



Copenhagen Stock Exchange  
Nikolaj Plads 6  
DK-1007 Copenhagen K

5 March 2002  
Announcement No. 7

### Annual Accounts 2001

The Board of Directors has today approved the NKT annual accounts for 2001. The full text of **the annual report and accounts for 2001** is enclosed herewith.

The printed report will be published on 11 March 2002, but the electronic version can be found on NKT's website, [www.nkt.dk](http://www.nkt.dk), as of today. A copy of **"Technologies Creating Value"**, a profile supplement to the annual report for 2001, is also enclosed herewith. The text of the supplement, which describes the situations regarding NKT's Vision 2005, can also be found on NKT's website.

### Comments to the Accounts

The final result for the year, a loss of 44 mDKK after tax and minority interests, was better than that expected, which was a loss of between 50-100 mDKK. Although the result was not satisfactory, it must be

pointed out that in 2001 NKT generated a positive cash flow totalling 242 mDKK before dividend distribution and purchase of own shares.

### Development in the Group Companies

The mature businesses, NKT Cables and Nilfisk-Advance, have had a period with restructuring, modernisation and capacity adjustments. In 2001, both companies recorded improved operating earnings, and both companies also generated a positive cash flow.

The growth businesses, IONAS and NKT Flexibles, did not live up to expectations. IONAS only doubled its turnover, the expected significant growth being impeded by the drastic slowdown in the telecommunications sector. NKT Flexibles realised growth of

### Financial Highlights (mDKK)

	2001	2000
Turnover	6,426	6,509
Earnings before interest, tax, depreciation and amortisation (EBITDA)	300	(118)
Earnings before interest and tax (EBIT)	(94)	(1,060)
NKT's share of net income	(44)	4,030
Shareholders' equity	3,872	4,149
Cash flow from operations	431	(111)
Net interest-bearing balance sheet items	71	2,758
Dividend for 2001	100	2,806

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24%, which was less than expected. This was due to insufficient order intake to make efficient use of the capacity of the production plant.

NKT's development businesses, of which four were established in 2001, all pursued the plans established for their progress. Cash burn relating to the activities of NKT Research & Innovation and the Group's nine development companies totalled 128 mDKK.

#### **Decisions taken at Board Meeting on 5 March 2002**

At the Annual General Assembly to be held on Wednesday, 3 April 2002, the Board of Directors will propose:

- payment of a dividend of 4 DKK per share. This corresponds to payment of an aggregate dividend amount for 2001 of 100 mDKK.
- that the Board of Directors be authorised to allow, in the period up to the Annual General Meeting next year, the acquisition by the Company or its subsidiaries of the Company's own shares at the market price quoted at the date of acquisition plus or minus 10% thereof.

#### **Outlook for 2002**

In 2002, main focus will be directed towards achieving continued progress in the mature businesses, NKT Cables and Nilfisk-Advance, and on supporting the endeavours to achieve an improved operating situation for the growth businesses, NKT Flexibles and IONAS. In the case of the development businesses, the focus will be on expanding their level of activity against the background of the progress they have achieved.

#### ***Turnover and operating earnings***

In 2002, a moderate increase in Group turnover to a total of around 6,500 mDKK is expected.

The growth in turnover for the mature businesses, NKT Cables and Nilfisk-Advance, is expected to be just under 2%. This reflects the weak improvement taking place in the cables market, while growth in the market for professional cleaning equipment is conditional upon improvement in the US market. The companies NKT Cables, Nilfisk-Advance, Priorparken and NOVATOR expect continued progress in overall operating earnings, but the level of these earnings will not yet be satisfactory. The operating earnings will include a one-off gain of 60 mDKK from sale of a property in Priorparken.

Satisfactory turnover development is not in prospect in 2002 for the growth companies, NKT Flexibles and IONAS. This is because there are still too few orders for supply of flexible pipes to the offshore sector, and because the market for supply of optical equipment to the telecommunications sector is at a very low level. It is expected that market conditions for optical components, including optical chips, will not improve until the final part of 2002 at the earliest. Satisfactory income conditions for NKT Flexibles and IONAS cannot be expected until future years.

The development businesses, comprising NKT Research & Innovation, Crystal Fibre, CISILIAS, KOHERAS, LIOS Technology, SMB (Scandinavian Micro Biodevices), PicoSep, Cantion, NST (Nordic Superconductor Technologies) and Watech, are



expected to increase their development activities in relation to 2001. Aggregate development costs are expected to be reflected in operating earnings to the amount of around 145 mDKK, as against 94 mDKK in 2001.

***Financial items and tax***

A net financial expense is expected in 2002, as compared with income in 2001, which is a result of the capital restructuring. A small tax expense must be expected in the Group's foreign companies as goodwill amortisation in some countries is not tax deductible.

***Net income***

NKT Holding is expected to make a net loss of between 50-100 mDKK in 2002.

Yours faithfully  
NKT Holding A/S

*Christian Kjær*  
Chairman of Board of Directors

**Questions**

Please address any questions arising from the enclosed material to Tom Knutzen, President and CEO, on telephone no. +45 43 48 20 00.

**Invitation to accounts briefing**

Share analysts and the press are invited to attend an information meeting on the NKT Annual Accounts at which there will also be an opportunity to put questions to the Group Management.

The meeting will be held  
Wednesday, 6 March 2002, at 09.00 a.m.  
at the NKT Exhibition Centre  
Priorparken 515  
2605 Brøndby.

To attend the meeting, please register on telephone number +45 43 48 34 05.

*Tom Knutzen*  
President and CEO

Encl. **Annual Report and Accounts for 2001** and profile supplement **"Technologies Creating Value"**.

**NKT**

H O L D I N G

○ ANNUAL REPORT 2001



Financial Highlights DKK	1
Report of the Board of Directors and the Management	2
NKT Holding and NKT Research & Innovation	5
Optical Components	6
IONAS	
Crystal Fibre	
CISILIAS	
KOHERAS	
LIOS Technology	
Life Science Components	9
SMB	
PicoSep	
Cantion	
Materials Technology	11
NKT Flexibles	
NST	
Watech	
Mature Businesses	14
NKT Cables	
Nilfisk-Advance	
NOVATOR	
Priorparken	
Distribution of Profit/Loss and Auditors' Report	18
Financial Review	19
Accounting Policies	25
Profit and Loss Account	29
Balance Sheet	30
Cash Flow Statement	32
Notes	33
Group Companies	43
Board of Directors and Management	44
Financial Highlights EURO	45

## General Assembly

Wednesday, 3 April 2002 at 16:00  
Radisson SAS Falconer Center; DK-2000 Frederiksberg

## List of Shareholders pursuant to Section 28b of the Danish Companies Act

FLS Industries A/S, Vigerslev Allé 77, DK-2500 Valby  
Nordea Gruppen, Strandgade 3, DK-0900 Copenhagen C  
ATP (Danish Labour Market Supplementary Fund)  
Kongens Vænge 8, DK-3400 Hillerød

See also Investor Information on page 3.

**Shareholder service:** Danske Bank, Holmens Kanal 2-12,  
DK-1092 Copenhagen K, phone + 45 43 39 28 85

## Accounting Terms and Abbreviations

**Amortisation** - Depreciation of goodwill, copyrights, patents, etc. over their useful life.

**Cash burn** - Net cash outflow, ie. operating expenses and investments.

**EBIT** - Earnings before interest and tax.

**mDKK** - million Danish Kroner.

**tDKK** - thousand Danish Kroner.

## Technical Terms and Abbreviations

**Array** - Surface matrix structure that allows the simultaneous detection of many different parameters.

**AWG component** - Arrayed Waveguide Grating component. Device that combines/integrates several optical signals (colours) into one signal (of several colours).

**Bragg grating** - A filter which eliminates non-wanted waveguides.

**Chips** - Small pieces of glass, plastic, silicon, etc. engineered for specific applications.

**Distributed temperature measurement** - Recording of temperature at specific points on a given section.

**Dynamic deflection test** - Test performed on flexible pipe to simulate actual movements.

**Erbium** - One of the rare-earth group of elements.

**Flowchip** - Small wafer of glass, plastic, etc. with channels for fluids.

**Foundry** - The term for chip production.

**ID** - Internal diameter.

**Interleaver** - Component for multiplying the number of channels in a transmission system.

**Life science** - Branch of science dealing with living organisms and life processes.

**Modulation technique** - Method by which a signal can be varied.

**MRI scanner** - Magnetic Resonance Imaging scanner. Creates a powerful magnetic field for use eg. in brain imaging.

**Nonlinearity** - Irregularity in the way light passes through an optical fibre.

**PECVD** - Plasma Enhanced Chemical Vapour Deposition. Technology for manufacturing optical wafers.

**Planar** - Layered structure.

**Power splitter** - Unit that can divide and send the same signal to several users.

**Riser** - A product pipeline extending from the seabed to a tanker or drilling rig.

**Silicon** - An element.

**VOA** - Variable Optical Attenuator; a device for reducing signal strength.

All amounts in mDKK	1997	1998	1999	2000	2001
<b>Profit and loss account</b>					
Net turnover	5,581	6,426	6,057	6,509	6,426
Earnings before interest, tax, depreciation and amortisation, EBITDA	735	975	1	(118)	300
Depreciation and writeoffs of tangible fixed assets	(289)	(325)	(468)	(611)	(305)
Amortisation and writeoffs of intangible fixed assets	(49)	(78)	(66)	(331)	(89)
Earnings before interest and tax, EBIT	397	572	(533)	(1,060)	(94)
Financial items, net	(64)	(128)	(10)	77	38
Earnings from ordinary operations before tax	333	444	(543)	(983)	(56)
Earnings from ordinary operations after tax	217	291	(449)	(914)	(76)
Net extraordinary items before tax	0	91	2,890	4,919	0
Net extraordinary items after tax	0	91	2,890	4,919	0
Net income after tax	217	381	2,441	4,006	(76)
NKT's share of net income	203	362	2,419	4,030	(44)
<b>Balance sheet and employees</b>					
Share capital	749	751	540	540	500
Shareholders' equity	2,645	2,739	3,117	4,149	3,872
Total assets	6,342	6,935	8,972	9,981	6,605
Interest-bearing items <sup>1)</sup>	(2,060)	(1,508)	784	2,758	71
Capital employed <sup>2)</sup>	4,360	5,058	4,818	4,443	4,123
Average number of employees	6,549	7,296	6,820	6,206	5,690
<b>Cash flow</b>					
Cash flow from operations	502	100	(17)	(111)	431
Net investment in tangible fixed assets	(575)	(280)	(232)	(286)	(108)
<b>Research and development</b>					
Research and development costs	176	174	197	169	215
<b>Key performance indicators</b>					
Equity ratio	42%	39%	35%	42%	59%
Number of 20 DKK shares ('000)	37,450	37,540	26,980	26,980	25,000
Earnings per share, DKK per share of 20 DKK <sup>3)</sup>	4.5	6.0	(10.3)	(33.0)	(1.8)
Dividend paid per share, DKK per share of 20 DKK	2.4	2.8	4.0	16.0	104.0
Equity value, DKK per share of 20 DKK, incl. dividend	73	77	132	258	159
Market price per share of 20 DKK <sup>3)</sup>	89	66	83	368	105

1) Interest-bearing cash items and receivables less interest-bearing debt.

