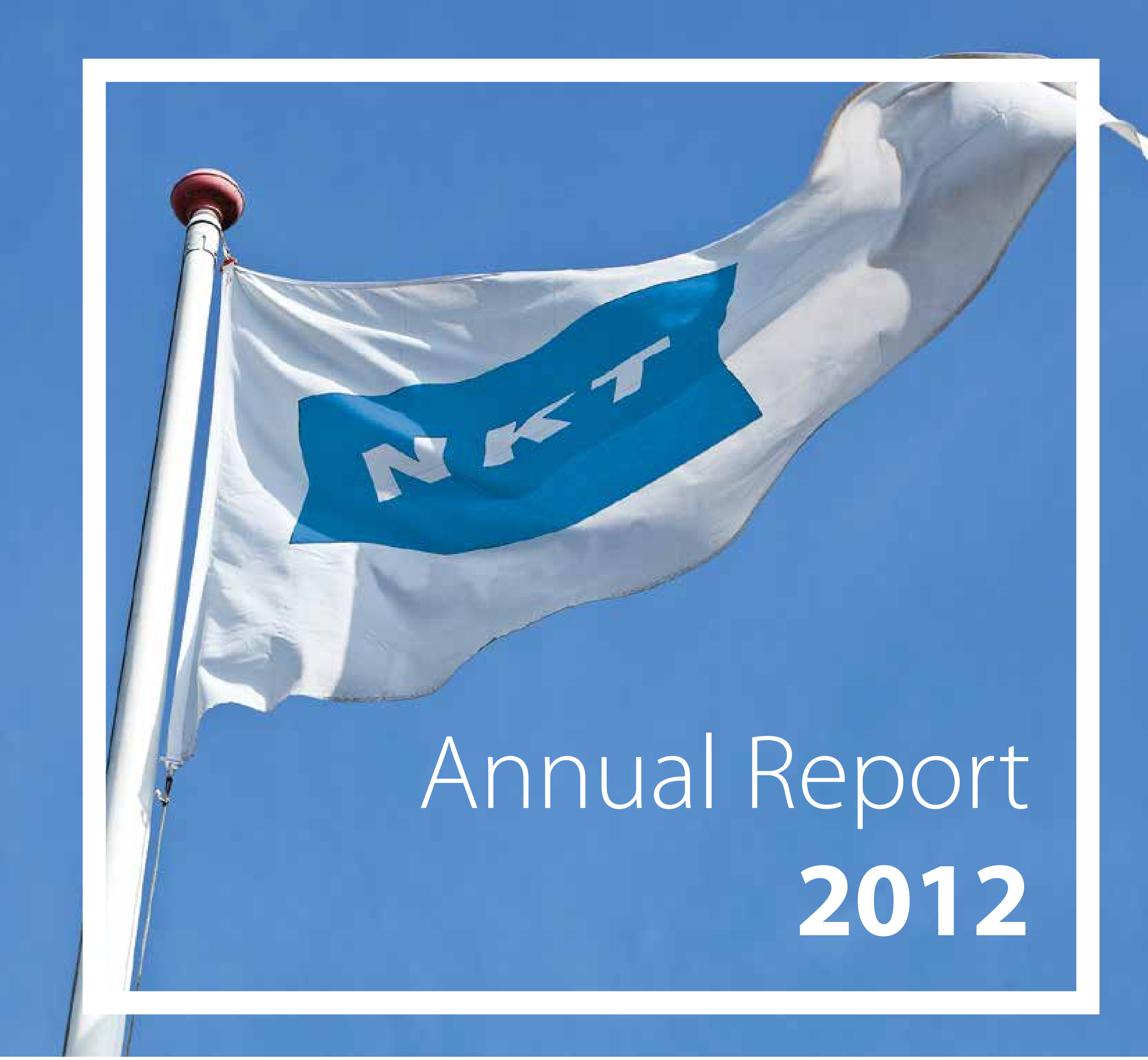

Annual Report 2012

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At the start of September 2012 NKT's Board of Directors visited the Group's factories in the area around the city of Shanghai.

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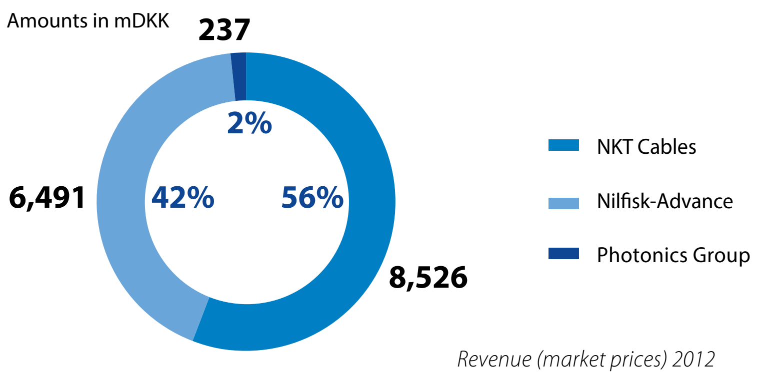
In 2012 the NKT Group consisted of the cable company **NKT Cables** and **Nilfisk-Advance**, supplier of cleaning equipment, and together they account for 98% of corporate revenue. Both companies have histories going back more than 100 years and have now become global players, partly on the basis of acquisitions and mergers. **Photonics Group** produces high tech products related to optical fibers, and has its roots in NKT's substantial involvement in optical communications during the 1970s and 1980s, including the companies NKT Elektronik and GIGA which were later sold.

Revenue split for NKT business units



Revenue (market prices) 2012

Reader's guide
Expectations are contained in the section 'Executive review'. The financial review has been divided and the contents included in the sections 'Executive review', 'Financial matters' and in the notes.

Christian Kjær, Chairman of the Board of Directors

Chairman's **foreword**

The Annual Report for 2012 is my last as Chairman, as I will be reaching the age limit for NKT Board members in 2014.

NKT's development has historically been characterised by industrial insight, an eye for long-term opportunities, and the ability to translate knowledge into action. When I joined NKT's Board of Directors in 1987, NKT was a company with an overload of activities, e.g. electrical equipment, power cables, telecom cables, nails and screws, ticketing machines and illuminated signs. This was two years ahead of our acquisition of what is today Nilfisk-Advance and set out on our journey to becoming the focused industrial conglomerate we are today.

The Board of Directors has always actively striven to seek out new business opportunities, and has not held back from taking decisions which may have included an element of risk but which also offered significant business and strategic potential. Obviously, there have also been mistakes, reverses and external crises, but for the most part NKT has been at the right place at the right time and has evolved into a conglomerate with a strong global presence.

As Chairman and a shareholder I could have wished for a bigger revenue in 2012, but I am pleased that NKT earned 1.6 bnDKK in 2012, driven not least by the sale of NKT Flexibles. This sale has strengthened our capital base and restored our financial flexibility. The Board of Directors therefore proposes to the Annual General Meeting a dividend of 8 DKK per share, corresponding to a total dividend payment of 191 mDKK.

NKT Cables remained challenged in 2012, but the internal operating situation is getting in hand and henceforth the company can again concentrate on providing the Group with stable revenue and earnings. For Nilfisk-Advance, 2012 was a good year in which the company managed to deliver record-high earnings in a difficult market. Photonics Group began to show its worth. The long, hard work of developing technologies, products and market presence remains important, and the company's potential is becoming increasingly clear.

Growth and development are created by people, and NKT is backed by almost 9,000 employees who strive daily to make NKT even better. Today NKT is a global industrial conglomerate with experienced employees worldwide, a well-founded strategy, and an skilled management team focused on opportunities for further growth and development.

27 February 2013
NKT Holding A/S

5-year financial **highlights**

Amounts in mDKK	2012	2011	2010	2009	2008
Income statement					
Revenue	15,253	15,604	14,451	11,687	13,828
Revenue in standard prices [1)]	12,148	12,151	11,478	9,950	11,273
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) [2)]	1,039	878	895	799	1,078
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,009	845	809	647	996
Depreciation and impairm. of property, plant and equipment	-360	-398	-279	-243	-275
Amortisation and impairment of intangible assets	-176	-161	-140	-124	-125
Earnings before interest and tax (EBIT)	473	286	390	280	596
Financial items, net	-196	-280	-135	-125	-226
Earnings before tax (EBT)	277	6	255	155	370
Profit for the year from continuing operations	196	8	203	136	238
Profit for the year from discontinued operation	1,410	119	67	102	166
Profit for the year	1,606	127	270	238	404
Profit attributable to equity holders of NKT Holding A/S	1,604	125	266	240	401
Cash flow					
Cash flow from operating activities continuing operations	1,122	572	-363	612	763
Cash flow from investing activities continuing activities	-532	-798	-925	-1,005	-643
hereof investments in property, plant and equipment	-364	-445	-744	-912	-756
Free cash flow	590	-225	-1,288	-393	120
Balance sheet					
Share capital	478	475	475	474	474
Equity attributable to equity holders of NKT Holding A/S	5,730	4,060	4,105	3,719	3,427
Minority interests	7	6	7	21	38
Group equity	5,737	4,066	4,112	3,740	3,465
Total assets	12,936	13,439	12,556	10,124	9,935
Net interest bearing debt [3)]	1,909	4,429	4,105	2,725	2,260
Capital employed [4)]	7,646	8,496	8,218	6,465	5,725
Working capital [5)]	2,409	2,740	2,997	1,974	2,036
Financial ratios and employees					
Gearing	33%	109%	100%	73%	65%
Net interest bearing debt relative to operational EBITDA [6)]	1.8	4.3	4.2	2.9	1.7
Solvency (equity as % of total assets) [7)]	44%	30%	33%	37%	35%
Return on capital employed (RoCE) [8)]	6.2%	5.5%	7.5%	9.4%	16.4%
Number of 20 DKK shares ('000)	23,888	23,738	23,738	23,718	23,718
Earnings cont. ope., DKK, per outstanding share (EPS) [9)]	8.2	0.3	8.5	5.9	9.9
Earnings, DKK, per outstanding share (EPS) [9)]	67.5	5.3	11.3	10.2	17.0
Dividend paid, DKK, per share	2.0	2.0	3.5	0.0	11.0
Equity value, DKK, per outstanding share [10)]	241	172	173	157	145
Market price, DKK, per share	204	191	297	291	106
Average number of employees	8,867	9,038	8,454	7,938	8,610

[1) - 10)] Explanatory comments appear in Note 35 to consolidated financial statements.

Financial ratios are stated in Note 36 to consolidated financial statements.

From left: **Thomas Hofman-Bang**, CEO, **Michael Hedegaard Lyng**, CFO and **Søren Isaksen**, CTO

Executive **review**

2012 was a more challenging year than we had initially expected. On the one side, NKT Flexibles was sold to National Oilwell Varco with a profit to NKT of 2 bnDKK. Consolidated debt was thereby reduced to a level which, going forward, gives NKT financial flexibility to continue exercising active ownership. On the other side, NKT's revenue from continuing operations decreased by 2% in organic terms to 15,253 mDKK, primarily based on developments in one of the Group's two big businesses, NKT Cables.

- **NKT Cables**' Electricity Infrastructure segment generated only low level growth, and the expected growth from railway catenary wires failed to materialise. The company worked strenuously to raise the productivity of the cable factory in Cologne, Germany, to the planned level, and in the final quarter this was very nearly achieved. But this could not compensate for the unsatisfactory results recorded chiefly in the year's first half. Revenue for NKT Cables was down by 4%, organic.

Fig, 1 Revenue development by business

Amounts in mDKK	2011	Currency effect	Growth	2012	Org.* growth
NKT Cables	5,635	40	-254	5,421	-4%
Nilfisk-Advance	6,307	198	-14	6,491	0%
Photonics Group	210	6	21	237	10%
Other	-1	0	0	-1	-
Revenue, std. metal prices	12,151	244	-247	12,148	-2%
Adjustment, metal prices	3,453	-	-	3,105	-
Revenue, market prices	15,604	266	-617	15,253	-

** Organic growth is calculated excluding the effect of changes in exchange rates and metal prices*

- **Nilfisk-Advance** employed a differentiated market approach, and potential in emerging markets to a large degree compensated for the slowdown in the more mature markets. The year ended with revenue on a par with 2011.

- **Photonics Group** increased revenue by 10%, thereby confirming the potential which NKT sees in this business going forward. As yet, this company accounts for only 2% of NKT's total revenue.

Developments in Q4

The final months of 2012 yielded NKT's best quarterly results for some years. Q4 revenue was 3,227 mDKK (standard metal prices), corresponding to organic growth of 1%, which was mainly due to high and planned utilisation of capacity in NKT Cables' Electricity Infrastructure segment.

Operational EBITDA for NKT increased in Q4 by 57 mDKK to 320 mDKK compared with the same period in 2011. However, the positive development in NKT Cables arrived later than originally forecast. Quarter-on-quarter developments for 2012 and 2011 are shown in Fig. 3.

Improved earnings

Despite the slightly lower revenue NKT delivered higher earnings than in 2011. Operational EBITDA increased to 1,039 mDKK, up 18% from the previous year. This was primarily driven by cost adjustments at Nilfisk-Advance and improved earnings for NKT Cables. The EBITDA margin increased from 7.2% in 2011 to 8.6% in 2012.

Fig. 2 Operational EBITDA by business

Amounts in mDKK	2012	2011	Nom. change
NKT Cables	290	182	108
Nilfisk-Advance	775	732	43
Photonics Group	9	1	8
Other	-35	-37	2
Operational EBITDA	**1,039**	**878**	**161**
Structural initiatives*	-30	-33	3
EBITDA, continuing operations	**1,009**	**845**	**164**
Discontinued operation (NKT Flexibles)	-	158	-158
EBITDA	**1,009**	**1,003**	**6**

** Structural initiatives relate i.a. to reorganisation of Nilfisk-Advance, US.*

NKT's performance in 2012 relative to expectations is expanded in 'Target performance 2012' on page 7.

Financial flexibility

Powered by NKT 2011-2015, NKT's strategic plan from 2011, contains three capital structure objectives which, when fully implemented, are expected to optimise capital costs, creditworthiness and financial latitude. These objectives are a solvency ratio of minimum 30%, a net interest bearing debt of around 2.5x operational EBITDA, and an equity gearing of up to 100%. At the end of 2012 all three objectives had been achieved: Solvency ratio was 44%, net interest bearing debt was 1.8x and equity gearing was 33%. NKT has maintained its existing credit facilities and has thereby retained significant financial flexibility. Further details are contained in 'Financial matters' on page 8.

Active ownership

In the past 25 years NKT has established a variety of businesses based on:

- Development and commercialisation of own ideas - such as the microchip company GIGA, which was sold to Intel in 2000
- Acquisition and development - such as LK (Lauritz Knudsen), a supplier of electrical equipment, which after 10 years' active ownership was sold to Schneider Electric in 1999
- Creation of partnerships - such as the subsea flexible pipelines which gave rise to the joint venture company NKT Flexibles that was sold to National Oilwell Varco in 2012
- Development of several high-tech enterprises, some of which are today united within Photonics Group, which is transforming the conventional laser industry with its optical fiber products.

Through these years NKT has been an active owner, constantly engaged in the work of developing its businesses. In the period 2008-2012 NKT implemented a major programme of investment, primarily within NKT Cables, including construction of a new high-tech cable factory in Germany and acquisition and development of a high voltage factory in China. In the same period NKT also invested in Nilfisk-Advance, which i.a. opened a new factory in Mexico and made ongoing acquisitions of smaller producers and dealerships.

It is expected that continued investment will be needed in both NKT Cables and Nilfisk-Advance in the years ahead in order to maintain previous progress and create the basis for further growth. In Photonics Group, investment will be made on a smaller scale to further expand production facilities and may also extend to related technologies or industries.

Further particulars are included in Strategic Update on page 13.

Expectations for 2013

The market conditions and central framework conditions under which NKT operates are characterised by low visibility. Against this background NKT will henceforth only issue forecasts at summary level.

Given flat development for the Group's main markets compared with 2012, revenue in standard metal prices and operational EBITDA for 2013 are expected to be on a par with 2012.

Cash flow from investments (excluding acquisitions) are expected to be around -500 mDKK.

Based on the above, at end 2013 net interest bearing debt is expected to be within the Group's own targets for capital structure

Fig. 3 Quarterly highlights

	2012					2011				
Amounts in mDKK	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Revenue	15,253	4,002	3,816	3,904	3,531	15,604	3,902	3,912	4,016	3,774
Revenue, std. metal prices	*12,148*	*3,227*	*3,036*	*3,079*	*2,806*	*12,151*	*3,184*	*3,027*	*3,077*	*2,863*
Operational EBITDA	1,039	320	251	239	229	878	263	225	197	193
EBT	196	81	37	47	31	8	-12	-24	14	30
Organic growth	-2%	1%	-2%	-3%	-5%	4%	0%	1%	3%	13%
Operational EBITDA margin std. metal prices	8.6%	9.9%	8.3%	7.8%	8.2%	7.2%	8.3%	7.4%	6.4%	6.7%

Target performance **2012**

NKT did not achieve the growth in revenue and earnings initially forecast. The most recent **declared expectations** were met and the capital base strengthened

Several of the risks outlined in NKT's initial forecast for 2012 materialised during the year. NKT therefore revised its growth and earnings estimates downwards in Interim Report Q2, and also in Interim Report Q3.

Both goals revised downwards were achieved in the full-year financial statements.

Organic revenue fell by 2% in 2012, compared with the most recently declared forecast of a 2-3% decline published in conjunction with the financial reporting for the first half of the year and again for Q3. EBITDA improved slightly on the forecast level of 1,000 mDKK.

Cash flows from investing activities (excluding acquisitions), which at the start of 2012 were expected to be around 500 mDKK, amounted to 523 mDKK at year end.

Group profit after tax was 1.6 bnDKK, unchanged from the initial forecast. This included 1.4 bnDKK from the sale of NKT Flexibles.

Business unit developments in 2012 were influenced by a number of factors:

In **NKT Cables**, growth in Electricity Infrastructure was lower than expected due to a combination of project delays due to customers, postponed tenders for new submarine cable projects and restraint to exercise frame agreements. In the Construction segment, development in the European building industry was identified as a risk factor at the start of the year, and 0% growth was forecast. Actual growth in 2012 was -2%, which is considered par for the industry in Europe. In the Railway products segment, Chinese market activity was slow to start and the anticipated level of growth was not achieved.

Nilfisk-Advance was expected to deliver 5% revenue growth and increased EBITDA. Growth in mature markets was absent, while emerging markets performed on a par with expectations. Although the expected organic growth did not materialise, Nilfisk-Advance maintained its earnings targets via restructuring initiatives combined with market adjustments, operational EBITDA thus increasing by 43 mDKK, and operational EBITDA margin increasing by 0.3% points to 11.9%.

Photonics Group realised lower organic growth than the 20% initially expected, achieving 10% growth for the year. Demand, particularly in the second half of the year, rose significantly in Imaging and Sensing, however, Fiber Processing sales were smaller than expected. Positive EBITDA was recorded for the second consecutive year, and at 9 mDKK almost reached the expected level. While only a small part of NKT's earnings this represents an important milestone in Photonics Group's development.

	Initial forecast 2012	Change Q2 2012	Change Q3 2012	Realised 2012
Organic revenue growth	**5-10%**		**neg. 2-3%**	**-2%**
NKT Cables	5-10%			-4%
Nilfisk-Advance	5%			0%
Photonics Group	20%			10%
Operational EBITDA mDKK	**1,050-1,250**	**1,050**	**1,000**	**1,039**
NKT Cables oper. EBITDA margin	~7.5%	~5.5%		5.3%
Nilfisk-Advance EBITDA margin	~12%	~11.6%		11.9%
Photonics Group EBITDA mDKK	10			9
Profit from discontinued oper. mDKK	**1,300**	**1,404**		**1,410**
Net profit mDKK		**1,600**		**1,606**

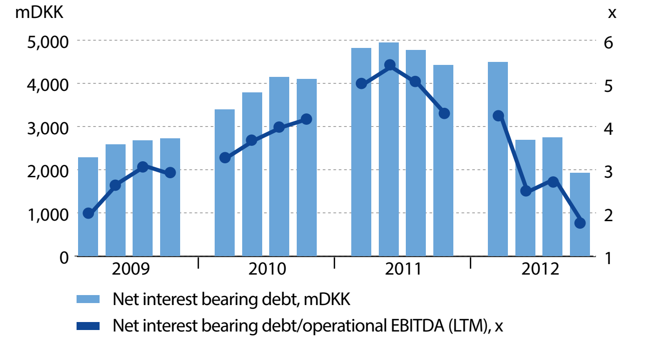
Financial **matters**

In 2012 NKT **strengthened** its cash resources by **reducing** its debt through a strong cash flow. Investment is on the way towards a more normalised level

Reduction in net interest bearing debt
NKT's greatest investment in the period 2008-2012, a new cable factory in Germany, resulted in a debt of approximately 5 bnDKK in Q2 2011 and a gearing level temporarily exceeding that which NKT considers optimal. In 2012 the debt was substantially reduced by the sale of NKT's ownership interest in NKT Flexibles and by generally satisfactory cash flow from operations.

The sale of NKT Flexibles contributed to a debt reduction of around 2 bnDKK. Cash flow from operations further reduced the debt by around 1,1 mDKK, while investments of 0.5 bnDKK in tangibles and intangibles increased the debt.

Fig. 4 Ratio of net interest bearing debt to operational EBITDA



As at 31 December 2012 the net interest bearing debt corresponded to 1.8x operational EBITDA for the last 12 months (2011: 4.3x), which was the lowest level since the start of the aggressive investment strategy in NKT Cables in 2008. It was also lower than NKT's targeted level of 2.5x.

Equity gearing (the ratio of net interest bearing debt to equity) improved significantly and amounted to 33% (2011: 109%) as at 31 December 2012.

Strong cash resources
Following the sale of NKT Flexibles it has been the wish of NKT's Board of Directors to maintain strong cash resources so as to provide maximum financial flexibility for developing the existing operations. As at 31 December 2012, NKT's cash resources amounted to at 4.6 bnDKK, an improvement therefore of 2.1 bnDKK.

With regard to NKT's cash resources a distinction is drawn between committed and uncommitted credit facilities. The committed facilities are such that the lending institution cannot demand repayment before expiry of the loan term.

NKT's credit facilities remain independent of financial covenants with lenders. Non-financial covenants are discussed in Note 2 to the consolidated financial statements.

Fig. 5 Credit facilities

Amounts in bnDKK	31.12.12	31.12.11
Committed (>3 years)	3.7	3.7
Committed (1-3 years)	0.4	1.4
Committed (<1 year)	1.0	0.1
Committed total	**5.1**	**5.2**
% of total	77%	74%
Uncommitted	1.5	1.8
% of total	23%	26%
Total	**6.6**	**7.0**
Cash	0.4	0.3
Drawn	-2.4	-4.8
Cash resources	**4.6**	**2.5**

Strong cash flow

Cash flow from operations amounted to 1,122 mDKK (2011: 572 mDKK) and were positively influenced by an improvement of 164 mDKK for EBITDA and 84 mDKK for financial items. The remaining improvement is attributable to reduction in working capital.

Cash flow from investments amounted to 532 mDKK (2011: 798 mDKK). In 2011 these cash flow were exceptionally influenced by the significant investments in production equipment for NKT Cables' factories in Cologne and Cangzhou.

The net cash flow for the year of 95 mDKK was principally influenced by profits of 2 bnDKK from the sale of NKT Flexibles and by repayments on bank loans of 2.4 bnDKK.

Fig. 6 Cash conversion

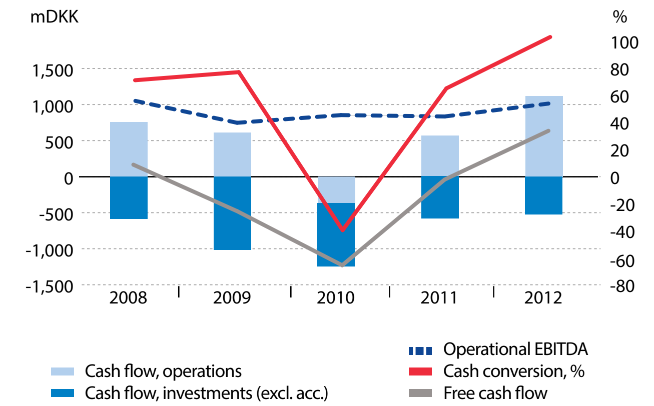


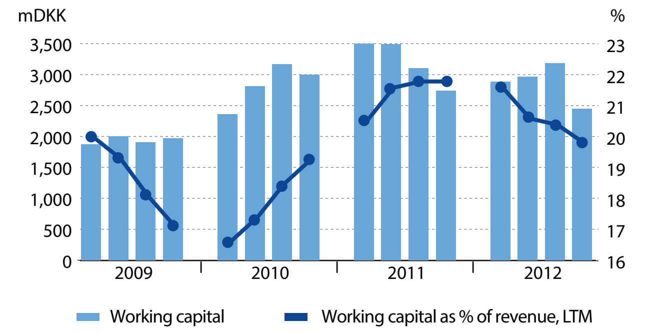
Fig. 6 shows how cash flow from operations and from investments developed over time. The free cash flow are obtained by deducting investment cash flow from operational cash flow.

Comparison of cash flow from operations with EBITDA development (the broken line in Fig. 6) shows that profit convertibility to cash flow has improved strongly in recent years. 2012 therefore closed with a cash conversion rate of 108%.

Reduced tie-up in working capital

2012 was characterised by Group-wide focus on reduction of working capital. As at 31 December 2012 working capital amounted to 2,409 mDKK (2011: 2,740 mDKK), the lowest figure for a number of years. The ratio of working capital to revenue improved correspondingly, to 20% as at 31 December 2012 (2011: 22%) LTM.

Fig. 7 Working capital



For NKT Cables, the ratio of working capital to revenue was 20% (2011: 23%), while it remained unchanged at 19% for Nilfisk-Advance. The improvement was chiefly due to the effort at NKT Cables to reduce capital tie-up in stocks and contract work, while Nilfisk-Advance focused on maintaining debtor days and stock days at a low level.

NKT Cables is involved to a greater extent than before in large projects for which large part-payments are received. The timing of the payments received will naturally lead to greater fluctuations in working capital than before.

> *“The debt is below **1.9 bnDKK**, and both working capital and cash conversion developed positively in 2012”*
>
> *Michael Hedegaard Lyng*
> *Group Executive Director and CFO*

Risk management

The objective of NKT's risk management is to **minimise risks** while at the same time capitalising on **business opportunities**. NKT Cables' focus on major projects has **increased NKT's risk exposure** and created further attention on the effectiveness of the Group's risk management model

NKT regards proactive risk management as a value creation factor. An Enterprise Risk Management (ERM) model has been developed which is structured as shown in Fig. 8. Risk management embraces identification and assessment of key strategic risks and is therefore an important tool for protecting and supporting company strategy. In order to achieve the strategic goals, unwanted operational risks must be avoided and this demands effective execution. Effective risk management ensures that all significant risks are assessed according to their potential significance for the Group's earnings and according to the likelihood of the risk event occurring.

In the last few years there has been increased focus, particularly in NKT Cables, on implementation of an ERM programme. The programme embraces all parts of production and product segments as well as support functions. As ERM is an integral part of the system for monitoring NKT Cables' activities, the programme provides support for NKT's Management, i.a. when contracts are being signed for major projects in the Electricity Infrastructure segment.

ERM policies and manuals have been created which provide structured support and ensure that effective risk management is incorporated into the work processes. An action plan is established for each identified risk in order to approve, reduce, eliminate or increase the risk; the last-mentioned in relation to a 'risk/reward' assessment.

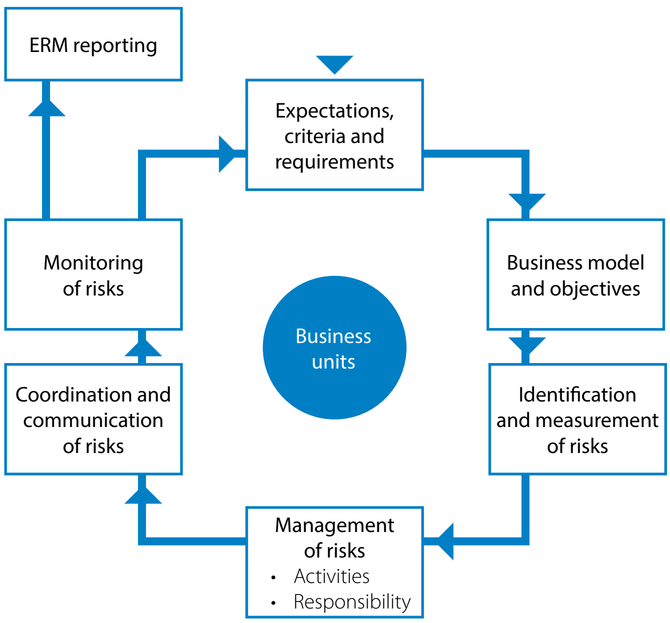
A fully consolidated ERM report is prepared quarterly and then discussed by the Group Management. It is the intention to continuously increase focus on the business risks in order to ensure ongoing correct allocation of resources relative to the possibilities the individual industries' grant.

The above description primarily refers to the ERM process and the stage of maturity relating to NKT Cables, which is where the

Fig. 8 Overview of ERM process

The purpose of integrated risk management is:

- To create increased risk awareness across the Group from operational decision-makers to the Board of Directors. Transparent and ongoing risk reporting will form the basis for a general understanding of prioritisation and handling
- To support Group Management in strategic decision-making processes through ongoing identification and evaluation of strategic risk elements
- To support decision-making at all levels of operational management by ensuring that operational risks are evaluated and addressed continuously
- To improve the control system for the company's risk hedging by implementing a model and methodology at Group level for consolidating risks



operational risks for the Group are greatest and most latent, but similar processes have been established for the Group's other business units and also for the Group as a consolidated whole.

Risk governance

The responsibility for risk management lies with the Board of Directors, but most of the work of monitoring compliance with policies and guidelines is performed by the Board's Audit Committee. The Audit Committee examines risk management policies and guidelines, while the Board of Directors follows up on those business and financial risks which have significant strategic importance.

The managements of the business units are responsible for assessing and reporting relevant risks, and once a year the Audit Committee undertakes a detailed examination of the risks which are strategic. The risks identified form the basis for risk management in the year ahead.

CASE

Tender for Group insurance portfolio - 2012/2013

In autumn 2012 it was decided to centralise the Group's insurance portfolio by combining all business units within a single regime having the same insurance and policy structure and serviced globally by the same brokers. The aim is partly to ensure a single competitive insurance premium which builds on principles approved by the Board of Directors, and partly to ensure a uniformly structured and transparent process in relation to claim statistics, sequence of events and compliance with the Group's insurance portfolio.

As part of this centralisation, detailed engineering reports were produced for all sites with a total value of 200 mDKK. The aim is primarily to enable reported risks to be actively addressed, and thereby reduce the Group's exposure, and secondly to enable the insurance companies to competitively price the Group's insurance portfolio and actively advise NKT on measures to reduce risks.

SPECIFIC RISK EXAMPLES

A description is given below of a selection of significant operational risks, and financial risks are therefore excluded. The description is not exhaustive and the risk factors are not stated in order of priority.

Financial risks are described in the consolidated financial statements under Note 2 which has been prepared in accordance with International Financial Reporting Standards (IFRS).

The material risks vary within the different business units. The most material risks in the case of NKT Cables are commercial. Nilfisk-Advance is cyclically sensitive, while commercial risks in the form of product portfolio and currency sensitivity are considered more moderate. Photonics Group is primarily exposed to commercial risks in the form of ensuring its technological lead over the competitors.

NKT CABLES

Project risks

Project sales in the Electricity Infrastructure segment (including submarine cables) represent a steadily growing part of operations. NKT Cables is therefore exposed to significant risks on projects, and managing these risks is key. Prior to major tender bids, a systematic identification and assessment is carried out of the project risks in each phase - bid, sale and execution phase. The purpose of this process is to identify and share knowledge with the relevant stakeholders and thereby ensure that NKT Cables only engages in projects where the risk profile is known, correctly priced and accepted.

In the initial phase, detailed assessment and planning are performed of the requirements made for the project's implementation. This assessment is carried out working closely with the project management responsible for execution. The planning is critically important for ensuring optimal production in collaboration with the customer and the external suppliers. Execution and completion of projects often extend over a prolonged period.

Operationally, NKT Cables is exposed to disruptions such as mechanical failures, strikes or bad weather. To obviate such eventualities all the projects are scrutinised to identify and quantify the operational risks.

During project performance requirements are stipulated by the customer concerning product quality and delivery dates, and this must be considered in the project management. If the agreed delivery date or the qualitative standards are not complied with, NKT Cables may incur a fine which cannot always be passed on to the subcontractor.

Competitive situation in the European market

NKT Cables operates in a competitive and mature European cable market where competitiveness and profitability are both directly linked to the ability to supply quality products at attractive unit costs and to establish close collaboration with customers.

