

QUARTERLY REPORT

2/2004



**NKT**

HOLDING

## Quarterly Report 2/2004 - Stock Exchange Release No. 21

### Contents

Financial highlights, summary and forecast for 2004	1-2
Corporate report	
1st half 2004 and 2nd quarter 2004	3
Decisions of Board meeting of 25 August 2004	3
NKT share performance, stock exchange releases and stock exchange diary	4
Companies	
Nilfisk-Advance Group	5
NKT Cables Group	6
NKT Photonics Group and other companies	7-8
Corporate financial highlights	9
Balance sheet and capital	10
Cash flows and interest bearing items	11
Segment information	12-13

Quarterly Report 2/2004 was released on 25 August in Danish and English 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](http://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](mailto:nkt.holding@nkt.dk).

## Financial highlights

Amounts in mDKK	Q2 2004	Q2 2003	Q1-2 2004	Q1-2 2003	Year 2003
Revenue	2,000	1,468	3,430	2,802	5,824
Earnings (EBITDA)	149	101	220	167	386
Earnings (EBITA*)	88	49	107	62	149
Earnings (EBIT)	67	35	71	34	92
Corporate net income	44	23	40	15	77
NKT's share of corporate net income	45	23	48	21	85
Capital and reserves	2,689	2,787	2,689	2,787	2,831
Net interest bearing items	(932)	157	(932)	157	409

NB: ALTO is included in the accounts as from 1 May 2004.

\*) Earnings before amortisation and impairment on goodwill and acquired brands.

# SUMMARY

## 2ND QUARTER 2004

In the course of the 2nd quarter we have reported a number of initiatives on the part of our companies that relate closely to the growth strategy, "Upgrade to next level", established for the period 2004 - 2008.

Thus, during the 2nd quarter, Nilfisk-Advance acquired ALTO and the Australian company G-Power. KOHERAS acquired the majority shareholding in the German company LG-Laser Technologies, and Priorparken effected sale of the building in which NKT's head office is located.

Since the end of the quarter, Priorparken has sold off a further two building complexes, and Crystal Fibre, through its acquisition of the assets of the UK company BlazePhotonics, has positioned itself as leading supplier of crystal fibre products to the global market.

Financial development in the Group's companies, which is described in the following pages, was in line with our expectations. Progress has thus been achieved compared with the same period last year.

### NKT Group

The positive earnings development experienced by the NKT Group through 2003 and in 1st quarter 2004 also continued in the 2nd quarter. We realised an increase in revenue of 36% and earnings (EBITDA) of 149 mDKK. This must be com-

pared with earnings of 101 mDKK for the same period last year. There was therefore an improvement of 48% during the quarter.

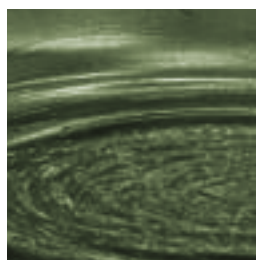
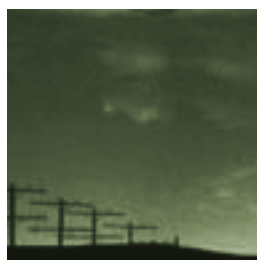
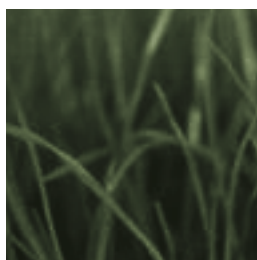
NKT's share of corporate net income was 45 mDKK, compared with 23 mDKK last year.

The Group's net interest bearing debt amounted to 932 mDKK at the end of the 2nd quarter. This corresponds to an increase of 1,149 mDKK during the quarter. The increase was due to seasonally related build-up of working capital, the acquisition by Nilfisk-Advance of ALTO and G-Power, and the acquisition of the remaining 30% of NKT Cables China Ltd. In addition, in April, 200 mDKK was distributed in the form of dividend to NKT's shareholders.

### Companies

The Nilfisk-Advance Group realised an increase in revenue of 61% in the 2nd quarter. After adjustment for acquisitions and exchange rate changes, this corresponded to an organic growth of 7%.

2nd quarter EBITDA earnings for Nilfisk-Advance were 100 mDKK, a margin of 9.1%. The margins for Nilfisk-Advance and ALTO were 11.1% and 4.9%, respectively. For Nilfisk-Advance there was a rise of 0.6 percentage points compared with the 2nd quarter of last year.



NKT Cables experienced growth in revenue of 20%. After adjustment for developments in metal prices and exchange rates there was growth of 4% compared with the same period last year. 2nd quarter EBITDA earnings were 64 mDKK, a margin of 7.8%. This was a rise of 0.7 percentage points compared with the 2nd quarter of last year.

As anticipated, the companies in NKT Photonics Group reported EBITDA earnings of (18) mDKK. This was on a par with the same period last year.

In light of the difficult sales conditions faced by NKT Integration, it may be necessary during the current year to write

down the value of the company's fixed assets (see review on page 7).

NKT Flexibles realised 2nd quarter revenue of 49 mDKK, as against 67 mDKK for the same period last year. EBITDA earnings for the 2nd quarter were 3 mDKK, compared with nil for 2nd quarter 2003. Orders received during the period reflected an improved situation compared with year-end 2003.

