2014 Annual Report

NKT Holding A/S, Company Reg. No. 62 72 52 14

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NKT at a glance

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BUSINESSES

Nilfisk – Professional cleaning equipment

nkt cables – Energy cables

NKT Photonics Group – Hightech products based on optical fibers

MISSION

"To create value by exercising long-term active ownership"

MEGATRENDS

Urbanisation

Sustainable energy supply

Healthcare demand

GLOBAL PRESENCE

+100 COUNTRIES

NO. OF EMPLOYEES

end-2014

8,862

SUSTAINABILITY

NKT's annual, statutory report on Corporate Social Responsibility is available at:

www.nkt.dk/media/65080/99a_2014.pdf

PROPOSED DIVIDEND

DKK **4** per share

A total of DKK 95.7m, corresponding to 34% of the profit of the year

Key messages

Organic growth of **1%**, within the 0-3% range initially guided

Operational EBITDA margin (std. metal prices) of **9.6%**, **exceeding** the 9.0-9.5% guided

RoCE improved by **2.7%-points** to 9.4%

Cash flow from operating activities was up **DKK +1bn** mainly driven by reduced working capital

Net interest-bearing debt amounted to DKK 1,135m, equal to 0.9x EBITDA, the **lowest level since 2007**

Clear strategic direction set

Nilfisk

Strong organic growth of 6%

- Nilfisk - new name and corporate brand
- Organic growth was 6% against initial guidance of 2-3%. The primary driver was EMEA, up 8%
- Operational EBITDA margin was 11.7%, down 0.2% point from 2013 due to strong investment in sales and service
- Commercial Excellence programme launched in six countries to accelerate growth
- New business strategy focusing on growth to be launched in Q1 2015

nkt cables

Operational EBITDA improved by 45%

- New CEO and revised business structure
- Organic growth was -5%, against initial guidance of -2 to -3%
- Operational EBITDA margin (std. metal prices) was 8.0%, exceeding the guided ~7.1%, primarily due to the DRIVE efficiency improvement programme
- First-year DRIVE results exceeded expectations with total realised savings of DKK 169m (initial forecast: DKK 100m). End-2014 run rate was DKK 250m against DKK 185m initially guided

NKT Photonics Group

EBITDA margin improved by 4.9%- points

- Organic growth was 9% against guided 10-20%. EBITDA margin was up by 4.9%-points to 7.2% due to increased revenue
- FiOPS, a new business activity in the US launched to capitalise on growing energy sector
- Strategic core for Sensing and Imaging segments defined
- Strategic alternatives for Fiber Processing are being explored

	Nilfisk		NKT Cables		Photonics Group		NKT	
Amounts in DKKm	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	6,836	6,561	8,738	8,983	290	266	15,863	15,809
Organic growth	6%	3%	-5%	4%	9%	13%	1%	4%
Operational EBITDA	799	778	484	335	21	6	1,269	1,085
Operational EBITDA margin	11.7%	11.9%	8.0%*	5.6%*	7.2%	2.3%	9.6%*	8.4%*
Working capital	1,190	1,073	967	1,681	88	86	2,242	2,812
% of revenue, LTM	19.5%	19.2%	16.8%	20.7%	30.6%	29.0%	18.1%	20.2%
Return on capital employed (RoCE)	17.6%	17.5%	4.2%	0.8%	neg.	neg.	9.4%	6.7%

** Std. metal prices*

Letter from the **Chairman**

2014 was characterised by significant changes to **accelerate value creation** in all our businesses and we delivered good results. Looking ahead we have set a **clear strategic direction** for development of our businesses through exercise of NKT's active ownership

"Further value creation in all our businesses is best achieved under NKT's active ownership"

In 2014, we increased our investments in growth in Nilfisk, improved profitability in NKT Cables, and redefined the core business in Photonics Group. New CEOs in Nilfisk and NKT Cables were appointed to push the future development of Nilfisk and NKT Cables, and we set our strategic direction and priorities for the entire NKT Group.

In terms of financial performance, operational EBITDA was up 17% based on 1% organic growth and operational EBITDA margin increased to 9.6% - results which were above our initial guidance for 2014. The positive development was also reflected in RoCE increasing to 9.4% from 6.7% last year.

NKT's governance structure supports value creation

NKT's revised governance structure has now been fully applicable for almost two years. The aim was to improve strategic decision-making by implementing a governance set-up that better reflects the needs of our businesses. In practice, for each business unit we established a committee consisting of two Board members with in-depth experience of the specific type of industry, the Group Executive Director, and the respective business unit management team, where the CEOs now report directly to the Board of Directors.

Clear strategic direction: Continued active and long-term ownership

We see a strong potential for further value creation in all our businesses, and it remains our belief that the best way to achieve this is under NKT's active ownership. This is reflected in the update of our strategic direction which we present on page 11. NKT's active ownership model supports our aim of becoming amongst the best in our industries, outperforming our competitors in terms of growth and realising a return on capital employed of +15%.

Nilfisk set for future growth

In January 2014 Jonas Persson took over as CEO of Nilfisk and under his leadership the company has maintained its strong growth trend. During the year Nilfisk launched its Commercial Excellence programme aimed at enlarging market coverage and increasing customer satisfaction. This initiative was accompanied by increased investment in our sales and service capabilities. We have already seen positive results from both initiatives, but as long-term growth investments we expect the full potential to materialise in the years ahead.

Customer-orientation and growth is key to consolidating Nilfisk's leading market position in the future. These areas are also focal points of the company's business strategy which will be launched in March.

Further details on Nilfisk are found on page 16.

Transformation of NKT Cables towards increased value creation

A year ago we introduced the three-phased improvement programme DRIVE in NKT Cables with the short-term goal of improving earnings and competitiveness through business streamlining and cost reductions. First-year DRIVE results have exceeded expectations, and the full impact of the programme going into 2017 has been revised upwards. The second phase of DRIVE focusing on excellence is being launched in 2015. To succeed with this ambitious target, a significant transformation of the company is necessary.

Therefore, Michael Hedegaard Lyng was appointed CEO of NKT Cables in November 2014. Being with NKT for more than seven years, Michael's knowledge of both the industry and the company will accelerate this transformation, and establish a more agile and customer-oriented organisation amongst other initiatives.

Further details on NKT Cables are found on page 25.

Redefined strategic core for Photonics Group

For Photonics Group the process of creating a more commercially oriented product portfolio and offering more complete solutions to end-customers continued in 2014. In further pursuit of this goal, the Imaging segment will in future focus on life science and the Sensing segment on energy. In Fiber Processing, the turnaround process initiated at end-2013 is proceeding to plan. Subsequently, we are evaluating whether NKT is still the best owner of this segment.

At end-March 2015 Søren Isaksen will step down as Chairman of Photonics Group. Søren has been with NKT since 1978 with primary focus on R&D, innovation and start-up of technology based companies. He has been the driving force in growing NKT's photonics businesses and we wish to thank him for his longstanding contribution to NKT. Søren Isaksen's responsibilities will be filled by the Photonics Group committee.

Further details on Photonics Group are found on page 33.

We firmly believe that with these key steps taken we are on the right track towards generating considerably higher earnings and a satisfactory RoCE for the benefit of NKT and our shareholders.

In the following pages we invite you to read more about NKT's progress in 2014 and our future targets. I wish to thank everyone in the NKT Group for contributing to our 2014 performance. I would further like to convey my appreciation to our shareholders for their trust and to our business partners for their co-operation.

Jens Due Olsen
Chairman

Outlook **2015**

In 2015, NKT expects a consolidated ***organic growth of up to 3%*** *and an improved operational* ***EBITDA margin in std. metal prices of up to 1%-point*** *from 9.6% realised in 2014*

The expectations for operational EBITDA exclude expected one-off costs of approx. DKK 120m related to the finalisation of first phase of the DRIVE programme in NKT Cables.

NKT's three business units are planning on the following developments in 2015:

Nilfisk

The investments in the sales and service organisation throughout the year are expected to affect growth positively in 2015. However, market conditions continue to reflect high volatility and low visibility.

On this basis, organic growth is expected to be around 5%, equally divided between EMEA, the Americas and APAC. Nilfisk will continue to focus on investment in sales and service which is expected to negatively impact the EBITDA margin in the short term. Operational EBITDA margin is expected to be on par with the 2014 performance of 11.7%.

NKT Cables

The order backlog for high-voltage off- and onshore projects has good visibility, although a three-month period of lower utilisation within offshore cable production is expected at the Cologne plant due to the timing of large projects. For NKT Cables, a flat organic growth is therefore expected in 2015. The current order backlog in Projects contains limited installation activity which will reduce revenue but only slightly impact nominal earnings. For Products, a slightly positive development is expected with regards to revenue (std. metal prices), whereas APAC is expected to be on par with 2014.

The operational EBITDA margin (std. metal prices) for 2015 is expected to be improved by 0.5-1.0%-point from 8.0% in 2014. DRIVE is expected to positively impact the operational EBITDA margin, a development which may be partly off-set by the anticipated lower capacity utilisation in Cologne.

The expectations are subject to a final investment decision by DONG Energy on the Race Bank project, cf. Company Announcement No. 18 of 16 December 2014.

Operational EBITDA for 2013 and 2014 were positively impacted by releases of risk provision related to the successful finalisation of a number of offshore projects. Generally, risk provisions are partly or fully utilised as part of the project execution and remaining provisions are typically released towards the end of such a project, often in connection with a successful final acceptance test.

Photonics Group

Organic growth of 10-20% is expected. The increase in revenue is expected to result in rising operational EBITDA margin in the range of 8-10% (2014: 7.2%).

Group
financials

In 2014 NKT achieved a **17% increase in operational EBITDA**. All business units contributed to this development, particularly NKT Cables where **DRIVE initiatives accelerated the positive trend**. The growth in operational EBITDA supports NKT's strategy of RoCE of +15%

2014 expectations achieved

NKT realised its financial expectations for 2014 with organic growth of 1% and an operational EBITDA margin of 9.6% in std. metal prices. Initial estimates for the year were 0-3% and 9.0-9.5%, respectively.

2014 expectations

	Expected 2014	Revised Q3 2014	Realised 2014
Guidance:			
NKT			
- Organic growth	0-3%	Unchanged	1%
- Operational EBITDA, %*	9-9.5%	Unchanged	9.6%
Planning assumptions:			
Nilfisk			
- Organic growth	2-3%	4-5%	6%
- Operational EBITDA, %	12-12.5%	~11.5%	11.7%
NKT Cables			
- Organic growth	Neg. 2-3%	Neg. 2-5%.	Neg. 5%
- Operational EBITDA, %*	~7,1%	Unchanged	8.0%
Photonics Group			
- Organic growth	10-20%	Unchanged	9%
- Operational EBITDA, %	5-10%	Unchanged	7.2%

** Std. metal prices*

Business unit developments

In 2014 Nilfisk realised 6% organic growth particularly based on continued progress of 8% in EMEA, the company's stronghold. This was achieved despite the subdued economy prevailing in Europe. Organic growth in the Americas was 3%, while APAC realised negative organic growth of 2%.

Nilfisk increased its gross profit margin by 0.2%-point to 41.1% through optimising the product mix. Operational EBITDA increased to DKK 799m, up from DKK 778m in 2013. However, the operational EBITDA margin decreased slightly, from 11.9% in 2013 to 11.7%, due to investment in improvement of sales and service efficiency.

NKT Cables realised negative organic growth of 5%, the result of positive growth of 5% in Products and negative organic growth of 12% and 24% in Projects and APAC, respectively.

NKT Cables' operational EBITDA increased by DKK 149m from 2013 to DKK 484m in 2014. This increase was primarily due to the impact of DRIVE.

Revenue development by business unit

Amounts in DKKm	2013	Currency effect	Acqui-sitions	Growth	2014	Organic growth*
Nilfisk	6,561	-86	0	361	6,836	6%
NKT Cables	6,017	-81	406	-287	6,055	-5%
Photonics Group	266	0	0	24	290	9%
Other	-1	0	0	0	-1	-
Revenue, std. metal prices	12,843	-167	406	98	13,180	1%
Adjustments, metal prices	2,966	-23	134	-394	2,683	-
Revenue, market prices	15,809	-190	540	-296	15,863	-

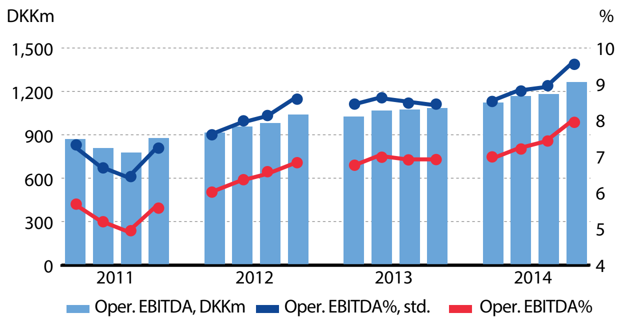
** Organic growth is adjusted for the effect of exchange rates, metal prices, and acquisitions*

Photonics Group achieved 9% organic growth. This development was driven by Sensing and Fiber Processing, realising 11% and 10%, respectively, while Imaging contributed 5%. EBITDA was positively impacted by increased growth and rose from DKK 6m in 2013 to DKK 21m in 2014.

Group operational EBITDA up 17%

Operational EBITDA increased to DKK 1,269m, up 17% from DKK 1,085m in 2013. This equals to an improved operational EBITDA margin of 9.6%, up from 8.4% in 2013. All business units contributed to this increase, the main driver being NKT Cables.

Operational EBITDA (LTM)



The operational EBITDA has been adjusted for one-offs to reflect the underlying earnings from ordinary operations. One-off adjustments in 2014 amounted to DKK 208m and comprise a gain of DKK 97m from Nilfisk's divestment of floor sanding activities in Q1 2014, DKK 201m relating to DRIVE, a provision of DKK 75m for the settlement announced in Q2 of a three-year-old claim relating to the Baltic 1 submarine project, and DKK 29m for the fine from the European Commission, cf. page 9.

Further details on one-off adjustments are found in the business unit sections on pages 18 and 27.

Operational EBITDA by business unit

Amounts in DKKm	2014	2013	Nom. change
Nilfisk	799	778	21
NKT Cables	484	335	149
Photonics Group	21	6	15
Other	-35	-34	-1
Operational EBITDA	**1,269**	**1,085**	**184**
One-off adjustments	-208	18	-226
EBITDA	**1,061**	**1,103**	**-42**

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment of assets amounted to DKK 556m, compared with DKK 595m in 2013. Impairments comprised DKK 20m and related mainly to closure of production lines in NKT Cables and development projects in Photonics Group.

Continued decrease in net financial items

Net financial items amounted to an expense of DKK 99m in 2014 against DKK 160m in 2013. This positive development was due to a lower average net debt in 2014 and lower interests from the optimisation of the loan portfolio.

Income tax and net profit

NKT's earnings before tax, EBT, amounted to DKK 406m compared with DKK 348m in 2013.

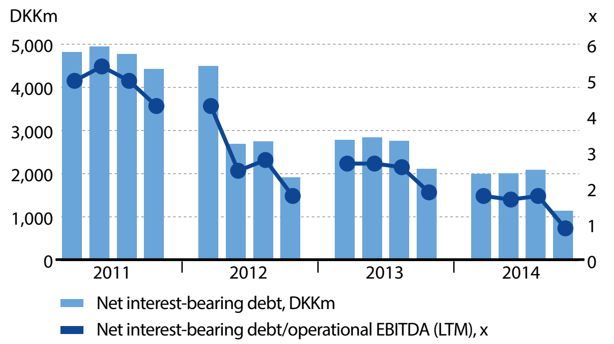
Income tax increased to DKK 126m compared with DKK 95m the previous year. The effective tax rate was 31% against 27% in 2013 and in line with expectations. The increased tax rate was mainly related to the DKK 29m fine from the European Commission, which is non-deductible against taxable income.

The profit for the year totalled DKK 280m, up from DKK 253m in 2013.

Net interest-bearing debt significantly reduced

Net interest-bearing debt was DKK 1,135m at end-2014 compared with DKK 2,111m at end-2013, a reduction of approx. DKK 1bn. The debt was equal to 0.9x operational EBITDA for the last 12 months, down from 1.9x at the same time last year. Net interest-bearing debt in 2014 was on average significantly lower than in 2013.

Net interest-bearing debt



The equity gearing was 19%.

The solvency ratio was 48%, an improvement from 44% in 2013. The minimum target remains 30%.

Liquidity reserves further strengthened

At end-2014 NKT replaced a number of bank facilities maturing in 2016 with new committed five-year facilities and an eight-year committed facility with Nordic Investment Bank. As well as benefitting from the attractive conditions prevailing in the financing markets, the refinancing also represented an opportunity for NKT to reduce its total credit facility amount, thereby reducing the costs of unused facilities.

Following the refinancing, NKT's committed credit facilities have an average term of 3.8 years. No significant credit facilities will fall due before 2019.

NKT's liquidity reserves defined as cash and unused credit facilities, amounted to DKK 4.6bn at 31 December 2014, the same level as in 2013 but with longer maturity.

The liquidity reserves consist of both uncommitted and committed credit facilities. The latter represent 83% of NKT's total credit facilities.

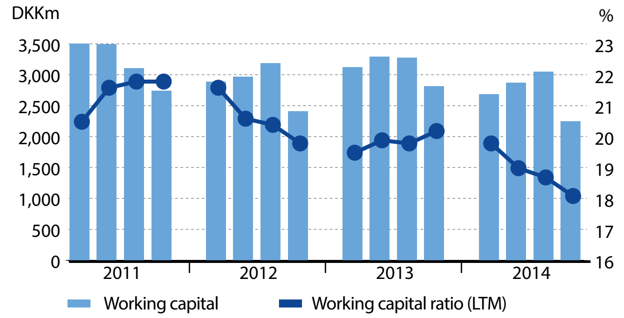
All committed credit facilities remain without financial covenants, but are subject to non-financial covenants.

Further details on capital structure are found in Note 6 on page 89.

Working capital reduced by DKK 570m

At end-2014 NKT's working capital amounted to DKK 2,242m, a reduction of DKK 570m from end-2013. This reduction was solely attributable to NKT Cables where focused initiatives were successfully implemented. The working capital ratio for NKT decreased to 18.1% at end-2014 from 20.2% at end-2013. This downward trend was observed throughout the year.

Working capital



NKT Cables reduced its working capital substantially during 2014. The working capital ratio (LTM) decreased to 16.8% at end-2014 from 20.7% the previous year. The positive development was primarily driven by Projects where improved working capital management yielded benefits by matching planned production and invoicing.

Nilfisk's working capital ratio was 19.5% at end-2014, up from 19.2% in 2013. This development was mainly due to exchange-rate effects which impacted net working capital negatively.

Cash flow

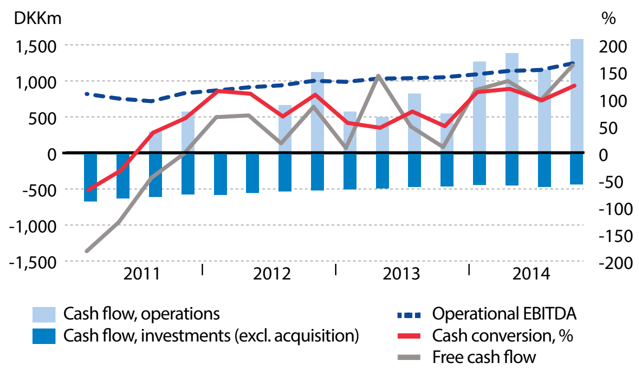
Cash flow from operations was DKK 1,583m compared with DKK 545m in 2013. While reported EBITDA was slightly down on the previous year due to a number of one-off costs, the effects of reduced working capital at actual exchange rates impacted cash flow from operations positively to the amount of DKK 760m.

Net investment in tangible and intangible assets amounted to DKK 452m, down from DKK 468m in the previous year. In addition, M&A activity generated a net cash inflow of DKK 82m from the divestment of Nilfisk's floor sanding activities and minor acquisitions.

A comparison of cash flow from operations with operational EBITDA (red line in graph) shows an operational cash conversion of around or above 100% throughout 2014, a significant increase on 2013. A cash conversion rate of 125% at end-2014 is above the sustainable level and largely relates to the significant reduction of working capital in 2014 compared with 2013, when there was a build-up of working capital.

Cash generation was high throughout 2014, underlining that focused working capital management has proven successful, especially in NKT Cables.

Cash conversion (LTM)



The free cash flow equals to the cash flow from operations less the cash flow from investments

Cable producers fined by European Commission in cartel case

On 2 April 2014 NKT received a fine of DKK 29m following the investigation conducted by the European Commission into alleged price-fixing activities in the power cables industry, cf. Company Announcement No. 8, 2014. By defining NKT as a 'fringe player' - as the only European manufacturer - the European Commission explicitly established that the role of NKT was substantially limited. This is further emphasised by the fact that NKT was the only European manufacturer to receive a 10% reduction of the fine amount.

While the European Commission has assessed that NKT's role was substantially limited and the fine is considerably smaller than those imposed on the other cable manufacturers, NKT disagrees with the Commission's decision and has therefore lodged an appeal.

As a consequence of the Commission's decision, NKT and other power cable producers face exposure to claims for damages in proceedings brought by customers or other third parties. In line with its appeal against the Commission decision, NKT contests any civil damages claim that is based on this Commission decision.

Q4
2014

In Q4 2014 NKT realised **27% increase** in operational EBITDA. Impacted by **strong cash flow**, net interest-bearing debt reached its lowest level since early 2007

In Q4 2014 NKT realised revenue (std. metal prices) of DKK 3,383m, corresponding to a negative organic growth of 2%.

Organic growth by business unit

	Q4 2014
Nilfisk	9%
NKT Cables	-12%
Photonics Group	5%
NKT	**-2%**

Nilfisk realised a strong Q4, delivering organic growth of 9%. This development was mainly driven by EMEA, where growth was 14%. Organic growth of 2% was achieved in the Americas while APAC realised negative organic growth of 6%.

NKT Cables realised negative organic growth of 12%, primarily due to the Projects business, down 24%. In Products, satisfactory progress was maintained with growth of 1%. APAC made a negative growth contribution of 23%. primarily due to tough price competition.

Photonics Group realised organic growth of 5%. This was solely driven by Imaging which delivered 12% organic growth. Sensing and Fiber Processing delivered -2% and -3%, respectively.

Operational EBITDA increased by 27%
NKT realised operational EBITDA of DKK 421m in Q4 2014, up from DKK 332m in Q4 2013, an increase of 27%. This result was attributable to progress in all business units.

Operational EBITDA margin in std. metal prices was 12.4%, compared with 9.7% in the same period last year. This improvement mainly derived from the effects of DRIVE in NKT Cables, where operational EBITDA margin increased significantly to 12.2% from 6.8% in Q4 2013. The improvement was further supported by Photonics Group, which increased its margin to 23.7% from 11.5% in Q4 2013. Nilfisk delivered an operational EBITDA margin of 12.8%, which as expected was slightly lower than the 13.1% in the same period last year.

Strong cash generation
Q4 cash flow from operations amounted to DKK 1,146m, mainly driven by a significant reduction in working capital of DKK 867m from end-Q3 2014. The improvement was mainly attributable to NKT Cables, although both Nilfisk and Photonics Group also reduced working capital.

The high cash flow from operations combined with a flat year-over-year level of investment led to a significantly reduced net interest-bearing debt of DKK 1,135m, the lowest level since early 2007.

Q4 financial development by business unit

	Revenue			Oper. EBITDA			Oper. EBITDA margin	
Amounts in DKKm	Q4 2014	Q4 2013	Change	Q4 2014	Q4 2013	Change	Q4 2014	Q4 2013
Nilfisk	1,777	1,609	168	227	210	17	12.8%	13.1%
NKT Cables, std. metal prices	1,514	1,744	-230	185	119	66	12.2%	6.8%
Photonics Group	93	87	6	22	10	12	23.7%	11.5%
Other	-1	-2	1	-13	-7	-6	-	-
Total, std. metal prices	**3,383**	**3,438**	**-55**	**421**	**332**	**89**	**12.4%**	**9.7%**

NKT Group strategy

NKT - ACTIVE, INDUSTRIAL OWNERSHIP

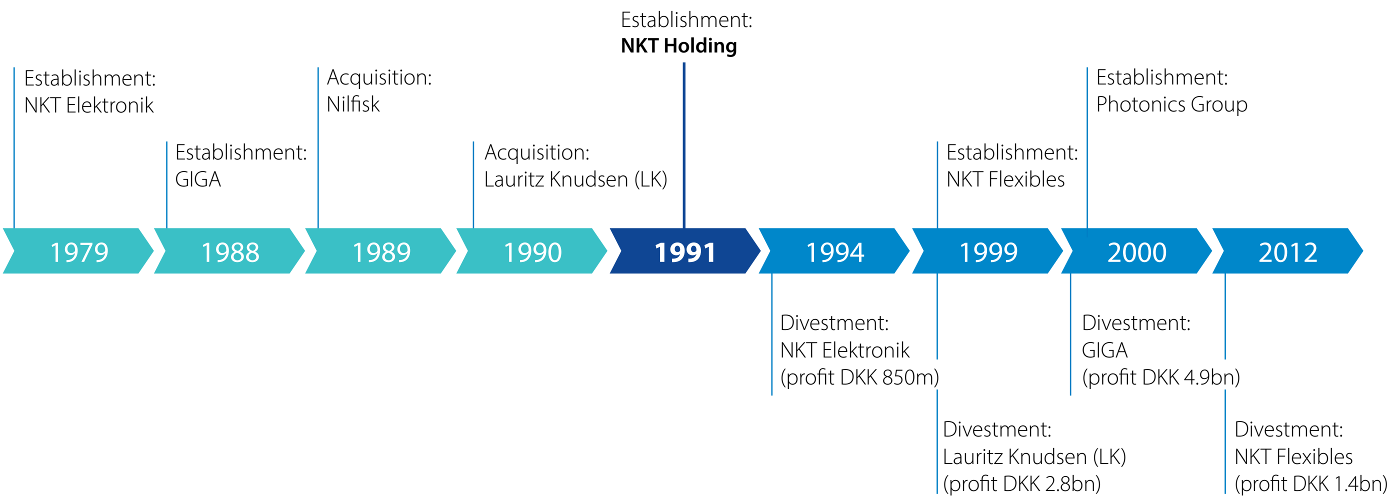
Our background - more than 120 years of industrial development

NKT was founded by the Dane Hans Peter Prior in 1891 and became a listed company in 1898. Over the next 90 years NKT became one of Denmark's leading industrial conglomerates, focusing primarily on cable production but also active in the production of nails, screws, and other hardware. Long-term investment in existing businesses and acquisitions of industrial companies with global presence around 1990 accelerated the transformation of NKT whose mission today is: Creating value by exercising long-term, active ownership in businesses where NKT is the best owner.

Long-term and active transformation of businesses - our core competence

NKT's core competence is through active ownership to drive long-term value creation. The tools - NKT's knowledge and experience of industrial operations, global mindset and business acumen - are applied consistently. Typically, the value creation is realised through strategic re-focus, targeted investment, stringent financial governance and organic growth combined with mergers and acquisitions. When NKT no longer considers itself the best owner, a rigorous search is conducted to find the best alternative for the future development of the business concerned. Such alternatives may be divestment, de-merger or a strategic partnership with a view to optimising value creation.

Examples of NKT's successful exercise of long-term active ownership



Going forward, this mindset will be used to further develop NKT's core businesses. Key targets are:

- To become **amongst the leaders** in the respective industries
- To achieve **above-market growth**
- To realise **improved profits** and **superior value creation**

This also implies that NKT will exploit opportunities to grow through acquisitions - both within its current businesses, and potentially also within adjacent business areas that offers synergies with the existing business portfolio.

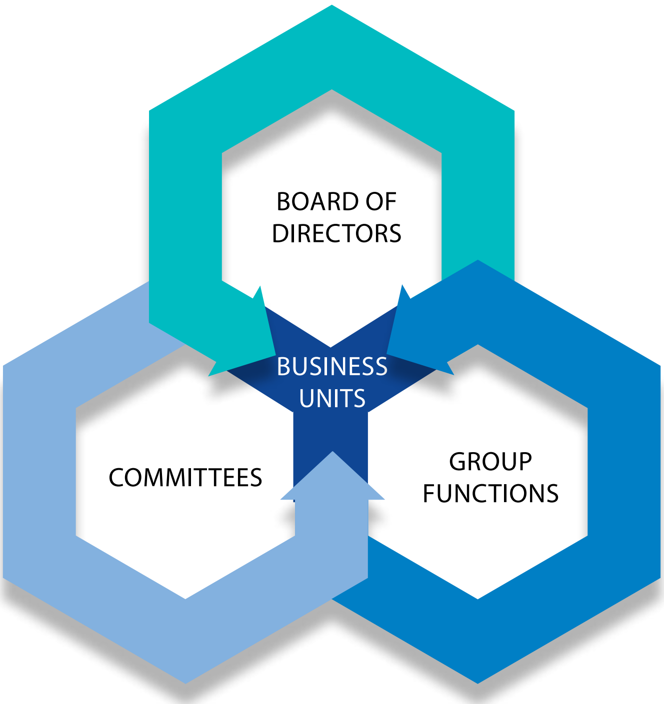
The NKT active ownership model is a key component in driving value creation

NKT's active ownership model, whereby the company's business units report directly to the Board of Directors, is designed to increase value creation through exercise of long-term active ownership. NKT's Board members possess a number of specific competences relating to international industrial management and business development, along with industry-specific knowledge in areas where NKT's businesses operate. These competences are used to drive the development of our businesses and are exercised directly through committees set up for each individual business unit as well as committees supporting the governance structure of the listed company; including audit, remuneration, nomination and the Chairmanship.

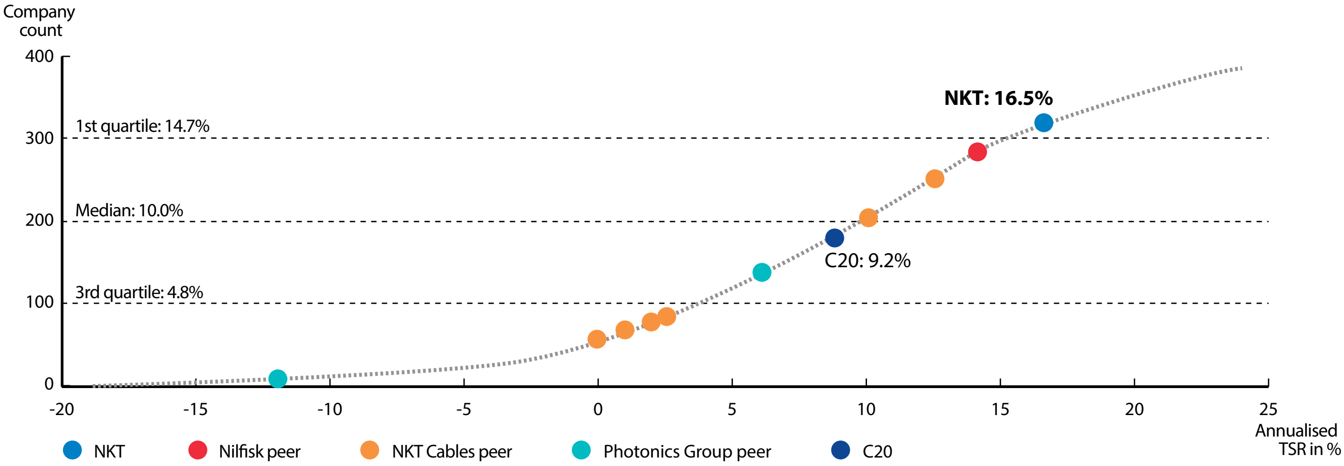
Each business unit committee consists of two Board members with experience of the particular type of business, supported by representatives of Group Functions. Frequent meetings are held with the businesses at which both strategic and operational issues are discussed with an intent of delivering a more efficient, flexible and transparent decision-making process.

NKT Holding is operated as a lean centre of excellence for the Group. Specialist functions play an active role in value creation in close partnership with the Board of Directors and the management teams of the individual businesses. Services hosted by NKT Holding include M&A, Investor Relations, compliance, indirect procurement, treasury, finance, and legal services.

NKT's active ownership model



Annualised total shareholder return (1999-2014)



Background curve based on 400 individual companies within S&P 500

Source: Bloomberg. TSRs are 31 December 1999 to 31 December 2014

NKT's structure supports stronger value creation
NKT's structure is considered a significant factor of the Group's proven value creation. In the period 1999-2014 the NKT share generated an annual total shareholder return (TSR) of 16%, which is above the return of our peers and 6%-points above the median return.

NKT believes that superior long-term value creation is driven by the ability to create an industrial platform for our investments which offers a stable environment supporting the long-term development of the businesses. This 'no end-of-life' setup encapsulates our competitive advantage compared with other investment vehicles.

NKT's strengths

COMPETENCES & TALENT

- Ability to attract members for the Board of Directors and the Executive Management
- Group Excellence Centre: Legal, M&A, IR, Finance, Treasury, Indirect procurement
- Talent sharing

ACCESS TO CAPITAL

- Balance sheet strengths
- Capital market access
- Lower financial costs
- Long-term transformation/ investments

OPERATIONAL SYNERGIES

- Global market footprint
- Group functions; e.g. indirect procurement
- Best practise sharing

REDUCED RISKS

- Reduced portfolio risk
- Risk management
- Compliance

GROUP STRATEGY AND TARGETS

Business opportunities based on megatrends
NKT also drives its businesses based on a close monitoring and analysis of megatrends. This influences how we optimise our investment and divestment decisions, but also how the existing businesses are operated and improved. NKT's strategic direction is based on megatrends such as urbanisation, sustainable energy supply, and healthcare demand, which we believe will remain strong macro drivers in the coming years and represent opportunities for further development of our businesses.

Group strategic targets
NKT drives its businesses via ambitious, long-term strategic targets in addition to its specific business unit targets. NKT also actively explores investment and divestment opportunities for selected parts of its business units. Materialisation of such opportunities depends on factors such as strategic fit and valuation, all based on the assessment of whether NKT is the best owner.

