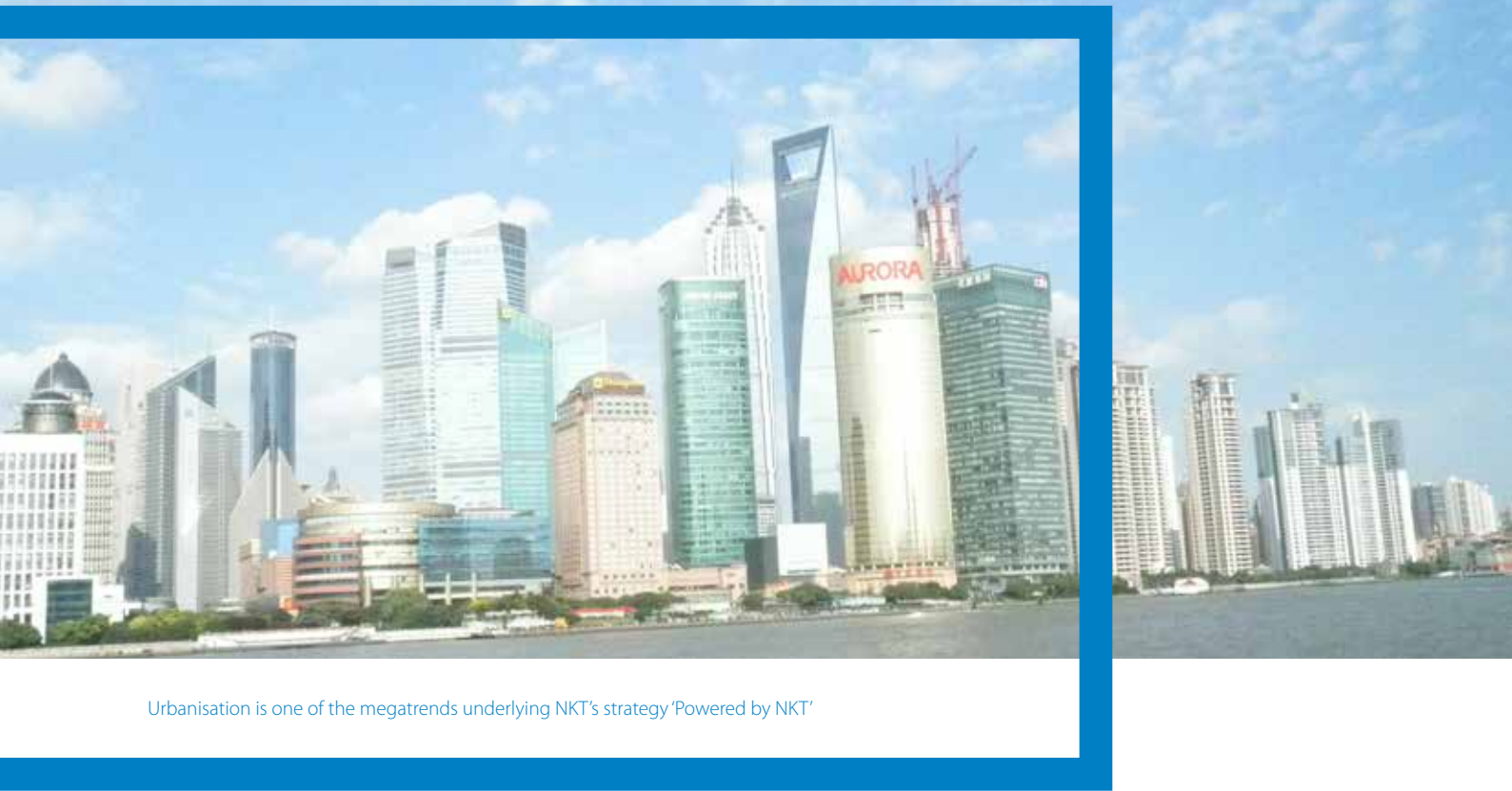




NKT Holding A/S / Company Reg. No. 62 72 52 14

Annual Report **2013**

NKT



Urbanisation is one of the megatrends underlying NKT's strategy 'Powered by NKT'

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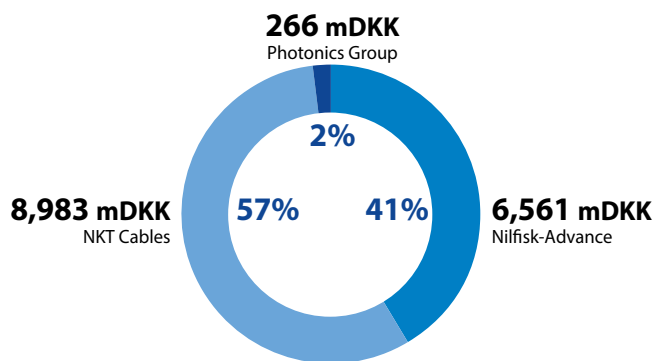
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NKT consists of Nilfisk-Advance which manufactures professional cleaning equipment, NKT Cables which produces power cables, and Photonics Group which supplies high-tech products based on optical fibers. Together, these businesses areas are present in more than 100 markets worldwide.

Distribution of revenue by business area



Total revenue 2013: 15,809 mDKK (market prices)

This Annual Report was published on 28 February 2014 in Danish and English via NASDAQ OMX Copenhagen. In questions of interpretation the Danish text shall prevail. The Annual Report can also be found on www.nkt.dk and is emailed to all registered subscribers to NKT's e-news service.



The SC1500 stand-on scrubber dryer is the first of its kind in Nilfisk-Advance's product portfolio

Further **value creation** in NKT

2013 was a year of change for NKT. The Annual General Meeting in March marked a farewell to Christian Kjær, Chairman of the Board since 1990. This meant the advent of a new Chairman as well as two new Board members, Kristian Siem and Lars Sandahl Sørensen.

In August, deliberations concerning the right future structure for NKT led to the decision to operate with business areas reporting in future directly to the Board of Directors. The new structure will ensure that the Board increases its focus on roles and division of responsibilities within the business areas, while continuing to operate the active ownership which remains the foundation for NKT. The long-term ownership approach of the businesses is maintained and the objective is to increase value creation for the shareholders. Together with the Board of Directors the holding company will remain a key asset in the exercise of long-term, active ownership across NKT.

Against this background, NKT will continue to pursue its existing strategy of 'long-term active ownership with focus on revenue and earnings growth'. 'Powered by NKT', the Group strategy, builds on a series of megatrends which still remain valid and which is expected to provide the foundation for generating further growth in all business areas.

The framework is therefore in place, and while results to date have not been satisfactory, the new governance structure and other measures are contributing to improved earnings performance. In NKT Cables, execution within offshore projects

is satisfactory, while the markets for low and medium voltage cables remain unstable and earnings are not adequate. On these grounds DRIVE, an efficiency improvement programme, has been introduced in NKT Cables and the first phase hereof focuses on significant cost reductions of around 300 mDKK. A number of initiatives have been defined with a view to bringing profitability back on track with the strategic target and thereby contributing to future value creation. DRIVE is expected to make its mark on earnings already in 2014, having full impact entering into 2016.

Nilfisk-Advance demonstrated satisfactory earnings in 2013, and Jonas Persson, who took over as CEO in January 2014, inherits a strong business. For Nilfisk-Advance further progress will be made by focusing on customers and their demands for new solutions with the aim of securing continued growth and consolidation of the leading market position.

In 2013, Photonics Group continued the transition towards a commercial orientation. This is a very important step on the way to increased revenue and earnings in this business area.

2014 will be an industrious year with focus on the new structure and the initiatives launched. Backed by the commitment and effort from everyone in NKT our goal is to create value for our shareholders and other stakeholders.

28 February 2014

NKT Holding

Group 5-year financial highlights

Amounts in mDKK	2013	2012	2011	2010	2009
Income statement					
Revenue	15,809	15,253	15,604	14,451	11,687
Revenue in std. metal prices ¹⁾	12,843	12,148	12,151	11,478	9,950
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) ²⁾	1,085	1,039	878	895	799
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,103	1,009	845	809	647
Depreciation and impairm. of property, plant and equipment	-405	-360	-398	-279	-243
Amortisation and impairment of intangible assets	-190	-176	-161	-140	-124
Earnings before interest and tax (EBIT)	508	473	286	390	280
Financial items, net	-160	-196	-280	-135	-125
Earnings before tax (EBT)	348	277	6	255	155
Profit for the year from continuing operations	253	196	8	203	136
Profit for the year from discontinued operation	0	1,410	119	67	102
Profit for the year	253	1,606	127	270	238
Profit attributable to equity holders of NKT Holding A/S	252	1,604	125	266	240
Cash flow					
Cash flow from operating activities of continuing operations	545	1,122	572	-363	612
Cash flow from investing activities of continuing activities	-694	-532	-798	-925	-1,005
hereof investments in property, plant and equipment	-257	-364	-445	-744	-912
Free cash flow	-149	590	-225	-1,288	-393
Balance sheet					
Share capital	479	478	475	475	474
Equity attributable to equity holders of NKT Holding A/S	5,667	5,730	4,060	4,105	3,719
Minority interests	7	7	6	7	21
Group equity	5,674	5,737	4,066	4,112	3,740
Total assets	12,995	12,936	13,439	12,556	10,124
Net interest bearing debt ³⁾	2,111	1,909	4,429	4,105	2,725
Capital employed ⁴⁾	7,785	7,646	8,496	8,218	6,465
Working capital ⁵⁾	2,812	2,409	2,740	2,997	1,974
Financial ratios and employees					
Operational EBITDA margin (std. metal prices)	8.4%	8.6%	7.2%	7.8%	8.0%
Gearing	37%	33%	109%	100%	73%
Net interest bearing debt relative to oper. EBITDA ⁶⁾	1.9	1.8	4.3	4.2	2.9
Solvency ratio (equity as % of total assets) ⁷⁾	44%	44%	30%	33%	37%
Return on capital employed (RoCE) ⁸⁾	6.7%	6.2%	5.5%	7.5%	9.4%
Number of 20 DKK shares ('000)	23,930	23,888	23,738	23,738	23,718
Earnings cont. oper., DKK, per outstanding share (EPS) ⁹⁾	10.6	8.2	0.3	8.5	5.9
Earnings, DKK, per outstanding share (EPS) ⁹⁾	10.6	67.5	5.3	11.3	10.2
Dividend paid, DKK, per share	8.0	2.0	2.0	3.5	0.0
Equity value, DKK, per outstanding share ¹⁰⁾	238	241	172	173	157
Market price, DKK, per share	268	204	191	297	291
Average number of employees	8,899	8,867	9,038	8,454	7,938

^{1) - 10)} Explanatory comments and financial ratios appear in Note 8.6 to the consolidated financial statements.

Group development

NKT's **revenue increased** in 2013. All business areas delivered growth despite difficult market conditions and **earnings rose steadily** over the year. NKT has introduced **a new governance structure** to intensify the active ownership

Expectations for 2013 realised

NKT realised its declared expectations for 2013. Revenue in std. metal prices increased by 695 mDKK to 12,843 mDKK, equal to an organic growth of 4%. Operational EBITDA rose by 46 mDKK to 1,085 mDKK, cash flow from investments, excluding acquisitions, was -468 mDKK, and the net interest bearing debt relative to operational EBITDA was 1.9x.

Operational EBITDA margin in std. metal prices fell to 8.4% from 8.6% in 2012 despite no business area incurring decreased margin. The fall was solely due to a change in revenue composition, NKT Cables' share of revenue being higher in 2013. At the same time the combination of product mix and price competition meant that the operational EBITDA margin for Nilfisk-Advance was unchanged at 11.9%. Rising EBITDA margin is otherwise expected in periods of organic growth as a result of the operational gearing.

Target achievement

Amounts in mDKK	Expected 2013	Updated Q3 2013	Realised 2013
Revenue, std. metal prices	~12,148		12,843
Organic growth	0%	2-4%	4%
Operational EBITDA	~1,039		1,085
Cash flow from investments (excl. acquisition)	-500		-468
Net interest bearing debt	<2.5x		1.9x

Increased revenue in all business areas

All three business areas realised positive organic growth and NKT's revenue in market prices increased in 2013 by 556 mDKK to 15,809 mDKK.

Nilfisk-Advance delivered organic growth of 3%, which was higher than anticipated and mainly due to the mature markets in EMEA and the Americas, supported by an efficient service and distribution organisation. APAC was characterised by difficult market conditions in China, and Australia and delivered negative growth for the year.

Revenue development by business area

Amounts in mDKK	2012	Currency effect	Acquisitions	Growth	2013	Organic growth*
Nilfisk-Advance	6,491	-142	0	212	6,561	3%
NKT Cables	5,421	-36	433	199	6,017	4%
Photonics Group	237	-2	0	31	266	13%
Other	-1	0	0	0	-1	-
Revenue, std. metal prices	12,148	-180	433	442	12,843	4%
Adjustment, metal prices	3,105	-38	134	-235	2,966	-
Revenue, market prices	15,253	-218	567	207	15,809	-

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

Nilfisk-Advance saw a fall in gross profit due to changes in sales mix in the form of more DIY (Do It Yourself) products with lower contribution margin. However, the fall was balanced by reduced fixed costs relative to revenue, and the operational EBITDA margin was thus maintained at 11.9%.

NKT Cables delivered 4% organic growth, which was higher than expected, along with a 0.3% point increase in operational EBITDA margin in std. metal prices to 5.6%. Since 1 April 2013 NKT Cables has been organised into three business units: BU Projects, BU Products and BU APAC. The growth in 2013 was mainly fuelled by BU Projects, which realised higher sales despite customers postponing delivery of major projects until 2014 and bad weather preventing installation. The European market for BU Products remained weak with falling revenue in e.g. low and medium voltage products, but the automotive and building wire markets improved over the year. BU APAC delivered rising sales mainly based on the return to a higher and more stable level of Railway activity in China.

Earnings for NKT Cables in 2013 were slightly higher than expected, but in the longer run the level is not satisfactory. Q4 therefore saw the launch of an efficiency improvement programme, DRIVE, intended to generate a significantly improved return over a two-year period. The first phase is to be implemented throughout 2014 and into 2015 and focuses on a significant reduction of costs of around 300 mDKK and improved efficiency.

Photonics Group delivered 13% organic growth and an EBITDA of 6 mDKK, which was fuelled by Imaging and Sensing, while Fiber Processing realised negative growth. With continued growth in sales to industrial customers in 2013, Photonics Group has created a good foundation for further growth in 2014.

Improved earnings

Operational EBITDA rose to 1,085 mDKK against 1,039 mDKK in 2012. The operational EBITDA margin in std. metal prices decreased by 0.2% points against 2012 to 8.4% and was negatively influenced by the acquisition of the Ericsson power cable business. Were the revenue and EBITDA from these operations excluded, the operational EBITDA margin would be on par with last year.

Operational EBITDA by business area

Amounts in mDKK	2013	2012	Nom. change
Nilfisk-Advance	778	775	3
NKT Cables	335	290	45
Photonics Group	6	9	-3
Other	-34	-35	1
Operational EBITDA	1,085	1,039	46
Structural initiatives and badwill	18	-30	48
EBITDA	1,103	1,009	94

The amount of 18 mDKK for structural initiatives comprises 37 mDKK relating to NKT Cables and -19 mDKK to NKT Holding. The NKT Cables amount of 61 mDKK consists of badwill net of transaction costs arising from the Ericsson acquisition as the purchase price was lower than the value of acquired assets.

-18 mDKK relates to the closure of production lines in Denmark and the Czech Republic and -6 mDKK relates to costs for the efficiency improvement programme launched in Q4 2013. The structural initiatives at NKT Holding consist of expenses relating to the management restructuring in Q3 2013.

Depreciation, amortisation and impairment

Depreciation and impairment of property, plant and equipment amounted to 595 mDKK (2012: 536 mDKK), comprising 529 mDKK of depreciation and 66 mDKK of impairment. Impairments for the year consist of closure of production lines in NKT Cables (58 mDKK) along with development projects in Photonics Group (8 mDKK). Depreciation and amortisation for the year were on par with last year.

Lower financial expenses

Net financial items amounted to an expense of 160 mDKK, which was a fall of 36 mDKK compared to 2012. The improvement was mainly due to lower interest bearing debt seen over the year as a whole and a lower interest rate margin compared to 2012.

Income tax and net profit

The Group's earnings before tax, EBT, comprised 348 mDKK (2012: 277 mDKK).

Income tax related to net profit consisted of the year's current tax of 26 mDKK and a change in deferred tax of 70 mDKK. The tax rate was thus 27% (2012: 29%), which was lower than expected primarily due to capitalisation of tax losses not previously taken up as an asset.

The profit for the year from continuing operations was 253 mDKK (2012: 196 mDKK).

New governance structure strengthens active ownership

The new governance structure implemented by the NKT Board of Directors in August 2013 focuses on accelerating business area development and increased earnings. Two Board members closely monitor the development in each business area through newly appointed working committees, cf. further details, page 39.

Expectations for 2014

In 2014, NKT expects a consolidated **organic growth of around 0-3%** and an operational **EBITDA margin in std. metal prices of 9-9.5%** compared to 8.4% in std. metal prices in 2013.

The above expectations with regard to operational EBITDA margin exclude the following one-off costs:

- DRIVE, the efficiency improvement programme in NKT Cables, targets cost savings of around 300 mDKK. To realise the reduction one-off costs of around 240 mDKK are expected, of which approx. 75% will influence 2014 and approx. 25% 2015. The DRIVE programme will further give rise to investment in tangible assets corresponding to around 50 mDKK, most

of which will be carried out in 2014. Further indication of impairment is not expected beyond the 58 mDKK already included in 2013, cf. further details on DRIVE page 24.

- 28 February 2014, Nilfisk-Advance announced that a conditional agreement has been signed on divestment of a minor product area within sanders, not deemed a core activity. The divestment underlines the focus on core areas and reduction of complexity. An expected profit of around 100 mDKK will have a positive impact on 2014 when the agreement is closed. The divestment will reduce NKT's net interest bearing debt by around 120 mDKK.
- In total, the two initiatives in NKT Cables and Nilfisk-Advance will have a negative impact on EBITDA of around 80 mDKK in 2014.

Any negative impact relating to the previously discussed Statement of Objections received from the European Commission is still not included in the expectations. The European Commission is expected to reach its decision on this matter in 2014, cf. Note 8.5 on page 98.

NKT's three business areas plan on the following developments in 2014:

Nilfisk-Advance

The market conditions continue to reflect high volatility and low visibility. Organic growth is expected to be around 2-3% distributed fairly equally between EMEA and the Americas and with higher growth rates in the APAC region. With continued focus on cost reductions and prospect of a stable gross profit margin, the operational EBITDA margin is expected to be 12-12.5% for 2014 (2013: 11.9%).

NKT Cables

Revenue development in std. metal prices is expected to be flat, equal to a negative organic growth of around 2-3%. As was the case in 2013, high capacity utilisation is expected at the high voltage factory in Cologne. However, the composition of projects in progress will lead to a significantly decreased level of installation activity, and overall this is expected to negatively influence revenue for 2014 by around 300 mDKK. BU Products expects weak negative organic growth due to continuing unfavourable market conditions in Europe, while revenue for BU APAC is expected to be similar to 2013.

Operational EBITDA margin in std. metal prices is expected to show an overall improvement of 1.5% points to around 7.1% (2013: 5.6%). The increase in net terms primarily results from the effect of the DRIVE initiatives, of which 70% are expected to be implemented at the end of 2014. Excluding DRIVE, increased earnings are expected for BU Projects, which will be balanced, however, by a corresponding decrease in earnings for BU Products. Earnings for BU APAC are expected to be similar to 2013. The expectation for the operational EBITDA margin is based on the realisation of the Gemini project, cf. company announcement No. 2 of 3 February 2014.

Photonics Group

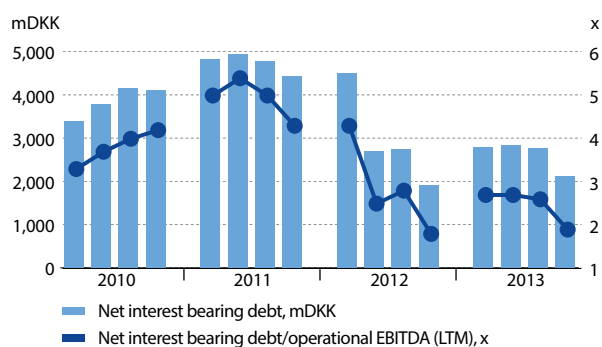
Organic growth of 10-20% is expected. The increase in revenue is expected to result in rising EBITDA margins in the range of 5-10% (2013: 2.3%).

GROUP FINANCIAL MATTERS

Stable net interest bearing debt

Net interest bearing debt was 2,111 mDKK at 31 December 2013 (2012: 1,909 mDKK). The net interest bearing debt was equal to 1.9x operational EBITDA for the last 12 months (31 December 2012: 1.8x), which was within NKT's target of maximum 2.5x.

Net interest bearing debt



Equity gearing (net interest bearing debt relative to equity) remained at a low level, being 37% at 31 December 2013 (2012: 33%) against NKT's maximum target of 100%.

Solvency ratio was 44%, on par with 2012 and above NKT's minimum target of 30%.

Strong liquidity reserves

Entering 2014 NKT has refinanced a number of bank facilities, ensuring strong liquidity reserves and substantial financial flexibility for business area operation and development. NKT liquidity reserves amounted to 4.7 bnDKK at 31 December 2013, being at the same level as 2012 but with longer duration.

Credit facilities

Amounts in bnDKK	31.12.13	31.12.12
Committed (>3 years)	1.9	3.6
Committed (1-3 years)	3.8	0.1
Committed (<1 year)	0.2	1.4
Committed, total	5.9	5.1
% of total	86%	77%
Uncommitted	1.0	1.5
% of total	14%	23%
Total	6.9	6.6
Cash	0.4	0.4
Drawn	-2.6	-2.4
Cash resources	4.7	4.6

Distinction is made in the liquidity reserves between committed and uncommitted credit facilities. The committed facilities represent 86% of NKT's total credit facilities and cannot be terminated by lenders prior to expiry.

It is NKT's policy that the committed facilities shall always at least correspond to the Group's gross debt plus 1 bnDKK reserve. In order to reduce sensitivity to interest rate changes it is also the Group's intention that 20-40% of net interest bearing debt shall in the future be subject to fixed interest rates for 2-5 years. At 31 December 2013 debt was primarily subject to variable interest rates.

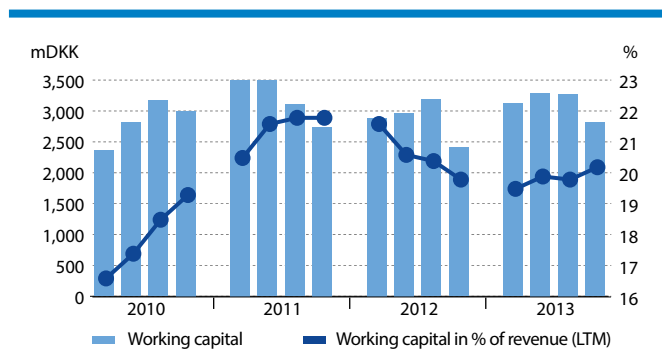
NKT's committed bank facilities expiring in the period up to January 2015 were refinanced in Q4 2013 and replaced by new committed facilities. No significant facilities will fall due before January 2016.

All committed credit facilities remain independent of financial covenants. Non-financial covenants such as 'change of control' are discussed in Note 6.7 to the consolidated financial statements.

Working capital as expected

At year-end 2013 working capital was 2,812 mDKK (2012: 2,409 mDKK), in line with expectations. Seen in relation to revenue the working capital increased to 20.2% at 31 December 2013 (LTM) against 19.8% at end-2012.

Working capital



For NKT Cables, working capital relative to revenue was 20.7% (2012: 19.7%), an increase of 1% point. This was solely due to increased tie-up of funds in projects as stocks and debtors were significantly reduced over the year. NKT Cables receives sizeable milestone payments on its projects and the pay-in time significantly impacts working capital. However, this is the nature of the industry. The tie-up of funds in working capital was moreover negatively impacted by 126 mDKK due to the acquisition of Ericsson's cable activities.

For Nilfisk-Advance, working capital as a percentage of revenue was 19.2% (2012: 19.5%), the fall being due to planned inventory decrease.

Cash flow

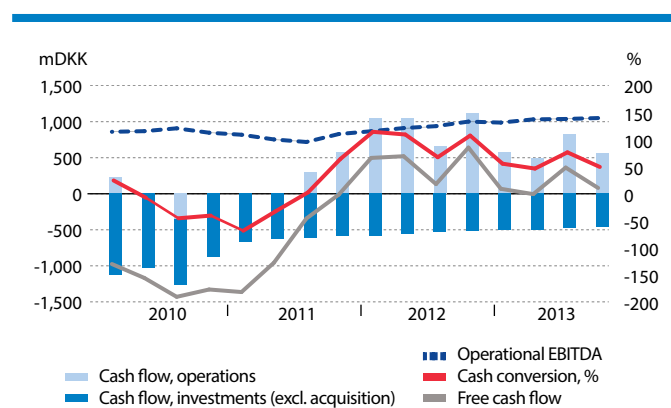
The cash flow from operations was 545 mDKK (2012: 1,122 mDKK), which was positively influenced by the improvement in EBITDA of 94 mDKK. The working capital increased in 2013, which negatively impacted cash flow by 221 mDKK.

The cash flow from investments was 694 mDKK (2012: 532 mDKK). The increase includes 210 mDKK relating to the acquisition of Ericsson's cable activities, while investments in property, plant and equipment were substantially lower than in 2012. The capital expenditure represented a return to a more normal level after a number of major investments in the preceding years, resulting in a free cash flow of -149 mDKK (2012: 590 mDKK).

Comparison of cash flow from operations with EBITDA development (the dashed line in the figure below) shows that the cash conversion performance has improved in recent years with a cash conversion rate of 50-100%.

The rates for the individual years are greatly influenced by changes in working capital. This impact is underlined by the fact that while earnings increased in 2013 compared with 2012, the cash conversion rate for 2013 ended at 50%, that is more than halved compared to the previous year (2012: 108%). It is therefore important to view cash conversion as an average over time as the working capital is stated at the balance sheet date and potentially changes significantly shortly afterwards, something which impacts the cash conversion rate in full. The very low level of working capital at the start of 2013 thus to a high degree influenced the cash conversion rate for the full-year.

Cash conversion



The free cash flow is obtained by deducting the cash flow from investments from the cash flow from operations

Q4 2013

Q4 2013 delivered **increased revenue** driven by organic growth in all business areas. At the same time, **working capital** was substantially **reduced**, leading to a strong cash flow

Organic growth of 3%

Q4 yielded revenue of 3,438 mDKK in std. metal prices, equal to 3% organic growth.

Organic growth by business area

Amounts in mDKK	Q4 2013
Nilfisk-Advance	1%
NKT Cables	4%
Photonics Group	17%
NKT	3%

Nilfisk-Advance saw relatively flat development, delivering organic growth of 1%. The increase was driven by EMEA, which produced organic growth of 5%, while the Americas and APAC yielded negative growth of 2% and 9%, respectively.

NKT Cables delivered organic growth of 4%. This was fuelled by strong activity in BU Projects, realising an organic growth of 8%. BU Products realised an organic growth of 2% while BU APAC showed negative growth of -2%.

Based on the previous reporting structure, Railway, Construction and Automotive all delivered positive growth in Q4 relative to the same period last year, amounting to 80%, 12% and 23%, respectively. Electricity Infrastructure delivered negative organic growth of 3% in Q4. The growth for Railway should primarily be

viewed in the light of the Chinese authorities temporarily stalling all projects in 2012. Construction and Automotive recovered in Q4 after starting the year with negative growth.

Photonics Group delivered 17% organic growth based chiefly on Imaging which contributed 36%. Sensing and Fiber Processing returned organic growth of 2% and 1%, respectively.

Increased earnings

NKT realised operational EBITDA of 332 mDKK in Q4, an increase of 12 mDKK on the same period last year. The growth was driven by offshore projects carried out by NKT Cables.

Operational EBITDA margin in std. metal prices was 9.7% against 9.9% for the same period in 2012. The fall was due to NKT Cables increasing its share of revenue after the acquisition of the Ericsson cable activities. Nilfisk-Advance improved its margin from 12.9% in Q4 2012 to 13.1% in 2013. NKT Cables' margin was unchanged at 6.8%. Photonics Group was impacted by a number of costs related to staff adjustments and a new CEO for Fiber Processing.

Strongly improved cash flow

Q4 cash flow from operations was very positive at 720 mDKK. The main reason was that funds tied up in working capital were reduced considerably with 469 mDKK as a result of falls in working capital for both Nilfisk-Advance and NKT Cables. Cash flow from investments was -143 mDKK and free cash flow for the period totalled 577 mDKK.

Q4 financial development by business area

Amounts in mDKK	Revenue			Oper. EBITDA			Oper. EBITDA margin	
	Q4 2013	Q4 2012	Change	Q4 2013	Q4 2012	Change	Q4 2013	Q4 2012
Nilfisk-Advance	1,609	1,645	-36	210	213	-3	13.1%	12.9%
NKT Cables, std. metal prices	1,744	1,508	236	119	103	16	6.8%	6.8%
Photonics Group	87	75	12	10	15	-5	11.5%	20.0%
Other	-2	-1	-1	-7	-11	4	-	-
Total, std. metal prices	3,438	3,227	211	332	320	12	9.7%	9.9%

Strategy

Powered by NKT

The strong global megatrends on which NKT's strategy builds are still valid. However, the targeted return on capital employed of around 15-20% is yet to be realised. The new governance structure will step up NKT's active ownership with the aim of improving earnings

NKT's primary strategic goal is a return on capital employed (RoCE) of around 15-20%. 2013 realised RoCE of 6.7% based on 17.5% for Nilfisk-Advance, which was satisfactory, and 0.8% for NKT Cables which was not adequate. Consequently, a wide-ranging efficiency improvement programme, DRIVE, has been introduced at NKT Cables with the overall aim of securing a significantly improved return within a two-year period.