Priorparken realised EBITDA earnings of 5 mDKK.

#### Forecast for 2004

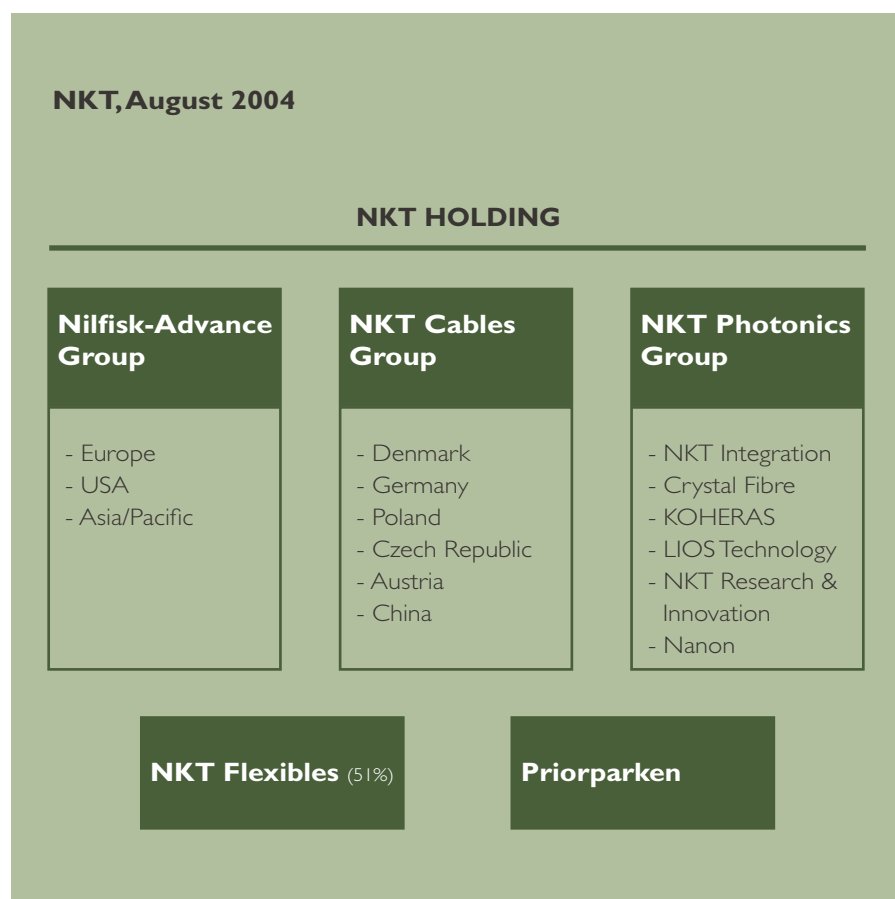
Against the background of current exchange rates and raw material prices

and the announced acquisitions, we expect revenue for 2004 to be around 7.5 bnDKK.

As a result of sale of properties, the net profit forecast for 2004 that we announced in Quarterly Report 1/2004 was subsequently revised upwards from around 100 mDKK to around 200 mDKK.

Against the background of earnings developments during the 2nd quarter - and after the implementation of possible fixed asset writedowns of around 50-60 mDKK in NKT Integration - we anticipate a consolidated net profit for 2004 of around 175 mDKK.

The NKT Group's net interest bearing debt is expected to be around 500 mDKK at 31 December 2004.



# CORPORATE REPORT

## 1ST HALF 2004

Group revenue for 1st half 2004 was 3,430 mDKK, up 628 mDKK on the corresponding period last year. Measured in fixed metal prices and exchange rates and after adjustment for acquisitions, organic growth was 4%.

Earnings (EBIT) were 71 mDKK, against 34 mDKK for the same period last year.

Net profit for the 1st half was 48 mDKK, against 21 mDKK for the corresponding period last year.

## 2ND QUARTER 2004

### Revenue

Group revenue in the 2nd quarter was 2,000 mDKK. Compared with the 2nd quarter of last year this was an increase of 36%. After adjustment for exchange rates (-2%), development in metal prices (+8%) and acquisitions (+26%), there was organic growth of 4%.

### Operating earnings

EBITDA earnings were 149 mDKK. This corresponded to an increase of 48 mDKK. This increase was attributable to Nilfisk-Advance/ALTO and NKT Cables.

Depreciation and amortisation amounted to 82 mDKK, which was 16 mDKK higher than for the same period last year. The rise was attributable to the realised acquisitions.

The NKT Group reported EBIT earnings of 67 mDKK for the 2nd quarter, against 35 mDKK last year.

### Financial items

2nd quarter financial items amounted to (13) mDKK. This was an increase of (8) mDKK on the same period last year.

There was a liquidity outflow in the 2nd quarter of 1,149 mDKK, relating primarily to the acquisitions made by Nilfisk-Advance. At the end of the 2nd quarter the NKT Group had net interest bearing debt of 932 mDKK.

