



Strategy 2008-2012

BUILDING POWER



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The NKT strategy report "Building Power" was published on 23 August 2007 via the Nordic Exchange Copenhagen as NKT release no. 19/2007.

The report is published in Danish and English. In the event of any questions of interpretation the Danish text shall prevail.

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A portrait of Thomas Hofman-Bang, President and CEO of NKT Holding. He is a middle-aged man with short, dark hair, smiling slightly. He is wearing a light blue shirt. The background is a warm, out-of-focus yellow and orange.

- In the upcoming strategy period the focus will be on cementing and expanding from the solid platform that NKT's companies have created for themselves over the past few years. We have therefore called our strategy for 2008-2012: "Building Power".

Thomas Hofman-Bang, President and CEO, NKT Holding

The Board of Directors of NKT Holding approved the NKT Group's new strategic framework described in this report at an ordinary Board meeting held on 23 August 2007. The new strategy plan is entitled:

NKT 2008-2012 - **"Building Power"**

Status report on

- strategy period 2004-2008

The NKT Group's current strategy "Upgrade to Next Level" was adopted and published in March 2004 - i.e. just over three years ago.

With the publication of our earnings expectations for 2007, the goals we set ourselves in 2004 - and which have been regularly updated - have essentially been achieved as:

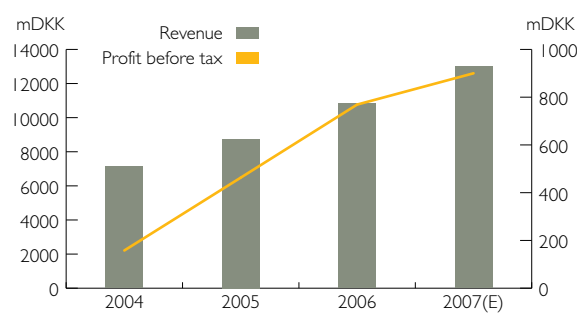
- › The Group as a whole is expected to realise a pre-tax profit for 2007 of around 900 mDKK based on revenue of just over 13 bnDKK. Return on investment is therefore around 20% before tax.
- › NKT Cables, Nilfisk-Advance and NKT Flexibles have made very satisfactory progress in operations and rank among the best when benchmarked against their competitors.
- › The focus of NKT Photonics' activities is oriented towards business areas in the field of optical fibre-based products aimed at industrial solutions.
- › All the Group's companies are well-positioned strategically and in marketing terms, and a comfortable platform exists for further development.

- › The Group's financial gearing has been gradually oriented towards a more optimal capital structure - with latitude for further development.

- › NKT's share price has increased from 108 DKK (1.1.2004) to around 550-600 DKK (mid-2007).

A need has therefore arisen to reassess the Group's strategy and set new goals for further development.

REVENUE AND PROFITS



FINANCIAL TARGETS FOR 2012 (indications)

	NKT Group	NKT Cables	Nilfisk-Advance	NKT Photonics	NKT Flexibles
CAGR	10% p.a.	12% p.a.	6% p.a.	35% p.a.	-
EBITA-margin *	11-12%	11-12%	10-11%	12%	20%
RoCE	min. 20%	min. 20%	min. 20%		

* Standard metal price basis

Building on existing strategy

As with NKT's current strategy "Upgrade to Next Level", the main elements and objectives of the new strategy will target the expansion of Group businesses through organic growth and acquisitions - while ensuring attractive value creation for NKT stakeholders.

"Building Power" includes ambitious new financial targets to be realised in the period 2008-2012 (see page 9).

Accordingly, elements of the new strategy that have been adjusted relative to the current strategy are:

- › Prime focus will be placed on organic growth in NKT Cables and Nilfisk-Advance.
- › NKT Photonics will concentrate on establishing a position as a supplier of industrial products in the form of light sources and measuring equipment based on optical fibres. Four well-defined business segments have been identified.
- › The ambition is for NKT Cables to become a leading supplier to the whole of Europe.

INTERNATIONAL PLAYER



- › NKT Cables will place new focus on expanding catenary wire sales to the Chinese market.
- › The ambition is for Nilfisk-Advance to cement its leadership in existing markets and establish a presence in new markets in other parts of the world.
- › Resources will no longer be devoted to seeking a new ownership structure for NKT Flexibles.
- › NKT Flexibles will expand its business platform to become a solution provider.

NKT's business foundation

Philosophy

NKT is a company focused on maximising the value-generating potential of each of its businesses.

Parallel with this, "best owner" principles are observed in the Group's development. For us, this means that long-term ownership by NKT is contingent upon the potential for development and value creation in the individual company being at least as great as under alternative ownership.

The Group's development has taught us that lasting assets and potentials are, virtually without exception, created over a long period through focused effort and with ongoing gradual improvement as an objective. In addition to this, correct timing - in the broad sense - is another significant parameter which determines the added value that potentially can be generated or activated.

Based on this philosophy the Group's businesses operate to clear objectives and within a collaborative structure that seeks to stimulate the pool of talent existing in the different companies. Professional challenges, independence, flexibility and influence are an intrinsic part of most positions at NKT.

It stands to reason that efforts that add value do make a difference - whether these efforts are by individuals or groups. This is one reason why we have introduced incentive schemes in our companies.

