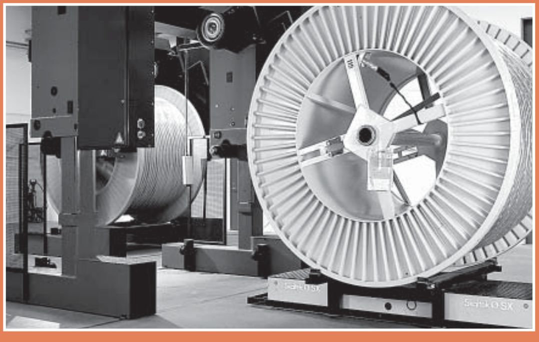
NKT
HOLDING

ANNUAL REPORT 2004



CONTENTS

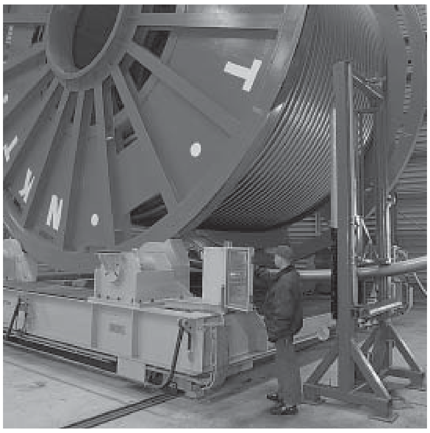
The NKT Annual Report 2004 was released in Danish and English on 7 March 2005 via the Copenhagen Stock Exchange.

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

The electronic version of the report is available at www.nkt.dk and is distributed to all registered subscribers.

The printed report is posted to all NKT shareholders who have asked to receive a copy of the company's financial statements.

Enquiries relating to the electronic or printed versions of the report should be directed to NKT Holding's Communications Department at +45 43 48 32 92 or nkt.holding@nkt.dk.



GROWTH
supports NKTs
EXPANSION STRATEGY

Overview 2004

For the NKT Group as a whole, 2004 was a year characterised by business growth, improved earnings, and a positive start to the implementation of our strategy, "Upgrade to Next Level", which was introduced in the spring.

The largest single event of 2004 was the acquisition by Nilfisk-Advance of ALTO, a manufacturer of cleaning equipment, but sales of properties by Priorparken and the decision to discontinue our ownership of NKT Integration were other significant events.

The original forecasts for 2004 were for revenue of around 6 bnDKK and net profit of around 100 mDKK.

In step with the realisation of higher growth and income than expected, and as a result of a large number of strategic initiatives not included in the original forecasts, we revised our forecast upwards several times during the year. In line with our most recent announcement, NKT realised a revenue of 7.7 bnDKK and a net profit of 262 mDKK.

The developments of 2004 have created a solid foundation for the NKT Group's development in the years ahead.

For example, Nilfisk-Advance cemented its global position as a supplier of professional and industrial cleaning equipment, and demonstrated growth rates and earnings among the best in its industry.

NKT is a growth and development-oriented industrial Group with three primary business segments represented by Nilfisk-Advance Group, NKT Cables Group, and the companies in NKT Photonics Group.

NKT Group 2004

NKT HOLDING

Nilfisk-Advance Group	NKT Cables Group	NKT Photonics Group
- Europe - USA - Asia/Pacific	- Denmark - Germany - Poland - Czech Republic - Austria* - China	- NKT Integration* - Crystal Fibre - KOHERAS - LIOS Technology - NKT Research & Innovation - Nanon

NKT Flexibles (51%)

Priorparken*

** Sold/discontinued at 1.1.2005*

NKT Cables continued its focus strategy as a supplier of power cables to Central, Northern and Eastern Europe and exhibited a high degree of stability. NKT Cables too demonstrated growth rates and earnings among the best in its industry.

NKT Photonics Group reduced its risk profile significantly by its focus on industrial applications outside the telecom sector, and further strengthened its patent portfolio in core areas.

Among NKT's other companies (NKT Flexibles and Priorparken), NKT Flexibles was the exception to the trend, recording a significant decline in earnings owing to very low activity levels, while Priorparken completed its strategic objective of selling its property portfolio. The property sales led to a net profit in 2004 of 179 mDKK.

NKT possesses considerable freedom to operate financially. Net interest bearing debt at year end 2004 comprised 333 mDKK - equivalent to a gearing of 11%. The ambition is gradually to increase the gearing to 40% in conjunction with value creation measures over the years ahead.

With this as our starting point, we will continue a balanced growth strategy with focus on earnings, cash flow and value creation, and we will maintain an attractive dividend policy that pays a minimum of 5 DKK/share annually.

In 2004, in addition to the ordinary dividend of 5 DKK/share, we decided to pay an extraordinary dividend of 3 DKK per share - i.a. against the background of the plans to gradually adjust the Group's capital structure. It is proposed to repeat this in 2005.

NKT's share price climbed during 2004 from 108 DKK per share at the start to 159 DKK per share at 31 December, a rise of 47%.

Expectations for 2005

The expectations for 2005 are based on the IFRS accounting standards, which are discussed on page 10 - 11.

We expect the NKT Group's companies to record revenue of around 8 bnDKK - corresponding to organic growth of 4%.

We expect a net profit ratio (EBIT) of just over 5% and a net profit of just over 300 mDKK.

These expectations are based on a continuation of the current international economic trends, and on current raw material prices, interest rates, and foreign exchange rate levels remaining essentially unchanged. The expectations are also based on the NKT Group structure as at March 2005, when NKT Cables had sold its enamelled wire and telecom cable operations in Poland and Austria respectively. Therefore possible further acquisitions and divestments are not included.

See also the expectations contained in the individual company reviews.

FINANCIAL HIGHLIGHTS 2004

Amounts in mDKK	2000	2001	2002	2003	2004
Income statement					
Revenue	6,509	6,426	5,889	5,824	7,725
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(133)	315	168	386	616
Depreciation and impairment on tangible assets	(622)	(316)	(958)	(223)	(262)
Amortisation of intangible assets other than goodwill and acquired trademarks	(7)	(9)	(15)	(14)	(30)
Earnings before interest, tax and amortisation of goodwill and acquired trademarks (EBITA)	(762)	(10)	(805)	149	324
Amortisation and impairment of goodwill and acquired trademarks	(316)	(73)	(118)	(57)	(77)
Earnings before interest and tax (EBIT)	(1,078)	(83)	(923)	92	247
Proceeds on sale of activities	4,919	0	0	0	0
Financial items, net	77	38	(17)	16	(10)
Earnings before tax	3,918	(45)	(940)	108	237
Net income	3,988	(65)	(856)	77	243
NKT's share of net income	4,012	(32)	(696)	85	262
Balance sheet and employees					
Share capital	540	500	500	500	490
Capital and reserves	6,734	3,762	2,898	2,831	2,859
Total assets	9,811	6,446	5,034	4,663	6,112
Interest bearing items [1)]	2,758	71	407	409	(333)
Capital employed [2)]	4,222	3,913	2,626	2,549	3,332
Average number of employees	6,206	5,690	5,425	4,932	5,972
Cash flows					
Cash flows from operating activities	(126)	446	354	235	270
Investments in tangible assets, net	(301)	(123)	57	(116)	135
Research and development					
Research and development costs incurred	169	215	239	203	249
Financial ratios					
Equity share, 31 December	69%	58%	58%	61%	47%
Number of 20 DKK shares ('000)	26,980	25,000	25,000	25,000	24,500
Earnings after tax, DKK, per outstanding share (EPS) [3) 5)]	154.6	(1.3)	(28.4)	3.5	10.7
Dividend paid, DKK, per share	16.0	104.0	4.0	4.0	8.0
Equity value, DKK, per outstanding share [4) 5)]	264	154	118	116	117
Market price, DKK, per share	368	105	74	108	159

1) Interest bearing cash items and receivables less interest bearing debts
2) Capital and reserves and minority interests -/+ interest bearing assets/debts
3) Earnings after tax and minority interests relative to average number of outstanding shares
4) Capital and reserves at 31 December per outstanding share at 31 December
5) Dilutive potential ordinary shares from executives and employees share option plan , equal to 2.5% (2003: 1.7%) of share capital, are not recognised in financial ratios.

The financial ratios have been prepared in accordance with the guidelines of the Danish Society of Investment Professionals on the calculation of financial ratios.

Strategy

Significant PROGRESS in **2004**

With the introduction of the NKT Group's strategy plan for the period 2004 - 2008 (Upgrade to Next Level) in spring 2004, focus was placed on expanding the Group's three core business segments: Nilfisk-Advance, NKT Cables and NKT Photonics.

Nilfisk-Advance Group

Nilfisk-Advance aims to be the leading global supplier - in size, growth and profitability - of commercial and industrial cleaning machines for indoor and outdoor washing, sweeping and vacuuming applications.

The strategic plan contains a number of measures, both organisational and acquisition-related.

With the acquisition in 2004 of Ecologica (Italy), G-Power (Australia) and the globally represented ALTO Group, Nilfisk-Advance realised its ambition of becoming a leading global supplier of professional cleaning machines with revenue for the year of around 5 bnDKK. At the end of 2004 and start of 2005, Nilfisk-Advance also acquired distribution companies in Sweden and Hungary.

Parallel with this, the continuing growth of Nilfisk-Advance was addressed. The result was organic growth of 7% for Nilfisk-Advance (excl. ALTO) in 2004, and EBITDA earnings for Nilfisk-Advance (excl. ALTO) of 11.1%, up from 10.2% in 2003. Both growth and profitability were among the best in the industry.

The company's objective in the period 2005 - 2008 is to maintain and consolidate its global position by further selected acquisitions that complement the present business in product and market terms. The plans for achieving this are described in "Elements in business concept" on page 19.

In summary, the objective is to achieve an average organic growth of 6% p.a. over an economic cycle, and an EBIT margin of 10% (EBITDA margin >12%). This is expected to correspond to a return on investment (ROI) of around 20%.

NKT Cables Group

NKT Cables aims to be a leading supplier of power cables to Central, Northern and Eastern Europe.

In 2003, NKT Cables stabilised its commercial base through marked growth in earnings. This development continued in 2004, when 7% organic growth was achieved along with earnings that for the second successive year were equivalent to an EBITDA margin of 6%.

This was realised through a number of measures aimed at expanding the company's presence in existing and neighbouring markets. Furthermore, a series of restructuring and efficiency measures were implemented leading to reduced overheads and increased competitiveness.

In the company's Central and Eastern European units a series of strategic activities were initiated, including sale of certain Polish operations, setup of a new ownership structure in the Czech Republic, and sale of telecom operations in Austria. These measures all contributed to further focus on the core business.

In Scandinavia, a small Norwegian cable manufacturer was acquired, and collaboration was begun with a Swedish cable manufacturer in product segments characterised by small batch sizes.

In China, NKT Cables in 2004 bought out the Chinese company's minority shareholders, which has increased the possibility to develop this business unit.

The company's objective in the period 2005 - 2008 is to continue expanding its market presence by a combination of organic measures and selected acquisitions of power cable producers, principally in Eastern and Northern

Europe. The objective is also to increase profitability through further increase in production efficiency, co-manufacture or discontinued manufacturing of some products, innovative supply chain solutions, rationalisation of administrative routines, etc.

In summary, the objective is to achieve an average organic growth of at least 3% p.a. over an economic cycle, and an EBIT margin of 5% (EBITDA margin >7%). This is expected to correspond to a return on investment (ROI) of around 15%.

NKT Photonics Group

The ambition for NKT Photonics Group is to create a cohesive and sustainable business unit. Through organic growth combined with selected acquisitions the aim is to increase the Group's revenue and earnings during the strategy period.

Through the acquisition of the BlazePhotonics (UK) assets and LG-Laser Technologies (Germany), and the discontinuation of NKT's involvement in the production of optical chips and components by NKT Integration, a new foundation has been created for the future growth of Crystal Fibre (crystal fibre fabrication), KOHERAS (lasers), and LIOS Technology (temperature monitoring equipment).

These measures have significantly reduced NKT Photonics' risk profile and created a fertile basis for continued sustainable growth in line with our formulated ambitions for this business unit. NKT Photonics Group is thus expected to achieve earnings breakeven (before depreciation) in 2006, and then to continue developing profitably as our high-tech product markets become mature and more industrialised.

NKT Flexibles (51%)

NKT Flexibles, which produces flexible pipes for the offshore oil and gas sector, is owned in a joint venture with Stolt Offshore S.A. The intention is to develop NKT Flexibles with a view to improving the company's earnings.

This ambition is based on an expectation of improved market conditions in years ahead as a result of an increasing level of investment in the global offshore oil and gas sector. This, combined with a number of measures already initiated, will strengthen NKT Flexibles' competitiveness.

As NKT Flexibles does not belong to the NKT Group's three focal business segments, it is intended subsequently to reduce NKT's involvement in this company. No precise time horizon has been set for implementing this strategy. The prospects and value creation potential will be continuously balanced against the risk profile.

As at 1 January 2005, NKT Flexibles changes status to an associated company as a result of an enterprise management that is gradually becoming more equally divided and in which the owners have a significant but not controlling influence. This means that NKT Flexibles will no longer be included in full in the NKT Group's consolidated financial statement.

Revised financial objective

For the NKT Group as a whole the ambition is to achieve revenue in 2008 of around 10 bnDKK, corresponding to an average annual growth of 7%.

It is planned to realise this by a combination of organic growth and selected value-creating acquisitions. The basic principles of NKT's acquisition strategy are described on www.nkt.dk.

In income terms, our goal is to achieve a Group operating profit (EBIT) corresponding to around 7% of revenue by 2008, and a return on investment that exceeds the weighted average cost of both capital and reserves and loan capital (currently 9% after tax) - in other words, a positive EVA (Economic Value Added) result.

These goals have now been increased relatively to the goals we had established at the publication of our strategic plan "Upgrade to Next Level" in spring last year. This has taken place against the background of the growth that NKT realised in 2004.

It remains our objective to gradually modify the Group's capital structure with a view to achieving an equity ratio of 40% and a gearing of 40%, and to maintain a stable ordinary dividend of at least 5 DKK per share.

Accounts 2004

- behind the **FIGURES**

NKT's financial statements for 2004 have been compiled according to the same accounting policies as last year and the regulations for companies listed on the Copenhagen Stock Exchange.

From 2005, NKT will transition to IFRS-based financial reporting. Our result expectations for 2005 are therefore stated in accordance with IFRS principles. The differences which exist between IFRS and our current policies and which will significantly affect our financial reporting are described on page 10. This summarises the consequences of transition to IFRS, and thus the basis for our results expectations.

Income statement

The 2004 accounts reflect the Group's continued focus within its individual business areas, and the commencement of our growth strategy "Upgrade to Next Level".

Our revenue was significantly influenced by acquisitions - principally ALTO - organic growth, and strong rises in raw material prices.

Earnings were influenced by one-off items relating to sale of property by Priorparken, and the sale of NKT Integration and NKT Cables, Austria.

The 2004 accounts reflect continued stable and positive development for the businesses Nilfisk-Advance and NKT Cables.

Revenue

NKT Group revenue amounted to 7,725 mDKK in 2004, as against 5,824 mDKK in 2003. After adjustment for acquisitions and changes in exchange rates and metal prices, revenue was 251 mDKK higher than in 2003, corresponding to organic growth of 4%.

Revenue development for the individual companies is shown in the table below: Compared with 2003, adjustments totalling 1,650 mDKK were made for acquisitions, metal prices and currency.

The amounts are approximate as exact calculation is not always possible.

88% of the Group's total revenue came from outside Denmark. This was unchanged from 2003.

Nilfisk-Advance Group revenue increased by 7%, corresponding to 188 mDKK, after adjustment for decreasing exchange rates and acquisitions. This increase covered growth in all three main markets: USA (+10%), Europe (+5%) and Asia/Pacific (+10%). The increase was supported by a number of new product launches and by expansion in a range of new markets.

The effect of exchange rate changes, which reduced revenue by around 75 mDKK, were primarily due to USD (-10% on average), and to a lesser degree Asian currencies that track USD.

NKT Cables Group revenue was 3,324 mDKK, as against 2,718 mDKK in 2003 - an increase of 606 mDKK or 22%. After adjustment for exchange rate changes and strongly increasing metal prices, revenue increased by 185 mDKK or 7%. There was growth in all main segments.

Changes in metal prices affect revenue significantly due to the high metal content in products that influences pricing in. In 2004, we experienced strong price increases, particularly on copper, which raised an average of 46% in EUR terms. Also exchange rate changes affect revenue. We are particularly affected by changes in Polish Zloty, Czech Koruna and Chinese Renminbi. Overall, metal and currency factors increased revenue by 421 mDKK.

Power cables (low, medium and high voltage cables), accessories and installation services comprised 69% of NKT Cables' total revenue. In 2004, significant growth was achieved in this product area both in our domestic markets - primarily Denmark, Germany, Poland and Czech Republic - and our close export markets. We also experienced rising demand for cable accessories and related installation services. Overall, we recorded organic growth of 10% in our European power cables segment.

Development in revenue/company

Amounts in mDKK	Actual 2003	Acquisitions, currency- and metalprices	Growth	Actual 2004	Nominal growth	Organic growth
Nilfisk-Advance Group	2,701	1,222	188	4,111	52%	7%
NKT Cables Group	2,718	421	185	3,324	22%	7%
NKT Photonics Group	70	7	4	81	16%	6%
NKT Flexibles	305		(108)	197	(35)%	(35)%
Other	30		(18)	12		
	5,824	1,650	251	7,725	32%	4%

We also recorded good growth in China where the expansion in infrastructure is causing rising demand for medium voltage cables.

Sales of catenary wires for rail electrification, which is likewise a core business representing 6% of total revenue, take place in a global, project-oriented market. After declining activity levels in 2003 we experienced rising demand in 2004 with growth of 10%.

Telecom cables (copper and fibre-based products) and OPGW (Optical Ground Wires), which represent 9% of aggregate revenue, showed falling sales, continuing the trend from 2003. The reason was continuing low activity levels in the expansion of fibre-optic telecom networks and heavy pressure on prices. In contrast, we achieved growth in copper-based telecom and signal cables. In the period since 31 December our telecom cable business has been sold.

Enamelled wires and various machined metal products represent 16% of NKT Cables' revenue. Overall sales in this area declined, partly due to discontinued production of unprofitable batch sizes. At year end 2004 an agreement was entered to sell our enamelled wire operations in Poland.

The increase in revenue achieved by **NKT Photonics Group** reflects the acquisition of LG-Laser Technologies at 1 May 2004 combined with general growth within non-telecom activities. Crystal Fibre, KOHERAS and LIOS Technology all reported increasing revenue in 2004 as our technologies and solutions gained foothold in a number of niche markets.

NKT Flexibles experienced a strong decrease in revenue in 2004. This was primarily due to very low order volume at the start of 2004 and uneven inflow of orders during the year, which made efficient production planning impossible.

Revenue from NKT's **other companies** fell by 18 mDKK, which was due to the sale of the properties in Priorparken and consequent loss of rent.

Operating earnings

NKT Group operating earnings (EBIT) were 247 mDKK in 2004, compared to 92 mDKK the previous year, a direct increase of 155 mDKK. After adjustment for income on property sales relating to Priorparken (+179 mDKK), impairment and one-off expenses relating to NKT Integration (-55 mDKK) and NKT Cables, Austria (-26 mDKK), and impairment and one-off receipts in 2003 (net +10 mDKK), there was an actual increase of 67 mDKK.

The increase can be distributed as follows: Nilfisk-Advance (+32 mDKK). NKT Cables (+37 mDKK), NKT Flexibles (-29 mDKK), and Others (+27 mDKK).

Operating ernings

Amounts in mDKK	2004	2003	2002
Nilfisk-Advance Group	371	276	214
NKT Cables Group	201	166	109
NKT Photonics	(74)	(76)	(81)
Other	(44)	(15)	(78)
Comparable EBITDA	454	351	164
One-off items, net	162	35	4
Reported EBITDA	616	386	168
Depreciation and amortisation	(312)	(269)	(401)
Impairment	(57)	(25)	(690)
Reported EBIT	247	92	(923)

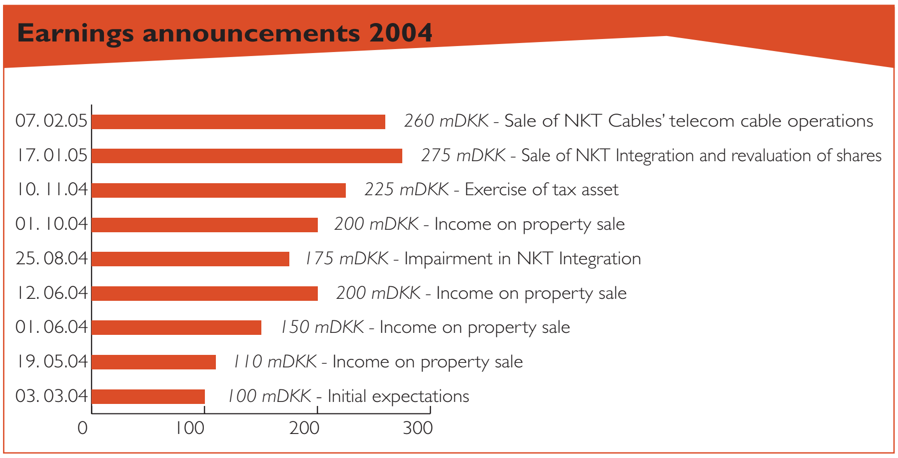
Earnings before depreciation and one-off items (EBITDA) rose by 103 mDKK, from 351 mDKK to 454 mDKK. The acquisition of ALTO contributed with 52 mDKK of this amount.