LONG-TERM STRATEGIC TARGETS

- Organic growth above the market
- RoCE of +15%
- Annual dividend of approx. one third of the profit for the year

Megatrends

URBANISATION

MACRO DEVELOPMENT:
- Rising welfare
- Infrastructure expansions

OPPORTUNITIES:
- Automated cleaning processes
- Increased use of cleaning equipment
- High-speed railways
- Fire detection in e.g. tunnels

ENERGY SUPPLY

MACRO DEVELOPMENT:
- Need for reliable, efficient and flexible electricity
- Demand for sustainable energy sources

OPPORTUNITIES:
- On- and offshore energy cables
- Cable monitoring
- Wind sensors

HEALTHCARE DEMAND

MACRO DEVELOPMENT:
- Increase in lifestyle diseases
- Early-stage health diagnostics
- Rising need for treatment and treatment facilities

OPPORTUNITIES:
- Increased need for early-stage imaging technologies
- Increased need for efficient healthcare cleaning

Strategic themes of our businesses

All NKT's businesses are characterised by key strategic themes that will define and lead their development in the coming years. For all businesses the long-term ambition is to be amongst the best in the industry in terms of customer satisfaction, growth, profitability, and RoCE.

In Nilfisk, efficient business management has made the company the market leader and one of the most profitable in its industry. In the coming years, increased focus will be placed on accelerating growth through investment in sales and service and M&A.

In NKT Cables, the DRIVE efficiency improvement programme has made a successful start. DRIVE is a key element in the transformation towards increased profitability and improved return on capital employed.

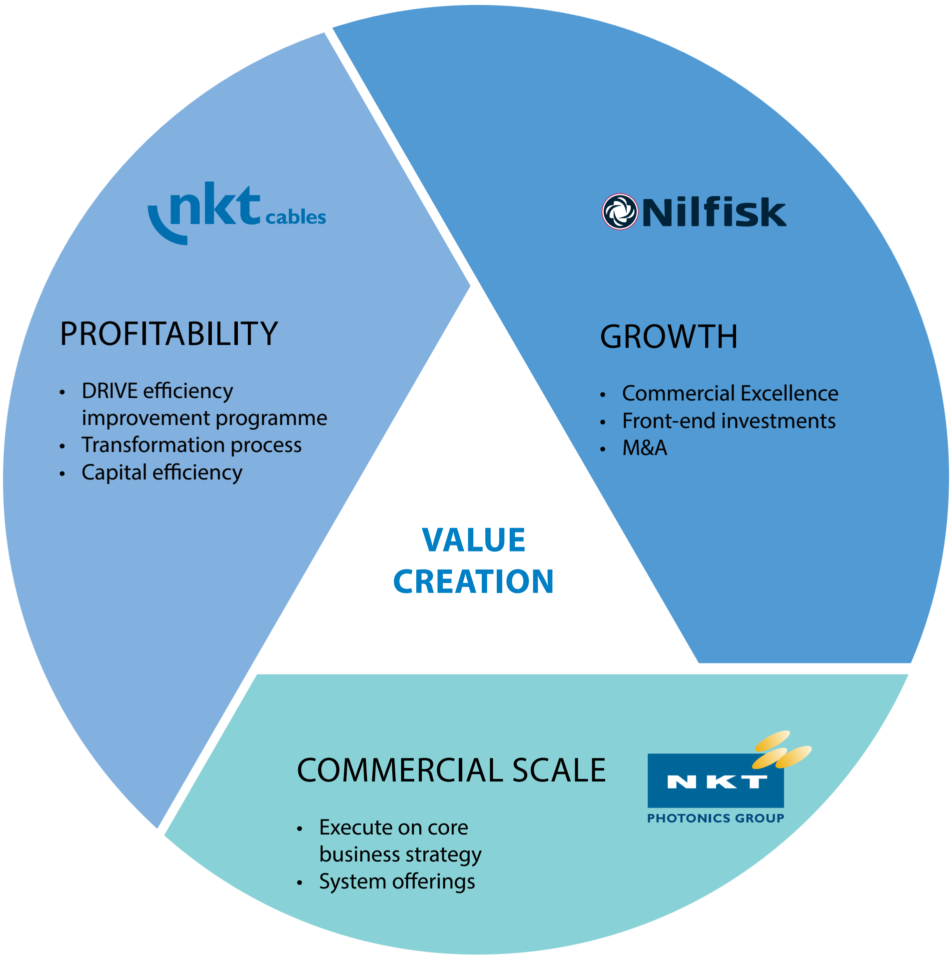
In Photonics Group, focus will be on further building of core business and expansion in the value chain via strong organic growth - and via acquisitions if deemed strategically attractive to support longer-term development.

Capital structure and dividend policy

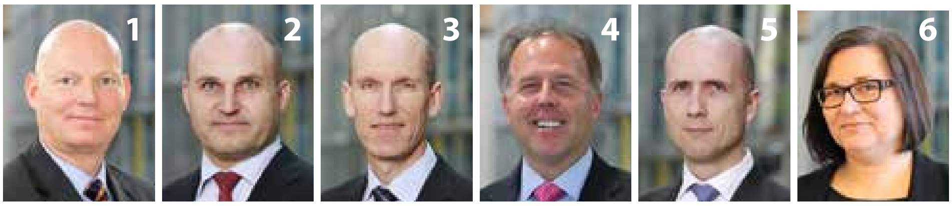
NKT's capital structure must at all times support its strategic targets of long-term profitability and value creation. NKT operates with a capital structure target of 2.5x operational EBITDA, although deviations are acceptable to allow for strategic flexibility in our businesses. The capital structure aims to maintain a credit quality considered by stakeholders as investment grade in the BBB segment, which is considered to be the best balance between financial flexibility and an attractive cost of capital.

NKT aims to give shareholders an attractive return on investment and at the same time to reinvest part of its profit in new growth opportunities. By providing growth while focusing on value creation to maximise shareholder value. NKT's dividend policy of one third of the profit for the year is complemented with share buyback, both contingent of sufficient financial headroom.

Strategic themes



Nilfisk



Nilfisk
- new name & corporate brand

The Nilfisk Group Management:
Jonas Persson (CEO) (1), **Morten Johansen** (EVP & CFO) (2), **Anders Terkildsen** (EVP EMEA Sales & Service) (3), **Jeff Barna** (SVP Americas Sales & Service) (4), **Lars Gjødsbøl** (EVP Global Operations) (5), and **Tina Mayn** (SVP Global Marketing and Product Management) (6)

6% organic growth

6 country roll-out of the Commercial Excellence programme

Approx. **70** people added to the sales and service organisation as part of long-term growth investment

46 product launches

New business strategy ready to be launched in Q1 2015

Financial highlights

Amounts in DKKm	2014	2013	2012	2011	2010
Income statement					
Revenue	6,836	6,561	6,491	6,307	5,747
Operational EBITDA	799	778	775	732	612
EBITDA	896	778	745	699	526
Depreciation and amortisation	-219	-213	-221	-202	-177
Impairment	-4	0	-7	-7	-10
EBIT	673	564	517	490	339
Cash flow					
Cash flow from operating activities	564	500	666	351	210
Cash flow from investing activities, excl. acquisitions	-223	-218	-237	-390	-202
Free cash flow	341	282	429	-39	8
Balance sheet					
Capital employed	3,283	3,074	3,073	3,232	2,898
Working capital	1,190	1,073	1,039	1,216	1,074
Financial ratios and employees					
Gross margin	41.1%	40.9%	42.0%	41.8%	42.0%
Overhead ratio	32.1%	31.8%	32.8%	33.0%	34%
Operational EBITDA margin	11.7%	11.9%	11.9%	11.6%	10.7%
Organic growth	6%	3%	0%	8%	7%
Return on capital employed (RoCE)	17.6%	17.5%	17.1%	17.1%	15.1%
Number of employees, year-end	5,420	5,321	5,224	5,345	4,894
Cash conversion	71%	64%	86%	48%	34%

NILFISK - NEW NAME AND NEW HEADQUARTERS

Nilfisk-Advance changes name and corporate brand to Nilfisk to create a stronger alignment to its main global product brands and to improve brand clarity and understanding for its customers. The new name will be implemented in all Nilfisk companies as of April 2015.

The overall brand hierarchy will be simpler to understand for both end-customers and dealers across the world.

Stronger positioning of Nilfisk

The new corporate brand identity will be a lever to depict the company's future strategy and commitment to capture market growth, generate sales, and support a stronger positioning of Nilfisk as a global market leader. Internally, the brand transition is expected to convey the culture of the company.

The company was named Nilfisk-Advance in 1998 following the acquisition of US-based Advance Machine Company four years earlier. Advance continued to be a product brand in the company and gained strong presence in North and South America. Advance will continue to be a product brand in the company portfolio targeting professional customers in the Americas.

New corporate visual identity

A new corporate visual identity will be presented as part of the name transition in April. In the following months, websites, marketing material, back office systems and all legal conditions will be changed to reflect the new name.

Relocation of headquarters

During summer 2015 the Nilfisk corporate headquarters in Broendby, Denmark, will relocate to new premises in the same area. The relocation will provide new office facilities offering an upgraded and more productive working environment at a lower cost as well as increased warehouse capacity.

2014 FINANCIAL DEVELOPMENT

Revenue was DKK 6,836m against DKK 6,561m in 2013, corresponding to an organic growth of 6%, which was above the initial expectations of 2-3%.

EMEA main driver of growth

Nilfisk divides its market into three regions: EMEA (Europe, Middle East and Africa), the Americas (North, Central and South America), and APAC (Asia and the Pacific region). Organic growth was mainly driven by 8% growth rate in EMEA, where Nilfisk continues to be uniquely positioned due to its longstanding market presence, strong sales and service organisation, and close partnerships with customers.

Organic growth of 3% for the Americas was satisfactory, while negative growth of 2% in APAC was below expectations. The latter was influenced by the loss of a consumer vacuum cleaner distributor in Australia earlier in the year and weakened performance in several markets.

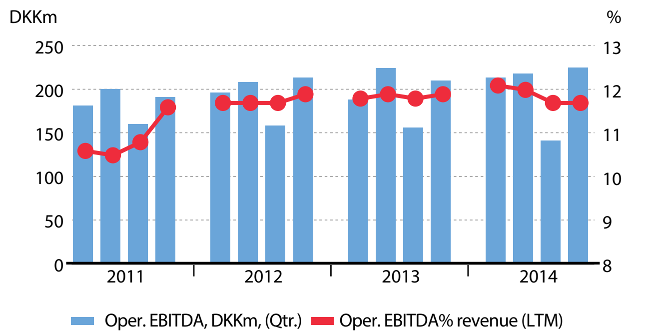
Organic growth

	2014
EMEA	8%
Americas	3%
APAC	-2%
Nilfisk	**6%**

Increased operational EBITDA despite growth investment

Operational EBITDA increased to DKK 799m, up DKK 21m against 2013. The EBITDA margin was 11.7% compared with 11.9% in 2013. Earnings were positively impacted by revenue growth, while investment in the sales and service offering resulted in a slightly reduced margin. In 2014, Nilfisk made significant investment in sales growth, including the Commercial Excellence programme, and during the year approx. 70 full-time employees were added to the sales and service organisation.

Operational EBITDA



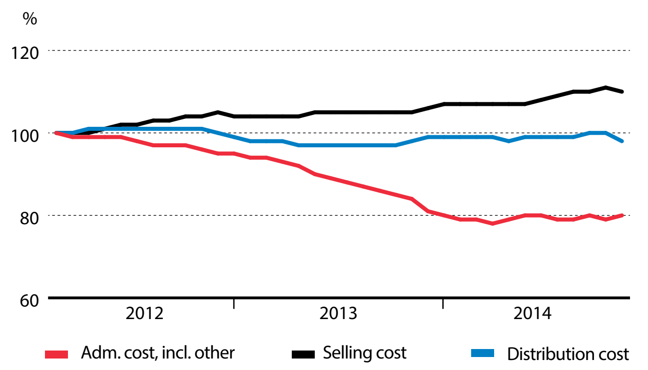
Reported EBITDA development

Reported EBITDA amounted to DKK 896m compared with DKK 778m in 2013 and was positively impacted by DKK 97m from divestment of floor sanding activities in Q1 2014. However, the divestment reduced revenue by DKK 45m, and EBITDA from ordinary opertions by DKK 18m.

Price management impacted gross margin positively

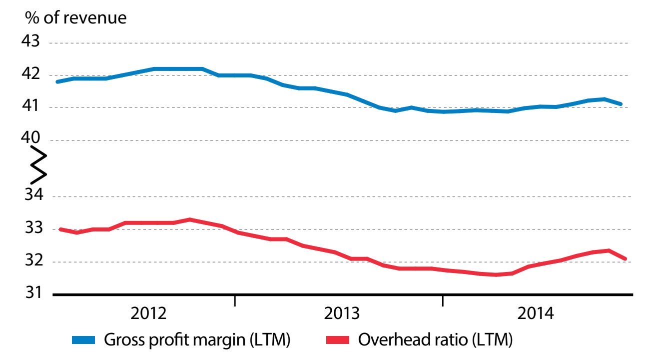
The gross margin was 41.1% compared with 40.9% in 2013, positively impacted by price management and sourcing activities. Product mix optimisation continued, but competition has intensified in a number of markets with customers continuously focusing on price. Nilfisk will accelerate investment in growth opportunities and efficiency improvements and at the same time maintain strong focus on price and cost management.

Development in fixed costs (Index, LTM)



The overhead cost ratio was 32.1%, up from 31.8% in 2013 due to the investment made in both the sales force and the Commercial Excellence programme.

Gross profit margin and overhead ratio



Working capital

Working capital ratio (LTM) was 19.5%, up from 19.2% in 2013. The increase mainly related to the impact of exchange rates on receivables and inventories, while remaining working capital items were stable.

Continued investment in product development and IT

In 2014 Nilfisk continued to invest in product development and in IT systems such as CRM to support the Commercial Excellence programme and SAP to support continued improvement in the supply chain. Generally, Nilfisk continued to focus on realising efficiency goals in procedures and processes through automated solutions.

BUSINESS STRATEGY

On 16 March 2015 Nilfisk will launch a new growth strategy for the period 2015-2018. The new strategy builds on the foundation established by the previous strategy and on the goal of becoming Customers' Preferred Choice. During the preceding strategy period Nilfisk increased customer satisfaction and strengthened market coverage by launching a number of actions to get closer to the customer and enlarge its sales and service force.

Macro trends - the foundation for continued growth

At industry level, rising welfare and living standards have increased the need for electrical cleaning equipment, and customers in developing markets are looking for products to bridge the gap between manual tools and mechanised cleaning. At the same time the global trend towards increased urbanisation is leading to a growing demand for professional cleaning equipment in for example institutions, and retail and hospitality industries.

Nilfisk will continue to increase its market share by securing its position as market leader through further investment in sales and service resources and in emerging markets. Furthermore, Nilfisk aims to play an active part in the global consolidation of the cleaning equipment industry and continues to seek relevant opportunities for M&A.

Customer focus and initiatives to support and strengthen customer loyalty are cornerstones in the new business strategy. These initiatives include further development and improvement of customer relationship and service management tools, as well as continued refinement of Net Promoter Score (NPS), a tool for gauging customer satisfaction. Roll-out of the Commercial Excellence programme will continue with identification of new methods and practices to improve front-end processes and performance as well as enhancing customer satisfaction. This will be further strengthened by leveraging customer segmentation to win in important and lucrative customer segments.

Additionally, service is of growing importance as a buying parameter. Customers request fast service and delivery of accessories and parts, and to this end Nilfisk will continue to focus on growth-driving investment in its service structure.

Furthermore, Nilfisk will continue to improve its product offerings through continued development of a competitive product range including shorter time-to-market launches. The company will reduce brand complexity including the announced change of the corporate brand name.

The Nilfisk SC450 is accommodating a strong global demand for basic scrubber-dryers with high functionality. This model was updated in 2014.

Similarly, the global supply chain transformation programme launched at end-2013 and aimed at improving and developing processes will further improve the customer delivery experience, while significantly reducing cost-to-serve and working capital.

Recognising the importance of a dedicated workforce to reach ambitious targets, Nilfisk continues investing in developing a commercially focused organisation.

Financial targets

Long-term financial targets will be defined as part of the new growth strategy. In general terms these targets are identified within the following ambitions:

- Above-market growth
- Increase of EBITDA margin
- Improved RoCE

MARKETS

The global market for professional cleaning equipment is estimated at around DKK 55-60bn annually. Nilfisk is one of the four leading suppliers with a combined market share of around 35%. The three main competitors are Tennant (US), Kärcher (Germany) and Hako (Germany). The rest of the market consists of more than 100 smaller local and regional players.

Nilfisk has sales entities in 45 countries around the world, and with the continued strengthening of its distributor network the company markets and sells in more than 100 countries globally.

Commercial Excellence roll-out

Early in 2014 Nilfisk launched a Commercial Excellence programme to increase market coverage and accelerate growth in key markets. Under this initiative, new tools and methods are being introduced aimed at improving sales and service effectiveness and enhancing customer satisfaction. The programme particularly focuses on three key elements:

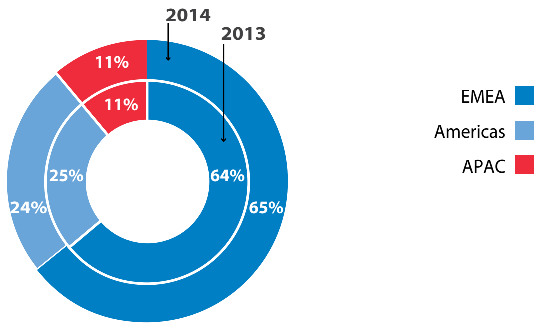
1. New tools to enhance cross-sales and to ensure that customers are offered the full product portfolio

2. Making service an integral part of the customer offering. More customers require high-quality service support, and this is being incorporated in an increasing number of solutions

3. New collaboration models that provide a systematic sales approach to both direct and indirect customers, the goal being to improve service and to address customer needs and requirements at an individual level.

The programme was launched in Germany and roll-out was initiated in France, US, Spain, Portugal and Sweden. In 2015 the roll-out will continue in the sales companies with supporting initiatives implemented in all sales units.

Sales by geography



EMEA

Strong organic growth of 8%

EMEA saw strong progress in 2014 with organic growth of 8% based on both the professional and consumer businesses. The growth was mainly driven by continued investment in the sales and service organisation to improve market coverage and presence. The positive development was realised across most markets, particularly in Eastern Europe. Nilfisk also capitalised on the moderate economic recovery in Southern Europe where strong growth rates were achieved in several markets.

Growth in several business areas

Industrial vacuum solutions and multifunctional outdoor equipment both performed strongly in 2014, with the latter achieving breakthroughs in several markets. Nilfisk's service business is well positioned, and more large orders led to strong organic growth. Growth in the consumer business was driven mainly by new DIY (Do-It-Yourself) chain contracts in Germany and France, and by the positive effect of new product launches.

Active player in industry consolidation

Over the course of 2014 a number of smaller acquisitions were made in EMEA; the acquisition of Arrow Supplies, a British dealer specialising in sales and service of commercial cleaning equipment, became effective at the start of the year and was followed in Q3 by Belgian dealer Gesco. In South Africa, the remaining 50% of Industroclean was acquired with effect from 1 January 2014, presenting a major opportunity to enlarge Nilfisk's presence in this region. Nilfisk continues to seek relevant acquisition opportunities.

AMERICAS

Moderate organic growth

Organic growth in the Americas was 3%. In North America, growth was mainly driven by industrial vacuum solutions and by both commercial and industrial dealers. This was attributable to focused sales initiatives, campaigns targeted at universities, and stronger collaboration between Nilfisk and dealers aimed at increasing market coverage. Price competition in the direct customer and institution segments increased, leading to a flat organic growth development.

Latin America delivered double-digit growth in 2014, particularly driven by the Brazilian market.

Divestment of floor-sanding activities

As part of the strategy to focus on core business areas and to reduce complexity, Nilfisk divested its high-margin floor-sanding activities in Q1 2014. The divestment influenced reported EBITDA positively by DKK 97m in 2014.

APAC

Increased competition impacted growth

Overall, development in APAC was characterised by continuing intensified competition in several markets, leading to a 2% negative organic growth in 2014.

China and several markets in South-East Asia experienced positive organic growth. In China, full-year organic growth was impacted by the loss of a few large key accounts and a decrease in large outdoor projects compared with 2013. This result was only partly offset by a strong 1st half 2014 driven by large outdoor orders for municipalities. The share of revenue from key account sales increased due to enhanced focus on direct service and nationwide service partnerships.

Across the region a tendency toward lower purchase in Nilfisk's key product segments was identified, leading to flat sales in several markets. In North-East Asia, several markets recorded negative organic growth due to a shortfall of large orders compared with 2013.

In Australia, growth continued to be impacted by the loss of a key distributor of consumer vacuum cleaners. This development was only partly offset by increased sales of professional products.

CUSTOMERS

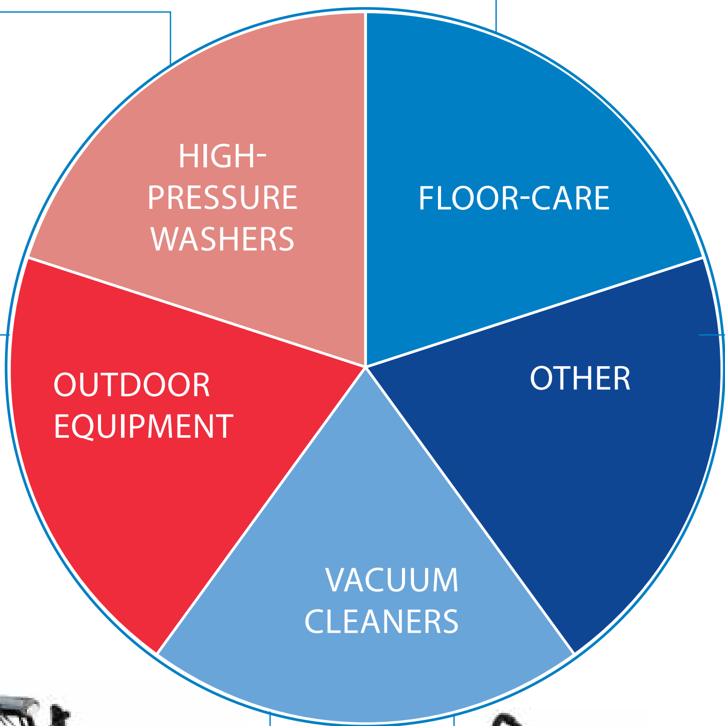
Nilfisk manufactures and supplies equipment and services primarily to the professional market, which is divided into commercial customers and industrial customers:

- *Commercial customers* comprise contract cleaning companies, institutions, organisations, public authorities, shops, hotels, healthcare, and businesses
- *Industrial customers* are companies involved in manufacturing, distribution, building and agriculture. Many of these customers in industries such as food and beverages, pharmaceuticals, and metalworking have specialised cleaning requirements

The private consumer market, which accounts for 10% of revenue, consists principally of domestic appliance dealers, retail chains and DIY stores.

E130.3 and **E140.3**. New versions of Nilfisk's Excellent range of high-pressure washers. All-round domestic models suitable for all types of medium to high-frequency tasks around the house, such as washing 4x4 vehicles, caravans and patios.

Viper **AS430/510** walk-behind scrubber dryer. A simple to use medium-sized model with improved work performance designed for mid-sized and heavily trafficked areas.



Nilfisk Smart - a battery-powered window washer that ensures streak-free cleaning of windows. The device sucks the water from the pane after cleaning. Window cleaning is noticeably easier and faster with Nilfisk Smart than with conventional methods.

Update of Outdoor **City Ranger CR2250**, the versatile and compact multifunction machine that can handle both green, black and white cleaning assignments all year round: Sweeping and vacuuming in spring and autumn, mowing grass and lawn-edge cutting in the summer, sweeping snow, and spreading gravel, salt and sand in the winter.

Nilfisk **GD930Q** vacuum cleaner. Launch of a new and updated version of the Nilfisk GD930 commercial vacuum cleaner with a significantly improved sound profile, making it ideal for daytime cleaning in noise-sensitive environments like offices.

VHW 320IC/420IC/440IC with InfiniClean automatic filter cleaning system. Multifunctional industrial vacuum cleaners to be used both as equipment of process machines and/or for cleaning and maintenance activities. Designed for the food, pharmaceutical and chemical industries.

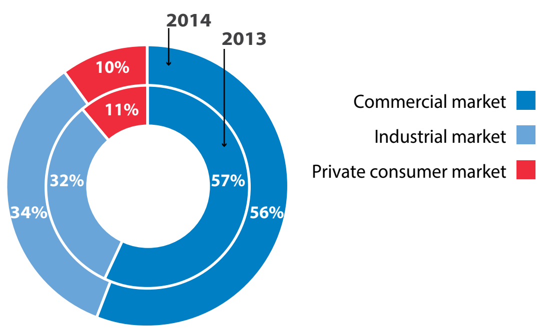
A total of 46 new products and product versions were launched in 2014, comprising 15 floor-care models, 18 vacuum cleaners, seven high-pressure washers, and six other units including outdoor equipment. In comparison, 41 new products were launched in 2013.

Nilfisk develops products targeted at specific customer needs and tests new innovative solutions capable of changing industry standards. Some 3% of revenue is spent on product development. There is a focus on sustainable product solutions that set new standards in power, water and detergent economy.

First-hand knowledge of customers

In 2014, as part of ongoing efforts to increase customer focus, Nilfisk completed a comprehensive and unique customer research project involving interviews with more than 3,000 customers in five countries and multiple customer segments. The purpose was to improve the understanding of customer behaviour and preferences during the pre-purchase process, provide first-hand knowledge of customer buying patterns, and strengthen insight into what drives customers' critical decisions. In the wake of this research project Nilfisk developed a new tool to provide a detailed understanding of segment size, focus, behaviours, and needs in key customer segments.

Sales by customers



Improved customer service

In 2014 Nilfisk continued to improve customer service by implementing a new IT system in its major European warehouse in Broendby, Denmark. Further improvements in terms of service and inventory performance and cost-to-serve development are expected to materialise in 2015.

Optimising customer satisfaction

Delivering best possible customer satisfaction remained one of Nilfisk's strategic focus areas in 2014. Net Promoter Score (NPS) is a customer survey tool which monitors customer feedback and triggers actions to improve customer satisfaction. A satisfactory NPS score was achieved.

32 countries are now part of the NPS programme and a number of new markets are expected to join in 2015. Primary focus is still on 'service recovery', i.e. ensuring that 98% of all dissatisfied customers are contacted within 48 hours. Increased focus on 'change based on NPS feedback' has led to NPS activities being discussed as a standard component in ongoing business reviews of all markets.

The overall analysis of customer satisfaction is supported by use of transactional NPS and yearly strategic NPS reviews in all markets, as well as by a global Customer Experience project initiated in 2014.

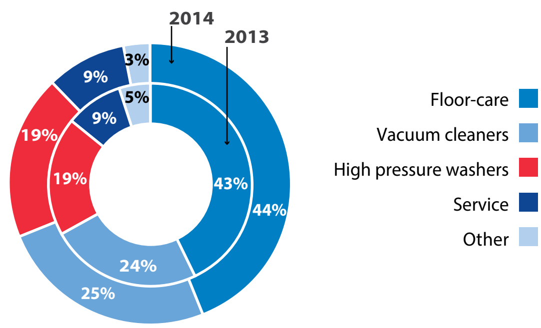
PRODUCTS AND OFFERINGS

Nilfisk has one of the broadest product portfolios in its industry, comprising:

- Floor-care equipment - sweepers, scrubbers, dryers, polishers, and carpet cleaners
- Vacuum cleaners - wet and dry use
- High-pressure washers - hot and cold water
- Outdoor equipment - sweepers, mowers, snow clearers, and multi-functional utility machines

Detergents, service concepts and spare parts are also marketed.

Sales by products



Global R&D function established

Product development is based at four competence centres located in Denmark, Italy, US, and China.

In order to promote a stronger global alignment and further improve performance within product development functions, R&D operations for floor-care equipment, vacuum cleaners and high-pressure washers have been consolidated within a joint organisational structure. This structure supports the need for cross product line cooperation and interaction with other global structures and processes with e.g. global quality. The new global R&D structure was initiated at the end of Q4 2014 to take effect from 1 January 2015.

Global service concepts launched

In 2014 Nilfisk launched a series of new service solutions to meet the needs of the professional cleaning customer. Quick and easy access to professional service is key to efficient cleaning operations, and extensive customer research has led to the development of three different service concepts to cater for different customer needs. Falling within the scope of the Commercial Excellence programme, the new concepts were introduced in selected European markets in 2nd half 2014 and will be rolled out globally in 2015.

The commercial vacuum cleaner Nilfisk VP600 was launched towards end-2014.
It has low energy consumption and improved usability due to a new modular construction.

PRODUCTION

The production of cleaning equipment takes place at Nilfisk's own assembly plants and is based on components sourced from an extensive network of suppliers. The main assembly facilities are located in Hungary, China, Italy, the US, and Mexico. Finished products are shipped worldwide from distribution centres in Denmark, Belgium, Germany, and the US.

Global optimisation of production and distribution structure

In 2014 continued focus was placed on production optimisation to improve the manufacturing set-up, increase overall efficiency and continuously improve flows and quality.

During 2nd half 2014 Nilfisk began increasing production at its Querétaro facility in Mexico by transitioning all production lines from Springdale, Arkansas, US. All Springdale production activities will wind down by the end of 2015 allowing Nilfisk to further streamline production and optimise logistics in Mexico where all quality processes and continuous improvement activities from both sites will also be united under one roof. Springdale production capacity will remain almost complete, as one line at a time is moved to Querétaro, ensuring that customers continue to receive the same high-quality products without interruption or delay.

Distribution of Viper products was relocated to the main US distribution centre in Springdale, and the former Viper facility was closed end-October. This transfer is part of an overall focus on optimised shipping solutions for customers, making it possible to order all floor-care products collectively and have them delivered and invoiced in one step.

Additional resources will be invested to upgrade and grow the Springdale distribution centre as the North American hub for distribution.

Large facility for industrial and outdoor equipment

Nilfisk also began transitioning outdoor equipment production from Eppingen, Germany, to its existing factory in Guardamiglio, Italy, the purpose being to create a significantly larger, advanced production facility for both industrial and outdoor equipment. Initiated in Q4 2014 the transition is expected to be completed in 1st half 2015. The Italian factory is a well-established manufacturer of floor-care equipment and has more than 10 years' experience with outdoor products, and the site infrastructure and competences available are fully capable of absorbing the increased production. The site is also equipped with an R&D outdoor equipment department to closely support production.

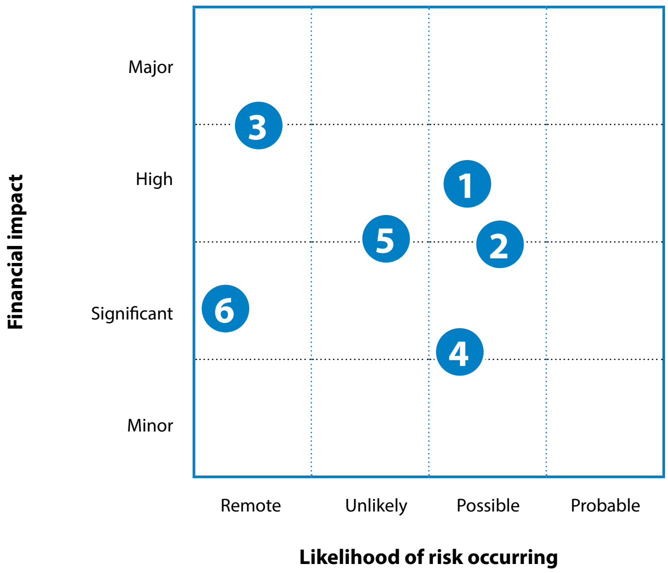
RISK MANAGEMENT

Nilfisk introduced a new risk management system in 2013 that was further improved in 2014. The system reflects a dynamic approach to risk management by protecting and promoting value. A total of 24 risk factors have been identified and prioritised according to likelihood and potential business impact. Early warning indicators have similarly been identified and mitigation activities defined and implemented.

Re-evaluation of risks already identified and identification of new risks are an integral part of the dynamic framework and are carried out at least twice a year. The re-evaluation process in 2014 has changed the primary risk map slightly. Five primary risks were identified in 2013. However, in 2014 a sixth primary risk - 'Significant loss of critical IT systems and data' was added due to Nilfisk's large dependency on IT systems within both sales and operations.

As detailed below, six of the total of 24 risks identified are defined as primary risks. The first three are rated as medium likelihood, the remaining three carrying a remote likelihood rating.

Risk matrix



	Risk	Monitoring	Mitigating action
1	Decreasing global demand will negatively impact earnings	Monitoring of relevant GNP forecasts, confidence indicators and order intake	Immediately scale down activities in line with predetermined action points to counter negative effects from decreasing global demand. The degree of recession will determine exactly which plans will be initiated
2	Significant market consolidation without Nilfisk participation could negatively impact market position	Continuous monitoring of M&A discussions in the industry. Evaluation of M&A activity compared with industry standard and competitors	Maintain high activity level in M&A discussions. Ensure that potential vendors include Nilfisk in relevant discussions. Re-orient marketing towards low-price/quality brands or pursue relevant acquisitions
3	Dependence on key suppliers can be a risk in the event of delivery issues, quality issues or price increases	Monthly monitoring and evaluation of sustained negative trends in key supplier performance	Key suppliers have been identified and risks are evaluated annually, based on critical parameters. Dual sourcing is selectively implemented and risk assessment is an integrated part of the category strategy development
4	Significant change in customer demand towards low-price products will impact earnings negatively	Continuous discussion and evaluation of early warning indicators at Board meetings	Re-orient marketing towards low-price/quality brands or pursue relevant acquisitions
5	Sustained operational breakdowns at manufacturing or distribution sites will negatively impact business continuity	Monitoring and correction of specific events identified as early warning indicators of operating issues, including system malfunctions, machinery breakdowns or tooling breakdowns	Response plans to the various risks have been defined, e.g. plans for temporary premises, relocation of production and direct shipment from production entities are in place
6	Significant loss of critical IT systems and data will negatively impact business continuity	Risks are continuously monitored based on guidance and experience from external advisors	Action plans are in place; for example, mirror sites have been set up with external partners, which enables immediate switching to redundant systems

NKT **Cables**




New CEO & management structure

NKT Cables Group Management:
Michael Hedegaard Lyng (CEO) (1), **Henrik Bøggild** (EVP & CFO) (2), **Detlev Waimann** (EVP HV & Projects) (3), and **Oliver Schlodder** (EVP Strategy & Specialties) (4). Group HR is also part of Group Management and the position is currently vacant.