The first phase of DRIVE consists of a string of initiatives focused primarily on reducing costs in all NKT Cables' European entities. The definitive programme was approved in January 2014 and the first initiatives are being implemented. These include shutdown of signal cable production in Denmark. The DRIVE programme is described in detail in the NKT Cables section of this report.

More active ownership role

In August 2013, with a view to intensifying NKT's active ownership role, a new governance structure was introduced. Under this structure the Group's business areas will report directly to the NKT Board of Directors. This will ensure further focus on the role and division of responsibilities, the primary target being increased growth and improvement in earnings. The holding company will continue to provide operating support to the Board of Directors and to actively participate in the exercise of NKT's active ownership. The change will also enable more direct benefit to be obtained from the specific competences possessed by the Board of Directors, and facilitate a more agile and transparent decision-making process.

Continued focus on 'best owner' philosophy






NKT is still perceived best owner of the existing business areas, and the long-term approach to ownership is unchanged. Thus, NKT does not actively pursue short-term profit at the expense of long-term value creation. Focus remains on maximising value for the shareholders for example by exploiting such opportunities as

consolidations and partnerships etc. may create both inside and outside the activities covered by the existing business areas.

Expected increased value creation

In 2014, NKT expects the new initiatives, such as the DRIVE programme at NKT Cables, to translate into improved earnings. In addition, with the new governance structure in place and with Jonas Persson as new CEO of Nilfisk-Advance, NKT considers the end of 2014 as a natural moment to revisit 'Powered by NKT', in order to update the strategic plan and present it in the 2014 Annual Report. Current strategic performance for Nilfisk-Advance, NKT Cables and Photonics Group is reported on pages 17, 27 and 33.

NKT's strategy based on global megatrends

Global megatrends	NKT business opportunities
Urbanisation, rising welfare and increased environmental focus in growth markets	Automated cleaning processes/new professional cleaning equipment 
Investments in reliable, efficient and flexible energy supply	High and medium voltage cables and optical sensors 
Sustainable energy production	Submarine cables for wind farms; lasers for LIDAR wind sensors 
Infrastructure expansion as part of urbanisation	Catenary wires for high speed railways; fire detection in tunnels 
Deepwater oil production, and oil and gas production from existing fields	Optical sensors 



Nilfisk- Advance

The SC1500 stand-on scrubber dryer was launched in 2013 and gained the ISSA InterClean Innovation Award from the Worldwide Cleaning Industry Association

Nilfisk-Advance delivered **growth** in both revenue and earnings based primarily on positive development in mature markets such as Europe and the Americas. **Global presence** was expanded through acquisitions, new sales offices as well as enlarged sales and service organisations in key markets

Financial highlights

Amounts in mDKK	2013	2012	2011	2010	2009
Income statement					
Revenue	6,561	6,491	6,307	5,747	5,138
Operational EBITDA	778	775	732	612	469
EBITDA	778	745	699	526	318
Depreciation and amortisation	-213	-221	-202	-177	-177
Impairment	0	-7	-7	-10	0
EBIT	564	517	490	339	141
Cash flow					
Cash flow from operating activities	500	666	351	210	460
Cash flow from investing activities	-218	-237	-390	-202	-165
Free cash flow	282	429	-39	8	295
Balance sheet					
Capital employed	3,074	3,073	3,232	2,898	2,580
Working capital	1,073	1,039	1,216	1,074	852
Financial ratios and employees					
Gross margin	40.9%	42.0%	41.8%	42.0%	41.0%
Overhead ratio	31.8%	32.8%	33.0%	34%	34.8%
Operational EBITDA margin	11.9%	11.9%	11.6%	10.7%	9.1%
Organic growth	3%	0%	8%	7%	-13%
Return on capital employed (RoCE)	17.5%	17.1%	17.1%	15.1%	10.9%
Number of employees, year-end	5,321	5,224	5,345	4,894	4,779
Cash conversion	64%	86%	48%	34%	98%

2013 HIGHLIGHTS

In 2013, Nilfisk-Advance restored growth in revenue and maintained an operational EBITDA margin of 11.9% in spite of global economic uncertainty and downturn in a number of markets.

An organic growth of 3% (2012: 0%) led to a revenue for 2013 of 6,561 mDKK (2012: 6,491 mDKK).

Nilfisk-Advance splits the market into three regions: EMEA (Europe, Middle East and Africa), the Americas (North, Central and South America), and APAC (Asia and the Pacific region). The highest growth rates were realised in EMEA where Nilfisk-Advance is uniquely positioned due to its long-standing market presence, strong service organisation and close contact with customers. Positive development was also realised in the Americas based on rising sales of the Advance, Clarke and Viper brands and an expanded service organisation.

Organic growth for EMEA and the Americas was satisfactory, while growth in APAC and the BRIC+MT (Brazil, Russia, India, China, Mexico, and Turkey) markets was influenced by a challenging market in China.

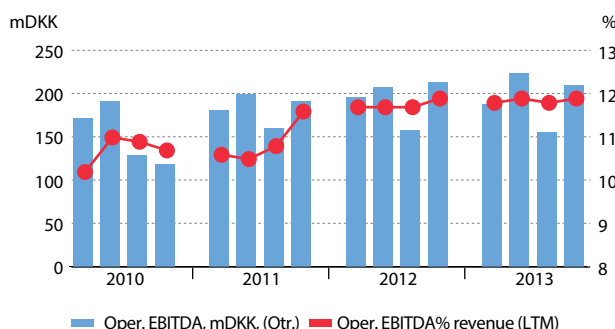
Organic growth

	2013
EMEA	5%
Americas	4%
APAC	-4%
Nilfisk-Advance	3%
BRIC+MT	4%

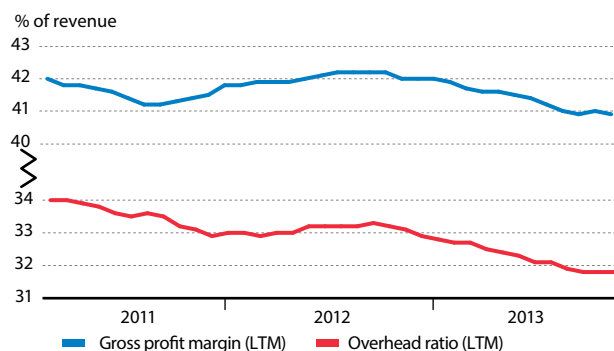
Stable EBITDA and decreasing fixed costs

Nilfisk-Advance delivered operational EBITDA of 778 mDKK (2012:775 mDKK) and an EBITDA margin of 11.9% (2012:11.9%). This flat development was due to falling gross profit margin offset by decreasing overhead ratio. The gross profit margin was 40.9% (2012: 42.0%), a fall primarily fuelled by a changed sales mix. Nilfisk-Advance continuously seeks to optimise product mix, but competition has intensified in a number of markets with customers increasingly focusing on price, partly due to unstable economic conditions in many countries. Nilfisk-Advance will continue investing in growth opportunities and efficiency improvements and at the same time maintain strong focus on cost management.

Operational EBITDA



Gross profit margin and overhead ratio



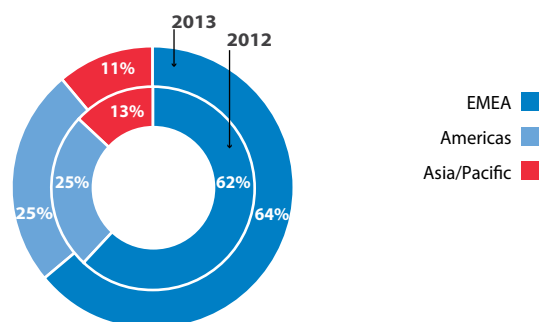
MARKETS

The global market for professional cleaning equipment is estimated at around 55-60 bnDKK annually. Nilfisk-Advance is one of the four leading suppliers which have a combined market share of around 35%. The three main competitors are Tennant (US), Kärcher (Germany) and Hako (Germany). The rest of the market is made up of some 100 small local and regional players.

Western Europe and North America make up around 80% of the global market for automated cleaning equipment. The demand for automated cleaning is closely linked to rising living standards and to wage levels that make it attractive to replace manual labour with machinery. There is a clear correlation between economic growth and sales of automated cleaning equipment.

With the opening of a sales office in Romania in 2013 the number of countries in which Nilfisk-Advance has sales entities has increased to 45. With the continued strengthening of the distributor network Nilfisk-Advance markets and sells its products in more than 100 countries worldwide.

Sales by geography



Growth in EMEA despite difficult market environment

In 2013, Nilfisk-Advance realised organic growth of 5% in EMEA. This was chiefly driven by an extensive distribution and service organisation, strong partnerships with customers, growth in the Outdoor segment, and sales of high-pressure washers to the DIY (Do It Yourself) market, and this was achieved despite zero or sometimes falling GDP growth in several EMEA markets.

Stronger growth rates were achieved in mature markets such as UK and France where Nilfisk-Advance has a long-standing presence, and significant growth was also recorded in an increasing number of East European markets. Contracts were signed with new customers, including a major German retailer and a leading car park company. These and other large customers will contribute to growth in 2014. In 2013, Nilfisk-Advance acquired a dealership in Germany's Stuttgart region and a service provider in the Netherlands. A further Scottish dealership, Arrow Supplies, was acquired effective as of 1 January 2014.

In Turkey, the company realised strong growth through establishment of a joint venture with Rottest, a leading local producer of high pressure washers. Substantial progress was also realised in Russia driven by investments in the sales and service organisation. In South Africa, the joint venture with Industroclean continued to create new sales opportunities and deliver growth in revenue. Nilfisk-Advance acquired the remaining 50% of Industroclean as from 1 January 2014.

Continued growth and expanded presence in the Americas

Sales in the Americas increased, delivering 4% organic growth. This was primarily realised through focus on the Advance, Clarke and Viper brands by entering into new customer segments as well as sectors such as hospitality and healthcare. Expansion of the company's US service organisation and development in the large-format industrial equipment business also contributed to the positive performance.

A strategically important market where Nilfisk-Advance is constantly expanding its presence, Latin America is experiencing rising economic growth and growing demand for professional cleaning equipment. The growth in revenue in 2013 was primarily driven by the Mexican market. Expansion of the sales and service force will continue in 2014, with particular focus on Brazil where poor results in previous years transformed into significant growth rates in 2013 and where Nilfisk-Advance also has excellent opportunities to continuously expand its operations.

APAC impacted by market conditions

Despite continued positive GDP growth in China, Nilfisk-Advance experienced a slowdown in demand in 2013, a development which is also expected to affect competitors. Other markets such as Korea, Japan and parts of Southeast Asia continued to realise growth, albeit not enough to offset the adverse trend in major markets such as China and Australia. Overall, the APAC region therefore delivered negative organic growth of 4%.

Nilfisk-Advance continued strengthening its market presence in China, acquiring two dealerships in the provinces of Tianjin and Shandong. The acquisitions are key elements to the strategy of increasing direct presence and getting closer to customers. A robust position has been achieved in the Outdoor segment, and the company continues to build up its floor care and vacuum cleaner businesses through both direct and indirect channels in order to establish a strong platform for sales to the fast-growing Chinese 'mid-market'.

Weak positive growth in BRIC+MT

Nilfisk-Advance continues to maintain strong focus on the emerging BRIC+MT markets, which delivered 4% overall organic growth in 2013. Despite high-level growth in several markets the overall figure was down on initial expectations. Nevertheless, this was considered satisfactory, primarily on account of the difficult market conditions in China. Nilfisk-Advance retains high expectations to these markets and continues to invest in order to protect its market position in all six countries.

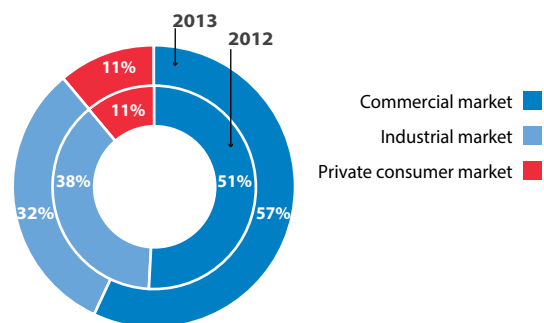
CUSTOMERS

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

- Commercial customers are typically contract cleaning companies, as well as institutions, organisations, public authorities, shops, hotels, health care and businesses.
- Industrial customers are companies involved in manufacturing, distribution, building, agriculture and automotive. Many of these customers within industries such as food and beverages, pharmaceutical and the metal-working industry have specialised cleaning requirements.

The private consumer market, which accounts for 11% of revenue, consists principally of domestic appliance dealers, retail chains and DIY stores.

Sales by customers



Increased customer satisfaction

Optimising customer satisfaction is one of Nilfisk-Advance's strategic focus areas. Net Promoter Score (NPS) is a customer survey tool which monitors customer feedback and triggers actions to improve customer satisfaction. Nilfisk-Advance increased its NPS performance in 2013, achieving a satisfactory score. Introduced in 2011, NPS is now used in 30 countries and a number of new markets are expected to join the NPS programme in 2014.

The primary focus is on 'service recovery', i.e. ensuring that dissatisfied customers are contacted within 48 hours and their issues swiftly resolved. The overall analysis of customer satisfaction will be supported by use of transactional NPS and strategic NPS reviews in all markets, focus being placed on service, delivery and product satisfaction.

PRODUCTS

Nilfisk-Advance supports the broadest product portfolio in its industry, comprising:

- Floor care equipment - sweepers, scrubbers, dryers, polishers, sanders 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

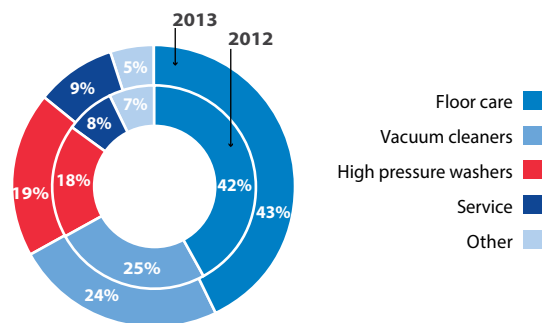
Detergents, spare parts and service contracts are also marketed.

Product development

Product development is based at four competence centres located in Denmark, Italy, the US and China. In 2013, 41 new products and product versions were launched (2012: 43), comprising 18 floor care models, 13 vacuum cleaners, six high pressure washers, and four other units including outdoor equipment.

New products are targeted at specific customer needs and at raising industry standards. Around 3% of revenue is spent on product development. The market demands sustainable 'green' solutions that set new standards in low power, water, and detergent consumption. This trend is advantageous to Nilfisk-Advance as its intensive development programme places the company in a leading position to meet steadily more demanding customer requirements.

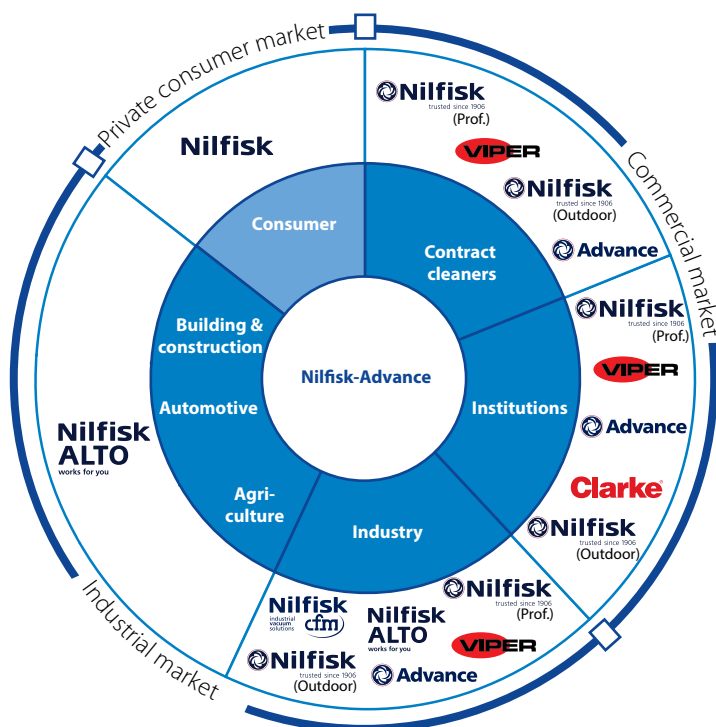
Sales by products



Award-winning products

A number of new products won both acclaim and awards in 2013. In the commercial category the innovative, high-quality wet and dry duty VL500 vacuum cleaner was presented with the Pulire 2.0 Innovation Award in Italy and with a design award at the CMS show in Germany. The SC1500 stand-on scrubber dryer, the first of its kind in the company's product portfolio, gained the ISSA InterClean Innovation Award at the Las Vegas industry fair. In the consumer category, the Elite vacuum cleaner, launched in Q4 and featuring new and unique filtration technology, received international acclaim and was presented with Allergy UK's Seal of Approval and 'Allergy Friendly' Award.

Multibrand strategy



Nilfisk-Advance markets a large number of brands covering a wide range of applications and requirements.

Four brands are sold globally: Nilfisk (professional and consumer equipment), Nilfisk-ALTO, Nilfisk-CFM and Viper.

In addition, there are a number of regional brands sold primarily in North America, including Advance and Clarke. A number of local brands are also sold in specific countries.



The Park Ranger 2100 was equipped with a number of new features in 2013, including a new grass collector

PRODUCTION

Production takes place at Nilfisk-Advance's 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, with smaller production units around the world.

Finished products are shipped to customers worldwide from distribution centres in Denmark, Belgium, Germany and the US. Customer service and delivery lead time were further improved in 2013. The service improvements were delivered with a decrease in inventory and with relative improvements in cost-to-serve. Further improvements are expected to materialise in 2014.

Cost optimisation

Over the past decade Nilfisk-Advance has executed a comprehensive production restructuring programme in which a significant share of manufacturing was relocated from high-cost countries to low-cost countries such as China, Hungary and Mexico. No major changes were made to the production structure in 2013 and focus remained on optimisation within the current production footprint. Initiatives introduced in recent years, such as redesign of factory flows and production line optimisations, were further accelerated, generating continued efficiency improvements while maintaining high product quality.

Towards end-2013 Nilfisk-Advance's focus on strategic procurement was further strengthened with the launch of an improvement programme aimed at generating increased future

benefits in this area. By utilising its global procurement structure and through increased cross-functional cooperation, component cost savings are expected to increase during 2014. Parallel with this, the company will reduce inventory and improve component quality through improved supplier cooperation and supplier consolidation.

While production structure in 2013 was stable, the proportion of production based in low-cost countries increased to around 60% compared with around 55% in 2012.

“

Nilfisk-Advance's focus on strategic procurement has been further strengthened with the launch of an improvement programme aimed at generating increased future benefits in sourcing”

*Jonas Persson
CEO, Nilfisk-Advance*

RISK FACTORS

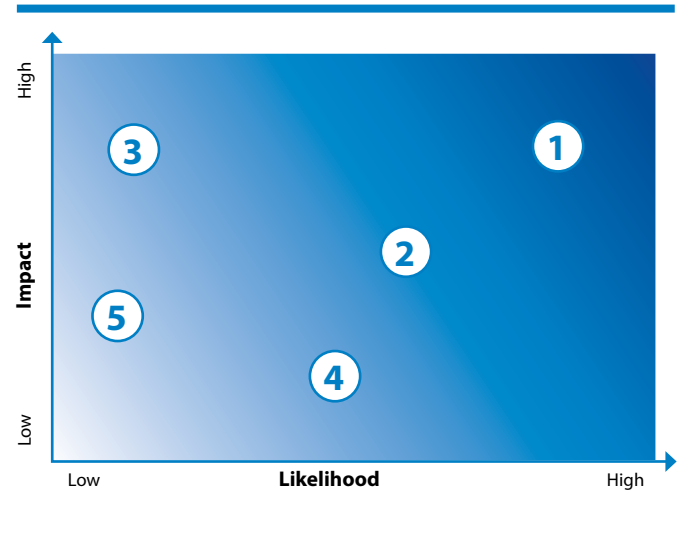
Nilfisk-Advance introduced a new risk management system in 2013. The new system reflects the company's dynamic approach to risk management, which is based on protecting and increasing value.

A total of 23 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. Detailed action plans have additionally been developed and introduced.

Risks are continuously monitored by the management and the action plans can be executed immediately if trigger levels are met. Re-evaluation of identified risks and identification of new risks are an integral part of the dynamic framework and are carried out at least twice annually.

While five of the 23 risks identified are defined as primary risks, only one is rated as having a high likelihood, the other four carrying a low to medium rating. The primary risks are described in the table below.

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 change in customer demand towards low-price products will negatively impact earnings	Continuous discussion and evaluation of early warning indicators at Board meetings	Re-orient marketing towards low-price/ quality brands or pursue relevant acquisitions
3 Significant market consolidation without Nilfisk-Advance 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-Advance in relevant discussions
4 Dependence on key suppliers can be a risk in case of delivery issues, quality issues or price increases	Monthly monitoring and evaluation of sustained negative trends in key supplier performance	Key suppliers are identified and risk evaluated annually, based on critical parameters. Dual sourcing is selectively implemented
5 Sustained operational breakdowns in manufacturing sites will negatively impact business continuity	Monitoring and correction of specific events identified as early warning indicators of operating issues	Reaction plans to the various risks are defined, for example plans for temporary premises and relocation of production are in place



In 2013 a new series of industrial vacuum cleaners - AERO 21/26/31 - was launched onto the market under the Nilfisk-ALTO brand

STRATEGIC UPDATE

Nilfisk-Advance's strategic goal of becoming Customers' Preferred Choice is based on five Must Win Battles. In 2013, Nilfisk-Advance made further progress in implementing all of them.

The achievement of this goal will provide the foundation for the company to increase its global market share and realise its long-term financial targets:

- Average annual organic growth of 6% supplemented by acquisitive growth
- Increasing operational EBITDA margin (2013: 11.9%)
- Increasing return on capital employed (RoCE) (2013: 17.5%)

The five Must Win Battles are:

1. Develop best customer satisfaction across markets and product categories

In 2013 the 'Total Care Programme' for contract cleaners was launched, making it easier for customers to choose the right equipment and fully utilise resources. This was combined with introduction of new service agreements and customised financial solutions. The customer satisfaction tool, Net Promoter Score programme (NPS), will be continued and supported by transactional NPS and strategic NPS reviews in all markets focusing on service, delivery and product satisfaction backed by a global internal customer focus program called 'Customers'Voice'. A Commercial Excellence programme was also launched identifying methods and practices to improve sales and service effectiveness in key markets.

2. Meet customers' delivery expectations

Since 2010, delivery performance has improved by around 15-20% points and has now stabilised at or above industry standards. To continue improving delivery performance while

significantly reducing cost-to-serve and working capital, a Supply Chain Transformation Programme was launched at end-2013 and will continue through 2014 and into 2015. With this achievement and future initiatives launched, Nilfisk-Advance considers this Must Win Battle won.

3. Secure leadership in key emerging markets

All six BRIC+MT countries are essential to Nilfisk-Advance in terms of growth and market positions. In 2013, Nilfisk-Advance delivered overall growth in BRIC+MT of 4% (2012: 25%). In China, a strong position in the Outdoor segment has been established and will be expanded in 2014, while positions in the floor care and vacuum cleaner businesses will be strengthened through both direct and indirect channels. Nilfisk-Advance is well-positioned in Russia and will build on its increased engagements in the city of Sochi in the Krasnodar region, the venue for the 2014 Winter Olympics.

4. Develop strong culture and excellent leadership skills

A comprehensive structure to boost performance has been implemented which i.a. aligns compensation processes across the organisation. A new global leadership development programme focuses on manager competences and company understanding. Other leadership programmes will be launched in 2014.

5. Reduce complexity

Being a customer with Nilfisk-Advance must be simple and easy, and ongoing focus is therefore placed on streamlining processes and procedures. One example is increased modularity in product development to ensure quick 'time-to-market' for new products. Focus on profitability has led to the discontinuation of a number of product platforms and variants. In 2014 further initiatives will be introduced to reduce complexity.

2014 MANAGEMENT AGENDA

The 2014 management agenda for Nilfisk-Advance will continue to centre on the same themes as in 2013 and therefore represents a strategic progression. Primary focus will be on:

1. Strengthening customer loyalty through continued NPS registration and follow-up, improved product quality and supply chain optimisation
2. Making it easier to do business with Nilfisk-Advance due to reduced complexity
3. Execute on newly initiated Commercial Excellence programme
4. Execute on cost reduction initiatives planned and already launched to secure future earnings

Follow up on 2013 Management Agenda:

1. *Focus on achieving the Must Win Battles and strengthening customer loyalty.*
Victory has been declared in the Must Win Battle 'Meet Customers' Delivery Expectations', and good progress has been made in the remaining Must Win Battles. Customer satisfaction increased through 2013 with improved NPS scores. A Commercial Excellence toolbox has been prepared for rollout in key markets.
2. *Increase earnings through full utilisation of Nilfisk-Advance's robust business model.*
Results were generated from several years' efforts to implement global structures and processes across the company aimed at increasing operational gearing. This will enable increasing volume e.g. from acquisitions, without correspondingly increasing overhead. Overhead ratio declined in 2013, compensating for decline in gross profit.
3. *Generate high cash conversion rate.*
Nilfisk-Advance has realised a high cash conversion rate in recent years, enabling a reduction of net interest bearing debt.

Nilfisk-Advance Management



Jonas Persson, *President & CEO*

Joined the company in January 2014, succeeding Jørgen Jensen as President & CEO. His international career includes membership of Assa Abloy's Executive Management Board and head of the Asia-Pacific division. He formerly held

positions with the Alfa Laval Group and Nolato. Jonas Persson represents experience with large international groups, including value chain management. He also has extensive experience of sales management, joint ventures and emerging market acquisitions. Born in Sweden in 1969, Jonas Persson holds an MSc. in Engineering from Lund University, Sweden.



Anders Terkildsen, *EVP EMEA and Latin America Sales & Service*

Joined Nilfisk-Advance in 1998 as Group Channel Manager, appointed EVP in 2005. Today responsible for sales and service in EMEA and Latin America. His career includes positions as Marketing

Director with the Incentive Group and as Product Manager with Hardi International responsible for South Africa and France. Anders Terkildsen has experience with territory management, key account management, internationalisation of leading industrial groups and management of sales companies, joint ventures and acquisitions. Born in 1962, Anders Terkildsen holds an MBA in General Management from University of San Francisco, US.



Morten Johansen, *EVP & CFO*

Joined Nilfisk-Advance in 2007 as EVP & CFO. Today responsible for finance, IT, indirect sourcing and a number of sales entities. His career includes a CPA role with Arthur Andersen and CEO positions with GEA Group entities. Morten

Johansen has experience of trade, finance and controlling and was stationed for a number of years in the UK and Ireland. He also has broad experience from industrial projects business and from BtB and BtC industries. Born in 1966, Morten Johansen holds an MSc. in Business Economics and Auditing from Aarhus School of Business, Denmark, and is a Certified Public Accountant.



Lars Gjødsbøl, *EVP Global Operations*

Joined Nilfisk-Advance in 2003 as head of European and Asian sourcing. In 2005 he became part of the Management with responsibility for sourcing, production, product development, and product management/marketing in Europe and

Asia, and was appointed EVP in 2008. Since 2012 he has been responsible for Global Operations. His career includes a position in Operations with Novo Nordisk A/S and as management consultant with McKinsey & Company, Inc. Lars Gjødsbøl has experience of all areas of operations, including R&D, strategic sourcing, production, supply chain, product management and quality, with responsibility for both strategic and operational initiatives in global companies. Born in 1971, Lars Gjødsbøl holds an MBA in Business Administration and Commercial Law from CBS, Denmark.



NKT Cables

NKT Cables delivered **growth in both revenue and earnings**, primarily driven by positive development in BU Projects and the Railway segment of BU APAC. With earnings still not at a satisfactory level, the **DRIVE efficiency improvement programme** has been introduced. NKT Cables' **position** within low and medium voltage cables was **strengthened** in the Nordic countries through acquisition

Financial highlights

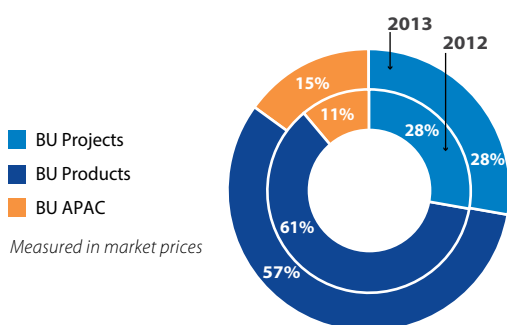
Amounts in mDKK	2013	2012	2011	2010	2009
Income statement					
Revenue	8,983	8,526	9,088	8,520	6,383
Revenue in std. metal prices	6,017	5,421	5,635	5,547	4,646
Operational EBITDA	335	290	182	329	373
EBITDA	372	290	182	329	373
Depreciation and amortisation	-299	-292	-276	-221	-175
Impairment	-58	0	-61	0	0
EBIT	15	-2	-154	108	197
Cash flow					
Cash flow from operating activities	-67	361	233	-528	163
Cash flow from investing activities, excl. acquisitions	-215	-268	-369	-702	-861
Free cash flow	-282	93	-136	-1,230	-698
Balance sheet					
Capital employed	4,557	4,346	4,470	4,701	3,313
Working capital	1,681	1,282	1,452	1,856	1,089
Financial ratios and employees					
Gross margin	37.7%	37.3%	34.4%	35.7%	40.2%
Overhead ratio	33.5%	33.0%	32.4%	31.1%	33.0%
Operational EBITDA margin (std. metal prices)	5.6%	5.3%	3.2%	5.9%	8.0%
Organic growth	4%	-4%	1%	16%	-7%
Return on capital employed (RoCE)	0.8%	0.0%	neg.	2.6%	6.9%
Number of employees, year-end	3,560	3,395	3,503	3,490	3,127
Cash conversion	-20%	124%	128%	-160%	44%

NEW ORGANISATIONAL STRUCTURE

As announced in the 2012 Annual Report and subsequent interim reports, NKT Cables has with effect from 1 April 2013 established a new organisational structure based on three business units (BUs): BU Projects, BU Products and BU APAC.