Nilfisk-Advance Group achieved EBITDA earnings of 371 mDKK, corresponding to 9.0% of revenue. EBITDA excl. ALTO corresponded to 11.1% of revenue, an increase of 0.9 percentage points from 10.2% the year before. The increase resulted from organic growth, targeted product development effort, and systematic focus on improving and increasing efficiency in all parts of the business.

NKT Cables Group achieved EBITDA earnings of 201 mDKK, 6% of reported revenue (excl. non-recurring items). This was an increase of 21% compared to 2003, which amounted 166 mDKK. As previously stated, revenue was strongly influenced by increasing metal prices, but this had no effect on net result. After EBITDA earnings are adjusted for metal prices, actual EBITDA margin was 6.9%, against 6.1% the previous year.

NKT Photonics Group achieved an EBITDA loss of 74 mDKK, marginally better than the year before. NKT Integration represented 44 mDKK of this loss, which reflected the very low activity levels in production and sale of optical components to the telecom industry. In November it was decided to discontinue NKT Integration's operations, and with effect from mid-January 2005 the business was sold to the Norwegian listed company, Ignis ASA, for 35 mDKK. The combined earnings of the other NKT Photonics Group companies were similar to the previous year, reflecting that investment is taking place in future growth.

Other companies had an earnings decrease (EBITDA) of 29 mDKK compared with last year. This was attributable to the sale of properties and corresponding loss of income by Priorparken, combined with reduced earnings by NKT Flexibles as a result of a low activity level.



One-off items

In 2004, one-off items included profits of 186 mDKK on sale of properties by Priorparken, and winding-up provisions of 13 mDKK and 11 mDKK relating to NKT Integration and NKT Cables, Austria, respectively. One-off items in 2003 amounting 35 mDKK are primarily related to proceeds from sale of SMB and Watech.

Depreciation and goodwill amortisation

- increased from 269 mDKK in 2003 to 312 mDKK in 2004, which was directly related to acquisitions.

Impairment

- totalled 57 mDKK in 2004 and 25 mDKK in 2003 and are related to NKT Integration and NKT Cables, Austria.

The development in operating earnings from 2003 to 2004 is further described in Segment Information on page 44-45.

Net financial items

Net financial items amounted to (10) mDKK in 2004, as against 16 mDKK in 2003. Both years include revaluation (income) of around 20 mDKK relating to NKT's shareholdings in American Superconductor Technologies and Inverness Medical Innovations. The increase of 25 mDKK in other financial expenses is directly related to acquisitions, which by themselves increased NKT's net interest bearing debt by 972 mDKK.

Earnings before tax

The NKT Group's earnings before tax for 2004 were 237 mDKK, compared with 108 mDKK in 2003. Exchange rate fluctuations did not materially affect this item in 2004.

Tax

Tax on NKT Group earnings was an income of 6 mDKK. This comprised income of 49 mDKK from a change in the book value of the Group's deferred tax asset, and a payable tax expense of 43 mDKK. The expected tax, based on the current 30% rate of Danish corporation tax, would be an expense of 71 mDKK. The difference from the tax amount in the income statement is due to the tax effect of the difference between Danish and foreign tax rates, non-deductible amortisation of goodwill, changes in value adjustment of tax assets, and other variances. See Note 8 in the accounts.

Net income

The NKT Group's net income for 2004 was 243 mDKK, as against 77 mDKK the previous year. NKT's share of the Group's net income was 262 mDKK, as against 85 mDKK for 2003.

The net profit for 2004 of 262 mDKK was in line with our most recent forecast and was a substantial improvement on our expectations at the start of the year. The table shows the forecast results announced over the year and the reasoning behind them.

Balance sheet

Total assets comprised 6,112 mDKK at 31 December 2004, against 4,663 mDKK at 31 December 2003. The increase, 1,449 mDKK, was due to acquisitions. Of these, ALTO is represented in the year end balance sheet at around 1.2 bnDKK. In the case of Nilfisk-Advance, the lower USD rate negatively affected the balance sheet total.

Capital and reserves

The NKT Group's capital and reserves comprised 2,859 mDKK at year end 2004, as against 2,831 mDKK in 2003. Equity ratio was 47%, compared with 61% last year. Revaluation of foreign companies reduced capital and reserves by 53 mDKK.

Capital employed

Capital employed comprised 3,332 mDKK, as against 2,549 the previous year, which is an increase of 783 mDKK. This reflects the investment of 972 mDKK in acquisitions, and also disposal of the Priorparken properties.

In addition, working capital increased by around 75 mDKK as a result of strongly rising metal prices. This has particularly increased product stocks and debtors in NKT Cables.

Reducing capital employed, and thereby freeing up liquidity and increasing value creation, remains a focus area.

Pages 19 and 23 show how the return on investment - expressed by EVA - has increased in recent years in the core businesses Nilfisk-Advance and NKT Cables.

Working capital

Working capital comprised 1,435 mDKK at year end 2004, as against 994 mDKK in 2003, corresponding to 17% of revenue

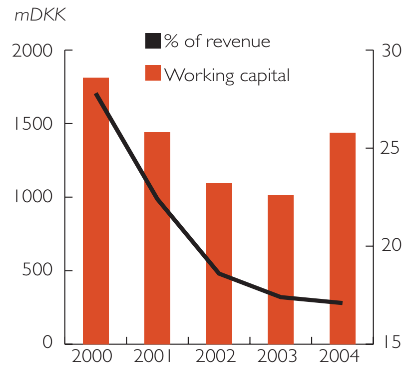
Interest bearing items

Amounts in mDKK	2004	2003	2002
1 January	409	407	71
Property sales/Change re. minorities	318	0	265
Acquisitions	(972)	0	0
Outflow, restructuring provision	(11)	(85)	0
Other cash flow, etc. during year	123	187	171
Dividends	(200)	(100)	(100)
31 December	(333)*	409	407

* *Liabilities*

Working capital

Fig. 1



when acquisitions are included on a full-year basis. This is marginally lower than in the previous year. Working capital was unchanged at 19% of revenue. The percentage is higher than at year end, which reflects the strongly seasonal pattern that characterises NKT Cables. Fig. 1 illustrates the results of the effort made over recent years to reduce working capital.

Investment

The NKT Group's net investment in 2004 was 263 mDKK, compared to 159 mDKK in 2003. The development in gross investment for the period 2002 - 2004 is shown in Fig. 2.

Investment in tangible assets was 218 mDKK in 2004, compared to 163 mDKK in 2002. Corresponding sales during the year amounted to 354 mDKK, as against 47 mDKK in 2003.

Capitalised development costs amounted to 55 mDKK, 15 mDKK more than the previous year. The bulk of these costs related to the product development effort at Nilfisk-Advance.

Furthermore 22 mDKK was invested in other tangible assets.

Capital expenditures in 2004 comprised normal replacement of production plant, machinery and equipment. Investment in 2004 was also influenced by the product development effort and the establishment of production units in Hungary and China by Nilfisk-Advance. The increase in investment in tangible assets, comprising 45 mDKK, may thus be attributed to Nilfisk-Advance.

Interest bearing items

The NKT Group had a net interest bearing debt at year end 2004 of 333 mDKK, compared with an interest bearing asset of 409 mDKK the year before. The development trend is shown in the above table.

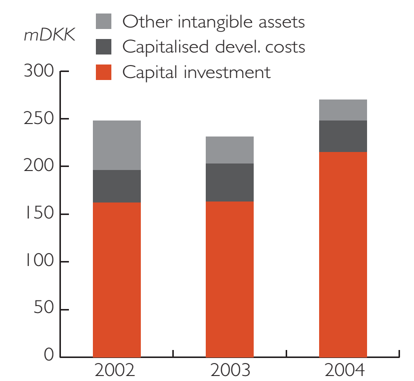
The table illustrates, in line with our strategy, that capital structure was gradually modified in 2004 with a view to achieving some gearing. At year end 2004, net interest bearing debt amounts 333 mDKK corresponding to a gearing of 11%. The objective is to increase this to 40%. The acquisitions and growth investments, along with the extraordinary increase in shareholder dividends in 2004 and 2005, are means to this development.

Liquidity generation was further influenced by the extraordinary increase in working capital caused by rising metal prices. Without this, the level of liquidity (see table above) would have been similar to previous years.

Fig. 3 shows how net interest bearing debt developed over 2003 and 2004. In both years, this development reflects

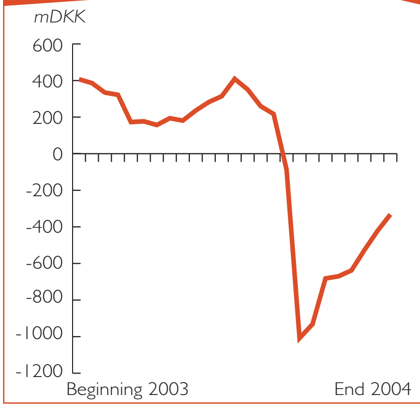
Gross investment

Fig. 2



Interest bearing debt

Fig. 3



the strongly seasonal pattern that particularly characterises NKT Cables. 2004 development was also influenced by acquisitions, sales of buildings and dividend.

In summary, the NKT Group's financial base remains strong. As explained in the description of our future strategy, we plan to utilise this financial strength to provide value-creating growth and development for the Group in the years ahead, and to ensure a continued attractive dividend level for company shareholders.

Risks

No risks of an unusual nature are deemed to exist for the NKT Group by virtue of our operations. Risk factors relevant to these operations are described on pages 29-31.

Segment information

The financial highlights for our business segments are shown on pages 44-45, along with earnings development for 2004 compared to 2003.

The accounting treatment of segment information is described in Accounting Policies, starting on page 34.

The reviews of the Group's individual companies, which start on page 16, contain a detailed description of our businesses and their financial development in 2004.

IFRS STANDARDS

in the 2005 accounts

As from 1 January 2005, the NKT Group will present its financial statements according to the international financial reporting standards (IFRS/IAS). Our existing accounting policies differ in only a few areas from these standards.

The transition will take place in accordance with IFRS No. 1 conserning first-time adoption of IFRS. The new standards will consequently be introduced in 2005 with effect from the comparative year 2004. The balance sheet will be restated as at 1 January 2004 (the opening balance sheet). The effect of policy changes will be entered in capital and reserves.

When presentation of the quarterly and annual statements for 2005, comparative 2004 figures will be restated according to the new standards.

The transition from existing accounting policies to IFRS will lead to changes in the following areas:

1 For **intangible assets with indefinate useful life** the acquisition price will no longer be systematically amortised. Instead, an annual impairment test will be performed. As a consequence we will cease amortising goodwill from 1 January 2004. Amortisation of goodwill amounted to 74 mDKK in 2004. As a result, income, balance sheet, and capital and reserves, will be increased.

2 **Business combinations** effected on 1 January 2004 or later will be restated according to IFRS No. 3. In situations where restructuring costs relating to acquisitions were recognised in goodwill, these costs will under IFRS be entered directly in the income statement as incurred. This means that the restructuring provisions established at the acquisition of ALTO, Ecologica and G-Power - totalling 183 mDKK - will be entered in the income statement for 2004. As a result, the balance sheet and capital and reserves will be reduced.

3 On transition to IFRS, **pension liabilities** not covered by insurance will be recognised with the fully capitalised amount. At year end 2004, non-recognised actuarial net losses comprised 95 mDKK, which in accordance with existing policy have been deferred for later recognition according to the corridor method. The amount is stated in a note to the accounts as a contingent liability. On transition to IFRS the full liability will be recognised, and the actuarial losses will reduce the capital and reserves in the opening balance.

4 The value at the grant date of **equity-settled share-based incentive programmes** established after 7 November 2002 that are not fully vested at 1 January 2005 will be recognised in the income statement on a continuous basis over the life of the programme. This is expected to lead to an annual cost of around

3 mDKK with a corresponding increase in capital and reserves.

5 **Minority interests' share** of income and capital and reserves will be included as an integral part of the net profit and capital and reserves, respectively. NKT Flexibles is consolidated on one line according to the provisions of IAS 31 concerning joint-controlled companies. To achieve appropriate comparison, the changed financial reporting will be embodied in the opening balance sheet at 1 January 2004.

6 The shareholdings in AMSC and IMA will be classified as **"available for sale"**. This means that increase in value after initial recognition will be posted in capital and reserves. When the shares are sold, the difference between the purchase price and the selling price will be recognised as income in the income statement. This will mean a reversal of the 20 mDKK value adjustment recognised as income in 2004 in the income statement.

7 **Other adjustments** comprise employee obligations at resignation/anniversary, and revaluation of stocks, etc.

8 **Changed classification**
Provisions will no longer be stated separately under liabilities. Instead, the amounts will be included in short- and long-term liabilities.

The anticipated effect on capital and reserves and the income statement for 2004 and 2005 is shown in the table below:

Effect on Group income and capital and reserves statement

This table illustrates how a profit of 300 mDKK for 2005 is expected to be composed, based on IFRS standards and compared with 2004. Reference is made to page 6 for the results for 2004, and page 2 for the precise earnings expectations for 2005.

The IFRS opening balance sheet as at 1 January 2004 has not yet been finalised, and corrections may therefore be made to the illustrative example.

Illustrative example

Amounts in mDKK *Unaudited*	Capital and reserves 1.1.2004	Income statement 2004	Capital and reserves 31.12.2004	Guide 2005
Adjusted earnings		95		~ 210
Sale of NKT Integration and NKT Cables, Austria		(81)		0
Winding-up of Priorparken after sold properties		179		0
Change of tax asset		49		0
Value adjustment of shares		20		0
NKT's share of capital and reserves/income (existing policy)	2,831	262	2,859	~ 210
Minority interest [5]	126	(19)	141	~ (10)
NKT Group's capital and reserves/income (existing practice)	2,957	243	3,000	~ 200
Goodwill amortisation [1]		74	74	~ 85
Restructuring costs [2]		(183)	(183)	0
Pension liabilities, etc. [3]	(95)	0	(95)	0
Share-based remuneration [4]	0	(3)	0	~ (3)
NKT Flexibles' minority interests [5]	(65)	32	(64)	~ 18
Shares available for sale[6]	0	(20)	0	0
Other adjustments [7]	(35)	1	(34)	0
Tax effect of adjustments		55	55	0
NKT Group's capital and reserves/income (IFRS practice)	2,762	199	2,753	~ 300

Other
GROUP ISSUES

Corporate governance
NKT Holding's corporate governance was reviewed early in 2005 in accordance with the recommendations of the Corporate Governance Committee of the Copenhagen Stock Exchange. Factual update has taken place, and the following procedures have been adjusted:

- The proxy form used for NKT's annual general meeting has been expanded to enable shareholders to notify their decision concerning each item on the agenda.

- NKT Holding has developed a follow-up routine enabling compliance with NKT Group policies to be verified and ongoing update of individual policies.

- Information regarding representative positions held by the Board of Directors and the management has been expanded to include significant organisational positions as well as information about the number of NKT shares held by each board and management member.

- From 2005, the Board of Directors' remuneration will be dealt with as an independent item on the agenda of the annual general meeting.

- From 2005, NKT's general meeting will be asked to elect one firm of accountants instead of two as previously.

NKT's code of corporate governance can be found on www.nkt.dk under Investor.

Employees
At year end 2004 the NKT Group had 6,291 employees, against 4,746 at year end 2003. The relatively large increase was mainly due to acquisitions by Nilfisk-Advance. The acquisition of ALTO alone added 1,500 new people to the NKT Group.

The graphs on page 13 show Group employees' geographical distribution at year end 2004 and the development in employment levels for the past five years.

The number of people employed in the individual Group companies can be found in the company reviews.

The individual companies are responsible for the further training of their employees and for looking after their interests generally - but subject to general guidelines in Group policies established by NKT Holding.

Acquisitions, divestment and winding up
In accordance with the expansion plans associated with the Group's strategy, businesses were acquired, sold and discontinued in 2004 and at the start of 2005 with a view to strengthening the product and market positions of the three core businesses.

Nilfisk-Advance realised a number of significant expansion measures by acquiring:
- Ecologica, Italy - a manufacturer of sweepers
- G-Power, Australia - a distributor of high pressure cleaners
- ALTO, Denmark - a global supplier of high pressure cleaners, floor maintenance equipment and vacuums
- Tennab, Sweden - a distributor of industrial cleaning equipment
- Kvantor, Hungary - a distributor of equipment to contract cleaners, institutions, and industry

NKT Cables effected a number of corporate transactions, i.e. :
- Acquired Odin Kabel, Norway
- Sold enamelled wire operations in Poland
- Implemented new ownership structure in the Czech Republic
- Increased ownership of NKT Cables, China, from 70 to 100%
- Sold its telecom cable operations in Austria in 2005.

In spring 2004, **KOHERAS** acquired the majority shareholding (51%) in LG-Laser Technologies GmbH, Germany, and increased its ownership in early 2005 with a further 35% interest. KOHERAS therefore now has an 86% shareholding in the company.

Crystal Fibre became - by acquiring the operations of its UK competitor BlazePhotonics - the dominant supplier of crystal fibres to the global market.

NKT ceased ownership of **NKT Integration** at the start of 2005 - by selling part of the business to the Norwegian company Ignis ASA and closing the remainder.

Priorparken has sold almost all its property portfolio in Brøndby, thereby realising the strategy of reducing NKT's capital tie-up in these properties. The company's organisation is therefore currently being wound up.

Environment

The NKT Group's two "production-intensive" companies, NKT Cables and NKT Flexibles, both have a long tradition of responsible behaviour in all aspects relating to safety, health and environment.

Both companies publish environmental statements and conform to the environmental legislation and regulations laid down for their operations. Pollution from their production plant in the form of smoke, noise and effluent is proven to be insignificant.

All NKT Group companies place ongoing focus on health and safety in their employees' work activities, just as environmental aspects are a natural and vital consideration in new product development. NKT Holding has published an environmental policy establishing that, where relevant to their operations, Group companies must:

- prepare an environmental action plan
- ensure that employees are acquainted with and involved in environmental work
- monitor environmental impact from production plant
- continuously optimise utilisation of resources (raw materials and energy) in production processes
- ensure prevention of accidents and pollution risks
- obey environmental legislation
- always answer environmental questions frankly

www.nkt.dk

NKT Holding's website, www.nkt.dk, was primarily created to service our existing and potential investors. We intend developing our site into our primary communication channel with the world. www.nkt.dk contains links to the websites of our individual companies, and enables subscription to our electronic news service.

Events since 31 December 2004

The following announcements have been made via the Copenhagen Stock Exchange in 2005. The full text is available on our website www.nkt.dk.

3 Jan. #1
NKT Holding's stock market diary 2005.

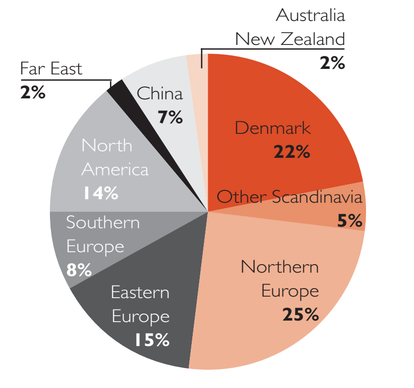
4 Jan. #2
NKT reports shareholdings

6 Jan. #3
NKT issues share warrants

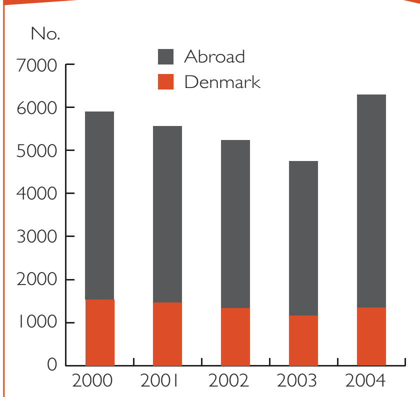
17 Jan. #4
NKT Integration to continue under Norwegian ownership. NKT's profit expectations for 2004 revised upwards

7 Feb. #5
NKT Cables sells telecom cable operations

Employees/location



No. of employees



NKT shares

NKT shares are registered on the Copenhagen Stock Exchange and included in the MidCap Index.