As at 30 June 2004, the book value of our shareholdings in American Superconductor Corporation and Inverness Medical Innovations was unchanged at 37 mDKK. This amount is included in the figure for net interest bearing items. Restrictions apply to the sale of these shares. Their market value - without these limitations - was 56 mDKK at 30 June and 45 mDKK at 24 August 2004.

### Net profit

Net profit for the 2nd quarter was 45 mDKK, compared with 23 mDKK last year.

### Corporate portfolio

With the acquisition of ALTO, Nilfisk-Advance has been substantially enlarged. The acquisition of ALTO included some 1600 employees in 16 companies in Europe, the United States and Asia.

The acquisition by Nilfisk-Advance of Ecologica, Italy, and G-Power, Australia, was described in Quarterly Report 1/2004. KOHERAS' joint ownership of LG-Laser Technologies, Germany, was also described here.

In July, the activities of the AdSphere division were transferred to a limited company, and the name AdSphere was changed to Nanon A/S.

### Decisions of Board Meeting of 25 August 2004

Against the background of the continuing difficult market conditions for; inter alia, suppliers of optical components and systems to the global telecommunications

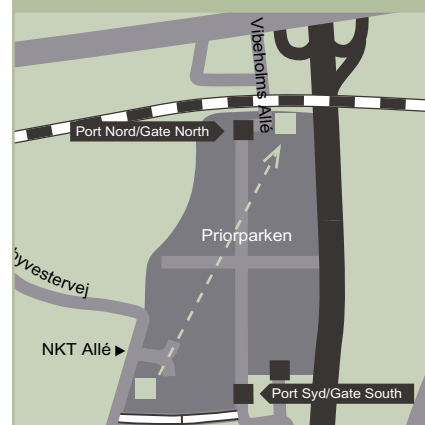
## New Group head office

Late this year NKT Holding will move from its present Group head office at NKT Allé in Brøndby, to an office building situated at the other end of Priorparken - in an area still owned by NKT. The new address will be Vibeholms Allé 25, DK-2605 Brøndby.

The move is prompted by the fact that NKT's present Group head office, first used in 1989, has room for far more jobs than NKT now needs. The building was therefore put up for sale and was sold on 19 May this year to the Danish Football Union, for whom the building's location, size and interior are ideal.

Moving to Vibeholms Allé 25 means that NKT's Group Management and 20 personnel will maintain close links to the local environment that was created by NKT and that to a large degree contributes to NKT's industrial profile.

The new head office building, which is currently being refurbished, is expected to be ready in November.



# CORPORATE REPORT

## - continued

sector; we have over recent months been evaluating the strategic position of NKT Integration.

Furthermore, we have initiated a valuation of the company's fixed assets. It is our opinion that it may be necessary to effect writedowns of around 50-60 mDKK. In this event, the book value of the fixed assets at 31 December 2004 will be around 0-10 mDKK.

On page 7 our conclusions as regards NKT Integration's strategic position are described.

### NKT share performance

NKT's share price at 30 June 2004 was 125 DKK. This was an increase of 16% on the price at 31 December 2003, and an increase of 6% on the price at 31 March 2004.

NKT's market capitalisation at 30 June 2004 was 3.1 bnDKK.

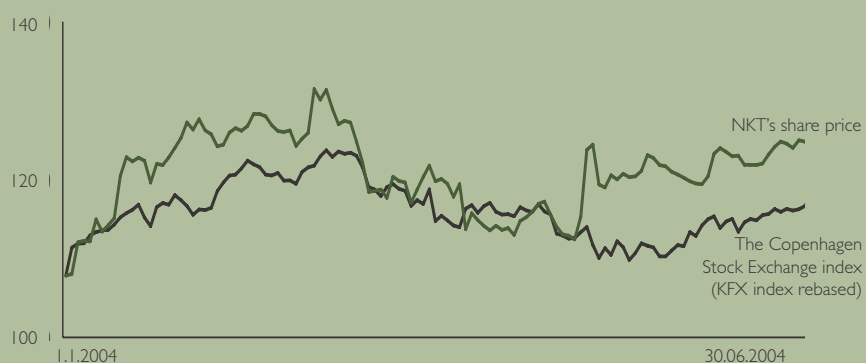
During the first six months of the year, average daily trading in NKT shares was 6.4 mDKK. This compares with 2.3 mDKK in the same period last year.

At the annual general meeting of NKT Holding on 1 April 2004 it was decided to reduce the company's share capital by a nominal amount of DKK 10,000,000 through cancellation of own shares. The processes surrounding the capital reduction were concluded at the end of July 2004. The registered share capital subsequently comprises 24,500,000 shares of 20 DKK each, the nominal share capital thus being DKK 490,000,000.

NKT Holding thereafter has no own shares.

Shareholders owning more than 5% of NKT's share capital at 30 June 2004: Potagua, ATP and Nordea.