For NKT Cables, the key to achieving satisfactory competitiveness is 'critical mass', which means making certain categories of products on a big enough scale to achieve low average production costs. The sales strategy and distribution strategy are aimed at minimising the supply costs. This is to help ensure that the company can withstand the pressure from its competitors, particularly in the low and medium voltage cable segment and in some parts of the high voltage cable market. In the Construction segment, European market activity remains low and there is increasing pressure on prices due to the economic climate. Many of the products which NKT Cables manufactures in these segments are produced according to a number of specific standards that most of the major competitors can meet. Therefore the price is often crucial to the customer, and that means that NKT Cables must be capable of manufacturing optimally both in cost and quality terms.

NILFISK-ADVANCE

Product portfolio

To remain consistently at the forefront among the leading suppliers of professional cleaning equipment it is imperative that Nilfisk-Advance has a product portfolio that is competitive with its rivals. New quality products that combine improved productivity, reliability, ergonomics and eco-performance with reduced running costs are therefore launched on a regular basis.

Nilfisk-Advance also makes ongoing improvements to its business systems through efficiencies in production, administration and sales.

Cyclical sensitivity

Nilfisk-Advance is cyclically sensitive as most of its product end-users are professional or institutional customers for whom the purchase of cleaning equipment is capital expenditure. When times are slow customers postpone such investment in order to protect and optimise their liquidity. A change in revenue of +/-5% points is estimated to impact EBITDA by around 100 mDKK.

PHOTONICS GROUP

Technology

Success for Photonics Group depends on the ability to continue creating groundbreaking products and applications for a demanding, global niche market, and the ability to scale up its business system for industrial mass production in step with commercial breakthroughs.

The need to continuously develop new products means that the ability to attract innovative and skilled people and to establish constructive partnerships with technological and commercial drivers is crucial to success. The transformation to industrial scale means that, going forward, Photonics Group must be able to keep its existing workforce and attract new people with special skills, while at the same time adopting a more industrial mindset. This transformation must be effected without at the same time losing the innovative strength which characterises the company today and which is critical for developing its business potential. The ability to attract and retain people and to develop employee knowhow and skills will therefore be the most important and vital success factor. To this must also be added the importance of the company's ability to maintain and defend its existing position in technology and patents, while at the same time developing new technologies and applications.

Strategic update
Powered by NKT 2011-2015

NKT will maintain its strategic direction, aiming for a solid return on capital employed and with unchanged focus on growth, improved earnings and creation of value. **Changed conditions** mean that previously announced strategic targets cannot be maintained

The Powered by NKT strategy builds on the use of NKT's strong commercial and technological platforms to capitalise on global megatrends:

- Urbanisation
- Renewable energy
- Emerging markets
- Sustainability

These trends are generating new sales and business opportunities which harmonise with NKT's activities. In addition, rising global demand for efficient processes is creating a strong need for increased measurement and monitoring, an area in which NKT's optical competences makes a difference.

At the heart of the Powered by NKT strategy lies the concept of ownership as expressed in NKT's mission statement:

*To create value by exercising **long-term** and **active ownership** in areas of business where NKT is best owner.*

Greater value creation

Long-term ownership has been the strategic mainstay since the formation of NKT's holding structure in 1991, and has resulted in documented value creation which is above the average for listed industrial companies both nationally and internationally. This value creation has been based on:

- Perseverance
- Balanced willingness to take risks
- Industrial development
- Ability to elevate local expertise to global business
- Eye for industrial consolidation
- Ability to attract and develop the right leaders and ability to assess the right timing.

This is the core of NKT's active ownership. And it is anticipated that this framework stimulates greater value creation than would be the case with alternative ownership frameworks. In accordance with the company's strategy this active ownership is exercised in businesses where NKT is 'best owner'.

In line with this thinking NKT has divested NKT Flexibles in 2012 within the current strategic period. NKT Flexibles was originally spun off from NKT Cables and subsequently entered joint-venture ownership with Subsea7. After two decades of turning NKT Flexibles into a global leading supplier of flexible subsea pipelines to the oil and gas industry, NKT judged that its ownership role was over. A new 'best owner' in the form of the US company National Oilwell Varco would be able to take NKT Flexibles to a new level.

Long-term value optimisation

It is important to understand that NKT's active ownership is exercised with a view to doing what is best for NKT and its businesses. It is implicit in this that NKT deliberately thinks and acts 'long-term' with a view to value creation. This entails a risk that, in the short or medium term, creation of value for the individual businesses may be below the industry average - and shareholders should bear this in mind in the timing of their ownership. Another element in this thinking is that NKT typically owns its businesses for several decades, and thus does not actively pursue short-term value optimisation in the form of scaling down R&D activities or breaking up the Group.

An example of NKT's long-term active ownership is the current restructuring of NKT Cables, which has received substantial investment in recent years, to position it for the opportunities that are believed to exist in the Electricity Infrastructure segment. The foundation has therefore been laid for NKT Cables to increase its presence in the part of the cable industry considered to have the best growth and earnings potential. With a shorter-term horizon this investment would scarcely been implemented.

Fig. 9 Transformation of NKT Cables

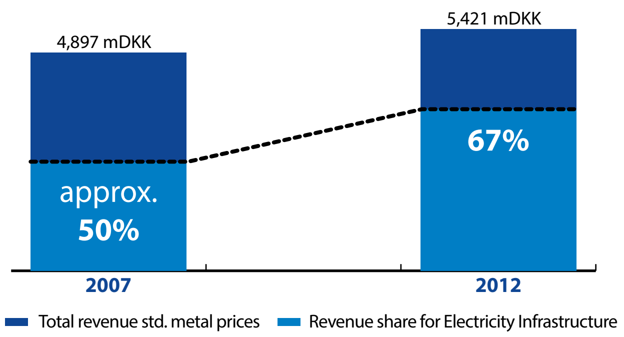


Fig. 9 shows how the Electricity Infrastructure segment now represents two thirds of NKT Cables' revenue compared with one third previously.

Another example is NKT Flexibles, which in the period 2001-2004 was threatened by closure due to market developments. However, focus was maintained on doing what was right for the company, namely investing in technology, product development, market expansion and build-up of expertise. And, as we know, the story ended happily. The stories of GIGA and Photonics Group have the same characteristics. GIGA was an overwhelming success, while Photonics Group has come through the difficult developmental phase and seems to have gained market acceptance.

Going forward, NKT will continuously focus on how to exercise its active ownership most effectively, create value, and exploit the opportunities which consolidations etc. may produce, both within activities in the current three business units and in related areas.

The industrial development

Events in 2012 have not changed the broader trends, including the need for investment in efficient, flexible electricity supply, sustainable energy production, expansion of transport infrastructure - and automated cleaning processes to satisfy a growing market.

However, 2012 created increased uncertainty about the speed of recovery of the European economy, and 2013 now seems to herald another year without growth. This has reduced the Group's growth potential in Europe in the short term.

2012 also raised increasing uncertainty about the pace of renewable energy development in Europe and the pace of infrastructure development in China. The underlying causes of this development include:

- Uncertainty on the part of the electricity utilities about the transition between nuclear power, coal and gas in major power stations
- Changes in global energy supply driven by the emergence of shale gas, mainly in the US
- Changes in supply commitments from wind farms
- Political uncertainty about tariffs for subsidising renewable energy
- Change of government in China, and by association, the development of a new strategy for establishment of high-speed rail links between the major Chinese cities.

Strategic goal

When launching the strategy in 2011 NKT had a long-term goal of being able to generate a return on capital employed (RocE) of around 20% by 2015. Against the background of developments in recent years this objective has been revised to an expected level for RoCE of around 15-20%. A specific time horizon for achieving this goal is no longer defined. Partly because of the steadily increasing uncertainty about the central framework conditions for the Group, and partly because the competition which our businesses are experiencing in a global market has become harder and more unpredictable than before.

> *"The strategic direction will be maintained. NKT is an* ***active owner*** *focused on* ***long-term value creation"***
>
> *Thomas Hofman-Bang*
> *President and CEO*

Against the same background NKT has decided not to maintain the detailed strategic 2015 targets for revenue, organic growth, EBITDA margin and earnings per share which were announced at the launch of the 'Powered by NKT' strategy in 2011.

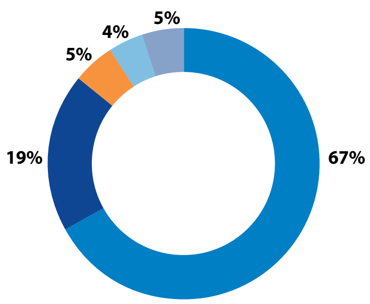
In future, all Group initiatives will be measured in relation to the targeted return on capital employed of around 15-20%, and it is also this which will determine allocation of capital.

Achieving the RoCE objective will require growth, positive operational gearing and further improvement measures in NKT's existing business units. The revised strategy for NKT Cables, Nilfisk-Advance and Photonics Group can be found on pages 21, 28 and 33.

At the cable factory in Cologne, submarine cables weighing many tonnes can be stored on a turntable before shipment to customers

NKT **Cables**

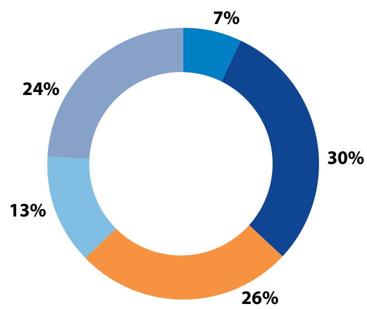
Towards the end of 2012 the onshore and offshore high voltage cable factory in Cologne came very close to achieving the productivity expected. Turntable capacity was expanded by means of a transhipment and storage terminal in Rotterdam, which will increase flexibility from 2013, and numerous plants and processes in Europe and China were further upgraded and streamlined. However, growing imbalance between supply and demand was seen in several product segments, leading to general overcapacity in the industry. In 2012 NKT Cables increased its performance experience and expertise with the execution of major on- and offshore projects, implemented further production optimisation in the Czech Republic, and prepared a new organisational structure to be implemented in 2013. 2012 was characterised by increased competition in all parts of the cable market.



Sales by fields of application

- Electricity Infrastructure
- Construction
- Railway
- Automotives
- Other

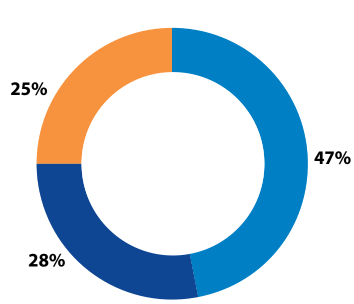
Measured in standard metal prices



Sales by geography

- Denmark
- Germany
- Eastern Europe
- Asia
- Other, primarily Europe

Measured in market prices



Sales by customers

- Utilities
- Wholesalers
- Industry

Measured in standard metal prices

2012 NKT CABLES

Fig. 10 Highlights

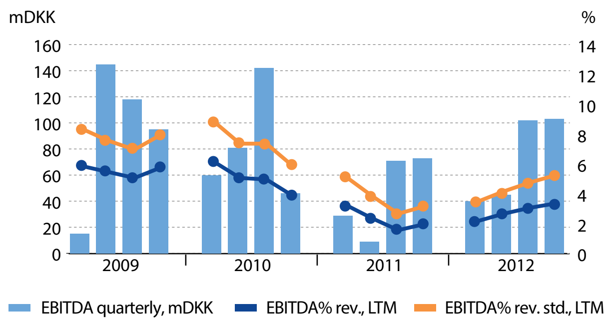
Amounts in mDKK	2012	2011	2010
Revenue	**8,526**	**9,088**	**8,520**
Revenue std. metal prices	5,421	5,635	5,547
- Growth	-6%	7%	33%
- Organic growth	-4%	1%	16%
EBITDA	**290**	**182**	**329**
EBITDA margin, std. metal prices	5.3%	3.2%	5.9%
EBIT	-2	-154	109
Capital employed	4,346	4,470	4,701
Return on capital employed, RoCE	0%	neg.	2.6%
Working capital	1,282	1,452	1,856
Employees, year-end	3,385	3,503	3,490

NKT Cables began the year with expectations of 5-10% organic growth derived chiefly from Electricity Infrastructure (onshore and offshore high voltage cables and medium voltage products). Approx. 70% of expected onshore and offshore high voltage revenue in Europe in 2012 came from existing orders at the start of the year, and approx. 60% of revenue in the medium voltage segment came from existing frame agreements. However, additional orders for submarine cable projects were not forthcoming, and medium voltage customers were reluctant to utilise the established frame agreements. Sales of railway catenary wires in China resumed, albeit at a slower pace than anticipated. Predominantly based on developments at NKT Cables, NKT's interim reports for Q2 and Q3 therefore revised down earnings expectations for 2012.

Revenue calculated in standard metal prices fell to 5,421 mDKK in 2012 (2011: 5,635 mDKK).

Raw materials represent approx. 85% of the cost of production and consist mainly of the metals copper and aluminium, and also polyethylene which is used for insulation. As there is considerable fluctuation in these raw material prices, NKT has since 2007 isolated the effect of metal prices, and revenue is therefore disclosed in both standard metal prices and in market prices. Risks from fluctuations in metal prices are hedged on a continuous basis.

Fig. 11 EBITDA



Organic growth was negative, -4%, and consisted of 2% for Electricity Infrastructure, -34% for Railway, -2% for Construction and -21% for Automotive.

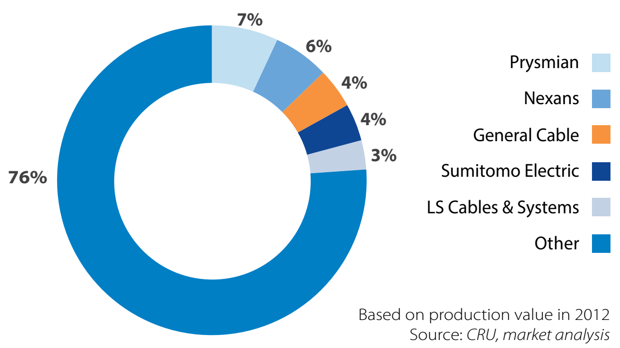
2012 earnings, EBITDA, amounted to 290 mDKK (2011: 182 mDKK), corresponding to an EBITDA margin in standard metal prices of 5.3% (2011: 3.2%). The improved EBITDA was mainly driven by improved profitability of the high- and medium voltage cable projects produced in Cologne. Both the production and project execution stabilised during 2012 and there were no impact by straining one-off costs, as seen in the prior years.

The cable market and NKT Cables

The global cable market is estimated at around 880 bnDKK annually, of which NKT Cables has a market share of approx. 1%. Among the hundreds of cable producers, NKT Cables ranks among the top 15. The largest global players are Prysmian (Italy), Nexans (France) and General Cable (US). In addition to the global competitors the high voltage cable market contains a small number of more regional players. In Europe, NKT Cables has a market share of some 3%. In the medium voltage cable market there are typically 10-15 regional competitors.

Due to the fragmented nature of the market, however, NKT Cables is typically one of 5-10 players in the product categories or geographical markets in which the company operates.

Fig. 12 The global cable market



Based on production value in 2012
Source: *CRU, market analysis*

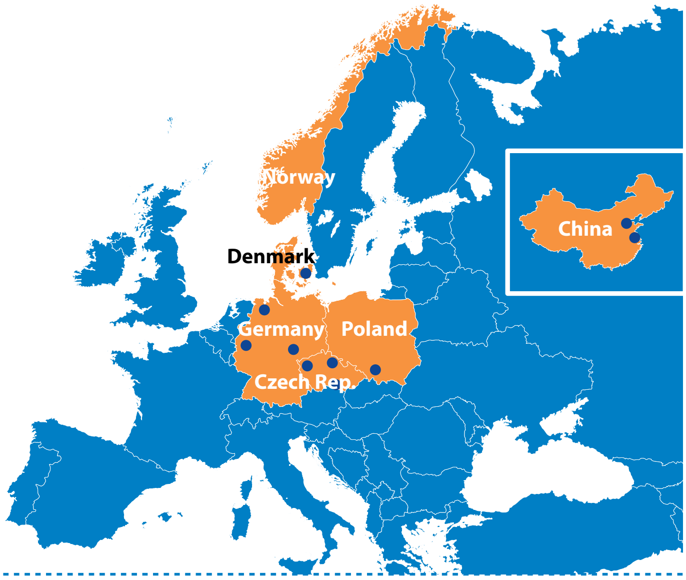
Market development is chiefly fuelled by growing urbanisation, which is creating a need for energy supply and infrastructure. Politically, in Europe and the United States, energy security considerations are playing an increasingly important role, the goal being independence of energy supply from politically unstable areas. Sustainable energy is also prioritised.

The cable market consists of a number of segments defined by different customer types, sales outlets and geography. The market boundaries are further defined by technology, technical standards, type approval requirements, and project references.

NKT Cables differentiates between four application segments: Electricity Infrastructure and Railway are global markets, while Construction and Automotive are more regional. NKT Cables focuses predominantly on Europe and China.

Fig. 13 Products and production

	Electricity Infrastructure	Railway	Construction	Automotive
	Onshore and offshore high voltage and medium voltage cables Accessories	Catenary wires Signal cables	Building cables Low voltage cables Accessories	Wires for cars
Germany	Cologne Nordenham	Hettstedt		
Poland			Warszowice	
Czech Rep.	Velke Mezirici		Kladno Velke Mezirici	Vrchlabi
Denmark	Asnæs	Asnæs	Asnæs	
China	Cangzhou Changzhou	Changzhou		



Smaller production units in Norway and Berlin.

ELECTRICITY INFRASTRUCTURE

Electricity Infrastructure covers power cables and monitoring equipment for offshore wind farms, onshore energy systems, primarily high voltage and medium voltage cables, and accessories. NKT Cables supplies both individual cables as well as complete cable projects. The offshore market is characterised by both customers and suppliers developing initial experience, and since the first submarine cable projects the trend has been towards projects of steadily increasing size. The customers are European electricity transmission and distribution companies including E.ON, EnBW, EDF, RWE, Energinet.dk, ScottishPower, Dong Energy, TenneT, 50 Hertz and Vattenfall. Increasingly, sales are also taking place to Chinese customers, and in step with the approval of further high voltage products from NKT Cables' factory in China for the Chinese market, further growth and new customers are expected in south-east Asia.

In recent years NKT Cables has supplied cable solutions for major energy infrastructure projects, chiefly in Northern Europe. The primary markets for NKT Cables are the UK, Denmark, Germany, Benelux, and France. The main competitors are the previously mentioned global manufacturers.

Entering 2012, NKT Cables anticipated organic growth of 15-20% for the Electricity Infrastructure segment but the prerequisites for this growth did not materialise. 2012 saw a slowdown in the German and UK offshore markets driven by delays in the execution of large projects for a variety of reasons, including substantial cost overruns on projects in execution, uncertainty about the regulatory regime surrounding offshore projects (related to both the incentive systems and distribution of liabilities between grid companies and project developers) and longer permitting periods. In both countries the regulatory regimes were further clarified towards the end of last year. With the decision of the German government to phase out nuclear power and to realise a switch towards renewable energy, extensive energy infrastructure change is on the way.

High-tech products

Onshore and offshore cables and accessories typically have a high technology and knowhow content. Production in this area is investment-intensive, which means there are relatively high entry barriers.

The scope of projects includes product design, project engineering, planning and management, production of cables and accessories, testing, and both onshore and offshore installation. In offshore wind farms, medium voltage cables are used to connect the individual turbines, and high voltage cables are used to connect the wind farm to the existing grid system either onshore or through an offshore substation. A competitive parameter is the length of the cable sections a producer can supply without having to use cable joints to connect two pieces of cable. The fewer the number of joints, the lower the risk, as joints constitute the largest source of error and are often difficult to access. NKT Cables' factory in Cologne is designed to produce very long lengths of cable in one piece.

Completed submarine and high voltage projects

NKT Cables finalised three important submarine cable projects in 2012.

The world's biggest offshore high voltage cable, equipped with an aluminium core and with a diameter of 270 mm, was supplied by NKT Cables to a Danish customer, and an 85 km submarine cable was produced for a UK offshore wind farm, the second-largest in the world.

Two thirds of a German cable project had been delivered and installed when unforeseen customer delays caused the remaining cable installation to be postponed into 2013. The final cable section has been produced and tested.

The completion of these projects has grown NKT's expertise and reputation which is supported by the fact that the customer for NKT Cables' first submarine cable project, executed in 2010 and 2011, placed a follow-up order with the company.

Onshore high voltage orders delivered by NKT Cables in 2012 included the world's largest 380 kV project. This unique project, for a customer in the Netherlands, was of a high complexity which made it a milestone in NKT Cables' work with extra high voltage underground cables.

High voltage orders
At the start of the year NKT Cables had substantial orders for submarine cables and tender activity was steady. However, several projects became delayed, partly because of the described political uncertainty and partly due to technological deliberations by customers and financiers. This combination of factors meant that only a small number of contracts were signed with cable producers. NKT Cables received a number of small submarine cable projects in 2012, but none of the size acquired in prior years. As a consequence, full capacity utilisation within submarine cables in 2013 will require further order intake.

Despite the general reduction in energy sector investment there was a good flow of orders for conventional high voltage projects. These orders included the first phase of a Danish project to replace existing overhead power lines with 132-150 kV underground cables, and an Australian medium voltage project based on production by one of NKT Cables' Chinese factories. At the start of 2013 orders for traditional high voltage projects were slightly higher than at the same time the previous year. These orders comprised 15-20 cable projects for production in Cologne, corresponding to around 75% of expected HV revenue in 2013.

Increased competition
In Europe, cable maintenance and replacement activity fell in 2012. The situation was least favourable in southern Europe, prompting several producers to focus on other markets including Northern Europe. The changed market conditions created increased competition, resulting in pressure on prices at the lower end of the high voltage market.

NKT Cables has a number of frame agreements for medium voltage cable production, but European customers disappointed having a lower activity level than they had indicated at the beginning of the year. New frame agreements were negotiated at the end of the year.

Lower sales in China
Sales of high and medium voltage cables in China disappointed. With a slightly reduced growth in the Chinese economy the medium voltage market became characterised by substantial overcapacity and aggressive competition. To a lesser degree the same was true in the high voltage market up to 245 kV which brought pressure on prices.

Testing of a 245 kV cable from the company's high voltage factory at Cangzhou is under way, and approval to supply the Chinese market is expected to be obtained in the first half of 2013. The testing is taking place at external facilities and has so far lasted approximately one year. In parallel with the expansion of the product offering, NKT Cables has invested in expanding its sales presence in the Chinese market.

> *"In 2012 we further* ***strengthened*** *our Project organisation and our risk management capabilities and the factory in Cologne achieved the progress expected. In 2013 we will* ***focus*** *on establishing the foundation for future growth"*
>
> *Marc van't Noordende*
> *CEO, NKT Cables*

Positive development in Cologne
NKT Cables' largest and most complex production facility is the onshore and offshore high voltage factory in Cologne. Situated in an industrial area on the Rhine, the factory consists of a completely new production line for offshore cables together with existing production lines transferred from the company's former high voltage facility in the same city. Production was partially suspended during the transfer of equipment in 2011, in which the equipment and the operating software were upgraded, and significant numbers of new personnel were hired and trained. The complexity of the transfer and running in process was greater than originally anticipated and the results, chiefly in the first half of the year, were unsatisfactory. Production finally reached a good level in the second half of 2012 in line with the expectations for the year.

Factory output at year-end 2012 was as expected, with high capacity utilisation, but work to optimise operation and improve efficiency continues. In 2013 an additional turntable will be installed to further optimise factory flexibility and capacity.

New transhipment and storage terminal in Rotterdam
In 2012, NKT Cables more than tripled its existing capacity for shipment of cable on the Rhine with the introduction of a new barge. Building began on a transhipment and storage terminal consisting of turntables and assembly facilities for offshore cables in the deepwater port of Rotterdam and is to be completed in March 2013.

With this terminal NKT Cables can increase the cable lengths it delivers directly onto the installation vessels. The increased turntable storage capacity will also enable a more even production flow at the Cologne factory as submarine cables are predominantly installed in the summer period.

Optimisation of factories
An extensive programme of equipment relocation and upgrade is nearing conclusion. This programme is aimed at optimising production and minimising the transport between factories.

At the end of 2012 the production of high voltage accessories, which previously also took place in Berlin, was concentrated in Cologne, Germany.

Due to the good growth in sales of medium voltage accessories and cabinets in recent years, the Nordenham plant was upgraded with a new production hall to avoid bottlenecks and optimise the production processes. The hall was taken into operation mid 2012.

At the end of 2012, at the medium voltage cable factory in Velke Mezirici in the Czech Republic, work began on the installation and upgrade of a production line transferred from the old factory in Cologne. The process will take six months and the reduced output of that line during the move will be compensated by higher production at the Group's other production sites for medium voltage cables.

This completes the major part of the planned optimisation project.

Customised product development

In the context of major projects there is often a significant element of product development in the overall solution. This often means obtaining approvals and/or performing type-testing before production can start. Production in 2012 was typically based on orders dating from 2009 and 2010 that often contained novel technology and involved first-time commercial manufacture.

RAILWAY

The Railway segment covers catenary wire systems and signalling cables. NKT Cables' markets are China and Europe and market development is fuelled by growing need for the movement of passengers and goods by rail as a supplement or alternative to road and air travel.

Customers are typically railway owners and operators, such as the China Ministry of Railway, and leading railway contractors like Alstom, Balfour Beatty and Siemens.

Catenary wires

Products include both relatively low-tech items with many possible suppliers, and significantly more demanding products for high-tech solutions, such as catenary wires for high speed lines, which few cable producers can supply.

NKT Cables produces catenary wires, conductors, return conductors, cabinets and signalling cables. Competitors are Isodraht (Germany), Sundwig (Austria), Lafarga Lacambra (Spain), Tele-Fonika (Poland) and Hitachi (Japan). A number of new suppliers have also appeared in recent years, mainly in China.

Production of catenary wires is centred at the factories in Hettstedt, Germany, and Changzhou, China. Towards the end of 2012 NKT Cables agreed with its partner to take over full ownership of the production at the Nanjing factory in 2013.

New product business - signalling cables

NKT Cables entered 2012 with the expectation that the Railway segment would see zero growth and that the anticipated reduction in activity would be compensated by sales in the new product business - signalling cables. In the course of 2012 NKT Cables built up capacity and expertise for signalling cable production, and received its first orders. Production takes place in Asnæs, Denmark, and is partly based on equipment transferred from the Czech Republic. The Asnæs factory was optimised for production to the other European countries, and NKT Cables received type approvals for five main markets and is awaiting approvals in a several other countries.

Despite substantial tender activity only a few orders were received, and the competition in this segment brought about commercial conditions which made certain major tenders unattractive to NKT Cables. Overall, NKT Cables failed to realise the growth expected from signal cables in 2012.

Slow railway activity in China

The Chinese government did not start the construction of any new, large high-speed train lines but construction on existing projects resumed albeit more slowly than anticipated. These projects included the lines Beijing-Wuhan, Harbin-Dalian, Nanjing-Hangzhou and Wuhan-Yichang - all routes for which NKT Cables supplied wires in 2011.

NKT Cables remains the market leader in China with a solid order book that includes projects with expected delivery mainly in 2013 and partly in 2014.

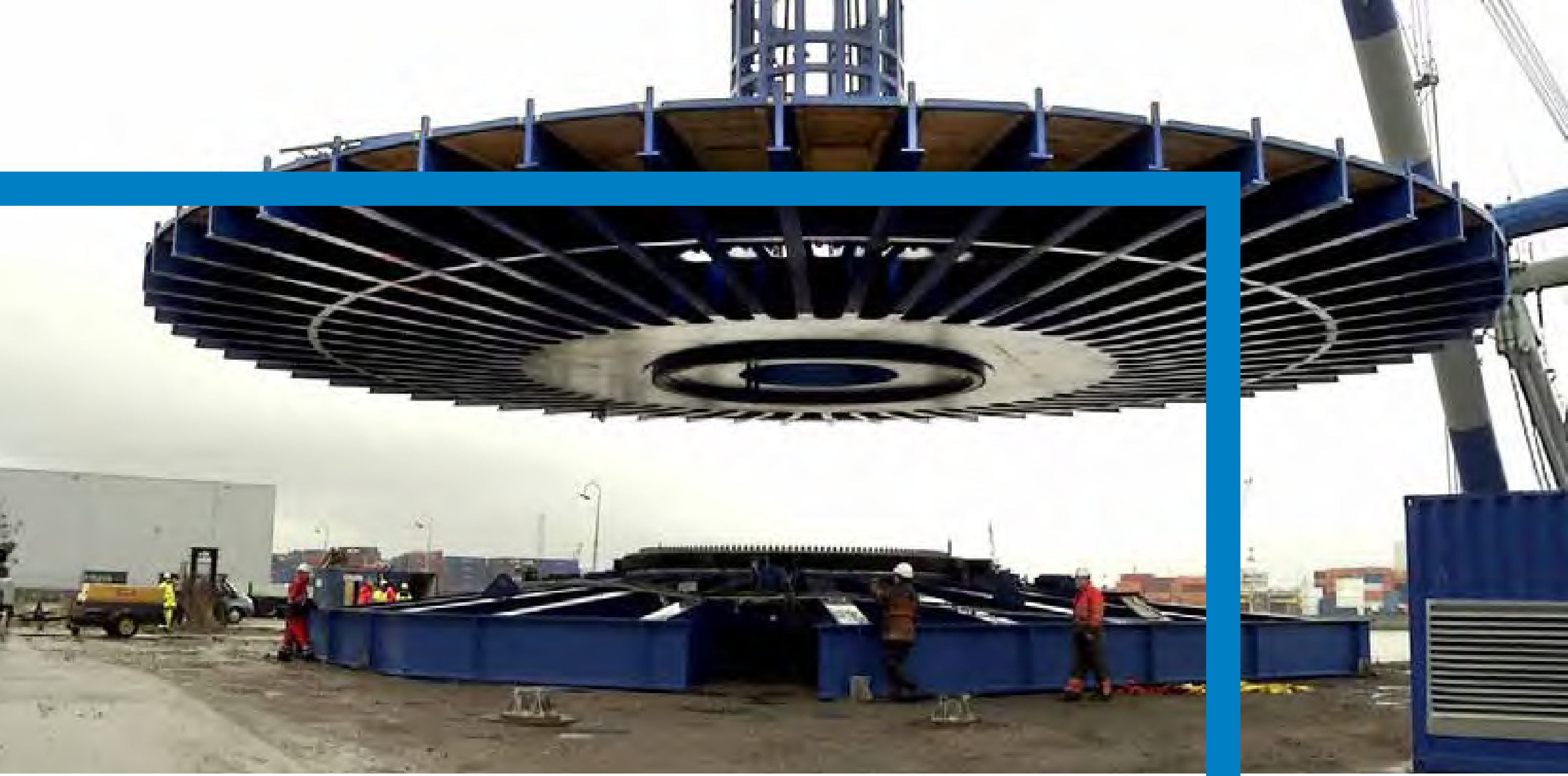
Tender activity for new projects gradually increased during 2012, but was below the level of previous years. In May 2012 the Chinese Ministry of Railway approved a new policy inviting private investment for the construction of short, high-speed, inter-city rail links. The Ministry is expected to be reorganised early in 2013, abolishing the requirement for administrative product prequalification and thereby increasing competition. It is further expected that procurement will be decentralised to local authorities. An uptake in the approval of new projects is expected when the new Chinese government has completed a number of strategic deliberations in the first half of 2013.

Istanbul - Ankara rail link

The European market, which represents around half of NKT Cables' Railway revenue, showed stable development in 2012 with focus on small-size projects and maintenance. Towards the end of the year, through a Chinese customer, NKT Cables received an order to supply catenary wires for part of a high-speed rail link between Istanbul and Ankara in Turkey.

CONSTRUCTION

The Construction segment comprises building cables, i.e. installation cables and 1 kV cables (low voltage cables). The primary markets for NKT Cables are Eastern and Northern Europe.



Installation of the turntable at the transhipment and storage terminal in Rotterdam which significantly increases the storage capacity for submarine cables.

For historical reasons the company is strongly represented in Denmark, although volume as a whole is limited.

Market development is driven by factors such as environmental requirements and introduction of new safety classes. Customers are typically electrical wholesalers like Rexel, Sonepar and Solar who sell to building industry end-users. There are also a large number of national customers.

Building industry products
Products consist of building cables and various flexible cables, as well as cable accessories such as the Qaddy™ cable trolley system. Technology content is relatively low while the number of competitors is high and includes the traditional players such as Prysmian (Italy), Nexans (France), Tele-Fonika (Poland) and numerous smaller regional and local European producers.

Intensified competition in Europe
Competition in the low voltage cable market intensified in 2012. Producers competed on price, which creates a need for cost-effective production, efficient supply, good service and close customer and end-user partnerships.

Entering 2012 NKT Cables anticipated zero growth in this segment. In Europe the winter in 2011-2012 was mild and led to first quarter organic growth of 5%. Over the summer, however, increasing restraint was evident on the part of customers and the expected seasonal upturn failed to materialise. The negative impact on sales intensified southwards through Europe, and the trend continued through the autumn with very low activity in European markets and rising pressure on prices.

In Warszowice, Poland, the factory became specialised in building wire, which are also produced in Denmark.

AUTOMOTIVE

The Automotive segment consists of wires for cars. The automotive industry is the biggest single industry in the EU with some two million people employed in car production and some ten million employed by subcontractors. Car companies have invested strongly in manufacture and low-cost assembly in Eastern Europe, and NKT Cables' production activities in the Czech Republic are thus positioned close to customers.