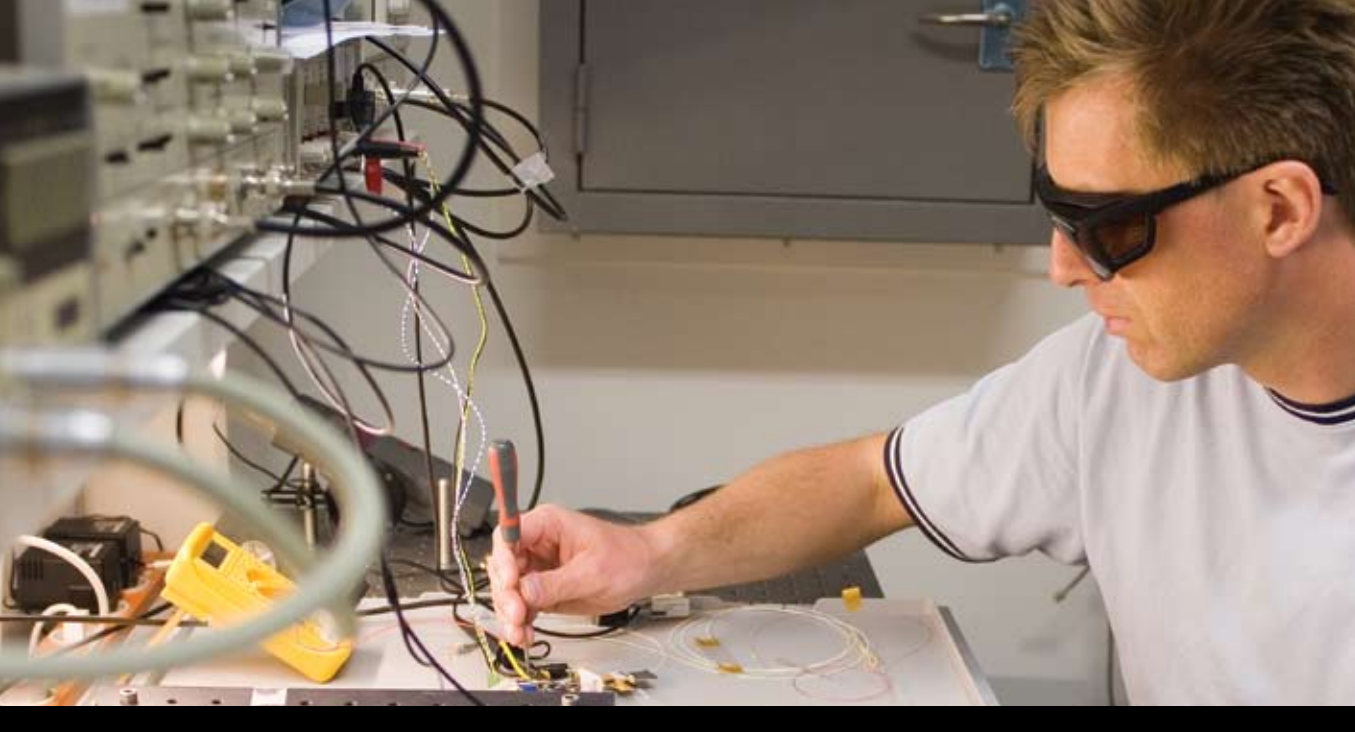
It is vital to our future activities that we can attract and retain people with unique competencies, and that we can function together with all the players in the value chains - customers, suppliers, competitors, universities and research laboratories - with a view to process optimisation, collective learning, and utilisation of the knowledge resources and competencies possessed by each party.

NKT's innovative measures build on the ability to combine technological and market opportunities, including forming partnerships with other players - and to effectively protect and strengthen our intellectual property rights.

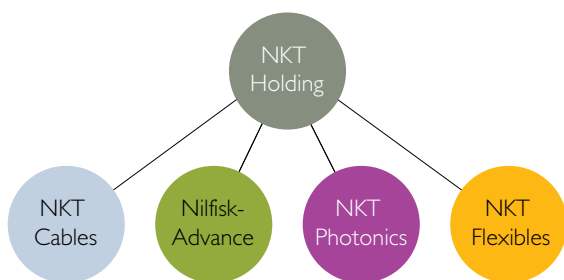
At NKT we are jealous of our reputation - as we have been since we began trading 110 years ago. We are committed to meeting the challenges of the world we live in, and we strive to ensure that our own view of NKT as a credible, open, professional and quality-driven partner is shared by our stakeholders.

Group structure

It is implicit in our strategy that NKT Holding will at all times represent the "best owner" option for its businesses during the strategy term. We believe this is currently the case, but should future developments alter this view, active steps will be taken to effect the necessary structural changes.



THE NKT GROUP



The strategy and structure of the NKT Group are focused around four business segments organised under a holding company that practises active ownership - including supporting Group companies with specialist competencies. NKT Holding also handles relations with the stock market. We believe this holding structure to be appropriate.

The Group's managerial capacity and financial resources are considered adequate to exploit the full potential of all four business segments.

Accordingly, no plans exist within the strategy period to establish additional business segments as we consider the value-generating potential in our existing businesses both rich and attractive. By comparison, acquiring a fifth business segment would - under the present conditions - reduce our financial latitude for expanding our existing businesses.

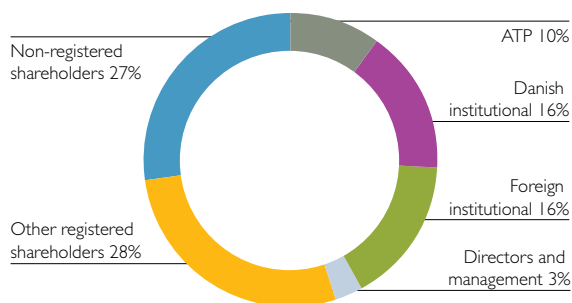
Ownership structure and equity

The NKT Group's ownership structure as at 1 August 2007 is portrayed in Fig. 1. 73% of NKT's shares are owned by around 14,400 registered shareholders.

NKT Holding is a predominantly Danish-owned company. Registered foreign investors represent 16% of Group equity.

SHAREHOLDERS

Fig. 1



NKT's share capital comprises 23,637,555 shares of 20 DKK each, nominal Group equity therefore being 472,751,100 DKK. There is only one share class.

To honour our objective of maximising value creation to NKT shareholders over time, our objective is to maintain a broad-based ownership as this ensures the liquidity - and thus also the pricing - of NKT shares.



As an element in maintaining adequate and flexible financial latitude the Group has the option of 1) purchasing up to 10% of its own shares, 2) increasing the share capital by up to 10%, and 3) issuing convertible bond loans. Ongoing consideration will be given to these options during the term of the strategy.

We have a strong base and are committed to making it even stronger. We have therefore named our new strategy:

”Building Power”

External factors

The strategy plan and the related financial calculations are based on current general trading factors, such as interest rates, exchange rates and raw material prices.

