NKT Holding A/S

Annual Report 2006

Contents

Summary 2006

Thomas Hofman-Bang, CEO, og Søren Isaksen, CTO

As a result of successful and committed efforts by the NKT Group's staff and management, favourable market conditions and significant sector upturns in two of NKT's major business segments, we have achieved historically strong results in 2006.

The financial goals set at the start of 2006 were surpassed, and the majority of the defined objectives for the 2004-2008 strategic period will be achieved in the course of 2007.

With the acquisitions effected around the turn of the year 2006/2007 the NKT Group has moved to a new level. This is reflected in "Expectations for 2007" on page 2.

In relation to the assumptions on which our expectations for 2006 were based there has been a further rise in the price of raw materials. This caused us in 2nd quarter 2006 to increase our revenue forecast to 10.7 bnDKK, which is in harmony with the reported revenue for 2006 of 10.8 bnDKK. Revenue was therefore 1.4 bnDKK higher than the 9.4 bnDKK we forecasted at the start of the year. After adjustment for changes in raw material prices and exchange rates there was organic growth of 12% against the 5% expected.

Operating earnings - EBIT excluding special item - and other non-recurring items were 710 mDKK, corresponding to an EBIT margin of 6.6%, against 6.4% originally expected. The pleasing development in operating earnings was attributable partly to high activity levels in all NKT companies, and partly to the effect of the restructuring and efficiency measures initiated in previous years.

Forecast earnings before tax were revised upwards over the year from 540 mDKK to 765 mDKK and finished on 769 mDKK. This figure excludes the special item described on page 14.

An overview of the Group's financial highlights is presented on page 3.

The NKT Group management considers there is reason to be satisfied with the positive development in earnings, particularly as this development has primarily been created on the basis of the Group's ordinary operations. Earnings include non-recurring income from sale of property of 108 mDKK, which in April 2006 triggered an upward revision of our earnings forecast. The acquisitions that were made late 2006 by NKT Cables (Kablo Elektro) and Nilfisk-Advance (U.S. Products) do not affect the 2006 financial statements.

Progress in major businesses

The positive development is reflected in NKT's major businesses - NKT Cables, Nilfisk-Advance and NKT Flexibles, whereas it had been predicted that NKT Photonics, which at the present time represents a small part of the Group as a whole, would report a loss. This loss was 39 mDKK. However, NKT Photonics is expected to contribute positively to our earnings as from 2008.

The developments in 2006 in each of our areas of activity are described and commented upon in the individual company reviews later in this report. A general overview of earnings development for NKT companies is presented in Note 1 “Segment reporting”, on page 58.

Strategy goals to be revised upwards

The positive development in earnings in 2006 meant that the goals in our corporate growth strategy - Upgrade to Next Level - have largely been realised. Our 3rd quarter report issued in November 2006 contained a progress report on developments in relation to the strategy as regards revenue, earnings, return on investment and gearing level. On page 4-7 we provide an up-to-date picture of the position as at 31 December 2006. Our plan is to publish a strategy containing financial objectives for future years in mid-2007.

The NKT Group expands

In parallel with our efforts to position our companies in the international market with a view to consistently achieving and maintaining satisfactory organic growth, NKT Cables and Nilfisk-Advance both succeeded in making acquisitions effetive from 2007 that can contribute to increased value creation. With the acquisitions closed in the beginning of 2007, NKT’s corporate revenue will increase to around 12.7 bnDKK and the number of our employees to around 7,000. At the start of 2007 the NKT Group comprised a total of 75 production and sales companies in Europe, North America, Asia and Oceania.

NKT GROUP 2007

NKT Holding

NKT Cables Group	Nilfisk-Advance Group	NKT Photonics Group
› Northern Europe	› Europe	› Crystal Fibre
› Central Europe	› North America	› KOHERAS
› Eastern Europe	› Oceania	› LIOS Technology
› China	› Asia	› NKT Research & Innovation
		› Nanon

NKT Flexibles (51%)

Growth in share price

NKT’s share price rose considerably over 2006 - from a price of 289 DKK per share at 1 January to 503 DKK per share 31 December. This was an increase of 74%. At the annual general meeting in April the Board of Directors will recommend a dividend of 10 DKK per share (see also page 8-9).

Expectations for 2007

Consolidated revenue of around 12.7 bnDKK is forecasted for 2007, equal to growth of 18%. This forecast is based on the acquisition of both Kablo Elektro (Czech Republic) and U.S. Products (USA) at the start of 2007. If we exclude acquisitions and lower metal prices, organic growth of around 12% is forecast.

We expect to achieve an EBITDA margin of around 9.7% corresponding to a progress in earnings of approximately 35%. We expect earnings before tax of 800-850 mDKK.

These forecasts are based on current international market conditions continuing and on raw material prices, exchange rate levels and other external conditions remaining materially unchanged. We have assumed an average copper price that is 25% lower in 2007 than in 2006. We have not included possible changes to the Group structure in the form of acquisitions or sales of business operations or properties beyond those mentioned above.

Expectations for the individual Group companies are stated under the company reviews in pages 17-47.

Financial highlights 2006

Amounts in mDKK	2002 [1]	2003 [1]	2004	2005	2006
Income statement					
Revenue	5,889	5,824	7,138	8,750	10,815
Earnings before interest, tax, depreciation and amortisation (EBITDA)	168	386	433	713	1,022
Depreciation and impairment on tangible assets	(958)	(223)	(216)	(159)	(139)
Amortisation and impairment on intangible assets	(133)	(71)	(35)	(69)	(65)
Earnings before interest and tax (EBIT) [2]	(923)	92	182	485	818
Financial items, net	(17)	16	(24)	(22)	(49)
Earnings before tax [2]	(940)	108	158	463	769
Net income	(856)	77	198	361	603
NKT's share of net income	(696)	85	186	356	582
Balance sheet and employees					
Share capital	500	500	490	490	470
Equity attributable to NKT Holding A/S	2,898	2,831	2,674	2,672	2,787
Minority interests	135	126	76	63	19
Total equity	3,033	2,957	2,750	2,735	2,806
Total assets	5,034	4,663	5,869	6,177	7,350
Interest bearing items, net [3]	407	409	(145)	(764)	(1,023)
Capital employed [4]	2,626	2,549	2,895	3,499	3,829
Average number of employees	5,425	4,932	5,747	5,906	6,016
Cash flows					
Cash flows from operating activities	354	235	285	41	265
Investments in tangible assets, net	57	(116)	140	(105)	(29)
Financial ratios					
Equity share, 31 December	60%	63%	47%	44%	38%
Number of 20 DKK shares ('000)	25,000	25,000	24,500	24,500	23,500
Earnings, DKK, per outstanding share (EPS) [5]	(28.4)	3.5	7.6	14.7	24.9
Dividend paid, DKK, per share	4.0	4.0	8.0	8.0	12.0
Equity value, DKK, per outstanding share [6] [7]	118	116	109	114	119
Market price, DKK, per share	74	108	159	289	503

1) Figures for the period from 2002 to 2003 have been prepared in accordance with previous accounting policies based on the Danish Financial Statements Act and Danish Accounting Standards
2) For 2006, EBIT before special item and earnings before tax and special item see Note 11
3) Interest bearing cash items, investments and receivables less interest bearing debts
4) Group equity and net interest bearing items
5) NKT's share of net income relative to average number of outstanding shares
6) Equity attributable to NKT Holding A/S per outstanding share at 31 December
7) Dilutive potential shares from executives' and employees' share option plan are not recognised in the financial ratio

The financial ratios have been prepared in accordance with the guidelines of the Danish Society of Investment

Progress report on
- corporate growth strategy

The NKT Group's corporate growth strategy "Upgrade to Next Level" was introduced in spring 2004 with a four-year term. In the strategy, focus was placed on value creation by expansion of the business operations of NKT Cables, Nilfisk-Advance and NKT Photonics. For the 51%-owned company NKT Flexibles the focus was on improvement in earnings.

The strategy's financial goals, which are defined both at a Group and a company level, were revised upwards in both 2005 and 2006 in step with developments. The latest targets set are shown on page 5.

Our strategic movements as well as the results we have realised by the end of 2006 are specified below.

The objective for **NKT Cables** is to be a leading supplier of power cables in Central, Northern and Eastern Europe.

The positive development that began in 2003 led to accelerating organic growth in 2004-2006. In 2006, organic growth of 18% and rising income were recorded, corresponding to an EBITDA margin of 6.9%.

This has been achieved by virtue of a series of initiatives that have expanded the company's presence in existing and neighbouring markets. In addition, restructuring and efficiency measures have been implemented, reducing overheads and increasing competitiveness.

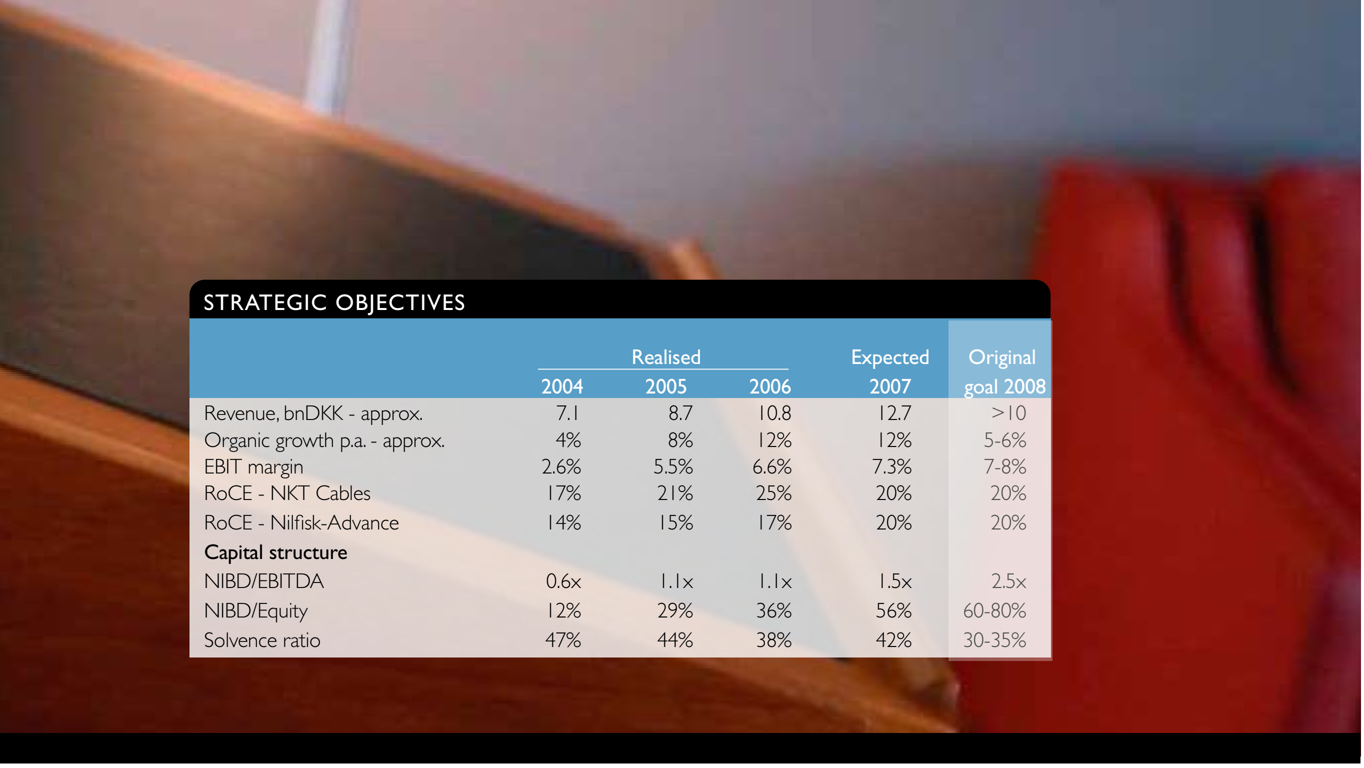
Further, in the company's units in Central and Eastern Europe a number of strategic measures have been carried out, such as the sale of non-core activities, most recently the divestment of NKT Cables' enamelled wire operations in Poland and telecom cable operations in Austria. In January 2007 NKT Cables acquired the Czech cable manufacturer Kablo Elektro, a transaction that increases revenue by 1.1 bnDKK and the work force by 1,000 people.

In Scandinavia, a small Norwegian cable company was acquired in 2004, and collaboration has begun with a Swedish cable company in product segments involving small batch production.

In China, NKT Cables bought out the minority shareholders of its local company in 2004, which has increased the potential for developing this business unit.

The plan is to continue expanding market presence by a combination of organic measures supported by selected acquisitions of power cable manufacturers.

Another objective is to increase profitability through further upgrade of production efficiency, closure or co-production with other makers of certain product categories, innovative supply chain solutions, streamlining of administrative routines, etc.



STRATEGIC OBJECTIVES

	Realised			Expected	Original
	2004	2005	2006	2007	goal 2008
Revenue, bnDKK - approx.	7.1	8.7	10.8	12.7	>10
Organic growth p.a. - approx.	4%	8%	12%	12%	5-6%
EBIT margin	2.6%	5.5%	6.6%	7.3%	7-8%
RoCE - NKT Cables	17%	21%	25%	20%	20%
RoCE - Nilfisk-Advance	14%	15%	17%	20%	20%
Capital structure					
NIBD/EBITDA	0.6x	1.1x	1.1x	1.5x	2.5x
NIBD/Equity	12%	29%	36%	56%	60-80%
Solvence ratio	47%	44%	38%	42%	30-35%

Overall, the goal is to achieve mean organic growth over an economic cycle of 4% p.a. and an EBIT margin of 6% (EBITDA margin > 8%). The target is a return on investment (RoCE) of around 20%.

The objective for **Nilfisk-Advance** is to be a world leading manufacturer of commercial and industrial cleaning equipment.

The strategic plan comprises initiatives relating both to organic growth and acquisitions.

With the acquisition in 2004 of Ecologica (Italy), G-Power (Australia) and the globally represented ALTO Group, and the acquisition in 2006 of U.S. Products - supplemented by the acquisition of a large number of distributors - Nilfisk-Advance has realised its ambition to become one of the world market's leading manufacturer of professional cleaning equipment, with revenue of 5.4 bnDKK in 2006.

Parallel with this, work has taken place on the continued development of the Nilfisk-Advance product programme and on optimising production facilities and business systems. In 2006, this resulted in organic growth of 6.8% and an EBITDA margin of 9.7%. The future plan is to increase the latter to more than 12%. In both growth and profitability this performance is among the industry's best.

The plan is to maintain and cement the company's global position through further selected acquisitions, with priority on expanding product range and market presence.

Overall, the goal is to achieve mean organic growth over an economic cycle of 6% p.a. and an EBIT margin of 10% (EBITDA margin >12%). The target is a return on investment (RoCE) of around 20%.

The objective for **NKT Photonics** is to create an integrated business unit focused on selected fibre-optic components and products. The ambition is to substantially expand the business segment both in revenue and earnings terms by a combination of organic growth and selected acquisitions.

With the acquisition of the assets of BlazePhotonics (UK) and LG-Laser Technologies (Germany), the acquisition of co-ownership of the US company Vytran, and the divestment in 2005 of NKT's involvement in the production of optical chips and components by NKT Integration, an improved platform has been created for the future development of Crystal Fibre (fabrication of crystal fibres), KOHERAS (lasers) and Germany's LIOS Technology (temperature measurement systems).

In 2005, NKT Photonics' Danish companies placed focus on selected product segments that all address the international laser market. In 2006 this focus was strengthened in the form of intensified development within these segments.

Within the coming year, NKT Photonics is expected to achieve earnings breakeven (before depreciation and amortisation) and then to achieve profitability as the markets for our products mature and industrialise.

The offshore pipeline manufacturer **NKT Flexibles** is owned in a joint venture with Acergy (formerly Stolt Offshore S.A.). The intention is to further-develop the company with a view to improving its earnings.

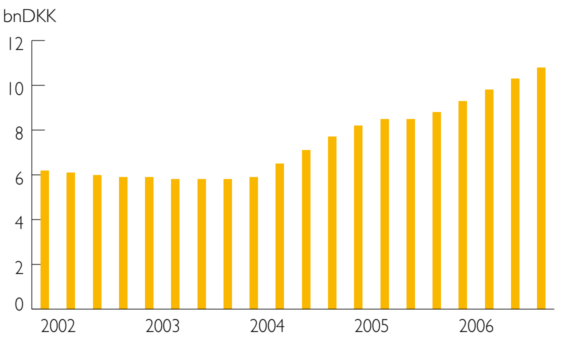
Financial objective

The graphs below show how the NKT Group has performed in relation to the financial targets in the consolidated growth strategy. This performance is commented on in the text.

Revenue

Development in revenue on a rolling 12-month basis up to and including 4th quarter 2006 is shown in Fig. 1.

REVENUE 2002-2006 **Fig. 1**



In 2006 the NKT Group realised revenue of 10.8 bnDKK, a nominal growth rate of around 24%. Part of this growth was attributable to the strongly rising metal prices, which particularly influenced the revenue of NKT Cables. After adjustment for this and for changed currency conditions, organic growth of around 12% was achieved in 2006. By comparison, organic growth in 2005 and 2004 was 8% and 4%, respectively.

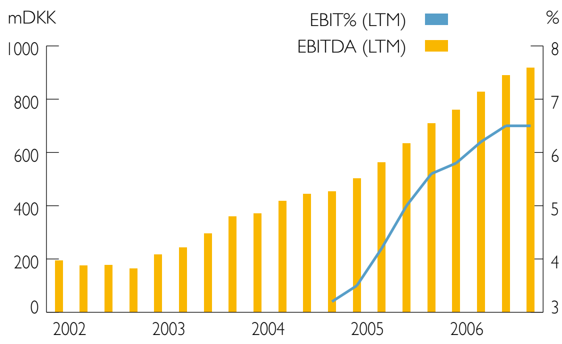
Mean organic growth during the strategy period has thus been 8%, which surpasses the target set of 5-6%.

Earnings

Operating earnings before depreciation and amortisation (EBITDA), which have developed positively during the strategy period, amounted to 914 mDKK 2006 after adjustment for non-recurring items. This corresponds to 8.5% of revenue.

EBIT margin, comprising 6.6% after 4th quarter 2006, has developed as shown in Fig. 2.

EARNINGS **Fig. 2**

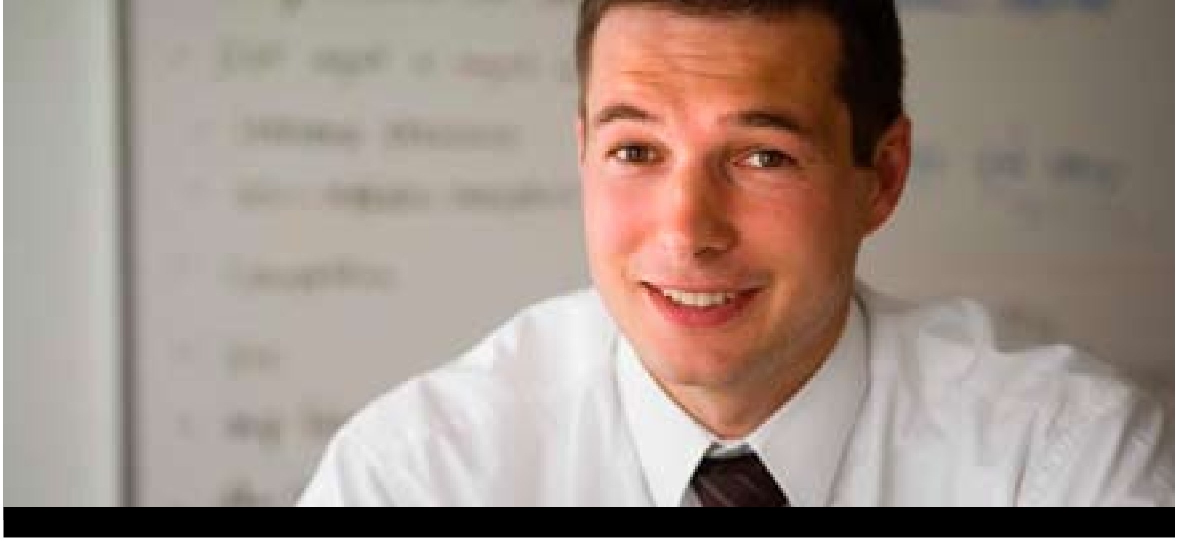


This development is satisfactory in relation to the target net profit ratio for 2008 of around 7-8%.

Return on investment

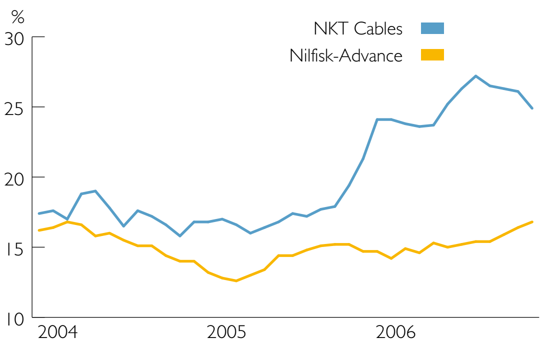
The historic development in return on investment is shown in Fig. 3.

The development in revenue and earnings has helped move return on investment towards the 20% target established for our two major businesses. After 4th quarter 2006, the



return on investment for Nilfisk-Advance was 17% p.a., while NKT Cables had surpassed the strategic target with a return of 25% p.a.

RETURN ON INVESTMENT Fig. 3



The downward curve for Nilfisk-Advance in 2004 was due to the company's integration with ALTO.

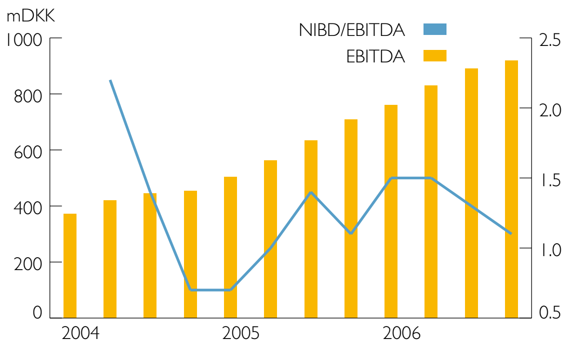
Gearing

In step with the growth in Group earnings we have gradually modified the capital structure. After 4th quarter 2006, net interest bearing debt was equal to 1.1 x earnings before depreciation and amortisation (EBITDA) and to 36% of the carrying amount of equity.

It is the objective to increase the gearing level to around 2.5 x EBITDA, corresponding to around 60-80% of equity. This is expected to be achieved by growth investment in capacity-expanding fixed assets, product development and market expansion, as well as by acquisitions. The objective is also to continue maintaining an attractive dividend policy that includes an annual dividend of at least 8 DKK per share.

If these measures do not raise the Group's gearing to the desired level, consideration will be given to increasing dividend payments. Buyback of treasury shares for subsequent cancellation may also be relevant.

GEARING Fig. 4



Strategy goals revised

As a result of the positive development in 2006, during which we were "on target before time" on several fronts, we have concluded that in 2007 a need exists to review both our overall strategy and the long-term associated financial goals.

The primary elements and objectives in NKT's strategy will continue to be based on the ambition of expanding the Group's companies via organic growth and acquisitions - taking due account of attractive value creation for our stakeholders. It is planned to publish the revised objectives in NKT's 2nd quarter report in August 2007.

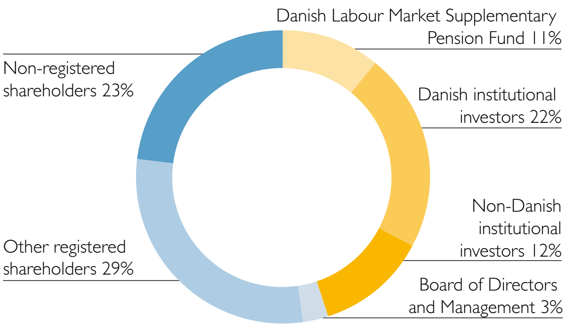
NKT shares
- move to new level

NKT shares are registered on The Nordic Exchange in Copenhagen (Copenhagen Stock Exchange) and included in the Large Cap index of industrial companies. NKT has one share class and no shares carry special rights.

NKT shares have a nominal value of 20 DKK, and NKT's share capital amounts to 470 mDKK following the decision of the annual general meeting in April 2006 to reduce the share capital by 20 mDKK (nominally) through cancellation of treasure shares (1,000,000 shares of a nominal value of 20 DKK each). NKT shares thereafter numbered 23,500,000.

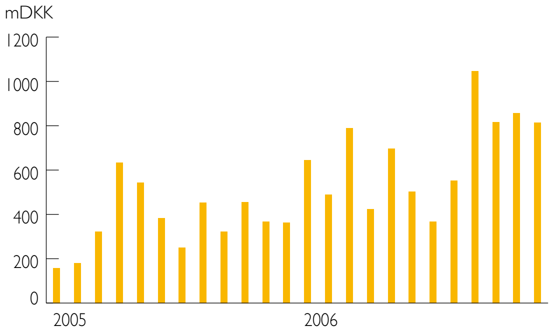
At year end 2006, NKT had 13,951 registered shareholders who together owned 77% of the share capital.

SHAREHOLDER GROUPS 1.3.2007 **Fig. 1**



In 2006, average daily trading turnover on NKT shares was 31.7 mDKK, against 18.2 mDKK in 2005. Overall trading turnover on NKT shares in 2006 amounted to 8.0 bnDKK, against 4.4 bnDKK in 2005. The monthly trading turnover is shown in the figure below.

TRADING TURNOVER/NKT SHARES **Fig. 2**

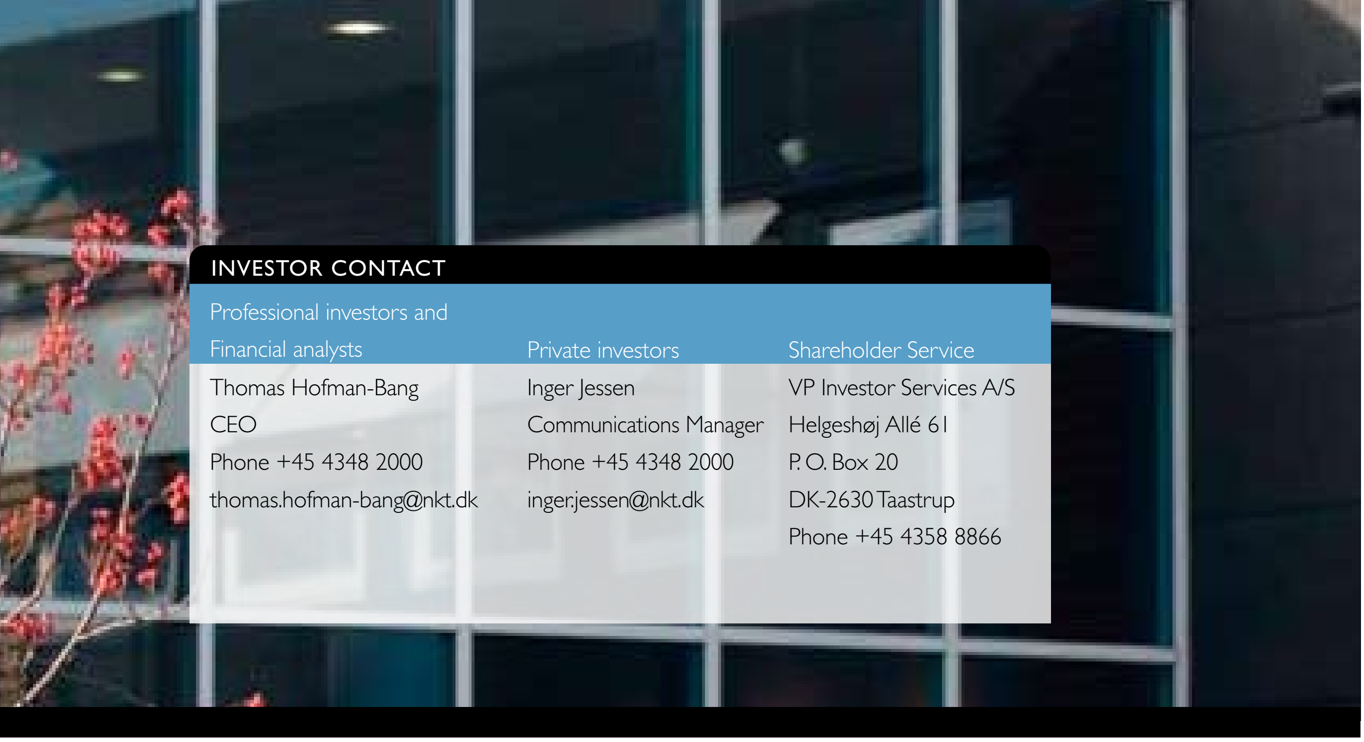


NKT's year end share price was 503 DKK, as against 289 DKK at 1 January. The share price thus increased by 74% over 2006. NKT's market capitalisation was 11.8 bnDKK at the end of 2006, as against 7.1 bnDKK in 2005.

NKT Holding has been empowered by the company in general meeting to purchase up to 10% of NKT's treasury shares for the purpose of adjusting the Group's capital structure should this be desirable.

Dividend

At the annual general meeting the Board of Directors will recommend the payment of an ordinary dividend of 8 DKK per share together with an extraordinary dividend of 2 DKK per share. The extraordinary dividend must be seen in the



INVESTOR CONTACT

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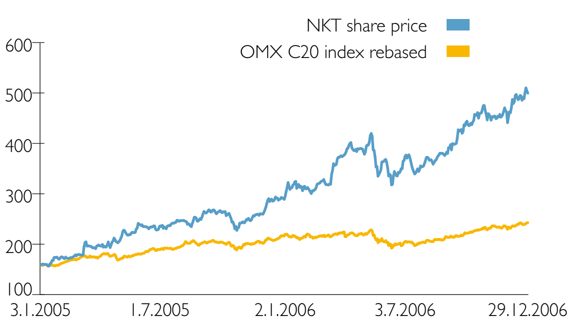
		Phone +45 4358 8866

SHARE PRICE TREND Fig. 3



light of the positive financial development realised by the NKT Group as a whole in 2006, combined with the desire of the Group management to consolidate the Group with a view to the future expansion. The combined dividend payment is therefore expected to be 10 DKK per share, corresponding to a total of 235 mDKK. This constitutes 2% of the Group's market capitalisation at 31 December 2006 and 40% of NKT's share of the Group's profit after tax for 2006.

Dividend policy

It is our aim to maintain an ordinary dividend of at least 8 DKK per share (corresponding to 188 mDKK per year). If conditions so warrant, extraordinary dividends or share buyback programmes may if necessary be employed to realise our wish to adjust NKT's financial gearing.

Annual general meeting

The annual general meeting of NKT Holding will be held on Wednesday 11 April 2007 at 16:00 at Radisson SAS Falconer Hotel, Falkoner Allé 9, DK-2000 Frederiksberg.

In accordance with NKT's governing rules, all members of the Board of Directors are required to seek re-election at each year's annual general meeting. A list of the Board members as at 5 March 2007 can be found on page 100. All existing Board members are standing for re-election.

Share warrants

Under authority granted by the company in general meeting, share warrants were issued in January 2007 to the management and employees of NKT Holding A/S. The warrants, totalling 73,950, may be exercised either in 2010, 2011 or 2012. The subscription price was based on NKT's mean share price for December plus an annual hurdle rate of 8%. The issue announcement can be found on www.nkt.dk. Share options have not been issued to members of the Board of Directors since 2003.