The European automotive market is fuelled by the need to build more intelligence into cars and the desire to replace petrol-driven cars with electric and hybrid equivalents. Both factors increase the amount of wiring needed in the car body.

Niche market
NKT Cables is a selective niche player in the market for automotive wires and focuses on quality, flexibility and efficient supply. Manufacture is based on a broad selection of plastics. NKT Cables also manufactures two types of charging stations for electric cars.

Customers are typically specialist subcontractors in central Europe who produce harnesses for well-known leading car manufacturers such as VW and Hyundai/KIA.

European frame agreements
Production in 2012 was primarily based on existing frame agreements, and customers were reluctant to exercise these agreements. NKT Cables continuously strives to expand its customer base. Qualifying to supply a new customer is a comprehensive process as product approval, factory inspection and testing take 6-12 months before an agreement can be signed. Competitors include Leoni (Germany), Prysmian (Italy), Nexans (France), KBE (Germany) and Coficab (Tunisia).

To improve manufacturing efficiency, the Vrchlabi factory in the Czech Republic was completely restructured and the production of some cable specialties and cable-related products was divested together with some production buildings. The internal reorganisation of the flow of production for automotive and flexible cables was finalised during the year.

ORGANISATION AND MANAGEMENT

Results from the excellence programme
In 2011 NKT Cables initiated a programme of excellence focused on operating processes and support functions. The purpose was to strengthen productivity following a period of heavy investment in many of its production plants. In 2012, 14 out of 28 projects were concluded, each contributing to further optimisation of production, sales or support processes. One such project was the design and introduction of a risk management system that in the meantime has been rolled out in the company.

In 2012 NKT Cables has focused on safety and a decrease in accidents. Obviously the main goal of reducing the number of accidents is to minimise the human cost that accidents bring, but lower accident rates also reduce the number of disruptions to the normal flow of production. Compared to 2011 the number of accidents was reduced by more than 60% over 2012. Very sadly, one accident in 2012 was fatal, underlining the need to continue to give safety the highest priority in 2013. A reduced accident rate is also an expression of good process control and process management which will lead to increased quality in production.

European Commission investigates the cable industry
As reported in Company Announcement No. 10 of 6 July 2011, and in subsequent annual and interim reports, NKT Cables and NKT Holding received a Statement of Objections from the European Commission in connection with the Commission's investigation of the submarine and underground high voltage cable markets in the period 1998-2008. NKT Cables and NKT Holding examined the documentation from the European Commission and provided the European Commission with their observations by the deadline in early November 2011. Subsequently, the European Commission submitted additional documents and NKT Cables and NKT Holding launched a review. The findings of this review were presented on 16 March 2012. NKT Cables and NKT Holding gave an oral presentation of NKT Cables and NKT Holdings viewpoints at a hearing held by the European Commission in June 2012. Currently it is not possible to determine whether costs will be incured, and if so, the magnitude of these costs. As a result, no liability is recognised in the balance sheet at 31 December 2012.

In recent years NKT Cables manufacturing facilities have been ***upgraded*** *so that they support an* ***active market strategy****.*

The European Commission is expected to reach a decision on this issue within the next few years.

STRATEGIC UPDATE

For the past five years strategic focus has been targeted on customer categories which require solutions that have a higher technology and knowhow content, and thus also a higher level of value processing. By this means NKT Cables can differentiate itself from its competitors and achieve improved earnings potential.

In accordance with this strategy, substantial investments have been made in capacity, production flexibility, organisational structure, type approvals and market expansion pertaining to:

- **Submarine cables** for offshore wind farms (Europe)
- **High voltage cables** for upgrade of transmission grids (Europe, China and Australia)
- **Catenary wires** for expansion of high speed rail network (China)
- **Signalling cables** for upgrade of railway signalling systems (Europe).

In 2013 the final transfers of equipment will be concluded, thus enabling the completion of production upgrades in other product segments. Hereby a more competitive production base has been established that can support an active market strategy which going forward will create and improve market positions in all relevant product segments in Northern, Central and Eastern Europe.

When the Cologne factory was designed and built, allowance was made to increase its capacity at a later stage. With a limited investment the annual production volume can be significantly expanded, for instance more than doubling offshore capacity. NKT Cables is closely monitoring market developments to decide the best timing for a possible capacity increase.

New organisation
As part of the strategic update, NKT Cables will organise its business medio 2013 into the business units: Products (53%), Projects (35%) and APAC (12%), of 2012 revenue.

- **Products:** Chiefly comprising low and medium voltage cables, medium voltage Accessories, Automotive, and Railway Europe. The market is characterised by a large number of suppliers, tough competition, low entry barriers, overcapacity and low production risks, and growth is closely correlated to national economic growth. Strategy will focus on strong market position, efficient logistics and interplay with key customers, certification of products in additional markets and competitive manufacture.

  Focus will also be given to participating in the anticipated future consolidation, as a strong market position and utilisation of capacity are key to profitability in this market.

- **Projects:** Comprising on- and offshore high voltage cables and accessories. The market is characterised by a small number of suppliers, high entry barriers, complex project supplies, high-level technology and knowhow, and high production risk. The size of submarine cable projects for offshore wind farms is now such that the projects account for a large part of the factory's annual capacity.

  Growth is broadly correlated to the implementation of EU energy policy, and therefore the speed of expansion in offshore wind energy, and the construction of an integrated European transmission grid with greater capacity and flexibility. Strategy will therefore focus on:
  - building high-level competence in the project organisation
  - obtaining cable and accessory type approvals for the highest voltage levels
  - optimising production capacity and flexibility
  - ensuring high quality standards
  - increasing focus on risk control and risk management

  In the offshore cables segment, focus will also be placed on developments in the value chain, which is still in an immature phase, so as to establish optimal positioning for NKT Cables.

- **APAC (Asia/Pacific):** Comprising high and medium voltage cables and catenary wires for high speed railways. All the products are locally manufactured in China. The number of suppliers in the high and medium voltage segment is relatively high and the market is therefore highly competitive. Strategy will focus on expanding market access in China and the rest of the APAC region, and on certifying products for higher voltage levels (220-500 kV) where greater possibility for differentiation exists.

  The catenary wire market is segmented according to the speeds a stretch of railway is designed for. NKT Cables has hitherto concentrated on the ultra-high speed segment and has historically had a strong market position based on its technology and knowhow. Going forward, focus will be placed on qualifying products and technologies for a larger part of this market.

Strategic targets

Current earnings are a long way from the defined targets, and the 5% EBITDA margin for 2012 corresponds to a return of 0% on capital employed. The ambition is that strategic initiatives, combined with gradual improvement in market demand, will improve profit level and bring the return on capital employed (RoCE) into line with the overall target for the NKT Group.

Management Agenda

	2012	Performance
1.	To bring to a satisfactory conclusion the investments made in recent years in upgrading existing facilities, establishing new plants, staff development and organisational initiatives.	Strong progress was made across the company. The Cologne factory achieved the planned capacity utilisation although there is room for further efficiency gains.
2.	To continue increasing order volumes from the international high voltage industry.	Orders for onshore high voltage cables increased but no substantial new submarine cable projects were obtained during 2012.
3.	To make NKT Cables operationally 'best in class' through focus on excellence in relation to safety, productivity and efficiency.	This is a multi-year programme but the 2012 goals were achieved.

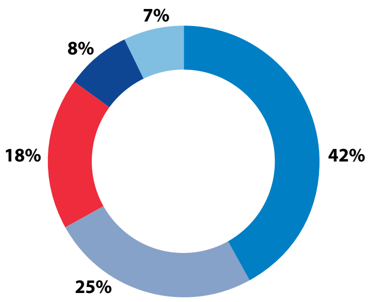
2013

1. Successful implementation of the new organisational structure
2. Continue our operational excellence programme, to further stabilise and optimise operational and support processes
3. Establish foundation for future growth

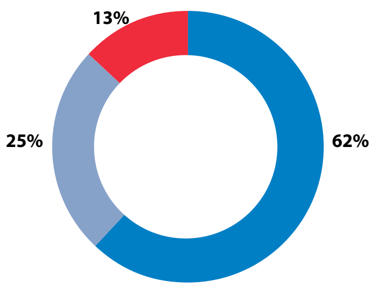
High-pressure washers are an important part of Nilfisk-Advance's product programme and are sold for professional and domestic use.

Nilfisk-**Advance**

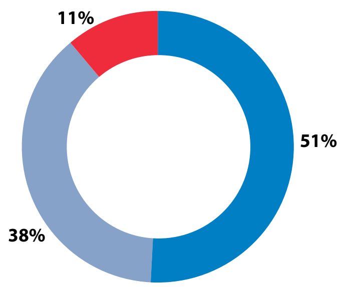
2012 was a positive year for Nilfisk-Advance. Although growth in revenue was flat, earnings were the best ever, showing that the business model is robust and flexible. Growth fell during the year in Europe and the US, but there was positive growth in emerging markets. The company made ongoing cost adjustments in 2012 and also took steps to secure its future market position. A sales office was opened in Peru, and Nilfisk-Advance now is present in well over 100 countries. Quality, customer dialogue and delivery times are among the areas addressed in order to realise the strategic goal of becoming customers' preferred choice by 2015.



Sales by products
- Floor care
- Vacuum cleaners
- High-pressure washers
- Service
- Other



Sales by geography
- EMEA
- Americas
- Asia/Pacific



Sales by customers
- Commercial market
- Industrial market
- Private consumer market

2012 NILFISK-ADVANCE

Fig. 14 Highlights

Amounts in mDKK	2012	2011	2010
Revenue	6,491	6,307	5,747
- Growth	3%	10%	12%
- Organic growth	0%	8%	7%
Operational EBITDA*	**775**	**732**	**612**
Operational EBITDA margin	11.9%	11.6%	10.7%
Operational EBIT*	555	523	426
Capital employed	3,073	3,232	2,898
Return on capital employed, RoCE	17.1%	17.1%	15.1%
Working capital	1,039	1,216	1,074
Employees, year-end	5,224	5,345	4,894

* *Adjusted for structural initiatives*

Nilfisk-Advance entered 2012 anticipating organic growth of around 5% evenly split between all product and customer categories, but with at least 25% growth rates for the BRIC+MT markets (Brazil, Russia, India, China, Mexico and Turkey) and around 2-4% for mature markets. By mid-2012 it was clear that the expected growth in mature markets could not be achieved. Restraint was evident among customers, and earnings for the year showed a weak downward growth trend for mature markets, most notably in Europe, while BRIC+MT delivered the forecast growth of minimum 25%.

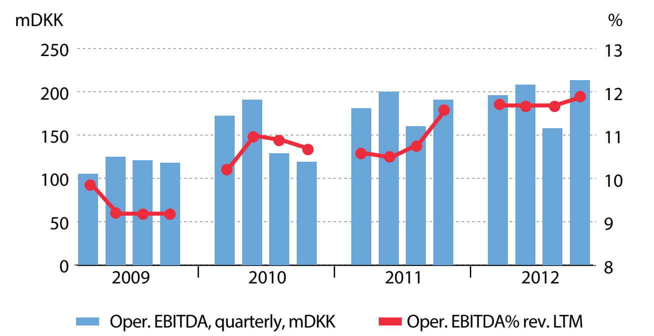
Revenue for 2012 was 6,491 mDKK (2011: 6,307 mDKK), corresponding to organic growth of 0% (2011: 8%). Nominal growth was 3%, primarily based on the development in exchange rates.

Nilfisk-Advance supports a global market divided into the following segments: EMEA (Europe, Middle East and Africa), the Americas (North, South and Central America) and APAC (Asia and the Pacific region). Within these segments there is particular focus on the emerging BRIC+MT markets.

EMEA realised negative organic growth of 1%. Organic growth rates for the Americas and APAC were 1% and 3%, respectively. The BRIC+MT markets delivered organic growth of 25%.

Nilfisk-Advance was initially expected to increase EBITDA by around 75-100 mDKK in 2012 and realise a 12% EBITDA margin.

Fig. 15 Operational EBITDA



Despite falling revenue in 2012 the EBITDA margin was 11.9% (2011: 11.6%), which was partly due to tight control of costs. Operational EBITDA was 775 mDKK (2011: 732 mDKK), so that the initial EBITDA target for 2012 was not quite achieved.

MARKETS AND PRODUCTS

The annual global market for professional cleaning equipment is estimated at around 55 bnDKK. Nilfisk-Advance is one of the four leading suppliers which have a combined market share of around 35%. The three main competitors are Tennant of the US along with Kärcher and Hako, both from Germany. As the companies have different product portfolios, a direct comparison is difficult. The remainder of the market is made up of some 100 smal regional players.

Around 80% of the global market for automated cleaning equipment lies in Western Europe and North America. The demand for automated cleaning is closely related to rising living standards and to levels of salaries that make it attractive to replace manual labour with machinery. There is a strong link between economic growth and sales of cleaning equipment, and in future years the market growth in the BRIC+MT countries is expected to exceed global market growth.

In 2012 Nilfisk-Advance expanded its global presence by opening a sales office in Peru, bringing its total number of sales subsidiaries to 44. The company also markets and sells its products through an extensive network of distributors in more than 70 countries and is therefore active in well over 100 countries.

Multifunctional products

Nilfisk-Advance has a broad product portfolio and primarily supplies equipment and services to the global professional market. The company targets a smaller part of its activities at private consumers.

A large number of brand names are marketed as part of a multi-brand strategy that includes, as well as the **Nilfisk** name, **Nilfisk-ALTO**, **Nilfisk-CFM** and **Viper** in Asian and European markets, and **Advance**, **Clarke** and **Viper** in the Americas. The portfolio also includes specialist brands such as **Hydramaster**, **US Products** and **Gerni**.

Customer categories

Commercial market customers are typically contract cleaning companies, as well as institutions, organisations, public authorities, shops, hotels and businesses. Industrial market customers consist of industrial firms which may have specialist cleaning requirements. In the private consumer market, customers consist of domestic appliance dealers, retail chains and Do It Yourself stores with single unit sales.

The company's products fall into the following categories:

- **Floorcare equipment** - sweepers, scrubbers, dryers, polishers, sanders and carpet cleaners
- **Vacuum cleaners** for both wet and dry use, and for both professionals and private consumers

The award-winning sweeper-scrubber, CS7000 Hybrid, was launched in 2012 and can be used both indoor and outdoor.

- **High pressure washers** for professionals and private consumers
- **Outdoor equipment** - sweepers, mowers and snow clearers, etc.

Detergents, spare parts and service contracts are also marketed.

Increased focus on quality

Nilfisk-Advance continuously targets measures designed to further increase customer satisfaction and improve the purchase experience. Major focus is placed on delivering durable, reliable, and high quality products. Accordingly, 2012 saw the introduction of initiatives aimed at further increasing the quality of both products and customer contact. These initiatives took the form of an improved quality follow-up system and improved customer dialogue. The latter was supported by the 2012 launch of a new website aimed at private consumers.

Existing platform, larger volumes

Over the past 20 years Nilfisk-Advance has successfully acquired and integrated numerous businesses and created additional value and profitable growth by utilising Nilfisk-Advance's existing production machinery. In 2011 the company acquired the Danish company Egholm, an outdoor equipment supplier to the Scandinavian and western European markets, and only a few months later introduced Egholm's products into new markets. Egholm's production was able to benefit from Nilfisk-Advance's global sales force, and additional synergy was generated in the areas of development, component sourcing and service.

In the last 10 years Nilfisk-Advance has acquired and integrated more than 20 businesses, large and small, and has increased volume sales and market coverage in the process.

Differentiated strategy in EMEA

Revenue in EMEA grew by 4% in the first quarter of 2012, but customers then became more cautious and hesitant with regard to signing contracts and tenders. Nilfisk-Advance adopted a differentiated strategy, adjusting its organisation and cost structure in Southern Europe, while at the same time implementing future-oriented initiatives and investing in other parts of Europe with a view to growth in years ahead.

Despite economic slowdown and falling growth in many European countries, Nilfisk-Advance realised improvements in a number of markets based on investment in further sales and service personnel. Thus, increased revenue was recorded in Europe's three largest economies, Germany, UK and France. Substantial growth also materialised in key Eastern European markets, particularly Poland, Czech Republic, Ukraine and Romania.

Positive sales development was also registered in the Middle Eastern Gulf States. Nilfisk-Advance set up a sales subsidiary in Dubai in 2009, and the closer contact to markets and customers in this region has contributed to good development in business.

Growth also continued in South Africa, where Nilfisk-Advance has a significant presence both through a wholly-owned sales subsidiary and through a joint-venture established in 2010 with Industroclean, the leading distributor in that country. Nilfisk-Advance now has nearly a 150 staff in South Africa, a small local

> *At Nilfisk-Advance we believe that good working relationships are based on open dialogue. Therefore in 2012 we intensified our dialogue with customers and are well on the way to realising our strategic objective of becoming customers' **preferred choice** by 2015"*
>
> *Jørgen Jensen*
> *CEO, Nilfisk-Advance*

production of high pressure washers, and 10 sales and service offices located in the cities and districts with greatest potential.

In EMEA in 2013, Nilfisk-Advance will continue investing in business development in selected markets, partly through hiring additional sales and service staff and partly through joint-ventures or acquisition of cleaning equipment dealerships.

Distribution and sales in EMEA are carried out in main markets by 22 sales subsidiaries, and in smaller markets by local importers. The subsidiaries sell direct to the major customers through their own staff, and to support customers with optimal aftersales service Nilfisk-Advance has some 400 mobile service technicians providing guaranteed round-the-clock service. Since a complete service network is a key competitive parameter, the intention is to significantly increase the number of service technicians in years ahead.

Expansion in the Americas
The Americas delivered satisfactory growth in both the first and final quarters of the year, but 2012 as a whole saw weak development in sales to large commercial customers in both the public and the private sector.

In recent years Nilfisk-Advance has been gradually building a global organisation in which all production entities are run by a global management and all markets have distinct sales subsidiaries. The production units in the Americas, which consist of factories in the United States and Mexico, became part of the global organisational structure in January 2012. In September, the US sales organisation was strengthened through establishment of a sales subsidiary with special focus on the US market, thereby aligning the company's American organisation with that in other important markets. In the course of the year improvement was achieved in both quality and supply while also reducing stocks.

Latin America is a strategically important market for Nilfisk-Advance, with growing economies and rising demand for professional cleaning equipment and complete solutions. Market coverage was therefore increased in this area with the opening of a Peruvian subsidiary in the final quarter. Peru is among the fastest growing South American economies and the new subsidiary will bring Nilfisk-Advance still closer to its customers. Sales subsidiaries already exist in Mexico, Brazil, Argentina and Chile.

Positive development in APAC
In APAC, the progress made in China continued (cf. the review for BRIC+MT), while development in the mature economies was more challenged.

The Australian market was characterised by customer restraint, which impacted negatively on sales of high pressure washers and vacuums. The other APAC markets realised positive growth.

In Korea a dealership acquired towards the end of 2011 was successfully integrated and utilised to create increased market coverage, sales volumes and growth in this high-potential country. Japan again realised positive growth rates and progress in strategically important segments, while in Thailand the company continued moving forward and further strengthened its market leadership.

Strong growth in BRIC+MT
In countries such as Russia, Mexico and particularly China, Nilfisk-Advance realised high growth and substantial progress through investments in its sales and service organisation.

Growth in China was strong, particularly for outdoor cleaning equipment. Nilfisk-Advance increased its sales efforts and opened a large showroom and training centre in Shanghai for product presentation and for training operating and maintenance personnel. At China's Clean Expo cleaning fair, Nilfisk-Advance received 'Best Technological Innovation' award for its combined sweeper-scrubber, the CS7000 Hybrid. Nilfisk-Advance's longstanding presence in China was also acknowledged by the presentation of the 'Outstanding Contribution Award for Commercial Cleaning'.

In Turkey, Nilfisk-Advance realised positive growth, which was significantly above the national economic growth rate but lower than expected at the start of the year. In Brazil growth declined, and to increase earnings restructuring measures were introduced aimed at improving customer service, increasing proximity to customers and cutting costs. Despite the reduced growth in Turkey and Brazil, overall BRIC+MT earnings were satisfactory.

PRODUCTION

The production of cleaning equipment - principally assembly and quality control - takes place at Nilfisk-Advance's own assembly plants and is based on components sourced from an extensive network of suppliers. The finished products are shipped from distribution centres in Denmark, Belgium, Germany and the US to customers worldwide.

Nilfisk-Advance has focused on reduction of production costs since 2002. Parts of production have been relocated from high-cost countries to China, Hungary and Mexico, and it was decided to increase component volumes sourced from low-cost countries. In 2012, 10 years after the restructuring commenced, the company achieved its target of sourcing more than 50% of components from low-cost countries.

Flat sales and reduced stock levels meant that factory output fell in 2012, which led to further cost adjustments.

In 2012 around 55% of the production was based in low-cost countries.

Moderate price increase
Nilfisk-Advance raised its prices by some 2% at the start of 2012 to combat high raw material costs and general cost increases. Raw material costs subsequently stabilised, and price levels were maintained through the year despite increased competition and declining revenue. At the start of 2013 prices were again raised by some 2%.

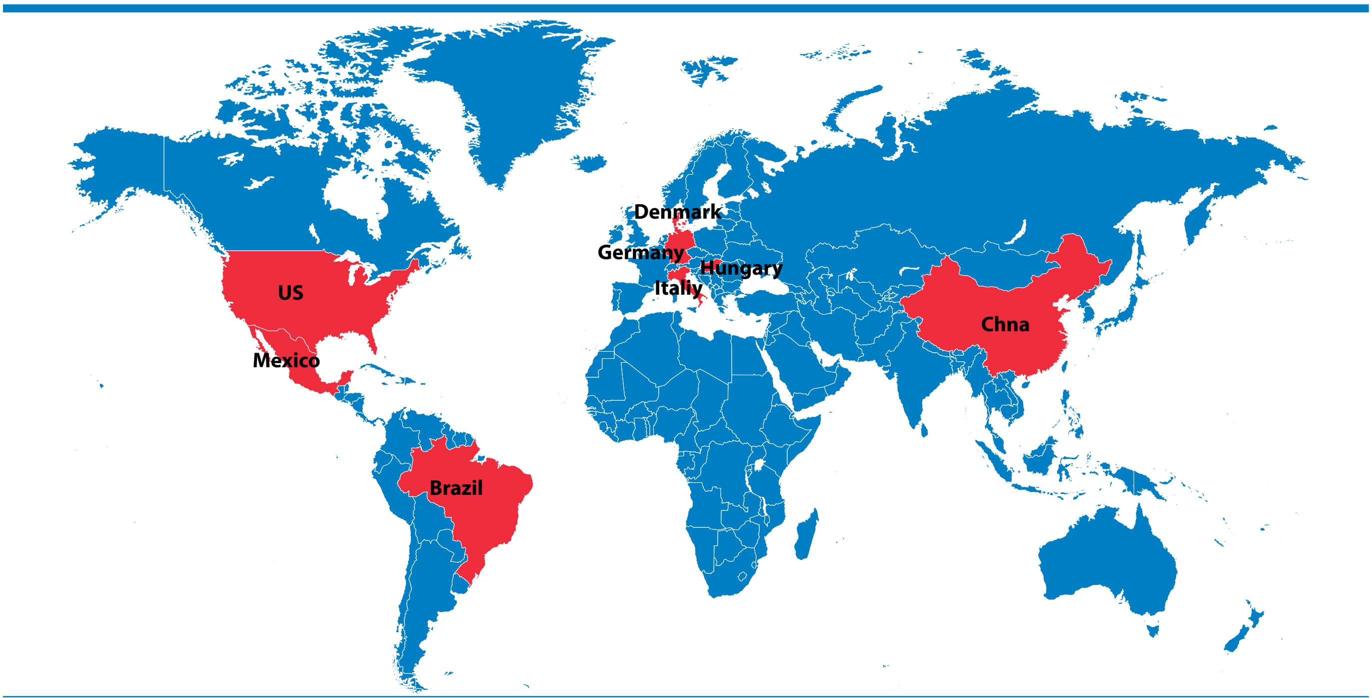
Focus on costs
Based on positive growth forecasts at the start of 2012, organisational and customer-oriented investment continued, while at the same time keeping general costs stable. As from the second quarter, weak sales growth in Europe and the Americas necessitated special measures to reduce costs and allow the relative rate of cost to be maintained. Wage restraint, freeze on employment and cost-reduction initiatives were therefore among the measures introduced in the markets affected, as a result of which restructuring costs of around 30 mDKK were incurred. By the end of the year gross margin was successfully increased by 0.2% points, from 41.8% to 42.0%, despite flat revenue growth.

As part of ongoing monitoring of market developments, Nilfisk-Advance implemented a number of differentiated measures based on a special adjustment plan whereby investment continued in emerging markets, such as China and Russia, while being reduced in certain other markets.

Considerable product development
Based at four competence centres located in Denmark, Italy, China and the US, product development focuses on user-driven innovation, industrial design, sustainable products, quality and cost. Nilfisk-Advance develops products targeted at specific customer needs and tests new innovative solutions capable of moving the market and optimising consumption of energy and materials. The goal is to deliver the market's best solutions in each product segment. Some 3% of revenue is therefore spent on product development and 35-40 new products and versions are introduced each year.

2012 saw the launch of 43 new products (2011:37), comprising 21 floorcare models, nine vacuum cleaners, five high pressure washers and eight other units, including outdoor equipment. The year's innovations included the CS7000, a combined sweeper-scrubber for demanding tasks in industry. Launched under the Nilfisk brand the CS7000 features a unique hybrid drive system that ensures optimal runtime combining motor efficiency with battery at the same time being environmentally friendly. The

Production



Production: Small units are stated in brackets.

US
Springdale and Plymouth (Tempe and Mukilteo)

Mexico
Querétaro

Brazil
(Sao Paolo)

Italy
Guardamiglio and Zocca

Hungary
Szigetszentmiklós and Nagykanizsa

Germany
Eppingen

Denmark
Lemvig, (Aalborg)

China
Suzhou and Dongguan

Distribution centres in Denmark, Belgium, Germany, and US

CS7000 also replaces the environmentally demanding hydraulic solutions with the latest in electronic motor control.

STRATEGIC UPDATE

Nilfisk-Advance's strategic goal is to become customers' preferred choice by 2015. As part of achieving this goal, five Must Win Battles were defined in 2011 and these remain the strategic framework. Global market share is to be increased, and the company's ambition in terms of average annual organic growth is 6% over an economic cycle, to which must be added growth by acquisitions.

With the earnings structures which this industry offers, growth and therefore operational gearing are a significant source of value creation, and the ambition is to increase operational EBITDA margin from 12% in 2012 and to increase return on capital employed (RoCE) from the current 17%.

The five Must Win Battles are:

1. **To create maximum customer satisfaction:** In 2012 a global initiative was launched to streamline and focus customer processing at the point of service thereby creating maximum value for both customers and Nilfisk-Advance. A customer satisfaction survey, Net Promoter Score, which entered use in 2011, was introduced into more countries in 2012. The results are being used in actively developing service programmes, improving customer service generally, and in customer dialogue. Customer feedback is followed up closely and the results incorporated e.g. in product development.
2. **To meet customers' supply expectations:** Security of supply is an important parameter for high customer satisfaction. Nilfisk-Advance has adopted a multi-prong that involves improving delivery capability and reducing complexity in product programme and processes. The company has thereby managed to ensure high security of supply and at the same time adjust the product assortment and reduce stock levels.
3. **To develop strong culture and leadership:** In 2012 Nilfisk-Advance launched a global survey which found that employee commitment at Nilfisk-Advance was higher than for comparable companies. All employees are actively participating in an organisation development programme, and at management level a new leadership development programme was launched. The programme has an 18-month term and is designed to strengthen manager competences and company understanding.
4. **To ensure leadership in significant emerging markets:** Investment is taking place in market initiatives intended to strengthen position in significant emerging markets, including BRIC+MT. In 2012 Nilfisk-Advance realised overall growth in BRIC+MT of 25%.
5. **To reduce complexity:** Besides product programme and stock adjustments the endeavours to reduce complexity also embrace the design of a single IT platform. In recent years a SAP system has been implemented in parts of Nilfisk-Advance's EMEA sales subsidiaries and factories, and the project is expected to be completed in late 2014.

Active consolidation

Nilfisk-Advance is actively pursuing a further consolidation of the market for professional cleaning equipment. In 2012 the company therefore strengthened its position in the UK market by acquiring Industrial Cleaning Machines (ICM), a business with a solid customer base specialising in sale, service and leasing of cleaning equipment to industry.

In 2012 Nilfisk-Advance also signed a contract to acquire a further 20% interest in Industroclean, South Africa, and thereby increase its stake in company operations to 50%.

Management Agenda

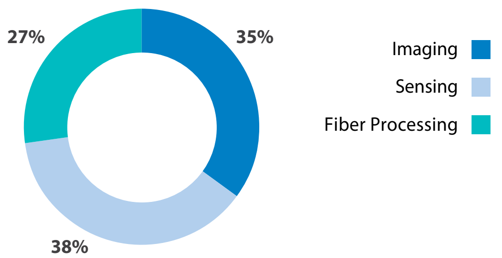
	2012	Performance
1.	Continued high growth in 2012 and increased market shares in key markets.	High growth was realised in important emerging markets, but overall growth expectations were not met due to the global economic slowdown and market restraint. With 25% growth in the BRIC+MT countries, market shares were taken in key areas.
2.	Strong focus on the five Must Win Battles to become customers' preferred choice. (See strategy description on this page).	Progress was made in all areas, so much so for one of the five Must Win Battles that the goals were achieved. The strategy has been revised and a number of action areas have been further strengthened.
3.	New measuring tools and active collaboration with customers in order to raise customer satisfaction. Establish closer proximity between the company and customers.	New measuring tools were implemented and work is continuing on establishing closer proximity to customers and increasing customer satisfaction.
4.	Increased productivity and tight control on costs.	Despite flat revenue development, productivity increased through cost adjustments and other measures.
2013	1. Focus on achieving the Must Win Battles and strengthen customer loyalty 2. Increase earnings through full utilisation of Nilfisk-Advance's robust business model 3. Generate increased liquidity	

The Koheras Nautilus multi-laser system is used for seismic monitoring of subsea oilfields and is state-of-art in this area.

Photonics **Group**

Developments in recent years have seen Photonics Group move away from focus on research environments towards greater targeting of industrial customers. In 2012 sales to industry customers increased across all product categories, heightening the demands for consistent high-quality manufacture. 2012 saw strong growth in production and sales of fiberlasers from the Danish factory, and satisfactory growth was similarly recorded for sales of temperature sensing equipment made in Germany. Sales of fiber processing equipment declined slightly due to overcapacity in certain segments. Growing interest was seen in new customer categories related i.a. to the oil industry and the life sciences industry.

Sales by product area



2012 PHOTONICS GROUP

Representing around 2% of NKT's revenue, Photonics Group was established partly as a spin-off from current and former businesses, and partly as a result of research and development in the field of optical fiber technology. The business was formed by the acquisition and merger of several companies with related technologies and is today an exciting business area with customers covering a broad spectrum of industries, including life sciences and oil and gas production. Photonics Group manufactures crystal fibers, fiberlasers, laser-based sensor systems as well as the corresponding production equipment, and 2012 saw breakthroughs in relation to several significant customers.

Photonics Group divides its activities into three core segments:

Imaging	Light sources and optical equipment that enable viewing of microscopic details. Main application areas are the life sciences industry and the semiconductor industry (microchips).
Sensing	Long-range measuring systems based on optical fibers. Main application areas today are fire detection, temperature measurement and seismic measurement in the energy, oil and gas industries.
Fiber Processing	Precision equipment for production of fiber-related assemblies. Application areas include the above sectors and fiberlasers, defense and telecommunications.

Photonics Group consists of three companies: NKT Photonics which has development and production in Denmark, Lios Technologies with development and production in Germany, and Vytran with development and production in US.

Fig. 16 Highlights

Amounts in mDKK	2012	2011	2010
Revenue	**237**	**210**	**185**
- Growth	13%	14%	16%
- Organic growth	10%	16%	14%
EBITDA	**9**	**1**	**-11**
EBITDA margin	3.8%	0.5%	neg.
EBIT	-8	-12	-23
Capital employed	210	183	172
Working capital	82	72	63
Employees, year-end	182	188	181

Photonics Group had expectations at the start of 2012 of around 20% organic growth. This target was not quite achieved. While Imaging and Sensing both registered growth, revenue for the Fiber Processing segment was down. Revenue for 2012 grew 13% (10% organic growth), achieved in a market where traditional laser producers lost revenue in 2012.

Despite overall growth in revenue that was smaller than anticipated at the start of the year, Photonics Group realised a solid improvement in earnings which was on a par with initial expectations. At the start of the year EBITDA of around 10 mDKK was expected, based on organic growth of around 20%. The year ended with EBITDA of 9 mDKK (2011: 1 mDKK), based on organic growth of around 10%.

MARKETS AND PRODUCTS

The total laser and sensor market is believed to be worth more than 10 bnDKK annually. Average annual growth in the laser industry is estimated at around 5-8%. Photonics Group's fiberlasers and fibersensors represent a new technology, which today constitutes only a small part of the total market for lasers and sensors but which is gaining ground and therefore has higher growth rates than the industry in general.