2) Shareholders' equity, minority interests and dividend for the year +/- net interest bearing items.

3) Comparative figures 1997 - 1998 are aligned with changed capital structure in 1999.

Calculation of key figures has been based on the guidelines of the Danish Society of Financial Analysts

In 2001 we concentrated our energies on establishing our two large industrial undertakings, NKT Cables and Nilfisk-Advance, in a position of positive development operationally, and on supporting and expanding our development activities - in line with the goals and plans contained in Vision 2005. In both areas we had a positive momentum.

Due to the radical slowdown in the telecommunications sector, the level of growth in IONAS was lower than anticipated at the

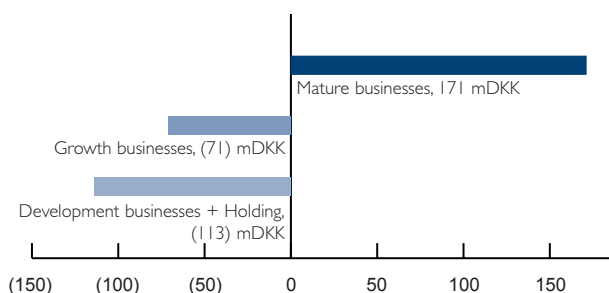
start of the year: NKT Flexibles achieved growth of 24%, which was below expectations.

The net result for the year, which was a loss of 44 mDKK after tax and minority interests, was better than the projected loss of 50 - 100 mDKK announced earlier. This result was not satisfactory, but it should be emphasised that NKT generated a positive cash flow in 2001 of 242 mDKK before distribution of dividend and buyback of own shares.

**Results 2001**

Turnover: The Group's turnover amounted to 6,426 mDKK in 2001, as against 6,509 mDKK the previous year. After adjustment for exchange factors and for turnover relating to corporate acquisitions and divestments, turnover increased by 83 mDKK, corresponding to organic growth of 2%. The Group's non-Danish activities represented 87% of turnover, compared with 85% the previous year.

**Operating earnings**, excluding goodwill amortisation of 81 mDKK, amounted to (13) mDKK. The distribution of operating earnings for our three categories of undertakings was thus:



Operating earnings amounted to (94) mDKK. This is a marked improvement on last year's operating deficit of 1,060 mDKK. This development was principally attributable to the closure of the submarine cables factory and adjustment of activities in NKT Cables and Nilfisk-Advance. Operating result include a profit of 90 mDKK attributable to the disposal of equipment and machinery from the submarine cable factory.

The figure for operating earnings includes net expenses attributable to NKT's development businesses and NKT Holding that for the most part are related to the realisation of the Vision 2005 strategy. If adjusted for this, an operating profit was achieved.

Net financial items comprised income of 38 mDKK compared with 77 mDKK the previous year, when the gain from the sale of GIGA yielded substantial positive liquidity, a considerable part of which was later distributed as dividend to the company's shareholders.

**Income after tax and minority interests** amounted to a loss of 44 mDKK. The corresponding figure for last year was a profit of 4,030 mDKK, which included an extraordinary income of 4,919 mDKK from the sale of GIGA.

Developments in the individual Group companies are described in pages 5-17.

The Financial Review, which starts on page 19, provides more detailed comment on items in the accounts - both for the Group and for the individual companies.

The accounting policies used in drawing up the annual accounts for 2001 were consistent with those of last year, except that company taxes have been treated in accordance with the new Danish Accounting Standard No. 14. This change, which does not affect the net income for 2001, is discussed in the Financial Review.

**Dividend for 2001**

The Board of Directors proposes the payment for 2001 of an unchanged, ordinary dividend of 4 DKK per share, corresponding to an aggregate dividend payment of 100 mDKK.

The dividend payment must be seen in the light of NKT's strong capital structure and the positive cash flow that was generated in 2001.

**NKT Shares**

In April, a 1:5 stock split was implemented, whereby the nominal value of each NKT share was changed from 100 DKK to 20 DKK per share.

Trends and turnover for NKT shares in 2000 and 2001:



As from June 2001, NKT shares are no longer represented in the KFX Index as a result of the substantial dividend, amounting to 2,806 mDKK relating to the year 2000. This amount was distributed in April, along with the buyback and cancellation of NKT shares corresponding to 600 mDKK. These two transactions reduced NKT's capital value by a total of 3,406 mDKK.

**Own Shares**

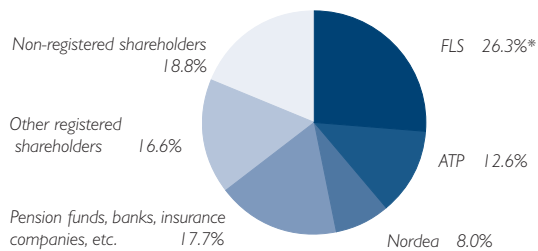
At 1 January 2002, NKT's portfolio of own shares amounted to 2.51%. This portfolio currently serves primarily to meet NKT's obligations under the Group's incentive schemes. It is still the intention to acquire own shares under the authorisation granted by the General Assembly.

**Capital Structure**

Following approval by the General Assembly in April 2001, NKT's share capital was reduced by 39,598,400 DKK (nominally) - corresponding to 7.3% - to 500,000,000 DKK (nominally).

We are continuously assessing NKT's capital structure with a view to ensuring our long-term capital resources and the achievement of a balanced financial structure for the type of activities that specifically relate to our development activities.

**Composition of Shareholders at 1 January 2002**



\* As a consequence of the merger between FLS Industries and Aalborg Portland Holding, FLS ownership of NKT has been reduced from 34.8% to 26.3%.

**Corporate Portfolio and Employees 2002**

NKT's companies are organised as mature, growth or development businesses. The growth and development businesses are categorised into clusters representing the technological areas in which they have their business base (Optical Components, Life Sciences and Materials Technology).

In 2001 we started four new development companies:

- Watech, which markets a patented technology for the recycling of waste products containing PVC.
- PicoSep, which works on a new principle for protein separation.
- KOHERAS, which develops and manufactures optical fibre lasers, is a spinoff company from IONAS.
- Cantion, which is working on developing a biochip that will contribute to faster and better disease diagnosis.

Furthermore, Adsphere, an independent business division under NKT Research & Innovation was also established. Adsphere markets surface treatment services for industrial application.

In 2001 NKT Research & Innovation became a 12% owner of DTU Innovation.

At 31 December 2001 the Group employed 5,564 people compared with 5,902 at the end of 2000. The decrease of just under 6% in the number of employees was primarily attributable to the organisational adjustments implemented in NKT Cables and Nilfisk-Advance.

The increase in the number of employees both in our growth businesses and our development businesses was - relatively - high during the year; and some of our core "Competence Net" functions (innovation and patent functions) were also strengthened.

At 31 December, 75% of Group employees worked in our non-Danish companies - which was also the case at the end of 2000.

**Group Structure at 1 January 2002**

NKT Holding and NKT Research & Innovation			
Mature businesses	Growth and Development Businesses		
	Optical components	Life science components	Materials-technology
NKT Cables	IONAS*	SMB	NKT Flexibles*
Nilfisk-Advance	Crystal Fibre	PicoSep	NST
Novator	CISILIAS	Cantion	Watech
Priorparken	KOHERAS		
	LIOS Technology		

\*Growth businesses

We have now included the company LIOS Technology in the Optical Components cluster; as the monitoring systems that LIOS Technology manufactures are based on optical measurement techniques.

We have also redefined the "Optical Communications" cluster as "Optical Components", which better describes the commercial reach represented by our businesses.

Our major industrial companies, NKT Cables and Nilfisk-Advance, have a large portfolio of subsidiaries. The NKT Group thus comprises a total of 63 directly and indirectly owned undertakings inside and outside Denmark.

**Management**

The Board of Directors and Management of NKT Holding are unchanged from the previous year (cf. page 44).

**Incentives**

NKT operates with incentives in the form of share-based pay and bonus schemes. The purpose is to attract and retain qualified people by establishing a link between individual work performance and long-term value creation in the company of employment.

**Vision 2005**

As a supplement to Annual Report 2001 we have issued a separate publication that describes our Vision 2005 strategy and the factors connected to the realisation of NKT's goal of becoming a growth and development oriented industrial group.

**Corporate Governance**

The Board of Directors and Management of NKT Holding have addressed the recommendations for corporate governance described in the report of the Nørby Committee published at the end of 2001.

Our conclusion is that, in all essentials, conformity exists between prevailing practice at NKT and the recommendations contained in the report.

**Environmental Management**

NKT's corporate environmental policy requires all Group production companies to implement environmental management matching their activities. The environmental measures relating to NKT Cables, Watech and Priorparken for 2001 are described in the individual company reviews.

**Developments since 31 December 2001**

During 2002 we have published the following announcements via the Copenhagen Stock Exchange. The full text is available on [www.nkt.dk](http://www.nkt.dk).

**02.01.02** Stock Exchange Calendar 2002. See below.

**02.01.02+07.01.02** NKT Holding issues share warrants and share options. 173,250 share warrants were issued at the start of 2002. The subscription price per share of nominal 20 DKK is set at 115 DKK, 121 DKK or 127 DKK, depending on whether the subscription takes place in 2005, 2006 or 2007. 13,125 share options will be issued to the Board of Directors of NKT Holding A/S on the same conditions. The value of the share warrants and share options amounts to 6.6 mDKK based on the current rate of interest (4.9%) and the historic volatility of NKT shares.