The new structure enables a strategic and operational homogeneity within each BU, now being organised in accordance with relevant products, production, markets and customers. The structure ensures an efficient management and organisation, where each BU has the overall responsibility for earnings.

BU revenue distribution



New organisation and reporting structure

	BU Projects	BU Products	BU APAC
Electrical Infrastructure			
Offshore	•		
High voltage and accessories	•		•
Medium voltage and accessories		•	•
1 kV Al		•	
Construction			
1 kV Cu		•	
Building wires		•	
Automotive		•	
Railway		•	•

2013 FINANCIAL HIGHLIGHTS

Revenue measured in std. metal prices was 6,017 mDKK (2012: 5,421 mDKK), corresponding to 4% organic growth. Growth in revenue in std. metal prices was 8%, of which 4% related to the acquisition of the Ericsson power cable business which was completed on 1 July 2013.

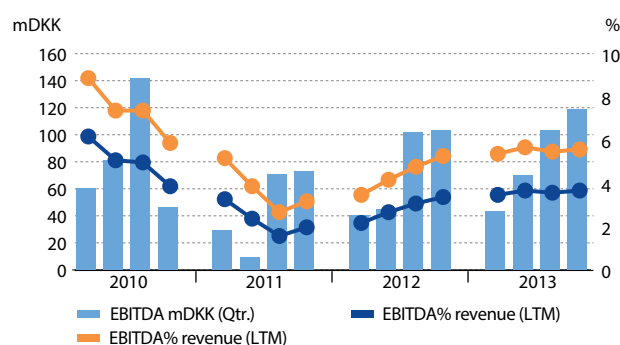
Organic growth

	2013
BU Projects	13%
BU Products	-10%
BU APAC	49%
NKT Cables	4%

In addition to the effect of this acquisition the growth in revenue was driven by offshore projects, primarily an order received in the second quarter with a short lead time, and by the Railway segment in China. The present level of activity in the Chinese catenary wire market is seen as a return to more normal market conditions after the temporary deceleration of projects by the authorities in 2011 and 2012. The actual level of activity also includes an element of catch-up after the same period and realised volumes supplied almost doubled compared with 2012.

NKT Cables delivered operational EBITDA of 335 mDKK, an increase of 45 mDKK compared to last year. Of this amount, 21 mDKK came from the operations acquired from Ericsson in July 2013, the remaining 24 mDKK deriving from production improvements and good project execution in Cologne, and the increased activity in the Railway segment in China.

Operational EBITDA

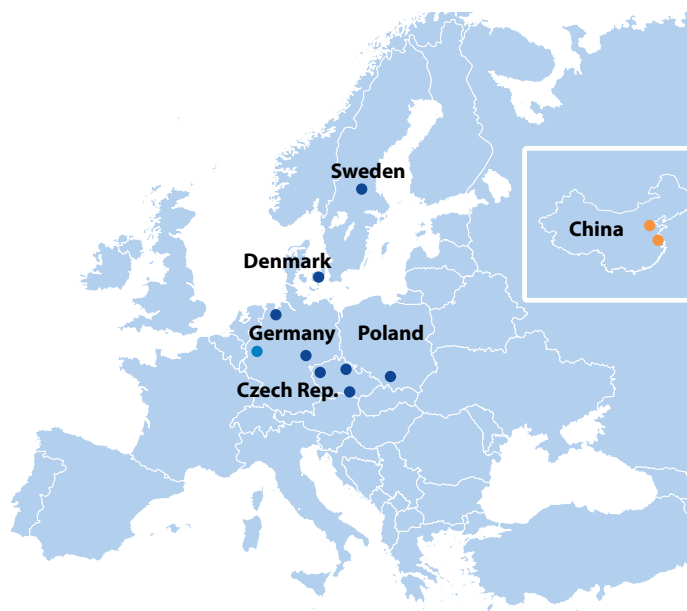


EBITDA amounted to 372 mDKK (2012: 290 mDKK) and was, in addition to the above mentioned factors, influenced by one-offs relating to shutdown of signal cable production in Denmark and staff reductions in the Czech Republic (18 mDKK), by cost related to external assistance to DRIVE (6 mDKK), and by income from badwill incl. transaction costs (61 mDKK) relating to allocation of the purchase sum for the Ericsson power cable activities.

Production

	BU Projects	BU Products	BU APAC
Germany	Cologne	Hettstedt Nordenham	
Poland		Warszowice	
Czech Rep.		Vrchlabi Kladno Velke Mezirici	
Denmark		Asnaes	
Sweden		Falun	
China			Changzhou Cangzhou

Minor production entities in Norway and Berlin



BU PROJECTS

BU Projects is strongly positioned in the European market for on- and offshore high voltage power cables and accessories. BU Projects delivered organic growth of 13% in 2013.

The future growth of BU Projects is dependent on the implementation of EU energy policy, which will lead to expansion of offshore wind energy and an integrated European transmission grid with increased capacity and flexibility.

Civil works projects significantly impact revenue

Revenue in BU Projects is significantly impacted by project scope; whether it includes only cable supply, as is the case in the prospective Gemini project, or whether it also includes civil works. NKT Cables uses an external provider for civil works and this service leads to a significantly higher revenue, but to only a limited contribution to earnings. In 2013, NKT Cables has executed on several turnkey projects as described in the paragraph below, while 2014 will see fewer such projects.

Primary markets

UK, Germany, Denmark, Benelux and France

Customers

European transmission and distribution companies including E.ON, EnBW, RWE, RTE, Energinet.dk, ScottishPower, Dong Energy, TenneT, 50Hertz and Vattenfall

Major projects in final stage

NKT Cables had five large projects in progress in 2013: two offshore installation projects, one offshore cable supply, one onshore installation project, and one onshore cable supply. All five projects are in the final stage and expected to be completed in 2014. The completion of several of these projects has been postponed until 2014, partly at the customer's request and partly

due to weather conditions. A large number of smaller projects were also completed in 2013.

Competition

The offshore power cable market is characterised by a small number of suppliers, high entry barriers, project complexity, high technology level and knowhow, and significant production and installation risks. Delivery of long lengths of cable sections without joints is an important competitive parameter. In this area, NKT Cables has a strong position, as the Cologne factory is specifically designed to meet these demands and the logistics centre in Rotterdam, inaugurated in June 2013, provides a flexible storage and shipment facility. Main competitors are Prysmian (Italy), Nexans (France), ABB (Sweden), General Cable (US) and LS Cable (South Korea).

Cologne operations at satisfactory level

Operating efficiency at the Cologne plant was improved in 2013, stabilising at a satisfactory level. Further operating improvements were introduced during the year and will remain in focus in 2014 as part of DRIVE.

High-complexity offshore market

The offshore market remains in a developmental phase with both customers and suppliers building experience. The trend is still towards projects of increasing size and complexity, which also prolongs negotiation timescales. Offshore wind projects are increasingly being developed by consortiums with funding not resolved until the final planning stage. In these cases, provisional agreements are signed which are conditional upon subsequent funding.

Stability continues to be absent from the market owing to lack of proper clarity regarding project profitability and the regulatory situation for offshore projects in key markets such as Germany and the UK. This is one of the reasons why customers are cautious about committing to major long-term investments.

Gemini submarine cable project

In February 2014 the consortium behind the planned Gemini offshore wind farm project announced that the financial assurances needed to start the project had been received. NKT Cables has entered into a Preparatory Works Agreement, which is the first phase on the way to a definitive order. The project contract is expected to be signed in the next few months when all remaining consortium-related funding issues are finally resolved. The agreement means that NKT can commence cable production in February 2014 and payment is guaranteed for ongoing costs incurred, if the project contract is not signed. Expected to generate a revenue of around 1.2 bnDKK (std. metal prices) for NKT Cables, the final order will comprise supply of more than 200 km of 220 kV high voltage cables to be produced in Cologne and supplied for installation at the start of 2015.

Onshore turnkey solutions gain ground

At the high end of the onshore high voltage market there is increasing focus on turnkey solutions where the cable supply includes civil works. The market is characterised by relatively few competitors and customers focus on the overall solution and risk profile. Tenders for onshore high voltage orders are characterised by few small-size projects, but maintenance of existing infrastructure keeps this activity at a stable level.

At the lower end of the European onshore high voltage market the price competition has increased due to entrance of new players from non-European countries.

BU PRODUCTS

Active in the markets for low and medium voltage cables as well as accessories, building wires, car wires and railway catenary wires, BU Products delivered a negative organic growth of 10% in 2013.

Competition

The market for building wires is characterised by a stable and high number of suppliers. The barriers to market entry consist primarily of the ability to differentiate products on environmental sustainability and ease of use. The principal competitors are global suppliers, but there are also a number of strong national suppliers.

Markets

Europe

Customers

Low and medium voltage: European transmission and distribution companies

Building wires: Electrical wholesales selling to building industry end-users along with a few national contractors
Railway: Railway owners and operators and major railway contractors

Automotive: Specialist subcontractors to the car industry

The low and medium voltage products incorporate relatively low technology content and little scope for differentiation. Market entry barriers are low, consisting mainly of local and regional product specification requirements. The trend is towards rising competition from producers in North Africa, Russia and Southern Europe, and increasing customer demand for complete cable solutions is expected in the longer term. Such demand will raise the entry barriers in the years ahead.

The European market for railway products includes relatively low-tech items available from a large potential pool of suppliers and with differentiation predominantly based on price, as well as significantly more advanced high-tech items, such as catenary wires for high speed railways. Competitors are primarily national suppliers strongly positioned in their domestic markets as well as a small number of international suppliers.

Fewer investments by European utilities

Entering 2013, NKT Cables anticipated a fall in sales of low and medium voltage products, primarily due to reduced investment levels among European utilities. Tender activity during 2013 was characterised by price pressure, leading to decreasing volumes, falling revenue and earnings on the part of NKT Cables. Increased focus was placed on new non-utility customers and on renewable energy suppliers, but the resulting volumes could not compensate for the reduction in sales to utilities. Adjustments to production capacity were therefore commenced in Q4 2013 and the process will continue in 2014 as part of DRIVE.

Acquisition of the Ericsson power cable business

NKT Cables acquired the Ericsson power cable business in Falun, Sweden, with effect from 1 July 2013. Employing some 300 people the revenue of this business principally comes from sales of medium and low voltage cables to utilities and wholesalers in the Nordic region. The acquisition supports BU Products' strategy of strengthening the low and medium voltage cables position in selected attractive markets, and also provides scope for exploiting Ericsson's differentiated product portfolio.

Revenue of 557 mDKK (market prices) and operational EBITDA of 21 mDKK from the Ericsson cables operations were booked in 2013.

The merger has been followed by an intensive process to integrate the Falun plant into NKT Cables. The first step was the establishment of an organisation with full production and sales responsibility for the Nordic markets. The integration process has been successful so far and is continuing in order to harvest the anticipated synergies.

Price pressure on building wires

The growth in sales of building wires is directly linked to the development in new building and renovations and therefore varies from market to market. In Austria and Sweden especially growth rates were low in 2013, and negative growth was registered in Poland and elsewhere. In these markets, prices came under continuing strong pressure, and revenue was down on 2012 despite reductions in prices. Overall, however, NKT Cables is believed to have maintained its market shares.



Installation of catenary wire on high-speed rail link between Shanghai and Beijing

Low-level activity in European Railway segment

In 2013, NKT Cables' catenary wire sales fell compared to the year before, principally due to a lower level of activity in Germany where Deutsche Bahn has postponed major projects. NKT Cables terminated its Danish production of signal cables during the year, cf. more detailed description in the section on DRIVE, page 24.

Use of framework agreements

The European car industry has invested heavily in manufacturing and low-cost assembly in Eastern Europe. NKT Cables' car wiring plant at Vrchlabi in the Czech Republic is therefore located close to its customers. The market is fuelled by the need to build more intelligence into cars and by the ambition to replace cars running on petrol with electrical and hybrid equivalents. In both cases more wiring is needed in the car body and longer-term business prospects for the industry are therefore positive.

Production in 2013 was primarily based on existing frame agreements. Qualifying to become a supplier to a new customer is an extensive process. Product approval, factory inspection and testing take 6-12 months before an agreement can be signed.

Organic growth for NKT Cables' Automotive segment was lower than expected, principally due to low car industry demand and first-half cancellation of orders by a Polish customer. Sales picked up in the second half and reached a satisfactory level.

BU APAC

Due to strong competition caused by overcapacity in the Chinese cable industry, NKT Cables is focusing on niches arising in the wake of China's rapidly accelerating urbanisation, and on nearby

countries which benefit from production from a low-cost region. BU APAC delivered organic growth of 49% in 2013.

Primary markets

China, Australia, Vietnam

Customers

Railway: Railway owners and operators

High and medium voltage products: State Grid Corporation of China, China Southern Power Grid, industrial customers and utilities

Normalisation of Chinese railway market

Due to the anticipated increased demand for railway construction, and the decentralised bidding process introduced by the Chinese railway authorities, competition is steadily intensifying. 2013 saw a normalisation of the Chinese railway market. NKT Cables supplied catenary wires for several high speed railway projects postponed from 2011 and 2012 when a moratorium was introduced on construction of high speed railways. These projects include the Hangzhou-Changsha, Datong-Xian and Lanzhou-Urumqi lines. In addition, newly approved projects are expected to reach the tender stage from second-half 2014.

Leading market position maintained

In 2013, NKT Cables secured a number of export orders through Chinese railway contractors. This is a significant step towards maintaining the company's leadership in the high-end market for catenary wires and establishing a position in future export markets where Chinese railway contractors operate.

Progress was made on developing a new manufacturing process to enhance the mechanical and electrical performance of the catenary wires. This knowhow will enable NKT Cables to meet the requirements called for in China's proposed new railway standards.

Test of high voltage cable in China

The testing of a 245 kV cable system from the high voltage factory at Cangzhou is not yet completed. The type testing of the cable has been completed, but the one year pre-qualification test of the cable system had to be restarted in 2013 as parts of the accessories failed in the first test.

Although still undergoing testing, the cable can already be part of planned deliveries. As an example, the cable is part of an order for 220 kV high voltage cables and accessories to be supplied to a major city in China with deliveries mainly in 2014. The order was mentioned in the Q3 2013 interim report. Overall the development within medium and high voltage cables in China has not lived up to expectations due to increased preferential treatment of local suppliers.

Largest ever order

In 2013, BU APAC finalised its largest order to date: supply of a medium voltage cable for an Australian natural gas project. A number of important export orders were also received from the China Science Academy for the ITER project, a large-scale international scientific experiment taking place in Europe which is intended to prove the viability of fusion as an energy source.

New management

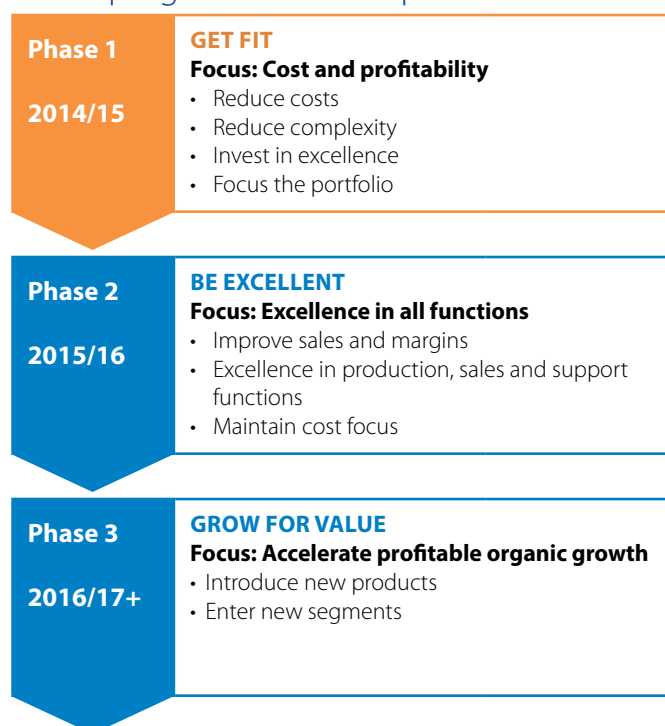
BU APAC has undergone a number of organisational changes, including the appointment of Geoffrey Cao as CEO for the BU and of Kuizhong Wang as new manager of the Railway segment. Established in mid-2013, the new management of BU APAC has extensive experience from the cable and railway industries.

THE DRIVE EFFICIENCY IMPROVEMENT PROGRAMME

The European power cable market has experienced a strong downturn due to the economic recession. The difficult market conditions have impacted the majority of the cable manufacturers and several have been forced to adapt to the new climate. NKT Cables too had to make ongoing cost and capacity adjustments.

The downturn has, however, proven longer-lasting and more severe than initially envisaged, and in 2013 NKT Cables responded by introducing an extensive efficiency improvement programme: DRIVE. The programme is designed to strengthen earnings and competitiveness in the short term and to ensure increased value creation in terms of return on capital employed (RoCE).

DRIVE programme - three phases



“

The aim of DRIVE is to deliver increased earnings of around 300 mDKK at EBITDA level by reducing costs”

*Marc van't Noordende
CEO, NKT Cables*

Focus on cost reductions

The first phase of the DRIVE programme is focused on substantially reducing costs. More than 80 initiatives have been identified covering five main areas and all European entities, cf. figure on page 25.

The aim is to deliver increased earnings of around 300 mDKK at EBITDA level by reducing costs.

The DRIVE programme will result in ongoing earnings improvements during the implementation phase in 2014 and 2015. In 2014, earnings are expected to be positively influenced by around 100 mDKK due to DRIVE, and approx. 70% of the initiatives will have been implemented by the end of this year.

All the initiatives will have been implemented by the end of 2015, and it is expected that 80-90% of the total target saving of 300

Effect of DRIVE

	Cost improvements	FTE reduction	One-off costs	Capex
2014 impact	~100 mDKK (Run rate: 180 mDKK)*	~200	~180 mDKK	~50 mDKK
Full impact going into 2016	~300 mDKK	400-450 25% white collar 75% blue collar	~240 mDKK	~50 mDKK

* Run rate effect: Estimate for full year effect if fully implemented
Note: All cash effect

mDKK will impact earnings in that year. The remaining savings will be realised over 2016.

DRIVE will result in a reduction of approx. 400-450 employees, approx. 25% being white collar workers and approx. 75% blue collar workers.

One-off costs related to DRIVE are expected to be around 240 mDKK, approx. 75% of which will influence 2014 and approx. 25% 2015. The DRIVE programme will further give rise to investment

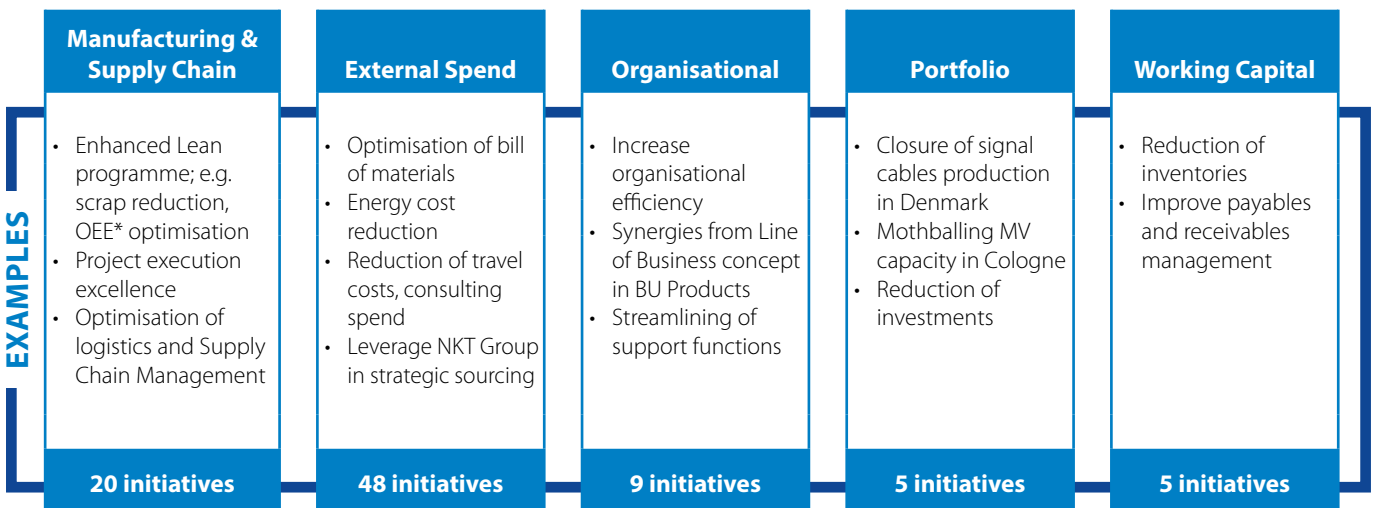
in tangible assets corresponding to around 50 mDKK, most of which will be carried out in 2014. From the planned initiatives no further indication of impairment is expected beyond the 58 mDKK already included in 2013. The overall effect on cash flow related to one-off costs and investments thus totals around 290 mDKK.

Approx. 60% of the one-off costs relate to the reduction of employees.

The above is naturally subject to some uncertainty and will be updated regularly. It is also intended to review project progress in future interim and annual reports.

More initiatives are in course of implementation. At the end of 2013, NKT Cables decided not to invest further in signal wire operations as the medium-term earnings expectations are considered unsatisfactory. The production of signal cables in Denmark has therefore ceased. Against this background, and with a simultaneous adjustment of capacity in the Czech Republic and reduction of a number of interim positions in Sweden, NKT Cables has reduced head count by approx. 120 in Q4 2013. It has also been decided to discontinue medium voltage cables production at the factory in Cologne. These measures have resulted in an impairment of the already mentioned 58 mDKK in 2013.

More than 80 initiatives identified within 5 focus areas



*OEE: Overall Equipment Effectiveness

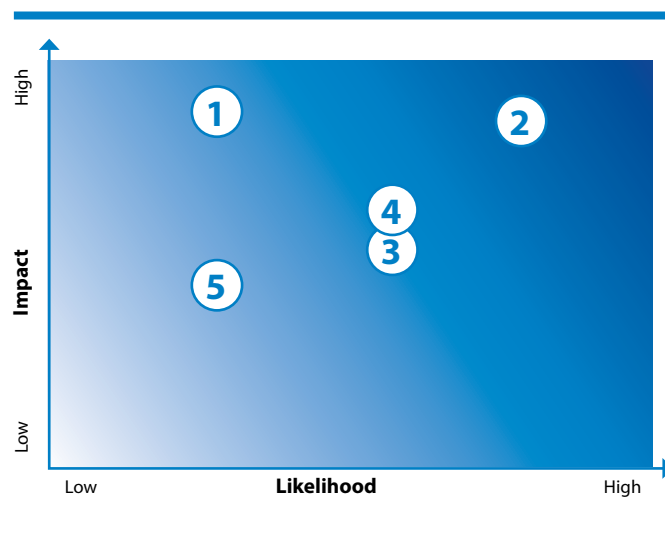
RISK FACTORS

NKT Cables' current risk management system was implemented in 2012 and actively monitors all material risks. Regular risk reviews are conducted in all company entities identified as risk-bearing. Management actively participates in this process with view to developing a risk management culture throughout the company and strengthening efforts to identify and address risks before they materialise.

A number of separate risks have been identified for each of the BUs. Some of these risks are current, and in these cases specific measures have been implemented which reduce the risks to an acceptable level. Other risks are merely latent and are subject to ongoing monitoring so that relevant measures can be implemented promptly if the risk materialises.

The ERM model has already in 2013 proven its ability to increase business value. For example, the strong focus placed on risk management has positively influenced a number of initiatives in BU Projects, which has meant greater profitability than expected. The pro-active risk management defined in the ERM model and the Operational Excellence programme have together been the main drivers in this success. For further description of project risks please refer to the case study on page 36.

Risk matrix



Risk	Monitoring	Mitigating action
1 BU Projects: High voltage offshore orders	Continuous monitoring of the high voltage offshore order backlog	Adjustment of capacity and costs. Focus on acquisition of high voltage onshore orders which can partly mitigate a shortfall in high voltage offshore orders
2 BU Projects: Project execution risk	Major focus on risk management in all project phases (tender approval, start-up and execution)	Identified risks will be covered to the highest extent possible through insurances, contract provisions or pre-testing prior to production
3 BU Products: Macro-economic development in Europe	Monitoring of relevant GDP forecasts, confidence indicators and order intake	Adjustment of capacity and costs
4 BU 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 BU APAC: High reliance on Chinese economic development	Monitoring of GDP development in China and order intake	Adjustment of capacity and costs



Luxembourg tunnel project incorporating a wide selection of power cables

STRATEGIC UPDATE

The primary strategic direction is unchanged from previous years. As a significant cables supplier, NKT Cables continues to target customers requiring solutions which have a higher technology and knowhow content, and thus also a higher level of value creation. Following the reorganisation into business units in April 2013 the strategic focus of the three BUs has been refined and tailored to their respective challenges and strategic objectives.

BU Projects

In 2013, BU Projects demonstrated its ability to produce and deliver large turnkey projects. The next step is to increase focus on operational excellence with efficiency, quality assurance and product availability as top priorities. A number of areas with significant potential for reducing operating costs have been identified, and are currently being implemented as part of DRIVE.

A number of projects will be introduced in 2014 aimed at minor capacity expansion of the Cologne factory to enable NKT Cables to capitalise on the rising demand anticipated as Europe's infrastructure transitions towards renewable energy sources. The Cologne factory was designed to accommodate future expansions in capacity.

BU Products

The first initiatives in the DRIVE programme have been launched and in 2014 focus will be on further reducing operating costs. With continuous low demand in most European countries, BU Products has identified a large number of areas suitable for further cost reductions and has started the implementation of such initiatives within the framework of DRIVE.

BU Products will continue efforts to strengthen its position in core European regions. The acquisition of the Ericsson power cable business is a good example as this allowed BU Products to substantially strengthen in the Nordic region while at the same time benefitting from significant synergies harvested from the integration of production units in Denmark and Sweden. So far the assumptions on which the acquisition rested have been confirmed and the integration is proceeding to plan.

BU Products will continue to evaluate and adjust its product range to match the market demands for differentiated and innovative products.

BU APAC

The new management team has initiated a strategic review following the changed market conditions in China. The aim is to maintain the leading position in the Railway segment manufacturing technologically advanced catenary wires. The purpose is also to define the future strategic direction in the medium and high voltage segments. The strategic review is expected to be finalised in first half 2014 and it will be presented later this year.

Strategic goals

With RoCE of 0.8% in 2013, current earnings performance is not adequate. It is the ambition to improve earnings significantly over a two-year period based on the above-mentioned strategy and DRIVE.

2014 MANAGEMENT AGENDA

1. Successful implementation of cost reductions related to DRIVE
2. Accelerate employee and management development programmes launched in 2013
3. Continue building foundation for future growth by:
 - BU Projects winning orders for offshore projects and building a satisfactory order book before end-2014
 - BU Products improving customer service and security of supply through an improved supply chain structure
 - BU APAC winning a satisfactory share of railway projects expected to be offered in 2014

Follow up on 2013 Management Agenda

1. *Successful implementation of the new organisational structure.*
Operational since 1 April 2013 the new structure has been a major factor in creating transparency on costs and margins and addressing the various challenges the BUs face.
2. *Continue the Operational Excellence programme.*
Much progress has been achieved in support processes such as finance, IT, human resources and risk management. In Q4 cost reductions related to DRIVE were introduced and will be implemented through 2014 and 2015.
3. *Establish the foundation for future growth.*
Tender activity for high voltage projects has been intense, and major focus has been placed on achieving high utilisation rates for the Cologne plant. With the acquisition of Ericsson's power cable activities, BU Products has strengthened its position within medium and low voltage products in European markets.

NKT Cables Management



Marc van't Noordende, CEO

Joined the company in 2011 as CEO. Formerly COO and Executive Board member of Essent N.V., Netherlands, he has held positions with Akzo Nobel N.V. (Netherlands, France, Italy and the US). He represents more than 30 years'

experience in international business administration, primarily in industry and B-t-B markets. Born in 1958, Marc van't Noordende holds an MBA from INSEAD, Fontainebleau, France, and a law degree from the University of Leiden, the Netherlands.



Detlev Waimann, President BU Projects

Joined the company in 1994. He has subsequently held various CEO positions with the company, including NKT Cables GmbH in Cologne and Nordenham, and MV Accessories & Cabinets. Born in 1966, Detlev Waimann

has considerable cable industry and project management experience and holds a degree in Electrical Engineering.



Henrik Bøggild, CFO

Joined the company in 2012 as CFO. Formerly CFO of AE&E Lentjes, Germany, he has held finance management positions with AE&E Group in Germany and Austria, Alstom in Denmark, France and Switzerland, and Havells

Sylvania in Germany. Born in 1972 and representing business finance experience, Henrik Bøggild holds an MSc. in Business Administration.



Peter Becker, President BU Products

Joined the company in 2013. Formerly Vice President Supply Chain with Hagemeyer Deutschland GmbH (part of the Rexel Group) he has held CEO positions with the COS Group and Actebis Group. Born in 1967, Peter Becker

has wholesale marketing and supply chain experience and holds an MBA from Sheffield Hallam University (UK) and a degree in Industrial Engineering.