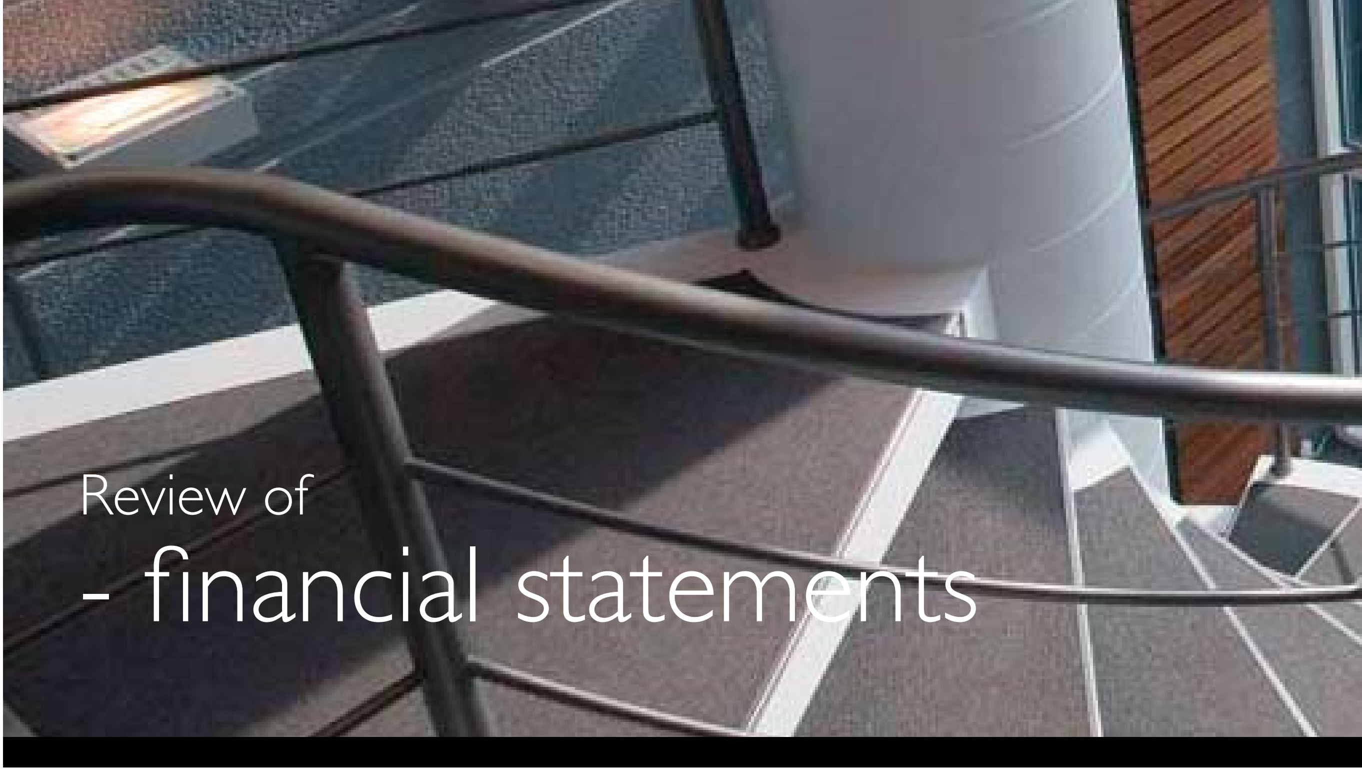
More NKT share information

More information about NKT shares can be found together with other information relevant to our investors on www.nkt.dk under "Investor". Stock exchange releases 2006 and 2007 are listed on page 119.

Stock exchange calendar 2007

5 March	Annual report 2006
11 April	Annual general meeting
24 May	1st quarter report
23 August	2nd quarter report
21 November	3rd quarter report

Management presentations of annual and quarterly reports will be covered by online webcast via www.nkt.dk.



Review of
- financial statements

NKT's financial statements for 2006 reflect that many of the measures adopted by the Group companies in implementing the corporate strategy - "Upgrade to Next Level" - have borne fruit in the form of growth and very pleasing financial results.

Income statement

The financial statements for 2006 are presented in accordance with International Financial Reporting Standards (IFRS).

Revenue in 2006 was influenced by very satisfactory organic growth at NKT Cables and Nilfisk-Advance. To this must be added that the continued strongly rising metal prices have contributed to increased revenue at NKT Cables. At NKT Photonics, dispositions were made during the year relating to increased investment in development measures, dispositions that have not yet been reflected in income growth. NKT Flexibles recorded a further strong increase in revenue in 2006, which mirrors continuing high demand for the company's products.

Net income before tax for the year contains non-recurring items - a net receipts of 108 mDKK from property sale and a number of minor restructuring provisions. When this is excluded, the net income for the year before tax and the special item amounted to 661 mDKK.

Revenue

Consolidated net revenue was 10,815 mDKK in 2006, against 8,750 mDKK in 2005. After adjustment for changes in exchange rates and metal prices the revenue was 1,137 mDKK higher than in 2005. This corresponds to organic growth of 12%.

Revenue development for the individual companies is shown in Fig. 1, which includes adjustments totalling 928 mDKK for metal prices and exchange rates. The revenue for 2006 was not influenced by acquisitions as initiatives implemented will only have effect from 2007.

As in 2005, 89% of the NKT Group's total revenue originated outside Denmark.

The **NKT Cables Group** recorded revenue of 5,268 mDKK, against 3,529 mDKK in 2005, an increase of 1,739 mDKK or 49%. After adjustment for exchange rate changes and strongly rising metal prices, revenue increased by 792 mDKK or 18%. Progress was made by all NKT Cables' main businesses.

Changes in metal prices influence NKT Cables' revenue significantly owing to the high metal content in the company's cable products. This affects pricing. In 2006, strong increases continued, particularly in the price of copper, which increased by an average of 80% in EUR terms. Revenue is also influenced by exchange rate changes, particular in Polish Zloty, Czech Koruna and Chinese

REVENUE DEVELOPMENT BY COMPANY Fig. 1

Amounts in mDKK	Realised 2005	Metal prices/ currencies	Growth	Realised 2006	Nominal growth	Organic growth
NKT Cables Group	3,529	947	792	5,268	49.3%	17.7%
Nilfisk-Advance Group	5,113	(19)	345	5,439	6.4%	6.8%
NKT Photonics Group	104		0	104		
Other	4		(0)	4		
Total	8,750	928	1.137	10,815	23.6%	11.7%

Renminbi. Overall, metal and currency factors increased revenue by 947 mDKK.

Power cables in the form of low, medium and high voltage cables, along with accessories and installation services represented 79% of NKT Cables' total revenue. In 2006, this product segment realised a very pleasing 23% organic growth that derived partly from our domestic markets - primarily Denmark, Germany, Poland, Czech Republic and China - and partly from local export markets.

Railway catenary wire and OPGW (Optical Ground Wires), which are also core segments, together represented 11% of total revenue. Both products are sold in a global, project oriented market. 5% growth was recorded in these two product segments.

The **Nilfisk-Advance Group** recorded revenue of 5,439 mDKK. After adjustment for exchange rate changes this was an increase of 345 mDKK or 7%. This increase included significant growth in Europe (+8%) and Asia/Oceania (+7%), while growth in USA was smaller (+3%). Overall, the growth was brought about by a range of new products and by organic expansion in new markets.

Principal currencies were generally very stable over the year, and exchange rate changes only decreased revenue by around 19 mDKK.

The **NKT Photonics Group** recorded revenue of 104 mDKK, which was similar to 2005. This can generally be attributed to the fact that the increased focus on product development and market maturing has not yet been reflected in increased sales. However, late in 2006 we registered a rising interest in the form of an increase in orders for laser components, confirming the industrial potential of these products.

Operating earnings

Consolidated operating earnings - EBIT excluding special item - were 818 mDKK, against 485 mDKK for 2005, a direct increase of 333 mDKK. As previously mentioned, operating earnings for 2006 were influenced by non-recurring items in the form of net receipts of 108 mDKK from property sale and minor restructuring provisions. After adjustment for this, the direct increase in earnings was 225 mDKK or 46% on 2005.

OPERATING EARNINGS Fig. 2

Amounts in mDKK	2006	2005	2004
NKT Cables Group	364	242	189
Nilfisk-Advance Group	528	469	371
NKT Photonics Group	(25)	(8)	(74)
NKT Flexibles	53	10	(34)
Other	(6)	0	(10)
Comparable EBITDA	**914**	**713**	**442**
Non-recurring items, net	108	0	(9)
Reported EBITDA	1,022	713	433
Depreciations and amortisation	(204)	(222)	(209)
Impairment	0	(6)	(42)
Reported EBIT excluding special item	**818**	**485**	**182**

The increase is attributable to NKT Cables (+127 mDKK), Nilfisk-Advance (+66 mDKK), NKT Photonics Group (-10 mDKK), NKT Flexibles (+43 mDKK) and others (-1 mDKK).

Earnings before depreciation, amortisation and non-recurring items (EBITDA) rose by 201 mDKK from 713 mDKK to 914 mDKK.

The **NKT Cables Group** recorded operating earnings (EBITDA) of 364 mDKK, equal to 6.9% of revenue. This was an increase of 50% on 2005 when EBITDA was 242 mDKK. As stated, revenue was strongly influenced by rising metal prices which did not influence net earnings, however. If revenue is adjusted for the increase in metal prices, EBITDA margin is 8.3%, against 7.4% in 2005.

The **Nilfisk-Advance Group** recorded operating earnings (EBITDA) of 528 mDKK, equal to 9.7% of revenue, after adjustment for non-recurring items. This was an increase of 0.5 percentage points from 9.2% in 2005. To this must be added income on a number of property sales and minor restructuring provisions, comprising the previously mentioned net receipts of 108 mDKK. The growth in net income and margin was a result of organic growth, targeted product development effort, and systematic focus on improving and streamlining business systems.

The **NKT Photonics Group** recorded operating earnings (EBITDA) of (25) mDKK, which was 17 mDKK worse than in 2005. This was due to deliberately accelerated product development effort that is not expected to generate corresponding income until 2008.

NKT Flexibles recorded EBITDA of 53 mDKK as an associated company, this being NKT's share of income after interest expenditure. This was a strong improvement on 2005 when EBITDA was 10 mDKK.

Depreciation and amortisation

Depreciation and amortisation fell from 222 mDKK in 2005 to 204 mDKK in 2006, reflected the continuing efforts to optimise capital structure and investment with a view to increasing the return on investment. The fact that depreciation fell despite the steady increase in investment in capacity-expanding production equipment was due to the sale of assets - principally property.

Net financials

Net financials amounted to (49) mDKK i 2006, against (22) mDKK for 2005. A large part of the difference was due to receipts of 18 mDKK in 2005 from sale of shares in the American company Superconductor Technologies. The increase of 9 mDKK in other financial expenses is directly related to the increase in net interest bearing debt resulting from high organic growth.

Net income before tax and special item

Consolidated net income before tax and special item for 2006 amounted to 769 mDKK, against 463 mDKK for 2005. This result was not significantly influenced by exchange rate fluctuations.

Our most recently published forecast (quarterly report 3/2006), which predicted net income of around 765 mDKK, was thus realised. The performance also significantly exceeds our forecast at the start of the year, which predicted around 540 mDKK.

Tax

- on consolidated net income amounted to 166 mDKK including the special item and 24 mDKK excluding the special item. The expected tax, based on the current 28% rate of Danish corporate tax, would be an expense of 215 mDKK. The difference between the two amounts is due to the tax effect of the difference between Danish and foreign tax rates, non-taxable amounts, changes in value adjustment of tax assets, and other variances. Reference is here made to Note 11 to the financial statements.

The issue of tax relating to the special item is described on page 14.

Net income for year

Consolidated net income for 2006 was 603 mDKK, compared with 361 mDKK for 2005.

BALANCE SHEET

Total assets comprised 7,350 mDKK at 31 December 2006, against 6,177 mDKK last year. The increase is directly related to the organic growth achieved and to the rising metal prices that have led to increased tie-up of resources in working capital. The 2006 balance sheet is also influenced by the fact that the financing for the acquisition of Kablo Elektro on 2 January 2007 was raised prior to 31 December 2006.

Equity

Consolidated equity comprised 2.806 mDKK at 31 December 2006, against 2,735 mDKK in 2005. Equity ratio was 38%, compared with 44% the year before. After adjustment for the exceptional balance sheet increase related to the financing of Kablo Elektro, equity ratio was 41%. Dividend paid in 2006 reduced equity by 294 mDKK.

Revaluation of foreign companies caused reduction of equity by 102 mDKK.

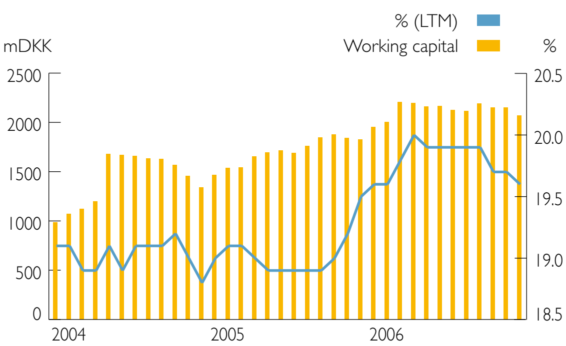
Capital employed

Capital employed comprises 3,829 mDKK, against 3,499 mDKK the previous year. This was 330 mDKK higher than last year and primarily reflects the increase in working capital driven by growth and higher metal prices. Reducing capital employed and thereby freeing up liquidity and increasing value creation remains a focal area. In the company reviews on pages 25 and 33 we show the development in return on capital employed - expressed as EVA - for NKT Cables and Nilfisk-Advance, respectively, in recent years.

Working capital

Working capital comprised 2,105 mDKK at 31 December 2006, against 1,826 mDKK in 2005, equal to 19% of revenue. This is a fall of two percentage points on 2005. Average working capital comprised 19.6% of revenue, which is unchanged compared with the year before. As seen from Fig. 3, the level of working capital is reducing after a temporary period of exceptionally high stocks primarily in Nilfisk-Advance aimed at safeguarding delivery capacity during production relocations. The ambition is to restore the average level of working capital to around 19% in 2007.

WORKING CAPITAL Fig. 3



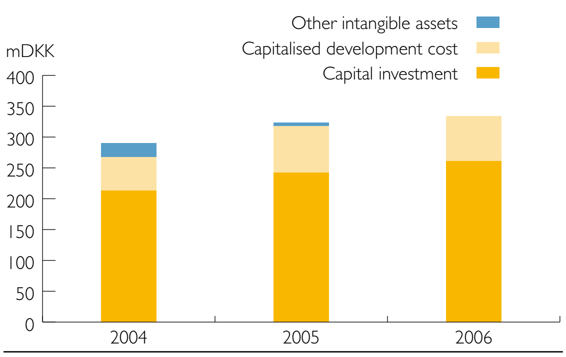
Investment

Corporate net investment in property, plant and equipment amounted to 29 mDKK in 2006, against 105 mDKK in 2005. Development in gross investment for the period 2004-2006 is shown in Fig. 4.

Investment in property, plant and equipment in 2006 was 290 mDKK, against 242 mDKK the previous year, while corresponding sales during the year were 261 mDKK, against 159 mDKK in 2005.

Capitalised development costs amounted to 73 mDKK. These costs mainly related to product development measures at Nilfisk-Advance.

GROSS INVESTMENT Fig. 4

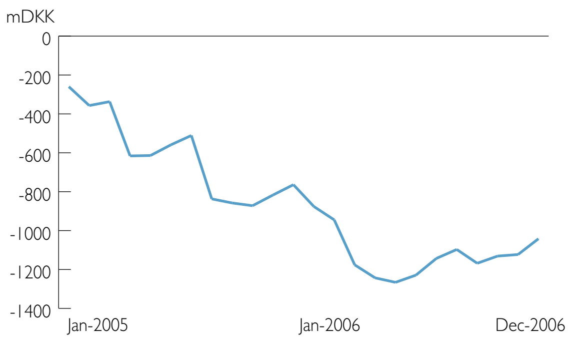


Capital investment in 2006 comprised normal replacement of production plant, machinery and equipment. The increased investment, amounting to 48 mDKK, primarily relates to production capacity at NKT Cables.

Interest bearing items

The NKT Group had net interest bearing debt of 1,023 mDKK at year end 2006, compared with debt of 764 mDKK the year before.

INTEREST BEARING DEBT Fig. 5



NKT's capital structure was therefore modified in 2006 towards a higher level of gearing in line with corporate strategy. The net interest bearing debt of 1,023 mDKK represented a gearing level of 36%, an increase from 28% at year end 2005.

Liquidity generation was further influenced by the exceptional increase in working capital owing to rising metal prices and build-up of stocks at Nilfisk-Advance.

The NKT Group has a strong financial base. As described in the section on corporate strategy on page 7, the plan is to utilise this strength to ensure continued value creation through growth development of our businesses, while at the same time maintaining an attractive dividend level for our shareholders.

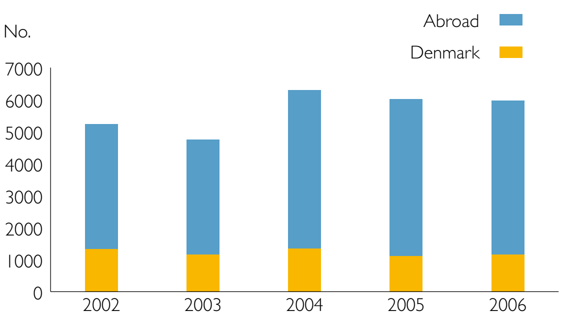
INTEREST BEARING ITEMS **Fig. 6**

Amounts in mDKK	2006	2005	2004
1 January	(764)	(145)	409
NKT Flexibles (as assoc. company)	0	0	188
Property sales/change re. minorities	245	75	318
Acquisitions	(81)	(18)	(972)
Restructuring provisions costs	(110)	(92)	(11)
Other liquidity, etc. during year	(32)	(112)	123
Dividend/buyback of own shares	(281)	(472)	(200)
31 December	(1.023)	(764)	(145)

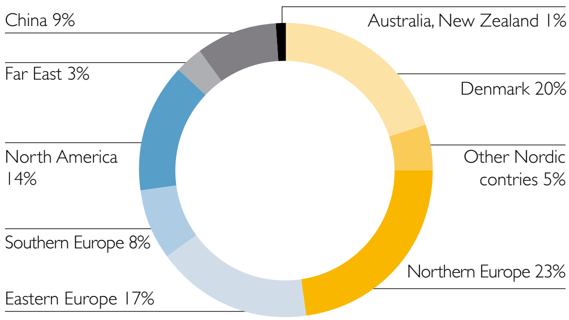
Employees

At year end 2006 the NKT Group employed 5,970 people, against 6,017 in 2005.

NUMBER OF EMPLOYEES **Fig. 7**



EMPLOYEES/LOCATION **Fig. 8**



80% were employed in NKT companies outside Denmark.

Staff numbers in the various NKT companies are stated in the company reviews and the segment reporting in Note 1 on page 58.

Risks

No risks of an unusual nature are deemed to exist by virtue of the NKT Group's operations. Risk factors and success criteria relevant to individual companies are described in the company commentaries. Corporate financial risks are described in Note 33 on page 86.

Segment reporting

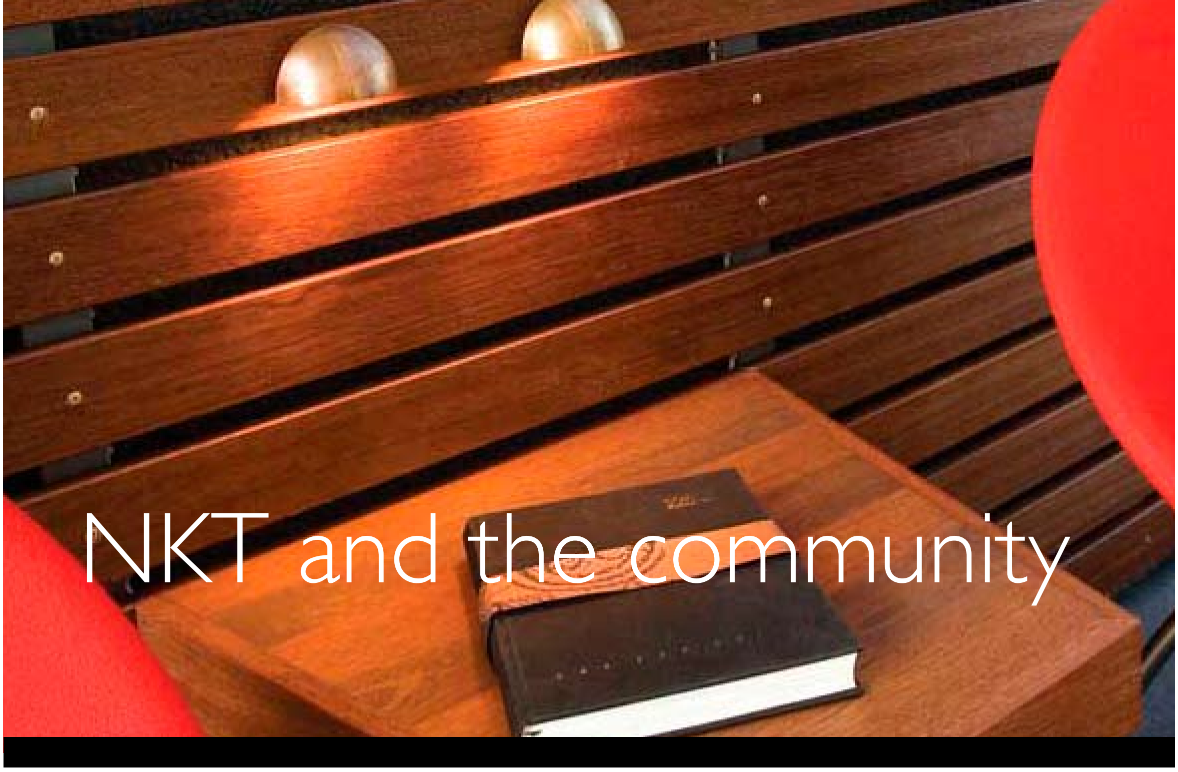
The financial highlights for our business segments are shown in Note 1 along with earnings development for 2006 compared with 2005.

The accounting treatment of segment information is described in Accounting Policies, starting on page 88.

A detailed description of our individual businesses and their financial development in 2006 is contained in the company reviews, starting on page 17.

Special item in statements for 2006

In accordance with IFRS 3, increased value of tax assets resulting from acquisitions must be recognised in the income statement (as income), and set off in the income statement as a goodwill adjustment (reduction). In accordance with this procedure, the NKT Group's tax assets resulting from the acquisition of ALTO in 2004 increased by 142 mDKK (see Note 11, 13 and 20 to the financial statements). This adjustment does not influence the final result.



NKT and the community

NKT is a growth and development oriented industrial group headed by the parent company NKT Holding. The NKT Group comprises 75 production and sales companies.

We are dedicated to matching the demands of the world we are part of, and we wish to be perceived as a credible, open and quality-conscious enterprise by all those with whom we deal.

We are committed to defending the values for which NKT stands and to optimising the potential for value creation that exists in our businesses.

In relation to our shareholders we wish to build a robust platform that assures them an attractive reward for their investment in NKT.

In relation to our customers we wish to be considered a trustworthy and reliable business partner. We work single-mindedly to position our businesses as competitive players in their segments.

Our businesses operate to clear objectives within a collaborative structure geared to stimulating the talented people in all our companies, and we strive to create a working environment that is characterised by challenge, independence, influence and flexibility.

NKT Holding

The active style of ownership practised by NKT Holding is exercised through the Group Management's close interaction with the managements of each of our directly owned businesses, and through the qualified support that NKT Holding provides to Group companies in finance and accounting, legal matters, IPR, communication and human resources.

As an administrative tool in relation to the Group companies, NKT Holding has formulated policies and joint guidelines covering the areas of finance and accounting, law, IPR, human resources and communication. These guidelines can be consulted by Group employees on the corporate intranet system, NKTime.

Policies relevant to external company stakeholders can be found on www.nkt.dk (stakeholder policy, rules governing insider trading, confidentiality, investor relations, press and environment).

Corporate Governance

Corporate Governance is an issue viewed with considerable importance by the NKT Group management.

The principles of corporate governance adopted by NKT Holding can be found on www.nkt.dk. These principles were updated by the Board of Directors at the start of 2007.

The updates made in 2006 were relatively modest compared with 2005 when we published our corporate governance principles relating to the work of NKT's Board of Directors. The principles were described in detail in our 2005 annual report.

For ease of comparison, our corporate governance principles are stated using the same structure as that adopted for the recommendations published by The Nordic Exchange (Copenhagen Stock Exchange) in March 2006. With our latest update, NKT's corporate governance is deemed to meet with the revised recommendations.

In 2006, a takeover contingency procedure was formulated by NKT Holding and included in NKT's corporate governance principles. The procedure provides guidelines for the duties of NKT's management in the case of a public takeover bid - or in the case of ongoing share acquisition that is followed by such a bid. In such cases the Board of Directors is required to set up a "Takeover Team" to handle the matter vis-à-vis the Danish Financial Supervisory Authority, shareholders, employees, the press and financial analysts. The team must also handle the relationship with the bidder(s) and the question of alternatives to the concrete takeover bid. The team must prepare a report on the situation and keep the Board of Directors advised of all significant matters relating to the bid process.

In 2006 the rules governing the Board of Directors were supplemented by specific instructions (policies) relating to a number of the matters contained in the corporate governance recommendations (appointment of committee, remuneration policy for directors and management, evaluation of directors and management and their interaction as well as submission of Board candidates).

In 2006 the Board of Directors conducted its first evaluation of:

› The Board's work
› The Chairmanship
› The Management

This process has inspired a repetition as well as a widening of the evaluation parameters. The next evaluation is therefore scheduled for August 2007.

NKTs Corporate Governance code was updated at the start of 2007.

The full test of the code can be found on www.nkt.dk/About NKT.

Environment

The NKT Group's two heavy industrial companies, NKT Cables and NKT Flexibles, both have a long tradition of responsibility regarding all aspects of health, safety and the environment. Both companies have negligible production emissions in the form of smoke, noise and effluent and do a great deal internally to optimise health and safety on their premises. Both NKT Cables and NKT Flexibles publish annual environmental statements.

NKT's companies
- business areas

In building NKT's corporate portfolio the NKT Group Management gives focus to optimising the value creation potential of its individual business units. We operate our businesses to clear objectives within a collaborative structure that is geared to stimulating the talented people who work in our organisation.

Our operations, which are highly diverse, are integrated in individual companies or groups of companies. NKT Holding in Denmark (Brøndby) is the NKT Group parent. Page 102 lists all the companies that form part of the NKT Group, including the share of these companies that is in NKT ownership.

In the following pages we present a company by company report on business development in 2006 and prospects for 2007. As a new element in our reporting we take a more detailed look at developments in the segments where our companies operate.

Nilfisk-Advance (cleaning equipment) is headquartered in Denmark (Brøndby) and has companies in 34 other countries.

NKT Flexibles (offshore pipelines) is domiciled in Denmark (Brøndby and Kalundborg -production).

NKT Cables (electrical and power cables) is headquartered in Cologne, Germany, and has companies in 5 other countries.

NKT Photonics Group (optical components) numbers four companies domiciled in Denmark and two domiciled in Germany.

NKT Cables
- maintaining strong progress

In 2006, NKT Cables cemented its position among Europe's leading suppliers of power cables - partly by means of considerable organic growth and partly through acquisition of the Czech cable manufacturer Kablo Elektro, which became part of the NKT Cables Group from 2 January 2007.

NKT Cables, which primarily serves the European markets, has production units in Germany, Denmark, Czech Republic, Poland, Norway and China. In 2006 the company established a sales subsidiary in Spain.

In the European markets in which it is represented, NKT Cables is among the five biggest companies in its primary product segments.

Peer companies are Nexans (France), Prysmian (formerly Pirelli) (Italy), Draka (Netherlands), General Cable (USA) and Tele-Fonika (Poland).

Management and Management Team

- Dion Metzemaekers, CEO (52), Netherlands
- Arend F. Knol (55), Netherlands
- Asger Bruun-Christensen (58), Denmark
- Detlev Waimann (41), Germany
- Peter Hawlan (42), Austria

The business activities of NKT Cables are essentially based on extensive electro-technical know-how.

NKT Cables ranks today as a major European supplier of low, medium and high voltage cables addressing the electricity and energy sectors.

Further, NKT Cables offers a range of special products in the form of cable accessories, OPGW (Optical Ground Wires - lightning conductors with built-in fibre-optic function for communication and/or supervision of cable installations), and catenary wires for railways.

MARKET 2006

Low voltage

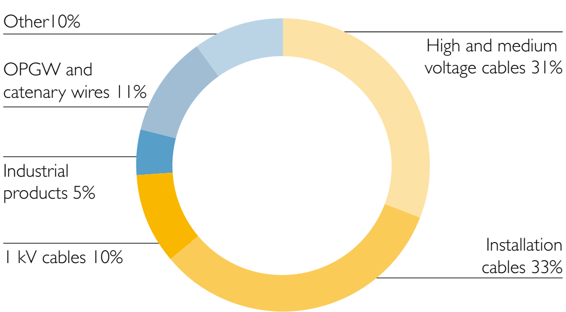
NKT Cables' low voltage cables, which represent almost half of the company revenue, are marketed to electrical wholesalers for use in the building industry. Overall, against the background of general trading conditions, this segment experienced satisfactory market development in 2006. The primary markets for NKT Cables are Scandinavia, Eastern Europe and UK, and in the first two particularly, market conditions remained favourable in 2006. Building activity in the UK has been slow for several years, but there were signs of improvement in 2006. The same applied to the Central European market, including Germany particularly.

Sales of installation cables represented around 33% of NKT Cables' revenue, corresponding to 1.7 bnDKK. These cables are used in the building industry. Sales of these cables reflect the industry's general climate which is influenced by levels of newbuilding and renovation activity.

Some further 10% of revenue, equivalent to around 525 mDKK, came from sales of 1 kV cables to both utilities and the building industry. These cables are used in the part of the distribution system that connects the consumer to the grid. This market segment is influenced by the level of building activity - and thus establishment of new electricity consumers - and also by the initiatives to replace existing overhead power lines with ground cables. These initiatives gained ground due to a number of storms, especially in Scandinavia, combined with increasing focus on security of supply, power lines being very vulnerable to falling trees and branches.

Around 5% of revenue, some 250 mDKK, also came from sales of low voltage products for various industrial purposes.

SALES BY PRODUCTS Fig. 1



Medium and high voltage

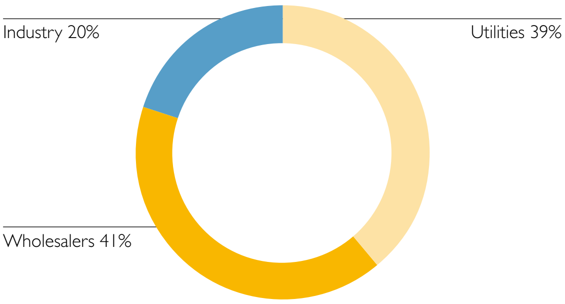
Medium and high voltage cables and cable accessories are mainly sold to utilities. NKT Cables also supplies related cable installation services. In 2006, activity levels in the medium and high voltage segment were strongly influenced by a sector upturn as a result of increased investment in replacement of power lines with cables and enlargement of existing networks. The object is to improve network quality and thereby increase security of supply.

Sales of medium and high voltage cables, including accessories and installation services, represented around 31% of NKT Cables' revenue, corresponding to 1.6 bnDKK.

The primary markets for NKT Cables are Scandinavia, Germany, France, UK and Spain. All markets reflected rising demand that basically was driven by a need for more capacity as a result of rising energy consumption and a need for maintenance/replacement of existing network cables.

See also review on page 27 "The future electricity market"

SALES BY CUSTOMERS Fig. 2



OPGW and catenary wire

NKT Cables' OPGW products are sold to the global market. This is a project-oriented market that is primarily based on the expansion and upgrade of medium and high voltage networks.

Production of catenary wire for railway electrification is a niche segment for NKT Cables. Market growth in 2006 was satisfactory. 11% of revenue comes from these two business lines.

