS

In the high and medium voltage segment, NKT Cables is a supplier to most leading European power companies, including EON, EDF, RWE, Scottish Power, Dong Energy and Vattenfall. Low voltage sales are principally realised through major wholesalers operating internationally, such as Rexel, Sonepar and Solar, but the company also has numerous national customers, such as Faber in Germany and Meinhart in Austria.

The company sells its railway products to major railway contractors, including key players like Siemens, Adtranz and Balfour Beatty, and a number of national rail operators.

Automotive industry customers are all main subcontractors to major well-known car manufacturers.

### COMPETITORS

NKT Cables has some five high voltage competitors, all global market players. The competition in the low voltage segment includes a large number of local manufacturers.

Peer companies are Nexans of France, Prysmian from Italy, Draka from The Netherlands [mainly low voltage], General Cable from the USA and TeleFonika from Poland [chiefly low and medium voltage].

Estimated at around 750 bnDKK, the global cable market is led by global players such as Nexans [approx. 8% market share], Prysmian [approx. 6%] and General Cable [approx. 5%]. NKT Cables, whose outlook is mainly European, has a global market share of around 1%, corresponding to around 3% of the European market. The European market is characterized by only modest consolidation, no player having a market share of more than 10%.

### ORGANIZATION AND MANAGEMENT

NKT Cables had 3,200 employees at the end of 2008. After acquisition of the Czech cable manufacturer Kablo Elektro in 2006, the Czech Republic was the single country with the most employees within NKT Cables. Germany and Denmark were the countries next in line.

Activities involving NKT Cables' companies in several countries are coordinated by NKT Cables Group Management. NKT Cables is headquartered in Cologne and headed by CEO Dion Metzemaekers.

With a view to improving servicing of customers in markets where NKT Cables has production units and/or sales subsidiaries, it is planned to implement a new and reinforced organization structure in 2009. The plan is to establish a sales structure facilitating access to the whole product portfolio of the NKT Cables group in every possible market. The new structure is intended to ensure that customers encounter consistent, high standards of service regardless of their point of contact with NKT Cables.

### PRODUCTION AND PRODUCT DEVELOPMENT

NKT Cables has 12 production facilities situated in Germany [4], Czech Republic [3], Denmark [2], Poland [1], Norway [1] and China [1]. The unit in China is in Changzhou near Shanghai. NKT Cables' three largest factories account for more than 50% of total revenue.

NKT Cables' product development programmes are aligned closely with customer needs. Future development of high and medium voltage cables and accessories will therefore be linked to the growing need for alternative energy sources. Focal areas will thus include cables and cable systems for wind farms, solar energy and improved efficiency of existing grid capacity. When entering into service in 2009, the new Cologne factory will equip NKT Cables with advanced facilities for the future production of high and medium voltage cables, including armoured subsea cables, fibre-based monitoring cables, OPGW, superconducting cables and metal-based products.

Low voltage development is focused on compliance with future regulations relating to cable products for use in building, including

the EU regulation on construction products which is expected to be introduced in the member states within a few years. This regulation is likely to impose stricter requirements for cables with regard to fire and disposal.

## RISK FACTORS

A key management goal is to ensure that risks relating to NKT Cables are illuminated at all times and that measures in the form of policies and procedures exist for managing those risks.

### COMMERCIAL AND OPERATING RISKS

NKT Cables is a significant player in a competitive and mature European industry. The company's competitiveness and profitability are directly related to its ability both to manufacture quality products at acceptable unit costs and to establish close interaction with customers.

One key to this is critical mass, meaning that NKT Cables must manufacture its individual products in series large enough to be supplied at attractive prices. Provided production is based on optimal product formulas, efficient procurement of raw materials, efficient logistics and low sales and administrative costs, NKT Cables will have a platform for selling its products at competitive prices. This will provide increased sales, increased market shares and increased earnings.

Against this background, NKT Cables has in recent years focused strongly on optimizing customer relations and reducing costs, adjusting its product programme, exploiting cross-sales and penetrating export markets.

Metals - mainly copper and aluminium and to some degree lead - are the company's most important production raw material. With the present product mix, metal represents more than 50% of the sales price on average, although this may vary from 20% to 75% depending on product type.

Earnings sensitivity to development in metal prices is deemed limited, as changes in metal prices are reflected in sales prices relatively quickly. However, large price fluctuations may impact on earnings via inventory adjustments. Prices in the high and

medium voltage segment are usually determined contractually. However, the low voltage segment operates with price lists which during the validity period are protected by various hedging contracts.

### FINANCIAL RISKS

Some 95% of NKT Cables' revenue is attributable to sales to the EUR zone, Eastern Europe, Denmark and China. The rest, around 5%, derives from other markets. Exchange sensitivity therefore relates to currency developments in Poland, Czech Republic, UK, Sweden and China, and to price changes on USD-based metals.

Refer also Note 30 to the financial statements, 'Financial risks and financial instruments', which besides describing exchange risks also covers interest rate, credit, liquidity and raw material risks.

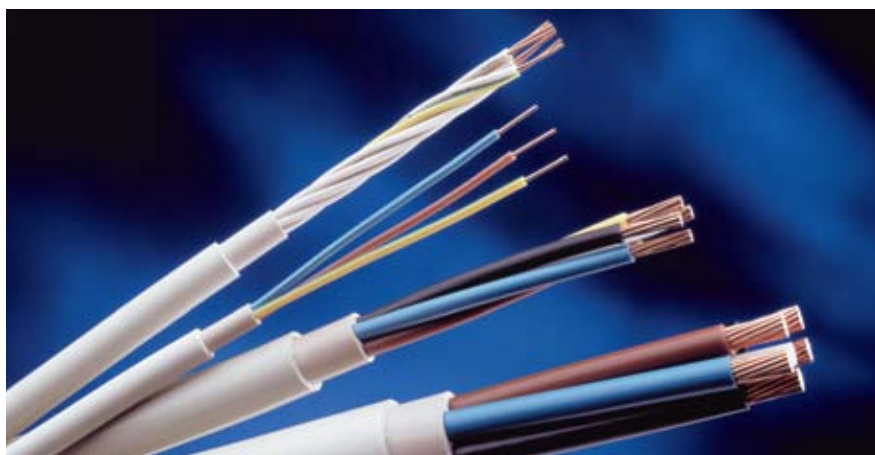
### CYCLICAL SENSITIVITY

It is estimated that up to half of NKT Cables' revenue - principally the share of revenue that derives from low voltage sales to the building industry - is significantly sensitive to market conditions. This is because the products concerned are used in building and industrial manufacture, both areas of high cyclical sensitivity.

The remaining revenue - relating to 1 kV aluminium cables, medium and high voltage cables and accessories - derives mainly from sales to the energy sector. This sector is normally considered less sensitive to changes in market conditions as sector activity is predominantly determined by the need for network maintenance, expansion due to rising power consumption, and above all development caused by increased focus on improved system reliability. In the light of the current economic situation, however, future sales in these areas may also be affected by slowdown.

## REVIEW OF EARNINGS PERFORMANCE

NKT Cables experienced satisfactory development in the first two quarters of 2008 and sharp decline in the 4th quarter. The low voltage market particularly was hit by the building industry slowdown in 2nd half 2008.



NKT Cables has a cable recycling plant in Stenlille, Denmark, which is certified to DS/EN ISO 14001. NKT Cables is the only European cable manufacturer that offers 100% recycling of certain types of cables. These cables include NOPOVIC®, which is PVC and halogen-free and made of metals and plastics that can be reprocessed and recycled. The name NOPOVIC derives from 'No polyvinylchloride'.

## REVENUE

NKT Cables realized revenue of 7,766 mDKK in 2008, as against 7,624 mDKK in 2007 [std.\* metal prices: 5,211 mDKK as against 4,897 mDKK]. Compared with last year, nominal and organic growth in revenue was 2% and 3% respectively. Changes in metal prices influenced revenue negatively by around 355 mDKK. The composition of the revenue increase is shown in Fig. 1 page 6.

Organic growth for the year did not live up to expectations due to strong 2nd half slowdown in the Eastern and Northern European markets for low voltage cables, particularly in the 4th quarter. The negative trend was also sustained by low earnings margins resulting from falling sales prices, which in turn resulted from weakening sales volumes and falling copper prices.

Activity in the high voltage segment remained high throughout the year, while activity in the medium voltage segment showed signs of weakening at year end.

## METAL PRICES

Metals in the form of copper and aluminium represent a significant part of power cable production costs. NKT Cables' revenue is also significantly influenced by the development in metal prices as this development is passed on to the customer. Recent years have been characterized by strong fluctuations in these metal prices. At the end of 2008 these prices were falling sharply. As well as directly influencing revenue and production costs at NKT Cables, this trend also prompted end customers and wholesalers to reduce inventories in order to shorten the risk of resulting losses.

The average price of copper and aluminium in 2008 [in EUR] was respectively 3% and 10% lower than in 2007, although substantial price fluctuations occurred in both years. The average price of copper in December 2008 [in EUR] was down by 49% against December 2007, with a corresponding fall of 46% in the average price of aluminium.

## INCOME DEVELOPMENT

Operating income [EBITDA] was 505 mDKK in 2008, as against 719 mDKK in 2007. EBITDA for 2008 includes restructuring costs of 25 mDKK, while EBITDA for 2007 included net profit

of 70 mDKK from a factory sale in Cologne. After adjusting for these effects, EBITDA for 2008 amounted to 530 mDKK, as against 649 mDKK in 2007. This corresponds to a margin of 10.2% in 2008 and 13.3% in 2007, expressed in standard prices.

As seen from Fig. 4, EBITDA margin measured in market prices was 6.8% for 2008, down from 8.5% in 2007. Fig. 4 also shows the unchanged seasonal pattern of peak activity concentrated around the 2nd and 3rd quarters and strong market slowdown in 4th quarter 2008.

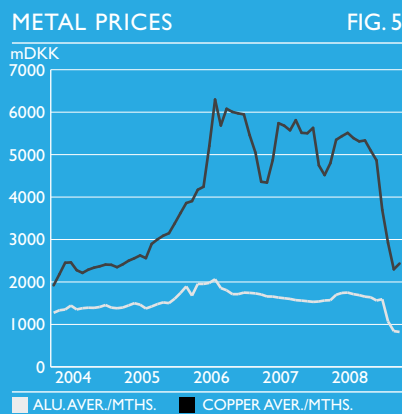
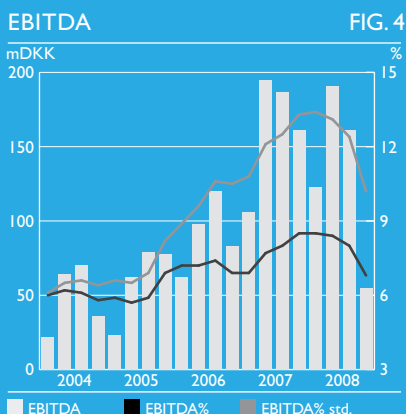
The fall in earnings was due to a combination of declining activity at the end of the year, rising energy, transport and wage costs, and a reduced earnings margin resulting from falling prices, which in turn resulted from decreased low voltage activity combined with the fast decline of copper prices.

Contribution margin for the low voltage segment in 4th quarter 2008 was index 60 in relation to the same period in 2007. Contribution margin for 2008 as a whole was 88 in relation to 2007. The development clearly shows how the 4th quarter had an extremely negative impact which was compounded by the sharply falling price of copper and is estimated to have negatively influenced 4th quarter 2008 by around 50 mDKK, a.o. relating to stock regulations.

In order to adjust the company to the changed market conditions, restructuring measures were introduced in Denmark and the Czech Republic in 2008 which resulted in a total of around 330 redundancies. The measures resulted in non-recurring costs of around 75 mDKK, comprising 25 mDKK attributable to staff reductions and 50 mDKK attributable to writedown on production assets etc.

Depreciation and amortization was 207 mDKK for 2008, as against 145 mDKK for 2007. After adjustment for the aforementioned effect the increase was 12 mDKK.

EBIT margin measured at market prices and adjusted for one-off items was 7.2%, as against 10.5% in 2007. The most recently published target [stock exchange announcement of 18 December 2008] was therefore realised, while there was a fall against 2007.



### \*STANDARD METAL PRICES, STD.

Since 2007, NKT Cables has adjusted and validated its data so that it is possible to isolate the effect of metal prices against a standard price for copper and aluminium fixed at 1,550 EUR/tonne and 1,350 EUR/tonne, respectively.

## INVESTMENT

Investment in property, plant and equipment totalled 655 mDKK in 2008, as against 346 mDKK in 2007. The figure of 655 mDKK included 404 mDKK relating to the new high voltage factory under construction in Cologne.

The investment in the new factory is driven by NKT Cables' plans to strengthen its position in the high voltage cable and subsea cable segments, combined with the desire to further optimize production.

The total investment of 655 mDKK in 2008 must be seen in relation to total depreciation and amortization, which excluding restructuring costs of around 50 mDKK, amounted to 155 mDKK.

## WORKING CAPITAL

Working capital LTM at the end of 2008 comprised 18.5% of revenue, as against 17.6% at the end of 2007. Fig. 6 shows a fall in December 2008, but this cannot compensate for the rise over the year. This rise was caused by increase in capital tied up in inventories due to slowdown in activities, which was more severe than anticipated. To this must be added reduced credit times from metal suppliers. However, this changed at the end of 2008 when NKT introduced steps that have increased credit times.

The NKT Cables' strategic target of working capital of less than 17% was not realized at 31 December 2008. However, working capital in December 2008 showed a nominal improvement of 178 mDKK compared with December 2007, and the development is therefore on a positive course. It remains NKT Cables' strategic objective to systematically reduce funds tied up in working capital.

## VALUE CREATION - ECONOMIC PROFIT

Economic Profit [EVA] is a measure of the company's ability to create value in the form of profit after return on investment. At current interest rates, and in the light of NKT Cables' risk profile, the required minimum return on investment is 8% after tax. EVA can be computed by deducting full tax and cost of capital - calculated as 8% of invested capital - from current operating profit [EBIT].

Fig. 7 shows development in EVA and return on investment [RoCE] measured on a rolling 12 month basis. It will be seen that RoCE has decreased from around 21% before tax in 2007 to around 13% before tax in 2008. This was primarily attributable to declining earnings where the low voltage market was particularly hard hit, but it was also due to investment in the new production factory from which no return is yet being generated.

The effect is also visible in Fig. 8, how the invested capital increased from around 2.4 bnDKK at the beginning of 2008, however landed at the same level by the end of the year. EVA fell substantially in the course of 2008, which besides an increase in invested capital was chiefly due to reduced earnings in 2008. For 2008 overall, EVA totalled around 34 mDKK, as against 170 mDKK in 2007.

## EVENTS IN 2008

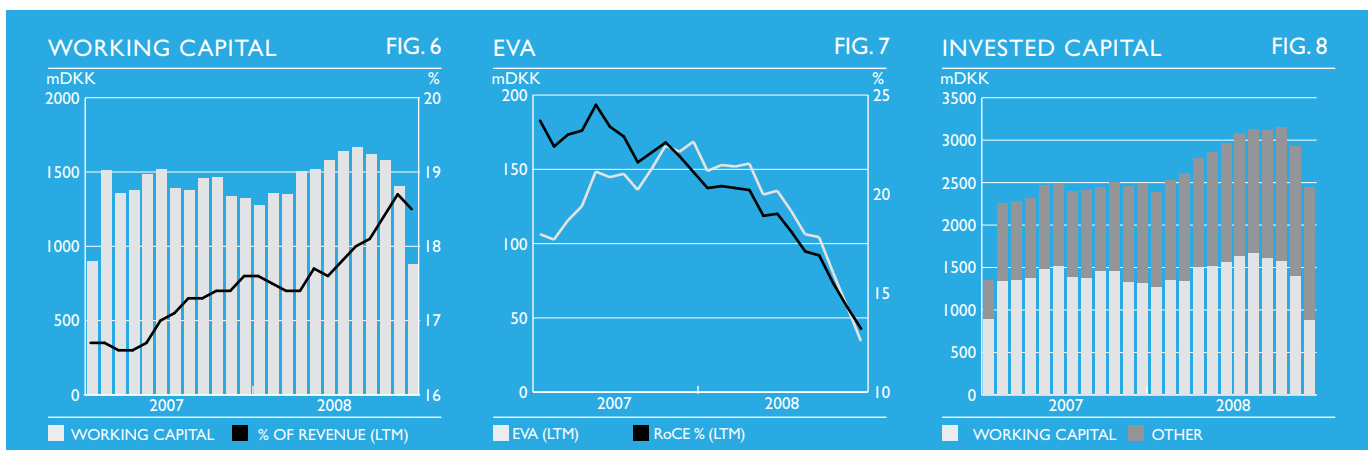
### HIGH VOLTAGE

The level of activity in the high voltage sector, which comprises 20% of revenue, remained high for both new and existing projects throughout the year.

In spring 2008 the Dutch power transmission company TenneT TSO B.V. appointed NKT Cables a supplier for the 'Zuidring transmission line' in the western Netherlands. The contract established with NKT Cables covers design, manufacture and installation of a 380 kV cable system and includes a number of technical, logistical and project management tasks. The project design phase is nearing completion, and production of the cables that form NKT Cables' part of the project will start in 1st quarter 2009. NKT Cables will supply around 120 km of cable.

In Cologne, the building of the new NKT Cables high voltage factory proceeds as planned and major progress is being made. The factory will be commissioned in stages in 2009 and the company improved facilities that enable armoured subsea cables to be produced in longer lengths and larger dimensions than previously.

With the award in early 2009 of a 750 mDKK contract for an order that includes high and medium voltage armoured subsea cables, NKT Cables can now combine its longstanding expertise in the manufacture and installation of armoured subsea cables



with the streamlined production process offered by the new factory in Cologne.

### MEDIUM VOLTAGE

In the medium voltage segment, which comprises 17% of revenue, developments in 2008 were positive in some spheres and negative in others.

Activities in the medium voltage cable segment showed signs of slowdown in the 2nd half of the year as several power companies deferred scheduled orders from NKT Cables.

However, several new customers were obtained in new areas of application for cable products, such as wind farms.

### LOW VOLTAGE

Activities in the low voltage segment, which comprises 41% of revenue, were seriously affected by the global financial crisis, which abruptly halted completion of existing activities and the start of new activities in the building and construction sector. Activity in Denmark, Poland and the Czech Republic decreased substantially, leading to staff reductions in the Czech Republic and Denmark and the introduction of restructuring measures. These measures are aimed at further company streamlining in order to maintain continued competitiveness in low voltage products.

In 2008, with the appointment of a sales manager supported by the Czech company sales organization, NKT Cables took the first step towards marketing its medium voltage 1 kV and low voltage products in Romania. Due to the financial crisis, however, these activities made a slow start. At the start of 2009 a similar initiative was launched in Bulgaria.

### CATENARY SYSTEMS

Sales of catenary systems, comprising 9% of revenue, mainly relate to China. Development in 2008 was again very positive, and this trend is expected to continue in 2009. With the completion of a number of projects, NKT Cables is favourably placed to capitalize on new project investment planned by the Chinese authorities in the years ahead. These include plans by the Ministry of Railways to increase development of high speed rail links between major cities.

### OTHER PRODUCTS

NKT Cables has upgraded its high voltage product programme with an improved version of Adapro, the monitoring system software that enables operation of electricity networks to be optimized, leading to major energy savings. Adapro is now in use both in new and existing high voltage cable systems - both above and below ground.

Sales of automotive wiring increased despite a decline in total car sales. As a consequence of the slowdown in the European car sector it has been decided to defer a previously planned capacity expansion. This segment is expected to continue growing in 2009 but at a much slower pace than initially assumed.

### ORGANIZATION

In 2008 the management group at NKT Cables' head office in Cologne was extended with a HR manager, who will contribute to optimize and expand the competencies and resources of the company as a whole.

In 2009 NKT will focus on realigning the organization [see page 22 'Organization and Management'.

### PRODUCT DEVELOPMENT

NKT Cables has worked on product development in many fields during the year, including subsea cables, monitoring systems and high voltage cable accessories. Regard for the environment is an important parameter when developing new products, and consideration is given to environmental consequences when selecting raw materials and production methods. NKT Cables has worked among other things on the manufacture of a copper alloy that can be used with considerable advantage in the production of power cables and catenary wires. The new copper alloy provides the conductor with both increased tensile strength and improved conductivity. This saves the environment from further greenhouse gases and represents greater cost-efficiency for the customer. Innovation and product development are all in all given high priority, added to which ongoing adjustment has been made to the company's production facilities so that they are flexible, cost-effective and among the most modern in Europe.



NKT Cables has developed calculation software for the low voltage market that makes it easy to design, engineer and document cable installations and which is based on the company's product range. Equipped with the software the installer can rapidly produce alternative calculations and optimize cabling solutions. The software was launched in Poland in 2008 and is already in use in the Czech Republic and Denmark.