In 2004, average daily trading in NKT shares amounted to 6.3 mDKK, as against 2.4 mDKK in 2003.

The year end share price in 2004 was 159 DKK per share, as against 108 DKK per share at the start of the year. NKT's share price thus increased by 47% over the year.

NKT's market capitalisation at year end 2004 was 3.9 bnDKK.

Dividends

At the annual general meeting the Board of Directors will recommend the payment for 2004 of an ordinary dividend of 5 DKK per share and an extraordinary dividend of 3 DKK per share. The total amount distributed as dividend in 2005 is expected to be 196 mDKK, corresponding to 5% of the NKT Group's market capitalisation at year end 2004, and 75% of the Group's share of income for 2004.

Annual general meeting

The annual general meeting of NKT Holding will be held at 4 pm on Wednesday 6 April at Radisson SAS Falkoner Center, Falkoner Allé 9, DK-2000 Frederiksberg.

Ole Løvig Simonsen, deputy chairman of NKT Holding's Board of Directors, has reached Board retirement age and will not be standing for re-election. The name of the Board's candidate for election at the annual general meeting will appear in the agenda sent to all registered shareholders prior to the meeting. The other members of the Board will be proposed for re-election.

As a result of the sale of NKT Integration, Søren Therkelsen (an employee-elected Board representative) will retire from the Board and a new employee representative will be elected.

Capital structure

At year end 2004, the NKT Group had a net interest bearing debt of 333 mDKK and capital and reserves of 2,859 mDKK - corresponding to an equity ratio of 47% and a gearing of 11%. The aim is to utilise this strong financial foundation to create value by further developing and expanding the NKT Group in accordance with the established strategy, while continuously maintaining an attractive dividend policy.

Within this framework it is intended to gradually modify the capital structure in the period to 2008 with a view to achieving an equity ratio of around 40% and a gearing of 40%.

Our aim is to maintain a stable ordinary dividend of a minimum of 5 DKK per share (corresponding to 122.5 mDKK) during the strategy period. This may be supplemented by extraordinary dividends and share buyback programmes to support adjustment of our gearing. The Board of Directors continuously evaluates the Group's capital structure.

Treasury shares and share warrants

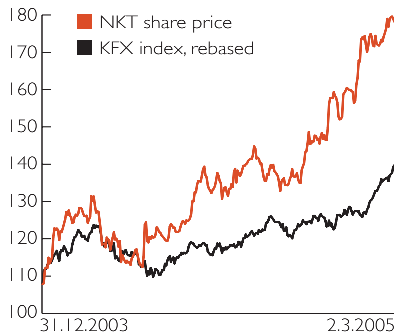
At year end 2004, NKT Holding held no own shares. NKT Holding is authorised by the general meeting to purchase up to 10% of its own shares with a view to adjusting the capital structure of the Group should this be desirable.

In January 2005, share warrants were again issued to the management and employees of NKT Holding A/S and NKT Research & Innovation A/S. The warrants, totalling 129,450 in number, may be exercised in either 2008, 2009 or 2010. The warrants were issued at market price with an annual hurdle rate of 9%. The issue announcement can be found on www.nkt.dk.

No share options have been issued to members of the Board of Directors since 2003. Options previously issued to the Board, comprising a total of 40,688 shares, must be redeemed by 2008 (see Note 25 to the accounts).

More information about NKT shares can be found on www.nkt.dk under "Investor" .

NKT share price



Stock Exchange Diary

7 March	Annual report 2004
6 April	Annual general meeting
12 May	Q1 report 2005
25 August	Q2 report 2005
22 November	Q3 report 2005

Management presentations of annual and quarterley reports will be on-line webcasted. Visit www.nkt.dk for more details.

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Tel. +45 4339 2885

NKT HOLDING

- the Group's **head office**

The "Investor" section on www.nkt.dk contains information on the following subjects:

- Financial Reports
  - Annual Reports
  - Quarterly Reports
  - Presentations
  - Key Figures
  - Latest Prospects
- NKT Share
  - Share Price Trend
  - Dividend
  - Market Value
  - Capital Structure
  - Analysts
  - Share Warrants/Options
  - Employee Shares
  - Insider Relations
  - Peer Group

Stock Exchange Releases

Press Releases

Stock Exchange Diary

IR Contact

- Policies
  - Insider Policy
  - Confidential Matters
  - IR Policy
  - Press Policy

Risk Factors

Investor Briefings

Shareholders

Articles of Association

Corporate Governance

Cyclical Sensitivity

Strategy 2004 - 2008

As the owner of the NKT Group's operating companies, NKT Holding A/S ensures that the individual business units are operated and developed according to principles that maximise long-term value for our shareholders. The active form of ownership that characterises NKT is exercised through close interaction between the NKT Group Management and the individual managements of the Group's subsidiaries, and through the professional competences made available to the Group's companies by NKT Holding.

NKT Holding provides a range of external services, principally in relation to shareholders and investors, on behalf of the Group as a whole, and also supplies active support for the Group's individual companies in specialist areas: finance, accounting, legal/IPR, communication and HR. The heads of these specialist areas are responsible for formulating and implementing a series of policies that underpin the business standards to which the Group must conform.

In 2004, the staff of NKT Holding played a part in the realisation of the acquisitions and divestments effected within NKT Holding, Nilfisk-Advance, NKT Cables, Crystal Fibre and KOHERAS. They also assisted in property transactions inside and outside Denmark, planning and management of IPR (Intellectual Property Rights), employment and contractual issues, insurance, tax, cash management, hedging of currency risk, and environmental matters.

Besides the Group Management, NKT Holding consists of 11 "professionals" plus related administrative personnel.

Active owner

NILFISK-ADVANCE GROUP

Nilfisk-Advance is a leading supplier of professional cleaning equipment to the global market, with a product programme that consists of vacuum cleaners, floor washing, sweeping and polishing machines for indoor and outdoor cleaning, as well as a wide range of high pressure cleaners.

Customers are serviced by Nilfisk-Advance's sales and service subsidiaries in close interaction with the company's production units in Denmark, Sweden, Italy, Hungary, USA and China, and an extensive network of distributors. Nilfisk-Advance is represented by own companies in 29 countries.

The company's peer group comprises Tennant (USA), Kärcher and Hako (Germany) and Interpump (Italy).

It is estimated that Nilfisk-Advance and above suppliers together command up to 40% of the global market for professional and industrial cleaners, the rest of the market being split between many small producers.

2004 sales by products, customers and markets are shown on the right of this page.

Market 2004

Nilfisk-Advance's *commercial market* comprises contract cleaners, facility management companies, institutions, schools, supermarkets, hotels and retailers. 2004 saw growth in the US and Asian markets, while market growth in Europe was limited. In 2005, slower growth is expected in USA and Asia, along with continued limited development in Europe.

The Group's *industrial market* comprises manufacturers and distribution companies. Sales consist principally of large cleaners for washing, sweeping and vacuuming applications in areas exposed to heavy and dirty traffic. Nilfisk-Advance also supplies this market with special-purpose - often customized - cleaning equipment for use in specific contexts like the semiconductor, metal and food industries. 2004 was characterised by rising demand in the industrial market, which is expected to continue in 2005.

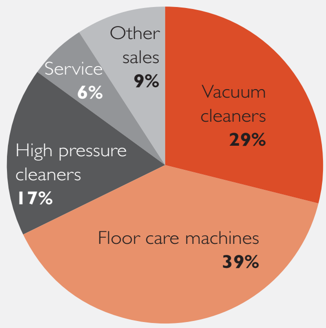
After-sales service in the form of repair, maintenance and spare parts is a vital competitive parameter, and plays an important part in the Group's decision-making on which sales channels to use in which countries. After-sales service is effected in an interaction between the Group's sales subsidiaries and the extensive distributor network.

Domestic consumers are serviced in selected markets through the company's authorised dealers. Sales of domestic products increased slightly in 2004, and this trend is expected to continue in 2005.

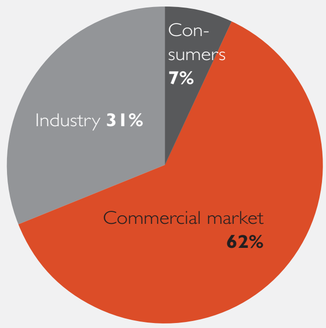
Management

- Johan Molin, CEO, (45), Swedish
- Christian Cornelius-Knudsen (40), Danish
- Claus Michelsen (43), Danish
- Jørgen Jensen (36), Danish

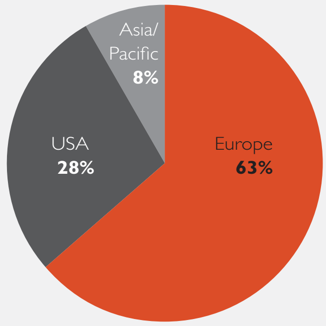
Products



Customers



Markets



Highlights

Amounts in mDKK	2004	2003	2002
Revenue	4,111	2,701	2,733
EBITDA	371	276	214
EBITA	268	218	153
EBIT	195	163	95
Capital employed	2,106	1,280	1,362
Investment in tangible assets, net	102	47	25
Average number of employees	3,310	2,049	2,121

Results

Nilfisk-Advance recorded revenue of 4,111 mDKK in 2004, of which 1,232 mDKK was realised by ALTO in the 8-month ownership period from acquisition at 1 May 2004.

After adjustment for exchange rate changes and acquisitions, organic growth was 7% in 2004, as against 5% in 2003.

Operating earnings (EBITDA) comprised 371 mDKK, 9.0% of revenue. EBITDA margin was 11.1% for Nilfisk-Advance excluding ALTO, and 4.2% for ALTO. By comparison, EBITDA margin in 2003 for Nilfisk-Advance by itself was 10.2%.

The positive earnings development of the previous years was thus maintained in 2004.The background to this lies in the growth generated by many new product launches, and the many organic measures aimed at continuously improving efficiency in all parts of the business system, cf. review on page 19.

See also comments to Nilfisk-Advance's revenue and earnings development in NKT's financial review on pages 6-7.

Exchange rate factors

Approximately 30% of Nilfisk-Advance's revenue comes from sales in USD, which means that revenue and income are currency-sensitive. Falling exchange rates reduced revenue by around 75 mDKK in 2004 compared with 2003 - primarily due to the USD price fall (-10%)

Organic growth

Revenue measured in fixed exchange rates grew by 7% in 2004, as against 5% in 2003. The figure includes growth of 10% in the USA, 10% in the Asia/Pacific region, and 5% in Europe.

Operating earnings

Nilfisk-Advance, excluding ALTO, achieved a net profit ratio (EBITDA) of 11.1% for 2003, as against 10.2% for 2003. To illustrate this growth in profitability, Fig. 4 shows EBITDA development for the last nine quarters and the development in EBITDA margin measured on a rolling 12-month basis.

It will be seen that in 2004 we experienced a typical seasonal cycle, with a slightly weaker third quarter due to the holiday season, and fairly uniform development in the other three quarters.

Cash flow

The positive liquidity development of recent years continued in 2004, with the free cash flow reducing net interest bearing debt by 222 mDKK, as against 163 mDKK last year. See table on page 18.

Investment

Investment in tangible assets was 106 mDKK in 2004, twice that in the previous year. This relates primarily to tools and equipment for new products. In addition, 46 mDKK was invested in capitalised development costs, as against 27 mDKK the previous year. These costs are directly related to the intensive product development effort.

Aggregate gross investment was thus 153 mDKK in 2004, as against 96 mDKK in 2003. This must be seen in relation to depreciation and amortisation, excluding goodwill, of 106 mDKK. The investment development trend for the last three years is shown in Fig. 5.

Working capital

In recent years a systematic effort has been made to reduce capital tie-up in working capital. At year end 2004, working capital amounted to 19% of revenue, as against 20% the previous year. The development trend is shown in Fig. 6.

Value creation

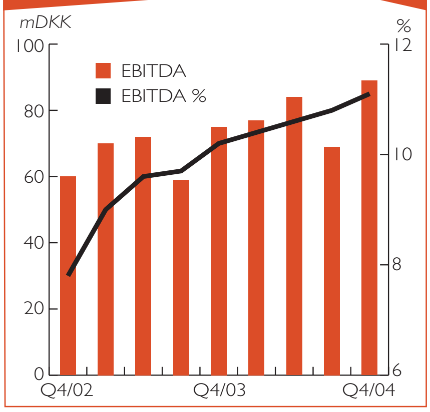
Creating value for our investors is the NKT Group's prime objective. With a view to achieving this, control mechanisms, etc. have been implemented in the Group's capital-intensive segments to ensure that return on investment at least corresponds to our investors' requirements. At the current interest level, and in the light of Nilfisk-Advance's risk profile, the requirement is for a minimum return on investment of 9% after tax.

The "economic profit" (EVA) can now be calculated by deducting full tax and cost of capital, calculated as 9% of capital employed, from the current operating earnings (EBITA).

Fig. 7 illustrates EVA development measured on a rolling 12-month basis. It will be seen that in 2004 Nilfisk-Advance's value creation status declined, but still remained satisfactory. This was due to the

EBITDA

Fig. 4



Net interest bearing debt

Amounts in mDKK	2004	2003	2002
1 January	(466)	(603)	(748)
Capital contribution, net	170	0	0
Interest expenses	(39)	(14)	(33)
	(335)	(617)	(781)
Acquisitions	(960)	(12)	(76)
Free cash flow, etc.	222	163	254
31 December	(1,073)	(466)	(603)

acquisition of ALTO, which as anticipated and reported, will have a negative impact on EVA for about the first 12-18 months until parts of the synergy potential have been realised. The EVA level at year end 2004 corresponded to a return on investment of around 13% before tax and 9% after tax.

Events in 2004

2004 was the year when the company's vision of consolidating its position as one of the global market's leading suppliers of cleaning equipment became reality. Nilfisk-Advance thus gained tangible result for its strategic plan, which the company has closely pursued through the past three years.

In line with its expansion strategy, Nilfisk-Advance effected a number of acquisitions in 2004: ALTO, a Danish manufacturer of cleaning machines; Ecologica, an Italian producer of sweeping equipment; G-Power, an Australian distributor; and Tennab, a Swedish distributor.

In 2004, the integration of ALTO received the highest priority from Nilfisk-Advance's management. The acquisition was accompanied by the announcement of the main elements of the integration plan. These elements include anticipated annual synergy potential of 150 mDKK over the coming years, and estimated total implementation costs of 175 mDKK.

In the second half of 2004 a string of integration projects was begun and partly completed, including production relocation from Hadsund (Denmark) and Bellenberg/Neresheim (Germany) to the newly established factories in Hungary and China. Prime focus was also given to managerial integration within the Nilfisk-Advance Group, merger of sales subsidiaries in countries where overlap exists, and consolidation of the distribution centres in Europe.

In summary, the integration process is going as planned.

2004 saw a large number of product launches, including introduction of three separate series of large and medium floor sweepers, washers and dryers, one series of wet/dry vacuums, and a battery-powered version of our backpack vacuum cleaner.

In autumn 2004, dialogue was begun with employee representatives at the Åmål factory in Sweden with a view to examining the possibilities of transferring all or part of the production to Nilfisk-Advance's manufacturing facilities in Hungary. This issue is expected resolved in the course of 2005, and if approved will result in restructuring costs of around 30 mDKK with an expected payback time of one to two years.

At ALTO's high pressure cleaner factory in Hadsund the first steps were taken towards operational reorganisation. The plan is to retain product development, sales and part of production in Hadsund, while relocating other parts of production to Hungary and China.

Nilfisk-Advance encountered price rises in 2004 on almost all raw materials used in product manufacture, which resulted in increased competitive pressure on the pricing of our individual products. We have countered this by introducing extraordinary price increases and by actively reviewing our subsuppliers. The many measures implemented in recent years to reduce product manufacturing costs and general overheads have further helped offset the rise in raw material prices.

Expectations for 2005

Assuming unaltered exchange rates, and taking into account the full-year effect of the acquisitions made in 2004, Nilfisk-Advance expects revenue in 2005 to be around 5 bnDKK. This corresponds to an underlying real growth of around 4%.

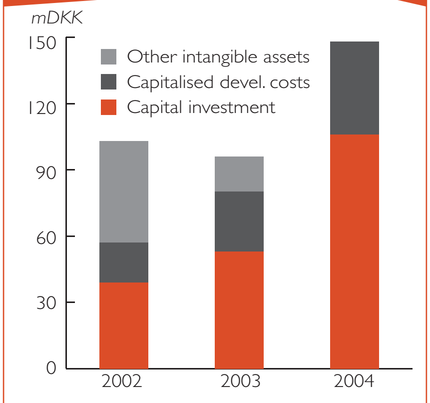
Net profit ratio (EBIT) is expected to be unchanged around 7%.

This results forecast is based on the company's current structure and takes account of restructuring measures announced and initiated.

As a result of the integration of the operations of Nilfisk-Advance and ALTO, these will in future be reported jointly.

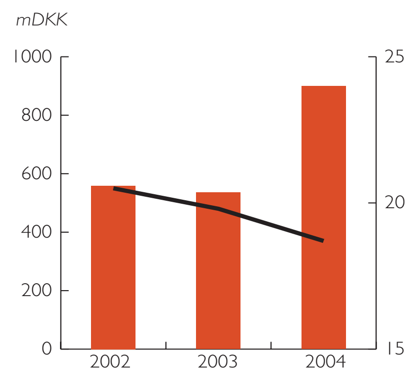
Investments

Fig. 5



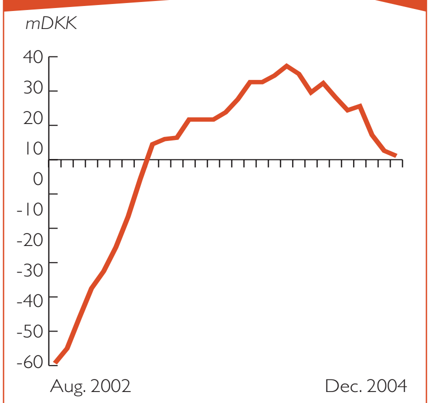
Working capital

Fig. 6



EVA

Fig. 7



Elements in Nilfisk-Advance's business concept

Our customers' foremost requirement is to supply "best value", ie. improved efficiency in all forms of cleaning, and to reduce associated costs. To meet this requirement, Nilfisk-Advance has carried out a targeted reorganisation and adjustment of its entire business system so that it can meet customer needs - anywhere in the world.

Development: Nilfisk-Advance is a product-oriented business, and our development engineers are therefore constantly focused on making innovative improvements to our product programme, ie. developing new products that combine better, faster and cheaper cleaning solutions with product design that offers flexible and cost-effective manufacture.

Production: Nilfisk-Advance has in recent years restructured its manufacturing operations. Formerly a fully self-contained manufacturer, the company's production is today based on in-house design and components purchased externally, while assembly and quality testing take place at company-owned assembly plants in Europe, USA and China. From here, the products are supplied to the customer via the company's distribution systems. In the case of some small products, production is wholly outsourced. With this concept, Nilfisk-Advance has managed to reduce its production costs considerably.

Sales: Market presence is a critical success parameter when you are a supplier of service-intensive technical products. This is the rationale behind Nilfisk-Advance's targeted initiatives to consolidate its presence in traditional markets and become established in new, growth-oriented markets like Eastern Europe and the Far East. An expanded programme of cleaning equipment that is easy to service and operate is matched by a strongly expanded network of distributors in areas where the market base for setting up an independent company does not yet exist.

Logistics: The transition to "on demand" production as opposed to "expectation-based" production planning represents a marked change in the company's business system. It eliminates the risk of producing machines for which there is no demand, and of producing too many or too few. Nilfisk-Advance has developed a component-based logistic system that enables products to be manufactured to order in large volumes and distributed with very short lead times via the logistic centres that today exist in USA (Minnesota) and Europe (Denmark). Centralisation of the administrative, IT and accounting functions linked to the logistic centres has also contributed to Nilfisk-Advance's efficient business system.

After-sales service: A decisive element in the company's business concept is a 24-hour-a-day, 7-day-a-week after-sales service system that provides repair, spares or equipment replacement for customers whose success depends on their cleaning equipment being the continuously available. Nilfisk-Advance's own after-sales service staff has therefore been expanded in step with the substantial growth in this business activity since 2001.