NKT CABLES IN 2006

During 2006, NKT Cables continued to expand its position as a supplier of electrical and power cables to the European market. With the disposal in previous years of a number of segments outside the company's core business (eg. enamelled wires), focus has now further intensified on the electricity and power segment (ie. installation cables and cables for electricity distribution and transmission networks).

The positive development at global level that has taken place in these segments, combined with the strong position that NKT Cables has obtained through its customer-focused strategy, resulted in an attractive growth in business in 2006.

In Denmark, NKT Cables maintained extensive supplies of medium and high voltage cables and performed installation work. In the low voltage cable segment, the existing initiatives concerning "intelligent package solutions" and "modular plug-in installation systems continued - based on a close dialogue with installers aimed at providing increased insight and understanding regarding relevant user and market conditions.

In Norway, NKT Cables expanded in 2004 its presence through its ownership of Odin Kabel. Now under the name of "NKT Cables as", the company is regarded as a local manufacturer in Norway.

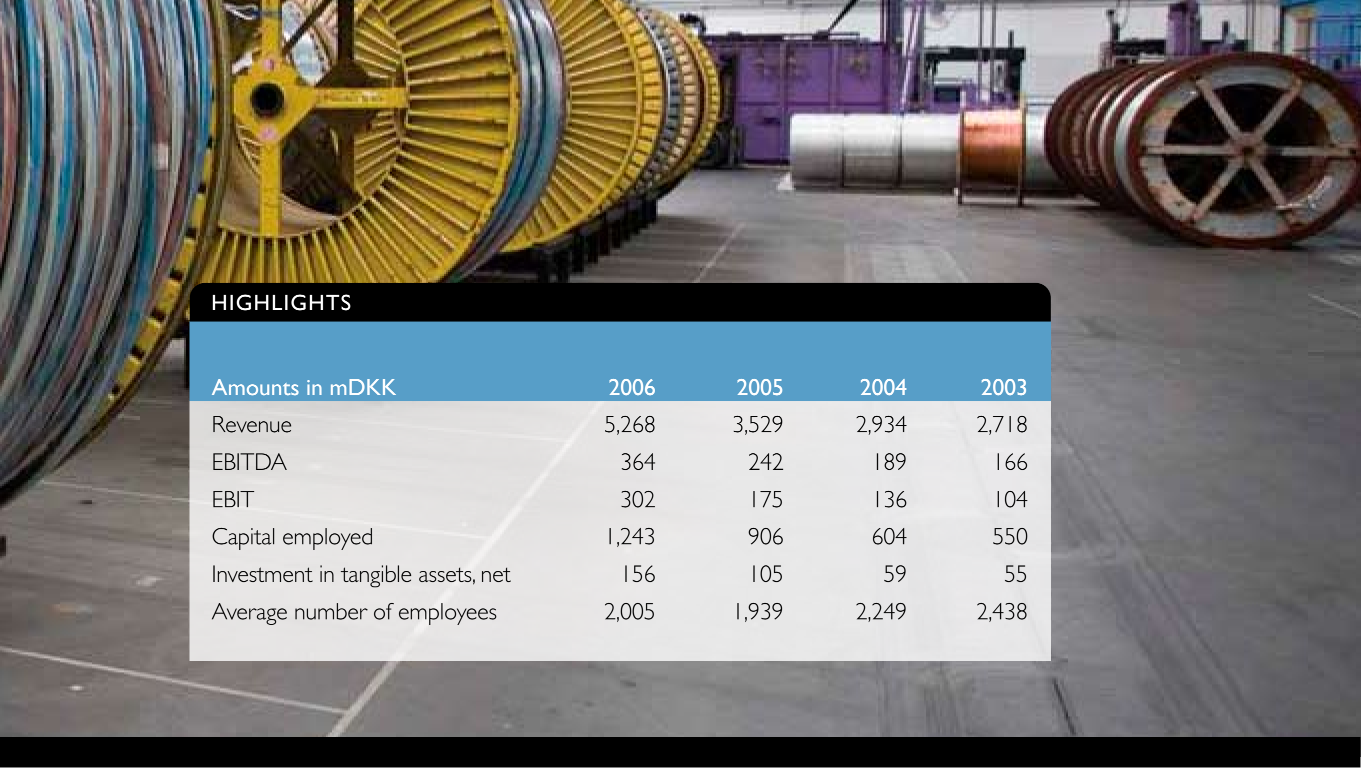
In Germany, the increased demand for medium voltage cables which began in the second half of 2005 continued through 2006. Demand is expected to remain high also in the years to come. In order effectively to meet customer needs for flexibility and timing as a result of the heavy demand, NKT has initiated activities aimed at servicing customers accordingly.

The Nordenham factory, which manufactures cable accessories, received its first commercial order for a newly developed cabinet whose "faces" can be rented by utilities as advertising space.

In Spain, NKT Cables has set up its own sales and service office to enable its new Spanish energy clientele to be serviced from a local base.

In the UK, NKT Cables has been awarded an important high voltage project for National Grid in London scheduled for completion in 2011. NKT Cables' involvement as regards production of cables will span the period 2008-2010.

In September, NKT Cables became sole owner of the Czech company NKT Cables s.r.o. in Kladno by acquiring the equity share previously held by the Investment Fund for Central and Eastern Europe. In January 2007, after being cleared by both the Czech and Slovak competition authorities, NKT Cables acquired Kablo Elektro, a cable manufacturer with factories in Vrchlabí and Velké Meziříćí in the Czech Republic. The latter acquisition will strengthen NKT Cables' platform for further growth in Eastern Europe.



HIGHLIGHTS

Amounts in mDKK	2006	2005	2004	2003
Revenue	5,268	3,529	2,934	2,718
EBITDA	364	242	189	166
EBIT	302	175	136	104
Capital employed	1,243	906	604	550
Investment in tangible assets, net	156	105	59	55
Average number of employees	2,005	1,939	2,249	2,438

In Poland, NKT Cables continued the enlargement and consolidation of its Warszowice factory that manufactures installation cables. Work began on construction of a second production hall intended to be ready in mid-2007.

The continued flow of 150 kV cables for an existing high voltage project in Asia proceeded satisfactorily - albeit rather more slowly than originally anticipated. The delays in 2006, which were due to matters beyond the control of NKT Cables, have not had negative consequences.

In China, NKT Cables encountered increased business opportunities for its medium voltage cables and catenary wire, where the company is China's leading supplier. NKT Cables has established manufacture of copper/magnesium rods, the core product in the catenary wires used for high speed railways. Also in 2006, NKT Cables set up a joint venture with Changzhou Senyuan Switch Co. with a view to manufacturing medium voltage cable accessories for the Chinese market. This partnership has continued also after Senyuan became US-owned in August.

In September, Ultera™, the development joint venture activity between NKT Cables and America's Southwire Company launched a superconducting cable system - the first of its kind to enter service in a commercial US electricity network (the Bixby project in Columbus, Ohio). This pioneering project is expected in years ahead to generate increasing interest in the US electricity sector in superconductor technology, which enables power transmission and distribution by means of space and resource-saving solution models.

In 2006, NKT Cables maintained its strong focus on health and safety and the environment with regular new initiatives nationally and internationally. In Denmark, a number of health and safety measures were introduced at the Asnæs factory, and a new concept for the handling of cable scrap was introduced at the Stenlille recycling facility. At Nordenham, Germany, a robot eliminates all human contact with the paint used for surface treatment, and at Kladno in the Czech Republic all internal transport is now performed by crane, minimising use of fuelled forklifts.

The marked growth that NKT Cables has experienced in recent years has given rise to increased pressure on the production of medium and high voltage cables, with bottlenecks as a result. These problems were duly addressed in 2006 and NKT Cables' delivery performance capability will in future be improved.

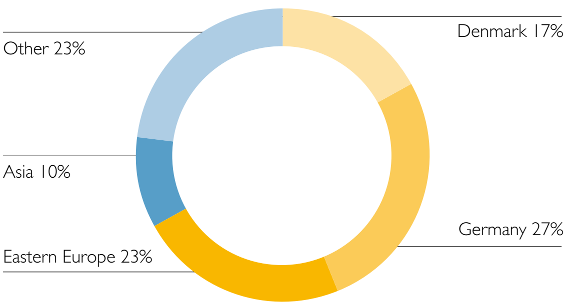
PERFORMANCE 2006

NKT Cables realised revenue of 5,268 mDKK, corresponding to organic growth of 18% and surpassed the 6% that was originally forecasted.

Operating earnings amounted to 302 mDKK, an increase of 127 mDKK and an EBIT margin of 5.7%.

Earnings before interest, tax, depreciation and amortisation were 364 mDKK, an EBITDA margin of 6.9%, which was on level with the previous year. This was very satisfactory in the light of the strong increase in revenue to which rising metal prices contributed 896 mDKK and which had a dilutive effect on profit margin.

SALES BY MARKETS Fig. 3



The growth in earnings reflected the efficiency and stability that NKT Cables has achieved over the past few years due to the restructuring measures implemented in a number of units. The organic growth of 18% further led to improved utilisation of capacity, which also contributed to earnings growth.

See also comments to NKT Cables' revenue and earnings development in NKT's financial review on pages 10-11.

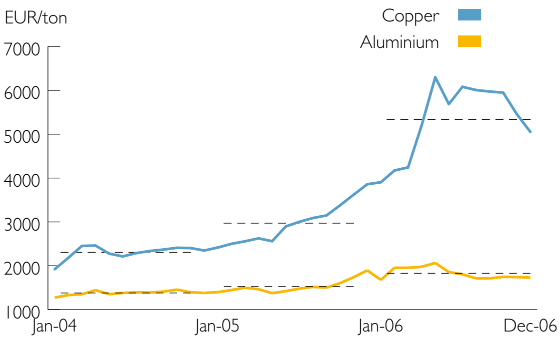
Currency factors

49% of NKT Cables' revenue comes from sales to EUR zone countries or Denmark, the remaining 51% being from sales in other markets. The company's revenue and income are therefore currency-sensitive. In 2006, revenue was collectively increased by around 51 mDKK in our main market currencies: Poland (+3%), Czech Republic (+5%), UK (unchanged) and China (unchanged).

Metal prices

Metal - principally copper and aluminium - is the prime raw material in cable production, and represents on average around 40% of the product sales price with our existing product mix. This figure can vary from 20% to 70% depending on the type and complexity of the individual product.

METAL PRICES Fig. 4



Overall, the impact of changing metal prices on our income is considered neutral over time. However, our revenue varies in step with changes in metal prices, and this factor is estimated to have increased our revenue for 2006 by around 896 mDKK compared with 2005.

The average price of copper in 2006 was 80% higher than in the previous year, while the average price of aluminium was 20% higher.

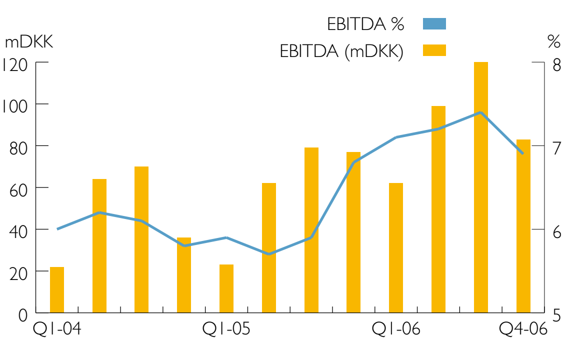
Operating earnings

Operating earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to 364 mDKK for 2006, equal to 6.9% of revenue. EBITDA for 2005 was 242 mDKK, equal to 6.8% of revenue. To illustrate the pronounced seasonal pattern and the development in profitability, Fig. 5

shows EBITDA development for the past 12 quarters and the development in EBITDA margin measured on a rolling 12-month basis.

NKT Cables is seen to have a typical seasonal pattern with peak activity concentrated around the second and third quarters. In 2006, after maintaining a stable earnings margin of around 6% in the preceding years, the company increased its margin to a new level of 6.9%. This was achieved despite the strong increase in metal prices that has a dilutive effect on earnings margin. The 6.9% margin

EBITDA Fig. 5



NET INTEREST BEARING DEBT Fig. 6

Amounts in mDKK	2006	2005	2004
1 January	(244)	(133)	(110)
Capital contribution/Divided	(56)	(22)	0
Interest expenses	(27)	(24)	(22)
	(327)	(179)	(132)
Utilised provisions for restructuring	(4)	(6)	(11)
Acquisitions	(58)	0	(37)
Free cash flow etc.	(64)	(59)	47
31 December	(453)	(244)	(133)

realised for full-year 2006 corresponds to a margin of 8.3% based on unchanged metal prices. Against this background, realised operating earnings are considered very satisfactory.

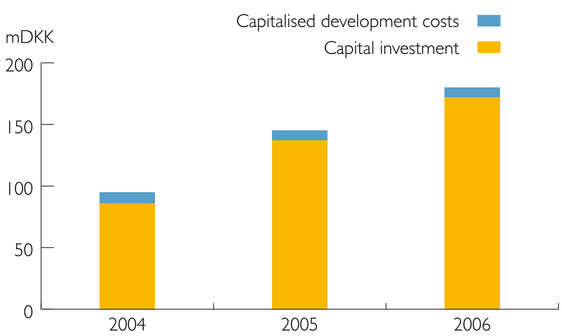
Cash flow

Liquidity development in 2006 was influenced by the strong organic growth and the continued increase in metal prices. A negative free cash flow of 64 mDKK was recorded in 2006 after the build-up of working capital had been financed by a total of 184 mDKK. By themselves, rising metal prices are considered to have contributed around 150 mDKK to the negative cash flow.

Investment

Investment in tangible assets was 168 mDKK in 2006. This was 25% higher than the previous year and reflects a

INVESTMENT Fig. 7



number of initiated investments in organic growth. In addition, 8 mDKK was invested in capitalised development costs and other intangibles relating to high voltage cables and accessories.

Owing to the strong growth in sales, NKT Cables operated at high capacity throughout 2006. As a result, a number of

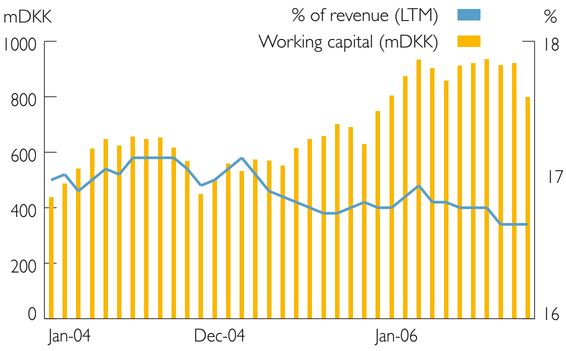
A CAREER IN CABLES

Henning Jensen has been employed with NKT Cables Denmark since September 1990. He is involved in shipping duties relating to the wires supplied from the low voltage factory in Asnæs.

investments are taking place in both production equipment and product development at the company's plants in Germany, Denmark, Poland, Czech Republic and China. These investments are intended to ensure security of supply for all types of cables from 2007.

The aggregate gross investment of 176 mDKK in 2006 must be seen in relation to aggregate depreciation and amortisation of 62 mDKK.

WORKING CAPITAL Fig. 8



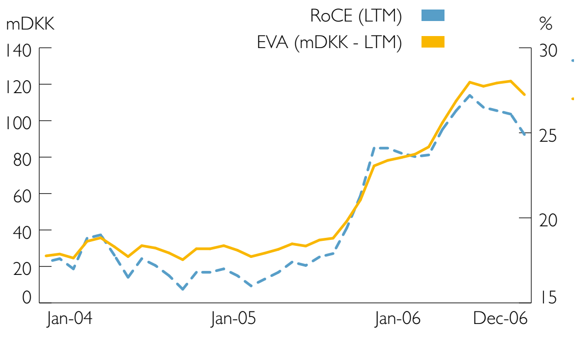
Working capital

Systematic efforts have been made in recent years to reduce money tied up in working capital. In 2006, the 12-month average of working capital (LTM) as a percentage of revenue for the year was reduced to 16.7%. This compares with 17.1% at the start of the year.

Value creation

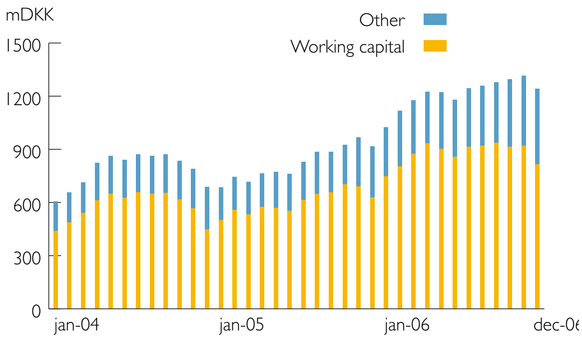
To achieve our objective of creating value for NKT's investors, control mechanisms are implemented in the Group's capital-sensitive segments to ensure that investments provide a return that at least matches investor

EVA Fig. 9



yield requirements. At current interest rates, and in the light of NKT Cables' risk profile, the required minimum return on investment is 8% after tax. Against this background, the "economic profit" (EVA) can be computed by deducting full tax and cost of capital - calculated as 8% of capital employed - from the current operating earnings (EBIT) . Fig. 9 shows developments in EVA and return on capital

CAPITAL EMPLOYED Fig. 10



employed (RoCE) measured on a rolling 12-month basis. As will be seen, NKT Cables in 2006 further improved its satisfactory position in terms of value creation with a return on capital employed of 25% before tax and 18% after tax. Fig. 10 shows that capital employed has doubled over the three-year period shown from 600 mDKK to 1.2 bnDKK, primarily driven by increase in working capital but also as a result of rising investment in additional production capacity.

In 2006, the combination of continued investment in NKT Cables and rising level of return pushed EVA beyond 100 mDKK, which is very satisfactory.

EXPECTATIONS 2007

Assuming unchanged exchange rates and lower metal prices, NKT Cables' forecast revenue for 2007 is around 6.8 bnDKK, equal to organic growth of around 15%.

A net profit ratio (EBIT) of around 6,4% is expected.

RISK FACTORS

Commercial risks

For NKT Cables, which is a significant player in a highly competitive and mature European industry, both

competitiveness and profitability are directly linked to the company's ability to make quality products with low unit costs and to establish a close interaction with customers.

The key to this is critical mass, which means that NKT Cables must manufacture its individual product categories in series large enough to supply to customers at attractive prices and at the same time earn the company a profit. Provided production is based on optimal product formulas, efficient procurement of raw materials, efficient logistics and low sales and administrative costs, NKT Cables can sell its products at competitive prices. This means increased sales, increased market shares and increased earnings.

In recent years NKT Cables has therefore focused strongly on cost reduction, product programme adjustment, cross-sales and penetration of export markets, while also concentrating heavily on optimising its interaction with customers.

Financial risks

NKT Cables' financial risk profile is related to the parameters described on page 86.

Cyclical sensitivity

Around half of NKT Cables' revenue is considered cyclically sensitive, principally its low voltage products and various metal products. This is because sales of these products are linked to building activities and industrial production, which are extremely sensitive to cyclical development.

The company's remaining revenue comes from medium and high voltage products that are mainly sold to the power sector. Activity levels in this sector are considered less cyclically sensitive as sales are primarily governed by the maintenance condition of the existing electricity network - and less by the need for increased network capacity.

At the start of 2007, the NKT Cables Group employed 3,000 people at the company's production and sales subsidiaries in Europe and China.

The future electricity market

In addition to the need for increased capacity and security of supply in existing networks, the future demand for power cables will also be driven by several other factors, first and foremost the environment, where there is a trend towards increased use of renewable energy. This is already being reflected in increased investment in wind energy. Wind farms are generally sited in isolated locations from where new cable links will be needed to carry the electricity from the wind turbines to the existing network.

Another important factor is the political focus in Europe in increased security of supply - across national frontiers. This was highlighted in January 2007 with the European Commission's plan for a new energy policy containing proposals for further liberalisation of the European electricity market. When this plan becomes reality there will be a need for new international cable links.

Development in the European electricity market for the period 1990-2004, and projected consumption for the period to 2030, are shown in Fig. 11 based on International Energy Agency (IEA) data. As will be seen, fuelled by economic growth, a continuing rise is expected in European electricity consumption. For the period to 2015, an annual increase of around 1.6% is forecasted, followed by an anticipated fall to 1.2% per annum. The figure also shows an expected shift towards increased use of renewable energy, which - as reported above - will reinforce demand for power cables.

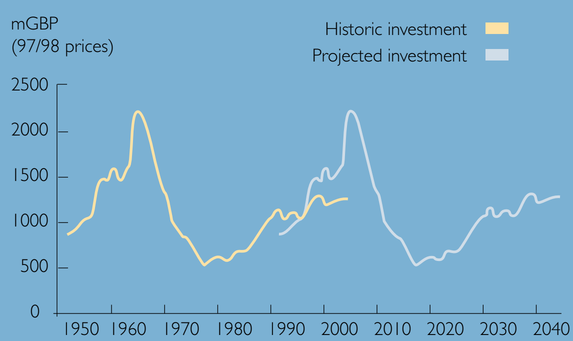
IEA forecasts overall aggregate investment of around 10,000 bnDKK (at current prices) in the European electricity sector in the period to 2030, of which 60% is expected to be spent on production capacity and 40% on transmission and distribution equipment. NKT Cables addresses the latter market, which is thus expected to represent around 175 bnDKK annually. The key components of this market are energy cables, installation costs and transformers.

THE EU ELECTRICITY MARKET **Fig. 11**

	1990	2004	2015	2030
Annual production (TWh)	2,632	3,429	4,082	4,860
Annual growth rate		1.9%	1.6%	1.2%
Production breakdown:				
- Coal, oil, gas, nuclear and hydro		95%	90%	83%
- Renewable energy (wind, solar, etc.)		5%	10%	17%
Annual population increase		0.5%	0.3%	0.1%
Annual GNP growth		2.2%	2.3%	1.8%

Future investment is expected to be split 45%:55% between replacement of existing capacity and addition of new capacity. A high level of activity is therefore anticipated in the form of maintenance and replacement of the existing supply network. Fig. 12 shows the timeline for establishment of UK's electricity network. Also shown is the necessary rate of replacement based on a mean expected cable life of 40 years.

GRID INVESTMENT **Fig. 12**



Source: Prof. Robin MacLaren, Managing Director, Scottish Power Transmission & Distribution

Nilfisk-Advance
- growing stronger

The extensive integration of operations between Nilfisk-Advance and ALTO was completed in 2006. Their business systems have been coordinated and streamlined. Nilfisk-Advance is ready for further expansion - and acquisition of the carpet cleaner manufacturer U.S. Products is a further step in this direction.

Nilfisk-Advance is a world leading manufacturer of professional cleaning equipment, with a product programme consisting of vacuum cleaners, floor washing, sweeping and polishing machines, carpet and fabric cleaners, and an extensive range of high pressure cleaners.

Customers are serviced by the company's sales and service subsidiaries in close interaction with its production units in Denmark, Italy, Hungary, USA and China - and an extensive network of distributors. Nilfisk-Advanced has sales subsidiaries in 35 countries.

Peer companies comprise Tennant (USA), Kärcher (Germany), Hako (Germany) and IPC (Italy).

Together, they and Nilfisk-Advance are estimated to command around 40% of the world market for commercial and industrial cleaning equipment, the rest of the market being shared among a large number of smaller producers.

Management

› Jørgen Jensen, CEO, (38)
› Christian Cornelius-Knudsen (42)
› Anders Terkildsen (44)
› Dan Stig Jensen (43)
› Morten Johansen (40), from 1.2.2007

Nilfisk-Advance launched 18 new cleaning machines in 2006.

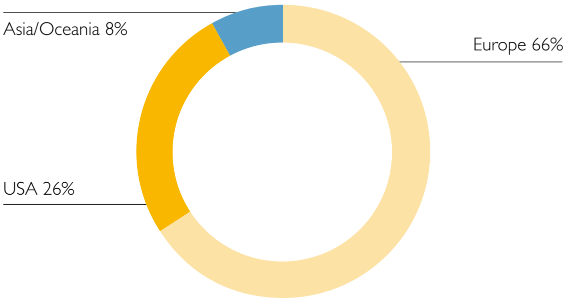
The photo shows one of a new line of cleaners that can wash and dry floors in the same operation. This cleaner incorporates a number of attractive features in the form of low noise, reduced water and detergent consumption, and long life between charges.

The aim is the regular launch of new and innovative equipment that can help cut cleaning overheads.

MARKET 2006

Nilfisk-Advance's *commercial market segment*, comprising contract cleaners, facility management companies, institutions, schools, supermarkets, hotels and retailers, showed positive development in 2006 with solid growth principally in European and Asian markets. Reduced growth was recorded in the US market. Continued good growth is expected in all main markets in 2007.

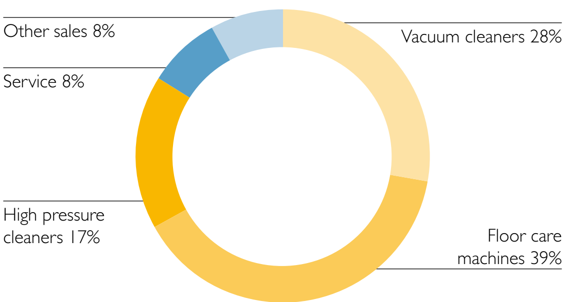
SALES BY MARKETS **Fig. 1**



Nilfisk-Advance's *industrial market segment* comprises production and distribution companies. Sales principally consist of larger size cleaners for washing, sweeping and vacuuming dirty, heavily trafficked areas. The company also supplies the market with special-purpose - often customised - cleaning equipment for use in specific contexts, such as the semiconductor, metal and food industries. The healthy demand experienced in 2006 is expected to continue in 2007.

After-sales service in the form of repair and sale of spare parts is a key sales parameter. It therefore plays an important part when Nilfisk-Advance has to decide which sales channels to use in which countries. After-sales service

SALES BY PRODUCTS **Fig. 2**

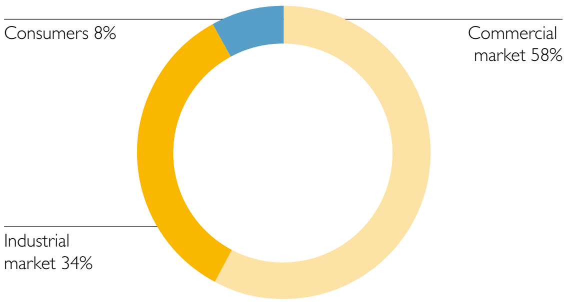


is provided in an interplay between the company's sales subsidiaries and its extensive distributor network.

Sales to *domestic consumers* take place in selected markets via Nilfisk-Advance's authorised dealers. Driven by further targeted focus on selected markets, the level of sales achieved was the same as in 2005.

We refer also to "New markets for cleaning equipment" on page 35.

SALES BY CUSTOMER SEGMENTS **Fig. 3**



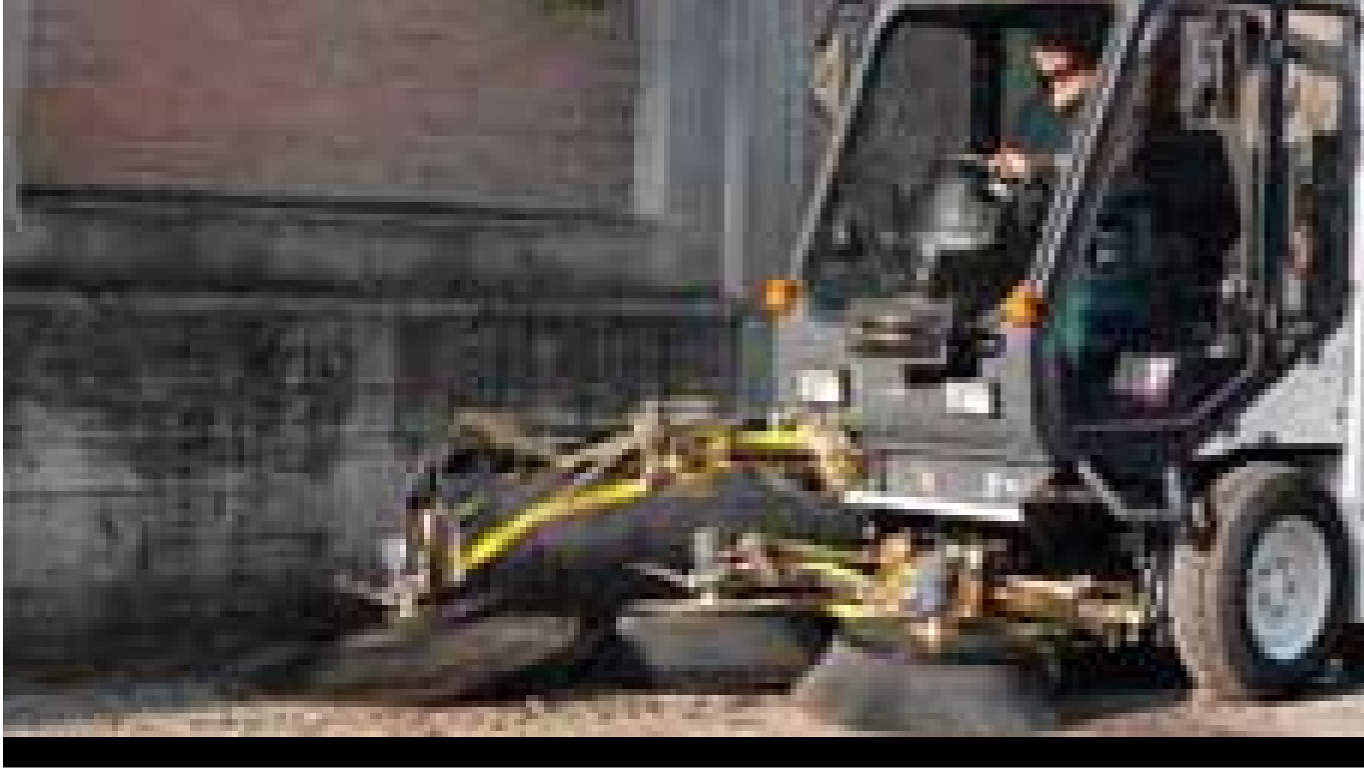
NILFISK-ADVANCE IN 2006

Nilfisk-Advance recorded organic growth of 6.8% in 2006. This growth was based partly on the successful launch of 18 new products, and partly on the development of existing markets.

The sales subsidiaries established in 2005 in Mexico, Turkey, Finland and Hungary showed positive progress in 2006. The year ended with the acquisition of US Products, which principally manufactures a large range of carpet cleaners.

Efforts to reduce the complexity of our business continued throughout 2006. In North America, relocation of production from Bowling Green to the main plant in Plymouth was completed, while general production optimisation continues. The closedown of production in Åmål, Sweden, and its subsequent relocation to Hungary also went to plan.

The integration of ALTO, which began immediately after acquisition in 2004, was completed in 2006. The measures decided upon at the time of acquisition have thus now been implemented, and the anticipated savings basis will be achieved in the period to 2008.



It was decided in 2006 to discontinue production of Gerni high pressure cleaners and to integrate Gerni's sales organisation with Nilfisk-ALTO. This will reduce the complexity of our high pressure cleaner business and at the same time strengthen the Nilfisk-ALTO brand.

Regular introduction of new and innovative products is an important element in Nilfisk-Advance's business. In 2006, 18 new products were launched. The aim is to deliver updated product solutions that enable customers to reduce cleaning overheads. It is very important therefore that new products offer customers additional functionalities while at the same time the price/quality ratio is steadily improved.

New products that should be highlighted include the new "walk-behind" range of medium-sized floor washers that address contract cleaners, institutions and light industry. The new range is based on a design platform characterised by reduced noise, easier handling/operation and high quality. In 2006 Nilfisk-Advance also developed a solution for dosing chemical detergents that also saves on water. This ECO Dosage Solution (EDS) is now available on all floor washers and makes it easier and cheaper for customers to use cleaning chemicals and at the same time minimises water consumption.

A new compact battery-powered sweeper that addresses the small business and institutional segment was also launched. In the company's roadsweeper programme, existing products were upgraded and the general price/performance ratio improved.