As regards cyclical prospects, we expect the period 2008-2012 to reflect the average growth rate for an economic cycle, i.e. 2-3% p.a.

The strategy is based on continued competitiveness requiring maintenance of critical mass for the Group's main activities in their respective markets. In the light of Group developments in recent years, this critical mass is considered to have been achieved. Development in the next strategy period will therefore focus on organic growth supplemented by selective acquisitions.

Financial base

NKT's policy is to maintain a capital structure and financial gearing that reflect the Group's activities and risk profile - and also give sufficient financial latitude to ensure credit-worthiness, provide flexibility and room for investments or acquisitions, and at the same time maintain a stable dividend policy also over any years of fluctuating results.

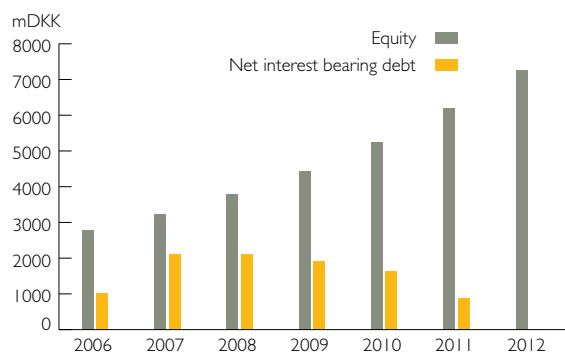
At the end of 2007 the Group's equity and net interest bearing debt is projected at 3.2 bnDKK and 2.2 bnDKK, respectively. This reflects a well-balanced capital structure with reasonable cost of capital, and also provides good latitude for strategy realisation.

Through a combination of liquidity generated by operations, dividends, investments and acquisitions the objective is for the Group to maintain a long-term capital structure with a solvency ratio of at least 30%, net interest bearing debt of up to 2.5x EBITDA, and equity gearing of up to 100%.



FINANCIAL LATITUDE

Fig. 2



The Group's financial scope under the new strategy is seen in Fig. 2, which shows the Group's expected financial latitude based purely on organic growth without acquisitions. The figure includes expected investment in capacity expansions and maintenance investments of around 2.5-3.0 bnDKK in the next five years.

The Group's net interest bearing debt is expected to be paid off over the strategy period, at the same time as the proposed dividend policy will lead to a significant consolidation.

It is the intention to supplement the stated investments in the strategy period with selective acquisitions of around 3-7 bnDKK when this can be accommodated in the framework established for the capital structure.

Acquisitions

Acquisitions are mainly expected at NKT Cables and Nilfisk-Advance. As NKT Photonics realises its potential, small acquisitions may also be relevant there.

All acquisitions must at the very least give a return equal to NKT's cost of capital (WACC), which with the present capital structure is around 8% after tax. Other considerations are the effect of potential acquisitions on Group earnings per share (EPS), capital structure, and return on investment (RoCE). These considerations will be based on the expected economic capacity of a potential acquisition both on stand-alone basis and under our ownership - including expected synergies.

The aim of the acquisition side of our strategy is to generate value for NKT's shareholders. One element in acquisition is timing, i.e. finding the right balance between seizing opportunities when they exist, but at the same time having enough patience to wait till the price reflects a normalized macro cycle.

Strategy report 2008-2012

The NKT Group will continue to be a growth and development-oriented industrial Group with four business segments represented by:

- › NKT Cables
- › Nilfisk-Advance
- › NKT Photonics Group
- › NKT Flexibles

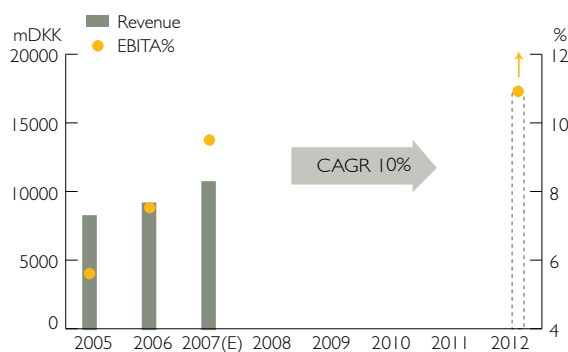
Under the new strategy the following financial targets have been set for strategic development and acquisitions:

Organic development

- › Average annual revenue growth (CAGR) of **10%**
- › Increase EBITDA margin*) from almost 12% in 2007 to around **13-14%** in 2012
- › Increase EBITA margin*) from almost 10% in 2007 to around **11-12%** in 2012
- › Maintain existing gearing targets:

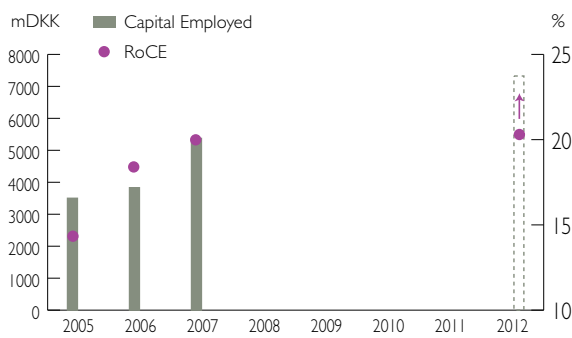
Gearing	<100%
NIBD/EBIDA	<2.5x
Equity ratio	>30%
- › Maintain and consolidate the required return on investment (RoCE) in the four business segments at minimum **20%**
- › Expected investment in capacity expansion and maintenance of **2.5-3.0 bnDKK** during the strategy period
- › Minimum net profit after tax corresponding to **8%** of revenue*) by 2012

REVENUE AND PROFIT MARGIN



*) At NKT Cables, profit margins are calculated on the basis of revenue measured on standard metal prices. See page 11 for more detailed description.

RETURN ON INVESTMENT



Growth by acquisition

- › When financial latitude permits it is intended to make selective acquisitions to NKT's business segments. Depending on the economic development, total financial latitude during the strategy period is estimated at around 3-7 bnDKK.

Acquisitions will push the Group's expected growth beyond 10% p.a. Similarly, major acquisitions will probably impact on profit margins and return on investment. Impact evaluations will be published when such acquisitions are notified.