Photonics Group

In 2013, Photonics Group introduced a new generation of SuperK™ COMPACT, the least expensive supercontinuum laser on the market. The new series received much attention at the Photonics West fair in the US

In 2013 an increased number of Photonics Group **products and solutions proved their maturity**, being implemented in an expanding range of industrial solutions. This underlined the successful change of emphasis in recent years, away from focus on research environments towards solutions for industrial customers. **Important partnerships** and **development contracts** with large industrial players were signed by the Sensing and Imaging

Financial highlights

Amounts in mDKK

	2013	2012	2011	2010	2009
Income statement					
Revenue	266	237	210	185	160
EBITDA	6	9	1	-11	-31
Depreciation and amortisation	-16	-17	-13	-12	-15
Impairment	-8	0	0	0	0
EBIT	-18	-8	-12	-23	-47
Cash flow					
Cash flow from operating activities	22	-10	-1	-31	-31
Cash flow from investing activities	-35	-27	-30	-21	-8
Free cash flow	-13	-37	-31	-52	-39
Balance sheet					
Capital employed	200	210	183	172	122
Working capital	86	82	72	63	40
Financial ratios and employees					
EBITDA margin	2.3%	3.8%	0%	neg.	neg.
Organic growth	13%	10%	16%	14%	-8%
Number of employees, year-end	205	182	188	181	163

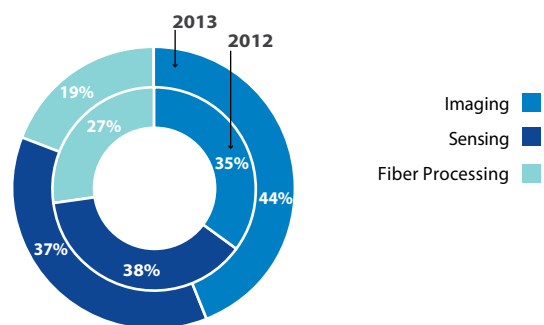
2013 FINANCIAL HIGHLIGHTS

The primary goal of Photonics Group is to generate high growth rates and maintain high gross margins. Revenue increased organically by 13%. Growth rates for Imaging and Sensing were 41% and 10%, respectively, while Fiber Processing delivered negative organic growth of 18%.

Within Imaging academia showed growing interest in the SuperK™ products, an important milestone for their development into new industrial applications. Imaging and Sensing both delivered significant increases in industrial sales. The increase for Sensing related particularly to distributed temperature measuring systems. The continuous development of new industrial leads is key for sustainable long-term growth.

EBITDA was 6 mDKK compared with 9 mDKK in 2012. Earnings were negatively influenced by the decrease in revenue for Fiber Processing and by build-up of sales force. The negative impact on EBITDA further included 4 mDKK resulting from management changes in Fiber Processing and reduction of work force in Imaging. The overall EBITDA margin was 2.3% (2012: 3.8%).

Sales by products



IMAGING

The technologies marketed by Photonics Group utilise laser light with unique properties, either a very broad spectrum or very high peak intensities. These technologies are implemented in applications used in e.g. the medtech and semiconductor industries. Photonics Group's products typically enable either newer or significantly better performance than competing products based on conventional technologies.

Segments	Products	Customers	End-products	Competitors
Imaging Light sources and optical equipment which enable images to be created of microscopic details	SuperK™ broad-spectrum fiber lasers	<ul style="list-style-type: none"> Leica Microsystems Bioptigen Laser manufacturers 	<ul style="list-style-type: none"> Microscopes Measuring instruments 	<ul style="list-style-type: none"> Fianium Ltd. (UK) Coherent (US) Newport (US)
	Crystal fibers	<ul style="list-style-type: none"> Sensors Research laboratories 	<ul style="list-style-type: none"> Fiber lasers Gyroscopes Sensors 	<ul style="list-style-type: none"> No competitors out of China
Sensing Long-range measuring systems based on optical fibers	Distributed temperature measuring systems (DTS)	<ul style="list-style-type: none"> Cable manufacturers Utilities Power sector manufacturers Service companies in oil & gas industry 	<ul style="list-style-type: none"> Temperature monitoring in cables, utilities etc. Fire detection in tunnels, buildings etc. 	<ul style="list-style-type: none"> Chinese manufacturers Oil and gas producers' own development
	Koheras™ narrow-spectrum fiber lasers	<ul style="list-style-type: none"> Offshore oil production Wind measurement and safety systems 	<ul style="list-style-type: none"> Seismic and acoustic surveys of oil/gas fields Measurement of wind speeds (wind turbines) Surveillance of airports, coast and oil/gas lines 	<ul style="list-style-type: none"> RIO (the US) Substitution technologies
Fiber Processing High precision equipment for production of fiber-based assemblies	Automatic splicing stations etc.	<ul style="list-style-type: none"> Industrial companies Research environments Aviation and defence 	<ul style="list-style-type: none"> Fiber assembly in Imaging and Sensing products etc. Optical communication and medical equipment 	<ul style="list-style-type: none"> Fujikura (Japan) Furukawa (Japan)

Photonics Group's market is estimated at around 1.3 bnDKK. The market approach is for leading universities to demonstrate the extraordinary capabilities of Photonics Group products and technologies, and thus encourage industrial customers to start development and later incorporate them in their products.

SuperK™ fiber lasers

The SuperK™ broad-spectrum fiber laser is utilised in microscopes and other measuring instruments where its unique properties enable viewing of extremely small structures in e.g. cancer cells, skin, retina, arteries, etc.

The scientific use of SuperK™ within the field of Optical Coherence Tomography (OCT) gained further momentum in 2013 with wide acceptance by major US universities. Industrial companies have also shown increasing interest, and product sales grew significantly in 2013.

Existing customers have increasingly been integrating SuperK™ into their products, and new partnerships and development contracts have been signed.

Crystal fibers

Crystal fibers are used in a variety of products, including high peak power fiber lasers, broad-spectrum lasers such as the SuperK™, gyroscopes and other sensors.

At the Photonics West 2013 fair in San Francisco a leading producer of conventional lasers announced plans to use Photonics Group's crystal fibers in a new product. Over the past year this product has been sampled by major customers. Other leading laser manufacturers are also testing crystal fibers for use in pulsed lasers.

SENSING

At system level Photonics Group markets Distributed Temperature Sensing (DTS) solutions that can measure temperatures over distances up to 40 km and identify cable breaks with metre resolution. Photonics Group has installed around 3,000 DTS systems globally and is a leading supplier out of China for fire detection applications and power cable monitoring. This position was cemented in 2013 and strong growth was generated, primarily based on the US power cable market and Asia-Pacific customers. A major temperature sensing contract was also signed with a leading US utility company.

At component level Photonics Group markets narrow-spectrum, low-noise fiber lasers (Koheras™) for seismic and acoustic surveys; a market expected to generate increasing revenue in years ahead.

The existing market for long-range and distributed fiber-optic sensors is estimated at around 1 bnDKK. The potential for this type of system is estimated to be much higher as only very few measuring systems have been installed for the various applications and the technology is still new to many industries.

FIBER PROCESSING

Photonics Group's extensive fiber processing portfolio can be used to develop and manufacture a variety of fiber assemblies, fiber-based fused components and fiber termination assemblies. This equipment embeds a number of test and measurement tools required for production quality control. The fiber processing market addressed by Photonics Group is estimated at 0.7 bnDKK.

The European sales force was strengthened in 2013 and early signs of increasing activity were noted. The medtech industry showed growing interest, fiber optics being used in equipment for e.g. eye and artery examination. Despite these positive tendencies, earnings performance in 2013 was not satisfactory. In Q4, the management was therefore changed with the appointment of Edward Connor as new CEO for Vytran.

*Photonics Group has an
extensive portfolio of patents.
Protection of IP rights has high
priority in key areas where the
company has a **technological
lead** on its competitors*

RISK FACTORS

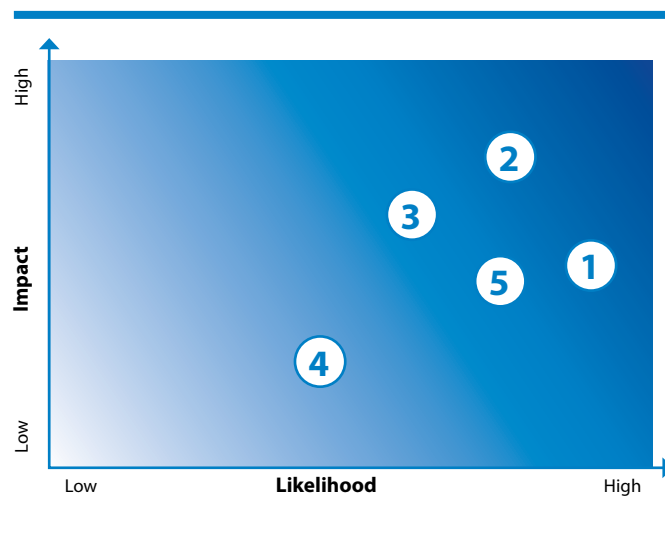
Photonics Group's transition from a focus on R&D towards a more mature and commercial orientation calls for increased attention to be paid to managing risks and opportunities.

The Board of Directors of Photonics Group formalises the ERM model on a continuous basis, so that risk management is at all times one step ahead of the company's size and complexity. This is necessary as Photonics Group is experiencing strong growth 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.

An example of the ongoing focus on risk management is the identification of 'Risk 3' which arose in 2013, i.e. increasingly aggressive competition from Chinese producers, also in markets out of China. The direct response consists of maintaining a strong IP position and protesting against any patent infringements, but also being competitive on price.

Risk matrix



Risk	Monitoring	Mitigating action
1 Slower market acceptance of technologies than anticipated	Maintain close dialogue with Original Equipment Manufacturers (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 competition from new Chinese players	Track the actions of Chinese players, in and out of China	Maintain a strong IP position and fight potential infringements. Ensure cost efficiency and thus ability to also compete on price
4 Slowdown in the oil and gas sector	Track sales and customer responses in this area and monitor developments in oil price	Balance sales force and development activities to meet expected actual need in segment
5 Uncertainty about ability to restore splicing status and expand this area in 2014	Track results trend in Fiber Processing	Strengthen innovation to enable attractive new solutions to be offered, and help potential customers find specific solutions to their needs



Close-up of GPX-3000, a glass processor and a fusion splicer

STRATEGIC UPDATE

Photonics Group's strategic goal is to become global market leader in all three areas.

Each product area holds growth potential. Future growth is expected to be driven by new technological capabilities or substitution of conventional technologies with new technologies bearing Photonics Group's imprint. The change in primary revenue source from academia to industry is expected to continue. Increasing the share of industry-based revenue will put product prices under pressure, and manufacturing efficiency must be increased in step with volume to maintain high margins, just as continuous product development will maintain earnings.

Today, much of Photonics Group's business derives from sales of relatively basic products founded on unique platform technologies. Good opportunities exist in all three product areas to enlarge the position by offering more complete solutions. This shift will allow Photonics Group to sell its products directly to the end-user while reducing current dependency on the industrial customer's ability to develop the market.

With the earnings opportunities offered by this industry, high growth will create a good foundation for rising profit. Photonics Group is committed to realising this earnings potential and

thereby increasing its return on capital employed (RoCE) to 15-20%, the strategic target for the NKT Group.

“
Future growth is expected to be driven by new technological capabilities or substitution of conventional technologies with new technologies bearing Photonics Group's imprint”

Søren Isaksen
Chairman of Photonics Group

2014 MANAGEMENT AGENDA

1. Widen the platform for a continued high growth by becoming the preferred supplier to global providers, and increase sales to existing customers through support with new product development or services
2. Bring Fiber Processing back on track by offering new, improved service, and solutions to customers
3. Maintain ongoing search for partnerships which increase value potential

Follow up on 2013 Management Agenda

1. *Maintain high growth with increased sales to existing customers, and place focus on new industrial customers.*
Imaging and Sensing achieved satisfactory organic growth

rates, while Fiber Processing was negatively influenced by a decreasing market level and earnings shortfall. Share of sales to industrial customers grew from 62% to 63%.

2. *Continue strengthening geographical presence in high-growth markets.*
The US sales force (in Imaging and Sensing) was expanded and improved. This was also the case in China (Sensing and Fiber Processing) and Europe (Fiber Processing).
3. *Increase focus on competitiveness by means of cost improvements.*
Unit costs were reduced e.g. through efficiency gains in manufacturing (Imaging) and design changes (all segments), thereby managing to maintain gross margin.
4. *Ongoing search for partnerships to improve market coverage, e.g. by moving to a higher level in the value chain.*
The number and value of partnerships established to increase market coverage was not commensurate with the level of ambition. Within Imaging, cooperation was established with Biophtigen. Cooperation with Siemens on fire detection was widened to include new markets, and a large contract was signed relating to a metro system in a major Asian city.

Photonics Group Management



Søren Isaksen

Chairman of Photonics Group

Joined the NKT Group in 1978 and has held a variety of management positions primarily focused on R&D, innovation, and start-up and administration of technology-based companies. Today he

has overall responsibility for the Photonics Group. Søren Isaksen has experience within photonics technologies and applications and with management of technically advanced business activities. Born in 1952, he holds an MSc. in Physics and a PhD in Industrial Research.



Thomas Oldemeyer

CEO, Lios Technology GmbH

Joined Lios Technology in 2006 as CEO. Started his career with a Japanese company manufacturing precision machinery components and held various positions including Sales Director

for European markets. Thomas Oldemeyer has experience in management of global businesses and in sales and marketing of advanced products and solutions for industrial applications. Born in 1965, he holds an MSc. in Business Administration and International Management.



Jakob Skov

CEO, NKT Photonics A/S

Joined the NKT Group in 1993 as Marketing Coordinator and has held management positions in various NKT companies, including CEO posts in several NKT start-ups. He was appointed

CEO of NKT Photonics in 2000. Jakob Skov has experience in management and business development in general, and in sales and marketing of advanced products and solutions for industrial applications. Born in 1967, he holds an MSc. in International Business Administration & Finance from Aarhus School of Business, Denmark.



Edward Connor

CEO, Vytran LLC

Joined Vytran in 2013 as head of sales and appointed CEO the same year. He has held a variety of senior sales & marketing positions as well as senior management positions in the optical

fiber, networking and computer industries in companies such as Lucent Technologies, Coherent, ASI Silica and Data General. Edward Connor has experience in management of high tech businesses, including photonics, with primary focus on sales and marketing. Born in 1950, he holds a BA degree in Geophysics from Boston University, US.

Risk management

NKT regards risk management as **key** to both generating and maintaining the value of the Group. In 2013, NKT therefore actively focused on development of risk management models in the individual entities, and risk management has been further **integrated** into business operations

NKT's business areas have very diverse operations, and this in some areas reduces the Group's collective risk. With the Group's global presence, however, this also means that NKT is continuously exposed to a large number of very different risks which are monitored and assessed continuously. Based on a portfolio approach the business entities to a large extent administer both further development of the risk management model and the ongoing risk monitoring. This ensures both an effective integration into the day-to-day operations and a direct response to the actual risks which the entities face.

Enterprise Risk Management (ERM) model

The portfolio consideration also ensures that emerging risks are detected immediately so the right countermeasures can be taken beforehand. For the same reason, the NKT Board of Directors deems it important that the Enterprise Risk Management (ERM) model is dynamic and continuously takes into account the sometimes rapid changes in the entities' risks.

The development of the overall ERM model has brought about a more structured approach to risk management. The Board of Directors is continuously updated on risks which may be perceived as a direct threat to the Group, and strategic decisions can be taken on a well-informed basis. The ERM model builds on the 'risk/reward' philosophy where the objective is to provide long-term value creation for shareholders.

In addition to further structuring of the ERM model, the Board of Directors has striven to ensure a close relationship between the overall strategic direction and the focus of the ERM model. A correct execution of strategy is dependent on ongoing monitoring of the related risks, also at an operational level.

In 2013 the ERM model was systematised in particular by Nilfisk-Advance. As a result, very detailed response plans have been prepared for each identified risk. The plans operate with several scenarios, so only the necessary measures are activated as a response to a given level of risk. The response plans are a good example of the focus there is on maintaining the existing value.

With regard to reporting, Management's scope for managing risks at the operational level has been improved, which is wholly in accordance with the overall focus on value generation. The work carried out by Nilfisk-Advance with regard to the ERM model is described in further details at page 16.

Allocation of responsibility and the Board of Directors' involvement

The formal responsibility for the NKT Group's risk management rests with the Board of Directors, while the actual monitoring is largely carried out by the Audit Committee and the business area working committees. The direct involvement of these in the area of risk management has strengthened the basis for decision-making substantially.

The business area managements are responsible for identifying, evaluating and reporting risk issues. Ongoing assessment is made of whether focus is placed on relevant risk issues and on whether guidelines and response plans are adequate. Both matters are discussed at least twice a year with the Board of Directors and with the Audit Committee. This ensures that NKT's risk management is up to date and consistent with the strategic direction as defined by the Board of Directors.

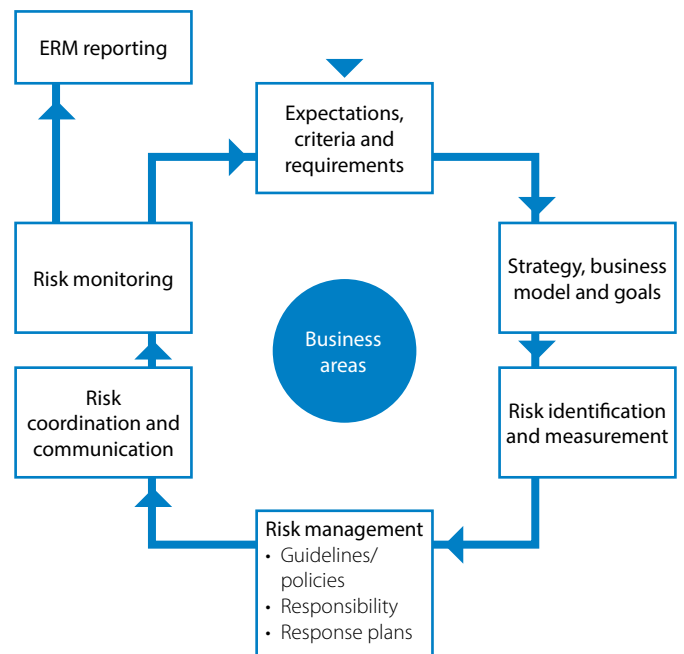
Risk categories

At an overall level, NKT's risk management process takes place as illustrated in the figure to the right and covers the following categories: financial risks, compliance risks and operational risks. The monitoring of operational risks, such as market, customer, technology and other risks directly related to the business, is handled by the managements of the business areas. NKT Holding, in cooperation with the business areas, 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.

Ongoing focus is placed on compliance risk, e.g. through EuroSox, which ensures that processes are formalised and that internal procedures are followed. Responsibility for further developing the compliance framework lies with NKT Holding but the work as such takes place in the business areas.

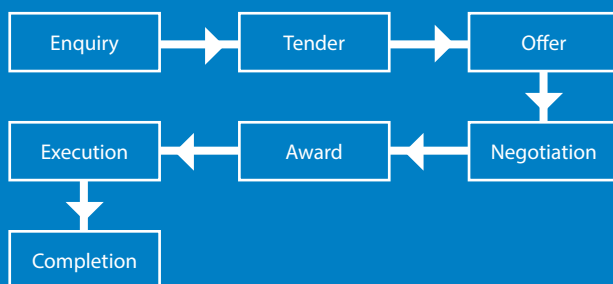
Note 6.7 to the consolidated financial statements contains a detailed description of financial risks. Key risks relating to the business areas are described in the company reviews.

ERM process - overview



CASE STUDY: NKT CABLES' RISK MANAGEMENT FOR OFFSHORE PROJECTS

Project risks are managed on the basis of formal procedures contained in the company's Project Risk Management System. The risk management process comprises a standard procedure that includes identification, evaluation, mitigation, reporting, monitoring and communication, and is applied at each stage of a project's life cycle.



Risk evaluation is initiated by the Tender Board when a tender invitation is received. In all phases of a project from tender preparation to execution, continuous monitoring of risks is performed within the areas mentioned below. Periodic review is performed by a Steering Committee which identifies mitigating actions.

Market environment and subcontractor relationship

Risks may occur due to a variety of changes, such as political, legislative, and macro-economic changes, supplier or subcontractor issues, and disputes. Mitigation

is based on formal contractual arrangements as well as monitoring and rapid response to changes.

Financing

Principal risks relate to currency fluctuations, changes in raw material prices, funding, cash flow, along with tax and terms of payment. Such risks are assessed and managed from the very beginning of a project. Financial instruments, price-variation clauses, prepayments and binding rules are measures used to mitigate such risks.

Technology

These risks mainly relate to technical specifications in the tender, environment, safety, product and design specifications, as well as production and logistics. The civil and marine installation part of a turnkey project requires particular attention to cable laying and burial operations. Mitigating actions consist of prudent design work, effective quality management, as well as proper testing, subcontractor management and examination of soil conditions.

Project management and organisation

Poor planning and ineffective project management can have a strong influence on the technical and commercial aspects of the project. Management of these risks starts with proper planning and effective internal processes, and is followed by formalised and strict control of project milestones.



Corporate matters

The value of the **NKT share increased by 35%** in 2013, thereby reflecting the focus on value creation. The Board of Directors introduced a **new governance structure** and appointed working committees for each of the business areas

Recommended dividend in 2014 **3.50 DKK per share**. Total **83.8 mDKK**, corresponding to one third of the profit of the year

The proportion of foreign investors rose from **35%** to **53%**

In 2013 a number of employees exercised share warrants granted to them in 2009 and 2010. NKT's share capital was therefore increased by 41,300 shares with a nominal value of 20 DKK each, corresponding to a total nominal amount of approx. 0.8 mDKK.

The market value of NKT's shares at 31 December 2013 was 6.4 bnDKK (end 2012: 4.9 bnDKK).

Investor contact

Michael Hedegaard Lyng
Group Executive Director & CFO
Tel.: +45 4348 2000
Email: michael.lyng@nkt.dk

THE NKT SHARE

The share capital of NKT Holding A/S amounts to 479 mDKK, corresponding to 23.9 million shares of 20 DKK each. 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, cf. Note 6.1.

Share price development, market value and turnover

The NKT share is listed under ID code DK0010287663 on NASDAQ OMX Copenhagen and over the year it was among the 30 most frequently traded shares.

NKT's stock market share price rose by 31% in 2013, ending the year on 267.6 DKK (31 December 2012: 203.5 DKK). During the same period the C20 CAP index rose by 32%. A dividend of 8 DKK per share was paid in 2013, so the true increase in value was 35%.

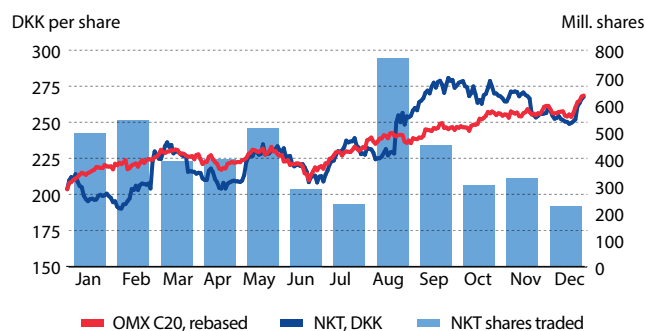
The average daily turnover on NKT shares in 2013 was 20 mDKK (2012: 25 mDKK) and the total turnover was 4.9 bnDKK (2012: 6.2 bnDKK). An average of approx. 86,000 NKT shares was traded daily in 2013 (2012: approx. 116,000).

The proportion of shares traded outside NASDAQ OMX Copenhagen has been rising in recent years and is estimated at around 35%. No corresponding adjustment has been made in the above data.

Shareholders

At end 2013 NKT had approx. 32,000 shareholders, some 15% less than the year before. Approx. 24,100 (2012: 28,200) were registered, and the registered share capital comprises 86% of the total (2012: 84%). As at 31 December 2013,

Development in share price and volume



EdgePoint Investment, ATP and Nordea Invest Luxembourg each had registered shareholdings exceeding 5%.

All NKT's share capital is considered to be in free float, and from information available at year-end 2013, 47% of the share capital (2012: 65%) was estimated to be held by shareholders in Denmark, 53% (2013: 35%) being held by foreign investors.

Share capital related matters are covered in Article 3 II of NKT's Articles of Association, cf. www.nkt.dk under 'Investors'.

Group Management's holdings of NKT shares

At end 2013 the members of the NKT Board of Directors held a total of 10,117 NKT shares, corresponding to a total market value of 2.7 mDKK. The Executive Management held a total of 25,098 shares, corresponding to a market value of 6.7 mDKK. The Executive Management also held a total of 113,200 share warrants exercisable in the period 2014-2017. Exercise prices are disclosed in Note 3.5 to the consolidated financial statements.

The Group Management acquired a total of 28,810 NKT shares in 2013.

Shareholder categories

	31.12.13	31.12.12
Institutional investors, Denmark > 1 mDKK	11%	16%
Institutional investors, out of Denmark > 1 mDKK	40%	27%
Other registered shareholders, Denmark	25%	35%
Other registered shareholders, out of Denmark	10%	6%
Unregistered shareholders, Denmark	11%	15%
Unregistered shareholders, out of Denmark	3%	1%

The following investors have reported holding more than 5% of the NKT share capital: ATP (Denmark), EdgePoint Investment Group Inc. (Canada) and Nordea Invest (Luxembourg)

Members of the Group Management are included in the NKT register of persons possessing inside knowledge, and their NKT share transactions must therefore be disclosed. Persons having inside knowledge and their spouses, partners, children and other household relatives may only transact NKT shares during a period of six weeks after publication of financial statements. The period of six weeks also applies to other announcements disclosing realised earnings and expected earnings development. The

six-week period comes into operation if the Board of Directors moreover considers that trading in NKT shares is in accordance with the Danish Securities Trading Act.

The number of shares held by the individual members of the Board of Directors and the Executive Management as at 31 December 2013 is disclosed on pages 41-43.

Financial communication and Investor Relations (IR)

NKT is committed to a high degree of transparency in IR communication. Active focus is therefore on delivering the NKT equity story at investor meetings and capital market days and at annual and interim report presentations. A newly launched website also targets investors and financial analysts.

In 2013, for the first time, invitations to NKT's Annual General Meeting were sent by email to registered shareholders requesting this service. More than 75% of shareholders wishing to receive such invitation now receive it by email. In January 2014, NKT also notified newly registered shareholders of this option.

NKT's financial statements, company announcements and other relevant news can also be received by email by registering at www.nkt.dk under 'Investors'.

Financial calendar

2014

28 February	2013 Annual Report
25 March	Annual General Meeting
14 May	Q1 Interim Report
20 August	Q2 Interim Report
13 November	Q3 Interim Report

2015

27 February	2014 Annual Report
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Dividend policy

NKT's dividend policy aims to give shareholders a stable a consistent return on their investment, and at the same time reinvest part of profit in the Group's future development and growth. The policy provides for a yearly total dividend payment of around one third of the profit for the year.

The dividend for the 2012 financial year was 8 DKK per share, amounting to a total of 191 mDKK, which corresponds to 98% of the profit for the year for continuing operations in 2012 and 12% of the profit for the year in 2012.

A dividend of 3.5 DKK per share will be proposed at the Annual General Meeting on 25 March 2014, a total dividend payment of 83.8 mDKK, corresponding to one third of the profit of the year.

CORPORATE GOVERNANCE

As a listed company, NKT is subject to rules for share issuers and thus also to the Danish recommendations on corporate governance. NKT fulfils this obligation either by complying with the recommendations or by explaining the reason for non-

compliance. NKT complies with 45 of the 47 recommendations and does not comply with:

- *Recommendation 3.1.4 that the company's Articles of Association should stipulate a retirement age for members of the Board of Directors.*

At the Annual General Meeting on 21 March 2013 the Board of Directors proposed that the Articles of Association include a provision that the retirement age for Board members be 67. The proposal was not adopted and the recommendation is therefore not complied with.

- *Recommendation 4.1.2 on variable components of remuneration. This is partially complied with.*

The variable remuneration components for the Executive Management consist partly of a cash-based bonus for results achieved in the calendar year, and partly of a share-based incentive plan for results achieved over a longer term. NKT believes that this composition ensures an optimal balance between value creation for the company in both the shorter and longer term.

NKT also believes it is reasonable to claim repayment of variable remuneration components solely in cases where such claim might follow from the general rules of Danish law concerning repayment or compensation. Therefore NKT has not found it necessary or appropriate to include a specific clause in the company's Articles of Association on repayment of variable remuneration components in very special cases.

Board of Directors

The NKT Board of Directors consists of nine members headed by Chairman Jens Due Olsen. Six members are up for re-election each year at the Annual General Meeting, and three are employee-elected members serving four-year terms. At the Annual General Meeting in March 2013 two new members were voted onto the Board: Kristian Siem and Lars Sandahl Sørensen. The Board subsequently elected Jens Due Olsen as its Chairman and Kristian Siem as Deputy Chairman.

The Board of Directors represents Danish and international business experience in the areas of industry, energy and high technology, and is considered to have the right competences and seniority. The Board of Directors is presented on pages 41-42.

New governance structure

In August 2013, a new governance structure was introduced under which the Board of Directors will in future operate with NKT's three business areas reporting directly to the Board. NKT's Executive Management was consequently adjusted and now consists of Group Executive Director & CFO Michael Hedegaard Lyng. The parent company, NKT Holding, will continue to be operated as a centre of competence for services including Investor Relations, compliance, treasury, legal, and financial matters.

Committees

The Board of Directors has appointed six committees: the Audit Committee (est. 2009), the Nomination Committee and the Remuneration Committee (both est. 2010) and three working committees (est. 2013), one for each of NKT's three business areas.

