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Changed earnings expectations for 2008

NKT Holding A/S has reduced its forecast earnings for 2008 as a consequence of developments in November and updated earnings expectations for December. Forecast Group net income before tax and restructuring costs is now around 725 mDKK, which is 50 mDKK lower than notified previously.

From this amount must be deducted costs for restructuring. These costs have previously been reported as being approximately 125 mDKK, which includes 75 mDKK relating to NKT Cables and 50 mDKK relating to Nilfisk-Advance. In addition, the decision has been taken in December to close the small business Nanon which carries out surface modification of plastics. It is estimated that the closure will result in write-downs and winding-up costs amounting to around 10 mDKK. Forecast total restructuring costs are thereafter around 135 mDKK.

Total net income before tax and after restructuring costs is thus expected to be on the low side of 600 mDKK, as against 650 mDKK previously.

The assessment of forecast earnings is based on the assumption that impairment testing performed in connection with the closing of the annual accounts will not result in write-down of Group assets. There are at present no indications of impairment of group assets, but final verification of course await completion of the year-end audit.

Background

The NKT Group's last earnings forecast was published in interim financial report 3/2008. This was based on realised earnings development for the period January - October 2008 and on expected earnings for the remaining two months.



Forecast earnings for the year, after inclusion of the month of November, are stated below:

1. Nilfisk-Advance realised a nominal revenue decrease in November of 14% in relation to the same period last year. After adjustment for the effect of exchange rates, the fall in revenue was 17%. In comparison October showed a decline of 3% and for December a decline in the level of 10% is expected.

This development reflects a sharp slowdown in demand in all main markets, which far exceeds our previous expectations. The underlying cause is the global economic situation, including the financial crisis. Both factors have led to increased focus by all players in the value chain on reducing capital tie-up in stocks. The trend is expected to continue in December, and against that background the forecast full-year revenue for Nilfisk-Advance is now 5.9 bnDKK, as against 6.0 bnDKK previously. Expectations with regard to profit margin are changed and are now expected to be on the low side of 7.5%

2. As expected, NKT Cables realised flat organic growth in November. Against this background, expectations with regard to full-year revenue, measured in standard metal prices, are unchanged at around 5.0 bnDKK.

It is no longer possible to realise the profit margin of around 7.5% - 8.0% previously forecasted. The main reason is the sharply and rapidly falling metal prices and exchange rates that have temporarily reduced the contribution ratio in a number of markets. After allowing for this, forecast profit margin for the year is around 7%.

3. The decision has been taken to close down the company Nanon, whose business is surface modification of special plastics. Despite unique technology, a commercially sustainable platform has been unable to be created. Nanon, which in the most recent interim financial reports has been included within the NKT Holding segment, realised an operating loss (EBIT) of 7 mDKK for the first 10 months.

The closure decision follows a long and unsuccessful search by NKT Holding to find a new owner for Nanon. At the end of November it was expected that a sale could be completed, but the potential buyer withdrew. The closure will lead to 15 redundancies, and activities currently in progress will be wound up over the months ahead. The closure will result in write-downs and closure costs of around 10 mDKK.



Intensified reporting

In a departure from normal practice, the Board of Directors of NKT Holding A/S has decided to intensify the publication of earnings forecasts for as long as macro-economic and financial market conditions are as uncertain and volatile as is currently the case.

It is thus intended to supplement this release with an update on 6 February 2009 when results for December are known and when overview has been obtained of the year's closing financial entries. The up-date is also expected to include announcement of further restructuring measures. The annual report for 2008 will be published on 5 March 2009 as previously stated.

Further information

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Kind regards,

NKT Holding A/S,

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