**11.01.02** With effect from 1 January 2002, Nilfisk-Advance acquired the remaining 30% of the share capital of CFM. After financing costs and goodwill amortisation, this acquisition, which is priced at 43 mDKK, is expected to have a positive effect on the 2002 result.

**21.01.02** NKT's real estate company, Priorparken A/S, has sold one of its properties for 110 mDKK. The profit from the sale is expected to be around 60 mDKK, which will be included in the accounts for 2002.

**28.02.02** Executive Director Jørgen Jensen joins the Management Board of Nilfisk-Advance.

**Stock Exchange Calendar 2002**

5 March	Annual Report and Accounts for 2001
3 April	Annual General Assembly
21 May	1st Quarter Report 2002
27 August	2nd Quarter Report 2002
19 November	3rd Quarter Report 2002

**Outlook for 2002**

In 2002, main focus will be directed towards achieving continued progress in the mature businesses, NKT Cables and Nilfisk-Advance, and on supporting the endeavours to achieve an improved operating situation for the growth businesses, NKT Flexibles and IONAS. In the case of the development businesses, the focus will be on expanding their level of activity against the background of the progress they have achieved.

**Turnover and operating earnings**

In 2002, a moderate increase in Group turnover to a total of around 6,500 mDKK is expected.

The growth in turnover for the mature businesses, NKT Cables and Nilfisk-Advance, is expected to be just under 2%. This reflects the weak improvement taking place in the cables market, while growth in the market for professional cleaning equipment is conditional upon improvement in the US market. The companies NKT Cables, Nilfisk-Advance, Priorparken and NOVATOR expect continued progress in overall operating earnings, but the level of these earnings will not yet be satisfactory. The operating earnings will include a one-off gain of 60 mDKK from sale of a property in Priorparken.

Satisfactory turnover development is not in prospect in 2002 for the growth companies, NKT Flexibles and IONAS. This is because there are still too few orders for supply of flexible pipes to the offshore sector, and because the market for supply of optical equipment to the telecommunications sector is at a very low level. It is expected that market conditions for optical components, including optical chips, will not improve until the final part of 2002 at the earliest. Satisfactory income conditions for NKT Flexibles and IONAS cannot be expected until future years.

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**Financial items and tax**

A net financial expense is expected in 2002, as compared with income in 2001, which is a result of the capital restructuring. A small tax expense must be expected in the Group's foreign companies as goodwill amortisation in some countries is not tax deductible.

**Net income**

NKT Holding is expected to make a net loss of between 50-100 mDKK in 2002.



Group Executives - NKT Holding. From left: Tom Knutzen, President and CEO; Søren Isaksen, CTO; Thomas Hofman-Bang, CFO; and Senior Vice Presidents: Ole Bramsnæs, General Counsel; Hans Valentin Hansen, Corporate Controlling and Accounting; Inger Jessen, Communications. Executive Directors - NKT Research & Innovation: Ove Poulsen, NKT Research; Ole Kring, NKT Innovation.

NKT Holding is responsible for the overall management of the Group's companies, and thus monitors progress on the goals and plans connected with the realisation of the Vision 2005 strategy. NKT Holding undertakes the Group's general administrative functions and formulates its procedures, policies and administrative programmes. End of 2001 NKT Holding employed 30 people.

**Research and development activities**

The development group was strengthened significantly in the area of optics in 2001. A new strategy was formulated, and the first recruitments were made in the life science domain. The Patents Department was also strengthened substantially through new appointments.

At the end of 2001, the entire workforce of NKT Research & Innovation relocated to private rented facilities at the Technical University of Denmark (DTU). Through close links with the technological environment existing at DTU's research centres, NKT Research & Innovation will have optimal opportunities for attracting new people as well as new business possibilities.

During 2001, NKT started a new institution for PhD research graduates in the form of the NKT Academy, founded a number of new companies, and established a new business division, Adsphere, specialising in surface treatment. These initiatives are separately described.

**NKT Academy**

The NKT Academy, a business-oriented research school with its roots in DTU, started eight PhD projects during 2001. The purpose of the NKT Academy is to develop advanced knowledge and generate ideas for new projects capable of supporting NKT's continued development.

The NKT Summer School 2001, organised by the NKT Academy, was an eight-day advanced optics programme attended by 88 young students from 26 different countries.

**NKT Awards**

In 2001, the NKT Research Award and the NKT Educational Award were supplemented by an agreement, provisionally for three years, to sponsor the Quantum Electronics Prize presented by the European Physical Society. This initiative brings NKT's sponsorship in the area of the natural sciences to around 500 tDKK a year.

NKT Research & Innovation, which is the hub of NKT's R&D and innovation activities, will in future focus on strategic development within the core areas of optical and life science components. NKT Research & Innovation employed 52 people at 31 December 2001.

**Adsphere**

Adsphere, a division of NKT Research & Innovation, has developed a SoftPlasma™ technology which makes it possible to modify an existing surface by controlling the formation of a new surface. This means that the qualities of the surface can be changed to meet specific needs without a negative impact on the original material. Adsphere currently has the status of an independent business unit which markets surface treatment systems for industrial applications.

**Technology-based business platform**

We are constantly expanding our business base under Vision 2005.

Number	2001	2000	1999
Businesses established	4	3	1
Projects under way - start phase	4	4	-
Projects under way - end phase	2	3	-
Project ideas rejected	12	10	-
Major development projects discontinued	1	1	-
Patents			
- Basic applications filed	33	24	19
- Basic applications pursued internationally	17	16	10
- Patents issued	10	6	1
Employees*, 31 December	225	188	113
Age profile			
< 25 years	5	4	1
25-34 years	86	82	40
35-44 years	94	65	45
45-54 years	23	28	18
55-64 years	17	9	9
Education profile			
Engineer/PhD	97	70	41
University	15	18	13
Technical education	52	24	15
Commercial	18	20	15
Other	43	56	29

\*NKT's growth and development businesses, excluding the 51%-owned NKT Flexibles, but including NKT Holding and NKT Research & Innovation.



Senior executives - Optical Components cluster. From left: Lars Rønn, IONAS; Michael Kjær, Crystal Fibre; Jacob Philipsen, CISILIAS; Jakob Skov, KOHERAS. The position of CEO for LIOS Technology is currently being filled.

The companies in the Optical Components cluster all have their technological roots in NKT's expertise in opto and semiconductor technologies and microscopy.

The companies develop and manufacture products that form key components in other products and system solutions.

Production typically takes place in cleanroom facilities.

Apart from IONAS, which is classified as a growth business, the companies in the Optical Components cluster operate as development businesses focused on establishing their technological and commercial platforms.

The telecoms sector is a primary market for a number of NKT's optical products. The marked slowdown in the level of activity

which occurred in this area in 2001 meant that the demand for the optical components that IONAS manufactures was significantly smaller than expected. This slowdown did not directly affect the other companies in the cluster, which are still in the development phase.

The continued strong growth in global internet and data traffic is in time expected to create an increased demand for advanced solutions that can both increase network transmission capacity and improve the quality of signal handling.

Products from KOHERAS and LIOS Technology are targeted at sectors other than telecommunications. At present, the potential applications for the products made by these two companies lie in equipment utilised in sensor and monitoring contexts.

## IONAS

manufactures passive planar optical chips and components for optical applications in the telecommunications network. Production is based on a PECVD technology platform. Its strength is the scalability and consistent very high quality.

Highlights (mDKK)	2001	2000
Turnover	89	47
EBIT*	14	(11)
Capital employed	137	74
Investment in tangible fixed assets, net	84	72
R&D costs	6	5
Employees, average for year	60	36

\* EBIT for 2001 includes income of 30 mDKK for sale of knowhow, patents and copyrights. Without this income, a negative EBIT of 16 mDKK would have been recorded.

### Background

At the start of the year, IONAS had expectations of turnover of around 200 mDKK and an operating profit - particularly as a result of the joint venture partnership established with JDS Uniphase centred on AWG components.

In the event, however, IONAS' production was substantially lower than anticipated at the start of the year. This was a result of the strong slowdown in capital investment that occurred during the year in the wake of the previously very high growth rates in the

telecommunications market. This slowdown was caused by overheating in the expansion of the intercontinental and regional optical transmission networks. For the optical component manufacturers the situation was exacerbated by the need for stock adjustments on the part of component users and system manufacturers due to the aggressive purchasing strategy they had been pursuing. Demand was therefore extremely low during the latter half of the year.

KOHERAS, which represented around 10% of IONAS' turnover, demerged from IONAS in mid-2001.

### Comments on Accounts

Turnover amounted to 89 mDKK, an increase of 89% on 2000. Around 80% of IONAS' 2001 turnover originated from AWG components, which are manufactured under the joint venture agreement with JDS Uniphase involving production, packaging and sale.

IONAS recorded an EBIT of 14 mDKK. Included in this figure is intra-Group gain of 30 mDKK from sale of knowhow, patents and intellectual property rights relating to the demerger of KOHERAS.

Total capital investment in IONAS at 31 December 2001 amounted to 170 mDKK. Of this, 83 mDKK was spent on completion and expansion of the company's cleanroom facilities.



**Enhancement of IONAS' Competitiveness**

IONAS' PECVD-based technological platform has consistently shown its market strength, and the company is among the global players capable of volume manufacturing.

Extensive product and process development was realised during the year. IONAS added a number of key products to its range, including AWG, interleaver, VOA, switch and power-splitter chips and components. The production base was upgraded from 5" to 6" wafers, while the chips mounted on the wafer now also have greater functionalities and even better quality than before.

IONAS expanded its sales department in 2001. This has resulted in the establishment of a considerable number of contacts with new foundry customers.

Owing to the significantly changed market situation, ongoing dialogue is under way with JDS Uniphase on how the existing partnership can be developed further in its structure.

**Outlook for 2002**

Due to the high degree of uncertainty as to when demand will normalise, it is difficult to quantify the turnover expectations for 2002. The aim is to realise a profit before depreciation - something which will require a substantial increase in activity in the second half of 2002 - and an overall turnover similar to 2001.

**CRYSTAL FIBRE**

*manufactures microstructured optical fibres (crystal fibres) provided with voids along their length. Varying the number and position of the voids varies the functionalities of the fibre by enabling very substantial non-linearities and extreme transmission characteristics to be obtained. The fibres are targeted at manufacturers of technical equipment and the telecoms sector. Crystal fibres have an even wider scope of application than conventional teletransmission fibres.*

*Crystal Fibre employed 14 people at 31 December 2001.*

**Business Concept**

The company more than doubled its work force in the course of the year.