Committee members as of 2014:

Committee	Members
Audit Committee	Lone Fønss Schrøder (Chair) and Jens Maaløe
Nomination Committee	Kurt B. Pedersen (Chair) and Lars S. Sørensen
Remuneration Committee	Lone Fønss Schrøder (Chair) and Jens Due Olsen
Nilfisk-Advance	Jens Due Olsen (Chair) and Lars S. Sørensen
NKT Cables	Jens Due Olsen (Chair) and Kristian Siem
Photonics Group	Jens Maaløe (Chair) and Jens Due Olsen

An element in the NKT's revised governance structure, the three working committees are intended to optimise the basis for NKT's active ownership. The Board of Directors possesses specialised competences that can be used to strengthen value generation in the business areas, and each working committee consists of two Board members who, together with the Group Executive Director & CFO, hold monthly meetings with the business area managements.

Target figure for the under-represented sex

In 2013 the Board of Directors set a target figure for the under-represented sex among AGM-elected Board members, the aim being to ensure that both men and women are represented on the Board. The target figure is 17%, which corresponds to one person, and this was achieved in 2013 as one AGM-elected Board member is a woman. NKT's focus on diversity and its action plan to ensure equality of opportunity for both sexes are described in NKT's Statutory CSR Report, is also available at http://www.nkt.dk/media/6808/99a_2013_UK.pdf.

Board of Directors' assessment

The Board of Directors performs a yearly self-assessment to identify competences, consider individual member contribution and identify future areas of focus. The self-assessment for the current AGM period was performed prior to the AGM.

Remuneration policy

NKT employs remuneration pay for the Board of Directors and remuneration pay and incentive pay for the Executive Management. This setup will ensure commonality of interest between the Group Management and shareholders, and maintain the motivation of the Group Management for achieving the goals set.

The Board of Directors has formulated a remuneration policy with guidelines for setting and approving the remuneration to Group Management. The Executive Management must receive a competitive salary which is commensurate with the duties assigned and represents an attractive incentive for long-term employment. Severance arrangements related to 'Change of Control' are described in Note 3.2. The remuneration policy was last presented and adopted by the AGM in 2011. It will be presented again at the AGM on 25 March 2014 due to a few minor changes, and to approve the Board's remuneration for the coming year. The remuneration policy can be found at www.nkt.dk under 'About NKT/Board of Directors/Remuneration Policy'.

Board of Directors' remuneration

At the AGM in 2014 NKT will propose that the remuneration for ordinary Board members be unchanged at 300,000 mDKK. The remuneration for the Deputy Chairman is proposed to be 600,000 mDKK (2x base amount) while remuneration is unchanged at 900,000 mDKK (3x base amount) for the Chairman.

Due to increased burden of work relating to the changed governance structure in 2013 it is proposed that the Chairman of the Board receive an extraordinary remuneration of 500,000 DKK. It is further proposed that the Chairman of each of the newly established working committees for the business areas be remunerated with 200,000 DKK, while the other member be remunerated with 100,000 DKK. However, in the case of Photonics Group the proposed remuneration is 150,000 DKK for the Chairman and 75,000 DKK for the other member.

NKT additionally proposes that the remuneration for the Chairman of the Audit Committee and its other member be unchanged at 200,000 DKK and 100,000 DKK, respectively. Finally, it is proposed that remuneration for the Chairmen of the Remuneration Committee and the Nomination Committee, respectively, be 100,000 DKK each, while the other member of each Committee each receives remuneration of 50,000 DKK. In total the Board of Directors' remuneration will amount to 5 mDKK against 3.8 mDKK in 2013. This development is to be compared with the annual 15 mDKK savings as a consequence of the new governance structure.

EUROSOX

NKT's risk management and internal control systems for financial reporting, popularly termed EuroSox, are designed to ensure that financial reporting meets current legislation and standards.

NKT consists of a number of legal entities based on an operating structure in which the parent company NKT Holding presides over three independent business areas supported by a number of shared functions.

The business areas have established similar, relevant systems and procedures. Their operations are therefore based partly on Group policies established by NKT, and partly on their own internal policies and procedures.

NKT is continuously focused on expanding its EuroSox activities, and at end 2013 45 of NKT's businesses, corresponding to more than 90% of Group revenue, were covered. The remaining 10% comprise minor entities considered less significant in terms of accounting error. The strength of key processes and controls is reported to the Audit Committee. In 2014 NKT will continue expanding the range of EuroSox and strengthening the controls applied.

The Audit Committee and the Executive Management systematically evaluate material risks in relation to the financial reporting process and the key controls, including general IT controls, and review accounting policies, significant accounting estimates, etc. Finally, the Audit Committee evaluates the strength of the overall control environment, including

compliance with ethical guidelines. The work of the Audit Committee is laid down in an annual plan approved by the Board of Directors. NKT's Statutory Report on Corporate Governance, cf. Section 107(b) of the Danish Financial Statements Act can be found at http://www.nkt.dk/media/6799/107b_2013_uk.pdf.

SOCIAL RESPONSIBILITY

Social responsibility and sustainable solutions are integral to NKT's strategy and business model. To ensure continued value generation, the operations must be run responsibly and sustainably. Focus is therefore placed on product environmental footprint, working conditions and fighting corruption.

CO₂ emission and UN global compact

In 2013 focus was maintained on reducing CO₂ emission. The latest CO₂ emission report, published in May, showed that results exceeded the reduction targets, which are based on CO₂ emissions in 2011 and current number of business areas.

- 4% reduction (target 3%) in CO₂ emission from fossil energy sources primarily for heating buildings (Scope 1)
- 6% reduction (target 3%) in total energy consumption relative to revenue (based on std. metal prices).

Since 2009 NKT has focused on achieving compliance with the UN Global Compact from 80% of all its suppliers having annual NKT sales exceeding 50,000 EUR. The 2013 position showed that the degree of supplier acceptance varies for NKT's three business areas: Nilfisk-Advance (50%), NKT Cables (84%) and Photonics Group (63%). The variations are principally due to substantial differences in supplier base between the three business areas. Nilfisk-Advance and Photonics Group utilise many small local suppliers distributed worldwide, while NKT Cables has a relatively small number of large suppliers predominantly based in Europe.

NKT's social responsibility is more fully described in the statutory CSR report at http://www.nkt.dk/media/6808/99a_2013_UK.pdf, and in NKT's latest UN Global Compact Communication on Progress report at www.nkt.dk/media/3167/CSR_Report_2013.pdf.

Sustainability strategies

NKT's business areas have widely differing product portfolios, structures and markets, and their social responsibility focus therefore also varies. Nilfisk-Advance's CSR strategy, Green Meets Clean, focuses strongly on offering new products that incorporate environmental improvements in energy, water or detergent reduction or in final disposal. In 2013, 71% of new products included one or more of these enhancements.

Under its new sustainability strategy, GO GREEN, NKT Cables offers a range of products featuring e.g. longer life, reduced environmental impact in production, and reduced power loss. The strategy and the products were rolled out at the beginning of 2014.

Photonics Group' products have very limited environmental footprint. They contribute to more sustainable global development primarily through applications which provide better use of natural resources, improve treatment of diseases and increase food and energy security.

NKT

- Board of Directors

Jens Due Olsen (1963)

Chairman

MSc. 1990

NKT Board member 2006

Deputy Chairman 2010-2013

Chairman 2013-

Audit Committee Chairman 2009-2013

Nomination and Remuneration Committees member 2010-2013

Nomination and Remuneration Committees Chairman 2013-

Working Committees Chairman Nilfisk-Advance and NKT Cables 2013-

Working Committee member Photonics Group 2013-

NKT shares at end 2013: 1,500 (2012: 1,500).

Directorships:

- Amrop A/S, Chairman
- Atchik Realtime A/S, Chairman
- Auriga Industries A/S, Chairman
- Kompan A/S, Chairman, AC Chairman
- Pierre.dk A/S, Chairman
- Bladt Industries A/S, Deputy Chairman, AC Chairman
- Heptagon Advanced Micro Optics Inc., AC Chairman
- Cryptomathic A/S
- Gyldendal A/S
- Industriens Pensionsforsikring A/S, Inv. Committee Chairman
- Royal Unibrew A/S

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



Kristian Siem (1949)

Deputy Chairman

NKT Board member 2013

Deputy Chairman 2013-

Nomination and Remuneration

Committee member 2013-

Working Committee member

NKT Cables 2013-

NKT shares at end 2013: 5,000

Directorships:

- Siem Industries Inc., Chairman
- Subsea 7 Inc., Chairman
- Siem Offshore Inc.
- Siem Shipping Inc.
- Star Reefers Inc.
- North Atlantic Smaller Companies Investment Trust PLC

Special qualifications: Experience with industrial management and management of listed companies, as well as strong knowledge of the energy sector and international financial matters



Jens Maaløe (1955)

President & CEO, Terma A/S

MSc. E.Eng. 1979, PhD. 1983

NKT Board member 2004

Audit Committee member 2011-

Working Committee Chairman Photonics Group 2013-

NKT shares at end 2013: 515 (2012: 515)

Directorships:

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

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



Kurt Bligaard Pedersen (1959)

Managing Director of Gazprom Marketing

& Trading Retail Germania GmbH

MSc. 1988

NKT Board member 2011

NKT shares at end 2013: 1,000 (2012: 1,000)

Directorships:

- BRF Holding A/S, Deputy Chairman, AC Chairman
- BRF Kredit A/S, Deputy Chairman
- BRF Fonden
- Copenhagen Zoo
- Noordgastransport B.V.

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



BOARD OF DIRECTORS - continued

Lone Fønss Schrøder (1960)

Co-founding Partner Norfalck AB
LLM 1988
NKT Board member 2008
Audit Committee Chairman 2013-
NKT shares at end 2013: 500 (2012: 500)

Directorships:

- Saxo Bank, Deputy Chairman
- Svenska Volvo Personvagnar AB, AC Chairman
- Aker Solutions ASA, AC member
- SE Handelsbanken AB, Audit and Risk Committee member
- Bilfinger SA
- Heidelberger Druckmaschinen AG, Strategy Committee member

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



Lars Sandahl Sørensen (1963)

Partner, Flensby & Partners A/S
NKT Board member 2013
Working Committee member
Nilfisk-Advance 2013-
NKT shares at end 2013: 400

Directorships:

- Damvad Group, Chairman
- SEDK, Deputy Chairman
- Wexøe Holding A/S
- Industriens Fond
- VEGA

Special qualifications: Experience with international services management and management of listed companies, as well as specialist expertise in corporate trading, international business development, sales and marketing



Employee-elected members serving a four-year period expiring in 2014

Niels-Henrik Dreesen (1957)

Production Engineering Manager with
NKT Cables
Joined NKT Cables 1988
NKT Board member 2012
NKT shares at end 2013: 125 (2012: 125)
NKT Cables' Joint Consultative Committee
and HSE Committee member

Special qualifications: Experience with production conditions at NKT Cables



Arne Dan Kjærulff (1948)

Service Technician with Nilfisk-Advance
Joined Nilfisk-Advance 1974
NKT Board member 2006
NKT shares at end 2013: 994 (2012: 994)

Special qualifications: Experience with production conditions at Nilfisk-Advance



Jan Erik Jensen (1956)

Production Assistant with Nilfisk-Advance
Joined NKT Cables 1978
NKT Board member 2012

NKT shares at end 2013: 83 (2012: 83)

Special qualifications: Experience with production conditions at Nilfisk-Advance



Note: Positions held in NKT Group entities by members of the Board of Directors elected by the Annual General meeting have not been included.

- Executive Management and Heads of Group Services

EXECUTIVE MANAGEMENT

Michael Hedegaard Lyng (1969)
Group Executive Director & CFO



MSc. (Business Administration, Accounting and Auditing) 2001
EMBA 2011
Joined NKT 2007

Member of Executive Management 2008

NKT shares at end 2013: 25,098 (2012: 1,498)

Directorships:

- Topsil Semiconductor Materials A/S, AC Chairman
- Burmeister & Wain Scandinavian Contractor A/S
- Investeringselskabet Luxor A/S

HEADS OF GROUP SERVICES

Janus Hillerup (1978)
VP Group Legal



LLM 2004
Attorney-at-law 2006
MBA 2012
Joined NKT 2007

Lasse Snebjerg (1976)
VP Group Development & External Relations



MSc. (Finance)
Joined NKT 2013

Torben Skovsted (1972)
VP Group Treasury



MSc. (Finance) 1997
Joined NKT 2013

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 2013.

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 2013 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January - 31 December 2013.

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, 28 February 2014

Executive Management

Michael Hedegaard Lyng, *Group Executive Director & CFO*

Board of Directors

Jens Due Olsen, *Chairman*

Kristian Siem, *Deputy Chairman*

Niels-Henrik Dreesen

Jan Erik Jensen

Arne Dan Kjærulff

Jens Maaløe

Kurt Bligaard Pedersen

Lone Fønss Schrøder

Lars Sandahl Sørensen

The 2013 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 16, 26, 32 and 35 and Note 6.7 on page 85 to the consolidated financial statements.

Independent auditor's reports

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 2013, 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 2013, and of the results of their operations and cash flows for the financial year 1 January to 31 December 2013 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, 28 February 2014

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders Dons
State Authorised
Public Accountant

Lars Siggaard Hansen
State Authorised
Public Accountant

Consolidated financial statements

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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.

Income statement

1 January - 31 December

Amounts in mDKK	Note	2013	2012
Revenue	2.1/2.2	15,809.2	15,253.1
Other operating income		116.8	42.5
Changes in inventories of finished goods and work in progress		-102.6	-108.9
Work performed by the Group and capitalised		134.8	142.2
Costs to raw materials, consumables and goods for resale		-9,626.3	-9,330.3
Staff costs	3.1	-3,004.9	-2,885.4
Other costs	2.3/8.1	-2,239.9	-2,118.3
Shares of profit after tax in associates	7.3	15.8	14.0
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,102.9	1,008.9
Depreciation and impairment of property, plant and equipment	4.3	-405.1	-360.1
Amortisation and impairment of intangible assets	4.2	-189.4	-176.1
Earnings before interest and tax (EBIT)		508.4	472.7
Financial income	6.5	212.0	351.9
Financial expenses	6.6	-372.2	-547.8
Earnings from continuing operations before tax (EBT)		348.2	276.8
Tax on continuing operations	2.4	-95.4	-81.3
Profit for the year from continuing operations		252.8	195.5
Profit for the year from discontinued operation	7.4	0.0	1,409.7
Profit for the year		252.8	1,605.2
To be distributed as follows:			
Profit attributable to equity holders of NKT Holding A/S		252.3	1,603.9
Profit attributable to minority interests		0.5	1.3
		252.8	1,605.2
Basic earnings per share (EPS)	6.10	10.6	67.5
Diluted earnings per share (EPS-D)	6.10	10.6	67.4
Earnings from continuing operations per share (EPS)	6.10	10.6	8.2
Diluted earnings from continuing operations per share (EPS-D)	6.10	10.6	8.2

The Board of Directors proposes a dividend for the year of 3.5 DKK per share (2012: 8.0 DKK per share) for approval at the Annual General Meeting.

Statement of comprehensive income

1 January - 31 December

Amounts in mDKK	Note	2013	2012
Profit for the year		252.8	1,605.2
<i>Other comprehensive income:</i>			
<i>Items that may be reclassified to income statement:</i>			
Foreign exchange adjustment, foreign companies		-131.5	22.2
<i>Value adjustment of hedging instruments:</i>			
Value adjustment for the year		39.9	10.5
Transferred to revenue		-11.3	21.0
Transferred to costs to raw materials, consumables and goods for resale		4.6	57.9
Transferred to financial expenses		-6.0	-0.3
Fair value adjustment of available for sale securities		1.1	1.1
Share of comprehensive income movements in investments in associates and joint ventures		0.0	-0.4
Tax on comprehensive income movements		-6.5	-24.5
<i>Items that may not be reclassified to income statement:</i>			
Actuarial gains/(losses) on defined benefit pension plans		-43.7	0.0
Tax on actuarial gains/losses		14.1	0.0
Total other comprehensive income		-139.3	87.5
Comprehensive income for the year		113.5	1,692.7
<i>To be distributed as follows:</i>			
Profit attributable to equity holders of NKT Holding A/S		114.0	1,691.0
Profit attributable to minority interests		-0.5	1.7
		113.5	1,692.7

Cash flow statement

1 January - 31 December

Amounts in mDKK	Note	2013	2012
Operating earnings before depreciation and amortisation (EBITDA)		1,102.9	1,008.9
Non-cash operating items:			
Profit on sales of non-current assets, used and increase of provisions, and other non-cash operating items, etc.		-86.6	-50.9
Changes in working capital		-221.5	385.7
Cash flow from operations before financial items, etc.		794.8	1,343.7
Interest received		156.7	317.2
Interest paid		-325.2	-465.9
Income tax paid		-81.5	-73.3
Cash flow from operating activities		544.8	1,121.7
Acquisition of subsidiaries	7.1	-226.1	-8.1
Investments in property, plant and equipment		-256.5	-363.6
Disposal of property, plant and equipment		13.2	46.4
Intangible assets and other investments, net	4.2	-224.2	-206.3
Cash flow from investing activities		-693.6	-531.6
Free cash flow		-148.8	590.1
Changes in non-current loans from credit institutions		1,610.6	-3,037.3
Changes in current loans from credit institutions		-1,249.0	602.2
Minority interests, dividend etc.		0.2	-1.9
Dividends paid		-191.4	-47.8
Dividend treasury shares		0.6	0.2
Cash from exercise of share options		6.6	22.4
Cash flow from financing activities		177.6	-2,462.2
Cash flow from discontinued operation	7.4	0.0	1,966.7
Net cash flow for the year		28.8	94.6
Cash at bank and in hand, 1 January		363.3	271.0
Currency adjustments		-16.2	-2.3
Net cash flow for the year		28.8	94.6
Cash at bank and in hand, 31 December		375.9	363.3

Balance sheet

31 December

Amounts in mDKK	Note	2013	2012
Assets			
Intangible assets	4.1/4.2		
Goodwill		1,223.1	1,259.4
Trademarks, etc.		38.2	45.7
Customer related assets		54.9	70.3
Development projects completed		313.4	255.4
Patents and licences, etc.		189.4	179.9
Development projects in progress		181.9	197.6
		2,000.9	2,008.3
Property, plant and equipment	4.1/4.3		
Land and buildings		1,255.4	1,315.0
Manufacturing plant and machinery		1,413.4	1,425.4
Fixtures, fittings, tools and equipment		327.6	314.5
Property, plant and equipment under construction incl. prepayments		141.4	197.1
		3,137.8	3,252.0
Other non-current assets			
Investments in associates	7.3	120.4	133.7
Other investments and receivables		41.1	43.9
Deferred tax	2.5	607.5	601.3
		769.0	778.9
Total non-current assets		5,907.7	6,039.2
Inventories	5.2	2,657.5	2,743.9
Receivables	5.3	4,039.8	3,780.7
Income tax receivable		14.5	8.7
Cash at bank and in hand		375.9	363.3
Total current assets		7,087.7	6,896.6
Total assets		12,995.4	12,935.8

Balance sheet

31 December

Amounts in mDKK	Note	2013	2012
Equity and liabilities			
Equity			
Share capital	6.8/6.9	478.6	477.8
Reserves		20.9	129.6
Retained comprehensive income		5,083.7	4,931.4
Proposed dividends	6.8	83.8	191.1
Total equity attributable to equity holders of NKT Holding A/S		5,667.0	5,729.9
Minority interests		6.6	7.1
Total equity		5,673.6	5,737.0
Non-current liabilities			
Deferred tax	2.5	345.8	274.4
Employee benefits	4.4	342.3	299.8
Provisions	4.5	69.5	86.8
Interest bearing loans and borrowings	6.3/6.7	2,098.3	544.1
		2,855.9	1,205.1
Current liabilities			
Interest bearing loans and borrowings	6.3/6.7	480.2	1,823.2
Trade payables and other liabilities	5.4/6.3	3,788.9	3,961.7
Income tax payable		19.2	67.2
Provisions	4.5	177.6	141.6
		4,465.9	5,993.7
Total liabilities		7,321.8	7,198.8
Total equity and liabilities		12,995.4	12,935.8

Statement of changes in equity

	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained compreh. income	Proposed dividends	Total	Minority interest	Total equity
Amounts in mDKK									
Equity, 1 January 2012	474.8	123.0	-83.7	2.8	3,495.2	47.5	4,059.6	6.7	4,066.3
<i>Other comprehensive income:</i>									
Foreign exchange translation differences		21.8					21.8	0.4	22.2
Value adjustment of hedging instruments:									
Value adjustment for the year			10.5				10.5		10.5
Transferred to revenue			21.0				21.0		21.0
Transferred to consumption of raw materials			57.9				57.9		57.9
Transferred to financial expenses			-0.3				-0.3		-0.3
Fair value adjustment of available for sale securities				1.1			1.1		1.1
Share of equity movements in Investments in associates and joint ventures					-0.4		-0.4		-0.4
Tax on other comprehensive income		-1.9	-22.3	-0.3			-24.5		-24.5
Total other comprehensive income	0.0	19.9	66.8	0.8	-0.4	0.0	87.1	0.4	87.5
Profit for the year					1,412.8	191.1	1,603.9	1.3	1,605.2
Comprehensive income for the year	0.0	19.9	66.8	0.8	1,412.4	191.1	1,691.0	1.7	1,692.7
Dividends paid					-0.3	-47.5	-47.8	-1.7	-49.5
Dividend treasury shares					0.2		0.2		0.2
Addition/disposal minority interests					0.0		0.0	0.4	0.4
Share-based payment					4.5		4.5		4.5
Cash from exercise of share warrants	3.0				19.4		22.4		22.4
Total changes in equity in 2012	3.0	19.9	66.8	0.8	1,436.2	143.6	1,670.3	0.4	1,670.7
Equity, 31 December 2012	477.8	142.9	-16.9	3.6	4,931.4	191.1	5,729.9	7.1	5,737.0
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
<i>Other comprehensive income:</i>									
Foreign exchange translation differences		-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	0.0	-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
Cash from exercise of share 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

1-BASIS FOR THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

This section describes accounting policies and Group Management's accounting estimates and judgements. Further description of accounting policies is embodied in the relevant notes to the consolidated financial statements.

1.1 Accounting policies

NKT Holding A/S is a public limited company domiciled in Denmark. The annual report for the period 1 January - 31 December 2013 comprises both the consolidated financial statements for NKT Holding A/S and its subsidiaries (the Group) and separate financial statements for the parent company.

The annual report for NKT Holding A/S for 2013 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Group Management has discussed and approved the annual report for the financial year 1 January – 31 December 2013 for NKT Holding A/S on 28 February 2014. The annual report will be presented for approval to the shareholders of NKT Holding A/S at the Annual General Meeting on 25 March 2014.

Basis for presentation

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

The annual report has been prepared according to the historical cost principle, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments in a trading portfolio and financial instruments designated as available for sale.

Except for that stated under 'Changes to accounting policies', the accounting policies described below and in the individual notes have been applied consistently during the financial year and for the comparative figures. For standards implemented prospectively the comparative figures are not restated. As the standards and interpretations implemented did not influence the balance sheet as at 1 January 2012 and associated notes, the opening balance sheet and associated notes have been omitted.

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 2013. The implementation of IAS 19R 'Employee benefits' has meant that actuarial gains and losses from defined benefit plans are recognised in other comprehensive income as they arise. This change does not materially affect NKT's financial presentation and is, taking into account materiality, recognised in 2013 without restatement of comparative figures for previous financial years. The implementation has reduced NKT's equity and other comprehensive income by 30 mDKK. The implementation of other standards and interpretations has not influenced recognition and measurement in 2013 or is expected to influence future financial years.

Consolidated financial statements

The consolidated financial statements comprise the parent company NKT Holding A/S and subsidiaries over which NKT Holding A/S has control. Control is achieved through direct or indirect ownership of more than 50% of the voting rights or by otherwise controlling the relevant company.

The consolidated financial statements have been prepared by aggregating

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

Foreign currency translation

A functional currency is determined for each of the reporting businesses in the Group. The functional currency is the currency used in the primary financial environment in which the individual reporting business operates. Transactions denominated in currencies other than the functional currency are considered to be transactions in foreign currencies.

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

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

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

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

On recognition in the consolidated financial statements of associates having a functional currency other than DKK, the share of profit/loss for the year is translated at average exchange rates, and the share of equity, including

1.1 Accounting policies (continued)

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

On partial disposal of foreign subsidiaries without relinquishment of control, a proportional share of the translation reserve is transferred from the equity share of the parent company shareholders to that of the minority interests.

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

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

Assets

Other investments

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

Equity

Translation reserve

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

Hedging reserve

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

Fair value adjustment reserve

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

Other

Cash flow statement

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

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

Cash flow from operating activities

Cash flow from operating activities is calculated according to the indirect method as earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for gains and losses on sales of property, plant and equipment, non-cash operating items, changes in working capital, interest, dividends received and corporate tax paid.

Cash flow from investing activities

Cash flow from investing activities comprises payments relating to acquisition and sale of businesses and operations, intangible assets, property, plant and equipment and other non-current assets, as well as acquisition and sale of securities.

Finance leases are considered non-cash transactions.

Cash flow from financing activities

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

Cash flow from assets held under finance leases is recognised as payment of interest and repayment of debt.

Cash at bank and in hand

Cash at bank and in hand comprises cash balances and bank deposits.

Cash flow denominated in currencies other than the functional currency is translated using average exchange rates unless these exchange rates deviate materially from the exchange rates valid at the transaction date.

1.2 Accounting estimates and judgements

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

Estimation uncertainty

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

Particular risks referred to in the 'Risk management' section of Group Management's review and in Note 6.7 to the consolidated financial statements may have substantial influence on the accounting risks.

In the consolidated financial statements for 2013, attention is particularly drawn to the following assumptions and uncertainties as these substantially influence the assets and liabilities recognised in the statements and may

1.2 Accounting estimates and judgements (continued)

necessitate adjustments in subsequent accounting years if the assumed course of events is not realised as anticipated:

Contingent liability. NKT Cables and NKT Holding have received a Statement of Objections from the European Commission, cf. Note 8.5. Currently it is not possible to determine whether costs will be incurred, and if so, the magnitude of these costs. As a result, no liability is recognised in the balance sheet at 31 December 2013.

Impairment test. At the annual impairment test relating to goodwill and certain tangible and intangible assets, estimate is made of whether the parts of the business to which the asset is allocated will be capable of generating sufficiently positive net cash flows in the future to support the carrying amount of the asset and other net assets in the relevant part of the business.

Due to the nature of the company, estimate must be made of expected cash flows many years in the future as well as a reasonable discount rate. This naturally leads to some uncertainty. The impairment test and the particular sensitive circumstances relating thereto are more fully described in Note 4.1.

Useful life and scrap value for tangible and intangible assets. Estimated useful lives and scrap values for tangible and intangible assets are assessed periodically. Periodic assessment of useful lives and scrap values is based i.a. on gains/losses from disposal/scraping of assets, impairment tests and other indicators. Depreciation / amortisation for the year and useful lives appear in Notes 4.2 and 4.3.

Construction contracts are measured at contract value of the work performed, less progress billings and anticipated possible losses. The contract value is measured based on the total expected income on the individual contract. The stage of completion is determined from an assessment of the work performed, normally calculated as the ratio of the expenses incurred to the total expected expenses for the contract concerned. The total expected expenses are based partly on estimates as reservations are included for unforeseen cost deviations relating to future delivery, installation and final testing. The contract value for production on construction contracts is seen in Note 5.3.

Writedown of inventories and receivables. Inventories are written down to net realisable value taking into account marketability, obsolescence and development in expected sales price. Note 5.2 shows writedowns of inventories for the year.

Writedowns on receivables are based on an individual assessment of indication of impairment in connection with customer insolvency, expected insolvency, and a mathematical calculation based on grouping of receivables after number of days' maturity. Note 6.7 shows movements for the year in writedowns on receivables arising from sales and services.

Defined benefit plans. Assessment of the value of defined benefit plans is based on a number of actuarial assumptions including discount rates, and expected rate of increase in pay and pensions. The value of NKT's defined benefit plans is based on assessments by external actuaries. Further information on these plans is contained in Note 4.4.

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

Warranties relate principally to Nilfisk-Advance. The amount recognised is a forecast based on products sold within the last three years and empirical data relating to warranties for previous years. Other provisions relate primarily to estimated restoration costs concerning properties in Cologne (NKT Cables) and rent costs to unutilised leases (Nilfisk-Advance). Further information on provisions appears in Note 4.5.

Deferred tax and the significant items that have resulted in the deferred tax assets and liabilities (incl. tax risks) are stated in Note 2.5. Deferred tax reflects judgements of actual future tax payable concerning items in the financial statements, taking into account timing and probability. In addition, these estimates reflect expectations of future taxable earnings and the Group's tax planning. Actual future tax may differ from these estimates due to changes in expectations with regard to future taxable earnings, future statutory changes in income tax, or the outcome of review of the Group's tax returns by the tax authorities.

Accounting judgements

In applying the Group's accounting policies the Group Management makes judgements concerning the accuracy of estimates which may materially influence the amounts recognised in the annual report. Examples of such judgements are when income and expenditure relating to third-party contracts must be treated in accordance with the percentage of completion method (construction contracts). In 2013 Group Management made such judgements concerning:

Use of the percentage of completion method. Group Management assesses, at contract signature, whether the products contain a sufficiently high degree of individual adjustment to qualify for recognition as a construction contract under the percentage of completion method. If this is not the case, the products are recognised as revenue on sale of finished products, as described in accounting policy to Note 2.2.

Business combinations. In the case of business acquisitions where NKT Holding A/S gains control of the business, the purchase method is used. Identification of assets, liabilities and contingent liabilities, and measurement of the fair value thereof, are subject to uncertainty. Note 7.1 shows the fair value of identified assets, liabilities and contingent liabilities on acquisition of subsidiaries.

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.