Dividend

During the strategy period a stable dividend policy will be maintained by payment of annual dividend equal to around one third of net profit for the year.

The intention is to give Group shareholders a continuous cash return on their investment in the company, while at the same time part of the profits will be reinvested in the Group's future development and growth.

If adjustment to the Group's capital structure is considered appropriate, payment of an extraordinary dividend or purchase and subsequent cancellation of NKT shares will be considered.

NKT Cables

- launchpad in Europe

After 1999-2004 during which NKT Cables was radically transformed from primarily a Danish manufacturer with a low export ratio to a European cable manufacturer with operations in six countries, very positive development has been experienced in the period 2004-2007. NKT Cables has benefited considerably from positive market conditions driven by boom conditions in the low voltage segment and by a strong sector upturn in the medium and high voltage segments. Combined with the effects of internal improvement measures implemented up to 2007, this has resulted in a strong platform for continued future expansion.

As we approach 2008 the prerequisites for an ambitious growth strategy are in place:

- › A good management team
- › Satisfactory, stable and growing earnings
- › Efficient production units and efficient infrastructure
- › A broad and competitive product programme
- › A clear strategy
- › Market momentum

The expected earnings for 2007 with an underlying organic growth of around 15%, corresponding to revenue of around 7.4 bnDKK, an expected EBITA margin of around 10% (based on standard metal prices) and RoCE of 20%, are the tangible proof that NKT Cables is strong and possesses a competitiveness and market position that provide the platform for continued development aimed at profitable growth.



NKT Cables ranks today as a leading European supplier of low, medium and high voltage cables addressing the electricity and power sector. A range of niche-oriented special products - cable equipment, OPGW (Optical Ground Wires) and catenary wires - is also supplied. These special products address either power cable customers or employ manufacturing processes strongly allied to power cable production. With the acquisition of Czech company Kablo Elektro NKT Cables also inherited cable production for the automotive industry.

Standard metal prices

A significant part of the costs involved in power cable manufacture is attributable to the price of copper and aluminium. In recent years these prices have risen sharply and are very volatile. This has led to a strong increase in revenue at NKT Cables because these raw material price increases have been passed on to our customers. However, NKT Cables does not benefit from this and earnings are therefore unaffected.

Due to the profound effect this has on revenue and profit margins, etc. it is difficult for outsiders to determine the real economic trend in the accounting figures we regularly report for NKT Cables, and therefore for the NKT Group as a whole. From 1 January 2008 it has been decided to publish additional information on revenue and profit margins based on standard metal prices, and the targets for the next strategy period have also been based on standard metal prices.

The standard metal prices for copper and aluminium have been fixed at 1,550 EUR/tonne and 1,350 EUR/tonne, respectively, which was the prevailing price level for many years until 2003.

Strategy plan

Future strategy will continue to focus on power cables and accessories. NKT Cables also holds a profitable position as market leader in supply of catenary wires for high speed railways. This position will be defended and strengthened, particularly in China.

Against the background of the acquisition of Kablo Elektro at the end of 2006 the attractiveness of the automotive cable market is also being assessed. Clarification is expected in 2008.

The strategy objective for NKT Cables is to become a leading European cable manufacturer focused on "providing solutions".

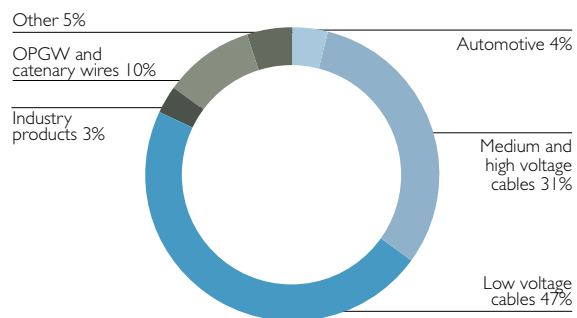
Five primary areas of focus have been identified to realise this strategy:

- › Customer understanding
- › Product development
- › Market development
- › Production and logistics (flow) development
- › Organisation and management

Product development

The aim is to establish a preferential position through product development and innovation. It has been determined that products and services we do not currently possess shall in five years time represent 10% of our revenue.

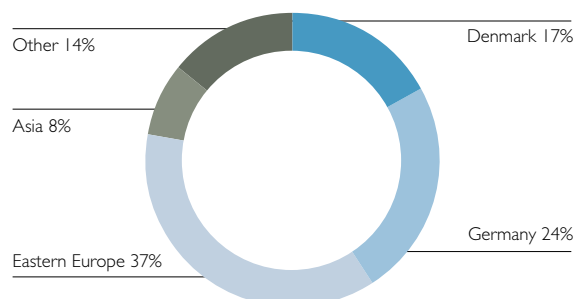
SALES BY PRODUCTS



Market development

To strengthen our market position, efforts will be made to establish appropriate market access. A major part of NKT Cables' recent success has been the ability to penetrate adjacent markets. These efforts will continue in years ahead in both existing and new markets in step with development in our capacity. Focus in this context is on the whole of Europe (LV/MV) and Europe/Russia and Middle East/Asia (HV and catenary wire).

SALES BY MARKETS



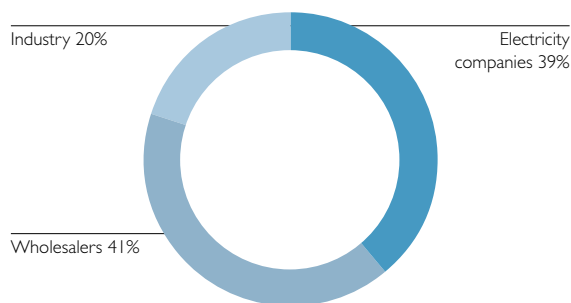
Production and logistics development

To minimise unit costs, focus will continuously be placed on production in Eastern Europe and China, and on consolidating identical production (products, batch sizes). The business system will also be changed so that all production plants become resource facilities for all markets.



With a view to exploiting the current market momentum in the European power cable segment, a large number of capacity expansions are planned for the first part of the strategy period.