The market addressed by **Imaging** products supplied by Photonics Group is estimated to be worth 1.3 bnDKK annually, while the corresponding **Sensing** market is estimated at 0.7 bnDKK. The **Fiber Processing** market addressed by Photonics Group is estimated at 0.7 bnDKK. The combined total annual market potential for current products from Photonics Group is around 2.7 bnDKK with a significant growth potential.

Market development is typically driven by R&D results which point out new areas of application for optically based laser and sensing equipment. The fiber-based products supplied by Photonics Group have generally greater robustness and often higher power levels or sensitivity than the conventional lasers they replace.

Customers are among the following industries: lasers, life sciences, oil and gas, electricity supply, semiconductors, telecommunications, defence and scientific.

*Photonics Group's **product programme** covers everything from base components to system solutions and production equipment used for splicing of optical fibers.*

IMAGING

For **Imaging** applications Photonics Group markets:

- Broad-spectrum fiberlasers (SuperK™)
- Crystal fibers (Crystal Fibre™)
- Pulsed lasers (AeroLase™)

Broad-spectrum fiberlasers

The light produced by Photonics Group's broad-spectrum fiberlaser is used in microscopes and other measuring instruments for illuminating structures in living cells, including cancer cells, and for examining surfaces such as the skin, in the eye or the arteries. The SuperK broad-spectrum fiberlaser is also used for cell analysis and cell sorting in the life sciences industry.

Customers are typically research laboratories and industrial equipment manufacturers.

In 2012 the scientific use of Photonics Group's broad-spectrum light source became widely established in the US, and this attracted industrial companies wishing to build SuperK products into their own applications. Particular interest in the commercial use of these light sources was shown by companies in the life sciences industry and the semiconductor industry. For instance, Leica uses lasers from Photonics Group in its very advanced microscopes. In 2012 yet another major industrial player - Horiba Scientific, the world leader in fluorescence spectroscopy - also chose technology from Photonics Group. A collaboration agreement was signed that may lead to further growth for the company's fiberlaser technology in the years ahead.

Qualifying as an approved supplier to new customers is often a lengthy process. The products supplied will usually form part of a new product for the customer concerned, and prolonged testing and regulatory approvals are required before a product can be used in for example the life sciences industry.

Sales of the SuperK series increased strongly in 2012 to both new and existing customers. Competitors are Fianium Ltd. (UK) and conventional laser producers such as Coherent and Newport (US).

Crystal fibers
Crystal fibers are used in a variety of products, including high power fiberlasers, broad-spectrum lasers such as the SuperK, gyroscopes and other sensors. Photonics Group markets both crystal fibers and crystal fiber modules as well as equipment designed for splicing and processing of fibers.

Customers are typically laser and sensor manufacturers and research and development laboratories. Focus is aimed at industrial customers.

At the start of 2013 a leading producer of conventional lasers announced its intention of using Photonics Group's crystal fibers in its new pulsed fiberlaser product. This marks a breakthrough for Photonics Group as it demonstrates that its crystal fiber technology can open up new opportunities in the conventional laser industry.

Photonics Group presides over a comprehensive portfolio of patents and actively defends its intellectual property rights. In the field of crystal fibers Photonics Group has an edge on potential competitors in both technology and patents, and is effectively the sole industrial producer.

In 2012 Photonics Group strengthened its position in crystal fiber patents to include ROD products. These special-type fibers have attracted considerable attention in industry as they can boost the power of pulsed lasers.

Pulsed lasers
Pulsed lasers are used in a wide range of applications, including in the life sciences for spectroscopic analyses and in the semiconductor industry for inspecting and manufacturing structures such as data chips which are becoming increasingly smaller in size. Photonics Group has developed pulsed lasers which target these applications and has sampled them for potential industrial customers. Design and manufacture of the company's pulsed lasers is largely based on the same modules used for the SuperK series.

> *"2012 confirmed our belief in the* ***industrial potential*** *of our products and the technology on which they are based. In the years ahead we expect to see this translate into tangible* ***breakthroughs*** *in the life sciences, oil and gas industries"*
>
> *Søren Isaksen*
> *Group Executive Director and CTO*

Growing production
Production for Imaging applications takes place in Denmark. Crystal fibers are fabricated in cleanrooms of high safety classes to avoid product contamination. Similarly, assembly of lasers, both the SuperK and the AeroLase pulsed laser, is also performed in clean environments to safeguard product quality. In 2012 these facilities were enlarged and production was further automated.

The supply of components was a challenge as subcontractors in Thailand suffered delivery problems caused by extensive floods in the Bangkok area. In order to maintain gross margins in industrial markets, which are also the more competitive markets, continuous efforts are made to reduce product costs.

SENSING

For **Sensing** applications Photonics Group markets:
- Distributed Temperature Sensing systems (DTS)
- Narrow-spectrum, Low Phase Noise lasers (Koheras™)

Distributed Temperature Sensing systems (DTS) are mainly used for monitoring temperature conditions on power cables, detecting fires in tunnels and buildings, and optimising oil well production. DTS applications also include oil sand extraction in Canada and shale gas extraction in the US.

Customers are industrial companies, such as Siemens, who offer complete fire warning solutions, cable manufacturers, and a broad range of service companies in the oil and gas production industry. Photonics Group has installed more than 2,700 DTS systems globally.

2012 saw growth in all the industries, especially in the oil and gas market, with orders received from Russia, Europe, the US and Korea. Photonics Group is the market leading supplier of DTS

The Photonics Group employees are specialists in development, production and testing of lasers.

equipment for fire detection and for temperature monitoring in the cable industry.

Competitors are subsidiaries of the leading oil and gas producers. In 2012 the competition in the Chinese and Korean markets continued and there was rising pressure on prices. To combat this competition Photonics Group established a sales office in China in 2011.

Product development and production for DTS systems take place in Germany. In 2012 third-generation DTS equipment was approved and introduced in a number of new markets. After severe delays the fire approval process in China was eventually granted at the beginning of 2013. This approval opens up significant potential especially in the fire detection market.

Narrow-spectrum low noise lasers, Koheras
Koheras narrow-spectrum lasers are used for seismic surveys in oil and gas fields. Photonics Group supplied two major orders in 2012, one for an offshore project in Brazil and one for an onshore project.

The results of a number of pilot installations are currently awaited and the outcome will have considerable impact on the continued development of this product segment.The market for optical equipment utilised by the oil and gas industry is in a developmental phase and Photonics Group expects increasing revenue from this application in the years ahead.

Koheras lasers are also used for measuring windspeed and for surveillance of airports, coastal areas, and oil, gas and water pipelines. Many applications are in course of development, and all are characterised as global high-end niches.

Customers are established players in offshore oil exploration and new players in wind measurement and security systems as well as manufactures of precision measuring equipment.

The principal competitor in the Koheras laser market is Rio (the US). However, the most significant threat is considered to come from alternative solutions in the form of new semiconductor lasers.

Koheras lasers are made in Denmark, and with the execution of significant supplies for oil exploration projects Photonics Group has demonstrated its ability to perform efficient, high-volume laser production.

FIBER PROCESSING

Photonics Group markets a comprehensive portfolio of **Fiber Processing** equipment which can be used to develop and manufacture a large variety of fiber assemblies, fiber-based fused components and fiber-termination assemblies. These capital equipment products embed a fair number of test and measurement tools required for in-line manufacturing quality control.

With an almost equal geographical mix between North America, Asia and Europe, more than 75% of this equipment is used in manufacturing, while 25% is used in research, ranging from fiber lasers to optical communication, medical devices, sensing, aerospace, defense and R&D.

In 2012 Photonics Group introduced two new products in the CAS-4000 series, new high-performance splicers with easy to operate user interface. The CAS-4000 series is aimed at production environments, a larger market segment than previously addressed by Photonics Group's splicing equipment. Increasing focus is being given to industrial production environments, which require higher volumes than R&D applications. An example is the FAS fully automatic splicing workstation which is exclusively targeted towards industrial production.

In the life sciences industry there is a growing need for application of light in equipment used e.g. for performing examinations involving the eyes and arteries. Photonics Group supplies equipment capable of manufacturing or attaching microscopic lenses and mirrors to the fibers embedded in e.g. an endoscope.

In 2012 software and electrical engineering development was transferred from the UK to the US. R&D is now fully centralised in the US where production also takes place, providing much greater efficiency.

Principal competitors are Fujikura and Furukawa (Japan).

STRATEGIC UPDATE

Since the introduction of the 'Powered by NKT' strategic plan in 2011, Photonics Group has changed its segment description from entity-based - NKT Photonics, Lios Technologies and Vytran - to product-based - Imaging, Sensing and Fiber Processing. The plan is to become a global market leader in all three segments.

Against the background of the businesses already created by NKT, each of these segments contains interesting growth potential. This potential is based on growth, driven either by new technological capabilities or by substituting new technologies for conventional technologies. The goal is to continue the development which Photonics Group has realised over the past decade - with an average growth of 17% per annum.

This growth was achieved during the period when Photonics Group developed its technologies and product programme and launched them into various markets. Against this background, Photonics Group is ready to embark in earnest on the industrialisation phase and to become an industrial pillar in the NKT Group.

With the earnings structures this industry offers, growth and thus also operational gearing, is a significant source of value creation, and the ambition is to further increase earnings and at the same time generate a higher return on capital employed (RoCE). Given the industry's growth rates, the height of technological entry barriers and the limited penetration of competing solutions, the ambition is to achieve a long-term return on capital employed that is in line with and supports the NKT Group's primary targets.

Management Agenda

	2012	Performance
1.	Maintain high growth with increased sales to existing customers and focus on new industrial customers.	The growth anticipated was not quite achieved, as Fiber Processing sales were impacted by restraint in certain segments. However, sales to new industry customers increased.
2.	Continue strengthening geographical presence in high growth markets.	The sales force was expanded in the US and China.
3.	Increased focus on competitiveness by means of cost improvements	Unit costs were reduced i.a. by means of design changes, thereby managing to maintain gross margin.
4.	Ongoing search for partnerships to improve market coverage, e.g. by moving to a higher level in the value chain.	Partnerships leading to increased market coverage were not established.

2013

1. Expand the foundation for a continued high growth level through:
- Partnerships with new customers
- Increased sales to existing customers
- Focused marketing aimed at selected customer categories
- Establishment of commercial cooperation and focused product development with new players

2. Ongoing search for partnerships to improve the value potential, e.g. by moving to a higher level in the value chain.

Corporate **matters**

This section describes developments in share-related matters and NKT's focus on Corporate Governance, EuroSox and social responsibility

Proposed dividend 2013: **8 DKK** per share, amounting to **191 mDKK**

The proportion of foreign share-holders increased from **28%** to **35%**

In 2012 a number of NKT employees exercised the share warrants they were granted in 2009. NKT therefore increased the share capital by 150,400 shares, each of a nominal value of 20 DKK, corresponding in value to around 3 mDKK.

The market value of NKT's shares was 4.9 bnDKK as at 31 December 2012 (end-2011: 4.5 bnDKK).

Investor contact

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Corporate Communications Manager
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THE NKT SHARE

The share capital of NKT Holding A/S amounts to 478 mDKK, corresponding to 23.9 million shares, each of a nominal value of 20 DKK. NKT has one share class and none of the shares have special rights.

The Annual General Meeting has authorised the Board of Directors to expand the share capital in four different situations. Reference is made to note 2.

Share price development, market value and turnover
The NKT share is listed under ID code DK0010287663 on the NASDAQ OMX Copenhagen Stock Exchange and is among the 30 most traded shares.

NKT's stock market share price rose by 7% in 2012, ending the year on 203.5 DKK (end-2011: 190.8 DKK). In the same period the new C20 Index, C20 CAP, rose by 20%. A dividend of 2 DKK per share was paid in 2012 and the true increase in value was therefore 8%.

In 2012 the average daily turnover for NKT shares was 25 mDKK (2011: 41 mDKK) and the total turnover in 2012 was 6.2 bnDKK (2011: 10.4 bnDKK). An average of 116,000 shares was traded daily in 2012 (2011: 160,000).

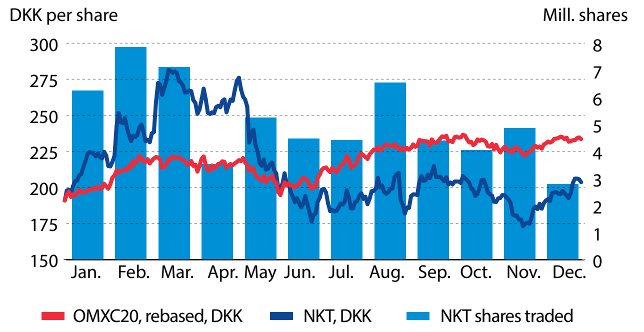
The proportion of shares traded outside NASDAQ OMX Copenhagen has been rising in recent years and is estimated to be around 35%. Adjustment has not been made for this in the above.

Based on NKT's closing share price on 30 November 2012, NKT will not be included in the C20 index in the first half of 2013.

Shareholders
NKT had some 37,500 shareholders as at 31 December 2012, around 4% fewer than the previous year. NKT urges shareholders to register their portfolios in order to aid and simplify direct communication. NKT had around 28,200 registered shareholders at end-2012 (2011: 28,800). The registered share capital amounted to 84% of the total share capital (2011: 80%). As at 31 December 2012 the ATP Group had a registered ownership of 5.5% (2011: 5.6%) of NKT's share capital and was therefore the only notified investor with a shareholding exceeding 5%.

All the share capital is considered to be in free float and, from available information determined at year-end 2012, 65% (2011: 72%) of the share capital was believed to be held by shareholders in Denmark and 35% (2011: 28%) was assumed to be held by investors outside of Denmark.

Fig. 17 Development in share price & turnover



Matters relating to the share capital are described in Article 3 II of the Articles of Association. See www.nkt.dk under Investor.

Group Management's holdings of NKT shares

At end-2012 a total of 435,470 NKT shares were held by NKT's Board of Directors. This represented a total market value of 89 mDKK. A total of 217,573 shares were held by the Executive Management Board, representing a market value of 44 mDKK. The Executive Management Board also held a total of 406,650 warrants first exercisable in the period 2013-2016. Exercise prices are disclosed in Note 29 to the consolidated financial statements.

NKT Group Management purchased a total of 131,008 shares in 2012.

Fig. 18 Shareholders

	31.12.12	31.12.11
ATP Group, Denmark	5%	6%
Institutional investors in Denmark >1 mDKK	11%	14%
Institutional investors abroad >1 mDKK	27%	19%
NKT Group Management	3%	2%
Registered shareholders in Denmark <1 mDKK	32%	32%
Registered shareholders abroad < 1 mDKK	6%	7%
Unregistered shareholders in Denmark	15%	18%
Unregistered shareholders abroad	1%	2%

The members of NKT Group Management are included in NKT's register of persons having inside knowledge, and their transactions involving NKT shares must be reported. Persons covered by the regulations, and also their spouses, partners, children and other household relatives, may only transact NKT shares during a period of six weeks after issue of earnings releases. The six-week period also applies to other releases containing disclosure of realised earnings and expected earnings developments. The six-week period comes into operation if the Board of Directors otherwise considers that transaction with NKT shares is in accordance with the Danish Securities Trading Act.

The shareholdings as at 31 December 2012 of the individual members of the NKT Group Management - and their related parties - are disclosed in the presentation of the NKT Group Management on pages 39-41.

Financial communication and investor relations (IR)

NKT wishes to give investors and financial analysts the best possible insight into matters to establish the basis for pricing the NKT share. This takes place partly through NKT's ongoing market disclosures and partly through investor meetings, capital market days, and presentation of annual and interim reports. A part of NKT's IR policy is to actively present NKT's equity story to national and international institutional investors.

In 2012 the Executive Management Board met with some 300 Danish and internationel investors (2011: approx. 300). NKT also held a capital market day on which 34 financial analysts, investors and other stakeholders visited NKT Cables in Cologne, Germany, and gained insight into the company's cable production.

For the second successive year, NKT was presented with 'Best Company of the Year' award in the 'Mid-Cap' category in a survey by Regi among Scandinavian and UK financial analysts. The award was based i.a. on an assessment of the continuity, frequency and content of NKT's communications, annual and interim reports, website, capital market day, roadshows, individual meetings with and access to Executive Management, and their credibility, qualifications, public performance and openness.

NKT received 'Best Overview' award for 'detailed and company-specific' description of 'risk management and internal controls relating to financial reporting' in the 2011 Annual Report. The presentation was a part of the 2012 Annual Report Award granted by the Confederation of Danish Industry and the Society of Danish Auditors. The citation stressed NKT's 'use of figures, tables or illustrations which support the reader' and which mean that 'the reader also obtains an understanding of the company'.

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

NKT Group Management expresses its view of NKT share price developments only in very general terms.

Electronic invitation to Annual General Meeting

At the Annual General Meeting in 2012 it was decided to change the procedure for convening future meetings. At the start of 2013 registered shareholders were therefore given opportunity to state whether they wished to receive an invitation to future meetings, and if so whether the invitation should be electronic or by letter. 18% of the shareholders replied, 76% of whom opted for electronic communication in future. In this way communication with shareholders is being individualised and adapted to the wishes of the specific investor. NKT is also bringing itself into line with a number of other listed companies.

Investors and other stakeholders have opportunity to subscribe to earnings releases, annual reports, company announcements and other investor-related materials issued by NKT, all of which are distributed electronically after their issue via NASDAQ OMX Copenhagen. Subscribers can register their email address at www.nkt.dk under 'Investor' / 'News' / 'News Service'.

Financial calendar 2013

27 February	2012 Annual Report
21 March	Annual General Meeting
22 May	Interim report, Q1
21 August	Interim report, Q2
20 November	Interim report, Q3

Dividend policy

NKT strives to maintain a dividend policy that consistently gives shareholders a stable cash return on their investment while part of the company profits is also reinvested in the Group's future development and growth. NKT's published dividend policy for the current strategy period (2011-2015) provides for payment of a dividend corresponding to approx. one third of the profit for the year.

A dividend of 2 DKK per share was paid in 2012, the total amount distributed as dividend being 47.8 mDKK, corresponding to 38% of profit for the year in 2011.

A dividend of 8 DKK per share will be proposed at the Annual General Meeting on 21 March 2013, a total dividend payment of 191.1 mDKK, corresponding to 98% of profit for the year from continuing operations and 12% of profit for the year in 2012.

CORPORATE GOVERNANCE

Corporate Governance refers to the principles by which a company is managed. NKT is subject to recommendations for good Corporate Governance and to the Danish 'rules for issuers of shares'.

NKT is a corporation characterised by international outlook and long-term industrial development based on credibility, openness, high levels of competence and quality consciousness. NKT wishes to continuously provide shareholders and other stakeholders with insight into the company's operations, and also works with management systems which optimise value creation. NKT abides by the recommendations for good Corporate Governance either by following or by explaining why a given recommendation is not followed. NKT follows 77 of the 79 recommendations but deviates from:

- The recommendation that the company's Articles of Association should stipulate a retirement age for the members of the Board of Directors.

  At NKT the age for retirement is stated in the Board of Directors' rules of procedure. At the Annual General Meeting on 21 March 2013 the Board of Directors will propose that the Articles of Association be amended so that they also show the age for retirement. Going forward, the retirement age for members of the Board of Directors will be 67.

- The recommendation that the remuneration policy for the Executive Management Board should include an entitlement for the company, in exceptional cases, to reclaim in full or in part variable components of remuneration that were paid on the basis of erroneous data.

  NKT does not have such a clause at present as the Board of Directors has not previously found it relevant seen in relation to the Executive Management Board's remuneration package. Renewed discussion of this topic is expected in 2013.

Composition of the Board of Directors

The NKT Group Management consists of a Board of Directors and an Executive Management Board. The Board of Directors consists of nine members (currently eight), three of whom are elected by the employees for a period of four years, and six (currently five) of whom are up for re-election each year at the Annual General Meeting. All the members are resident in Denmark. The Board of Directors is headed by a Chairman, and the members represent a broad spectrum of both Danish and international business experience and have backgrounds in areas such as traditional heavy industry, energy and high technology.

The Board of Directors believes it possesses the right and best qualifications, and represents a balance between experience and new inspiration.

The Board of Directors is presented on pages 39-40, along with an overview of i.a. special qualifications, independence, age, executive positions held, and NKT shareholdings for the current and previous year. The progress on NKT's work relating to diversity can be found at www.nkt.dk/uk/Menu/About+NKT/Policies/Diversity.

Committees

The Board of Directors has established three committees: the **Audit Committee**, consisting of Jens Due Olsen (Chairman) and Jens Maaløe (member), as well as the **Nomination Committee** and the **Remuneration Committee**, both consisting of Christian Kjær (Chairman) and Jens Due Olsen (member). The committees' terms of reference and activities in 2012 are described at www.nkt.dk/uk/Menu/About+NKT/Management/Board+Committees, where the qualifications of the members are also stated.

Changes to the Board of Directors in 2012

Chairman of the Board Christian Kjær has announced that he will not stand for re-election at the Annual General Meeting in 2013. Initially voted on to the Board as Deputy Chairman in 1987, Christian Kjær became Chairman in 1990 and has held this post for the past 23 years. The Board will propose a successor to Christian Kjær at the Annual General Meeting on 21 March 2013, and will elect its officers at the first Board meeting following the AGM.

As a result of NKT's sale of NKT Flexibles, cf. company announcement No. 9 of 4 April 2012, Gunnar Karsten Jørgensen, Fitter, stepped down as an employee-elected Board member. He is replaced by Niels-Henrik Dreesen, Production Engineering Manager with NKT Cables. Niels-Henrik Dreesen was elected as an alternate Board member on 18 March 2010 at the last ordinary election of employee representatives and alternate members to the NKT Board. Employee-elected Board members and alternate members are elected for a four-year term.

On 6 May 2012 the Board received the sad news of the sudden death of Board member Jan Trøjborg. Jan Trøjborg represented industrial and organisational experience on the Board, which he joined in 2005. He served as Deputy Chairman in the period

During the visit of the NKT Board of Directors to the Group's companies, local conditions were discussed along with strategic development in the company, both regionally and globally. Shown here is from the visit to Shanghai in 2012.

2005-2010 and was last re-elected at the AGM on 29 March 2012. As NKT's Articles of Association do not require a Board member to be co-opted, the Board chose not to nominate a new member for election until the AGM on 21 March 2013.

For the rest of 2012 the Board therefore has consisted of five members elected by the AGM and three employees.

Meeting activity

A minimum of five ordinary Board meetings are held annually in conjunction with financial reporting and the AGM. Six Board meetings were held in 2012.

Assessment

The Board of Directors performs a yearly self-assessment, prior to which discussion is held on whether external assistance should be used for this task. The purpose of the assessment is to identify the Board's strengths, direct attention towards future areas of focus, and assess the contribution of the individual members.

In 2012 the Chairman held individual talks with the members of the Board in conjunction with the self-assessment, the assessment of the Executive Management Board, and the planning of the Board's future composition. The results were subsequently discussed at several meetings of the assembled Board. The assessment showed that the working climate on the Board remained positive and open.

Remuneration policy

NKT uses remuneration for the Board of Directors and remuneration and incentive pay for the Executive Management Board with the purpose of ensuring commonality of interest between Board of Directors, Executive Management Board and shareholders, and with a view to keeping both Boards motivated towards achieving the defined objectives.

The Board of Directors has formulated a remuneration policy containing guidelines for establishment and approval of remuneration for the Chairman, Deputy Chairman and other members of the Board of Directors and for the Executive Management Board. The Executive Management Board shall receive a salary that is competitive and reasonable in relation to the duties assigned and that represents an attractive long-term employment incentive. Termination clauses regarding change of control is further described in note 28. The remuneration policy was approved at NKT's AGM in 2011. Recommendations concerning the Board of Directors' remuneration for the coming year are annually proposed at the AGM. The remuneration policy can be found at www.nkt.dk under 'About NKT' / 'Policies'.

EUROSOX

NKT's EuroSox activities in 2012 and 2013

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

NKT consists of a number of legal entities operationally structured in three business units under the parent company, NKT Holding, all organised as subgroups with own underlying subsidiaries. The business units operate with a high degree of autonomy.

The subsidiaries of the business units carry on similar-type operations, which to a large degree enables similar-type systems and procedures to be established within the individual business units. The business units therefore operate partly with corporate policies established by NKT, and partly with their own policies and business procedures that meet their individual characteristics.

NKT has a process whereby the strength of key controls is assessed and reported to the Executive Management Board and the Audit Committee. This provides increased transparency and consistency in the internal control environment at Group level. The work of the Audit Committee is established in a year plan which is approved by the Board of Directors.

NKT has chosen to publish its statutory report on Corporate Governance, cf. Section 107(b) of the Danish Financial Statements Act, on the company's website - www.nkt.dk/uk/Menu/About+NKT/Corporate+Governance/107b_2012_UK.pdf.

Continued development

NKT is continuously focused on developing its EuroSox activities. In 2012 more than 90% of the company's revenue was covered by the assessment and reporting procedures. The remaining 10% related to a number of small subsidiaries which collectively were not considered material for the NKT Group in relation to this process. In a number of the small subsidiaries it was not possible to establish sufficient separation of duties as there were too few employees. As far as possible, compensating controls were established to reduce the risk to an acceptable level.

In 2012 NKT strengthened key controls in the financial accounting processes and strengthened general IT controls. Both types of controls were assessed at Group and business unit level based on an assessment of risk. Both was evaluated and reported to the Executive Management Board and the Audit Committee. In 2012 the strength of the controls was improved, but continued focus is required to ensure that the control environment and IT security are of a high standard also in the future.

In 2012 NKT continued the implementation of a new ERP system in a number of companies, which negatively impacted the IT control environment during the implementation phase as a result of increased user access. In accordance with the plan the general IT controls were restored when the new ERP system was in place. Compensating controls were established during implementation.

In 2013 NKT will continue strengthening and assessing key controls and general IT controls and determining their relevance and effectiveness.

SOCIAL RESPONSIBILITY

In NKT, responsible business operation is anchored in the company's values, business model and strategy, which NKT considers to be the prerequisite for continued development, success and growth. NKT's CSR activities are i.a. targeted on NKT's product portfolios and production facilities, respecting international rights, and committing NKT's suppliers to do likewise.

Code of Conduct

In autumn 2012 NKT launched a Code of Conduct applicable to all employees and collaboration partners. The Code of Conduct is an extension of the Group's general ethical guidelines and provides guidance in situations involving human and labour rights, conflicts of interest, anti-corruption, and environmental and social questions. NKT's policies and Code of Conduct may be found at www.nkt.dk under 'About NKT' and 'Policies'.

Significant progress in 2012

In 2012, focus was placed by the NKT Group on:

- Work accidents. The 62% fall in work accidents at NKT Cables compared with 2011 was achieved by evaluating all near-misses and by increased employee awareness following the introduction of a new health and safety policy in 2011. Nilfisk-Advance registered a fall of around 25% in the period 1 July 2011-30 June 2012. Photonics Group recorded no work accidents for the third successive year.
- Job satisfaction surveys. Employees in NKT Cables and Nilfisk-Advance and half the employees in Photonics Group were able to take part. Based on the results the companies defined best-practice actions and areas for improvement.
- Supplier compliance with the principles of the UN Global Compact. NKT did not realise its 2011 target of achieving contractual compliance by 80% of suppliers with annual sales to NKT exceeding 50,000 EUR, but improved results were achieved compared with the previous year: NKT Cables 86%, Nilfisk-Advance 44% and Photonics Group 43%. This remains a priority issue i.a. in new contract negotiations.
- CO_2 reduction. NKT achieved its targeted 12% reduction in the Group's total CO_2 emission in relation to the revenue in the period 2009-2011. The starting point was the 2008 emission and revenue. The reduction corresponded to an annual saving of around 25 mDKK.

Future targets

NKT and its business units work closely together on their joint CSR commitment. In 2013 focus will be placed on i.a.:

- Further reducing work accidents
- Increased employee involvement
- Continued focus on achieving contractual compliance with the UN Global Compact by suppliers with annual sales to NKT exceeding 50,000 EUR
- Cementing the Code of Conduct throughout the NKT Group
- Establishing new Group CO_2 targets. The new targets are to be defined in NKT's 2012 report to the Carbon Disclosure Project in May 2013
- Reducing production waste.

A more detailed account of NKT's social responsibility is contained in the company's statutory CSR report, cf. Section 99(a) of the Danish Financial Statements Act, which is to be found at:

- www.nkt.dk/uk/Menu/CSR/99a_2012_UK.pdf

Similarly, NKT's 4th progress report to the UN Global Compact published in October 2012 may be found at:

- www.nkt.dk/uk/Menu/CSR/UN+Global+Compact
- www.unglobalcompact.org

Group Management

BOARD OF DIRECTORS

» continues next page

Christian Kjær*
Chairman
Born 1943. R1 , Chamberlain, Master of the Royal Hunt, Attorney (H), LLM 1972

NKT Board member and Deputy Chairman 1987. Chairman 1990-. Nomination Committee Chairman 2010-. Remuneration Committee Chairman 2010-

NKT shares at end-2012: 430,753 (2011: 421,753)

Directorships:
A/S Segalit af 1/4 1987, Chairman
Sankt Gjertruds Stræde 10 A/S, Chairman
Skærbæk Plantage A/S, Chairman
Ejendomsselskabet D.F.K. A/S
Rudersdal Forsyning A/S

Memberships:
Board of Representatives of HMN Naturgas I/S
Rudersdal Municipal Council

Special qualifications:
Experience with industrial management and management of listed companies, and specialist expertise in economic, policy and legal matters

Jens Due Olsen
Deputy Chairman
Born 1963. MSc. 1990

NKT Board member 2006, Deputy Chairman 2010-. Audit Committee Chairman 2009-. Nomination Committee member 2010-. Remuneration Committee member 2010-

NKT shares at end-2012: 1,500 (2011: 1,500)

Directorships:
Amrop A/S, Chairman
Atchik Realtime A/S, Chairman
Auriga Industries A/S, Chairman
Kompan A/S, Chairman, Audit Committee Chairman
Pierre.dk A/S, Chairman
Bladt Industries A/S, Deputy Chairman. Audit Committee Chairman
EG A/S, Audit Committee Chairman
Heptagon Advance Micro Optics Inc., Audit Committee Chairman
Cryptomathic A/S
Industriens Pensionsforsikring A/S, Investment Committee Chairman
Royal Unibrew A/S

Special qualifications:
Experience with industrial management and management of listed companies, and specialist expertise in economic and financial matters

Niels-Henrik Dreesen
Born 1957. Production Engineering Manager with NKT Cables. Joined 1988

Employee-elected

NKT Board member 2012
Elected for a four-year period expiring 2014

NKT shares at end-2012: 125

Member of:
NKT Cables' Joint Consultative Committee and Health, Safety & Environmental Committee

Special qualifications:
Experience with production conditions at NKT Cables

Jan Erik Jensen
Born 1956. Facilities management. Assistant with Nilfisk-Advance. Joined 1978

Employee-elected

NKT Board member 2010
Elected for a four-year period expiring 2014

NKT shares at end-2012: 83 (2011: 0)

Special qualifications:
Experience with production conditions at Nilfisk-Advance

* Christian Kjær is not considered to be an 'independent member' of the Board of Directors, as defined by Section 5 of the Danish Corporate Governance recommendations, as he has served on the Board for more than 12 years.

Particulars of directorships are provided pursuant to Section 107 of the Danish Financial Statements Act concerning management positions in other companies and NKT's Corporate Governance policies.

Group Management

BOARD OF DIRECTORS - continued

Arne Dan Kjærulff
Born 1948. Service Technician with Nilfisk-Advance. Joined 1974

Employee-elected

NKT Board member 2006
Elected for four-year period expiring 2014

NKT shares at end-2012: 994 (2011: 994)

Special qualifications:
Experience with production conditions at Nilfisk-Advance

Jens Maaløe
Born 1955. President & CEO, Terma A/S. MSc E.Eng. 1979, PhD 1983

NKT Board member 2004
Audit Committee member 2011-

NKT shares at end-2012: 515 (2011: 515)

Directorships:
Topdanmark A/S
Grundfos Holding A/S
Poul Due Jensen's Fond

Special qualifications:
Experience with industrial management and management of listed companies, and specialist expertise in high technology and technological development

Kurt Bligaard Pedersen
Born 1959. MSc. 1988

NKT Board member 2011

NKT shares at end-2012: 1,000 (2011: 0)

Directorships:
BRF Holding A/S, Deputy Chairman, Audit Committee Chairman
BRF Kredit A/S, Deputy Chairman
BRF Fonden
Copenhagen Zoo

Special qualifications:
Experience with international industrial management and management of listed companies, strong knowledge of the energy sector and extensive business experience

Lone Fønss Schrøder
Born 1960. Partner and Co-founder of Norfalck. LLM 1987, MA (Econ.) uh 1985

NKT Board member 2008

NKT shares at end-2012: 500 (2011: 500)

Directorships:
Kværner ASA, Audit Committee Chairman
Volvo Personvagnar AB, Audit Committee Chairman
Aker Solutions ASA, Audit Committee member
Svenska Handelsbanken AB, Audit and Risk Committee member
Bilfinger Berger AG
Heidelberger Druckmaschinen AG.