2 - PROFIT FOR THE YEAR

This section comprises the notes relating to profit for the year, including revenue, segment information, research and development costs, corporate tax and deferred tax.

Accounting policy

Government grants

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

Grants for research and development costs, which are recognised directly in the income statement, are stated under operating income as the grant-related costs are incurred.

Grants for acquisition of assets and development projects are recognised in the balance sheet as deferred income and transferred to other operating income in the income statement in step with amortisation of the assets for which the grants were awarded.

Remissible loans provided by public authorities for funding development activities are recognised as liabilities until it is overwhelmingly likely that the terms for loan remission have been met.

Other operating income

Other operating income comprises items of a secondary nature relative to the operations of the enterprise, including grant schemes, imbursements and gains on sale of non-current assets, 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 for raw materials, consumables and goods for resale refer to acquisitions and changes during the year in relevant inventory levels, including shrinkage, waste production and any writedowns for obsolescence.

Other costs

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

Depreciation, amortisation and impairment

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

Notes

2.1 Segment information

Accounting policy

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

Segment income and expenses and segment assets and liabilities 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 investments in associates, as well as the current assets used directly in segment operations, including inventories, trade and other receivables, prepaid expenses, and cash.

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

2013	Nilfisk- Advance	NKT Cables	Photonics Group	Parent company etc.	Total reportable segments	Inter- segment transact.	Total NKT Group
Amounts in mDKK							
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
Costs and other income, net	-5,800.3	-8,609.3	-260.5	-52.8	-14,722.9	0.8	-14,722.1
Share of profits after tax of associates	17.1	-1.3	0.0	0.0	15.8	0.0	15.8
Earnings, (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
Tax	-117.0	40.0	0.0	-18.4	-95.4	0.0	-95.4
Profit for the year	337.1	-103.4	-23.9	43.0	252.8	0.0	252.8
Balance							
Segment assets	5,997.5	7,732.6	268.1	4,807.7	18,805.9	-5,810.5	12,995.4
Segment goodwill	1,035.7	161.6	25.8	0.0	1,223.1	0.0	1,223.1
Investments in associates	117.3	3.1	0.0	0.0	120.4	0.0	120.4
Segment liabilities	3,855.9	7,243.8	217.3	1,815.3	13,132.3	-5,810.5	7,321.8
Other Information							
Cash flow from operations before financial items and tax	712.6	88.2	10.7	-16.7	794.8	0.0	794.8
Additions to property, plant and equipment and intangible assets	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

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

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

Group Management assesses the operating results of the segments 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.

Notes

2.1 Segment information (continued)

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

Discontinued operation includes NKT Flexibles in 2012.

Notes

2.1 Segment information (continued)

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

Geographical information, revenue

Amounts in mDKK	2013	2012
Germany	3,360.8	3,485.7
US	1,436.1	1,463.8
China	1,348.5	1,047.4
France	999.7	985.9
Denmark	952.8	910.2
UK	867.7	837.7
Poland	850.8	1,009.3
Sweden	771.5	500.4
Czech Republic	692.1	745.3
Other	4,529.2	4,267.4
	15,809.2	15,253.1

Geographical information, property, plant and equipment and intangible assets

Amounts in mDKK	2013	2012
Germany	1,886.5	1,900.1
Denmark	999.0	987.1
China	597.0	611.5
Czech Republic	527.6	609.8
US	515.0	583.6
Poland	124.1	133.5
Sweden	118.8	27.0
Other	370.7	407.7
	5,138.7	5,260.3

Revenue and assets situated in Sweden principally relate to the Ericsson power cable business acquired with effect from 1 July 2013.

2.2 Revenue

Accounting policy

The revenue from sales of goods for resale and finished goods is recognised in the income statement if supply and transfer of risk to the buyer have taken place before the year end and if 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 in step with the supply of those services.

The 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 5.3 for further information concerning construction contracts.

Amounts in mDKK	2013	2012
Goods	13,406.7	13,110.2
Services	734.6	706.1
Royalty	2.0	1.5
Rentals	29.3	0.2
Construction contract revenue	1,636.6	1,435.1
	15,809.2	15,253.1

The development in revenue corresponds to nominal growth of 4% and organic growth of 4%. All three business areas contributed to the increase. Please refer to the section 'Group development' for further information on revenue development.

Notes

2.3 Research and development costs

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 and there is adequate certainty that the future earnings or 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.

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

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

Amounts in mDKK	2013	2012
Research and development costs recognised as staff costs	159.1	165.3
Research and development costs recognised as other costs	70.4	88.8
- recognised as own work capitalised	-121.6	-133.1
Research and development costs expensed as incurred	107.9	121.0
Development costs recognised as assets	199.1	182.2
	307.0	303.2

Research and development costs as a percentage of revenue:	2013	2012
NKT Cables	0.7%	0.5%
Nilfisk-Advance	3.3%	3.4%
Photonics Group	11.4%	15.0%
NKT Group	1.9%	2.0%

Total research and development costs as a percentage of revenue were largely unchanged compared with last year, although there were differences between the business areas. The percentage for Photonics

Group decreased in step with the transition from focus on research towards industrial sales. See also R&D comment in Group Management's review for the individual business areas.

Notes

2.4 Tax

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.

Amounts in mDKK	2013	2012
<i>Tax from continuing operations recognised in the income statement:</i>		
Current tax	25.9	117.1
Deferred tax	69.5	-35.8
	95.4	81.3
Tax rate for the year	27.4%	29.4%
<i>Reconciliation of tax on continuing operations:</i>		
Calculated 25% tax on earnings before tax	87.0	69.2
<i>Tax effect of:</i>		
Foreign tax rates relative to Danish tax rate	-4.5	-6.8
Non-taxable income/non-deductible expenses, net	7.4	3.5
Adjustment for previous years	-1.0	-11.2
Adjustment for previous years due to value adjustment of tax assets	6.5	26.6
	95.4	81.3

Breakdown of tax expense for the year by business units 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 did not give rise to payable corporate tax in 2013, the taxable income being offset in tax losses for previous years. NKT paid 81.5 mDKK (2012: 73.3 mDKK) in corporate tax globally.

Notes

2.5 Deferred tax assets and tax liabilities

Accounting policy

Current tax payable and receivable is recognised in the balance sheet as tax estimated on taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to buildings and goodwill which for tax purposes do not qualify for depreciation and amortisation, respectively, and other items where temporary differences – except for acquisitions – arose at the acquisition date without influencing either net earnings or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Group Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss allowed for carryforward, are recognised under other non-current assets at their

expected utilisation value, by offset against tax on future income or by offset against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and liabilities and intends to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously.

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

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

Amounts in mDKK	2013	2012
<i>Recognised deferred tax assets and liabilities:</i>		
Deferred tax assets, 1 January	601.3	392.8
Deferred tax liabilities, 1 January	-274.4	-212.7
Disposal of discontinued operation	0.0	137.4
Foreign exchange adjustment	-5.1	0.0
Tax of adjustments recognised in other comprehensive income	7.6	-24.5
Deferred tax recognised in income statement	-69.5	35.8
Other	1.8	-1.9
Deferred tax, 31 December, net	261.7	326.9
<i>Recognised deferred tax:</i>		
Deferred tax assets, 31 December	607.5	601.3
Deferred tax liabilities, 31 December	-345.8	-274.4
Deferred tax, 31 December, net	261.7	326.9

Amounts in mDKK	2013		2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
<i>Specification of deferred tax assets and liabilities:</i>				
Intangible assets	14.8	-224.6	12.2	-127.8
Tangible assets	99.5	-111.5	68.0	-198.9
Other non-current assets	7.4	-17.3	1.9	-11.3
Current assets	861.4	-127.9	89.6	-87.2
Non-current liabilities	82.0	-27.2	104.9	-12.7
Current liabilities	127.7	-817.2	76.3	-78.6
Tax losses	505.0	0.0	577.6	0.0
Recapture of trading losses	0.0	-14.6	0.0	-32.3
Valuation allowance, unrecognised tax assets	-95.8	0.0	-54.8	0.0
	1,602.0	-1,340.3	875.7	-548.8
Set off in legal tax units and jurisdictions	-994.5	994.5	-274.4	274.4
	607.5	-345.8	601.3	-274.4

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 net asset of 608 mDKK is expected to be utilised within five years.

Notes

3 - REMUNERATION

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

3.1 Staff costs

Accounting policy

Staff costs comprises 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.

Amounts in mDKK	2013	2012
Wages and salaries	2,507.9	2,427.5
Social security costs	366.5	337.0
Defined contribution plans	105.6	96.9
Defined benefit plans	17.8	19.5
Share-based payments, NKT Holding A/S	7.1	4.5
	3,004.9	2,885.4
Average number of full-time employees	8,899	8,867

Particulars of remuneration and warrants appear in Notes 3.2, 3.3 and 3.5

As last year, staff costs increased by 4% while the average number of employees was largely unchanged. The increase in expenses was materially influenced i.a. by currencies and also by general development in wages and salaries as a result of inflation.

3.2 Remuneration to Executive Management

Accounting policy

The Group has no related parties who hold control.

The company's related parties comprise NKT Group Management and close family members thereof.

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 and Note 7.3.

Remuneration policy

A remuneration policy has been formulated defining the guidelines for determining and approving remuneration for the Group Management. The remuneration for the Board of Directors is approved prospectively for one year at a time by the Annual General Meeting. The Group Executive Director's pay is reviewed every 12 months. The components which form part of the Group Executive Director's pay package, and all material adjustments thereof, are approved by all the members of the Board of

Directors after prior discussion and recommendation by the Remuneration Committee. Empowered by a mandate from the Annual General Meeting it is also the Board of Directors which approves the basis for calculation and granting of any share-based incentive plans and determines ceilings therefor. An overall remuneration policy for the Group Management is submitted to the Annual General Meeting for approval.

Remuneration to Executive Management

Amounts in mDKK	2013			2012		
	Michael Hedegaard Lyng	Thomas Hofman-Bang ¹⁾	Søren Isaksen ²⁾	Michael Hedegaard Lyng	Thomas Hofman-Bang	Søren Isaksen
Short-term staff benefits	3.8	3.7	1.7	3.1	5.5	2.5
Severance payment	-	13.0	2.9	-	-	-
Bonus	0.4	0.7	0.3	0.2	1.3	0.1
Extraordinary transaction bonus	-	-	-	1.5	2.7	1.2
Pension contributions	0.5	0.5	0.2	0.4	0.8	0.4
Value of warrants granted	0.9	2.3	0.7	0.0	0.0	0.0
Total remuneration	5.6	20.2	5.8	5.2	10.3	4.2
Receivables relating to participation in NKT's employee bond plan (interest 5% p.a.)	0.3	-	-	0.3	0.7	0.3

¹⁾ Left NKT at end-August 2013.

²⁾ Left the Executive Management at end-August 2013.

In 2013 the Group Executive Director's pay was determined by the Board of Directors after prior discussion in and recommendation by the Remuneration Committee. The remuneration consists of a fixed base salary, a pension, and other customary non-monetary benefits such as a company car. The remuneration may further include an incentive component consisting of a short-term cash bonus and a long-term share-based plan consisting of warrants.

The annual cash bonus payment is contingent upon the Group Executive Director fulfilling the prerequisites, goals and conditions defined in his 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. Based on a bonus agreement the Group Executive Director may achieve an annual bonus corresponding to 15% of fixed annual salary. In special cases the Board of Directors may also decide to grant an extraordinary bonus amounting to a further maximum 100% of fixed salary.

The share-based portion of the incentive pay is comprised by annually granted warrants. The value of warrants is calculated using the Black-Scholes formula. The value may amount to a maximum of 35% of the Group Executive Director's 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 3.5 to the consolidated financial statements and is disclosed directly to NASDAQ OMX.

The term of notice for the Group Executive Director 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 6 months. Beyond this there is no separation benefit plan for the Group Executive Director.

With regard to warrants, please refer also to Note 3.5.

Notes

3.3 Remuneration to Board of Directors

Remuneration to Board of Directors

Amounts in mDKK

	2013	2012
Short-term staff benefits (Board of Directors' remuneration)	3.7	3.6

The base directors' remuneration in 2013 was 300,000 DKK (2012: 300,000). The Chairman receives 3x the base remuneration and the Deputy Chairman 1.5x the base remuneration, and there are no adjustment mechanisms attached to the base remuneration.

Participation in the Audit Committee entitles Board members to a further remuneration: the Committee Chairman receives 2/3 of the base remuneration and other members of the Committee receive 1/3 of the base remuneration. Participation in the Remuneration and Nomination

Committees does not convey entitlement to special remuneration. During the course of the year, business area working committees were set up. No special remuneration attaches to these working committees.

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. The remuneration for each NKT Board member appears at www.nkt.dk under 'About NKT' / 'Group Management'.

3.4 Remuneration to business area managements

The remuneration to the managements of the business areas is determined by the Board of Directors' Remuneration Committee. The remuneration consists of a fixed base salary including pension and other customary non-monetary benefits such as a company car. The remuneration also includes an incentive component consisting of both a short-term and a long-term bonus plan.

The annual cash bonus payment is contingent upon the individual management member fulfilling the prerequisites, goals and conditions defined in the bonus agreement. The criteria for granting of bonus may be realisation of specified revenue or earnings targets, or execution of individual assignments.

The long-term bonus plan is based on value added for the business area viewed over a number of years. The value of the bonus is measured according to the development in the business area's earnings and interest-bearing debt.

The bonus plans are cash plans for which provision is made in the financial statements.

3.5 Warrants plan for Executive Management and employees

Accounting practice

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.

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

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

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

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 interest 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 ceilings therefor.

Notes

3.5 Warrants plan for Executive Management and employees (continued)

Outstanding warrants 2013:

Outstanding warrants		Exercise price	Group Executive Director		Total
			Michael Hedegaard Lyng	Other	
<i>Granted in 2008:</i>					
<i>(Exercise March 2013)</i>					
	1 January		7,650	64,850	72,500
	Forfeited		-7,650	-64,850	-72,500
	31 December		0	0	0
<i>Granted in January 2009:</i>					
<i>(Exercise March 2014)</i>					
	1 January		23,600	23,700	47,300
	Exercised		-23,600	-17,700	-41,300
	31 December	164.8	0	6,000	6,000
<i>Granted in November 2009¹⁾:</i>					
<i>(Exercise March 2014/2015)</i>					
	1 January		9,900	69,600	79,500
	31 December	378.1	9,900	69,600	79,500
<i>Granted in December 2010²⁾:</i>					
<i>(Exercise 2014/2015/2016)</i>					
	1 January		31,000	187,700	218,700
	31 December	337.2	31,000	187,700	218,700
<i>Granted in November 2011²⁾:</i>					
<i>(Exercise 2015/2016/2017)</i>					
	1 January		28,100	70,700	98,800
	Forfeited		0	-5,600	-5,600
	31 December	241.4	28,100	65,100	93,200
<i>Granted in January 2013²⁾:</i>					
<i>(Exercise 2016/2017/2018)</i>					
	Granted		44,200	197,800	242,000
	31 December	223.3	44,200	197,800	242,000
<i>Total:</i>					
	Options, 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

Warrants granted in January 2014 appear in Note 8.2.

Outstanding warrants 2012:

Warrants, 1 January		109,650	628,600	738,250
Exercised		0	-150,400	-150,400
Forfeited		-9,400	-61,650	-71,050
31 December		100,250	416,550	516,800

¹⁾ Warrants granted in November 2009 are subject to a hurdle rate of 8% when exercised after March 2014.

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 first-half interim report. Each warrant grants entitlement to subscribe for one share of a nominal value of 20 DKK at the exercise price.

¹⁾²⁾ Dividend payments after 1 January 2014 and until the date when the shares are received are deducted from the exercise price.

In 2013, warrants were exercised by subscription for a total of 41,300 new shares at an average price of 159.45 DKK. The market share price at subscription was 228 DKK.

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

The value of the warrants plan as at 31 December 2013, based on the

Black-Scholes formula, is calculated at 27 mDKK (2012: 5 mDKK). This includes 5 mDKK (2012: 3 mDKK) for the value of the Group Executive Director's warrants plan. The values have been calculated using the Black-Scholes formula assuming an interest rate of 0.9% (2012: 0.8%) and volatility of 21% (2012: 30%). Calculation of values assumes exercise during the first exercise period. Future volatility is estimated based on calculations of historic volatility over 12 months.

4 - NON-CURRENT ASSETS AND LIABILITIES

This section covers NKT's investments in non-current assets which form 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. Non-current interest bearing liabilities are covered in Section 6, Capital structure.

4.1 Impairment test

Accounting policy

Goodwill, intangible assets with indefinite useful lives and development projects in progress

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

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the 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.

The impairment charge for the year comprises 65.8 mDKK (2012: 7.3 mDKK), and primarily relates to impairment of operating equipment and intangibles in NKT Cables (57.7 mDKK) arising from closure of production lines and to shutdown of a development project in Photonics Group (7.6 mDKK).

NKT Cables has three business units: BU Projects, BU Products and BU APAC. Good growth is expected in the market for BU Projects as the European energy sector is facing major restructuring. The market for BU 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 increasing focus on the expansion of China's high speed rail network, continued growth potential is envisaged for BU APAC. For a detailed account of developments in 2013, please refer to the 'NKT Cables' section of Group Management's review.

Nilfisk-Advance expects the market growth over an economic cycle to be approx. 3-4%, with the mature markets (US and Europe) representing 1-3%. Rest of the world growth rates are expected to exceed those of mature markets, and the company therefore continues to build in these markets. Over a normal economic cycle, market growth of 4-6% is expected when trading is good, 0-2% being expected at times of slowdown. Nilfisk-Advance furthermore expects to increase market shares. For a detailed account of developments in 2013, please refer to the 'Nilfisk-Advance' 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.

Goodwill

Goodwill has been tested for impairment on 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: NKT Cables, Nilfisk-Advance and Photonics Group. The carrying amount of goodwill as at 31 December was as follows:

Amounts in mDKK	2013	2012
NKT Cables	161.6	173.6
Nilfisk-Advance	1,035.7	1,060.0
Photonics Group	25.8	25.8
	1,223.1	1,259.4

The carrying amount of goodwill allocated to Photonics Group has been tested for impairment. The test shows that goodwill is not impaired. No further information on the impairment test for Photonics Group is included in the consolidated financial statements as goodwill allocated to Photonics Group is insignificant.

The recoverable amount is based on a value in use calculation. The calculation uses cash flow projections based on financial budgets for 2014 and financial forecasts for 2015-2017/2018. A pre-tax discount rate of 10.5% (2012: 10.5%) has been applied and a post-tax discount rate of 7.5% (2012: 7.5%). Using a steady growth rate of 2.0% for Nilfisk-Advance and 2.5% for NKT Cables the cash flows beyond 2017/2018 have been based on a market-weighted IMF projection. The growth rate is estimated not to exceed the long-term average growth rates for the markets in which NKT Cables and Nilfisk-Advance operate.

Notes

4.1 Impairment test (continued)

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

Cash flows for 2014-2017/2018 are based on the following:

NKT Cables:	Revenue and gross profit are estimated to increase from 2014 to 2017, while net working capital as a percentage of revenue is reduced.
Nilfisk-Advance:	Revenue is estimated to increase from 2014 to 2018, while gross profit margin is maintained.

The above assumptions for the period 2014-2017/2018 are based on realised figures for 2013 and on Group Management's expectations for the period.

Capital expenditure:

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. This comprises:

NKT Cables:	A yearly average investment of 86% of depreciation for the period 2014-2017.
Nilfisk-Advance:	A yearly average investment of 97% of depreciation for the period 2014-2018.

Sensitivity analysis, goodwill

Amounts in mDKK

	Assumptions used when calculating value in use (starting point)		Assumptions must change as follows before the carrying amount equals the value in use	
	NKT Cables	Nilfisk-Advance	NKT Cables	Nilfisk-Advance
Post-tax discount rate	7.5%	7.5%	10.0%	>15%
Long-term growth rate (after 2017/18)	2.5%	2.0%	-0.6%	<-15%
Change in EBITDA compared to the starting point	-	-	<-15%	<-15%

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. Special impairment tests have been performed for NKT Cables Cologne, NKT Cables Denmark, NKT Cables China, NKT Cables Czech Republic and NKT Cables Poland.

Working capital:

NKT Cables:	An average of 16.7% of revenue for the year. Strategic target < 17%.
Nilfisk-Advance:	An average of 16.5% of revenue for the year. Strategic target < 18%.

Working capital as a percentage of revenue for NKT Cables and for Nilfisk-Advance amounted to 18.3% and 16.6%, respectively, as at 31 December 2013. Working capital as a percentage of revenue is measured at year end.

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 amount 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 2014-2017/2018 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:

	Assumptions used when calculating value in use (starting point)		Assumptions must change as follows before the carrying amount equals the value in use	
	NKT Cables	Nilfisk-Advance	NKT Cables	Nilfisk-Advance
Post-tax discount rate	7.5%	7.5%	10.0%	>15%
Long-term growth rate (after 2017/18)	2.5%	2.0%	-0.6%	<-15%
Change in EBITDA compared to the starting point	-	-	<-15%	<-15%

NKT Cables Cologne mainly manufactures for BU Projects, while NKT Cables Denmark, NKT Cables Czech Republic and NKT Cables Poland mainly manufacture for low and medium voltage, building wires, Railway and Automotive. NKT Cables China manufactures products for Railway and for high and medium voltage.

Carrying amount of property, plant and equipment

Amounts in mDKK

	2013	2012
NKT Cables Cologne	1,599.5	1,640.2
NKT Cables Denmark	165.4	200.2
NKT Cables China	298.0	317.6
NKT Cables Czech Republic	427.6	500.7
NKT Cables Poland	121.4	131.0

Beyond the above, it is believed that other likely changes in the key assumptions will not cause the carrying value of property, plant and equipment for cash-generating units to exceed the recoverable amount.

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

carrying amount at a 15% fall in EBITDA. Changes in EBITDA for 2014-2017 and beyond 2017 are based on the assumption that tax follows the reduction in EBITDA. All other factors are unchanged in the sensitivity analysis.

Other intangible assets

Other intangible assets have been tested for impairment and show no indication of impairment loss, except for impairment of 8 mDKK on development projects relating to Photonics Group and 7.7 mDKK on development projects relating to NKT Cables.

Notes

4.2 Intangible assets

Accounting policy

Goodwill

Goodwill is initially recognised in the balance sheet at cost as described in the accounting policy to Note 7.1 Acquisition of subsidiaries. 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 cost can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of raw materials, consumables and goods for resale, staff costs, other costs and amortisation, and also the development costs. Other development costs are expensed in the income statement as incurred.

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

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

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 any impairment losses.

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

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

Breakdown of additions of intangible assets for the business areas:

Amounts in mDKK	2013	2012
NKT Cables	61.2	43.4
Nilfisk-Advance	141.4	141.5
Photonics Group	19.3	18.4
	221.9	203.3

The growth in additions of intangible assets is principally attributable to capitalised development costs relating to NKT Cables.

Notes

4.2 Intangible assets (continued)

	Goodwill	Trademarks etc.	Customer related assets	Completed development projects	Patents and licenses etc.	Development projects in progress	Total
Amounts in mDKK							
Costs, 1 January 2012	1,264.9	130.7	229.9	609.4	422.5	170.3	2,827.7
Additions through business combinations	1.6	0.3	0.8	0.0	0.0	0.0	2.7
Additions	0.0	0.0	0.0	23.9	21.1	158.3	203.3
Disposals	0.0	0.0	0.0	-15.3	-2.0	0.0	-17.3
Transferred between classes of assets	1.5	-0.2	-0.1	104.7	72.8	-130.5	48.2
Exchange rate adjustments	-8.6	-0.4	-0.6	-4.1	-0.5	-0.5	-14.7
Costs, 31 December 2012	1,259.4	130.4	230.0	718.6	513.9	197.6	3,049.9
Amortisation and impairment, 1 January 2012	0.0	-74.4	-139.2	-388.9	-237.7	0.0	-840.2
Amortisation for the year	0.0	-10.0	-20.5	-87.4	-51.8	0.0	-169.7
Impairment	0.0	0.0	0.0	-6.0	-0.4	0.0	-6.4
Disposals	0.0	0.0	0.0	15.3	1.5	0.0	16.8
Transferred between classes of assets	0.0	0.0	0.0	0.0	-44.8	0.0	-44.8
Exchange rate adjustments	0.0	-0.3	0.0	3.8	-0.8	0.0	2.7
Amortisation and impairment, 31 December 2012	0.0	-84.7	-159.7	-463.2	-334.0	0.0	-1,041.6
Carrying amount, 31 December 2012	1,259.4	45.7	70.3	255.4	179.9	197.6	2,008.3
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

Trademarks relating to Nilfisk-Advance and having a carrying amount of 19.3 mDKK (2012: 19.6 mDKK) are not amortised as their useful life cannot be defined. It is estimated that the value of these trademarks can be maintained indefinitely. Regarding impairment test, please refer to Note 4.1.

4.3 Property, plant and equipment

Accounting policy

Land and buildings, production plant and machinery, fixtures and fittings, and other plant and equipment, are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time as the asset is ready for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subcontractors and wages. In the case of qualifying assets, specific and general borrowing costs directly relating to acquisition, construction or production of the qualifying asset are recognised in the cost. The cost is supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilised.

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

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Group. The carrying amount of the replaced parts is recognised in the balance sheet and recognised in the income statement. All 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 land and buildings, plant and machinery or fixtures, fittings and equipment and depreciated.

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

Amounts in mDKK	2013	2012
NKT Cables	179.8	259.8
Nilfisk-Advance	82.9	98.1
Photonics Group	16.0	8.9
	278.7	366.8

Additions have fallen significantly as a result of NKT Cables. Capital expenditure has decreased to a more normal level after a number of major production investments in Germany and China in the previous years.

Notes

4.3 Property, plant and equipment (continued)

Amounts in mDKK	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets under construction incl. prepaym.	Total
Costs, 1 January 2012	1,653.5	2,487.7	1,072.5	195.6	5,409.3
Additions through business combinations	0.0	0.0	3.7	0.0	3.7
Additions	14.1	79.8	74.0	198.9	366.8
Disposals	-93.2	-40.9	-48.6	-4.1	-186.8
Transferred between classes of assets	74.9	165.6	34.2	-195.8	78.9
Exchange rate adjustments	11.1	20.6	-1.1	2.5	33.1
Costs, 31 December 2012	1,660.4	2,712.8	1,134.7	197.1	5,705.0
Depreciation and impairment, 1 January 2012	-321.5	-1,082.8	-744.5	0.0	-2,148.8
Depreciation for the year	-57.5	-181.7	-120.0	0.0	-359.2
Impairment	0.0	-0.1	-0.8	0.0	-0.9
Transferred between classes of assets	-31.4	-52.9	1.3	0.0	-83.0
Disposals	68.2	39.2	41.5	0.0	148.9
Exchange rate adjustments	-3.2	-9.1	2.3	0.0	-10.0
Depreciation and impairment, 31 December 2012	-345.4	-1,287.4	-820.2	0.0	-2,453.0
Carrying amount, 31 December 2012	1,315.0	1,425.4	314.5	197.1	3,252.0
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

Regarding impairment test, please refer to Note 4.1.

Notes

4.4 Employee benefits

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. However, please see below.

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.

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).

Notes

4.4 Employee benefits (continued)

Net liabilities recognised in the balance sheet:

Amounts in mDKK	2013	2012
Present value of defined benefit pension plans liabilities	477.6	436.0
Fair value of plan assets	-146.7	-146.6
Plan liabilities, net	330.9	289.4
Other long-term employee benefits	11.4	10.4
Liabilities (net) recognised in balance sheet	342.3	299.8
<i>Changes in the present value of the defined benefit obligation:</i>		
1 January	436.0	413.5
Expenses relating to current year	5.8	4.7
Calculated interest expenses on liabilities	16.7	17.9
Expenses relating to previous years	0.4	0.0
Contributions from plan participants	0.9	0.9
Benefits paid	-23.9	-11.7
Actuarial (gains) and losses arising from changes in financial assumptions	45.7	49.4
Exchange differences etc.	-4.0	2.9
Present value of plan liabilities, 31 December	477.6	477.6
Unrecognised actuarial losses ¹⁾	0.0	-41.6
Recognised plan liabilities, 31 December	477.6	436.0
¹⁾ Actuarial losses of 41.6 mDKK at end-2012 are recognised in actuarial losses for 2013, cf. Note 1.1, Changes to accounting policies.		
<i>Changes in the fair value of plan assets:</i>		
1 January	146.6	130.4
Calculated interest income on plan assets	5.0	5.8
Paid by NKT Group	5.8	5.5
Paid by employees	0.9	0.9
Pensions paid	-10.7	-1.0
Settlements	0.0	-0.2
Actuarial gains and (losses)	2.0	2.9
Exchange differences	-2.9	2.3
Fair value of plan assets, 31 December	146.7	146.6
<i>Composition of plan assets:</i>		
Equities with listed prices	61.9	53.8
Bonds with listed prices	34.8	37.1
Cash	50.0	55.7
	146.7	146.6

The Group's expected contribution to defined benefit plans in 2014 amounts to 17.0 mDKK.

Notes

4.4 Employee benefits (continued)

Amounts in mDKK	2013	2012
<i>Plan liabilities (net)</i>		
Recognised, 1 January	289.4	286.9
Recognised under staff costs in income statement	17.8	19.5
Recognised in other comprehensive income under actuarial (gains)/losses	43.7	0.0
Exchange differences recognised in other comprehensive income	-1.1	0.6
Payments	-18.9	-17.6
Recognised plan liabilities (net), 31 December	330.9	289.4
Other long-term employee benefits	11.4	10.4
Recognised year-end pensions and similar liabilities	342.3	299.8
<i>Principal actuarial assumptions at the balance sheet date (as weighted averages)</i>		
Discount rate	3.2%	3.4%
Future salary increases	2.5%	2.6%
Future pension increases	2.3%	2.4%
<p>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.</p> <p>The analysis is based on changes in the applied key assumptions considered reasonably likely provided the other parameters in the calculations are unchanged.</p>		
0.5% point rise in discount rate	-31.6	
0.5% point fall in discount rate	37.8	
0.5% point rise in future salary increases	1.5	
0.5% point fall in future salary increases	-0.6	

The anticipated duration of the plan liability, expressed as a weighted average, was 14 years at end-2013 and end-2012.