SALES BY CUSTOMERS



Organisation and management

NKT Cables has expanded from 2,000 to 3,000 personnel in recent years. Consequently organisational development efforts will have a high priority.

Acquisitions

In addition to organic development, selective acquisitions are expected in Europe in support of strategic objectives.

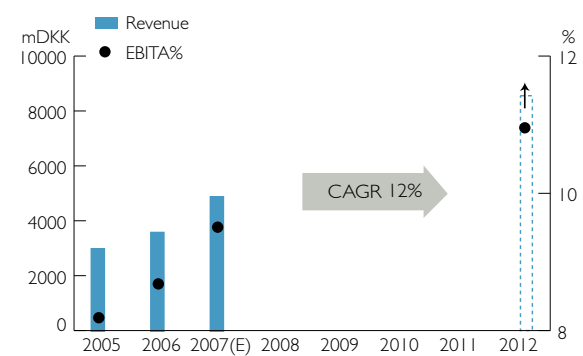
Financial objectives

Organic growth is expected to average around 12% p.a.

The objective is to increase EBITA margin (based on standard metal prices) from just under 10% at present to around 11-12%.

Return on investment (RoCE) is currently 20%, and the objective is to maintain this level through the term of the strategy.

FINANCIAL OBJECTIVES



Nilfisk-Advance - global player

Nilfisk-Advance has been part of the NKT Group since 1989. At that time the company had annual turnover of around 1 bnDKK, almost entirely from sales of vacuum cleaners (domestic, industrial and professional) to the Danish market and selected foreign markets.

Over the past 18 years the company has undergone radical change, and through acquisitions including Advance Machine Company (floor care machines - 1994), Electrolux (professional cleaning equipment - 1998), CFM (industrial vacuum cleaners - 2000), ALTO (high pressure cleaners etc. - 2004) and Viper (2007), revenue has grown to around 5.8 bnDKK in 2007.



As we approach 2008 the prerequisites for an ambitious growth strategy are in place:

- › A good management team
- › Satisfactory, stable and growing earnings
- › Efficient infrastructure
- › A broad and competitive product programme
- › A clear strategy
- › Market momentum

The expected earnings for 2007 with an underlying organic growth of around 7%, corresponding to revenue of around 5.8 bnDKK, an expected EBITA margin of just under 9% and RoCE of 20% are the tangible proof that Nilfisk-Advance is strong and possesses a competitiveness and market position that provide the platform for continued development aimed at profitable growth.

Developments during NKT's ownership



Nilfisk-Advance is today among the foremost global market leaders in professional and industrial cleaning equipment. Production takes place at nine plants (USA, Hungary, Italy and China) and sales are made to the global market by sales subsidiaries in 35 countries.

Strategy plan

The intention is to cement the company's position among the leading global suppliers of professional cleaning equipment by organic growth combined with selective acquisitions.

Five primary areas of focus have been identified to realise this strategy:

- › Customer understanding
- › Product development
- › Market development
- › Production and logistics (flow) development
- › Organisation and management

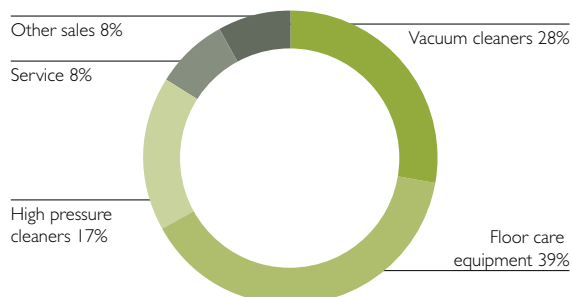
Product development

Product development takes place under the banner: "Lead the industry - product driven with customer focus". It is intended to continue spending 3% of revenue p.a. on product development in the four main segments (vacuums, scrubber/dryers, sweepers and high pressure cleaners).

The goal is to establish a complete product programme able to deal with all the cleaning tasks faced by commercial and industrial users - indoors/outdoors, on hard/soft surfaces, in dry/wet form. A niche position will also be maintained in the domestic vacuum segment. Aftersales levels will be significantly raised through more staff, a complete product palette, and a more professional infrastructure.

With a view to providing customers with "best value and innovative products", focus will also be placed on use of

SALES BY PRODUCTS



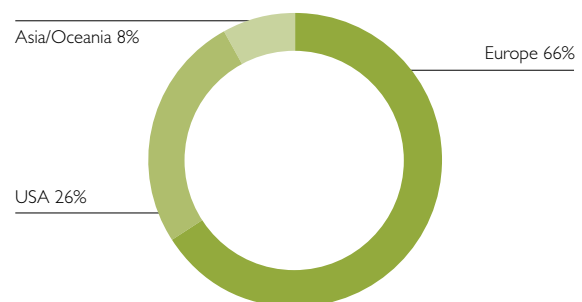
new technologies and user-driven innovation and industrial design. These areas will be assigned greater weight than previously.

The success criteria for product development are: Products must be global, maximum time from idea to marketing must be 18 months, and 50% of all products must be less than five years old.

Market development

This part of our strategy is about getting more from our existing markets and expanding into new markets. In our existing markets, efforts have been focused on separate sub-strategies within global accounts, more effective territory management, and acquisition/conversion of dealers.

SALES BY MARKETS



The strategy also includes expanding our geographical cover to markets where we are not currently represented. This will chiefly take place in emerging markets in line with rising living standards and thus also increased need/demand for cleaning machines. Focus is primarily aimed at Eastern Europe, Asia, the Middle East, and Southern and Central America.

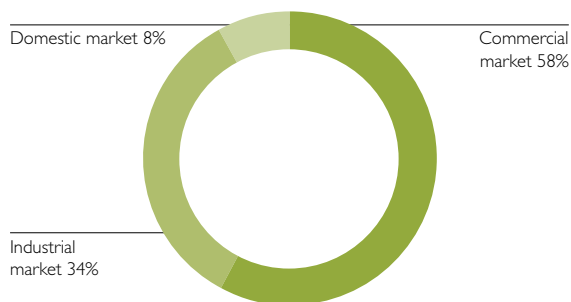
The acquisition of Viper in 2007 is important in this strategy as it adds a product range that is particularly well suited to these markets.