### Trends for NKT shares 2004



### Stock Exchange releases 2004

2	5 January	Stock market diary 2004
3	9 January	NKT Holding issues warrants
4	9 February	Letter of Intent for acquisition of G-Power, Australia
5	17 February	Acquisition of Ecologica, Italy
6	3 March	NKT's Annual Report 2003
7	10 March	Notice of Annual General Meeting
8	1 April	Report from Annual General Meeting
10	14 April	Acquisition of G-Power, Australia
11	29 April	KOHERAS becomes majority shareholder of LG-Laser Technologies GmbH
12	3 May	Nilfisk-Advance acquires ALTO
13	17 May	1st quarter 2004
14	19 May	NKT sells Copenhagen head office
15	1 July	Sale of property
17	6 July	Acquisition of ALTO by Nilfisk-Advance approved by the competition authorities
18	9 July	NKT's share capital reduced
19	12 July	Sale of two properties
20	2 August	NKT expands its crystal fibre business through acquisition

Releases 1, 9 and 16 concern reporting of shareholdings

### Stock market diary for the rest of 2004

23 November	3rd quarter report
-------------	--------------------

# NILFISK-ADVANCE GROUP

## Revenue

The revenue of Nilfisk-Advance/ALTO in the 2nd quarter was 1,103 mDKK, which was 416 mDKK, or 61%, more than for the same period last year.

Nilfisk-Advance (excl. ALTO) realised revenue of 746 mDKK. This was an increase of around 9% compared with 2nd quarter 2003. After adjustment for developments in exchange rates, the growth in revenue was around 10%. This growth was achieved in the US market (+12%), the Asia-Pacific region (+14%), and in Europe (+9%). The acquired companies Ecologica and G-Power contributed with revenue of around 20 mDKK in the quarter. After adjustment for this, organic growth measured in relation to the same period last year was 7%.

Overall, it is our assessment that the growth in revenue realised by Nilfisk-Advance (excl. ALTO) is equal to or better than the general market growth rate.

ALTO, for whom the effective date of acquisition was 30 April, realised revenue of 357 mDKK in the 2nd quarter. This was similar to the same period last year and in line with expectations.

The regional distribution of revenue in the 2nd quarter was USA 29%, Asia-Pacific region 8% and Europe 63%.

## Operating earnings

2nd quarter EBITDA earnings were 100 mDKK, corresponding to a 9% margin. Of this amount, Nilfisk-Advance realised 83 mDKK, a margin of 11.1%, and ALTO realised 17 mDKK, a 4.8% margin. In the same period last year Nilfisk-Advance realised EBITDA earnings of 72 mDKK, corresponding to a 10.5% margin.

2nd quarter EBITA earnings were 74 mDKK, against 58 mDKK last year.

2nd quarter EBIT earnings amounted to 55 mDKK, an increase of 10 mDKK compared with the same period last year.

Operating earnings during the 2nd quarter for both Nilfisk-Advance and ALTO were in line with the plans established.

## Net interest bearing debt

Net interest bearing debt increased by 686 mDKK in the 2nd quarter. This was attributable to the acquisition of ALTO and G-Power, which increased the debt by a total of 863 mDKK.

A capital increase of 200 mDKK was effected in June.

## Forecast for 2004

2nd quarter developments were in accordance with the plans laid down for 2004. For Nilfisk-Advance and ALTO combined, revenue of around 4 bnDKK is expected for the year, along with an EBITDA margin of around 9% of revenue.

## The acquisition of ALTO

At the start of July we announced that the acquisition of ALTO had been ratified following approval by authorities in a number of countries. The final purchase price on debt-free basis was 855 mDKK.

The integration of ALTO into the Nilfisk-Advance organisation has begun, and principally comprises head office integration in Denmark, relocation of production from Germany to Hungary, relocation of production from Denmark and Germany to China, amalgamation of sales subsidiaries in certain countries, integration of IT systems and establishment of shared services, optimising of warehouse facilities and logistic functions in Europe, co-ordination of US-manufactured industry products, and integration of management functions in the United States. Furthermore, steps will be taken to co-ordinate and harmonise product programmes and brands.

The integration projects begun are planned for completion before the end of 2006. They are expected to lead to an

annual improvement in EBITDA earnings of around 125-150 mDKK when fully implemented. The anticipated implementation costs are just under 175 mDKK incurred over the next 2-3 years.

A corresponding restructuring provision has been established in ALTO's opening balance sheet. In consideration of this the transaction will result in goodwill of almost 400 mDKK.

In light of the restructuring provision made, future operating earnings are only expected to be affected temporarily - to the extent that the projects implemented lead to efficiency, duplication of manning etc. during the implementation period.

ALTO's management in Europe and the United States has decided to seek new challenges outside Nilfisk-Advance/ALTO. The future management will then consist of Johan Molin, Christian Cornelius-Knudsen, Claus Michelsen and Jørgen Jensen.



# NKT CABLES GROUP

## Revenue

NKT Cables Group realised 2nd quarter revenue of 824 mDKK. Compared with 2nd quarter 2003, this was an increase of 20%. After adjustment for developments in metal prices and exchange rates this corresponded to organic growth of 4%.

The growth originated primarily from the medium and low voltage segments, and to a lesser extent from the high voltage segment.

In the medium voltage segment we experienced good growth in the Chinese market. This reflected rising infrastructure investments as a result of a general high level of economic growth. In the European markets, 2nd quarter activity was similar to the same period last year.

Order inflow in the high voltage segment was good. Due to the postponement of a number of planned projects, a relatively large number of these orders will be delivered in 2nd half 2004. 2nd quarter cable sales were therefore slightly down compared with last year. This was offset, however, by increased installation and repair activities.