Employees: Nilfisk-Advance's success in managing to turn its business around over a three-year period must ultimately be credited to the able staff. The flexibility and responsible attitude shown by our people have enabled us to decentralise work tasks to project-oriented teams working across functional and national boundaries. The changes have been many and major, and the substantially improved results have been achieved with the efforts of a work force that has only been expanded though our new acquisitions.

NKT CABLES
GROUP

NKT Cables is one of Europe's leading manufacturers of cables - power cables, telecom cables and special cables - and principally supplies the markets of Central, Northern and Eastern Europe. Customers are serviced from NKT Cables' production and sales subsidiaries in Denmark, Germany, Poland, Czech Republic and Norway - following the acquisition of Odin Kabel in Norway at year end 2004.

Where its primary product segments are concerned, NKT Cables is among the five biggest companies in the markets where it is represented.

The company's peer group comprises Nexans (France), Pirelli (Italy), Draka (Netherlands) and Tele-Fonika (Poland).

In Changzhou, China, NKT Cables operates a medium-sized cable factory as a separate business unit.

The distribution of sales by products, customers and markets for 2004 are shown in the figures on the right of this page.

Market 2004

NKT Cables' low voltage cables are sold to electricity companies and electrical wholesalers for use in the building industry. In 2004, as a result of the economic climate, we experienced generally satisfactory segment growth in the markets where we are active. This is also expected to be the case in 2005.

Medium and high voltage cables, OPGW (Optical Ground Wires) and cable accessories are mainly sold to electricity supply companies. NKT Cables also provides installation services to the Danish and German markets. Activity levels in the medium and high voltage cable segments were characterised by stable market development in 2004, and principally related to converting power lines to cable and maintaining and enlarging existing grids. In the wake of the power failures in USA, UK, Scandinavia and Italy in 2003, the quality of electricity supply systems has attracted increasing focus. It is expected that in the longer term this will lead to rising level of investment aimed at improving system quality and security of supply.

However, continued restraint is expected in 2005, with moderate market growth as a result.

The Chinese market contains a large number of cable product suppliers who address the same customer segments as NKT Cables. We believe that a necessary expansion of China's electricity supply grid will create increasing demand for the cable programme manufactured by NKT Cables in China.

NKT Cables' *OPGW products* are sold to the global market. This is a project-oriented market that mainly parallels the expansion and upgrade of transmission grids.

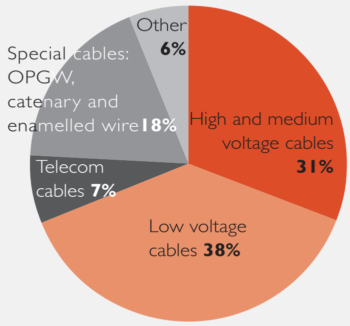
NKT Cables' *telecom cables operations* were sold at the start of 2005 to another cable manufacturer.

Sales to industry and various niche segments (enamelled wire, catenary wire and machined metal products) developed unevenly in 2004. The markets for enamelled wire and traction wire showed growth, while sales of metal products were stable. With a view to focusing our activities within the power cables segment, the enamelled wire business was sold to Elektrokoppar at year end 2004. The catenary wire market is expected to grow in 2005, while the metal products market is expected to remain unchanged.

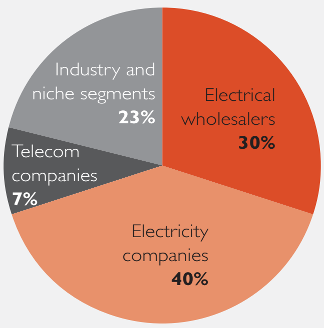
Management and Management Team

- Dion Metzemaekers, CEO (50), Dutch
- Dietrich Zeibig (62), German
- Arend F. Knol (53), Dutch
- Asger Bruun-Christensen (55), Danish
- Jiri Rivola (46), Czech

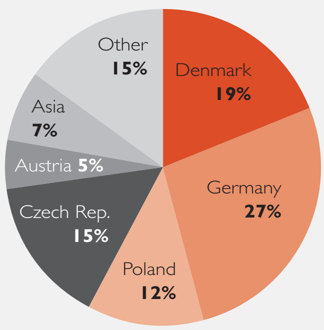
Products



Customers



Markets



Highlights

Amounts in mDKK	2004	2003	2002
Revenue	3,324	2,718	2,820
EBITDA	190	166	(12)
EBITA	117	104	(699)
EBIT	115	104	(732)
Capital employed	679	550	502
Investment in tangible assets, net	59	55	29
Average number of employees	2,249	2,438	2,778

Results

NKT Cables recorded revenue of 3,324 mDKK in 2004 and lived up to the expectations of an earnings margin (EBITDA) of around 6%. Realised earnings were 190 mDKK, directly equivalent to an EBITDA margin of 5.7% and earnings growth of 24 mDKK. However, after an 11 mDKK cost adjustment relating to the sale of NKT Cables, Austria, realised EBITDA was 201 mDKK, corresponding to an EBITDA margin of 6%.

EBIT earnings were 115 mDKK, a 4% margin, as against 104 mDKK in 2003.

EBITDA and EBIT earnings were reduced by 11 mDKK and 26 mDKK respectively following sale of the Austrian business unit.

The growth in earnings reflects the efficiency and stability achieved by NKT Cables over the past couple of years as a result of the restructuring measures implemented in a number of countries. In addition, the organic growth of 7% means improved capacity utilisation, which has also contributed to increased earnings.

See also comments to NKT Cables' revenue and earnings development in NKT's financial review on pages 6-7.

Exchange rate factors

60% of NKT Cables' revenue is achieved by sales to EUR countries and Denmark, the remaining 40% coming from other markets. Revenue and earnings are therefore currency-sensitive. The currencies in the primary markets of Poland (-3%), Czech Republic (unchanged), UK (+2%) and China (-11%) were relatively stable in 2004, and collectively reduced revenue by around 43 mDKK.

Metal prices

Metal - primarily copper and aluminium - is the prime raw material in cable production, and with our existing product mix it represents an average of around 25% of the product sales price. This percentage can vary from 20% to 70% depending on the type and complexity of the individual product.

In summary, we consider the overall impact on income of changing metal prices to be neutral over time. However, our revenue fluctuates in step with the development in metal prices, and our revenue for 2004 is estimated on this account to be around 464 mDKK higher than in 2003. The development in metal prices is shown in Fig. 8.

Operating earnings

Operating earnings (EBITDA) for 2004 were 190 mDKK, 5.7% of revenue. The figure for last year was 166 mDKK or 6.1% of revenue. The strongly seasonal pattern and the development in profitability can be seen in Fig. 9, which shows EBITDA development for the last nine quarters and the development in EBITDA margin on a rolling 12-month basis.

It will be seen from the figure that 2004 reflected a typical seasonal cycle, with activity most strongly concentrated around the second and third quarters. It will also be seen that the EBITDA margin of around 6% achieved in 2003 was maintained in 2004 despite the strongly rising metal prices that dilute the earnings margin. The realised margin for the whole of 2004, 5.7%, corresponds to 6.9% when measured on revenue calculated with unchanged metal prices. Against this background, the operating income achieved is considered satisfactory.

Cash flow

The positive liquidity development of previous years continued in 2004. During the year, a free cash flow of 47 mDKK was generated after financing of the build-up

Net interest bearing debt

Amounts in mDKK	2004	2003	2002
1 January	(110)	(172)	(598)
Capital contribution, net		0	250
Interest expenses	(22)	(26)	(44)
	(132)	(198)	(392)
Restructuring costs	(11)	(85)	0
Acquisitions and China minority	(37)	0	0
Free cash flow, etc.	47	173	220
31 December	(133)	(110)	(172)

of working capital as a result of the rising metal prices that have increased debtors and product stocks. This is considered by itself to have reduced cash flow by around 75 mDKK.

Investment

Investment in tangible assets amounted to 86 mDKK in 2004, which is unchanged from the previous year. 9 mDKK was also invested in capitalised development costs concerning high voltage cables and accessories.

Aggregate gross investment for the year was 95 mDKK, which must be seen in relation to the aggregate depreciation and amortisation of 75 mDKK.

The development in investment for the past three years is shown in Fig. 10.

Working capital

Working capital has been a focal area in recent years with a view to reducing capital tie-up. At year end 2004, working capital comprised 13.5% of revenue, a slight improvement on the previous year. The development trend is shown in Fig. 11.

Value creation

Creating value for our investors is the NKT Group's primary objective. With a view to achieving this, control mechanisms, etc. have been implemented in the Group's capital-intensive segments to ensure that return on investment at least corresponds to our investors' requirements. At the current interest level, and in the light of NKT Cables' risk profile, the requirement is for a minimum return on investment of 9% after tax.

The "economic profit" (EVA) can now be calculated by deducting full tax and cost of capital, calculated as 9% of capital employed, from the current operating earnings (EBITA). Fig. 12 illustrates EVA development measured on a rolling 12-month basis. It will be seen that in 2004 NKT Cables' value creation status remained satisfactory. As seen above, current investment is higher than the level of depreciation. This in context with the unchanged EVA level illustrates that a return of at least 9% before tax is being achieved on this investment. The EVA level at year end 2004 corresponded to a return on investment of around 18% before tax and 13% after tax.

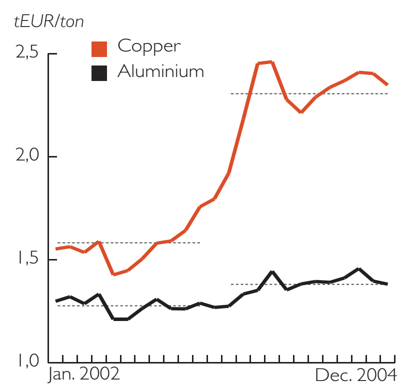
Events in 2004

In 2004, NKT Cables continued to focus on expanding its position as a supplier of power cables to the European market.

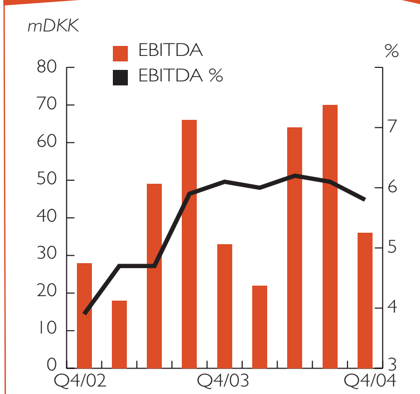
Strong concentration on customer needs and market opportunities is an essential element in this, and contributed to the realisation of organic growth of 7% in 2004. The restructurings carried out in recent years have supported this by creating more effective and flexible organisations in the individual business units.

Another integral part of this strategy is to create a presence in markets close to those countries where NKT Cables has production facilities. In particular France, England and Sweden are key

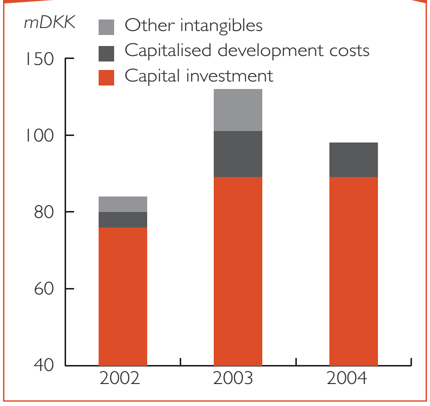
Metal prices *Fig. 8*



EBITDA *Fig. 9*



Investment *Fig. 10*



markets in this regard. We have gained type approval for a number of products in these countries.

NKT Cables seeks to establish partnerships with major customers, typically wholesalers and electricity companies, in both domestic and export markets. This involves entering into collaboration and framework agreements that set out the terms of business, including the procedures for order placement, distribution and delivery. In some markets, collaboration is extended to include integrated IT systems that optimise both NKT Cables' and customers' stocks and minimise delivery time.

In 2004, with a view to meeting the full needs of our customers for cables, accessories and installation services, NKT Cables introduced a co-production model for cross-supply of small-batch products with selected cable manufacturers. An example is an agreement signed with Ericsson Kabel, Sweden, for supply of selected products to the Swedish, Danish and UK markets.

In January 2005, NKT Cables in Denmark acquired a small Norwegian company, Odin Kabel, with the aim of establishing a broader presence in the Norwegian market.

In February 2005, NKT Cables sold its Austrian business for the production of copper and fibre-based telecom and signal cables. This followed a lengthy restructuring process aimed at compensating for the sub-critical mass in this market segment by means of increased efficiency. As a result of continuing falling demand for fibre-based cables, combined with physical limitations in the existing factory, this business area failed to provide satisfactory income under NKT ownership. A logical step was therefore to sell the company to another cable manufacturer, which through co-production with existing factories in these product categories might achieve sufficient synergy to realise satisfactory income.

In mid 2004, NKT Cables in the Czech Republic wound up its involvement in the production of rubber cables, and at year end 2004 enamelled wire operations in Poland were sold to Elektrokoppar, both dispositions being part of the company's focus strategy. The latter disposition will enable NKT Cables' Polish operations to be consolidated in one factory and rationalised. Parallel with this the plant will be modernised in anticipation of rising demand.

In spring 2004, NKT Cables acquired the remaining shares of NKT Cables, China, thus becoming sole owner. This has increased the prospects for further-developing this company, and we are pleased to note that sales grew substantially in 2004. This was partly due to rising sales of medium voltage cables as a result of China's infrastructure expansion. Sales of catenary wire also increased in China in 2004, and consideration is being given to also selling OPGW products in this market through the Chinese company.

The "Ultera" project to develop a superconducting cable system for the Ohio public electricity grid is on course technologically and expected to be installed in spring 2006. Development is taking place as a joint venture with Southwire, a leading US cable manufacturer.

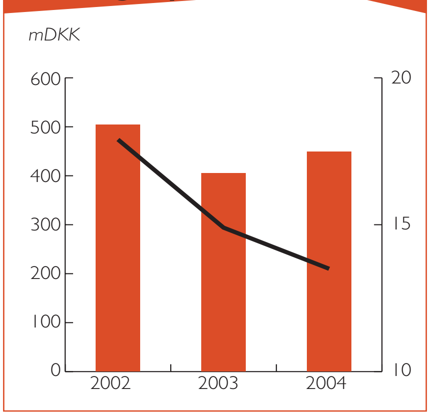
In the Czech Republic, NKT Cables is working on delisting the company from the local stock exchange and is also buying out the minor shareholders. This is expected to result in NKT Cables owning 77% of the company (from 70% previously) in 2005. The remaining shares will be held by the Investment Fund for Central and Eastern Europe.

Expectations for 2005

Assuming stable exchange rates and metal prices, and against the background of the acquisitions and divestments made in 2004 and at the start of 2005, NKT Cables expects revenue to be almost 3 bnDKK in 2005, corresponding to organic growth of around 3%.

Net profit ratio (EBIT) is expected to be over 4%.

Working capital *Fig. 11*



EVA *Fig. 12*

NKT PHOTONICS

GROUP

NKT Photonics represents NKT's strategic ambition to become an established future supplier of high-tech optical components and systems.

NKT Photonics' companies, in 2004 comprising NKT Integration, Crystal Fibre, KOHERAS, LIOS Technology and Nanon, address specific customer segments in the global market with a range of advanced optical products in the form of chips and components, crystal fibres, fibre lasers, temperature-measuring equipment, and surface coatings offering unique properties.

NKT Integration exclusively addresses the optical segment of the telecom market, while the other companies mainly target industrial applications.

NKT Research & Innovation operates as a research and product development centre for NKT Photonics' companies.

As of 1 July 2004, Nanon was separated from NKT Research & Innovation to become an independent company, and at the start of 2005, NKT Integration was transferred to new ownership.

Market 2004

Crystal Fibre and KOHERAS globally address various industrial sectors with sub-modules for integration in industrial products. They also address public and private research domains. Both companies had growth in 2004: organic growth resulting from introduction of new products and rising sales of existing products, as well as sales resulting from the new acquisitions, BlazePhotonics and LG-Laser Technologies. A substantial part of the two companies' sales takes place in USD-based markets, which had a dampening effect on growth. The rising demand for Crystal Fibre's products is mainly related to air-clad fibres for customers developing high power lasers. KOHERAS' growth mainly came from high power versions of its products. At year end 2004 there was considerable demand for the latter's newly developed white light source for use in for example analytical devices.

The very low activity levels of recent years in the optical segment of the telecom market continued in 2004.

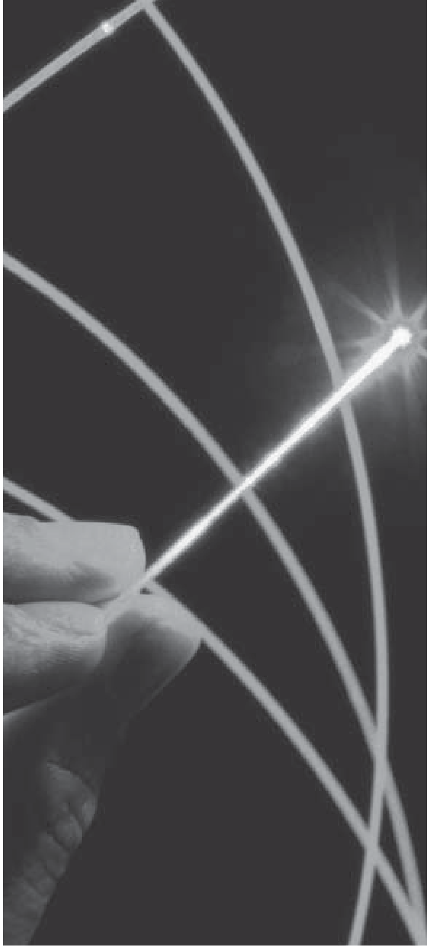
Demand was particularly weak in the long-haul market (the main fibre-optic networks), which has traditionally been addressed by NKT Integration's products. During the year, signs of a slight increase in activity were seen in the metro market, and towards year end, increased activity was also seen in the fibre-to-the-home market (FTTH), principally in the Far East. Systems in the metro and FTTH markets are usually characterised by fewer channels than systems for the long-haul market. NKT Integration's long-haul solutions therefore came under additional price pressure from alternative solutions.

LIOS Technology's products address the fire detection in the hazard buildings sector primarily, followed to a lesser extent by selected industry sectors where thorough temperature monitoring is very crucial for safety or economic reasons. Particularly in the latter category, increasing awareness of the company's products was accompanied by rising demand, and key reference installations were established within these new application areas. The company's products are used as fire detection equipment for underground traffic systems and as temperature monitoring equipment for industrial ovens, power line installations, dykes and dams, and in the oil and gas sector.

NKT Photonics Group, Managements

- Søren Isaksen* (53), Danish
  NKT Integration**
  NKT Research & Innovation
- Michael Kjær (36), Danish
  Crystal Fibre
- Jakob Skov (38), Danish
  KOHERAS
- Stefan Daiser (48), German
  LIOS Technology
- Henry Kierkegaard (41), Danish
  Nanon

* Also CTO of NKT Holding A/S
** Left company portfolio beginning of 2005



Results

NKT Photonics Group recorded revenue of 81 mDKK in 2004, up by 11 mDKK on 2003. This increase was realised in Crystal Fibre, KOHERAS and LIOS Technology and gained in the non-telecom industrial niche segments addressed by these companies. The acquisition of LG-Laser Technologies added 7 mDKK to the year's revenue.

The optical segment of the telecom market remained characterised by extremely slow demand, leading to very low revenue for NKT Integration.

An overall EBITDA deficit of just above 70 mDKK had been expected for NKT Photonics Group. Actual deficit was 87 mDKK, which included winding up expenses of 13 mDKK relating to NKT Integration. After adjustment for these expenses, the EBITDA deficit was thus around 74 mDKK, in line with expectations.

NKT Integration's share of EBITDA was (44) mDKK, the continuing businesses realising an EBITDA deficit of 30 mDKK.

Expectations for 2005

The continuing businesses - ie. Crystal Fibre, KOHERAS (incl. LG-Laser Technologies), LIOS Technology, Nanon and NKT Research & Innovation - expect a revenue of around 100 mDKK in 2005, an increase of around 25 mDKK.

Operating earnings (EBITDA) are expected to be significantly improved, from (87) mDKK in 2004 to around (15) mDKK in 2005.

Events in 2004

NKT Integration chose in 2004 to focus its activities on the most active market segments in optical communications, ie. the metro and FTTH markets, by developing two products aimed at these markets. The possibilities of NKT Integration's amalgamation with or sale to other industry players were also examined. As no acceptable solutions emerged for future consolidation and as developing the new products within the established timescale was unrealistic, it was decided on 10 November 2004 to wind up the company's operations. Subsequently, with effect from 17 January 2005, NKT Integration's PLC operations in Denmark were sold, along with its Montreal-based packaging and pigtail operations, to the Norwegian listed company Ignis ASA for 35 mDKK. As part of the transaction, NKT Holding also subscribed for 10 mDKK new shares in Ignis ASA.