Nilfisk-Advance has launched two new key products in the high pressure cleaner segment. A compact professional coldwater model that addresses the volume market, and a compact hotwater model that has filled a gap in the company's existing range.

Finally, several new high pressure cleaners and three new vacuum cleaners have been introduced for the domestic consumer segment. The professional vacuum cleaner market has seen the introduction of specialist industry models as well as commercial vacuums for contract cleaners and light industry.

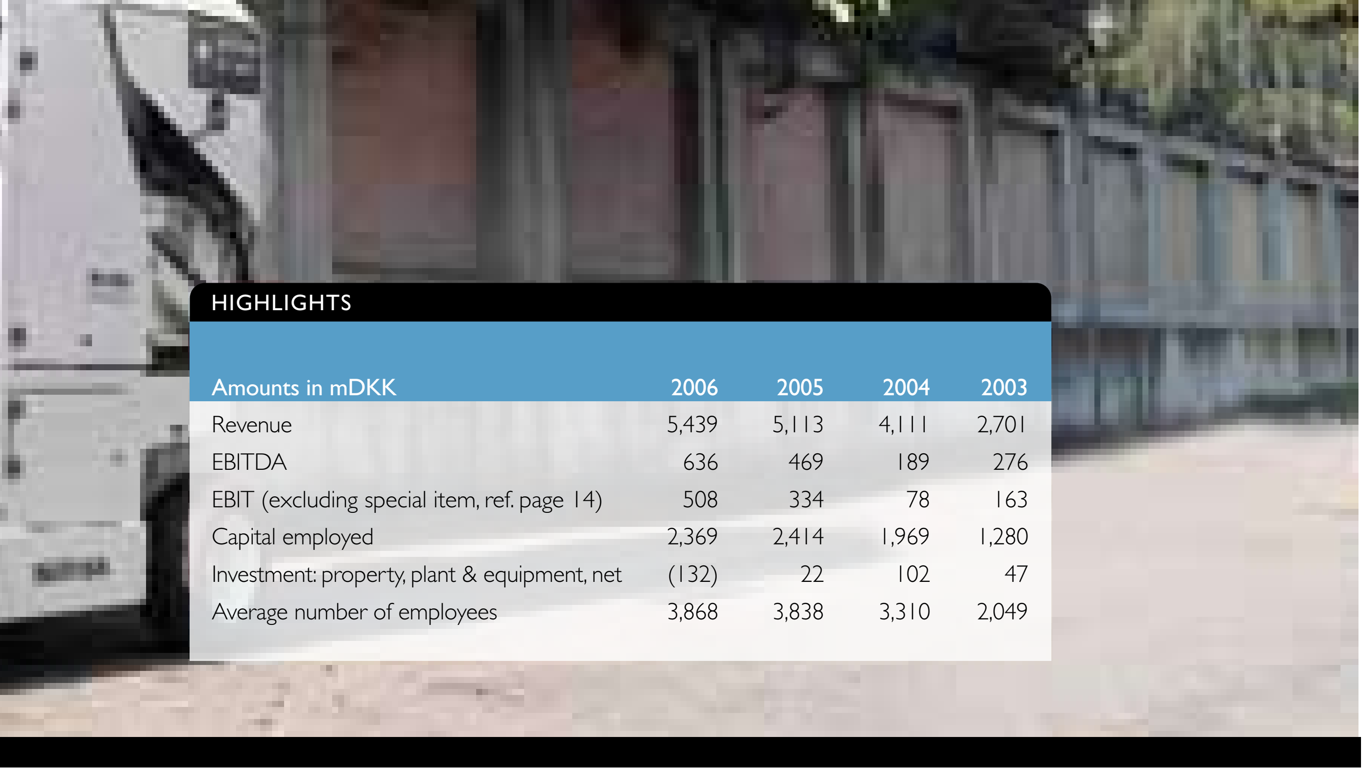
Similar to previous years, continued extensive activity relating to the launch of new products is planned for the years ahead.

Dan Stig Jensen joined the Group Management on 1 October 2006 with responsibility for the supply chain. The aim is to increase focus on Nilfisk-Advance's supply chain and strengthen the Group Management.

Morten Johansen has been appointed new CFO of Nilfisk-Advance starting 1 February 2007. He replaces Claus Michelsen who left the company on 1 October 2006.

FINANCIAL PERFORMANCE 2006

Nilfisk-Advance realised revenue of 5,439 mDKK in 2006. After adjustment for exchange rate changes and acquisitions,



HIGHLIGHTS

Amounts in mDKK	2006	2005	2004	2003
Revenue	5,439	5,113	4,111	2,701
EBITDA	636	469	189	276
EBIT (excluding special item, ref. page 14)	508	334	78	163
Capital employed	2,369	2,414	1,969	1,280
Investment: property, plant & equipment, net	(132)	22	102	47
Average number of employees	3,868	3,838	3,310	2,049

organic growth was 6.8%, similar to the level for the preceding three years.

Earnings before depreciation and amortisation (EBITDA), amounting to 636 mDKK, included net income of 108 mDKK from property sales and minor restructuring provisions. After adjustment for this, EBITDA comprised 528 mDKK, equal to 9.7% of revenue. EBIT excluding special item and the above non-recurring items, were 400 mDKK. This was a net profit ratio (EBIT) of 7.4%.

The positive earnings development of the preceding years was thus maintained in 2006, against the background of the organic growth resulting from the launch of many new products and measures to continuously improve the company's business systems.

We refer also to the comments on Nilfisk-Advance's revenue and earnings development on page 11.

Currency factors

Around 26% of Nilfisk-Advance's revenue derives from sales in USD and 8% from sales in Asian currencies. Revenue and earnings are therefore currency-sensitive. In 2006, exchange rates were more stable than in 2005, and exchange rate changes only reduced revenue by 19 mDKK.

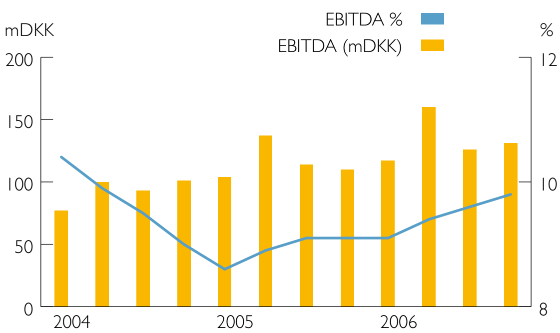
Organic growth

Based on absolute exchange rates, revenue increased by 6.8% in 2006. This included growth of 2.8% in USA, 7.2% in the Asia/Oceania region and 8.4% in Europe.

Operating earnings

An EBITDA margin of 9.7% was recorded in 2006, as against 9.2% in 2005 (excluding non-recurring items). Fig. 4 shows EBITDA development for the last 12 quarters, and EBITDA margin development on a rolling 12-month basis.

EBITDA Fig. 4

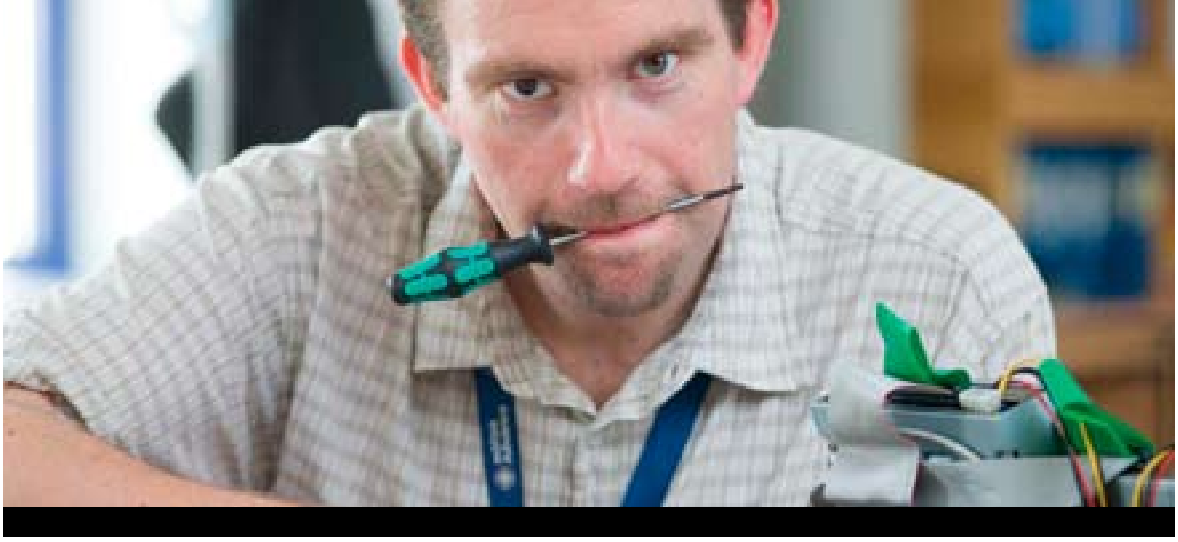


For both 2005 and 2006 the earnings levels shown have been adjusted for non-recurring items. The data for 2006 thus exclude income from several property sales and minor restructuring provisions, corresponding to 108 mDKK net.

Earnings development in 2006 was satisfactory, not least against the background of rising raw material prices.

Raw material prices

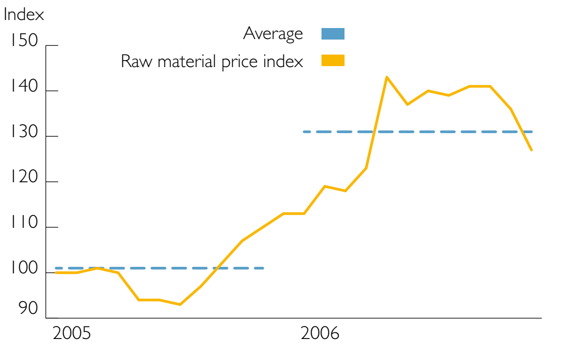
To illustrate how changes in raw material prices influence the company's cost base, Fig. 5 shows a price index for the



principal raw materials included in Nilfisk-Advance products: plastics, stainless steel, copper, lead and aluminium.

The figure shows a weighted price index for these raw materials covering the past two years. In 2006, raw material prices moved to a new level, averaging around 30% higher than for 2005.

RAW MATERIAL PRICES Fig. 5



This illustrates the need of Nilfisk-Advance to be able to continuously reduce its cost base as raw material input represents around 40% of the total cost base.

In 2006 the company managed to compensate for rising raw material prices by a number of measures, principally consolidation and relocation of production to low-wage areas, concentration of procurement on fewer suppliers, use of subsuppliers in low-wage areas, and efficiency measures. A key area in relation to product development is also to reduce manufacturing price by reducing complexity, using platform philosophy and optimising material input.

Cash flow

Liquidity development in 2006 was influenced by the continued high growth, which resulted in increased working capital. This was intensified by the large number of production relocations initiated, which resulted in exceptional build-up of stocks to safeguard delivery capacity. Overall, this had a negative effect on cash flow of 68 mDKK. To this must be added expenditure totalling 106 mDKK on restructuring provisions, and income totalling 247 mDKK from property sales. After adjustment for these factors, net cash flow amounted to 245 mDKK, which was in line with the positive development from preceding years. Net interest bearing debt was 1,048 mDKK, against 1,168 mDKK last year.

INTEREST BEARING DEBT Fig. 6

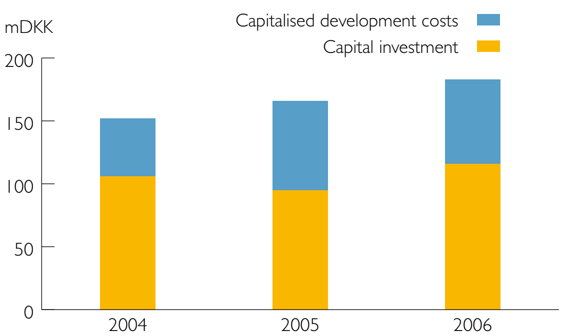
Amounts in mDKK	2006	2005	2004
1 January	(1,168)	(1,073)	(466)
Capital contribution, net	(127)	(30)	170
Interest expenses	(57)	(52)	(39)
	(1,352)	(1,155)	(335)
Acquisitions	(14)	(18)	(960)
Free cash flow, etc.	318	(5)	222
31 December	(1,048)	(1,168)	(1,073)

Investment

Investment in property, plant and equipment was 116 mDKK in 2006, similar to 2005. In addition, capitalised development costs amounted to 67 mDKK, against 71 mDKK in 2005. This item is directly linked to the intensive product development effort.

Aggregate gross investment thus comprised 183 mDKK, against 166 mDKK in 2005. This must be seen in relation to depreciation and amortisation of 128 mDKK.

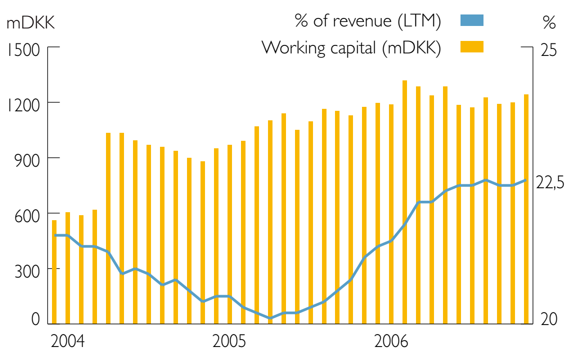
INVESTMENT Fig. 7



Working capital

Systematic effort has been made in recent years to reduce resources tied up in working capital. By mid-2005, this effort had reduced the 12-month average of working capital as a percentage of full-year revenue to 20.1%. From mid-2005 to mid-2006, working capital increased as a result of the production relocations that necessitated build-up of stocks to safeguard delivery capacity. This has temporarily increased tie-up of resources in working capital, which at year end 2006 represented 22.6% (see Fig. 8).

WORKING CAPITAL Fig. 8



The aim is to restore the level of working capital to around 20% of revenue in the course of 2007. The strategic target is around 18%.

Value creation

To achieve our objective of creating value for NKT's investors, control mechanisms are implemented in the Group's capital-sensitive segments to ensure that investments provide a return that at least matches investor yield requirements. At current interest rates, and in the light of Nilfisk-Advance's risk profile, the required minimum return on investment is 8% after tax. Against this background, the "economic profit" (EVA) can be computed by deducting full tax and cost of capital - calculated as 8% of capital employed - from the current operating earnings (EBIT) .

Fig. 9 shows the development in EVA and return on capital employed (RoCE) measured on a rolling 12-month basis (LTM). As can be seen, Nilfisk-Advance in 2006 further improved its satisfactory value creation status with a return on capital employed of 17% before tax and 12% after tax.

EVA Fig. 9

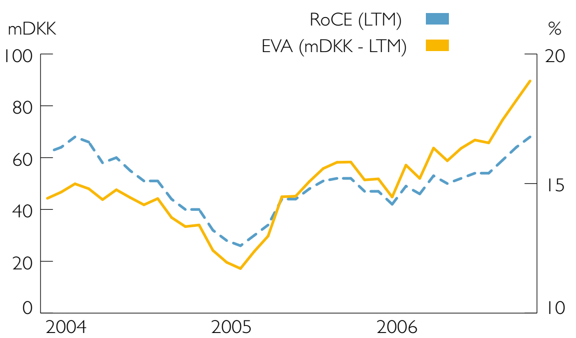
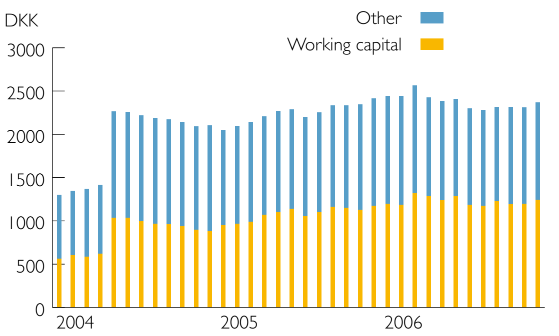


Fig. 10 shows that in recent years level of capital employed has been stable at around 2.4 bnDKK.

CAPITAL EMPLOYED Fig. 10



In 2006, the combination of stable investment level and rising level of return increased EVA to around 90 mDKK, which is satisfactory.

In 2007, Nilfisk-Advance is expected to further increase the return on capital employed towards the target of a return before tax of around 20%.

EXPECTATIONS FOR 2007

Assuming unchanged exchange rate conditions, forecast revenue for Nilfisk-Advance in 2007 is around 5.8 bnDKK, equal to organic growth of around 5%.

Forecast profit margin (EBIT) is around 8.2%, against 7.4% realised in 2006.

RISK FACTORS

Commercial risks

To maintain its leading position as a manufacturer of cleaning equipment Nilfisk-Advance must command a product range that is competitive in relation to products from other suppliers. The company addresses this by regularly launching products with increased functionality, high quality, and reduced manufacturing cost compared with previous models.

Nilfisk-Advance also focuses on continuously improving its business systems by efficiency enhancements in production, administration, sales and distribution.

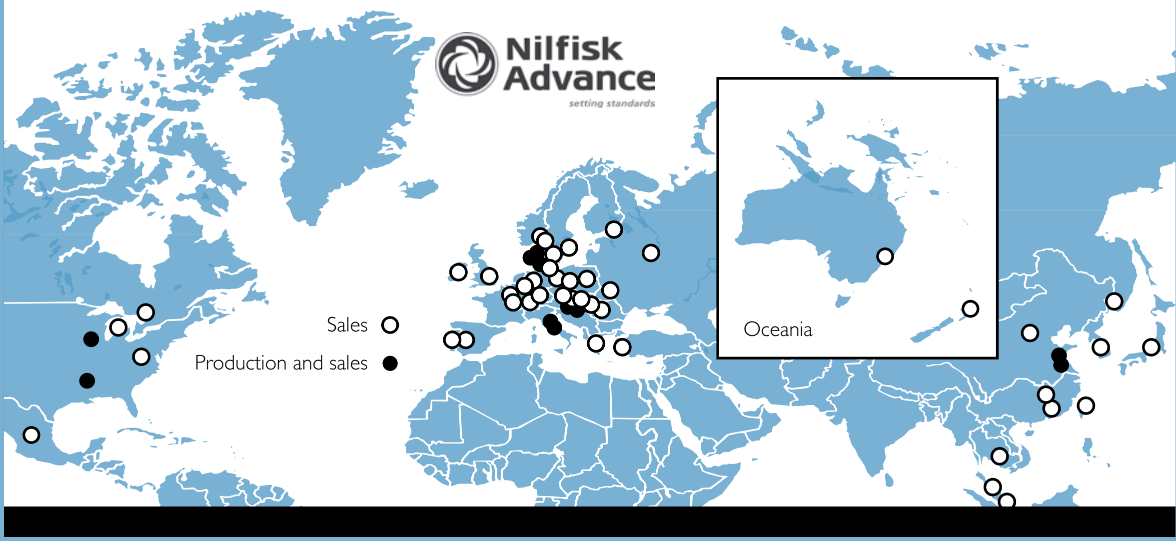
Customers, who are primarily professional users, prefer products that are not only competitive on price, but that are also robust, ergonomic, and can deliver high quality cleaning. In this way they reduce their cleaning costs. Customers also choose suppliers according to their market coverage and after-sales service. Nilfisk-Advance tries to match this by selling to customers through dealers, or by direct sales with related after-sales service supplied by a local service organisation.

Financial risks

Nilfisk-Advance's financial risk profile relates to the parameters described on page 86.

Cyclical sensitivity

Nilfisk-Advance is considered cyclically sensitive in a broad sense. The reason is that most customers are professional or institutional users for whom buying cleaning equipment is a capital investment. In times of recession, new investment is an area where it is easy to defer action in order to protect liquidity.



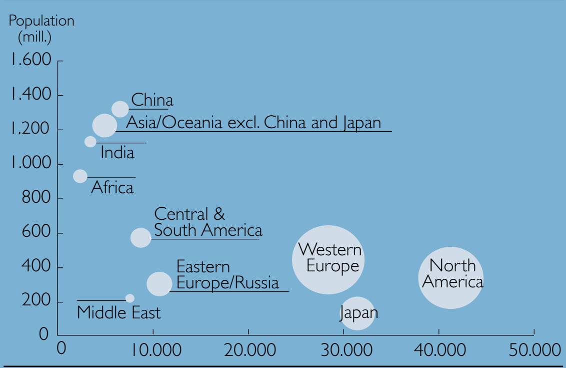
New markets for cleaning equipment

Demand for Nilfisk-Advance's core products - commercial and industrial cleaning equipment - is closely linked to development in living standards and wage levels.

The reason is that the incentive to automate increases in step with the cost of working wages. In addition, rising living standards are accompanied by a desire for clean surroundings and healthy working environment.

This relationship is illustrated in Fig. 11 which shows the global market breakdown for commercial and industrial cleaning equipment. The market is worth an estimated 8.2 bnUSD.

ESTIMATED GLOBAL MARKET **Fig. 11**



Gross national income (USD) per capita adjusted for parity in purchasing power. Circle size indicates "market size in mUSD".

Fig. 11 shows a pronounced link between living standard and market size. Around 80% of the market is currently to be found in North America, Western Europe and Japan. By comparison, these regions represent only about 15% of the global population.

We may therefore conclude that there is considerable potential for future organic growth by establishing at the right time in the regions shown in the left half of the figure. A number of these regions are expected to increase their living standards significantly in future decades, and the cleaning equipment industry anticipates overall growth that exceeds the global economic growth rate.

Hence Nilfisk-Advance's continuing focus on expanding its market presence in "new" regions. For example, in recent years the company has established sales subsidiaries in all important markets in Eastern Europe as well as Russia, Mexico and South Korea. This policy will continue in further development regions, parallel with the work taking place to cement and expand the company's position in established markets.

NKT Photonics Group
- a focused business profile

The objective is to create a powerful business segment based on the fibre-optics competencies possessed by the NKT Photonics Group of companies. In 2006, further focus was placed on the development of laser components, advanced new light sources, and monitoring systems based on temperature measurement.

The operations in the NKT Photonics Group are centred around developing, manufacturing and marketing:

› High power fibre laser components (Crystal Fibre)
› Ultra-precise lasers (KOHERAS)
› White light sources (KOHERAS)
› Distributed temperature measurement systems (LIOS Technology)
› Polymer nanomanipulation technologies, including surface modification (Nanon)

In addition to financial reporting for 2006, the following pages also provide a product and market update on the NKT Photonics Group.

COMPANY	MANAGEMENT	EMPLOYEES*
Crystal Fibre, Birkerød, DK	Michael Kjær (38)	27
Koheras, Birkerød, DK and DE	Jakob Skov (39)	34
Lios Technology, Cologne, DE	Thomas Oldemeyer (42)	21
Nanon, Brøndby, DK	Henry Kierkegaard (43)	18
NKT Research & Innovation, Birkerød, DK	Søren Isaksen (55)	18

Other market players are: Coherent, Newport, IP Photonics and Nufern - all USA, and Trumpf, Germany.

The BoostiK™ fibre laser module from KOHERAS is an ultra-precise laser designed for outdoor applications: LIDAR, wind measurement and monitoring. The laser is insulated to protect it from temperature, noise and vibration. It is operated by a digital remote control.

PRODUCTS AND MARKETS 2006

High power fibre laser components

Air-clad fibres from Crystal Fibre are key components enabling the manufacture of very high intensity of high fiber lasers.

High power lasers are used in a host of industrial machining processes such as welding, cutting, precision drilling and marking, as well as for a variety of more high-end applications in the semiconductor and life science industries and in research and developments.

High power fibre lasers have a number of advantages over conventional lasers in the form of greater robustness, enhanced energy efficiency, and better and more user-friendly beam quality. Accordingly, they are expected to see strongly increased application at the expense of conventional lasers. In 2006 the global market for fibre lasers was estimated at around 1.1 bnDKK, 7% of the total laser market. In 2006, sales of fibre lasers were up 40% on 2005, and similar growth is anticipated in the future.

Ultra-precise lasers

KOHERAS' ultra-precise lasers are fibre lasers with extremely narrow bandwidth and low noise level. They are used in instruments for a wide variety of applications:

› Wind speed measurement (wind farms and aircraft)
› Monitoring of frontiers, oil pipelines, ports and coastal areas
› Exploration and monitoring of oil reservoirs
› Scientific purposes

Most of these industrial applications are in course of development and the size of the market for ultra-precise lasers will be determined by how successful these new instruments are. The total addressable market is thus difficult to quantify, and the competition is primarily from very different, non-optic solutions.

White light sources

A white light source is a fibre laser where all visible wavelengths are available in a single product and where it is possible to tune into precisely the wavelengths that are relevant for the purpose. White light sources are a radically new type of product from KOHERAS that will typically find application where clusters of lasers or other light sources are today used in the same product. Examples are microscopes, cell sorting systems and optical measuring instruments.

The existing laser market that is potentially replaceable by white light sources is estimated at around 1 bnDKK. To this must be added entirely new applications opened up by these products, as well as applications based on other light sources such as xenon lamps.

The players in the market for white light sources are primarily start-up companies. They all base their products around the non-linear properties of crystal fibres.

Distributed temperature measurement systems

Today, the market addressed by LIOS Technology is primarily dominated by fire alarm applications in special-hazard buildings and tunnel systems and monitoring applications for high voltage cables and oil wells.

The total market is estimated at 500 mDKK, with monitoring of buildings representing around 200 mDKK in 2006. The global market for each of the three other applications referred to above is estimated at around 100 mDKK.

In the years ahead, heavy growth rates of 30-50% are expected in monitoring applications for high voltage cables and oil wells.

LIOS Technology has historically focused on tunnel systems, but is now also active in the other markets, not least monitoring of high voltage cables.

Nanomanipulation of polymers

Nanon's business is based on the company's two patented technologies Softplasma™ and Cohancement™.

Both fields of technology have proven extremely well-suited for coating components made of silicone (LSR materials). By means of Nanon's technologies, unwanted residues can be removed and the silicone can be impregnated or provided with a new "chemistry" that provides it with entirely new properties. The total global volume of LSR components currently hardened thermally to remove residues is estimated at around 25,000 tonnes, the corresponding volume of silicone rubber based components being estimated at around 50,000 tonnes.

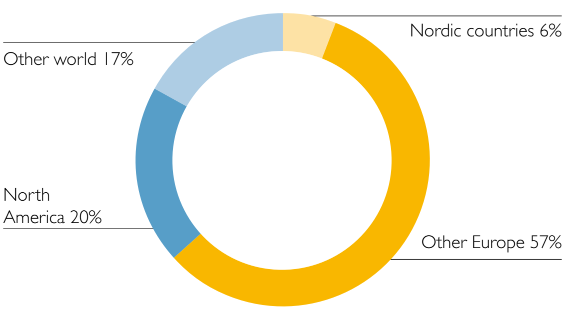
The use of LSR and silicone rubber is growing at an annual rate of 8-10%.

FINANCIAL PERFORMANCE 2006

Financial performance in 2006 was strongly influenced by the decision midway through the year to increase development effort, firstly at KOHERAS and secondly at Crystal Fibre. This effort has not yet matured into increased sales.

NKT Photonics Group realised revenue of 104 mDKK in 2006. Crystal Fibre and LIOS Technology experienced healthy growth during the year. At KOHERAS, growth was slightly up on 2005, while Nanon registered a decrease in revenue after one Mercedes car model that previously used a Softplasma™ solution switched to a completely different material.

SALES BY MARKETS Fig. 1



Total operating earnings before depreciation and amortisation (EBITDA) for NKT Photonics Group amounted to (25) mDKK. This is primarily caused by accelerated development work at KOHERAS and Crystal Fibre.

The activities of each of the companies in the NKT Photonics Group are described in pages 39-41.

EXPECTATIONS FOR 2007

Forecast growth in revenue for NKT Photonics Group in 2007 is 25%.

Operating earnings before depreciation and amortisation (EBITDA) are expected to remain around (15-20) mDKK, against (25) mDKK for 2006. The intensified development activities at KOHERAS and Crystal Fibre will therefore continue in 2007.

RISK FACTORS

Commercial risks

The success of the companies in the NKT Photonics Group depends on their ability to create groundbreaking products for what generally are demanding, niche-type markets. The ability of these companies to attract innovative and competent people and to establish constructive interaction between technological and commercial driving forces is therefore a crucial factor.

Financial risks

The NKT Photonics companies are international market players and thus exposed to currency risks which are,

HIGHLIGHTS

Amounts in mDKK	2006	2005	2004	2003
Revenue	104	104	81	70
EBITDA	(25)	(8)	(87)	(76)
EBIT	(39)	(29)	(160)	(135)
Capital employed	109	97	83	124
Investment in property, plant and equipment	7	5	14	10
Average number of employees	120	102	153	165

however, negligible in relation to the size of the NKT Group as a whole.

Cyclical sensitivity

The NKT Photonics Group is considered cyclically sensitive because most of the revenue earned by its companies derives from products used in industrial applications. The cyclical sensitivity of these companies is not critical in relation to NKT as a whole.

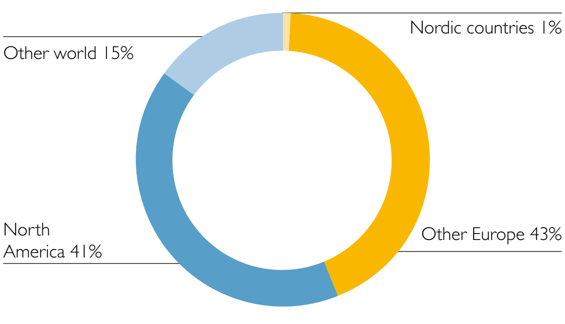
NKT PHOTONICS IN 2006

Crystal Fibre

In 2006, Crystal Fibre continued its efforts to become the dominant global supplier in its segment.

Growth increased around 50% on 2005, and rising sales were recorded for all standard products, ie. non-linear fibres, air-clad fibres, large-mode-area fibres and hollow-core fibres.

SALES BY MARKETS Fig. 2



In the short term, air-clad fibres represent the most interesting of Crystal Fibre's products as they make possible the manufacture of very high power lasers. To make it easier for customers to produce fibre lasers based on air-clad fibres, the company develops sub-assemblies for the various fibre laser types. A sub-assembly production facility was established in 2006.

On a slightly longer commercial time horizon, the hollow-core fibre is a new type fibre with properties impossible to replicate with conventional optical fibres. A major development project has been begun in partnership with Honeywell to demonstrate the potential of hollow-core fibres for building a new type of gyroscope.

It is important that Crystal Fibre itself possesses, and can also demonstrate to customers, industrially reliable technologies for the handling of crystal fibres. The company therefore invested 9 mDKK in a 27% stake in the US company Vytran LLC in spring 2006. Vytran is the leading manufacturer of equipment, including cutting, splicing and coating equipment, for handling speciality fibres. Through this investment Crystal Fibre has also gained a platform that facilitates participation in US military projects.

In partnership with, among others, NKT Research & Innovation and COM•DTU, Crystal Fibre has been awarded funding by Denmark's National Advanced Technology Foundation to develop new ultra-fast fibre lasers. As part of this project, Crystal Fibre is developing a new type of

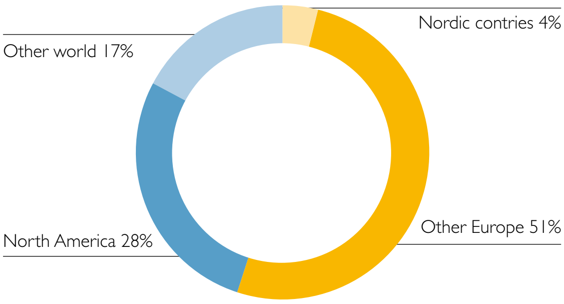
hollow-core fibre. This work will be based on the technology obtained by Crystal Fibre's acquisition of Blaze Photonics in 2004.

KOHERAS

KOHERAS has expanded its position as world leading supplier of ultra-precise fibre lasers. In 2006 the company recorded increased sales of this type of laser, which is characterised by high spectral purity and low noise. Demand was particularly strong for BoostiK™, a high power version of the laser.