In June, the company commissioned production facilities of its own. As a result, it is now possible to accelerate development work and to manufacture the advanced crystal fibres in improved qualities and longer lengths.

In the second half of 2001, focus was directed at developing key

products for the telecoms sector. The fibres currently marketed by the company are primarily used for research purposes.

With the establishment of a semi-exclusive agreement with the UK research institute QinetiQ (formerly DERA) in mid-2001, the company acquired licence rights to one of the most important and broadest patent families relating to the design of crystal fibres. In combination with its own patent portfolio, the company has thus acquired a unique patent position, thereby significantly strengthening its commercial base.

Cash burn in 2001 amounted to 27 mDKK.

Crystal Fibre is expected to qualify for growth business status at the end of 2003.

**Outlook for 2002**

Substantial growth is expected in sales of fibres for a number of niche products, which in the short term can strengthen turnover and increase expertise. Crystal Fibre is also engaged on development in product areas with long-term potential in the communications domain.

**CISILIAS**

*develops and manufactures optical chips with amplifier characteristics based on a specially developed PECVD technology that enables deposition of erbium ions in optical waveguides. Using this technology it will be possible to manufacture amplifier arrays, laser arrays, zero loss chips and integrated chips that can be used for signal handling in optical telecommunications.*

*At 31 December 2001 CISILIAS employed 8 people.*

**Business Concept**

CISILIAS focused in 2001 on optimising its production processes, and in the autumn presented its first product - an amplifier array with eight parallel amplifiers. The technical specifications of the product are among the market's finest, and the company has received orders for the first trial supplies of this component.

At the end of 2001 the company relocated to new facilities at the Technological University of Denmark (DTU), directly adjacent to the premises occupied by NKT Research & Innovation. CISILIAS therefore continues to retain very close links with DTU's research environment.



## CISILIAS - continued

Cash burn in 2001 amounted to 9 mDKK.

We expect another two to three years to elapse before CISILIAS joins the ranks of NKT's growth businesses.

### Outlook for 2002

A rising level of activity is expected, with further staff being appointed. Focus will be on continued product development, parallel with establishment of a production flow linked to prototype supplies.

## KOHERAS

*manufactures optical fibre lasers based on Bragg gratings. The products are characterised by very narrow linewidth and by application-specific system structures. This provides very high sensitivity to external influences, such as acoustic signals.*

At 31 December 2001 KOHERAS employed 12 people.

### Business Concept

Manufacture of the fibre lasers on which the company is based was already under way when KOHERAS demerged from IONAS in mid-2001. This production generated turnover totalling 11 mDKK in 2001.

In the second half of the year, KOHERAS experienced success with a number of products which it is developing and manufacturing in close partnership with customers. The company also managed to achieve a global position.

A new production line was put into service in 2001. This led to a substantial reduction in throughput time for the company's products.

Cash burn in 2001 amounted to 37 mDKK, of which 30 mDKK pertains to purchase of knowhow from IONAS as a result of the demerger in July 2001.

We expect KOHERAS to graduate to growth business status at the end of 2003.

### Outlook for 2002

Against the background of KOHERAS' relatively strong position as a niche supplier of advanced fibre lasers, rising sales are expected, combined with expansion and efficiency improvements to the company's production capacity.

## LIOS TECHNOLOGY

*manufactures cost-effective measuring systems for distributed temperature monitoring using fibre-optic sensor cables and based on a modulation technique. Applications include fire warning systems for tunnels, and supervision of process plant, cable installations and oil pipelines.*

At 31 December 2001, LIOS Technology employed 12 people.

### Business Concept

Based in Cologne, LIOS Technology has for a number of years pursued commercial activities in close partnership with the Cerberus Division of Siemens Building Technologies. Together, the two companies have developed and supplied more than 150 temperature measuring systems designed for fire warning in tunnels.

In 2001, LIOS Technology increased its turnover to 17 mDKK and achieved an operating profit for the first time since its establishment. This success was gained against the background of measures that included strongly improved production efficiency.

Cash burn in 2001 amounted to 6 mDKK.

We expect LIOS Technology to become a growth business at the end of 2002.

Based on its successes to date, LIOS Technology is now targeting other areas of application, and in December the company acquired permission to supply temperature monitoring systems for installations such as process reactors and oil and gas tanks in areas vulnerable to explosion.

### Outlook for 2002

With the occurrence of a number of serious tunnel fires in recent years, continued growth is expected in the market for tunnel fire warning systems. This in turn is expected to lead to continued growth in LIOS Technology's turnover and income. Focus is also being placed on sales for other application purposes.



Senior executives - Life Science cluster. From left:

Stefan Bartling, SMB; Henrik Schmidt, PicoSep; Carsten Faltum, Cantion. For PicoSep and Cantion the current appointments are temporary only.

The companies in the Life Science cluster are based on a combination of the knowhow possessed by NKT in the areas of micro-technology and surface modification technology. With this expertise it is possible to develop and manufacture miniaturised components in glass, silicon and plastic with unique bio-specific and other properties.

It is a logical commercial progression for NKT to position itself as a supplier of components for life science purposes. This may include partnership with other players in the domain, NKT thereby becoming an active industrial co-owner.

NKT's focus on this domain derives from the assessment that the life science sphere will create a platform for industrial development and growth in years ahead.

In the global society there is considerable focus on all aspects of health care, and there is a strong need for development of new technologies capable of improving the efficiency of the time-

consuming and complex laboratory procedures used in the health sector and pharmaceuticals industry.

For example, everything points to a strong need to improve the efficiency of analysis tasks in relation to illness diagnosis, and also for these tasks to be taken out of the laboratory and put directly into doctors' surgeries, outpatients' clinics and other locations in close proximity to the patient (the point of care market).

The pharmaceuticals industry also urgently needs ways to automate and simplify the many analyses that have to be performed in the development and testing of new medicines, and to reduce the associated costs.

NKT owns three development companies in the life science cluster. These companies develop a variety of components and micro-systems which are all essential for various analytical processes.

These components are typically manufactured in cleanroom facilities.

## SMB (Scandinavian Micro Biodevices)

*designs, develops and manufactures biochips made of silicon, glass and polymers. These biochips constitute key components in analysis systems aimed at upgrading the efficiency of laboratory routines in illness diagnosis and development of new medicines.*

At 31 December 2001 SMB employed 11 people.

### Development of Business Concept

During 2001, SMB's high-tech development was focused on manufacturing surface-treated glass slides suitable for DNA arrays. The first prototypes for testing were supplied to selected customers late in the year.

Focus was also placed on establishing a foundry for design and production of biochips in the form of microfluid systems that can support and handle DNA, proteins cells or cell membranes. The goal is to evolve customer-specified chips for analytical processes in development of medicines or in cell-based diagnostics.

Work took place on expanding SMB's own laboratory and production facilities and also on establishing external cooperation on technology development and access to production-related equipment.

Cash burn in 2001 amounted to 12 mDKK.

We expect SMB to become a growth business within two years.

### Outlook for 2002

Commercial sales of the new DNA microarrays are expected, along with growth in sales of the company's microfluid systems and cell chips.



## PICOSEP

*is developing a new technology for protein separation and protein analysis. This development is taking place in partnership with the Centre for Proteome Analysis at the University of Southern Denmark.*

### Development of Business Concept

In 2001, focus was chiefly placed on developing and documenting the technical concept on which PicoSep is based.

The technological complexity of the development project has proved greater than expected. In view of the promising perspectives which the project represents it has therefore been decided to widen the original basis for "proof of concept".

PicoSep has taken on its first staff and is currently setting up its own laboratory and office facilities.

Cash burn in 2001 amounted to 5 mDKK.

PicoSep's transition to growth business status will be evaluated when proof of concept exists.

### Outlook for 2002

Development activities are expected to be strengthened, enabling proof of concept to take place in the second half of 2002.

## CANTION

*is developing a new type of biochip - a flowchip - for identification of small quantities of bio-molecules in a fluid sample. The measuring technique builds on a very simple principle developed via cantilever technology. The analysis equipment in which the Cantion chip is a key component is very simple compared with rival methods of analysis. Accordingly, it is also targeted at the point of care market - for diagnosis of illness.*

### Development of Business Concept

Cantion was established in autumn 2001.

The company has appointed its first employees, and contact has been established with the first potential private and public-sector customers and users of the chip.

Cash burn in 2001 amounted to 1 mDKK.

We expect Cantion to remain a development business within the next three years.

### Outlook for 2002

A strong acceleration in development activities is expected in 2002.



Senior executives - Materials Technology. From left:

Michael C. Hjorth, NKT Flexibles; Juan Farré, NST. The position of CEO for Watech is currently being filled.

The companies in the materials technology category are not grouped in technology clusters in the same way as the optical and life science companies.

The materials technology category is wide-ranging, but its businesses all have their roots in skills and expertise derived from NKT's cable activities.

NKT Flexibles is a spinoff from our former production of submarine cables. The reinforcement and extrusion techniques utilised in this production have been combined with new materials technology knowhow with a view to the manufacture of flexible offshore pipelines for carrying oil and gas.

The superconducting tapes manufactured by NST is developed for our cable business - to serve as the conductors in tomorrow's zero power loss transmission cables.

Watech (Waste Technologies) was established in direct response to society's demands for industry to accept environmental responsibility for the recycling of its products. The technology developed by Watech was originally created for the recycling of PVC cable scrap, particularly by isolating heavy metals (lead).

NKT's knowhow in cable technology has therefore led to the development of businesses with a different focus from the original company.

## NKT FLEXIBLES (ownership 51%)

manufactures flexible subsea pipe systems for the transport of oil, gas, water and liquid chemicals. The company also possesses unique expertise in extrusion and reinforcement of long-length pipes.

Highlights (mDKK)	2001	2000
Turnover	266	215
EBIT*	(55)	(55)
Capital employed	481	463
Investment in tangible fixed assets, net	22	30
R&D costs	28	16
Employees, average for year	224	209

\* EBIT is stated after Group eliminations.

### Background

There was an expectation at the start of the year that NKT Flexibles would manage to increase turnover by around 30% and achieve operating earnings that, while negative, would be a significant improvement on 2000.

### Comments on Accounts

In 2001, NKT Flexibles improved its turnover from 215 mDKK to 266 mDKK, corresponding to an increase of 24%.