Production and logistics development

Under the existing strategy many structural initiatives have been implemented, with focus on outsourcing of component production, consolidation and relocation of assembly plants



SALES BY CUSTOMERS



to Hungary and China, centralising of logistics and IT, and start of shared service. A large number of initiatives have also been identified for implementation under the new strategy with a view to further improvement in business system efficiency.

Organisation and management

Nilfisk-Advance is today an organisation with 4,600 employees. A defined strategic initiative is to maintain and continue professionalising the work taking place in areas such as organisational development, employee training, grooming of talent and executive development.

Acquisitions

The strategy is principally oriented towards organic development as regards both sales and earnings. This approach will be supplemented by selective acquisitions during the strategy period.

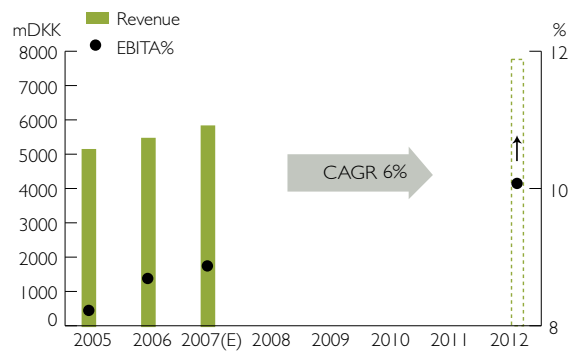
Financial objectives

Organic growth is expected to average around 6% p.a.

The aim is to increase EBITA margin in the strategy period from currently almost 9% to around 10-11%.

Return on investment (RoCE) is currently 20%, and the aim is at least to maintain this level through the strategy period.

FINANCIAL OBJECTIVES





NKT Photonics Group - industry focus

The NKT Photonics companies have their roots in the focus on optical communications technology initiated by the NKT Group in the late 1970s. In market terms, the original activities were based on NKT Cables' presence in the telecom sector: With the divestment of NKT Integration in 2005, NKT

Photonics withdrew from the telecom market and has since focused on development, manufacture and marketing of sophisticated components, light sources and measuring equipment based on optical fibres for industrial applications.

In August 2006 it was decided to intensify efforts to finalise the development and market the product segments considered to have greatest value potential.

The activities of NKT Photonics Group are focused within the following segments:

- › Distributed temperature measuring equipment
- › Ultra-precise lasers
- › SuperK/white light sources
- › Sub-assemblies for high power fibre lasers

The strategy for each of these four core segments is described below:

I. Distributed temperature measuring systems (DTS - LIOS Technology)

LIOS Technology's business has for many years been based on fire detection systems, which has created volume and a cost-efficient product platform. LIOS is considered to be

the market leader in long-range fire detection equipment. The aim is to maintain and reinforce this position by intensified marketing in global areas where market position is weaker.

In the short term the aim is that LIOS' growth will be driven by sales of cable monitoring equipment in transmission networks. Good growth is expected in this market in years ahead, due partly to the expected expansion of transmission networks, and partly to DTS systems offering more efficient utilisation of the cable network. Sales will increasingly consist of systems for load control and monitoring rather than sales of equipment. This will require upgrade of sales and service competence and of the product concept - measures already put in hand at LIOS.

In the longer term, there is considerable growth potential for distributed temperature measuring systems in the oil and gas sector for monitoring of oil wells. This market too is expected to call for system solutions that combine a variety of measuring data into user-relevant information.

LIOS Technology is in process of developing market skills and product solutions that also address this market. The aim is to offer large installation companies system solutions from within our existing product platform.

2. Ultra-precise lasers (KOHERAS)

This product segment originally developed through product sales for applications-oriented research, primarily at US and European universities and military research establishments. Some of these products are now on the verge of industrial breakthrough and potential mass production. In the years ahead all resources will be directed towards servicing and adapting products for these industrial applications, which include:

- › Measurement of wind velocity.
- › Oil and gas exploration and recovery.
- › Security systems, port surveillance, etc.

KOHERAS is today considered to be one of the leading suppliers of lasers for these applications.

The objective is to maintain this leadership when the market takes off and becomes a mass market.

This will require:

- › Ability to gear up to mass production.
- › Successful customer partnerships.
- › In the longer term direct presence in the US market.

3. SuperK/White light sources (KOHERAS, based on CF fibres)

KOHERAS is considered today the leading supplier of these types of products, which are typically used in existing optical measuring systems based on conventional lasers. Future focal applications include:

- › Life sciences, microscopy and flow-cytometry.
- › Semi-conductor industry, inspection.
- › Testing and measuring equipment for optical components.
- › Potential new applications in food control.

This will require:

- › Partnership with the dominant suppliers of optical systems in these areas.
- › Ability to gear up to mass production.
- › Establishment of a global service organisation.

4. Sub-assemblies for high power fibre lasers (Crystal Fibre)

Crystal fibres are considered to have decisive advantages when used in high power fibre lasers. The major challenge for these fibres is to demonstrate adequate reliability. Efforts to document such reliability have therefore been increased.

Under the new strategy the priorities will be to:

- › Maintain intensity regarding development of sub-assemblies.
- › Develop customer partnerships with leading laser manufacturers.
- › Support customers with handling of crystal fibres and development of fibre-based laser systems and amplifiers.

Financial objectives

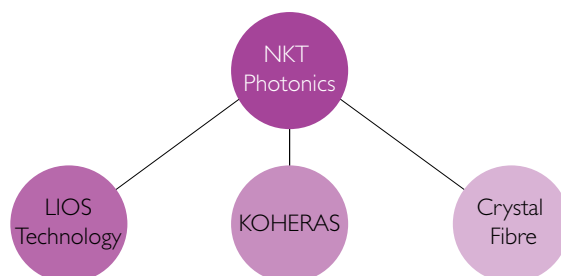
For NKT Photonics, the aim in the strategy period is to create an integrated, sustainable and profitable business unit with:

- › Significant organic growth that will increase the revenue of NKT Photonics from around 115 mDKK in 2007 to an expected overall 2012 revenue of 500 mDKK, equal to an average annual growth rate of 35%.
- › An operating profit of around 12% EBITA (2007: -22%).
- › Further substantial growth and development potential.