Ultra-precise lasers from KOHERAS have in recent years been tested at development level in a wide range of application contexts and are now starting to be used industrially. In light radar (LIDAR), for example, where they are used to measure wind velocity in connection with characterisation and qualification of potential wind farms. Industrial applications are also emerging in the exploration and monitoring of oil reservoirs and harbour surveillance. As such industrial applications become established this will create a basis for substantial growth at KOHERAS in years to come.

SALES BY MARKETS Fig. 3



At the end of 2004, KOHERAS introduced a new product, a white light source called SuperK™. This product builds on certain unique properties achievable only with crystal fibres. Product demand in 2006 was good.

In 2006, KOHERAS successfully partnered with Leica, one of the world's largest producers of confocal microscopes, in further-developing a high intensity white light source, SuperK™ Extreme. Through this partnership, KOHERAS has become a licensed user of Leica's white light source-related IPR rights and SuperK™ Extreme is now additionally being marketed for purposes such as cell sorting and semi-conductor lithography. Appreciable growth in sales of this product is expected in 2007.

At the beginning of 2007 KOHERAS has acquired sole ownership of the German company LG-Laser Technologies, which has now been renamed KOHERAS GmbH. This investment is intended to establish a direct presence in the German market, which together with the United States, is the primary market for industrial lasers.

LIOS Technology

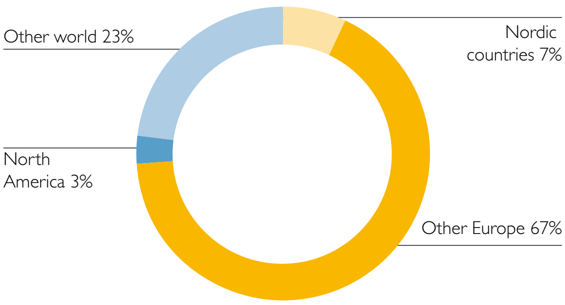
LIOS Technology reported sound growth in revenue and earnings in 2006 and continued to strengthen the width of its market presence.

In its segment for fire detection in tunnels and special-hazard buildings, LIOS Technology established partnerships with customers in markets where it has traditionally been poorly represented. This has generated additional sales for this segment and partially compensated for the loss created by the completion in 2005 of several large projects.

At the end of 2005, LIOS Technology introduced a series of newly developed temperature measurement systems with a range of 10 km or more, principally intended for cable monitoring. These products were supplemented in 2006 by software for predicting thermal loading in cables (RTTL: Real

Time Thermal Loading). Accordingly, LIOS Technology now has a complete product programme for cable monitoring. This has resulted in significantly increased interest from customers and growth in segment sales.

SALES BY MARKETS Fig. 4



Oil well temperature monitoring is another potentially attractive market segment for LIOS Technology. Future focus will continue on further expanding the company's four market segments: fire detection in tunnels, in special-hazard buildings; monitoring of load in high voltage power systems, and oil well temperature monitoring.

NKT Research & Innovation

In 2006, NKT Research & Innovation maintained focus on providing business- and product-oriented development activities on behalf of NKT Photonics Group companies, principally Crystal Fibre and KOHERAS.

Current activities include a project to develop ultra-short-pulse fibre lasers. This project is headed by NKT Research & Innovation and supported by Denmark's National Advanced Technology Foundation. It has a combined budget of 42 mDKK and includes the participation of Crystal Fibre, COM•DTU and Herlev Hospital.

Nanon

In 2006, Nanon continued efforts to widen its Softplasma™ technology market, further-develop its Cohancement™ technology, and expand the market platform for Cohancement™.

Sales in the Softplasma™ segment were down on 2005 after one Mercedes car model that previously used a Softplasma™ solution switched to a completely different material for its steering wheel components. In the course of 2006, Softplasma™ was adopted by other car makers both for steering wheel components and parking sensors. It is therefore expected that sales lost in 2006 will be partially recovered and can in time be increased.

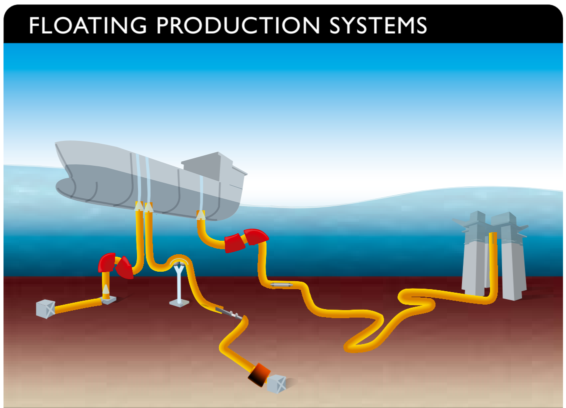
Considerable resources were invested in 2006 in demonstrating the use of Cohancement™ technology for a variety of potential applications. Marketed under the name Cold Curing™, the technique is now being used commercially by Nanon to process a small volume of components that require a high degree of purity or do not tolerate heat treatment.

NKT Flexibles
- orders for today and tomorrow

NKT Flexibles supplies flexible subsea pipe systems designed to carry products recovered from offshore oil and gas fields. Company operations were characterised by strong demand throughout 2006.

The NKT Group owns 51% of NKT Flexibles, the remaining 49% of the company's equity being owned by Acergy M.S. Limited (formerly Stolt Offshore).

NKT Flexibles is one of three suppliers of flexible pipe systems to the global offshore industry. The other two are Technip, France, and Wellstream, UK.



MANAGEMENT

- Michael C. Hjorth, CEO, (40), Denmark
- Reidar Kleven, COO (54), Norway

Special reinforcement technology is utilised to produce the flexibility in the company's products. This enables the pipes to be manufactured, transported and installed in kilometre-length sections.

The pipes are manufactured in Kalundborg, Denmark, where the company has production and storage facilities.

MARKET 2006

The biggest markets for flexible subsea pipe systems are the Atlantic Ocean off Brazil and West Africa, and the North Sea. Other important markets are the Gulf of Mexico, the Far East and Australia.

The offshore industry's incentive to invest in new oil fields is determined by the price of crude oil and by the need of the oil companies to replace existing reserves.

Activity in the offshore sector, which at the start of the decade was depressed, has been rising strongly since the second half of 2004. In 2006, NKT Flexibles experienced a stable, high level of activity that resulted in record high order levels.

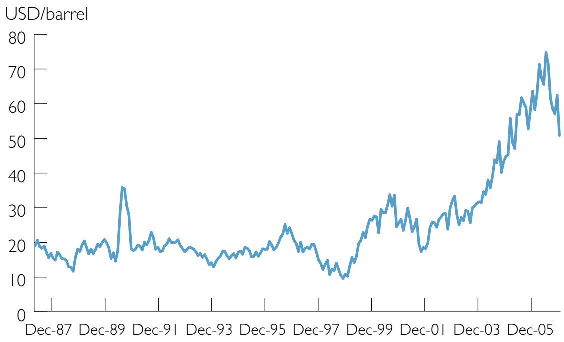
In the period 2004-2006, orders received have constantly exceeded revenue (cf. Fig. 1), which is reflected in a book-to-bill of more than 1.0. As a result, orders in absolute terms increased over the period and at year end 2006 amounted to 1.3 bnDKK. NKT Flexibles' annual production capacity is around 1 bnDKK.

ORDERS RECEIVED Fig. 1

OIL PRICE

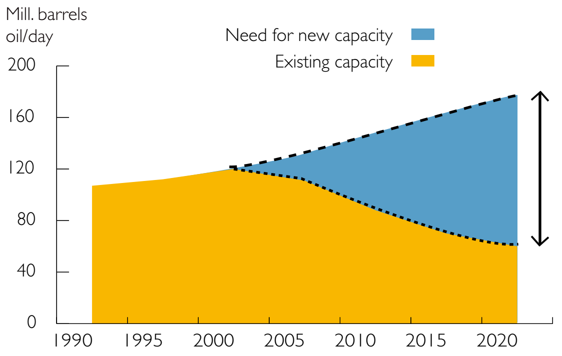
The significant growth in oil industry activity in recent years has been positively influenced by the development in the price of oil (cf. Fig. 2). In 2004 the oil price fluctuated between around 30 and 52 USD/barrel, which was above the level the oil companies use in their expansion simulations (typically 16-18 USD). In 2005 and 2006 the oil price increased further, peaking at around 80 USD/barrel in mid-2006, after which an appreciable fall occurred. At the start of 2007 the oil price varied between 50 and 60 USD/barrel, corresponding to the

OIL PRICE DEVELOPMENT Fig. 2



mid-2005 level. At the current level, sector activity remains high and this is expected to continue for the next few years. This is supported by the need to increase the oil industry's production capacity to meet anticipated future consumption needs (cf. Fig. 3).

PRODUCTION CAPACITY Fig. 3



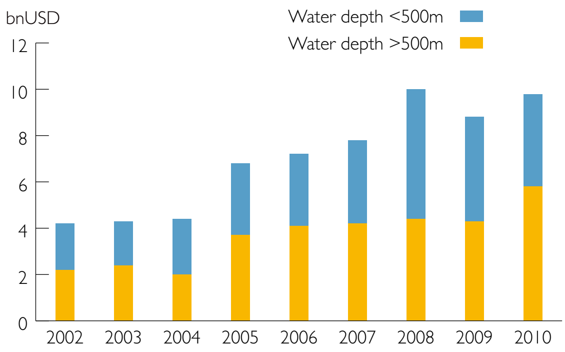
Increased demand for energy (+1.5% per year) and falling production in existing oil fields (minus 5% per year) have created a need for new fields. The figure shows that half the expected demand for oil/gas in 2020 cannot be met with existing production capacity.

OIL PRODUCTION

Historically, oil has been obtained from the most cost-effective locations, ie. on land and in relatively shallow offshore waters. In step with depletion of these resources, oil exploration and recovery are taking place at increasing depths and are often based on floating production installations (FPSO's and FPU's). For NKT Flexibles this trend is beneficial because floating production installations often depend on flexible pipelines to convey product from the wells on the sea bed to the installation itself.

The anticipated development is seen in Fig. 4, which shows the projected further growth in activity in the market for marine investment in oil recovery (SURF = Subsea Umbilical, Riser and Flowline - ie. various types of offshore products). NKT Flexibles addresses around 15% of this market in the form of risers (pipes that run from sea bed to surface) and flowlines (pipes that run horizontally along the sea bed). This market is estimated at around 1 bnUSD.

INVESTMENT REQUIREMENT (SURF) Fig. 4



Increased demand is expected for offshore installation products capable of operating in very deep water.

FINANCIAL PERFORMANCE

Since 1 January 2005, NKT Flexibles has been represented in the NKT Group's financial statements as a 51% owned joint venture company being managed jointly by the owners. NKT Flexibles is therefore no longer recognised in full in NKT's consolidated financial statements but is reported on one line.

NKT Flexibles recorded revenue of 884 mDKK in 2006, a substantial increase on the 491 mDKK realised in 2005. This was due to significantly increased market activity and the company's improved competitiveness.

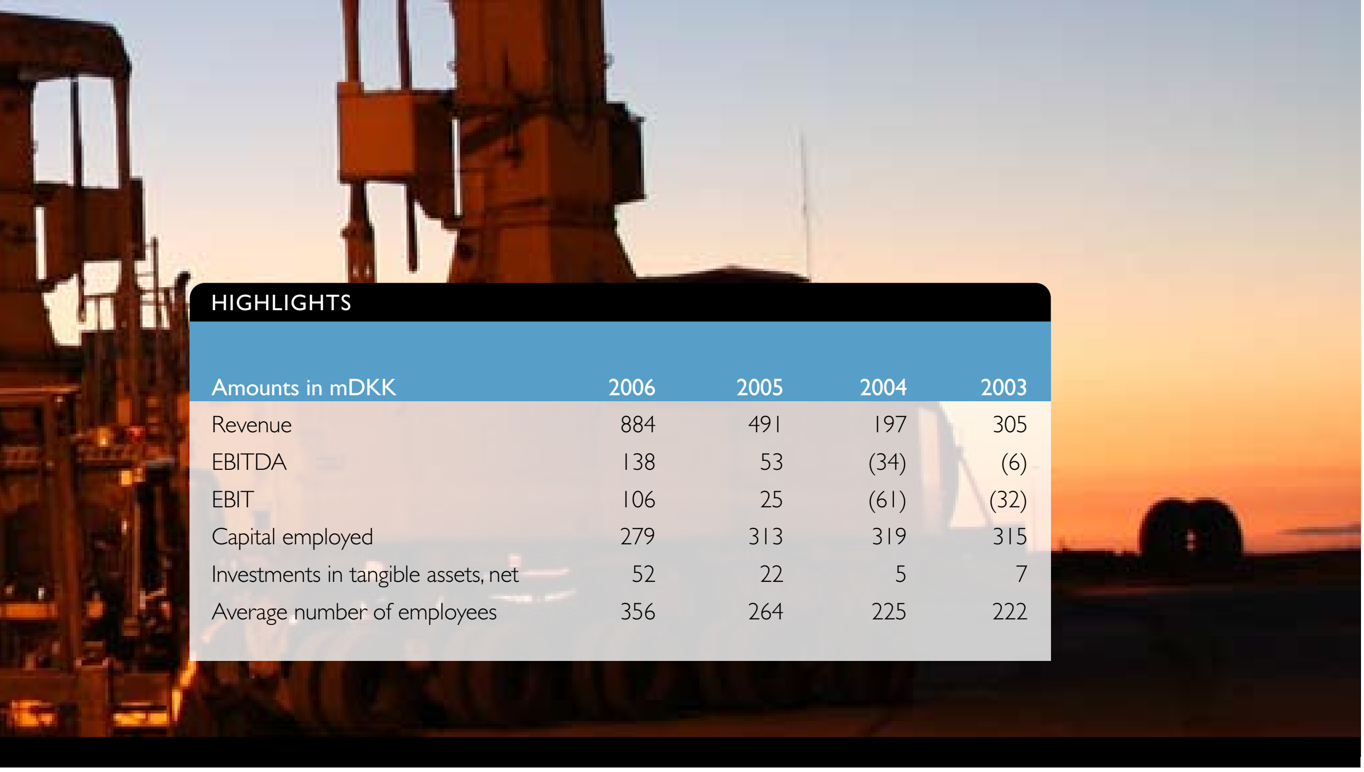
Operating earnings (EBITDA) were 138 mDKK, as against 53 mDKK for 2005, a substantial and very pleasing increase of 85 mDKK. EBITDA margin was 15.6%, reflecting increased capacity utilisation.

NKT's share of net income for 2006 was 53 mDKK. Interest bearing debt at 31 December 2006 was 25 mDKK, against 167 mDKK at 1 January. The debt includes loans from NKT Holding amounting to 41 mDKK, against 108 mDKK last year.

Order intake was highly satisfactory and the order book at year end 2006 comprised 1,305 mDKK. Orders received during the year represented 1,177 mDKK. A very solid foundation has therefore been laid for NKT Flexibles for the year ahead.

NKT FLEXIBLES IN 2006

NKT Flexibles in 2006 continued its positive development as a globally oriented supplier of flexible subsea pipeline systems to all offshore oil and gas regions except Brazil, where local competitive conditions mean that on current market terms the price level is not attractive for NKT Flexibles.



HIGHLIGHTS

Amounts in mDKK	2006	2005	2004	2003
Revenue	884	491	197	305
EBITDA	138	53	(34)	(6)
EBIT	106	25	(61)	(32)
Capital employed	279	313	319	315
Investments in tangible assets, net	52	22	5	7
Average number of employees	356	264	225	222

In the course of 2006, NKT Flexibles successfully completed a number of projects of varying complexity for both new and existing customers. The company therefore maintained its market position as a participant in some of the sector's most challenging projects both technically and in volume terms.

A significant example of NKT Flexibles' status as an expert supplier of technically challenging flexible pipeline systems was the delivery in late 2006 of a total of eight 15" ID dynamic risers for the development of a large oil field in the Gulf of Mexico.

Also during the year, NKT Flexibles realised a number of sizeable orders for projects in the North Sea, West Africa (Atlantic Ocean), the Caspian Sea and India ("Mumbai High" in the Indian Ocean).

For the second successive time the Kalundborg factory fulfilled expectations by supplying more than 100 km of pipe in one year. The results of a series of production improvement measures, including lean manufacturing, are therefore now beginning to manifest themselves.

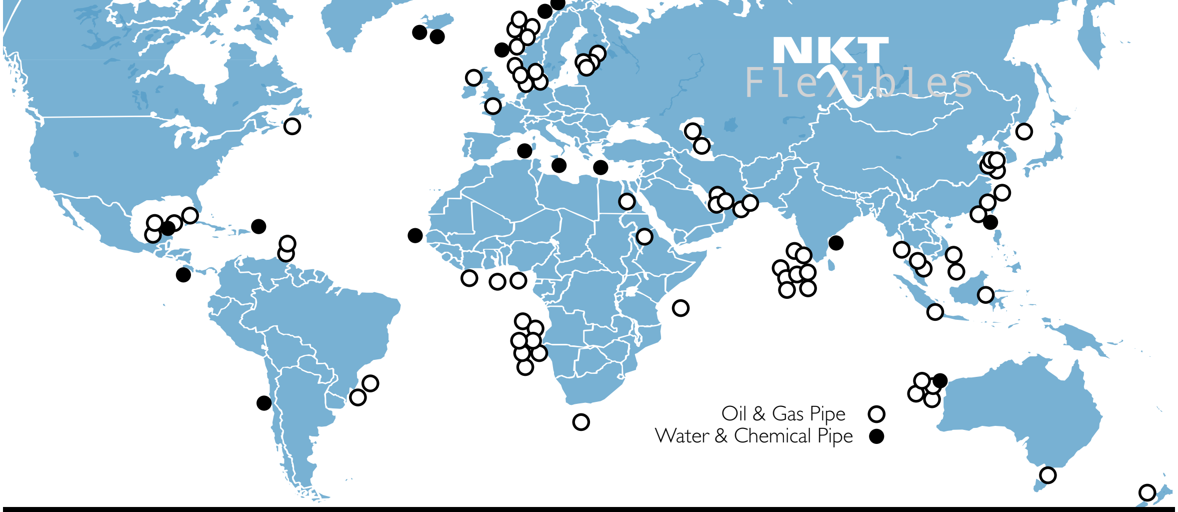
The growth in number of employees continued in 2006. At year end, NKT Flexibles employed more than 400 people, an increase of around 100. The great majority of new appointments were in projects, engineering, production and development.

During 2006, NKT Flexibles successfully completed full-scale testing of a 6" ID dynamic pipe designed for operating in waters up to 2,000 m deep. A number of related tests - all witnessed by the international certification agency Bureau Veritas - also proved successful. As a result, NKT Flexibles can now market itself as a supplier for deepwater projects, which in future will represent an increasingly large part of investment in offshore oil and gas operations. Qualification of larger pipe dimensions will follow in the years ahead.

New technology was also successfully implemented during the year on both new and existing projects. For example, NKT Flexibles has signed contracts based on use of "lean duplex" (a special type of stainless steel) as replacement for conventional stainless steel. The material is used as the innermost layer in the flexible pipe.

Other significant technological leaps include use of crosslinked polyethylene as the inner liner (a special pressure-bearing layer of polymer) in the flexible pipe, and the inclusion of optical fibres in pipe reinforcement with a view to establishment of monitoring data. Common to both these technological landmarks is that they increase the company's competitiveness by reducing costs and at the same time offering customers added value.

Players in the offshore sector are required to observe rigorous specifications with regard to quality, safety and environment. In 2006, Bureau Veritas extended NKT



Flexibles' certification to the manufacture of offshore oil and gas pipes up to 16" ID.

EXPECTATIONS FOR 2007

Further growth in revenue is forecasted for NKT Flexibles in 2007 - based in part on the company's solid order book at 1 January.

Forecast operating earnings (EBITDA) for 2007 are significantly higher than for 2006. NKT's share of earnings after depreciation, amortisation and interest expenditure is expected to be around 70 mDKK.

RISK FACTORS

Commercial risks

NKT Flexibles is one of only three suppliers of flexible pipe systems to the global offshore market.

The level of offshore activity, and thus the size of the offshore market, are partly linked to the future price level of crude oil as this strongly influences investment interest in the offshore industry.

Projects are usually let by tender, and companies can bid for the pipe contract or for a turnkey solution that includes installation on the ocean floor. Here, Acergy's 49% ownership in NKT Flexibles is an important strategic factor.

The competitiveness of the three suppliers depends on their ability to design pipes that match the customer's specification and quality criteria, while also delivering the most economic solution in terms of product life.

As the projects are very challenging technically and the solutions often differ considerably, the successful supplier is often the supplier who in the specific case can deliver the optimal solution for the specific project.

For NKT Flexibles it is vitally important that order volume is sufficient to enable full utilisation of plant capacity and thus also cost-effective production.

Cyclical sensitivity

NKT Flexibles is judged to be cyclically sensitive to a moderate degree. The company is part of the global offshore industry's value, and the need for the company's products is primarily related to expansion of existing oil fields or establishment of new oil fields.

The offshore industry operates on a long planning horizon, and investment decisions are primarily driven by oil price development and the size and composition of oil reserves.

PIONEERING RESEARCH

With her background as a chemical engineer and a career with NKT dating back to 1969, Inger-Margrete Procida has acquired unique competencies in the field of materials technology. She develops, adjusts and tests polymer materials used for the offshore pipes manufactured by NKT Flexibles.

Statement

BY THE MANAGEMENT AND THE BOARD OF DIRECTORS

Today the Board of Directors and the Board of Management have discussed and approved the Annual Report of NKT Holding A/S for the financial year 1 January - 31 December 2006.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2006.

We recommend that the Annual Report be approved at the annual general meeting.

Brøndby, 5 March 2007

Board of Management

Thomas Hofman-Bang *President and CEO*	Søren Isaksen

Board of Directors

Christian Kjær *Chairman*	Jan Wraae Folting	Jørgen Bjergskov Nielsen
Jan Trøjborg *Deputy Chairman*	Jens Maaløe	Gunnar Karsten Jørgensen
Krister Ahlström	Jens Due Olsen	Arne Dan Kjærulff

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NKT Holding A/S

We have audited the Annual Report of NKT Holding A/S for the financial year 1 January - 31 December 2006, which comprises the Statement of the Board of Directors and Board of Management on the Annual Report, Management's Review, a summary of significant accounting policies, the income statement, balance sheet, statement of changes in equity, cash flow statement for the year then ended and notes for the Group as well as for the Parent Company. The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies.

The Board of Directors and Board of Management Responsibility for the Annual Report

The Board of Directors and Board of Management are responsible for the preparation and fair presentation of this Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report 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 the Board of Directors and Board of Management, as well as evaluating the overall presentation of the Annual Report.

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 Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for Annual Reports of listed companies.

Copenhagen, 5 March 2007

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Lars Andersen	Søren P. Krejler
State Authorised Public Accountant	*State Authorised Public Accountant*

Group accounts 2006

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CONTENTS

NOTE

Income Statement

for the NKT Group

1 January - 31 December

Amounts in mDKK	Note	2006	2005
Revenue	2	10,815.0	8,750.1
Other operating income	3	209.6	126.3
Changes in inventories of finished goods and work in progress		210.9	223.7
Work performed by the Group and capitalised		9.6	9.3
Total		11,245.1	9,109.4
Raw materials, consumables and goods for resale		(6,534.7)	(4,984.4)
Employee benefits, expense	4,5	(2,075.2)	(2,021.6)
Other costs	5,6	(1,675.5)	(1,405.4)
Share of net income after tax attributable to associates and joint ventures accounted for using the equity method	7,8	62.6	15.0
Earnings before interest, tax, depreciation & amortisation (EBITDA)		1,022.3	713.0
Depreciation and impairment of tangible assets	14	(139.4)	(158.5)
Amortisation and impairment of intangible assets	13	(65.2)	(63.2)
Impairment losses on goodwill	13	0.0	(6.0)
Earnings before interest and tax (EBIT), before special item		817.7	485.3
Financial income	9	79.5	79.6
Financial expenses	10	(128.3)	(101.7)
Earnings before tax and special item		768.9	463.2
Adjustment of goodwill by increase in tax asset		(141.5)	-
Tax expense, continuing operations	11	(24.1)	(103.6)
Profit, continuing operations		603.3	359.6
Discontinued operations, net of tax	30	0.0	1.0
Profit for the year		603.3	360.6
Proposed distribution:			
Profit attributable to equity holders of the parent		582.4	356.3
Profit attributable to minority interests		20.9	4.3
		603.3	360.6
Basic earnings per share (EPS)	12	24.9	14.7
Diluted earnings per share (EPS-D)	12	24.7	14.5
Basic earnings per share, continuing operations	12	24.9	14.7
Diluted earnings per share, continuing operations	12	24.7	14.5

Balance sheet

for the NKT Group

At 31 December Amounts in mDKK	Note	2006	2005
Assets			
Non-current assets			
Intangible assets	13		
Goodwill		615.4	807.1
Development projects completed		104.1	107.0
Patents, licences and trademarks, etc.		41.6	53.3
Development projects in progress		58.4	43.3
		819.5	1,010.7
Property, plant and equipment	14		
Land and buildings		210.4	301.9
Manufacturing plant and machinery		230.4	198.5
Fixtures, fittings, tools and equipment		240.0	246.7
Property, plant and equipment under construction and prepayments		128.6	58.0
		809.4	805.1
Other non-current assets			
Investments in associates and joint ventures	7,8	166.9	95.1
Other investments		28.9	25.7
Deferred tax	20	360.4	274.1
		556.2	394.9
Total non-current assets		2,185.1	2,210.7
Current assets			
Inventories	15	1,893.7	1,624.0
Trade and other receivables	16,22	2,188.7	1,902.1
Income tax receivable		16.6	25.7
Other investments		49.3	135.4
Cash at bank and in hand		1,016.5	278.9
Total current assets		5,164.8	3,966.1
Total assets		7,349.9	6,176.8

Balance sheet

for the NKT Group

At 31 December

Amounts in mDKK	Note	2006	2005
Equity and liabilities			
Equity			
Share capital	17,18	470.0	490.0
Reserves		2.5	132.9
Retained earnings		2,079.2	1,754.8
Proposed dividends		235.0	294.0
Total equity attributable to equity holders of the parent		2,786.7	2,671.7
Minority interests		18.9	63.1
Total equity		2,805.6	2,734.8
Liabilities			
Non-current liabilities			
Deferred tax	20	6.9	6.8
Employee benefits	19	288.3	284.0
Provisions	21	21.6	24.0
Interest bearing loans and borrowing	22	1,476.8	981.9
		1,793.6	1,296.7
Current liabilities			
Interest bearing loans and borrowing	22	623.6	218.2
Trade and other payables	22,23	1,973.7	1,660.9
Income tax payable		13.5	43.4
Provisions	21	139.9	222.8
		2,750.7	2,145.3
Total liabilities		4,544.3	3,442.0
Total equity and liabilities		7,349.9	6,176.8

Statement of changes in equity

for the NKT Group

At 31 December Amounts in mDKK	Share capital	Transla-tion reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total equity
Equity at 1 January 2006	490.0	99.3	27.8	5.8	1,754.8	294.0	2,671.7	63.1	2,734.8
Changes in equity in 2006									
Foreign exchange translation differences		(101.6)					(101.6)	3.6	(98.0)
Cash flow hedges, end of period			17.4				17.4		17.4
Cash flow hedges transferred to income statement (before tax)			(58.6)				(58.6)		(58.6)
Change in fair value of available-for-sale securities transferred to income statement				(5.7)			(5.7)		(5.7)
Tax on changes in equity		3.2	14.9		26.0		44.1		44.1
Net gains recognised directly in equity	-	(98.4)	(26.3)	(5.7)	26.0	-	(104.4)	3.6	(100.8)
Profit for the year					347.4	235.0	582.4	20.9	603.3
Total recognised income and expense	-	(98.4)	(26.3)	(5.7)	373.4	235.0	478.0	24.5	502.5
Distributed dividends						(294.0)	(294.0)		(294.0)
Distributed dividends, treasury shares					13.3		13.3		13.3
Treasury shares cancelled	(20.0)				20.0		-		-
Share options exercised					(85.1)		(85.1)		(85.1)
Share-based payment					2.8		2.8		2.8
Disposal, minority interests							-	(68.7)	(68.7)
Total changes in equity	(20.0)	(98.4)	(26.3)	(5.7)	324.4	(59.0)	115.0	(44.2)	70.8
Equity at 31 December 2006	470.0	0.9	1.5	0.1	2,079.2	235.0	2,786.7	18.9	2,805.6

Statement of changes in equity

for the NKT Group

At 31 December Amounts in mDKK	Share capital	Transla-tion reserve	Hedging reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Minority interests	Total equity
Equity at 1 January 2005	490.0	(47.0)	8.6	40.3	1,985.8	196.0	2,673.7	76.4	2,750.1
Changes in equity in 2005									
Foreign exchange translation differences		158.6					158.6	3.8	162.4
Cash flow hedges, end of period			58.7				58.7		58.7
Cash flow hedges transferred to income statement (before tax)			(21.7)				(21.7)		(21.7)
Change in fair value of available-for-sale securities				1.1			1.1		1.1
Change in fair value of available-for-sale securities transferred to income statement				(35.6)			(35.6)		(35.6)
Tax on changes in equity		(12.3)	(17.8)		7.1		(23.0)		(23.0)
Net gains recognised directly in equity	-	146.3	19.2	(34.5)	7.1	-	138.1	3.8	141.9
Profit for the year					62.3	294.0	356.3	4.3	360.6
Total recognised income and expense	-	146.3	19.2	(34.5)	69.4	294.0	494.4	8.1	502.5
Distributed dividends						(196.0)	(196.0)		(196.0)
Treasury shares acquired					(276.1)		(276.1)		(276.1)
Share options exercised					(25.5)		(25.5)		(25.5)
Disposal, minority interest							-	(21.4)	(21.4)
Share-based payment					1.2		1.2		1.2
Total changes in equity	0.0	146.3	19.2	(34.5)	(231.0)	98.0	(2.0)	(13.3)	(15.3)
Equity at 31 December 2005	490.0	99.3	27.8	5.8	1,754.8	294.0	2,671.7	63.1	2,734.8

Statement of cash flows

for the NKT Group

1 January - 31 December Amounts in mDKK	Note	2006	2005
Earnings before interest, tax, depreciation & amortisation (EBITDA)		1,022.3	713.0
Proceeds from sale of fixed assets, utilised provision for restructuring etc. and other non-cash items		(309.4)	(138.3)
Changes in working capital		(327.5)	(470.7)
Cash flows from operations before financial items		385.4	104.0
Interest received		54.0	55.3
Interest paid		(89.5)	(65.3)
Corporation tax paid		(85.0)	(52.8)
Cash flows from operating activities		264.9	41.2
Acquisition of business activities	26	(13.8)	(18.4)
Divestment of business activities	27	-	61.4
Acquisition of tangible assets		(290.3)	(242.3)
Disposal of tangible assets		261.5	137.1
Other investments, net		0.6	(49.7)
Cash flows from investing activities		(42.0)	(111.9)
Changes in long-term loans		496.8	240.6
Changes in short-term loans		430.8	(12.6)
Dividends paid		(294.0)	(196.0)
Treasury shares acquired		-	(276.1)
Share options exercised / dividends on treasury shares		(50.9)	(25.5)
Minority interests		(68.3)	(21.4)
Cash flows from financing activities		514.4	(291.0)
Net cash flows from operating, investing and financing activities		737.3	(361.7)
Cash at bank and in hand, 1 January		278.9	624.6
Currency adjustments		0.3	16.0
Net cash flows		737.3	(361.7)
Cash at bank and in hand, 31 December		1,016.5	278.9

Notes

for the NKT Group

Amounts in mDKK

1 **Segment reporting**

The information the NKT Group provides about its business segments is correlated with NKT's accounting policies, risks and internal financial management.