The company posted an operating loss of 55 mDKK, a unsatisfactory performance. The non-improvement in operating earnings must be seen in the light of heavy costs incurred on development of deepwater products, combined with the absence during 2001 of large single orders capable of making heavy use of the company's production capacity.

In 2001, interest-bearing debt increased by 88 mDKK, including payment of interest expenses of 16 mDKK. This is equivalent to realisation of a negative free cash flow of 72 mDKK. Half this amount was attributable to expenses and receivables relating to the deepwater development project. To this must be added increased drum capacity of around 15 mDKK.

At the end of the year the company had orders in hand to the value of 100 mDKK, the same as in 2000.

### Development of Business Concept

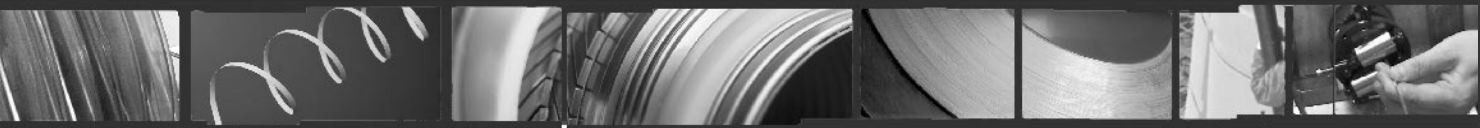
The company's joint venture collaboration with Stolt Offshore continued in 2001.

NKT Flexibles completed a number of projects during the year for the offshore oil and gas industry which are of substantial testimonial value for the company's continued market positioning.

These projects included an installation in Equatorial Guinea with service implementation of a 10" ID flexible pipeline at a depth of 850 metres.

The development project with the Brazilian State oil company, Petrobras, for production of a pipeline for service at a depth of 1000 metres was completed, apart from an installation test which is planned for the first half of 2002.

December 2001 saw the start of oil production in the very important Girassol project off the coast of Angola for which NKT Flexibles has supplied pipes. This project is expected to have major testimonial value for the company. The same applies to the company's pipe deliveries to Statoil/PGS and Norsk Hydro in 2001.



## NKT FLEXIBLES - continued

Activities in the field of product development include development of a test rig in Kalundborg. The rig will be used for dynamic deflection tests in connection with future qualification of dynamic risers, and will provide an important optimisation source for future pipe designs.

2001 also saw completion of testing on optical sensors integrated in the tensile reinforcement of a dynamic riser. NKT Flexibles is today the only manufacturer able to supply flexible pipes with a calibrated monitor system.

NKT Flexibles has initiated an extensive development project, FLEXTREME™, aimed at designing and developing materials for a future, flexible deepwater pipeline that has the strength, weight and durability for application at depths of up to 3000 metres.

The award of a contract from Statoil for development of a 16" riser and a 10" ID high-temperature riser will provide qualification for the last major product category at NKT Flexibles' factory in Kalundborg.

### Outlook for 2002

In 2002, NKT Flexibles expects increased turnover and improved - although still negative - operating performance compared with 2001. Achieving this is conditional upon a satisfactory flow of orders in the first half of the year and on improved capacity utilisation at the Kalundborg factory.

## NST (Nordic Superconductor Technologies)

*develops and manufactures HTS (high temperature superconducting) tapes, which when cooled are able to transmit large amounts of electricity with zero loss. NST's superconducting tapes are used in development contexts for power cables, engines, transformers and MRI scanners. Further applications are expected to arise during years ahead.*

At 31 December 2001 NST employed 24 people.

### Development of Business Concept

The development of NST's superconducting tapes progressed in 2001, partly as a result of the company's relocation to facilities better suited to tape production than previously. Following service implementation of the new production installation NST has managed to improve both yield and quality.

NST has supplied superconducting tapes for the world's first superconducting cable in commercial operation - installed at Copenhagen's Amager Substation in spring 2001. The cable has lived up to expectations during the test period, and thus represents a significant reference project for the company.

The first European superconducting motor - built by Siemens based on NST superconducting tapes - also entered service in 2001.

In mid-2001, NST became the only non-American partner admitted to the superconductor development programme funded by the US Department of Energy with a budget of more than 50 mUSD. With this project the Americans are giving focus to the application of superconductor technology in a variety of contexts. Together with a generally increased interest in superconductors there is confidence that the technology will in time prove commercially sustainable.

In the field of patents, NST is considered to have an acceptable position in relation to the other market players.

Cash burn in 2001 amounted to 33 mDKK.

We expect the use of superconducting tapes to gain ground over the next three to six years. It is over this time horizon that NST's potential to become an NKT growth business will be realised.



### **Outlook for 2002**

Increased turnover is expected, primarily in the form of sales to commercial customers. The improvement in quality and yield, which began in the second half of 2001, is expected to continue in 2002.

### **WATECH**

*has developed and patented a technology for recycling waste products typically containing halogens and/or heavy metals (PVC waste, electronic waste and flue gas products).*

*At 31 December 2001 Watech employed 6 people.*

### **Development of Business Concept**

The development activities and test programmes conducted at Watech's pilot plant in Stenlille substantiate the feasibility of the technology for large-scale recycling of PVC, and also for recycling of electronic waste and flue gas wastes.

### **Environment**

Using this new technology it has now become possible to recycle PVC waste products into new raw materials (road salt, coke, oil and metal concentrate). This enables incineration or landfill deposition of the troublesome PVC waste to be avoided. Watech has made considerable efforts to draw attention to the environmental problems represented by PVC waste.

Cash burn in 2001 amounted to 15 mDKK, of which 10 mDKK relates to intra-Group purchase of knowhow from NKT Research & Innovation.

Watech's progression to NKT growth business status will depend on establishment of an external ownership structure with roots in the environmental or other relevant industry.

### **Outlook for 2002**

Development of the applications represented by the technology will continue. The search for partners capable of continuing the company in a commercial context is expected to be concluded in 2002.



Senior executives - mature businesses. From left:

Asger Bundgaard-Jensen, NKT Cables; Johan Molin, Nilfisk-Advance (since 1.7.2001); Ib Lyng, NOVATOR; Benny Møller, Priorparken

A pillar of NKT's Vision 2005 is that the Group's corporate portfolio should contain businesses operating at different stages of development, so that our ability to continuously generate income is maintained. NKT's corporate portfolio therefore contains mature, growth and also development businesses.

The volatile nature of commercial and economic trends in recent years has strongly endorsed the thinking, expressed in Vision 2005, that we should operate businesses at different stages of development.

Our mature industrial businesses comprise NKT Cables and Nilfisk-Advance. It is these two companies which give us our industrial base. Over the years, NKT Cables has provided us with our high-tech platform, while Nilfisk-Advance has provided us with a global perspective. Our list of mature businesses also includes the engineering company NOVATOR and the property company Priorparken.

Besides the strategic objectives of creating income for internal

development and profits for our owners, it is our goal that the companies should generate a free cash flow that can be used to develop entirely new businesses.

After several years with important internal projects to be carried out, both NKT Cables and Nilfisk-Advance are currently experiencing favourable development in operations - although profit development is not yet at a satisfactory level.

The markets in which NKT Cables operates have - after many years of recession - shown a slight growth in volume, while those where Nilfisk-Advance operates - principally the United States - experienced a slowdown in demand that was most pronounced in the second half of 2001.

Both companies have undergone a period of restructuring, modernisation and capacity adjustment. One result of this is that the companies have been better able to adjust to the fluctuations in demand, and both NKT Cables and Nilfisk-Advance are considered to have maintained their market shares.

## NKT CABLES

supplies installation cables, power cables, overhead power lines, traction wires, communication and data cables, enamelled wire, and cable accessories. NKT Cables target the power sector, the electrical trade, building and construction, telecom companies, industry, and rail companies. NKT Cables has production in six countries.

ve breakeven on operations in 2001. With the profitable disposal of machinery and equipment from the submarine cable factory in spring 2001, NKT Cables revised its expectations upwards to a profit on operations of around 75 mDKK.

### Comments to Accounts

The figure of 75 mDKK realised for operations is therefore in line with the predictions, and after adjustment for non-recurring items the company achieved breakeven on operations. Although the size of the operating earnings is not satisfactory, it does reflect a satisfactory implementation of the planned restructuring measures. A platform is therefore considered to have been created in 2001 for improved profitability in the years ahead.

As a result of the above measures, including the closure of the submarine cables plant in Kalundborg and the sale of rubber cable operations in Cologne in late 2000, turnover in 2001 was 4% down on the previous year. After adjustment for these activity divestments and for changes in raw material prices and exchange rates, aggregate turnover by NKT Cables increased approximately by 6%. This improvement was attributable to a general advance of more than 5% in Europe combined with substantial progress in China, where the results of the reorganisation carried out were evident in 2001. The progress made in Europe must be seen in relation to a slight growth in power cable consumption of around 1%, and is an

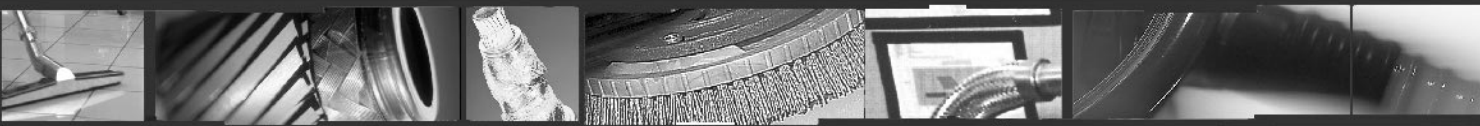
Highlights (mDKK)	2001	2000
Turnover	3,039	3,153
EBIT*	75	(865)
Capital employed	1,430	1,573
Investment in tangible fixed assets, net**	(82)	107
R&D	35	51
Employees, average for year	2,884	3,331

\* 2001 includes a profit of 90 mDKK attributable to the disposal of equipment and machinery from the submarine cable factory.

\*\* Investment not balanced by sales comprises 65 mDKK.

### Background

After the strong negative effects in 1999 and 2000 that resulted partly from the submarine cable activities (now wound up), and partly from an extensive programme of restructuring, there was an expectation at the start of the year that NKT Cables would achieve



expression of the competitiveness achieved by NKT Cables through the restructuring programme combined with the company's good market position in central and eastern Europe.

Operating earnings improved by 940 mDKK on last year, when earnings were strongly influenced by extraordinary writedowns on tangible assets as a result of the closure of the submarine cable factory. Operating earnings in 2001 were influenced by significantly reduced capacity costs and the gains from sales of tangible assets, as described.