# NILFISK-ADVANCE

NILFISK-ADVANCE IS A GLOBAL  
SUPPLIER OF PROFESSIONAL  
CLEANING EQUIPMENT

## HIGHLIGHTS

Amounts in mDKK	2008	2007	2006
Revenue	5,882	5,784	5,439
EBITDA*	613	634	528
EBIT*	441	494	400
Invested capital	2,829	2,511	2,369
Investments in property, plant & equipment	99	97	115
Average number of employees	5,136	4,294	3,868

\* Adjusted for one-off items

"I believe we should have Nilfisk-Advance sales subsidiaries around the world in as many markets as is feasible given the current economic situation. Whenever we open sales subsidiaries we see sales increase, and we have shown for example in Russia and Turkey that we can make new sales units profitable relatively quickly." *Blog at Nilfisk-Advance's intranet.*



**JØRGEN JENSEN,**  
CEO, Nilfisk-Advance

# FOCUS ON NILFISK-ADVANCE

Nilfisk-Advance wants to be best at manufacturing and developing professional cleaning equipment. The goal is to develop 30 new products a year. New development takes place in close dialogue with customers to ensure that the needs of the market are met

## THE STRATEGIC PERSPECTIVE

### PRODUCTS

Nilfisk-Advance is one of the world's leading manufacturers and suppliers of professional cleaning equipment. The company markets a broad product range which includes floor-care equipment that can sweep, wash, dry, polish and clean, along with vacuum cleaners of all sizes, and an extensive programme of high pressure cleaners.

Nilfisk-Advance also offers 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 to represent some 40 bnDKK annually. Demand for automated cleaning is closely linked to living standards and wage costs. In the past, Western Europe and North America have therefore been the largest customers for cleaning equipment, jointly representing around 80% of the world market. The rest of the world makes up the remaining market, and in the next few years the highest growth rates are expected in Eastern Europe, Asia and South America.

Total market growth of around 3% over an economic cycle is expected, of which the mature markets of the United States and Europe will represent up to 1-2%. Development in the rest of the world in years ahead is therefore expected to exceed the global economic growth rate.

In good times, growth of 4-6% is expected. In bad times 0-2%. For 2009, negative organic growth is expected in mature markets. In emerging markets there is continued expectation of weak positive growth.

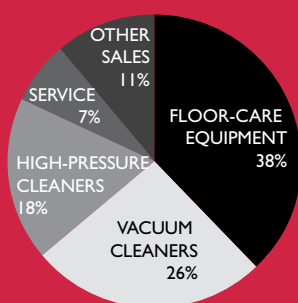
In 2008 the market was hit surprisingly quickly by the global economic recession. This underlines the importance of Nilfisk-Advance's plans for a massive positioning on emerging markets while at the same time striving to maintain its position in mature markets.

### SALES

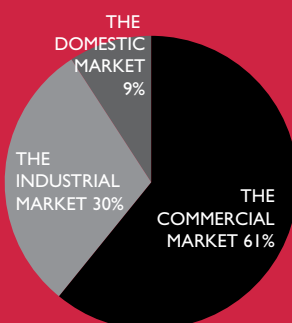
Nilfisk-Advance markets and sells its products through a combination of sales subsidiaries and distributors. The company is represented by sales subsidiaries in 41 countries, mainly in Europe, North America and Asia. Markets in which Nilfisk-Advance does not have subsidiaries are serviced by an extensive network of distributors, from the company's Danish head office or from the United States. In North America, some 70% of sales are effected through distributors, the remaining 30% being direct sales. In Europe, the split is 60/40 between distributors and subsidiaries.

As a result of recent years' extensive acquisitions, Nilfisk-Advance has become the owner of a long line of associated brands: Advance, Clarke, Kent, Euroclean, American Lincoln, Clarke American Sanders, U.S. Products, Viper, ALTO and CFM - to which must be added the name Nilfisk. Where considered important for the future of the products concerned their brand names have been retained - sometimes in combination with the name Nilfisk. Hence Nilfisk-ALTO and Nilfisk-CFM.

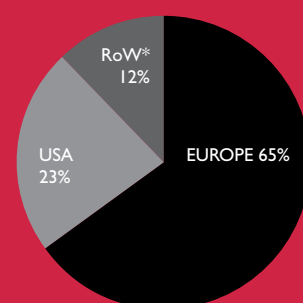
SALES BY PRODUCTS FIG. 1



SALES BY CUSTOMERS FIG. 2



SALES BY MARKETS FIG. 3



\*RoW: REST OF WORLD

## CUSTOMERS

Nilfisk-Advance's professional cleaning equipment primarily addresses commercial customers, such as contract cleaners, and industries in which special standards of cleaning are demanded.

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

Sales to domestic consumers take place through household appliance dealers, retail shopping chains and building marts where products are sold in single units.

## COMPETITORS

There is traditionally little consolidation among manufacturers of professional cleaning equipment. For example, the five largest manufacturers - Nilfisk-Advance [Denmark], Kärcher [Germany], Tennant [USA], Hako [Germany] and IPC [Italy] - collectively represent around 40% of the market.

The rest of the market is divided between around 100 suppliers who are primarily regional players.

## ORGANIZATION AND MANAGEMENT

At the end of 2008 Nilfisk-Advance employed 4,837 people, including 570 in Denmark.

The total workforce includes around 200 people in R&D, the remainder being evenly divided between production and distribution, and sales and administration.

In geographical terms, 56% of the workforce is in Europe, 25% in Asia [primarily China] and 19% in North America. These figures include staff in South Africa and Argentina who joined Nilfisk-Advance in 2008.

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

## PRODUCTION AND PRODUCT DEVELOPMENT

Nilfisk-Advance draws on a substantial network of component suppliers and the company's European and US plants mainly handle assembly, quality control and logistics. The company has six plants in Europe, four in North America and two in China. There are allied distribution centres in Denmark, Germany and the United States.

Product development takes place at centres of excellence specializing in high pressure cleaners [Denmark and China], vacuum cleaners [Denmark, Italy and China] and floor-care equipment [USA, Italy and China], and is ultimately aimed at designing and manufacturing equipment that can make it cheaper and easier for the customer to carry out cleaning. Some 3% of revenue is therefore spent on product development. A

significant consideration in this context is to increase equipment value to the user. This means providing reliability, attractive after-sales service, operator-friendly design, user safety - and very important - product pricing based on the lowest possible manufacturing costs. For Nilfisk-Advance, quality is always the prime consideration at all levels.

In the past year special focus has been put on ensuring that innovative measures in product development really do address customer needs. Nilfisk-Advance has invested in extensive customer surveys in nine countries, consisting of interviews with 600 customers and end users in each country, to identify customer wishes.

The objective in Nilfisk-Advance's strategy is to market 2-3 new products a month. In 2008 the company launched an average of almost 4 products a month and expects to introduce around 30 new products during 2009.

## RISK FACTORS

### COMMERCIAL RISKS

To consistently remain among the leading suppliers of professional cleaning equipment it is essential that Nilfisk-Advance commands a product range that can compete successfully with rivals. To realize this aim the company launches a continuous stream of products that are superior to previous models in terms of functionality, running costs, quality and affordability.

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

The company's customers, who are mainly professional users, insist that products not only be competitive in price, but also robust, extremely reliable and can deliver high quality cleaning. In that way they reduce their overall cleaning costs. In addition, customers select suppliers according to market coverage and scope of after-sales service. Nilfisk-Advance seeks to accommodate this requirement by selling to end users via dealers, or by direct sales with after-sales service provided by Nilfisk-Advance's service organisation.

### FINANCIAL RISKS

With around 25% of sales to the US market, Nilfisk-Advance is exposed to development in USD, an exposure that can primarily be related to the translation risk. Translated to DKK terms, a change of +/- 5% in USD will affect company revenue by around +/- 75 mDKK income and operating income [EBT] by around +/- 5 mDKK.

Refer also to Note 30 of the consolidated financial statements, 'Financial risks and financial instruments'.

## CYCLICAL SENSITIVITY

Nilfisk-Advance is considered cyclically sensitive, the reason being that 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 liquidity.

## REVIEW OF EARNINGS PERFORMANCE

For Nilfisk-Advance, 2008 was a year of satisfactory development for the first three quarters, followed by sharp decline in the 4th quarter.

### REVENUE

Nilfisk-Advance realized revenue of 5,882 mDKK in 2008, as against 5,784 mDKK in 2007. This corresponds to growth in local currency of 4%, of which 1% was attributable to organic growth and 3% to acquisitions.

Revenue growth for the year did not reach expectations due to a strong slowdown in demand in the 4th quarter in all main markets.

Around 25% of the revenue of Nilfisk-Advance derives from sales in USD, and up to 9% derives from sales in Asian currencies. Revenue and earnings are therefore currency-sensitive. Revenue was negatively influenced by exchange rate changes to the amount of around 150 mDKK. After excluding this and including the effect of acquisitions, Nilfisk-Advance realized nominal revenue growth of 2%. For the composition of the increased revenue, please refer to Fig. 1 page 6.

The overall organic growth for 2008 of 1% [2007: 7%] is made up of organic growth for Europe of 3% [2007: 8%], North America 4% [2007: 4%], and Rest of World 1% [2007: 5%]. In North America, growth in the main business was 1%, while the speciality segment fell by 31%.

### INCOME DEVELOPMENT

Operating income [EBITDA] was 563 mDKK in 2008, as against 634 mDKK in 2007. After adjustment for restructuring costs of

around 50 mDKK, EBITDA for 2008 was 613 mDKK, a 3% fall on 2007. This is equal to an adjusted EBITDA margin of 10.4%, which is down by 0.6% on 2007. Operating income [EBIT] was 563 mDKK, corresponding to a 6.7% margin, against 494 mDKK and 8.5% in 2007.

As seen in Fig. 4, profitability [EBITDA %] remained high up to and including 3rd quarter 2008. In the 4th quarter profitability decreased as a result of the decline in activity, and after adjustment for restructuring costs EBITDA fell to 130 mDKK in the final quarter of 2008, against 180 mDKK for the same period in 2007.

To adjust the company to the changed market conditions, restructuring measures were introduced in 2008 that resulted in a total of 300 redundancies. The measures led to one-off costs of 50 mDKK.

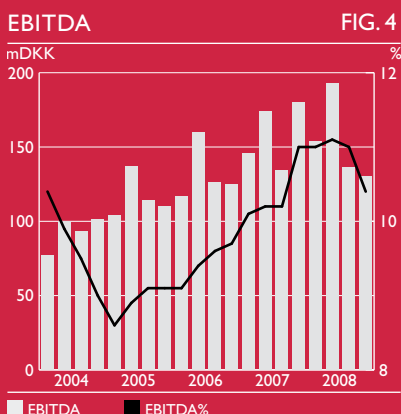
Depreciation and amortization for 2008 were 172 mDKK for 2008, against 140 mDKK for 2007. The increase of 32 mDKK includes 7 mDKK relating to acquisitions, while the remainder is attributable to higher depreciation, mainly on IT investment.

EBIT margin adjusted for one-off costs was 7.5%, against 8.5% for 2007. Our last declared EBIT target was therefore realized [cf. stock exchange release of 18 December 2008].

### RAW MATERIAL PRICES

The raw materials used in production of cleaning equipment are mainly plastics, stainless steel, copper, lead and aluminium. Material consumption represents around 50% of the total cost base, and developments in raw material prices significantly affect developments in costs. In 1st half 2007 raw material prices continued the rise that characterized 2007. In the 2nd half the prices fell in step with the general fall in raw material prices. The economic slowdown towards the end of 2008 also led to easing of pressure for price rises from component suppliers.

Prices of raw materials used in production fell by an average of 15% in 1st half 2008 and by a further 30% in the 2nd half of the



### ONE TONNE LESS

Nilfisk-Advance has joined Denmark's climate campaign, 'One Tonne Less', that targets a one tonne reduction in CO<sub>2</sub> emission on the part of ordinary individuals. All company employees are urged to save on CO<sub>2</sub> emission both at work and at home so as to curb manmade climate change.



year. After the fall in 2008, the prices are back to their level at the start of 2006.

### INVESTMENT IN NON-CURRENT ASSETS

Investment in property, plant and equipment amounted to 99 mDKK in 2008, which was similar to the previous year. 98 mDKK [2007: 115 mDKK] was also invested in capitalized development costs, and in the development of Nilfisk-Advance's new IT system. The SAP project was begun in September 2007, while the capitalized development costs are directly related to the intensive product development that resulted in a number of new product launches in 2008.

Gross investment therefore totalled 197 mDKK, as against 212 mDKK in 2007. This must be seen in relation to depreciation and amortization of 172 mDKK [2007: 140 mDKK].

### WORKING CAPITAL

Working capital at the end of 2008 comprised 1,125 mDKK, a nominal increase of 35 mDKK in relation to 2007. In percentage terms, working capital represented 21.4% of revenue, as against 20.1% at the end of 2007.

As seen from Fig. 5, working capital as a percentage of revenue was on a par with December 2007 until 2nd half 2008. The 2nd half increase was principally due to the sharp slowdown in demand which exceeded expectations and to which inventories and production capacity, etc. were therefore not adjusted. NKT's strategic goal of reducing working capital for Nilfisk-Advance to below 18% is unchanged, and work continues systematically on reducing funds tied up in working capital.

### VALUE CREATION - ECONOMIC PROFIT

Economic Profit [EVA] is a measure of the company's ability to create value in the form of profit after return on investment. At current interest rates, and in the light of Nilfisk-Advance's risk profile, the required minimum return on investment is 8% after tax. EVA can be computed by deducting full tax and cost of capital - calculated as 8% of invested capital - from current operating profit [EBIT].

Fig. 6 shows development in EVA and return on investment [RoCE] measured on a rolling 12 month basis. It will be seen that RoCE has decreased by around 4%-points from around 20% tax in 2007 to 16% tax in December 2008. It is also seen from Fig. 7 that invested capital increased by around 300 mDKK during 2008 to 2.8 bnDKK. 191 mDKK of this increase related to acquisition of HydraMaster and other businesses.

EVA fell considerably in 2008, which besides an increase in invested capital was chiefly due to decreased earnings in the latter part of 2008. EVA for the year was around 82 mDKK, as against 150 mDKK in 2007.

## EVENTS IN 2008

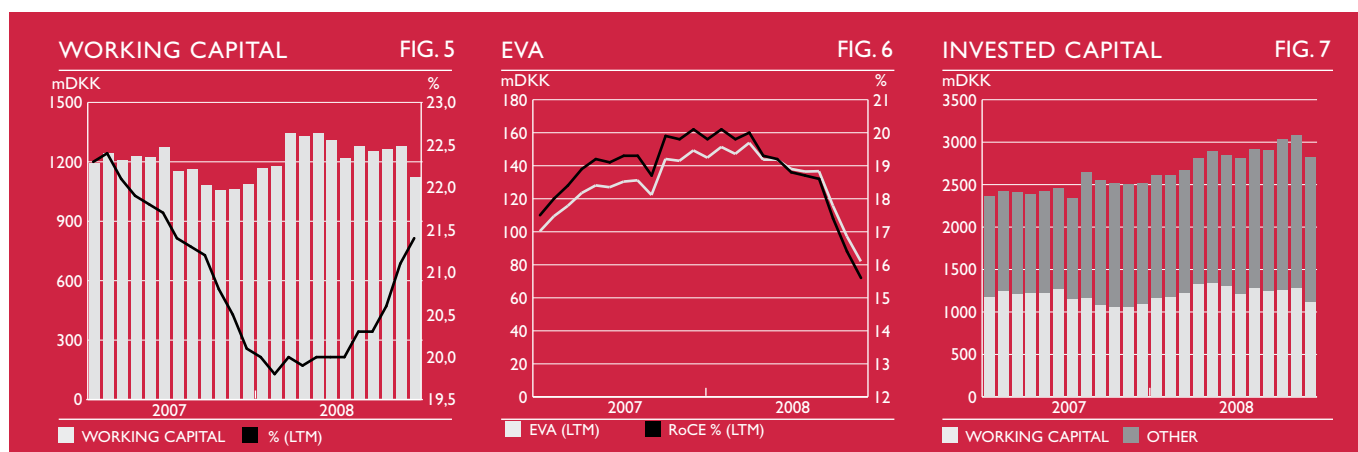
### ACQUISITIONS

Acquisition and establishment of production and sales units continued in 2008. In the course of the year, Aquatech [Sweden], HydraMaster [USA], Frithiof [Denmark], Cyclone [now Nilfisk-Advance Technologies] and KCS [Chile] were welcomed into the Nilfisk-Advance family. With the acquisition in the previous year of U.S. Products [USA], Viper Group [China], the service units Søndergaard Maskinfabrik [Denmark] and Doug Tolson Engineering [UK], as well as WAP South Africa, formerly Nilfisk-Advance's distributor in South Africa, recent years have seen considerable establishment activities by Nilfisk-Advance in both new and existing markets.

In 2008, as a key element in its globalization strategy, Nilfisk-Advance began building a presence in Central and South America by establishing a sales subsidiary in Argentina in March, and in October acquiring a majority interest in the company's former Chilean distributor KCS.

Nilfisk-Advance also sees considerable product sales potential in India, and enquiries made at the start of the year have led to the setting up of a subsidiary company to handle sales, service, logistics and distribution. This subsidiary is domiciled in Mumbai [formerly Bombay].

Nilfisk-Advance cemented its operations in the Middle and Far East by setting up and expanding sales subsidiaries to service



countries with promising economic development. This has resulted in establishment of units in the United Arab Emirates and in Chinese Macao.

All these initiatives have contributed to consolidating Nilfisk-Advance's position as leading supplier in the global market.

## PRODUCTS AND PRODUCT DEVELOPMENT

In 2008 the target of bringing to market an average of one new product or significant product enhancement every month was once again fully realized. Over the year, 19 floor-care models, 11 vacuums, eight high-pressure cleaners, seven carpet cleaners and one floor polisher were launched, a total of 46 new products.

The acquisitions made in 2008 included a number of valuable additions in terms of technology, products and service, and strengthened significantly the scope of products and services that Nilfisk-Advance provides.

With acquisition of production and sales rights to robot technology marketed under the name of 'Multicleaner', Nilfisk-Advance now also commands a cleaning concept specially designed to meet the requirements for hygienic automated cleaning in advanced stable buildings.

Following on its acquisition of the assets of the US company Cyclone Environmental Technologies Inc., Nilfisk-Advance acquired the patent rights to a totally new cleaning technology specially designed for large outdoor surfaced areas. Nilfisk-Advance has subsequently established a new company, Nilfisk-Advance Technologies Inc., to further-develop Cyclone's technology which focuses on reducing the problems of washing water and resulting waste water associated with cleaning.

With the acquisition of the Swedish business Aquatech, which is active in Southern and Central Sweden, Nilfisk-Advance added significant market reach to its existing distribution and service operations in Sweden.

And with the acquisition of the Danish business Frithiof, which markets and sells centralized vacuum cleaning systems to the Danish consumer market, Nilfisk-Advance gained widened access to a promising market segment.

By acquiring HydraMaster, USA, a producer of mobile carpet cleaners, Nilfisk-Advance has strengthened its position as a supplier to the professional cleaning market and its range of indoor cleaning equipment. The acquisition represents a significant step in Nilfisk-Advance's market expansion in North America where carpeted floors and upholstered surfaces are far more widespread than in other parts of the world. Nilfisk-Advance is now among the dominant suppliers of carpet cleaners.

The pipeline of new products for the years ahead will also ensure that Nilfisk-Advance supplies a steady stream of innovations.

In 2008, Nilfisk-Advance's product development activities represented around 3% of the company's revenue.

## STRUCTURAL ADJUSTMENTS IN PRODUCTION AND WORKFORCE

As part of efforts to ensure competitive market pricing, ongoing rationalization and efficiency measures are implemented at company plants. In the light of the downward trend in activity, which hardened in 2nd half 2008, it was decided to accelerate both a number of structural initiatives and organizational adjustments.

In 2008 Nilfisk-Advance therefore closed a production unit in China, transferring its operations to a nearby sister plant. In addition, it was decided in 2009 to realize existing plans to relocate production operations from high-wage to low-wage countries. Plans to source at least 50% of parts used in Nilfisk-Advance equipment from low-wage countries will also be accelerated. Lastly, plans further include provision for a number of adjustments to the company's global distribution and logistics infrastructure.



"Nilfisk-Advance has previously survived crises. In the 1920s and 1930s Nilfisk was hit by the global economic collapse. But we adjusted our business accordingly and continued developing our products; Nilfisk's famous 'Silent Dane' vacuum cleaner was launched during the Great Depression. I put my trust in the same formula this time round."

Jørgen Jensen, CEO,  
in his Nilfisk-Advance intranet blog



As a result of the pronounced decline in demand in 4th quarter 2008 for new cleaning equipment, and no prospect in 2009 of a return to the activity levels prevailing at the start of 2008, Nilfisk-Advance instituted a workforce reduction of around 10%. Over the last three months of 2008 three hundred redundancies were made, and at the end of the year the company thus employed 4,900 people.

Further job cuts are planned for 2009, reducing the number of employees to 4,700. Nilfisk-Advance strives to provide those who lose their jobs - no matter in which part of the company's global organization they have been employed - with the best possible support in finding new employment.

The restructuring measures identified and approved in 2008/2009 will result in costs of around 200 mDKK. Of this amount, 50 mDKK is included in the financial statements for 2008, while 150 mDKK is expected to be realized in 2009.

The initiatives stated are all designed to safeguard Nilfisk-Advance's position as a leading, competitive supplier to the professional cleaning market, and when fully implemented they are expected to generate an annual saving of at least 200 mDKK, including a saving of 120 mDKK in 2009.