Special qualifications:
Experience with international industrial management and management of listed companies, and specialist expertise in economic and financial matters and the energy sector

Group Management

EXECUTIVE MANAGEMENT BOARD

Thomas Hofman-Bang
President and CEO
Born 1964. MSc (Business Administration, Accounting and Auditing) 1992. State-authorised Public Accountant 1994. Joined NKT and the Executive Management Board 2000. Appointed President and CEO 2006

NKT shares at end-2012:
145,800 (2011: 48,000)

Directorships:
William Demant Holding A/S, Audit Committee Chairman

Michael Hedegaard Lyng
Group Executive Director, CFO
Born 1969. MSc (Business Administration, Accounting and Auditing) 2001. EMBA 2011. Joined NKT 2007. Member of the Executive Management Board 2008

NKT shares at end-2012:
1,498 (2011: 1,498)

Directorships:
Topsil Semiconductor Materials A/S, Audit Committee Chairman
Burmeister & Wain Scandinavian Contractor A/S

Søren Isaksen
Group Executive Director, CTO
Born 1952. MSc (Mathematics and Physics) 1977. PhD 1981. Joined NKT 1981. Member of the Executive Management Board 1999

NKT shares at end-2012:
70,275 (2010: 47,275)

Directorships:
Tuborgfonden

HEAD OF GROUP SERVICES

Ole Bramsnæs*
Born 1946
Legal Affairs

Anne Schoen
Born 1956
Communications

Torben Skovsted
Born 1972
Treasury

Lasse Snejbjerg
Born 1976
Business Development

Poul Erik Stockfleth
Born 1975
Controlling & Accounting

* *Will leave the company at the end of March 2013 and be succeeded by Janus Hillerup as head of Legal Affairs*

Group management's **statement**

The Group Management has today discussed and approved the Annual Report of NKT Holding A/S for the financial year 1 January - 31 December 2012.

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

In our opinion the consolidated financial statements and the Company's financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2012 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January - 31 December 2012.

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

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, 27 February 2013

Executive Management Board

Thomas Hofman-Bang, *President and CEO*

Michael Hedegaard Lyng, *Group Executive Director, CFO*

Søren Isaksen, *Group Executive Director, CTO*

Board of Directors

Christian Kjær, *Chairman*

Jens Due Olsen, *Deputy Chairman*

Niels-Henrik Dreesen

Jan Erik Jensen

Arne Dan Kjærulff

Jens Maaløe

Kurt Bligaard Pedersen

Lone Fønss Schrøder

The 2012 Annual Report is presented in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and Danish disclosure requirements for listed companies' annual reports. Statements in the report concerning the future reflect the Group Management's current expectations with regard to future events and financial results. Statements concerning the future are naturally subject to uncertainty and the results achieved may therefore differ from expectations. Issues which may cause such differences include, but are not limited to, economic and financial market developments, legislative and regulatory changes in NKT markets, developments in product demand, competitive conditions and energy and raw material prices. Also the sections on risk management on page 10 and in Note 2 on page 51 to the consolidated financial statements.

Independent auditor's **report**

To the shareholders of NKT Holding A/S

Statement on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of NKT Holding A/S for the financial year 1 January - 31 December 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2012 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 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management commentary
Pursuant to the Danish Financial Statements Act, we have read the Management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management commentary is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 27 February 2013

KPMG
Statsautoriseret Revisionspartnerselskab

Finn L. Meyer	*Carsten Kjær*
State Authorised Public Accountant	State Authorised Public Accountant

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The accounting policies have been processed and placed in the relevant notes in order to enable improved understanding of their contents and of the accounting treatment applied. Accounting policies which do not relate directly to individual notes are stated in Note 36.

Income statement

1 January - 31 December

Amounts in mDKK	Note	2012	2011
Revenue	3,4	15,253.1	15,603.7
Other operating income		42.5	49.2
Changes in inventories of finished goods and work in progress		-108.9	13.5
Work performed by the Group and capitalised		142.2	122.8
Costs to raw materials, consumables and goods for resale		-9,330.3	-10,053.4
Employee benefits, expenses	5,6	-2,885.4	-2,785.3
Other costs	6,7	-2,118.3	-2,124.9
Shares of profit after tax in associates	8	14.0	18.9
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1,008.9**	**844.5**
Depreciation and impairment of property, plant and equipment	17	-360.1	-397.7
Amortisation and impairment of intangible assets	16	-176.1	-160.7
Earnings before interest and tax (EBIT)		**472.7**	**286.1**
Financial income	9	351.9	366.7
Financial expenses	10	-547.8	-646.7
Earnings from continuing operations before tax (EBT)		**276.8**	**6.1**
Tax on continuing operations	11	-81.3	1.7
Profit for the year from continuing operations		**195.5**	**7.8**
Profit for the year from discontinued operation	12	1,409.7	119.1
Profit for the year		**1,605.2**	**126.9**
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		1,603.9	125.2
Profit attributable to minority interests		1.3	1.7
		1,605.2	**126.9**
Basic earnings per share (EPS)	13	67.5	5.3
Diluted earnings per share (EPS-D)	13	67.4	5.3
Earnings from continuing operations per share (EPS)	13	8.2	0.3
Diluted earnings from continuing operations per share (EPS-D)	13	8.2	0.3

The Board of Directors proposes a dividend for the year of 8.0 DKK per share (2011: 2.0 DKK per share) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January - 31 December

Amounts in mDKK	Note	2012	2011
Profit for the year		**1,605.2**	**126.9**
Other comprehensive income:			
Foreign exchange adjustment, foreign companies		22.2	3.7
Value adjustment of hedging instruments:			
Value adjustment for the year		10.5	-172.9
Transferred to revenue		21.0	18.4
Transferred to costs to raw materials, consumables and goods for resale		57.9	-45.8
Transferred to financial expenses		-0.3	17.7
Fair value adjustment of available for sale securities		1.1	3.5
Share of comprehensive income movements in investments in associates and joint ventures		-0.4	1.5
Tax on comprehensive income movements		-24.5	43.8
Total other comprehensive income		**87.5**	**-130.1**
Comprehensive income for the year		**1,692.7**	**-3.2**
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		1,691.0	-4.1
Profit attributable to minority interests		1.7	0.9
		1,692.7	**-3.2**

Cash flow statement

1 January - 31 December

Amounts in mDKK	Note	2012	2011
Operating earnings before depreciation and amortisation (EBITDA)		1,008.9	844.5
Non-cash operating items:			
Profit on sales of non-current assets, used and increase of provisions, and other non-cash operating items, etc.		-50.9	-32.4
Changes in working capital		385.7	119.3
Cash flow from operations before financial items, etc.		1,343.7	931.4
Interest received		317.2	203.2
Interest paid		-465.9	-486.9
Income tax paid		-73.3	-75.3
Cash flow from operating activities		**1,121.7**	**572.4**
Acquisition of subsidiaries	14	-8.1	-214.8
Investments in property, plant and equipment		-363.6	-445.2
Disposal of property, plant and equipment		46.4	18.6
Other investments, net		-206.3	-156.4
Cash flow from investing activities		**-531.6**	**-797.8**
Free cash flow		**590.1**	**-225.4**
Changes in non-current loans from credit institutions		-3,037.3	118.6
Changes in current loans from credit institutions		602.2	170.2
Minority interests, dividend etc.		-1.9	-0.9
Dividends paid		-47.8	-47.5
Dividend treasury shares		0.2	0.2
Cash from exercise of share options		22.4	0.0
Cash flow from financing activities		**-2,462.2**	**240.6**
Cash flow from discontinued operation	12	**1,966.7**	**0.0**
Net cash flow for the year		**94.6**	**15.2**
Cash at bank and in hand, 1 January		271.0	247.4
Currency adjustments		-2.3	8.4
Net cash flow		94.6	15.2
Cash at bank and in hand, 31 December		**363.3**	**271.0**

Balance sheet

31 December

Amounts in mDKK	Note	2012	2011
Assets			
Intangible assets	15,16		
Goodwill		1,259.4	1,264.9
Trademarks, etc.		45.7	56.3
Customer related assets		70.3	90.7
Development projects completed		255.4	220.5
Patents and licences, etc.		179.9	184.8
Development projects in progress		197.6	170.3
		2,008.3	**1,987.5**
Property, plant and equipment	15,17		
Land and buildings		1,315.0	1,332.0
Manufacturing plant and machinery		1,425.4	1,404.9
Fixtures, fittings, tools and equipment		314.5	328.0
Property, plant and equipment under construction incl. prepayments		197.1	195.6
		3,252.0	**3,260.5**
Other non-current assets			
Investments in associates and joint ventures	8	133.7	836.2
Other investments and receivables		43.9	41.1
Deferred tax	22	601.3	392.8
		778.9	**1,270.1**
Total non-current assets		**6,039.2**	**6,518.1**
Inventories	18	2,743.9	2,889.2
Receivables	19	3,780.7	3,731.7
Income tax receivable		8.7	28.9
Cash at bank and in hand		363.3	271.0
Total current assets		**6,896.6**	**6,920.8**
Total assets		**12,935.8**	**13,438.9**

Balance sheet

31 December

Amounts in mDKK	Note	2012	2011
Equity and liabilities			
Equity			
Share capital	20,21	477.8	474.8
Reserves		129.6	42.1
Retained comprehensive income		4,931.4	3,495.2
Proposed dividends	20	191.1	47.5
Total equity attributable to equity holders of NKT Holding A/S		5,729.9	4,059.6
Minority interests		7.1	6.7
Total equity		**5,737.0**	**4,066.3**
Non-current liabilities			
Deferred tax	22	274.4	212.7
Employee benefits	23	299.8	296.5
Provisions	24	86.8	99.4
Interest bearing loans and borrowings	2,25	544.1	3,557.5
		1,205.1	**4,166.1**
Current liabilities			
Interest bearing loans and borrowings	2,25	1,823.2	1,203.2
Trade payables and other liabilities	25,26	3,961.7	3,803.1
Income tax payable		67.2	46.6
Provisions	24	141.6	153.6
		5,993.7	**5,206.5**
Total liabilities		**7,198.8**	**9,372.6**
Total equity and liabilities		**12,935.8**	**13,438.9**

Statement of changes in equity

1 January - 31 December

Amounts in mDKK	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Minority interest	Total equity
Equity, 1 January 2011	**474.8**	**116.9**	**55.8**	**0.2**	**3,410.2**	**47.5**	**4,105.4**	**7.0**	**4,112.4**
Other comprehensive income									
Foreign exchange translation differences		4.5					4.5	-0.8	3.7
Value adjustment of hedging instruments:									
Value adjustment for the year			-172.9				-172.9		-172.9
Transferred to revenue			18.4				18.4		18.4
Transferred to consumption of raw materials			-45.8				-45.8		-45.8
Transferred to financial expenses			17.7				17.7		17.7
Fair value adjustment of available for sale securities				3.5			3.5		3.5
Share of equity movements in Investments in associates and joint ventures					1.5		1.5		1.5
Tax on other comprehensive income		1.6	43.1	-0.9			43.8		43.8
Total other comprehensive income	0.0	6.1	-139.5	2.6	1.5	0.0	-129.3	-0.8	-130.1
Profit for the year					77.7	47.5	125.2	1.7	126.9
Comprehensive income for the year	**0.0**	**6.1**	**-139.5**	**2.6**	**79.2**	**47.5**	**-4.1**	**0.9**	**-3.2**
Dividends paid						-47.5	-47.5	-1.2	-48.7
Dividend treasury shares					0.2		0.2		0.2
Addition/disposal minority interests					0.3		0.3		0.3
Share-based payment					5.3		5.3		5.3
Total changes in equity in 2011	**0.0**	**6.1**	**-139.5**	**2.6**	**85.0**	**0.0**	**-45.8**	**-0.3**	**-46.1**
Equity, 31 December 2011	**474.8**	**123.0**	**-83.7**	**2.8**	**3,495.2**	**47.5**	**4,059.6**	**6.7**	**4,066.3**
Equity, 1 January 2012	**474.8**	**123.0**	**-83.7**	**2.8**	**3,495.2**	**47.5**	**4,059.6**	**6.7**	**4,066.3**
Other comprehensive income:									
Foreign exchange translation differences		21.8					21.8	0.4	22.2
Value adjustment of hedging instruments:									
Value adjustment for the year			10.5				10.5		10.5
Transferred to revenue			21.0				21.0		21.0
Transferred to consumption of raw materials			57.9				57.9		57.9
Transferred to financial expenses			-0.3				-0.3		-0.3
Fair value adjustment of available for sale securities				1.1			1.1		1.1
Share of equity movements in Investments in associates					-0.4		-0.4		-0.4
Tax on other comprehensive income		-1.9	-22.3	-0.3			-24.5		-24.5
Total other comprehensive income	0.0	19.9	66.8	0.8	-0.4	0.0	87.1	0.4	87.5
Profit for the year					1,412.8	191.1	1,603.9	1.3	1,605.2
Comprehensive income for the year	**0.0**	**19.9**	**66.8**	**0.8**	**1,412.4**	**191.1**	**1,691.0**	**1.7**	**1,692.7**
Dividends paid					-0.3	-47.5	-47.8	-1.7	-49.5
Dividend treasury shares					0.2		0.2		0.2
Addition/disposal minority interests							0.0	0.4	0.4
Share-based payment					4.5		4.5		4.5
Cash from exercise of share options	3.0				19.4		22.4		22.4
Total changes in equity in 2012	**3.0**	**19.9**	**66.8**	**0.8**	**1,436.2**	**143.6**	**1,670.3**	**0.4**	**1,670.7**
Equity, 31 December 2012	**477.8**	**142.9**	**-16.9**	**3.6**	**4,931.4**	**191.1**	**5,729.9**	**7.1**	**5,737.0**

1 - ACCOUNTING ESTIMATES AND JUDGEMENT

When preparing the annual report, Management makes a number of accounting estimates and judgements that form the basis for recognition and measurement of assets and liabilities. The most significant accounting estimates and judgements are stated below.

Estimation uncertainty

Determining the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions relating to future events, and is therefore by nature associated with substantial uncertainty.

Particular risks which are discussed in the section on 'Risk management' in the Management's review and Note 2 to the consolidated financial statements may have substantial influence on the accounting risks.

In the consolidated financial statements for 2012, attention is specially drawn to the following assumptions and uncertainties as they have substantially influenced the assets and liabilities recognised in the statements and may necessitate adjustments in subsequent accounting years if the assumed course of events is not realised as anticipated.

Contingent liability. NKT Cables and NKT Holding have received a Statement of Objections from the European Commission, cf. Note 27. Currently it is not possible to determine whether costs will be incurred, and if so, the magnitude of these costs. As a result, no liability is recognised in the balance sheet at 31 December 2012.

Impairment test. At the annual impairment test for goodwill and certain tangible and intangible assets, an estimate is made of whether the parts of the business to which the asset is allocated will be capable of generating sufficient positive net cash flows in the future 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 company, an estimate must be made of expected cash flows 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 15

Useful life and scrap value for tangible and intangible assets. Estimated useful lives and scrap values for tangible and intangible assets are assessed periodically. Periodic assessment of useful lives and scrap values is based inter alia on gains/losses from disposal/scrapping of assets, impairment tests and other indicators. Depreciation/amortisation for the year and useful lives are seen in Notes 16 and 17.

Construction contracts are measured at contract value of the work performed less progress billings and anticipated possible losses. The contract value 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 contract value for production on construction contracts is seen in Note 19.

Writedown of inventories and receivables. Inventories are written down to net realisable value taking into account marketability, obsolescence and development in expected sales price. Note 18 shows writedowns of inventories for the year.

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 2 shows movements for the year in writedowns arising from receivables relating to sales and services

Defined benefit plans. Assessment of the value of defined benefit plans is based on a number of actuarial assumptions including discount rates, expected yield on plan assets, and expected rate of increase in pay and pensions. The value of NKT's defined benefit plans is based on assessments by external actuaries. Further information on these plans is contained in Note 23.

Provisions. Measurement of provisions is based on Group Management's best estimate of the amount at which the obligation is expected to be discharged. Provisions consist chiefly of warranties.

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

Deferred tax and the significant items that have resulted in the deferred tax assets and liabilities are stated in Note 22. Deferred tax reflects judgements 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' review of the Group's tax returns.

Assessment in applied accounting polices

In applying the Group's accounting policies, Management makes judgements concerning the accuracy of estimates which may materially influence the amounts recognised in the annual report. Examples of such judgements are when income and expenditure relating to third-party contracts must be treated in accordance with the percentage of completion method (construction contracts). In 2012 Management made such judgements concerning:

Use of the percentage of completion method. Management assesses, at contract signature, whether the products contain a sufficiently high degree of individual adjustment to qualify for recognition as a construction contract under this method. If this is not the case, the products are recognised as revenue on finished products, as described in the accounting policy for Note 4.

Going concern

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

Notes

2 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Accounting policy
Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the enterprise has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedging
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying for recognition as a fair value hedge of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or hedged liability. Except for foreign currency hedging, hedging of future payment flows in accordance with a firm commitment is treated as fair value hedging.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Cash flow hedging
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future payment flows are recognised in other comprehensive income in a separate hedging reserve under equity until the cash flows hedged influence the income statement. Gains or losses relating to such hedging transactions are then transferred from other comprehensive income and recognised in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognised in other comprehensive income is transferred to the income statement when the hedged cash flows influence the income statement.

If the hedged cash flows are no longer expected to be realised, the cumulative change in value is immediately transferred to the income statement.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Net investment hedging
Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates and which effectively hedge currency fluctuations in these enterprises are recognised in the consolidated financial statements directly in other comprehensive income in a separate translation reserve.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Other derivative financial instruments
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised under financial items as they arise.

Certain contracts contain characteristics of derivative financial instruments. Such embedded derivatives are recognised separately and measured at fair value if they differ significantly from the contract, unless the entire contract is recognised and measured at fair value.

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

In managing financial risks the NKT Group uses a number of financial instruments such as forward exchange and metal contracts, currency and interest swaps, options and similar instruments, within the framework of existing policies. Only forward exchange and metal contracts were current at the end of 2012 and 2011.

The financial risks can be divided into ***currency risks, interest rate risks, credit risks, liquidity risks and raw material price risks*** as described below. Statement on ***capital structure management, financial instrument categories*** and ***fair values*** is also included.

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

Currency risks refer to the risks of losses (or the possibility of gains) resulting from changes in currency rates. Currency risks arise through transactions and financial assets and liabilities in currencies other than the functional currency of the individual Group 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 business segments within the framework of existing policies in partnership with the Group's Treasury 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 other comprehensive income. For the most significant investments in foreign currency excl. EUR (above 100 mDKK) an exchange rate which is 10% lower than the actual exchange rate for CZK, CNY, GBP and PLN would reduce the Group's equity by 149 mDKK as at 31 December 2012 (2011: 113 mDKK). Other currency risks relating to investments in foreign entities 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 2012 and at 31 December 2011, and the Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

2 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Currency risks (continued)

Financial risks relating to sales and purchases

The Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the Group businesses concerned. Hedging of these currency risks is based on concrete assessments of the likelihood of the future 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 recognised in other comprehensive income on a continuous basis. The potential impact on other comprehensive income of currency fluctuations is shown below:

Amounts in mDKK	Change	2012	2011
DKK/AUD	9%	14.9	19.1
DKK/CZK	7%	1.6	2.2
DKK/GBP	7%	16.0	34.1
DKK/HUF	10%	8.8	9.2
DKK/NOK	6%	8.5	6.8
DKK/NZD	10%	3.0	2.6
DKK/SEK	7%	16.6	11.3
DKK/SGD	7%	3.0	2.4
DKK/USD	9%	12.9	20.7

The sensitivity is calculated on the basis of financial instruments existing at 31 December 2012 and at 31 December 2011, which are considered 100% effective. Comparative figures for 2011 are calculated using the same percentage change as stated for 2012.

Currency hedging contracts relating to future transactions

The table below shows 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.

Hedge ineffectiveness influenced the income statement by approx. 0 mDKK (2011: -15 mDKK).

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows relating to the Group's interest bearing assets and liabilities. At year end the Group's interest bearing debt exceeded its interest bearing assets by 1,909 mDKK (2011: 4,429 mDKK).

As at 31 December 2012 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 2011.

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 things being equal, have an effect on pre-tax earnings of around 20 mDKK p.a. (2011: 34 mDKK).

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.

	2012		2011	
Amounts in mDKK	National value [1]	Gain/loss recog. in equity	National value [1]	Gain/loss recog. in equity
AUD	-165.2	1.3	-211.7	-9.7
CZK	-23.3	-0.1	-31.7	0.2
GBP	-228.7	-2.5	-487.3	-3.6
HUF	88.1	-2.0	92.1	-10.1
NOK	-141.9	-3.6	-114.1	0.0
NZD	-29.5	0.1	-26.0	-1.1
SEK	-236.5	-6.0	-161.6	-1.7
SGD	-43.1	-0.4	-34.9	-1.2
USD	143.5	-3.8	230.5	18.0
Other European	-13.3	-0.7	-11.3	-1.0
Other currencies	-37.7	0.6	-97.9	-6.7
Total	-687.6	-17.1	-853.9	-16.9

[1] For forward exchange contracts, positive notional values are purchases of the relevant currency, negative national values are sales.

Maturity is 0-12 months (2011: 0-12 months)

2 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Credit risks (continued)
The Group's receivables from sales and services as at 31 December 2012 included a total of 2,952.4 mDKK (2011: 2,860.4 mDKK) impaired to 2,834.8 mDKK (2011: 2,736.2 mDKK). Movements for the year in impairments from sales and services are specified thus:

Amounts in mDKK	2012	2011
Receivables from sales and services (gross)	2,952.4	2,860.4
Impairment for bad and doubtful debtors:		
1 January	124.2	135.2
Additions through business combinations	0.0	1.4
Exchange rate adjustment	1.6	0.0
Writedowns for year included in income statement under 'Other costs'	13.6	18.1
Reversal of impairment for the year included in income statement under 'Other costs'	-7.9	-22.3
Realised losses during year	-13.9	-8.2
Impairment, 31 December	117.6	124.2
Total receivables from sales and services	2,834.8	2,736.2

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 as at 31 December, amounting to 117.6 mDKK (2011:124.2 mDKK) included 47.0 mDKK (2011: 85.5 mDKK) attributable to individual impairment.

In addition, receivables overdue as at 31 December, but not impaired, comprised the following:

Amounts in mDKK	2012	2011
Periods after maturity:		
Up to 30 days	244.9	203.1
Between 30 and 60 days	61.5	53.1
Between 60 and 120 days	46.3	46.2
More than 120 days	126.3	148.4
	479.0	450.8

Liquidity risks
It is the Group's policy where borrowing is concerned to ensure maximum possible flexibility by diversifying its borrowing between maturity/renegotiation dates and counterparties in consideration of the pricing.

The Group's cash reserves consist of cash and cash equivalents and unexercised credit facilities. The credit facilities consist of both committed and uncommitted facilities which are specified in the Management's review in the section 'Financial matters'.

It is the view of Group Management that the Group's and the company's resources are adequate for implementing the planned operating activities.

It is the aim of the Group to have sufficient cash resources to act effectively in the event of unforeseen fluctuations in liquidity.

The maturity date for a number of committed credit facilities was extended by one year at the end of 2012. The rescheduled facilities will mature in January 2016 at the earliest. The committed credit facilities were reduced by 0.1 bnDKK while the uncommitted credit facilities were reduced by 0.3 bnDKK, corresponding to a total reduction in credit facilities of 0.4 bnDKK.

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

The Group's credit facilities are not subject to other covenants.

Notes

2 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

Liquidity risks (continued)

Group liabilities other than provisions mature as follows:

Amounts in mDKK				**2012**			
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	Total
Forward contracts	75.7						75.7
Credit institutions	1,823.2	103.1	37.0	55.1	27.5	338.7	2,384.6
Other financial liabilities	3,850.4						3,850.4
	5,749.3	103.1	37.0	55.1	27.5	338.7	6,310.7

				2011			
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	Total
Forward contracts	145.4						145.4
Credit institutions	1,221.9	1,026.1	34.7	2,115.7	26.6	354.4	4,779.4
Other financial liabilities	3,624.3						3,624.3
	4,991.6	1,026.1	34.7	2,115.7	26.6	354.4	8,549.1

The above items do not include interest. The forward contracts are recognised at fair value and the discount element is considered negligible as a result of short maturity. Payables to credit institutions are recognised in the accounts as 2,367.3 mDKK (2011: 4,760.7 mDKK), while the contractual cash flows mount to 2,384.7 mDKK for 2012 (2011: 4,779.4 mDKK).

Raw material price risks

Raw material price risks include the effect of changes in raw material prices on Group net income. Description of raw material price development and risks can be found in the Management's review for the Group's two largest segments NKT Cables and Nilfisk-Advance. The Group addresses raw materials price risk by utilising 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 established guidelines. As at 31 December NKT Cables had current forward transaction relating to future metal supplies to a value of 352.1 mDKK (2011: 545.9 mDKK) with a positive fair value of 0.8 mDKK (2011: negative 94.7 mDKK).

It is estimated that a 10% rise in raw material prices would, all other things being equal, influence the Group's other comprehensive income by around 35 mDKK for forward transactions at 31 December 2012 (2011: 55 mDKK). The fair value of the effective part of the hedge is recognised on a continuing basis in Group equity as hedge of future cash flows. Impact of ineffectiveness on the income statement was negligible during the year

2 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (continued)

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

It is intended to maintain a stable dividend policy corresponding to the distribution as dividend of one third of net profit for the year. For 2012 a dividend distribution of 191.1 mDKK (2011: 47.8 mDKK) is proposed, corresponding to 12% of profit after tax.

The level of dividend distribution for 2012 was determined taking into account the Group's present capital position.

4 mandates have been issued by the Annual General Meeting:

1. The share capital may, by resolution of the Board of Directors, be increased by issue of shares to a maximum nominal amount of 300 mDKK in the period until 25 March 2015.
2. NKT may purchase a maximum of 25% of NKT's shares for the purpose of adjusting the NKT Group's capital structure should this prove appropriate. This mandate was granted in 2011 and will be reviewed at the Annual General Meeting in 2016.
3. In the period until 1 April 2016 warrants may be issued, in one or several transactions, to the employees and management of the NKT Group up to a nominal amount of 12 mDKK (600,000 shares each of a nominal value of 20 DKK).
4. In the period until 29 March 2017 loans may be raised against bonds or debt instruments in one or several transactions with a right for the lender to convert his claim to shares, each of a nominal value of 20 mDKK, up to a maximum nominal amount of 44 mDKK (2.2 million new shares, corresponding to just under 10% of the share capital). A new mandate and framework will be proposed at the Annual General Meeting in 2013.

Categories of financial instruments

Amounts in mDKK	2012	2011
	Carrying amount	Carrying amount
Financial assets:		
Trading portfolio (derivative financial instruments)	40.7	26.2
Loans and receivables	3,817.7	3,823.9
Financial assets available for sale	21.2	20.0
Financial liabilities:		
Trading portfolio (derivative financial instruments)	75.7	145.4
Financial liabilities, measured at amortised cost	6,217.7	8,385.0

Fair values
Financial instruments measured at fair value in the balance sheet are classified in one of the following three categories (the fair value hierarchy):
- Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than listed prices on Level 1 which are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3: Input for the asset or liability which is not based on observable market data (unobservable input).

The position in the hierarchy is determined by the lowest level of variable/input which is material to the fair value measurement in its entirety.

Financial instruments measured at fair value consist of derivative financial instruments. The fair value as at 31 December 2012 and 2011 of NKT's forward transactions (only currency and metal contracts are current at 31 December) is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

3 - SEGMENT REPORTING

Accounting policy
The segment information is based on internal management reporting and is presented in accordance with the Group's accounting policies.

Segment income and expenses and segment assets and liabilities are those items which are directly attributable to the individual segment and those items which can be reliably allocated to it. All items have been attributed to the Group's business segments.

Segment assets comprise the non-current assets used directly in segment operations, including tangible and intangible assets and investments in associates, as well as the current assets used directly in segment operations, including inventories, trade and other receivables, prepaid expenses, and cash.

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

2012 **Amounts in mDKK**	NKT Cables	Nilfisk-Advance	Photonics Group	Discont. operation	Parent company etc.	Total reportable segments	Inter-segment transact.	Total NKT Group
Income statement								
Revenue from external customers	8,525.8	6,490.7	236.6	-	0.0	15,253.1	0.0	15,253.1
Inter-segment revenue	0.2	0.0	0.4	-	0.0	0.6	-0.6	0.0
Total revenue	8,526.0	6,490.7	237.0	-	0.0	15,253.7	-0.6	15,253.1
Costs and other income, net	-8,231.9	-5,764.1	-228.3	-	-34.5	-14,258.8	0.6	-14,258.2
Share of profits after tax of associates	-4.4	18.4	0.0	-	0.0	14.0	0.0	14.0
Earnings, (EBITDA)	289.7	745.0	8.7	-	-34.5	1,008.9	0.0	1,008.9
Depreciation and amortisation	-291.8	-220.2	-16.8	-	-0.1	-528.9	0.0	-528.9
Impairment loss	0.0	-7.3	0.0	-	0.0	-7.3	0.0	-7.3
Segment result (EBIT) continuing operations	-2.1	517.5	-8.1	-	-34.6	472.7	0.0	472.7
Profit after tax discontinued operation	0.0	0.0	0.0	1,409.7	0.0	1,409.7		1,409.7
Segment result (EBIT)	-2.1	517.5	-8.1	1,409.7	-34.6	1,882.4	0.0	1,882.4
Financial income	113.6	44.9	0.2	-	343.8	502.5	-150.6	351.9
Financial expenses	-295.8	-156.6	-4.9	-	-241.1	-698.4	150.6	-547.8
Tax	53.3	-103.8	2.5	-	-33.3	-81.3	0.0	-81.3
Profit for the year	-131.0	302.0	-10.3	1,409.7	34.8	1,605.2	0.0	1,605.2
Balance								
Segment assets	8,153.0	6,108.2	259.1	0.0	4,355.3	18,875.6	-5,939.8	12,935.8
Segment goodwill	173.6	1,060.0	25.8	0.0	0.0	1,259.4	0.0	1,259.4
Investments in associates	35.4	98.3	0.0	0.0	0.0	133.7	0.0	133.7
Segment liabilities	7,457.2	4,118.9	203.0	0.0	1,359.5	13,138.6	-5,939.8	7,198.8
Other Information								
Cash flow from operations before financial items and tax	533.5	852.3	-4.5	0.0	-37.6	1,343.7	0.0	1,343.7
Additions to property, plant and equipment and intangible assets	303.2	239.6	27.3	0.0	0.0	570.1	0.0	570.1
Average number of full-time employees	3,395	5,262	185	0	25	8,867	0	8,867

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

'Discontinued operation' comprises the divested activity relating to NKT Flexibles, cf. Note 12.

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

group Management assesses segment operating results separately to determine allocation of resources and measurement of performance.

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

3 - SEGMENT REPORTING (continued)

2011 **Amounts in mDKK**	NKT Cables	Nilfisk-Advance	Photonics Group	Discont. operation	Parent company etc.	Total reportable segments	Inter-segment transact.	Total NKT Group
Income statement								
Revenue from external customers	9,087.7	6,307.1	208.9	-	0.0	15,603.7	0.0	15,603.7
Inter-segment revenue	0.2	0.0	1.2	-	0.0	1.4	-1.4	0.0
Total revenue	9,087.9	6,307.1	210.1	-	0.0	15,605.1	-1.4	15,603.7
Costs and other income, net	-8,907.6	-5,624.9	-209.3	-	-37.7	-14,779.5	1.4	-14,778.1
Share of profits after tax of associates	2.0	16.9	0.0	-	0.0	18.9	0.0	18.9
Earnings, (EBITDA)	182.3	699.1	0.8	-	-37.7	844.5	0.0	844.5
Depreciation and amortisation	-275.2	-202.0	-12.9	-	-0.3	-490.4	0.0	-490.4
Impairment loss	-61.0	-7.0	0.0	-	0.0	-68.0	0.0	-68.0
Segment result (EBIT) continuing operations	-153.9	490.1	-12.1	-	-38.0	286.1	0.0	286.1
Profit after tax discontinued operation	0.0	0.0	0.0	119.1	0.0	119.1	0.0	119.1
Segment result (EBIT)	-153.9	490.1	-12.1	119.1	-38.0	405.2	0.0	405.2
Financial income	229.8	87.9	0.9	-	225.3	543.9	-177.2	366.7
Financial expenses	-409.8	-214.0	-4.6	-	-195.5	-823.9	177.2	-646.7
Tax	80.5	-83.5	4.2	-	0.5	1.7	0.0	1.7
Profit for the year	-253.4	280.5	-11.6	119.1	-7.7	126.9	0.0	126.9
Balance								
Segment assets	7,437.2	5,973.2	238.4	576.9	4,061.4	18,287.1	-4,848.2	13,438.9
Segment goodwill	170.7	1,068.4	25.8	0.0	0.0	1,264.9	0.0	1,264.9
Investments in associates and joint ventures	40.2	87.9	0.0	716.4	-8.3	836.2	0.0	836.2
Segment liabilities	6,688.7	4,150.6	172.1	13.7	3,195.7	14,220.8	-4,848.2	9,372.6
Other Information								
Cash flow from operations before financial items and tax	436.3	532.0	-6.9	0.0	-30.0	931.4	0.0	931.4
Additions to property, plant and equipment and intangible assets	378.3	200.7	30.7	0.0	0.1	609.8	0.0	609.8
Average number of full-time employees	3,571	5,257	184	0	26	9,038	0	9,038

3 - SEGMENT REPORTING (continued)

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

Geographical information, revenue

Amounts in mDKK	2012	2011
Germany	3,485.7	3,147.2
US	1,463.8	1,326.4
China	1,047.4	1,192.6
Poland	1,009.3	1,139.5
France	985.9	973.9
Denmark	910.2	1,123.9
UK	837.7	762.2
Czech Republic	745.3	795.5
Other	4,767.8	5,142.5
	15,253.1	15,603.7

Geographical information, property, plant and equipment and intangible assets

Amounts in mDKK	2012	2011
Germany	1,900.1	1,849.1
Denmark	987.1	969.0
Czech Republic	609.8	643.0
China	611.5	633.6
US	583.6	612.0
Poland	133.5	118.9
Other	434.7	422.4
	5,260.3	5,248.0

4 - REVENUE

Accounting policy

Revenue from sales of goods for resale and finished goods is recognised in the income statement if supply and transfer of risk to the buyer have taken place before year end, and if the income can be reliably measured and is expected to be received.