The decrease in capacity costs in 2000 continued with a further 22% decrease in 2001, when the number of employees in Europe was also reduced by 13%. NKT Cables today employs a total of 2,800 people. The increase in productivity achieved thereby is a significant cause of the improvement in competitiveness mentioned.

Net interest-bearing debt was reduced by 193 mDKK after payment of interest expenses amounting to 52 mDKK. This corresponds to the generation in the NKT Cables of a free cash flow of 245 mDKK in 2001.

### **Business Development**

Following the integration of NKT Cables and F&G Kabelwerke at the start of 1999, one of the important measures has been to rationalise the product range and the production units so as to enable duplication of activities to be eliminated. As an example, production equipment for manufacture of high voltage cables was transferred from Denmark in 2000 and from the Czech Republic in 2001 to Cologne, Germany, the group's competence centre for high voltage cable production.

As a result of increased demand for OPGW cables (optical ground wires), capacity in Cologne has been expanded.

There has been a rising demand for traction wire for transport system electrification. NKT Cables has interesting market opportunities in this area, especially in China, where investment in the group's Chinese undertaking was increased in 2001 from 49% to 69%.

In collaboration with NKT Research & Innovation and the Technical University of Denmark, NKT Cables supplied a "superconducting cable system" to Copenhagen Energy. The system includes a cable whose core material consists of NST's superconducting tapes that function at minus 200° C. The cable has been installed at Amager Substation since spring 2001, supplying electricity to the public grid. This is an exceptionally interesting pioneering pro-

ject, the cable being the first of its type to document the practicality of the superconductor technology for electricity distribution.

Another groundbreaking initiative for NKT Cables was the signing of a framework agreement for supply of high voltage cables to RTE in France (RTE is the part of Electricité du France responsible for electricity transmission).

### **Environment**

In Denmark, NKT Cables was certified in November according to the ISO 14001 environmental management standard. Other NKT Cables production units in Germany, the Czech Republic and Austria are already certified to this standard. The plans for the current year include certification of the further five production units in Germany, Austria and Poland, so that by the end of 2002 all the group's European production locations will be duly certified.

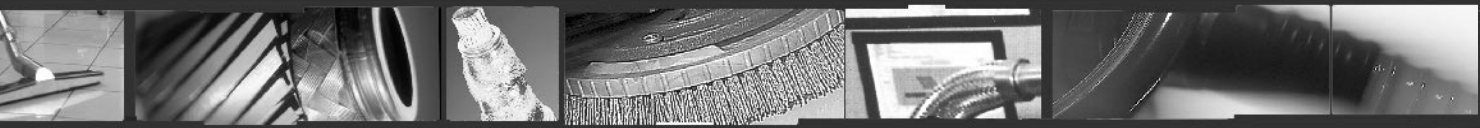
With the installation of the first superconducting cable in a public electricity grid, NKT Cables is paving the way for electricity distribution with zero power loss. From an environmental angle, this means a potential 5-7% reduction in electricity consumption for energy production.

### **Outlook for 2002**

NKT Cables expects further progress as a result of the continued adjustment and optimisation of the group's sales, production and administration activities.

Slight increases in prices and volume are anticipated, thus facilitating a growth in turnover of around 3%.

The operating result for 2001, which after non-recurring items was around breakeven, is expected to be improved as a result of cost adjustment and growth in sales. An operating profit margin of around 1% is expected.



## NILFISK-ADVANCE

supplies floor maintenance machines - vacuum cleaners, wet and dry cleaners, sweepers, polishers, carpet cleaners - and also high pressure cleaners. Nilfisk-Advance targets contract cleaners, institutions, industrial companies, agriculture, transport, and domestic users. The group has production in four countries and sales subsidiaries in 24 countries.

Highlights (mDKK)	2001	2000
Turnover	2,883	2,986
EBIT	3	(99)
Capital employed	1,711	1,892
Investment in tangible fixed assets, net	30	40
R&D costs	60	63
Employees, average for year	2,266	2,421

### Background

At the start of the year there was expectation that Nilfisk-Advance would achieve a modest increase in turnover and an operating profit margin of around 3% after goodwill amortisation.

### Comments to the Accounts

Our turnover in the US market fell by 9% on the previous year, the same as our main competitor's turnover in this market. As a result of neutral turnover development in the other markets, however, our total turnover fell by only 3%. The decreased turnover in the US market was a direct consequence of falling demand due to the slowdown in the US economy.

An operating profit of 3 mDKK was achieved, which is an improvement of 102 mDKK on 2000 when the accounts were very strongly influenced by non-recurring items. After adjustment for this, operating earnings were similar to last year. In relative terms a substantial improvement was achieved considering that this year's income was earned on turnover 100 mDKK smaller than in 2000.

The 2001 operating profit includes an amortisation of goodwill amounting to 64 mDKK which is at the same level as in 2000.

The improved operating position was attributable to a continued adjustment in costs, including a 7% reduction in personnel. The average turnover per employee in 2001 was 1.3 mDKK against 1.2 mDKK the previous year.

Net interest-bearing debt was reduced by 145 mDKK after payment of interest expenses amounting to 51 mDKK. This corresponds to the generation by Nilfisk-Advance of a free cash flow of 196 mDKK in 2001.

### Business Development

The European dealer network was substantially expanded with a view to transferring sales and distribution activities to a larger organisation than that represented by Nilfisk-Advance itself. By this means, increased market coverage and a considerable reduction in costs were achieved.

In the United States it was decided to establish a separate sales organisation for the future servicing of Euroclean and Kent product customers, as the earlier integration with the Advance organisation did not prove optimal.

In the Far East and Oceania too, focus was placed on a restructuring, away from direct sales to sales through dealers. In China, a trading company is being set up from which it is intended to service the dealer network planned for establishment in that country.

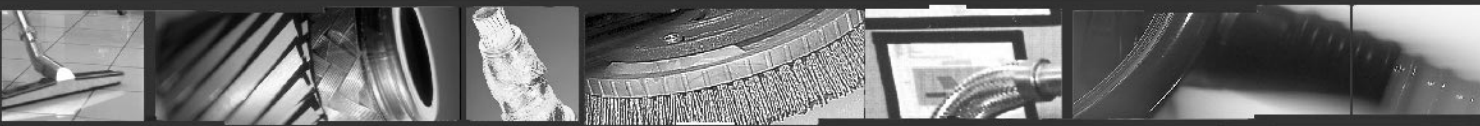
A number of new products were introduced in 2001. The Nilfisk Viking series, comprising a vacuum cleaner and three wet/dry cleaner models, is targeted at institutions and service companies. The Nilfisk Compact, which exists in two models, is aimed at first-time buyers in the domestic market. Further development was performed on the ride-on, large area floor washer, and two new floor maintenance machines and an improved "Scooter" sweeper were introduced.

In addition, a further number of product development projects were started based on the concept that machines should be designed so that quality and price closely match the cleaning tasks for which there is need among distinctive user groups.

The integration of the Italian company CFM with the rest of the Nilfisk-Advance business continued in 2001, during which the CFM machines gave the industrial vacuum cleaner sector a considerable boost - technologically and also in market and income terms. As at 1 January 2002 Nilfisk-Advance acquired the remaining 30% of CFM's share capital.

In late 2001 a plan was initiated for a further adjustment of Nilfisk-Advance's production structure. The plan will mean transferring the production of a number of vacuum cleaner models (55 jobs) from the Danish to the Swedish production unit and to external contract manufacturers.

Over the year, Nilfisk-Advance initiated a number of e-business activities. These grant access to electronic order placement and enable order progress to be monitored through the system. Electronic product data sheets and electronic spare parts search were also made available via the internet. In addition, Nilfisk-



Advance developed a "marketing zone" from which promotional materials can be downloaded or ordered..

It is the intention to reduce NKT's ownership in Nilfisk-Advance within the strategy period - possibly by stock listing. The developments in 2001 has strengthened the position for this considerably.

**Outlook for 2002**

Nilfisk-Advance expects a turnover in the US for 2002 corresponding to that of 2001. In Europe and Asia, moderate growth is expected.

Nilfisk-Advance is expected to achieve slightly higher overall turnover than in 2001. With continued cost adjustment and a small increase in sales, Nilfisk-Advance expects substantially improved operating earnings and an operating profit margin of around 3% after goodwill amortisation of around 60 mDKK. It is the company's goal to achieve an operating profit margin of 7-8% in the years ahead.

**NOVATOR** (ownership 67%)

*is an engineering company specialised in automation and systems integration. NOVATOR particularly targets production companies with solutions that integrate all the company's IT systems.*

*NOVATOR employed 48 people at the end of 2001.*

**Results**

Turnover by NOVATOR was 58 mDKK. This turnover mainly came from outside the NKT Group, being generated by the supply to LG Cables in South Korea of a large number of IT systems for fibre production. Operating profit was 0.1 mDKK.

In 2001, NOVATOR managed the dismantling and transport of the submarine cable machines sold by NKT Cables. Assignments were also performed for both NKT and external companies.

In the second half of the year, when work on the submarine cable machines had been completed, the general slowdown led to difficulty in finding customers for the services provided by the Design Department. As a result it was decided to close the department. This had a negative influence on the company's accounts for 2001.

**Outlook for 2002**

A substantially lower level of activity is expected than in 2001. Inquiries will be instituted to find a collaboration partner or a new ownership structure.

**PRIORPARKEN**

*develops and leases properties in the large business park of the same name in Brøndby, Copenhagen.*

*Priorparken employed 42 people at the end of 2001.*

**Results**

Priorparken's turnover in 2001 was 99 mDKK. This turnover originated both from leasing of property and from lease-related agreements for phone, canteen, catering, security and maintenance services. Operating profit was 22 mDKK against 37 mDKK last year. The decrease being attributable to a lower occupancy percentage.

The occupancy percentage at 31 December 2001 was 66%, compared with 97% last year. This reduction was due to the fact that large areas vacated by NKT Cables have not yet been re-let.

**Activities**

In 2001 work has continued with regards to gradually reducing the capital tie-up through sale of individual properties.

Beginning of 2002 saw a sale of a 27,000 m<sup>2</sup> site in Priorparken industrial park, Brøndby, containing 21,000 m<sup>2</sup> of production and administration facilities. The properties was when sold leased on long-term contract to OFS Fitel Denmark I/S, manufacturers of optical fibres for telecom cables.