## IT

Continued optimization of product flow in production, sales and distribution is a key element in Nilfisk-Advance's competitiveness. Accordingly, the first phase of the extensive SAP system that will eventually link together the entire global organization was introduced in Denmark in autumn 2007. SAP system rollout was begun in 2008.

## ORGANIZATION

In partnership with the International Institute for Management Development [IMD] in Switzerland, Nilfisk-Advance is implementing executive development programmes designed for the company's top management. In 2007/2008 50 staff members completed the programme which is also continuing in 2009.



"Let's use the present economic situation to show our customers that we deliver, also in difficult times. Let's turn the situation to our advantage. We're making short-term adjustments but working to a long-term perspective. This balanced approach will ensure that Nilfisk-Advance emerges from the crisis stronger than when it started."

Jørgen Jensen, CEO,  
in his Nilfisk-Advance intranet blog

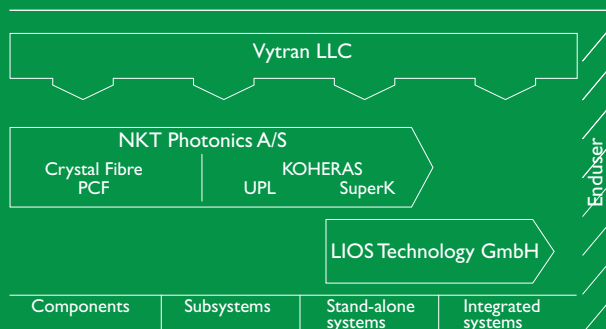
# PHOTONICS GROUP

THE PHOTONICS GROUP WILL LEAD THE TRANSFORMATION OF THE OPTICAL INDUSTRY BY SETTING NEW STANDARDS FOR LIGHT SOURCES AND FIBRE-BASED MEASURING EQUIPMENT

## HIGHLIGHTS

Amounts in mDKK	2008	2007	2006
Revenue	170	112	94
EBITDA	(30)	(18)	(18)
EBIT	(46)	(32)	(31)
Invested capital	120	96	100
Investments in property, plant & equipment	9	12	7
Average number of employees	168	116	101

## PHOTONICS GROUP



# FOCUS ON PHOTONICS GROUP

The NKT Photonics Group of companies represents NKT's newest business segment. The focus of the companies is on advanced products whose functionality is essentially based on the unique light-conducting qualities of optical fibres. Products range from entirely new types of fibres to new fibre lasers, fibre-based measuring equipment and production equipment relating to optical fibre handling

## STRATEGIC PERSPECTIVE

### PRODUCTS AND MARKET

As the figure on page 34 illustrates, the product activities of the Photonics Group range from basic components to system solutions. Common to all the Group's products is a clear market focus on industrial applications and that the essential functionality of the products is embedded in unique light-guiding properties of the optical fibres.

The Group's activities can be categorized into five product segments:

- › Distributed temperature measuring systems [DTS]. Marketed by LIOS Technology GmbH
- › Ultra-precise lasers [UPL]. Marketed by NKT Photonics A/S
- › White light sources [SuperK]. Marketed by NKT Photonics A/S
- › Photonic crystal fibres [PCF] and components. Marketed by NKT Photonics A/S
- › Fibre splicing and glass processing manufacturing equipment. Marketed by Vytran LLC.

**Distributed temperature measuring systems [DTS].** The DTS market today is primarily dominated by fire detection applications in hazardous constructions, including tunnel systems, and monitoring of high voltage cables. Much development activity is also taking place with a view to adapting and testing DTS systems for optimization of oil production. The total global market for DTS systems is estimated at potentially 600 mDKK in 2012. LIOS

Technology has historically focused on monitoring systems for fire detection in tunnels, but since 2007 has also established a strong position in the market for monitoring high voltage cables. This has led to substantial growth in both revenue and earnings. LIOS Technology is therefore now 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 almost 2000 systems to most parts of the world. During 2007 and 2008 the company's organization was further strengthened in the form of additional sales and development resources with focus on the oil and gas sector. At the end of 2008 the company relocated to a new domicile in Cologne with room for further expansion.

**Ultra-precise Lasers [UPL]:** UPL are fibre lasers with extremely narrow line width and low noise level. Such lasers are used as sensors in industrial instruments for a variety of applications:

- › Measurement of wind speed [wind farms, turbines and aircraft]
- › Surveillance of borders, oil pipelines, ports and coastal areas
- › Exploration and monitoring of oil reserves.

Most of these areas of application are in the 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. The fibre laser market for sensor applications is generally expected to see growth rates in the range of 30-50% in the years ahead. If several of the new applications achieve breakthrough, the

### GLOSSARY

**Optical fibre:** Fibre made of glass capable of transmitting light signals from one location to another.

**Photonic crystal fibre [PCF]:** A special type of optical fibre characterized by having a crystalline-like structured pattern of holes along the length of the fibre. The holes are responsible for the light-guiding properties of PCF-fibres enabling unique properties such as the ability to guide light in extremely small areas or to guide light of extreme high pulse intensities.

**Confocal microscopes:** Microscope technology that can be used for example to 'see' cells hidden in fat.

**Non-linear fibre :** Fibre which due to its small core cross-section can achieve such high intensities that light will not propagate normally and for example may change frequency.

**White light source:** The light source [the fibre] generates all colours - both those in the visible and in the invisible frequency range.

**Distributed temperature measuring systems [DTS]:** A measurement system that can register temperatures at measuring points along a given section.

**High-power fibre laser components:** Components used in light sources that emit light at an output-level of 1 Watt or more.

**Ultra-precise lasers [UPL]:** Lasers characterized by extremely narrow line width and very low noise level.

**Laser:** Acronym for 'Light Amplification by Stimulated Emission of Radiation'. A laser creates light or other electromagnetic radiation with very special characteristics.

**Supercontinuum laser [SuperK]:** A light source that emits light at all wavelengths and with almost the same intensity at all wavelengths. With SuperK light sources a microscope can achieve with one examination what it would take several lasers, each having a different emitting wavelength, to do and with a better result.

total sensor market in which UPL fibre lasers are deployed is likely to represent more than 1 bnDKK. NKT Photonics is active in the areas referred to and the company is believed to be the leading global supplier of fibre lasers for these purposes. In the area of wind speed measurement, measuring equipment based on lasers from NKT Photonics is now used in standard devices for identifying potential new wind farms, and similar equipment is being tested in large wind turbines. Several different customers are also conducting field trials in which lasers from NKT Photonics are being used for ocean floor seismic surveys with a view to optimizing recovery of oil reserves. All three areas of application are expected to see high growth rates in years ahead.

**White light sources [SuperK]:** A white light source is a fibre laser that emits a broad spectrum of light. The SuperK white light source is an entirely new type of 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 that can potentially be replaced by white light sources is estimated at around 1 bnDKK. NKT Photonics is one of two dominant producers of this new type of light source. The company is primarily focused on development of its white light sources in partnership with leading industrial users. For example, the SuperK Extreme™ product version was developed in close collaboration with the microscope manufacturer Leica Microsystems GmbH, which in 2008 successfully began marketing microscopes integrated with this light source. The Leica system SP5x equipped with a white light source was named one of the 10 most innovative products of 2008 in the life science sector.

**Photonic crystal fibres and components based on these fibres:** Photonic crystal fibers embrace a number of product segments with widely varying areas of applications ranging from nonlinear fibers [e.g. white light sources], active fibres with amplifier properties for high-power fibre lasers, hollow-core fibres for gyroscopes, and other sensor applications. NKT Photonics markets both crystal fibers and sub-systems with multiple integrated functionalities that make it easier for the customer to exploit the fibres' special characteristics. The products are marketed under the name 'Crystal Fibre'. The non-linear fibres are today routinely used

in commercial products. Photonic crystal fibres with amplifying properties, including also sub-systems containing such fibers, are supplied in small quantities to selected laser customers and used in their development projects aimed at high-power fibre lasers. The future intention with Crystal Fibre and KOHERAS is to utilize the photonic crystal fibre technology to develop new light sources that, in the same way as the white light source, build on the unique properties that these fibres possess. NKT Photonics is the dominant player in the area of photonic crystal fibres, with a substantial edge on its competitors in both technology and patents. The addressable market for crystal fibres is estimated at around 200-400 mDKK. As many applications are still at an early stage of development it is expected to be several years before full product potential is realized.

**Fibre splicing and glass processing manufacturing equipment:** Vytran is focused on two key product areas. One is optical fibre splicing equipment and the necessary pre- and post-processing technologies, ie. equipment for fibre cutting, removal of fibre coating and restitution of fibre coating. The second is a glass processing equipment used to combine and shape optical fibres. Vytran's equipment is used by customers working with telecom-standard fibres or speciality fibres in volume production and laboratory environments and in situations where exceptionally high-quality splicing is a requirement. Splicing applications mainly relate to optical communications, fibre-based sensors and other use of speciality fibres. Glass processing applications mainly relate to fibre lasers and medical components. Vytran is viewed as one of the two leading suppliers in this segment, which is estimated at around 200-300 mDKK in market terms and believed to have major growth potential.

## SALES AND CUSTOMERS

The primary customer base for LIOS Technology's distributed temperature measuring systems are major partners in the individual areas of application, such as Siemens [fire detection market], cable producers [monitoring of high voltage cables], and oil companies [monitoring and optimizing of oil wells]. As the application environments for LIOS Technology's equipment are often subject to stringent safety requirements, the company allocates considerable resources to both participating in relevant

The American scientific journal 'The Scientist', named in December 2008 Leica's TSC SP5 X microscope one of that year's ten best products within life science industry. The microscope contains the white laser from NKT Photonics and can present all colours in one step and thus make it easier to diagnose for example a malign cluster of cells or cancer:



standardization work and to approving its equipment according to national standards.

The ultra-precise lasers made by NKT Photonics, which are still marketed under the 'KOHERAS' brand, primarily address established players in the field of oil exploration and new players in the areas of wind measurement and safety systems. In addition, these lasers are sold to major players within the western defence & security industries.

The photonic crystal fibre products made by NKT Photonics, which are still sold under the 'Crystal Fibre' brand, address a broad group of customers. This group comprises manufacturers of white light sources, lasers and sensors and also research and development units. However, prime focus is on industrial customers, ie. manufacturers of white light sources and the dominant laser suppliers in the high-end segment, such as the semi-conductor industry and the life science segment. As the Crystal Fibre products offer radically new solution options in the laser field, the impetus for introducing products based on Crystal Fibre modules to the laser market will in the initial phase primarily come from small businesses or new venture companies.

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

Vytran's products address customers using photonic crystal fibre products from NKT Photonics and customers using other types of speciality fibres. The customer group is extensive, ranging from optical communications industry and sub-system manufacturers, fiber laser manufactures, aerospace, defense, life science companies and system manufactures and research and development centers. Sales in the USA and parts of Europe are effected directly. Sales in the rest of the world take place through local distributors.

## COMPETITORS

The market for distributed temperature measuring systems is relatively modest compared with the markets for the Photonics

Group's other products. LIOS Technology's largest competitor is Sensa, a company in the Schlumberger Group. Other important players are the venture capital-owned companies Sensonet and SensorTran Inc., and the Japanese company Sumitomo.

In the area of ultra-precise lasers NKT Photonics has a single competitor for fibre laser based solutions, the American venture-owned company NP Photonics. Alternative solutions in the form of semiconductor laser-based systems are viewed as the principal competitor to the KOHERAS products.

In the area of white light sources, NKT Photonics has one direct competitor, the UK private-owned company Fianium Ltd. Here too the competition mainly comes from existing light sources.

NKT Photonics is the only genuine industrial supplier of photonic crystal fibres. There are a number of smaller spin-offs from university environments, who offer customers photonic crystal fibres at developmental level and who are thus instrumental in disseminating the use of crystal fibre technology. High-power fibre lasers are currently the largest potential market for the photonic crystal fibre technology. This market is dominated by IPG Photonics Inc. Through acquisitions the leading two manufacturers of lasers for materials processing, Trumpf GmbH and Rofin-Sinar Technologies Inc., have secured their own fibre laser solutions. NKT Photonics is one of a small number of independent suppliers of fibres for high-power fibre lasers. The main competitors are a couple of small suppliers of non-crystal speciality fibres.

The market for optical fibre splicing equipment is dominated by the three big Japanese companies Sumitomo, Furukawa and Fujikura. Their focus is on the large market for field installation equipment. Vytran's focus lies within the industrial niche segment dealing with splicing and glass processing of speciality fibres. Here the primary competitors are Fujikura and Furukawa. The other suppliers of splicing equipment are not represented as this segment requires a different sales setup to the market than standard splicing equipment.

## ORGANIZATION

The Photonics Group comprises three companies: NKT Photonics, LIOS Technology GmbH and Vytran LLC. We are in the process of

### VISION FOR PHOTONICS GROUP

"Photonics Group will lead the way in the development of the photonics industry by setting new standards for light sources and fibre-based measuring equipment.

We are committed to servicing our customers with fibre-based products and with processes and equipment that enable the manufacture of such products.

We will seek to be market leaders in all we do."

*Photo: 220kV cable grid in Moscow, Russia with fibre optical temperature monitoring installation*



combining the business of Crystal Fibre and KOHERAS, the continuing company being named NKT Photonics. The names 'Crystal Fibre' and 'KOHERAS' will continue to be used as brand names and as trade marks for the products supplied by NKT Photonics.

The three companies in the Photonics Group employ a total of 174 people in Denmark, Germany and the USA.

#### MANAGEMENT

Photonics Group is headed by Søren Isaksen, CTO NKT Holding. NKT Photonics is headed by Jakob D. Skov, CEO as of 2009 [former CEO of KOHERAS since 2001]. LIOS Technology GmbH is headed by Thomas Oldemeyer, CEO since 2006. Vytran LLC is headed by Jean-Michel Pelaprat, CEO since 2008.

### RISK FACTORS

#### COMMERCIAL RISKS

The success of the companies in the Photonics Group depends on their ability to create groundbreaking products for demanding, mostly global niche-type markets. The ability of the companies to attract innovative and well-qualified people and establish constructive interplay between technological and commercial driving forces is therefore crucial to their success.

#### FINANCIAL RISKS

The companies in the Photonics Group are international market players and thus exposed to currency risks. However, these risks are considered limited relative to the overall size of the NKT Group.

#### CYCLICAL SENSITIVITY

At their present stage of development the Photonics Group companies are considered moderately sensitive to cyclical developments. While it lasts, the current financial crisis is primarily expected to influence sales by LIOS Technology and Vytran, but is also expected to delay the breakthrough for sales by NKT Photonics, particularly to the semiconductor industry. Relative to the NKT Group as a whole, the cyclical sensitivity of NKT Photonics Group companies is currently considered negligible.

### EVENTS IN 2008

The Photonics Group realized revenue of 170 mDKK in 2008, an increase of 53% on 2007 [112 mDKK]. Organic growth was up by 18% on 2007, primarily driven by growth in NKT Photonics.

In 2008 further resources were invested in product maturing, build-up of production organization, and market penetration. This increased investment is aimed at realizing the potential of the Photonics Group's competencies and achieving revenue of around 500 mDKK by year 2012.

In 2008, LIOS Technology, which previously primarily focused on monitoring systems for fire detection in tunnels etc., underline the breakthrough achieved in 2007 with sales of its temperature measuring system for the monitoring of high voltage cables, a field in which the company is now among the leading players.

For NKT Photonics, a number of product applications have now been elevated to commercial status by the industrial customers. Examples are use of the company's white light source in Leica confocal microscopes and the company's ultra-precise laser in wind measuring, safety and monitoring equipment. Parallel with supplies for these applications, efforts in 2008 were also directed towards maturing and qualifying the company's products for industrial applications.

Following the acquisition of Vytran LLC in February 2008 the management was reorganized and strengthened with a view to improving the company's ability to pursue the growth potential represented by its products.

The Photonics Group realized total earnings [EBIT] of (46) mDKK, which must be seen against (32) mDKK in 2008. The level of deficit was greater than initially anticipated. This was due partly to intensified maturing activities and partly to a lower than expected margin at Vytran.

In addition to this, the last quarter saw a lower growth than expected, particularly in LIOS Technology, due to delayed and cancelled projects.



"Until today we have never owned a company which, in a global perspective, has had such an outstanding IPR-base. Actually I can't think of any other Danish company with such a solid IPR position within its business area,"



SØREN ISAKSEN, CTO, NKT Holding  
in the Technical University of Denmark's magazine  
DYNAMO in the September 2008 edition on Crystal Fibre

# NKT FLEXIBLES

NKT FLEXIBLES WILL BE MEASURED BY ITS PERFORMANCE AND UNIQUE TECHNOLOGY AND INTENDS TO BE THE PREFERRED PARTNER FOR THE GLOBAL OFFSHORE OIL AND GAS INDUSTRY

## HIGHLIGHTS

Amounts in mDKK	2008	2007	2006
Revenue	1,397	1,237	884
EBITDA	463	269	138
EBIT	428	237	106
Invested capital	556	413	279
Investments in property, plant & equipment	104	98	52
Average number of employees	571	474	356

"Ongoing development is vital to our competitiveness - so that we can offer the most effective and cost-efficient solutions when customers call."



**MICHAEL C. HJORTH**  
CEO, NKT Flexibles

# FOCUS ON NKT FLEXIBLES

NKT Flexibles, which is owned by NKT Holding A/S [51%] and the offshore contractor Acergy [49%], is included in the NKT's corporate financial statements as a 51%-owned joint venture, the company being jointly managed by the owners. The company is therefore not recognized in NKT's consolidated financial statements but reported on one line.

## THE STRATEGIC PERSPECTIVE

### PRODUCTS

NKT Flexibles designs, manufactures and supplies flexible subsea pipe systems designed to recover oil and gas from offshore fields and are an important part of the offshore industry.

The product programme consists of flexible pipes ranging from 2-16" ID [approx. 50-406 mm] designed to operate under highly demanding conditions in all parts of the world. The products are unique as they remain flexible even under very high working pressures, as high as 600 bar; and can at the same time withstand working temperatures up to +130°C.

Flexible pipe systems are today used to recover oil and gas at depths to 2,000 metres, and NKT Flexibles' products are qualified for use at these depths.

### MARKET

The global market for flexible pipe systems for the offshore oil and gas industry is estimated at around 1,5 bnUSD. The largest markets are in the Atlantic off the coast of Brazil [approx. 50% of world market], West Africa and the North Sea. Other important markets are the Gulf of Mexico, the Far East and Australia.

The incentive for the offshore industry to invest in new oil fields is determined by the price of crude oil and by the oil companies' need to replace depleted reserves. Depending on the technology required in each case, the oil companies operate with an oil price of around 30-45 USD/barrel [160 litres] as the figure at which it becomes viable to invest in developing new fields. It should be pointed out, however, that the cost per barrel of recovering oil from new fields typically increases with the depth of operation.

The level of activity in the offshore sector, which increased sharply between 2005 and 2007, declined in 2nd half 2008 as a result of sharply falling oil prices, cf. Fig. 1.

The general economic slowdown has led to a reduction in the need for energy, and resulting in decreased demand for fossil fuels. It is difficult to assess how long this lower demand for fossil fuels will last. The near future is expected to see increased activity due to the need to maintain oil industry

production capacity so that current demand for oil and natural gas can continue to be met.

In the long term, the maintenance of a reliable supply situation will be determined by political and economic decisions in which renewable energy and nuclear power will also be spotlighted. In the short term, demand for oil and gas is again expected to increase by up to 1-2% a year when the global economic situation again approaches normality.

Historically, oil has been recovered from the most cost-effective locations, which means on land and in relatively shallow offshore waters. In step with depletion of these resources, exploration and recovery are taking place in deeper and deeper waters, often using floating production installations [FPSO's and FPU's]. This trend is beneficial to NKT Flexibles because such installations are often dependent on flexible pipelines to convey product from the wells on the sea floor to the production installation on the surface.

### SALES AND CUSTOMERS

NKT Flexibles has its own sales organisation and can also bid for new projects through Acergy.

Some projects are let by tender; where it is possible to bid separately for the pipe contract and for an all-in solution that also includes installation on the sea floor.

In addition to sales via and in close partnership with Acergy, NKT Flexibles supplies direct to the global offshore industry. The proportion of direct to indirect sales continues to increase. The customer portfolio includes oil companies of all sizes, including StatoilHydro, Petrobras, Exxon, Mobil, Shell, BP, Maersk and Total, along with a number of specialist offshore contractors, such as APL, SBM and Bluewater.

NKT Flexibles is a project-oriented enterprise whose business is based on customer tenders.

NKT Flexibles is therefore not price-sensitive in the traditional sense, but is wholly dependent on investment decisions which are primarily driven by oil price expectations, the composition of oil reserves, and the resulting willingness to invest in expanding existing fields or establishing new ones.

## COMPETITORS

Worldwide, NKT Flexibles is one of the world market's three suppliers of flexible pipe systems to the offshore oil and gas industry. Based on current installed capacity the company has around 15% of the market.

The other two suppliers are Technip [France] and Wellstream [UK] with market shares of around 55% and 30%, respectively. The market leader, Technip, is the dominant supplier of very large and/or very technically challenging all-in solutions to the biggest oil companies.

Technip supplies flexible pipes in sizes from 2" to 19" ID [approx. 50-483 mm] designed to operate under highly demanding conditions in all parts of the world. Technip is qualified for depths to 2,000 metres.