Operational EBITDA up by DKK **149m**

Realised DRIVE savings DKK **169m**

2 new **major** submarine cable orders

2015 order book for large projects **almost full**

Strong cash flow; DKK **750m**

Financial highlights

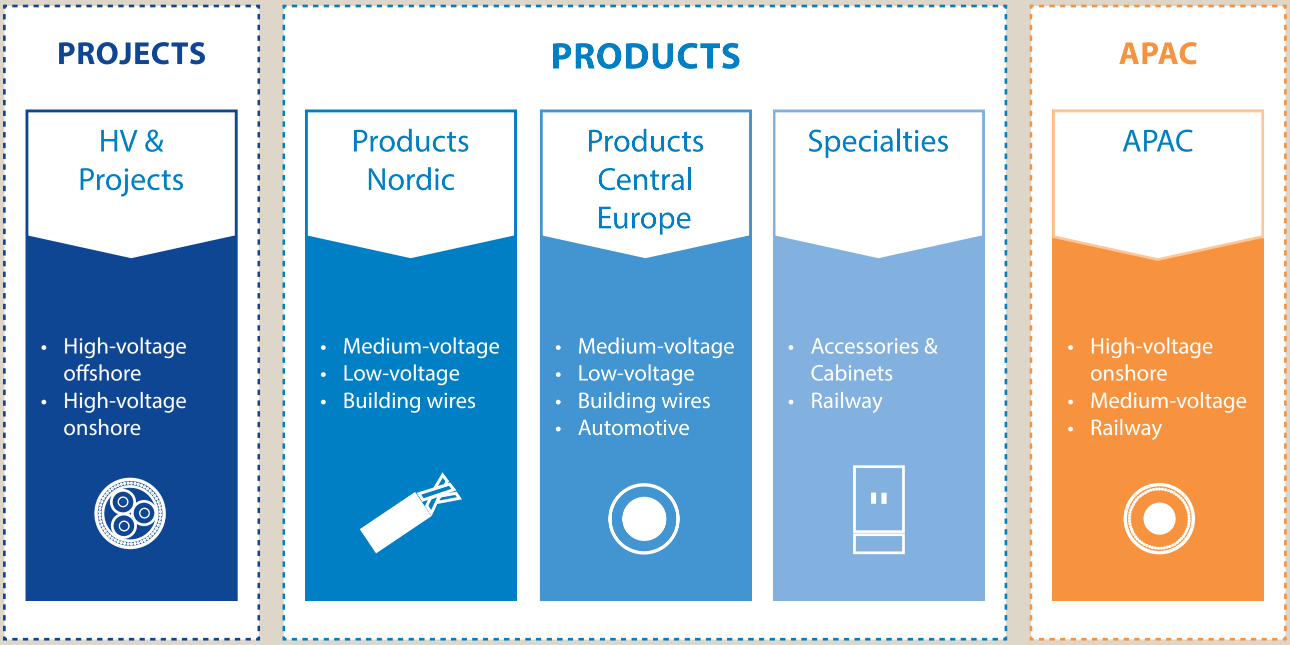
Amounts in DKKm	**2014**	**2013**	**2012**	**2011**	**2010**
Income statement					
Revenue	8,738	8,983	8,526	9,088	8,520
Revenue in std. metal prices	6,055	6,017	5,421	5,635	5,547
Operational EBITDA	484	335	290	182	329
EBITDA	179	372	290	182	329
Depreciation and amortisation	-296	-299	-292	-276	-221
Impairment	-12	-58	0	-61	0
EBIT	-129	15	-2	-154	108
Cash flow					
Cash flow from operating activities	955	-67	361	233	-528
Cash flow from investing activities, excl. acquisitions	-205	-215	-268	-369	-702
Free cash flow	750	-282	93	-136	-1.230
Balance sheet					
Capital employed	3,661	4,557	4,346	4,470	4,701
Working capital	967	1,681	1,282	1,452	1,856
Financial ratios and employees					
Gross margin	39.3%	37.7%	37.3%	34.4%	35.7%
Operational overhead ratio	34.1%	33.5%	33.0%	32.4%	31.1%
Operational EBITDA margin (std. metal prices)	8.0%	5.6%	5.3%	3.2%	5.9%
Organic growth	-5%	4%	-4%	1%	16%
Return on capital employed (RoCE)	4.2%	0.8%	0.0%	neg.	2.6%
Number of employees, year-end	3,211	3,560	3,395	3,503	3,490
Cash conversion	197%	-20%	124%	128%	-160%

NEW CEO AND REDEFINED BUSINESS STRUCTURE

In November 2014, Michael Hedegaard Lyng was appointed CEO of NKT Cables, replacing Marc van't Noordende. The appointment was prompted by the need to further accelerate the transformation of NKT Cables, including the implementation of the next phases of the DRIVE efficiency improvement programme. Michael Hedegaard Lyng has been with NKT for more than seven years as Group Executive Director & CFO of NKT Holding and has relevant insight into both the industry and NKT Cables.

NKT Cables' business structure has subsequently been simplified with the aim of speeding up decision-making, increasing transparency, and clarifying business line responsibility. All commercial activities are now organised in five business lines within the overall Business Unit structure.

Business line structure



2014 FINANCIAL HIGHLIGHTS

Revenue (std. metal prices) was DKK 6,055m, on par with DKK 6,017m realised in 2013. Nominal growth was 1%, of which 6% related to the acquisition of the Ericsson power cable business completed on 1 July 2013. This corresponded to a negative organic growth of 5% which was in line with expectations.

Organic growth

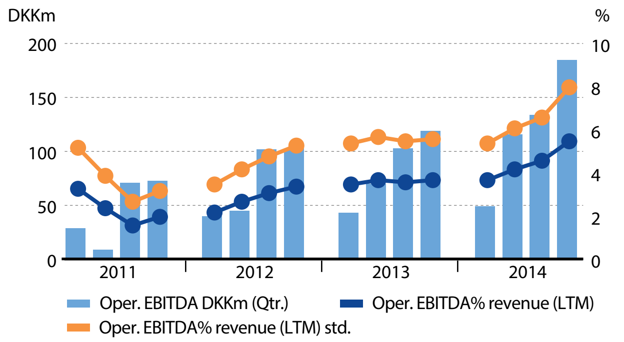
	2014
Projects	-12%
Products	5%
APAC	-24%
NKT Cables	**-5%**

Organic growth development
Organic growth was positively impacted by Products, but negatively influenced by Projects due to lower volume sales in the high-voltage onshore segment and less installation and civil work on offshore projects as reflected in the order book going into 2014. For APAC, the negative development should be seen against a strong 2013. That year was significantly influenced by the completion of a large Australian order and by very high sales in the Railway segment due to the catch-up effect from the construction moratorium in China.

Operational EBITDA impacted positively by DRIVE
Operational EBITDA increased to DKK 484m, up DKK 149m from 2013. This improvement was caused by DRIVE. Despite the challenging market conditions in the high-voltage onshore segment, operational EBITDA for Projects remained stable at 2013 level, which was also the case for APAC. NKT Cables managed, particularly in 2nd half 2014, to adjust its operating costs to the new market conditions.

After a significant increase in overdue debtors in China in 1st half 2014, the situation improved in Q3 and by year-end the counter-measures introduced showed satisfactory results. In total, bad debt provisions increased by DKK 16m in 2014.

Operational EBITDA



Reported EBITDA affected by one-off costs

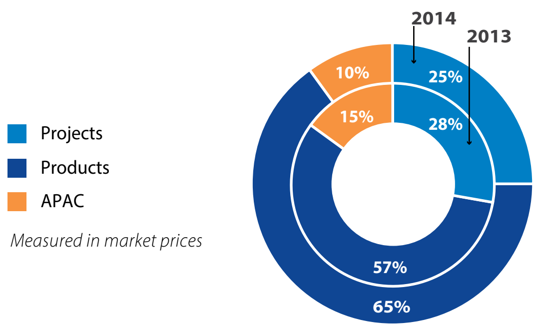
Reported EBITDA amounted to DKK 179m, compared with DKK 372m in 2013. The result was significantly impacted by one-off costs, predominantly relating to DRIVE. The one-offs totalled DKK 307m, comprising DKK 201m relating to DRIVE, a provision of DKK 75m for settlement of a three-year old claim on the Baltic 1 project, and DKK 29m for the fine received from the European Commission in April 2014.

Further details on the fine from the European Commission are found on page 9.

Working capital reduced by DKK 714m

In 2014 NKT Cables achieved a significant reduction in working capital, which at year-end amounted to 16.8% of revenue at market prices, down from 20.7% in 2013. This positive trend was evident in all three business units, but particularly in Projects which reduced working capital by DKK 624m. The reduction related mainly to large construction contracts which tied up a significant amount of capital in 2013. At end-2014 these contracts showed a normalised capital requirement, although substantial fluctuations can be expected in the range of DKK 500m. The reduction in working capital, combined with lower capital expenditure and the improvement in earnings, resulted in a free cash flow for the year amounting to DKK 750m.

Revenue distribution



BUSINESS STRATEGY

In 2014 focus was on implementing Phase 1 of DRIVE. The second phase, focusing on excellence, will be initiated in 2015, as described below. However, due to the recently changed management setup, NKT Cables will conduct a strategic business review in 1st half 2015, and the outcome is expected to be presented in the Q2 Interim Report in August 2015.

DRIVE

First-year results exceed expectations

At the end of 2013 NKT Cables launched DRIVE - a three-phased efficiency improvement programme aimed at improving the company's profitability and return on capital employed (RoCE).

DRIVE impact

	Cost improvements	FTE reduction	One-off costs	Capex
FY 2014 realised	~DKK 169m	271 FTE	DKK 200m	DKK 12m
FY 2015 expectations	~DKK 300m	~180 FTE	~DKK 120m	~DKK 40m
Full impact (from 2017)	**DKK 400m**	**450**	**~DKK 320m**	**~DKK 50m**
Initial guidance	*DKK 300m*	*400-450*	*~DKK 240m*	*~DKK 50m*

Phase 1 - Get Fit

The first phase focuses on cost efficiency improvements. Realised savings for 2014 were originally expected to be approx. DKK 100m, but due to a faster than anticipated implementation of initiatives this target was increased twice during the year, first to around DKK 130m and then to DKK 170m. The latter target was achieved with total realised savings of DKK 169m in 2014. The run rate end of the year was DKK 250m. The current market environment underlines the importance of DRIVE enabling NKT Cables to stay competitive within the market.

Potential further increased

The first year yielded valuable insights. This and the fact that the implementation is well underway and almost no savings slippage has occurred, have led to the identification of additional DRIVE measures. These new measures have increased the overall savings target to approx. DKK 400m per year going into 2017.

New cost efficiencies identified

New savings potential has been identified across a number of areas, such as maintenance and repair, further process improvements leading to white-collar productivity efficiency, and increased focus on reduction of cost of insufficient quality. Due to the target increase and the new measures identified, the implementation of DRIVE Phase 1, originally planned for completion in 2015, will extend into 2016.

Additional implementation requirements mean that total one-off costs related to DRIVE are expected to increase to approx. DKK 320m, against approx. DKK 240m as originally forecasted. Furthermore, the expected capital expenditures to be reached in 2016 were lowered to DKK 30m from DKK 50m as originally forecasted.

Phase 2 - Be Excellent

Improving NKT Cables' cost structure is the foundation for progression to DRIVE Phase 2, Be Excellent, which is ramping up in 2015. This phase will focus on achieving excellence while staying cost-conscious. Key elements are tender management and sales excellence. Tender management involves streamlining of processes and utilising resources more efficiently, while sales excellence will be achieved by developing and implementing a new sales and pricing strategy and governance across the organisation. Furthermore NKT Cables puts continued emphasis on implementing lean in operations as well as gain excellence in Group supporting functions such as finance, human resources and IT.

DRIVE programme - three phases

Phase 1

2014/15

GET FIT

Focus: Cost and profitability

- Reduce costs
- Reduce complexity
- Invest in excellence
- Focus the portfolio

Phase 2

2015/16

BE EXCELLENT

Focus: Excellence in all functions

- Improve sales and margins
- Excellence in production, sales and support functions
- Maintain cost focus

Phase 3

2016/17+

GROW FOR VALUE

Focus: Accelerate profitable organic growth

- Introduce new products
- Enter new segments

ELEMENTS OF OFFSHORE PROJECT MANAGEMENT

Revenue in NKT Cables' Projects business is strongly influenced by project type. Large offshore projects fall into two main categories:

1. Cable supply projects
2. Turnkey supply projects

A cable supply project comprises cable delivery and electrical installation work after the cable is buried. A turnkey project comprises cable supply and installation works (civil works) where NKT Cables is also responsible for the offshore installation process. For this part NKT Cables uses an external provider. This service leads to considerably higher revenue, a smaller impact on earnings but a potentially higher RoCE.

The various services linked to a typical project are listed in the table:

Typical project elements	Turnkey	Cable supply
Design engineering of cable and accessories	•	•
Design marine installation operations	•	
Production of cables and accessories	•	•
Logistics and storage of cable system	•	•
Laying and burial of cable system	•	
Electrical installation and jointing works for cable system on-/offshore	•	•
Final seabed survey along buried cable system	•	
Final hand-over of cable system	•	•

Impressive offshore project record

NKT Cables joined the offshore industry in 2010 with the final commissioning of its new factory in Cologne. The factory was built to meet the highest technological standards for high-voltage cables and to enable NKT Cables to enter this new market with a technological edge. Since 2010 more than 10 cable supply and turnkey projects have been completed or ramped up, bringing NKT Cables among the leading providers in the European offshore business.

A high-voltage submarine cable waiting to be loaded onto a cable-laying vessel, at NKT Cables' Logistics Centre at Rotterdam, the Netherlands

PROJECTS

NKT Cables' Projects business is strongly positioned in the European market for on- and offshore high-voltage power cables and accessories. The business delivered negative organic growth of 12% in 2014, primarily due to lower sales volumes in the high-voltage onshore segment and less installation and civil work on offshore projects.

Primary markets
UK, Germany, Denmark, Belgium, the Netherlands, and France

Customers
Transmission and distribution companies including E.ON, EnBW, RWE, RTE, Energinet.dk, ScottishPower, DONG Energy, TenneT, 50Hertz, and Vattenfall

Promising offshore market

In 2014 the EU implemented an energy policy which is expected to lead to the expansion of offshore wind energy and to an integrated European transmission grid with increased capacity and flexibility. One of the policy targets is to reduce domestic emissions by at least 40% in 2030 against the 1990 level. A decision to increase the renewable energy share of EU energy consumption to at least 27% by 2030 has also been made.

Therefore, the market environment for NKT Cables' offshore cables business remains promising. This perspective is based on positive results from offshore wind farms already in service and reliable subsidy regimes in several European markets. A number of projects are currently under development in European waters, both in core markets such as the UK and Germany, and along the coastal areas of Scandinavia, the Netherlands, Belgium and France.

Market characteristics

The offshore power cable market is characterised by a small number of suppliers, high entry barriers, project complexity, high levels of technology and know-how, and significant production and installation risks. The ability to deliver long cable sections without joints is an important competitive parameter as substantial installation work is thereby eliminated.

In this respect NKT Cables is strongly positioned, as its Cologne factory is specifically designed to meet these demands, and its logistics centre in Rotterdam provides a flexible storage and shipment facility. Main competitors are Prysmian (Italy), Nexans (France), ABB (Switzerland), General Cable (US) and LS Cable (South Korea).

Differentiation key to market challenge

Although the number of competitors is quite small and entry barriers are high, the market is currently suffering from overcapacity and resultant price pressure. The key to successfully overcome this challenge is differentiation and cost efficiency. Means to achieving this differentiation include sound experience with turnkey solutions, thorough understanding of customer needs, and technology advances. NKT Cables is well positioned to meet this challenge and further improvements are planned.

Satisfactory outlook

Market visibility is satisfactory and order prospects are positive, with potential for full capacity utilisation at the Cologne factory until 2016-2017. Although the order book for 2015 is almost full, a three-month period with low capacity utilisation is expected due to the timing of the production start for the Race Bank order described below.

Two major offshore orders in 2014

In 2014 NKT Cables was awarded two major high-voltage submarine cable orders: Gemini and Race Bank. The order for the Gemini offshore wind farm project comprises supply of more than 200 km of 220 kV high-voltage cable. Production is progressing to plan and the cable will be ready for scheduled installation in 2015. The order for the DONG Energy-owned Race Bank offshore wind farm comprises the supply of more than 150 km of 220 kV high-voltage submarine cable. The cables will be delivered for installation in two phases, in 2016 and 2017 respectively. The order is conditional upon DONG Energy making a final investment decision for the offshore wind farm.

Finalisation of offshore projects

NKT Cables completed one major offshore project in 2014. However, most of the revenue related to this project was accounted for in previous years when the cables were produced and installed. Work also continued on the supply of another export submarine cable project which is expected to be finalised in 2015.

Lean programme at Cologne factory

In 2014 a new Lean programme was launched at the Cologne factory to improve the stability of the production process and to increase overall profitability. The programme gathered pace with the start of the production for the Gemini project, being extended to all machines and processes involved. To date the programme has led to both efficiency improvements and an increase in process stability. Further benefits are expected as the programme progresses and is rolled out to comprise all machines and processes in the Cologne factory by end-2015.

Onshore projects with stable market volume

Market volume for the onshore business was stable in 2014, which is expected to remain unchanged during 2015. However, the market remains characterised by many small-size projects, and a change in customer base was also observed with utilities now carrying out fewer projects and with increased demand from the renewables sector.

In the Q3 2014 Interim Report NKT Cables announced receipt of a letter of intent for a mid-size contract to supply around 400 km of 170 kV underground cables for a project in Northern Europe. NKT Cables has now been awarded this project which consists of five sub-projects, NKT Cables supplying all five. The first two sub-projects are scheduled for manufacture and delivery in 2015, the remaining three being accomplished in 2016.

Extending and reinforcing the distribution network while constructing a new section of highway

PRODUCTS

NKT Cables is active in the markets for low- and medium-voltage cables as well as accessories, building wires, automotive wires, railway catenary and messenger wires. In 2014 Products realised organic growth of 5%.

Markets
Europe

Customers
Utilities and municipalities, renewables, electrical wholesalers selling to building industry end-users, along with a few national contractors. Specialist subcontractors to the automotive industry are also addressed by Business Line Central Europe.

For Railway: Owners and operators, and major railway contractors

Products Nordic

Ericsson's former power cable division in Falun, Sweden, became part of NKT Cables in July 2013, and 2014 was thus the first year in which this business was fully integrated with NKT Cables. The integration has been successful. The business plan underlying the acquisition and the synergy case were achieved and in some respects even exceeded. This success marks a huge step forward in NKT Cables' strategy of being the leading and most recognised cable brand in the Nordic region.

In 2014 the Nordic market was challenged by flat development in sales to utilities & municipalities. While some markets are expected to continue to generate medium-voltage infrastructure projects others are being saturated due to almost completely modernised medium-voltage grids.

Sales to the wholesale segment were also flat as construction activity remains very low. NKT Cables maintained an acceptable market share, principally through sales of the QADDY® drum trolley first introduced in Denmark in 2011. In 2014 the QADDY® was successfully launched in Sweden where NKT Cables gained market shares.

In 2015 focus will be on gaining further market shares, strengthening the NKT Cables brand in Sweden and further developing business operations in the UK, Finland and Norway.

Products Central Europe

Some of the main markets in Central Europe showed small signs of recovery in 2014, mainly based on flat development and in some cases a slight growth in construction activities (building wires and 1 kV cables). NKT Cables was successful as a reliable partner that delivers a high standard of service in terms of lead-time compliance, quality and related aspects. There are signs that the price pressure evident in 2014 is coming to an end, with prices in for example Poland improving slightly. In Germany, NKT Cables benefitted from successful marketing and supply chain initiatives, and outperformed the market growth in all segments.

In 2015 NKT Cables will continue to build on its reputation for reliability, for example by extending its existing Lean programme and by systematic monitoring of its logistic services providers. The aim is to gain market shares particularly in the utilities and municipalities, renewables and wholesale segments.

In the Automotive segment NKT Cables consolidated its market position in 2014 by maintaining stable sales volumes with key customers, while also gaining new mid-size customers. A high degree of service flexibility contributed to a satisfactory year. The outlook for 2015 for the automotive business is promising, and NKT Cables expects to maintain its market share. An expansion of the product portfolio is also planned for 2015-2016.

Specialties

In 2014 paramount attention was given to restructuring NKT Cables' accessories and cabinet business with a view to focusing sales operations and the product portfolio. In addition, the production facilities are the focus of a comprehensive lean process aimed at increasing production capacity and accommodating higher sales. NKT Cables is well positioned to meet the expected growth in demand in a number of focal European markets where customers have increasingly solution-based demands that combine supply of cables, accessories and services.

Railway product innovation

In 2014 the railway business was strengthened through the set-up of a dedicated sales force, introduction of a product development department and addition of marketing resources. As a result, NKT Cables has laid a good foundation for its European tendering activities. 2014 saw a number of successes in this regard with more expected in 2015.

A key differentiator in this market is NKT Cables' new Valthermo® contact wire material for application in rail systems, a cost-efficient alternative for AC/DC powered rail systems. In 2014, NKT Cables gained approval for Valthermo® from Deutsche Bahn and several other rail operators; a key step towards winning future market shares and volumes in key markets.

APAC

Due to strong competition caused by overcapacity in the Chinese cable industry, NKT Cables is focusing on niches arising from China's rapidly accelerating urbanisation, and on nearby countries which can benefit from production in a low-cost region. APAC delivered negative organic growth of 24% in 2014.

Primary markets
China, Australia, Vietnam

Customers
Railway: Railway owners, contractors and operators
High- and medium-voltage products: State Grid Corporation of China, China Southern Power Grid, industrial customers, and utilities

Market outlook

Growth rates in infrastructure spending in China continued to decline in 2014 and the rate of increase for fixed-asset and infrastructure investment is now at its lowest level in six years, naturally leading to a lower demand for cable products. In spite of this trend, the Chinese government made a substantial commitment to the railway network, e.g. inter-connecting cities, as urbanisation is considered a key driver for future growth by boosting private consumption. As a result, NKT Cables' railway business remained at a satisfactory volume.

Competition is tough, however, due to the decision made in 2012 by the Chinese government to open up the railway market. Previously, just six or seven cable suppliers were qualified to bid, whereas now more than 20 suppliers are allowed to submit offers, which leads to pressure on prices.

In 2014 the high-voltage cable market stabilised with no new competitor entries and some existing competitors ceasing to qualify as high-voltage suppliers. Also, the price level was the same as in 2013. None of these factors are expected to change in 2015.

The medium-voltage cable business is still characterised by overcapacity. The demand for high-quality cable continues to increase, providing an opportunity to reach a stable position in the high-end market segment. However, market behaviour remains quite unpredictable as data show that more than 70% of purchased medium- and low-voltage cables are not compliant with official standards and specifications.

Satisfactory visibility for 2015

NKT Cables' railway order book is at a satisfactory level while full capacity utilisation has not yet been reached. Already a key supplier to Chinese rail contractors, NKT Cables will actively pursue supply contracts for major electrification projects planned for 2015-2018 in a number of countries such as Mexico, Venezuela, Thailand and Russia. This step should be viewed in the context of the Chinese government's efforts to export its high-speed rail know-how to international markets. NKT Cables has already supplied railway cables for the Turkish Istanbul-Ankara high-speed rail project executed by the Chinese contractors CRCC and CCECC.

Outcome of strategic review process

In 2014 a strategic review of APAC operations was launched due to unsatisfactory business development caused by changes in market conditions. The aim was to identify a set-up that would increase value creation for NKT Cables - a well-recognised player in the APAC region with significant credentials such as being a market leader in railway wires, a full system supplier in the medium and high-voltage cables and accessories segment, and a premium-quality provider with a strong international brand.

Key findings from the strategic review confirmed many trends mentioned in previous financial reports:

- Attractive growth opportunities in China due to significant energy infrastructure investments and railway expansion plans Cable export opportunities from China to other countries in the APAC region - as well as supply of railway wires in China and to
- Chinese export projects
- Challenging market competition as a result of large regional overcapacity in certain market segments, e.g. medium-voltage and high-voltage. New market entrants, especially within the lowerspeed segments, has added price pressure on railway wires
- Difficult business environment due to lack of funding at regional government level, causing longer payment cycles and a favouring of domestic Chinese producers

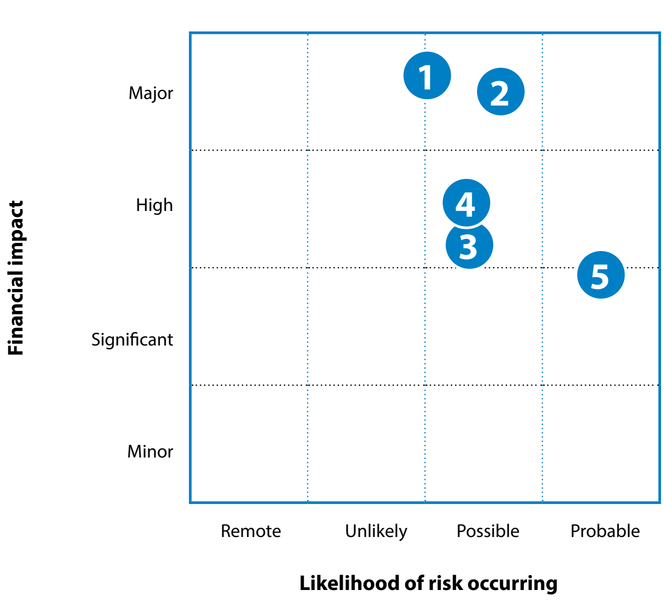
RISK MANAGEMENT

NKT Cables' risk management model was implemented in 2012 and has been improved further since.

The main adjustments include increased pro-activity in terms of risk response plans. NKT Cables recognises that in order to minimise the impact from a risk it is imperative that risk detection should be closely followed by the appropriate form of response, and this was the main agenda throughout 2014.

A number of separate risks have been identified for each of NKT Cables' business units. Some of these risks are current, and in these cases specific measures have been implemented that reduce the risks to an acceptable level. While the principal risks changed only slightly in 2014, NKT Cables found it necessary to amend the risk pertaining to APAC in order to reflect the actual risk profile of that particular business unit.

Risk matrix



	Risk	Monitoring	Mitigating action
1	**Projects** Number of high-voltage offshore orders	Continuous monitoring of order backlog for high-voltage offshore projects	Adjustment of capacity and costs. Focus on gaining high-voltage onshore orders which can partly mitigate a shortfall in high-voltage offshore orders
2	**Projects** Project execution risk	Major focus on risk management in all project phases (tender approval, start-up and execution)	Identified risks will be hedged to the maximum extent possible through insurance, contract provisions or pre-production testing
3	**Products** Macro-economic development in Europe	Monitoring of relevant GDP forecasts, confidence indicators and order intake	Adjustment of capacity and costs
4	**Products** Pressure on sales prices in certain markets	Monitoring of profit margin development by product group and country	Ongoing measures to optimise production and reduce cost prices. Active management of sales prices. Adjustment of capacity and costs if the above is not sufficient
5	**APAC** Price and competitive development in Chinese rail segment	Monitoring of order backlog, incl. margins. Monitoring of bid statistics for won/lost projects	Adjustment of capacity and costs, introduction of DRIVE measures in APAC in 2014

Photonics
Group

FiOPS
- new business launched in the US

Improved operational EBITDA, up **DKK 15m**

Strategic core business defined

Strategic alternatives for Fiber Processing activities are currently explored

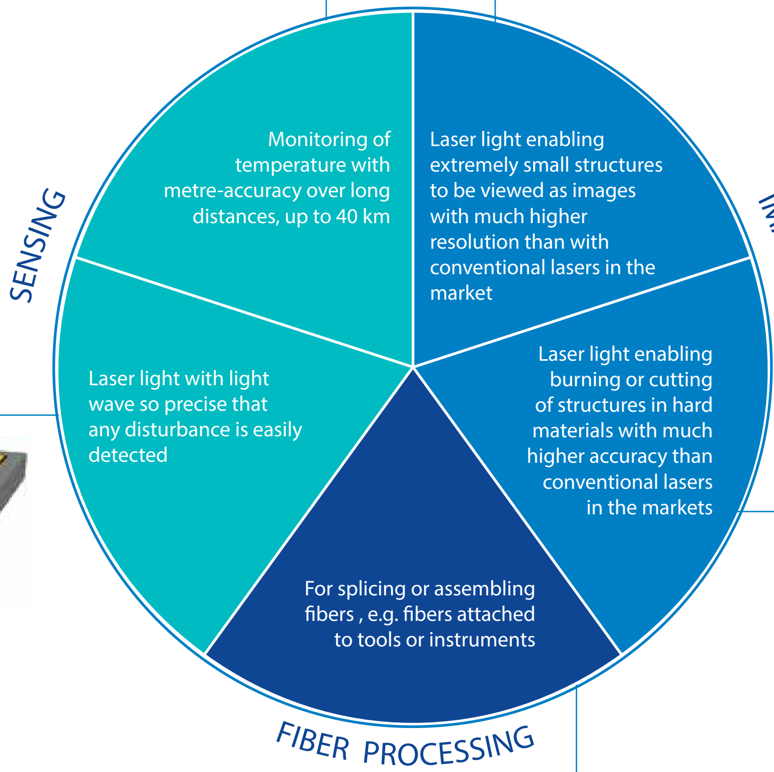
Photonics Group Management:
Søren Isaksen (Chairman) (1), **Jakob Skov** (CEO NKT Photonics) (2), **Thomas Oldemeyer** (CEO Lios Technology (3), and **Edward Connor** (CEO Vytran) (4)

Financial highlights

Amounts in DKKm	2014	2013	2012	2011	2010
Income statement					
Revenue	290	266	237	210	185
EBITDA	21	6	9	1	-11
Depreciation and amortisation	-22	-16	-17	-13	-12
Impairment	-4	-8	0	0	0
EBIT	-5	-18	-8	-12	-23
Cash flow					
Cash flow from operating activities	13	22	-10	-1	-31
Cash flow from investing activities	-24	-35	-27	-30	-21
Free cash flow	-11	-13	-37	-31	-52
Balance sheet					
Capital employed	201	200	210	183	172
Working capital	89	86	82	72	63
Financial ratios and employees					
EBITDA margin	7.2%	2.3%	3.8%	0%	neg.
Organic growth	9%	13%	10%	16%	14%
Number of employees, year-end	209	205	182	188	181

DTS - Distributed Temperature Systems
- Fire detection in tunnels and metros and leak detection in oil & gas pipelines
- Monitoring of power cables
- Optimisation of oil & gas production by detecting temperature gradients and flow directions

SuperK™ fiber lasers
- Microscopes and other measuring instruments: to view e.g. changes in early-stage cancer cells, or to perform eye inspection for early-stage diagnosis of serious diseases such as type 2 diabetes.
- Measuring instruments for the semiconductor industry



Koheras™ laser
Integrated in monitoring systems; to optimise oil production and exploit new offshore oil fields by monitoring seismic changes

AeroPULSE™ fiber lasers
Inspection of tiny structures in e.g. micro-electronics, or cutting detailed structures in e.g. computer chips

GPX - glass processing equipment
Manufacture of advanced fiber-optic components for e.g. lasers, endoscopes and optical sensors

2014 FINANCIAL DEVELOPMENT

Photonics Group's primary focus is to generate high organic growth rates and higher EBITDA margin. In 2014 revenue amounted to DKK 290m compared with DKK 266m in 2013, an organic growth of 9%.

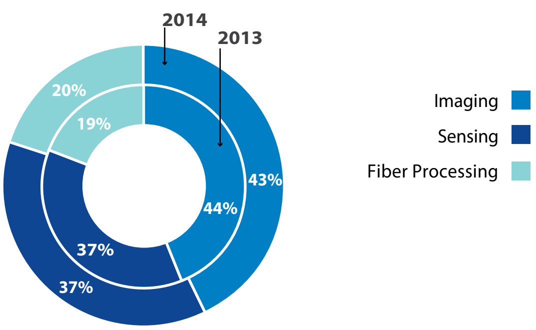
Organic growth

	2014
Imaging	5%
Sensing	11%
Fiber Processing	10%
Photonics Group	**9%**

In Imaging, growing interest in the SuperK™ range and the newly introduced AeroPULSE™ laser was reflected in a number of leads within the life science and the semiconductor industry. The continuous development of such leads is the key to sustainable long-term organic growth. In Sensing a series of investment measures were launched aimed at creating a more sustainable and long-term growth platform. These included the establishment of FiOPS, a specialist pipeline service business in North America. In Fiber Processing the turnaround process initiated at end-2013 has led to a leaner, more streamlined organisation that delivers improved customer support in the form of faster order execution and service.

EBITDA amounted to DKK 21m compared with DKK 6m in 2013, and was positively influenced by improved operational leverage and focus on cost efficiency. The EBITDA margin was 7.2% against 2.3% in 2013.

Sales by segments



CHANGE OF MANAGEMENT STRUCTURE

At end-March 2015 Søren Isaksen will step down as Chairman of Photonics Group. The position will not be refilled, and the responsibilities will be administered by the Photonics Group committee appointed by NKT's Board of Directors.

BUSINESS STRATEGY

Photonics Group has focused its business strategy for each of the three segments.

For Imaging and Sensing focus will be on two business sectors: Life science (Imaging) and energy (Sensing). The strategy for the two segments includes an ambition to provide more complete solutions for end-customers, e.g. full optical measurement systems for the life science research community rather than the light sources currently supplied, and full monitoring solutions for the energy sector compared with the temperature measuring systems sold today.

While Photonics Group will continue serving its customer base also in other sectors, future investment in new businesses and products will be focused on a deeper penetration in selected areas of the life science and energy sectors.

For Fiber Processing the turnaround process initiated at end-2013 is progressing well and will be completed in 2015. Consequently, NKT has decided to initiate a process to explore strategic alternatives for the future development of this segment. The aim is to establish whether or not NKT is the best owner to undertake this development.

IMAGING

The imaging technologies marketed by Photonics Group enable the production of laser light for viewing extremely small structures, for burning or cutting very precise structures in hard materials, or for studying a larger number of cell types. The products are typically sold in the life science and semiconductor industries and for a broad range of scientific applications.

Photonics Group's products typically facilitate newer technologies and significantly better performance than competing products based on conventional technologies. In 2014 closer collaboration was successfully developed with blueprint players who plan to implement the technology in their future product range.

Market potential

The market addressed by Photonics Group's current Imaging portfolio is estimated at around DKK 1.3bn. Increasing costs in the healthcare sector are leading to a growing demand for earlier diagnostics. Core technologies provided by Photonics Group can play a vital role in creating improved diagnostic solutions.

SuperK™ lasers

For many years the scientific value of SuperK™ lasers has been recognised by global leading universities. Continuing to grow significantly in the microscope markets, SuperK™ is the laser vehicle in many STED (STimulated Emission Depletion) microscopes, for which the inventor received the Nobel prize in 2014. In 2014 Photonics Group's biggest OEM customer renewed a frame contract that covers the next 18 months. This is the largest single order to date.