A small degree of growth was also achieved in the low voltage segment, which as in the preceding quarters was driven by increased demand in Eastern Europe.

Overall revenue in our niche segments decreased slightly. This reflected increased revenue from copper telephone cables and signal cables, but falling sales of fibre-based products, OPGW, and traction wire for railway electrification.

Following organic growth totalling around 10% in the 1st quarter - partly attributable to rescheduled activities - and a normalised growth rate of 4% in

the 2nd quarter, the first half of 2004 yielded aggregate organic growth of 7%. The nominal growth, which for the first half of the year was 20%, was strongly influenced by rising raw material prices, particularly for copper; the price of which was 48% higher than in 1st half 2003.

## Operating earnings

2nd quarter EBITDA earnings were 64 mDKK, corresponding to a 7.8% margin. The figure for the same period last year was 49 mDKK, corresponding to 6.9%. The improvement in earnings and margin was driven by the organic growth combined with cost restraint.

We have experienced very strong increases in raw material prices in recent months. For example, copper, which represents a significant part of the overall cost of sales, increased by 56% on 2nd quarter 2003. Under such circumstances it is often difficult to obtain compensation for this in the form of higher sales prices. Against this background, the increase in EBITDA margin is considered satisfactory.

2nd quarter EBITA earnings were 49 mDKK, against 33 mDKK in 2003.

2nd quarter EBIT earnings were 48 mDKK, an increase of 33 mDKK on the same period last year.

## Net interest bearing debt

Net interest bearing debt increased by 80 mDKK in the 2nd quarter. This was directly linked to build-up of stocks and was therefore seasonally related. In addition, working capital was increased by rising metal prices and increased receivables linked to the growth achieved in sales. Finally, the transaction in China (see paragraph below) increased the debt by 31 mDKK.

## Corporate portfolio

In May, NKT Cables increased its ownership of NKT Cables China Ltd. from 75% to 100%.

When the Chinese company was originally established, DEG (a German institution focused on industrial promotion) received the right to sell its shareholding at a predefined price (corresponding to 31 mDKK). This right has now been enforced. The transaction will not result in goodwill.

## Forecast

The developments in the 2nd quarter confirmed the plans made for 2004, and our forecast for the year is therefore unchanged.

Based on current raw material price levels and exchange rates, revenue for the year of around 3.1 bnDKK is expected. This corresponds to an underlying organic growth of around 3-4%.

In income terms, we anticipate EBITDA earnings of around 6% will lead to an improved result compared to last year.



# NKT PHOTONICS GROUP

## Revenue

The companies NKT Integration, Crystal Fibre, KOHERAS, LIOS Technology and NKT Research & Innovation realised 2nd quarter revenue of 19 mDKK, which was the same as in the previous quarter.

The level of revenue reflects the difficult competitive conditions within the telecom sector - and thus the low level of sales of NKT Integration. The other companies in the NKT Photonics Group are developing as planned and realised revenue growth of just over 20% compared with 1st half 2003.

## Operating earnings

As anticipated, EBITDA earnings amounted to (18) mDKK, which was a slight improvement on the previous quarter.

## Forecast for 2004

For the year as a whole, an EBITDA deficit of around 65 mDKK is forecasted for the companies in the NKT Photonics Group.

## NKT INTEGRATION

The market conditions for suppliers of optical components and systems are still extremely difficult. In this challenging market NKT Integration has focused its technology and business development on the more active market segments, namely the metro and the access markets.

Over recent months we have been evaluating the strategic position of NKT Integration. Our conclusion is that the significant price falls caused by the overcapacity existing on the supply side has further worsened the market prospects for commercial application of PLC-based optical components for the fibre-optic backbone. Profitable operation will

therefore not be possible until there is a revival of demand for volume supply - something we do not consider likely in the short term.

## Focus on FTTH systems

Recent development has shown, however, that NKT Integration's PLC technology, which includes a unique filter technology, has promising potential in components that are an integral part of fibre-to-the-home (FTTH) networks. We are therefore giving top priority to developing a triplexer, a key component in such networks. Development of this triplexer, which is based around an optical PLC chip, is taking place in partnership with Samsung and is expected to be completed in the next few months. By the end of the year we will therefore have a better picture of the commercial sustainability of this product.

Athermal MUX/DMUX components are also considered to have promising sales potential. The reason is that in addition to usage for the fibre-optic backbone these components also address the FTTH network expansion expected in years ahead.

In summary, we believe that the development potential for NKT Integration under the prevailing market conditions is linked to the outcome of the triplexer development project, the accelerated spread of FTTH networks, and creation of sustainable access to these markets. NKT Integration is dependent in this respect on establishment of relationships with larger market players who also possess complementary technologies. Establishing such relationships will have high priority in our future work.

## Valuation of fixed assets

In light of the uncertainties and challenges facing NKT Integration, a valuation of the company's fixed assets will take place for accounting purposes in the

course of 3rd quarter 2004. An extraordinary writedown of around 50-60 mDKK is expected. In consequence, the book value of the fixed assets as at 31 December 2004 will be around 0-10 mDKK.