Our business segments comprise:

NKT Cables Group, cable products
Nilfisk-Advance Group, professional cleaning equipment
NKT Photonics Group, optical products

In this annual report the segments are discussed under the reviews for the individual companies, or under NKT Photonics Group for companies in that group.

Notes

for the NKT Group

Amounts in mDKK

1 Segment reporting, continued

Business segments 2006

	NKT Cables	Nilfisk-Advance	NKT Photonics	Unallocated / Other	2006 Total
Income statement					
Revenue from external customers	5,266.8	5,439.2	104.4	4.6	10,815.0
Inter-segment revenue	0.9	-	-	(0.9)	-
Total revenue	5,267.7	5,439.2	104.4	3.7	10,815.0
Costs and other income, net	(4,903.8)	(4,813.0)	(129.3)	(9.2)	(9,855.3)
Share of profit and loss, associates and joint ventures	(0.5)	10.1	-	53.0	62.6
Earnings, EBITDA	363.4	636.3	(24.9)	47.5	1,022.3
Depreciation and amortisation	(62.0)	(128.0)	(14.3)	(0.3)	(204.6)
Impairment losses	-	-	-	-	-
EBIT, before special item	301.4	508.3	(39.2)	47.2	817.7
Discontinued operations, net of tax	-	-	-	-	-
Segment result	301.4	508.3	(39.2)	47.2	817.7
Net financing costs					(48.8)
Tax and special item					(165.6)
Profit for the year					603.3
Balance sheet					
Segment goodwill	13.6	600.1	1.7	-	615.4
Investments in associates and joint ventures	0.1	28.1	9.6	129.1	166.9
Other segment assets	2,369.7	2,628.9	88.9	1,480.1	6,567.6
Segment liabilities	1,266.9	1,123.4	30.5	2,123.5	4,544.3
Other Information					
Cash flow from operations before net financing costs and tax	124.0	307.9	(34.6)	(11.9)	385.4
Additions to property, plant and equipment and intangible assets	175.7	182.7	6.8	0.8	366.0
Average number of full-time employees	2,005	3,868	120	23	6,016

Geographical segments 2006

	Europe	North America	Other	2006 Total
Revenue from external customers	8,364.9	1,453.4	996.7	10,815.0
Segment goodwill	396.6	199.7	19.1	615.4
Other segment assets	4,454.4	345.5	325.7	5,125.6
Assets, not allocated				1,608.9
Additions to property, plant and equipment and intangible assets	252.0	74.6	39.4	366.0

Amounts in mDKK

1 Segment reporting, continued

Business segments 2005

	NKT Cables	Nilfisk-Advance	NKT Photonics	Unallocated / Other	2005 Total
Income statement					
Revenue from external customers	3,528.6	5,113.0	103.3	5.2	8,750.1
Inter-segment revenue	0.1		0.2	(0.3)	-
Total revenue	3,528.7	5,113.0	103.5	4.9	8,750.1
Costs and other income, net	(3,287.1)	(4,649.6)	(111.9)	(3.5)	(8,052.1)
Share of profit and loss, associates and joint ventures		5.2		9.8	15.0
Earnings, EBITDA	241.6	468.6	(8.4)	11.2	713.0
Depreciation and amortisation	(66.9)	(134.5)	(14.6)	(5.7)	(221.7)
Impairment losses	-	-	(6.0)	-	(6.0)
EBIT	174.7	334.1	(29.0)	5.5	485.3
Discontinued operations, net of tax	1.0			-	1.0
Segment result	175.7	334.1	(29.0)	5.5	486.3
Net financing costs					(22.1)
Tax					(103.6)
Profit for the year					360.6
Balance sheet					
Segment goodwill	13.6	791.8	1.7	-	807.1
Investments in associates and joint ventures	0.1	20.5	-	74.5	95.1
Other segment assets	1,794.0	2,639.1	81.7	759.8	5,274.6
Segment liabilities	988.8	1,169.9	24.2	1,259.1	3,442.0
Other Information					
Cash flow from operations before net financing costs and tax	13.8	132.5	(19.0)	(23.3)	104.0
Additions to property, plant and equipment and intangible assets	144.7	166.1	12.3	-	323.1
Average number of full-time employees	1,939	3,838	102	27	5,906

Geographical segments 2005

	Europe	North America	Other	2005 Total
Revenue from external customers	6,551.3	1,436.2	762.6	8,750.1
Segment goodwill	456.3	329.1	21.7	807.1
Other segment assets	3,838.3	356.1	341.0	4,535.4
Assets, not allocated				834.3
Additions to property, plant and equipment and intangible assets	217.4	65.7	40.0	323.1

Notes

for the NKT Group

Amounts in mDKK		2006	2005
2	**Revenue**		
	Goods	10,184.6	8,257.2
	Services	584.0	466.2
	Rentals	13.7	3.1
	Construction contract revenue	32.7	23.6
		10,815.0	8,750.1
3	**Other operating income**		
	Rentals	-	11.0
	Release of unused provisions	17.2	18.6
	Gain on disposal of property, plant and equipment and intangible assets	149.1	62.9
	Government grants	10.6	6.1
	Other	32.7	27.7
		209.6	126.3
4	**Employee benefits, expense**		
	Wages and salaries	1,736.1	1,678.9
	Compulsory social security	237.3	250.9
	Defined contribution plans	81.4	73.0
	Defined benefit plans	18.2	17.9
	Share-based payments	2.2	0.9
		2,075.2	2,021.6
	Average number of full-time employees	6,016	5,906
5	**Research & development costs**		
	Research and development costs recognised as other costs	141.1	133.0
	Research and development costs recognised as employee benefits	103.3	88.2
	- capitalised as work performed by the group	(9.6)	(5.5)
	Total research and development costs expensed as incurred	234.8	215.7
	Development costs recognised as assets	62.1	75.9
		296.9	291.6

Amounts in mDKK		2006	2005
6	**Fees paid to auditors elected at the annual general meeting**		
	KPMG:		
	Statutory audit	12.8	11.2
	Other services	8.8	7.4
		21.6	18.6
7	**Investments in associates**		
	Summary financial information - 100%		
	Company information and ownership are listed in Group Companies starting on page 102.		
	Revenue	367.3	325.2
	Profit for the year	28.7	15.2
	Total assets	274.8	178.1
	Liabilities	160.4	120.6
	NKT Group share of profit for the year	9.6	5.2
	NKT Group share of equity	37.8	20.6

Notes

for the NKT Group

Amounts in mDKK	2006	2005
8 Interest in joint venture		
Summary financial information - 100 per cent:		
NKT Flexibles I/S		
Revenue and other income	888.7	490.7
Expenses, net	(784.7)	(471.4)
Profit for the period	104.0	19.3
Non-current assets	247.5	215.5
Current assets	429.5	268.5
Total assets	677.0	484.0
Equity	253.1	146.1
Non-current liabilities	-	-
Current liabilities	423.9	337.9
Total equity and liabilities	677.0	484.0
NKT Group ownership	51%	51%
NKT Group share of profit / (loss)	53.0	9.8
NKT Group share of equity	129.1	74.5

The NKT Group has a 51% ownership interest in NKT Flexibles I/S. NKT Flexibles is accounted for by one line consolidation in accordance with the provisions of IAS 31 on jointly controlled entities.

	2006	2005
9 Financial income		
Interest	35.6	22.0
Foreign exchange gains	35.7	34.7
Gains on available-for-sale equity securities	8.2	22.9
	79.5	79.6
10 Financial expenses		
Interest	77.5	49.4
Losses on available-for-sale equity securities	-	1.3
Foreign exchange losses	50.8	51.0
	128.3	101.7

Amounts in mDKK	2006	2005
11 Income tax expense		
Recognised in the income statement		
Current tax	66.9	54.1
Deferred tax	98.7	49.5
Deferred tax transferred from goodwill and recognised as income [1]	(141.5)	
	24.1	103.6
Effective tax rate percent	3.1%	22.4%
Reconciliation of tax		
Calculated 28% tax on earnings before tax	215.3	129.7
Tax effect of:		
Foreign tax rates relative to Danish tax rate	26.5	25.4
Reduction of Danish tax rate related to tax assets	-	9.0
Non-taxable income/non-deductible expenses, net	(8.2)	5.1
Adjustment for previous years	(1.5)	0.5
Deferred tax transferred from goodwill and recognised as income [1]	(141.5)	
Capitalised losses relating to previous years and other value adjustment, net	(66.5)	(66.1)
	24.1	103.6

[1] In accordance with IFRS 3, the value of tax assets acquired on acquisition of undertakings but not recognised in the goodwill statement at the acquisition date must be recognised under tax in the income statement when later able to be used. IFRS 3 also requires the original goodwill statement to be adjusted (reduced) by a corresponding amount that must be charged to the income statement. In 2006, in accordance with these instructions the NKT Group increased the tax assets deriving from the acquisition of ALTO in 2004 by 141.5 mDK and reduced the goodwill value by 141.5 mDKK.

Notes

for the NKT Group

Amounts in mDKK	2006	2005
12 Earnings per share		
Profit attributable to equity holders of the parent	582.4	356.3
Earnings effect of warrants of subsidiaries	-	(1.5)
Diluted profit attributable to equity holders of the parent	582.4	354.8
Profit, continuing operations	603.3	359.6
Profit attributable to minority interests	(20.9)	(4.3)
Profit, continuing operations, attributable to equity holders of the parent	582.4	355.3
Earnings effect of warrants of subsidiaries	-	(1.5)
Diluted profit, continuing operations, attributable to equity holders of the parent	582.4	353.8
Weighted average number of shares:		
Average number of issued ordinary shares	24,000,000	24,500,000
Average number of treasury shares	(585,000)	(276,250)
Weighted average number of shares outstanding	23,415,000	24,223,750
Effect of share options	180,199	228,158
Diluted weighted average number of shares outstanding	23,595,199	24,451,908
Basic earnings per share	24.9	14.7
Diluted earnings per share	24.7	14.5
Basic earnings per share, continuing operations	24.9	14.7
Diluted earnings per share, continuing operations	24.7	14.5
Basic earnings per share, discontinued operations	-	-
Diluted earnings per share, discontinued operations	-	-

Amounts in mDKK

13 Intangible assets	Goodwill	Completed development projects	Patents, licences and trademarks	Development projects in progress and pre-payments	Total
Costs at 1 January 2005	732.2	111.2	87.2	41.0	971.6
Acquisitions through business combinations	7.9	-	2.9	-	10.8
Other additions	2.4	20.6	2.0	55.5	80.5
Disposals	-	(47.7)	(3.0)	-	(50.7)
Transferred between classes of intangible assets	-	49.9	3.0	(53.8)	(0.9)
Exchange rate adjustments	70.6	17.7	0.9	0.6	89.8
Costs at 31 December 2005	813.1	151.7	93.0	43.3	1,101.1
Amortisation and impairment 1 January 2005	-	(25.9)	(17.4)	-	(43.3)
Amortisation for the year	-	(40.3)	(22.9)	-	(63.2)
Impairment loss	(6.0)		-	-	(6.0)
Disposals	-	37.3	1.4	-	38.7
Exchange rate adjustments	-	(15.8)	(0.8)	-	(16.6)
Amortisation and impairment 31 Dec. 2005	(6.0)	(44.7)	(39.7)	-	(90.4)
Carrying amount at 31 December 2005	807.1	107.0	53.3	43.3	1,010.7
Amortisation period (years)		5-10	5-20		

Notes

for the NKT Group

Amounts in mDKK

13 Intangible assets	Goodwill	Completed development projects	Patents, licences and trademarks	Development projects in progress and pre-payments	Total
Costs at 1 January 2006	813.1	151.7	93.0	43.3	1,101.1
Acquisitions through business combinations	5.6	-	3.8	-	9.4
Other additions	-	30.3	2.3	42.8	75.4
Disposals	-	-	(0.3)	(6.3)	(6.6)
Adjustment of goodwill [1)]	(141.5)	-	-	-	(141.5)
Transferred between classes of intangible assets	-	20.0	0.5	(20.5)	-
Exchange rate adjustments	(55.8)	(12.5)	0.2	(0.7)	(68.8)
Costs at 31 December 2006	621.4	189.5	99.5	58.6	969.0
Amortisation and impairment 1 January 2006	(6.0)	(44.7)	(39.7)	-	(90.4)
Amortisation for the year	-	(46.9)	(18.3)	-	(65.2)
Disposals	-	-	0.3	-	0.3
Transferred between classes of intangible assets	-	0.2	-	(0.2)	-
Exchange rate adjustments	-	6.0	(0.2)	-	5.8
Amortisation and impairment 31 Dec. 2006	(6.0)	(85.4)	(57.9)	(0.2)	(149.5)
Carrying amount at 31 December 2006	615.4	104.1	41.6	58.4	819.5
Amortisation period (years)		5-10	5-20		

[1)] In accordance with IFRS 3, the value of tax assets acquired on acquisition of undertakings but not recognised in the goodwill statement at the acquisition date must be recognised under tax in the income tatement when slater able to be used. IFRS 3 also requires the original goodwill statement to be adjusted (reduced) by a corresponding amount that must be charged to the income statement. In 2006, in accordance with these instructions the NKT Group increased the tax assets deriving from the acquisition of ALTO in 2004 by 141.5 mDKK and reduced the goodwill value by 141.5 mDKK.

Goodwill

Goodwill relates in all material respects to Nilfisk-Advance. In calculating the recoverable amount the Nilfisk-Advance business segment is considered to comprise a single cashflow-generating unit as its business structure does not enable division of cash flows.

The goodwill value is assessed annually in conjunction with the Management's budget and strategic plan preparation. The recoverable amount is based on the capital value, which is established using expected net cash flows on the basis of budgets and plans for the years 2007-2010. An 8% discount rate is used after recognition of tax at 30%. Growth rate for the years after 2010 is estimated at 2%.

As a result, the Management finds that a basis does not exist for writing down the carrying value of goodwill for the Nilfisk-Advance business segment.

Amounts in mDKK

14 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets under construction	Total
Costs at 1 January 2005	677.9	1,552.1	536.9	60.1	2,827.0
Transferred between cost and depreciation [1]		(228.9)			(228.9)
Acquisitions through business combinations	-	-	4.1	-	4.1
Other additions	20.6	51.8	93.2	77.0	242.6
Disposals	(127.8)	(385.1)	(73.9)	(28.7)	(615.5)
Transferred between classes of tangible assets	2.9	25.1	23.4	(51.5)	(0.1)
Exchange rate adjustments	26.4	43.1	20.0	1.1	90.6
Costs at 31 December 2005	600.0	1,058.1	603.7	58.0	2,319.8
Depreciation and impairment, 1 January 2005	(354.2)	(1,350.9)	(322.3)	(0.1)	(2,027.5)
Transferred between cost and depreciation [1]		228.9			228.9
Depreciation for the year	(20.4)	(54.9)	(83.2)	-	(158.5)
Transferred between classes of tangible assets	0.2	6.5	(6.6)	-	0.1
Disposals	87.7	348.4	71.8	0.1	508.0
Exchange rate adjustments	(11.4)	(37.6)	(16.7)	-	(65.7)
Depreciation and impairment, 31 Dec. 2005	(298.1)	(859.6)	(357.0)	-	(1,514.7)
[1] Adjustment to IFRS transition per 1 January 2004.					
Carrying amount at 31 December 2005	301.9	198.5	246.7	58.0	805.1
Costs at 1 January 2006	600.0	1,058.1	603.7	58.0	2,319.8
Acquisitions through business combinations	-	-	0.4	-	0.4
Other additions	22.2	40.2	84.7	143.5	290.6
Disposals	(161.8)	(28.6)	(56.9)	-	(247.3)
Transferred between classes of tangible assets	4.9	47.3	22.8	(73.2)	1.8
Other transfers	-	-	6.7	-	6.7
Exchange rate adjustments	(12.7)	(1.7)	(22.6)	0.3	(36.7)
Costs at 31 December 2006	452.6	1,115.3	638.8	128.6	2,335.3
Depreciation and impairment, 1 January 2006	(298.1)	(859.6)	(357.0)	-	(1,514.7)
Depreciation for the year	(9.7)	(45.0)	(84.7)	-	(139.4)
Transferred between classes of tangible assets	2.2	0.2	(4.1)	-	(1.7)
Disposals	57.9	30.0	45.9	-	133.8
Other transfers	-	-	(6.7)	-	(6.7)
Exchange rate adjustments	5.5	(10.5)	7.8	-	2.8
Depreciation and impairment, 31 Dec. 2005	(242.2)	(884.9)	(398.8)	-	(1,525.9)
Carrying amount at 31 December 2006	210.4	230.4	240.0	128.6	809.4
Depreciation period (years)	10-25	8-15	4-8		

Notes
for the NKT Group

Amounts in mDKK		2006	2005
15	**Inventories**		
	Raw materials, consumables and goods for resale	621.0	562.8
	Work in progress	294.5	196.5
	Finished goods	978.2	864.7
		1,893.7	1,624.0
	Carrying amount of inventories stated at fair value less costs of sale	200.0	165.9
	Impairment of inventories recognised as cost	49.7	18.9
16	**Receivables**		
	Trade receivables	1,878.2	1,604.7
	Trade receivables due from associates and joint venture	0.8	0.5
	Construction work in progress	0.1	23.7
	Other receivables	245.7	166.1
	Prepayments	63.9	107.1
		2,188.7	1,902.1
	Impairment losses set off against trade receivables	47.1	47.3
	Construction work in progress		
	Costs incurred and recognised profits less losses	56.5	23.7
	Progress billings	(56.4)	-
		0.1	23.7

Amounts in mDKK	2006	2005
17 Share capital and dividends		
Number of 20 DKK shares ('000)		
Shares outstanding 1 January	24,500	24,500
Cancellation of treasury shares	(1,000)	-
Shares outstanding 31 December	23,500	24,500
Treasury shares	(78)	(1,105)
Shares outstanding 31 December	23,422	23,395

At 31 December 2006, the share capital comprised 23,500,000 shares of par value of 20 DKK.
No shares have special rights.
A dividend of 235 mDKK (2005:294mDKK) is proposed, corresponding to a dividend per share of 10 DKK (2005:12 DKK).
Dividend distribution to shareholders of NKT Holding A/S has no tax consequences for NKT Holding A/S.

18 Treasury shares

2006

NKT Holding A/S has acquired the following treasury shares:	Number of shares	Nom. mDKK	Proceeds mDKK	Proportion of share capital	Market value mDKK
1 January	1,105,000	22.1		4.5%	
Reduction by cancellation of treasury shares	(1,000,000)	(20.0)	-	-4.1%	
Dividends received			13.3		
Used by exercise of share options	(27,325)	(0.5)		-0.1%	
31 December	77,675	1.6	13.3	0.3%	39.0

2005

NKT Holding A/S has acquired the following treasury shares:	Number of shares	Nom. mDKK	Proceeds mDKK	Proportion of share capital	Market value mDKK
1 January	-	-			
Purchased	1,105,000	22.1	(276.0)	4.5%	
Dividends received			-		
31 December	1,105,000	22.1	(276.0)	4.5%	319.3

Purchase of treasury shares in 2005 is part of NKT's objective of increasing the gearing of the Group's capital structure.

Amounts in mDKK	2006	2005
19 Employee benefits		
The Group's significant defined benefit plans relate to unfunded plans in Germany and a funded plan in UK.		
Net recognised liabilities, defined benefit plans:		
Present value of funded obligations, defined benefit plans	127.5	125.3
Fair value of plan assets	(88.6)	(73.6)
	38.9	51.7
Present value of unfunded obligations, defined benefit plans	257.1	256.1
Unrecognised actuarial gains (losses)	(10.9)	(27.5)
Recognised liability for defined benefit obligations	285.1	280.3
Other long-term employee benefits	3.2	3.7
	288.3	284.0
Amounts recognised in the balance sheet:		
Liabilities, defined benefit plans etc.	288.3	284.0
Assets	-	-
Net liability	288.3	284.0
Expense recognised in the income statement:		
Expected current service costs	6.0	6.1
Expected interest costs on obligations	15.7	15.3
Expected return on plan assets	(4.0)	(3.5)
Amortisation of actuarial (gains) and losses	0.5	-
	18.2	17.9
Actual return on plan assets	9.5	12.9
Changes in the present value of the defined benefit obligation:		
1 January	381.4	333.8
Expected current service costs	6.0	6.1
Expected interest costs on obligations	15.7	15.3
Contributions by plan participants	-	0.7
Benefits paid	(6.0)	(5.7)
Addition from business combinations	-	0.4
Curtailments	-	(2.1)
Settlements	(1.5)	(2.3)
Actuarial (gains) and losses	(11.4)	35.2
Exchange differences on foreign plans	0.4	-
	384.6	381.4
The Group's expected contribution to defined benefit plans in 2007:	7.0	

Amounts in mDKK

19 Employee benefits, continued

Changes in the fair value of plan assets

	2006	2005
1 January	73.6	58.9
Expected return on plan assets	4.0	3.5
Contributions by the employer	6.4	3.9
Benefits paid	(0.9)	(2.1)
Actuarial gains and (losses)	5.5	9.4
	88.6	73.6

The major categories of plan assets are as follows:

	2006	2005
Equities	70.9	61.3
Bonds	10.8	7.9
Property	6.9	4.4
	88.6	73.6

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2006	2005
Discount rate	4.7%	4.6%
Expected rates of return on plan assets	5.8%	4.4%
Future salary increases	2.6%	2.5%

Development for current year and last year:

	2006	2005	2004
Present value, defined benefit obligation	(384.6)	(381.4)	(333.9)
Fair value of plan assets	88.6	73.6	58.9
Surplus/(deficit)	(296.0)	(307.8)	(275.0)
Experience adjustments on plan liabilities	(11.4)	35.2	3.8
Experience adjustments on plan assets	5.5	9.4	2.0

Amounts in mDKK	2006	2005

20 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	2006	2005
Deferred tax assets 1 January	274.1	342.6
Deferred tax liabilities 1 January	(6.8)	(7.4)
Foreign exchange adjustment	(0.7)	4.6
Tax of adjustments recognised in equity	44.1	(23.0)
Deferred tax recognised as income by transfer from goodwill	(98.7)	(49.5)
Deferred tax recognised in income statement and deducted in goodwill	141.5	-
Deferred tax 31 December, net	353.5	267.3

Tax assets are recognised if it is probable they will reduce future tax payments within a short time.

Recognised deferred tax:	2006	2005
Deferred tax assets 31 December	360.4	274.1
Deferred tax liabilities 31 December	(6.9)	(6.8)
Deferred tax 31 December, net	353.5	267.3

Specification of deferred tax assets and liabilities

	2006		2005	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	50.7	5.2	91.7	30.4
Tangible assets	190.1	13.0	235.3	23.2
Other non-current assets	1.2	13.6	0.7	16.7
Current assets	14.6	2.6	40.7	33.0
Non-current liabilities	33.1	1.0	43.5	8.9
Current liabilities	26.1	2.3	25.8	3.3
Tax losses	440.6		467.7	
Tax losses, future recapture		49.8		51.8
Valuation allowance	(315.4)		(470.8)	
	441.0	87.5	434.6	167.3
Set off in legal tax units and jurisdictions	(80.6)	(80.6)	(160.5)	(160.5)
Total deferred tax assets and liabilities	360.4	6.9	274.1	6.8

Amounts in mDKK

21 Provisions

	Warranties	Restruc-turing	Other	Total
Provisions 1 January 2006	106.1	92.9	47.8	246.8
Provisions made during the year	79.9	35.8	26.5	142.2
Provisions used during the year	(66.0)	(109.9)	(32.7)	(208.6)
Provisions reversed during the year	(11.3)	(0.3)	(5.6)	(17.2)
Foreign exchange adjustment	(2.2)	0.3	0.2	(1.7)
Provisions 31 December 2006	106.5	18.8	36.2	161.5
Provisions are recognised in the balance sheet as:				
Non-current liabilities	10.9	5.1	5.6	21.6
Current liabilities	95.6	13.7	30.6	139.9
	106.5	18.8	36.2	161.5

Provisions are expected to be paid with the stated amounts within 1-3 years from the balance sheet date.

Warranties relates principally to Nilfisk-Advance. The amount recognised is a forecast based on products sold within the last three years and empirical data for earlier years.

22 Receivables, interest bearing loans and borrowing and payables

Receivables, interest bearing loans and borrowing and payables are measured at amortised costs using the effective interest method which essentially corresponds to fair value and nominal value.

23 Trade and other payables

	2006	2005
Trade payables	803.5	765.3
Other payables	853.1	730.6
Prepayments from customers	316.8	157.2
Deferred income	0.3	7.8
	1,973.7	1,660.9

Amounts in mDKK

24 Financial instruments

Derivative financial instruments

Forward exchange contracts are established to hedge the commercial foreign exchange exposure of Group companies within the framework of existing policies.

Contracts per 31 December:

	2006		2005	
Currency	Contract value 1)	Unrealised gain / (loss)	Contract value 1)	Unrealised gain / (loss)
USD	(290.4)	(4.5)	(122.2)	7.0
GBP	175.1	(3.4)	288.1	0.6
HUF	(181.8)	17.1	(181.4)	3.2
Other European	183.7	(3.8)	99.1	0.8
Far East, Australia etc.	305.0	2.8	351.3	(12.6)
Total	191.6	8.2	434.9	(1.0)

1) Positive contract values are sales of the currency in question, negative contract values are purchases.

The unrealised net loss of 8.2 mDKK consists of an operating loss of 8 mDKK (2005: loss of 9 mDKK) and a profit of 16.2 mDKK (2005: profit of 8 mDKK) related to hedging of future business transactions in 2007. The net profit is recognised directly in equity until the hedged items are recognised in the income statement.

Amounts in mDKK	2006	2005

25 Contingent liabilities, security and contractual liabilities

Contingent liabilities

The Group is a party to lawsuits and inquiries from competition authorities etc. the outcome of which is not expected to have any significant effect on the results for the year and the financial position. In connection with disposal of enterprises, guarantees have been provided.

In a few cases, the Group's foreign companies are subject to special tax schemes stipulating certain conditions which the companies complied with at 31 December 2006.

The Group is jointly and severally liable with the joint venture participant for the liabilities of the joint venture, see Note 8.

	2006	2005
Share of contingent liabilities in joint venture	-	-
Share of contingent liabilities in associates	-	-
Contingent assets	-	-
Contingent assets and liabilities from business combinations	-	-

Security

Carrying amount of assets provided as security for credit institutions

	2006	2005
Land and buildings	12.7	14.6
Production plant and machinery	11.2	11.8
Liabilities secured on assets	23.9	49.3

Amounts in mDKK	2006	2005

25 Contingent liabilities, security and contractual liabilities, continued

Contractual liabilities

The Group has has not assumed significant obligations relating to purchase of buildings or production plant.

Operating lease commitments
The Group leases property and production equipment, etc. under operating leases. Lease commitments relate principally to property.

Interminable minimum lease payments are specified as follows:	2006	2005
Within 0-1 year	153.0	108.2
Within 1-5 years	309.1	184.5
After 5 years	126.0	38.1
	588.1	330.8

Operating lease income
Operating lease income relates to property rentals.

Interminable minimum rent income is specified as follows:	2006	2005
Within 0-1 year	7.9	8.1
Within 1-5 years	8.1	9.9
After 5 years	3.7	5.0
	19.7	23.0

Amounts in mDKK	2006		2005	
26 Acquisition of business activities	Fair value at acquisition date	Carrying amount before acquisition	Fair value at acquisition date	Carrying amount before acquisition
Non-current assets				
Intangible assets	3.8	-	2.9	-
Property, plant and equipment	0.4	0.4	4.1	4.3
Current assets				
Inventories	3.0	3.0	5.2	7.5
Receivables	3.7	3.2	1.5	1.9
Cash at bank and in hand	0.3	0.3	2.5	2.5
Non-current liabilities				
Credit institutions			(0.1)	-
Current liabilities				
Trade and other payables	(2.7)	(3.8)	(3.1)	(3.3)
Net assets acquired	8.5	3.1	13.0	12.9
Goodwill	5.6		7.9	
Acquisition cost	14.1		20.9	
Of which cash funds	(0.3)		(2.5)	
Cash acquisition cost	13.8		18.4	

2006
On 1 January 2006, Nilfisk-Advance A/S acquired the entire share capital and voting rights of leading cleaning equipment dealer, Altscher GmbH, in the Rhein/Main area near Frankfurt, Germany.

Goodwill is recognised at the amount by which the acquisition cost for the business combination exceeds the acquired share of the net fair value of the identifiable assets, liabilities and contingent liabilities. The value of goodwill represents expected synergies from the merger of the acquired activities with Nilfisk-Advance.

Revenue from the acquired enterprise amounts to 33.6 mDKK and profit after tax is 0.2 mDKK

2005
At 1 January 2005, Nilfisk-Advance A/S acquired the entire share capital and voting rights of the Hungarian distribution company Kvantor Kft. Kvantor is a leading distributor of cleaning machines in Hungary and a well-established supplier of both machines and aftersales service to contract cleaners, institutions and the industrial sector.

Amounts in mDKK

26 Acquisition of business activities (continued)

In connection with the merger of the enterprises and as a result of the acquisition of the activities in the Finnish company Karkone OY at 1 July 2005, the Group recognised intangible assets, including trademarks, development projects and development projects in progress at fair value at the acquisition date.

Goodwill is recognised at the amount by which the acquisition cost for the business combination exceeds the acquired share of the net fair value of the identifiable assets, liabilities and contingent liabilities. The value of goodwill represents expected synergies from the merger of the acquired activities with Nilfisk-Advance.

Revenue from the acquired enterprises amounts to 27 mDKK , and loss after tax is 1 mDKK.

27 Divestment of business activities

	2006	2005
The value of assets and liabilities disposed of is specified as follows:		
Intangible assets	-	1.6
Property, plant and equipment	-	35.8
Other non-current assets	-	5.8
Inventories	-	90.4
Cash at bank and in hand	-	10.5
Other current assets	-	81.7
Non-current liabilities	-	(6.3)
Trade payables	-	(116.5)
Other current liabilities	-	(32.1)
Total value	-	70.9
Of which cash at bank and in hand	-	(10.5)
Gain on disposal	-	1.0
Sales amount	-	61.4

NKT Group has not divested any business activities in 2006.

In 2005, the NKT Group disposed of enamelled wire activities in Poland, telecom cable activities in Austria and the PLC activities etc. in NKT Integration.

Amounts in mDKK

28 Related parties

The Group has no related parties with control.

The company's related parties comprise the Board of Directors and Management of NKT Holding A/S and their immediate family. Related parties also comprise companies in which the above persons have substantial
In addition, related parties comprise associates and joint venture, see the Group overview and Notes 7 and 8.

Transactions with associates and joint venture

	2006		2005	
	Associate	Joint venture	Associate	Joint venture
Goods sold to	11.4	-	20.7	-
Goods purchased from	0.1	-	0.1	-
Interest received, net	-	2.1	-	3.2
Other services	(1.7)	0.6	0.1	2.7
Receivables	5.6	0.8	6.9	-
Loans to, net	5.4	41.4	-	107.9
Dividends received	-	-	-	-
Capital contribution	-	-	-	30.6

Trading has taken place on normal market conditions.
The terms and conditions for granting loans to the joint venture are adjusted at intervals of 1-3 months.
The interest rate is CIBOR plus 0.25%.

Management remuneration 2006

	Board of Directors	Thomas Hofman-Bang	Søren Isaksen
Short-term staff benefits	2.1	2.9	1.8
Bonus	-	0.3	0.1
Pension contributions	-	0.4	0.3
Share-based payment	-	0.5	0.3
Total remuneration	2.1	4.1	2.5
Share options exercised	-	9.9	9.9

For information about share options, see Note 29.

The term of notice for the CEO is 24 months. For the other member of the Management, the term of notice is 12 months. In conjunction with significant changes in the Company's ownership structure the above terms of notice will be extended for a transitional period by a further 12 months.
Beyond this there is no separation benefit plan for the Management of the company.