The three companies LIOS Technology GmbH, KOHERAS A/S and Crystal Fibre A/S are expected to show an EBITA profit by 2010 at the latest.

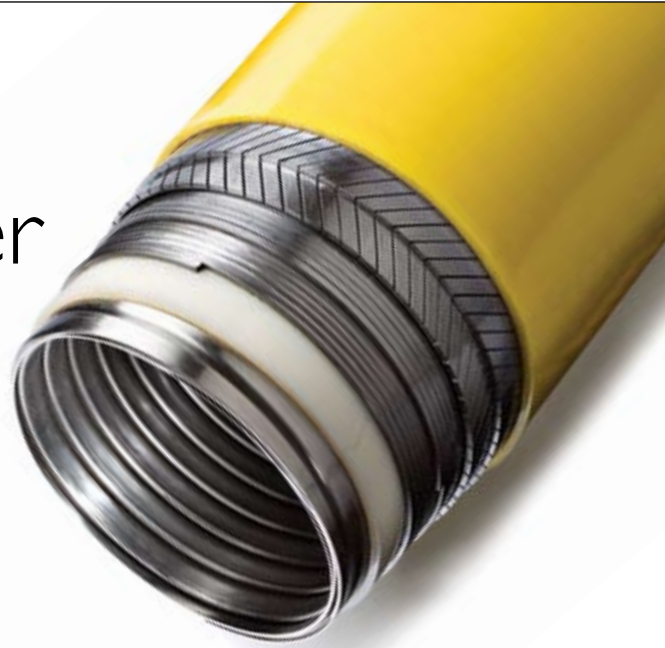
During the strategy period it is intended to support organic growth by further strengthening the position and market presence of NKT Photonics by small acquisitions, and possibly by somewhat larger acquisitions towards the end of the period.

NKT PHOTONICS GROUP



NKT Flexibles

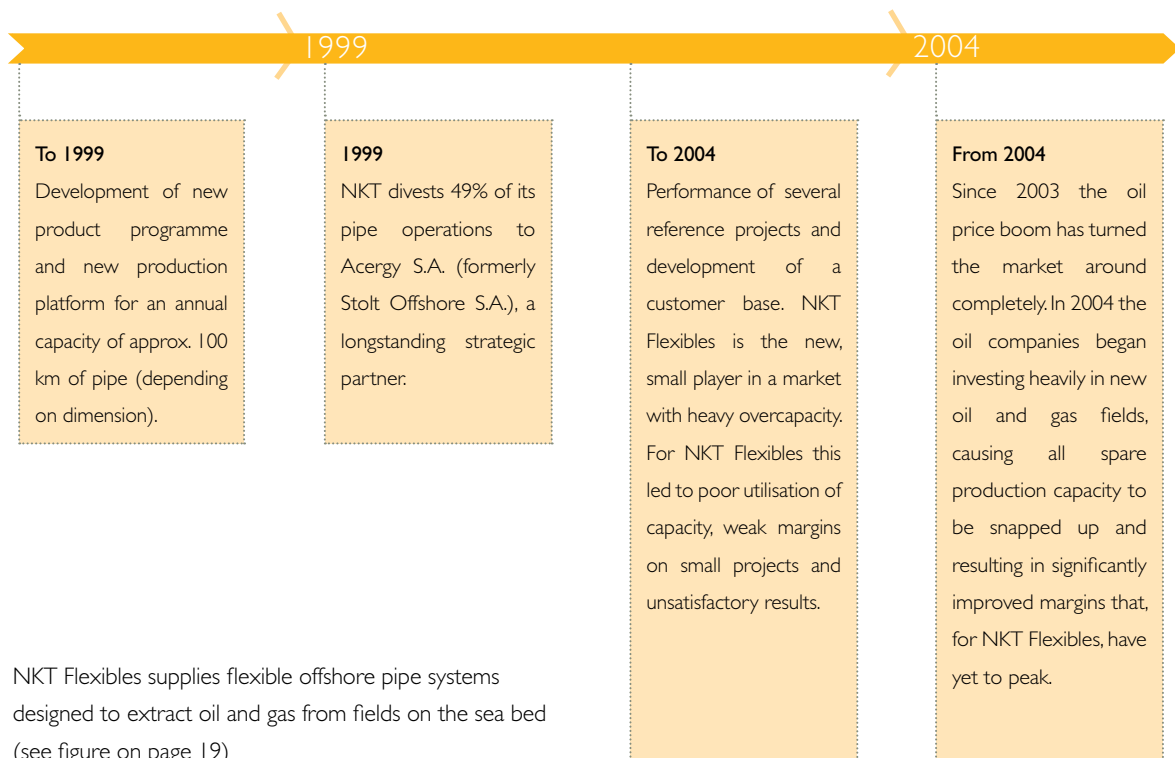
- solution provider



NKT Flexibles I/S was formed in 1999 when activities previously part of NKT Cables were separated out and a 49% stake was sold to Acergy S.A. (formerly Stolt Offshore S.A.), a strategic alliance partner of NKT Cables since 1996. The origins of NKT Flexibles date back to the early 1960s when NKT Cables began using existing submarine cable technology to develop, manufacture and market flexible pipes for water, chemicals and similar low pressure applications in shallow waters.

Up through the 1980s, flexible pipes had gained a foothold in the offshore oil and gas industry - mainly in Brazil. Pipes for this purpose were deemed to have considerable growth potential, and there were really only two suppliers: Technip in France and Wellstream in the United States. NKT was well placed to penetrate this market by redesigning and further developing its flexible low pressure pipes, and requisite production capacity was established at Kalundborg in the late 1990s.