## Management

On 1 September 2004, alongside his position as CTO of NKT Holding, Søren Isaksen will take over the day to day management of NKT Integration A/S on a temporary basis. This follows the decision of NKT Integration's chief executive Lars Rønn to take up a position outside the NKT Group. Søren Isaksen, who already has overall responsibility for the NKT Photonics Group, will be responsible for implementing the measures that reflect the priorities described.

## CRYSTAL FIBRE

On 2 August we announced via the Copenhagen Stock Exchange that Crystal Fibre had acquired the assets of the UK company BlazePhotonics with a view to becoming the leading global supplier of crystal fibre products. The stock exchange release can be found on [www.nkt.dk](http://www.nkt.dk). The purchase price was 3.3 mUSD (approx. 20 mDKK). The assets of BlazePhotonics will be transferred to Crystal Fibre in Denmark during August. The perspectives of this acquisition will be reviewed in more depth in Quarterly Report 3/2004.

During the 2nd quarter, Crystal Fibre successfully completed the delivery of a major development project for a US public authority. The company also initiated a production upgrade that will enable cleanliness levels to be further improved so that still better product quality can be achieved. Completion of this upgrade is expected during the 3rd quarter of this year.

# OTHER COMPANIES

*NKT Photonics Group - continued*

## KOHERAS

On 29 April 2004, KOHERAS acquired the majority shareholding (51%) in the German company, LG-Laser Technologies, which manufactures and markets conventional lasers, principally in the Central European market. The purpose of the acquisition is to strengthen KOHERAS' presence in this market, which is particularly important with regard to high power lasers. The development of KOHERAS and the integration of LG-Laser Technologies are both going as planned.

## LIOSTECHNOLOGY

The development of LIOS Technology is proceeding to plan. Focus is on developing new markets and the company has therefore strengthened its presence in Asia.

## NKT RESEARCH & INNOVATION

Development activities in NKT Research & Innovation are concentrated on new high power lasers and new light sources based on crystal fibre technology.

As at 1 July 2004 the activities of the AdSphere division (surface treatment) were separated from NKT Research & Innovation and established in an independent company framework, Nanon A/S (see review below).

## NANON

Nanon was established as a subsidiary of NKT Holding on 1 July 2004 (see page 3). The background to this initiative was the stable development demonstrated by AdSphere and the broader product platform now offered by mastery of both the SoftPlasma™ and Cohance™ technologies. Nanon's application projects are proceeding to plan.

## NKT FLEXIBLES (ownership 51%)

### Revenue

NKT Flexibles realised 2nd quarter revenue of 49 mDKK, compared with 67 mDKK for the same period last year. Revenue for the 1st half of the year was 81 mDKK, against 143 mDKK in 1st half 2003. The decrease must be seen in the light of an unsatisfactory level of orders - value 44 mDKK - at 31 December 2003, which led to temporary suspension of production at the start of the year. In addition, owing to relatively low materials input in a significant part of the pipe produced in 2nd quarter 2004, less revenue was generated than in the same period last year.

Plant productivity was satisfactory in the 2nd quarter, confirming that the company's competitiveness has been strengthened as a result of the measures implemented over the past nine months.

The trend in orders received is positive. The contract value of new orders amounted to 113 mDKK in the 2nd quarter, and 176 mDKK in the 1st half. Orders in hand at 30 June 2004 amounted to 139 mDKK, which reflects an improvement since the end of 2003.

On the demand side we sense an increasing level of activity. This is considered to be driven partly by the price of oil, which is very high in a historical perspective. The competitive situation remains very difficult, however, resulting in pressure on price.

Ongoing focus is placed on the company's future strategic position.

### Operating earnings

EBITDA earnings for 2nd quarter 2004 were 3 mDKK, against nil mDKK for the same period last year. EBITDA earnings for the 1st half of the year were (7) mDKK.

A continued strengthening of the company's technological competitiveness, combined with increased efficiency in both order handling and production, remain the top priorities.

### Net interest bearing debt

The company's net interest bearing debt at the end of the 2nd quarter was 154 mDKK, which includes a loan of 116 mDKK from NKT Holding. During the 1st quarter of the year the company was capitalised with 60 mDKK.

### Forecast

Due to the low level of activity at the start of the year, our forecast of decreased revenue and income for 2004 is unchanged. However, the company's order book at 31 December 2004 is expected to be significantly better than at the start of the year.

## PRIORPARKEN

Priorparken realised 2nd quarter EBITDA earnings of 5 mDKK.

During the 2nd quarter, the building tenanted by NKT Holding was sold by Priorparken for 32 mDKK with effect from 1 December 2004. The transaction will generate a book net profit of around 15 mDKK. The effect of the transaction will be included in the accounts for 4th quarter 2004.

In the period since 30 June 2004, Priorparken has effected two major property sales for a combined price of 229 mDKK. The total net effect on earnings - around 130 mDKK - will be included in the 3rd quarter accounts.

Following the 1st half sales of property, NKT's share of the Priorparken site was reduced to around 190,000 m<sup>2</sup>, ie. less than half the total land area of around 560,000 m<sup>2</sup>. As a consequence of this development, we have adjusted the organisation of our real estate company.