Revenue from services comprising service packages and extended warranties relating to sold products and contracts are recognised in step with the supply of services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Construction contracts with a high degree of individual adjustment are recognised as revenue by reference to the percentage of completion. Accordingly, revenue corresponds to contract value of work performed during the year (the percentage of completion method). When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent that costs incurred are likely to be recoverable.

See Note 19 for further information concerning construction contracts.

Amounts in mDKK	2012	2011
Goods	13,110.2	13,672.9
Services	706.1	742.7
Royalty	1.5	4.3
Rentals	0.2	0.3
Construction contract revenue	1,435.1	1,183.5
	15,253.1	15,603.7

The development in revenue corresponds to negative nominal growth of 2% and negative organic growth of 2%. The reduction in revenue was primarily attributable to NKT Cables. See the section 'Executive review' for further information on revenue development.

Notes

5 - EMPLOYEE BENEFITS, EXPENSE

Accounting policy
Staff costs comprise wages and salaries, remuneration, pensions, etc., and share-based payment to the company's employees, including Group Management. The Board of Directors does not receive share-based payment.

Amounts in mDKK	2012	2011
Wages and salaries	2,427.5	2,365.0
Social security costs	337.0	319.0
Defined contribution plans	96.9	80.5
Defined benefit plans	19.5	15.5
Share-based payments	4.5	5.3
	2,885.4	2,785.3
Average number of full-time employees	8,867	9,038

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

Staff costs rose by 4% while the average number of employees fell by 2%. The increase in staff costs was i.a. principally influenced by currencies.

6 - RESEARCH AND DEVELOPMENT COSTS

Accounting policy
Clearly defined and identifiable development projects in which technical feasibility, adequacy of resources and potential market or development possibility in the enterprise can be demonstrated, and where it is the intention to produce, market or execute the project, are recognised in intangible assets if the cost can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of raw materials, consumables and goods for resale, staff costs, other costs and amortisation, as well as the development costs. Other development costs are expensed in the income statement as incurred

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. The cost includes wages, amortisation and other costs relating to the Group's development activities. In the case of qualifying assets, specific and general borrowing costs relating directly to the development of development projects are recognised in the cost.

On completion of the development work, development projects are amortised on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortisation period is usually 3-10 years. The basis of amortisation is reduced by any impairment losses.

Amounts in mDKK	2012	2011
Research and development costs recognised as employee benefits	165.3	166.6
Research and development costs recognised as other costs	88.8	94.3
- recognised as own work capitalised	-133.1	-116.1
Research and development costs expensed as incurred	121.0	144.8
Development costs recognised as assets	182.2	154.6
	303.2	299.4

The total research and development costs comprised 2.0% of revenue. The corresponding breakdown for the business units was: NKT Cables 0.5%, Nilfisk-Advance 3,4% and Photonics Group 15,0%.

See also the coverage of research and development in the section of the Management's review dealing with the individual business units.

7 - FEES PAID TO AUDITOR ELECTED AT THE ANNUAL GENERAL MEETING

Amounts in mDKK	2012	2011
KPMG:		
Statutory audit	12.6	14.3
Other certainty declarations	1.1	0.1
Tax and VAT advice	1.7	1.5
Other services	4.1	1.0
	19.5	16.9

8 - INVESTMENTS IN ASSOCIATES

Accounting policy
The proportionate share of associate earnings is recognised in the consolidated income statement after tax, minority interests and elimination of the proportionate share of intra-group profits/losses.

Investments in associates are measured in the consolidated financial statements according to the equity method. The investments are therefore measured in the balance sheet at the proportionate share of their equity value in accordance with the Group's accounting policy, minus or plus a proportionate share of unrealised intra-group profits and losses, and plus excess capital paid on acquisitions, including goodwill. Investments in associates are tested for impairment when such indication exists.

Investments in associates with negative equity values are measured at 0 DKK (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, this deficit is recognised in liabilities.

Receivables from associates are measured at amortised cost. Writedown is made for bad or doubtful debts.

On acquisition of investments in associates the purchase method is used, cf. description of business combinations.

Amounts in mDKK	2012	2011
Summary financial information - 100%		
Revenue	529.4	605.2
Profit for the year	29.8	43.7
Total assets	475.5	502.2
Liabilities	208.0	232.3
The NKT Group's share of profit for the year	14.0	18.9
The NKT Group's share of equity	119.5	112.3
Investment in discontinued operation	-	708.1
Goodwill	14.2	15.8
Carrying amount, 31 December	133.7	836.2

Company information and ownership interests appear in the list of Group companies in Note 32.

9 - FINANCIAL INCOME

Accounting policy
Financial income comprises interest income, dividends, gains on securities, receivables and transactions denominated in foreign currencies, amortisation of financial assets, and refunds under the Danish tax prepayment scheme, etc

Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included..

Amounts in mDKK	2012	2011
Interest, etc.	60.2	40.1
Foreign exchange gains	247.2	306.2
Gain on derivative financial instruments	44.5	20.3
Gains on available-for-sale equity securities	0.0	0.1
	351.9	366.7

Interest, etc. relating to financial assets measured at amortised cost.

10 - FINANCIAL EXPENSES

Accounting policy
Financial expenses comprise interest expenses, losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, as well as surcharges under the Danish tax prepayment scheme, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Borrowing costs arising from general borrowing or loans that directly relate to acquisition, construction or development of qualifying assets are attributed to the cost of such assets.

Amounts in mDKK	2012	2011
Interest, etc.	248.4	266.5
Foreign exchange losses	271.4	318.8
Loss on derivative financial instruments	28.0	61.4
	547.8	646.7

Interest, etc. relating to financial liabilities measured at amortised cost.

The reduction in financial expenses was primarily due to lower interest expenses based on lower interest bearing debt and a lower interest margin that principally impacted in the second half of the year. Foreign exchange loss and loss on derivative financial instruments was also lower. Comparing these items with foreign exchange gain and gain on derivative financial instruments shows a net expense of 7.7 mDKK in 2012 against 53.7 mDKK in 2011, which is an improvement of 46 mDKK.

Notes

11 - TAX

Accounting policy
Tax for the year, consisting of the year's current tax and change in deferred tax, is recognised in net profit for the year, in other comprehensive income or directly in equity.

Amounts in mDKK	2012	2011
Tax from continuing operations recognised in the income statement:		
Current tax	117.1	86.0
Deferred tax	-35.8	-87.7
	81.3	-1.7
Tax rate for the year	29.4%	neg.
Reconciliation of tax on continuing operations:		
Calculated 25% tax on earnings before tax	69.2	1.5
Tax effect of:		
Foreign tax rates relative to Danish tax rate	-6.8	-10.0
Non-taxable income/non-deductible expenses, net	3.5	12.6
Adjustment for previous years, including estimates	-11.2	-12.6
Adjustment for previous years due to value adjustment of tax assets	26.6	6.8
	81.3	-1.7

Breakdown of tax expense for the year by business units appears in Note 3.

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

Earnings in the Group's Danish companies did not result in payable corporate tax in 2012 as the taxable income offset tax losses for previous years. NKT paid 73.3 mDKK (2011: 75.3 mDKK) in corporate tax globally.

12 - DISCONTINUED OPERATION

Accounting policy
Discontinued operations constitute an important element in the enterprise, with activities and cash flow which are clearly distinguishable, operationally and in financial reporting terms, from the rest of the enterprise. The entity has either been disposed of or is held for sale, completion of the sale being effected within one year in accordance with a formal plan. Discontinued operations also include activities which in conjunction with the acquisition have been designated as 'held for sale'.

Net results of discontinued operations, net value adjustments of related assets and liabilities, and profits/losses on sales are presented in a separate line in the income statement with restatement of 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 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.

Amounts in mDKK	2012	2011
Share of profit after tax from joint venture	0.0	158.8
Financial items	0.0	-0.2
Profit from sale	1,409.7	0.0
Tax of NKT Flexibles I/S	0.0	-39.5
Profit for the year from discontinued operation	1,409.7	119.1
Cash flow from operating ativity	0.0	-14.5
Cash flow from investing activities	0.0	0.0
Cash flow from financing activities	0.0	14.5
Cash flow from sale of operation	1,966.7	0.0
Cash flow from discontinued operation	1,966.7	0.0
Profit from discontinued operation attributable to equity holders of NKT Holding A/S	1,409.7	119.1
Diluted profit from discontinued operation attributable to equity holders of NKT Holding A/S	1,409.7	119.1

The sale of NKT Flexibles to National Oilwell Varco was completed on 4 April 2012. NKT Flexibles constituted an important area of operation for NKT, and in accordance with the Group's accounting policy, net results and cash flow are presented in a separate line in the income statement and in the cash flow statement. Comparative figures have been restated.

The NKT Group had a 51% ownership interest in the NKT Flexibles group, which besides the parent company, NKT Flexibles I/S, consisted of a Danish and a Brazilian subsidiary. The parent company, NKT Flexibles I/S, was not an independent tax entity and related tax was not recognised in the financial statements for the NKT Flexibles group. 51% of tax relating to the parent company, NKT Flexibles I/S was recognised at a higher level in the NKT Group and thus included in NKT's corporate financial statements. Tax for the subsidiaries was recognised in the financial statement for the NKT Flexibles group.

The NKT Flexibles group was recognised on a single line in accordance with the provisions of IAS 31 'Interest in Joint Ventures' as the company was jointly controlled with a joint venture partner.

At the divestment of the ownership interest the carrying amount of the equity investment in the joint venture was 798 mDKK, deferred tax liability was 137 mDKK and net interest bearing debt was 14 mDKK.

13 - EARNINGS PER SHARE

Accounting policy

Earnings Per Share (EPS) and Diluted Earnings Per Share (EPS-D) are calculated in accordance with IAS 33 as follows:

$$\text{Earnings per outstanding share (EPS)} = \frac{\text{Profit attributable to equity holders of NKT Holding A/S}}{\text{Average number of outstanding shares}}$$

$$\text{Diluted earnings per outstanding share (EPS-D)} = \frac{\text{Profit attributable to equity holders of NKT Holding A/S}}{\text{Diluted average number of outstanding shares}}$$

Amounts in mDKK	2012	2011
Profit attributable to equity holders of NKT Holding A/S	1,603.9	125.2
Earnings effect of warrants of subsidiaries	0.0	0.0
Diluted profit attributable to equity holders of NKT Holding A/S	1,603.9	125.2
Profit, continuing operations	195.5	7.8
Profit attributable to minority interests	-1.3	-1.7
Profit, continuing operations, attributable to equity holders of NKT Holding A/S	194.2	6.1
Profit, discontinued operation, attributable to equity holders of NKT Holding A/S	1,409.7	119.1
Weighted average number of shares:		
Average number of issued shares	23,850,779	23,737,979
Average number of treasury shares	-77,425	-77,425
Weighted average number of shares outstanding	23,773,354	23,660,554
Effect of share-based options	10,238	43,229
Diluted weighted average number of shares outstanding	23,783,592	23,703,783
Basic earnings per share (EPS)	67.5	5.3
Diluted earnings per share (EPS-D)	67.4	5.3
Basic earnings per share (EPS) from continuing operations	8.2	0.3
Diluted earnings per share (EPS-D) from continuing operations	8.2	0.3
Basic earnings per share (EPS) from discontinued operation	59.3	5.0
Diluted earnings per share (EPS-D) from discontinued operation	59.3	5.0

In the calculation of EPS-D, 469,500 warrants (2011: 540,550) without value were excluded. These warrants may potentially dilute future EPS.

14 - ACQUISITION OF SUBSIDIARIES

Accounting policy
Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition/formation. Enterprises sold or wound up are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for enterprises acquired..

In the case of acquisitions where NKT Holding A/S directly or indirectly gains control the purchase method is used. The identifiable assets, liabilities and contingent liabilities of the acquisition are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The date of acquisition is the date at which NKT Holding A/S directly or indirectly gains actual control of the acquisition.

Positive differences (goodwill) between the purchase consideration, the value of minority interests in the acquired enterprise and the fair value of any previously acquired equity investments on the one hand, and the fair value of acquired identifiable assets, liabilities and contingent liabilities on the other hand are recognised as goodwill in intangible assets. Goodwill is not amortised but a test for impairment is carried out at least annually. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments relating to acquisition of a foreign entity having a functional currency other than the Group's presentation currency are treated as assets and liabilities belonging to the foreign entity and, on first-time recognition, are translated into the functional currency of that entity at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

The purchase consideration for an enterprise consists of the fair value of the agreed consideration in the form of transferred assets, assumed liabilities, and issued equity instruments. If parts of the purchase consideration are contingent upon future events or fulfilment of agreed conditions, this part of the purchase consideration is recognised at fair value at the date of acquisition. Costs relating to business combinations are expensed directly in the income statement as incurred.

If uncertainty exists at the date of acquisition as to identification or the measurement of acquired assets, liabilities or contingent liabilities, or as to the determination of the purchase consideration, first-time recognition is based on preliminary fair values. If identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities subsequently proves to have been incorrect at first-time recognition, the calculation is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and the comparative figures are restated. Thereafter goodwill is not adjusted. Revised estimates of contingent purchase consideration are recognised in the income statement.

Gains or losses on sale or disposal of subsidiaries and associates are stated as the difference between the selling price or disposal sum and the carrying amount of net assets including goodwill at the time of sale, and selling or disposal costs.

2012
The Group made no acquisitions in 2012 having significance for consolidated revenue and earnings.

14 - ACQUISITION OF SUBSIDIARIES (continued)

2011
In 2011 Nilfisk-Advance acquired Egholm Maskiner A/S with a view to strengthening Nilfisk-Advance's programme of outdoor cleaning and maintenance products and also acquired minor dealerships.

Acquisition balance sheets are as follows:

Amounts in mDKK		Fair value at acquisition date
Non-current assets	Intangible assets	89.9
	Property, plant and equipment	9.5
	Other non-current assets	1.6
Current assets	Inventories	44.5
	Receivables	24.0
	Cash at bank and in hand	6.5
Non-current liabilities	Deferred tax liabilities	-14.9
	Provisions	-3.1
	Credit institutions	-6.9
Current liabilities	Credit institutions	-1.6
	Payables and provisions	-27.6
	Net assets acquired	121.9
	Goodwill	96.6
	Consideration transferred	218.5
	Of which cash at bank and in hand	-6.5
	Deferred contingent purchase consideration	-15.4
	Settled contingent purchase consideration relating to acquisition in previous year	18.2
	Cash consideration	214.8
	Interest bearing payables acquired	9.1
	Effect on interest bearing items	223.9

Goodwill represents the value of personnel and anticipated synergies arising from merger of the Groups existing activities. The impact on Group revenue and earnings for 12 months etc. for 2011 was negligible.

15 - IMPAIRMENT TEST

Accounting policy
Goodwill, intangible assets with indefinite useful lives and development projects in progress
Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, initially before the end of the acquisition year. Development projects in progress are also tested annually for impairment.

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.

Other non-current assets
The carrying amount of other non-current assets is reviewed annually for indication 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.

Recognition of impairment loss in the income statement
An impairment is recognised if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. The impairment is recognised in the income statement under depreciation and impairment. Impairment of goodwill is recognised 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 been applied after amortisation had the asset not been impaired.

The impairment charge for the year comprises 7.3 mDKK (2011: 68.0 mDKK) and relates to shutdown of a development project at Nilfisk-Advance.

NKT Cables is positioned within four application areas: Electricity Infrastructure, Construction, Railway and Automotive. With the energy sector facing major changes, growth forecasts for the Electricity Infrastructure market are good. Construction and Automotive are regarded as mature and stable markets, and flat growth is expected. Growth potential for the Railway area remains high, with increasing focus, both in China and Europe, on expansion of rail networks by high speed lines. For a more detailed description of developments in 2012, see the section 'NKT Cables' in the Management's review.

Nilfisk-Advance is expecting market growth over an economic cycle of approx. 3-4%. Of which the mature markets (US and Europe) represent 1-3%. It is expected that the development in the rest of the world in the years ahead will represent growth rates that significantly exceed the growth rates in the mature markets. Over a normal economic cycle a market growth of 4-6% is expected in good times and 0-2% in periods of slowdown. Nilfisk-Advance also expects increased market shares. For a more detailed description of developments in 2012, see the section 'Nilfisk-Advance' in the Management's review.

For impairment test purposes, tangible assets have been allocated to cash-generating units and goodwill has been allocated to groups of cash-generating units. Goodwill is reviewed below, followed by review of tangible assets and other intangible assets.

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 independent groups of cash-generating units: NKT Cables, Nilfisk-Advance and Photonics Group. The carrying amount of goodwill as at 31 December was as follows for the reportable segments:

Amounts in mDKK	2012	2011
NKT Cables	173.6	170.7
Nilfisk-Advance	1,060.0	1,068.4
Photonics Group	25.8	25.8
	1,259.4	1,264.9

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

The recoverable amount of the individual groups of cash-generating units has been determined on the basis of a value in use calculation. The calculation uses cash flow projections based on financial budgets for 2013 and financial forecasts for 2014-2017 approved by Group Management. A discount rate of 10.5% (2011: 10.5%) has been applied before tax, and a discount rate of 7.5% (2011: 7.5%) after tax. The cash flows beyond 2017 have been extrapolated using a steady growth rate of 2.0% for Nilfisk-Advance and 2.5% for NKT Cables. The growth rate is estimated not to exceed the long-term average growth rates for the markets in which NKT Cables and Nilfisk-Advance operate

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

EBITDA for 2013-2017 based on the following:

NKT Cables:	Revenue and gross profit are expected to increase from 2013 to 2017.
Nilfisk-Advance:	Revenue is expected to increase from 2013 to 2017 while gross profit margin is expected to be maintained at present level.

The above assumptions for the period 2013-2017 are based on realised figures for 2012 and on Group Management's expectations for the period.

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

NKT Cables:	A yearly average investment of 90% of depreciation for the period 2013-2017.
Nilfisk-Advance:	A yearly average investement of 90% of depreciation for the period 2013-2017.

15 - IMPAIRMENT TEST (continued)

Working capital:

NKT Cables:	An average of 19.1% of revenue for the year. Strategic target of < 17%.
Nilfisk-Advance:	An average of 16.5% of revenue for the year. Strategic target of < 18%.

The working capital as a percentage of the revenue of NKT Cables and of Nilfisk-Advance amounted to 19.7% and 19.5%, respectively, as at 31 December 2012. The working capital as a percentage of revenue for 2012 is measured as a monthly average, LTM, while for the period 2013-2017 it will be measured at year end.

Sensitivity to changes in assumptions:
Management believes that no likely changes in any of the key assumptions will cause the carrying amount of goodwill to exceed the recoverable amount. To show the headroom between the carrying amount and the recoverable amount a sensitivity analysis has been included.

The sensitivity analysis below of goodwill impairment test focus on change in discount rate, the long-term growth rate and EBITDA. The changes in EBITDA for 2013-2017 and beyond 2017 are based on the assumption that capital expenditure and working capital follow the decrease in EBITDA. In the sensitivity analysis al other assumptions are unchanged. The following assumptions must be changed before the carrying amount exceeds the value in use:

Sensitivity analysis, goodwill	Assumptions used when calculating value in use (starting point)		Assumptions must change as follows before the carrying amount equals the value in use	
Amounts in mDKK	NKT Cables	Nilfisk-Advance	NKT Cables	Nilfisk-Advance
Post-tax discount rate	7.5%	7.5%	8.8%	>15%
Long-term growth rate (after 2017)	2.5%	2.0%	0.5%	<-15%
Change in EBITDA compared to the starting point	-	-	<-15%	<-15%

Property, plant and equipment
Property, plant and equipment are tested for impairment at the level of cash-generating units with individual cash flows. The cash-generating units with indications of impairments, and where impairment tests are performed, are NKT Cables Cologne, NKT Cables Czech Republic and NKT Cables Poland.

NKT Cables Cologne chiefly performs production in the Electricity Infrastructure (on- and offshore) project area, while NKT Cables Czech Republic and NKT Cables Poland chiefly perform production in the Construction and Automotive areas. As at 31 December the carrying amount of tangible assets for these three entities was:

Amounts in mDKK	**2012**	**2011**
NKT Cables Cologne	1,640.2	1,600.6
NKT Cables Czech Republic	500.7	535.5
NKT Cables Poland	131.0	117.1
	2,271.9	2,253.2

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

A sensitivity analysis has been performed that focuses solely on changes in EBITDA, discount rate and long-term growth rate for NKT Cables Cologne, NKT Cables Czech Republic and NKT Cables Poland. The value in use is significantly higher than the carrying amount.

The changes in EBITDA for 2013-2017 and beyond 2017 are based on the assumption that capital expenditure and working capital follow the decrease in EBITDA. In the sensitivity analysis all other assumptions are unchanged.

Other intangibles assets
Other intangibles assets have been tested for impairment and show no indication of impairment loss. However, impairment of 6 mDKK has been made on development projects.

Sensitivity analysis, property, plant and equipment **Amounts in mDKK**	Reduction in EBITDA before the carrying amount equals the value in use
NKT Cables Cologne	17.2%
NKT Cables Czech Republic	28.8%
NKT Cables Poland	17.1%

16 - INTANGIBLE ASSETS

Accounting policy
Goodwill
Goodwill is initially recognised in the balance sheet at cost calculated as the difference between the purchase consideration and the fair value of acquired assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing Group, and identification of operating segments based on the presence of segment managers, the Group Management finds that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during testing for impairment are the reportable business units shown. The reportable units are comprised by the Group's operating units without aggregation (Note 3. Segment information).

Other intangible assets
Clearly defined and identifiable development projects in which technical feasibility, adequacy of resources and potential market or development possibility in the enterprise can be demonstrated, and where it is the intention to produce, market or execute the project, are recognised in intangible assets if the cost can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of raw materials, consumables and goods for resale, staff costs, other costs and amortisation, as well as the development costs. Other development costs are expensed in the income statement as incurred

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. The cost includes wages, amortisation and other costs relating to the Group's development activities. In the case of qualifying assets, specific and general borrowing costs relating directly to the development of development projects are recognised in the cost.

Intangible assets are amortised on a straight-line basis over the expected useful life which is:

Trade marks etc.	3-20 years
Customer-related assets	3-15 years
Development projects	3-10 years
Patents and licences etc.	5-15 years

On completion of the development work, development projects are amortised on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortisation period is usually 3-10 years. The basis of amortisation is reduced by any impairment losses.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter.

Intangible assets with an indefinite useful life are not amortised, however, but are tested annually for impairment.

Distributions of intangible assets for the business units:

Amounts in mDKK	**2012**	**2011**
NKT Cables	43.4	41.6
Nilfisk-Advance	141.5	102.5
Photonics Group	18.4	20.4
	203.3	164.5

The increase in additions for intangible assets is principally attributable to capitalised development cost in Nilfisk-Advance.

16 - INTANGIBLE ASSETS (continued)

Amounts in mDKK	Goodwill	Trademarks etc.	Customer related assets	Completed development projects	Patents and licenses etc.	Development projects in progress	Total
Costs, 1 January 2011	1,147.5	115.5	191.2	493.0	360.5	138.9	2,446.6
Additions through business combinations	96.6	13.3	35.6	18.2	22.8	0.0	186.5
Additions	0.0	0.0	0.0	3.7	9.9	150.9	164.5
Disposals	0.0	0.0	0.0	-0.8	-10.8	-0.7	-12.3
Transferred between classes of assets	-1.0	0.0	0.0	90.6	37.6	-119.8	7.4
Exchange rate adjustments	21.8	1.9	3.1	4.7	2.5	1.0	35.0
Costs, 31 December 2011	1,264.9	130.7	229.9	609.4	422.5	170.3	2,827.7
Amortisation and impairment, 1 January 2011	0.0	-65.7	-107.2	-308.4	-198.2	0.0	-679.5
Amortisation for the year	0.0	-8.1	-28.7	-70.6	-46.3	0.0	-153.7
Impairment	0.0	0.0	-1.3	-5.7	0.0	0.0	-7.0
Disposals	0.0	0.0	0.0	0.0	10.8	0.0	10.8
Transferred between classes of assets	0.0	0.0	0.0	0.0	-2.6	0.0	-2.6
Exchange rate adjustments	0.0	-0.6	-2.0	-4.2	-1.4	0.0	-8.2
Amortisation and impairment, 31 December 2011	0.0	-74.4	-139.2	-388.9	-237.7	0.0	-840.2
Carrying amount, 31 December 2011	**1,264.9**	**56.3**	**90.7**	**220.5**	**184.8**	**170.3**	**1,987.5**
Costs, 1 January 2012	1,264.9	130.7	229.9	609.4	422.5	170.3	2,827.7
Additions through business combinations	1.6	0.3	0.8	0.0	0.0	0.0	2.7
Additions	0.0	0.0	0.0	23.9	21.1	158.3	203.3
Disposals	0.0	0.0	0.0	-15.3	-2.0	0.0	-17.3
Transferred between classes of assets	1.5	-0.2	-0.1	104.7	72.8	-130.5	48.2
Exchange rate adjustments	-8.6	-0.4	-0.6	-4.1	-0.5	-0.5	-14.7
Costs, 31 December 2012	1,259.4	130.4	230.0	718.6	513.9	197.6	3,049.9
Amortisation and impairment, 1 January 2012	0.0	-74.4	-139.2	-388.9	-237.7	0.0	-840.2
Amortisation for the year	0.0	-10.0	-20.5	-87.4	-51.8	0.0	-169.7
Impairment	0.0	0.0	0.0	-6.0	-0.4	0.0	-6.4
Disposals	0.0	0.0	0.0	15.3	1.5	0.0	16.8
Transferred between classes of assets	0.0	0.0	0.0	0.0	-44.8	0.0	-44.8
Exchange rate adjustments	0.0	-0.3	0.0	3.8	-0.8	0.0	2.7
Amortisation and impairment, 31 December 2012	0.0	-84.7	-159.7	-463.2	-334.0	0.0	-1,041.6
Carrying amount, 31 December 2012	**1,259.4**	**45.7**	**70.3**	**255.4**	**179.9**	**197.6**	**2,008.3**

Trademarks with a carrying amount of 19.6 mDKK (201: 19.8 mDKK) are not amortised as their useful life cannot be defined. Group Management assesses that the value of these trademarks can be maintained indefinitely.
Regarding impairment test, refer to Note 15.

17 - PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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 ready for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subcontractors and wages. In the case of qualifying assets, specific and general borrowing costs directly relating to acquisition, construction or production of the qualifying asset are recognised 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.

The cost of assets held under finance leases is stated at the fair value of the assets or the present value of the future minimum lease payments, whichever is the lower. For calculation of the present value, the interest rate implicit in the lease or the Group's alternative rate of interest is applied as the discount rate.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Group. The carrying amount of the replaced parts is recognised in the balance sheet and recognised in the income statement. All costs incurred for ordinary repair and maintenance are recognised in the income statement as incurred.

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is effected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	10-50 years
Plant and machinery	4-20 years
Fixtures, fittings and equipment	3-15 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 recognised prospectively as a change in accounting estimates.

Property, plant and equipment under construction and prepayments therefore are measured at cost. When ready for use the asset is transferred to land and buildings, plant and machinery or fixtures, fittings and equipment and depreciated.

Distribution of tangible asset additions for the business units:

Amounts in mDKK	2012	2011
NKT Cables	259.8	336.7
Nilfisk-Advance	98.1	98.2
Photonics Group	8.9	10.4
	366.8	445.3

Additions relating to NKT Cables in 2011 and to some extent in 2012 are influenced by conversion of production facilities in Germany and China and are therefore above normal level.

17 - PROPERTY, PLANT AND EQUIPMENT (continued)

Amount in mDKK	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets under construction incl. prepaym.	Total
Costs, 1 January 2011	1,561.7	2,187.7	1,026.2	375.0	5,150.6
Additions through business combinations	0.0	1.6	7.9	0.0	9.5
Additions	36.2	126.8	97.8	184.5	445.3
Disposals	-5.5	-47.5	-111.5	-4.7	-169.2
Transferred between classes of assets	61.3	226.0	61.0	-356.7	-8.4
Exchange rate adjustments	-0.2	-6.9	-8.9	-2.5	-18.5
Costs, 31 December 2011	1,653.5	2,487.7	1,072.5	195.6	5,409.3
Depreciation and impairment, 1 January 2011	-218.0	-972.1	-735.6	0.0	-1,925.7
Depreciation for the year	-54.3	-166.8	-115.6	0.0	-336.7
Impairment	-54.6	-6.4	0.0	0.0	-61.0
Transferred between classes of assets	0.0	8.2	-5.6	0.0	2.6
Disposals	2.7	42.0	106.9	0.0	151.6
Exchange rate adjustments	2.7	12.3	5.4	0.0	20.4
Depreciation and impairment, 31 December 2011	-321.5	-1,082.8	-744.5	0.0	-2,148.8
Carrying amount, 31 December 2011	**1,332.0**	**1,404.9**	**328.0**	**195.6**	**3,260.5**
Of which, assets leased under finance leases	0.0	0.6	0.3	0.0	0.9
Costs, 1 January 2012	1,653.5	2,487.7	1,072.5	195.6	5,409.3
Additions through business combinations	0.0	0.0	3.7	0.0	3.7
Additions	14.1	79.8	74.0	198.9	366.8
Disposals	-93.2	-40.9	-48.6	-4.1	-186.8
Transferred between classes of assets	74.9	165.6	34.2	-195.8	78.9
Exchange rate adjustments	11.1	20.6	-1.1	2.5	33.1
Costs, 31 December 2012	1,660.4	2,712.8	1,134.7	197.1	5,705.0
Depreciation and impairment, 1 January 2012	-321.5	-1,082.8	-744.5	0.0	-2,148.8
Depreciation for the year	-57.5	-181.7	-120.0	0.0	-359.2
Impairment	0.0	-0.1	-0.8	0.0	-0.9
Transferred between classes of assets	-31.4	-52.9	1.3	0.0	-83.0
Disposals	68.2	39.2	41.5	0.0	148.9
Exchange rate adjustments	-3.2	-9.1	2.3	0.0	-10.0
Depreciation and impairment, 31 December 2012	-345.4	-1,287.4	-820.2	0.0	-2,453.0
Carrying amount, 31 December 2012	**1,315.0**	**1,425.4**	**314.5**	**197.1**	**3,252.0**
Of which, assets leased under finance leases	0.0	0.0	0.1	0.0	0.1

Regarding impairment test, refer to Note 15.

18 - INVENTORIES

Accounting policy
Inventories are measured at cost in accordance with the FIFO method or at a weighted average. If the net realisable 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, which comprises cost of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment as well as costs for production administration and management. In the case of qualifying assets, specific and general borrowing costs directly relating to production of the relevant asset are recognised in the cost. Borrowing costs are not included in the cost of inventories manufactured or otherwise mass-produced in large quantities.

The net realisable 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.

Amounts in mDKK	2012	2011
Raw materials, consumables and goods for resale	865.1	903.0
Work in progress	609.3	556.0
Finished goods	1,269.5	1,430.2
	2,743.9	2,889.2
Impairments on inventories for the year recognised as expenses in the income statement	59.3	56.2

Inventories amount to18% of revenue, a decrease of 1% point compared with last year.

19 - RECEIVABLES

Accounting policy
Receivables are measured at amortised cost. Individual write-down for bad and doubtful debts is made where an objective indication of impairment is considered to exist for an individual receivable or a portfolio of receivables.

Receivables for which there is no objective indication of impairment at individual level are assessed for such indication 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 test is carried out 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.

Impairment losses are determined as the difference between the carrying amount and the fair value of the expected cash flows, including recoverable amount of any security received. The effective interest rate applied on initial recognition is used as the discount rate for the receivable or portfolio.