AeroPULSE™ lasers

AeroPULSE™ lasers were introduced by Photonics Group at the Photonics West fair in early February 2014 and have attracted considerable interest. The quality of the laser beam is vital for purposes such as high-precision cutting in hard materials, for example the glass used for smart phones and tablets. A number of AeroPULSE™ laser systems were supplied to industrial customers in 2014 and increased sales are expected in 2015.

SENSING

The Sensing segment specialises in systems, products and laser components which enable critical parameters such as temperature and disturbances to be monitored over distances of up to 40 km, but with metre-specific detection of irregularities or breaks.

Market potential

The current market addressed by the company's Sensing portfolio is considered to be around DKK 1bn. However, the potential of the types of systems marketed by Photonics Group is estimated to be much higher as the technology is still new to many industries.

DTS - Distributed Temperature Systems

Photonics Group has installed more than 3,500 DTS units globally and is a leading supplier of fire detection applications and power cable monitoring systems. In 2014 the company's Chinese operation was expanded with a service department to deliver improved support in this key market. Based on the establishment of a number of new metro systems worldwide, strong organic growth was recorded in sales of fire detection applications. DTS sales to the oil and gas industry and sales generally to Russia slowed somewhat in 2nd half 2014, leading to flat organic development compared with 2013.

FiOPS - new business venture

In 2014 a new business, FiOPS (Fiber Optic Pipeline Solutions), was started in Texas, US, to supply leak detection systems for onshore oil and gas pipelines in North America. FiOPS will focus on delivering more complete solutions and targeting end-customers, and activities will include engineering, installation and service of monitoring systems. Several companies have already indicated interest and dialogue is in progress regarding projects.

Koheras™ lasers

At component level, Photonics Group markets Koheras™ fiber lasers primarily to the oil and gas sector. The lasers are build into monitoring systems for oil and gas pipelines and for optimising the recovery of fossil fuel in reservoirs. Sales in 2014 included supply of a large number of Koheras™ lasers for a sizeable offshore oil and gas reservoir in Brazil. Recently released data shows an improvement in recovery far exceeding expectations. Koheras™ lasers are also used in devices such as atomic clocks and spectrometers. Sales in this part of the Sensing business increased particularly in China, leading to high organic growth.

In 2014 Photonics Group introduced a complete package for power cable load optimisation that provides improved utilisation of power capacity. Such supply of more complete solutions will enlarge the addressable market as well as build a more sustainable market position.

FIBER PROCESSING

Photonics Group's portfolio of high-precision equipment can be used to produce advanced fiber-optic components for applications such as lasers, endoscopes and optical sensors.

Market potential

The current addressable market for the company's high-end fiber processing equipment is estimated at approx. DKK 0.7bn. This is expected to grow in the next few years, as specialty fibers continue to be utilised in novel ways to enable the production of less expensive and more effective optical components and systems. Most product markets realised organic growth in 2014. The markets in the US and China performed well, and at year-end 2014 signs of recovery were also seen in Europe.

The turnaround process initiated in late 2013 has resulted in a more streamlined structure. Lead and service times have been shortened and overheads reduced. In 2014 new development activities were initiated and accompanied by new offerings, and more are due early 2015. The turnaround process is planned for completion in 2015 and primary focus will be on organic growth based on new product introductions.

PHOTONICS GROUP LASER ESSENTIAL IN MICROSCOPE BASED ON NOBEL PRIZE WINNING TECHNIQUE

In 2014, Stefan W. Hell, Eric Betzig, and William E. Moerner were awarded the Nobel Prize in chemistry for the development of super-resolution fluorescence microscopy. The technique allows study of very tiny structures and cells in microscopes through creation of high-resolution images.

The technique is based on a STED (STimulated Emission Depletion) principle commercialised and further developed by Leica Microsystems, whose latest generation of STED microscopes are enabled by the SuperK™ laser from Photonics Group. The SuperK™ supports the microscopes with the highest image resolution achieved in a commercial system and the best discrimination between features in the samples. All together for the benefit of investigating virus in live cells, cancer and neuroscience research at an unprecedented resolution.

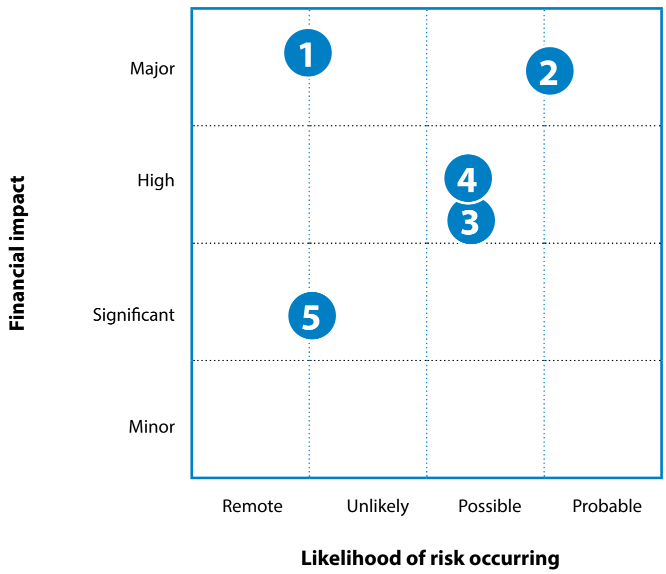
RISK MANAGEMENT

Photonics Group's transition from focus on R&D towards a mature and more commercialised product orientation calls for increased attention to be paid to management of risks and opportunities.

Photonics Group continuously reviews its ERM model so that risk management is at all times one step ahead of the company's size and complexity. This is imperative as strong growth is seen in sales to commercial customers, imposing greater demands on risk management.

A number of risk factors have been identified and prioritised according to likelihood and potential business impact. The key risks are shown in the diagram and described in the table below.

Risk matrix



	Risk	Monitoring	Mitigating action
1	Slower market acceptance of technologies than anticipated	Maintain close dialogue with OEM customers and track their ability, commitment and speed at market penetration	Focus on having customers finance the development of specialty products, and on keeping fixed costs low until a larger customer base is established
2	Current market leaders find alternatives to Photonics Group that enable them to compete with new technology	Track the moves of both market leaders and customers	Ongoing development and improvement of offerings, and protection by patents, etc.
3	Increased low-cost competition from Asia	Track the actions of players inside and outside Asia	Maintain a strong IP position and fight potential infringements. Ensure cost efficiency and thus ability to compete also on price, and continuously improve performance to stay ahead
4	Slowdown in the oil and gas sector and in Russian business	Track sales and customer responses in these areas and monitor developments in oil price as well as the political climate vis-à-vis Russia	Balance sales force and development activities to meet expected actual need in oil and gas sector
5	Uncertainty about stability of performance and market position in Fiber Processing	Track the results trend in Fiber Processing and maintain close dialogue with segment management	Strengthen innovation to enable attractive new solutions to be offered, and help potential customers find specific solutions to their needs

Risk management

A layer of copper foil added to offshore cables during a stage of the manufacturing process

Risk management remained high on the management agenda in 2014 as a vital **part of NKT's value creation aspirations**. NKT believes that a proactive and proven Enterprise Risk Management model is **imperative for navigating** in a world characterised by volatile and opaque market conditions

NKT's Enterprise Risk Management model proved that it is a valuable tool during 2014. NKT successfully navigated the risks and opportunities encountered during the year, despite the fact that economies all over the world lack predictability and that volatility is becoming the norm in everyday business. Focus on risk management played a key role in the increased earnings, and following the fundamental changes made in 2013, the ERM model performed well in the demanding business environment of 2014. In this respect it should be noted that the claim relating to the Baltic 1 offshore cable project and the fine imposed by the European Commission, which both impacted 2014 EBITDA, date from before the current risk management model was developed.

ERM model ensures ongoing risk evaluation

The overall framework of the ERM model is unchanged from its introduction in 2013. The fact that the design of the model contains a feature which continuously and systematically evaluates both new and existing risks renders it robust and able to cope with the changing business environment that NKT's business units face on a daily basis. The management team of each business unit continuously monitors the risk profile and takes action as appropriate.

Further details on risk management in the business units are found on pages 24, 32 and 37.

A good example of the model's ability to integrate new risks is the changes made to the Nilfisk risk map in 2014. As the risk profile changed during the course of the year, these changes were consistently reflected in the risk mapping. NKT Cables too has modified its risk mapping model; in 2014 focus was placed on improving the company's response plans to make them more proactive and thereby pre-empt the issues before the risks actually materialise.

Allocation of responsibility and the Board of Directors' involvement

The allocation of responsibility for risk management in NKT did not change in 2014. The responsibility rests with the business unit managements, while close monitoring is largely carried out by the Audit Committee and the business unit committees.

Further details on Audit Committee tasks are found on page 43.

Risk categories

Operational factors, such as market risks, customer risks, technology risks and other risks directly associated with the businesses, are monitored by the business unit managements. NKT Holding, in cooperation with the business units, handles compliance risks, such as tax and general legal matters. The same applies to financial risks which include risks relating to currency, interest rates, credit, liquidity and raw material prices.

Cyber security

In the course of 2014 NKT carried out a cyber security assessment in two of its business units, while an assessment of the third is planned for Q1 2015. The intention is to determine the risk of disruption to operations or loss of critical information in case of cyber attacks. NKT's exposure is assessed as relatively low, and appropriate internal controls and contingency plans are in place to mitigate consequences of such attacks.

Further details on financial risks are found in Note 6 on page 92.

CASE STUDY: NKT CABLES' MANAGEMENT ON METAL PRICE RISK

Every year NKT Cables purchases substantial amounts of copper and aluminium. These metals are used in all the cables made by the company. Metals account for up to 80% of cable value and an effective hedging policy for metal price exposure is therefore essential to stabilise and maximise profitability.

Sourcing

Copper and aluminium are sourced from large European and Chinese metal suppliers. The almost daily deliveries are planned as close to the production schedule as possible, preventing significant build-up of metal stocks at NKT Cables.

Metal price exposure

It is common practice with low and medium-voltage products that metal price changes are reflected in the customer's final invoice. The price adjustment clauses leave NKT Cables with no or modest metal price risk, which in the latter case may require additional hedging by means of financial instruments.

In high-voltage submarine cable projects and certain railway projects governed by conditions of tender, the tendered cables price may be adjusted according to the actual metal price on the day the tender is awarded. This means that NKT Cables knows its final invoice price and can use financial instruments to hedge its metal price exposure from award date to production date.

While NKT Cables is exposed to other types of metal price risks, contracts with price adjustment clauses and situations subject to tender conditions represent the majority of the company's metal risk management cases.

Hedging of metal price

Since approx. 50% of NKT Cables' metal price exposure is neutralised by price adjustment clauses, financial derivatives are used to hedge around 50% of the metal volumes purchased annually.

Investor Relations

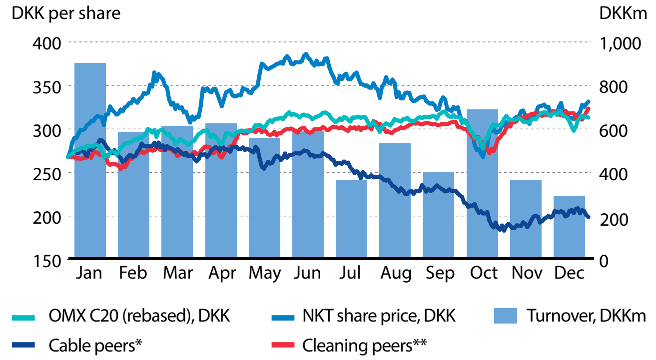
NKT SHARES

NKT shares are listed under ID code DK0010287663 on the Nasdaq Copenhagen stock exchange and are among the 30 most traded shares.

NKT's share price rose by 24% in 2014, ending the year on DKK 331.50. At 31 December 2013 the share price was DKK 267.6. During the same period the C20 CAP index rose by 18%. Including the effect of a dividend payment of DKK 3.5 per share made in March 2014, the increase in value of the NKT share was 25%.

In 2014 the daily turnover in NKT shares on all trading markets averaged DKK 44m, against DKK 29m in 2013. The total turnover was DKK 11bn compared with DKK 7.3bn in 2013. An average of 133,000 NKT shares was traded daily in 2014, against 127,000 in 2013. Nasdaq Copenhagen is the main trading market for NKT shares with 44% of the total traded volume. However, NKT shares are also traded on alternative trading platforms through over-the-counter and non-transparent trading.

NKT share price and turnover 2014



* *Cable peers are: Nexans S.A., Prysmian S.p.A., and General Cable Corp.*

** *Cleaning peers are: Husqvarna AB, Stanley Black & Decker, Inc., Tennant Company, and the Toro Company.*

The share capital of NKT Holding A/S amounts to DKK 479m, corresponding to 23.9 million shares each with a nominal value of DKK 20. NKT has one share class and no shares have special rights.

The Annual General Meeting has authorised the Board of Directors to increase the share capital in four different situations.

Further details on share capital are found in Note 6 on page 89.

Dividends

Part of NKT's strategy is to give shareholders a stable and consistent return on their investment, and at the same time reinvest profit in the Group's future development and growth. The strategy provides for a yearly total dividend payment of around one third of the profit for the year when the financial leverage allows it.

A dividend of DKK 4 per share will be proposed at the Annual General Meeting on 25 March 2015, a total dividend payment of DKK 95.7m, corresponding to 34% of the profit for the year.

Shareholders

At end-2014 NKT had approx. 27,200 shareholders, approx. 15% less than the year before. Approx. 21,000 (2013: 24,100) were registered, and the registered share capital comprised 88% of the total, compared with 86% in 2013.

Shareholder categories

	31.12.14	31.12.13
Institutional investors, Denmark >DKK 1m	19%	11%
Institutional investors, outside Denmark >DKK 1m	38%	40%
Other registered shareholders, Denmark	28%	25%
Other registered shareholders, outside Denmark	3%	10%
Unregistered shareholders, Denmark	8%	11%
Unregistered shareholders, outside Denmark	4%	3%

The following investors have reported NKT shareholdings exceeding 5% of the share capital: ATP (Denmark), EdgePoint Investment Group Inc. (Canada), Nordea Invest (Luxembourg), and Nordea Funds Oy, Danish Branch.

All NKT's share capital is considered to be free float, and from information available at end-2014, 55% of the share capital, against 47% in 2013, was estimated to be held by shareholders in Denmark while 45% compared with 53% in 2013 was held by foreign investors.

Further details on share capital-related matters are covered in Article 3 II of NKT's Articles of Association, cf. www.nkt.dk/Investors

Board of Directors and Group Executive Management holdings of NKT shares

At end-2014 the members of the NKT Board of Directors held a total of 9,330 NKT shares, corresponding to a total market value of DKK 3.1m. The Group Executive Management held a total of 25,089 shares, corresponding to a market value of DKK 8.3m. The Group Executive Management also held a total of 196,940 share warrants exercisable in the period 2015-2019.

Further details on warrants are found in Note 3.4 on page 71.

The Board of Directors acquired a total of 285 shares in 2014.

Members of the Board of Directors and the Group Executive Management are included in the NKT register of persons deemed to possess inside knowledge and they are therefore required to disclose their NKT share transactions. Such persons along with their spouses, partners, children and other household relatives may only transact NKT shares during a period of six weeks after publication of financial statements, provided that other insider regulations are complied with. The period of six weeks also applies to other announcements disclosing realised earnings and expected earnings development.

Details on the number of shares held by the individual members of the Board of Directors and the Group Executive Management are found on page 46-48.

INVESTOR RELATIONS

NKT aims to maintain a high and consistent level of information and to be proactive and open in its communication with stakeholders. At the release of interim and annual reports an investor presentation is conducted at a live audiocast. Financial analysts, investors, media and other stakeholders are invited to listen in and ask questions concerning the NKT Group.

In addition, NKT's Group Executive Management, business unit Managements and Investor Relations representatives meet with a number of stakeholders at approx. 200 annual meetings and roadshows worldwide. Private investors are invited to meet the Board of Directors and Group Executive Management at the Annual General Meeting. NKT also hosts Capital Market Days at various intervals.

NKT's website includes an Investors' section containing current and historical share information and where interested parties can also subscribe to NKT news releases. A list of financial analysts who monitor the development in NKT shares is also available from the Investors' section at www.nkt.dk

FINANCIAL CALENDAR

2015

25 March	Annual General Meeting
13 May	Interim Report, Q1
20 August	Interim Report, Q2
12 November	Interim Report, Q3

2016

26 February	2015 Annual Report

INVESTOR RELATIONS

Lasse Snejbjerg
VP Group Development & External Relations
Tel.: +45 4348 2000
Email: ir@nkt.dk

Corporate **Governance**

Corporate Governance and transparency are **key elements in NKT's business practices** and are continuously assessed to match the Group activities

MANAGEMENT BODIES

The NKT Group's management structure consists of the Board of Directors, the Group Executive Management and the management teams of each business unit.

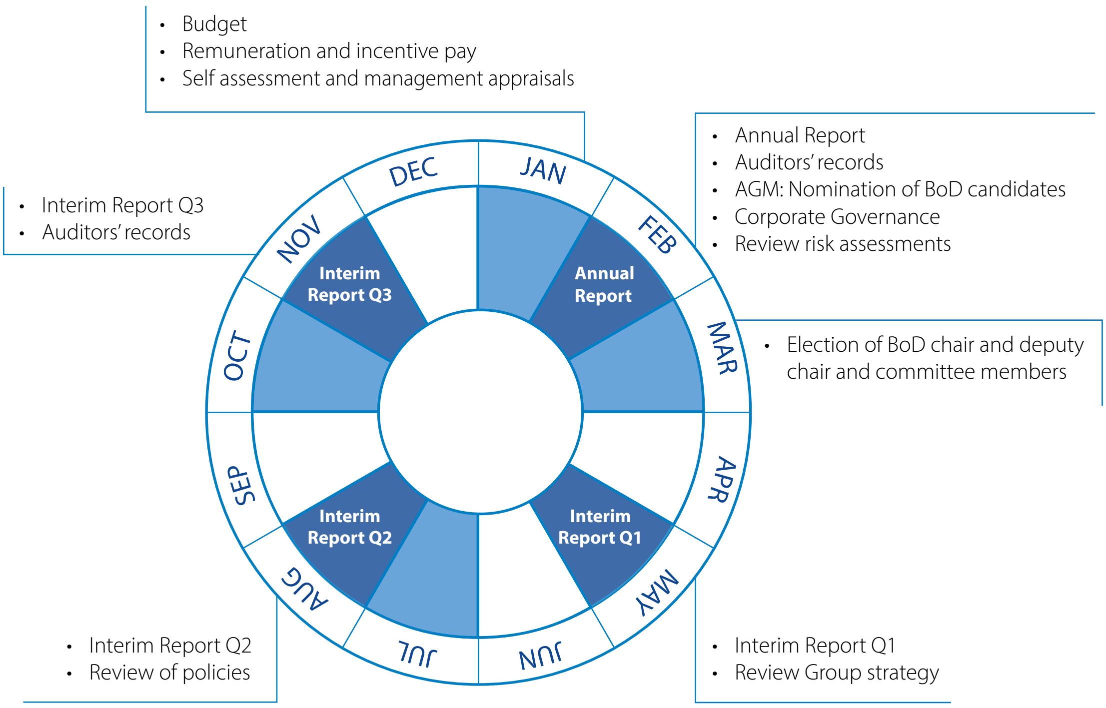
Further details on NKTs Group structure are found on page 12.

The Board of Directors

The Board of Directors consists of nine members. Six members are up for election every year at the Annual General Meeting and three are employee-elected members serving four-year terms. The employee-elected members comprise one woman and two men, while the AGM-elected members comprise one woman and five men. Of the six AGM-elected members, four live in Denmark, one lives in the UK, and one in Switzerland.

The Board of Directors represents international business experience in the areas of industry, energy, high technology, and business development, and is considered to possess requisite competences and seniority. A minimum of six ordinary Board meetings are held annually.

Work of the Board of Directors - key elements



Standard agenda: At every meeting a full report on financial and operational developments is presented by each business unit.

Group Executive Management

NKT's Group Executive Management consists of Group Executive Director & CFO Michael Hedegaard Lyng. He holds the responsibility for all Group Functions within NKT Holding. The holding company is operated as centre of excellence and hosts specialist services concerning Investor Relations, compliance, treasury, indirect procurement, finance, and legal matters.

Further details on the Board of Directors and the Group Executive Management is presented on pages 46 and 48 respectively. Business unit management teams are presented on pages 16, 25, and 33, respectively.

Committees

The Board of Directors has appointed a chairmanship and a total of six committees. All committees report to the Board of Directors.

Committee members

Committee	Members	Meetings
Chairmanship	Jens Due Olsen (Chair), Kristian Siem	8
Audit[1,2]	Lone Fønss Schrøder (Chair), Jens Maaløe	7
Remuneration[1,2]	Lone Fønss Schrøder (Chair), Lars Sandahl Sørensen	4
Nomination[1,2]	Kurt B. Pedersen (Chair), Lars Sandahl Sørensen	2
Nilfisk[2]	Jens Due Olsen (Chair), Lars Sandahl Sørensen	12
NKT Cables	Jens Due Olsen (Chair), Kristian Siem	10
Photonics Group[2]	Jens Maaløe (Chair), Jens Due Olsen	5

1: Complete terms of reference can be found at www.nkt.dk
2: Also attended by Michael Hedegaard Lyng, NKT Group Executive Director & CFO

Audit Committee

The purpose of the Audit Committee is to analyse and recommend on topics which are to be resolved by the Board of Directors. Principal tasks are:

- To monitor the financial reporting process as well as compliance with existing legislation, standards and other regulations for listed companies relating to presentation and publication of financial reporting
- To monitor whether the company's internal control system, internal audits and risk management systems function efficiently
- To monitor the statutory audit of the annual financial statements
- To monitor the independence of auditors, including in particular the supply of non-audit services to the NKT Group
- To make recommendations to the Board of Directors concerning the election of auditors

The work of the Audit Committee is described in the terms of reference available at www.nkt.dk and is formalised in an annual plan approved by the Board of Directors. The principal components of the plan are shown below.

Work of the Audit Committee

Besides the fixed components the meetings have the following agenda:

APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR

APR
- Establishment
- Annual plan for the Audit Committee

MAY
Review Interim Report Q1

JUN
- Review selected accounting issues
- Audit strategy
- Tax policy and compliance
- EuroSox planning for the next 12 months

AUG
Review Interim Report Q2

OCT
- Discussion of fraud risks
- Review results of interim audit procedures
- Reporting on effectiveness of internal controls (EuroSox) for 1st half-year
- Audit engagement letter and fee estimate for the following year
- Succession plan for key finance personnel

NOV
Review Interim Report Q3

JAN
- IT risks and efficiency of IT general controls
- Effectiveness of internal controls (EuroSox) for 2nd half-year

FEB
- Review Annual Report
- Result of year-end audit procedures
- Auditors' supply of non-audit services

Standard agenda for review of Interim Reports
- Discussion of Interim Report
- Accounting policies and accounting estimates
- Assumptions for 'Expectations for the year'
- Recommendations to the Board of Directors

Discussed throughout the year
- Compliance with financial reporting legislation
- Compliance with treasury manual
- Whistleblower reporting

Monitoring of internal controls and risk management systems for financial reporting

NKT's risk management and internal control systems for financial reporting are designed to ensure that the financial reporting gives a true and fair view of NKT's result and financial position, without material misstatements and in compliance with current legislation and accounting standards.

Framework

The Audit Committee and the Group Executive Management systematically assess material risks relating to the financial reporting process, as well as compliance with related key internal controls. The Audit Committee reviews the scope of the internal control framework, also referred to as EuroSox, in June each year, and monitors the efficiency of the internal controls in October and in January.

The EuroSox framework in NKT is designed to reduce material risks in the financial reporting process and covers all material entities in each of the business units. More than 90% of the Group's revenue is covered by the current scope of the framework. The remaining entities that are outside this scope are considered immaterial with regard to the risk of material errors in the Group financial statements.

The EuroSox framework is furthermore designed so that the key controls cover all major financial processes in the material subsidiaries of each of the business units.

Scope

In 2014 NKT continued its work related to strengthening the EuroSox framework, and Photonics Group and NKT Holding (the parent company) were also included in the scope. Furthermore, standardised IT general controls have been implemented in NKT Cables and Nilfisk, and the reporting of the efficiency of these controls has been integrated in the existing EuroSox reporting system.

The number of entities within the scope of EuroSox is considered adequate, and in 2015 NKT will focus on increasing the efficiency of internal controls in selected entities. The key controls applied in each business unit are reviewed on a continuous basis with a view to maximising the effect of the control activities and minimising the resources required to properly carry out and document the controls.

In 2015 NKT will furthermore increase the number of tests conducted in the internal controls so that at least once every three years all key controls are tested in entities included within the scope of EuroSox. The tests can be carried out either by Group controllers independent of the entity being controlled, or NKT can rely on tests performed by external auditors.

Compliance

The Audit Committee performs general supervision of compliance with policies and guidelines related to risk management, financial reporting and business ethics. This includes i.a. accounting policy, treasury and metal hedging policy, tax policy and the Ethics Statement.

Furthermore, NKT has a whistleblower scheme whereby employees can report anonymously non-compliance with rules, policies and ethical standards in a number of areas. The Audit Committee is notified quarterly of incidents reported, and in the event of incidents of a serious nature the Audit Committee and the Chairman of the Board of Directors will be involved immediately. In 2015 the whistleblower scheme will be expanded to include external stakeholders, e.g. customers and suppliers.

Remuneration Committee

The key tasks of the Remuneration Committee is to recommend guidelines for remuneration for the Board of Directors, Group Executive Management and business unit managements in accordance with NKT's remuneration policy. On behalf of the Board, the Remuneration Committee also implements and agrees on adjustments to the pay and employment conditions of both the Group Executive Management and the business unit managements.

Remuneration policy

NKT's remuneration policy contains guidelines for setting and approving the remuneration of the Board of Directors and Group Executive Management. NKT's Board of Directors receive a fixed pay while The Group Executive Management and the business unit management teams receive both fixed and variable pay. This structure ensures commonality of interest between the Management and shareholders, and maintains NKT Management's motivation for achieving strategic goals set.

The Group Executive Management must receive a competitive salary which is commensurate with the duties assigned and which represents an incentive for long-term employment. Severance arrangements related to 'Change of Control' are described in Note 3. The remuneration policy was last presented and adopted by the Annual General Meeting in 2014, and will be presented again at the Annual General Meeting on 25 March 2015. The Board of Directors remuneration for the coming year will also be proposed to the Annual General Meeting for approval. The remuneration policy is available at www.nkt.dk.

Remuneration for Board of Directors

At the Annual General Meeting in 2015 NKT will propose that the remuneration for the Board of Directors be unchanged from 2014.

Further details on remuneration can be found in Note 3 on page 68.

Nomination Committee

The key tasks of the Nomination Committee is to recommend which qualifications are deemed required by all members of the Board of Directors to ensure that it can live up to its responsibilities. The Nomination Committee also proposes competence profiles for new Board members and an action plan for the future composition of the Board of Directors. Furthermore the Nomination Committee assesses the Group Executive Management and the business unit managements in terms of performance, knowledge and experience along with succession plans.

Self-assessments

The annual self-assessment performed within the Board of Directors is aimed at defining required competences, considering individual member contribution and identifying future areas of focus. In the current election period the assessment was conducted with the aid of an external consultancy firm. All conclusions and recommendations from this assessment are dealt with by the Board of Directors.

The Board of Directors also performs an annual assessment of the Group Executive Management. The assessment comprises two main areas; the interaction between both parties and competences. The assessment takes the form of a general discussion by the Board, the conclusions then being communicated by the Chairman to the Group Executive Management.

Target figure for the under-represented gender

The Board of Directors wishes to ensure that both men and women are represented on the Board. The target figure for the under-represented gender among Annual General Meeting-elected Board members is minimum 17%, which corresponds to one person. This was achieved in 2014 as one Annual General Meeting-elected Board member is a woman. NKT's focus on diversity and its action plan to ensure equal opportunities for both genders is described in the annual UN Global Compact Communication on Progress report, available at www.nkt.dk.

Business unit committees

In mid-2013 NKT's Board of Directors established a committee for each of the three business units with the purpose of improving strategic decision-making.

Further details on these committees are found on page 12.

CORPORATE GOVERNANCE

As a listed company on the Nasdaq Copenhagen stock exchange, NKT is subject to rules governing share issuers as well as established corporate governance recommendations. NKT fulfils its obligation in this regard either by complying with the recommendations or by explaining the reason for non-compliance.

Further details on NKT's compliance with corporate governance recommendations are available at www.nkt.dk/Investors.

NKT complies fully with 44 of the 47 recommendations while complying partly or not complying with three recommendations. These three recommendations comprise:

Recommendation 3.1.4 that the company's Articles of Association should stipulate a retirement age for the members of the Board of Directors.
At the Annual General Meeting on 21 March 2013 the Board of Directors proposed including in the company's Articles of Association a retirement age of 67 for Board members. The proposal was not adopted by the assembly and the recommendation is not complied with.

Recommendation 3.4.6 that the Board of Directors should establish a Nomination Committee chaired by the Chairman of the Board of Directors.
The Board of Directors has appointed a Nomination Committee consisting of two members of the Board of Directors. The Chairman of the Board of Directors is not a member of the Nomination Committee, as he participates in all three business unit committees and is thereby actively engaged with the relevant management teams. NKT believes that this set-up ensures objectivity and transparency. The recommendation is hence partly complied with.

Recommendation 4.1.2 on variable components of remuneration.
NKT believes it is only reasonable to require repayment of variable remuneration components in instances where an obligation for such repayment would follow from generally applicable principles of Danish law. Accordingly, NKT does not consider it necessary or appropriate to include a specific clause in its remuneration policy to cover repayment of variable components of remuneration in exceptional cases. The recommendation is hence partly complied with.

Board of Directors




	Jens Due Olsen	Kristian Siem	Jens Maaløe	Kurt Bligaard Pedersen
	Chairman	**Deputy Chairman**		
	Born 1963, Denmark First elected in 2006 MSc. 1990	Born 1949, Norway First elected in 2013	Born 1955, Denmark First elected in 2004 MSc. E.Eng. 1979, PhD. 1983	Born 1959, Denmark First elected in 2011 MSc. Political Science 1988
NKT Committees	Nilfisk **(C)** NKT Cables **(C)** Photonics Group **(M)**	NKT Cables **(M)**	Photonics Group **(C)** Audit **(M)**	Nomination **(C)**
Other positions and directorships	• Amrop A/S **(C)** • Atchik Realtime A/S **(C)** • Auriga Industries A/S **(C)** • Pierre.dk A/S **(C)** • Bladt Industries A/S **(DC)**, **(ACC)** • Heptagon Advanced Micro Optics Inc. **(ACC)** • Cryptomathic A/S • Gyldendal A/S • Industriens Pensionsforsikring A/S, Inv. Committee **(C)** • Royal Unibrew A/S • Auris Luxembourg III S.A. Advisory Board **(M)**	• Siem Industries Inc. **(C)** • Subsea 7 Inc. **(C)** • Siem Offshore Inc. • Siem Shipping Inc. • Star Reefers Inc. • North Atlantic Smaller Companies Investment Trust PLC • Flensburger Schiffbau Gesellschaft	President & CEO, Terma A/S • Grundfos Holding A/S • Poul Due Jensen's Fond	CEO, Gazprom Energy • BRFholding A/S **(DC)** • BRF Fonden • Jyske Bank A/S **(DC) (ACC)** • Copenhagen Zoo **(DC)** • Noordgastransport B.V.
NKT shares at end-2014	1,500 (2013: 1,500)	5,000 (2013: 5,000)	515 (2013: 515)	1,000 (2013: 1,000)
Special qualifications	• Industrial management • Management of listed companies • Specialist expertise in economic and financial matters	• Industrial management • Management of listed companies • In-depth knowledge of the energy sector • International financial matters	• Industrial management • Management of listed companies • Specialist expertise in technology and technological development	• International industrial management • Management of listed companies • In-depth knowledge of the energy sector • Extensive business experience

(C) = *Chairman*, **(DC)** = *Deputy Chairman*, **(M)** = *Member*, **(ACC)** = *Audit Committee Chairman*, **(ACM)** = *Audit Committee Member*

				
Lone Fønss Schrøder	**Lars Sandahl Sørensen**	**Niels-Henrik Dreesen***	**René Engel Kristiansen***	**Gitte Toft Nielsen***
Born 1960, Denmark First elected in 2008 LLM 1988	Born 1963, Denmark First elected in 2013 MSc. Int. Business and Management	Born 1957, Denmark First elected in 2012	Born 1968, Denmark First elected in 2014 MS.E.Eng. 1994	Born 1964, Denmark First elected in 2014
Audit **(C)** Remuneration **(C)**	Remuneration **(M)** Nomination **(M)** Nilfisk **(M)**			
Co-founding Partner Norfalck AB	Partner, Flensby & Partners A/S	Production Engineering Manager, NKT Cables	Manager, Regional Sales and Business Development, NKT Photonics A/S	Finance Assistant, Nilfisk A/S
• Saxo Bank **(DC) (ACM)** • Volvo Car Group **(ACC)** • Akastor ASA **(ACC)** • Bilfinger SE • Valmet Corporation **(ACC)** • Schneider Electric SE **(ACM)**, Risk Committee **(M)** • INGKA Holding B.V. **(ACM)**	• Damvad Group **(C)** • SEDK **(DC)** • Wexøe Holding A/S • Industriens Fond • VEGA	• NKT Cables' Joint Consultative Committee **(M)** • HSE Committee **(M)** • The Environment Committee at DI, Confederation of Danish Industry **(M)**		• Trade union representative (HK) • Local works council **(M)**
500 (2013: 500)	685 (2013: 400)	125 (2013: 125)	5 (2013: 5)	0 (2013: 0)
• International industrial management • Management of listed companies • Specialist expertise in economic and financial matters • In-depth knowledge of the energy and oil sector as well as financial institutions	• International services management • Management of listed companies • Specialist expertise in corporate trading, international business development, leadership development in various industrial sectors, sales and marketing			

** Elected by the employees*

Further details on Remuneration to the Board of Directors are found on page 69.
Further details on NKT's committees are found on page 43.