Notes

4.5 Provisions

Accounting policy

Provisions are recognised when, as a result of events arising before or at the balance sheet date, the Group has a legal or a constructive obligation and it is likely that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Group Management's best estimate of the amount required to settle the obligation.

When measuring provisions, the costs required to settle the obligation are discounted if this significantly affects the measurement of the liability. A pre-tax discount rate is applied that reflects the current market interest rate and the specific risks relating to the obligation. Changes in present values during the year are recognised under financial expenses.

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

Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan is announced to the affected parties on or before the balance sheet date.

Provisions relating to restructuring measures in acquisitions are only included in goodwill when a restructuring liability exists for the acquisition at the acquisition date.

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

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

Amounts in mDKK	Warranties	Other	Total
Provisions, 1 January 2013	129.7	98.7	228.4
Additions through business combinations	15.0	1.7	16.7
Provisions made during the year	140.1	6.4	146.5
Used during the year	-101.1	-26.6	-127.7
Reversed during the year	-11.6	-0.1	-11.7
Discounting effect	0.0	1.2	1.2
Foreign exchange adjustment	-4.6	-1.7	-6.3
Provisions, 31 December 2013	167.5	79.6	247.1
<i>Provisions are recognised in the balance sheet as:</i>			
Non-current liabilities	5.8	63.7	69.5
Current liabilities	161.7	15.9	177.6
	167.5	79.6	247.1

The principal obligations are expected to be incurred at the amounts stated within three years of the balance sheet date. Restoration obligation relating to NKT Cables' factory in Cologne is recognised at 32.7 mDKK and is expected to be incurred after 30 years.

Warranty commitments principally relate to Nilfisk-Advance. An anticipated obligation is recognised based on products sold within the last three years 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.

5 - ELEMENTS OF 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 operating activity. 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.

5.1 Description of working capital

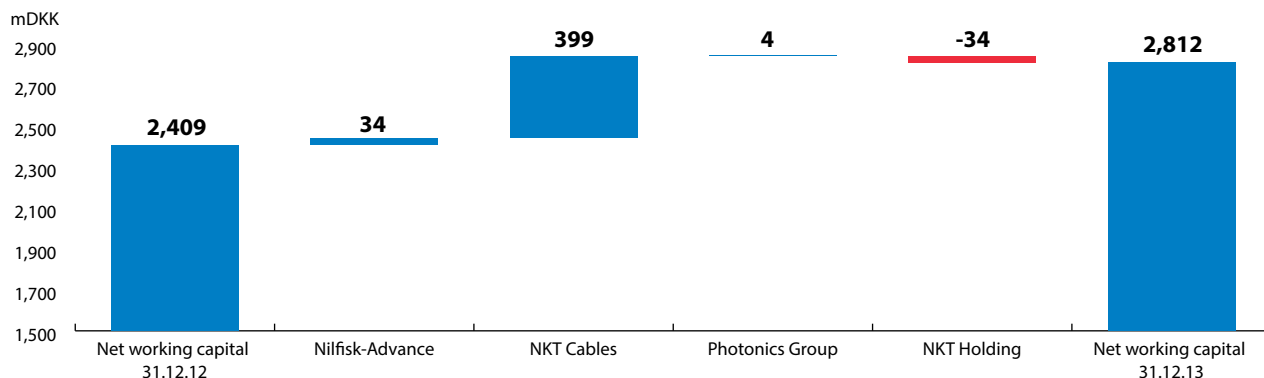
The Group's three business areas manufacture widely differing products and operate in widely differing markets. The companies are therefore very diverse in terms of working capital structure.

NKT Cables' activities are by definition highly capital-intensive as the manufacture of cables calls for expensive raw materials like copper and aluminium. Furthermore, the activities of BU Projects mean that tie-up of working capital is extremely volatile, but predictable, large sums usually being paid by project customers when certain agreed stages are reached. Strong demands are therefore made on the funding and management of working capital. In 2013, NKT Cables successfully reduced tie-up of funds in inventories and debtors. However, this was more than balanced by tie-up of funds in work in progress. The latter has increased significantly as a number of large projects are nearing final delivery and therefore awaiting final payment from the customer.

Nilfisk-Advance is generally less capital-intensive than NKT Cables. However, it is necessary to maintain substantial inventories so that supplies to customers can be effected within a satisfactory timescale. Continuous focus is given to optimising working capital, and in 2013 this focus led to working capital (LTM) being successfully reduced to 19.3% of revenue.

Photonics Group had net working capital of 86 mDKK at 31 December 2013, an increase of 4 mDKK on 31 December 2012.

NKT Holding's net working capital at 31 December 2013 primarily related to intra-Group transactions.



The above graph shows developments in net working capital from 31 December 2012 to 31 December 2013. As can be seen, Nilfisk-Advance managed to maintain a relatively stable working capital despite growth in revenue. At the same time, the tie-up of funds increased for NKT Cables for several reasons. The acquisition of the Ericsson cable business increased net working capital by 126 mDKK. In addition, at 31 December 2012, funds tied up in contract work in progress were relatively low as a result of substantial prepayments from a number of project customers.

The reverse picture was evident at 31 December 2013 when there were a number of payments outstanding owing to a relatively large number of projects being close to completion. The increased tie-up in contract work in progress in 2013 occurred despite the fact that NKT Cables had successfully focused on reducing its working capital, particularly in inventories and debtors, something which positively influence the tie-up of more than 400 mDKK as at 31 December 2013.

Notes

5.2 Inventories

Accounting policy

Inventories are measured at cost in accordance with the FIFO method or at a weighted average. If the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, which comprises cost of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, 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 cost. Borrowing costs are not included in the cost of inventories manufactured or otherwise mass-produced in large quantities.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Amounts in mDKK	2013	2012
Raw materials, consumables and goods for resale	848.1	865.1
Work in progress	347.1	609.3
Finished goods	1,462.3	1,269.5
	2,657.5	2,743.9
Impairments on inventories, 1 January	204.8	180.2
Impairments on inventories for the year expensed in the income statement	58.2	59.3
Disposals from sales	-31.4	-22.6
Other disposals	-11.6	-12.1
Impairments on inventories, 31 December	220.0	204.8

Inventories amount to 17% of revenue, a decrease of 1% point compared with last year.

5.3 Receivables

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 Group's credit risk management policy. The objective indicators applied to portfolios are based on historical loss experience.

If an objective indication of impairment exists for a portfolio, an impairment test is carried out in which the expected future cash flows are estimated on the basis of historical loss experience adjusted for current market conditions and individual conditions relating to the specific portfolio.

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

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

Construction contracts

Construction contracts are measured at the 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.

(continues)

Notes

5.3 Receivables (continued)

Accounting policy (continued)

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

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

Costs relating to sales work and securing contracts are recognised in the income statement as incurred unless they 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.

Amounts in mDKK	2013	2012
Trade receivables	2,739.2	2,834.8
Trade receivables due from associates	30.7	26.1
Construction contracts	618.9	241.9
Other receivables from associates	0.0	13.6
Other receivables incl. derivative financial instruments	318.7	347.3
Prepayments	332.3	317.0
	4,039.8	3,780.7
Of which receivables falling due later than 12 months from the balance sheet date	211.6	379.2
<i>Construction contracts:</i>		
Contract value of work in progress	3,787.7	2,849.6
Progress billings	-3,212.1	-2,951.9
	575.6	-102.3
<i>Construction contracts is recognised thus:</i>		
Recognised as assets	618.9	241.9
Recognised as liabilities	-43.3	-344.2
	575.6	-102.3
Payments withheld	0.0	0.0

Disclosure of credit risks are included in Note 6.7.

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

Writedowns on receivables from sales and services amount to 4% (cf. overview in Note 6.7). This was on par with last year.

The contract value of construction contracts was substantially higher than last year. It was particularly influenced by several major projects in NKT Cables which had a high degree of completion at end-2013. As at 31 December 2013 the net value of construction contracts was negatively influenced by the timing of progress billings, and the working capital tied up in construction contracts was worsened severely by 678 mDKK.

Notes

5.4 Trade payables and other liabilities

Accounting policy

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

If progress billings and anticipated losses exceed the 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.

Please refer also to accounting policy in Note 5.3.

Amounts in mDKK	2013	2012
Trade payables	2,384.2	2,139.5
Trade payables to associates	1.7	18.5
Other payables (VAT, employee related tax, holiday pay, derivative financial instruments, etc.)	1,083.9	1,155.3
Construction contracts (cf. Note 5.3)	43.3	344.2
Prepayments regarding construction contracts	47.1	23.8
Prepayments from customers	190.8	244.8
Deferred income	37.9	35.6
	3,788.9	3,961.7

6 - CAPITAL STRUCTURE AND FINANCIAL ITEMS

This section covers NKT's capital structure and financing. NKT's policy is that its capital structure and financial gearing shall at all times reflect the Group's activities and risk profile and at the same time provide sufficient economic flexibility to maintain creditworthiness and enable investments and acquisitions.

The intention is to maintain a stable dividend policy, corresponding to the distribution of one third of the company's profit for the year.

6.1 Changes in capital structure, financing etc.

No significant changes have been made to the Group's capital structure, which continues to realise the defined goals for solvency, gearing and debt relative to EBITDA (cf. Group Financial Matters 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 300 mDKK in the period until 25 March 2015.
2. NKT may purchase a maximum of 25% of NKT's shares for the purpose of adjusting the NKT Group's capital structure should this prove appropriate. This mandate was granted in 2011 and will be revisited at the Annual General Meeting in 2016
3. In the period until 1 April 2016 warrants may be issued to NKT's employees and Executive Management in one or several transactions up to a nominal amount of 12 mDKK (600,000 shares each of a nominal value of 20 DKK). A new mandate and framework will be proposed at the 2014 Annual General Meeting.
4. In the period until 29 March 2017 loans may be raised against bonds or debt instruments in one or several transactions with a right for the lender to convert his claim to shares, each of a nominal value of 20 mDKK, up to a maximum nominal amount of 44 mDKK (2.2 million new shares, corresponding to just under 10% of the share capital).

Notes

6.2 Net interest bearing debt

Amounts in mDKK	2013	2012
<i>Net interest bearing debt comprises:</i>		
Non-current loans	2,098.3	544.1
Current loans	480.2	1,823.2
Other interest bearing items included in trade payables and other payables	0.0	17.8
Interest bearing debt, gross	2,578.5	2,385.1
Interest bearing items included in receivables	-91.3	-113.2
Cash at bank and in hand	-375.9	-363.3
Net interest bearing debt	2,111.3	1,908.6
<i>Development in net interest bearing debt:</i>		
Net interest bearing debt, 1 January	1,908.6	4,429.4
Cash flow from operating activities	-544.8	-1,121.7
Acquisition of companies	226.1	8.1
Cash flow from discontinued operation	0.0	-1,966.7
Interest bearing debt in discontinued operation	0.0	-13.7
Investments in property, plant and equipment, net	243.3	317.2
Other investments, net	224.2	206.3
Dividends	191.4	47.8
Dividend treasury shares	-0.6	-0.2
Paid on exercise of warrants	-6.6	-22.4
Minority interest, dividend etc.	-0.2	1.9
Foreign currency translation adjustment	-130.1	22.6
Total change	202.7	-2,520.8
Net interest bearing debt, 31 December	2,111.3	1,908.6

Net interest bearing debt at year-end 2013 was 203 mDKK higher than at year-end 2012, principally due to increase in working capital, acquisition of the Ericsson cable business and payment of dividend.

Unlike at year-end 2012 the net interest bearing debt now consists predominantly of long-term loans, which in all material respects is because a large CZK loan matured in 2013. The loan has been replaced by new credit facilities maturing in five years.

As at 31 December 2013, 16% (2012: 38%) of the interest bearing debt was denominated in CZK, 3% (2012: 24%) was in CNY and 56% (2012: 20%) was in DKK. Most of the remaining debt was raised in EUR and USD. The debt was still predominantly based on floating interest rates.

6.3 Payables to credit institutions and other payables

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 cost 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.

Other liabilities are measured at amortised cost.

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

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

Notes

6.4 Capital employed

Amounts in mDKK	2013	2012
<i>Capital employed comprises:</i>		
Total assets	12,995.4	12,935.8
<i>Of which, excluding interest bearing assets:</i>		
Interest bearing receivables	-91.3	-113.2
Cash at bank and in hand	-375.9	-363.3
Assets included	12,528.2	12,459.3
<i>Non-current liabilities:</i>		
Deferred income tax	-345.8	-274.4
Pension liabilities	-342.3	-299.8
Provisions	-69.5	-86.8
<i>Current liabilities:</i>		
Trade payables and other payables	-3,788.9	-3,961.7
Of which interest bearing items	0.0	17.8
Corporate income tax	-19.2	-67.2
Provisions	-177.6	-141.6
Offset liabilities	-4,743.3	-4,813.7
Capital employed	7,784.9	7,645.6

Capital employed increased by 139.3 mDKK from 2012 to 2013. This was primarily due to the acquisition of the Ericsson cable business, which by itself increased capital employed by 216.4 mDKK.

Return on capital employed for the NKT Group amounted to 6.7% at 31 December 2013 (2012: 6.2%) (based on operational EBIT and quarterly average capital employed).

Return on capital employed for NKT Cables was 0.8% at 31 December 2013 (2012: 0%). The increase was driven by an improvement in EBIT of 38 mDKK, which however was also negatively influenced by an increase in average capital employed of 88 mDKK.

For Nilfisk-Advance, return on capital employed increased to 17.5% (2012: 17.1%). Operational EBIT increased by 10 mDKK, and quarterly average capital employed at the same time fell by 18 mDKK.

Notes

6.5 Financial income

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.

Amounts in mDKK	2013	2012
Interest etc. relating to financial assets measured at amortised cost	18.2	60.2
Foreign exchange gains	139.0	247.2
Gains on derivative financial instruments	54.8	44.5
	212.0	351.9

6.6 Financial expenses

Accounting policy

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.

Amounts in mDKK	2013	2012
Interest etc. relating to financial liabilities measured at amortised cost	147.2	248.4
Foreign exchange losses	210.0	271.4
Losses on derivative financial instruments	15.0	28.0
	372.2	547.8

The reduction in financial expenses was due predominantly to lower interest expenditure as a result of lower interest margin, which depends on the Group's net interest bearing debt measured against EBITDA. The lower interest margins, which in 2012 only impacted the second half, impacting fully in 2013.

Foreign exchange losses and losses on derivative financial instruments were also at a lower level. Comparison of these items with corresponding gains on foreign exchange and derivative financial instruments reveals a net loss of 31 mDKK in 2013, against a loss of 8 mDKK in 2012. This was partly because in 2013 the Group's income currencies weakened against DKK, causing unhedged positive currency flows to give rise to exchange losses.

6.7 Financial risks and financial instruments

Accounting policy

Derivative financial instruments are recognised from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the 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 investments in foreign subsidiaries or associates and which effectively hedge currency fluctuations in these enterprises are recognised in the consolidated financial statements directly in other comprehensive income in a separate translation reserve.

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

Other derivative financial instruments

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

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

NKT's risk management policy

The NKT Group is exposed to a number of financial risks by virtue of its operations, investments 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 that directly ensue from the Group's operations, investments and financing.

In the management of financial risks the NKT Group uses a number of financial instruments, such as forward exchange and metal contracts, currency and interest swaps, options and similar instruments, within the framework of existing policies. Only forward exchange and metal contracts were current at the end of 2013 and 2012.

The financial risks are divisible into **currency risks, interest rate risks, credit risks, liquidity risks and raw material price risks**, as described below. **Financial instrument categories** and **fair values** are also described.

Currency risks

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

Currency risks refer to the risks of losses (or 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.

To counter currency risks the Group employs a number of the financial instruments referred to above. Management and hedging of existing and anticipated currency risks are carried out by the individual business areas within the framework of existing policies in partnership with the Group's treasury department.

Translation risks relating to net investments 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 investments (above 100 mDKK) in foreign currency, excluding EUR, a rate of exchange which is 10% lower than the actual exchange rate for CZK, CNY, GBP, SEK and PLN would reduce the Group's equity by 177 mDKK at 31 December 2013 (2012: 149 mDKK). Currency risks relating to other investments in foreign entities are not significant.

Financial risks relating to net financing

Significant currency risks relating to receivables and payables that influence the Group's net income are generally hedged. Balances with credit institutions are as a rule stated in the functional currency of the businesses concerned. The Group had no significant currency risks relating to receivables and payables in foreign currency at 31 December 2013 and at 31 December 2012, and the Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

Notes

Currency risks (continued)

Financial risks

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 concrete assessments of the likelihood of the future transaction being performed and whether the associated currency risk arising is significant. As standard, the assessment is performed on an ongoing basis 12-15 months ahead in time, but in conjunction with project sales a longer hedging horizon can be applied. The fair value of the effective part of the hedge is recognised in other comprehensive income on a continuous basis. The potential impact on other comprehensive income caused by currency fluctuations is shown below:

Amounts in mDKK	Change	2013	2012
DKK/AUD	10%	12.4	16.5
DKK/CNY	9%	69.3	41.8
DKK/EUR	1%	1.0	3.0
DKK/GBP	7%	12.0	16.0
DKK/HUF	9%	6.1	7.9
DKK/JPY	12%	2.7	0.0
DKK/KRW	10%	2.2	0.0
DKK/MXN	13%	2.5	4.4
DKK/NOK	8%	11.3	11.4
DKK/NZD	11%	0.7	3.2
DKK/SEK	7%	13.0	16.6
DKK/SGD	7%	1.9	3.0
DKK/USD	8%	3.3	11.5

The sensitivity is calculated based on financial instruments existing as at 31 December 2013 and as at 31 December 2012 that are considered 100% effective. Comparative figures for 2012 have been calculated using the same percentage change (annual volatility as at 31 December 2013) as stated for 2013.

Currency hedging contracts relating to future transactions

The table below shows net outstanding forward exchange contracts at 31 December for the Group which are used for and fulfil the conditions for hedge accounting of future transactions.

Forward exchange contracts relate to hedging of product sales/purchase, cf. Group policy.

Hedge ineffectiveness impacted the income statement during the year by approx. -5 mDKK (2012: 0 mDKK).

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 2,111 mDKK (2012: 1,909 mDKK).

As at 31 December 2013 there were no current hedging contracts for interest rate risk, and the Group's net interest bearing debt was predominantly subject to floating interest rates, as was also the case at 31 December 2012.

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 earnings by around 15 mDKK p.a. (2012: 20 mDKK).

Credit risks

The Group's credit risks relate partly to receivables and cash at bank and in hand, and partly to derivative financial instruments with positive fair value. The maximum credit risk attached to financial assets corresponds to the values recognised in the balance sheet. It is Group policy not to renegotiate payment dates with customers. There have been no significant renegotiations during the year.

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 historically the Group has had few losses.

Amounts in mDKK	2013		2012	
	Notional value ¹⁾	Gain/loss recog. in oth. compr. income	Notional value ¹⁾	Gain/loss recog. in oth. compr. income
AUD	-124.4	13.0	-165.2	1.3
CNY	770.0	-4.4	464.5	-1.1
EUR	-103.0	0.0	-299.2	-0.1
GBP	-172.0	-1.9	-228.7	-2.5
HUF	67.8	0.2	88.1	-2.0
JPY	-22.8	3.3	0.0	0.0
KRW	-22.2	-0.7	0.0	0.0
MXN	19.3	0.0	34.2	1.0
NOK	-141.5	9.5	-141.9	-3.6
NZD	-6.2	0.4	-29.5	0.1
SEK	-185.3	4.8	-236.5	-6.0
SGD	-26.8	1.6	-43.1	-0.4
USD	-41.1	-1.6	143.5	-3.8
Other European	-18.3	-0.2	-13.3	-0.7
Other currencies	-28.8	1.4	-95.2	-0.5
Total (maturity 0-24 months; 2012: 0-12 months)	-35.3	25.4	-522.3	-18.3

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

Notes

6.7 Financial risks and financial instruments (continued)

Credit risks (continued)

Receivables (gross) from sales and services at 31 December 2013 amounted to 2,850.2 mDKK (2012: 2,952.4 mDKK), impaired to 2,739.2 mDKK (2012: 2,834.8 mDKK). Movements for the year in impairments on receivables from sales and services are specified as follows:

Amounts in mDKK	2013	2012
Receivables from sales and services (gross)	2,850.2	2,952.4
<i>Impairment for bad and doubtful debts:</i>		
1 January	117.6	124.2
Additions through business combinations	9.8	0.0
Exchange rate adjustment	-4.3	1.6
Writedowns for year included in income statement in 'Other costs'	19.3	13.6
Reversal of impairment for the year included in income statement in 'Other costs'	-13.9	-7.9
Realised losses during year	-17.5	-13.9
Impairment, 31 December	111.0	117.6
Total receivables from sales and services	2,739.2	2,834.8

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.

Impairments as at 31 December, amounting to 111.0 mDKK (2012: 117.6 mDKK), included 29.3 mDKK (2012: 47.0 mDKK) attributable to individual impairment.

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

Amounts in mDKK	2013	2012
<i>Periods after maturity:</i>		
Up to 30 days	254.4	244.9
Between 30 and 60 days	78.7	61.5
Between 60 and 120 days	71.8	46.3
More than 120 days	144.1	126.3
	549.0	479.0

Liquidity risks

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

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

Group Management believes that the Group's and the company's cash resources are adequate for implementing the planned operating activities.

The Group's aim is to have sufficient cash resources to continue to act effectively in the event of unforeseen fluctuations in liquidity.

New five-year committed facilities and a 15-year mortgage loan were established in 2013 to replace facilities that had matured. No significant committed facilities will mature before January 2016. The committed credit facilities were increased by 0.7 bnDKK while the uncommitted facilities were reduced by 0.3 bnDKK, corresponding to a total increase in credit facilities of 0.4 bnDKK.

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

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

Notes

6.7 Financial risks and financial instruments (continued)

Liquidity risks (continued)

The Group's liabilities mature as follows:

Amounts in mDKK	2013						Total
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 y.	
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

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

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 accounts as 2,578.5 mDKK (2012: 2,367.3 mDKK), while the contractual cash flows, cf. above, amount to 2,601.1 mDKK for 2013 (2012: 2,384.6 mDKK).

Raw material price risks

Raw material price risks 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 the Group's two largest segments, NKT Cables and Nilfisk-Advance. The Group covers risks relating to raw material prices by utilising forward transactions for metal supplies. Management and hedging of current and expected future risks are performed by the Group's business areas based on established guidelines. As at 31 December NKT Cables had current forward transactions relating to future metal supplies to a value of 291.5 mDKK (2012: 352.1 mDKK) with a negative fair value of 15.9 mDKK (2012: positive value of 0.8 mDKK).

It is estimated that, all other things being equal, a 10% rise in raw material prices would, influence the Group's other comprehensive income by around 29 mDKK for forward transactions for metal supplies at 31 December 2013 (2012: 35 mDKK). The fair value of the effective part of the hedge is recognised on a continuing basis in Group equity as hedge of future cash flows. Impact of ineffectiveness on the income statement was negligible during the year.

Categories of financial instruments - carrying amount

Amounts in mDKK	2013	2012
<i>Financial assets:</i>		
Trading portfolio (derivative financial instruments)	54.1	40.7
Loans and receivables	4,062.6	3,817.7
Financial assets available for sale	22.3	21.2
<i>Financial liabilities:</i>		
Trading portfolio (derivative financial instruments)	23.5	75.7
Financial liabilities, measured at amortised cost	6,306.0	6,217.7

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 2013 and 2012 of NKT's forward transactions (only currency and metal contracts were current at 31 December) is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

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).

Notes

6.8 Share capital and dividends

Accounting policy

Dividend is recognised as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity. Interim dividend is

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

Number of 20 DKK shares ('000)

	2013	2012
Shares, 1 January	23,888	23,738
Increase in capital by exercise of warrants	41	150
Shares, 31 December	23,930	23,888
Treasury shares	-77	-77
Shares outstanding, 31 January	23,852	23,811

As at 31 December 2013 the share capital consisted of 23,929,679 shares with a nominal value of 20 DKK each (2012: 23,888,379). No shares carry special rights. The company's Articles of Association specify no limits in respect of ownership or voting right and the company is unaware of any agreements in this regard.

A dividend of 3.5 DKK per share (2012: 8.0 DKK) is proposed, corresponding to payment of a total dividend amount of 83.8 mDKK (2012: 191.1 mDKK).

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

6.9 Treasury shares

Accounting policy

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

Proceeds from sale 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.

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

	Number of shares	Nom. mDKK	Proceeds mDKK	Proportion of share capital	Market value mDKK
2013					
1 January	77,425	1.5	-	0.3%	15.8
Dividends received	-	-	0.6	-	-
31 December	77,425	1.5	0.6	0.3%	20.7
2012					
1 January	77,425	1.5	-	0.3%	14.8
Dividends received	-	-	0.2	-	-
31 December	77,425	1.5	0.2	0.3%	15.8

Notes

6.10 Earnings per share

Accounting policy

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

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

Amounts in mDKK

	2013	2012
Profit attributable to equity holders of NKT Holding A/S	252.3	1,603.9
Earnings effect of warrants in subsidiaries	0.0	0.0
Diluted profit attributable to equity holders of NKT Holding A/S	252.3	1,603.9
Profit, continuing operations	252.8	195.5
Profit attributable to minority interests	-0.5	-1.3
Profit, continuing operations, attributable to equity holders of NKT Holding A/S	252.3	194.2
Profit, discontinued operation, attributable to equity holders of NKT Holding A/S	0.0	1,409.7
Weighted average number of shares:		
Average number of issued shares	23,919,354	23,850,779
Average number of treasury shares	-77,425	-77,425
Weighted average number of shares outstanding	23,841,929	23,773,354
Effect of warrants	51,392	10,238
Diluted average number of shares outstanding	23,893,321	23,783,592
Basic earnings, DKK, per share (EPS)	10.6	67.5
Diluted earnings, DKK, per share (EPS-D)	10.6	67.4
Basic earnings per share (EPS), continuing operations	10.6	8.2
Diluted earnings per share (EPS-D), continuing operations	10.6	8.2
Basic earnings per share (EPS), discontinued operation	-	59.3
Diluted earnings per share (EPS-D), discontinued operation	-	59.3

In the calculation of EPS-D, 298,300 (2012: 469,500) warrants were excluded. These warrants were without value but may potentially dilute future earnings per share.

7 - GROUP STRUCTURE

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

7.1 Acquisition of subsidiaries

Accounting policy

Businesses acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition/formation. Businesses sold or wound up are recognised in the consolidated financial statements until the date of disposal.

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

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

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

The purchase consideration for a business consists of the fair value of the agreed consideration in the form of acquired assets, assumed liabilities,

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

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

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

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

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

Notes

7.1 Acquisition of subsidiaries (continued)

2013

NKT Cables completed the acquisition of the Ericsson power cable business on 1 July 2013, taking over a factory in Falun, Sweden, which includes production facilities, a development department, and sales and administration functions. The entity has around 300 employees.

The acquisition is a core component in NKT Cables' growth strategy, which i.a. focuses on strengthening NKT Cables' market position in medium and low voltage cables in selected markets.

In addition, minor acquisitions were made in 2013 by Nilfisk-Advance.

Amounts in mDKK		NKT Cables acquisition in Falun, Sweden	Nilfisk-Advance acquisitions	Total
Non-current assets	Intangible assets	0.0	5.9	5.9
	Tangible assets	95.3	1.4	96.7
Current assets	Inventories	190.2	3.3	193.5
	Receivables	238.2	0.0	238.2
Current liabilities	Payables and provisions	-245.2	-0.5	-245.7
	Net assets acquired	278.5	10.1	288.6
	Negative goodwill (gain)	-68.2	0.0	-68.2
	Goodwill	0.0	14.3	14.3
	Purchase consideration	210.3	24.4	234.7
	Deferred contingent purchase consideration	0.0	-8.6	-8.6
	Cash purchase consideration	210.3	15.8	226.1
	Direct purchase costs	7.4	0.5	7.9
	Revenue recognised in 2013	556.9	19.2	576.1
	Recognised profit after tax in 2013	9.4	3.6	13.0

Negative goodwill of 68.2 mDKK is stated for Falun. Acquired assets and liabilities are recognised at fair value, and negative goodwill reflects a discount gained on acquisition. Negative goodwill is recognised in other operating income in the income statement together with related transaction costs of 7.4 mDKK.

Goodwill represents the value of personnel and anticipated synergies arising from merger of the Group's existing activities.

The business acquired from Ericsson was an integral part of Ericsson AB until the acquisition.

Absence of data concerning the business as an independent entity means it is not possible to disclose the NKT Group's revenue and profits as if the acquisition date had been 1 January 2013.

2012

The Group effected no acquisitions in 2012 with significance for consolidated revenue and profit.