Amounts in mDKK

28 Related parties (continued)

Management remuneration 2005

	Board of Directors	Tom Knutzen	Søren Isaksen	Thomas Hofman-Bang
Short-term staff benefits	2.1	3.1	1.8	1.9
Bonus	-	-	0.3	0.3
Pension contributions	-	0.5	0.2	0.2
Share-based payment	-	0.2	0.1	0.1
Total remuneration	2.1	3.8	2.4	2.5
Share options exercised	0.8	2.8	1.6	1.6

For information about share options, see also Note 29.

The term of notice for the CEO is 24 months. For the other members of the Management, the term of notice is 12 months. There is no separation benefit plan for the Management of the parent company.

Amounts in mDKK

29 Share option scheme for Management and employees

The company has established an incentive plan for all employees in NKT Holding and NKT Research & Innovation and the Board of Directors of NKT Holding (terminated in 2003). Under the plan, employees are entitled to subscribe for shares in NKT Holding at a price based on the market price at the grant date plus interest calculated from the grant date to the exercise date.

Outstanding options 2006

		Management				
Outstanding options	Board of Directors	Thomas Hofman-Bang	Søren Isaksen	Executive employ.	Others	Total
Granted in 2001:						
1 Jan. 2006	6,250	20,000	20,000	28,000	84,750	159,000
Exercised	(6,250)	(20,000)	(20,000)	(28,000)	(65,625)	(139,875)
Forfeited	-	-	-	-	(19,125)	(19,125)
31 Dec. 2006	-	-	-	-	-	-
Granted in 2002:						
1 Jan. 2006	3,750	-	-	2,000	21,125	26,875
Exercised	(3,750)	-	-	(2,000)	(4,000)	(9,750)
31 Dec. 2006	-	-	-	-	17,125	17,125
Granted in 2003:						
1 Jan. 2006	13,980	22,000	22,000	39,200	72,689	169,869
Exercised	(13,980)	(22,000)	(22,000)	(39,200)	(63,613)	(160,793)
Forfeited						-
31 Dec. 2006	-	-	-	-	9,076	9,076
Granted in 2004:						
1 Jan. 2006	-	22,000	22,000	37,700	52,968	134,668
Adjust. to prev. year	-	-	-	-	1,100	1,100
Forfeited						-
31 Dec. 2006	-	22,000	22,000	37,700	54,068	135,768
Granted in 2005:						
1 Jan. 2006	-	20,000	20,000	32,700	33,349	106,049
Adjust. to prev. year	-	-	-	-	2,200	2,200
Exercised	-	-	-	-	(2,200)	(2,200)
Forfeited	-	-	-	-	(2,250)	(2,250)
31 Dec. 2006	-	20,000	20,000	32,700	31,099	103,799
Granted in 2006:						
Granted	-	35,000	20,000	31,200	22,625	108,825
Forfeited		-	-	-	(3,250)	(3,250)
31 Dec. 2006	-	35,000	20,000	31,200	19,375	105,575
Total options 31 Dec. 2006	-	77,000	62,000	101,600	130,743	371,343
Total						
Options 1 Jan.	23,980	84,000	84,000	139,600	264,881	596,461
Adjust. to prev. year	-	-	-	-	3,300	3,300
Exercised	(23,980)	(42,000)	(42,000)	(69,200)	(135,438)	(312,618)
Granted	-	35,000	20,000	31,200	22,625	108,825
Forfeited	-	-	-	-	(24,625)	(24,625)
31 Dec. 2006	-	77,000	62,000	101,600	130,743	371,343

Amounts in mDKK

29 Share option scheme for Management and employees (continued)

Exercise of options related to the grant in 2001 took place at a market price of 354.9 and exercise price of 189. The difference of DKK 165.9 per option was settled in cash. 11,000 options were settled in treasury shares.

Exercise of options related to the grant in 2002 took place at a market price of 354.9 and exercise price of 110. The difference of DKK 244.9 per option was settled in cash. 4,500 options were settled in treasury shares.

Exercise of options related to the grant in 2003 took place at a market price of 354.9 and exercise price of 55.2. The difference of DKK 299.7 per option was settled in cash. 11,825 options were settled in treasury shares.

Exercise of options related to the grant in 2005 was settled at a price of 181.8 per share.

The subscription rights granted in 2002 may be exercised by the holder in March 2007 at price 116.

The subscription rights granted in 2003 may be exercised in March 2007 or in March 2008. The exercise price is 63.1 at exercise in March 2007. Subsequent exercise is subject to a hurdle rate of 9% p.a. Dividend payments after 1 January 2007 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in 2004 may be exercised in March 2007, March 2008 or March 2009. The exercise price is 116.5 at exercise in March 2007. Subsequent exercise is subject to a hurdle rate of 9% p.a. Dividend payments after 1 January 2007 and until the date when the shares are received are deducted from the exercise price.

The subscription rights granted in 2005 may be exercised in March 2008, March 2009 or March 2010. The exercise price is 177.8 at exercise in March 2008. Subsequent exercise is subject to a hurdle rate of 9% p.a. Dividend payments after 1 January 2007 and until the date when the shares are received are deducted from the exercise price.

Subscription rights granted in 2006 may be exercised in March 2009, March 2010 or March 2011. The exercise price is 349.5 at exercise in March 2008. Subsequent exercise is subject to a hurdle rate of 8% p.a. Dividend payments after 1 January 2007 and until the date when the shares are received are deducted from the exercise price. Based on a first exercise date, a share price of 287 DKK and a subscription price of 361.5, the value of the options at the grant date amounts to 3.3 mDKK, see the calculation below according to the Black-Scholes formula.

Condition for exercise is three years' employment, and the employee himself must not have handed in his notice.

The value of the share option scheme at 31 December 2006, based on the first exercise date, has been calculated at 117 mDKK (2005: 92 mDKK), including the value of the share option schemes of the Management, 41 mDKK (2005: 39 mDKK). The values have been calculated on the basis of the Black-Scholes formula, assuming an interest rate of 3.5% (2005: 3.7%) and volatility of 23% (2005: 30%).

Amounts in mDKK

29 Share option scheme for Management and employees (continued)

Outstanding options 2005

Outstanding options	Board of Directors	Management Tom Knutzen	Management Søren Isaksen	Management Thomas Hofman-Bang	Executive employ.	Others	Total
Granted in 2001:							
1 Jan. 2005	13,125	35,000	20,000	20,000	28,000	58,500	174,625
Exercised	(6,875)					(8,750)	(15,625)
31 Dec. 2005	6,250	35,000	20,000	20,000	28,000	49,750	159,000
Granted in 2002:							
1 Jan. 2005	13,125	35,000	20,000	20,000	34,000	63,625	185,750
Exercised	(9,375)	(35,000)	(20,000)	(20,000)	(32,000)	(42,500)	(158,875)
31 Dec. 2005	3,750	-	-	-	2,000	21,125	26,875
Granted in 2003:							
1 Jan. 2005	14,438	38,500	22,000	22,000	39,200	35,202	171,340
Forfeited	(458)	(1,013)					(1,471)
31 Dec. 2005	13,980	37,487	22,000	22,000	39,200	35,202	169,869
Granted in 2004:							
1 Jan. 2005	-	38,500	22,000	22,000	37,700	27,639	147,839
Forfeited		(13,171)					(13,171)
31 Dec. 2005	-	25,329	22,000	22,000	37,700	27,639	134,668
Granted in 2005:							
Granted	-	35,000	20,000	20,000	32,700	21,750	129,450
Forfeited		(23,026)				(375)	(23,401)
31 Dec. 2005	-	11,974	20,000	20,000	32,700	21,375	106,049
Total options 31 Dec. 2005	23,980	109,790	84,000	84,000	139,600	155,091	596,461
Total							
Options 1 Jan.	40,688	147,000	84,000	84,000	138,900	184,966	679,554
Exercised	(16,250)	(35,000)	(20,000)	(20,000)	(32,000)	(51,250)	(174,500)
Granted	-	35,000	20,000	20,000	32,700	21,750	129,450
Forfeited	(458)	(37,210)	-	-	-	(375)	(38,043)
31 Dec. 2005	23,980	109,790	84,000	84,000	139,600	155,091	596,461

Notes

for the NKT Group

Amounts in mDKK

30 Discontinued activities

The NKT Group has not disposed of any activities in 2006.

At the beginning of 2005, the NKT Group disposed of enamelled wire activities in Poland and telecom cable activities in Austria. Both activities belonged under the business segment NKT Cables Group. The disposal of the activities was part of the focus strategy of the NKT Cables Group.

	2006	2005
Revenue		-
Gain on disposal of activity		1.0
Costs		-
Profit/loss before tax		1.0
Tax on profit/loss		-
Profit/loss on discontinued activities	-	1.0
Cash flows from operating activities		-
Cash flows from disposal of enterprise		38.4
Cash flows from investing activities		-
Cash flows from financing activities		-
Total cash flows	-	38.4

31 Events after the balance sheet date

NKT Cables A/S has acquired the company Kablo Elektro and its subsidiary Kablo Elektro Velké Mezirici in the Czech Republic as from 2 January 2007. One of Eastern Europe's leading power cable producers, the company places primary focus on servicing the electrical and energy sector in the area of low and medium voltage cables. The company has annual revenue of around 1.1 bnDKK.

The cost price is provisionally stated as 850 mDKK. In the provisional cost price calculations it is estimated that 200 mDKK relates to property, plant and equipment, that 380 mDKK relates to working capital and that 270 mDKK relates to goodwill and other intangible assets.

With effect from 1 January 2007, Nilfisk-Advance A/S has acquired the activities of U.S. Products, Idaho, USA. The company manufactures professional cleaning equipment, with emphasis on carpet cleaners and equipment for cleaning carpeted floors.

The acquisition of U.S. Products represents a substantial expansion of Nilfisk-Advance's product programme in the area of carpet cleaners, and strengthens the position of Nilfisk-Advance as a leading global supplier of cleaning equipment for professional application. U.S. Products has turnover of around 65 mDKK.

In January 2007, NKT Holding issued a total of 73,950 warrants to the Management and employees of NKT Holding A/S. Each warrant entitles acquisition of one share of a nominal value of 20 DKK at a price based on NKT's average share price in December 2006 plus an annual hurdle rate of 8% and minus dividend distributed in the period until the time of exercise.

Amounts in mDKK

32 Accounting estimates and judgments

Estimation uncertainty

Determining the carrying amount of certain assets and liabilities requires an estimate of how future events will affect the value of these assets and liabilities at the balance sheet date. Estimates that are significant to the preparation of the financial statements are made, among other things, by computing amortisation, depreciation and impairment, the selling price of construction contracts, pensions and similar liabilities, deferred tax assets, provisions and contingent assets and liabilities.

The estimates used are based on assumptions which by Management are considered to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may result in actual results differing from these estimates. Particular risks of the NKT Group are described in the section on risk factors in the Management report.

For the NKT Group the measurement of intangible assets, including goodwill, could be materially affected by significant changes in estimates and assumptions underlying the calculation of the recognised amounts. For a description of impairment tests of intangible assets, please refer to Note 13.

Deferred tax assets are recognised to the extent that it is probable that the asset will reduce future tax payments within the near future. Value adjustments of deferred tax assets in this respect are disclosed in Note 20.

Accounting policies

In applying the Group accounting policies, Management makes assessments in addition to estimates that may materially affect the amounts recognised in the annual report.

Amounts in mDKK

33 Financial risk

In managing cash flow and financial risks the NKT Group employs a number of financial instruments, such as forward exchange contracts, currency and interest swaps, options and similar measures, within the framework of established policies. Only forward exchange contracts were current at the end of 2006. The financial risk factors can be divided into the general financial risk involved in trading with third parties or in thirdparty countries, foreign exchange risk, and interest rate risk.

Financial risk arising from trade

General financial risks arising from trade with third parties or in third-party countries is hedged by guarantees or other instruments whenever this is considered necessary and whenever the risk exceeds the normal trading risk. No material financial risks were considered to exist at 31 December 2006.

Foreign exchange risk

Foreign exchange risk relates to the risk of losses (or possibility of gains) resulting from change in exchange rates. The risk arises in connection with income and expenditures in the income statement and the resulting transaction risk, and by possession of net assets in the Group's foreign businesses. The vast majority of the Group's operations take place in the EU and the USA, a small number taking place in Eastern Europe, overseas countries and the Far East. Operations in Eastern Europe and China involve both production and sales, while those in overseas countries and the Far East outside China chiefly involve sales organisations.

To counter its foreing exchange risk the Group employs a number of the financial instruments referred to above. Management and hedging of existing anticipated exchange risks are performed by the individual Group companies within the framework of established policies, in partnership with NKT Holding's finance department. It is NKT policy for anticipated net risks in leading currencies - in 2006 principally USD, GBP, SEK and a number of Asian currencies - to be hedged for a specific number of months ahead.

The forward exchange contracts existing at 31 December 2006 were established to hedge transaction types in accordance with the Group's currency policy. See also Note 24 to the accounts. In addition to the transaction risk - ie. the exchange risk related to a physical cash flow in foreign currency - the Group is also exposed to a translation risk at conversion of the accounts of foreign subsidiaries to DKK for recognition in the consolidated financial statement. As a basic principle, hedging of currency risk is not performed for net assets (capital and reserves) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted directly in capital and reserves.

Interest rate risk

Interest rate risk refers to the influence of change in market interest rates on future cash flows relating to the Group's net interest bearing assets and liabilities. Owing to its capital structure the NKT Group has only limited exposure to interest rate changes. At 31 December 2006 the Group's interest bearing payables exceeded its interest bearing assets by 1,023 mDKK.

The Group's variable-interest payables amounted to 1,963 mDKK at 31 December 2006, while cash resources and loans amounted to 1,031 mDKK. It is estimated that a one percentage point rise in the market interest rate for the Group's variable-interest, net interest bearing items would affect net income by around 10 mDKK per annum. Large fluctuations in interest rates can lead to adjustment of fixed assets and pension liabilities as the interest rate may have significance for the value of fixed assets in connection with impairment tests and for fulfilment of pension liabilities.

Amounts in mDKK

34 New International Financial Reporting Standards and IFRIC Interpretations

The IASB has adopted the following new or amended International Financial reporting Standards (IFRS/IAS) and Interpretations (IFRIC) that are not compulsory for the NKT Group in the preparation of the annual report for 2006. Unless otherwise stated, the standards and interpretations have also been approved by the EU:

Revised IAS 32, Financial Instruments: Disclosure and Presentation
The revision relates to disclosure provisions for financial instruments. These provisions are transferred to by IFRS 7. The revised standard becomes effective for financial years commencing 1 January 2007 or later.

Revised IFRS 4, Insurance Contracts
The revision relates to financial guarantee contracts. The revised standard becomes effective for financial years commencing 1 January 2007 or later.

New IFRS 7, Financial Instruments: Disclosures
The standard becomes effective for financial years commencing 1 January 2007 or later.

New IFRS 8, Business Segments
The standard relates to segment disclosures and becomes effective for financial years commencing 2009 or later. The standard has not yet been adopted for use in the EU.

New IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
The interpretation becomes effective for financial years commencing 1 March 2006 or later.

New IFRIC 8, Scope of IFRS 2
The interpretation becomes effective for financial years commencing 1 March 2006 or later.

New IFRIC 9, Reassessment of Embedded Derivatives
The interpretation becomes effective for financial years commencing 1 June 2006 or later.

New IFRIC 10, Interim Financial Reporting and Impairment
The interpretation becomes effective for financial years commencing 1 November 2006 or later.
The interpretation has not yet been adopted for use in the EU

New IFRIC 11, Group and Treasury Share Transactions
The interpretation becomes effective for financial years commencing 1 March 2007 or later.
The interpretation has not yet been adopted for use in the EU.

New IFRIC 12, Service Concession Arrangements
The interpretation becomes effective for financial years commencing 1 January 2008 or later.
The interpretation has not yet been adopted for use in the EU.

The NKT Group expects to implement the financial reporting arrangements from the mandatory commencement date.

In the view of the Management, application of these new and revised standards and interpretations will not have effect on the annual report for the coming financial years, except for the additional disclosure provisions relating to financial instruments and business segments that follow from implementation of IFRS 7 and IFRS 8.

Accounting policies

NKT Holding A/S is a public limited company domiciled in Denmark. The annual report for the period 1 January - 31 December 2006 comprises both the consolidated financial statements for NKT Holding A/S and its subsidiaries (the Group), and separate financial statements for the parent company as required by the Danish Financial Statements Act.

The annual report of NKT Holding A/S for 2006 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, cf. the Copenhagen Stock Exchange's disclosure requirements for annual reports of listed companies and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the IASB.

Basis for presentation

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

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

Non-current assets and disposal groups held for sale are measured at carrying amount before reclassification or fair value less selling costs, whichever is the lower.

The accounting policies described below have been applied consistently during the financial year and for the comparative figures.

The accounting policies are unchanged from last year.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

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

Enterprises over which the Group exercises significant influence, but which it does not control, are considered

associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%. When assessing whether NKT Holding A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

Interests in jointly controlled entities are recognised as Joint Ventures.

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

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities at the acquisition date.

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

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not restated for acquisitions or disposals. Discontinued operations are, however, presented separately, cf. below.

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

The date of acquisition is the date at which NKT Holding A/S actually gains control of the acquired enterprise.

For business combinations made on 1 January 2004 or later, any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised but is tested annually for impairment. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments relating to acquisition of a foreign entity with a functional currency other than the presentation currency used in the NKT Holding A/S Group's financial statements are treated as assets and liabilities belonging to the foreign entity and are translated into the foreign entity's functional currency at the exchange rate at the transaction date. Negative differences (negative goodwill) are recognised in the income statement at the acquisition date.

For business combinations made prior to 1 January 2004, the accounting classification has been maintained in accordance with previous accounting policies. The accounting treatment of business combinations prior to 1 January 2004 was not revised in connection with the opening balance sheet at 1 January 2004. Goodwill recognition as at 1 January 2004 is thus based on the cost recognised under previous accounting policies (the Danish Financial Statements Act and Danish Accounting Standards) less amortisation and impairment up until 31 December 2003. Goodwill is not amortised after 1 January 2004.

The cost of an enterprise consists of the fair value of the agreed consideration, plus expenses directly attributable to the acquisition. If parts of the consideration are conditional upon future events, these parts are included in the cost to the extent that the events are likely and the consideration can be calculated reliably.

If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error. However, subsequent realisation of the deferred tax assets of the acquired enterprise that were not recognised at the acquisition date will require recognition of the tax benefit in the income statement and at the same time write-down of the carrying amount of goodwill to the amount which would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the acquisition date.

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

Foreign currency translation

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

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates 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 as 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 at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable/payable arose or the rate in the latest annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of enterprises with a functional currency other than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. The average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the picture. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in equity under a separate translation reserve.

Foreign exchange adjustments of balances which are considered part of the total net investment in enterprises with a functional currency other than DKK are recognised directly in equity under a separate translation reserve in the consolidated financial statements. Correspondingly, foreign exchange gains and losses on that part of loans and derivative financial instruments which are designated as hedges of the net investment in such enterprises, and which efficiently hedge against corresponding foreign exchange gains and losses on the net investment in the subsidiary, are also recognised directly in a separate translation reserve in equity in the consolidated financial statements.

On recognition in the consolidated financial statements of associates with a functional currency other than DKK, the share of profit/loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the balance sheet date, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the balance sheet date, are recognised directly in a separate translation reserve in equity.

On full or partial disposal of foreign units or on repayment of the balances considered part of the net investment, the share of the accumulated foreign exchange adjustments recognised directly in equity and attributable thereto is recognised in the income statement concurrently with any gain or loss on the disposal.

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Apart from foreign currency hedging of future cash flows in accordance with a firm commitment is treated as hedging of the fair value of a recognised asset or liability.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge, and which effectively hedges changes in the value of the hedged item, are recognised in equity in a separate reserve for hedging transactions until the hedged transaction is realised. At this time, gains or losses concerning such hedging transactions are transferred from equity and recognised in the same item as the hedged. Gains or losses from hedges of proceeds from future borrowings are, however, transferred from equity over the term of the loan.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are continuously recognised in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates and which effectively hedge of currency fluctuations in these enterprises are recognised directly in equity in a separate translation reserve.

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.

INCOME STATEMENT

Revenue

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

Revenue from services comprising service contracts and extended warranties relating to sold products and other services are recognised on a straight-line basis as the services are provided.

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

Construction work in progress is recognised as revenue by reference to the percentage of completion. Accordingly, revenue 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, revenue is recognised only to the extent that costs incurred are expected to be recoverable.

Government grants

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

Grants for R&D activities, which are recognised directly in the income statement, are recognised as other operating income as the grant-related expenses are incurred.

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

Remissible loans provided by public authorities for funding development activities are recognised as liabilities until the terms for loan remission have in all probability been met.

Other operating income

Other operating income comprises items of a secondary nature relative to the principal activities, including grant schemes, reimbursements and gains on sale of non-current assets. Gains on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date.

Change in inventories of finished goods and work in progress

Change in inventories of finished goods and work in progress comprises changes in the relevant inventories corresponding to staff and other costs recognised during the year in the income statement and which are directly or indirectly attributable 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 corresponding to the staff and other costs recognised during the year in the income statement and which are directly or indirectly attributable to the cost of non-current assets of own manufacture.

Raw materials, consumables and goods for resale

Raw materials, consumables and goods for resale comprises acquisitions and changes in relevant inventory levels during the year and includes shrinkage, waste production and any write-downs due to obsolescence.

Staff costs

Staff costs comprises wages and salaries, consideration, share-based payments, pensions and other staff expenses relating to the Group's employees, including remuneration to the Board of Directors and the Management.

Other costs

Other costs comprise external costs relating to production, sale and administration, as well as losses on disposal of intangible assets and property, plant and equipment. Losses on disposal of intangible assets and property, plant and equipment are determined as the sales price less selling costs and the carrying amount at the selling date.

Profits/losses from investments in associates and joint ventures

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

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment comprises amortisation of intangible assets, depreciation of property, plant and equipment, and losses after impairment of assets.

Financial income and expenses

Financial income and expenses comprises interest income and expenditure, gains and losses on securities and impairment of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including finance lease commitments, as well as surcharges and refunds under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements are also included.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at cost as described under "Business combinations". 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. Identification of cash-generating units is based on the management structure and internal financial control. As a result of the integration of acquired enterprises in the existing Group, the management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated is per business segment.

Development projects, patents and licences, etc.

Clearly defined and identifiable development projects for which the technical rate of utilisation, sufficient resources and a potential future market or development possibility in the Company can be proved, and where the intention is to produce, market or use the project, are included as intangible assets provided the cost can be determined reliably and provided there is adequate certainty that the future earnings or the net selling price can cover the production, sales and administration costs and also the development costs. Other development costs are recognised 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 Company's development activities.

On completion of the development work, development projects are amortised on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortisation period is usually five to ten 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 lower.

Other intangible assets, including intangible assets acquired in business combinations, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over the expected useful life.

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

Property, plant and equipment

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 available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers and wages. The cost is supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilised. Where individual parts of an item of property, plant and equipment have different useful lives they are depreciated separately.

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. When calculating the present value, the interest rate implicit in the lease or an approximation thereof is used as 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 probable that the costs will result in future economic benefits for the Group. The carrying amount of the replaced parts is derecognised in the balance sheet and recognised in the income statement.

All costs incurred for ordinary repair and maintenance are recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	25 years
Fixed plant in buildings	10 years
Plant and machinery	8-15 years
Fixtures and fittings, other plant and equipment	4-8 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.

Investments in associates and joint ventures

Investments in associates and joint ventures are measured according to the equity method. The investments in the balance sheet are measured at the proportionate share of the enterprises' equity value in accordance with the Group's accounting policies, minus or plus a proportionate share of unrealised intra-group profits and losses and plus the carrying amount of goodwill.

Investments in associates with negative equity values are measured at DKK 0 (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. Write-down is made for bad or doubtful debts.

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

Impairment of non-current assets

Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, initially before the end of the acquisition year. Development projects in progress are also subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated, and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the enterprise or activity (cash-generating unit) to which goodwill is allocated. Impairment of goodwill is recognised in a separate line item in the income statement.

Deferred tax assets are subject to impairment tests annually and recognised only to the extent that it is probable they will be utilised.

The carrying amount of other non-current assets is tested annually for indications 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.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. Impairment losses are recognised in the income statement under depreciation and impairment of tangible assets and amortisation and impairment of intangible assets, respectively. However, impairment of goodwill is recognised in a separate line item in the income statement.

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

Inventories

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

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

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory, administration and management.

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.

Receivables
Receivables are measured at amortised cost. Write-down is made for bad and doubtful debts.

Construction contracts
Construction contracts are measured at the selling price of the work performed less progress billings and anticipated losses.

The selling price 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.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is recognised as an expense immediately.

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

Where the selling price of work performed exceeds progress billings and anticipated losses, the excess is recognised under receivables. If progress billings and anticipated losses exceed the selling price of a construction contract, the deficit is recognised under liabilities.

Prepayments from customers are recognised under liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments
Prepayments, recognised as assets comprise incurred costs that relate to subsequent financial years and are measured at cost.

Other investments
Shares, bonds and other securities are classified as available for sale and are recognised at cost at the trade date. Subsequently, quoted securities are measured at fair value, corresponding to the market price; Unquoted securities are measured at an estimated fair value based on market data and generally accepted valuation methods. Unrealised value adjustments are recognised directly in 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 equity is transferred to financial income or financial expenses.

Equity
Dividends
Proposed dividends are recognised as a liability at the date of their adoption at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Treasury shares
Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly as retained earnings in equity. Capital reductions from the cancellation of treasury shares are deducted from the share capital by an amount corresponding to the nominal value of the shares.

Proceeds from the sale of treasury shares and issue of shares, respectively, in NKT Holding A/S resulting from the exercise of share options or employee shares are recognised directly in equity.

Translation reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign enterprises from their functional currencies to the presentation currency used by the NKT Group (DKK).

On full or partial realisation of net investments in foreign enterprises, the foreign exchange adjustments are recognised in the income statement.

At 1 January 2004 the translation reserve was deemed to be zero in accordance with IFRS 1.

Share option programme

The NKT Group's incentive schemes include a share option programme.

Share option programme

The value of services received in exchange for granted share options is measured at the fair value of these options.

For equity-settled share options, 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.

For share options where the option holder has a choice between settlement in shares or in cash, the fair value is initially measured at the grant date and recognised in the income statement under staff costs over the vesting period. Subsequently, the fair value of the share options is measured at each balance sheet date and at final settlement, and any changes in the value of the share options are recognised in the income statement under staff costs in proportion to the lapsed portion of the vesting period. The counter-item is recognised under liabilities.

On initial recognition of the share options an estimate is made of the number of options expected to vest. This estimate is subsequently revised for changes in this number. Accordingly, total recognition is based on the number of options ultimately vested.

The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Pension obligations and similar non-current liabilities

The Group has entered into pension schemes and similar arrangements with the majority of the Group's employees.

Contributions to defined contribution-based pension plans are recognised in the income statement in the period to which they relate. Any contributions outstanding are recognised in the balance sheet as other payables.

For defined benefit plans an annual actuarial calculation is made of the present value of future benefits payable under the plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under pension obligations, cf. however below.

Pension costs for the year are recognised in the income statement on the basis of actuarial estimates and financial expectations at the start of the year. Differences between the expected development in pension assets and liabilities and the realised values at the end of the year are designated actuarial gains or losses. On transition to IFRS, cumulative actuarial gains and losses were recognised in full in the opening balance sheet at 1 January 2004. If subsequent cumulative actuarial gains or losses at the beginning of the year exceed the greater numerical value of 10% of the defined benefit obligation or 10% of the fair value of the plan assets, the excess amount is recognised in the income statement over the employees' expected average remaining working life in the Group. Actuarial gains or losses not exceeding the above limits are not recognised in the income statement or the balance sheet, but are disclosed in the notes.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately if employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a pension plan constitutes a net asset, the asset is only recognised if it offsets unrecognised actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

Other long-term employee benefits are similarly recognised using actuarial calculation, but without the use of the corridor method. Consequently, actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include anniversary bonuses.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the 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 goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arose at the time of acquisition without affecting either profit/loss for the year or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to the management's intended 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 the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

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 in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions

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 probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is the 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 factor is applied that reflects the current market interest rate and the specific risks considered to relate to the obligation. Changes in present values during the year are recognised as financial expenses.

Warranty commitments are recognised as the underlying goods and services are sold based on 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. On acquisition of enterprises, restructuring provisions in the acquire are only included in goodwill when the acquire has a restructuring liability 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.

When the Group has an obligation to dismantle an asset or to restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs.

Financial liabilities

Amounts owed to mortgage credit institutions etc. are recognised at the date of borrowing at the amount of proceeds received net of transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised under financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at amortised cost.

Leasing

Lease commitments are divided for accounting purposes into finance leases and operating leases.

A finance lease is a lease that in all essential respects transfers risk and benefits in owning the leased asset. Other leases are designated operating leases.

The accounting treatment of assets held under a finance lease and the related obligation are described in the section Property, plant and equipment and in the section Financial liabilities, respectively.

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

Deferred income

Deferred income comprises payments received concerning income in subsequent years, measured at cost.

Assets held for sale

Assets held for sale comprise non-current assets and disposal groups held for sale. A disposal group is defined as a group of assets to be disposed of jointly by sale or otherwise in a single transaction. Liabilities concerning such assets are directed related to assets to be transferred in the transaction. Assets are designated as "held for sale" if the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the carrying amount at the time they are designated "held for sale" or at fair value less selling costs, whichever is the lower. Assets are not depreciated or amortised from the time they are designated "held for sale".

Impairment losses on initial designation as "held for sale", and gains and losses on subsequent remeasurement at the carrying amount or fair value less selling costs, whichever is the lower, are recognised in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and liabilities are recognised separately in the balance sheet and main items are specified in the notes.

Presentation of discontinued operations

Discontinued operations comprise a major whose activities and cash flows can be clearly distinguished, operationally and in financial reporting terms, from the rest of the enterprise. The unit has either been disposed of or is held for sale, completion of the sale being effected within one year in accordance with a formal plan. Discontinued operations also include activities which in conjunction with the acquisition have been designated as "held for sale".

The profit/loss after tax of discontinued operations, and value adjustments after tax of related assets and liabilities, are presented in a separate line in the income statement with 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, cf. "Assets held for sale", and main items are specified in the notes.

Cash flows from operating, investing and financing activities relating to the discontinued operations are disclosed in a note.

Cash flow statement

The cash flow statement shows the cash flows 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 acquisitions and disposals of enterprises is shown separately in Cash flows from investing activities. Cash flows from activities acquired are recognised in the cash flow statement from the date of acquisition. Cash flows from activities sold are recognised until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are calculated using 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, and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments relating to acquisition and sale of enterprises and activities, intangible assets, property, plant and equipment and other non-current assets, as well as acquisition and sale of securities.

Finance leases are not considered non-cash transactions.

Cash flows from financing activities

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

Cash at bank and in hand

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

Cash flows denominated in currencies other than the functional currency are translated using mean exchange rates unless these exchange rates deviate materially from the exchange rates valid at the transaction date.

Segment information

Information is provided in terms of business segments, which are the Group's primary reporting format, and geographical markets - the secondary format. Segment information is based on the Group's risks, its general management and its internal financial management. The segment information is presented in accordance with the Group accounting policies.

Segment revenue and costs and segment assets and liabilities comprise items that are directly attributable to the individual segment and items that can reliably be allocated to it. Unallocated items primarily comprise assets and liabilities, along with income and costs related to the Group's administrative functions, investment activities, income taxes, etc.

Segment non-current assets comprise such assets used directly in segment operations, including intangible assets, property, plant and equipment, and investments in associates.