NKT management

GROUP EXECUTIVE MANAGEMENT

1. Michael Hedegaard Lyng (1969)
Group Executive Director & CFO
MSc. (Business Administration, Accounting and Auditing) 2001
EMBA 2011
Joined NKT 2007
Member of Executive Management Board 2008
NKT shares end-2014: 25,098 (2013: 25,098)
Directorships:

- Topsil Semiconductor Materials A/S **(ACC)**
- Burmeister & Wain Scandinavian Contractor A/S
- Investeringsselskabet Luxor A/S

MANAGEMENT TEAM

2. Janus Hillerup (1978)
VP Group Legal
LLM 2004
Attorney-at-law 2006
MBA 2012
Joined NKT 2007

3. Torben Skovsted (1972)
VP Group Treasury
MSc. (Finance) 1997
Joined NKT 2013

4. Lasse Snejbjerg (1976)
VP Group Development & External Relations
MSc. (Finance) 2002
Joined NKT 2013

5. Poul Erik Stockfleth (1975)
VP Group Finance
MSc. (Business Administration, Accounting and Auditing) 2001
State Authorised Public Accountant, 2005
Joined NKT 2012

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 2014.

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 2014 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January - 31 December 2014.

Management's review 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 2015

The 2014 Annual Report is presented in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and Danish disclosure requirements for the annual reports of listed companies. 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. See also the sections on risk management on pages 24, 32, 37 and 38 and Note 6.6 on page 92 to the consolidated financial statements.

Executive Management Board

Michael Hedegaard Lyng, *Group Executive Director & CFO*

Board of Directors

Jens Due Olsen, *Chairman*

Kristian Siem, *Deputy Chairman*

Niels-Henrik Dreesen

René Engel Kristiansen

Jens Maaløe

Gitte Toft Nielsen

Kurt Bligaard Pedersen

Lone Fønss Schrøder

Lars Sandahl Sørensen

Independent **auditor's report**

To the shareholders of NKT Holding A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PARENT FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent financial statements of NKT Holding A/S for the financial year 1 January to 31 December 2014, which comprise the income statement, statement of comprehensive income, cash flow statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as for the Parent. The consolidated financial statements and parent 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 parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 as Management determines is necessary to enable the preparation and fair presentation of consolidated financial statements and parent 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 parent 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 about whether the consolidated financial statements and parent 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 parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent 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 entity'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 the overall presentation of the consolidated financial statements and parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2014, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT REVIEW

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 27 February 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Anders Dons	*Lars Siggaard Hansen*
State Authorised	State Authorised
Public Accountant	Public Accountant

Consolidated financial statements

Income statement

1 January - 31 December

Amounts in DKKm	Note	2014	2013
Revenue	2.1/2.2	15,863.3	15,809.2
Other operating income		163.5	116.8
Changes in inventories of finished goods and work in progress		-116.5	-102.6
Work performed by the Group and capitalised		143.5	134.8
Costs of raw materials, consumables and goods for resale		-9,427.7	-9,626.3
Staff costs	3.1	-3,201.5	-3,004.9
Other costs	2.3/8.1	-2,376.6	-2,239.9
Shares of profit after tax in associates		12.8	15.8
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1,060.8**	**1,102.9**
Depreciation and impairment of property, plant and equipment	4.3	-365.4	-405.1
Amortisation and impairment of intangible assets	4.2	-190.7	-189.4
Earnings before interest and tax (EBIT)		**504.7**	**508.4**
Financial income	6.5	256.1	212.0
Financial expenses	6.5	-354.6	-372.2
Earnings from operations before tax (EBT)		**406.2**	**348.2**
Tax on operations	2.4	-126.1	-95.4
Profit for the year		**280.1**	**252.8**
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		279.7	252.3
Profit attributable to non-controlling interest		0.4	0.5
		280.1	**252.8**
Basic earnings per share (EPS)		11.7	10.6
Diluted earnings per share (EPS-D)		11.7	10.6

The Board of Directors proposes a dividend for the year of DKK 4.0 per share (2013: DKK 3.5 per share) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January - 31 December

Amounts in DKKm	2014	2013
Profit for the year	**280.1**	**252.8**
Other comprehensive income:		
Items that may be reclassified to income statement:		
Foreign exchange adjustment, foreign companies	141.6	-131.5
Value adjustment of hedging instruments:		
Value adjustment for the year	51.6	39.9
Transferred to revenue	-14.6	-11.3
Transferred to costs of raw materials, consumables and goods for resale	11.9	4.6
Transferred to financial expenses	-6.2	-6.0
Fair value adjustment of available for sale securities	2.8	1.1
Tax on comprehensive income	-16.4	-6.5
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	-97.6	-43.7
Tax on actuarial gains/losses	29.9	14.1
Total other comprehensive income / loss	**103.0**	**-139.3**
Comprehensive income for the year	**383.1**	**113.5**
To be distributed as follows:		
Comprehensive income attributable to equity holders of NKT Holding A/S	383.3	114.0
Comprehensive income attributable to non-controlling interest	-0.2	-0.5
	383.1	**113.5**

Balance sheet

31 December

Amounts in DKKm	Note	2014	2013
Assets			
Intangible assets	4.1/4.2		
Goodwill		1,334.9	1,223.1
Trademarks, etc.		45.4	38.2
Customer-related assets		58.5	54.9
Development projects completed		293.5	313.4
Patents and licences, etc.		229.9	189.4
Development projects in progress		212.5	181.9
		2,174.7	**2,000.9**
Property, plant and equipment	4.1/4.3		
Land and buildings		1,232.8	1,255.4
Manufacturing plant and machinery		1,347.0	1,413.4
Fixtures, fittings, tools and equipment		311.0	327.6
Property, plant and equipment under construction, incl. prepayments		143.7	141.4
		3,034.5	**3,137.8**
Other non-current assets			
Investments in associates		111.9	120.4
Other investments and receivables		44.6	41.1
Deferred tax	2.4	603.4	607.5
		759.9	**769.0**
Total non-current assets		**5,969.1**	**5,907.7**
Inventories	5.1	2,612.1	2,657.5
Receivables	5.2	3,354.4	4,039.8
Income tax receivable		28.5	14.5
Cash at bank and in hand		373.9	375.9
Total current assets		**6,368.9**	**7,087.7**
Total assets		**12,338.0**	**12,995.4**

Balance sheet

31 December

Amounts in DKKm	Note	2014	2013
Equity and liabilities			
Equity			
Share capital	6.7	478.7	478.6
Reserves		192.2	20.9
Retained comprehensive income		5,202.7	5,083.7
Proposed dividends		95.7	83.8
Total equity attributable to equity holders of NKT Holding A/S		5,969.3	5,667.0
Non-controlling interest		5.8	6.6
Total equity		**5,975.1**	**5,673.6**
Non-current liabilities			
Deferred tax	2.4	332.7	345.8
Pension liabilities	4.4	438.6	342.3
Provisions	4.5	101.2	69.5
Interest bearing loans and borrowings	6.2/6.3/6.6	1,320.1	2,098.3
		2,192.6	**2,855.9**
Current liabilities			
Interest bearing loans and borrowings	6.2/6.3/6.6	268.5	480.2
Trade payables and other liabilities	5.3/6.3/6.6	3,620.3	3,788.9
Income tax payable		53.0	19.2
Provisions	4.5	228.5	177.6
		4,170.3	**4,465.9**
Total liabilities		**6,362.9**	**7,321.8**
Total equity and liabilities		**12,338.0**	**12,995.4**

Cash flow statement

1 January - 31 December

Amounts in DKKm	Note	2014	2013
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,060.8	1,102.9
Non-cash operating items:			
Profit on sales of non-current assets, used and increase of provisions, and other non-cash operating items, etc.		-33.7	-86.6
Changes in working capital		759.5	-221.5
Cash flow from operations before financial items, etc.		1,786.6	794.8
Financial income received		200.7	156.7
Financial expenses paid		-303.3	-325.2
Income tax paid		-100.9	-81.5
Cash flow from operating activities		**1,583.1**	**544.8**
Acquisition of businesses	7.1	-44.3	-226.1
Divestment of business	7.1	125.8	0.0
Investments in property, plant and equipment		-242.7	-256.5
Disposal of property, plant and equipment		11.4	13.2
Intangible assets and other investments, net	4.2	-220.8	-224.2
Cash flow from investing activities		**-370.6**	**-693.6**
Free cash flow		**1,212.5**	**-148.8**
Changes in non-current loans from credit institutions		-815.1	1,610.6
Changes in current loans from credit institutions		-345.2	-1,249.0
Non-controlling interest, dividend, etc.		-0.7	0.2
Dividends paid		-83.8	-191.4
Dividend, treasury shares		0.3	0.6
Cash from exercise of warrants		0.8	6.6
Cash flow from financing activities		**-1,243.7**	**177.6**
Net cash flow for the year		**-31.2**	**28.8**
Cash at bank and in hand, 1 January		375.9	363.3
Currency adjustments		29.2	-16.2
Net cash flow for the year		-31.2	28.8
Cash at bank and in hand, 31 December		**373.9**	**375.9**

Statement of changes in equity

Amounts in DKKm	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Non-controlling interest	Total equity
Equity, 1 January 2013	**477.8**	**142.9**	**-16.9**	**3.6**	**4,931.4**	**191.1**	**5,729.9**	**7.1**	**5,737.0**
Other comprehensive income :									
Foreign exchange translation adjustments		-130.5					-130.5	-1.0	-131.5
Value adjustment of hedging instruments:									
Value adjustment for the year			39.9				39.9		39.9
Transferred to revenue			-11.3				-11.3		-11.3
Transferred to consumption of raw materials			4.6				4.6		4.6
Transferred to financial expenses			-6.0				-6.0		-6.0
Fair value adjustment of available for sale securities				1.1			1.1		1.1
Actuarial gains/losses on defined benefit pension plans					-43.7		-43.7		-43.7
Tax on actuarial gains/losses					14.1		14.1		14.1
Tax on other comprehensive income		2.3	-8.5	-0.3			-6.5		-6.5
Total other comprehensive income	0.0	-128.2	18.7	0.8	-29.6	0.0	-138.3	-1.0	-139.3
Profit for the year					168.5	83.8	252.3	0.5	252.8
Comprehensive income for the year	**0.0**	**-128.2**	**18.7**	**0.8**	**138.9**	**83.8**	**114.0**	**-0.5**	**113.5**
Dividends paid					-0.3	-191.1	-191.4		-191.4
Dividend, treasury shares					0.6		0.6		0.6
Addition/disposal, minority interests					0.2		0.2		0.2
Share-based payment					7.1		7.1		7.1
Exercise of warrants	0.8				5.8		6.6		6.6
Total changes in equity in 2013	**0.8**	**-128.2**	**18.7**	**0.8**	**152.3**	**-107.3**	**-62.9**	**-0.5**	**-63.4**
Equity, 31 December 2013	**478.6**	**14.7**	**1.8**	**4.4**	**5,083.7**	**83.8**	**5,667.0**	**6.6**	**5,673.6**
Equity, 1 January 2014	**478.6**	**14.7**	**1.8**	**4.4**	**5,083.7**	**83.8**	**5,667.0**	**6.6**	**5,673.6**
Other comprehensive income:									
Foreign exchange translation adjustments		142.2					142.2	-0.6	141.6
Value adjustment of hedging instruments:									
Value adjustment for the year			51.6				51.6		51.6
Transferred to revenue			-14.6				-14.6		-14.6
Transferred to consumption of raw materials			11.9				11.9		11.9
Transferred to financial expenses			-6.2				-6.2		-6.2
Fair value adjustment of available for sale securities				2.8			2.8		2.8
Actuarial gains/losses on defined benefit pension plans					-97.6		-97.6		-97.6
Tax on actuarial gains/losses					29.9		29.9		29.9
Tax on other comprehensive income		-6.7	-9.0	-0.7			-16.4		-16.4
Total other comprehensive income	0.0	135.5	33.7	2.1	-67.7	0.0	103.6	-0.6	103.0
Profit for the year					184.0	95.7	279.7	0.4	280.1
Comprehensive income for the year	**0.0**	**135.5**	**33.7**	**2.1**	**116.3**	**95.7**	**383.3**	**-0.2**	**383.1**
Dividends paid						-83.8	-83.8	-0.6	-84.4
Dividend, treasury shares					0.3		0.3		0.3
Share-based payment					1.7		1.7		1.7
Exercise of warrants	0.1				0.7		0.8		0.8
Total changes in equity in 2014	**0.1**	**135.5**	**33.7**	**2.1**	**119.0**	**11.9**	**302.3**	**-0.8**	**301.5**
Equity, 31 December 2014	**478.7**	**150.2**	**35.5**	**6.5**	**5,202.7**	**95.7**	**5,969.3**	**5.8**	**5,975.1**

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! - Significant judgements and estimates

Significant judgements and accounting estimates made by Management are included in the notes to which they relate with the purpose to increase legibility.

± - Sensitivity

Sensitivity analyses often accompany significant judgements and accounting estimates, and are included in the notes to which they relate with the purpose to increase legibility.

§ - Accounting policy

Accounting policies are included in the notes to which they relate in order to facilitate understanding of the contents and the accounting treatment applied. Accounting policies not relating directly to individual notes are stated in Note 1.1.

Note 1

1 - BASIS FOR PREPARATION

This section describes the applied reporting framework, including a definition of materiality for disclosures as well as any changes in the accounting policies. Furthermore, an overview is included of the significant judgements and estimates made by Group Management

1.1 - GENERAL ACCOUNTING POLICIES

NKT Holding A/S is a public limited company domiciled in Denmark. The Annual Report for the period 1 January - 31 December 2014 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 2014 Annual Report for NKT Holding A/S was prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and Danish disclosure requirements for listed companies.

Basis for preparation

The Annual Report is presented in DKK rounded to the nearest DKK 1,000,000 with one decimal.

The Annual Report was 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.

Except for that stated under 'Changes to accounting policies', the accounting policies described in the individual notes have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures are not restated. As the standards and interpretations implemented did not influence the balance sheet as at 1 January 2013 and associated notes, the opening balance sheet and associated notes have been omitted.

Definition of materiality

The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required according to IFRS are stated in the Annual Report unless the disclosures concerned are considered irrelevant or immaterial for financial decisions made by the financial statement users.

Changes to accounting policies

NKT Holding A/S has implemented the standards and interpretations effective for 2014. The implementation of standards and interpretations has not influenced recognition and measurement in 2014 or is expected to influence future financial years.

Significant judgements and estimates

When preparing the Annual Report, Group Management makes a number of accounting estimates, judgements and assumptions which form the basis for recognition and measurement of assets and liabilities.

The judgements, estimates and assumptions made are based on historical experience and other factors which Group Management assesses to be reliable, but which, by their nature, are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Particular risks referred to in the 'Risk management' section of Group Management's review and in Note 6.6 Financial risks to the consolidated financial statements, may have substantial influence on the accounting risks.

Going concern

Group 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., Group Management is of the opinion that there are no factors giving reason to doubt whether NKT can continue operating for at least 12 months from the balance sheet date.

Other significant accounting estimates and judgements:

	Note
Deferred tax	2.4
Impairment test	4.1
Pension liabilities	4.4
Provisions	4.5
Writedown of inventories	5.1
Construction contracts	5.2
Financial risks and financial instruments	6.6
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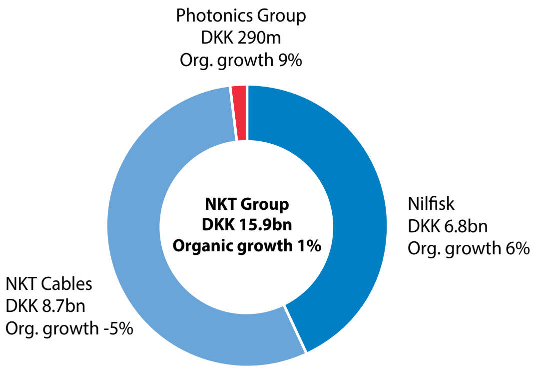
Note 2

2 - PROFIT FOR THE YEAR

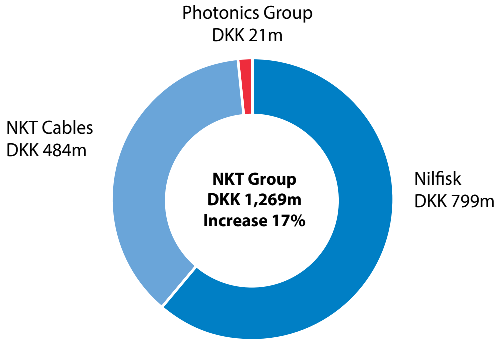
This section relates to profit for the year, including revenue, segment information, research and development costs, corporate tax and deferred tax

KEY DEVELOPMENTS 2014

Revenue



Operational EBITDA



NKT realised organic growth of 1%. This development was mainly driven by Nilfisk with a growth of 6% for the year which principally came from the EMEA region, while growth in the Americas was moderate. Growth in the APAC region was slightly down due to intensified competition in Asia.

NKT Cables saw a contraction of 5% which was brought on by Projects and APAC. The decrease in Projects revenue was related to lower sales volumes in the high-voltage onshore segment and a decrease in turnkey projects involving installation and civil works performed by a third party but invoiced by NKT Cables to the end-customer. Products achieved an organic growth of 5%, while the negative organic growth in APAC primarily related to significant overcapacity in the Chinese market.

Photonics Group built on the 2013 foundation, realising 9% organic growth. Growth was achieved in all segments, with Sensing and Fiber Processing being the main drivers. Imaging also contributed to the growth, albeit at a lower rate.

NKT operational EBITDA increased to DKK 1,269m from DKK 1,085m in 2013, equivalent to 17%. The development was driven by all business units, but NKT Cables showed particular progress, mainly due to the DRIVE efficiency improvement programme launched end-2013.

Nilfisk operational EBITDA increased to DKK 799m from DKK 778m the previous year, a growth of 2%. Particularly in the latter part of 2014 Nilfisk spent considerable amounts on long-term growth initiatives, temporarily reducing margins slightly.

NKT Cables increased operational EBITDA to DKK 484m from DKK 335m in 2013, a growth of 45%. This substantial increase can mainly be explained by DRIVE. While these initiatives have not yet had full-year effect, the positive impact was nevertheless significant.

Photonics Group increased operational EBITDA to DKK 21m compared with DKK 6m in 2013. The operational gearing in Photonics Group showed its potential, as revenue grew by DKK 24m, of which DKK 15m was converted to earnings.

§ - Accounting policy

Segment information

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 comprise those items that are directly attributable to the individual segment and those items that 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 investment 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 are those liabilities resulting from segment operations, including trade payables and other payables.

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

Each business unit operates independently of the others, with separate brands and managements, as each 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 Group Management's review.

Group Management assesses the operating results of the business units separately to enable decision to be made concerning allocation of resources and measurement of performance.

Inter-segment transactions are performed on market terms and no single customer accounts for more than 10% of the revenue. The reportable segments are identified without aggregation of operating segments.

Other operating income

Other operating income comprises items of a secondary nature relative to the operations of the enterprise, including grant schemes, reimbursements and gains on sale of non-current assets, and negative goodwill on acquisition of subsidiaries. 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 of 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.

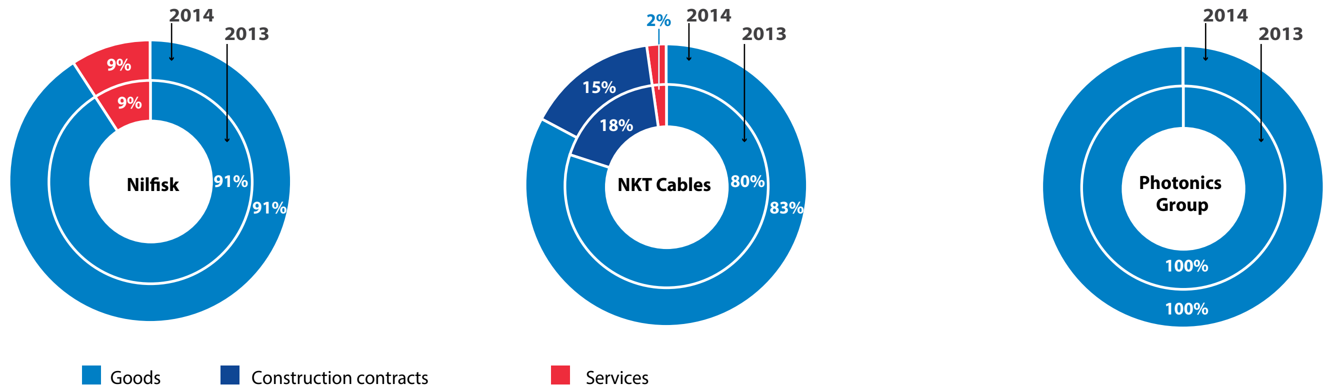
2.1 - SEGMENT INFORMATION

2014 **Amounts in DKKm**	Nilfisk	nkt cables	NKT Photonics Group	Parent company etc.	Total reportable segments	Inter-segment transact.	Total NKT
Income statement							
Revenue from external customers	6,836.4	8,738.4	288.5	0.0	15,863.3	0.0	15,863.3
Inter-segment revenue	0.0	0.0	1.7	0.0	1.7	-1.7	0.0
Total revenue	6,836.4	8,738.4	290.2	0.0	15,865.0	-1.7	15,863.3
Revenue in std. metal prices	6,836.4	6,055.2	290.2	0.0	13,181.8	-1.7	13,180.1
Costs and other income, net (excl. one-off items)	-6,052.8	-8,251.9	-269.4	-35.0	-14,609.1	1.7	-14,607.4
Share of profits after tax of associates	15.7	-2.9	0.0	0.0	12.8	0.0	12.8
Operational EBITDA	799.3	483.6	20.8	-35.0	1,268.7	0.0	1,268.7
One-off items	96.3	-304.2	0.0	0.0	-207.9	0.0	-207.9
EBITDA	895.6	179.4	20.8	-35.0	1,060.8	0.0	1,060.8
Depreciation and amortisation	-218.4	-295.6	-21.9	-0.1	-536.0	0.0	-536.0
Impairment loss	-4.3	-12.3	-3.5	0.0	-20.1	0.0	-20.1
Segment result (EBIT)	672.9	-128.5	-4.6	-35.1	504.7	0.0	504.7
Financial income	62.9	70.4	1.8	309.1	444.2	-188.1	256.1
Financial expenses	-139.5	-206.2	-4.9	-192.1	-542.7	188.1	-354.6
EBT	596.3	-264.3	-7.7	81.9	406.2	0.0	406.2
Tax	-164.0	58.5	-0.2	-20.4	-126.1	0.0	-126.1
Profit for the year	432.3	-205.8	-7.9	61.5	280.1	0.0	280.1
Balance sheet							
Assets							
Goodwill	1,148.3	160.8	25.8	0.0	1,334.9	0.0	1,334.9
Other intangible assets	631.8	158.1	49.9	0.0	839.8	0.0	839.8
Property, plant and equipment	356.4	2,651.1	26.8	0.2	3,034.5	0.0	3,034.5
Investments in associates	109.8	2.1	0.0	0.0	111.9	0.0	111.9
Other non-current assets	37.6	6.4	0.6	3,919.9	3,964.5	-3,919.9	44.6
Deferred tax	223.5	412.5	15.8	-48.4	603.4	0.0	603.4
Inventories	1,321.5	1,228.6	62.0	0.0	2,612.1	0.0	2,612.1
Receivables	1,460.1	1,839.4	80.0	11.7	3,391.2	-8.3	3,382.9
Cash at bank and in hand	1,278.5	440.4	6.5	688.0	2,413.4	-2,039.5	373.9
Segment assets	6,567.5	6,899.4	267.4	4,571.4	18,305.7	-5,967.7	12,338.0
Equity and liabilities							
Equity	2,511.3	308.3	41.4	3,114.1	5,975.1	0.0	5,975.1
Non-current liabilities							
Deferred tax	236.2	93.3	3.2	0.0	332.7	0.0	332.7
Employee benefits	50.0	388.6	0.0	0.0	438.6	0.0	438.6
Provisions	11.0	88.3	1.9	0.0	101.2	0.0	101.2
Interest bearing loans and borrowings	1,160.3	3,396.4	22.0	362.8	4,941.5	-3,621.4	1,320.1
Current liabilities							
Interest bearing loans and borrowings	983.3	413.3	143.8	1,066.1	2,606.5	-2,338.0	268.5
Trade payables and other liabilities	1,515.1	2,084.6	53.5	28.4	3,681.6	-8.3	3,673.3
Provisions	100.3	126.6	1.6	0.0	228.5	0.0	228.5
Segment equity and liabilities	6,567.5	6,899.4	267.4	4,571.4	18,305.7	-5,967.7	12,338.0
Other Information							
Cash flow from operations, excl. finance and tax	710.0	1,096.7	14.5	-34.6	1,786.6	0.0	1,786.6
Additions to property, plant, equipment & intangibles	241.7	212.5	23.4	0.1	477.7	0.0	477.7
Average number of full-time employees	5,473	3,377	207	21	9,078	0	9,078

2013 **Amounts in DKKm**	Nilfisk	nkt cables	NKT Photonics Group	Parent company etc.	Total reportable segments	Inter-segment transact.	Total NKT
Income statement							
Revenue from external customers	6,561.0	8,982.2	266.0	0.0	15,809.2	0.0	15,809.2
Inter-segment revenue	0.0	0.3	0.5	0.0	0.8	-0.8	0.0
Total revenue	6,561.0	8,982.5	266.5	0.0	15,810.0	-0.8	15,809.2
Revenue in std. metal prices	6,561.0	6,016.6	266.5	0.0	12,844.1	-0.8	12,843.3
Costs and other income, net (excl. one-off items)	-5,800.3	-8,646.6	-260.5	-33.9	-14,741.3	0.8	-14,740.5
Share of profits after tax of associates	17.1	-1.3	0.0	0.0	15.8	0.0	15.8
Operational EBITDA	777.8	334.6	6.0	-33.9	1,084.5	0.0	1,084.5
One-off items	0.0	37.3	0.0	-18.9	18.4	0.0	18.4
EBITDA	777.8	371.9	6.0	-52.8	1,102.9	0.0	1,102.9
Depreciation and amortisation	-213.0	-299.0	-16.6	-0.1	-528.7	0.0	-528.7
Impairment loss	-0.4	-57.8	-7.6	0.0	-65.8	0.0	-65.8
Segment result (EBIT)	564.4	15.1	-18.2	-52.9	508.4	0.0	508.4
Financial income	44.0	100.6	0.4	248.6	393.6	-181.6	212.0
Financial expenses	-154.3	-259.1	-6.1	-134.3	-553.8	181.6	-372.2
EBT	454.1	-143.4	-23.9	61.4	348.2	0.0	348.2
Tax	-117.0	40.0	0.0	-18.4	-95.4	0.0	-95.4
Profit for the lyear	337.1	-103.4	-23.9	43.0	252.8	0.0	252.8
Balance sheet							
Assets							
Goodwill	1,035.7	161.6	25.8	0.0	1,223.1	0.0	1,223.1
Other intangible assets	586.2	142.7	48.9	0.0	777.8	0.0	777.8
Property, plant and equipment	331.8	2,775.1	30.7	0.2	3,137.8	0.0	3,137.8
Investments in associates	117.3	3.1	0.0	0.0	120.4	0.0	120.4
Other non-current assets	34.3	6.4	0.4	4,186.7	4,227.8	-4,186.7	41.1
Deferred tax	203.8	425.6	13.1	-35.0	607.5	0.0	607.5
Inventories	1,196.3	1,390.2	71.0	0.0	2,657.5	0.0	2,657.5
Receivables	1,347.6	2,631.3	71.9	13.9	4,064.7	-10.4	4,054.3
Cash at bank and in hand	1,161.5	196.6	6.3	624.9	1,989.3	-1,613.4	375.9
Segment assets	6,014.5	7,732.6	268.1	4,790.7	18,805.9	-5,810.5	12,995.4
Equity and liabilities							
Equity	2,158.6	488.8	50.8	2,975.4	5,673.6	0.0	5,673.6
Non-current liabilities							
Deferred tax	125.5	217.7	2.6	0.0	345.8	0.0	345.8
Employee benefits	38.3	304.0	0.0	0.0	342.3	0.0	342.3
Provisions	23.1	44.8	1.6	0.0	69.5	0.0	69.5
Interest bearing loans and borrowings	1,539.8	3,392.0	0.0	878.6	5,810.4	-3,712.1	2,098.3
Current liabilities							
Interest bearing loans and borrowings	632.5	882.0	155.0	898.7	2,568.2	-2,088.0	480.2
Trade payables and other liabilities	1,391.7	2,331.6	57.2	38.0	3,818.5	-10.4	3,808.1
Provisions	105.0	71.7	0.9	0.0	177.6	0.0	177.6
Segment equity and liabilities	6,014.5	7,732.6	268.1	4,790.7	18,805.9	-5,810.5	12,995.4
Other Information							
Cash flow from operations, excl. finance and tax	712.6	88.2	10.7	-16.7	794.8	0.0	794.8
Additions to property, plant, equipment & intangibles	224.3	241.0	35.3	0.0	500.6	0.0	500.6
Average number of full-time employees	5,250	3,424	202	23	8,899	0	8,899

2.2 - REVENUE

NKT revenue



The composition of revenue showed only small changes in 2014. NKT Cables increased its revenue share from sales of goods while revenue from construction contracts decreased. This was reflected in the negative organic growth in Projects where offshore projects contained less installation work in 2014. Please refer to the section 'Group financials' for further information on revenue development.

Amounts in DKKm	2014	2013
Goods	13,756.7	13,406.7
Construction contracts	1,349.5	1,636.6
Services	711.0	734.6
Other	46.1	31.3
	15,863.3	15,809.2

Geographical information, revenue

Amounts in DKKm	2014	2013
Germany	3,189.4	3,360.8
US	1,484.0	1,436.1
Sweden	1,211.2	771.5
China	1,058.4	1,348.5
France	922.5	999.7
Poland	861.4	850.8
Denmark	829.3	952.8
Netherlands	801.1	222.4
Czech Republic	692.0	692.1
UK	654.8	867.7
Other	4,159.2	4,306.8
	15,863.3	15,809.2

In the presentation of geographical information, the statement of revenue breakdown is based on the geographical location of customers.

§ - Accounting policy

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

Revenue from services which include service packages and extended warranties relating to products and contracts is recognised concurrently with the supply of those 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 the revenue.

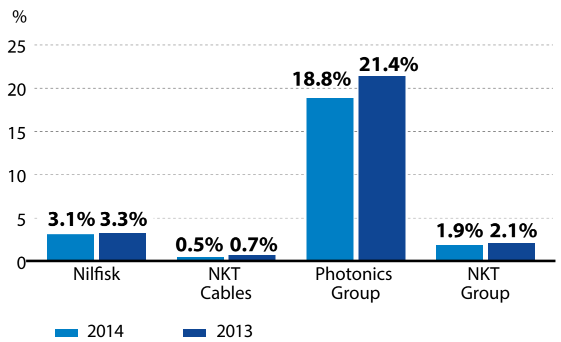
Construction contracts with a high degree of individual adjustment are recognised as revenue by reference to the percentage of completion. The revenue therefore corresponds to the sales price of work performed during the year (the percentage of completion method). When the outcome of a construction contract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

See Note 5.2 for further information concerning construction contracts.

2.3 - RESEARCH AND DEVELOPMENT COSTS

	Nilfisk		NKT Cables		NKT Photonics Group		NKT	
Amounts in DKKm	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Research and development costs recognised as staff costs	134.1	126.5	29.2	25.5	41.0	42.2	204.3	194.2
Research and development costs recognised as other costs	54.5	55.8	12.6	8.5	12.4	10.9	79.5	75.2
- recognised as own work capitalised	-104.7	-90.6	-26.8	-29.6	-12.0	-14.5	-143.5	-134.7
Research and development costs expensed as incurred	83.9	91.7	15.0	4.4	41.4	38.6	140.3	134.7
Development costs recognised as assets	127.5	124.5	27.7	56.0	13.3	18.6	168.5	199.1
	211.4	216.2	42.7	60.4	54.7	57.2	308.8	333.8

Research and development costs as a percentage of revenue



Total research and development costs as a percentage of revenue were largely unchanged compared with last year, although there were differences between the business units. The percentage for Photonics Group decreased in step with the transition from focus on research towards industrial sales. Nilfisk invests around 3% of revenue on research and development. Product development in NKT Cables is often integrated in customer-related projects and is therefore not recognised as development costs. See also R&D comment in Group Management's review for the individual business units.

§ - Accounting policy

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential future market or internal utilisation can be demonstrated, and where it is intended to manufacture, market or utilise the project, are recognised as intangible assets provided the cost can be reliably determined. Furthermore there is adequate certainty that the future earnings or net selling prices can cover carrying amount as well as the development costs necessary for finalising the project. Other development costs are expensed in the income statement as incurred.

Capitalised development projects are measured at costs less accumulated amortisation and impairment losses. The costs include wages, amortisation and other costs relating to the Group's development activities.

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 amortisation base is reduced by any impairment losses.

2.4 - TAX

Reported tax rate	Cash tax rate
31%	**25%**
2013: 27%	2013: 23%

The reported tax rate for the year of 31% was slightly above the 30% expected. Excluding a DKK 29m fine imposed by the European Commission, which was not tax deductible, the reported tax rate was 29%. A reported tax rate around 29% is also expected for 2015. The reported tax rate for Nilfisk was 28% while NKT Cables and Photonics Group realised negative earnings before tax.

The cash tax rate (paid tax compared with earnings before tax) was 25%, considerably lower than the reported tax rate due to utilisation of tax losses carried forward. The cash tax rate for Nilfisk was 12%, and it was negative for NKT Cables and Photonics Group. For 2015 a cash tax rate is expected considerably below the reported tax rate.

The breakdown of tax expense for the year by business unit appears in Note 2.1. For details of tax relating to the individual items in other comprehensive income, please refer to statement of changes in equity.

Earnings realised in the Group's Danish companies resulted in payable corporate tax of DKK 8m in 2014, as the majority of the taxable income was offset against tax losses carried forward. Globally NKT paid DKK 100.9m (2013: DKK 81.5m) in corporate tax.

Amounts in DKKm	**2014**	**2013**
Tax from continuing operations recognised in the income statement:		
Current tax	86.8	25.9
Deferred tax	39.3	69.5
	126.1	95.4
Tax rate for the year	31.0%	27.4%
Reconciliation of tax on continuing operations:		
Calculated 24.5% (25%) tax on earnings before tax	99.4	87.0
Tax effect of:		
Foreign tax rates relative to Danish tax rate	-1.6	-4.5
Non-taxable income/non-deductible expenses, net	12.7	7.4
Adjustment for previous years	-2.0	-10.4
Non-recoverable withholding taxes	15.6	9.4
Adjustment for previous years due to value adjustment of tax assets	2.0	6.5
	126.1	95.4

! - Significant judgements and estimates

The measurement of deferred tax assets and liabilities is based on the corporate tax rate applicable in the years when the assets and liabilities are expected to be utilised.

