

STATUTORY STATEMENT FOR ENTERPRISE MANAGEMENT 2010

This statutory statement, for enterprise management cf. section 107(b) of the Danish Financial Statements Act, forms part of the Management Review in NKT's 2010 annual report and covers the financial period 1 January - 31 December 2010

The statement is divided into three sections:

- Corporate Governance, describing NKT's work pursuant to Danish corporate governance recommendations
- EuroSox, describing the main elements of NKT's internal control and risk management systems in connection with financial reporting
- NKT's Management Bodies, describing the composition of the Board of Directors, including the Board committees and the Board of Management.

The section in the statement dealing with corporate governance is not embraced by the auditors' statement on the Management's review in the annual report. The information relating to EuroSox and the composition of NKT's management bodies is embraced by the auditors' statement on the Management's review in the annual report.

CORPORATE GOVERNANCE

As an industrial owner with focus on long-term ownership NKT is managed on the basis of principles such as credibility, quality and openness. NKT therefore endeavours as far as possible to follow the recommendations of the Danish Committee for Corporate Governance, which were last updated on 8 April 2010. As a listed company NKT is also subject to the guidelines of NASDAQ OMX Copenhagen which includes the Danish Committee for Corporate Governance's 2010 recommendations in its 'Rules for share issuers as at 1 July 2010'.

Including the new recommendations, there are 78 corporate governance recommendations, all of which were fully adopted by NKT in autumn 2010. For complete description of NKT's corporate governance, please refer to: www.nkt.dk under 'About NKT' / 'Management'. The description expands the statutory statement for enterprise management, cf. section 107(b) of the Danish Financial Statements Act.

The NKT website describes the competencies which the Board of Directors today considers necessary to perform its duties as effectively as possible. There is also a presentation of each Board member, stating the special competencies relevant to their NKT involvement, number of NKT shares held, remuneration and other directorships. The Board members are also presented on page 48 of the 2010 annual report, along with information such as specialist competencies, independence, posts held, NKT shareholdings for current and previous year, and age for reelection to the Board.

The retirement age for Board members is 67 years but 70 years for members up for re-election who joined the Board before 26 August 2003.

The NKT website describes the rules for employee election and representation on the NKT Board of Directors. A brief presentation of the NKT Group Management is also included on page 50 of the 2010 annual report.

REMUNERATION

Remuneration policy proposals are submitted to the company's annual general meeting. The policy is appended to the rules of procedure for the Board of Directors and the Board of Management and describes the guidelines for establishment and approval of remuneration for the Chairman, Deputy Chairman, other directors, and members of the Board of Management. Under the policy the Chairman shall receive twice the basic remuneration (at the general meeting in March 2011 it will be recommended that this be changed for the year 2011 to three times the basic remuneration), and the Deputy Chairman one and a half times the basic remuneration. No adjustment mechanisms are linked to the basic remuneration. Members of the Board of Directors are not granted share options and there are no other variable remuneration components. As a basic principle the basic remuneration shall be on a par with that paid by listed industrial companies (cf. also Note 28 in the 2010 annual report).

The annual general meeting in 2010 approved a Board of Directors' proposal to reinstate the previous remuneration level following a temporary one-year reduction of 10% due to the recession in 2009 and the Board's wish to show solidarity with the shareholders.

The Board of Management's pay was negotiated in 2010 with the Board of Directors and will in future be negotiated in the newly appointed Remuneration Committee. The remuneration is stated in Note 28 to the consolidated financial statements in the 2010 annual report and consists of a fixed basic component, a short-term cash bonus, a long-term share-based incentive scheme, pension, and other customary non-monetary benefits such as company car, etc.

The bonus portion of the incentive pay is a yearly payment conditional upon achievement of specified targets. This bonus cannot exceed 15% of the fixed basic pay. The share-based portion of the incentive pay comprises annually granted warrants initiated

by the Board of Directors. The warrants are calculated using the Black-Scholes formula. The value may represent up to 50% of the fixed annual pay, including pension, of the individual executive. The warrants may be exercised not earlier than three years and not later than five years after being granted. The incentive scheme is stated in Notes 28 and 29 to the consolidated financial statements in the 2010 annual report and is disclosed directly to the stock exchange. Severance arrangements are described in Note 28 to the consolidated financial statements in the 2010 annual report.