Notes

7.2 - Group companies

Group companies	Domicile	Equity share	Group companies	Domicile	Equity share
Nilfisk-Advance Group					
Denmark			South America		
Nilfisk-Advance A/S	Denmark	100%	Nilfisk-Advance S.R.L.	Argentina	100%
Europe			Nilfisk-Advance Equipamentos de Limpeza Ltda.	Brazil	100%
Nilfisk-Advance GmbH	Austria	100%	Nilfisk-Advance S.A.	Chile	51%
Nilfisk-Advance N.V./S.A.	Belgium	100%	Nilfisk-Advance S.A.C	Peru	51%
Nilfisk-Advance s.r.o.	Czech Rep.	100%	Africa		
Nilfisk-Advance Oy AB	Finland	100%	WAP South Africa Pty. Ltd.	South Africa	100%
Nilfisk-Advance France S.A.S.	France	100%	Asia/Pacific		
Jungo Voirie S.A.S.	France	100%	Nilfisk-Advance Pty. Ltd.	Australia	100%
Nilfisk-Advance Eppingen GmbH	Germany	100%	Nilfisk-Advance Ltd.	Hong Kong	100%
Nilfisk-Advance GmbH	Germany	100%	Nilfisk-Advance India Ltd.	India	100%
Nilfisk-Advance A.E.	Greece	100%	Nilfisk-Advance Inc.	Japan	100%
Nilfisk-Advance Production Kft.	Hungary	100%	ALTO (Ningbo) Mechanical		
Nilfisk-Advance Commercial Kft.	Hungary	100%	Manufacturing Co. Ltd.	China	100%
Nilfisk-Advance Ltd	Ireland	100%	Dongguan Viper Cleaning		
CFM Nilfisk-Advance S.p.A.	Italy	100%	Equipment Co. Ltd.	China	100%
Nilfisk-Advance B.V.	Netherlands	100%	Nilfisk-Advance Cleaning		
Nilfisk-Advance AS	Norway	100%	Equipment (Shanghai) Co. Ltd	China	100%
Nilfisk-Advance Sp.z.o.o.	Poland	100%	Nilfisk-Advance Professional Cleaning		
Nilfisk-Advance Lda	Portugal	100%	Equipment (Suzhou) Co. Ltd.	China	100%
Nilfisk-Advance S.R.L.	Romania	100%	Nilfisk-Advance Korea Co. Ltd.	Korea	100%
Nilfisk-Advance LLC	Russia	100%	Nilfisk-Advance Sdn Bhd	Malaysia	100%
Nilfisk-Advance s.r.o.	Slovakia	100%	Nilfisk-Advance Ltd.	New Zealand	100%
Nilfisk-Advance S.A.	Spain	100%	Nilfisk-Advance Pte. Ltd.	Singapore	100%
Tennab Holding AB	Sweden	100%	Nilfisk-Advance Ltd.	Taiwan	100%
Aquatech AB	Sweden	100%	Nilfisk-Advance Co. Ltd.	Thailand	100%
Nilfisk-Advance AB	Sweden	100%	Nilfisk-Advance Company Ltd.	Vietnam	100%
Nilfisk-Advance AG	Switzerland	100%	Associates		
NA Sonderegger AG	Switzerland	100%	M2H S.A.	France	44%
Nilfisk-Advance Profesyonnel	Turkey	100%	CFM Lombardia S.r.l.	Italy	33%
Nilfisk-Advance Ltd.	UK	100%	Rottest A.S.	Turkey	50%
North and Central America			Industro-Clean (Pty.) Ltd	South Africa	50%
Nilfisk-Advance Canada Company	Canada	100%			
Nilfisk-Advance U.S Holding Inc.	US	100%			
Nilfisk-Advance Inc. (Plymouth)	US	100%			
Hathaway North America Inc.	US	100%			
Nilfisk-Advance de Mexico S.deR.L.deC.V.	Mexico	100%			
Nilfisk-Advance de Mexico					
Services S. de R.L. de C.V.	Mexico	100%			
Nilfisk-Advance de Mexico					
Manufacturing Services S. de R.L. de C.V.	Mexico	100%			
Nilfisk-Advance de Mexico					
Manufacturing S. de R.L. de C.V.	Mexico	100%			

Notes

7.2 - Group companies (continued)

Group companies	Domicile	Equity share	Group companies	Domicile	Equity share
NKT Cables Group			Photonics Group		
Germany			Denmark		
NKT Cables Group GmbH	Germany	100%	NKT Photonics A/S	Denmark	98%
NKT Cables GmbH Nordenham	Germany	100%			
NKT Cables GmbH Köln	Germany	100%	Europe		
VGK1 GmbH	Germany	100%	LIOS Technology GmbH	Germany	100%
			NKT Photonics GmbH (owned by NKT Photonics A/S)	Germany	100%
Europe			Vytran UK Limited	UK	100%
NKT Cables s.r.o.	Czech Rep.	100%			
NKT Cables Group A/S	Denmark	100%	America		
NKT Cables A/S	Denmark	100%	LIOS Technology Inc.	US	100%
NKT Cables Ultera A/S	Denmark	100%	NKT Photonics Inc. (owned by NKT Photonics A/S)	US	100%
NKT Cables Italia S.r.L.	Italy	100%	Vytran LLC	US	100%
NKT Cables Nederland B.V.	Netherlands	100%			
NKT Cables AS	Norway	100%	Asia/Pacific		
NKT Cables S.A.	Poland	100%	NKT (Beijing) Photonic Technical Service Co., Ltd.	China	100%
NKT Cables Warszawice Sp. z.o.o.	Poland	100%			
NKT Cables LLC	Russia	100%			
NKT Cables Spain S.L.	Spain	100%			
NKT Cables Holding AB	Sweden	100%			
NKT Cables AB	Sweden	100%			
NKT Cables Ltd.	UK	100%			
Middle East					
NKT Cables JLT, UAE	Dubai	100%			
Asia/Pacific					
NKT Cables Australia Pty Ltd	Australia	100%			
NKT Cables Ltd., Changzhou	China	100%			
NKT Electrical Components (Changzhou) Co. Ltd.	China	100%			
Nanjing Daqo NKT Cables Co., Ltd.	China	100%			
Unique Vantage Ltd.	Hong Kong	100%			
Associates					
Ultera GP	US	50%			

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

Notes

7.3 Associates

Accounting policy

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

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

Investments in associates are measured in the consolidated financial statements according to the equity method. The investments are therefore measured in the balance sheet at the proportionate share of their equity value in accordance with the Group's accounting policy,

minus or plus a proportionate share of unrealised intra-Group profits and losses, and plus excess capital paid on acquisitions, including goodwill. Investments in associates are tested for impairment when such indication exists.

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

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

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

Amounts in mDKK

	2013	2012
<i>Summary financial information - 100%:</i>		
Revenue	522.3	529.4
Profit for the year	39.5	29.8
Total assets	388.6	475.5
Liabilities	154.4	208.0
The NKT Group's share of profit for the year	15.8	14.0
The NKT Group's share of equity	104.9	119.5
Goodwill	15.5	14.2
Carrying amount, 31 December	120.4	133.7

Company information and ownership interests appear in the list of Group companies in note 7.2.

Notes

7.4 Discontinued operation

Accounting policy

Discontinued operations constitute an important part of the business whose activities and cash flows are clearly distinguishable, operationally and in financial reporting terms, from the rest of the business. The entity has either been disposed of or is held for sale, and the sale is expected to be completed within one year in accordance with a formal plan. Discontinued operations also include businesses which in connection with the acquisition are designated as 'held for sale'.

Net results of discontinued operations, net value adjustments of related assets and liabilities, and profits/losses on sales are presented in a separate

line in the income statement with restatement of comparative figures. Revenue, costs, value adjustments and tax of discontinued operations are disclosed in the notes. Assets and liabilities relating to discontinued operations are presented in separate lines in the balance sheet without restatement of comparative figures, and main items are specified in the notes.

Operating, investment and financing cash flows relating to the discontinued operations are disclosed in a note.

Amounts in mDKK	2013	2012
Profit from sale	-	1,409.7
Profit for the year from discontinued operation	-	1,409.7
Cash flow from sale of operation	-	1,966.7
Cash flow from discontinued operation	-	1,966.7
Profit from discontinued operation attributable to equity holders of NKT Holding A/S	-	1,409.7
Diluted profit from discontinued operation attributable to equity holders of NKT Holding A/S	-	1,409.7

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

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

subsidiaries was recognised in the financial statement for the NKT Flexibles group.

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

At the divestment of the ownership interest the carrying amount of the equity investment in the joint venture was 708 mDKK, deferred tax liability was 137 mDKK and net interest bearing debt was 14 mDKK.

Notes

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 Fees to auditors elected at the Annual General Meeting

Amount in mDKK	2013	2012
<i>Deloitte 2013 / KPMG 2012:</i>		
Statutory audit	8.5	12.6
Audit related services	0.1	1.1
Tax and VAT advice	0.2	1.7
Other services	1.8	4.1
	10.6	19.5

8.2 Events after the balance sheet date

The Board of Directors has granted 136,342 warrants to the Executive Management and senior staff of NKT Holding, cf. company notice of January 2014.

The exercise periods for the warrants have been determined as two weeks after publication of the company's annual report in each of the years 2017, 2018 and 2019, as well as two weeks after publication of the company's second-quarter interim report in each of the years 2017 and 2018.

Each warrant confers entitlement to subscribe for one share of a nominal price of 20 DKK at a set subscription price of 319.74 DKK. 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 2014, 2015 and 2016.

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 319.74 DKK, and using the Black-Scholes formula, the value of the warrants granted can be calculated as 1.9 mDKK if the warrants are exercised at the earliest possible date. The calculation assumes volatility of 21% and an interest rate of 0.9%.

On 28 February 2014, Nilfisk-Advance announced the signing of a conditional agreement for the sale of a minor product area relating to sanding equipment and deemed not to be a core activity. A profit of around 100 mDKK is expected from the sale, which will impact 2014 earnings positively when the transaction is finally completed. The sale will lead to a reduction of around 120 mDKK in NKT's net interest bearing debt.

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 2013 Annual Report. The new standards and interpretations are not expected to materially influence NKT's financial reporting.

8.4 Related parties - associates

Transactions with associates

Amounts in mDKK	2013	2012
Goods sold to	144.4	150.9
Goods purchased from	8.7	0.0
Receivables	30.7	26.0
Loans to, net	0.0	13.6
Payables to	1.7	0.0
Dividend received	7.3	65.9
Capital Contribution	1.4	0.0

The trading took place on normal market conditions.

Notes

8.5 Contingent liabilities, securities and contractual obligations

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 includes 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 operational leases are recognised on a straight-line basis over the term of the lease.

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

Contingent liabilities

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.

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

The results of this review were filed on 16 March 2012. NKT Cables and NKT Holding gave a verbal presentation of NKT's viewpoints at a hearing held by the European Commission in June 2012. Currently it is not possible to determine whether the Group will incur costs, and if so, the magnitude of these costs. As a result, no liability is recognised in the balance sheet as at 31 December 2013. The European Commission is expected to reach a decision on this issue within 2014.

The management remuneration in the business areas 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 2013 these conditions were complied with.

Securities

Amounts in mDKK

	2013	2012
<i>Carrying amount of assets provided as security for credit institutions:</i>		
Land and buildings	742.4	769.1
Plant and machinery	623.4	537.1
Operating equipment	11.3	0.0
Liabilities secured on assets	838.9	433.9

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

Notes

8.5 Contingent liabilities, securities and contractual obligations (continued)

Contractual obligations

Amounts in mDKK

	2013	2012
Contractual obligations relating to purchase of buildings and production plants	34.9	34.5
<i>Operating lease commitments:</i>		
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.		
<i>Interminable minimum lease payments are specified as follows:</i>		
Within 0-1 year	235.2	220.5
Within 1-5 years	310.4	315.2
After 5 years	239.2	223.1
	784.8	758.8
Lease payments recognised in income statement	275.4	258.9
Of which subrental, income	1.0	2.6
<i>Operating lease income:</i>		
Operating lease income relates to Nilfisk-Advance products leased to customers.		
<i>Interminable minimum rent income is specified as follows:</i>		
Within 0-1 year	19.9	18.3
Within 1-5 years	15.6	8.3
	35.5	26.6

8.6 Explanatory comments to 5-year financial highlights

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

- 1) **Revenue at standard prices** - Revenue at standard prices for copper and aluminium is set at 1,550 EUR/tonne and 1,350 EUR/tonne respectively.
- 2) **Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA)** - earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for one-off items. One-off items comprise 2013: 18mDKK, 2012: -30mDKK, 2011: -33mDKK, 2010: -86 mDKK and 2009: -152 mDKK.
- 3) **Net interest bearing debt** - Cash, investments and interest bearing receivables less interest bearing debt. Specified for 2013 and 2012 in Note 6.2.
- 4) **Capital employed** - Group equity plus net interest bearing debt. Specified for 2013 and 2012 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. minority interests as a percentage of total assets.
- 8) **Return on capital employed (RoCE)** - EBIT adjusted for one-off items as a percentage of average capital employed. Operational EBITDA is calculated including discontinued operation (excl. profit from disposal). One-off items comprise, 2013: -39mDKK, 2012: -37mDKK, 2011: -33 mDKK, 2010: -86 mDKK and 2009: -152 mDKK.
- 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 Executive Management and employees is not included in this ratio.

Financial ratios

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

Gearing	$\frac{\text{Net interest bearing debt} \times 100}{\text{Group equity}}$
Solvency ratio	$\frac{\text{Equity excl. minority interest} \times 100}{\text{Total assets}}$
Return on Capital Employed (RoCE)	$\frac{\text{Operational EBIT}}{\text{Average capital employed}}$
Earnings Per Share (EPS)	$\frac{\text{Earnings attr. to equity holders of NKT Holding A/S}}{\text{Average number of shares outstanding}}$
Earnings Per Share Diluted (EPS-D)	$\frac{\text{Earnings attr. to equity holders of NKT Holding A/S}}{\text{Diluted average number of shares}}$
Book Value Per Share (BVPS)	$\frac{\text{Equity excl. minority interest}}{\text{Number of shares}}$

Income statement and comprehensive income

NKT HOLDING A/S

1 January - 31 December

Amounts in mDKK	Note	2013	2012
Income statement			
Dividends from subsidiaries		150.1	139.7
Sale of services		28.4	31.1
Revenue		178.5	170.8
Staff costs	3	-58.4	-40.5
Other costs	4	-22.6	-25.0
Depreciation and impairment of tangible assets		-0.1	-0.1
Operating earnings (EBIT)		97.4	105.2
Financial income	5	248.6	348.5
Financial expenses	6	-175.0	-240.8
Earnings before tax (EBT), continuing operations		171.0	212.9
Tax	7	-17.6	-19.5
Profit, continuing operations		153.4	193.4
Profit for the year from discontinued operation	8	0.0	1,630.2
Profit for the year		153.4	1,823.6
Statement of comprehensive income			
Profit for the year		153.4	1,823.6
Other comprehensive income after tax		0.0	0.0
Total comprehensive income		153.4	1,823.6
Proposed distribution			
Proposed dividend of 3.5 DKK per share (2012: 8.0 DKK per share)		83.8	191.1
Transferred to retained comprehensive income		69.6	1,632.5
		153.4	1,823.6

Cash flow statement

NKT HOLDING A/S

1 January - 31 December

Amounts in mDKK	Note	2013	2012
Operating earnings (EBIT) before depreciation		97.5	105.3
Non-cash items		6.9	4.3
Changes in working capital		28.9	-7.7
Cash flow from operations before financial items		133.3	101.9
Interest received		211.3	337.0
Interest paid		-134.1	-190.9
Cash flow from ordinary activities		210.5	248.0
Income tax paid		-13.9	-2.7
Cash flow from operating activities		196.6	245.3
Increase and decrease of capital in subsidiaries		-18.7	0.0
Disposal of property, plant and equipment		0.0	0.3
Changes in loans to/from subsidiaries		-608.8	29.8
Cash flow from investing activities		-627.5	30.1
Changes in non-current loans		897.9	-2,053.9
Changes in current loans		23.5	-410.6
Dividend paid		-191.4	-47.8
Dividend on treasury shares		0.6	0.2
Cash from exercise of warrants		6.6	22.4
Cash flow from financing activities		737.2	-2,489.7
Cash flow from discontinued operation	8	0.0	1,966.7
Net cash flow		306.3	-247.6
Cash at bank and in hand, 1 January		275.4	523.0
Net cash flow		306.3	-247.6
Cash at bank and in hand, 31 December		581.7	275.4

Balance sheet

NKT HOLDING A/S

31 December

Amounts in mDKK	Note	2013	2012
Assets			
Tangible assets			
Equipment		0.1	0.2
		0.1	0.2
Other non-current assets			
Investments in subsidiaries	9	2,770.7	2,792.0
Receivables from subsidiaries		4,186.7	1,473.5
		6,957.4	4,265.5
Total non-current assets		6,957.5	4,265.7
Current assets			
Receivables from subsidiaries		9.6	2,586.3
Other receivables		4.3	1.3
Income tax receivable		1.6	0.0
Cash at bank and in hand		581.7	275.4
		597.2	2,863.0
Total assets		7,554.7	7,128.7
Equity and liabilities			
Equity			
Share capital		478.6	477.8
Retained comprehensive income		5,164.8	5,082.0
Proposed dividends		83.8	191.1
Total equity		5,727.2	5,750.9
Non-current liabilities			
Deferred tax	10	14.2	32.3
Retirement benefit liabilities		0.0	0.2
Credit institutions, etc.	11	1,476.4	578.5
		1,490.6	611.0
Current liabilities			
Credit institutions, etc.	11	72.9	48.3
Liabilities to subsidiaries	11	228.0	690.9
Trade payables and other liabilities	11	12.6	27.6
Joint taxation contribution to subsidiaries		23.4	0.0
		336.9	766.8
Total liabilities		1,827.5	1,377.8
Total equity and liabilities		7,554.7	7,128.7

Statement of changes in equity

NKT HOLDING A/S

1 January - 31 December

Amounts in mDKK	Share capital	Retained comprehen- sive income	Proposed dividends	Total equity
Equity at 1 January 2012	474.8	3,425.7	47.5	3,948.0
<i>Changes in equity in 2012:</i>				
Total comprehensive income for the year		1,632.5	191.1	1,823.6
Dividend paid		-0.3	-47.5	-47.8
Dividend paid from treasury shares		0.2		0.2
Share-based payment		4.5		4.5
Cash from exercise of share warrants	3.0	19.4		22.4
Total changes in equity in 2012	3.0	1,656.3	143.6	1,802.9
Equity at 31 December 2012	477.8	5,082.0	191.1	5,750.9
Equity at 1 January 2013	477.8	5,082.0	191.1	5,750.9
<i>Changes in equity in 2013:</i>				
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
Cash from 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

Notes

NKT HOLDING A/S

NKT Holding A/S functions as a holding company for the Group's activities and undertakes the tasks related thereto. For description of the enterprise's activities, etc., please refer to the Group Management's review.

1 - ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

Determining the carrying amount of certain assets and liabilities requires estimates of how future events will influence the value of these assets and liabilities at the balance sheet date. Estimates that are significant for the financial reporting for the parent company are made by establishing indication of impairment and reversal of write-down on investments in subsidiaries. The estimates used are based on assumptions which by Group Management are considered to be reliable, but which by nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise.

Furthermore, the company is subject to risks and uncertainties which may lead to actual results differing from these estimates. Particular risks relating to the NKT Group are described in Note 1.2 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 OF CAPITAL STRUCTURE

Management of capital structure at NKT Holding A/S is performed for the Group as a whole and no operational targets or policies are therefore established independently for the parent company. See Note 6.7 to the consolidated financial statements and the section 'Risk management' in the Group Management's review.

Categories of financial instruments:

Amounts in mDKK	2013	2012
<i>Financial assets:</i>		
Trading portfolio (derivative financial instruments)	3.2	0.0
Loans and receivables	4,779.1	4,336.5
<i>Financial liabilities:</i>		
Trading portfolio (derivative financial instruments)	0.0	17.8
Financial liabilities, measured at amortised costs	1,813.3	1,327.5

The parent company's payables fall due as follows:

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	1,096.5	377.4	1,813.3
2012					
Credit institutions, etc.	47.9	0.0	0.0	573.5	621.4
Other financial liabilities	718.5	2.9	2.5	0.0	723.9
	766.4	2.9	2.5	573.5	1,345.3

Notes

NKT HOLDING A/S

3 - STAFF COSTS

Amounts in mDKK	2013	2012
Wages and salaries	47.9	32.5
Social security contributions	0.1	0.2
Defined contribution plans	3.3	3.3
Share-based payments	7.1	4.5
	58.4	40.5
Average number of full-time employees	23	25

Remuneration to the Board of Directors and the Executive Management, and warrant plans for Executives Management and employees can be found in Notes section 3 to the consolidated financial statements.

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

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

Amounts in mDKK	2013	2012
<i>Deloitte 2013 / KPMG 2012:</i>		
Statutory audit	0.7	0.9
Audit related services	0.0	1.0
Tax and VAT advice	0.0	0.1
Other services	0.3	0.0
	1.0	2.0

5 - FINANCIAL INCOME

Beløb i mDKK	2013	2012
Interest, etc. relating to financial assets measured at amortised cost	37.3	37.0
Interest from subsidiaries	140.0	148.3
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	0.0	4.7
Gain on portfolio of investments held for trading (derivative financial instruments)	33.5	10.3
Foreign exchange gains	37.8	148.2
	248.6	348.5

Notes

NKT HOLDING A/S

6 - FINANCIAL EXPENSES

Amounts in mDKK	2013	2012
Interest, etc. relating to financial liabilities measured at amortised cost	60.0	87.0
Interest to subsidiaries	2.5	2.2
Impairment of investments in subsidiaries	40.0	0.0
Foreign-exchange adjustment on loans to subsidiaries that form part of the net investment	0.9	0.0
Foreign exchange losses	71.6	151.6
	175.0	240.8

7 - TAX

Amounts in mDKK	2013	2012
Current tax	12.6	1.8
Joint taxation contribution	23.1	0.9
Deferred tax	-18.1	16.8
	17.6	19.5
<i>Reconciliation of tax:</i>		
Tax at 25% of earnings before tax	42.8	53.2
<i>Tax effect:</i>		
Non-taxable dividend income	-37.5	-34.9
Non-deductible impairment	10.0	0.0
Non-deductible expenses	2.3	1.2
	17.6	19.5

8 - DISCONTINUED OPERATION

The sale of NKT Flexibles to National Oilwell Varco was completed on 4 April 2012. The operation was part of the divested subsidiary SubSeaFlex Holding A/S.

Amounts in mDKK	2013	2012
Profit from sale	-	1,630.2
Share of profit after tax from joint venture	-	1,630.2
Cash flow from sale of operation	-	1,966.7
Cash flow from discontinued operation	-	1,966.7

Notes

NKT HOLDING A/S

9 - INVESTMENTS IN SUBSIDIARIES

Amounts in mDKK	2013	2012
Cost, 1 January	3,112.9	3,449.4
Disposal	0.0	-336.5
Additions / capital contribution	18.7	0.0
Cost, 31 December	3,131.6	3,112.9
Impairment, 1 January	-320.9	-320.9
Impairment ¹⁾	-40.0	0.0
Impairment, 31 December	-360.9	-320.9
Book value, 31 December	2,770.7	2,792.0

¹⁾ Impairment of equity investments in subsidiaries relates to Vytran LLC. Impairment is recognised under financial expenses. Equity investments are written down to value in use based on a cash flow forecast for the years 2014-2017 determined from the company's budgets and forecasts and an estimated value of cash flows in the period after 2017.

Following impairment, Vytran LLC is recognised at a value of less than 1% of the total value of investments in subsidiaries. As this value is of lesser significance, no further information on the impairment test is included.

Subsidiaries	Domicile	Ownership	Ownership
		2013	2012
NKT Cables Group A/S	Brøndby, Denmark	100%	100%
Nilfisk-Advance A/S	Brøndby, Denmark	100%	100%
NKT Photonics A/S	Birkerød, Denmark	98%	98%
LIOS Technology GmbH	Germany	100%	100%
Vytran LLC	US	100%	100%

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

10 - DEFERRED TAX LIABILITIES

Amounts in mDKK	2013	2012
1 January	32.3	15.5
Deferred income tax for the year recognised in profit for the year	-18.1	16.8
31 December	14.2	32.3
<i>Deferred tax relates to:</i>		
Recapture of trading losses	14.2	32.3
	14.2	32.3

11 - PAYABLES TO CREDIT INSTITUTIONS AND OTHER LIABILITIES

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

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

Notes

NKT HOLDING A/S

12 - CONTINGENT LIABILITIES

Amounts in mDKK	2013	2012
Guarantees for subsidiaries	1,041.1	727.1
Liability in respect of subsidiary company credit facilities under the Group account scheme	1,309.4	1,254.9
Leasing agreements for property, etc.	4.5	6.6
<i>Of which payable within:</i>		
0-1 years	3.9	4.0
1-5 years	0.6	2.6

For 2013, 3.4 mDKK (2012: 4.6 mDKK) is charged to the income statement as operational leasing.

As stated in Company Announcement No. 10 of 6 June 2011 and in subsequent annual and interim reports, NKT Cables and NKT Holding received a Statement of Objections from the European Commission in connection with the Commission's investigation of the submarine and underground high voltage cable markets in the period 1998-2008. See Note 8.5 to the consolidated financial statements for further details.

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 by a further 6 months. Beyond this there is no separation benefit plan for the Group Executive Director & CFO. See Note 3.2 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. Payable corporate taxes and income taxes within the joint taxation group amounted to 0 DKK as at 31 December 2013 (2012: 0 mDKK). 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.

13 - 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 mDKK	2013	2012
<i>Transactions with subsidiaries:</i>		
Sale of services	28.4	30.3
Interest received, net	137.5	146.1
Paid joint taxation contribution, net	23.1	0.9
Receivables, non-current	4,186.7	1,473.5
Receivables, current	9.6	2,586.3
Payables	251.4	690.9
Dividends received	150.1	139.7
Capital disposal	0.0	-336.5
Capital contribution	18.7	0.0

Notes

NKT HOLDING A/S

14 - ACCOUNTING POLICIES

The annual financial statements for the parent company are included in the annual report in pursuance of the requirements of the Danish Financial Statements Act.

The annual financial statements for the parent company are prepared in accordance with International Financial Reporting Standards adopted by the EU and additional Danish disclosure requirements for annual reports for listed companies.

Changes to accounting policies

The changes have not influenced recognition and measurement in the financial statements of the parent company. See description in Note 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. Similarly, foreign exchange gains and losses on that part of loans and derivatives established to hedge the net investment in these undertakings are also recognised under financial items in the income statement.

Revenue

Dividends from investments in subsidiaries are recognised in the income statement of the parent company in the year the dividends are declared. If the dividend distributed exceeds the comprehensive income of the subsidiaries in the period the dividend is declared, an impairment test is performed.

Investments in subsidiaries

Investments in subsidiaries are measured at acquisition cost. The acquisition cost includes the fair value of the purchase consideration plus direct purchase costs. If there is indication of impairment, impairment testing is carried out as described in the accounting policies for the consolidated financial statements. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax

The parent company is jointly taxed with all Danish subsidiaries. NKT Holding A/S is the administration company for the joint taxation and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognised under income tax related to net profit. 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 which use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilised. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption).

References to notes to the consolidated financial statements

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

Share capital – see Notes 6.8 and 6.9 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.

5-year financial highlights, EUR

Amounts in mEUR	2013	2012	2011	2010	2009
Income statement					
Revenue	2,119	2,045	2,092	1,937	1,567
Revenue in std. metal prices ¹⁾	1,722	1,628	1,629	1,539	1,334
Operational earnings before interest, tax, depreciation and amortisation (Oper. EBITDA) ²⁾	145	139	118	120	107
Earnings before interest, tax, depreciation and amortisation (EBITDA)	148	135	113	108	87
Depreciation and impairm. of property, plant and equipment	-54	-48	-53	-37	-33
Amortisation and impairment of intangible assets	-25	-24	-22	-19	-17
Earnings before interest and tax (EBIT)	68	63	38	52	38
Financial items, net	-21	-26	-38	-18	-17
Earnings before tax (EBT)	47	37	1	34	21
Profit for the year from continuing operations	34	26	1	27	18
Profit for the year from discontinued operation	0	189	16	9	14
Profit for the year	34	215	17	36	32
Profit attributable to equity holders of NKT Holding A/S	34	215	17	36	32
Cash flow					
Cash flow from operating activities of continuing operations	73	150	77	-49	82
Cash flow from investing activities of continuing activities hereof investments in property, plant and equipment	-93	-71	-107	-124	-135
Free cash flow	-20	79	-30	-173	-53
Balance sheet					
Share capital	64	64	64	64	64
Equity attributable to equity holders of NKT Holding A/S	760	768	544	550	498
Minority interests	1	1	1	1	3
Group equity	761	769	545	551	501
Total assets	1,742	1,734	1,801	1,683	1,357
Net interest bearing debt ³⁾	283	256	594	550	365
Capital employed ⁴⁾	1,043	1,025	1,139	1,102	867
Working capital ⁵⁾	377	323	367	402	265
Financial ratios and employees					
Operational EBITDA margin (std. metal prices)	8.4%	8.6%	7.2%	7.8%	8.0%
Gearing	37%	33%	109%	100%	73%
Net interest bearing debt relative to oper. EBITDA ⁶⁾	1.9	1.8	4.3	4.2	2.9
Solvency ratio (equity as % of total assets) ⁷⁾	44%	44%	30%	33%	37%
Return on capital employed (RoCE) ⁸⁾	6.7%	6.2%	5.5%	7.5%	9.4%
Number of 20 DKK shares ('000)	23,930	23,888	23,738	23,738	23,718
Earnings cont. oper., EUR, per outstanding share (EPS) ⁹⁾	1.4	1.1	0.0	1.1	0.8
Earnings, EUR, per outstanding share (EPS) ⁹⁾	1.4	9.0	0.7	1.5	1.4
Dividend paid, EUR, per share	1.1	0.3	0.3	0.5	0.0
Equity value, EUR, per outstanding share ¹⁰⁾	31.8	32	23	23	21
Market price, EUR, per share	35.9	27	26	40	39
Average number of employees	8,899	8,867	9,038	8,454	7,938

^{1) - 10)} Explanatory comments and financial ratios appear in Note 8.6 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 2013 of 746,03 has been applied.

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NKT