Wellstream has in recent years established itself as a supplier to projects requiring large volumes of standard products, mainly for the Brazilian market. Wellstream supplies flexible pipes in sizes from 2" to 16" ID [approx. 50-406 mm] designed for very demanding offshore conditions. Wellstream is qualified to depths to 2,000 metres.

## ORGANIZATION AND MANAGEMENT

NKT Flexibles is managed at Board of Directors level in an interplay between the two owners. Day to day operations are administered by the management headed by CEO Michael C. Hjorth.

NKT Flexibles employed some 600 people at the end of December 2008. 40% of these employees worked at the company's head office near Copenhagen and were mainly engaged on R&D, project engineering and administration. The remaining 60%, mainly production personnel, worked at the factory in Kalundborg. The company also has a development division in Aalborg, Denmark, and a sales subsidiary in Brazilian Rio de Janeiro.

## PRODUCTION AND PRODUCT DEVELOPMENT

The Kalundborg production plant is situated in the docks which offer sufficient draught for very large installation vessels. The

factory covers an area of 125,000 m<sup>2</sup> including 45,000 m<sup>2</sup> of covered area. A feature of the factoryscape is the very large reels and turning platforms that convey the pipes from factory to ship.

NKT Flexibles has its own laboratory and testing facilities and employs a total of more than 40 development engineers involved in materials technology, process optimization and methodology for determining the service life for the flexible pipe systems of the future.

## INVESTMENT

NKT Flexibles performs ongoing investment in product development, production efficiency programmes, and expansion of production capacity. In recent years, annual investment in maintenance and expansion of capacity has been around 35 mDKK and 65 mDKK, respectively. The level of investment will increase in 2009 and 2010 as a result of a factory expansion under way.

## RISK FACTORS

### COMMERCIAL RISKS

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

The relative competitiveness of the three leading suppliers 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.

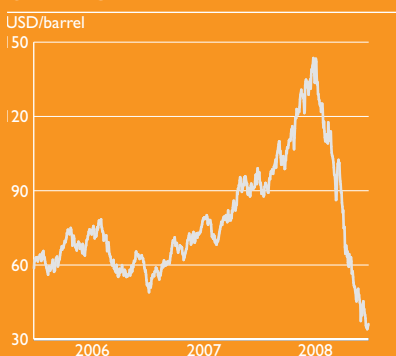
### FINANCIAL RISKS

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

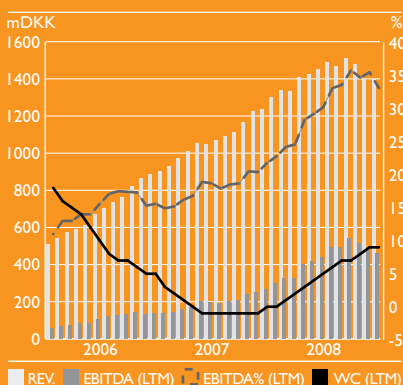
### CYCLICAL SENSITIVITY

NKT Flexibles rates low to moderate on cyclical sensitivity. The company forms part of the value chain for the global offshore industry, and product need is primarily related to expansion of

OIL PRICE TREND



EBITDA



### DOCKSIDE FACTORY

The Kalundborg plant has its own dock which is 7-10 metres deep and can accommodate almost any installation vessel or floating crane. Pipes in all dimensions can be loaded directly aboard ship for transport to the oil and gas fields.



Read more at [www.nkt.dk](http://www.nkt.dk)

existing oil fields or establishment of new ones. The offshore industry operates off a long planning horizon and investment decisions are primarily driven by the development in oil prices and the size and composition of the oil reserves.

## ENVIRONMENT AND SAFETY

NKT Flexibles issues annual environmental statements and is certified according to ISO 14001 [environmental management] and OHSAS 18001 [health and safety]. The company has a very high safety rating which among other things is audited by external consultants and by the company's customers. The company is considered to have a very high safety level, which is monitored by external consultants and the company's customers.

## REVIEW OF EARNINGS PERFORMANCE

2008 too was a year in which NKT Flexibles reported very strong growth that fulfilled expectations.

NKT Flexibles realized revenue of 1,397 mDKK in 2008, as against 1,237 mDKK the previous year, which was an increase of 13%. The increase in revenue was attributable partly to the high level of sector activity that has been a characteristic of recent years, and partly to the company's improved competitiveness.

Operating income for 2008 was positively influenced both by the increase in revenue and by the product mix. Operating income for 2008 was 463 mDKK in 2008, as against 269 mDKK in 2007. With an increase of 194 mDKK [72%], performance this year too was therefore very satisfactory, against what was also a high level in 2007. EBITDA margin was 33% [2007: 22%], which reflects full utilization of capacity, cf. Fig. 2.

51% of the NKT Flexibles' earnings before tax [EBT] is recognized in the NKT Group's operating income [EBITDA]. 222 mDKK was recognized for 2008, against 121 mDKK for 2007. This compares with a forecast of 230 mDKK, which was revised upwards from an initial forecast of 120 mDKK.

Net interest bearing assets at 31 December 2008 was 236 mDKK, compared with a figure of 5 mDKK at the start of the year.

Market visibility is influenced by the current economic situation. Seen in that light, orders received are stable.

## EVENTS IN 2008

### MARKET SITUATION

The sharply falling oil prices - from around 150 USD a barrel halfway through the year to around 40 USD a barrel at the end of 2008 - have understandably reduced activity levels in the offshore oil and gas sector. A number of planned field developments have been postponed, in some cases due to inadequate profitability at current oil price levels, in other cases due to shortage of finance.

In the somewhat longer term the level of activity is expected to increase once more as production in most of the world's existing oil and gas fields is falling. It will therefore be necessary for the oil companies to find solutions for maintaining well pressure - or alternatively open new fields.

Against the background of the changed market conditions, focus in 2009 will be given to ensuring adequate levels of activity in the form of new projects and production for the Kalundborg plant, thereby enabling continued positive development of the company's technological base and product portfolio. The vision of turning NKT Flexibles into the preferred supplier of advanced flexible pipe systems to all offshore and gas areas will be maintained so that the company will be ready when demand for oil and natural gas again exceeds supply.

### SIGNIFICANT PROJECT DELIVERIES

A player in all offshore oil and gas regions, NKT Flexibles had project deliveries in 2008 to both new and existing customers worldwide. Significant projects included a multi-year framework contract to manufacture and supply finished pipes to India, while under a similar framework contract, flexible pipes will be supplied for use in the Caspian Sea. In addition, NKT Flexibles continued widening its close collaboration with Statoil-Hydro on the Norwegian Continental shelf.

In spring 2008 NKT Flexibles was awarded a groundbreaking three-year framework contract with the state-owned Brazilian



The 'PRP-I' project in India, for which Flexibles manufactured and supplied almost 60 km of flexible pipe over a three-year period as replacement for corroded steel pipes, has been so successful for the client - the Indian oil company ONGC - that NKT Flexibles has been awarded a further order for a continuation of the project.

oil company Petrobras covering future supply of flexible risers and flowlines for use at depths to 2,000 metres. The award of this contract is the result of focused effort in the field of development.

### ORGANIZATIONAL DEVELOPMENT

Controlled development of the workforce continued in 2008. The number of employees increased during the year by 10%, from 540 in January to just over 600 at year end.

In August, all operations in the Copenhagen metropolitan area were consolidated within a new company head office and associated test centre. The new headquarters is situated at the Priorparken business park in Brøndby, Copenhagen.

### CAPACITY

In 2008 around 100 mDKK was invested in new plant and process technology at the Kalundborg factory to increase efficiency and capacity. The project to expand plant capacity is continuing as planned, but the market situation is being monitored, and it is possible to spread the project over a somewhat longer horizon in order to improve balance between additional capacity and market needs. It is pointed out in this regard that those parts of the project relating to critical processes for which the company currently has no backup systems will continue as planned.

Around 100 km of flexible pipe was manufactured in dimensions ranging from 3"-15"ID [inner diameter]. Some 45 projects were completed over the year, which was similar to 2007.

As a result of the important framework contract with Petrobras, NKT Flexibles has expanded its project services function to five Project Management Units. These units are manned by engineers and administrative staff who provide technical support to customers regarding delivery and installation of finished pipes.

Expansion of assembly and testing facilities at the Kalundborg plant began with construction of a new building capable of accommodating four 9.2-metre reels. The expansion will be

completed in 1st quarter 2009 and will upgrade assembly and testing capacity by around 50%.

### NEW PRODUCTS

Product development activities continued in 2008, concentrated principally on deepwater pipes for installation at depths to 2,000 metres. Following receipt of the Petrobras' framework contract, focus is now aimed at the specific requirements. Towards the end of 2008, 6"ID and 8"ID pipes were successfully tested in Brazil and subsequently approved for depths to 2,000 metres.

NKT Flexibles is currently developing new applications for determining the condition of flexible pipe systems while in service. This project is the result of a market demand for creating a picture of the condition of the pipe system for the purpose of operation and maintenance. Thought is being given to establishing a specific department at NKT Flexibles dedicated to this field.

In 2008 the company continued commercial production of flexible pipes based on a new patented method that uses infra-red light to cross-link polyethylene.

### ENVIRONMENT

NKT Flexibles' Environmental Report documents that the Kalundborg factory is the source of negligible pollution in terms of pipes, noise and wastewater. The company's ISO 14001 [environmental management] and OHSAS 18001 [health and safety] approvals were extended, certifying that the factory is in compliance with national and international standards.

Work is continuously taking place aimed at enhancing company safety standards in the form of campaigns and courses for all personnel with a view to eliminating all risks of personal injury. NKT Flexibles is considered to operate to high levels of health and safety in this field.



The ACG project in the Caspian Sea. NKT Flexibles has supplied static high-pressure flexible flowlines for BP's massive field developments in Azerbaijan.



# GROUP MANAGEMENT

## BOARD OF DIRECTORS

### CHRISTIAN KJÆR, R<sup>1</sup> [1943]

*Chairman*

Chamberlain, Master of the Royal Hunt,  
Attorney, LL.M. 1972  
Member and Deputy Chairman 1987  
Chairman 1990  
No. of shares in NKT: 622,286

### Chairman of the Board of

A/S Segalith af I/4 1987  
Sankt Gjertruds Stræde 10 A/S  
Skærbæk Plantage A/S

### Member of the Board of

Nye Kommercielle Aktiviteter Holding A/S  
Ejendomsselskabet D.F.K. A/S

### 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  
No. of shares in NKT: 429

### Member of the Board of

Billund Lufthavn A/S  
KL [National Association of Local  
Authorities in Denmark]  
Egns-Invest IFS A/S

### KRISTER AHLSTRÖM [1940]

*Director*

M.Sc. Tech., 1966, bergsråd, Dr. dr.h.c.  
Member of the Board 1995  
No. of shares in NKT: 0

### Member of the Board of

MetroAuto Group Oy, Finland  
Desigence Oy, Finland  
And of two Swedish and one Finnish Board  
of Trustees

### GUNNAR K. JØRGENSEN\* [1946]

Fitter, NKT Flexibles I/S  
Joined NKT 1997  
Member of the Board 2005  
No. of shares in NKT: 50

### ARNE DAN KJÆRULFF\* [1948]

Service Technician, Nilfisk-Advance A/S,  
Joined NKT 1974  
Member of the Board 2006  
No. of shares in NKT: 624

### JENS MAALØE [1955]

President and CEO, Terma A/S  
M.Sc. E.Eng. 1979 - PhD 1983  
Member of the Board 2004  
No. of shares in NKT: 450

### Member of the Board of

Topdanmark A/S  
Ingeniørhøjskolen i Århus

### JØRGEN BJERGSKOV NIELSEN\* [1949]

Electrician, NKT Cables A/S  
Joined NKT 1976  
Member of the Board 1991  
No. of shares in NKT: 410

*\*Employee-elected board members*

### JENS DUE OLSEN [1963]

M.Sc. 1990  
Member of the Board 2006  
No. of shares in NKT: 0

### Member of the Board of

Industriens Pension A/S  
Hungarian Telephone and Cable Corp. Inc.  
Cryptomathic A/S  
Johnsen Oil A/S  
CO + Høgh A/S

### LONE FØNSS SCHRØDER [1960]

President, Wallenius Lines AB  
LL.M. 1987, M.Sc. 1985  
Member of the Board 2008  
No. of shares in NKT: 0

### Chairman of the Board of

Elite Miljø A/S

### Member of the Board of

DSB [Danish State Railways]  
Aker ASA, Norway  
Yara ASA, Norway  
Vattenfall AB, Sweden

*Reported shareholdings are stated as at  
1 March 2009 and include shareholdings of  
related parties.*

*Information on directorships is given pursuant  
to section 107 of the Danish Financial  
Statements Act concerning managerial posts  
in other Danish companies, and NKT's  
Corporate Governance Practice.  
More information about NKT Group  
Management can be found on [www.nkt.dk](http://www.nkt.dk).*

CHRISTIAN KJÆR



JAN TRØJBORG



KRISTER AHLSTRÖM



GUNNAR K. JØRGENSEN



ARNE DAN KJÆRULFF



JENS MAALØE



JØRGEN BJERGSKOV



JENS DUE OLSEN



LONE F. SCHRØDER



# GROUP MANAGEMENT

## BOARD OF MANAGEMENT

### THOMAS HOFMAN-BANG

[1964]

President and CEO  
State-Authorized Public Accountant  
cand.merc.aud. 1992  
Joined NKT and  
the Management Board 2000  
No. of shares in NKT: 48,000 [of which  
bought in 2008: 20,000]

#### Chairman of the Board of

NeuroSearch A/S  
BL&S Capital Management  
Fondsmæglerselskab A/S

#### Member of the Board of

Nordea Investment Fund Management A/S  
Rambøll Group A/S  
Det Danske Klasselotteri A/S

### SØREN ISAKSEN

[1952]

Group Executive Director, CTO  
cand.scient. 1977 - PhD 1981  
Joined NKT 1981  
Member of the Management Board 1999  
No. of shares in NKT: 47,275 [of which  
bought in 2008: 20,000.]

#### Member of the Board of

Glud & Marstrand A/S

### MICHAEL HEDEGAARD LYNG

[1969]

Group Executive Director, CFO  
cand.merc.aud. 2001  
Joined NKT 2007  
Member of the Management Board 2008  
No. of shares in NKT: 449

## HEADS OF GROUP SERVICES

### KARSTEN RIIS ANDERSEN

[1970]

Controlling and accounting

### OLE BRAMSNÆS

[1946]

Legal affairs

### SØREN MAGDAL CHRISTENSEN

[1975]

Treasury

### METTE RONA

[1970]

Tax

### ANNE SCHOEN

[1956]

Communications

### HENNING TOFT

[1946]

HR

*Reported shareholdings are stated as at 1 March 2009 and include shareholdings of related parties.*

*Information on directorships is given pursuant to section 107 of the Danish Financial Statements Act concerning managerial posts in other Danish companies, and NKT's Corporate Governance Practice.*

*More information about NKT Group Management can be found on [www.nkt.dk](http://www.nkt.dk).*

THOMAS HOFMAN-BANG



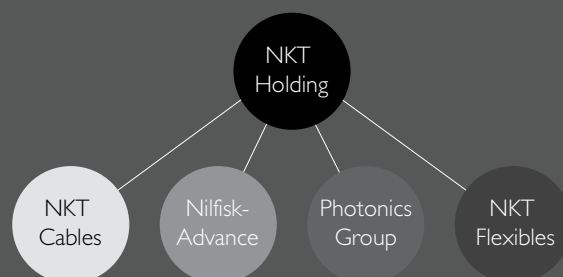
SØREN ISAKSEN



MICHAEL HEDEGAARD LYNG



NKT GROUP



# STATEMENTS

## STATEMENT 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 2008.

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. We consider the accounting policies used to be appropriate. In our opinion the Annual Accounts and the Group Accounts give a true and fair view of the company's and the group's assets, liabilities, financial position at 31 December 2008 and the results of the company's and the group's operations and cash flow for the financial year 1 January - 31 December 2008.

The Management's Review comprises in our opinion a true fair description of development in the company's and the group's operations and financial conditions, the results for the financial year and the company's financial position as well as the financial position as a whole for the entities included in the Group Accounts and a description of the more significant risks and the elements of uncertainty facing the company and the group.

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

Brøndby, 5 March 2009

### BOARD OF MANAGEMENT

Thomas Hofman-Bang  
*President and CEO*

Søren Isaksen  
*CTO*

Michael Hedegaard Lyng  
*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



## 2 APRIL 2009

Annual General Meeting to be held at Radisson SAS Falconer Center; Copenhagen, at 16:00



# STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

*To the Shareholders of NKT Holding A/S*

We have audited the Annual Report of NKT Holding A/S for the financial year 1 January - 31 December 2008, which comprises the Statement of the Board of Directors and Board of Executives on the Annual Report, Management's Review, a summary of significant accounting policies, the income statement, balance sheet, statement of changes in equity, cash flow statement for the year then ended and notes for the Group as well as for the Parent Company. The Annual Report 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. The Board of Directors and Board of Executives'

### RESPONSIBILITY FOR THE ANNUAL REPORT

The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is 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.

### AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on this Annual Report 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 Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Board of Executives, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

### OPINION

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2008 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 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies.

*Copenhagen, 5 March 2009*

KPMG  
Statsautoriseret Revisionspartnerselskab

Finn L. Meyer  
State Authorised Public Accountant

Søren P. Krejler  
State Authorised Public Accountant

# FINANCIAL STATEMENTS 2008

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# INCOME STATEMENT

1 January - 31 December  
Amounts in mDKK

	Note	2008	2007
Revenue	3	13,827.5	13,524.7
Other operating income	4	87.4	184.2
Changes in inventories of finished goods and work in progress		(56.6)	89.6
Work performed by the Group and capitalised		12.1	13.2
Raw materials, consumables and goods for resale		(8,522.4)	(8,480.1)
Employee benefits, expense	5,6	(2,529.9)	(2,322.7)
Other costs	6,7	(1,830.0)	(1,705.5)
Share of profit for the year attributable to associates and joint ventures	8,9	229.9	129.9
<b>Earnings before interest, tax, depreciation and amortization [EBITDA]</b>		<b>1,218.0</b>	<b>1,433.3</b>
Depreciation and impairment of tangible assets	16	(274.5)	(192.6)
Amortization and impairment of intangible assets	15	(125.0)	(108.0)
<b>Earnings before interest and tax [EBIT]</b>		<b>818.5</b>	<b>1,132.7</b>
Financial income	10	152.1	95.7
Financial expenses	11	(378.2)	(240.5)
<b>Earnings before tax [EBT]</b>		<b>592.4</b>	<b>987.9</b>
Tax	12	(188.1)	(167.9)
<b>Profit for the year</b>		<b>404.3</b>	<b>820.0</b>
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		401.1	804.6
Profit attributable to minority interests		3.2	15.4
		<b>404.3</b>	<b>820.0</b>
Basic earnings per share [EPS]	13	17.0	34.2
Diluted earnings per share [EPS-D]	13	17.0	34.0

The Board of Directors proposes a dividend for the year of 0 DKK per share [2007: 11 DKK per share] for approval at the annual general meeting.