The measurement of the tax assets is based on budgets and estimates for the coming years which are naturally subject to some uncertainty. The majority of the deferred tax assets relates to NKT Cables, and the DRIVE efficiency improvement programme has increased the deferred tax asset in the short term, but the improved earnings are expected to accelerate the utilisation of the tax asset in the future years. The net deferred tax assets of DKK 603m is expected to be utilised within five years.

The tax losses carried forward were reduced from DKK 505m to DKK 412m, driven by Nilfisk's gain from the divestment of floor-sanding activities and utilisation of prior year losses within the Danish joint taxation scheme. Only a minor part of the recognised tax losses are subject to expiry date.

Amounts in DKKm	**2014**	**2013**
Recognised deferred tax assets and liabilities:		
Deferred tax assets, 1 January	607.5	601.3
Deferred tax liabilities, 1 January	-345.8	-274.4
Addition from aquisitions	-6.7	0.0
Foreign exchange adjustment	11.5	-5.1
Tax of adjustments recognised in other comprehensive income	16.3	6.5
Deferred tax recognised in income statement	-39.3	-69.5
Transferred from payable tax	27.2	2.9
Deferred tax, 31 December, net	270.7	261.7
Recognised deferred tax:		
Deferred tax assets, 31 December	603.4	607.5
Deferred tax liabilities, 31 December	-332.7	-345.8
Deferred tax, 31 December, net	270.7	261.7

Amounts in DKKm	**2014**		**2013**	
Specification of deferred tax assets and liabilities:	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	80.9	-266.8	14.8	-224.6
Tangible assets	66.6	-79.8	99.5	-111.5
Other non-current assets	15.9	-0.1	7.4	-17.3
Current assets	905.5	-33.3	861.4	-127.9
Non-current liabilities	87.6	-0.9	82.0	-27.2
Current liabilities	137.7	-996.1	127.7	-817.2
Tax losses	412.4	0.0	505.0	0.0
Recapture of trading losses	0.0	-7.8	0.0	-14.6
Valuation allowance, unrecognised tax assets	-51.1	0.0	-95.8	0.0
	1,655.5	-1,384.8	1,602.0	-1,340.3
Set off in legal tax units and jurisdictions	-1,052.1	1,052.1	-994.5	994.5
	603.4	-332.7	607.5	-345.8

§ - Accounting policy

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

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 for acquisitions - arose at the acquisition date without influencing neither net earnings nor taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Group Management's planned use of the assets or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carry-forward, 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 realise the assets and liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealised intra-group profits and losses.

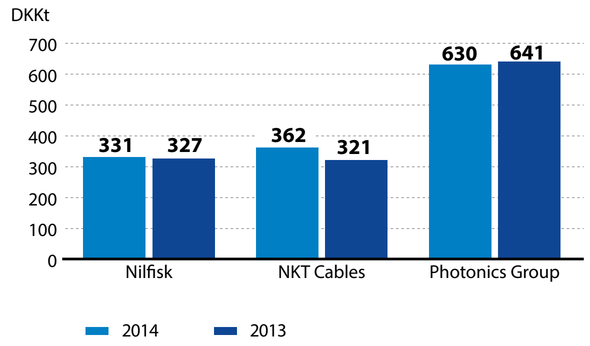
Note 3

3 - REMUNERATION

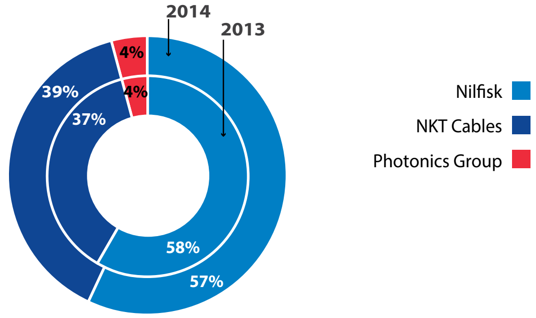
This section relates to remuneration for Group Management and employees, including warrant plans for Executive Management and employees. The remuneration structure for the business unit managements is described in Note 3.4

KEY DEVELOPMENTS IN 2014

Cost per full-time employees



Staff cost per business units



3.1 - STAFF COSTS

Amounts in DKKm	2014	2013
Wages and salaries	2,699.0	2,507.9
Social security costs	366.0	366.5
Defined contribution plans	117.8	105.6
Defined benefit plans	17.0	17.8
Share-based payments, NKT Holding A/S	1.7	7.1
	3,201.5	3,004.9
Average number of full-time employees	9,078	8,899

Particulars of remuneration and warrants appear in Note 3.3 and 3.4

§ - Accounting policy

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

Staff costs increased by 7% while the average number of employees increased by 2%. The increase in expenses was materially influenced i.a. by currencies and a small impact was also caused by general development in wages and salaries as a result of inflation. Furthermore, staff costs for 2014 are impacted by one-off costs related to severance payments in the Drive programme.

The increase in the average number of employees was driven by the acquisition of IndustroClean (Nilfisk), the acquisition of Ericsson's power cable operations in Sweden as at July 2013 (NKT Cables), as well as a number of minor acquisitions carried out by Nilfisk in 2014.

3.2 - REMUNERATION TO BOARD OF DIRECTORS

Remuneration to the Board of Directors was DKK 5.2m (2013: DKK 3.7m). In 2014, remuneration includes an extraordinary remuneration to the Chairman related to 2013 and approved by the Annual General Meeting in 2014.

Amounts in DKKm	2014	2013
Board of Directors' remuneration	5.2	3.7

Remuneration approved at the Annual General Meeting in 2014 with effect from Q2 2014 is shown in the table below. Members of the Board of Directors are not granted warrants - and do not receive variable remuneration components. Essentially the base remuneration must be commensurate with that of comparable listed companies.

Remuneration to Board members - election period 2014/2015

		Committees						
Amounts in DKKt	**Base remuneration**	**Audit**	**Nomi-nation**	**Remune-ration**	**Nilfisk**	**NKT Cables**	**Photonics Group**	**Total remuneration**
Jens Due Olsen, Chairman	900				200	200	75	1,375
Kristian Siem, Deputy Chairman	600					100		700
Jens Maaløe	300	100					150	550
Kurt Bligaard Pedersen	300		100					400
Lone Fønss Schrøder	300	200		100				600
Lars Sandahl Sørensen	300		50	50	100			500
Niels-Henrik Dreesen*	300							300
René Engel Kristiansen*	300							300
Gitte Toft Nielsen*	300							300
Total remuneration 2014	**3,600**	**300**	**150**	**150**	**300**	**300**	**225**	**5,025**

** Elected by the employees*

3.3 - REMUNERATION TO EXECUTIVE MANAGEMENT

Remuneration policy

A remuneration policy has been formulated defining the guidelines for determining and approving remuneration for the Executive Management of NKT Holding and the business unit managements. The remuneration for the Board of Directors is approved prospectively for one year at a time by the Annual General Meeting. The Executive Management's salary is reviewed every 12 months. The components which form part of the Executive Management's salary package, and all material adjustments thereof, are approved by the Board of Directors based on discussions with and recommendation by the Remuneration Committee. Empowered by a mandate from the Annual General Meeting, the Board of Directors also approves the basis for calculating and granting of any share-based incentive plans and determines their ceilings. An overall remuneration policy is submitted to the Annual General Meeting for approval.

Amounts in DKKm	2014 Members	2014 Salary and pension	2014 Short-term incentive	2014 Long-term incentive*	2014 Severance	2014 Total	2013 Members	2013 Salary and pension	2013 Short-term incentive	2013 Long-term incentive*	2013 Severance	2013 Total
NKT Holding												
Michael Hedegaard Lyng**	1	5.0	0.8	1.2	-	7.0	1	4.0	0.4	0.9	-	5.3
Management resigned	-	-	-	-	-	0.0	2	6.1	1.0	0.0	15.9	23.0
Expensed during the year	1	5.0	0.8	1.2	0.0	7.0	3	10.1	1.4	0.9	15.9	28.3
Nilfisk												
Executive Management	5	17.9	2.0	6.5	-	26.4	4	12.1	2.1	3.4	-	17.6
Management resigned	-	-	-	-	-	0.0	1	6.0	2.8	-14.7	0.0	-5.9
Expensed during the year	5	17.9	2.0	6.5	0.0	26.4	5	18.1	4.9	-11.3	0.0	11.7
NKT Cables												
Executive Management**	3	6.4	2.4	6.8	-	15.6	4	9.8	3.3	7.5	-	20.6
Management resigned	1	3.9	1.4	-3.3	14.4	17.4	-	-	-	-	-	0.0
Expensed during the year	4	10.3	3.8	3.5	14.4	33.0	4	9.8	3.3	7.5	0.0	20.6
Photonics Group												
Executive Management	4	7.5	1.7	0.3	-	9.5	3	4.1	0.5	0.2	-	4.8
Management resigned	-	-	-	-	-	0.0	1	1.9	0.0	0.1	0.0	2.0
Expensed during the year	4	7.5	1.7	0.3	0.0	9.5	4	6.0	0.5	0.3	0.0	6.8
Total remuneration	**14**	**40.7**	**8.3**	**11.5**	**14.4**	**75.9**	**16**	**44.0**	**10.1**	**-2.6**	**15.9**	**67.4**

* For the long-term incentive programme, the table shows the amount expensed through the income statement and not necessarily the actual value being paid to the individuals. Negative amounts can occur if provisions from prior years are reversed.

** CEO, Michael Hedegaard Lyng remuneration is included in salary from NKT Holding A/S.

Composition of remuneration

The Executive Management's remuneration consists of a fixed base salary, including pension and other customary non-monetary benefits such as a company car. The remuneration further includes short-term and long-term incentive programmes.

NKT utilises both short-term and long-term incentive pay to ensure an optimal balance between short-term optimisation and long-term value creation for the benefit of the company and its shareholders.

Short-term incentive

The annual cash bonus payment is contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement. The criteria for granting of bonus may be realisation of specified revenue or earnings targets or execution of individual assignments, including for example material acquisitions or divestments, etc.

The potential share of the fixed salary represented by the short-term incentive is shown in the table below.

	Short term incentive		Long- term incentive	
	Share	**Type**	**Share**	**Type**
NKT Holding	<25%	Cash bonus	<50%	Warrants
Nilfisk	<25%	Cash bonus	<25%	Phantom share
NKT Cables	<50%	Cash bonus	<25%	Phantom share
Photonics Group	<40%	Cash bonus	<25%	Phantom share

Long-term incentive
In NKT Holding, the Executive Director's long-term incentive pay is comprised by annually granted warrants. The value of warrants is calculated using the Black-Scholes formula and may amount to a maximum of 50% of the Executive Management fixed annual salary including pension. The warrants may be exercised not earlier than three years and not later than five years after granting. The incentive plan appears in Note 3.4 to the consolidated financial statements and is disclosed directly to Nasdaq Copenhagen.

For the executive managements of the business units, the long-term incentive pay is based on value added to the business units viewed over a number of years. The value of the incentive is measured according to the development in unit earnings and interest-bearing debt. The value of the long-term incentive programme is estimated based on an approximate Black-Scholes formula corresponding to 25% of the annual fixed salary.

The long-term incentive plans for the business units comprise cash plans for which provision is made in the financial statements.

Term of notice
The term of notice for the Group Executive Management is 18 months. In conjunction with material changes in the company's ownership structure or level of activity, the above term of notice is extended for a transitional period by a further six months. Beyond this there is no separation benefit plan for the Group Executive Management. With regard to warrants, please refer also to Note 3.4.

Terms of notice for the business unit managements teams are generally 12 months.

§ - Related parties

The Group has no related parties who hold control.
The company's related parties comprise NKT Group Management and their close family members.

Related parties also include businesses in which the aforementioned have material interests. Related parties further include associates; cf. the Group overview in Note 7.2

3.4 - WARRANTS PLAN FOR EXECUTIVE MANAGEMENT AND EMPLOYEES

The company has established an incentive plan for NKT Holding employees that conveys entitlement to subscribe for NKT shares at a price based on the market price at the grant date, plus interests calculated from grant date to exercise date. It is the Board of Directors which, empowered by a mandate from the Annual General Meeting, approves the basis for calculation and allocation of any share-based incentive plans and establishes their ceilings.

In 2014, warrants were exercised by subscription of a total of 4,700 new shares at a price of DKK 164.80. The share price at subscription was DKK 328.

In all cases condition of exercise is three years' employment and employees must not have handed in their notice.

The value of the warrants plan as at 31 December 2014, based on the Black-Scholes formula, is calculated at DKK 46m (2013: DKK 27m). This includes DKK 12m (2013: DKK 5m) for the value of the Group Executive Management warrants plan. The values have been calculated using the Black-Scholes formula assuming an interest rate of 0.1% (2013: 0.9%) and volatility of 23% (2013: 21%). Calculation of values assumes exercise during the first exercise period. Future volatility is estimated based on calculations of historic volatility over 12 months.

Outstanding warrants 2014:

Outstanding warrants		Exercise price	Group Executive Director Michael Hedegaard Lyng	Other	Total
Granted in January 2009 :	1 January		0	6,000	6,000
	Exercised		0	-4,700	-4,700
	Forfeited		0	-1,300	-1,300
	31 December	164.8	0	0	0
Granted in November 2009 :	1 January		9,900	69,600	79,500
(Exercise March 2015)	31 December	406.6	9,900	69,600	79,500
Granted in December 2010 [1] *:*	1 January		31,000	187,700	218,700
(Exercise 2015/2016)	31 December	333.7	31,000	187,700	218,700
Granted in November 2011 [1] *:*	1 January		28,100	65,100	93,200
(Exercise 2015/2016/2017)	Forfeited		0	-1,100	-1,100
	31 December	237.9	28,100	64,000	92,100
Granted in January 2013 [1] *:*	1 January		44,200	197,800	242,000
(Exercise 2016/2017/2018)	Forfeited		0	-1,700	-1,700
(Exercise 2016/2017/2018)	31 December	219.8	44,200	196,100	240,300
Granted in January 2014 [1] [2] *:*	Granted		83,740	52,602	136,342
(Exercise 2017/2018/2019)	31 December	319.7	83,740	52,602	136,342
Total:	Options, 1 January		113,200	526,200	639,400
	Granted		83,740	52,602	136,342
	Exercised		0	-4,700	-4,700
	Forfeited		0	-4,100	-4,100
	31 December		196,940	570,002	766,942

Warrants granted in January 2015 appear in Note 8.2.

Outstanding warrants 2013:

Warrants, 1 January	100,250	416,550	516,800
Granted	44,200	197,800	242,000
Exercised	-23,600	-17,700	-41,300
Forfeited	-7,650	-70,450	-78,100
31 December	113,200	526,200	639,400

[1] The exercise periods are determined as two weeks after publication of the company's annual financial report and two weeks after publication of the Q2 interim report. Each warrant grants entitlement to subscribe for one share of a nominal value of DKK 20 at the exercise price. Dividend payments after 1 January 2015 and until the date when the shares are received are deducted from the exercise price.

[2] The exercise periods are determined as two weeks after publication of the company's annual financial report and two weeks after publication of the interim reports

§ - Accounting policy

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

The fair value is measured at the grant date and recognised in the income statement under staff costs over the vesting period and with a similar amount 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 granting took place.

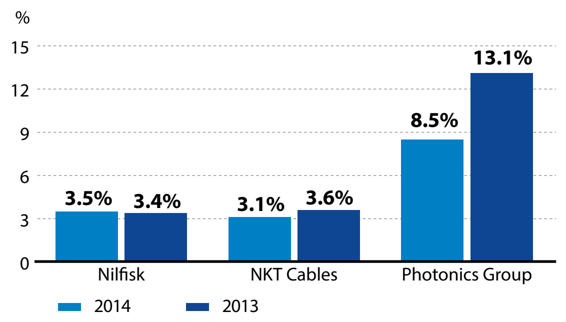
Note 4

4 - NON-CURRENT ASSETS AND LIABILITIES

This section covers NKT's investment in non-current assets that form a basis for the company's operations, and non-current liabilities arising as a result thereof. The non-current liabilities in this section are regarded as non interest-bearing and comprise employee pension benefits and provisions. Interest-bearing liabilities are covered in Section 6, Capital structure

KEY DEVELOPMENTS 2014

Investment relative to revenue



The investment ratio above is based on investment made in intangible and tangible fixed assets relative to revenue. Nilfisk shows a stable level of investment spending. The company invests approximately 3% of revenue in order to ensure that its production equipment is in sufficient condition to maintain delivery flow to customers. It should, however, be noted that Nilfisk's production mainly comprises assembly, and as such the production is not very capital intensive in terms of fixed assets. Investment spending is predominantly aimed at renewing and expanding the product portfolio in order to consolidate Nilfisk's reputation among customers as an innovative and quality brand.

In contrast to Nilfisk, NKT Cables is, a relatively capital intensive company. Being a part of the cable manufacturing industry requires a certain level of investment each year in the fixed asset base in order to ensure that production is efficient and that downtime is reduced to a minimum. In 2014, NKT Cables invested a slightly smaller percentage of revenue (in std. prices) than in the previous year. However, the tangible fixed asset base is generally in very good condition as maintenance remains high on the agenda. In addition, the Cologne factory producing mainly high-voltage cables is relatively new, which lowers maintenance spending.

Photonics Group has traditionally had a high investment level due to its scientific nature. Investment spending has mainly related to development of superior products within the company's product scope. This has enabled Photonics Group to amass very considerable experience and to channel this into the production of cutting-edge products which can be used in an array of different contexts. Investment in 2014 was reduced compared to the exceptionally high level in 2013, predominantly due to the fact that the production facilities in Denmark were upgraded in 2013 to facilitate upscaling and optimisation of production. In absolute terms, R&D spending in 2014 was largely unchanged from last year.

The breakdown of non-current assets by geographical area is shown below.

Geographical information, property, plant and equipment and intangible assets

Amounts in DKKm	2014	2013
Germany	1,863.6	1,886.5
Denmark	1,013.3	999.0
China	635.8	597.0
US	579.1	515.0
Czech Republic	485.7	527.6
Poland	106.8	124.1
Sweden	104.3	118.8
Other	420.6	370.7
	5,209.2	5,138.7

4.1 - IMPAIRMENT TEST

The impairment charge for the year comprises DKK 20m (2013: 66m), and primarily relates to impairment of operating equipment and intangibles in NKT Cables (DKK 12m) arising from closure of production lines and shutdown of a development project in the Fiber processing segment of Photonics Group (DKK 4m).

Nilfisk expects the market growth over an economic cycle to be approx. 2-3%, with the mature markets representing 1-3%. Growth rates in the rest of the world are expected to exceed those of mature markets and the company therefore continues to grow in these markets. Over a normal economic cycle, market growth of 3-5% is expected when trading is good, 0-1% being expected at times of slowdown with significant quarterly aberrations. Nilfisk furthermore expects increased market shares. For a detailed description of developments in 2014, please refer to the Nilfisk section of Group Management's review.

NKT Cables has three business units: Projects, Products and APAC. Favourable market growth is anticipated for Projects as the European energy sector is facing major restructuring towards sustainable energy. The market for Products is fragmented by the inclusion of many types of cables. These are generally mature markets, and future growth is expected to be moderate. With regards to APAC, the Chinese Government remains committed to expanding the railway network and continued growth potential is therefore envisaged for APAC. For a detailed account of developments in 2014, please refer to the NKT Cables section of Group Management's review.

For impairment test purposes, tangible assets are allocated to cash-generating units, and goodwill is allocated to groups of cash-generating units. Goodwill is reviewed below, followed by tangible assets and other intangibles.

§ - Accounting policy

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. 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 business 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

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 reversed in the event of changes having taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortisation if the asset had not been impaired.

! - Significant judgement and estimates

Goodwill

Goodwill has been tested for impairment of the smallest group of cash-generating units in NKT on which goodwill is monitored and which is not larger than the reportable segment. Goodwill has been allocated to three independent entities: Nilfisk, NKT Cables, and Photonics Group. The carrying amount of goodwill as at 31 December was as follows:

Amounts in DKKm	2014	2013
Nilfisk	1,148.3	1,035.7
NKT Cables	160.8	161.6
Photonics Group	25.8	25.8
	1,334.9	1,223.1

The main changes in the goodwill from 2013 to 2014 relates to exchange rate adjustments in Nilfisk primarily linked to the US operations. However, also minor acquisitions have impacted goodwill.

The recoverable amount is based on a value in use calculation. The calculation uses cash flow projections based on financial budgets for 2015 and financial forecasts for 2016-2018/19. A pre-tax discount rate of 10.5% (2013: 10.5%) and a post-tax discount rate of 7.5% (2013: 7.5%) has been applied. Similarly, a steady growth rate of 2.0% for Nilfisk and 2.5% for NKT Cables for the cash flows beyond 2018/2019 has been applied. The growth rate is estimated not to exceed the long-term average growth rates for the markets in which Nilfisk and NKT Cables operate.

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

Key assumptions

	Nilfisk	NKT Cables
Cash flows for 2015-18/19	Revenue is estimated to increase from 2015 to 2019, while the gross profit margin is maintained.	Revenue and gross profit are estimated to increase from 2015 to 2018, while net working capital is expected to be largely maintained.
	The above assumptions for the period 2015-2018/2019 are based on realised figures for 2014 and on Group Management's expectations for the period.	
Capital expenditure	A yearly average investment of 98% of depreciation for the period 2015-2019.	A yearly average investment of 75% of depreciation for the period 2015-2018.
	Capital expenditure cash flow is based on present production capacity and investment already initiated in future production capacity. In order to indicate the scale of capital expenditure the ratio between capital expenditure and the yearly average depreciations has been measured	
Working capital	An average of 17.1% of revenue for 2015 and gradually decreasing to 15.3% in 2018. Strategic target <18%.	An average of 12.2% of revenue for 2015 and largely stable from 2016 and onwards. Strategic target <17%.
	Working capital as a percentage of revenue for Nilfisk and for NKT Cables amounted to 17.4% and 11.1%, respectively, as at 31 December 2014. Working capital as a percentage of revenue is measured at year-end.	

Property, plant and equipment

Property, plant and equipment are tested for impairment for the smallest group of assets with individual cash flows, the cash-generating units with indications of impairments. A special impairment test has been performed for NKT Cables China as indications of impairment issues were present in those particular entities. A detailed impairment test revealed that impairment was not present based on the current strategy. However, a strategic review is ongoing, including evaluation of alternative structures, e.g. strategic partnerships or joint ventures, for all parts of the APAC business. The outcome of the strategic review might change the structure of the APAC business, and thus affect the basis for the impairment test.

Other intangible assets

Other intangible assets have been tested for impairment and show a total impairment of DKK 13m. This can be split into an impairment of DKK 4m on a specific completed development project relating to Photonics Group and impairments of DKK 4m and DKK 5m on patents and licenses in Nilfisk and NKT Cables, respectively.

± - Sensitivity

Sensitivity to changes in assumptions:
Group Management believes that likely changes in the key assumptions will not cause the carrying amount of goodwill to exceed the recoverable amount. To show the headroom between the carrying amount and the recoverable amounts, a sensitivity analysis has been included.

The following sensitivity analysis of goodwill impairment tests focuses on changes in discount rate, long-term growth rate and EBITDA. The changes in EBITDA for 2015-2018/2019 and beyond are based on the assumption that tax paid follows the decrease in EBITDA. All other factors are unchanged in the sensitivity analysis. The following estimates must be changed before the carrying amount equals the value in use:

	Nilfisk		nkt cables		Nilfisk		nkt cables	
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 DKKm	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Post-tax discount rate	7.5%	7.5%	7.5%	7.5%	>15%	>15%	10.9%	10.0%
Long-term growth rate (after 2018/19)	2.0%	2.0%	2.5%	2.5%	<-15%	<-15%	-1.9%	-0.6%
Change in EBITDA compared to the starting point	-	-	-	-	<-15%	<-15%	<-15%	<-15%

4.2 - INTANGIBLE ASSETS

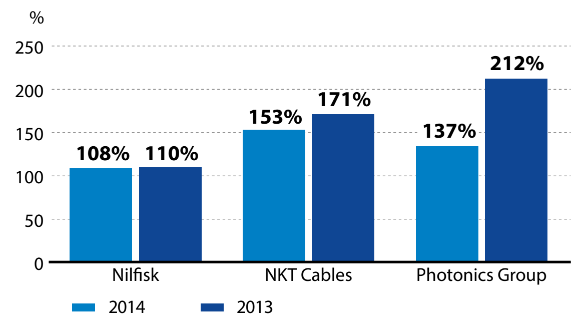
The investment ratio for intangible assets is defined as investment made relative to amortisations, and measured exclusive of goodwill.

In Nilfisk the investment ratio is at a stable level on 108% (2013: 110%). The largest part of investment is due to renewing and expanding the product portfolio. The investment in intangible assets are primarily due to development projects.

In NKT Cables the investment ratio has decreased to 153% (2013: 171%), however, still significantly above the depreciation level. Additions are driven by the SAP upgrade in the business unit Projects which was deployed during 2014.

In Photonics Group the investment ratio has decreased to 137% (2013: 212%). The decrease is due to fewer investments in development projects which was extraordinary high in 2013.

Investment ratio



Breakdown of additions of intangible assets for the business units:

Amounts in DKKm	**2014**	**2013**
Nilfisk	145.2	141.4
NKT Cables	48.0	61.2
Photonics Group	17.1	19.3
	210.3	221.9

Amounts in DKKm	Goodwill	Trademarks etc.	Customer related assets	Completed development projects	Patents and licences etc.	Development projects in progress	Total
Costs, 1 January 2013	1,259.4	130.4	230.0	718.6	513.9	197.6	3,049.9
Additions through business combinations	14.3	0.0	4.5	0.0	1.4	0.0	20.2
Additions	0.0	0.1	0.0	35.7	22.7	163.4	221.9
Disposals	0.0	-0.8	-10.9	-54.7	-13.9	-2.4	-82.7
Transferred between classes of assets	0.0	0.0	0.0	130.8	39.2	-166.7	3.3
Exchange rate adjustments	-50.6	-2.9	-8.5	-9.5	-10.9	-2.0	-84.4
Costs, 31 December 2013	1,223.1	126.8	215.1	820.9	552.4	189.9	3,128.2
Amortisation and impairment, 1 January 2013	0.0	-84.7	-159.7	-463.2	-334.0	0.0	-1,041.6
Amortisation for the year	0.0	-6.3	-17.4	-99.0	-51.0	0.0	-173.7
Impairment	0.0	0.0	0.0	-7.7	0.0	-8.0	-15.7
Disposals	0.0	0.8	10.9	56.5	13.7	0.0	81.9
Transferred between classes of assets	0.0	0.1	-0.1	0.0	-0.9	0.0	-0.9
Exchange rate adjustments	0.0	1.5	6.1	5.9	9.2	0.0	22.7
Amortisation and impairment, 31 December 2013	0.0	-88.6	-160.2	-507.5	-363.0	-8.0	-1,127.3
Carrying amount, 31 December 2013	**1,223.1**	**38.2**	**54.9**	**313.4**	**189.4**	**181.9**	**2,000.9**
Costs, 1 January 2014	1,223.1	126.8	215.1	820.9	552.4	189.9	3,128.2
Additions through business combinations	22.7	10.1	13.4	0.0	0.4	0.0	46.6
Additions	0.0	0.0	0.3	7.9	40.1	162.0	210.3
Disposals	0.0	-5.0	0.0	-19.9	-16.0	-2.1	-43.0
Transferred between classes of assets	0.0	-0.1	0.0	77.5	55.9	-132.6	0.7
Exchange rate adjustments	89.1	4.6	10.4	29.3	16.4	2.9	152.7
Costs, 31 December 2014	1,334.9	136.4	239.2	915.7	649.2	220.1	3,495.5
Amortisation and impairment, 1 January 2014	0.0	-88.6	-160.2	-507.5	-363.0	-8.0	-1,127.3
Amortisation for the year	0.0	-6.5	-14.0	-106.5	-50.8	0.0	-177.8
Impairment	0.0	0.0	0.0	-4.1	-8.5	-0.3	-12.9
Disposals	0.0	5.0	0.0	18.4	15.4	0.7	39.5
Transferred between classes of assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate adjustments	0.0	-0.9	-6.5	-22.5	-12.4	0.0	-42.3
Amortisation and impairment, 31 December 2014	0.0	-91.0	-180.7	-622.2	-419.3	-7.6	-1,320.8
Carrying amount, 31 December 2014	**1,334.9**	**45.4**	**58.5**	**293.5**	**229.9**	**212.5**	**2,174.7**

Trademarks relating to Nilfisk and having a carrying amount of DKK 21.4m (2013: DKK 19.3m) are not amortised, as they are regarded to have an indefinite useful life. Regarding impairment test, please refer to Note 4.1.

§ - Accounting policy

Goodwill
Goodwill is initially recognised in the balance sheet at cost. 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, 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 2.1 Segment information).

Other intangible assets
Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential market or internal utilisation can be demonstrated, and where it is intended to manufacture, market or utilise the project, are recognised in intangible assets, provided the costs 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, and also the development costs. Other development costs are expensed in the income statement as incurred.

Capitalised development projects 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.

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

Trademarks 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 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 but are tested annually for impairment.

4.3 - PROPERTY, PLANT, AND EQUIPMENT

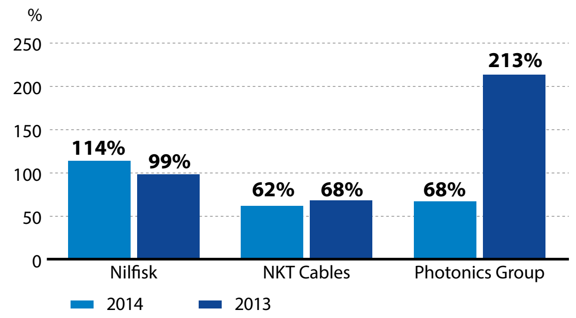
The investment ratio for tangible assets is defined as investments made relative to depreciations.

In Nilfisk the investment ratio has increased to 114% (2013: 99%). The increase is due to more investments in assets under construction. This relates to renewing and expanding the product portfolio in order to secure the costumer perception of the Nilfisk brand.

In NKT Cables the investment ratio has decreased to 62% (2013: 68%). Capital expenditure has decreased to a more normal level after a number of major production investments in Germany and China in the previous years.

In Photonics Group the investment ratio has decreased to 68% (2013: 213%). In 2013 the investment to develop superior products was on the traditionally high level, which was reduced in 2014.

Investment ratio



Breakdown of additions of property, plant and equipment for the business units:

Amounts in DKKm	2014	2013
Nilfisk	96.5	82.9
NKT Cables	164.5	179.8
Photonics Group	6.3	16.0
	267.3	278.7

Amounts in DKKm	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets under construction incl. prepaym.	Total
Costs, 1 January 2013	1,660.4	2,712.8	1,134.7	197.1	5,705.0
Additions through business combinations	0.3	70.4	10.5	15.1	96.3
Additions	4.4	64.3	65.0	145.0	278.7
Disposals	-2.3	-27.6	-58.3	-2.2	-90.4
Transferred between classes of assets	16.5	115.6	74.4	-209.8	-3.3
Exchange rate adjustments	-29.9	-55.5	-21.2	-3.8	-110.4
Costs, 31 December 2013	1,649.4	2,880.0	1,205.1	141.4	5,875.9
Depreciation and impairment, 1 January 2013	-345.4	-1,287.4	-820.2	0.0	-2,453.0
Depreciation for the year	-55.6	-186.8	-112.6	0.0	-355.0
Impairment	0.0	-50.1	0.0	0.0	-50.1
Transferred between classes of assets	0.0	9.2	-8.3	0.0	0.9
Disposals	0.7	15.8	49.2	0.0	65.7
Exchange rate adjustments	6.3	32.7	14.4	0.0	53.4
Depreciation and impairment, 31 December 2013	-394.0	-1,466.6	-877.5	0.0	-2,738.1
Carrying amount, 31 December 2013	**1,255.4**	**1,413.4**	**327.6**	**141.4**	**3,137.8**
Costs, 1 January 2014	1,649.4	2,880.0	1,205.1	141.4	5,875.9
Additions through business combinations	0.0	0.0	3.6	0.0	3.6
Additions	5.7	72.9	68.2	120.6	267.4
Disposals	-3.6	-56.4	-63.8	-5.1	-128.9
Transferred between classes of assets	14.0	61.1	37.3	-113.2	-0.8
Exchange rate adjustments	19.0	18.5	38.4	0.0	75.9
Costs, 31 December 2014	1,684.5	2,976.1	1,288.8	143.7	6,093.1
Depreciation and impairment, 1 January 2014	-394.0	-1,466.6	-877.5	0.0	-2,738.1
Depreciation for the year	-54.9	-184.5	-118.8	0.0	-358.2
Impairment	0.0	-7.2	0.0	0.0	-7.2
Transferred between classes of assets	0.0	2.2	-2.2	0.0	0.0
Disposals	2.1	34.8	55.0	0.0	91.9
Exchange rate adjustments	-4.9	-7.8	-34.3	0.0	-47.0
Depreciation and impairment, 31 December 2014	-451.7	-1,629.1	-977.8	0.0	-3,058.6
Carrying amount, 31 December 2014	**1,232.8**	**1,347.0**	**311.0**	**143.7**	**3,034.5**

Regarding impairment test, please refer to Note 4.1.

§ - 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 costs of materials, components, subcontractors and wages. 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 other costs relating to 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 the relevant category and depreciated.

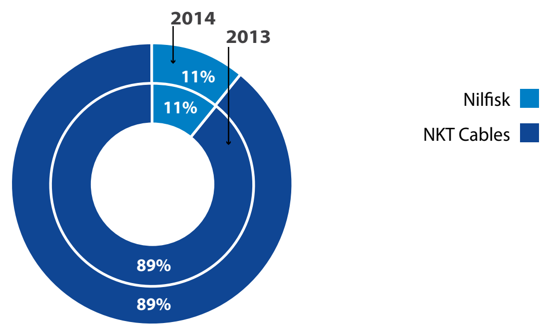
4.4 - PENSION LIABILITIES

Most employees in the Group are covered by pension schemes, primarily in the form of defined contribution-based plans or alternatively by defined benefit plans. The Group companies contribute to these plans either directly or by contributing to pension funds administered independently. The nature of such schemes varies according to legislative and regulatory regimes, rules regarding tax and the economic conditions in the countries in which the employees work, and the contributions are usually based on employee salary and seniority. The liability relates to pensions for already retired staff as well as for employees retiring in the future.

The Group's defined benefit plans primarily relate to Germany and the UK. Pension plans are hedged partly through contributions from the Group's companies and from the employees to pension funds which are independent of the Group. If a plan is not fully hedged, a plan liability is recognised in the consolidated balance sheet. In accordance with accounting policy, expenses relating to pension benefits are recognised in employee benefits (expenses).