Calculation of interest recognition on impaired receivables is based of the impaired amount using the effective rate of interest for the specific receivable or portfolio.

Construction contracts
Construction contracts are measured at the contract value 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 contract value 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 recognised as an expense and a provision.

When income and expenses on a construction contract cannot be determined reliably, the contract value is measured as the costs incurred that are likely to be recovered.

(continues)

19 - RECEIVABLES (continued)

Accounting policy (continued)
Where the contract value of work performed exceeds progress billings and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the contract value of a construction contract, the deficit is recognised in trade payables and other liabilities.

Prepayments from customers are recognised in trade payables and other liabilities.

Costs relating to sales work and securing contracts are recognised 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.

Prepaid expenses
Prepaid expenses are measured at cost.

Amounts in mDKK	2012	2011
Trade receivables	2,834.8	2,736.2
Trade receivables due from associates and joint ventures	26.1	43.5
Construction contracts	241.9	409.9
Other receivables from associates	13.6	0.0
Other receivables	347.3	339.5
Prepayments	317.0	202.6
	3,780.7	3,731.7
Of which receivables falling due later than 12 months from the balance sheet date	379.2	290.9
Impairment set off against trade receivables	117.4	124.3
Construction contracts:		
Contract value of work in progress	2,849.6	2,071.9
Progress billings	-2,951.9	-1,880.3
	-102.3	191.6
Construction contracts is recognised thus:		
Recognised as assets	241.9	409.9
Recognised as liabilities	-344.2	-218.3
	-102.3	191.6
Payments withheld	0.0	0.0

Disclosure of credit risks are included in Note 2.

Receivables are measured at amortised cost, which in all material respects corresponds to fair value and nominal value.

Writedowns on receivables from sales and services amount to 4% (cf. overview in Note 2), which was on a par with last year.

The contract value of construction contracts was substantially higher than last year.

The contract value was particularly influenced by a number of large NKT Cables' projects which at end-2012 had a high degree of completion. As at 31 December 2012 the net value of construction contracts was positively influenced by large progress billings, and working capital tied up in construction contracts was therefore improved by 294 mDKK.

20 • SHARE CAPITAL AND DIVIDENDS

Accounting policy
Dividend is recognised as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Number of 20 DKK shares ('000)	2012	2011
Shares, 1 January	23,738	23,738
Increase in capital by exercise of share options	150	0
Shares, 31 December	23,888	23,738
Treasury shares	-77	-77
Shares outstanding, 31 December	23,811	23,661

As at 31 December 2012 the share capital consisted of 23,888,379 shares with a nominal value of 20 DKK each (2011: 23,737,979). No shares carry special rights. The company's Articles of Association do not specify any ownership or voting right limits and the company is not aware of agreements in this regard.

A dividend of 191.1 mDKK (2011: 47.8 mDKK) is proposed, corresponding to a dividend of 8.0 mDKK per share (2011: 2.0 mDKK).

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

21 - TREASURY SHARES

Accounting policy
Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly in retained comprehensive income in equity.

Proceeds from the sale of treasury shares and issue of shares, respectively, in NKT Holding A/S relating to exercise of options or employee shares are recognised directly in retained comprehensive income in equity.

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

2012	Number of shares	Nom. mDKK	Proceeds mDKK	Proportion of share capital	Market value mDKK
1 January	77,425	1.5	-	0.3%	14.8
Dividends received	-	-	0.2	-	-
31 December	77,425	1.5	0.2	0.3%	15.8
2011					
1 January	77,425	1.5	-	0.3%	23.0
Dividends received	-	-	0.2	-	-
31 December	77,425	1.5	0.2	0.3%	14.8

22 - DEFERRED TAX ASSETS AND LIABILITIES

Accounting policy

Current tax payable and receivable is recognised in the balance sheet as tax estimated on taxable income for the year, adjusted for tax on 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 recognised on temporary differences relating to buildings and goodwill which for tax purposes do not qualify for depreciation and amortisation, respectively, and other items where temporary differences – except from acquisitions - arose at the acquisition date without influencing either net earnings or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carryforward, are recognised under other non-current assets at their expected utilisation value, by offset against tax on future income or by offset against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and 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 unrealised intra-group profits and losses.

Deferred tax is measured according to the taxation rules and taxation rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from tax rate changes are recognised in comprehensive income for the year.

Amounts in mDKK	**2012**	**2011**
Recognised deferred tax assets and liabilities		
Deferred tax assets, 1 January	392.8	264.6
Deferred tax liabilities, 1 January	-212.7	-178.1
Addition relating to business combination	0.0	-13.9
Disposal of discontinued operation	137.4	-25.2
Foreign exchange adjustment	0.0	1.2
Tax of adjustments recognised in other comprehensive income	-24.5	43.8
Deferred tax recognised in income statement	35.8	87.7
Other	-1.9	0.0
Deferred tax, 31 December, net	326.9	180.1
Recognised deferred tax:		
Deferred tax assets, 31 December	601.3	392.8
Deferred tax liabilities, 31 December	-274.4	-212.7
Deferred tax, 31 December, net	326.9	180.1

Amounts in mDKK	**2012**		**2011**	
Specification of deferred tax assets and liabilities:	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	12.2	-127.8	14.6	-192.0
Tangible assets	68.0	-198.9	69.6	-147.8
Other non-current assets	1.9	-11.3	24.9	-162.2
Current assets	89.6	-87.2	101.8	-70.0
Non-current liabilities	104.9	-12.7	88.4	-8.1
Current liabilities	76.3	-78.6	93.9	-51.0
Tax losses	577.6	0.0	500.2	0.0
Recapture of trading losses	0.0	-32.3	0.0	-23.4
Valuation allowance	-54.8	0.0	-58.8	0.0
	875.7	-548.8	834.6	-654.5
Set off in legal tax units and jurisdictions	-274.4	274.4	-441.8	441.8
	601.3	-274.4	392.8	-212.7

The tax base of the assets is recognised at the expected utilisation value. The measurement of the tax assets is based on the budget and estimates for the coming years that are naturally associated with some uncertainty. The net asset of 601 mDKK is expected to be utilised within five years.

23 - EMPLOYEE BENEFITS

Accounting policy
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 recognised in the income statement in the period to which they relate. Any contributions outstanding are recognised in the balance sheet under 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 recognised in the balance sheet under pension obligations, however, cf. below.

Pension costs for the year are recognised in the income statement on the basis of actuarial estimates and financial expectations at the start of the year. Differences between the expected development in pension assets and liabilities and the realised values at the end of the year are designated actuarial gains or losses. 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 recognised in the income statement over the expected average remaining working life in the Group for the employees covered. Actuarial gains or losses not exceeding the above limits are not recognised 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 recognised as historical costs. Historical costs are recognised immediately if employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised 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 recognised 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 recognised using actuarial calculation, but without the use of the corridor method. Consequently, actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include anniversary bonuses.

Most Group employees are covered by pension schemes, primarily in the form of contribution-based plans or alternatively by defined benefit plans. The Group companies contribute to these schemes either directly or by contributing to pension funds administered independently. The nature of such schemes varies according to the legislative and regulatory basis, rules for tax, and the economic conditions in the countries where the employees work, and the payments are usually based on employee salary and seniority. The liability relates to pensions for both employees already retired and to employees retiring in the future. The Group's defined benefit plans primarily relate to Germany and the UK. Pension schemes are hedged partly through payments from the Group's companies and from the employees to funds which are independent of the Group. If a scheme is not fully hedged, a pension liability is recognised in the Group balance sheet. In accordance with accounting policy, expenses relating to pension payments are recognised in staff costs.

23 - EMPLOYEE BENEFITS (continued)

Development for current year and previous years:

Amounts in mDKK	2012	2011	2010	2009	2008
Present value of defined benefit pension plans liabilities	477.6	413.5	384.5	355.3	325.4
Fair value of plan assets	-146.6	-130.4	-110.9	-100.1	-75.0
Deficit	331.0	283.1	273.6	255.2	250.4
Unrecognised actuarial gains/ -losses	-41.6	3.8	10.6	24.4	25.3
Unrecognised pension costs relating to previous years	0.0	0.0	0.0	0.2	-0.6
Liabilities (net), defined benefit pension plans	289.4	286.9	284.2	279.8	275.1
Other long-term employee benefits	10.4	9.6	8.6	4.9	5.0
Liabilities (net) recognised in balance sheet	299.8	296.5	292.8	284.7	280.1
Experience adjustment on plan liabilities	-50.7	-5.4	-17.5	-17.2	23.6
Experience adjustment on plan assets	2.9	-1.2	-1.9	15.8	-21.5

Pension assets of 146.6 mDKK (2011: 130.4 mDKK) relate to hedged defined benefit plans which are recognised with 183.7 mDKK (2011: 160.0 mDKK) in present value of pension liabilities, corresponding to a net liability 37.1 mDKK (2011: 29.6 mDKK). These schemes relate to the business unit Nilfisk-Advance.

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

Amounts in mDKK	2012	2011
Amounts recognised in the balance sheet:		
Liabilities, defined benefit pension plans, etc.	299.8	296.5
Assets	0.0	0.0
Net liability	299.8	296.5
Expense recognised in the income statement:		
Expected current service costs	4.7	4.7
Expected interest costs on obligations	17.9	16.6
Expected return on plan assets (income)	-5.8	-5.0
Amortisation of actuarial gains and losses (income)	0.8	-1.1
Pension costs relating to previous years	0.0	0.1
Organisational adjustment	1.9	0.2
	19.5	15.5
Actual return on plan assets	8.7	3.8

23 - EMPLOYEE BENEFITS (continued)

Amounts in mDKK	2012	2011
Changes in the present value of the defined benefit obligation:		
1 January	413.5	384.5
Expected current service costs	4.7	4.7
Expected interest costs on obligations	17.9	16.6
Pension costs relating to previous years	0.0	0.1
Contributions by plan participants	0.9	0.5
Benefits paid	-11.7	-15.4
Additions through business combinations	0.0	19.7
Organisational adjustment	0.0	0.2
Settlements	0.0	-5.8
Actuarial (gains) and losses	49.4	4.8
Currency differences on foreign plans	2.9	3.6
	477.6	413.5
The Group's expected contribution to defined benefit plans in 2013 amounts to 13.8 mDKK (18.7 mDKK)		
Changes in the fair value of plan assets		
1 January	130.4	110.9
Expected return on plan assets	5.8	5.0
Paid by NKT Group	5.5	4.7
Paid by employees	0.9	0.5
Benefits paid	-1.0	-5.2
Additions through business combinations	0.0	16.6
Settlements	-0.2	-3.9
Actuarial gains and (losses)	2.9	-1.2
Exchange differences on foreign plans	2.3	3.0
	146.6	130.4
Categories of plan assets are as follows:		
Equities	53.8	0.0
Bonds	37.1	46.6
Cash	55.7	83.8
	146.6	130.4
Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)		
Discount rate	3.4%	4.1%
Expected rates of return on plan assets	3.0%	4.2%
Future salary increases	2.6%	2.8%
Future pension increases	2.4%	2.2%

Expected return on plan assets is established on the basis of asset composition and general expectations regarding economic development, and is based on assessments by external actuaries.

24 - PROVISIONS

Accounting policy
Provisions are recognised 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 likely that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Group 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 recognised under financial expenses.

Warranty commitments are recognised in step with sale of goods and services based on the level of warranty expenses incurred in previous years.

Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan is announced to the affected parties on or before the balance sheet date. Provisions relating to restructuring measures in acquisitions are only included in goodwill when a restructuring liability exists for the acquisition at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the Group's unavoidable costs for meeting its contract obligations.

Provisions for dismantling production installations and restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied which reflects the current market interest rate. The obligations are included as they occur and continuously adjusted to reflect changed requirements and price levels, etc. The present value of the costs is included in the cost of the relevant tangible assets and depreciated accordingly. The increase in the present value over time is recognised in the income statement under financial expenses.

Amounts in mDKK	Warranties	Restructuring	Other	Total
Provisions, 1 January 2012	138.5	2.7	111.8	253.0
Additions through business combinations	0.2	0.0	0.0	0.2
Provisions made during the year	106.3	0.0	8.7	115.0
Used during the year	-102.1	0.0	-19.5	-121.6
Reversed during the year	-13.0	-2.8	-2.3	-18.1
Discounting effect	0.0	0.0	1.0	1.0
Foreign exchange adjustment	-0.2	0.1	-1.0	-1.1
Provisions, 31 December 2012	129.7	0.0	98.7	228.4
Provisions are recognised in the balance sheet as:				
Non-current liabilities	12.1	0.0	74.7	86.8
Current liabilities	117.6	0.0	24.0	141.6
	129.7	0.0	98.7	228.4

The principle obligations are expected to be incurred with the amounts stated within 1-3 years from the balance sheet date. Restoration obligation relating to NKT Cables' new factory in Cologne is expected to be incurred after 30 years.

Warranty commitments principally relate to Nilfisk-Advance. An expected obligation is recognised based on products sold within the last three years taking into account empirical data relating to warranty expenses incurred in previous years.

Furthermore, warranty commitments relate i.a. to the cable projects which were supplied by NKT Cables in the current or previous years. The liability is based on an individual assessment of individual projects.

Other provisions primarily relate to estimated restoration obligations concerning NKT Cables' factory buildings in Cologne and concerning rent relating to unutilised leases.

25 - INTEREST BEARING LOANS AND BORROWINGS AND OTHER LIABILITIES

Accounting policy

Interest bearing loans and borrowings are recognised at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods the financial liabilities are measured at amortised cost using 'the effective interest method', the difference between the proceeds and the nominal value therefore being recognised under financial expenses over the term of the loan.

Payables to credit institutions also include the capitalised residual lease obligation on finance leases measured at amortised cost.

Other liabilities are measured at amortised cost.

Payables to credit institutions are predominantly based on floating interest rates and are measured at amortised cost. The carrying amount therefore corresponds in all material respects to fair value and nominal value.

Other debt is measured at amortised cost, which corresponds in all material respects to fair value and nominal value.

26 - TRADE PAYABLES AND OTHER LIABILITIES

Accounting policy

Liabilities are measured at amortised cost. Deferred income is measured at cost.

If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised in trade payables and other liabilities.

Prepayments from customers are recognised under trade payables and other liabilities.

See accounting policy in Note 19.

Amounts in mDKK	2012	2011
Trade payables	2,139.5	1,969.6
Trade payables to associates	18.5	18.7
Other payables (VAT, A-tax, holiday pay, derivative financial instruments, etc.)	1,155.3	1,193.2
Construction contracts (cf. Note 19)	344.2	218.3
Prepayments regarding construction contracts	23.8	166.4
Prepayments from customers	244.8	203.5
Deferred income	35.6	33.4
	3,961.7	3,803.1

Notes

27 - CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS

Accounting policy

Contingent liabilities

Disclosures concerning contingent assets and liabilities and when they must be recognised take place against the background of assessments of the expected outcome of the individual maters. The assessments are performed on the basis of legal opinions of the agreements entered into, which in material matters also includes opinions obtained from external advisors, including lawyers.

Assets are recognised when it is virtually certain that the matter will have a positive outcome for the company. A liability is recognised when it is likely that, at the balance sheet date, a liability will result in an outflow of the Group's financial resources and when the liability can be reliably stated. If this is not the case, the situation is disclosed in the notes to the financial statements. Decisions relating to such situations may in future accounting periods lead to realised gains or losses which may materially differ from the recognised amount or disclosures.

Contractual liabilities - 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 risks 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 liability are described in the sections on property, plant and equipment and financial liabilities, respectively.

Rental payments made under operational leases are recognised on a straight-line basis over the term of the lease.

Assets leased out under operating leases are recognised, measured and presented in the balance sheet in the same way as the Group's other assets of corresponding type.

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 in previous years, guarantees have been provided which are not expected to have significant effect on profit for the year.

As stated in Company Announcement No. 10 of 6 July 2011, and in subsequent annual and interim reports, NKT Cables and NKT Holding received a Statement of Objections from the European Commission in connection with the Commission's investigation of the submarine and underground high voltage cable markets in the period 1998-2008. NKT Cables and NKT Holding examined the documentation from the European Commission and provided the European Commission with their observations by the deadline in early November 2011. After the reply was submitted in November 2011 the European Commission presented further documents and NKT Cables and NKT Holding initiated a review.

The results of this review were filed on 16 March 2012. NKT Cables and NKT Holding gave a verbal presentation of NKT's viewpoints at a hearing held by the European Commission in June 2012. Currently it is not possible to determine whether the Group will incur costs, and if so, the magnitude of these costs. As a result, no liability is recognised in the balance sheet as at 31 December 2012. The European Commission is expected to reach a decision on this issue within the next few years.

The Group Management remuneration in the business segments includes 'Change of Control' provisions (significant changes in ownership structure). The content hereof is undisclosed.

In a few cases, the Group's foreign companies are subject to special tax schemes stipulating certain conditions which the companies complied with as at 31 December 2012.

Securities

Amounts in mDKK	2012	2011
Carrying amount of assets provided as security for credit institutions:		
Land and buildings	769.1	789.1
Plant and machinery	537.1	587.6
Assets under construction	0.0	43.3
Liabilities secured on assets	433.9	459.0

Securities relates primarily to mortgage loans and can only be effectuated in certain cases of default to credit institutions.

27 - CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS (continued)

Contractual obligations

Amounts in mDKK	**2012**	**2011**
Contractual obligations relating to purchase of buildings and production plants	34.5	71.1
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	220.5	216.5
Within 1-5 years	315.2	367.6
After 5 years	223.1	229.9
	758.8	814.0
Lease payments recognised in income statement	258.9	241.8
Of which subrental, income	2.6	1.6
Operating lease income:		
Operating lease income relates to Nilfisk-Advance products leased to customers and to property re-rentals.		
Interminable minimum rent income is specified as follows:		
Within 0-1 year	18.3	2.2
Within 1-5 years	8.3	2.0
	26.6	4.2

28 - RELATED PARTIES

Accounting practice
The Group has no related parties with control.

The Company's related parties comprise the Group Management of NKT Holding A/S and their close family members.

Related parties also comprise companies in which the above persons have substantial interests. Related parties further comprise associates, cf. the Group overview in Note 32 and cf. Note 8.

Transactions with associates

Amounts in mDKK	2012	2011
Goods sold to	150.9	230.3
Goods purchased from	0.0	76.3
Other services	0.2	3.0
Receivables	26.0	42.6
Loans to, net	13.6	18.7
Dividends received	65.9	15.7

The trading took place on normal market conditions.

Remuneration policy
A remuneration policy has been formulated defining the guidelines for determining and approving remuneration for the Board of Directors and the Executive Management Board. The remuneration for the Board of Directors is approved prospectively for one year at a time by the Annual General Meeting. The remuneration for the Executive Management Board is reviewed every 12 months. The elements of the Executive Management Board's pay package and all material adjustments thereto are approved by the whole Board of Directors after prior discussion and submission by the Remuneration Committee. Under a mandate from the Annual General Meeting the Board of Directors also approves the basis for calculation and allotment of any share-based incentive plans and determines ceilings therefor.

Remuneration to Executive Management Board

Amounts in mDKK	2012			2011		
	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng
Short-term staff benefits	5.5	2.5	3.1	5.3	2.4	3.1
Bonus	1.3	0.1	0.2	0.0	0.2	0.2
Extraordinary transaction bonus	2.7	1.2	1.5	0.0	0.0	0.0
Pension contributions	0.8	0.4	0.4	0.8	0.3	0.4
Value of share options granted in 2012 (2011)	0.0	0.0	0.0	0.0	0.7	0.8
Total remuneration	10.3	4.2	5.2	6.1	3.6	4.5
Receivables relating to participation in NKT's employee bond plan (interest 5% p.a.)	0.7	0.3	0.3	0.7	0.3	0.3

28 - RELATED PARTIES (continued)

In 2012 the Executive Management Board's pay was established by the Board of Directors after prior discussion in and recommendation by the Remuneration Committee. The remuneration consists of a fixed base salary, a pension, and other customary non-monetary benefits such as a company car. The remuneration may also include an incentive component consisting of a short-term cash bonus and a long-term share-based scheme consisting of warrants.

The annual cash bonus payment is contingent on the individual executive meeting the goals, conditions and terms defined in the executive's bonus agreement. The criteria for bonus allocation may be achieving specified revenue or earnings targets, or performance of special individual assignments, including for example significant acquisitions or divestments etc. On the basis of a bonus agreement an executive may earn an annual bonus corresponding to 15% of the fixed annual salary. In addition, the Board of Directors may in exceptional cases decide to award an extraordinary bonus amounting to a further maximum of 100% of the fixed salary.

The share-based bonus portion of the incentive pay consists of annually granted warrants. The value of warrants is calculated using the Black-Scholes formula. The value may amount to a maximum of 35% of the individual executive's fixed annual salary, including pension. The warrants may be exercised not earlier than three years and not later than five years after being granted. The incentive scheme is described in Notes 29 to the consolidated financial statements and is disclosed directly to NASDAQ OMX.

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

With regard to warrants, please see Note 29.

Board of Directors' remuneration (amount in mDKK)

Amounts in mDKK	2012	2011
Short-term staff benefits (Board of Directors' remuneration)	3.6	3.8

The Chairman receives three times the base fee, the Deputy Chairman one a half times the base fee, and no adjustment mechanisms are linked to the base fee. In 2012 the base fee was 300,000 DKK.

Participation in the audit work entitles Board members to receive an additional fee; the Audit Committee Chairman receives two thirds of the base fee and other Committee members receive one third of the base fee. Participation in Remuneration and Nomination Committees does not convey entitlement to a special fee.

Board members are not granted warrants and there are no variable remuneration components for the Board. The point of departure is that the base fee shall be on a par with remuneration in comparable listed companies. The fees of each individual NKT Board member can be found at www.nkt.dk under 'About NKT' / 'Management'.

29 - SHARE OPTION SCHEME FOR MANAGEMENT AND EMPLOYEES

Accounting practice

The Group's incentive plans include a share warrants scheme. The value of services received in exchange for warrants granted is measured at the fair value of these warrants.

For equity-settled warrants the fair value is measured at the grant date and recognised in the income statement under staff costs over the vesting period. The counter-item is recognised directly in equity as an owner transaction.

On initial recognition of the warrants an estimate is made of the number of warrants expected to vest. This estimate is subsequently revised for changes and total recognition is therefore based on the number of warrants ultimately vested.

The fair value of warrants granted is estimated using a warrant pricing model that takes into account the terms and conditions upon which the warrants were granted.

The company has established an incentive plan for employees of NKT Holding. Under the plan, employees are entitled to subscribe for shares in NKT Holding at a price based on the market price at the grant date plus interest calculated from the grant date to the exercise date. It is the Board of Directors which empowered by the Annual General Meeting – approves the calculation and allotment basis for any share-based incentive plans and also establishes ceilings therefore.

29 - SHARE OPTION SCHEME FOR MANAGEMENT AND EMPLOYEES (continued)

Outstanding options 2012:

Outstanding options		Exercise price	Executive Management Board Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Other	Total
Granted in 2007:	1 January		32,000	10,100	9,400	16,550	68,050
	Forfeited		-32,000	-10,100	-9,400	-16,550	-68,050
	31 December		0	0	0	0	0
Granted in 2008:							
(Exercise March 2013)	1 January		39,000	9,100	7,650	16,750	72,500
	31 December	674.3	39,000	9,100	7,650	16,750	72,500
Granted in January 2009 [1] *:*	1 January		97,800	23,000	23,600	53,300	197,700
(Exercise March 2013/2014)	Exercised		-97,800	-23,000	0	-29,600	-150,400
	31 December	159.5	0	0	23,600	23,700	47,300
Granted in November 2009 [1] *:*	1 January		40,900	9,600	9,900	19,600	80,000
(Exercise March 2013/2014/2015)	Forfeited		0	0	0	-500	-500
	31 December	356.9	40,900	9,600	9,900	19,100	79,500
Granted in December 2010 [2] *:*	1 January		111,000	25,000	31,000	53,000	220,000
(Exercise 2014/2015/2016)	Forfeited		0	0	0	-1,300	-1,300
	31 December	345.2	111,000	25,000	31,000	51,700	218,700
Granted in November 2011 [2] *:*	1 January		0	22,300	28,100	49,600	100,000
(Exercise 2015/2016/2017)	Forfeited		0	0	0	-1,200	-1,200
	31 December	249.4	0	22,300	28,100	48,400	98,800
Total:	Options, 1 January		320,700	99,100	109,650	208,800	738,250
	Exercised		-97,800	-23,000	0	-29,600	-150,400
	Forfeited		-32,000	-10,100	-9,400	-19,550	-71,050
	31 December		190,900	66,000	100,250	159,650	516,800

Options granted in January 2013 appears in note 30.

Outstanding options 2011:

	Thomas Hofman-Bang	Søren Isaksen	Michael Hedegaard Lyng	Other	Total
Options, 1 January	355,700	96,800	81,550	200,675	734,725
Exercised	0	22,300	28,100	49,600	100,000
Forfeited	-35,000	-20,000	0	-41,475	-96,475
31 December	320,700	99,100	109,650	208,800	738,250

[1] Options granted in January 2009 and November 2009 are subject to a hurdle rate of 8% p.a. when exercised after March 2013.

[2] Exercise periods have beeen set at two weeks after publication of the Company's annual financial report and two weeks after publication of the Company's half-year report. Each option gives entitlement to subscribe for one share of a nominal value of 20 DKK at the exercise price.

Dividend payments after 1 January 2013 and until the date when the shares are received are deducted from the exercise price.

In 2012, warrants were exercised for subscription of a total of 150,400 new shares at an average price of 149.08. The market price of the share at subscription was 273.8.

Condition of exercise is three years' employment, and employees must not have handed in their notice.

The value of the share warrants scheme as at 31 December 2012, based on the Black-Scholes formula, has been calculated at 5 mDKK (2011:12 mDKK), including the value of the Management's warrant schemes, 3 mDKK (2011: 8 mDKK). The values have been calculated on the basis of the Black-Scholes formula, assuming an risk-free interest rate of 0.8% (2011: 1.6%) and volatility 30% (2011: 30%). Calculation of values assumes exercise during the first exercise period. The future volatility is estimated on the basis of calculations of historic volatility of 12, 24 and 36 months etc.

30 - EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has granted 242,000 share warrants to the Execusive Group Management and the employees of NKT Holding, cf. company notice of January 2013.

The exercise periods for the warrants granted have been determined as two weeks after publication of the company's annual earnings release in each of the years 2016, 2017 and 2018, as well as two weeks after publication of the company's first half earnings release in each of the years 2016 and 2017.

Each warrant confers entitlement to subscribe for one share of a nominal price of 20 DKK at a set subscription price of 231.28. The subscription price is adjusted for ongoing dividend paid to the shareholders until the exercise date.

The subscription price is set on the basis of the average share price in a four-week period after the most recent earnings release plus an annual hurdle rate of 8% for each of the years 2013, 2014 and 2015.

Based on the price of 231.28 and using the Black-Scholes formula the value of the warrants granted can be calculated at 5 mDKK if the warrants are exercised at the earliest possible date. The calculation assumes volatility of 30% and an risk-free interest rate of 0.8%.

31 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IASB has issued a number of new standards and interpretations that were not mandatory when preparing the Annual Report for 2012. The new standards and interpretations are not expected to materially influence NKT's financial reporting.

32 - GROUP COMPANIES

Group companies	Domicile	Equity share
NILFISK-ADVANCE GROUP		
Denmark		
Nilfisk-Advance A/S	Denmark	100%
Europe		
Nilfisk-Advance GmbH	Austria	100%
Nilfisk-Advance N.V./S.A.	Belgium	100%
Nilfisk-Advance s.r.o.	Czech Rep.	100%
Nilfisk-Advance Oy AB	Finland	100%
Alto France S.A.S.	France	100%
Jungo Voirie S.A.S.	France	100%
Nilfisk-Advance AG	Germany	100%
Nilfisk-Advance Eppingen GmbH	Germany	100%
ALTO Deutschland GmbH	Germany	100%
Nilfisk-Advance A.E.	Greece	100%
Nilfisk-Advance Production Kft.	Hungary	100%
Nilfisk-Advance Commercial Kft.	Hungary	100%
Nilfisk-Advance Ltd	Ireland	100%
CFM Nilfisk-Advance S.p.A.	Italy	100%
Nilfisk-Advance B.V.	Netherlands	100%
Nilfisk-Advance AS	Norway	100%
Nilfisk-Advance Sp.z.o.o.	Poland	100%
Nilfisk-Advance Lda	Portugal	100%
Nilfisk-Advance LLC	Russia	100%
Nilfisk-Advance s.r.o.	Slovakia	100%
Nilfisk-Advance S.A.	Spain	100%
Tennab Holding AB	Sweden	100%
Aquatech AB	Sweden	100%
Nilfisk-Advance AB	Sweden	100%
Nilfisk-Advance AG	Switzerland	100%
NA Sonderegger AG	Switzerland	100%
Nilfisk-Advance Profesynonel	Turkey	100%
Nilfisk-Advance Ltd.	UK	100%
North and Central America		
Nilfisk-Advance Canada Company	Canada	100%
Nilfisk-Advance U.S Holding Inc.	US	100%
Nilfisk-Advance Inc. (Plymounth)	US	100%
Nilfisk-Advance America Inc. (Malvern)	US	100%
Hathaway North America Inc.	US	100%
Nilfisk-Advance de Mexico S.deR.L.deC.V.	Mexico	100%
Nilfisk-Advance de Mexico Services S. de R.L. de C.V.	Mexico	100%
Nilfisk-Advance de Mexico Manufacturing Services S. de R.L. de C.V.	Mexico	100%
Nilfisk-Advance de Mexico Manufacturing S. de R.L. de C.V.	Mexico	100%

Group companies	Domicile	Equity share
Denmark		
Nilfisk-Advance S.R.L.	Argentina	100%
Nilfisk-Advance do Brasil LTDA	Brazil	100%
Nilfisk-Advance S.A.	Chile	51%
Nilfisk-Advance S.A.C	Peru	51%
NKT Photonics GmbH (owned by NKT Photonics A/S)		
Africa		
WAP South Africa Pty. Ltd.	South Africa	100%
Asia/Pacific		
Nilfisk-Advance Pty. Ltd.	Australia	100%
Nilfisk-Advance Ltd.	Hong Kong	100%
Viper (Hong Kong) Co., Ltd.	Hong Kong	100%
Nilfisk-Advance India Ltd.	India	100%
Nilfisk-Advance Inc.	Japan	100%
ALTO (Ningbo) Mechanical Manufacturing Co. Ltd.	China	100%
Dongguan Viper Cleaning Equipment Co. Ltd.	China	100%
Nilfisk-Advance Cleaning Equipment (Shanghai) Co. Ltd	China	100%
Nilfisk-Advance Ltd. (Shenzhen)	China	100%
Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co. Ltd.	China	100%
Nilfisk-Advance Korea Co. Ltd.	Korea	100%
Nilfisk-Advance Sdn Bhd	Malaysia	100%
Nilfisk-Advance Ltd.	New Zealand	100%
Nilfisk-Advance Pte. Ltd.	Singapore	100%
Nilfisk-Advance Ltd.	Taiwan	100%
Nilfisk-Advance Co. Ltd.	Thailand	100%
Nilfisk-Advance Company Ltd.	Vietnam	100%
Associates		
M2H S.A.	France	44%
CFM Lombardia S.r.l.	Italy	33%
Industro-Clean (Pty.) Ltd	South Africa	30%

32 - GROUP COMPANIES (continued)

Group companies	Domicile	Equity share
NKT CABLES GROUP		
Germany		
NKT Cables Group GmbH	Germany	100%
NKT Cables GmbH Nordenham	Germany	100%
NKT Cables GmbH Köln	Germany	100%
CCC Cable System Contracting + Consulting GmbH	Germany	100%
Europe		
NKT Cables s.r.o.	Czech Rep.	100%
NKT Cables Vrchlabi k.s., clen skupiny NKT	Czech Rep.	100%
NKT Cables Velke Mezirici k.s., clen skupiny NKT	Czech Rep.	100%
NKT Cables Group A/S	Denmark	100%
NKT Cables A/S	Denmark	100%
NKT Cables Ultera A/S	Denmark	100%
NKT Cables Italia S.r.L.	Italy	100%
CCC Cable System Contracting + Consulting Nederland B.V.	Netherlands	100%
NKT Cables AS	Norway	100%
NKT Cables S.A.	Poland	100%
NKT Cables Warszowice Sp. z.o.o.	Poland	100%
NKT Cables LLC	Russia	100%
NKT Cables Spain SL	Spain	100%
NKT Cables Ltd.	UK	100%
Middle East		
NKT Cables JLT, UAE	Dubai	100%
Asia/Pacific		
NKT Cables Australia Pty Ltd	Australia	100%
NKT Cables Ltd., Changzhou	China	100%
NKT Electrical Components (Changzhou) Co. Ltd.	China	100%
Unique Vantage Ltd.	Hong Kong	100%
Associates		
Nanjing Daqo NKT Cables Co., Ltd.	China	50%
Ultera GP	US	50%

Group companies	Domicile	Equity share
PHOTONICS GROUP GROUP		
Denmark		
NKT Photonics A/S	Denmark	98%
Europe		
LIOS Technology GmbH	Germany	100%
NKT Photonics GmbH (owned by NKT Photonics A/S	Germany	100%
Vytran UK Limited	UK	100%
America		
LIOS Technology Inc.	US	100%
NKT Photonics Inc. (owned by NKT Photonics A/S)	US	100%
Vytran LLC	US	100%

Companies without material interest and dormant companies are omitted from the list.