Priorparken, which covers an area of 560,000 m<sup>2</sup>, is divided into 22 separate properties. After the most recent property sale, NKT's share of the overall area has fallen to 325,000 m<sup>2</sup>.

**Environment**

As a result of NKT's many years of industrial activity on the Priorparken site, extensive remedial action has been taken to cleanse the soil contamination caused by our activities. The entire site was surveyed for contamination, and the necessary soil rehabilitation was performed as directed and approved by the City of Copenhagen. The site therefore contains no contamination to prevent use for industrial purposes.

**Outlook for 2002**

As a result of the divestment of property described above, the company's turnover is expected to decrease further in 2002. An operating profit in the order of 60 mDKK is expected, corresponding to a one-off gain from sale of a property.

## Signatures of the Board of Directors and the Management

The Board of Directors and the Management have today discussed and approved the Group accounts, the annual accounts and the annual report.

The Group accounts and the annual accounts have been drawn up in accordance with statutory accounting provisions, including the accounting provisions of the Copenhagen Stock Exchange. We consider the accounting policies chosen to be appropriate, so that the consolidated accounts and the annual accounts present a true and fair view of the Company.

It is recommended that the consolidated accounts and annual accounts be approved by the Company in general meeting.

Brøndby, 5 March 2002

### Management

Tom Knutzen  
President and CEO

Søren Isaksen

Thomas Hofman-Bang

### Board of Directors

Christian Kjær  
Chairman

Ole Løvig Simonsen  
Deputy Chairman

Krister Ahlström

Jan Wraae Folting

Mogens Hansen

Holger Lavesen

Jens Münter

Jørgen Bjergskov Nielsen

Poul-Erik Rasmussen

## Auditors' Report

We have audited the consolidated financial statements and the financial statements for NKT Holding A/S and the NKT Group for the year 2001 presented by the Board of Directors and the Management.

### Basis of Opinion

We planned and conducted our audit in accordance with generally accepted Danish auditing principles and international standards on auditing (ISA) to obtain reasonable assurance that the financial statements are free from material misstatement. Based on an evaluation of materiality and risk we tested the basis and documentation for the amounts and disclosures in the financial statements.

Brøndby, 5 March 2002

KPMG C. Jespersen

Finn L. Meyer

State Authorised Public Accountants

Lars Andersen

An audit includes an assessment of the accounting policies applied and the accounting estimates made. In addition, we have evaluated the overall adequacy of the presentation in the financial statements. Our audit did not result in any qualifications.

### Opinion

In our opinion the consolidated financial statements and the financial statements of the parent company have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Parent Company's and the Group's assets and liabilities, financial position and income for the year.

Deloitte & Touche

Statsautoriseret Revisionsaktieselskab

Bent Hansen

State Authorised Public Accountants

Carsten Vaarby

## Distribution of Profit/Loss for the Year

Proposed distribution of profit/loss for the year (43.5) mDKK:

mDKK	
Result for the year	(43.5)
Retained profits	<u>143.5</u>
Available for distribution	<u>100.0</u>
Dividend for the year; 4 DKK per share	<u>100.0</u>

The accounting policies used in drawing up the 2001 annual accounts for the NKT Group are consistent with those of last year, except that with effect from the current accounting year, deferred tax is calculated in full by the balance sheet liability method, whereby deferred tax assets are stated as assets in the balance sheet if they can be expected to be utilised. The changed method of statement for deferred tax is a consequence of the recommendations in the Danish Accounting Standard No.14 "Income Taxes". NKT Holding A/S has so far not capitalised deferred tax assets in the annual accounts. The change has no effect on the Group's net income for the year as there existed no tax assets at the start or end of the accounting year according to the criteria in the accounting standard. The change is deemed to have no effect on figures for previous years, and the comparative figures have therefore not been adjusted.

The annual accounts cover the parent company NKT Holding A/S and all directly and indirectly owned subsidiaries and associated undertakings - a total of 63 companies, cf. list on page 43.

Based on the NKT Group's Vision 2005 strategy, the Group's energies in 2001 were directed towards placing the two core businesses, NKT Cables and Nilfisk-Advance, in a position of positive oper-

ating development, as it is these undertakings that must create the financial base for the NKT Group's future-oriented innovative business strategy. For the Group's two growth businesses, NKT Flexibles and IONAS, the markets were characterised by a lower than expected level of activity in 2001. The general focus was also aimed at an intensified effort in development activities.

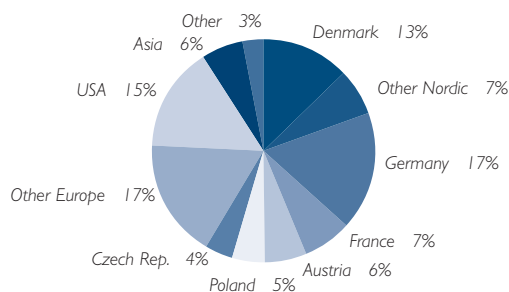
At the start of 2001 it was decided to wind up the NKT Cables submarine cables factory in Kalundborg. The decision was taken as there was no prospect in the foreseeable future of a sufficient inflow of orders to occupy the factory's vacant production capacity. As a result, in the annual accounts for 2000, writedowns were made on fixed assets, and appropriations made for winding up of the activities. During 2001 it was managed to sell almost all the factory's machinery and equipment, so that only plant and buildings with a book value of 15 mDKK now remain. The sale of machinery and equipment yielded a gain of 90 mDKK relative to the written-down values at the end of 2000. The winding up of the factory did not otherwise affect the result for 2001.

The NKT Group made no significant acquisitions or divestments in 2001.

**Turnover**

Group net turnover in 2001 comprised 6,425 mDKK, as against 6,509 mDKK in 2000. Organic growth in turnover was 2% after adjustment for exchange factors and turnover relating to divested activities. 87% of the Group's aggregate turnover was generated outside Denmark, of which the EU countries accounted for 46% and the United States 15%.

**Turnover by markets**



Turnover by NKT Cables in 2001 was 3,029 mDKK, a decrease of 114 mDKK on the previous year. After adjustment for exchange factors and turnover in 2000 relating to the closed submarine cables factory in Kalundborg and to the divested rubber cable operations in Cologne, turnover increased in real terms by around 80 mDKK. After adjustment also for falls in raw material prices of around 90 mDKK, growth was around 6%, of which around 5% related to turnover in Europe while the rest was related to China, where a substantial increase in turnover took place. Production capacity in the cable market is currently approaching the future volume requirement, and the price level in the European cable market is rising slightly, although on a low base. NKT Cables' growth in turnover was achieved in a market that is displaying a

slight upward trend in volume. Average turnover per employee in 2001 increased to 1,054 TDKK against 947 TDKK the year before.

At 2,883 mDKK, turnover by Nilfisk-Advance was 103 mDKK down on the previous year. This decrease in turnover was related to the setback in the US economy, which led to lower than expected turnover in the United States. It was managed to maintain turnover in most of the other markets despite the difficult market conditions resulting from the global economic slowdown. Average turnover per employee increased to 1,272 tDKK in 2001 against 1,234 tDKK the year before.

NKT Flexibles increased its turnover by 50 mDKK. Aggregate turnover in 2001, amounting to 266 mDKK, was 24% up on the year before, but failed to reach the expected 30%. The positive development now discernible in the offshore market has still not resulted in a sufficient increase in demand for the flexible subsea pipe systems that are supplied by NKT Flexibles.

Turnover in IONAS comprised 89 mDKK in 2001, almost double the amount for the previous year. In 2001, IONAS did not achieve the significant increase in turnover to 200 mDKK that was expected. The reason was the extremely difficult market situation for optical components for the telecommunications network, which is characterised by overcapacity and an almost complete standstill in investment in new networks.

In the year under review, NKT's development activities, comprising NKT Research & Innovation and nine companies operating in optical components, life science, and materials technology, realised a turnover of 61 mDKK, an increase of 22 mDKK on 2000.

### Profit and Loss Account and Financial Highlights

The breakdown of Group profits and losses for 2001 by mature businesses, growth businesses and development businesses respectively is shown in the table below:

	Mature businesses				Growth businesses		Development businesses		Parent-Company, 2001		2000
	NKT Cables	Niifisk-Advance	Prior-parken	NOVATOR	NKT Flexibles <sup>1)</sup>	IONAS	Total for 10 busin.	Elim., etc.	Total	Total	
All amounts in mDKK											
<b>Profit and loss account</b>											
Net turnover	3,039	2,883	99	58	266	89	61	(69)	6,426	6,509	
EBITDA	237	132	47	1	(17)	35	(70)	(65)	300	(117)	
Depreciation, amortisation and writeoff	(162)	(129)	(25)	(1)	(38)	(21)	(14)	(4)	(394)	(943)	
EBIT <sup>2)</sup>	75	3	22	0	(55)	14	(84)	(69)	(94)	(1,060)	
Financial items, net	(52)	(51)	(6)	0	(16)	(3)	3	163	38	77	
Earnings from ordinary operations	23	(48)	16	0	(71)	11	(81)	94	(56)	(983)	
Extraordinary items	-	-	-	-	-	-	-	-	-	4,919	
EBT	23	(48)	16	0	(71)	11	(81)	94	(56)	3,936	
Group tax for year									(20)	69	
Net income									(76)	4,005	
Minority interests' share of profit for year									32	25	
NKT's share of net income									(44)	4,030	
<b>Financial highlights</b>											
R & D costs											
Cash flow from operations	35	60	0	0	28	6	86	0	215	169	
Investment in tangible fixed assets, net <sup>3)</sup>	183	183	39	(5)	(66)	24	(77)	149	430	(111)	
Total assets	(82)	30	20	1	22	84	33	1	109	286	
Shareholders' equity	2,386	2,473	334	15	541	156	255	445	6,605	9,981	
Goodwill	716	943	127	7	88	70	207	1,714	3,872	4,149	
Goodwill amortisation and writedown	32	801	-	-	-	-	-	46	879	904	
Interest-bearing items, net <sup>4)</sup>	7	64	-	-	-	-	-	10	81	325	
Capital employed <sup>5)</sup>	(598)	(748)	(143)	1	(310)	(66)	112	1,823	71	2,758	
Growth in turnover, %	1,430	1,711	271	5	481	137	92	(4)	4,123	4,443	
Net profit ratio	(4)	(4)	(18)	39	24	91	57	0	(1)	7	
ROCE before tax <sup>6)</sup>	3	Neg.	22	Neg.	Neg.	15	Neg.	-	Neg.	Neg.	
Average numbers of full-time employees	5	0	8	-	Neg.	11	Neg.	-	Neg.	Neg.	
	2,884	2,266	43	50	224	60	134	29	5,690	6,206	

1) NKT Flexibles is stated after Group eliminations. NKT's ownership is 51%.