The remuneration policy states that the Board of Management shall receive a competitive salary commensurate with the duties it is assigned and which represents an attractive retention element, cf. also description of the principles for Board of Management remuneration in the corporate governance section of the NKT website under 'About NKT' / 'Management'.

ASSESSMENT OF BOARD OF DIRECTORS

The Board of Directors is subject to an annual assessment and the Board gives ongoing consideration to whether external assistance should be used. The assessment's purpose is to consider the contribution of the individual Board members, identify the Board's strengths, and direct attention towards future areas of focus for the Board's work. In 2010 the Board assessment was performed by the Chairman and the findings were discussed at a Board meeting.

As an extension of the Board's own assessment, an assessment is also performed of the Board of Management, partly with regard to the interplay between both Boards, and partly with regard to the competencies of the individual executives. The assessment takes the form of a general discussion among the members of the Board of Directors, and the conclusions are then passed on by the Chairman to the Chief Executive.

ACTIVITIES

The Board of Directors has in recent years visited a number of the Group's companies. In 2010 the Board visited Nilfisk-Advance in Mexico, viewing the company's new factory in Querétaro north of Mexico City. The Board held six ordinary meetings during the year as well as a seminar relating to the new strategic plan for 2011-2015. Attendance rate was 90%.

The Board's Audit Committee held four physical meetings and four brief telephone conferences, including two relating to the 2009 financial year. The task of the Audit Committee is to monitor the company's financial reporting and internal control environment and to establish the conditions and framework for the external audit. The Committee's terms of reference may be found on www.nkt.dk under 'About NKT' / 'Management' / 'Corporate Governance' / 'Audit Committee'. The Committee consists of two Board members, Jens Due Olsen (Chairman) and Jan Trøjborg. Jens Due Olsen possesses specialist insight into the financial aspects of listed companies as well as other financial and economic matters, including accounting and auditing. Jan Trøjborg's qualifications are a broad general understanding of accounting, commercial insight and a healthy scepticism.

EUROSOX

NKT's risk management and internal control in connection with the financial reporting process have been established to ensure that:

- Financial reporting presents a true and fair view without material misstatements in accordance with current legislation, standards and other regulations
- Appropriate accounting policies are applied and that accounting estimates exercised are reasonable under the circumstances.

Risk management and internal control in relation to the financial reporting process are designed with a view to limiting the risk of material errors and can create reasonable, but not absolute, certainty that wrongful use of assets, losses and/or material errors and omissions in connection with financial reporting will be avoided.

The Audit Committee and the Group Management systematically assess material risks in relation to the financial reporting process as well as compliance with essential internal controls relating to the process. The Board of Directors is kept regularly informed.

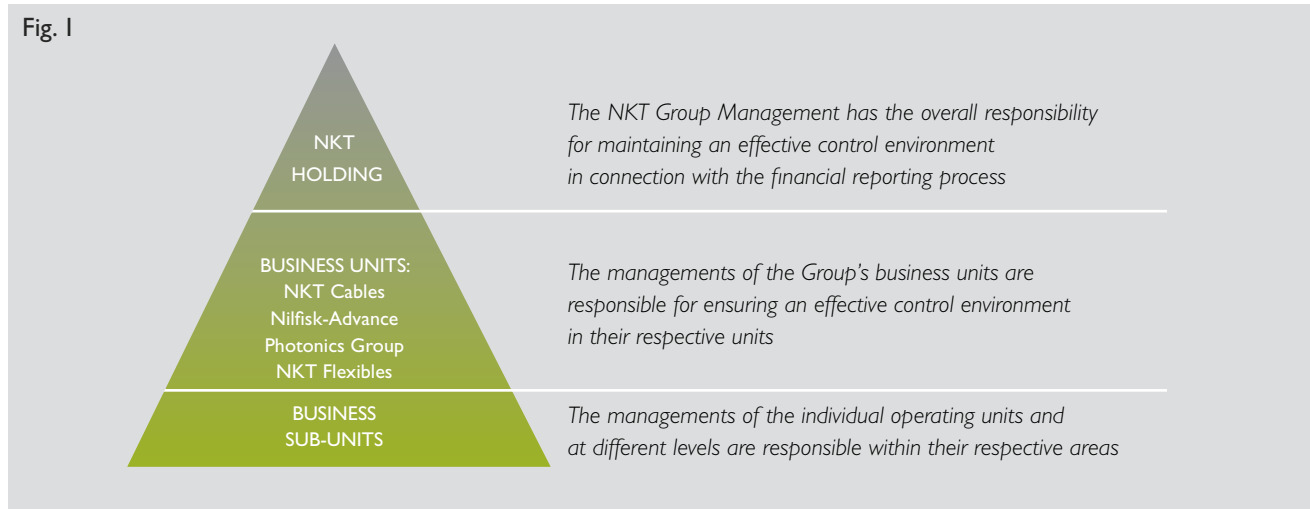
The work of the Audit Committee is established in a plan for the year approved by the Board of Directors. Under the plan the Audit Committee is required to monitor the financial reporting process in connection with quarterly and annual reporting. Standard procedures have been established with focus on, among other things, update of financial reporting standards etc., scrutiny of items with a high degree of accounting estimation, one-off items, checklists concerning presentations etc.