In 2004, **Crystal Fibre** continued its efforts to become the dominant global company in the crystal fibre market.

The company realised growth in sales of standard products, ie. non-linear fibres, air-clad fibres, large-mode-area fibres and air-guiding fibres, which is a sign that customers are increasingly beginning to use these fibres in market-oriented products.

In the short term, air-clad fibres represent the most interesting of Crystal Fibre's products as they enable the manufacture of very high power fibre lasers. As an example, one customer, JenOptik Laser Diodes, has demonstrated a 1.5 kW fibre laser based on an air-clad fibre from Crystal Fibre. Such powerful lasers have strong potential in metal processing, for applications such as cutting and welding in the car industry. Also in 2004, Crystal Fibre supplied air-clad fibre sub-assemblies that enabled a leading US research institute to successfully demonstrate a principle that will make possible extremely high power lasers.

In August 2004, Crystal Fibre acquired all the assets of a UK competitor, BlazePhotonics, for 20 mDKK. The assets were subsequently transferred to Crystal Fibre in Birkerød. This acquisition has substantially strengthened Crystal Fibre's patent portfolio, and provided access to its competitor's customer list and technical results – most importantly in the area of air-guiding fibres. Together with Crystal Fibre, BlazePhotonics had been a leading player in development and fabrication of microstructured optical fibres. This acquisition has cemented Crystal Fibre's position as the dominant supplier in its segment.

At year end 2004, Crystal Fibre completed expansion of its production facilities, which include a cleanroom and new processing technologies for fabrication of ultra-clean preforms. The expansion is intended to enable production of crystal fibres that will result in fibre lasers of unprecedented power.

Beginning of 2005, for the third year in succession, Crystal Fibre was one of 25 recipients of the US Photonics Circle of Excellence Award.

At year end 2004, Crystal Fibre employed 21 people, compared with 20 in 2003.

In 2004, **KOHERAS** consolidated its position as a respected supplier of high-quality lasers. Increased sales were recorded of the company's standard products, which are characterised by high spectral purity.

At the start of 2004, KOHERAS launched a series of new products that have proved highly successful. One of the new products introduced was BoostiK, which is a high-power version of KOHERAS' standard lasers. There has been heavy demand for this product for light radar (LIDAR) applications, eg. wind speed measurement in the wind turbine industry.

Another new product, SuperK, which is a source of white light, has attracted attention and is being tested by customers with a view to integration in a variety of measuring devices.

For this product, KOHERAS became one of the 25 companies presented in the beginning of 2005 with the US Photonics Circle of Excellence Award for innovative products.

At 1 May 2004, KOHERAS acquired a 51% interest in LG-Laser Technologies (LG), Germany. LG has a programme of conventional lasers in the form of argon lasers and diode lasers that are primarily supplied to European industrial customers. LG and KOHERAS thus strongly complement each other in terms of technological competences and market access. Through this acquisition, KOHERAS has gained direct access to the German market, the dominant global market for industrial high power lasers.

Since year end 2004, KOHERAS has exercised its option to acquire a further 35% interest in LG, and now has an 86% total shareholding in the company. Total investment in LG was 6 mDKK.

In 2004, KOHERAS signed a licensing agreement with OFS Fitel that gives access to a large number of fibre laser patents, mostly developed by the former Bell Labs.

At year end 2004, KOHERAS employed 28 people, including 12 at LG in Germany. At the end of 2003, 16 people were employed.

LIOS Technology slightly increased its revenue in 2004 and widened its market presence.

The company's sales were in previous years dominated by supplies for fire detection in tunnels, supplemented by occasional orders for temperature measuring systems for other applications.

In 2004, the company increased sales of a number of these new applications, principally supervision of industrial ovens and power line installations.

Also in 2004 LIOS Technology expanded geographically by first-time delivery into new markets like China, Brazil, Canada, Malaysia and Finland. Focus in 2005 will be on expanding these market segments further, and on further widening geographical market access in the area of fire detection in hazard buildings with particular emphasis on road and rail tunnels.

LIOS Technology has a very focused product programme consisting of several sensing systems with a range up to 4 km. Differentiation in relation to customer segments is obtained by conveniently and efficiently customising LIOS' technology platform to meet the specific challenges.

At year end 2004, LIOS Technology had 21 employees, the same as at the end of 2003.

In 2004, **NKT Research & Innovation** continued its focus on business- and product-oriented development for the companies in NKT Photonics Group.

NKT Research & Innovation is active at the interface between the technological and market competences of Crystal Fibre and KOHERAS, engaged in developing new high power lasers and new types of light sources.

NKT Research & Innovation also has people engaged in developing a superconducting cable for the Ohio electricity supply company AEP. This project is under the auspices of Ultera™, a joint venture established between NKT Cables and US cable manufacturer Southwire Company. The cable is expected to enter service in Ohio's electricity grid in spring 2006.

NKT Research & Innovation is also the repository for the NKT Group's IPR expertise (patents).

At the end of 2004, NKT Research & Innovation employed 16 people, as against 30 in 2003. The decrease was mainly a result of the establishment of Nanon.

Nanon employs 14 people working on nano-manipulation of polymers, including low-adhesion surfaces.

With effect from 1 July 2004, Nanon split from NKT Research & Innovation to become a separate company. The name AdSphere was changed to Nanon at the same time.

The company's business is based on the patented technologies Softplasma™ and Cohancement™. Both technologies have proven exceptionally well suited for surface coating and impregnation of silicone, rubber, polymers, plastics, glass and other materials.

As a result, totally new functionalities and potentials are opening up for a host of conventional materials and applications.

Nanon's business model is focused on working together with customers to develop and industrialise Nanon's technologies in a wide range of fields. After a pilot-scale demonstration of the technology, the customer will typically scale up the technology and perform independent mass production under licence. In other cases the customer may purchase the rights to the technology developed by Nanon.

Nanon has been coating the surface of silicone buttons for steering wheels in Mercedes Benz and Seat cars for a number of years. This collaboration continued in 2004, and negotiations are taking place with the customer for a transfer of parts of this production on a licence basis. The existing exclusivity has therefore been lifted, and Nanon will in future look to introduce the technology to other car industry players.

OTHER COMPANIES

NKT Flexibles (ownership 51%)

NKT Flexibles supplies flexible offshore pipes designed to convey oil and gas from the seabed to drilling rigs or transport vessels.

NKT Flexibles is one of three suppliers to the global offshore industry. The other two are Technip (formerly Coflexip), France, and Wellstream, UK.

Market

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

The biggest markets for flexible submarine pipes are the coasts off Brazil and West Africa, and in the North Sea. Smaller markets exist in Asia and the Gulf of Mexico.

Activity levels in 2003 and the first half of 2004 reflected a general slowdown in allocation of new projects. The second half, however, saw a growing number of project tenders.

Throughout 2003, oil prices were stable at or above 25 USD a barrel, which is substantially above the prices that the oil companies use in their development simulations (typically 16 -18 USD a barrel). The price of oil fluctuated considerably in 2004, ranging from 30 to 52 USD a barrel.

Management

- Michael C. Hjorth (38), CEO, Danish
- John Baxter (38), Scottish

Results

NKT Flexibles recorded revenue of 197 mDKK in 2004, significantly down on the previous year's 305 mDKK. This was due to a very low order backlog, 44 mDKK, at the start of 2004, and an uneven flow of orders over the year. Both factors made effective production planning impossible, and for periods of the year the Kalundborg factory was closed or operating at unsatisfactory low capacity.

The company posted an operating loss (EBITDA) of 34 mDKK, a fall of 28 mDKK on the previous year. This development is very unsatisfactory and reflects the low activity levels and the highly competitive market which is squeezing profit margins. Performance was worsened by cost overstep on an isolated project in the final quarter. Second-half order inflow was very satisfactory and orders at year end amounted to 397 mDKK. Order received for the year therefore amounted to around 550 mDKK.

Due to product mix and intensified competition, however, the average margin on orders received is lower than in previous years.

In 2004, the company's shareholders injected 60 mDKK in additional equity, of which NKT contributed 31 mDKK.

At year end 2004, interest bearing debt amounted to 187 mDKK, as against 181 mDKK at the start of the year. These figures include a loan from NKT Holding of 131 mDKK as against 140 mDKK last year.

Events in 2004

Focus in 2004 was directed towards improving the order situation and continuously adjusting capacity at the Kalundborg plant to limit the negative consequences of the low and uneven level of activity.

In 2004, NKT succeeded in creating a solid foothold in one particular multi-project market, but with a relatively low margin. In addition, we received a large number of new project orders as a result of measures carried out to improve competitiveness combined with a long-term strategy directed towards specific flexible pipe systems.

The development of deepwater pipes for depths of 1000 - 2000 metres continued

Highlights

Amounts in mDKK	2004	2003	2002
Revenue	197	305	223
EBITDA	(34)	(6)	(16)
EBIT	(61)	(32)	(168)
Capital employed	319	315	326
Investment in tangible assets, net	5	7	7
Average number of employees	225	222	227

in 2004, and in the first instance is expected to lead to qualification of a 6'' pipe in 2005. Qualification of larger pipe dimensions is expected to follow in 2006.

See also information concerning NKT Flexibles on page 5.

Expectations for 2005

NKT Flexibles expects significant growth in revenue in 2005, partly based on the large order backlog at the start of the year.

Operating earnings (EBITDA) are expected to be significantly better than in 2004. NKT's share of earnings after depreciation and interest expenses is expected to be around (20) mDKK, as against (33) mDKK in 2004.

As at 1 January 2005, NKT Flexibles changes to an associated company. This means that NKT Flexibles will no longer be included in full in the NKT Group's consolidated financial statement.

Priorparken

In 2004, Priorparken sold the majority of its properties for a total of 343 mDKK. This yielded a profit amounting to 179 mDKK.

Against the background of lost income from rent and certain liability provisions, Priorparken realised operating earnings in 2004 of 180 mDKK, which was very satisfactory.

The remaining properties have a book value of 20 mDKK, and a letter of intent has been signed for their sale in April 2005 for 26 mDKK.

Priorparken was in the course of being wound up at the start of 2005.

RISK FACTORS

Due to the diversity of the NKT Group in terms of operations and markets, and its division into wholly separate business units, no single event/risk is considered to threaten the Group's existence.

In order to avoid or limit risks in our daily activities and decision-making, we have established a series of Group policies in key areas such as finance and accounting, legal matters, insurance, human resources, intellectual property, health/safety and environment, communication, and investor relations.

The NKT Group as an entity is considered not to face **commercial risks** beyond those normally affecting the sectors and markets in which our companies operate. The factors crucial to our success, ie. our value drivers and the commercial risks related to our activities, are described below company by company.

Our **financial risks** are limited by virtue of NKT's capital structure. Through our global activities, however, we are exposed to exchange rate changes.

COMMERCIAL RISKS

Nilfisk-Advance

To maintain its leading position as a provider of cleaning equipment it is crucial for Nilfisk-Advance to be able to develop, manufacture and supply competitive products and services.

It is vital for Nilfisk-Advance to create a product range that is more competitive than equivalent products from other competitors. This takes place through a targeted product development effort aimed at ongoing launch of products with increased functionality, high quality, and lower manufacturing cost than earlier models.

Nilfisk-Advance also focuses on continuous improvement of its business systems through improved efficiency in production, administration, sales and distribution.

Customers, who are primarily professional users, attach importance to products being not only price-competitive, but also robust, ergonomic, and capable of delivering high quality cleaning. In this way their overall cleaning costs are reduced.

Customers also choose their supplier according to the market coverage and after-sales service offered. Nilfisk-Advance seeks to meet these wishes by increasingly selling to customers through dealers.

NKT Cables

For NKT Cables, a medium-sized player in a mature and heavily competitive European industry, competitiveness and profitability are both 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 make the company a margin. Provided production is based on optimal product formulas, efficient raw materials procurement, efficient logistics, and low sales and administrative costs, NKT Cables can sell its products at competitive prices. This means higher sales, higher market shares and higher earnings.

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

NKT Flexibles

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

The level of industry activity and the size of the offshore market are to some extent linked to the price of crude oil, which impacts on the offshore industry's willingness to invest.

Projects are usually let by tender, and it is possible to bid for the pipe contract by itself, and also for a turnkey solution that includes installation on the seabed. Stolt Offshore's 49% ownership of NKT Flexibles is an important strategic factor in this regard.

The relative 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. For NKT Flexibles it is vitally important that new orders have sufficient volume to enable plant capacity to be fully utilised, thereby ensuring efficient pipe production.

NKT Photonics Group

The success of the companies Crystal Fibre, KOHERAS and LIOS Technology depends on their ability to create groundbreaking products for what typically is a demanding niche-type market.

It is therefore the ability to attract innovative and able people and the capacity to create attractive development environments and establish constructive interaction between technological and commercial driving forces that are the critical factors for developing these companies.

FINANCIAL RISKS

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, FRA's and similar measures, within the framework of established policies. Only forward exchange contracts were current at the end of 2004.

The financial risk factors can be divided into the general financial risk involved in trading with third parties or in third party countries, foreign exchange risk, and interest rate risk.

Financial risk arising from trade

The general financial risk 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 2004.

Foreign exchange risk

Foreign exchange risk relates to the risk of losses (or possibility of gains) resulting from changes 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 takes place in the EU and the USA, a smaller number taking place in Eastern Europe, overseas countries and the Far East. Operations in Eastern Europe principally comprise production, while those in overseas countries and the Far East chiefly involve sales organisations.

To counter its foreign exchange risk the Group employs a number of the financial instruments referred to above. Management and hedging of existing and anticipated exchange risks is 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 2004 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 2004 were established to hedge transaction types in accordance with the Group's currency policy. See also Note 24 to the accounts.

Translation risk

Amounts in mDKK	Revenue		Earnings before tax		Exchange rate change 2003 til 2004
USA	1,327	17%	68	29%	-10%
Western Europe	4,615	60%	126	52%	Unchanged
Eastern Europe	1,233	16%	47	20%	-3%
Asia/Pacific	550	7%	(4)	(1)%	-10%
	7,725	100%	237	100%	

In 2004, around 75% of revenue and earnings was generated in countries with currencies that were stable against DKK. Around 25% was generated in countries who use the USD or whose currencies follow USD. In 2004, exchange rate factors are considered to have reduced Group earnings by 7 mDKK on translation to DKK.

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 Danish kroner for recognition in the consolidated financial statement.

The translation risk can be illustrated by analysing revenue in 2004 and earnings before tax (cf. table on page 30).

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 changes in market interest rates on future cash flows relating to the Group's interest bearing assets and liabilities.

Owing to its capital structure the NKT Group has only limited exposure to interest rate changes. At 31 December 2004 the Group's interest bearing current assets exceeded its interest bearing payables by 333 mDKK.

The Group's variable-interest payables amounted to 954 mDKK at 31 December 2004, while cash resources comprised 626 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 3 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.

CYCLICAL SENSITIVITY

Economic growth in our European markets was subdued in 2004, while growth in our US and Asian markets was good. At the start of 2005 we expect continued stable but moderate growth in Europe, and declining growth in the US and Asian markets.

NKT's companies differ in terms of their cyclical sensitivity.

Nilfisk-Advance

We consider Nilfisk-Advance cyclically sensitive in the broad sense. This is because most of our customers are professional or institutional users who view buying cleaners as a capital investment. In times of slowdown, new investment is one of the first areas affected because it is easy for customers to protect their liquidity by postponing investment decisions.

NKT Cables

NKT Cables' cyclical sensitivity is primarily considered to relate to the company's revenue from low voltage products and certain metal products. This is because they are used in building and industrial production. Around half the company's revenue falls in this category.

The rest of the company's revenue comes from medium and high voltage products sold mainly to the power sector. Activity levels in this sector are not considered especially cyclically sensitive. They are dictated by the maintenance condition of existing electricity grid – and less by the need for increased grid capacity.

NKT Flexibles

NKT Flexibles' cyclical sensitivity is viewed as moderate.

The company is part of the global offshore industry's value chain, and the demand for our products is primarily related to expansion of existing oil fields and establishment of new ones. The offshore industry operates on a long planning horizon and investment decisions are principally driven by developments in the price of oil and by the size and composition of the oil reserves.

NKT Photonics Group

The development companies in NKT Photonics Group are considered cyclically sensitive because most of their revenue comes from products used in industrial applications.

At present, the commercial activities of these companies represent a very limited part of the Group's overall business.

Signatures/Auditors' REPORT

Statement by the Management and the Board of Directors

The Management and Board of Directors have today discussed and adopted the annual report for 2004 of NKT Holding A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act, Danish accounting standards and the accounting regulations for companies listed on the Copenhagen Stock Exchange.We consider the accounting policies applied to be appropriate, so that the annual report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position, and of the results of the Group's and the Company's operations and cash flows for the financial year 2004.
We recommend that the annual report be approved at the annual general meeting.

Brøndby, 7 March 2005

Board of Management

Tom Knutzen *President and CEO*	Søren Isaksen	Thomas Hofman-Bang

Board of Directors

Christian Kjær *Chairman*	Krister Ahlström	Jørgen Bjergskov Nielsen
Ole Løvig Simonsen *Deputy Chairman*	Jan Wraae Folting	Christian Ussing-Nielsen
Holger Lavesen	Jens Maaløe	Søren Chr. Therkelsen

Auditors' 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 2004 prepared in accordance with the Danish Financial Statements Act, Danish accounting standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies.

The annual report is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards.Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Board of Management, as well as evaluating the overall annual report presentation.We believe that our audit provides a reasonable basis for our opinion.
Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2004 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2004 in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies.

Copenhagen, 7 March 2005

KPMG C. Jespersen *Statsautoriseret Revisionsinteressentskab*	Deloitte *Statsautoriseret Revisionsaktieselskab*
Finn L. Meyer Lars Andersen *State Authorised Public Accountants*	Jens Rudkjær Carsten Vaarby *State Authorised Public Accountants*

ACCOUNTS

2004

From next year - ie. with effect from the 2005 accounts - NKT will adopt IFRS (International Financial Reporting Standards) accounting procedures.

The differences between IFRS and our current accounting policies are described on pages 10 and 11.

ACCOUNTING POLICIES

The annual report of NKT Holding A/S for 2004 has been prepared in accordance with the provisions applying to class D enterprises under the Danish Financial Statements Act, Danish accounting standards, and the accounting regulations for companies listed on the Copenhagen Stock Exchange.

The accounting policies are unchanged from last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the parent company, NKT Holding A/S, and subsidiaries in which the NKT Group directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the NKT Group holds 20% or more of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

The consolidated financial statements are prepared on the basis of audited annual accounts for NKT Holding A/S and the subsidiaries, presented in accordance with the NKT Group's accounting policies. The accounts are prepared by combining accounting items of a uniform nature.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' net asset value at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal.

The comparative figures are not adjusted for acquisitions or disposals.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, which is usually a maximum of five years. However, goodwill on major strategic acquisitions may be amortised over a period up to 20 years.

Goodwill arising from acquired enterprises can be adjusted until the end of the year following the acquisition. Later adjustments are recognised as income or expenses. However, adjustment of recognised liabilities for restructuring of acquired enterprises is always reversed by adjustment of the goodwill amount.

Goodwill arising on the acquisition of an enterprise is recognised in the accounts of the acquiring enterprise at the exchange rate prevailing at the date of acquisition.

Gains or losses arising from disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets (after foreign exchange adjustments) at the date of disposal plus anticipated disposal costs.

Minority interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The minority interests' proportionate shares of the subsidiaries' results and capital and reserves are adjusted annually and stated separately in the income statement and balance sheet.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated 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 interest income or expense and similar items.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as interest income or expense and similar items.

On recognition of foreign subsidiaries and associates which are separate entities, the income statements are translated at the average exchange rates, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening capital and reserves of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates ruling at the balance sheet date are recognised directly in capital and reserves.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in capital and reserves. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in capital and reserves.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as receivables or payables and in capital and reserves. Income and expenses relating to such hedging transactions are transferred from capital and reserves on realisation of the hedged item and recognised in the same item as the hedged item. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement when they occur.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in capital and reserves. The tax effect of this is also recognised in capital and reserves.

Income statement

Revenue from the sale of goods for resale and finished goods is invoiced and recognised in the income statement when delivery and transfer of risk to the buyer have taken place. Revenue is measured ex VAT, taxes and discounts in relation to the sale.

Contract work in progress is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). Anticipated losses on contracts are recognised in the income statement so that losses on the remainder of the contract do not affect the results for the following years.