# CASH FLOW STATEMENT

1 January - 31 December

Amounts in mDKK

	Note	2008	2007
Operating earnings before depreciation and amortization [EBITDA]		1,218.0	1,433.3
Profit on sales of non-current assets, used and increase of provisions, and other non-cash operating items, etc.		(299.4)	(267.9)
Changes in working capital		151.5	210.2
Cash flows from operations before financial items etc.		1,070.1	1,375.6
Interest received		118.4	39.6
Interest paid		(334.1)	(166.4)
Income tax paid		(91.6)	(86.5)
<b>Cash flows from operating activities</b>		<b>762.8</b>	<b>1,162.3</b>
Acquisition of subsidiaries	27	(213.6)	(1,039.3)
Acquisition of tangible assets		(755.5)	(457.5)
Disposal of tangible assets		315.3	68.4
Other investments, net		31.1	(76.9)
<b>Cash flows from investing activities</b>		<b>(622.7)</b>	<b>(1,505.3)</b>
Changes in non-current loans from credit institutions		(9.3)	(147.3)
Changes in current loans from credit institutions		170.0	238.7
Dividends paid		(260.2)	(235.6)
Cash from exercise of share-based options		12.9	15.1
<b>Cash flows from financing activities</b>		<b>(86.6)</b>	<b>(129.1)</b>
<b>Net cash flows from operating, investing and financing activities</b>		<b>53.5</b>	<b>(472.1)</b>
Cash at bank and in hand, 1 January		538.7	1,016.5
Currency adjustments		(5.6)	(5.7)
Net cash flows		53.5	(472.1)
<b>Cash at bank and in hand, 31 December</b>	26	<b>586.6</b>	<b>538.7</b>

# BALANCE

31 December

Amounts in mDKK

	Note	2008	2007
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>	15		
Goodwill		1,042.9	905.4
Trademarks etc.		55.5	33.2
Customer related assets		103.9	102.3
Development projects completed		147.5	89.6
Patents and licences etc.		170.4	154.3
Development projects in progress		65.0	102.6
		<b>1,585.2</b>	<b>1,387.4</b>
<b>Property, plant and equipment</b>	16		
Land and buildings		483.0	469.0
Manufacturing plant and machinery		620.4	572.9
Fixtures, fittings, tools and equipment		290.4	274.3
Property, plant and equipment under construction and prepayments		615.2	192.3
		<b>2,009.0</b>	<b>1,508.5</b>
<b>Other non-current assets</b>			
Investments in associates and joint ventures	8,9	481.0	260.2
Other investments and receivables		41.2	32.3
Deferred tax	22	205.3	247.3
		<b>727.5</b>	<b>539.8</b>
<b>Total non-current assets</b>		<b>4,321.7</b>	<b>3,435.7</b>
<b>Current assets</b>			
Inventories	17	2,228.1	2,286.8
Trade and other receivables	18,24	2,739.0	2,508.1
Income tax receivable		59.6	39.6
Other investments		-	18.4
Receivables from sale of property		-	271.9
Cash at bank and in hand	26	586.6	538.7
<b>Total current assets</b>		<b>5,613.3</b>	<b>5,663.5</b>
<b>Total assets</b>		<b>9,935.0</b>	<b>9,099.2</b>

# BALANCE

31 December

Amounts in mDKK

	Note	2008	2007
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19,20	474.4	472.8
Reserves		(73.8)	(112.0)
Retained earnings		3,026.6	2,625.3
Proposed dividends		0.0	260.0
Total equity attributable to equity holders of NKT Holding A/S		3,427.2	3,246.1
Minority interests		37.5	36.4
<b>Total equity</b>		<b>3,464.7</b>	<b>3,282.5</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax	22	122.8	94.8
Employee benefits	21	280.1	286.6
Provisions	23	90.9	92.9
Interest bearing loans and borrowings	24,30	1,315.0	1,343.1
		<b>1,808.8</b>	<b>1,817.4</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	24,30	1,415.3	1,205.5
Trade and other payables	24,25	2,998.4	2,613.6
Income tax payable		108.9	48.0
Provisions	23	138.9	132.2
		<b>4,661.5</b>	<b>3,999.3</b>
<b>Total liabilities</b>		<b>6,470.3</b>	<b>5,816.7</b>
<b>Total equity and liabilities</b>		<b>9,935.0</b>	<b>9,099.2</b>

# STATEMENT OF CHANGES IN EQUITY

31 December Amounts in mDKK	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
<b>Equity, 1 January 2008</b>	<b>472.8</b>	<b>(107.7)</b>	<b>(4.4)</b>	<b>0.1</b>	<b>2,625.3</b>	<b>260.0</b>	<b>3,246.1</b>	<b>36.4</b>	<b>3,282.5</b>
<b>Changes in equity in 2008</b>									
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 changes in equity		4.6	(10.5)				(5.9)		(5.9)
Net income and expense recognized									
directly in equity	-	9.0	29.2	-	(15.3)	-	22.9	(5.7)	17.2
Profit for the year					401.1	-	401.1	3.2	404.3
<b>Total recognized income and expense</b>	<b>-</b>	<b>9.0</b>	<b>29.2</b>	<b>-</b>	<b>385.8</b>	<b>-</b>	<b>424.0</b>	<b>(2.5)</b>	<b>421.5</b>
Paid dividend					(0.2)	(260.0)	(260.2)		(260.2)
Paid dividend of treasury shares					0.8		0.8		0.8
Additions minority interests							-	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
<b>Total changes in equity in 2008</b>	<b>1.6</b>	<b>9.0</b>	<b>29.2</b>	<b>-</b>	<b>401.3</b>	<b>(260.0)</b>	<b>181.1</b>	<b>1.1</b>	<b>182.2</b>
<b>Equity, 31 December 2008</b>	<b>474.4</b>	<b>(98.7)</b>	<b>24.8</b>	<b>0.1</b>	<b>3,026.6</b>	<b>-</b>	<b>3,427.2</b>	<b>37.5</b>	<b>3,464.7</b>

# STATEMENT OF CHANGES IN EQUITY

31 December Amounts in mDKK	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
<b>Equity at 1 January 2007</b>	<b>470.0</b>	<b>0.9</b>	<b>14.4</b>	<b>0.1</b>	<b>2,066.3</b>	<b>235.0</b>	<b>2,786.7</b>	<b>18.9</b>	<b>2,805.6</b>
<b>Changes in equity in 2007</b>									
Foreign exchange translation differences		(105.9)					(105.9)	2.1	(103.8)
Value adjustment of hedging instruments:									
Value adjustment for the year			(27.0)				(27.0)		(27.0)
Transferred to revenue			6.1				6.1		6.1
Tax on changes in equity		(2.7)	2.1		0.4		(0.2)		(0.2)
Income and expense recognized									
directly in equity	-	(108.6)	(18.8)	-	0.4	-	(127.0)	2.1	(124.9)
Profit for the year					544.6	260.0	804.6	15.4	820.0
<b>Total recognized income and expense</b>	<b>-</b>	<b>(108.6)</b>	<b>(18.8)</b>	<b>-</b>	<b>545.0</b>	<b>260.0</b>	<b>677.6</b>	<b>17.5</b>	<b>695.1</b>
Paid dividend					(0.6)	(235.0)	(235.6)		(235.6)
Paid dividend, treasury shares					0.8		0.8		0.8
Share-based options exercised					(0.8)		(0.8)		(0.8)
Share-based payment					2.3		2.3		2.3
Subscribed by exercise of share-based options	2.8				12.3		15.1		15.1
<b>Total changes in equity in 2007</b>	<b>2.8</b>	<b>(108.6)</b>	<b>(18.8)</b>	<b>0.0</b>	<b>559.0</b>	<b>25.0</b>	<b>459.4</b>	<b>17.5</b>	<b>476.9</b>
<b>Equity, 31 December 2007</b>	<b>472.8</b>	<b>(107.7)</b>	<b>(4.4)</b>	<b>0.1</b>	<b>2,625.3</b>	<b>260.0</b>	<b>3,246.1</b>	<b>36.4</b>	<b>3,282.5</b>

# NOTES

Amounts in mDKK

## I Accounting estimates and judgments

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 described in the section on risk factors in Management's review and in Note 30 to 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 2008, 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/scraping of assets, impairment tests and other indicators. Depreciation/amortization for the year and useful lives are seen in Notes 15 and 16.

- **Construction contracts.** 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 assessment 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 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.

# NOTES

Amounts in mDKK

## I Accounting estimates and judgments [continued]

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

### Assesment in applied accounting polices

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

Examples of such judgments is when income and expenditure relating to third-party contracts must be treated in accordance with the percentage of completion method [construction contracts]. In 2008 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.
- **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.

# NOTES

Amounts in mDKK

## 2 Segment reporting

The information the NKT Group provides about its business segments is based on NKT's accounting policies and internal financial management.

Our business segments comprise:

- > NKT Cables, cable products
- > Nilfisk-Advance, professional cleaning equipment
- > Photonics Group, optical products

<b>Activities - primary segment - 2008</b>	NKT Cables	Nilfisk- Advance	Photonics Group	Unalloca- ted / Other	Total 2008
<b>Income statement</b>					
Revenue from external customers	7,765.5	5,881.8	169.0	11.2	13,827.5
Inter-segment revenue	0.4	-	1.8	(2.2)	-
Total revenue	7,765.9	5,881.8	170.8	9.0	13,827.5
Costs and other income, net	(7,260.2)	(5,327.8)	(200.3)	(51.1)	(12,839.4)
Share of profit for the year, associates and joint venture	(1.0)	9.2	-	221.7	229.9
Earnings, [EBITDA]	504.7	563.2	(29.5)	179.6	1,218.0
Depreciation and amortization	(156.9)	(172.0)	(16.1)	(1.6)	(346.6)
Impairment loss	(50.0)	-	-	(2.9)	(52.9)
Segment result [EBIT]	297.8	391.2	(45.6)	175.1	818.5
Net financing costs					(226.1)
Tax					(188.1)
Profit for the year					404.3
<b>Balance</b>					
Segment goodwill	149.8	867.8	25.3	-	1,042.9
Investments in associates and joint venture	22.3	54.6	-	404.1	481.0
Other segment assets	4,412.3	2,980.9	120.0	897.9	8,411.1
Segment liabilities	2,150.6	1,159.4	52.8	3,107.5	6,470.3
<b>Other Information</b>					
Cash flow from operations before net financing costs and tax	663.5	488.4	(44.0)	(37.8)	1,070.1
Additions to property, plant and equipment and intangible assets	668.6	199.8	9.1	1.0	878.5
Average number of full-time employees	3,265	5,136	168	41	8,610
<b>Geographical - secondary segment - 2008</b>					
	Europe	North America	Other	Total 2008	
Revenue from external customers	10,815.2	1,521.9	1,490.4	13,827.5	
Segment goodwill	607.6	311.4	123.9	1,042.9	
Other segment assets	5,952.4	714.5	923.2	7,590.1	
Assets, not allocated				1,302.0	
Additions to property, plant and equipment and intangible assets	755.8	38.2	84.5	878.5	

# NOTES

Amounts in mDKK

## 2 Segment reporting [continued]

	NKT Cables	Nilfisk- Advance	Photonics Group	Unallocated / Other	Total 2007
<b>Activities - primary segment - 2007</b>					
<b>Income statement</b>					
Revenue from external customers	7,623.3	5,784.2	104.2	13.0	13,524.7
Inter-segment revenue	0.8	-	8.1	(8.9)	-
Total revenue	7,624.1	5,784.2	112.3	4.1	13,524.7
Costs and other income, net	(6,904.5)	(5,157.7)	(132.3)	(26.8)	(12,221.3)
Share of profit and loss, associates and joint venture	(0.9)	8.0	1.7	121.1	129.9
Earnings, [EBITDA]	718.7	634.5	(18.3)	98.4	1,433.3
Depreciation and amortization	(145.2)	(140.2)	(13.4)	(1.8)	(300.6)
Segment result [EBIT]	573.5	494.3	(31.7)	96.6	1,132.7
Net financing costs					(144.8)
Tax					(167.9)
Profit for the year					820.0
<b>Balance</b>					
Segment goodwill	150.3	753.4	1.7	-	905.4
Investments in associates and joint venture	4.4	33.6	9.3	212.9	260.2
Other segment assets	3,829.0	2,886.4	76.6	1,141.6	7,933.6
Segment liabilities	1,841.2	1,263.6	22.1	2,689.8	5,816.7
<b>Other Information</b>					
Cash flow from operations before net financing costs and tax	724.2	698.8	(21.1)	(26.3)	1,375.6
Additions to property, plant and equipment and intangible assets	364.1	212.3	13.5	1.9	591.8
Average number of full-time employees	3,122	4,294	116	43	7,575
<b>Geographical - secondary segment - 2007</b>					
	Europe	North America	Other	Total 2007	
Revenue from external customers	10,947.8	1,447.7	1,129.2	13,524.7	
Segment goodwill	554.5	241.0	109.9	905.4	
Other segment assets	5,644.4	527.3	667.6	6,839.3	
Assets, not allocated				1,354.5	
Additions to property, plant and equipment and intangible assets	508.2	49.9	33.7	591.8	

## 3 Revenue

	2008	2007
Goods	12,868.2	12,663.2
Services	791.9	697.0
Rentals	8.2	13.3
Construction contract revenue	159.2	151.2
	13,827.5	13,524.7

# NOTES

Amounts in mDKK

## 4 Other operating income

	2008	2007
Release of unused provisions	6.3	6.2
Gain on disposal of property, plant and equipment and intangible assets	33.9	136.1
Government grants	1.1	4.3
Other	46.1	37.6
	87.4	184.2

## 5 Employee benefits, expense

Wages and salaries	2,130.8	1,966.2
Social security costs	291.0	243.2
Defined contribution plans	81.0	94.8
Defined benefit plans	23.5	16.2
Share-based payments	3.6	2.3
	2,529.9	2,322.7

Average number of full-time employees	8,610	7,575
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See Notes 28 and 29 for information regarding management remuneration.

## 6 Research and development costs

Research and development costs recognized as other costs	128.4	141.2
Research and development costs recognized as employee benefits	67.3	71.0
Research and development costs expensed as incurred	195.7	212.2
Development costs recognized as assets	94.3	78.7
	290.0	290.9

## 7 Fees paid to auditor elected at the annual general meeting

KPMG:		
Statutory audit	16.2	14.7
Other services	5.2	6.8
	21.4	21.5

"Other services" mainly comprises tax advice and assistance with acquisition of a business.

## 8 Investments in associates

Summary financial information - 100%

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

Revenue	370.5	412.6
Profit for the year	19.0	29.8
Total assets	300.6	315.7
Liabilities	146.5	183.0
The NKT Group's share of profit for the year	8.2	8.8
The NKT Group's share of equity	70.3	44.6
Goodwill	6.6	2.7
Carrying amount, 31 December	76.9	47.3

# NOTES

Amounts in mDKK

## 9 Interest in joint venture

Summary of financial information - 100 %

NKT Flexibles I/S, Denmark

	2008	2007
Revenue and other income	1,409.7	1,260.6
Expenses	(975.0)	(1,023.1)
Profit for the year	434.7	237.5
Non-current assets	417.4	329.4
Current assets	715.7	511.8
Total assets	1,133.1	841.2
Equity	792.4	417.5
Current liabilities	340.7	423.7
Total equity and liabilities	1,133.1	841.2
The NKT Group's ownership	51%	51%
The NKT Group's share of profit / (loss) for the year	221.7	121.1
The NKT Group's share of equity	404.1	212.9

The NKT Group has a 51% ownership interest in NKT Flexibles I/S. Provision is not made for corporate income tax as NKT Flexibles I/S is not liable to tax independently, taxation taking place on the stakeholders. 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

## 10 Financial income

Interest etc.	22.4	29.6
Foreign exchange gains	129.5	64.9
Gains on available-for-sale equity securities	0.2	1.2
	152.1	95.7

## 11 Financial expenses

Interest etc.	194.9	157.5
Foreign exchange losses	191.7	83.0
Borrowing costs recognized in cost of assets	(8.4)	-
	378.2	240.5

In the calculation of borrowing costs for recognition in the cost of assets an effective interest rate of 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.

# NOTES

Amounts in mDKK

<b>I2 Tax</b>	2008	2007
Recognized in the income statement		
Current tax	132.7	82.1
Deferred tax	55.4	85.8
	<u>188.1</u>	<u>167.9</u>
Tax rate for the year	31.8%	17.0%
Reconciliation of tax		
Calculated 25% tax on earnings before tax	148.1	247.0
Tax effect of:		
Foreign tax rates relative to Danish tax rate	37.3	47.9
Reduction of Danish and German tax rate related to tax assets	-	19.3
Non-taxable income/non-deductible expenses, net	8.9	3.0
Capitalized losses relating to previous years and other value adjustment, net	(6.2)	(149.3)
	<u>188.1</u>	<u>167.9</u>

<b>I3 Earnings per share</b>		
Profit attributable to equity holders of NKT Holding A/S	401.1	804.6
Earnings effect of warrants of subsidiaries	-	-
Diluted profit attributable to equity holders of NKT Holding A/S	<u>401.1</u>	<u>804.6</u>
Profit, continuing operations	404.3	820.0
Profit attributable to minority interests	(3.2)	(15.4)
Profit, continuing operations, attributable to equity holders of NKT Holding A/S	<u>401.1</u>	<u>804.6</u>
Earnings effect of warrants of subsidiaries	-	-
Diluted profit, continuing operations, attributable to equity holders of NKT Holding A/S	<u>401.1</u>	<u>804.6</u>

#### Weighted average number of shares:

Average number of issued shares	23,698,173	23,603,166
Average number of treasury shares	(77,675)	(77,675)
Weighted average number of shares outstanding	<u>23,620,498</u>	<u>23,525,491</u>
Effect of share-based options	-	104,758
Diluted weighted average number of shares outstanding	<u>23,620,498</u>	<u>23,630,249</u>

Basic earnings per share [EPS]	17.0	34.2
Diluted earnings per share [EPS-D]	17.0	34.0

The calculation of diluted earnings per share excludes 261,813 share options [2007: 73,950] which are out-of-the-money but which may potentially dilute future earnings per share.

In January 2009 a further 200,000 share options were issued that may potentially dilute future earnings per share.

# NOTES

Amounts in mDKK

## I4 Impairment test

Besides the impairment charge of 52.9 mDKK [2007: 0 mDKK] relating to restructuring, the impairment tests carried out for 2008 resulted in no impairment losses. The restructuring is described further in Management's review. The impairment losses have been recognized within depreciation and relate to the following reportable segments:

Reportable segment	Goodwill		Property, plant and equipment	
	2008	2007	2008	2007
NKT Cables Czech Republic	0.0	0.0	50.0	0.0
Nanon	0.0	0.0	2.9	0.0
	0.0	0.0	52.9	0.0

For impairment test purposes property, plant and equipment has 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. NKT Cables and Photonics Group have further been subdivided into Europe, North America and other. The carrying amount of goodwill at 31 December was as follows for the reportable segments:

	2008	2007
NKT Cables	149.8	150.3
Nilfisk-Advance	867.8	753.4
Photonics Group	25.3	1.7
	1,042.9	905.4

The carrying amount of goodwill allocated to Photonics Group has been tested for impairment. The test shows that goodwill is not impaired. Further disclosures related to the Photonics Group' impairment test are not included in the financial statements 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 2009 and financial forecasts for 2010-2013 approved by Management. A discount rate in the range 11.0-12.7% [2007: 13.4%] has been used before tax and in the range 8.6-9.5% [2007: 9%] after tax. The cash flows beyond the five-year period are extrapolated using a steady growth rate of between 1.5-2.0%. The growth rates are estimated not to exceed the long-term average growth rates for the markets in which NKT Cables and Nilfisk-Advance operates and Management estimates the growth ranges applied are in the lower part of the growth range officially expected.

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

#### EBITDA for 2009-2013:

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

- NKT Cables:
- At standard metal prices and estimated exchange rates, organic growth is assumed to be negative in 2009 and then to increase from 2010 to 2013.
  - Gross profit is assumed to decrease in 2009 and then to increase from 2010 to 2013.
  - Current indications for high and medium voltage and material for high speed electrical railways are for the time being strong and sales are assumed to be positive until 2013.
  - Current indications for low voltage are for the time being slow and sales are assumed to decrease until end of 2009. From 2010 and until 2013 sales are assumed to increase.
- Nilfisk-Advance:
- Negative organic growth is assumed for 2009, after which organic growth is assumed to be positive from 2010 to 2013.
  - In 2009 gross profit in % is assumed to be in line with 2008. The changes in prices of raw materials are assumed to compensate for the changes in sale prices. For 2010 to 2013 gross profit in % is assumed to increase.

#### Capital expenditure:

Capital expenditure cash flow is based on present production capacity and further future production capacity which has been initiated. To indicate the level of capital expenditure the ratio between capital expenditure and yearly average depreciations is stated. This includes:

# NOTES

Amounts in mDKK

## 14 Impairment test [continued]

NKT Cables: · a new high and medium voltage factory in Cologne.  
· a yearly average of 106% of depreciation for the period 2009-2013 besides the new factory in Cologne [2008: 134 %].

Nilfisk-Advance: · a yearly average of 121% of depreciation for the period 2009-2013 [2008: 133 %].

### Working capital:

NKT Cables: · an average of 20% of revenue for the year [2008: 18.5%]. Strategic target of < 17%.

Nilfisk-Advance: · an average of 21% of revenue for the year [2008: 21.4%]. Strategic target of < 18%.

### Sensitivity to changes in assumptions:

Management believes that any reasonably change 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, sensitivity analysis has been included.

The sensitivity analysis below focuses on change in EBITDA, discount rate and the growth rate beyond 2013. The changes in EBITDA for 2010-2013 is 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 value in use	
	NKT Cables	Nilfisk- Advance	NKT Cables	Nilfisk- Advance
Pre-tax adjusted discount rate	12.7%	12.3%	14.9%	19.3%
Long-term growth rate [Beyond 2013]	1.5%	2.0%	-1.0%	-4.5%
Change in EBITDA compared to the starting point	-	-	-15.5%	-25.5%

### 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 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 were as follows:

	Reportable segment	2008	2007
NKT Cables Czech Republic	NKT Cables	596.8	593.4
NKT Cables Poland	NKT Cables	133.2	148.2
NKT Cables Denmark	NKT Cables	168.3	145.6
		898.3	887.2

Other than disclosed below, Management believes that no reasonably 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.

The below sensitivity analysis focuses on change in EBITDA, discount rate and the growth rate beyond 2013 for NKT Cables Czech Republic only a the recoverable amount is much higher than the carrying amount for NKT Cables Poland and NKT Cables Denmark. The changes in EBITDA is based on the assumption that capital expenditure and change in working capital follows the decrease in EBITDA. In the sensitivity analysis all other assumptions are unchanged.

The following key assumptions must change as follows before the carrying amount equals value in use for NKT Cables Czech Republic:

	Assumptions used when calculating value in use [starting-point]		Assumptions must change as follows before the carrying amount equals value in use	
	NKT Cables Czech Republic	NKT Cables Czech Republic	NKT Cables Czech Republic	NKT Cables Czech Republic
Pre-tax adjusted discount rate	9.5%		10.3%	
Long-term growth rate [beyond 2013]	1.8%		1.1%	
Change in EBITDA compared to the starting point	-		-11.3%	

### Other intangibles

Development projects, patents, licences, customer-related assets, development projects in progress and trademarks etc. have been tested for impairment. The test identified no indications of impairment loss.