33 - NET INTEREST BEARING DEBT

Amounts in mDKK	2012	2011
Net interest bearing debt comprises:		
Non-current loans	544.1	3,557.5
Current loans	1,823.2	1,203.2
Other interest bearing items included in trade payables and other payables	17.8	24.5
Interest bearing debt, gross	2,385.1	4,785.2
Interest bearing items included in receivables	-113.2	-84.8
Cash and cash equivalents	-363.3	-271.0
Net interest bearing debt	1,908.6	4,429.4
Development in net interest bearing debt:		
Net interest bearing debt, 1 January	4,429.4	4,105.3
Cash flow from operating activities	-1,121.7	-557.9
Acquisition of companies	8.1	223.9
Cash flow from discontinued operation	-1,966.7	
Interest bearing debt in discontinued operation	-13.7	
Investments in property, plant and equipment, net	317.2	426.6
Other investments, net	206.3	156.4
Dividends	47.8	47.5
Dividend treasury shares	-0.2	-0.2
Paid on exercise of share options	-22.4	0.0
Minority interest, dividend etc.	1.9	0.9
Foreign currency translation adjustment	22.6	26.9
Total change	-2,520.8	324.1
Net interest bearing debt, 31 December	1,908.6	4,429.4

Net interest bearing debt materially improved compared with 2011 due i.a. to the sale of NKT Flexibles and improved cash flows.

As at 31 December, 38% (2011: 18%) of interest bearing debt was in CZK, which related to NKT Cables' investment in the Czech Republic, 24% (2011: 10%) was in CNY and 20% (2011: 62%) was in DKK. The remaining financing was primarily raised in USD and EUR. The financing continued to be predominantly based on floating interest rates and the Group was therefore subject to risk exposure relating to changes in interest rates.

Notes

34 - CAPITAL EMPLOYED

Amounts in mDKK	2012	2011
Capital employed comprises:	12,935.8	13,438.9
Total assets		
Of which, excluding interest bearing assets:	-113.2	-84.8
Interest bearing receivables	-363.3	-271.0
Cash and cash equivalents	12,459.3	13,083.1
Non-current liabilities:		
Deferred income tax	-274.4	-212.7
Pension liabilities	-299.8	-296.5
Provisions	-86.8	-99.4
Current liabilities:		
Trade payables and other payables	-3,961.7	-3,803.1
Of which interest bearing items	17.8	24.5
Corporate income tax	-67.2	-46.6
Provisions	-141.6	-153.6
Offset liabilities	-4,813.7	-4,587.4
Capital employed	**7,645.6**	**8,495.7**

Reduction in capital employed amounted to 850 mDKK (10%). This was chiefly due to the sale of equity investment in NKT Flexibles, which decreased capital employed by 708.1 mDKK

NKT's return on capital employed was 6.2% as at 31 December (2011: 5.5%) (calculated on operational EBIT and quarterly average capital employed).

For NKT Cables, return on capital employed was 0% as at 31 December 2012 (2011: neg.). The increase was based on an improvement in EBIT of 152 mDKK and an improvement in quarterly average capital employed of 123 mDKK.

For Nilfisk-Advance, return on capital employed was unchanged at 17.1%. Operational EBIT increased by 32 mDKK, but quarterly average capital employed increased at the same time by 184 mDKK.

35 - EXPLANATORY COMMENTS TO 5 YEARS' FINANCIAL HIGHLIGHTS

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

1) **Revenue at standard prices** - Revenue at standard prices for copper and aluminium fixed at 1,550 EUR/tonne and 1,350 EUR/tonne respectively.
2) **Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA)** - earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for one-off items. One-off items comprise 2012: -30mDKK, 2011: -33mDKK, 2010: -86 mDKK, 2009: -152 mDKK and 2008: -82 mDKK.
3) **Net interest bearing debt** - Cash, investments and interest bearing receivables less interest bearing debt. Specified for 2012 and 2011 in Note 33.
4) **Capital Employed** - Group equity plus net interest bearing debt. Specified for 2012 and 2011 in Note 34.
5) **Working capital** - Current assets minus current liabilities (excluding interest bearing items and provisions).
6) **Net interest bearing debt relative to operational EBITDA** - Operational EBITDA is calculated including discontinued operation (excl. profit from disposal).
7) **Solvency ratio (equity as a percentage of total assets)** - Equity excl. minority interests as a percentage of total assets.
8) **Return on capital employed (RoCE)** - EBIT adjusted for one-off items as a percentage of average capital employed. Operational EBITDA is calculated including discontinued operation (excl. profit from disposal). One-off items comprise, 2012: -37mDKK, 2011: -33mDKK, 2010: -86 mKK, 2009: -152 mDKK and 2008: -135 mDKK.
9) **Earnings, DKK per outstanding share (EPS)** - Profit attributable to equity holders of NKT Holding A/S relative to average number of outstanding shares.
10) **Equity value, DKK, per outstanding share** - Equity attributable to equity holders of NKT Holding A/S per outstanding share at 31 December.

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

36 - ACCOUNTING POLICIES

NKT Holding A/S is a public limited company domiciled in Denmark. The annual report for the period 1 January - 31 December 2012 comprises both the consolidated financial statements for NKT Holding A/S and its subsidiaries (the Group) and separate financial statements for the parent company.

The annual report for NKT Holding A/S for 2012 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

At 27 February 2013 the Group Management discussed and approved the annual report for the financial year 1 January – 31 December 2012 for NKT Holding A/S. The annual report will be presented for approval to the shareholders of NKT Holding A/S at the annual general meeting on 21 March 2013.

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 at fair value less selling costs, whichever is the lower.

The accounting policies described below and in the individual notes have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures will not be restated. As the standards and interpretations implemented did not influence the balance sheet as at 1 January 2012 and associated notes, the opening balance sheet and associated notes have been omitted.

Changes to accounting policies
NKT Holding A/S has implemented the standards and interpretations effective for 2012. None of these have influenced recognition and measurement in 2012 or are expected to influence future financial years.

Description of accounting policies

Consolidated financial statements
The consolidated financial statements comprise the parent company NKT Holding A/S and subsidiaries in which NKT Holding A/S controls financial and operating policies in order to obtain a return or other benefits from its activities. Control is obtained when the company directly or indirectly holds more than 50% of the voting rights in the subsidiary or otherwise has a controlling interest.

Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is typically obtained by direct or indirect ownership or control of 20%-50% of the voting rights.

When assessing whether NKT Holding A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account. An overview of Group companies is contained in Note 32.

Interests in jointly controlled entities are recognised as joint ventures.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements determined in accordance with the Group's accounting policies. On consolidation, intra-Group income and expenses, shareholdings, intra-Group balances and dividends, and realised and unrealised gains on intra-Group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

Accounting items attributable to the subsidiaries are recognised in the consolidated financial statements in full. The minority interests' share of the net profit/loss for the year and of the equity of non wholly-owned subsidiaries is included in the Group's net profit/loss and equity respectively, but shown separately.

Minority interests
On initial recognition, minority interests are measured either at the fair value of their ownership interest or at their proportional fair value of the identifiable assets, liabilities and contingent liabilities of the enterprise acquired. In the first case therefore goodwill is relating to minority interests' ownership interest in theacquired enterprise is recognised, whereas in the latter case goodwill relating to minority interests' ownership interest is not recognised. Measurement of minority interests is elected on a transaction-by-transaction basis and stated in the notes in conjunction with the description of enterprises acquired. Acquisition or disposal of minority interests, without loss of control, is recognised directly in equity.

Foreign currency translation
For each of the reporting enterprises in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting enterprise operates. Transactions denominated in currencies other than the functional currency are considered to be transactions in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement under financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date when the receivable/payable arose or the exchange rate in the latest annual report is recognised in the income statement under financial income or financial expenses

36 - ACCOUNTING POLICIES (continued)

On recognition in the consolidated financial statements of enterprises having a functional currency other than DKK, the comprehensive income statements are translated at the exchange rates prevailing at the transaction date and the balance sheet items are translated at the exchange rates prevailing at the balance sheet date. The average exchange rate for the individual months is used as the transaction date exchange rate to the extent that this does not provide a materially different picture. Exchange differences arising on translation of the opening equity balances of such enterprises at the rates prevailing at the balance sheet date, and on translation of comprehensive income statements from the rates prevailing at the transaction date to the rates prevailing at the balance sheet date, are recognised directly in other comprehensive income in a separate translation reserve under equity. The currency adjustment is distributed between the equity of the parent company and equity share of the minority interests.

Translation adjustment of balances considered to be a part of the total net investment in enterprises having a functional currency other than DKK is recognised directly in other comprehensive income in a separate translation reserve under equity in the consolidated financial statements. Similarly, exchange gains and losses on that part of loans and derivative financial instruments established to hedge the net investment in such enterprises, and which effectively hedge corresponding exchange gains and losses on the net investment in the enterprise, are recognised in other comprehensive income in a separate translation reserve under equity.

On recognition in the consolidated financial statements of associates having 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 prevailing at the balance sheet date. Exchange differences arising on translation of the opening equity balances of foreign associates at the exchange rates prevailing at the balance sheet date, and on translation of the share of profit/loss for the year from average rates to the rates prevailing at the balance sheet date, are recognised in other comprehensive income in a separate translation reserve under equity.

On whole or partial disposal of wholly owned foreign entities where control is relinquished, the currency adjustments which are recognised in other comprehensive income and which are attributable to the entity are reclassified from other comprehensive income to the profit/loss for the year together with gains or losses arising from the disposal.

On disposal of part-owned foreign subsidiaries the part of the translation reserve relating to minority interests is not transferred to the income statement.

On partial disposal of foreign subsidiaries where control is not relinquished, a proportional share of the translation reserve is transferred from the equity share of the parent company shareholders to that of the minority interests.

On partial disposal of associates and joint ventures, the proportional share of the cumulative translation reserve recognised in other comprehensive income is transferred to profit/loss for the year together with gains or losses arising from the disposal.

Repayment of balances which are considered a part of the net investment is not judged per se to be partial disposal of the subsidiary.

Income statement

Government grants
Government grants comprise grants and funding for development projects, investment grants, etc. Grant amounts are recognised when there is reasonable certainty that they will be received.

Grants for research hand development costs, which are recognised directly in the income statement, are recognised as other operating income as the grant-related expenses are incurred.

Grants for acquisition of assets and development projects are recognised 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 amortised.

Remissible loans provided by public authorities for funding development activities are recognised 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 operations of the enterprise, including grant schemes, imbursements and gains on sale of non-current assets. Gains on disposal of tangible and intangible assets are determined as the selling price less selling costs and the carrying amount at the time of sale.

Change in inventories of finished goods and work in progress
Change in inventories of finished goods and work in progress comprises changes in these items which correspond to staff costs and other costs charged to the income statement during the year and which relate directly or indirectly 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 which corresponds to staff costs and other costs charged to the income statement during the year and which relate directly or indirectly to the cost of non-current assets of own manufacture.

Raw materials, consumables and goods for resale
Costs for raw materials, consumables and goods for resale refer to acquisitions and changes during the year in relevant inventory levels, including shrinkage, waste production and any writedowns for obsolescence.

Other costs
Other costs comprise external costs relating to production, sale and administration, as well as losses on disposal of tangible and intangible assets. Losses on disposal of tangible and intangible assets are determined as the selling price less selling costs and the carrying amount at the time of sale. Writedowns of receivables from sales are also included.

Depreciation, amortisation and impairment
Depreciation, amortisation and impairment comprise amortisation of intangible assets, depreciation of property, plant and equipment, and impairment charges for the year.

36 - ACCOUNTING POLICIES (continued)

Assets

Other investments
Shares, bonds and other securities are classified as available for sale and are recognised at cost at the trade date. Subsequently, quoted securities are measured at fair value, corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of market data and generally accepted valuation method. Unrealised value adjustments are recognised in other comprehensive income in a separate fair value adjustment reserve under equity. This does not apply to impairment losses, reversals of impairment losses, and foreign exchange adjustments of bonds denominated in foreign currencies which are recognised in the income statement as financial income or financial expenses. Impairment losses recognised in the income statement and relating to shares (available-for-sale shares) are not reversed through the income statement. On realisation, the accumulated value adjustment recognised in other comprehensive income is transferred to financial income or financial expenses.

Equity

Translation reserve
The translation reserve comprises parent company shareholders' share of foreign exchange differences arising on translation of financial statements for entities having a functional currency other than DKK, exchange adjustments relating to assets and liabilities that form a part of the Group's net investment in such entities, and exchange adjustments relating to hedging transactions that protect the Group's net investment in such entities.

Hedging reserve
The hedging reserve comprises the cumulative net change after tax in the fair value of hedging instruments that fulfil the criteria for hedging future cash flow when the hedged transactions have not yet occurred.

Fair value adjustment reserve
The fair value adjustment reserve comprises cumulative changes in the fair value of financial instruments classified as available for sale. The reserve, which is a part of the company's free reserves, is dissolved or transferred to the income statement in step with sale or write-down of the investment.

Other

Cash flow statement
The cash flow statement shows the cash flow from operating, investing and financing activities for the year, the changes in cash at bank and in hand during the year, and the balances of cash at bank and in hand at the beginning and end of the year.

The cash flow effect of enterprise acquisitions and disposals is shown separately under cash flow from investing activities. Cash flow from acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flow from disposals are recognised until the date of sale.

Cash flow from operating activities
Cash flow from operating activities are calculated by the indirect method as earnings before interest, tax, depreciation and amortisation (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 flow from investing activities
Cash flow from investing activities comprise payments relating to acquisition and sale of enterprises and activities, intangible assets, property, plant and equipment and other non-current assets, as well as acquisition and sale of securities.

Finance leases are considered non-cash transactions.

Cash flow from financing activities
Cash flow from financing activities comprise changes in size or composition of 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 flow from assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash at bank and in hand
Cash at bank and in hand comprises cash balances and bank deposits.

Cash flow denominated in currencies other than the functional currency are translated using average exchange rates unless these exchange rates deviate materially from the exchange rates valid at the transaction date.

Financial ratios
Earnings Per Share (EPS) and Diluted Earnings Per Share (EPS-D) are calculated in accordance with IAS 33. The ratios stated in the financial highlights have been calculated as follows:

Gearing	$\frac{\text{Net interest bearing debt x 100}}{\text{Group equity}}$
Solvency ratio	$\frac{\text{Equity excl. minority interest x 100}}{\text{Total assets}}$
Return of Capital Employed (RoCE)	$\frac{\text{Operational EBIT}}{\text{Average capital employed}}$
Earnings Per Share (EPS)	$\frac{\text{Earnings att. to equity holders of NKT Holding A/S}}{\text{Average number of shares}}$
Earnings Per Share Diluted (EPS-D)	$\frac{\text{Earnings att. to equity holders of NKT Holding A/S}}{\text{Diluted average number of shares}}$
Book Value Per Share (BVPS)	$\frac{\text{Equity excl. minority interest}}{\text{Number of shares}}$

Accounting policies are further described in the relevant notes to the financial statements.

Income statement and comprehensive income NKT HOLDING A/S

1 January - 31 December

Amounts in mDKK	Note	2012	2011
Income statement			
Dividends from subsidiaries		139.7	131.8
Sale of services		31.1	26.8
Revenue		**170.8**	**158.6**
Staff costs	3	-40.5	-42.2
Other costs	4	-25.0	-21.7
Depreciation and impairment of tangible assets		-0.1	-0.3
Operating earnings (EBIT)		**105.2**	**94.4**
Financial income	5	348.5	224.7
Financial expenses	6	-240.8	-201.5
Earnings before tax (EBT) continuing operations		**212.9**	**117.6**
Tax	7	-19.5	1.9
Profit continuing operation		**193.4**	**119.5**
Profit for the year from discontinued operation	8	1,630.2	0.0
Profit for the year		**1,823.6**	**119.5**
Statement of comprehensive income			
Profit for the year		1,823.6	119.5
Other comprehensive income after tax		0.0	0.0
Total comprehensive income		**1,823.6**	**119.5**
Proposed distribution			
Proposed dividend of 8.0 DKK per share (2011: 2.0 DKK per share)		191.1	47.5
Transferred to retained comprehensive income		1,632.5	72.0
		1,823.6	**119.5**

Cash flow statement

NKT HOLDING A/S

1 January - 31 December

Amounts in mDKK	Note	2012	2011
Operating earnings before depreciation		105.3	94.7
Non-cash items		4.3	4.0
Changes in working capital		-7.7	4.0
Cash flow from operations before financial items		101.9	102.7
Interest received		337.0	184.8
Interest paid		-190.9	-160.9
Cash flow from ordinary activities		248.0	126.6
Income tax paid		-2.7	-4.9
Cash flow from operating activities		**245.3**	**121.7**
Increase and decrease of capital in subsidiaries		0.0	-33.1
Investments in property, plant and equipment		0.0	-0.1
Disposal of property, plant and equipment		0.3	0.0
Changes in loans to/from subsidiaries		29.8	-435.4
Cash flow from investing activities		**30.1**	**-468.6**
Changes in non-current loans		-2,053.9	446.0
Changes in current loans		-410.6	201.4
Dividend paid		-47.8	-47.5
Dividend on treasury shares		0.2	0.2
Cash from exercise of share-based options		22.4	0.0
Cash flow from financing activities		**-2,489.7**	**600.1**
Cash flow from discontinued operation	**8**	**1,966.7**	**0.0**
Net cash flow		**-247.6**	**253.2**
Cash at bank and in hand, 1 January		523.0	269.8
Net cash flow		-247.6	253.2
Cash at bank and in hand, 31 December		**275.4**	**523.0**

Balance sheet

NKT HOLDING A/S

31 December

Amounts in mDKK	Note	2012	2011
Assets			
Tangible assets			
Equipment		0.2	0.5
		0.2	**0.5**
Other non-current assets			
Investments in subsidiaries	9	2,792.0	3,128.5
Receivables from subsidiaries		1,473.5	2,280.2
		4,265.5	**5,408.7**
Total non-current assets		**4,265.7**	**5,409.2**
Current assets			
Receivables from subsidiaries		2,586.3	1,211.5
Receivables from joint venture		0.0	0.9
Other receivables		1.3	1.2
Cash at bank and in hand		275.4	523.0
		2,863.0	**1,736.6**
Total assets		**7,128.7**	**7,145.8**
Equity and liabilities			
Equity			
Share capital		477.8	474.8
Retained comprehensive income		5,082.0	3,425.7
Proposed dividends		191.1	47.5
Total equity		**5,750.9**	**3,948.0**
Non-current liabilities			
Deferred tax	10	32.3	15.5
Retirement benefit liabilities		0.2	0.3
Credit institutions, etc.	11	578.5	2,632.4
		611.0	**2,648.2**
Current liabilities			
Credit institutions, etc.	11	48.3	88.8
Liabilities to subsidiaries	11	690.9	192.2
Liabilities to joint venture	11	0.0	235.5
Trade payables and other liabilities	11	27.6	33.1
		766.8	**549.6**
Total liabilities		**1,377.8**	**3,197.8**
Total equity and liabilities		**7,128.7**	**7,145.8**

Statement of changes in equity

NKT HOLDING A/S

1 January - 31 December

Amounts in mDKK	Share capital	Retained comprehensive income	Proposed dividends	Total equity
Equity at 1 January 2011	**474.8**	**3,348.2**	**47.5**	**3,870.5**
Changes in equity in 2011:				
Total comprehensive income for the year		72.0	47.5	119.5
Dividend paid			-47.5	-47.5
Dividend paid of treasury shares		0.2		0.2
Share-based payment		5.3		5.3
Total changes in equity in 2011	**0.0**	**77.5**	**0.0**	**77.5**
Equity at 31 December 2011	**474.8**	**3,425.7**	**47.5**	**3,948.0**
Equity at 1 January 2012	**474.8**	**3,425.7**	**47.5**	**3,948.0**
Changes in equity in 2012:				
Total comprehensive income for the year		1,632.5	191.1	1,823.6
Dividend paid		-0.3	-47.5	-47.8
Dividend paid of treasury shares		0.2		0.2
Share-based payment		4.5		4.5
Subscribed by exercise of share warrants	3.0	19.4		22.4
Total changes in equity in 2012	**3.0**	**1,656.3**	**143.6**	**1,802.9**
Equity at 31 December 2012	**477.8**	**5,082.0**	**191.1**	**5,750.9**

Notes

NKT HOLDING A/S

NKT Holding A/S functions as a holding company for the Group's activities and undertakes the tasks related thereto. For description of the enterprise's activities, etc., please refer to the Group Management's review.

1 - ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

Determining the carrying amount of certain assets and liabilities requires estimates of how future events will influence the value of these assets and liabilities at the balance sheet date. Estimates that are significant for the financial reporting for the parent company are made by establishing indication of impairment and reversal of write-down on investments in subsidiaries. The estimates used are based on assumptions which by Group Management are considered to be reliable, but which by nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise.

Furthermore, the company is subject to risks and uncertainties which may lead to actual results differing from these estimates. Particular risks relating to the NKT Group are described in Note 2 to the consolidated financial statements and sections on risk management in the Group Management’s review.

Accounting policies

It is the opinion of Group Management that in the application of the parent company’s accounting policies, no judgements other than 'estimation uncertainty' are made that can materially influence the amounts recognised in the annual report.

2 - FINANCIAL RISKS, FINANCIAL INSTRUMENTS AND MANAGEMENT OF CAPITAL STRUCTURE

Management of capital structure 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. See Note 2 to the consolidated financial statements and the section 'Risk management' in the Group Management's review.

Categories of financial instruments:

Amounts in mDKK	**2012**	**2011**
Financial assets:		
Loans and receivables	4,336.5	4,016.8
Financial liabilities:		
Trading portfolio (derivative financial instruments)	17.8	24.5
Financial liabilities, measured at amortised costs	1,327.5	3,157.5

The parent company's payables fall due as follows:

2012	**Within 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**Total**
Credit institutions, etc.	47.9	0.0	0.0	573.5	621.4
Other financial liabilities	718.5	2.9	2.5	0.0	723.9
	766.4	2.9	2.5	573.5	1,345.3

2011	**Within 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**Total**
Credit institutions, etc.	88.8	102.9	0.0	2,529.5	2,721.2
Other financial liabilities	460.8	0.0	0.0	0.0	460.8
	549.6	102.9	0.0	2,529.5	3,182.0

Notes

NKT HOLDING A/S

3 - STAFF COSTS

Amounts in mDKK	2012	2011
Wages and salaries	32.5	33.9
Social security contributions	0.2	0.2
Defined contribution-based pension	3.3	2.8
Share-based payments	4.5	5.3
	40.5	42.2
Average number of full-time employees	25	26

Remuneration to the Board of Directors and the Executive Management Board, and share option schemes for Executives Managements and employees can be found in Notes 28 and 29 to the consolidated financial statements.

4 - FEES PAID TO AUDITOR ELECTED AT THE ANNUAL GENERAL MEETING

Amounts in mDKK	2012	2011
KPMG:		
Statutory audit	0.9	0.9
Other certainty declarations	1.0	0.1
Tax and VAT advice	0.1	0.4
	2.0	1.4

5 - FINANCIAL INCOME

Amounts in mDKK	2012	2011
Interest income, etc.	37.0	41.2
Interest from subsidiaries	148.3	130.8
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	4.7	0.0
Gain on portfolio of investments held for trading (derivative financial instruments)	10.3	9.1
Foreign exchange gains	148.2	43.6
	348.5	224.7

Notes

NKT HOLDING A/S

6 - FINANCIAL EXPENSES

Amounts in mDKK	2012	2011
Interest expenses, etc.	87.0	132.3
Interest to subsidiaries	2.2	1.1
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	0.0	6.4
Loss on portfolio of investments held for trading (derivative financial instruments)	0.0	24.5
Foreign exchange losses	151.6	37.2
	240.8	201.5

7 - TAX

Amounts in mDKK	2012	2011
Current tax	1.8	0.9
Joint taxation contribution	0.9	4.0
Deferred tax	16.8	-6.8
	19.5	-1.9
Reconciliation of tax:		
Tax at 25% of earnings before tax	53.2	29.4
Tax effect:		
Non-taxable dividend income	-34.9	-33.0
Non-deductable expenses	1.2	1.7
	19.5	-1.9

8 - DISCONTINUED OPERATION

The sale of NKT Flexibles to National Oilwell Varco was completed on 4 April 2012. The operation was part of the divested subsidiary SubSeaFlex Holding A/S.

Amounts in mDKK	2012	2011
Profit from sale	1,630.2	-
Share of profit after tax from joint venture	1,630.2	0.0
Cash flow from sale of operation	1,966.7	-
Cash flow from discontinued operation	1,966.7	0.0

9 - INVESTMENTS IN SUBSIDIARIES

Amounts in mDKK	2012	2011
Cost, 1 January	3,449.4	3,434.5
Disposals during year (2011: of which dividends of 27 mDKK set off in acquisition cost)	-336.5	-30.0
Additions / capital contribution	0.0	44.9
Cost, 31 December	3,112.9	3,449.4
Impairment, 1 January	-320.9	-320.9
Impairment, 31 December	-320.9	-320.9
Book value, 31 December	2,792.0	3,128.5

Subsidiaries	Domicile	Ownership 2012	Ownership 2011
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk-Advance A/S	Brøndby, Denmark	100%	100%
NKT Photonics A/S	Birkerød, Denmark	98%	98%
LIOS Technology GmbH	Germany	100%	100%
Vytran LLC	US	100%	100%

Companies without material interest and dormant companies are omitted from the list.

10 - DEFERRED TAX LIABILITIES

Amounts in mDKK	2012	2011
1 January	-15.5	-22.3
Deferred income tax for the year recognised in profit for the year	-16.8	6.8
31 December	-32.3	-15.5
Deferred tax relates to:		
Current liabilities	0.0	0.1
Tax loss carry-forward	0.0	7.8
Recapture of trading losses	-32.3	-23.4
	-32.3	-15.5

11 - PAYABLES TO CREDIT INSTITUTIONS AND OTHER LIABILITIES

Payables to credit institutions are predominantly subject to floating interest rates and measured at amortised cost. The carrying amount therefore in all material respects corresponds to fair value and nominal value.

Other payables are measured at amortised costs, which in all material respects corresponds to fair value and nominal value.

Notes

NKT HOLDING A/S

12 - CONTINGENT LIABILITIES

Amounts in mDKK	2012	2011
Guarantees for subsidiaries	727.1	724.8
Guarantees for joint venture	0.0	220.7
Liability in respect of subsidiary company credit facilities under the Group account scheme	1,254.9	923.0
Leasing agreements for property, etc.	6.6	7.9
Of which payable within:		
0-1 years	4.0	4.3
1-5 years	2.6	3.6
>5 years	0.0	0.0

For 2012, 4.6 mDKK (2011: 4.2 mDKK) is charged to the income statement as operational leasing.

As stated in Company Announcement No. 10 of 6 June 2011 and in subsequent annual and interim reports, NKT Cables and NKT Holding received a Statement of Objections from the European Commission in connection with the Commission's investigation of the submarine and underground high voltage cable markets in the period 1998-2008.See Note 27 to the consolidated financial statements for further details.

The term of notice for the CEO is 24 months. For the other members of the Executive Management Board 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 Executive Management Board of the company. See Note 28 to the consolidated financial statements.

The parent 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 parent company is registered jointly with NKT Cables A/S for VAT purposes and is liable for VAT liabilities.

13 - RELATED PARTIES

In addition to the comments in Note 28 to 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 32 to the consolidated financial statements. No related parties have control over the company. Transactions with affiliated undertakings comprised the following:

Amounts in mDKK	2012	2011
Transactions with subsidiaries:		
Sale of services	30.3	25.5
Interest received, net	146.1	129.7
Paid joint taxation contribution, net	0.9	4.0
Receivables, non-current	1,473.5	2,280.2
Receivables, current	2,586.3	1,211.5
Payables	690.9	192.2
Dividends received	139.7	131.8
Capital disposal	-336.5	-30.0
Capital contribution	0.0	44.9

14 - ACCOUNTING POLICIES

The annual financial statements for the parent company are included in the annual report in pursuance of the requirements of the Danish Financial Statements Act.

The annual financial statements for the parent company are prepared in accordance with International Financial Reporting Standards adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

Changes to accounting policies
The changes have not influenced recognition and measurement in the financial statements of the parent company. See description in Note 36 to the consolidated financial statements.

Description of accounting policies
In relation to the accounting policies described for the financial statements of the Group (see Note 36 to the consolidated financial statements), the accounting policies of the parent company differ in the following:

Foreign currency translation
Translation adjustment of balances considered part of the total net investment in undertakings that have a functional currency other than DKK are recognised in the annual financial statements for the parent company under financial items in the income statement. Similarly, foreign exchange gains and losses on that part of loans and derivates established to hedge the net investment in these undertakings are also recognised under financial items in the income statement.

Revenue
Dividends from investments in subsidiaries are recognised in the income statement of the parent company in the year the dividends are declared. If the dividend distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

Investments in subsidiaries
Investments in subsidiaries are measured at acquisition cost. The acquisition cost includes the fair value of the purchase consideration plus direct purchase costs. If there is indication of impairment, impairment testing is carried out as described in the accounting policies for the consolidated financial statements. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax
The parent company is jointly taxed with all Danish subsidiaries. NKT Holding A/S is the administration company for the joint taxation and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognised under income tax related to net profit. Companies which use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilised. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption). In the case of Danish subsidiaries, settlement of the tax base of reduced deductions under sections 11B and 11C of the Danish Corporation Tax Act (the interest cap rule and the EBIT rule) is made to the relevant subsidiaries by the parent company according to the same rules as are applied to tax losses.

References to notes to the consolidated financial statements
For the following notes, see information in the consolidated financial statements:

Share capital – see Notes 20 and 21 to the consolidated financial statements.

Events after the balance sheet date - see Note 30 to the consolidated financial statements.

Accounting standards issued but not yet effective – see Note 31 to the consolidated financial statements.

5-year financial **highlights, EUR**

Amounts in mEUR	2012	2011	2010	2009	2008
Income statement					
Revenue	2,045	2,092	1,937	1,567	1,854
Revenue in standard prices [1)]	1,628	1,629	1,539	1,334	1,511
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) [2)]	139	118	120	107	144
Earnings before interest, tax, depreciation and amortisation (EBITDA)	135	113	108	87	134
Depreciation and impairm. of property, plant and equipment	-48	-53	-37	-33	-37
Amortisation and impairment of intangible assets	-24	-22	-19	-17	-17
Earnings before interest and tax (EBIT)	63	38	52	38	80
Financial items, net	-26	-38	-18	-17	-30
Earnings before tax (EBT)	37	1	34	21	50
Profit for the year from continuing operations	26	1	27	18	32
Profit for the year from discontinued operation	189	16	9	14	22
Profit for the year	215	17	36	32	54
Profit attributable to equity holders of NKT Holding A/S	215	17	36	32	54
Cash flow					
Cash flow from operating activities continuing operations	150	77	-49	82	102
Cash flow from investing activities continuing activities	-71	-107	-124	-135	-86
hereof investments in property, plant and equipment	-49	-60	-100	-122	-101
Free cash flow	79	-30	-173	-53	16
Balance sheet					
Share capital	64	64	64	64	64
Equity attributable to equity holders of NKT Holding A/S	768	544	550	498	459
Minority interests	1	1	1	3	5
Group equity	769	545	551	501	464
Total assets	1,734	1,801	1,683	1,357	1,332
Net interest bearing debt [3)]	256	594	550	365	303
Capital employed [4)]	1,025	1,139	1,102	867	767
Working capital [5)]	323	367	402	265	273
Financial ratios and employees					
Gearing	33%	109%	100%	73%	65%
Net interest bearing debt relative to oper. EBITDA [6)]	1.8	4.3	4.2	2.9	1.7
Solvency (equity as % of total assets) [7)]	44%	30%	33%	37%	35%
Return on capital employed (RoCE) [8)]	6.2%	5.5%	7.5%	9.4%	16.4%
Number of 20 DKK shares ('000)	23,888	23,738	23,738	23,718	23,718
Earnings cont. oper., DKK, per outstanding share (EPS) [9)]	1.1	0.0	1.1	0.8	1.3
Earnings, DKK, per outstanding share (EPS) [9)]	9.0	0.7	1.5	1.4	2.3
Dividend paid, DKK, per share	0.3	0.3	0.5	0.0	1.5
Equity value, DKK, per outstanding share [10)]	32.3	23	23	21	19
Market price, DKK, per share	27.3	26	40	39	14
Average number of employees	8,867	9,038	8,454	7,938	8,610

[1) - 10)] Explanatory comments appear in Note 35 to consolidated financial statements.
Financial ratios are stated in Note 36 to consolidated financial statements.
When converting the additional information (5 years' financial highlights, EUR) from DKK to EUR the exchange rate ruling at 28 December 2012 of 746.04 has been applied.

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