NKT consists of a number of companies structured for operational purposes into four business units under the parent company NKT Holding. Each business unit is structured as a subgroup with its own subsidiaries. The individual business units operate with a high degree of autonomy and have their own managements with responsibility for unit operations.

The underlying subsidiaries of the business units perform activities which are closely related to the general activities of the business units, which enables uniform systems and procedures to be established. As a result, the majority of the Group policies etc. (on which risk management and internal control in relation to the financial reporting process are based) are established in the business units in order to accommodate the individual characteristics of the companies. In more recent years NKT Holding has therefore given increased focus to the control environment and to establishing uniform policies and procedures.

In 2009 NKT initiated a process whereby the strength of a number of key controls was evaluated and reported to the Group Management and the Audit Committee, cf. also Fig. 2 on page 4. This has created increased transparency and uniformity in the internal control environment at Group level, but has not fundamentally changed the control environment. NKT continued this work in 2010, and more of the Group's companies were included in the assessment and reporting procedures. A whistleblowing scheme was also established in 2010 whereby employees can anonymously report breach of rules, policies and ethical standards in various areas.

In a number of smaller companies it has not been possible to establish adequate functional segregation due to the small number of employees in the relevant companies. Compensatory control



either has been or is currently being established to the extent possible.

General IT control has hitherto been assessed at company level. For 2011, focus will be on general IT control at Group and business unit level in order to create transparency and uniformity for this control within the Group.

Fig. 1 shows the main elements in the internal control and risk management systems in connection with the financial reporting process.

CONTROL ENVIRONMENT

The composition of the Group Management has been setup to ensure that relevant competencies with regard to risk management and internal control assessment are present in connection with the financial reporting process.

The Board of Directors has established an Audit Committee whose tasks include monitoring NKT's risk management and internal control system in connection with the financial reporting process. The Group Management is kept continuously informed of Audit Committee discussions. The Audit Committee prepares the Board of Directors' handling of and decisions on risk management and internal control relating to the financial reporting process. The overall responsibility for the day-to-day maintenance of an effective control environment and for risk management and internal control in connection with financial reporting rests with the Board of Management. The managements of the Group's individual business units are responsible for ensuring an effective control environment and for risk management and internal control in connection with the financial reporting for the individual business units. The managements of the individual operating companies and at different levels are responsible within their respective areas, cf. also Fig. 1.

The Group Management continuously assesses organizational structure and staffing in significant areas, among other things in relation to risk management and internal control in connection with the financial reporting process. The Board of Directors and/or the Board of Management have approved policies, manuals, procedures etc. within essential areas in connection with the financial reporting, including ethical statement, accounting manual,

treasury policy and tax policy. Based on this, the business units have each implemented an accounting and/or reporting manual among other things embraces general procedures for certification, authorization, reconciliation, earnings analysis and segregation of duties. NKT Holding performs overall supervision of compliance with the policies etc. referred to above in the individual business units. In addition, a whistleblowing scheme was established in 2010.

The Board of Management reports to the Audit Committee and the Board of Directors on compliance with relevant legislation and other regulations in connection with financial reporting.

RISK ASSESSMENT

Risk of error is greater for accounting items based on estimates or generated by complex processes than for other accounting items. The areas in which the greatest risks of error are deemed to exist are stated in 'Accounting estimates and judgements' in Note 1 to the consolidated financial statements in the 2010 annual report.