# NOTES

Amounts in mDKK

## 15 Intangible assets

	Goodwill	Trademarks etc.	Customer related assets	Completed development projects	Patents and software etc.	Development projects in progress and pre- payments	Total
Costs, 1 January 2007	621.4	55.6	-	189.7	82.6	58.4	1,007.7
Acquisitions through business combinations	344.5	23.2	137.0	-	67.7	-	572.4
Additions	0.7	0.4	-	10.0	54.5	68.7	134.3
Disposals	-	-	-	(10.1)	(0.2)	(0.4)	(10.7)
Transferred between classes of intangible assets	-	-	-	21.4	0.8	(22.2)	-
Exchange rate adjustments	(55.2)	(3.0)	(4.0)	(11.5)	(2.4)	(1.9)	(78.0)
<b>Costs, 31 December 2007</b>	<b>911.4</b>	<b>76.2</b>	<b>133.0</b>	<b>199.5</b>	<b>203.0</b>	<b>102.6</b>	<b>1,625.7</b>
Amortization and impairment, 1 January 2007	(6.0)	(35.1)	-	(85.6)	(22.8)	-	(149.5)
Amortization for the year	-	(10.1)	(30.7)	(44.7)	(22.5)	-	(108.0)
Disposals	-	-	-	10.0	0.3	-	10.3
Transferred between classes of assets	-	-	-	-	(3.2)	-	(3.2)
Exchange rate adjustments	-	2.2	-	10.4	(0.5)	-	12.1
<b>Amortization and impairment 31 Dec. 2007</b>	<b>(6.0)</b>	<b>(43.0)</b>	<b>(30.7)</b>	<b>(109.9)</b>	<b>(48.7)</b>	<b>-</b>	<b>(238.3)</b>
<b>Carrying amount, 31 December 2007</b>	<b>905.4</b>	<b>33.2</b>	<b>102.3</b>	<b>89.6</b>	<b>154.3</b>	<b>102.6</b>	<b>1,387.4</b>
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	-	11.3	-	176.4
Additions	2.7	-	1.1	17.9	16.5	76.0	114.2
Disposals	(6.0)	-	-	-	(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
<b>Costs, 31 December 2008</b>	<b>1,042.9</b>	<b>106.6</b>	<b>158.4</b>	<b>313.1</b>	<b>256.4</b>	<b>65.0</b>	<b>1,942.4</b>
Amortization and impairment, 1 January 2008	(6.0)	(43.0)	(30.7)	(109.9)	(48.7)	-	(238.3)
Amortization for the year	-	(10.5)	(24.0)	(52.1)	(38.4)	-	(125.0)
Disposals	6.0	-	-	-	0.5	-	6.5
Transferred between classes of assets	-	0.1	0.2	-	(0.3)	-	(0.0)
Exchange rate adjustments	-	2.3	-	(3.6)	0.9	-	(0.4)
<b>Amortization and impairment, 31 Dec. 2008</b>	<b>-</b>	<b>(51.1)</b>	<b>(54.5)</b>	<b>(165.6)</b>	<b>(86.0)</b>	<b>-</b>	<b>(357.2)</b>
<b>Carrying amount, 31 December 2008</b>	<b>1,042.9</b>	<b>55.5</b>	<b>103.9</b>	<b>147.5</b>	<b>170.4</b>	<b>65.0</b>	<b>1,585.2</b>
Amortization period [years]		5	3-7	5-10	5-8		

Brands with a carrying amount of 23.8 mDKK [2007: 20.6 mDKK] are not amortized as their useful life cannot be defined. Management assesses that the value of these brands can be maintained indefinitely.

# NOTES

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 2007	452.6	1,110.0	681.9	79.5	2,324.0
Acquisitions through business combinations	290.5	209.9	25.7	3.1	529.2
Additions	11.2	105.3	101.5	239.5	457.5
Disposals	(84.7)	(125.7)	(31.3)	(0.6)	(242.3)
Transferred between classes of assets	18.9	104.8	5.8	(130.5)	(1.0)
Other adjustments	-	-	-	-	-
Exchange rate adjustments	2.6	18.3	(21.5)	1.3	0.7
Costs, 31 December 2007	691.1	1,422.6	762.1	192.3	3,068.1
Depreciation and impairment, 1 January 2007	(242.2)	(884.9)	(426.2)	-	(1,553.3)
Depreciation for the year	(19.1)	(80.6)	(92.9)	-	(192.6)
Transferred between classes of assets	-	4.0	(0.9)	-	3.1
Disposals	39.5	111.7	22.4	-	173.6
Exchange rate adjustments	(0.3)	0.1	9.8	-	9.6
Depreciation and impairment, 31 December 2007	(222.1)	(849.7)	(487.8)	-	(1,559.6)
<b>Carrying amount, 31 December 2007</b>	<b>469.0</b>	<b>572.9</b>	<b>274.3</b>	<b>192.3</b>	<b>1,508.5</b>
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	-	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	-	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)	-	(1,559.6)
Depreciation for the year	(19.5)	(92.4)	(109.7)	-	(221.6)
Impairments	(36.6)	(13.9)	(1.6)	(0.8)	(52.9)
Transferred between classes of assets	0.2	2.9	(2.8)	-	0.3
Disposals	(0.4)	41.3	64.3	-	105.2
Other adjustments	0.1	(0.3)	(8.4)	-	(8.6)
Exchange rate adjustments	5.2	3.6	3.4	-	12.2
Depreciation and impairment, 31 December 2008	(273.1)	(908.5)	(542.6)	(0.8)	(1,725.0)
<b>Carrying amount, 31 December 2008</b>	<b>483.0</b>	<b>620.4</b>	<b>290.4</b>	<b>615.2</b>	<b>2,009.0</b>
Of which, assets leased under finance leases	-	0.8	2.1	-	2.9
Depreciation period [years]	10-77	4-20	3-17		

# NOTES

Amounts in mDKK

<b>17 Inventories</b>		
	2008	2007
Raw materials, consumables and goods for resale	749.3	779.2
Work in progress	301.1	437.4
Finished goods	1,177.7	1,070.2
	<b>2,228.1</b>	<b>2,286.8</b>
Carrying amount of inventories stated at fair value less costs of sale	241.1	165.3
Impairments on inventories for the year stated as expenses	54.2	42.2

<b>18 Receivables</b>		
Trade receivables	1,998.6	2,193.5
Receivables due from associates and joint venture	1.4	1.2
Construction work in progress	17.7	10.9
Other receivables from associates and joint ventures	0.4	-
Other receivables	640.7	224.8
Prepayments	80.2	77.7
	<b>2,739.0</b>	<b>2,508.1</b>
Impairment set off against trade receivables	103.5	95.8
Construction work in progress		
Costs incurred and recognized profits less losses	165.6	207.7
Progress billings	(147.9)	(196.8)
	<b>17.7</b>	<b>10.9</b>
Payments withheld	-	-

<b>19 Share capital and dividends</b>		
Number of 20 DKK shares ['000]		
Shares outstanding, 1 January	23,638	23,500
Increase in capital by exercise of share options	80	138
Shares outstanding, 31 December	23,718	23,638
Treasury shares	(78)	(78)
Shares outstanding, 31 December	<b>23,640</b>	<b>23,560</b>

At 31 December 2008, the share capital comprised 23,718,379 shares of par value of 20 DKK [2007: 23,637,555 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 0 mDKK [2007: 260mDKK] is proposed, corresponding to a dividend per share of 0 DKK [2007: 11 DKK].

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

# NOTES

## 20 Treasury shares

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	1.6		0.3%	
Dividends received			0.8		
31 December	77,675	1.6	0.8	0.3%	8.2

2007 - NKT Holding A/S has acquired the following treasury shares:

1 January	77,675	1.6		0.3%	
Dividends received			0.8		
31 December	77,675	1.6	0.8	0.3%	35.7

## 21 Employee benefits

The Group's significant defined benefit plans relate to unfunded plans in Germany and a funded plan in the UK.

	2008	2007
Net recognized liabilities, defined benefit plans:		
Present value of funded obligations, defined benefit plans	102.7	120.9
Fair value of plan assets	(75.0)	(94.3)
	27.7	26.6
Present value of unfunded obligations, defined benefit plans	222.7	232.7
Unrecognized actuarial gains (losses)	25.3	22.6
Unrecognized pension costs relating to previous years	(0.6)	-
Recognized liability for defined benefit obligations	275.1	281.9
Other long-term employee benefits	5.0	4.7
	280.1	286.6
Amounts recognized in the balance sheet:		
Liabilities, defined benefit plans etc.	280.1	286.6
Assets	-	-
Net liability	280.1	286.6
Expense recognized in the income statement:		
Expected current service costs	10.4	7.5
Expected interest costs on obligations	17.8	16.9
Expected return on plan assets	(5.6)	(5.2)
Amortization of actuarial (gains) and losses	0.9	1.7
Pension costs relating to previous years	-	(4.7)
	23.5	16.2
Actual return on plan assets	(15.9)	8.9
Changes in the present value of the defined benefit obligation:		
1 January	353.6	384.6
Expected current service costs	10.4	7.5
Expected interest costs on obligations	17.8	16.9
Pension costs relating to previous years	-	(4.7)
Contributions by plan participants	-	(2.5)
Benefits paid	(12.5)	(11.5)
Adjustment between pension assets and pension liabilities	20.9	-
Settlements	(0.5)	(0.1)
Actuarial (gains) and losses	(23.7)	(25.7)
Currency differences on foreign plans	(40.6)	(10.9)
	325.4	353.6

The Group's expected contribution to defined benefit plans in 2009 amounts to 17.4 mDKK

# NOTES

Amounts in mDKK

## 21 Employee benefits [continued]

	2008	2007
Changes in the fair value of plan assets		
1 January	94.3	88.6
Expected return on plan assets	5.6	5.2
Paid by NKT Group	4.7	3.5
Paid by employees	-	4.1
Benefits paid	(5.3)	(3.0)
Adjustment between plan assets and plan liabilities	20.9	-
Settlements	(0.2)	-
Actuarial gains and (losses)	(21.5)	3.6
Exchange differences on foreign plans	(23.5)	(7.7)
	75.0	94.3

The major categories of plan assets are as follows:

Equities	39.3	72.1
Bonds	27.1	18.0
Property	1.6	4.2
Cash	7.0	-
	75.0	94.3

Principal actuarial assumptions at the balance sheet date [expressed as weighted averages]

Discount rate	5.9%	5.4%
Expected rates of return on plan assets	5.0%	6.1%
Future salary increases	3.0%	3.0%
Future pension increases	3.0%	2.9%

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

Development for current year and previous years:	2008	2007	2006	2005	2004
Present value, defined benefit obligation	(325.4)	(353.6)	(384.6)	(381.4)	(333.9)
Fair value of plan assets	75.0	94.3	88.6	73.6	58.9
Surplus/(deficit)	(250.4)	(259.3)	(296.0)	(307.8)	(275.0)

Deficit at 31 December 2008 at 250.4 mDKK [2007: 259.3 mDKK] is included in the amount recognized in the balance sheet of 280.1 mDKK [2007: 286.6 mDKK]

Experience adjustments on plan liabilities	23.6	24.0	(11.4)	35.2	3.8
Experience adjustments on plan assets	(21.5)	3.0	5.5	9.4	2.0

# NOTES

Amounts in mDKK

## 22 Deferred tax assets and liabilities

	2008	2007
Recognized deferred tax assets and liabilities		
Deferred tax assets, 1 January	247.3	360.4
Deferred tax liabilities, 1 January	(94.8)	(6.9)
Addition relating to business combination	(5.6)	(108.3)
Foreign exchange adjustment	(2.9)	(6.8)
Tax of adjustments recognized in equity	(5.9)	(0.1)
Deferred tax recognized in income statement	(55.4)	(85.8)
Other	(0.2)	-
<b>Deferred tax, 31 December, net</b>	<b>82.5</b>	<b>152.5</b>

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

Recognized deferred tax:

Deferred tax assets, 31 December	205.3	247.3
Deferred tax liabilities, 31 December	(122.8)	(94.8)
<b>Deferred tax, 31 December, net</b>	<b>82.5</b>	<b>152.5</b>

Specification of deferred tax assets and liabilities	2008		2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	23.5	(88.9)	33.6	(106.3)
Tangible assets	94.6	(87.0)	132.0	(76.8)
Other non-current assets	2.9	(70.9)	0.4	(51.8)
Current assets	71.2	(81.6)	69.9	(104.1)
Non-current liabilities	42.9	(30.1)	86.7	(6.5)
Current liabilities	99.2	(51.1)	71.3	(0.9)
Tax losses	263.0	-	360.5	-
Recapture of trading losses	-	(36.5)	-	(42.3)
Valuation allowance	(68.7)	-	(213.2)	-
	528.6	(446.1)	541.2	(388.7)
Set off in legal tax units and jurisdictions	(323.3)	323.3	(293.9)	293.9
	205.3	(122.8)	247.3	(94.8)

Change in valuation allowance amounts to 144.5 mDKK. The adjustment in valuation of recognized tax assets amounts to 138.3 mDKK. The effect for the year is an income of 6.2 mDKK, as shown in note 12.

# NOTES

Amounts in mDKK

## 23 Provisions

	Warranties	Restruc- turing	Other	Total
Provisions, 1 January 2008	96.4	7.1	121.6	225.1
Addition relating to business combination	6.3	-	18.1	24.4
Provisions made during the year	83.0	15.2	19.7	117.9
Used during the year	(78.6)	(1.8)	(31.0)	(111.4)
Reversed during the year	(5.7)	(1.3)	(13.4)	(20.4)
Other	0.3	-	2.0	2.3
Foreign exchange adjustment	(8.0)	-	(0.1)	(8.1)
Provisions, 31 December 2008	93.7	19.2	116.9	229.8
Provisions are recognized in the balance sheet as:				
Non-current liabilities	5.4	1.3	84.2	90.9
Current liabilities	88.3	17.9	32.7	138.9
	93.7	19.2	116.9	229.8

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 relates principally to an estimated restoration liability pertaining to a divested factory property in Cologne, 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

	2008	2007
Trade payables	1,012.0	1,125.8
Trade payables to associates and joint venture	133.7	-
Other payables	1,260.4	1,004.1
Prepayments regarding construction contracts	238.2	-
Prepayments from customers	279.9	387.6
Deferred income	74.2	96.1
	2,998.4	2,613.6

# NOTES

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 2008.

	2008	2007
The Group is jointly and severally liable with the joint venture participant for the liabilities of the joint venture, see Note 9.		
Warranty for joint venture	116.2	-
Share of contingent liabilities in joint venture	-	-
Share of contingent liabilities in associates	-	-
Contingent assets	-	-
Contingent assets and liabilities from business combinations	-	-

### Security

Carrying amount of assets provided as security for credit institutions

Land and buildings	46.1	12.2
Plant and machinery	23.3	8.9
Cash relating to forward contracts on metal supplies	213.1	19.3
Liabilities secured on assets	325.8	40.4

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

### Contractual obligations

Contractual obligations relating to purchase of buildings and production plant	237.7	72.8
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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:

Within 0-1 year	205.4	159.7
Within 1-5 years	405.6	330.9
After 5 years	62.7	103.0
	673.7	593.6

Lease payments recognized in income statement	240.9	178.3
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Operating lease income

Operating lease income relates to property rentals.

Interminable minimum rent income is specified as follows:

Within 0-1 year	6.8	4.2
Within 1-5 years	4.2	0.6
After 5 years	-	1.6
	11.0	6.4

# NOTES

Amounts in mDKK

## 27 Acquisition of subsidiaries

### 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
<i>Non-current assets</i>		
Intangible assets	63.6	-
Property, plant and equipment	20.5	10.6
<i>Current assets</i>		
Inventories	50.7	53.1
Receivables	49.5	50.9
Cash at bank and in hand	14.2	14.2
<i>Non-current liabilities</i>		
Deferred tax liabilities	(5.6)	-
Provisions	(6.6)	(2.0)
<i>Current liabilities</i>		
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.

# NOTES

Amounts in mDKK

## 27 Acquisition of subsidiaries [continued]

### 2007

As from 2 January 2007 the NKT Cables Group acquired the business Kablo Elektro and its subsidiary Kablo Elektro Velké Mezirici in the Czech Republic. One of Eastern Europe's leading power cable producers, Kablo Elektro primarily services the electricity and energy sector with low and medium voltage cable products.

As from 1 August 2007 Nilfisk-Advance acquired the Viper Group, a leading Chinese manufacturer and supplier of professional cleaning equipment. The Group is based in Dongguan, South China. The transaction covers acquisition of three Asian companies [Dongguan Viper Cleaning Equipment Company Limited, Viper Cleaning Equipment [Shanghai] Limited and Viper [Hong Kong] Company Limited], along with business and assets relating to the independent US company Viper Industrial Products LLC. Provisionally, a small number of assets and liabilities has been calculated. Any adjustments will be recognized within 12 months of the acquisition date, cf. IFRS 3.62.

Other acquisitions comprise NKT Cables' acquisition of CCC GmbH in Berlin as at 1 May 2007, Nilfisk-Advance's acquisition of U.S. Products at 1 January 2007 as well as acquisition of dealers in Denmark and UK.

	Total		Kablo Elektro		Viper Group		Other	
	Fair value at acquisition date	Carrying amount before acquisition	Fair value at acquisition date	Carrying amount before acquisition	Fair value at acquisition date	Carrying amount before acquisition	Fair value at acquisition date	Carrying amount before acquisition
<i>Non-current assets</i>								
Intangible assets	228.2	21.6	46.2	4.6	69.6	-	112.4	17.0
Property, plant and equipment	529.2	281.7	418.6	211.8	85.0	44.5	25.6	25.4
Investments	-	0.7						0.7
Deferred tax assets	0.5	-					0.5	
<i>Current assets</i>								
Inventories	309.9	337.0	226.7	251.5	32.9	30.3	50.3	55.2
Receivables	374.1	384.0	296.4	306.2	19.6	19.6	58.1	58.2
Cash at bank and in hand	19.8	19.8	0.7	0.7	7.5	7.5	11.6	11.6
<i>Non-current liabilities</i>								
Deferred tax liabilities	(108.3)	(17.5)	(71.7)	(17.5)	(20.5)	-	(16.1)	
Provisions	(12.7)	(5.4)	(4.1)	(4.1)	(0.8)	(0.8)	(7.8)	(0.5)
Interest bearing loans and borrowings	(7.7)	(7.7)	(0.2)	(0.2)			(7.5)	(7.5)
<i>Current liabilities</i>								
Interest bearing loans and borrowings	(347.8)	(347.8)	(307.4)	(307.4)	(12.2)	(12.2)	(28.2)	(28.2)
Payables and provisions	(267.4)	(248.4)	(149.3)	(153.7)	(47.8)	(27.6)	(70.3)	(67.1)
Net assets acquired	717.8	418.0	455.9	291.9	133.3	61.3	128.6	64.8
Goodwill	341.3		97.4		174.7		69.2	
Acquisition cost	1,059.1		553.3		308.0		197.8	
Of which cash at bank and in hand	(19.8)		(0.7)		(7.5)		(11.6)	
Cash acquisition cost	1,039.3		552.6		300.5		186.2	
Interest bearing payables acquired	355.6		307.6		12.2		35.8	
Effect on interest bearing items	1,394.9		860.2		312.7		222.0	
Direct purchase expenses	17.0		3.0		8.7		5.3	
Recognized net income after tax	68.0		58.0		5.0		5.0	
Share of equity investment acquired			100%		100%		100%	

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 2007, determined on a pro-forma basis as if the acquisitions were made on 1 January 2007, comprise 13,680 mDKK and 813 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.

# NOTES

Amounts in mDKK

## 28 Related parties

The Group has no related parties with control.

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

### Transactions with associates and joint venture

	2008		2007	
	Associate	Joint venture	Associate	Joint venture
Goods sold to	8.9	-	9.0	-
Goods purchased from	0.2	-	2.0	-
Interest received, net	-	(2.4)	-	1.1
Other services	-	5.8	-	6.0
Receivables	5.5	0.8	5.1	1.2
Loans to, net	-	(133.0)	-	18.4
Dividends received	-	25.5	-	35.7
Capital contribution	16.6	-	4.3	-

The trading took place on normal market conditions.

Interest on loans to and from the joint venture is paid at market rates and adjusted at intervals of 1-3 months.

### Management remuneration

	2008			2007		
	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng <sup>1)</sup>
Short-term staff benefits	4.5	2.1	2.0	3.6	1.9	1.3
Bonus <sup>2)</sup>	-	0.3	0.2	-	0.3	-
Pension contributions	0.7	0.3	0.3	0.5	0.3	0.1
Share-based payment	1.7	0.6	0.3	1.0	0.5	0.2
Total remuneration	6.9	3.3	2.8	5.1	3.0	1.6

<sup>1)</sup> 9 month <sup>2)</sup> Payment of bonus for 2008 relates to fulfilment of specific targets in 2007.

Receivables to NKT Management relating to participation in NKT's employee bond plan [interest 5%] 0.3 0.2 0.2 - - -

For information about share options, see Note 29.

It has been decided not to adjust remuneration to the Management in 2009.

The term of notice for the CEO is 24 months. For the other members of the 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 Management of the company.