Net plan liabilities relate primarily to NKT Cables as illustration.

Share of net plan liabilities



Net liabilities recognised in the balance sheet:	**2014**			**2013**		
Amounts in DKKm	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
Obligation at 1 January	477.6	146.7	330.9	436.0	146.6	289.4
Recognised under staff costs in income statement:						
Current service cost	5.6		5.6	5.8		5.8
Calculated interest cost/income	16.6	5.6	11.0	16.7	5.0	11.7
Curtailments and settlement etc.	0.4		0.4	0.4		0.4
Total	22.6	5.6	17.0	22.9	5.0	17.9
Recognised in other comprehensive income:						
Actuarial gain/loss from changes in financial assumptions	104.8	7.2	97.6	45.7	2.0	43.7
Foreign exchange adjustments etc.	9.6	8.1	1.5	-4.0	-2.9	-1.1
Total	114.4	15.3	99.1	41.7	-0.9	42.6
Other changes:						
Contributions to plans	0.7	6.3	-5.6	0.9	6.7	(5.8)
Benefits paid	-28.9	-17.1	-11.8	-23.9	-10.7	-13.2
Total	-28.2	-10.8	-17.4	-23.0	-4.0	-19.0
Recognised plan liabilities net, at 31 December	586.4	156.8	429.6	477.6	146.7	330.9
Other long-term employee benefits	9.0	0.0	9.0	11.4	0.0	11.4
Recognised at 31 December	595.4	156.8	438.6	489.0	146.7	342.3

! - Significant judgements and estimates

Principal actuarial assumptions at the balance sheet date (as weighted averages)	**2014**	**2013**
Discount rate	1.9%	3.2%
Future salary increases	2.5%	2.5%
Future pension increases	2.1%	2.3%

± - Sensitivity

The table below shows the sensitivity of the liability to changes in the key assumptions for the measurement of the liability at the balance sheet date. The analysis is based on changes in the applied key assumptions considered reasonably likely provided the other parameters in the calculation are unchanged.

	2014	**2013**
0.5% point rise in discount rate	-48.0	-31.6
0.5% point fall in discount rate	43.4	37.8
0.5% point rise in future salary increases	-2.0	1.5
0.5% point fall in future salary increases	-9.8	-0.6

The anticipated duration of the plan liability, expressed as a weighted average, was 16 years at end-2014 (2013: 14 years)
The Group's expected contribution to defined benefit plans in 2015 amounts to DKK 20.7m.

§ - Accounting policy

The Group has contracted pension plans and similar arrangements with the majority of the Company's employees.

Liabilities in respect of defined contribution-based pension plans, where the Group makes fixed regular payments to independent pension companies, 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.

In the case of 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 based on 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 employee benefits.

Pension expenses for the year are recognised in the income statement based on actuarial estimates and financial expectations at the start of the year. Differences between the expected development in plan assets and liabilities and the realised values at the end of the year are designated actuarial gains or losses and recognised in other comprehensive income.

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 by actuarial calculation. Actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include anniversary bonuses.

4.5 - PROVISIONS

Amounts in DKKm	Warranties	Restructuring	Other	Total
Provisions, 1 January 2014	167.5	0.0	79.6	247.1
Additions through business combinations	0.4	0.0	0.0	0.4
Provisions made during the year	137.8	56.5	25.2	219.5
Used during the year	-108.8	0.0	-21.6	-130.4
Reversed during the year	-15.4	0.0	-0.2	-15.6
Discounting effect	0.0	0.0	1.1	1.1
Foreign exchange adjustment	4.1	0.0	3.5	7.6
Provisions, 31 December 2014	185.6	56.5	87.6	329.7
Provisions are recognised in the balance sheet as:				
Non-current liabilities	43.8	0.0	57.4	101.2
Current liabilities	141.8	56.5	30.2	228.5
	185.6	56.5	87.6	329.7

! - Significant judgements and estimates

Provisions have increased from DKK 247.1m at end-2013 to DKK 329.7m at end-2014. The main difference can be explained by a restructuring provision of DKK 56.5m made in relation to the DRIVE efficiency improvement programme in NKT Cables. In addition, NKT Cables took over warranties of DKK 38m from a subcontractor, but was fully compensated.

The principal obligations are expected to be incurred at the amounts stated within three years of the balance sheet date.

Warranty commitments principally relate to Nilfisk. An anticipated obligation is recognised based on products sold within the last year and taking account of empirical data relating to warranty expenses incurred in previous years.

Other warranty commitments relate to the cable projects supplied by NKT Cables in the current or previous years. The liability is based on an individual assessment of a small number of projects.

§ - 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 acquired companies 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.

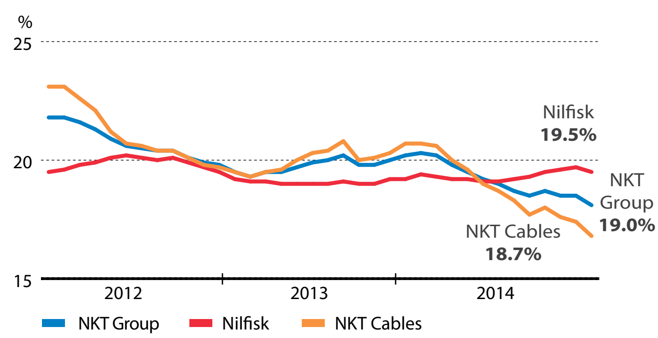
Note 5

5 - WORKING CAPITAL

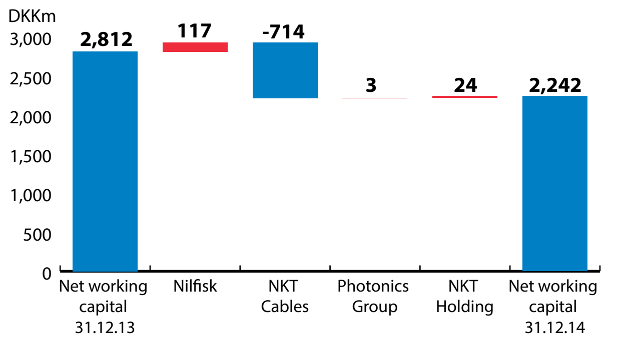
This section covers NKT's funds tied up in working capital. The working capital represents the assets and liabilities necessary to support the day-to-day operations. The working capital is defined as current assets less current liabilities, excluding interest-bearing items and provisions, but including derivatives which serve to protect elements of working capital

KEY DEVELOPMENTS 2014

Working capital ratio, LTM



Working capital



NKT's three business units manufacture widely differing products and operate in very different markets. The companies are therefore very diverse in terms of composition and volatility of working capital and in terms of the working capital ratio.

Nilfisk increased net working capital in 2014 in both absolute terms and as a ratio, the latter rising from 19.2% at end-2013 to 19.5% at end-2014. As Nilfisk has operations in both the US and China, a significant part of the absolute increase can be attributed to currency effects from USD and RMB as both currencies have risen substantially against DKK. Some of the increase can also be explained by the addition of working capital from acquired companies.

NKT Cables' operations are by definition highly capital-intensive as the manufacture of cables calls for expensive raw materials such as copper and aluminium. Furthermore, the operations of the Projects division mean that working capital is extremely volatile, but to some extent predictable, and large sums may be tied up for lengthy periods as payments are linked to production stages and general contract terms. This requires funding to be flexible and available to support this type of activity. In 2014 NKT Cables significantly reduced the working capital; the tie-up in Projects particularly was reduced substantially compared with end-2013 when a number of large projects necessitated a high level of funding. End-2014 net construction contracts amounted to DKK 624m less than at end-2013, and the current amount is considered a more normalised level. Products and APAC were also able to reduce working capital through focused management in this area. In Products, reduction of working capital formed part of the aims of the efficiency improvement programme DRIVE. Optimisation of working capital was thus on the management agenda throughout 2014.

Photonics Group had net working capital of DKK 89m at 31 December 2014, almost the same as at end-2013. However, this was maintained with noticeably higher revenue.

Working capital ratio, LTM

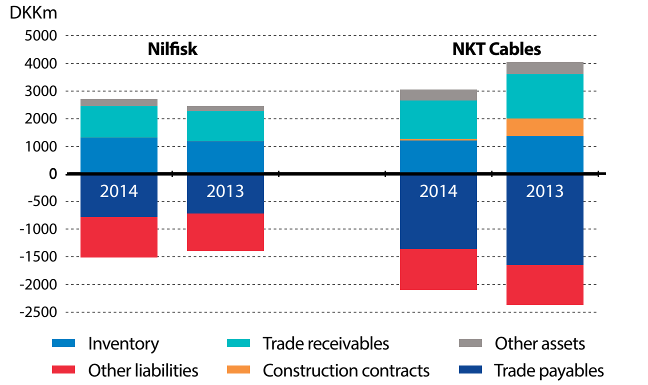
The development in working capital ratio, LTM, in market prices is set out above for the NKT Group, Nilfisk and NKT Cables as the ratio is only to a minor degree impacted by Photonics Group. As can be seen from the graph, NKT Cables has reduced its working capital ratio substantially from 20.7% at end-2013 to 16.8% at end-2014. This can be explained by the large decrease in construction contracts referred to above and is the overall reason for the reduced ratio recorded for both NKT Cables and NKT Group in 2014.

Breakdown of net working capital by business unit
The table provides an overview of the composition of working capital items in Nilfisk and NKT Cables.

As can be seen, Nilfisk experienced a slight increase in working capital assets such as inventory and trade receivables. However, this was balanced somewhat by increase in other liabilities.

The most pronounced change from end-2013 to end-2014 is that construction contracts have decreased substantially in NKT Cables and that inventory and trade receivables have also decreased, although this is balanced slightly by a reduction in trade payables.

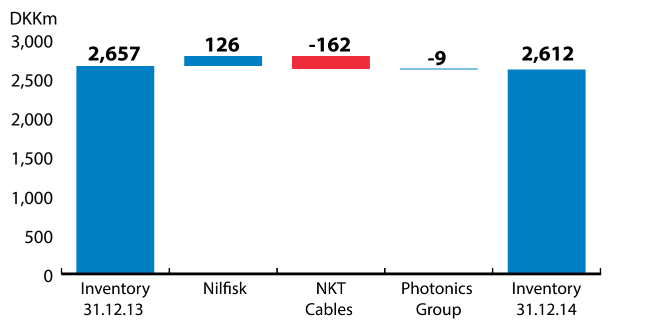
Breakdown of net working capital per business unit



5.1 - INVENTORIES

The Group's three business units carry significant inventory to support their operations. Significant efforts are continuously made to reduce Group inventory levels while maintaining customer service through short lead times.

Inventories



Nilfisk increased inventory by DKK 126m from end-2013 to end-2014. This impacted inventory days negatively by four days compared with last year. Approx. half the increase of DKK 126m related to exchange rates. In addition, DKK 21m came from inventory assumed from acquired companies. The actual increase in inventory was therefore approx. DKK 40m.

NKT Cables reduced inventory by DKK 162m from end-2013 to end-2014. The DRIVE efficiency improvement programme included strengthened focus on inventory management, which has impacted the company's inventory level very positively.

Photonics also reduced inventory by DKK 9m from end-2013 to end-2014.

Amounts in DKKm	2014	2013
Raw materials, consumables and goods for resale	864.0	848.1
Work in progress	272.4	347.1
Finished goods	1,475.7	1,462.3
	2,612.1	2,657.5
Impairments on inventories, 1 January	220.0	204.8
Impairments on inventories for the year expensed in the income statement	56.0	58.2
Disposals from sales	-52.2	-31.4
Other disposals	-15.5	-11.6
Impairments on inventories, 31 December	208.3	220.0

! - Significant judgements and estimates

NKT writes down on inventories if net realisable value is lower than costs for example in case of obsolescence. However; no NKT business unit is particularly exposed to impairments in inventories and as such it has no material impact on the financial statement.

§ - 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 costs, comprising purchase price plus delivery costs.

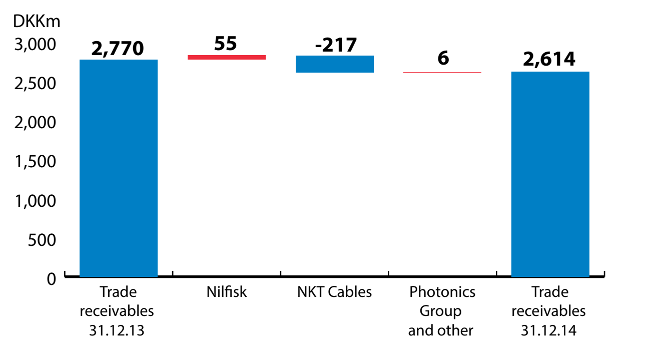
Finished goods and work in progress are measured at costs, which comprises costs of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with 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 costs.

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.

5.2 - RECEIVABLES

Trade receivables in NKT comprise trade and other receivables from external and associated companies, construction contracts, other receivables from derivative financial instruments and prepayments.

Receivables



Nilfisk increased trade receivables in absolute terms by DKK 55m from end-2013 to end-2014. Approx. half the increase was attributable to exchange rate effects. However, the increase in absolute terms relates to increased revenue, wherefore trade receivable days were unchanged.

NKT Cables reduced trade receivables by DKK 217m from end-2013 to end-2014. NKT Cables has substantial outstanding overdue trade receivables in China and a specific project has been initiated to resolve this issue. This project has succeeded in reducing the overdue amount, but collection efforts continue unabated.

Write downs on trade receivables amount to 5% (cf. overview in Note 6.6). This was on par with last year.

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

Amounts in DKKm	2014	2013
Trade receivables	2,564.4	2,739.2
Trade receivables due from associates	49.4	30.7
Construction contracts	46.8	618.9
Other receivables incl. derivative financial instruments	360.6	318.7
Prepayments	333.2	332.3
	3,354.4	4,039.8
Of which receivables falling due later than 12 months from the balance sheet date	185.1	211.6
Construction contracts:		
Contract value of work in progress	3,037.6	3,787.7
Progress billings	-3,085.5	-3,212.1
	-47.9	575.6
Construction contracts are recognised thus:		
Recognised as assets	46.8	618.9
Recognised as liabilities	-94.7	-43.3
	-47.9	575.6
Payments withheld	0.0	0.0

Disclosure of credit risks and impairment of trade receivables is included in Note 6.6.

! - Significant accounting estimates and judgements:

Construction contracts relating to NKT Cables are to a certain degree measured based on group management's judgment in terms of stage of completion and estimated profit on each project, which affects the value recognised in the balance sheet. The estimate includes a risk provision, which is based on the specific risk that each project is exposed to. A significant part of the risk provision is either utilised or released after the Final Approval Test, and thus major projects carry a high uncertainty in the final phase.

The stage of completion are often linked to defined milestones, e.g. x km approved cables. In essence, the judgement related to the stage of completion is therefore based on very factual actions and less on estimates and judgment calls.

§ - Accounting policy

Receivables are measured at amortised cost. 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 NKT 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 amounts 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 on interest for the specific receivable or portfolio.

Construction contracts
Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses. Construction contracts are characterised by a high degree of individualisation in the design of the goods produced. It is furthermore a requirement that before commencement of the work a binding contract is signed that will result in fine or compensation in case of subsequent cancellation.

The 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 which are likely to be recoverable.

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.

Costs relating to sales work and securing contracts are recognised in the income statement as incurred unless they are directly attributable to a specific contract and it is probable at the time the costs are occurred that the contract will materialise.

Prepaid expenses
Prepaid expenses are measured at cost.

5.3 - TRADE PAYABLES AND OTHER LIABILITIES

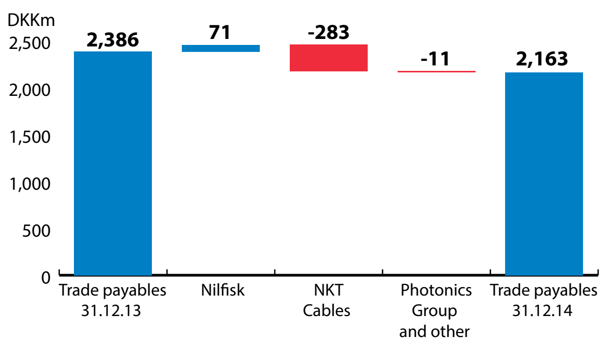
Trade payables and other liabilities comprise trade payables, other payables including VAT, employee-related payables, and derivative financial instruments. Liabilities and prepayments related to construction contracts and other prepayments and deferred income are also included.

The graph below displays the development in trade payables only.

For Nilfisk, trade payables increased by DKK 71m during the period, which benefitted overall net working capital. However, approx. DKK 30m of this was attributable to exchange rate effects. This was equivalent to an increase of five days compared with last year to an average of 99 days.

NKT Cables significantly reduced its trade payables, primarily due to the fact that fewer turn-key projects with third party suppliers are ongoing compared with end-2013.

Trade payables



Amounts in DKKm	2014	2013
Trade payables	2,161.8	2,384.2
Trade payables to associates	1.5	1.7
Other payables (VAT, employee related tax, holiday pay, derivative financial instruments, etc.)	1,141.5	1,083.9
Construction contracts (cf. Note 5.2)	94.7	43.3
Prepayments regarding construction contracts	0.0	47.1
Prepayments from customers	186.5	190.8
Deferred income	34.3	37.9
	3,620.3	3,788.9

§ - Accounting policy

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

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

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

Note 6

6 - CAPITAL STRUCTURE AND FINANCIAL ITEMS

This section covers NKT's capital structure, financing costs and financial risks. NKT's policy is to maintain a capital structure that supports the Group's strategic goals to deliver value and profitable growth. NKT operates with solid financial reserves that allow economic and strategic flexibility.

NKT intends to deliver attractive returns to shareholders in the form of growth and a stable dividend corresponding to one third of the company's profit for the year

KEY DEVELOPMENTS 2014

Net interest-bearing debt
0.9x EBITDA
reduced from 1.9 last year

Available cash resources of
DKK 4.6bn
at end-2014

Net interest-bearing debt
DKK 1.0bn
lower than last year

Average funding rate
2.6%
down from 3.5% in 2013

6.1 - CHANGES IN CAPITAL STRUCTURE, FINANCING, ETC.

No significant changes have been made to the NKT Group capital structure, which continues to realise the defined goals for solvency, gearing and debt relative to EBITDA (cf. Group financials on page 7).

Four 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 DKK 300m 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 revisited at the Annual General Meeting in 2016.

3. The Board of Directors is authorised to issue warrants to the management and employees of NKT, and companies consolidated with NKT which gives a right of subscription of a total nominal amount of DKK 20,000,000 shares (1,000,000 shares of DKK 20 each).

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 DKK 20m, up to a maximum nominal amount of DKK 44m (2.2 million new shares, corresponding to just under 10% of the share capital).

6.2 - NET INTEREST-BEARING DEBT

Amounts in DKKm	2014	2013
Net interest-bearing debt comprises:		
Non-current loans	1,320.1	2,098.3
Current loans	268.5	480.2
Other interest bearing items included in trade payables and other payables	13.7	0.0
Interest bearing debt, gross	1,602.3	2,578.5
Interest bearing items included in receivables	-93.1	-91.3
Cash at bank and in hand	-373.9	-375.9
Net interest bearing debt	1,135.3	2,111.3

Net interest-bearing debt at end-2014 was DKK 976m lower than at end-2013, primarily due to significant lower working capital and positive earnings.

Similar to end-2013 the net interest-bearing debt predominantly consists of Danish mortgage loans and drawings under long-term credit facilities.

As at 31 December 2014, 62% (2013: 56%) of the interest-bearing debt was denominated in DKK, 27% (2013: 14%) was in EUR, and 8% (2013: 9%) was in USD. The debt was still predominantly based on floating interest rates.

6.3 - PAYABLES TO CREDIT INSTITUTIONS AND OTHER PAYABLES

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

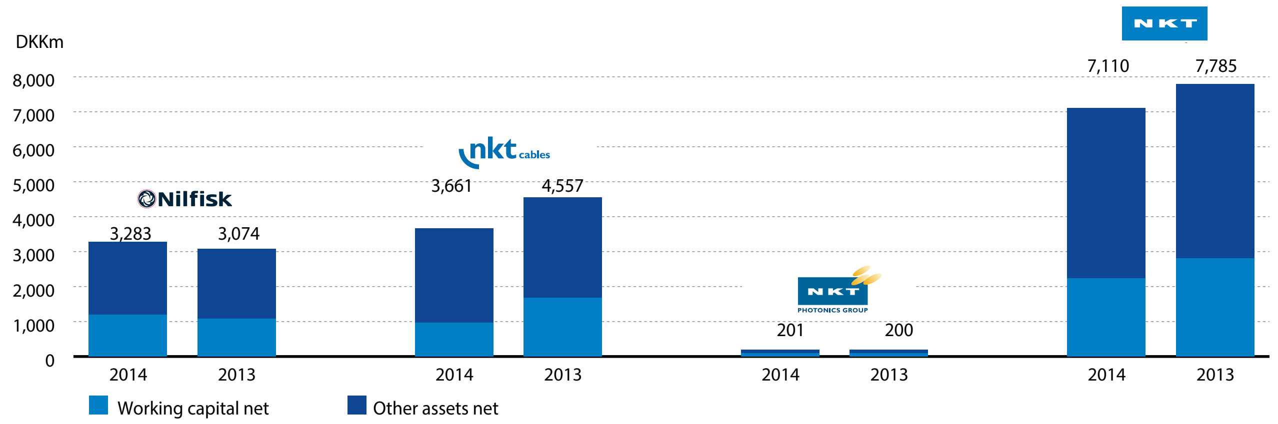
§ - Accounting policy

Payables to credit institutions, etc. 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 costs using 'the effective interest method', the difference between the proceeds and the nominal value therefore being recognised in the income statement 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.

6.4 - CAPITAL EMPLOYED

Capital employed



Capital employed decreased by DKK 675m from 2013 to 2014. This was primarily due to significantly lower working capital, especially in NKT Cables. Working capital decreased by DKK 570m.

Return on capital employed for the NKT Group amounted to 9.4% at 31 December 2014 (2013: 6.7%) (based on operational EBIT and quarterly average capital employed).

Return on capital employed for NKT Cables was 4.2% at 31 December 2014 (2013: 0.8%). The increase was driven by an improvement in operational EBIT of DKK 143m, and a lower average capital employed compared to 2013 as average capital employed was DKK 463m lower.

For Nilfisk, return on capital employed increased slightly to 17.6% at December 2014 (2013: 17.5%). Operational EBIT increased by DKK 12m, however; quarterly average capital employed increased slightly with DKK 46m.

6.5 - FINANCIAL ITEMS

The net financial expenses represented DKK 99m in 2014 compared to DKK 160m in 2013. The reduction relates to both lower interest costs of DKK 39m and lower foreign exchange losses, incl. financial derivatives of DKK 22m.

The reduced interest cost of DKK 39m was primarily due to an in average DKK 750m lower debt to service during 2014 compared to last year. Secondly, lower interest margin which depends on the Group's net interest-bearing debt measured against EBITDA, and generally lower interest levels in the Group's borrowing currencies had positive effects on interest expenses.

Foreign exchange losses and losses on derivative financial instruments were also at a low level. Comparison of these items with corresponding gains on foreign exchange and derivative financial instruments reveals a net loss of DKK 9m in 2014, against a net loss of DKK 31m in 2013. While the Group's most significant currency exposures are hedged, currency adjustments from unhedged cash flows will cause modest foreign exchange gains or losses. The DKK 9m net loss in 2014 is within the expected range of the Group's hedging policy and should be seen in the context of the significant sales in foreign currency.

	Financial income		Financial expenses	
Amounts in DKKm	**2014**	**2013**	**2014**	**2013**
Interest etc. relating to financial assets/liabilities measured at amortised cost	15.6	18.2	105.6	147.2
Foreign exchange gains/losses	222.1	139.0	134.4	210.0
Gains/loss on derivative financial instruments	18.4	54.8	114.6	15.0
	256.1	212.0	354.6	372.2

§ - Accounting policy

Financial income comprises interest, dividends, capital gains on securities, receivables and transactions denominated in foreign currencies, amortisation of financial assets, and allowances 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.

Financial expenses comprise interest, capital losses on and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, and 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.

6.6 - FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

NKT's risk management policy

The NKT Group is exposed to a number of financial risks by virtue of its operations, investment and financing activities. As a matter of policy the Group does not actively speculate in financial risks, and the Group's financial management is therefore solely directed towards managing the financial risks resulting from the Group's operations, investment, and financing.

The financial risk management policy is defined by NKT Holding and managed by Group Treasury. The general principle is that only financial risk exceeding a defined risk threshold is hedged. The risk thresholds are defined to provide NKT Group with sufficient risk protection and taking hedging transaction costs into consideration.

NKT Group uses a number of financial instruments, such as forwards, swaps and options to hedge exposures relating to currency, interest rates and commodities. However, no option contracts were active at the end of 2014 and 2013.

The financial risks are divisible into:

1. Currency risks
2. Interest rate risks
3. Credit risks
4. Liquidity risks
5. Raw material price risks

Currency risks

With just above 50% of sales taking place in other currencies than EUR and DKK the NKT Group is exposed to significant currency risks having considerable influence on the income statement and balance sheet.

Currency risks refer to the risks of losses (or opportunities for gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets and liabilities denominated in currencies other than the functional currency of the individual Group businesses.

Management and hedging of existing and anticipated currency risks are initiated by the individual business units within the framework of existing policies and executed by Group Treasury.

Currency risks are quantified using a methodology that takes volatility and correlations into consideration. The EUR/DKK exposure is monitored but currently disregarded in the currency risk quantification due to the fixed relationship between the two currencies.

Translation risks relating to net investment in subsidiaries

As a basic principle the 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 investment (above DKK 100m) in foreign currency, excluding EUR, a rate of exchange which is 10% lower than the actual exchange rate for CZK, CNY, GBP and PLN would reduce the Group's equity by DKK 165m at 31 December 2014 (2013: DKK 177m). Currency risks relating to other investments in foreign entities are not significant.

Net financing

Significant currency risks relating to receivables and payables that influence the Group's net income are hedged. Balances with credit institutions are 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 2014 and at 31 December 2013, and the Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

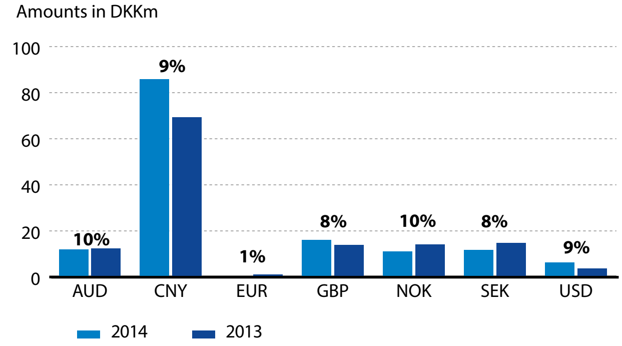
Future cash flows

The Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the individual Group businesses. Hedging of these currency risks is based on assessments of the likelihood of the future transaction being performed and whether the associated currency risk is significant.

Expected cash flows with significant currency risk are systematically hedged on a 12-15 months rolling basis. However, currency risks from project related sales are considered on an individual basis. The fair value of the effective part of the hedge is recognised in other comprehensive income on a continuous basis. The table below shows net outstanding forward exchange hedging contracts at 31 December for the Group which are used for and fulfil the conditions for hedge accounting of future transactions.

The fair value of the current portfolio of effective hedging contracts will impact other comprehensive income if currency rates change. The sensitivity analysis shown in the chart assumes currency rate changes equal to the individual currency's historic volatility. The analysis shows that for instance a 10% change in the AUD/DKK rate will change other comprehensive income with DKK 12m, which is similar to last year's exposure. Comparative figures for 2013 have been calculated using the same percentage change (annual volatility as at 31 December 2014) as stated for 2014.

Sensitivity analysis



Forward exchange contracts relate to hedging of product sales/ purchase, cf. Group policy. During the year DKK 4m (2013: DKK -5m) was recognised under financial items due to ineffective hedge contracts.

Cash flow hedges:	**2014**		**2013**	
Amounts in DKKm	Notional value[1]	Gain/loss recog. in oth. compr. income	Notional value[1]	Gain/loss recog. in oth. compr. income
AUD	-119.2	0.6	-124.4	13.0
CNY	953.3	60.7	770.0	-4.4
EUR	-41.5	0.0	-103.0	0.0
GBP	-200.1	-5.2	-172.0	-1.9
NOK	-110.0	8.3	-141.5	9.5
SEK	-145.8	5.5	-185.3	4.8
USD	-68.7	0.0	-41.1	-1.6
Other European	-1.0	0.0	49.5	0.0
Other currencies	-2.0	0.0	-87.5	6.0
Total (maturity 0-24 months; 2013: 0-24 months)	265.0	69.9	-35.3	25.4

[1] Forward exchange contracts; positive notional values are purchases of the relevant currency, negative notional values are sales.

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows concerning the Group's interest-bearing assets and liabilities. At year end the Group's interest-bearing debt exceeded its interest-bearing assets by DKK 1,135m (2013: DKK 2,111m).

It is Group policy that 20-40% of net interest-bearing debt is subject to fixed interest rates. During 2014 in average 38% of net interest-bearing debt was subject to fixed interest rates and the portfolio of debt instruments with fixed interest rates includes a Danish mortgage loan and an interest rate swap.

It is estimated that, based on the relevant interest periods for the Group's actual credit facilities, a 1% rise in market interest rate for the Group's net interest-bearing items at 31 December would, all other things being equal, influence pre-tax expenses by around DKK 4m p.a. (2013: DKK 15m).

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 attached to financial assets corresponds to the values recognised in the balance sheet.

The Group has no material risks relating to a single customer or partner. The Group's policy for acceptance of credit risks entails ongoing credit rating of important customers and other partners. Insurance cover and similar measures to hedge receivables are rarely applied, as the Group historically has had only few material losses.

Amounts in DKKm	2014	2013
Receivables from sales and services (gross)	2,687.6	2,850.2
Impairment for bad and doubtful debts:		
1 January	111.0	117.6
Additions through business combinations	0.6	9.8
Exchange rate adjustment	5.7	-4.3
Writedowns for year included in income statement in 'Other costs'	30.9	19.3
Reversal of impairment for the year included in income statement in 'Other costs'	-9.8	-13.9
Realised losses during year	-15.2	-17.5
Impairment, 31 December	123.2	111.0
Total receivables from sales and services	2,564.4	2,739.2

Impairments as at 31 December, amounting to DKK 123.2m (2013: DKK 111.0m), included DKK 32.9m (2013: DKK 29.3m) attributable to individual impairment.

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

Amounts in DKKm	2014	2013
Periods after maturity:		
Up to 30 days	249.7	254.4
Between 30 and 60 days	64.5	78.7
Between 60 and 120 days	54.5	71.8
More than 120 days	153.3	144.1
	522.0	549.0

! - Significant judgements and estimates

Impairments are due to individual review for impairment arising from customer insolvency and anticipated insolvency and to mathematically computed impairments based on classification of debtors according to maturity.

Liquidity risks

It is the Group's policy to maintain adequate cash resources for implementing planned operating activities and to be able to operate effectively in the event of unforeseen fluctuations in liquidity.

The Group's cash resources consist of cash and cash equivalents and undrawn credit facilities. The latter consists of primarily committed but also uncommitted facilities.

In connection with refinancing activities in 2014, the portfolio of committed credit facilities was reduced by DKK 1.1bn to reflect the significant debt reduction taking place during the last years. The adjustment has left cash resources defined as cash and unused credit facilities unchanged.

Strong liquidity reserves

Amounts in DKKbn	31.12.14	31.12.13
Committed (>3 years)	3.8	2.0
Committed (1-3 years)	0.9	3.8
Committed (<1 year)	0.1	0.1
Committed, total	**4.8**	**5.9**
% of total	83%	85%
Uncommitted	1.0	1.0
% of total	17%	15%
Total	**5.8**	**6.9**
Cash	0.4	0.4
Drawn	-1.6	-2.6
Cash resources	**4.6**	**4.7**

The refinancing of due credit facilities has increased average duration of committed credit facilities to 3.8 years and no significant committed facilities mature before 2019.

Credit agreements embody 'change of control' provisions whereby significant credit facilities can be cancelled if a shareholder or shareholder group gains control over NKT or if NKT is no longer listed on Nasdaq Copenhagen.

The NKT Group's credit facilities are not subject to financial covenants, but are subject to some non-financial covenants of conventional nature.

The Group's liabilities mature as follows:

Amounts in DKKm	2014						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	Total
Forward contracts	44.3						44.3
Credit institutions	268.5	261.6	55.6	55.7	418.7	548.2	1,608.3
Other financial liabilities	3,541.7						3,541.7
	3,854.5	261.6	55.6	55.7	418.7	548.2	5,194.3

	2013						
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	Total
Forward contracts	23.1	0.4					23.5
Credit institutions	480.2	110.2	919.1	55.3	55.9	980.4	2,601.1
Other financial liabilities	3,704.1						3,704.1
	4,207.4	110.6	919.1	55.3	55.9	980.4	6,328.7

The above items do not include interest. The forward contracts are recognised at fair value and the discount element is considered insignificant as a result of short maturity. Payables to credit institutions are recognised in the balance sheet as DKK 1,589m (2013: DKK 2,579m), while the contractual cash flows, cf. above, amount to DKK 1,608m for 2014 (2013: DKK 2,601m).

Raw material price risks

Raw material price risks exist primarily for NKT Cables, and comprise the effect of changes in raw material prices on Group net income. A description of raw material price development and risks is contained in Group Management's review for NKT Cables. In situations where changes in raw materials prices cannot be transferred to customers, the Group uses financial instrument to hedge the price risks.

Exposures and hedging of current and expected future raw material risks are managed by the business units based on adopted Group guidelines. As at 31 December NKT Cables had current financial hedging instruments relating to future metal supplies of a value of DKK 387m (2013: DKK 291.5m) with a negative fair value of DKK 7.7m (2013: negative value of DKK 15.9m).

It is estimated that, all other things being equal, a 10% rise in raw material prices would influence the NKT Group's other comprehensive income by around DKK 39m for forward transactions for metal supplies at 31 December 2014 (2013: DKK 29m). The fair value of the effective part of the hedge is recognised on a continuous basis in Other comprehensive income as hedge of future cash flows. Impact of ineffectiveness on the income statement was negligible during the year.