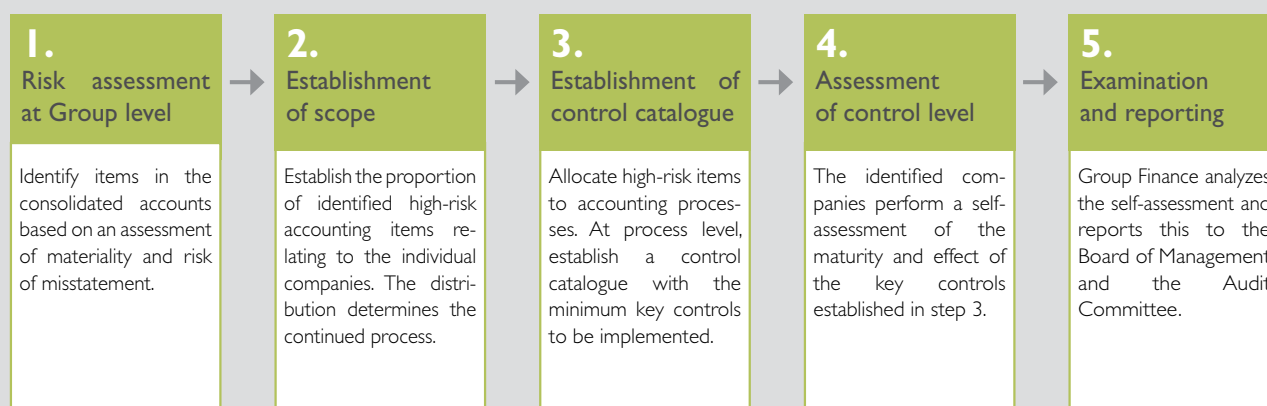
The Group Management performs a general assessment of risks relating to the financial reporting process. This assessment includes, among other things, significant acquisitions made during the year. Based on this, a plan is established on how to manage, eliminate and/or reduce to an acceptable level the most significant risks relating to the financial reporting process. As an element in the risk assessment, the Audit Committee and the Board of Management

Complexity

NKT Holding is direct and indirect owner of more than 100 businesses worldwide. Group activities are predominantly centred in Europe and the United States, but activities in Asia, particularly China, have grown significantly in more recent years and at the end of 2010 represented 10% of Group revenue. The large number of units, and their geographical spread and related cultural diversity are factors which make risk management and internal control in connection with the financial reporting process critical for ensuring that financial reporting presents a true and fair picture.

Fig. 2 Financial reporting: Process for risk management and internal control

The organization of risk management and internal control in connection with the financial reporting process is among other things based on a five-step model



address the risk of fraud and take measures to eliminate or reduce this risk. The possibilities of internal control being disregarded by the Board of Management and the rest of the management is also assessed. The Board of Directors is informed of this. Decisions on measures aimed at eliminating or reducing risks are based on an assessment of materiality and probability of the risk occurring. The most significant commercial risks, which also influence the financial reporting process, are stated in the 'Risks' section of the Management's review in the 2010 annual report.

CONTROL ACTIVITIES

The control activities take their point of departure from the risk assessment. The aim of the control activities is to ensure that policies, manuals and procedures etc. defined by the Board of Directors, the Board of Management and the individual business units are complied with, and also prevent, reveal and rectify any errors, differences and shortcomings etc.

A formal Group reporting procedure has been established for the Group's business units which takes its point of departure from a budget process and subsequently embraces monthly realized figures, related budget deviations, key performance indicators, etc. Estimates for the year are also updated quarterly. Requirements relating to financial analysis, etc. of the reporting packages which form the basis for internal and external financial statements have been established. The business units have established reporting processes which satisfy the Group's reporting process and the particular operating conditions of the business units.

Supplementary data for use in fulfilling possible note requirements, other disclosure requirements and for the purposes of operating analysis is obtained on a regular basis.

Based on the risk assessment, minimum requirements have been established for control, reconciliation and financial analysis in respect of principal Group companies and accounting items. The business units also perform controller visits, the purposes of which include evaluating the control environment of the companies on the basis of a risk assessment, and ensuring that the companies

comply with Group and business unit policies etc. The results of controller visits are reported to the management of the business unit, the external audit and the local management. NKT Holding maintains overall supervision of the results of controller visits performed.

Each year, the management obtains a letter of representation from each individual NKT reporting company certifying that the financial statements are complete and present a true and fair view.