### Board of Directors' remuneration

	2008	2007
Short-term staff benefits [Board of Directors' remuneration]	3.2	2.1

For 2009 the general meeting will be asked to approve a temporary reduction of 10% in the Board of Directors' remuneration owing to the developments in the economic situation.

### 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 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 general meeting the Board of Directors also approves the basis for calculation and allotment of any share-based incentive schemes and determines ceilings therefor.

# NOTES

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.

### Outstanding options 2008

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

# NOTES

Amounts in mDKK

## **29 Share option scheme for Management and employees [continued]**

In 2008, options were exercised by subscribing for a total of 80,824 new shares.

The weighted average share price for the share options exercised in 2008 was 352 DKK per share.

The subscription rights granted in 2004 may be exercised in March 2009. The exercise price is 122.7. Dividend payments after 1 January 2009 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in 2005 may be exercised in March 2009 or March 2010. The exercise price is 174.6 at exercise in March 2009. Subsequent exercise is subject to a hurdle rate of 9% p.a. Dividend payments after 1 January 2009 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 2009, March 2010 or March 2011. The exercise price is 328.5 at exercise in March 2009. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2009 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 2009 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 2009 and until the date when the shares are received are deducted from the exercise price. With price 471.53 as the starting point the value of the newly issued subscription rights has been calculated by the Black-Scholes formula as 4.8 mDKK if exercise takes place at the earliest possible juncture. The calculation assumes a volatility of 27.7% and an interest rate of 4.0% p.a.

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

The value of the share option scheme at 31 December 2008, based on the Black-Scholes formula, has been calculated at 0 mDKK [2007: 50 mDKK], including the value of the share option schemes of the Management, 0 mDKK [2006: 21 mDKK]. The values have been calculated on the basis of the Black-Scholes formula, assuming an interest rate of 5.0% [2007: 4.0%] and volatility of 40.0% [2007: 27.7%].

# NOTES

Amounts in mDKK

## 29 Share option scheme for Management and employees [continued]

### Outstanding options 2007

Outstanding options	Management			Executive employ.	Others	Total
	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng			
<i>Granted in 2002:</i>						
1 January 2007	-	-	-	-	17,125	17,125
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	(17,125)	(17,125)
31 December 2007	-	-	-	-	-	-
<i>Granted in 2003:</i>						
1 January 2007	-	-	-	-	9,076	9,076
Exercised	-	-	-	-	(2,200)	(2,200)
Forfeited	-	-	-	-	(550)	(550)
31 December 2007	-	-	-	-	6,326	6,326
<i>Granted in 2004:</i>						
1 January 2007	22,000	22,000	-	37,700	54,068	135,768
Exercised	(22,000)	(22,000)	-	(37,700)	(53,655)	(135,355)
Forfeited	-	-	-	-	-	-
31 December 2007	-	-	-	-	413	413
<i>Granted in 2005:</i>						
1 January 2007	20,000	20,000	-	32,700	31,099	103,799
Adjust. to previous year	-	-	-	-	2,000	2,000
Exercised	-	-	-	-	(2,000)	(2,000)
Forfeited	-	-	-	-	(3,400)	(3,400)
31 December 2007	20,000	20,000	-	32,700	27,699	100,399
<i>Granted in 2006:</i>						
1 January 2007	35,000	20,000	-	31,200	19,375	105,575
Forfeited	-	-	-	-	(3,000)	(3,000)
31 December 2007	35,000	20,000	-	31,200	16,375	102,575
<i>Granted in 2007:</i>						
Granted	32,000	10,100	9,400	11,400	11,050	73,950
Forfeited	-	-	-	-	-	-
31 December 2007	32,000	10,100	9,400	11,400	11,050	73,950
Total options						
31 December 2007	87,000	50,100	9,400	75,300	61,863	283,663
<i>Total</i>						
Options, 1 January	77,000	62,000	-	101,600	130,743	371,343
Adjust. to prev. year	-	-	-	-	2,000	2,000
Execised	(22,000)	(22,000)	-	(37,700)	(57,855)	(139,555)
Granted	32,000	10,100	9,400	11,400	11,050	73,950
Forfeited	-	-	-	-	(24,075)	(24,075)
31 December 2007	87,000	50,100	9,400	75,300	61,863	283,663

# NOTES

Amounts in mDKK

## 30 Financial risk and financial instruments

### 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 2007 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 refer to the risks of losses [or the possibility of gains] resulting from changes in exchange rates. Currency risks arise through transactions, financial assets and liabilities in the individual businesses that relate to currencies other than the functional currency of these businesses.

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 subsidiaries are accounted directly in equity. Regarding the principal investments [exceeding 100 mDKK] in the foreign units, the Group's equity at 31 December 2008 would have been reduced by 239 mDKK [2007: 272 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 2008 and at 31 December 2007, 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 businesses concerned. Hedging of these currency risks is based on concrete assessments of the likelihood of the future transaction 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	2008	2007
DKK/GBP	10%	19.2	6.1
DKK/HUF	15%	6.1	7.0
DKK/NOK	10%	6.4	7.5
DKK/SEK	10%	5.5	8.2
DKK/USD	15%	5.5	25.8
DKK/AUD	15%	5.1	4.9

The sensitivity is calculated on the basis of financial instruments existing at 31 December 2008 and at 31 December 2007, all of which are considered effective.

# NOTES

Amounts in mDKK

## 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.

	2008			2007		
	Notional value *) mDKK	Gain/loss recog. in equity mDKK	Maturity months	Notional value *) mDKK	Gain/loss recog. in equity mDKK	Maturity months
GBP	(192.1)	39.2	0-12	(60.6)	4.5	0-12
HUF	40.7	0.1	0-12	46.6	0.4	0-12
NOK	(64.4)	9.8	0-12	(75.2)	0.1	0-12
SEK	(54.5)	4.9	0-12	(82.0)	2.6	0-12
USD	36.6	0.0	0-12	171.7	(12.1)	0-12
AUD	(33.8)	4.2	0-12	(32.9)	0.3	0-12
Other European	(4.1)	(0.3)	0-12	(39.4)	(1.1)	0-12
Other currencies	(44.2)	(1.3)	0-12	(13.3)	1.7	0-12
<b>Total</b>	<b>(315.8)</b>	<b>56.6</b>		<b>(85.1)</b>	<b>(3.6)</b>	

\*) 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 31 December 2008 the Group's interest bearing deb exceeded its interest bearing assets by 2,260 mDKK [2007: 1,995 mDKK].

At 31 December 2008 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 2007.

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 19 mDKK p.a. [2007: 18 mDKK].

# NOTES

Amounts in 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 2008 included a total of 2,102.1 mDKK [2007: 2,289.3 mDKK] impaired to 1,998.6 mDKK [2007: 2,193.5]. Movements for the year in impairments from sales are specified thus:

	2008	2007
Receivables from sales and services	<u>2,102.1</u>	<u>2,289.3</u>
Receivables from sales and services [gross]	<u>2,102.1</u>	<u>2,289.3</u>
Impairment for bad and doubtful debts:		
1 January	95.8	79.8
Additions through business combinations	1.4	24.9
Exchange rate adjustment	(0.5)	0.0
Writedowns for year included in income statement under "Other costs"	11.2	13.5
Reversal of impairment for the year included in income statement under "Other costs"	(2.8)	0.0
Realized losses during year	<u>(1.6)</u>	<u>(22.4)</u>
Impairment, 31 December	<u>103.5</u>	<u>95.8</u>
Total receivables from sales and services	<u>1,998.6</u>	<u>2,193.5</u>

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 103.5 mDKK [2007: 95.8 mDKK] include 37.9 mDKK [2007: 33.3 mDKK] attributable to individual impairment.

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

	2008	2007
Maturity periods:		
Up to 30 days	298.9	295.4
Between 30 and 60 days	113.1	104.9
Between 60 and 120 days	57.0	33.5
More than 120 days	98.1	14.2
	<u>567.1</u>	<u>448.0</u>

### 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 in "Review of financial statements". It is the view of Management that the Group's and the Company's resources are wholly adequate. It is the aim of the Group to have sufficient cash resources to continue to act effectively in the event of unforeseen fluctuations in liquidity.

# NOTES

Amounts in mDKK

## 30 Financial risk and financial instruments [continued]

### Liquidity risks [continued]

Group liabilities other than provisions mature as follows:

mDKK	2008						Total
	Within 1Year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years	
Credit institutions	1,415.3	450.2	0.8	0.8	834.9	28.3	2,730.3
Forward contracts	223.6						223.6
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

mDKK	2007						Total
	Within 1Year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years	
Credit institutions	1,205.5	127.8	127.8	255.2	0.7	831.6	2,548.6
Forward contracts	38.8						38.8
Other financial liabilities	2,478.7						2,478.7
	3,723.0	127.8	127.8	255.2	0.7	831.6	5,066.1

The above items do not include interest. The forward contracts are recognized at fair value and the discount element is considered negligible as a result of short maturity.

### 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 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 578.1 mDKK [2007: 829.2 mDKK] with a negative fair value of 222.9 mDKK [2007: gain of 3.0 mDKK]. It is estimated that a 10% increase in raw materials would - all other things being equal influence the fair value by around 58 mDKK.

### 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 operating earnings before depreciation and amortization [EBITDA] and an equity gearing of up to 100%.

It is intended to maintain a stable dividend policy with an annual dividend distribution of around one third of net profit for the year. For 2008, however, the Board of Directors has decided to deviate from this principle, cf. "Review of financial statements" in the Annual Report.

Based on EBITDA of around 1.2 bnDKK, NKT's financial latitude on entering 2009 therefore amounted to around 750 mDKK [2007: 1.8 bnDKK].

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.

# NOTES

Amounts in mDKK

## 30 Financial risk and financial instruments [continued]

### Categories of financial instruments

mDKK	2008	2007
	Carrying amount	Carrying amount
Financial assets:		
Trading portfolio [derivative financial instruments]	59.5	3.0
Loans and receivables	3,268.0	3,029.1
Financial assets available for sale	18.7	27.3
Financial liabilities:		
Trading portfolio [derivative financial instruments]	223.6	38.8
Financial liabilities, measured at amortized cost	5,430.9	5,027.3

## 31 Post balance sheet events

In January 2009, NKT Holding issued a total of 200,000 share options to Management and employees of NKT Holding A/S. Each option entitles subscription for one share of a nominal value of 20 DKK at a price based on NKT's average share price for December 2008 plus an annual hurdle rate of 8% and minus dividend distributed to shareholders in the period until the time of exercise.

In January 2009 NKT Cables signed a contract to a value of around 750 mDKK. The contract covers supply of high and medium voltage armoured sub-sea cables as well as high voltage ground cables. The overall project solution to be supplied by NKT Cables also includes laying and installation of cables and accessories. The cables will be manufactured at NKT Cables new factory in Cologne. The order will contribute positively to NKT Cables' earnings in 2010.

The NKT Group's earnings forecast for 2009 contains costs of around 150 mDKK relating to structural initiatives at Nilfisk-Advance. This amount includes 25 mDKK for the activities initiated in 2008 and 125 mDKK for new activities. The initiatives also include organizational adjustments that will reduce the workforce at Nilfisk-Advance to around 4,700. A number of production consolidation plans have also been accelerated. These plans will lead to further relocation of production from high-wage to low-wage countries, and among other things will also involve further expansion of production units in low-cost countries. As part of these plans, global infrastructure adjustments will be started in distribution and logistics. Reduction of the workforce to around 4,700 employees is also expected to lead to improved 2009 earnings by around 90 mDKK, whereas the in-progress structural initiatives are not expected to positively influence earnings until 2010 onwards.

In order to further strengthen NKT's cash resources, Group Management has been working on raising long-term mortgage financing relating to NKT Cables' new factory in Cologne. A binding offer was received at the start of February 2009 which will further strengthen NKT's cash resources by around 500 mDKK.

# NOTES

Amounts in mDKK

## 32 Accounting standards issued but not yet effective

IASB has published the following new financial reporting standards [IAS and IFRS] and interpretations [IFRIC] which were not mandatory for NKT during preparation of the 2008 annual report: IFRS 2, 3 and 8, IAS 1, 23, and 27, IFRIC 12, 13, 15, 16, 17 and 18 and amendment to IAS 32 and IAS 1, amendment to IAS 39, amendment to IFRS 1 and IAS 27, and minor amendments to various standards resulting from IASB's annual improvement program. IFRS 3, IAS 27, stated amendments, and IFRIC 12, 15, 16, 17 and 18 have not yet been approved by the EU.

IAS 23, *Borrowing costs*, was implemented on 1 January 2008, cf "New accounting standards" in "Accounting policies".

NKT expects to implement the other new accounting standards and interpretations when they become mandatory in 2009 and 2010, respectively. 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, unimplemented 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 costs 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 recognition relating to minority interests' share of acquisitions, and for step acquisitions and part-disposals of investments in subsidiaries.
- IFRS 8, *Operating Segments*, is valid for financial years commencing 1 January 2009 or later. The standard will have significance solely for presentation of the Group's segments and not for recognition and measurement in the annual report. Under the new standard, information no longer needs to be presented for both business-oriented and geographical segments, but solely for segments, in line with NKT Management's internal Group reporting and management. This will mean changes to the presentation of segment information from 2009 onwards.
- IAS 1 [revised 2007], *Presentation of Financial Statements*, is valid for financial years commencing 1 January 2009 or later. The standard changes the presentation of the primary statements in 2009.

# NOTES

## 33 Group companies as of 31 December 2008

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

Group companies	Domicile	Equity share	Group companies	Domicile	Equity share
Nilfisk-Advance A/S	Denmark	100%	ALTO Overseas Inc.	USA	100%
Nilfisk-Advance Nordic A/S	Denmark	100%	ALTO U.S. Inc.	USA	100%
Frithiof A/S	Denmark	100%	ALTO Canada Company	Canada	100%
ALTO International A/S	Denmark	100%	Nilfisk-Advance A.E.	Greece	100%
ALTO Danmark A/S	Denmark	100%	Nilfisk-Advance Sp.z.o.o.	Poland	100%
ALTO Sverige AB	Sweden	100%	Nilfisk-Advance LLC	Czech Rep.	100%
Aquatech AB	Sweden	100%	Nilfisk-Advance s.r.o.	Czech Rep.	100%
ALTO Deutschland GmbH	Germany	100%	Nilfisk-Advance s.r.o.	Slovenia	100%
ALTO [Ningbo] Mechanical Manufacturing Co. Ltd.	China	100%	Nilfisk-Advance Professional Cleaning Equipment [Suzhou] Co. Ltd.	China	100%
Nilfisk-Advance AS	Norway	100%	Tennab Holding AB	Sweden	100%
Nilfisk-Advance AG	germany	100%	Nilfisk-Advance de Mexico S.deR.L.deC.V.	Mexico	100%
Nilfisk-Advance Limited	UK	100%	Nilfisk-Advance A.S.	Turkey	100%
Doug Tolson Engineering Limited	UK	100%	Nilfisk-Advance OY AB	Finland	100%
Nilfisk-Advance Limited	Ireland	100%	Nilfisk-Advance Korea Co. Ltd.	Korea	100%
Nilfisk-Advance B.V.	Netherlands	100%	Nilfisk-Advance s.r.l.	Argentina	100%
Nilfisk-Advance S.A.	Belgium	100%	Nilfisk-Advance S.A.	Chile	51%
Alto France S.A.S.	France	100%	Dongguan Viper Cleaning Equipment Co. Ltd.	China	100%
Nilfisk-Advance S.A.S.	France	100%	Viper Cleaning Equipment Co. Ltd	China	100%
Nilfisk-Advance Lda	Portugal	100%	Viper [Hong Kong] Co., Ltd.	Hong Kong	100%
Nilfisk-Advance S.A.	Spain	100%	WAP South Africa S.A.	South Africa	100%
CFM Nilfisk-Advance S.p.A.	Italy	100%			
ALTO Leasing s.a.r.l	France	100%			
CFM France S.A.	France	100%	<u>Associates</u>		
Nilfisk-Advance AG	Switzerland	100%	Nilfisk-Advance		
Nilfisk-Advance GmbH	Austria	100%	M2H S.A.	France	44%
Nilfisk-Advance Production Kft.	Hungary	100%	CFM Lombardia S.r.l.	Italy	33%
Nilfisk-Advance Commercial Kft.	Hungary	100%			
Nilfisk-Advance Pte. Ltd.	Singapore	100%	Nilfisk-Advance A/S also own 5 companies with no commercial activity.		
Nilfisk-Advance Inc.	Japan	100%			
Nilfisk-Advance Ltd.	Hong Kong	100%			
Nilfisk-Advance Ltd.	China	100%			
Nilfisk-Advance Ltd.	Taiwan	100%			
Nilfisk-Advance Sdn Bhd	Malaysia	100%			
ALTO Den-Sin Sdn. Bhd	Malaysia	100%			
Nilfisk-Advance Co. Ltd.	Thailand	100%			
Nilfisk-Advance Limited	New Zealand	100%			
Nilfisk-Advance Pty. Ltd.	Australia	95%			
Nilfisk-Advance Inc.	USA	100%			
Nilfisk-Advance America Inc.	USA	100%			
Nilfisk-Advance Technologies Inc.	USA	100%			
US Products Holding Corporation	USA	100%			
HydraMaster North America Inc.	USA	100%			
Hathaway Inc.	USA	100%			
Nilfisk-Advance Canada Company	Canada	100%			
Viper North America Inc.	USA	100%			
ALTO Holding U.S. Inc.	USA	100%			

# NOTES

## 33 Group companies as of 31 December 2008 [continued]

Group companies	Domicile	Equity share	Group companies	Domicile	Equity share
NKT Cables Group A/S	Denmark	100%	NKT Photonics		
NKT Cables A/S	Denmark	100%	Crystal Fibre A/S	Denmark	99%
NKT Cables S.A.	Poland	76%	KOHERAS A/S	Denmark	97%
NKT Cables Warszawice Sp. z.o.o. [owned by NKT Cables S.A.]	Poland	100%	KOHERAS GmbH	Germany	100%
NKT Cables AS	Norge	100%	LIOS Technology GmbH	Germany	100%
NKT Cables Group GmbH	Germany	100%	NKT Research & Innovation A/S	Denmark	100%
NKT Cables GmbH Nordenham	Germany	100%	Vytran LLC [owned by Crystal Fibre A/S]	USA	100%
NKT Cables GmbH Köln	Germany	100%	Cystral Fibre Inc. [owned by Crystal Fibre A/S]	USA	100%
HFB Hettstedter Fahrleitungs- und Bronzedraht GmbH	Germany	100%	Nanon A/S	Denmark	100%
NKT Immobilien Verwaltung GmbH	Germany	100%	SubSeaFlex Holding A/S	Denmark	100%
NKT Zweite Immobilien GmbH & Co. KG	Germany	100%	Industriselskabet af 1. januar 2002 A/S	Denmark	100%
<u>Jointly controlled entity</u>					
NKT Cables s.r.o.	Czech Rep.	100%	NKT Flexibles I/S	Danmark	51%
NKT Cables Vrchlabi k.s.	Czech Rep.	100%	[owned by SubSeaFlex Holding A/S]		
NKT Cables Velke Mezirci k.s.	Czech Rep.	100%			
NKT Cables China Ltd.	China	100%			
NKT Cables Ultera A/S	Denmark	100%	NKT Holding owns 7 companies with no commercial activity.		
CCC Cables System + Consulting GmbH	Germany	100%			
CCC Cables System + Consulting B.V.	Netherlands	100%			
CCC Cables System + Consulting S.R.L.	Italy	70%			
NKT Cables FZCO, UAE	Dubai	100%			
CCC Cables System + Consulting Ltd	Vietnam	100%			
Unique Vantage Ltd.	Hongkong	100%			
NKT Cables Accessoiriers					
Changzhou Co. Ltd.	China	100%			
NKT Cables LLC	Russia	100%			
NKT Cables Spain SL	Spain	100%			
<u>Associates</u>					
NKT Cables					
Ericsson NKT Cables Venture Ltd.	UK	50%			
Nanjing Daqo nkt Cables Co., Ltd.	China	50%			
Ultera GP	USA	50%			

NKT Cables owns one company in the course of liquidation.

# NOTES

## 34 Accounting policies 2008

NKT Holding A/S is a public limited company domiciled in Denmark. As required by the Danish Financial Statements Act the annual report for the period 1 January - 31 December 2008 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 2008 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 2008 NKT Holding A/S implemented IAS 23 [revised 2007], *Borrowing Costs*, in compliance with the option of early implementation for the standard's commencement provision. Under this standard, borrowing costs are required to be recognized in the cost of a qualifying asset [tangible and intangible, assets and inventories]. Borrowing costs are recognized in the cost with effect from acquisition, construction or production of qualifying assets that are started at or later than 1 January 2008.

This change in accounting policy has reduced financial expenses in the income statement by 8.4 mDKK and increased net income for the year before tax by 8.4 mDKK and profit for the year by 5.9 mDKK. Group equity has been increased by 5.9 mDKK. In

the balance sheet, property, plant and equipment has been increased by 8.4 mDKK and deferred tax [asset] has been reduced by 2.5 mDKK. Earnings per share and diluted earnings per share have been increased by 0.25 DKK.

During 2008 NKT Holding A/S also implemented IAS 39 and IFRS 7 concerning reclassification of financial assets, and with effect from 1 January 2008 implemented IFRIC interpretations 11, *Group and Treasury Share Transactions*, and IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The implementation of these new accounting standards and interpretations has not influenced recognition and measurement or earnings per share and diluted earnings per share.