Categories of financial instruments - carrying amount

Amounts in DKKm	2014	2013
Financial assets:		
Trading portfolio (derivative financial instruments)	99.3	54.1
Loans and receivables	3,343.6	4,062.6
Financial assets available for sale	25.3	22.3
Financial liabilities:		
Trading portfolio (derivative financial instruments)	44.3	23.5
Financial liabilities, measured at amortised cost	5,130.3	6,306.0

Fair values

Financial instruments measured at fair value in the balance sheet are designated as belonging to 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: Input other than listed prices on Level 1 which is 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 (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments. The fair value at 31 December 2014 and 2013 of NKT's forward transactions 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.

In addition, financial assets available for sale are measured at fair value. The fair value is in all material respects based on listed prices (Level 1).

§ - 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 company 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 hedges
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. Apart from foreign currency hedging, hedging of future payment flows according to 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 hedges
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 hedges
Changes in the fair value of derivative financial instruments used to hedge net investment 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.

6.7 - SHARE CAPITAL

Number of DKK 20 shares ('000)	2014	2013	2012	2011	2010
Shares, 1 January	23,930	23,888	23,738	23,738	23,718
Increase in capital by exercise of warrants	4	42	150	0	20
Shares, 31 December	23,934	23,930	23,888	23,738	23,738
Treasury shares	-77	-77	-77	-77	-77
Shares outstanding, 31 December	23,857	23,852	23,811	23,661	23,661

The share capital consists of shares with a nominal value of 20 DKK. No shares carry special rights. NKT's Articles of Association specify no limits in respect of ownership or voting right, and NKT is unaware of any agreements in this regard.

Distribution of dividend to shareholders of NKT Holding A/S has no tax consequences for the company.

§ - 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 dividend is recognised as a liability at the date when the decision to pay such dividend is made.

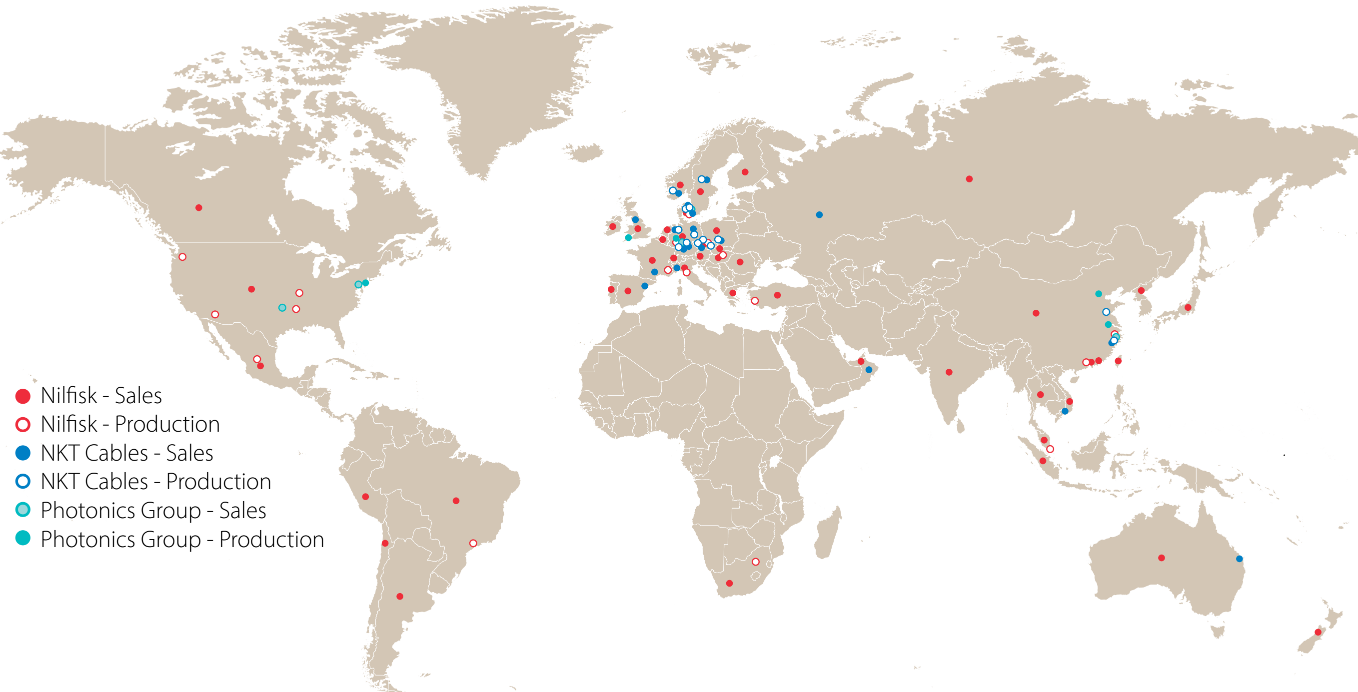
Acquisition costs, consideration received, and dividends relating to treasury shares, are recognised directly in retained comprehensive income in equity.

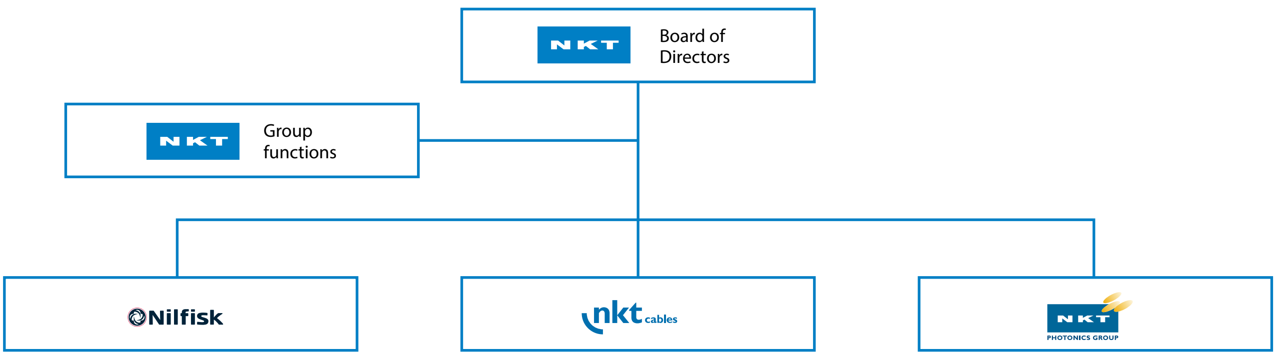
Proceeds from sales of treasury shares and from issue of shares in NKT Holding A/S relating to exercise of warrants or employee shares are recognised directly in retained comprehensive income in equity and share capital.

Note 7

7 - GROUP STRUCTURE

This section describes additions and disposals of businesses during the year and NKT's structure at end-2014





7.1 - ACQUISITIONS/DIVESTMENTS OF BUSINESSES

Acquisitions

Cash purchase consideration for minor acquisitions in Nilfisk comprised DKK 44.3m. Interest-bearing payables acquired comprised DKK 5.8m. The effect on Group revenue and Group profit is not material.

Divestments

Cash purchase considerations for divestment of Nilfisk wooden floor sanding activities comprised DKK 125.8m. Inventories and payables, etc., comprised DKK 22.2m.

7.2 - GROUP COMPANIES

Nilfisk

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

Group companies	Domicile
South America	
Nilfisk-Advance S.R.L.	Argentina
Nilfisk-Advance Equipamentos de Limpeza Ltda.	Brazil
Nilfisk-Advance S.A. (51%)	Chile
Nilfisk-Advance S.A.C (51%)	Peru
Africa	
WAP South Africa Pty. Ltd.	South Africa
Asia/Pacific	
Nilfisk-Advance Pty. Ltd.	Australia
Nilfisk-Advance Ltd.	Hong Kong
Nilfisk-Advance India Ltd.	India
Nilfisk-Advance Inc.	Japan
Dongguan Viper Cleaning Equipment Co. Ltd.	China
Nilfisk-Advance Cleaning Equipment (Shanghai) Co. Ltd	China
Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co. Ltd.	China
Nilfisk-Advance Korea Co. Ltd.	Korea
Nilfisk-Advance Sdn Bhd	Malaysia
Nilfisk-Advance Ltd.	New Zealand
Nilfisk-Advance Pte. Ltd.	Singapore
Nilfisk-Advance Ltd.	Taiwan
Nilfisk-Advance Co. Ltd.	Thailand
Nilfisk-Advance Company Ltd.	Vietnam
Associates	
M2H S.A. (44%)	France
CFM Lombardia S.r.l. (33%)	Italy
Rottest A.S. (50%)	Turkey

Group companies	Domicile
Germany	
NKT Cables Group GmbH	Germany
NKT Cables GmbH Nordenham	Germany
NKT Cables GmbH & Co. KG	Germany
VGK1 GmbH	Germany
Europe	
NKT Cables s.r.o.	Czech Rep.
NKT Cables Group A/S	Denmark
NKT Cables A/S	Denmark
NKT Cables Ultera A/S	Denmark
NKT Cables Italia S.r.L.	Italy
NKT Cables Nederland B.V.	Netherlands
NKT Cables AS	Norway
NKT Cables S.A.	Poland
NKT Cables Warszowice Sp. z.o.o.	Poland
NKT Cables LLC	Russia
NKT Cables Spain S.L.	Spain
NKT Cables Holding AB	Sweden
NKT Cables AB	Sweden
NKT Cables Ltd.	UK
Middle East	
NKT Cables JLT, UAE	Dubai
Asia/Pacific	
NKT Cables Australia Pty Ltd	Australia
NKT Cables Ltd., Changzhou	China
NKT Electrical Components (Changzhou) Co. Ltd.	China
Unique Vantage Cables Co., Ltd.	China
Unique Vantage Ltd.	Hong Kong
Associates	
Ultera GP (50%)	US

Group companies	Domicile
Denmark	
NKT Photonics A/S (98%)	Denmark
Europe	
LIOS Technology GmbH	Germany
NKT Photonics GmbH (owned by NKT Photonics A/S)	Germany
Vytran UK Limited	UK
America	
LIOS Technology Inc.	US
NKT Photonics Inc. (owned by NKT Photonics A/S)	US
Vytran LLC	US
Asia/Pacific	
NKT (Beijing) Photonic Technical Service Co., Ltd. (owned by NKT Photonics A/S)	China

Equity share is 100% owned except where (xx%) appear after the company.

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

Note 8

8 - OTHER NOTES

This section contains other statutory notes and notes considered less essential to the understanding of the NKT Group's financial development

8.1 - FEE TO AUDITOR ELECTED AT THE ANNUAL GENERAL MEETING

Amount in DKKm	2014	2013
Deloitte :		
Statutory audit	10.0	8.5
Audit related services	0.2	0.1
Tax and VAT advice	0.1	0.2
Other services	3.3	1.8
	13.6	10.6

The increase in the fee for the statutory audit is primarily driven by an expansion of the number of subsidiaries with a full scope audit.

8.2 - EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has granted 154,552 warrants to the Group Management and key employees of NKT Holding, cf. Company Announcement of 9 January 2015.

The exercise periods for the warrants have been determined as two weeks after publication of NKT's Annual Report in each of the years 2018, 2019 and 2020, as well as two weeks after publication of NKT's Interim Reports in each of the years 2018 and 2019.

Each warrant confers entitlement to subscribe for one share of a nominal price of DKK 20 at a set subscription price of DKK 403.35. The subscription price is adjusted for ongoing dividend paid to the shareholders until the exercise date.

The subscription price is determined on the basis of the average share price in a four-week period following the most recent financial report plus an annual hurdle rate of 8% for each of the years 2015, 2016 and 2017.

The Board of Directors may decide to grant the warrant holder differential settlement at the exercise of warrants instead of receiving shares in the company.

Based on the price of DKK 403.35, and using the Black-Scholes formula, the value of the warrants granted can be calculated as DKK 2.9m if the warrants are exercised at the earliest possible date. The calculation assumes volatility of 23% and an interest rate of 0.1%.

8.3 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IASB has issued a number of new standards and interpretations that were not mandatory during preparation of the 2014 Annual Report. The new standards and interpretations are not expected to materially influence NKT's financial reporting.

IASB has issued IFRS 15 'Revenue from contracts with customers', with the effective date of 1 January 2017. It currently awaits EU endorsement. The new standard will establish a single, comprehensive framework for revenue recognition. Preliminary assessments have concluded that the new standard is not expected to materially influence NKT's financial statements.

8.4 - CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS

! - Significant judgements and estimates

The Group is a party to various disputes and inquiries from authorities whose outcome is not expected to materially affect 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 materially affect profit for the year.

On 2 April 2014 NKT received a fine of DKK 29m following the investigation conducted by the European Commission into alleged price-fixing activities in the power cables industry, cf. Company Announcement No. 8. By defining NKT as a 'fringe player' - as the only European manufacturer - the European Commission explicitly established that the role of NKT was substantially limited. This is further emphasised by the fact that NKT was the only European manufacturer to receive a 10% reduction on the fine amount. While the European Commission has assessed that NKT's role was substantially limited and the fine is considerably smaller than those imposed on other cables manufacturers, NKT disagrees with the Commission's decision and has therefore lodged an appeal. As a consequence of the Commission's decision, NKT and other power cables producers face exposure to claims for damages in proceedings brought by customers or other third parties. In line with its appeal against the Commission decision, NKT contests any civil damages claim that is based on this Commission decision.

The remuneration for the business unit managements 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 to which certain conditions are attached. As at 31 December 2014 these conditions were complied with.

Securities

Amounts in DKKm	2014	2013
Carrying amount of assets provided as security for credit institutions:		
Land and buildings	672.8	742.4
Plant and machinery	543.8	623.4
Operating equipment	12.6	11.3
Liabilities secured on assets	815.4	838.9

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

Contractual obligations

Amounts in DKKm	**2014**	**2013**
Contractual obligations relating to purchase of buildings and production plants	8.1	34.9
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	237.3	235.2
Within 1-5 years	443.6	310.4
After 5 years	324.4	239.2
	1,005.3	784.8
Lease payments recognised in income statement	273.6	275.4
Of which subrental, income	4.1	1.0
Operating lease income:		
Operating lease income relates to Nilfisk products leased to customers.		
Interminable minimum rent income is specified as follows:		
Within 0-1 year	23.3	19.9
Within 1-5 years	17.7	15.6
	41.0	35.5

§ - Accounting policy

Contingent liabilities
Disclosure concerning contingent assets and liabilities and when they must be recognised takes place against the background of evaluations of the expected outcome of the individual issues. These evaluations are based on legal opinions of the agreements contracted, which in significant issues also include opinions obtained from external advisors, including lawyers.

Assets are recognised when it is virtually certain that the issue will have a positive outcome for the company. A liability is recognised when it is likely that, at the balance sheet date, there will be an outflow from the Group's financial resources and when the liability can be reliably stated. If this is not the case, the matter 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 that may differ significantly from the recognised amounts or disclosures.

Contractual liabilities - leasing
Lease commitments are divided for accounting purposes into finance leases and operating leases.

A finance lease is one that in all material respects transfers risks and benefits relating to ownership of the leased asset. Other leases are designated operating leases.

The accounting treatment of assets held under a finance lease and the associated liability are described in the section on property, plant and equipment and in the section on financial liabilities, respectively.

Rental payments made under an operating lease 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 similar type.

8.5 - EXPLANATORY COMMENTS TO 5-YEAR FINANCIAL HIGHLIGHTS

Items below refer to the overview of five-year highlights.

1. **Revenue at standard prices** - Revenue at standard prices for copper and aluminium is set at EUR/tonne 1,550 and EUR/tonne 1,350 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 2014: DKK -208m, 2013: DKK 18m, 2012: DKK -30m, 2011: DKK -33m and 2010: DKK -86m.

3. **Net interest-bearing debt** - Cash, investment and interest-bearing receivables less interest-bearing debt. Specified for 2014 and 2013 in Note 6.2.

4. **Capital employed** - Group equity plus net interest-bearing debt. Specified for 2014 and 2013 in Note 6.4.

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. non-controlling interest 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. EBIT is calculated including discontinued operations (excl. profit from disposal). One-off items comprise, 2014: DKK -211m, 2013: DKK -39m, 2012: DKK -37m, 2011: DKK -33m and 2010: DKK -86m.

9. **Earnings, DKK per outstanding share (EPS)** - Earnings 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 of warrants plan for Group Management and employees is not included in this ratio.

Financial ratios

The ratios contained in the financial highlights are calculated as follows.

Gearing $= \dfrac{\text{Net interest-bearing debt} \times 100}{\text{Group equity}}$

Solvency ratio $= \dfrac{\text{Equity excl. non-controlling interest} \times 100}{\text{Total assets}}$

Return on Capital Employed (RoCE) $= \dfrac{\text{Operational EBIT}}{\text{Average capital employed}}$

Earnings Per Share (EPS) $= \dfrac{\text{Earnings attr. to equity holders of NKT Holding A/S}}{\text{Average number of shares outstanding}}$

Earnings Per Share Diluted (EPS-D) $= \dfrac{\text{Earnings attr. to equity holders of NKT Holding A/S}}{\text{Diluted average number of shares}}$

Book Value Per Share (BVPS) $= \dfrac{\text{Equity excl. non-controlling interest}}{\text{Number of shares}}$

Parent company financial statements

Income statement and comprehensive income

1 January - 31 December

Amounts in DKKm	Note	2014	2013
Income statement			
Dividends from subsidiaries		168.5	150.1
Sale of services		22.1	28.4
Revenue		**190.6**	**178.5**
Staff costs	3	-37.2	-58.4
Other costs	4	-19.7	-22.6
Depreciation and impairment of tangible assets		-0.1	-0.1
Operating earnings (EBIT)		**133.6**	**97.4**
Financial income	5	309.1	248.6
Financial expenses	6	-194.2	-175.0
Earnings before tax (EBT)		**248.5**	**171.0**
Tax	7	-19.9	-17.6
Profit for the year		**228.6**	**153.4**
Statement of comprehensive income			
Profit for the year		228.6	153.4
Items that may be reclassified to income statement:			
Value adjustment of hedging instruments for the year		-11.4	0.0
Tax		2.8	0.0
Total comprehensive income		**220.0**	**153.4**
Proposed distribution			
Proposed dividend of DKK 4.0 per share (2013: DKK 3.5 per share)		95.7	83.8
Transferred to retained comprehensive income		124.3	69.6
		220.0	**153.4**

Balance sheet

31 December

Amounts in DKKm	Note	2014	2013
Assets			
Tangible assets			
Equipment		0.1	0.1
		0.1	**0.1**
Other non-current assets			
Investments in subsidiaries	8	2,755.7	2,770.7
Receivables from subsidiaries		3,919.9	4,186.7
		6,675.6	**6,957.4**
Total non-current assets		**6,675.7**	**6,957.5**
Current assets			
Receivables from subsidiaries		7.5	9.6
Other receivables		4.2	4.3
Income tax receivable		0.0	1.6
Cash at bank and in hand		659.6	581.7
		671.3	**597.2**
Total assets		**7,347.0**	**7,554.7**
Equity and liabilities			
Equity			
Share capital		478.7	478.6
Retained comprehensive income		5,291.8	5,164.8
Proposed dividends		95.7	83.8
Total equity		**5,866.2**	**5,727.2**
Non-current liabilities			
Deferred tax	9	7.8	14.2
Credit institutions, etc.	10	1,286.3	1,476.4
		1,294.1	**1,490.6**
Current liabilities			
Credit institutions, etc.	10	9.3	72.9
Payables to subsidiaries	10	133.3	228.0
Trade payables and other liabilities	10	25.6	12.6
Income tax payable		18.5	0.0
Joint taxation contribution to subsidiaries		0.0	23.4
		186.7	**336.9**
Total liabilities		**1,480.8**	**1,827.5**
Total equity and liabilities		**7,347.0**	**7,554.7**

Cash flow statement

1 January - 31 December

Amounts in DKKm	Note	2014	2013
Operating earnings (EBIT) before depreciation		133.7	97.5
Non-cash items		1.7	6.9
Changes in working capital		-1.7	28.9
Cash flow from operations before financial items		133.7	133.3
Financial income received		298.9	211.3
Financial expenses paid		-186.6	-134.1
Cash flow from ordinary operations		246.0	210.5
Income tax paid		-26.8	-13.9
Cash flow from operating activities		**219.2**	**196.6**
Increase and decrease of capital in subsidiaries		15.0	-18.7
Investments in property, plant and equipment		-0.1	0.0
Changes in loans to/from subsidiaries		172.1	-608.8
Cash flow from investing activities		**187.0**	**-627.5**
Changes in non-current loans		-191.3	897.9
Changes in current loans		-54.3	23.5
Dividend paid		-83.8	-191.4
Dividend on treasury shares		0.3	0.6
Cash from exercise of warrants		0.8	6.6
Cash flow from financing activities		**-328.3**	**737.2**
Net cash flow		**77.9**	**306.3**
Cash at bank and in hand, 1 January		581.7	275.4
Net cash flow		77.9	306.3
Cash at bank and in hand, 31 December		**659.6**	**581.7**

Statements of changes in equity

1 January - 31 December

Amounts in DKKm	Share capital	Retained comprehen-sive income	Proposed dividends	Total equity
Equity at 1 January 2013	**477.8**	**5,082.0**	**191.1**	**5,750.9**
Changes in equity in 2013:				
Total comprehensive income for the year		69.6	83.8	153.4
Dividend paid		-0.3	-191.1	-191.4
Dividend paid from treasury shares		0.6		0.6
Share-based payment		7.1		7.1
Exercise of share warrants	0.8	5.8		6.6
Total changes in equity in 2013	**0.8**	**82.8**	**-107.3**	**-23.7**
Equity at 31 December 2013	**478.6**	**5,164.8**	**83.8**	**5,727.2**
Equity at 1 January 2014	**478.6**	**5,164.8**	**83.8**	**5,727.2**
Changes in equity in 2014:				
Other comprehensive income for the year		-8.6		-8.6
Profit for the year		132.9	95.7	228.6
Total comprehensive income for the year		124.3	95.7	220.0
Dividend paid			-83.8	-83.8
Dividend paid from treasury shares		0.3		0.3
Share-based payment		1.7		1.7
Exercise of share warrants	0.1	0.7		0.8
Total changes in equity in 2014	**0.1**	**127.0**	**11.9**	**139.0**
Equity at 31 December 2014	**478.7**	**5,291.8**	**95.7**	**5,866.2**

Notes 1-13

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 JUDGEMENTS AND ESTIMATES

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 writedown on investments in subsidiaries. The estimates used are based on assumptions which by Group Management are considered to 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. Particularly, risks relating to the NKT Group are included in the notes to the consolidated financial statements and sections on risk management in the Group Management's review.

Accounting judgements

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

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 6.6 to the consolidated financial statements and the section 'Risk management' in the Group Management's review.

Categories of financial instruments:

Amounts in DKKm	2014	2013
Financial assets:		
Trading portfolio (derivative financial instruments)	0.0	3.2
Loans and receivables	4,591.2	4,779.1
Financial liabilities:		
Trading portfolio (derivative financial instruments)	13.7	0.0
Financial liabilities, measured at amortised costs	1,459.3	1,813.3

The parent company's payables fall due as follows:

2014	Within 1 year	1-2 years	4-5 years	> 5 years	Total
Credit institutions, etc.	9.3	0.0	362.8	923.5	1,295.6
Other financial liabilities	177.4	0.0	0.0	0.0	177.4
	186.7	0.0	362.8	923.5	1,473.0

2013	Within 1 year	1-2 years	2-3 years	> 5 years	Total
Credit institutions, etc.	72.9	2.5	1,096.5	377.4	1,549.3
Other financial liabilities	264.0	0.0	0.0	0.0	264.0
	336.9	2.5	1096.5	377.4	1,813.3

3 - STAFF COSTS

Remuneration to the Group Executive Management, as well as warrant plans for Group Executive Management and employees can be found in the notes to section 3 to the consolidated financial statements.

Staff costs for the year 2013 were particularly influenced by a severance payment of DKK 15.9m relating to two Group Executive Directors who stepped down during the year.

Amounts in DKKm	2014	2013
Wages and salaries	32.8	47.9
Social security contributions	0.0	0.1
Defined contribution plans	2.7	3.3
Share-based payments	1.7	7.1
	37.2	58.4
Average number of full-time employees	21	23

4 - FEES PAID TO AUDITORS ELECTED AT THE ANNUAL GENERAL MEETING

Amounts in DKKm	2014	2013
Deloitte :		
Statutory audit	0.7	0.7
Other services	0.3	0.3
	1.0	1.0

5 - FINANCIAL INCOME

Amounts in DKKm	2014	2013
Interest, etc. relating to financial assets measured at amortised cost	39.0	37.3
Interest from subsidiaries	136.3	140.0
Gain on portfolio of investments held for trading (derivative financial instruments)	0.0	33.5
Foreign exchange gains	133.8	37.8
	309.1	248.6

6 - FINANCIAL EXPENSES

Amounts in DKKm	2014	2013
Interest, etc. relating to financial liabilities measured at amortised cost	50.0	60.0
Interest to subsidiaries	0.8	2.5
Impairment of investments in subsidiaries	0.0	40.0
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	2.1	0.9
Loss on portfolio of investments held for trading (derivative financial instruments)	100.1	0.0
Foreign exchange losses	41.2	71.6
	194.2	175.0

7 - TAX

Amounts in DKKm	2014	2013
Current tax	20.7	35.7
Change prior year tax	-0.3	
Deferred tax	-0.5	-18.1
	19.9	17.6
Reconciliation of tax:		
Tax at 24.5%/25% of earnings before tax	60.9	42.8
Tax effect:		
Non-taxable dividend income	-41.3	-37.5
Non-deductable impairment	0.0	10.0
Non-deductable expenses	0.6	2.3
Change prior year tax	-0.3	0.0
	19.9	17.6

8 - INVESTMENTS IN SUBSIDIARIES

Amounts in DKKm	2014	2013
Cost, 1 January	3,131.6	3,112.9
Disposal of dormant company	-15.0	0.0
Additions / capital contribution	0.0	18.7
Cost, 31 December	3,116.6	3,131.6
Impairment, 1 January	-360.9	-320.9
Impairment	0.0	-40.0
Impairment, 31 December	-360.9	-360.9
Book value, 31 December	2,755.7	2,770.7

Subsidiaries	Domicile	Ownership 2014	Ownership 2013
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk 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.

9 - DEFERRED TAX LIABILITIES

Amounts in DKKm	2014	2013
1 January	14.2	32.3
Prior year adjustment	-4.4	
Change in recapture of trading losses	-1.5	
Deferred income tax for the year recognised in profit for the year	-0.5	-18.1
31 December	7.8	14.2
Deferred tax relates to:		
Provisions	-0.5	
Recapture of trading losses	8.3	14.2
	7.8	14.2

10 - 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 cost, which in all material respects corresponds to fair value and nominal value.

11 - CONTINGENT LIABILITIES

For 2014, DKK 4.1m (2013: DKK 3.4m) is charged to the income statement as operational leasing.

The term of notice for the Group Executive Director & CFO is 18 months. In conjunction with significant changes in the company's ownership structure or level of activity the above terms of notice will be extended for a transitional period of a further 6 months. Beyond this there is no separation benefit plan for the Group Executive Director & CFO. See Note 3.3 to the consolidated financial statements.

The parent company is taxed jointly with all Danish subsidiaries. As an administration company, the parent company is liable with the other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group. Any adjustments to the taxable joint taxation income may increase the amount for which the parent company is liable. The parent company is further liable for VAT under the joint registration with NKT Cables A/S.

Amounts in DKKm	2014	2013
Guarantees for subsidiaries	1,035.1	1,041.1
Liability in respect of subsidiary company credit facilities under the cash pool	1,587.9	1,309.4
Leasing agreements for property, etc.	3.4	4.5
Of which payable within:		
0-1 years	3.3	3.9
1-5 years	0.1	0.6

12 - RELATED PARTIES

In addition to the comments in Note 3.2 and Note 3.3 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 7.2 to the consolidated financial statements. No related parties have control over the company. Transactions with affiliated undertakings comprised the following:

Amounts in DKKm	2014	2013
Transactions with subsidiaries:		
Sale of services	21.4	28.4
Interest received, net	135.5	137.5
Paid joint taxation contribution, net	23.4	23.1
Receivables, non-current	3,919.9	4,186.7
Receivables, current	7.5	9.6
Payables	133.3	251.4
Dividends received	168.5	150.1
Disposal of dormant company	15.0	0.0
Capital contribution	0.0	18.7

13 - 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 1.1 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 1.1 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.

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 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. Tax payable and tax receivable are stated under current assets/liabilities. Joint tax contributions payable and receivable, respectively, are recognised separately in the balance sheet. Companies that 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).

References to notes to the consolidated financial statements

For the following notes, see information in the consolidated financial statements:

- Share capital - see Note 6.7 to the consolidated financial statements.
- Events after the balance sheet date - see Note 8.2 to the consolidated financial statements.
- Accounting standards issued but not yet effective - see Note 8.3 to the consolidated financial statements.

Group

5-year financial highlights, **DKKm**

Amounts in DKKm	2014	2013	2012	2011	2010
Income statement					
Revenue	15,863	15,809	15,253	15,604	14,451
Revenue in std. metal prices [1)]	13,180	12,843	12,148	12,151	11,478
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) [2)]	1,269	1,085	1,039	878	895
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,061	1,103	1,009	845	809
Depreciation and impairm. of property, plant and equipment	-365	-405	-360	-398	-279
Amortisation and impairment of intangible assets	-191	-190	-176	-161	-140
Earnings before interest and tax (EBIT)	505	508	473	286	390
Financial items, net	-99	-160	-196	-280	-135
Earnings before tax (EBT)	406	348	277	6	255
Profit for the year from continuing operations	280	253	196	8	203
Profit for the year from discontinued operation	0	0	1,410	119	67
Profit for the year	280	253	1,606	127	270
Profit attributable to equity holders of NKT Holding A/S	280	252	1,604	125	266
Cash flow					
Cash flow from operating activities of continuing operations	1,583	545	1,122	572	-363
Cash flow from investing activities of continuing operations	-371	-694	-532	-798	-925
hereof investments in property, plant and equipment	-243	-257	-364	-445	-744
Free cash flow	1,213	-149	590	-225	-1,288
Balance sheet					
Share capital	479	479	478	475	475
Equity attributable to equity holders of NKT Holding A/S	5,969	5,667	5,730	4,060	4,105
Minority interests	6	7	7	6	7
Group equity	5,975	5,674	5,737	4,066	4,112
Total assets	12,338	12,995	12,936	13,439	12,556
Net interest bearing debt [3)]	1,135	2,111	1,909	4,429	4,105
Capital employed [4)]	7,110	7,785	7,646	8,496	8,218
Working capital [5)]	2,242	2,812	2,409	2,740	2,997
Financial ratios and employees					
Operational EBITDA margin (std. metal prices)	9.6%	8.4%	8.6%	7.2%	7.8%
Gearing	19%	37%	33%	109%	100%
Net interest bearing debt relative to oper. EBITDA [6)]	0.9	1.9	1.8	4.3	4.2
Solvency ratio (equity as % of total assets) [7)]	48%	44%	44%	30%	33%
Return on capital employed (RoCE) [8)]	9.4%	6.7%	6.2%	5.5%	7.5%
Number of DKK 20 shares ('000)	23,934	23,930	23,888	23,738	23,738
Earnings cont. oper., DKK, per outstanding share (EPS) [9)]	11.7	10.6	8.2	0.3	8.5
Earnings, DKK, per outstanding share (EPS) [9)]	11.7	10.6	67.5	5.3	11.3
Dividend paid, DKK, per share	3.5	8.0	2.0	2.0	3.5
Equity value, DKK, per outstanding share [10)]	250	238	241	172	173
Market price, DKK, per share	332	268	204	191	297
Average number of employees	9,078	8,899	8,867	9,038	8,454

[1) - 10)] Explanatory comments and financial ratios appear in Note 8.5 to the consolidated financial statements.

Group

5-year financial highlights, **EURm**

Amounts in EURm	2014	2013	2012	2011	2010
Income statement					
Revenue	2,133	2,125	2,051	2,098	1,943
Revenue in std. metal prices [1)]	1,772	1,727	1,633	1,634	1,543
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) [2)]	171	146	140	118	120
Earnings before interest, tax, depreciation and amortisation (EBITDA)	143	148	136	114	109
Depreciation and impairm. of property, plant and equipment	-49	-54	-48	-54	-38
Amortisation and impairment of intangible assets	-26	-26	-24	-22	-19
Earnings before interest and tax (EBIT)	68	68	64	38	52
Financial items, net	-13	-22	-26	-38	-18
Earnings before tax (EBT)	55	47	37	1	34
Profit for the year from continuing operations	38	34	26	1	27
Profit for the year from discontinued operation	0	0	190	16	9
Profit for the year	38	34	216	17	36
Profit attributable to equity holders of NKT Holding A/S	38	34	216	17	36
Cash flow					
Cash flow from operating activities of continuing operations	213	73	151	77	-49
Cash flow from investing activities of continuing operations	-50	-93	-72	-107	-124
hereof investments in property, plant and equipment	-33	-34	-49	-60	-100
Free cash flow	163	-20	79	-30	-173
Balance sheet					
Share capital	64	64	64	64	64
Equity attributable to equity holders of NKT Holding A/S	802	762	770	546	552
Minority interests	1	1	1	1	1
Group equity	803	763	771	547	553
Total assets	1,659	1,747	1,739	1,807	1,688
Net interest bearing debt [3)]	153	284	257	595	552
Capital employed [4)]	956	1,047	1,028	1,142	1,105
Working capital [5)]	301	378	324	368	403
Financial ratios and employees					
Operational EBITDA margin (std. metal prices)	9.6%	8.4%	8.6%	7.2%	7.8%
Gearing	19%	37%	33%	109%	100%
Net interest bearing debt relative to oper. EBITDA [6)]	0.9	1.9	1.8	4.3	4.2
Solvency ratio (equity as % of total assets) [7)]	48%	44%	44%	30%	33%
Return on capital employed (RoCE) [8)]	9.4%	6.7%	6.2%	5.5%	7.5%
Number of DKK 20 shares ('000)	23,934	23,930	23,888	23,738	23,738
Earnings cont. oper., EUR, per outstanding share (EPS) [9)]	1.6	1.4	1.1	0.0	1.1
Earnings, EUR, per outstanding share (EPS) [9)]	1.6	1.4	9.1	0.7	1.5
Dividend paid, EUR, per share	0.5	1.1	0.3	0.3	0.5
Equity value, EUR, per outstanding share [10)]	33.6	32	32	23	23
Market price, EUR, per share	44.6	36	27	26	40
Average number of employees	9,078	8,899	8,867	9,038	8,454

[1) - 10)] Explanatory comments and financial ratios appear in Note 8.5 to the consolidated financial statements.

When converting the additional information (5 years' financial highlights, EUR) from DKK to EUR the exchange rate ruling at at 30 December 2014 of 743,81 has been applied.

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