INFORMATION AND REPORTING

NKT maintains information and reporting systems which, among other things, are intended to ensure that the requirements relating to financial reporting, including statutory external financial reporting, are correct and complete. Budgets and forecasts are elaborated on the basis of the same accounting principles as the ongoing reporting. The procedures also provide for the maintenance of rules of confidentiality for listed companies and enable right-time communication to investors etc. Policies etc. are updated when necessary and regularly reviewed. These - together with other policies etc. relevant for internal control relating to the financial reporting process, such as guidelines for capital expenditure and credit facilities etc. - are available for NKT personnel.

MONITORING

All risk management and control systems must undergo regular monitoring, checking and quality assurance to ensure their efficiency. This monitoring takes place by means of ongoing and periodic assessments and inspections at different levels within NKT.

NKT applies uniform IFRS standards which are stated in Group and business unit financial accounting manuals. Compliance with business unit manuals is regularly monitored by the business unit managements, while NKT Holding monitors business unit compliance with the Group manual. Yearly confirmations of compliance with the provisions in the manual relating to recognition, measurement and presentation (letters of representation) are obtained from all individual NKT reporting units.

Detailed monthly accounting data and quarterly expectation updates (forecasts) are reported from the companies to the business unit managements. The data are analyzed and monitored by the business unit managements, and consolidated data for the business units are submitted to NKT Holding, which analyzes and monitors the consolidated data for the business units and the Group as a whole.

In 2009, based on an assessment of which accounting items are high-risk and material in relation to the financial reporting process (the risk assessment), NKT implemented a process whereby the most significant and highest-risk companies within the business units perform a self-assessment of controls. In 2010, based on this work, the elements in the process (cf. figure: Financial reporting - process for risk management and internal control) were reviewed, and self-assessment was performed for 2010 by the highest-risk companies in the business units. The self-assessment results are reported to the business unit managements and to NKT Holding. The resulting overall picture is discussed with NKT Holding, which collects and summarizes the results for presentation to the Audit Committee. The Board of Directors is notified thereafter.

Internal audit has currently not been implemented as the control environment in the broad sense, including transparency in controlling activities, is considered to minimize the value of establishing an internal audit

More than 75% is represented

40 of the Group's more than 100 companies are reporting units responsible for self-assessment and reporting as shown in Fig. 2. This embraces, for example, more than 75% of Group revenue and also the activities of NKT Flexibles whose revenue is not recognized in that of the NKT Group as the company is not fully represented in NKT's consolidated financial statements.

Read more on www.nkt.dk

The terms of reference for the Audit Committee can be found on the NKT website under 'NKT Holding' / 'NKT and the community/Audit Committee'

Using the long-form audit report the auditors appointed by the annual general meeting report to the Board of Directors on material weaknesses in NKT's internal control in connection with the financial reporting process. Less material issues are reported in Management Letters to the Board of Management and the business unit managements. The Group Management follows up on the identified weaknesses etc.

The Audit Committee monitors the Board of Management's effective response to any weaknesses and/or shortcomings and the implementation as planned of agreed measures relating to risk management and internal controls relating to the financial reporting process.

NKT MANAGEMENT BODIES

NKT Management consists of a Board of Directors and a Board of Management. The Board of Directors consists of nine members, three of whom are elected by the employees for periods of four years, and six of whom are up for election each year at the annual general meeting.

Four of the six members of the Board of Directors elected by the general meeting are independent (as defined in section 5.4.1 of the Committee for Corporate Governance's recommendations). The remaining two members both joined NKT's Board more than 12 years ago, and owing to the retirement age applicable for NKT Board members one will not be re-elected at the annual general meeting in March 2011.

The Board of Directors is headed by the Chairman, Christian Kjær. The Board members cover a broad spectrum of experience both Danish and international business, politics and high-tech industry.

The Board of Directors has appointed three committees: the Audit Committee consisting of two independent members (cf. section 5 of the Committee for Corporate Governance recommendations). The Nomination Committee and the Remuneration Committee each consist of two members (Chairman Christian Kjær and member Jens Due Olsen), one of whom is an independent person and one of whom has been a Board member for more than 12 years and therefore does not qualify as independent.

The Board of Management consists of three members, headed by President and Chief Executive Officer Thomas Hofman-Bang and including Executive Director, CFO, Michael Hedegaard Lyng and Executive Director, CTO, Søren Isaksen. The Group's business units are all headed by separate chief executives reporting to the Group Management.