Variation 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 that directly or indirectly can be attributed to the cost of the items stated in the balance sheet.

Work performed for own account and capitalised comprises income corresponding to staff and other costs recognised during the year in the income statement that directly or indirectly can be attributed to the cost of plant and machinery of own manufacture.

Profits/losses from investments in subsidiaries before tax and extraordinary items. The proportionate share of the results before tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses and after amortisation of goodwill (the equity method). The share of the taxes and extraordinary items of subsidiaries is recognised as tax on profit/loss from ordinary activities and extraordinary profit/loss after tax, respectively.

Other operating income comprises items of a secondary and recurring nature relative to the principal activities of the enterprise, including subsidy income, and gains and losses on disposal of tangible assets.

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

Other external costs relating to production, sale and administration comprises items of a primary nature relative to the principal activities of the enterprise.

Staff costs comprises wages, salaries, pensions and other items relating to the Company's employees, including remuneration to the Board of Directors and the Management. The value of the executive share option scheme is stated in a note to the accounts.

Profits/losses from investments in associates before tax. The proportionate share of the results before tax of the individual associates is recognised after full elimination of intra-group profits/losses and after amortisation of goodwill (the equity method). The share of the taxes and extraordinary items of associates is recognised as tax on profit/loss from ordinary activities and extraordinary profit/loss after tax, respectively.

Depreciation, amortisation and impairment comprises depreciation on tangible assets, amortisation of intangible assets, and writedowns due to impairment.

Secondary income and expenses comprises items of a secondary and non-recurring nature relative to the primary activities of the enterprise in the form of gains and losses arising from disposals, etc.

Financial income and expenses comprises interest income and expenses, market gains and losses in respect of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme etc.

Extraordinary income and expenses comprises income and expenses that arise from events or transactions that are clearly distinct from the ordinary activities, are not within the control of the company, and which are not expected to be of a recurring nature.

Tax 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 amounts directly recognised in capital and reserves is recognised directly in capital and reserves. The recognised tax expense relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

Goodwill is amortised over its estimated useful life determined on the basis of management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum period of five years. However, goodwill on strategically acquired enterprises with strong market positions and long-term earnings profiles may be amortised over a maximum period of 20 years.

The carrying amount of goodwill is assessed currently and written down in the income statement to the recoverable amount if the carrying amount exceeds the expected future net income from the enterprise or activity to which the goodwill relates.

Internal development projects comprises costs, salaries and depreciation on tangible assets which relate directly or indirectly to the Company's development activities.

Development projects that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling and administrative expenses and development costs. Borrowing costs are not recognised. Capitalised development projects are measured at the lower of cost less accumulated amortisation and the recoverable amount.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is not to exceed five years.

Patents, licences and trademarks, etc. are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period, although usually over a maximum of five years. Major strategic acquisitions may be amortised over a maximum period of 20 years.

Gains and losses on disposal of development projects, patents and licences are determined as the difference between the selling price less sales costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Tangible assets

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

The cost of leases is stated at the lower of fair value and the present value of the future lease payments. For the calculation of the net present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate. Fitting out of leased premises is included in tangible assets.

The basis for depreciation is determined as the cost price less anticipated scrap value at the date when the asset is available for use. Indirect costs are included in the cost of self-constructed assets. Borrowing costs are not recognised. Depreciation starts when the asset is available for use and is effected on a straight-line basis over the expected useful lives of the assets to the anticipated scrap value. The expected useful lives of major assets are determined individually, while the useful lives of other assets are determined for groups of similar assets. Depreciation is not applied to land.

The expected useful lives are as follows:

Buildings	25 years
Fixed plant in buildings	10 years
Manufacturing plant and machinery	8-15 years
Tools	4 years
Fixtures, fittings and equipment:	
IT equipment	4 years
Motor vehicles	5 years
Other	4-8 years

Assets with an initial/acquisition cost of less than DKK 20,000 per unit and assets with useful lives of less than three years are recognised in the income statement in the year of acquisition.

Gains and losses on the disposal of tangible assets are determined as the difference between the selling price less dismantling, sales and possible reerecting costs and the carrying amount at the date of sale. The gains or losses are recognised in the income statement as other operating income or other external costs, respectively.

Impairment

The book value of both intangible and tangible assets is assessed annually for impairment. If impairment is indicated, this reduced value is measured as the higher of the recoverable value and the net selling price.

Investments

Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the net asset values of the enterprises calculated in accordance with the parent company's accounting policies minus or plus unrealised intra-group profits and losses, and plus or minus residual goodwill or negative goodwill. Subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the negative net asset value if the amount owed is considered irrecoverable. Where the negative net asset value exceeds the amount owed, the remaining amount is recognised under provisions if the parent company has a legal or constructive obligation to cover the subsidiary's deficit.

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation according to the equity method in capital and reserves to the extent that the carrying amount exceeds the cost of acquisition.

On acquisition of subsidiaries, the purchase method is applied, cf. Consolidated financial statements above.

Other securities which are not retained until maturity are measured at fair value on the balance sheet date. If a market price is not available or an approximate current value cannot be measured, the investments are measured at cost of acquisition or an estimated lower value. Other securities retained until maturity are measured at amortised cost.

Current assets

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 and consumables plus processing costs and other direct and indirect costs attributable to the individual products. Borrowing costs are not recognised.

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

Receivables are measured at amortised cost. Provision is made for anticipated losses.

Contract work in progress is measured at the selling price of the work performed. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work. The stage of completion is measured as the relationship between costs incurred/ resources invested and estimated total costs/resources relating to the contract. Borrowing costs are not recognised. Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Individual contract work in progress is recognised in the balance sheet under either receivables or payables, depending on the net amount of the selling price less progress billings and prepayments.

Prepayments comprise costs incurred concerning subsequent financial years.
Securities recognised as current assets are measured at fair value at the balance sheet date. If a market price is not available or an approximate current value cannot be measured, the securities are recognised at cost of acquisition or an estimated lower value.

Capital and reserves

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 capital and reserves.

Treasury shares: Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly as retained earnings in capital and reserves. Accordingly, gains and losses from sale are not recognised in the income statement.

Provisions

Pension liabilities not covered by insurance are recognised at the capitalised value of current pensions and pension liabilities. Changes in provision amounts during the year are recognised in the income statement.

Other provisions comprises anticipated costs relating to guarantee liabilities, losses on work in progress for third parties, restructurings, etc. Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that settlement of the obligation will involve an outflow of the Company's economic resources.

Guarantee liabilities comprise repairs within the warranty period. The guarantee provisions are measured and recognised based on past experience.

Provisions expected to be maintained for more than one year from the balance sheet date are discounted at the average bond interest rate.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract.

On acquisition of enterprises, provision for restructurings of the acquired enterprise is included in the calculation of the cost of acquisition and, accordingly, in goodwill, provided that they have been adopted and announced no later than at the date of the acquisition.

Financial liabilities

Amounts owed to mortgage credit institutions and banks are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

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

Other liabilities are measured at amortised cost, which essentially corresponds to nominal value.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as the tax expected on taxable income for the year, including adjustments for corresponding tax for previous years and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Provision is not made for deferred tax resulting from investments in subsidiaries and associates as these are not considered temporary investments and tax liability under Danish tax regulations ceases three years after the investment date. Deferred tax is not recognised either on temporary differences relating to goodwill which is not deductible for tax purposes and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.
Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Provision for deferred tax is made to cover recapture of tax losses in foreign enterprises.

Deferred tax receivables, including the tax base of tax loss carry forwards, are recognised 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 measured according to the tax rules and at the tax rates applicable in the respective countries 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.

Joint taxation has been established between the parent company and a number of subsidiaries. The parent company makes provision and payment for all Danish tax liable on the taxable income of these enterprises, and also makes provision for deferred tax relating to these companies. The jointly taxed Danish companies are included in the Danish on-account tax scheme. Additions, deductions and credits relating to the tax payment are included in financial income and expenses.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents 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 acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised until the date of disposal.

Cash flows from operating activities are calculated as the operating profit/loss before depreciation and impairment, adjusted for non-cash operating items, changes in working capital, and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, tangible assets and investments.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest bearing debt, purchase of treasury shares, and payment of dividends.

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

Remuneration

Share-based remuneration is regarded as an equity instrument and is not included in the balance sheet and income statement.

Segment information

Information is provided about the NKT Group's business segments. This information is correlated with NKT's accounting policies, risks and internal financial management. In accordance with the transitional provisions of the Danish Financial Statements Act, information is not provided about geographical markets.

Our business segments comprise:

- Professional cleaning machines - Nilfisk-Advance
- Cable products - NKT Cables
- Optical products - NKT Photonics Group
- Flexible pipes - NKT Flexibles
- Property letting - Priorparken

Details concerning the individual business segments can be found in "Segment information".

Financial ratios

The financial ratios are based on the "Recommendations and Financial Ratios 2005" of the Danish Society of Investment Professionals, and generally accepted calculation formulas.

Tables of figures

Figures in brackets denote negative amounts and deductions.

INCOME STATEMENT

NKT Holding A/S 2003	NKT Holding A/S 2004	1 January - 31 December - amounts in mDKK	Note	NKT Group 2004	NKT Group 2003
		Income statement			
		Revenue		7,724.6	5,823.6
		Variation in inventories of finished goods and work in progress		43.4	3.9
				7,768.0	5,827.5
-	-	Work performed for own account and capitalised		7.1	12.3
71.7	228.3	Profits/losses from investments in subsidiaries before tax	1	.	.
36.7	22.7	Other operating income	2	235.3	84.2
108.4	251.0	Total		8,010.4	5,924.0
		Costs			
		Raw materials, consumables and goods for resale		(4,154.2)	(2,913.1)
(15.7)	(13.8)	Other external costs		(1,250.6)	(1,027.7)
(22.3)	(22.1)	Staff costs	3	(1,996.0)	(1,601.6)
(38.0)	(35.9)	Total		(7,400.8)	(5,542.4)
-	-	Profits/losses from investments in associates before tax	11	6.1	4.4
70.4	215.1	Earnings before interest, tax, depreciation and amortisation (EBITDA)		615.7	386.0
(1.1)	(1.2)	Depreciation and impairment on tangible assets	4	(261.6)	(223.5)
-	-	Amortisation and impairment on intangible assets	5	(107.5)	(70.9)
69.3	213.9	**Earnings before interest and tax (EBIT)**		246.6	91.6
		Financial items			
6.1	11.9	Income from investments		0.1	20.6
52.1	54.3	Financial income	6	107.7	68.5
(13.5)	(23.6)	Financial expenses	7	(117.8)	(72.8)
114.0	256.5	**Earnings before tax**		236.6	107.9
(29.1)	5.8	Tax	8	6.1	(30.9)
84.9	262.3	**Net income**		242.7	77.0
		Minority interests' share of net income		19.6	7.9
84.9	262.3	**NKT's share of net income**		262.3	84.9
		Proposed distribution of profit/loss for year			
84.9	262.3	Net income			
200.0	196.0	Proposed dividends, 8 DKK per share (2003: 8 DKK)			
(115.1)	66.3	Transferred to retained earnings			

BALANCE SHEET

NKT Holding A/S 2003	NKT Holding A/S 2004	At 31 December - amounts in mDKK	Note	NKT Group 2004	NKT Group 2003
		ASSETS			
		Fixed assets			
		Intangible assets	9		
-	-	Completed development projects		90.8	40.6
-	-	Patents, licences and trademarks, etc.		45.6	29.4
-	-	Goodwill		856.4	554.1
-	-	Development projects in progress and prepayments		47.0	27.1
-	-			1,039.8	651.2
		Tangible assets	10		
-	-	Land and buildings		400.5	486.6
-	-	Manufacturing plant and machinery		330.9	381.6
2.9	1.7	Fixtures, fittings, tools and equipment		216.4	128.1
-	-	Tangible assets under construction		61.1	32.5
2.9	1.7			1,008.9	1,028.8
		Investments			
1,523.1	1,975.1	Investments in subsidiaries	1,11	.	.
98.9	674.5	Receivables from subsidiaries		.	.
-	-	Investments in associates	11	16.2	10.8
8.4	1.6	Other securities and investments	12	19.9	60.1
-	-	Other receivables	12	9.3	4.2
55.0	135.0	Deferred tax assets	13	301.2	126.2
1,685.4	2,786.2			346.6	201.3
1,688.3	2,787.9	**Total fixed assets**		2,395.3	1,881.3
		Current assets			
-	-	**Inventories**	14	1,465.2	993.1
		Receivables	15		
-	-	Trade receivables		1,338.6	962.8
-	-	Contract work in progress	16	8.1	1.6
769.3	440.1	Receivables from subsidiaries		.	.
6.3	4.9	Other receivables		128.3	99.5
-	-	Prepayments		93.1	31.2
775.6	445.0			1,568.1	1,095.1
100.9	12.4	**Securities**		57.0	101.1
521.3	546.1	**Cash at bank and in hand**		625.9	592.3
1,397.8	1,003.5	**Total current assets**		3,716.2	2,781.6
3,086.1	3,791.4	**Total assets**		6,111.5	4,662.9

NKT Holding A/S		At 31 December - amounts in mDKK		NKT Group	
2003	2004		Note	2004	2003
		EQUITY AND LIABILITIES			
		Capital and reserves			
500.0	490.0	Share capital	17	490.0	500.0
-	-	Reserve for net revaluation according to the equity method		.	.
2,131.4	2,172.8	Retained earnings		2,172.8	2,131.4
200.0	196.0	Proposed dividends		196.0	200.0
2,831.4	2,858.8			2,858.8	2,831.4
.	.	**Minority interests**		140.7	125.8
		Provisions			
1.4	1.3	Pension liabilities	18	191.5	171.6
-	-	Deferred tax	19	7.4	5.3
-	-	Other provisions	20	298.8	149.6
1.4	1.3			497.7	326.5
		Liabilities other than provisions			
		Long-term liabilities other than provisions	21		
-	-	Credit institutions		709.4	3.8
-	-	Mortgage-credit institutions		-	1.1
-	-	Other		25.5	40.2
-	-			734.9	45.1
		Short-term liabilities other than provisions			
-	-	Short-term portion of long-term liabilities other than provisions		43.6	14.5
68.8	583.5	Credit institutions		238.2	230.3
-	-	Prepayments from customers		138.6	87.6
5.1	1.1	Trade creditors		732.2	501.2
173.2	335.0	Amounts owed to subsidiaries		.	.
-	-	Corporation tax		29.4	19.1
6.2	11.7	Other payables		693.6	470.0
-	-	Deferred income		3.8	11.4
253.3	931.3			1,879.4	1,334.1
253.3	931.3	**Total liabilities other than provisions**		2,614.3	1,379.2
3,086.1	3,791.4	**Total equity and liabilities**		6,111.5	4,662.9
		Pledged assets	22		
		Contingent liabilities	23		
		Derivative financial instruments	24		
		Share option plan	25		
		Treasury shares	26		

CASH FLOW STATEMENT

NKT Holding A/S		1 January - 31 December - amounts in mDKK		NKT Group	
2003	*2004*		*Note*	*2004*	*2003*
70.4	215.1	EBITDA		615.7	386.0
(71.7)	(228.3)	Share of income of subsidiaries before tax		.	.
(20.4)	(0.1)	Utilised provision for restructuring, etc and proceeds from sale of fixed assets, etc.		(252.8)	(81.4)
3.3	(2.6)	Changes in working capital		(37.8)	(47.7)
(18.4)	(15.9)	Cash flows from operations before financial items		325.1	256.9
56.9	61.0	Interest received		38.3	34.7
(13.5)	(23.6)	Interest paid		(61.9)	(37.1)
25.0	21.5	Cash flows from operations		301.5	254.5
(0.6)	(0.5)	Corporation tax paid		(31.6)	(19.3)
11.5	4.6	Received joint taxation contributions from subsidiaries		.	.
35.9	25.6	**Cash flows from operating activities**		269.9	235.2
-	-	Acquisition of business activities	*27*	(425.5)	-
14.8	-	Divestment of business activity	*28*	-	14.8
(1.7)	-	Acquisition of tangible assets		(218.4)	(162.9)
0.3	-	Disposal of tangible assets		353.6	47.0
(8.8)	100.5	Other investments, net		27.4	(57.6)
76.3	38.7	Dividends from subsidiaries		.	.
(100.5)	(380.3)	Increase and decrease of capital in subsidiaries		.	.
155.6	(89.4)	Changes in loans to/from subsidiaries		.	.
136.0	(330.5)	**Cash flows from investing activities**		(262.9)	(158.7)
-	-	Changes in long-term loans		488.7	(1.8)
(105.3)	525.9	Changes in short-term loans		(301.5)	(124.4)
.	.	Minority interests		29.5	0.3
(18.1)	3.8	Treasury shares acquired/share options paid		3.8	(18.1)
(100.0)	(200.0)	Dividends paid		(200.0)	(100.0)
(223.4)	329.7	**Cash flows from financing activities**		20.5	(244.0)
(51.5)	24.8	**Net cash flows from operating, investing and financing activities**		27.5	(167.5)
572.8	521.3	Cash at bank and in hand, 1 January		592.3	773.5
-	-	Currency adjustments		6.1	(13.7)
(51.5)	24.8	Net cash flow		27.5	(167.5)
521.3	546.1	Cash at bank and in hand, 31 December		625.9	592.3

CAPITAL and RESERVES

1 January - 31 December - amounts in mDKK	NKT Group			
	Share capital	*Retained earnings*	*Proposed dividends*	*Total*
Capital and reserves, 1 January 2003	500.0	2,297.7	100.0	2,897.7
Dividends			(100.0)	(100.0)
Share options paid		3.4		3.4
Dividends, treasury shares		2.0		2.0
Net income for the year		84.9		84.9
Exchange adjustment of net income and capital and reserves of foreign companies, etc.		(84.7)		(84.7)
Value adjustment of hedging instruments		7.1		7.1
Tax of adjustments entered in capital and reserve		21.0		21.0
Proposed dividends		(200.0)	200.0	-
Capital and reserves, 1 January 2004	500.0	2,131.4	200.0	2,831.4
Dividends			(200.0)	(200.0)
Reduction by cancellation of treasury shares	(10.0)	10.0		-
Purchase of treasury shares		(0.2)		(0.2)
Dividends, treasury shares		4.0		4.0
Net income for the year		262.3		262.3
Exchange adjustment of net income and capital and reserves of foreign companies, etc.		(53.3)		(53.3)
Value adjustment of hedging instruments		11.6		11.6
Tax of adjustments entered in capital and reserve		3.0		3.0
Proposed dividends		(196.0)	196.0	-
Capital and reserves, 31 December 2004	490.0	2,172.8	196.0	2,858.8

SEGMENT INFORMATION 2004

Business segment / companies

Amounts in mDKK

	Nilfisk-Advance	NKT Cables	NKT Photonics Group	NKT Flexibles[1]	Prior-parken	Other companies	Parent company Elim., etc.	2004 total
Income statement								
Revenue	4,111	3,324	81	197	32	4	(24)	7,725
Earnings, EBITDA	371	190	(87)	(34)	192	(3)	(13)	616
Depreciation, amortisation, impairment	(176)	(75)	(73)	(27)	(14)	(2)	(2)	(369)
Earnings, EBIT	195	115	(160)	(61)	178	(5)	(15)	247
Financial items, net	(41)	(21)	(4)	(4)	2	15	43	(10)
Earnings from ordinary activities before tax	154	94	(164)	(65)	180	10	28	237
Group tax for year								6
Group income								243
Minority interests' share of income								19
NKT's share of net income								262
Balance sheet								
Total assets	3,959	1,812	143	382	329	108	(621)	6,112
Fixed assets	1,500	423	80	223	26	15	128	2,395
Goodwill	849	12	4	-	-	-	(9)	856
Liabilities	2,928	1,340	188	249	28	24	(1,645)	3,112
Capital and reserves	1,031	472	(45)	69	301	84	947	2,859
Interest bearing items, net [2]	(1,073)	(133)	(128)	(187)	292	82	814	(333)
Capital employed [3]	2,106	679	83	319	9	2	134	3,332
Cash flows								
Cash flows from operations	318	58	(80)	(62)	21	(5)	20	270
Investments in tangible, net [4]	(102)	(59)	(14)	(4)	314	0	0	135
Other information								
R&D costs	141	27	69	12	-	-	-	249
Goodwill, amortisaton and impairment	70	2	1	-	-		1	74
Average number of full time employees	3,310	2,249	153	225	12	-	23	5,972

1) NKT's ownership share is 51%.
2) Interest bearing cash items and receivables, plus securities, less interest bearing debt.
3) Capital and reserves, minority interest and interest bearing net assets.
4) Excludes acquisition and sale of fixed assets relating to transfer of businesses.