NKT Flexibles' development milestones:



NKT Flexibles supplies flexible offshore pipe systems designed to extract oil and gas from fields on the sea bed (see figure on page 19)

Ownership

Historically, NKT Flexibles has achieved around half its revenue as a subcontractor to Acergy via EPIC projects. During and since the upturn the oil companies have changed their buying pattern, preferring to deal directly with the suppliers of critical components to offshore platforms. To a far higher degree than before, NKT Flexibles and Acergy will therefore be considered to rank equal as individual suppliers to the oil companies.

Acergy and NKT may therefore be said to share good and equal ownership of NKT Flexibles.

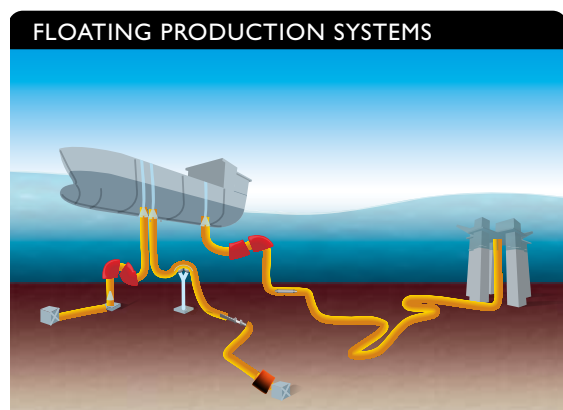
Accounting policy

In recent years NKT has treated NKT Flexibles for accounting purposes as a 50/50 joint venture, which is handled as a financial asset (one line consolidation). As we expect IFRS to change to this method, we shall continue our present practice.

Strategy plan

The major challenge for NKT Flexibles consists of exploiting the company's existing platform to achieve continued revenue and earnings growth in a strong market. Lifting the company's level of revenue will mean establishing new production capacity, either by expansion in Kalundborg or by setting up an entirely new plant elsewhere in the world.

Clarification of NKT Flexibles' ownership situation and the new outlook in the market mean that a need now exists to develop a new strategy and a new plan for the company's future operations. Strategic planning is therefore under way at NKT Flexibles in close cooperation with both shareholders.



This is expected to determine how the company will progress.

The immediate objective for NKT Flexibles is to achieve "stable" operation at the current level of activity with very high utilisation of capacity and good earnings. With employee numbers having doubled within a short time, training and organisational development are taking place to handle the high level of activity and at the same time improve efficiency.

The objective is to maintain around 20% EBITA by continued development of products with high profit potential and cost-effective production technologies - even when capacity expansion by our competitors and ourselves normalises the supply and demand situation.

By virtue of a strong product and production technology NKT Flexibles ranks as a flexible supplier in the high-end market. We intend to retain this position. The aim is to achieve higher earnings per production unit than our competitors.

There is also a need to assess whether NKT Flexibles can expand its business with additional services, such as advice on the functional properties of flexible pipelines during service.

Financial objectives

Capacity is currently fully utilised, which at present price levels corresponds to annualised revenue of around 1.0-1.2 bnDKK. The objective is to maintain high utilisation of capacity, and to invest in such expansion of capacity as is considered to generate value.

In regard to earnings the objective is to maintain an EBITA margin of around 20% in the strategy period. Major investments may have an effect of diluting profit margin until satisfactory utilisation of the implemented capacity expansion has been achieved.

Appendix

Historic data 2005-2007

Amounts in mDKK	Realised 2005	Realised 2006	Guidance ²⁾ 2007
Revenue			
NKT Cables Group, ruling market price	3,529	5,268	~7,400
<i>NKT Cables Group, revenue at standard prices</i>	<i>2,959</i>	<i>3,553</i>	<i>~4,850</i>
Nilfisk-Advance Group	5,113	5,439	~5,800
NKT Photonics Group	91	95	~115
Other companies etc.	17	13	~15
NKT consolidated revenue, ruling market price	8,750	10,815	~13,300
<i>NKT consolidated revenue at standard prices</i>	<i>8,180</i>	<i>9,100</i>	<i>~10,800</i>
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹⁾			
NKT Cables Group	242	363	~610
Nilfisk-Advance Group	469	528	~630
NKT Photonics Group	(8)	(18)	~(16)
NKT Flexibles, share of profit/loss	10	53	~90
Parent company and eliminations etc.	-	(12)	~(18)
	713	914	~1,300
Earnings before interest, tax and amortisation (EBITA) ¹⁾			
NKT Cables Group	175	301	~500
Nilfisk-Advance Group	344	411	~520
NKT Photonics Group	(22)	(31)	~(30)
NKT Flexibles, share of profit/loss	10	53	~90
Parent company and eliminations etc.	(6)	(13)	~(20)
	501	721	~1,060
Earnings before interest and tax (EBIT) ¹⁾			
NKT Cables Group	175	301	~480
Nilfisk-Advance Group	334	400	~500
NKT Photonics Group	(28)	(31)	~(30)
NKT Flexibles, share of profit/loss	10	53	~90
Parent company and eliminations etc.	(6)	(13)	~(20)
	485	710	~1,020

Amounts in mDKK	Realised 2005	Realised 2006	Guidance ²⁾ 2007
Capital employed			
NKT Cables Group	906	1,243	-
Nilfisk-Advance Group	2,414	2,342	-
NKT Photonics Group	88	100	-
NKT Flexibles, share of equity etc.	82	119	-
Parent company and eliminations etc.	9	25	-
	3,499	3,829	-
RoCE, before tax ¹⁾			
NKT Group	14.4%	18.7%	~20.0%
NKT Cables Group	22.2%	26.0%	~20.0%
Nilfisk-Advance Group	14.8%	16.6%	~20.0%
EBITA-margin ¹⁾			
NKT Group, standard prices	6.1%	7.9%	<10.0%
NKT Cables Group, standard prices	5.9%	8.5%	~10.0%
Nilfisk-Advance Group	6.7%	7.6%	<9.0%

¹⁾ 2006 figures have been adjusted with non-recurring net income of 108 mDKK attributable to Nilfisk-Advance Group.

²⁾ "Guidance 2007" reflects statements published in NKT's report for 2nd quarter 2007. The figures therefore refer to approximate expectations not actual results. The symbol "~" denotes "approximately" and the symbol "<" denotes "smaller than".