Segment current assets comprise such assets used directly in segment operations, including inventories, trade and other receivables, prepayments, and cash at bank and in hand.

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

FINANCIAL RATIOS

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33. Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2005".

The financial ratios stated in the financial highlights have been calculated as follows:

Equity ratio $\dfrac{\text{Equity at year end} \times 100}{\text{Liabilities at year end}}$

Earnings per Share (EPS) $\dfrac{\text{Profit/loss*}}{\text{Average number of outstanding shares}}$

Earnings per Share Diluted (EPS-D) $\dfrac{\text{Diluted profit/loss*}}{\text{Diluted average number of outstanding shares}}$

Equity value per share $\dfrac{\text{Equity excluding minority interests}}{\text{Number of outstanding shares}}$

*Profit/loss attributable to the shareholders of the parent company

Group Management

BOARD OF DIRECTORS

1. Christian Kjær, R[1] (63)

Chairman

Chamberlain, Master of the Royal Hunt,
Attorney, LLM 1972
Member and Deputy Chairman of the Board 1987
Chairman since 1990
No. of shares: 613.886

Chairman for the Board of

A/S Segalith af 1/4 1987
Sankt Gjertruds Stræde 10 A/S
Skærbæk Plantage A/S

Member of the Board of

Nye Kommercielle Aktiviteter Holding A/S
Ejendomsselskabet D.F.K. A/S

2. Jan Trøjborg (51)

Deputy Chairman

Mayor
Former Minister and MP
M.Sc. C.Eng. 1986
Member of the Board 2005
No. of shares: 283

Member of the Board of

Billund Lufthavn A/S
KL (Kommunernes Landsforening)

3. Krister Ahlström (66)

Director
M.Sc.Tech. 1966, Bergsråd, Dr. dr.h.c.
Member of the Board 1995
No. of shares: 0

Chairman for the Board of

Wermland Paper AB, Sweden
Also board member of several industrial companies in Finland and abroad.

4. Jan Wraae Folting (53)

Director
Becada A/S - P. Larsens Eftf. A/S
O.W. Folting Rederi- og Handelsselskab ApS
Master of Commerce 1983
Member of the Board 1995
No. of shares: 104.715

5. Jens Maaløe (52)

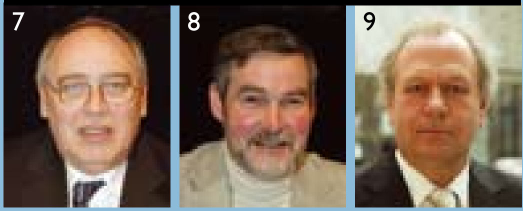
President and CEO
Terma A/S
M.Sc. E.Eng. 1979 - Ph.D. 1983
Member of the Board 2004
No. of shares: 162

Member of the Board of

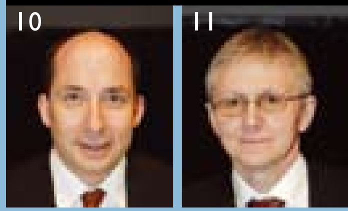
Topdanmark A/S
Ingeniørhøjskolen i Århus

AGM SELECTED BOARD MEMBERS

EMPLOYEE-ELECTED BOARD MEMBERS



BOARD OF MANAGEMENT



6. Jens Due Olsen (43)

CFO
GN Store Nord A/S
MA (Econ.) 1991
Member of the Board 2006
No. of shares: 0

Member of the Board of
Industriens Pensionsforsikring A/S
Cryptomathic

7. Jørgen Bjergskov Nielsen* (57)

Electrician
Member of the Board 1991
No. of shares: 410

8. Arne Dan Kjærulff* (58)

Service Technician
Member of the Board 2006
No. of shares: 50

9. Gunnar Karsten Jørgensen* (60)

Fitter
Member of the Board 2005
No. of shares: 50

** Employee-elected board members*

Information concerning the board members is continuously updated on www.nkt.dk.

BOARD OF MANAGEMENT

10. Thomas Hofman-Bang (42)

President and CEO
M.Sc. Business Administration,
Accounting and Auditing 1992
State Authorised Public Accountant 1994
Joined NKT and the Management Board 2000
No. of shares: 6.000

Chairman for the Board of
NKT Flexibles I/S

Member of the Board of
Crystal Fibre A/S

11. Søren Isaksen (55)

Group Excecutive Director, CTO
M.Sc. 1977 - Ph.D. 1981
Joined NKT 1981
Joined the Management Board 1999
No. of shares: 5.275

Chairman for the Board of
Crystal Fibre A/S
CAT Forsknings- og Teknologipark A/S

Member of the Board of
NKT Flexibles I/S

Shareholdings as at 1 March 2007 include shareholdings of related parties.
Details of directorships held in other Danish companies are provided in compliance with section 107 of the Danish Company Accounts Act.

As of 31 December 2006 – group companies

Subsidiaries	Domicile	Equity share
Nilfisk-Advance A/S	Denmark	100%
Nilfisk-Advance Nordic A/S	Denmark	100%
ALTO International A/S	Denmark	100%
• ALTO Denmark A/S	Denmark	100%
•• ALTO Sverige AB	Sweden	100%
• Nilfisk-Advance Bellenberg GmbH	Germany	100%
•• ALTO Ceská Republika s.r.o.	Czech Rep.	100%
ALTO (Ningbo) Mechanical Manufacturing Co. Ltd.	China	100%
Nilfisk-Advance AS	Norway	100%
Nilfisk-Advance AG	Germany	100%
• Altscher GmbH	Germany	100%
Nilfisk-Advance Limited	UK	100%
Nilfisk-Advance Limited	Ireland	100%
Nilfisk-Advance B.V.	Holland	100%
Nilfisk-Advance S.A.	Belgium	100%
• Nilfisk-Advance S.A.S.	France	100%
Nilfisk-Advance Lda	Portugal	100%
Nilfisk-Advance S.A.	Spain	100%
CFM S.p.A.	Italy	100%
• CFM Reitek GmbH	Germany	100%
• CFM France S.A.	France	100%
Nilfisk-Advance AG	Switzerland	100%
Nilfisk-Advance GmbH	Austria	100%
Nilfisk-Advance Production Kft.	Hungary	100%
Nilfisk-Advance Commercial Kft.	Hungary	100%
Nilfisk-Advance Pte. Ltd.	Singapore	100%
Nilfisk-Advance Inc.	Japan	100%
Nilfisk-Advance Ltd.	Hong Kong	100%
• Nilfisk-Advance Ltd.	China	100%
• Nilfisk-Advance Ltd.	Taiwan	100%
Nilfisk-Advance Sdn. Bhd.	Malaysia	100%
Nilfisk-Advance Co. Ltd.	Thailand	100%
Nilfisk-Advance Limited	New Zealand	100%
Nilfisk-Advance Pty. Ltd.	Australia	95%
Nilfisk-Advance Inc.	USA	100%
• Nilfisk-Advance America Inc.	USA	100%
• Nilfisk-Advance Canada Company	Canada	100%
• ALTO Cleaning Systems Inc.	USA	100%
•• ALTO U.S. Inc.	USA	100%
••• ALTO Canada Company	Canada	100%
Nilfisk-Advance A.E.	Greece	67%
Nilfisk-Advance Sp.z.o.o.	Poland	100%
Nilfisk-Advance LLC	Russia	100%
Nilfisk-Advance s.r.o.	Czech Rep.	68%
Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co. Ltd.	China	100%
Tennab AB	Sweden	100%
Nilfisk-Advance de Mexico SdeR.L.	Mexico	100%
Nilfisk-Advance Professionel A.S.	Turkey	100%
Nilfisk-Advance OY AB	Finland	100%
Nilfisk-Advance Korea Co. Ltd.	Korea	100%

Associates		
Nilfisk-Advance		
M2H S.A.	France	34%
CFM Lombardia S.r.l.	Italy	33%

Nilfisk-Advance A/S also owns 7 companies with no commercial activity.

Subsidiaries	Domicile	Equity share
NKT Cables Group A/S	Denmark	100%
NKT Cables A/S	Denmark	100%
• NKT Cables S.A.	Poland	76%
•• NKT Cables Warszowice Sp. z.o.o.	Poland	100%
• NKT Cables AS	Norway	100%
NKT Cables Group GmbH	Germany	100%
• NKT Cables GmbH, Nordenham	Germany	100%
• NKT Cables GmbH, Køln	Germany	100%
•• HFB Hettstedter Fahrleitungs- und Bronzedraht GmbH	Germany	100%
•• NKT Immobilien Verwaltung GmbH	Germany	100%
•••NKT Zweite Immobilien GmbH & Co. KG	Germany	100%
NKT Cables s.r.o.	Czech Rep.	100%
NKT Cables China Ltd.	China	100%
NKT Cables Ultera A/S	Denmark	100%

Subsidiaries	Domicile	Equity share
NKT Photonics Group		
Crystal Fibre A/S	Denmark	93%
KOHERAS A/S	Denmark	100%
KOHERAS GmbH	Germany	99%
LIOS Technology GmbH	Germany	100%
NKT Research & Innovation A/S	Denmark	100%
Nanon A/S	Denmark	100%
I. C. Holding A/S	Denmark	100%
Priorparken A/S	Denmark	100%
SubSeaFlex Holding A/S	Denmark	100%
Industriselskabet af 1. januar 2002 A/S	Denmark	100%

NKT Holding owns 5 companies with no commercial activity.

• Subsidiary company undertaking in the Group
•• (or more ••) Subsidiaries thereof, etc.

Associates & joint ventures

NKT Cables		
Ericsson NKT Cables Venture Ltd.	UK	50%
Unique Vantage Ltd.	China	50%
NKT Cables Accessories Changzhou Co. Ltd.	China	100%
SubSeaFlex Holding		
NKT Flexibles I/S	Denmark	51%
Crystal Fibre		
Vytran LLC	USA	27%

NKT Holding A/S financial statement 2006

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CONTENTS

NOTES

Income statement

for NKT Holding A/S

1 January - 31 December

Amounts in mDKK	Note	2006	2005
Dividends from subsidiaries	2	126.8	291.2
Sale of services		20.4	19.2
Revenue		**147.2**	**310.4**
Staff costs	3	(23.1)	(25.3)
Other costs	4	(16.4)	(12.7)
Depreciation and impairment of tangible assets	8	(0.3)	(0.7)
Operating earnings		**107.4**	**271.7**
Financial income	5	747.4	138.6
Financial expenses	6	(47.6)	(94.3)
Earnings before tax		**807.2**	**316.0**
Tax	7	(2.7)	(13.2)
Profit for the year		**804.5**	**302.8**
Proposed distribution:			
Proposed dividend of 10 DKK per share (2005: 12 DKK per share)		235.0	294.0
Retained earnings		569.5	8.8
		804.5	302.8

Balance sheet

for NKT Holding A/S

31 December Amounts in mDKK	Note	2006	2005
Assets			
Non-current assets			
Tangible assets	8	1.0	1.0
Other non-current assets			
Investments in subsidiaries	9	3,265.2	2,629.9
Receivables from subsidiaries		287.0	671.5
		3,552.2	3,301.4
Total non-current assets		3,553.2	3,302.4
Current assets			
Receivables from subsidiaries	13	1,130.8	477.4
Receivables from joint venture	13	42.2	107.9
Other receivables	13	1.1	1.0
Other investments		-	13.5
Cash at bank and in hand		57.1	190.8
Total current assets		1,231.2	790.6
Total assets		4,784.4	4,093.0

Balance sheet

for NKT Holding A/S

31 December Amounts in mDKK	Note	2006	2005
Equity and liabilities			
Equity	11		
Share capital		470.0	490.0
Reserves		-	5.7
Retained earnings		2,968.4	2,398.1
Proposed dividends		235.0	294.0
Total equity		3,673.4	3,187.8
Liabilities			
Non-current liabilities			
Deferred tax	10	36.5	51.2
Pension liabilities	12	1.2	1.2
Credit institutions		300.0	300.0
		337.7	352.4
Current liabilities			
Credit institutions	13	546.7	203.3
Liabilities to subsidiaries	13	214.7	340.0
Trade and other payables	13	11.9	8.8
Joint taxation contribution payable		-	0.7
		773.3	552.8
Total liabilities		1,111.0	905.2
Total equity and liabilities		4,784.4	4,093.0

Statement of changes in equity

for NKT Holding A/S

Amounts in mDKK	Share capital	Fair value reserve	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2005	490.0	5.8	2,671.4	196.0	3,363.2
Changes in equity in 2005					
Value adjustment of shares available for sale		1.1			1.1
Value adjustment of shares available for sale transferred to income statement		(1.2)			(1.2)
Tax on changes in equity			2.7		2.7
Total recognised directly in equity	-	(0.1)	2.7	-	2.6
Profit for the year			8.8	294.0	302.8
Total recognised income and expenses	-	(0.1)	11.5	294.0	305.4
Distributed dividends				(196.0)	(196.0)
Acquisition of treasury shares			(276.1)		(276.1)
Share-based remuneration			0.9		0.9
Share options exercised	-	-	(9.6)		(9.6)
Total changes in equity in 2005	-	(0.1)	(273.3)	98.0	(175.4)
Equity at 31 December 2005	490.0	5.7	2,398.1	294.0	3,187.8
Equity at 1 January 2006	490.0	5.7	2,398.1	294.0	3,187.8
Changes in equity in 2006					
Value adjustment of shares available for sale					-
transferred to income statement		(5.7)			(5.7)
Tax on changes in equity			16.4		16.4
Total recognised directly in equity	-	(5.7)	16.4	-	10.7
Profit for the year			569.5	235.0	804.5
Total recognised income and expenses	-	(5.7)	585.9	235.0	815.2
Distributed dividends				(294.0)	(294.0)
Cancellation of treasury shares	(20.0)		20.0		-
Distributed dividends of treasury shares			13.3		13.3
Share-based remuneration			2.2		2.2
Share options exercised			(51.1)		(51.1)
Total changes in equity in 2006	(20.0)	(5.7)	570.3	(59.0)	485.6
Equity at 31 December 2006	470.0	-	2,968.4	235.0	3,673.4

Statement of cash flows

for NKT Holding A/S

1 January - 31 December Amounts in mDKK	2006	2005
Earnings before depreciation	107.7	272.4
Non-cash items	1.8	0.6
Changes in working capital	(3.2)	(8.1)
Cash flows from operations before financial items	106.3	264.9
Interest received	79.9	64.3
Interest paid	(47.6)	(46.1)
Cash flows from ordinary activities	138.6	283.1
Corporation tax paid	(1.7)	(0.8)
Cash flows from operating activities	136.9	282.3
Acquisition of tangible assets	0.9	-
Disposal of tangible assets	(0.8)	-
Other investments, net	7.8	0.6
Increase and decrease of capital in subsidiaries	24.8	54.7
Changes in loans to/from subsidiaries	(393.7)	(154.8)
Changes in loan to/from joint venture	66.5	23.0
Cash flows from investing activities	(294.5)	(76.5)
Changes in long-term loans	-	300.0
Changes in short-term loans	355.7	(379.4)
Distributed dividends	(294.0)	(196.0)
Acquisition of treasury shares	-	(276.1)
Share options exercised/Dividends on treasury shares	(37.8)	(9.6)
Cash flows from financing activities	23.9	(561.1)
Net cash flows	(133.7)	(355.3)
Cash at bank and in hand, 1 January	190.8	546.1
Net cash flows	(133.7)	(355.3)
Cash at bank and in hand, 31 December	57.1	190.8

Notes

f-or NKT Holding A/S

Amounts in mDKK

1 ## Accounting policies

Annual financial statements are prepared for the parent company in pursuance of the requirements of the Danish Financial Statements Act.

The annual financial statements of the parent company are presented in accordance with International Financial Reporting Standards adopted by the EU and additional Danish disclosure provisions relating to annual reports for listed undertakings.

Description of accounting policies

In relation to the accounting polices for the Group's financial statements the accounting policies for 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 of the parent company under financial items in the income statement. Similarly, foreign exchange gains and losses on that part of loans and derivates established to hedge the net investment in these undertakings are also recognised under financial items in the income statement.

Revenue

Dividends from investments in subsidiaries and associates are recognised in the income statement of the parent company in the year the dividends are declared. However, such distributed dividend that exceeds the the accumulated earnings after the acquisition date, the dividend is recognised as a reduction of the investment cost.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. If there is indication of impairment, an impairment test is performed as described in the consolidated financial statements. Where the recoverable amount is lower than cost, investments are written down to this lower value.

Cost is reduced by received dividend that exceeds the accumulated earnings after the acquisition date.

Tax

NKT Holding A/S is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is shared between the jointly taxed Danish subsidiaries in proportion to their taxable income. Companies using tax losses in other companies pay joint tax contributions to the parent company corresponding to the tax base of the unused tax loss (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the on-account tax scheme.

Notes

for NKT Holding A/S

Amounts in mDKK		2006	2005
2	**Dividends from subsidiaries**		
	Dividends received from subsidiaries	183.6	318.4
	Dividends offset against cost	(56.8)	(27.2)
		126.8	291.2
3	**Staff costs**		
	Wages and salaries	19.2	22.5
	Social security contributions	0.1	0.1
	Defined contribution plans	1.3	1.6
	Defined benefit plans	0.3	0.2
	Share-based payments	2.2	0.9
		23.1	25.3
	Average number of full-time employees	23	25

Remuneration to the Board of Directors and the Management, and share option schemes for executives and employees can be found in Notes 28 and 29 to the consolidated financial statements.

		2006	2005
4	**Other expenses**		
	Other expenses include fees to auditors elected at the annual general meeting KPMG:		
	Statutory audit	0.8	0.8
	Other services	0.6	0.3
		1.4	1.1

Notes

for NKT Holding A/S

Amounts in mDKK		2006	2005
5	**Financial income**		
	Interest, etc.	10.0	7.5
	Interest from subsidiaries	51.8	46.2
	Foreign-exchange adjustment of equity-type loans to subsidiaries	7.4	-
	Foreign exchange gains	10.5	10.6
	Gains on sale of shares	7.6	-
	Reversal of writedown on receivables in subsidiary	-	74.3
	Reversal of writedown on investments in subsidiaries	660.1	-
		747.4	138.6
6	**Financial expenses**		
	Interest, etc.	25.1	7.9
	Interest to subsidiaries	7.1	7.6
	Foreign-exchange adjustment of equity-type loans to subsidiaries	-	1.8
	Foreign exchange losses	15.4	17.3
	Capital losses on shares available for sale	-	13.3
	Writedown on investments in subsidiaries	-	46.4
		47.6	94.3
7	**Tax**		
	Current tax	0.2	0.8
	Joint taxation contribution	1.5	0.0
	Deferred tax	1.0	12.4
		2.7	13.2
	Reconciliation of tax		
	Tax at 28% of earnings before tax	226.0	88.5
	Tax effect:		
	Non-taxable dividend income	(35.5)	(81.5)
	Value adjustment of investment/receivables in subsidiaries	(184.8)	(7.8)
	Non-taxable gains on sale of shares	(2.1)	-
	Non-deductible capital losses on shares	-	3.7
	Non-deductible expenses	0.9	1.0
	Reduction of Danish corporation tax	-	9.0
	Other variances	(1.8)	0.3
		2.7	13.2

Amounts in mDKK	2006	2005
8 Tangible assets		
Equipment		
Cost, 1 January	5.8	5.8
Additions	0.8	-
Disposals	(2.5)	-
Cost at 31 December	4.1	5.8
Depreciation, 1 January	(4.8)	(4.1)
Depreciation	(0.3)	(0.7)
Disposals	2.0	-
Depreciation, 31 December	(3.1)	(4.8)
Book value at 31 December	1.0	1.0
Depreciation period (years)	4-8	4-8

Notes

for NKT Holding A/S

Amounts in mDKK		2006	2005
9	**Investments in subsidiaries**		
	Cost, 1 January	3,928.0	3,731.2
	Disposals	(128.7)	(62.8)
	Capital contribution	32.0	259.6
	Cost, 31 December	3,831.3	3,928.0
	Writedowns, 1 January	(1,298.1)	(1,251.7)
	Writedowns	-	(46.4)
	Reversal of writedown under financial income 1)	660.1	-
	Disposals	71.9	-
	Writedowns, 31 December	(566.1)	(1,298.1)
	Book value, 31 December	3,265.2	2,629.9

1) Performed as a result of increased earnings in the NKT Cables Group og NKT Flexibles.

Subsidiaries	Domicile	Ownership
Nilfisk-Advance A/S	Brøndby, Denmark	100%
NKT Cables Group A/S	Brøndby, Denmark	100%
Crystal Fibre A/S	Birkerød, Denmark	93%
KOHERAS A/S	Birkerød, Denmark	100%
LIOS Technology GmbH	Cologne, Germany	100%
Nanon A/S	Brøndby, Denmark	100%
NKT Research & Innovation A/S	Birkerød, Denmark	100%
Priorparken A/S	Brøndby, Denmark	100%
I.C. Holding A/S	Brøndby, Denmark	100%
SubSeaFlex Holding A/S (owns 51% of NKT Flexibles I/S)	Brøndby, Denmark	100%
Industriselskabet af 1. januar 2002 A/S	Brøndby, Denmark	100%

NKT Holding owns a further five companies with no commercial activity.

Amounts in mDKK		2006	2005
10	**Deferred tax assets and liabilities**		
	Deferred tax assets:		
	1 January	0.6	135.0
	Reduction of tax asset due to changed tax rate, recognised in 2005	-	(9.0)
	Transferred to subsidiaries as a result of new joint taxation legislation whereby tax assets are recognised in the individual subsidiaries	-	(177.2)
	Transferred to recapture account under equity and liabilities	-	51.8
	Other adjustments	(0.7)	0.2
	Tax of adjustments in equity	16.4	3.2
	Recognised	(3.0)	(3.4)
	31 December	13.3	0.6
	Deferred tax liabilities:		
	1 January	(51.8)	-
	Recapture account		(51.8)
	Recognised	2.0	
	31 December	(49.8)	(51.8)
	Total deferred tax assets/liabilities	(36.5)	(51.2)
	Deferred tax relates to:		
	Rented premises	0.1	0.2
	Tangible assets	(0.1)	-
	Current liabilities	0.3	0.4
	Tax loss carry-forward	13.0	-
	Tax losses, future recapture	(49.8)	(51.8)
		(36.5)	(51.2)

11 Share capital

Details of share capital distribution into number of shares etc. are given in Note 17 and 18 to the consolidated financial statements.

12 Pension liabilities

	2006	2005
Pension liabilities, 1 January	1.2	1.3
Pension costs	0.3	0.2
Paid benefits	(0.3)	(0.3)
Pension liabilities, 31 December	1.2	1.2

NKT Holding A/S expects to pay 0.3 mDKK in 2007 to defined benefit plans.

Notes

for NKT Holding A/S

Amounts in mDKK		2006	2005
13	**Receivables, payables to credit institutions and other payables**		
	These are measured at amortised cost, which in all material respects corresponds to fair value and nominal value		
14	**Derivative financial instruments**		
	See Note 24 to the consolidated financial statements		
15	**Contingent liabilities**		
	Items not included in the balance sheet		
	Guarantees for subsidiaries	775.5	707.1
	Subordinated loans to subsidiaries	9.9	228.9
	Liability in respect of subsidiary company credit facilities under the Group account scheme	718.9	580.2
	Leasing agreements for property, etc.	14.9	16.3
	Of which payable within:		
	0-1 years	4.3	4.1
	1-5 years	7.6	12.2
	>5 years	3.0	-

The term of notice for the CEO is 24 months. For the other member of the Management, the term of notice is 12 months. In conjunction with significant changes in the company's ownership structure the above terms of notice will be extended for a transitional period by a further 12 months. Beyond this there is no separation benefit plan for the Management of the company

The company is represented in a joint taxation agreement with the Group companies and is liable as an adminstrative company for payment of tax on jointly taxed income. The company is registered jointly with NKT Cables A/S for VAT purposes and is jointly and severally liable for VAT liabilities.

Amounts in mDKK

16 Related parties

In addition to the comments in Note 28 in 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 the Group overview on page 102. No related parties have control. Transactions with affiliated undertakings comprised the following:

Subsidiaries:		
Sale of services to	18.9	18.0
Purchase of services from	-	-
Interest received, net	44.7	38.6
Receivables, non-current	287.0	671.5
Receivables, current	1,130.8	477.4
Payables to subsidiaries	214.7	340.0
Dividends received	126.8	291.2
Dividends received set off against cost	56.8	27.2
Capital contribution	32.0	259.6
Joint venture:		
Sale of services to	0.6	-
Interest received from	2.1	3.2
Receivables	42.2	107.9

17 Accounting estimates and judgments

Estimation uncertainty

Determining the carrying amount of certain assets and liabilities requires an estimate of how future events will affect the value of these assets and liabilities at the balance sheet date. Estimates that are significant for the preparation of the parent company's financial reporting are made, among other things, by establishing indication of impairment and reversal of write-down on investments in subsidiaries.

The estimates used are based on assumptions which by Management are considered to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may lead to actual results that differ from these estimates. Particular risks relating to the NKT Group are described in the section on risk factors in the Management report.

Accounting policies

It is the opinion of the Management that in the application of the parent company's accounting policies, no judgements other than estimates are made that can materially influence the amounts recognised in the annual report.

Financial highlights, 2006 EURO

Amounts in mEUR	2002 [1]	2003 [1]	2004	2005	2006
Income statement					
Revenue	790	781	957	1,174	1,451
Earnings before interest, tax, depreciation and amortisation (EBITDA)	23	52	58	96	137
Depreciation and impairment on tangible assets	(128)	(30)	(29)	(21)	(19)
Amortisation and impairment on intangible assets	(18)	(10)	(5)	(9)	(9)
Earnings before interest and tax (EBIT) [2]	(124)	12	24	65	110
Financial items, net	(2)	2	(3)	(3)	(7)
Earnings before tax [2]	(126)	14	21	62	103
Net income	(115)	10	27	48	81
NKT's share of net income	(93)	11	25	48	78
Balance sheet and employees					
Share capital	67	67	66	66	63
Equity attributable to NKT Holding A/S	389	380	359	358	374
Minority interests	18	17	10	8	3
Total equity	407	397	369	367	376
Total assets	675	625	787	828	986
Interest bearing items [3]	55	55	(19)	(102)	(137)
Capital employed [4]	352	342	388	469	514
Average number of employees	5,425	4,932	5,747	5,906	6,016
Cash flows					
Cash flows from operating activities	47	32	38	6	36
Investments in tangible assets, net	8	(16)	19	(14)	(4)
Financial ratios					
Equity share, 31 December	60%	63%	47%	44%	38%
Number of 20 DKK shares ('000)	25,000	25,000	24,500	24,500	23,500
Earnings, EUR, per outstanding share (EPS) [5]	(3.8)	0.5	1.0	2.0	3.3
Dividend paid, EUR, per share	0.5	0.5	1.1	1.1	1.6
Equity value, EUR, per outstanding share 6) [7]	15.9	15.5	14.6	15.3	16.0
Market price, EUR, per share	9.9	14.5	21.3	38.8	67.5

1) Figures for the period from 2002 to 2003 have been prepared in accordance with previous accounting policies based on the Danish Financial Statements Act and Danish Accounting Standards

2) For 2006, EBIT before special item and earnings before tax and special item see Note 11

3) Interest bearing cash items, investments and receivables less interest bearing debts

3) Group equity and net interest bearing items

4) NKT's share of net income relative to average number of outstanding shares

5) Equity attributable to NKT Holding A/S per outstanding share at 31 December

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

The financial ratios have been prepared in accordance with the guidelines of the Danish Society of Investment

Stock exchange releases

- 2006 og 2007

In 2006 and 2007 we have published the below releases via The Nordic Exchange. The releases are available on www.nkt dk.

Stock Exchange releases 2006

- 02.01.06 #1 NKT Holding's stock market diary 2006
- 04.01.06 #2 NKT Holding A/S issues warrants
- 27.01.06 #3 Shareholdings Report
- 06.03.06 #4 Shareholdings Report
- 09.03.06 #5 NKT's annual report 2005
- 09.03.06 #6 NKT Holding's stock market diary 2006 - updated
- 13.03.06 #7 Information concerning stock exchange releases published in 2005
- 16.03.06 #8 Announcement - AGM 2006
- 30.03.06 #9 Employee Representation on NKT's Board of Directors
- 06.04.06 #10 Annual General Meeting 2006
- 12.04.06 #11 US property sales - NKT's profit forecast for 2006 revised upwards
- 21.04.06 #12 Insider transactions with shares of NKT Holding A/S
- 11.05.06 #13 Q1 2006 - Satisfactory development in 1st quarter 2006
- 07.08.06 #14 NKT Holding's share capital reduced
- 23.08.06 #15 New production manager and executive board member at Nilfisk-Advance
- 24.08.06 #16 NKT Holding's share capital reduced
- 15.09.06 #17 nkt cables acquires Czech company
- 18.09.06 #18 nkt cables becomes sole owner of nkt cables s.r.o., Czech Republic
- 25.09.06 #19 Nilfisk-Advance - new Chief Financial Officer to start January 2007
- 26.09.06 #20 Shareholdings Report
- 01.11.06 #21 Nilfisk-Advance - new Chief Financial Officer
- 30.11.06 #22 Q3 - Highly satisfactory development
- 14.12.06 #23 NKT Cables to acquire Kablo Elektro Group as at 2 January 2007
- 21.12.06 #24 Nilfisk-Advance acquires U.S. Products

Stock Exchange releases 2007

- 02.01.07 #1 NKT Holding's stock market diary 2007
- 08.01.07 #2 NKT Holding A/S issues share warrants
- 05.03.07 #3 Annual report 2006

Planned for 2007

- 19.03.07 Announcement of annual general meeting
- 11.04.07 Annual general meeting - approvals
- 24.05.07 Quarterly report 1
- 23.08.07 Quarterly report 2
- 21.11.07 Quarterly report 3

Management's Report

- specialist and technical terms

NILFISK-SECTION (PAGE 28-35)

Cleaning and facility management companies - companies managing all aspects of building operation and maintenance, both indoors and outdoors.

ECO Dosages Solution (EDS) - dosing unit that combines water and detergent for specific purposes correctly and cost-effectively.

Supply chain - the sequence of steps involved in the processing, manufacture and distribution of raw materials into finished products in accordance with a specific agreement.

NKT PHOTONICS-SECTION (PAGE 36-41)

White light source - a light source (optical fibre) containing all colours in both the visible and the invisible frequency range.

High power fibre laser component - component used in light sources producing a light output of 1 W or more.

Ultra-precise laser - laser characterised by extremely narrow linewidth and low noise level.

LSR materials - silicon materials.

Large-mode-area fibre - optical fibre with an exceptionally large core, and thus also relatively low light intensity, causing suppression of non-linear effects.

Non-linear fibres - optical fibre with a very small core and in which very high intensities can be achieved, causing the light to behave abnormally and, for example, change frequency (colour).

Air-clad fibre - optical fibre with integral air cladding.

Sub-assemblies - assembly of different components into one unit.

Confocal microscope - a type of microscope that can be used for example to "see" cells hidden in fat.

Semiconductor lithography - process used in making electronic circuits.

IPR rights - Intellectual Property Rights (patents).

RTTL (Real Time Thermal Loading) - online monitoring of cable loading.

NKT FLEXIBLES SECTION (PAGE 42-47)

Book-to-bill - relation between orders received and revenue during a certain period of time.

Lean manufacturing - concept aimed at eliminating all forms of waste (materials, time, processing, etc.) in product manufacture with a view to minimising cost.

The NKT Holding A/S Annual Report 2006 was released on 5 March 2007 in Danish and English via The Nordic Exchange, Copenhagen.

In the event of any questions regarding interpretation the Danish text shall prevail.

The electronic version of the Annual Report is available on www.nkt.dk and is distributed to all registered subscribers. The printed Annual Report is posted to all NKT shareholders who have asked to receive a copy.

Enquiries relating to the Annual Report should be directed to our Investor Service - see page 9.

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