2003

Business segment / companies

Amounts in mDKK

	Nilfisk-Advance	NKT Cables	NKT Photonics Group	NKT Flexibles1)	Prior-parken	Other companies	Parent company Elim., etc.	2003 Total
Income statement								
Revenue	2,701	2,718	70	305	54	6	(30)	5,824
Earnings, EBITDA	276	166	(76)	(6)	28	(9)	7	386
Depreciation, amortisation, impairment	(113)	(62)	(59)	(26)	(28)	(2)	(4)	(294)
Earnings, EBIT	163	104	(135)	(32)	-	(11)	3	92
Financial items, net	(14)	(27)	(4)	(6)	-	20	47	16
Earnings from ordinary activities before tax	149	77	(139)	(38)	-	9	50	108
Group tax for year								(31)
Group income								77
Minority interests' share of income								8
NKT's share of net income								85
Balance sheet								
Total assets	1,860	1,509	188	374	180	50	502	4,663
Fixed assets	823	397	112	245	176	32	96	1,881
Goodwill	527	10	-	-	-	-	17	554
Liabilities	1,045	1,068	144	240	50	19	(860)	1,706
Capital and reserves	811	375	45	69	130	32	1,369	2,831
Interest bearing items, net 2)	(466)	(110)	(80)	(181)	(35)	7	1,274	409
Capital employed 3)	1,280	550	124	315	164	(6)	122	2,549
Cash flows								
Cash flows from operations	222	89	(80)	(18)	3	(19)	38	235
Investments in tangible, net 4)	(47)	(55)	(10)	(7)	0	4	(1)	(116)
Other information								
R&D costs	84	28	66	10	-	15	-	203
Goodwill, amortisaton and impairment	52	-	-	-	-		2	54
Average number of full time employees	2,049	2,438	165	222	22	11	25	4,932

1) NKT's ownership share is 51%.
2) Interest bearing cash items and receivables, plus securities, less interest bearing debt.
3) Capital and reserves, minority interest and interest bearing net assets.
4) Excludes acquisition and sale of fixed assets relating to transfer of businesses.

COMMENTS
TO SEGMENT INFORMATION

EBITDA and EBIT

- adjusted for improved comparison

Amounts in mDKK	2003 Actual	2003 Adjust-ments	2003 Adjusted income	2004 Actual	2004 Adjust-ments	2004 Adjusted income	Improvement
Nilfisk-Advance	276	-	276	371	-	371	95
NKT Cables	166	-	166	190	11	201	35
NKT Photonics	(76)	-	(76)	(87)	13	(74)	2
NKT Flexibles	(6)	-	(6)	(34)	-	(34)	(28)
Priorparken	28	(9)	19	192	(186)	6	(13)
Other companies	(9)	(6)	(15)	(3)	-	(3)	12
Parent company elim., etc.	7	(20)	(13)	(13)	-	(13)	-
EBITDA	386	(35)	351	616	(162)	454	103
Depreciation and amortisation	(294)	25	(269)	(369)	57	(312)	(43)
EBIT	92	(10)	82	247	(105)	142	60

The information the NKT Group provides about its business segments is correlated with NKT's accounting policies, risks and internal financial management. In accordance with the transitional provisions of the Danish Financial Statements Act, information is not provided about geographical markets.

Our business segments comprise:

- Professional cleaning machines - Nilfisk-Advance Group
- Cable products - NKT Cables Group
- Optical products - NKT Photonics Group (NKT Integration, Crystal Fibre, KOHERAS, LIOS Technology, Nanon, NKT Research & Innovation)
- Flexible pipes - NKT Flexibles
- Property letting - Priorparken

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.

The tables on pages 44 and 45 illustrates a profit improvement in 2004. One major reason was income from property sales, to which must be added increased earnings by our companies.

To facilitate more direct comparison of operating performance between the two years, numbers has been adjusted for material non-recurring items.

Adjustments for 2003 are as follows:

- Priorparken - 9 mDKK - principally reversed provisions relating to environmental conditions
- Other companies - 6 mDKK - proceeds from sale of the activities of Watech
- Parent company, eliminations etc. - sale of Scandinavia Micro Biodevices yielded book proceeds of 20 mDKK
- Depreciation and amortisation: impairment writedown on fixed assets in NKT Photonics Group (NKT Integration) 19 mDKK, and Priorparken 6 mDKK.

Adjustments for 2004 are as follows:

- NKT Cables - 11 mDKK - winding up of company in Austria
- NKT Photonics - 13 mDKK - winding up of NKT Integration
- Priorparken - 186 mDKK - profits on properties 179 mDKK, and income on earlier rent contracts, etc.
- Impairment writedown on fixed assets in NKT Cables, Austria, 15 mDKK, and in NKT Integration, 42 mDKK. Both writedowns were made taking into account activities before compiling the annual accounts.

Earnings (EBIT) increased from 2003 to 2004 by 60 mDKK. For more details see "Accounts 2004" and the review of our companies.

NOTES

NKT Holding A/S

Note 1 Share of income and capital and reserves of subsidiaries

	Share of income before tax	*Share of capital and reserves* [3]	*Issued warrants and options as percentage of diluted share capital* [4]
Nilfisk-Advance A/S, Brøndby [1]	154.3	1,030.9	2%
NKT Cables Group A/S, Brøndby	81.5	471.5	
I.C. Holding A/S, Brøndby (incl. the subsidiary NKT Integration A/S)	(120.8)	(74.3)	
Crystal Fibre A/S, Birkerød, share 89%	(14.9)	8.4	2%
KOHERAS A/S, Birkerød	(9.7)	1.7	4%
LIOS Technology GmbH, Cologne	(2.0)	9.7	
Nanon A/S, Brøndby	(1.6)	3.5	
NKT Research & Innovation A/S, Birkerød	(10.8)	13.9	
NKT Flexibles, Brøndby [2]	(33.0)	68.3	
Priorparken A/S, Brøndby	179.6	300.5	
Other	16.2	83.5	
	238.8	1,917.6	
Elimination of inter-company profits	(8.7)	(33.7)	
Group goodwill	(1.8)	16.9	
Negative capital and reserves set off in receivables		74.3	
Subsidiaries, total	228.3	1,975.1	

[1] An sharebased incentive programme linked to the growth in company value has been established for the management of Nilfisk-Advance. The plan is founded on a value programme based on 1.85% (2003: 1.86%) of the company's share capital. The value of the company is calculated as EBITDA multiplied by a factor, minus the net interest bearing debt. The strike price is indexed over time and the issued programme is exercisable in the period April 2005 to April 2010. Exercise is conditional upon employment (without notice) at the exercise date. The value of the programme based on 2004 earnings performance is 9.8 mDKK (2003: 9.3 mDKK) subject to the company's financial ratios being unchanged until the exercise date.

[2] NKT Flexibles includes NKT's share of income and capital and reserves. The NKT Group owns 51% of NKT Flexibles I/S through the subsidiary company SubSeaFlex Holding A/S, Brøndby.

[3] Of which goodwill comprises 856.4 mDKK, cf. Note 9 (2003: 554.1 mDKK).

[4] Calculated as the option holder's share of the share capital after the options have been fully exercised.

NOTES

NKT Holding A/S 2003	NKT Holding A/S 2004			NKT Group 2004	NKT Group 2003
		Note 2	**Other operating income**		
			Includes profits of 179 mDKK (2003: 0 mDKK) from sales of properties by Priorparken A/S		
		Note 3	**Staff costs**		
20.6	20.4		Wages and salaries	1,707.9	1,352.6
1.6	1.6		Pensions and pension contributions	92.7	89.2
0.1	0.1		Social security contributions	195.4	159.8
22.3	22.1			1,996.0	1,601.6
2.1	2.1		Remuneration to parent company Board of Directors	2.4	2.4
			Remuneration to parent company Board of Management:		
2.9	3.3		Tom Knutzen, President and CEO (no bonus scheme)	3.3	2.9
2.0	2.3		Søren Isaksen, CTO [1)]	2.3	2.0
1.9	2.2		Thomas Hofman-Bang, CFO [1)]	2.2	1.9
6.8	7.8			7.8	6.8
			The above remuneration includes bonuses to Søren Isaksen and Thomas Hofman-Bang. For share options, see Note 25. [1)] Bonus scheme of max. 15%.		
25	23		Average number of full-time employees	5,972	4,932
		Note 4	**Depreciation and impairment on tangible assets**		
-	-		Land and buildings	42.4	42.7
-	-		Production plant and machinery	139.7	119.4
1.1	1.2		Fixtures, fittings, tools and equipment	79.4	61.4
-	-		Assets under construction	0.1	-
1.1	1.2			261.6	223.5
			Of which impairment is 57 mDKK (2003: 25 mDKK)		
		Note 5	**Amortisation and impairment on intangible assets**		
-	-		Development projects	19.8	5.2
-	-		Patents, software, etc.	13.8	11.6
-	-		Goodwill	73.9	54.1
-	-			107.5	70.9
		Note 6	**Financial income**		
15.4	16.6		Interest, etc.	44.0	24.4
26.6	23.6		Interest from subsidaries	.	.
10.1	14.1		Foreign exchange gains	63.7	44.1
52.1	54.3			107.7	68.5
		Note 7	**Financial expenses**		
2.2	5.2		Interest, etc.	51.5	31.9
4.3	4.7		Interest to subsidiaries	.	.
7.0	13.7		Foreign exchange losses	66.3	40.9
13.5	23.6			117.8	72.8

NKT Holding A/S 2003	NKT Holding A/S 2004	Note 8 Tax on net income	NKT Group 2004	NKT Group 2003
0.6	0.5	Current tax	42.6	32.8
(52.7)	(77.0)	Deferred tax	(48.7)	(1.9)
81.2	70.7	Tax in subsidiaries	.	.
29.1	(5.8)		(6.1)	30.9
		Reconciliation of tax		
		Tax at 30% rate of Danish corporation tax	71.0	32.4
		Foreign tax rates relative to 30%	7.9	5.8
		Non-deductible amortisation of goodwill	7.9	7.3
		Non-taxable income	(21.7)	
		Non-deductible expenses	19.5	
		Non-deductible losses of minority owner	9.6	5.4
		Non-deductible results of foreign companies	18.0	
		Adjustment for previous years		(23.0)
		Change in value adjustment of tax assets, cf. Note 19	(133.1)	11.7
		Other variances	14.8	(8.7)
			(6.1)	30.9

NKT Group

Note 9 **Intangible assets**

	Completed development projects	Patents, licences and trademarks, etc.	Goodwill	Development projects in progress and prepayments
Cost				
1 January	46.2	75.1	944.3	27.1
Additions from acquisitions of companies	162.1	-	-	11.4
Foreign exchange adjustment, foreign companies	(1.7)	0.8	(30.5)	0.8
Additions	28.0	21.9	390.4	27.4
Disposals	-	(45.7)	-	-
Transferred to (from) other items	11.7	8.1	-	(19.7)
31 December	246.3	60.2	1,304.2	47.0
Amortisation and impairment				
1 January	(5.6)	(45.7)	(390.2)	-
Additions from acquisitions of companies	(127.5)	-	-	-
Foreign exchange adjustment, foreign companies	0.4	(0.7)	16.3	-
Amortisation	(19.8)	(13.7)	(73.9)	-
Impairment	-	(0.1)	-	-
Disposals	(3.0)	45.6	-	-
31 December	(155.5)	(14.6)	(447.8)	-
Book value at 31 December	90.8	45.6	856.4	47.0

In accordance with the transitional provisions of the Danish Financial Statements Act, development costs have been capitalised as from 1 Jan. 2002.

NOTES

NKT Group

Note 10 Tangible assets

	Land and buildings	Manufact. plant and machinery	Tools, fittings, fixtures and equipment	Assets under construction
Cost				
1 January	1,307.3	1,922.1	501.6	32.5
Additions from acquisitions of companies	284.0	148.1	366.3	2.1
Foreign exchange adjustment, foreign companies	(0.1)	27.6	(10.0)	0.8
Additions	11.4	46.7	94.1	66.3
Disposals	(393.1)	(43.2)	(84.8)	(1.8)
Transferred to (from) other items	-	17.3	21.4	(38.7)
31 December	1,209.5	2,118.6	888.6	61.2
Amortisation and impairment				
1 January	(820.7)	(1,540.5)	(373.5)	-
Adjustment, 1 January	-	1.5	(1.5)	
Additions from acquisitions of companies	(191.3)	(121.1)	(295.0)	
Foreign exchange adjustment, foreign companies	(7.2)	(29.8)	2.1	
Depreciation	(37.2)	(92.5)	(75.2)	-
Impairment	(5.2)	(47.2)	(4.2)	(0.1)
Disposals	252.6	41.9	75.1	
31 December	(809.0)	(1,787.7)	(672.2)	(0.1)
Book value at 31 December	400.5	330.9	216.4	61.1
Book value of pledged assets	20.3	7.4	-	-

	Property valuations	Properties, book value
Latest property valuations		
Danish properties, public valuation	373.6	189.4
Foreign properties, book value	211.1	211.1
	584.7	400.5

NKT Holding A/S

Note 10 cont.

	Tools, fittings, fixtures and equipment
Cost	
1 January	9.5
Additions	-
Disposals	(3.7)
31 December	5.8
Depreciation and impairment	
1 January	(6.6)
Depreciation	(1.2)
Disposals	3.7
31 December	(4.1)
Book value at 31 December, equipment	1.7

NKT Holding A/S			NKT Group	

Note 11 Investments in subsidiaries and associates

	Investments in subsidiaries		Investments in associates
		Cost	
	5,380.3	1 January	7.4
	-	Additions	0.1
	380.3	Capital contribution	-
	5,760.6	31 December	7.5
		Revaluations	
	(3,857.2)	1 January	3.4
	(47.2)	Foreign exchange adjustment, foreign companies, etc.	-
	157.6	Share of net income	6.1
	(38.7)	Dividends	(0.8)
	(3,785.5)	31 December	8.7
	1,975.1	Book value at 31 December	16.2

Note 12 Investments

Other securities and investments	Other receivables		Other securities and investments	Other receivables
		Cost		
9.4	-	1 January	41.4	4.8
		Additions from acquisitions of companies	-	8.8
	-	Foreign exchange adjustment, foreign companies	-	(3.2)
0.4	-	Additions	0.1	2.1
(1.4)	-	Disposals	(4.3)	(1.6)
(7.8)	-	Transferred to other items	(17.8)	(0.9)
0.6	-	31 December	19.4	10.0
		Revaluations		
0.5	-	1 January	20.5	0.1
0.6	-	Revaluations	0.6	-
-	-	Transferred to other items	(20.0)	-
1.1	-	31 December	1.1	0.1
		Amortisation and impairment		
(1.5)	-	1 January	(1.8)	(0.7)
-	-	Foreign exchange adjustment, foreign companies	(0.1)	-
-	-	Impairment	(0.1)	-
1.4	-	Disposals	1.4	0.6
-	-	Transferred to other items	-	(0.7)
(0.1)	-	31 December	(0.6)	(0.8)
1.6	-	Book value at 31 December	19.9	9.3
	-	Receivables falling due after more than one year		4.6

NOTES

NKT Holding A/S 2003	NKT Holding A/S 2004			NKT Group 2004	NKT Group 2003
		Note 13	**Deferred tax assets**		
-	55.0		1 January	126.2	110.1
-	-		Additions from acquisitions of companies	127.2	-
-	-		Foreign exchange adjustment, foreign companies	(4.4)	
2.3	3.0		Tax of adjustments entered in capital and reserve	3.0	21.0
52.7	77.0		Entered in income statement	49.2	(4.9)
55.0	135.0			301.2	126.2
			See Note 19 for specification of the Group's tax asset		
			Tax assets are recognised if it is probable they will reduce future tax payments within a short time.		
		Note 14	**Inventories**		
			Raw materials, consumables and goods for resale	579.4	375.6
			Work in progress	159.4	139.0
			Finished goods	726.4	478.5
				1,465.2	993.1
		Note 15	**Receivables, current assets**		
0.7	0.7		Amount falling due more than one year after the balance sheet date	8.0	2.5
		Note 16	Contract work in progress		
			Selling price	125.6	117.0
			Progress billings	(117.5)	(115.4)
				8.1	1.6
		Note 17	**Share capital**		
500.0	500.0		1 January	500.0	500.0
-	(10.0)		Reduction by cancellation of treasury shares	(10.0)	-
500.0	490.0		Share capital 31 December	490.0	500.0
			The share capital of 490,000,000 DKK comprises 24,500,000 shares of 20 DKK each		
			Share capital, 1 January 2000 and 2001	539.6	
			Reduction by cancellation of treasury shares in 2001	(39.6)	
			Share capital, 1 January 2002, 2003, 2004	500.0	
			Reduction by cancellation of treasury shares in 2004	(10.0)	
				490.0	
			List of shareholders	Ownership	
			Aktieselskabet Potagua A/S Jægersborgvej 66 B, DK-2800 Kongens Lyngby	20.5%	
			ATP Kongens Vænge 8, DK-3400 Hillerød	11.6%	

NKT Holding A/S 2003	NKT Holding A/S 2004			NKT Group 2004	NKT Group 2003
		Note 18	**Pension liabilities**		
1.5	1.4		Provision, 1 January	171.6	161.3
-	-		Additions from acquisitions of companies	12.0	-
-	-		Foreign exchange adjustment	1.0	(0.2)
(0.3)	(0.3)		Utilised during year	(4.9)	(0.4)
0.2	0.2		Provision for the year	11.8	10.9
1.4	1.3			191.5	171.6
			The provisions are expected to be payable in		
0.3	0.3		0-1 year	0.3	0.3
1.1	1.0		1-5 years	32.5	21.8
-	-		> 5 years	158.7	149.5
1.4	1.3			191.5	171.6
			For not recognised pension liabilities see note 23.		
		Note 19	**Provision for deferred taxation**		
-	-		1 January	5.3	12.5
-	-		Additions from acquisitions of companies	1.5	-
-	-		Foreign exchange adjustment, foreign companies	0.1	(0.4)
-	-		Entered in income statement	0.5	(6.8)
-	-		31 December	7.4	5.3
			Specification of deferred tax receivables and deferred tax		
			Deferred tax receivables:		
			Intangible assets	121.7	23.2
			Land and buildings	138.6	115.6
			Fixtures, fittings, tools and equipment	221.7	261.4
			Investments	-	-
			Current assets	103.1	27.0
			Provisions	38.5	31.9
			Payables	52.6	14.1
			Tax losses	442.0	392.8
			Valuation allowance [1)]	(568.9)	(474.8)
				549.3	391.2
			Set off in legal tax units and jurisdictions	(248.1)	(265.0)
			Deferred tax receivables	301.2	126.2
			Deferred tax liabilities:		
			Intangible assets	62.7	38.1
			Land and buildings	5.0	32.4
			Fixtures, fittings, tools and equipment	28.4	23.2
			Investments	1.5	1.9
			Current assets	75.2	25.9
			Provisions	22.4	4.7
			Payables	8.0	4.1
			Balance of tax losses for future recapture	52.3	140.0
				255.5	270.3
			Set off in legal tax units and jurisdictions	(248.1)	(265.0)
			Deferred tax liabilities	7.4	5.3

NOTES

NKT Holding A/S 2003	NKT Holding A/S 2004		NKT Group 2004	NKT Group 2003
		Note 19 Provision for deferred taxation, continued		
		[1] Change in valuation allowance:		
		1 January	(474.8)	(463.1)
		Additions from acquisitions of companies	(227.2)	
		Transferred to income statement	133.1	(11.7)
			(568.9)	(474.8)
		Note 20 Other liability provisions		
-	-	Restructuring provisions	148.7	28.5
-	-	Other provisions	150.1	121.1
-	-		298.8	149.6
		Restructuring provisions include 136.8 mDKK relating to the Alto Group.		
		Other provisions' includes provisions for guarantee commitments, etc.		
		Restructuring provision, 1 January	28.5	47.1
		Foreign exchange adjustment	0.5	(0.3)
		Utilised during year	(56.1)	(19.1)
		Unutilised provision reversed	(6.8)	(2.9)
		Provision for the year	182.6	3.7
			148.7	28.5
		The provisions are expected to be payable in		
		0-1 year	148.7	28.5
		Other provisions, 1 January	121.1	135.5
		Additions from acquisitions of companies	46.7	-
		Foreign exchange adjustment	(0.7)	0.1
		Utilised during year	(36.1)	(11.2)
		Unutilised provision reversed	(6.2)	(6.7)
		Provision for the year	25.3	3.4
			150.1	121.1
		The provisions are expected to be payable in		
		0-1 year	136.2	72.4
		1-5 years	7.7	48.7
		> 5 years	6.2	-
			150.1	121.1

NKT Holding A/S 2003	NKT Holding A/S 2004		NKT Group 2004	NKT Group 2003
		Note 21 Long-term liabilities other than provisions		
		Falling due more than five years after the balance sheet date		
-	-	Other	23.8	26.2
		Note 22 Pledged assets		
		The following assets have been pledged:		
-	-	Property over and above specified mortgage debt	13.1	34.3
-	-	Movables	7.4	7.3
		Note 23 Contingent liabilities		
-	-	Items not included in the balance sheet	15.4	1.4
24.0	720.8	Guarantees for subsidiaries	.	.
-	500.0	Subordinated loans to subsidiaries	.	.
558.7	600.7	Liability in respect of subsidiary company credit facilities under the Group account scheme	.	.
2.5	16.9	Leasing agreements for property, etc.	245.6	183.5
1.3	3.7	Of which payable in 2004	99.0	65.5

The Group is party to legal actions and enquiries from competition authorities etc., the outcome of which is not expected to affect the net income for the year or the Group's financial position. In connection with the sale of companies, guarantees and warranties have been avouched.