The book value of the remaining properties (75,000 m<sup>2</sup> of disused facilities) is 50 mDKK. The market value is estimated to exceed the book value. We expect the divestment of these properties to extend over a number of years.

# CORPORATE FINANCIAL HIGHLIGHTS

<i>Amounts in mDKK</i>	Q2 2004 <i>Unaudited</i>	Q2 2003 <i>Unaudited</i>	Q1-Q2 2004 <i>Unaudited</i>	Q1-Q2 2003 <i>Unaudited</i>	Year 2003
<b>Income statement</b>					
Revenue	2,000	1,468	3,430	2,802	5,824
Earnings before interest, tax, depreciation and amortisation (EBITDA)	149	101	220	167	386
Depreciation and impairment on tangible fixed assets	(54)	(49)	(101)	(100)	(223)
Amortisation of intangible assets other than goodwill and acquired trademarks	(7)	(3)	(12)	(5)	(14)
Earnings before interest, tax and amortisation of goodwill and acquired trademarks (EBITA)	88	49	107	62	149
Amortisation of goodwill and acquired trademarks	(21)	(14)	(36)	(28)	(57)
Earnings before interest and tax (EBIT)	67	35	71	34	92
Financial items, net	(13)	(5)	(14)	(6)	16
Earnings before tax	54	30	57	28	108
Net income	44	23	40	15	77
NKT's share of Group net income	45	23	48	21	85
<b>Balance sheet and employees</b>					
Share capital	500	500	500	500	500
Capital and reserves	2,689	2,787	2,689	2,787	2,831
Total assets	6,273	4,765	6,273	4,765	4,663
Interest bearing items <sup>1)</sup>	(932)	157	(932)	157	409
Capital employed <sup>2)</sup>	3,771	2,759	3,771	2,759	2,549
Average number of employees	5,345	5,037	5,345	5,037	4,932
<b>Cash flows</b>					
Cash flows from operating activities	(38)	(50)	(162)	(102)	235
Investments in tangible fixed assets, net	(52)	(23)	(93)	(43)	(116)
Acquisition of business activity	(875)	-	(916)	-	-
<b>Financial ratios</b>					
Equity share	43%	58%	43%	58%	61%
Number of 20 DKK shares ('000)	25,000	25,000	25,000	25,000	25,000
Treasury shares ('000)	500	499	500	499	499
Earnings per share in circulation (EPS), DKK	1.8	0.9	2.0	0.9	3.5
Dividend paid, DKK per share	8.00	4.00	8.00	4.00	4.00
Equity value, DKK per share in circulation	110	114	110	114	116
Market price, DKK per share	125	90	125	90	108

The interim accounts for 2004 have been prepared according to the same accounting policies as NKT's annual report for 2003, except for calculation of EBITA. EBITA is calculated as earnings before interest, tax, depreciation and amortisation of goodwill and acquired trademarks rather than, as was previously the case, before interest, tax, depreciation and amortisation of total intangible assets. This change reduces EBITA for Q1-Q2 2004 by 12 mDKK, for Q1-Q2 2003 by 5 mDKK, and for the year 2003 by 14 mDKK. The comparative figures have been adjusted accordingly.

<sup>1)</sup> Interest bearing cash items and receivables less interest bearing debt.

<sup>2)</sup> Capital and reserves and minority interests less interest interest bearing net asset.

# BALANCE SHEET AND CAPITAL

<i>Amounts in mDKK</i>	<i>30 June 2004</i>	<i>30 June 2003</i>	<i>31 Dec. 2003</i>
	<i>Unaudited</i>	<i>Unaudited</i>	
<b>Balance sheet</b>			
Intangible fixed assets	1,125	661	651
Tangible fixed assets	1,218	1,087	1,029
Investments	214	158	201
<b>Total fixed assets</b>	<b>2,557</b>	<b>1,906</b>	<b>1,881</b>
Inventories	1,575	1,080	994
Receivables	1,728	1,234	1,095
Securities	43	-	101
Cash at bank and in hand	370	545	592
<b>Total current assets</b>	<b>3,716</b>	<b>2,859</b>	<b>2,782</b>
<b>Total assets</b>	<b>6,273</b>	<b>4,765</b>	<b>4,663</b>
Capital and reserves	2,689	2,787	2,831
Minority interests	150	129	126
Provisions	542	341	327
Long-term liabilities other than provisions	270	46	45
Short-term debt to credit institutions	1,091	353	245
Other short-term liabilities	1,531	1,109	1,089
<b>Total liabilities</b>	<b>6,273</b>	<b>4,765</b>	<b>4,663</b>
<b>Movements in capital and reserves</b>			
Capital and reserves, 1 January	2,831	2,898	2,898
NKT's share of Group net income	48	21	85
Currency adjustment of net income and capital and reserves of foreign subsidiaries etc.	6	(37)	(57)
Shares options paid / dividend treasury shares	4	5	5
Dividend paid	(200)	(100)	(100)
<b>Capital and reserves at the end of the period</b>	<b>2,689</b>	<b>2,787</b>	<b>2,831</b>