### 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.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of identifiable net assets and recognized contingent liabilities at the acquisition date.

# NOTES

Accounting items attributable to the subsidiary companies are recognized in full in the consolidated financial statements. 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.

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

For business combinations made on 1 January 2004 or later, any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired [goodwill] is recognized as goodwill under intangible assets. Goodwill is not amortized but is tested annually for impairment. 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.

For business combinations made prior to 1 January 2004, the accounting classification has been maintained in accordance with previous accounting policies. The accounting treatment of business combinations prior to 1 January 2004 was not revised in connection with the opening balance sheet at 1 January 2004. Goodwill recognition as at 1 January 2004 is thus based on the cost recognized under previous accounting policies [the Danish Financial Statements Act and Danish Accounting Standards] less

amortization and impairment up until 31 December 2003. Goodwill is not amortized after 1 January 2004.

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.

# NOTES

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 a cash flow hedge, and which effectively hedges changes in the value of the hedged item, are recognized in equity in a separate reserve for hedging transactions until the hedged transaction is realized. At this time, gains or losses concerning such hedging transactions are transferred from equity and recognized in the same item as the hedged. Gains or losses from hedges of proceeds from future borrowings are, however, transferred from equity over the term of the loan.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are continuously recognized in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates and which effectively hedge of currency fluctuations in these enterprises are recognized directly in equity in a separate translation reserve.

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

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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 activities, investment, etc. Grant amounts are recognized when there is reasonable certainty 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 the acquisition of assets and development activities 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 CAPITALISED

Work performed by the Group and capitalised 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 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 interests, 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.

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Borrowing costs arising from general borrowing or loans that directly relate to construction or development of qualifying assets in accordance with IAS 23, Borrowing Costs, 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. Identification of cash-generating units is based on the management structure and internal financial control. As a result of the integration of acquired enterprises in the existing Group, the management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during test for impairment are business segments.

#### OTHER INTANGIBLE NON-CURRENT ASSETS

Clearly defined and identifiable development projects for which the technical rate of utilisation, 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 in accordance with IAS 23, *Borrowing Costs*, borrowing costs arising from general borrowing or loans directly relating to acquisition, construction or production of the qualifying asset 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 in accordance with IAS 23, *Borrowing Costs*, 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 utilised. If individual parts of an item of property, plant and equipment have different useful lives they are depreciated separately.

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

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ordinary repair and maintenance are recognized in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	10-77 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 therefor 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 the carrying amount of 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 utilised.

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

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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 in accordance with IAS 23, *Borrowing Costs*, borrowing costs arising from general borrowing or loans directly relating to acquisition, construction or 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 an objective indication of impairment does not exist at an individual level are assessed for an 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 for the specific receivable or portfolio is applied as discount rate.

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 individualisation 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; Unquoted securities are measured at an estimated fair value based on market data and generally accepted valuation methods. 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

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realization, the accumulated value adjustment recognized in equity is transferred to financial income or financial expenses.

## EQUITY

### DIVIDENDS

Proposed dividends are recognized as a liability at the date of their adoption at the annual general meeting [declaration date]. The expected dividend payment for the year is 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

This reserve includes the cumulative net change in the fair value of financial instruments classified as available for sale.

### 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 present 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

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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 utilisation; 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 crystallise 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.

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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 comprises payments received concerning income in subsequent years, 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.

## 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 acquisitions and disposals of enterprises is shown separately in Cash flows from investing activities. Cash

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flows from activities acquired are recognized in the cash flow statement from the date of acquisition. Cash flows from activities sold 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 not considered non-cash transactions.

## CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

## CASH 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 REPORTING

Information is provided in terms of business segments, which are the Group's primary reporting format, and geographical markets - the secondary format. Segment information is based on the Group's risks, its general management and its internal financial management. The segment information is presented in accordance with the Group accounting policies.

Segment revenue and costs and segment assets and liabilities comprise items that are directly attributable to the individual segment and items that can reliably be allocated to it. Unallocated items primarily comprise assets and liabilities, along with income and costs related to the Group's administrative functions, investment activities, income taxes, etc.

Segment non-current assets comprise such assets used directly in segment operations, including intangible assets, property, plant and equipment, and investments in associates. Segment current assets comprise such assets used directly in segment operations, including inventories, trade and other receivables, prepayments, and cash at bank and in hand.

Segment liabilities comprise liabilities resulting from segment operations, including trade creditors and other payables.

## 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	$\frac{\text{Equity excl. minority int. per share}}{\text{Number of shares in circulation}}$

\* Profit/loss attributable to shareholders of the parent company

# INCOME STATEMENT

1 January - 31 December  
Amounts in mDKK

	Note	2008	2007
Dividends from subsidiaries	3	341.1	164.7
Sale of services		24.1	24.2
<b>Revenue</b>		<b>365.2</b>	<b>188.9</b>
Staff costs	4	(33.8)	(27.6)
Other costs	5	(25.1)	(17.2)
Depreciation and impairment of tangible assets	9	(0.2)	(0.3)
<b>Operating earnings [EBIT]</b>		<b>306.1</b>	<b>143.8</b>
Financial income	6	140.1	106.6
Financial expenses	7	(146.6)	(68.1)
<b>Earnings before tax [EBT]</b>		<b>299.6</b>	<b>182.3</b>
Tax	8	(2.3)	(5.8)
<b>Profit for the year</b>		<b>297.3</b>	<b>176.5</b>
Proposed distribution:			
Proposed dividend of 0 DKK per share [2007: 11 DKK per share]		0.0	260.0
Retained earnings		297.3	(83.5)
		<b>297.3</b>	<b>176.5</b>

# CASH FLOW STATEMENT

1 January - 31 December  
Amounts in mDKK

2008                      2007

Operating earnings before depreciation	306.3	144.1
Non-cash items	3.8	2.0
Changes in working capital	8.6	(4.1)
<b>Cash flows from operations before financial items</b>	<b>318.7</b>	<b>142.0</b>
Interest received	140.1	100.2
Interest paid	(93.1)	(68.1)
<b>Cash flows from ordinary activities</b>	<b>365.7</b>	<b>174.1</b>
Income tax paid	(8.6)	1.4
<b>Cash flows from operating activities</b>	<b>357.1</b>	<b>175.5</b>
Disposal of tangible assets	(8.8)	226.9
Increase and decrease of capital in subsidiaries	(0.2)	(0.1)
Changes in loans to/from subsidiaries	(5.2)	(299.4)
Changes in loan to/from joint venture	151.4	23.0
<b>Cash flows from investing activities</b>	<b>137.2</b>	<b>(49.6)</b>
Changes in non-current loans	2.9	-
Changes in current loans	(75.8)	98.6
Dividend paid	(260.2)	(235.6)
Cash from exercise of share-based options	12.9	15.1
Dividends on treasury shares	0.8	0.8
<b>Cash flows from financing activities</b>	<b>(319.4)</b>	<b>(121.1)</b>
<b>Net cash flows</b>	<b>174.9</b>	<b>4.8</b>
Cash at bank and in hand, 1 January	61.9	57.1
Net cash flows	174.9	4.8
<b>Cash at bank and in hand, 31 December</b>	<b>236.8</b>	<b>61.9</b>

# BALANCE SHEET

31 December

Amounts in mDKK

	Note	2008	2007
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Tangible assets</b>			
Property, plant and equipment	9	0.8	0.8
		<b>0.8</b>	<b>0.8</b>
<b>Other non-current assets</b>			
Investments in subsidiaries	10	3,019.1	3,038.3
Receivables from subsidiaries		102.4	312.6
		<b>3,121.5</b>	<b>3,350.9</b>
<b>Total non-current assets</b>		<b>3,122.3</b>	<b>3,351.7</b>
<b>Current assets</b>			
Receivables from subsidiaries	14	1,564.9	1,311.1
Receivables from joint venture	14	0.8	19.6
Other receivables	14	4.2	1.8
Cash at bank and in hand		236.8	61.9
<b>Total current assets</b>		<b>1,806.7</b>	<b>1,394.4</b>
<b>Total assets</b>		<b>4,929.0</b>	<b>4,746.1</b>

# BALANCE SHEET

31 December

Amounts in mDKK

	Note	2008	2007
<b>Equity and liabilities</b>			
<b>Equity</b>			
	12		
Share capital		474.4	472.8
Retained earnings		3,204.3	2,899.9
Proposed dividends		-	260.0
<b>Total equity</b>		<b>3,678.7</b>	<b>3,632.7</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax	11	38.5	43.5
Retirement benefit liabilities	13	1.1	0.9
Credit institutions		2.9	-
		<b>42.5</b>	<b>44.4</b>
<b>Current liabilities</b>			
Credit institutions	14	884.1	941.5
Liabilities to subsidiaries	14	172.6	118.1
Liabilities to joint venture		133.0	-
Trade and other payables	14	18.1	9.4
		<b>1,207.8</b>	<b>1,069.0</b>
<b>Total liabilities</b>		<b>1,250.3</b>	<b>1,113.4</b>
<b>Total equity and liabilities</b>		<b>4,929.0</b>	<b>4,746.1</b>

# STATEMENT OF CHANGES IN EQUITY

Amounts in mDKK	Share capital	Retained earnings	Proposed dividends	Total equity
<b>Equity at 1 January 2007</b>	<b>470.0</b>	<b>2,968.4</b>	<b>235.0</b>	<b>3,673.4</b>
<b>Changes in equity in 2007</b>				
Tax on changes in equity		0.2		0.2
Net income and expenses recognized directly in equity	-	0.2	-	0.2
Profit for the year		(83.5)	260.0	176.5
<b>Total recognized income and expenses</b>	<b>-</b>	<b>(83.3)</b>	<b>260.0</b>	<b>176.7</b>
Dividend paid		(0.6)	(235.0)	(235.6)
Dividend paid of treasury shares		0.8		0.8
Share-based payment		2.3		2.3
Subscribed by exercise of share-based options	2.8	12.3		15.1
<b>Total changes in equity in 2007</b>	<b>2.8</b>	<b>(68.5)</b>	<b>25.0</b>	<b>(40.7)</b>
<b>Equity at 31 December 2007</b>	<b>472.8</b>	<b>2,899.9</b>	<b>260.0</b>	<b>3,632.7</b>
<b>Equity at 1 January 2008</b>	<b>472.8</b>	<b>2,899.9</b>	<b>260.0</b>	<b>3,632.7</b>
<b>Changes in equity in 2008</b>				
Transactions with minority interests		(8.4)		(8.4)
Net income and expenses recognized directly in equity	-	(8.4)	-	(8.4)
Profit for the year		297.3	-	297.3
<b>Total recognized income and expenses</b>	<b>-</b>	<b>288.9</b>	<b>-</b>	<b>288.9</b>
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
<b>Total changes in equity in 2008</b>	<b>1.6</b>	<b>304.4</b>	<b>(260.0)</b>	<b>46.0</b>
<b>Equity at 31 December 2008</b>	<b>474.4</b>	<b>3,204.3</b>	<b>-</b>	<b>3,678.7</b>

# NOTES

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., 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 policies

See Note 34 to the consolidated financial statements. The changes have not influenced recognition and measurement in the annual financial statements of the parent company.

### Description of accounting policies

In relation to the accounting policies for the Group's financial statements the accounting policies for the parent company differ in the following:

#### Foreign currency translation

Translation adjustment of balances considered part of the total net investment in undertakings that have a functional currency other than DKK are recognized in the annual financial statements of the parent company under financial items in the income statement. Similarly, foreign exchange gains and losses on that part of loans and derivatives 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 and associates are recognized in the income statement of the parent company in the year the dividends are declared. However, to the extent that such distributed dividend exceeds the accumulated earnings after the acquisition date, the dividend is recognized as a reduction of the investment cost.

#### Investments in subsidiaries and associates

Investments in subsidiaries and associates 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.

Cost is reduced by received dividend that exceeds the accumulated earnings after the acquisition date.

#### 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 proportion to their taxable income. Companies using tax losses from other companies pay joint tax contributions to the parent company corresponding to the tax base of the unused tax loss [full absorption with refunds for tax losses]. The jointly taxed companies are taxed under the on-account tax scheme.

## 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.

### 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.

# NOTES

Amounts in mDKK

## 3 Dividends from subsidiaries

	2008	2007
Dividends received from subsidiaries	371.1	429.6
Dividends offset against costs of investments	(30.0)	(264.9)
	341.1	164.7

## 4 Staff costs

Wages and salaries	25.4	22.9
Social security contributions	0.1	0.1
Defined contribution plans	4.5	2.3
Defined benefit plans	0.2	-
Share-based payments	3.6	2.3
	33.8	27.6

Average number of full-time employees 24 24

Remuneration to the Board of Directors and the Management, and share option schemes for executives and employees can be found in Notes 28 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 services	0.3	0.5
	1.2	1.4

## 6 Financial income

	2008	2007
Interest income, etc.	21.9	8.0
Interest from subsidiaries	104.8	83.3
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	-	6.4
Foreign exchange gains	13.4	8.9
	140.1	106.6

## 7 Financial expenses

Interest expenses, etc.	65.3	46.4
Interest to subsidiaries	6.6	7.0
Impairment charge on investments in subsidiaries on discontinued operation	28.0	-
Provision for loss relating to investment in subsidiary on discontinued operation	13.0	-
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	12.5	-
Foreign exchange losses	21.2	14.7
	146.6	68.1

# NOTES

Amounts in mDKK

<b>8 Tax</b>		
	2008	2007
Current tax	1.7	1.2
Joint taxation contribution	5.6	(2.6)
Deferred tax	(5.0)	7.2
	2.3	5.8
Reconciliation of tax:		
Tax at 25% of earnings before tax	74.9	45.6
Tax effect:		
Non-taxable dividend income	(85.3)	(41.2)
Value adjustment of investment/receivables in subsidiaries	10.3	-
Non-deductable expenses	2.4	0.6
Reduction of Danish income tax from 28% to 25%	-	1.1
Other variances	-	(0.3)
	2.3	5.8
<b>9 Tangible assets</b>		
Equipment		
Cost, 1 January	4.1	4.1
Additions	0.2	0.1
Disposals	(0.3)	(0.1)
Cost, 31 December	4.0	4.1
Depreciation, 1 January	(3.3)	(3.1)
Depreciation	(0.2)	(0.3)
Disposals	0.3	0.1
Depreciation, 31 December	(3.2)	(3.3)
Book value, 31 December	0.8	0.8
Depreciation period [years]	4-5	4-5

# NOTES

Amounts in mDKK

<b>I0 Investments in subsidiaries</b>		
	2008	2007
Cost, 1 January	3,318.2	3,831.3
Disposals	(30.0)	(551.1)
Capital contribution	38.8	38.0
<b>Cost, 31 December</b>	<b>3,327.0</b>	<b>3,318.2</b>
Impairment, 1 January	(279.9)	(566.1)
Charges <sup>1)</sup>	(28.0)	-
Disposals	-	286.2
<b>Impairment, 31 December</b>	<b>(307.9)</b>	<b>(279.9)</b>
<b>Book value, 31 December</b>	<b>3,019.1</b>	<b>3,038.3</b>

1) Impairment charges of investments in subsidiaries on discontinued operations where assets are written down to the net realisable value.

Subsidiaries	Domicile	Ownership	Ownership
		2008	2007
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk-Advance A/S	Brøndby, Denmark	100%	100%
Crystal Fibre A/S	Birkerød, Denmark	99%	93%
KOHERAS A/S	Birkerød, Denmark	97%	100%
LIOS Technology GmbH	Cologne, Germany	100%	100%
NKT Research & Innovation A/S	Birkerød, Denmark	100%	100%
SubSeaFlex Holding A/S [owns 51% of NKT Flexibles I/S]	Brøndby, Denmark	100%	100%
Nanon A/S	Brøndby, Denmark	100%	100%
Industrielskabet af 1. januar 2002 A/S	Brøndby, Denmark	100%	100%

NKT Holding owns further more seven companies with no commercial activity.

<b>I1 Deferred tax assets and liabilities</b>		
	2008	2007
Deferred tax assets:		
1 January	0.0	13.3
Deferred income tax for the year recognized in equity	-	0.2
Deferred income tax for the year recognized in profit for the year	-	(13.5)
<b>31 December</b>	<b>0.0</b>	<b>0.0</b>
Deferred tax liabilities:		
1 January	(43.5)	(49.8)
Deferred income tax for the year recognized in profit for the year	5.0	6.3
<b>31 December</b>	<b>(38.5)</b>	<b>(43.5)</b>
<b>Total deferred tax assets/liabilities</b>	<b>(38.5)</b>	<b>(43.5)</b>
Deferred tax relates to:		
Current liabilities	0.3	0.3
Tax loss carry-forward	(2.3)	(1.5)
Recapture of trading losses	(36.5)	(42.3)
	<b>(38.5)</b>	<b>(43.5)</b>

# NOTES

Amounts in mDKK

## 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

	2008	2007
Retirement benefit liabilities, 1 January	0.9	1.2
Pension costs	0.5	-
Paid benefits	(0.3)	(0.3)
Retirement benefit liabilities, 31 December	<b>1.1</b>	<b>0.9</b>

NKT Holding A/S expects to pay 0.2 mDKK in 2009 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.

## 16 Contingent liabilities

Items not included in the balance sheet

Guarantees for subsidiaries	1,176.0	759.1
Guarantees for joint venture	116.2	-
Liability in respect of subsidiary company credit facilities under the Group account scheme	782.2	879.0
Leasing agreements for property, etc.	11.0	13.3
Of which payable within:		
0-1 years	4.5	4.4
1-5 years	5.5	6.5
>5 years	1.0	2.4

4.5 mDKK [2007: 4.4 mDKK] for 2008 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 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 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.

# NOTES

Amounts in mDKK

## 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:

	2008	2007
Subsidiaries:		
Sale of services to	22.4	21.2
Purchase of services from	-	-
Interest received, net	103.7	76.3
Receivables, non-current	102.4	312.6
Receivables, current	1,564.9	1,311.1
Payables to subsidiaries	172.6	118.1
Dividends received	341.1	164.7
Dividends received set off against cost	30.0	264.9
Capital contribution	38.8	38.0
Joint venture:		
Sale of services to	(2.4)	1.1
Interest received from	0.8	19.6
Receivables	(133.0)	-

## 18 Events after the balance sheet date

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	2004	2005	2006	2007	2008
<b>Income statement</b>					
Revenue	958	1,174	1,452	1,815	1,856
Earnings before interest, tax, depreciation and amortization [EBITDA]	58	96	137	192	163
Depreciation and impairment on property, plant and equipment	(29)	(21)	(19)	(26)	(37)
Amortization and impairment on intangible assets	(5)	(9)	(9)	(14)	(17)
Earnings before interest and tax [EBIT] <sup>1)</sup>	24	65	110	152	110
Financial items, net	(3)	(3)	(7)	(19)	(30)
Earnings before tax <sup>1)</sup>	21	62	103	133	79
Profit for the year	27	48	81	110	54
Profit attributable to equity holders of NKT Holding A/S	25	48	78	108	54
<b>Cash flows</b>					
Cash flows from operating activities	38	6	36	156	102
Investments in property, plant and equipment	29	32	34	61	101
<b>Balance sheet</b>					
Share capital	66	66	63	63	64
Equity attributable to NKT Holding A/S	359	359	374	436	460
Minority interests	10	8	3	5	5
Group equity	369	367	377	441	465
Total assets	788	829	986	1,221	1,333
Interest bearing items, net <sup>2)</sup>	(19)	(103)	(137)	(268)	(303)
Capital employed <sup>3)</sup>	389	470	514	672	768
Working capital	193	245	282	292	273
<b>Financial ratios and employees</b>					
Equity share, 31 December	47%	44%	38%	36%	35%
Return on capital employed [RoCE] <sup>4)</sup>	8.1%	14.4%	18.8%	22.0%	16.4%
Number of 20 DKK shares ['000]	24,500	24,500	23,500	23,638	23,718
Earnings, DKK, per outstanding share [EPS] <sup>5)</sup>	1.0	2.0	3.3	4.6	2.3
Dividend paid, DKK, per share	1.1	1.1	1.6	1.3	1.5
Equity value, DKK, per outstanding share <sup>6) 7)</sup>	14.6	15.3	15.9	18.4	19.5
Market price, DKK, per share	21.3	38.8	67.5	61.6	14.2
Average number of employees	5,747	5,906	6,016	7,575	8,610

1) For 2006, EBIT before special item and earnings before tax and special item.

2) Interest bearing cash items, investments and receivables less interest bearing debts.

3) Group equity plus net interest bearing debt and, for 2007, minus receivables of 36.5 mEUR relating to sale of property.

4) Operating income [EBIT] adjusted for one-off items as a percentage of average capital employed. One-off items comprise, 2008: (18.1) mEUR  
2007: 9.4 mEUR, 2006: 14.5 mEUR, 2005: 0 mEUR and 2004: (1.2) mEUR

5) Profit attributable to equity holders of NKT Holding A/S relative to average number of outstanding shares [EPS].

6) Equity attributable to equity holders of NKT Holding A/S per outstanding share at 31 December.

7) Dilutive effect from potential shares from executives' and employees' share option plan are not recognized in the financial ratio.

When converting from DKK to EUR the exchange rate ruling at 30.12 2008 of 745.06 has been applied.

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