The Group's foreign companies are in one or two cases covered by special tax arrangements to which certain conditions are attached that were fulfilled at 31 December 2004.

The Group's pension schemes are computed according to local rules. On transfer to use of international accounting standards (IFRS), unsecured pension liabilities may reduce book capital and reserves by around 95 mDKK (2003: 95 mDKK).

The notice period for the President and CEO is 24 months, and 12 months for other members of the Management. There is no retirement compensation package for the parent company management.

The parent company is represented in a joint taxation agreement with the Group companies and is jointly and severally liable for payment of tax on jointly taxed income.

The parent company is registered jointly with NKT Cables for VAT purposes and is jointly and severally liable for VAT liabilities.

NOTES

NKT Group

Note 24 Derivative financial instruments

At 31.12. 2004, forward exchange contracts are established to hedge the commercial foreign exchange exposure of Group companies within the framework of existing policies.

The distribution of contracts per currency is specified below:

	Contractual value mDKK		*Unrealised gains (losses)*
	Sale of currence	*Purchase of currency*	
Currency			
USD	178.3	69.9	11.9
GBP	149.3	-	6.0
Other European	165.6	64.4	(4.2)
Far East, Australia etc.	268.0	-	8.6
Total	761.2	134.3	22.3

15 mDKK (2003: 11 mDKK) of the unrealised net gain relates to hedging of future commercial transactions, and the net gain is therefore recognised directly in capital and reserves.

At 31 December 2004, forward contracts established to hedge future metal deliveries amounted to 104 mDKK (2003: 88 mDKK). Unrealised net gain of 8 mDKK (2003: 2 DKK) was adjusted in capital and reserves.

Note 25 Share option plan for executives and employees

The company has established an incentive plan aimed at all employees of NKT Holding and NKT Research & Innovation, and the Board of Directors of NKT Holding (ceased in 2003). The plan grants the right to acquire shares in NKT Holding at a price based on the market price around the time of issue, plus a calculated rate of interest from the date of issue until the date of exercise.

At 31 December 2004 the following options were in issue:

Allotment date	*Number of shares*	*Nom. mDKK*	*Rate at earliest exercise*	*Earliest exercise*	*Latest exercise*
Board of Directors:					
2001, options	13,125	0.3	186.0	March 2005	March 2006
2002, options	13,125	0.3	111.0	March 2005	March 2007
2003, options	14,438	0.3	75.2	March 2006	March 2008
Board of Management:					
Tom Knutzen:					
2001, warrants	35,000	0.7	186.0	March 2005	March 2006
2002, warrants	35,000	0.7	111.0	March 2005	March 2007
2003, warrants	38,500	0.8	75.2	March 2006	March 2008
2004, warrants	38,500	0.8	136.5	March 2007	March 2009
Søren Isaksen:					
2001, warrants	20,000	0.4	186.0	March 2005	March 2006
2002, warrants	20,000	0.4	111.0	March 2005	March 2007
2003, warrants	22,000	0.4	75.2	March 2006	March 2008
2004, warrants	22,000	0.4	136.5	March 2007	March 2009
Thomas Hofman-Bang:					
2001, warrants	20,000	0.4	186.0	March 2005	March 2006
2002, warrants	20,000	0.4	111.0	March 2005	March 2007
2003, warrants	22,000	0.4	75.2	March 2006	March 2008
2004, warrants	22,000	0.4	136.5	March 2007	March 2009
Senior executives:					
2001, warrants	18,000	0.4	186.0	March 2005	March 2006
2002, warrants	18,000	0.4	111.0	March 2005	March 2007
2003, warrants	19,800	0.4	75.2	March 2006	March 2008
2004, warrants	19,800	0.4	136.5	March 2007	March 2009
Other employees:					
2001, warrants	68,500	1.4	186.0	March 2005	March 2006
2002, warrants	79,625	1.6	111.0	March 2005	March 2007
2003, warrants	54,602	1.1	75.2	March 2006	March 2008
2004, warrants	45,401	0.9	136.5	March 2007	March 2009
Total	679,416	13.6			

NOTES

NKT Holding A/S

Note 25 Share option scheme for executives and employees, continued

531,715 shares were in issue at 1.1.2004. 147,839 options were issued during the year, and 138 matured unexercised.

The warrants issued in 2001 may be exercised by the holder in March 2005 or March 2006.
The exercise price is DKK 186 for exercise in 2005 and DKK 196 for exercise in 2006.

In the case of warrants issued in 2002, holders may choose to defer the exercise date until March 2006 or March 2007. The exercise price is DKK 117 for exercise in 2006 and DKK 123 for exercise in 2007.

In the case of warrants issued in 2003, holders may choose to defer the exercise date until March 2007 or March 2008. The exercise price is DK 83.1 for exercise in 2007 and DKK 91.6 for exercise in 2008.
The stated exercise prices are reduced by dividend payments in the period from 1 January 2005 until the time shares are received.

In the case of warrants issued in 2004, holders may choose to defer the exercise date until March 2008 or March 2009. The exercise price is DKK 149.5 for exercise in 2008 and DKK 163.7 for exercise in 2009.
The stated exercise prices are reduced by dividend payments in the period from 1January 2005 until the time shares are received.

At 31 December 2004, the value of the share option plan, based on the first exercise date, was calculated as 30.3 mDKK (2003: 8.3 mDKK). Of this, the value of the Management's option plans was 14.3 mDKK (2003: 4.1 mDKK).
The value was calculated using the Black-Scholes formula based on an interest rate of 3.7% (2003: 3.7%) and a volatility of 30% (2003: 40%). The valuation takes account of the reduction in warrant value as a result of ordinary dividends in the period to the exercise date.
The potential dilutive effect of the executive and employee share option plan equals 2.5% (2003: 1.7%) of the share capital.

Note 26 Treasury shares

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

	Number of shares	*Nom. mDKK*	*Proceeds mDKK*	*Proportion of share capital*	*Market value mDKK*
Shareholding, 1 January	498,655	10.0			
Purchased	1,345	-	(0.2)		
Dividends received			4.0		
Reduction by cancellation of treasury shares	(500,000)	(10.0)			
Shareholding, 31 December	0	0.0	3.8	0.0	0.0

In accordance with the Group's accounting policies, the purchase price for treasury shares is deducted from the distributable funds within capital and reserves. Sales sums and dividends received are likewise entered in capital and reserves.

NKT Holding A/S 2003	NKT Holding A/S 2004		NKT Group 2004	NKT Group 2003
		Note 27 Acquisitions of business activities		
		The value of the acquired assets and liabilities comprises the following amounts		
		Intangible assets	46.0	
		Tangible assets	193.0	
		Investments	8.8	
		Deferred tax assets	127.2	
		Inventories	349.5	
		Receivables	433.0	
		Cash at bank and in hand	45.1	
		Provisions	(213.6)	
		Long-term liabilities other than provisions	(217.9)	
		Debt to credit institutions	(328.7)	
		Other short-term liabilities	(360.5)	
		Net assets	81.9	
		Group goodwill	388.7	
		Total acquisition price	470.6	
		Of which cash at bank and in hand	(45.1)	
		Cash acquisition price	425.5	
		Note 28 Divestment of business activity		
		Tangible assets		4.0
		Receivables		1.0
		Short-term payables		(2.5)
		Total value		2.5
		Payment in securities		(7.8)
		Proceeds on sale		20.1
				14.8

NOTES

NKT Holding A/S 2003	NKT Holding A/S 2004	Note 29 Notes not referred to in the accounts	NKT Group 2004	NKT Group 2003
		Related party disclosures		
		The company's related parties are comprised by members of the Board of Directors and Management of NKT Holding. The Group has no related parties with a significant influence.		
0.1	0.1	Administrative fee to chairman of Board of Directors	0.1	0.1
		No other transactions were effected with related parties apart from remuneration and the share option plan for members of the Management and Board of Directors, . cf. Note 3 and 25.		
		NKT shares held by the Board of Directors and the Group Management are shown on page 62.		
		Fees paid to auditors elected at the annual general meeting		
		Audit work		
0.8	0.8	KPMG	12.0	8.3
0.3	0.3	Deloitte	0.3	0.3
		Other services		
0.5	0.3	KPMG	10.8	2.5

FINANCIAL HIGHLIGHTS IN EUR

Amounts in mEUR	2000	2001	2002	2003	2004
Income statement					
Revenue	875	864	792	783	1,039
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(18)	42	23	52	83
Depreciation and impairment on tangible assets	(84)	(42)	(129)	(30)	(35)
Amortisation of intangible assets other than goodwill and acquired trademarks	(1)	(1)	(2)	(2)	(4)
Earnings before interest, tax and amortisation of goodwill and acquired trademarks (EBITA)	(102)	(1)	(108)	20	44
Amortisation and impairment of goodwill and acquired trademarks	(42)	(10)	(16)	(8)	(10)
Earnings before interest and tax (EBIT)	(145)	(11)	(124)	12	33
Proceeds on sale of activities	661	0	0	0	0
Financial items, net	10	5	(2)	2	(1)
Earnings before tax	527	(6)	(126)	15	32
Net income	536	(9)	(115)	10	33
NKT's share of net income	539	(4)	(94)	11	35
Balance sheet and employees					
Share capital	73	67	67	67	66
Capital and reserves	905	506	390	381	384
Total assets	1,319	867	677	627	822
Interest bearing items 1)	371	10	55	55	(45)
Capital employed 2)	568	526	353	343	448
Average number of employees	6,206	5,690	5,425	4,932	5,972
Cash flows					
Cash flows from operating activities	(17)	60	48	32	36
Investments in tangible assets, net	(40)	(17)	8	(16)	18
Research and development					
Research and development costs incurred	23	29	32	27	33
Financial ratios					
Equity share, 31 December	69%	58%	58%	61%	47%
Number of 20 DKK shares ('000)	26,980	25,000	25,000	25,000	24,500
Earnings after tax, EUR, per outstanding share (EPS) 3) 5)	20.8	(0.2)	(3.8)	0.5	1.4
Dividend paid, EUR, per share	2.2	14.0	0.5	0.5	1.1
Equity value, EUR, per outstanding share 4) 5)	35	21	16	16	16
Market price, EUR, per share	49	14	10	15	21

1) Interest bearing cash items and receivables less interest bearing debts
2) Capital and reserves and minority interests -/+ interest bearing assets/debts
3) Earnings after tax and minority interests relative to average number of outstanding shares
4) Capital and reserves at 31 December per outstanding share at 31 December
5) Dilutive potential ordinary shares from executives and employees share option plan , equal to 2.5% (2003: 1.7%) of share capital, are not recognised in financial ratios.

The financial ratios have been prepared in accordance with the guidelines of the Danish Society of Investment Professionals on the calculation of financial ratios.
Conversion from DKK to EUR was performed using the 30 December 2004 rate of 743.81.

BOARD OF DIRECTORS and MANAGEMENT

BOARD

Christian Kjær (61)
Chairman
Attorney, Master of the Royal Hunt, R[1]
LLM 1972
Member and Deputy Chairman of the Board 1987
Chairman since 1990
No. of shares: 218,313

Chairman of the Board of
A/S Segalith af 1/4 1987
Sankt Gjertruds Stræde 10 A/S

Member of the Board of
Nye Kommercielle Aktiviteter Holding A/S
Ejendomsselskabet D.F.K. A/S
Aktieselskabet Potagua

Ole Løvig Simonsen (70)
Deputy Chairman
Former Housing Minister
Teacher 1958
Joined the Board 1999
No. of shares: 2,084

Member of the Board of
Velux Danmark A/S

Holger Lavesen (69)
LLM 1961
Joined the Board 1986
No. of shares: 8,000

Chairman of the Board of
Statens og Kommunernes Indkøbs Service A/S

Deputy Board Chairman of
Thrige-Titan A/S
Terma A/S
TBT Holding A/S
Thrige Ejendomme A/S
JP/Politikens Hus A/S

Member of the Board of
A/S Politiken Holding

Krister Ahlström (64)
Director
BSc. 1966
Joined the Board 1995

Chairman of the Board of
Wermland Paper AB, Sweden

Deputy Board Chairman of
Stora Enso, Finland

Member of the Board of
EQT, Finland

Board member of several industrial organizations in Finland, Sweden and Germany.

Jan Wraae Folting (51)
Director
Becada A/S
P. Larsens Eftf. A/S
MSc. 1983
Joined the Board 1995
No. of shares: 1,575

Jens Maaløe (50)
President and CEO
Terma A/S
Ph.d. 1983, M.Sc. E.Eng 1979
Joined the Board 2004
No. of shares: 162

Chairman of the Board of
Delta A/S

Member of the Board of
Topdanmark A/S
Ingeniørhøjskolen i Århus

Jørgen Bjergskov Nielsen* (55)
Electrician 1972
Joined the Board 1991
No. of shares: 265

Christian Ussing-Nielsen* (33)
Production Manager
Production Engineer 1999
Joined the Board 2002

Søren Chr. Therkelsen* (41)
Process Engineer
BSc. 1991
Joined the Board 2002
No. of shares: 250

MANAGEMENT

Tom Knutzen (42)
President and CEO
MSc. 1987
Joined NKT and the Executive Board 1996
No. of shares: 9,965

Chairman of the Board of
NKT Flexibles I/S

Member of the Board of
FLSmidth & Co. A/S
ISS A/S

Member of
The General Council of the Confedration of Danish Industries

Søren Isaksen (53)
Group Executive Director, CTO
MSc. 1977 - Ph.d. 1981
Joined NKT 1981
Joined the Executive Board 1999
No. of shares: 5,275

Chairman of the Board of
Crystal Fibre A/S
CAT Science

Member of the Board of
Dantec Dynamics A/S

Thomas Hofman-Bang (40)
Group Executive Director, CFOi
MSc. 1992
State Authorised Accountan 1994
Joined the NKT and Executive Board 2000
No. of shares: 6,000

Chairman of the Board of
The Danish Society for the Advancement of Business Education

Member of the Board of
NKT Flexibles I/S

** Employee-elected representatives*

No. of shares as at 7 March 2005.

Other directorships
Details of directorships held in other Danish companies are provided in compliance with Section 107 of the Danish Company Accounts Act.

GROUP COMPANIES

as of 31 December 2004

Subsidaries	*Domicile*	*Equity share*
Nilfisk-Advance A/S	Denmark	100%
Nilfisk-Advance Nordic A/S	Denmark	100%
ALTO International A/S	Denmark	100%
• ALTO Danmark A/S	Denmark	100%
•• ALTO Norway AS	Norway	100%
•• ALTO Cleaning Systems (UK) Ltd.	UK	100%
•• ALTO Nederland B.V.	Netherlands	100%
•• ALTO Sweden AB	Sweden	100%
•• ALTO (Ningbo) Mechanical Mechanical Manufacturing Co. Ltd.	China	100%
• ALTO Deutschland GmbH	Germany	100%
•• ALTO Österreich GmbH	Austria	100%
•• ALTO Ceská Republika s.r.o.	Czech Rep.	100%
Nilfisk-Advance AS	Norway	100%
Nilfisk-Advance AG	Germany	100%
Nilfisk-Advance Limited	UK	100%
Nilfisk-Advance Limited	Ireland	100%
Nilfisk-Advance B.V.	Netherlands	100%
Nilfisk-Advance S.A.	Belgium	100%
ALTO France S.A.S	France	100%
• ALTO Leasing S.A.S	France	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	70%
•• CFM France S.A.	France	96%
Nilfisk-Advance AG	Switzerland	100%
Nilfisk-Advance GmbH	Austria	100%
ALTO Hungary Kft.	Hungary	96%
Nilfisk-Advance Pte. Ltd.	Singapore	100%
• ALTO Den-Sin Malaysia Bhd.	Malaysia	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 Holding U.S., Inc.	USA	100%
•• ALTO U.S. Inc.	USA	100%
••• ALTO Canada Company	Canada	100%
•• ALTO Overseas Inc.	USA	100%
Nilfisk-Advance A.E.	Greece	67%
Nilfisk-Advance Sp.z.o.o.	Poland	100%
Nilfisk-Advance LLC	Rusland	100%
Nilfisk-Advance s.r.o.	Czech Rep.	51%
Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co. Ltd.	China	100%

Subsidaries	*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 Sp. z.o.o.	Poland	100%
•• Polinex Sp. z.o.o.	Poland	100%
• Odin Kabel A/S	Norway	100%
NKT Cables Group GmbH	Germany	100%
• NKT Cables GmbH, Køln	Germany	100%
•• HFB Hettstedter Fahrleitungs- und Bronzedraht GmbH	Germany	100%
•• NKT Cables GmbH, Nordenham	Germany	100%
Ceske Kabely s.r.o.	Czech Rep.	77%
• NKT Cables a.s.	Czech Rep.	70%
•• NKT Cables China Ltd.	China	52%
NKT Cables China Ltd.	China	48%
Pengg Breitenfeld Kabel AG	Austria	100%
• NKT Cables GmbH	Austria	100%
NKT Cables Ultera A/S	Denmark	100%
• Ultera, partnership	USA	50%
Ericsson NKT Cables Venture, Ltd.	UK	50%
NKT Photonics Group		
Crystal Fibre A/S	Denmark	89%
KOHERAS A/S	Denmark	100%
• LG-Laser Technologies GmbH*	Germany	51%
LIOS Technology GmbH	Germany	100%
NKT Research & Innovation A/S	Denmark	100%
Nanon A/S	Denmark	100%
I. C. Holding A/S	Denmark	100%
NKT Integration A/S	Denmark	100%
• NKT Integration Inc.	Canada	100%
• NKT Integration Inc.	USA	100%
SubSeaFlex Holding A/S	Denmark	100%
NKT Flexibles I/S	Denmark	51%
Priorparken A/S	Denmark	100%
Industriselskabet af 1. januar 2002 A/S	Denmark	100%

• Subsidary company undertaking in the subgroup
•• (or more ••) subsidaires thereof, etc.

* 86% primo 2005.

NKT Holding also owns 10 companies with no commercial activity.

Nilfisk-Advance A/S also owns 6 companies with no commercial activity.

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

SPECIALIST terminology

Page 5
Innovative supply chain solutions - improvements in the value chain from order receipt to product shipment

Page 7
OPGW - Optical Ground Wire

Page 10
Incentive programmes that are not fully vested - programmes not qualifying for exercise

Page 16
Contract cleaners and facility management companies - companies handling all indoor and outdoor building operation and maintenance

Page 23
Subcritical mass - used of products manufactured in such small batches that their production price exceeds their selling price.

Page 24
Air-clad fibre - optical fibre equipped with air cladding

High power laser - laser emitting light power of 1 Watt or more

PLC - planar lightguide circuits

Page 25
Packing and pigtail activities - production of finished components containing both optical fibres (pigtails) and optical circuits (PLCs)

Non-linear fibre - optical fibre leading to the conversion of power from one wavelength to another

Large-mode-area fibre - optical fibre that enhances the limit for achievable output powers by reducing certain detrimental effects.

Air-guiding fibre - optical fibre in which light propagates within an air-filled void

Preform - a coated glass tube drawn to form an optical fibre

Page 26
White light source – light source that contains a mixture of all wavelengths of the visible spectrum.

Argon lasers - lasers based on argon gas

Diode lasers - solid-state lasers where the light is created in a semiconductor

Page 27
Nanomanipulation of polymers - molecular level manipulation of polymer surfaces

Page 30
FRA (Forward Rate Agreement) - financial instrument that defines the rate of interest for a future period.

Transaction risk - the risk of changes in the home currency value of a specific future foreign currency cash flow

Translation risk - the risk of changes in home currency accounting results of foreign operations

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