# CASH FLOWS AND INTEREST BEARING ITEMS

<i>Amounts in mDKK</i>	<i>Q2 2004</i> <i>Unaudited</i>	<i>Q2 2003</i> <i>Unaudited</i>	<i>Q1-Q2 2004</i> <i>Unaudited</i>	<i>Q1-Q2 2003</i> <i>Unaudited</i>	<i>Year 2003</i>
Earnings before interest, tax, depreciation and amortisation (EBITDA)	149	101	220	167	386
Financial items, net	(13)	(5)	(14)	(6)	16
Change in working capital, gain from sale of fixed assets reversed etc.	(174)	(146)	(368)	(263)	(167)
Cash flow from operating activities	(38)	(50)	(162)	(102)	235
Acquisition of business activities	(875)	-	(916)	-	-
Divestment of business activity	-	-	-	-	16
Investments in tangible fixed assets, net	(52)	(23)	(93)	(43)	(116)
Other investments, etc.	20	1	38	(10)	(50)
Total cash flows from operating and investing activities	(945)	(72)	(1,133)	(155)	85
Dividend paid	(200)	(100)	(200)	(100)	(100)
Shares options paid / dividend treasury shares	4	2	4	(18)	(18)
Change in interest bearing items, net	(1,141)	(170)	(1,329)	(273)	(33)
Net Interest bearing items, 1 January	217	321	409	407	407
Net currency adjustments relating to interest bearing items	(8)	6	(12)	23	35
Net interest bearing items at the end of the period	(932)	157	(932)	157	409

# SEGMENT INFORMATION

<i>Amounts in mDKK</i>	<i>Q2 2004</i> <i>Unaudited</i>	<i>Q2 2003</i> <i>Unaudited</i>	<i>Q1-Q2 2004</i> <i>Unaudited</i>	<i>Q1-Q2 2003</i> <i>Unaudited</i>	<i>Year 2003</i>
<b>Revenue</b>					
Nilfisk-Advance	1,103	687	1,806	1,360	2,701
NKT Cables Group	824	688	1,496	1,247	2,718
NKT Photonics Group	19	18	38	35	70
NKT Flexibles	49	67	81	143	305
Priorparken	12	14	24	29	54
Other companies	-	1	-	4	6
Intra-group revenue, etc.	(7)	(7)	(15)	(16)	(30)
	<b>2,000</b>	<b>1,468</b>	<b>3,430</b>	<b>2,802</b>	<b>5,824</b>
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>					
Nilfisk-Advance	100	72	177	142	276
NKT Cables Group	64	49	86	67	166
NKT Photonics Group	(18)	(17)	(37)	(37)	(76)
NKT Flexibles	3	-	(7)	(7)	(6)
Priorparken	5	5	9	11	28
Other companies	-	(2)	-	(6)	(9)
Parent company and eliminations, etc.	(5)	(6)	(8)	(3)	7
	<b>149</b>	<b>101</b>	<b>220</b>	<b>167</b>	<b>386</b>
<b>Earnings before interest, tax and amortisation of goodwill and acquired trademarks (EBITA)</b>					
Nilfisk-Advance	74	58	137	114	217
NKT Cables Group	49	33	55	35	104
NKT Photonics Group	(26)	(27)	(54)	(56)	(135)
NKT Flexibles	(4)	(6)	(21)	(19)	(32)
Priorparken	-	-	(1)	-	-
Other companies	-	(2)	-	(7)	(11)
Parent company and eliminations, etc.	(5)	(7)	(9)	(5)	6
	<b>88</b>	<b>49</b>	<b>107</b>	<b>62</b>	<b>149</b>

# SEGMENT INFORMATION - continued

<i>Amounts in mDKK</i>	<i>Q2 2004</i>	<i>Q2 2003</i>	<i>Q1-Q2 2004</i>	<i>Q1-Q2 2003</i>	<i>Year 2003</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	
<b>Earnings before interest and tax (EBIT)</b>					
Nilfisk-Advance	55	45	103	86	163
NKT Cables Group	48	33	54	35	104
NKT Photonics Group	(26)	(27)	(54)	(56)	(135)
NKT Flexibles	(4)	(6)	(21)	(19)	(32)
Priorparken	-	-	(1)	-	-
Other companies	-	(3)	-	(7)	(11)
Parent company and eliminations, etc.	(6)	(7)	(10)	(5)	3
	67	35	71	34	92
			<i>30 June 2004</i>	<i>30 June 2003</i>	<i>31 Dec. 2003</i>
			<i>Unaudited</i>	<i>Unaudited</i>	
<b>Capital employed</b>					
Nilfisk-Advance			2,260	1,341	1,280
NKT Cables Group			840	656	550
NKT Photonics Group			119	159	124
NKT Flexibles			324	320	315
Priorparken			155	156	164
Other companies			1	11	24
Parent company and eliminations, etc.			72	116	92
			3,771	2,759	2,549





**NKT**

HOLDING

This quarterly report is published by  
NKT Holding A/S  
NKT Allé 1  
DK-2605 Brøndby  
CVR. No. 62 72 52 14

Contents and layout:  
NKT Holding A/S

Production:  
Kailow Graphics A/S

Copyright:  
NKT, August 2004