2) EBIT - Earnings Before Interest and Tax- for IONAS contain an inter-company gain of 30 mDKK relating to sale of knowhow. The parent company's share of EBIT is (25) mDKK.

3) Acquisition and sale of fixed assets related to transfers of businesses are not included in this term

4) Interest-bearing cash items and receivables plus securities less interest-bearing debt.

5) Shareholders' equity, due dividend, minority interests and interest-bearing items, net.

6) ROCE before tax: Percentage yield on invested capital. derived from EBIT relative to shareholders' equity, due dividend, minority interests and interest-bearing items, net - calculated as an average for the year

### Operating Earnings

The NKT Group returned an operating loss of 94 mDKK for 2001, compared with an operating loss of 1,060 mDKK the previous year. The difference, 966 mDKK, can broadly be explained thus:

Amounts in mDKK	
NKT Cables	
Writedowns on goodwill, submarine cables factory and other plant and stocks in 2000	559
Provision for winding up of submarine cables factory in 2000	98
Gain from sale of machinery and plant at Kalundborg in 2001	90
Other improved operating earnings from 2000-2001	<u>193</u>
	940
Nilfisk-Advance	
Writedowns and provisions relating to stocks and debtors in 2000	125
Lower gross earnings in USA in 2001	(50)
Other improved operating earnings from 2000-2001	<u>27</u>
	102
Increased expenditure on development activities in 2001	(48)
Lower earnings in other Group companies in 2001	<u>(28)</u>
Aggregate improved operating earnings 2000-2001	<u>966</u>

Operating earnings were improved on 2000, reflecting the fact that the Group's two largest companies, NKT Cables and Nilfisk-Advance, are now experiencing positive development in operations after the extensive restructurings carried out in the preceding years, and both posted operating profits for 2001.

The radical reorganisation carried out in NKT Cables over recent years has improved the operating situation for cable activities considerably. The winding up of submarine cable operations in Kalundborg at the start of 2001 was an element in a necessary significant lowering of the level of costs. The operating profit of 75 mDKK posted for 2001 was thus an improvement of 940 mDKK on 2000. Of this improvement, 90 mDKK related to gains from sale of machinery and equipment from the Kalundborg factory, while the balance essentially related to the costs posted as expenses in 2000 and to writedowns and depreciation connected to the winding up of the submarine cable activities. After adjustment for non-recurring items, the company achieved breakeven on operations in 2001, which was in line with the expectations for the year. NKT Cables is still working on adjustment of its product portfolio, capacity, and level of costs, and these measures, together with the restructuring programme already carried out, are expected to lead to a continued improvement in earnings.

In 2001, Nilfisk-Advance improved its operating performance by 102 mDKK, achieving an operating profit of 3 mDKK. This improvement in earnings was smaller than projected, principally due to the US market where turnover decreased substantially rather than

increasing as expected. This resulted in a shortfall in gross income of around 125 mDKK. The efficiency measures already introduced proceeded as planned, but Nilfisk-Advance is still working on measures intended to contribute to further earnings improvement in future years. These measures include focus on a reduction of the general level of costs.

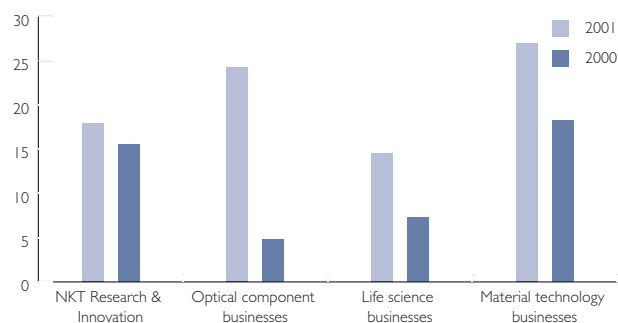
The property management company Priorparken and the engineering company NOVATOR achieved an aggregate operating profit of 22 mDKK. Reduced rental income following the departure of NKT Cables and a lack of replacement tenants was the main reason why Priorparken's operating profit was down by 15 mDKK on the previous year. NOVATOR sold a large number of computer systems to South Korea, and additional income was obtained from dismantling of equipment at Kalundborg for NKT Cables. However, a lack of orders for and subsequent closure of the company's design department for production and process equipment reduced operating earnings by 2 mDKK on the previous year.

NKT Flexibles' operating loss of 55 mDKK was the same as the previous year. The result was worse than expected, but must be seen in the light of substantial costs incurred on the development of deepwater products in 2001. Added to this, capacity at the company's Kalundborg production plant was underutilised due to lack of new orders. The company is still judged to be strongly placed in the market for flexible subsea pipelines, and future focus will be targeted on increased turnover and market share.

IONAS achieved an operating profit of 14 mDKK for 2001. This figure included a gain of 30 mDKK from sale of knowhow arising from demerger of optical fibre laser activities to an independent development business, KOHERAS. After adjustment for this gain, an operating loss of 16 mDKK was achieved, compared with a loss of 10 mDKK the year before. IONAS did not realise the substantial increase in turnover, and thus also earnings, expected at the start of 2001 as a result of the negative developments in the fibre-optic telecommunication network domain. IONAS is working to adjust its costs and expand its product range and customer base, which together combined with the company's newly run-in production facilities, are intended to ensure IONAS' continued market positioning. In the short term, however, there are no expectations of substantial improvement in the sales situation.

Headed by NKT Research & Innovation, the operation of NKT's development activities is following the plans laid down under the NKT Group's Vision 2005 strategy. In line with these plans, the aggregate operating loss for 2001 was 84 mDKK, against 46 mDKK in 2000. Resource expenditure in 2001 covered a wide range of initiatives to strengthen strategic development within the NKT Group's research, development and innovation activities. These initiatives included establishment of a new research school, formation of four business activities into new independent companies, and setting up of a new business division in the area of surface treatment. Development will henceforth be concentrated on the optical component and life science component domains.

**Resource expenditure (EBIT) on development activities**



Reference is also made to the individual company reviews, which more closely discuss developments in turnover and operation together with expected future economic developments.

**Financial Items**

Net income from interest amounted to 38 mDKK in 2001 compared with 77 mDKK the previous year; a decrease in income of 39 mDKK.

The decrease in interest receipts can largely be attributed to the effects of the exceptionally large dividend appropriation, 2,806 mDKK, made in April 2001.

**Income before Tax**

The Group's income before tax for 2001 was a loss of 56 mDKK, compared with a loss of 983 mDKK for 2000.

The result for 2001 was not materially affected by exchange rate fluctuations.

**Tax**

Tax on ordinary operations is stated in 2001 as an expense, 20 mDKK, as against an income, 70 mDKK, in 2000. The "expected" tax, based on the current 30% rate of Danish corporation tax, would be an income of 17 mDKK. 17 mDKK of the difference of 37 mDKK is related to the tax effect of non-tax deductible goodwill amortisation. The balance mainly arises because in the annual accounts there are no deferred tax assets relating to non-utilised tax losses, etc., since these losses are not expected to be utilised according to the criteria of Accounting Standard No. 14.

**Extraordinary Items**

There was no extraordinary income or expenditure during the year under review. In 2000, the sale of GIGA to Intel Corporation yielded extraordinary income to NKT of 4,919 mDKK.

**Net income for the year**

The consolidated accounts for 2001 show a loss after tax of 76 mDKK, compared with an exceptionally large profit after tax of 4,005 mDKK in 2000. As stated, the result for 2000 was influenced by the substantial gain from the sale of GIGA.

NKT's share of the Group's net income for the year after tax and minority interests was a loss of 44 mDKK, against a profit of 4,030 mDKK in 2000.

**Balance Sheet**

Total assets comprised 6,605 mDKK at 31 December 2001, against 9,981 mDKK at the end of 2000. The decrease, totalling 3,376 mDKK, was principally attributable to the net cash outflow relating to the exceptional dividend appropriation of 2,806 mDKK made in spring 2001, and to reduction in stocks and balances.

**Goodwill**

Movements in Group goodwill were as follows:

Amounts in mDKK	2001	2000
Goodwill, 1 January	904	1,060
Exchange rate adjustment	17	38
Disposals of undertakings		(13)
Additions	39	144
Amortisation and writedowns	(81)	(325)
Goodwill 31 December	879	904

Additions in 2001 chiefly relate to equity aquisition in NKT Cables' Chinese subsidiary.

Of the amount of goodwill at 31 December 2001, 801 mDKK related to Nilfisk-Advance's investments in Advance Machine Company, Euroclean/Kent, and the Italian company CFM.

The Group's capitalised goodwill and the rate of amortisation are reviewed regularly and adjustments made as deemed necessary. Following valuation of Nilfisk-Advance's goodwill, no adjustment was deemed necessary in the light of earnings and cash flow projections at 31 December 2001.

**Shareholders' Equity**

Group shareholders' equity amounted to 3,872 mDKK at 31 December 2001. Equity movements over the year were as follows:

Amounts in mDKK	2001	2000
Equity capital, 1 January	4,149	3,117
NKT's share of Group income	(44)	4,030
Currency translation of net income and equity of foreign subsidiaries	46	49
Purchase of own shares/ share option plan	(444)	(259)
Dividend on own shares	265	18
Dividend for the year	(100)	(2,806)
Equity capital, 31 December	3,872	4,149

Acquisition prices for non-portfolio NKT shares are deducted from the retained earnings in equity. Dividends received on these shares and future selling prices are similarly entered directly in equity. Own shares acquired as an investment portfolio are still entered at acquisition price or market value, whichever is the lower.

The Group's equity ratio was 59% as against 42% the previous year.

## Cash Flow

The cash surplus from operations amounted to 431 mDKK in 2001, against a net cash outflow of 111 mDKK in 2000. As intended in the NKT Group's Vision 2005 strategy, it is now the two large industrial companies, NKT Cables and Nilfisk-Advance that are generating cash flow, and thereby creating the funding base for the Group's development businesses and to some extent also for the growth businesses.

Cash inflow from investments amounted to 1,575 mDKK in 2001. The net amount covers divestment of bonds representing 1,728 mDKK in connection with the exceptional dividend appropriation in spring 2001. Net cash investment on tangible fixed assets and purchase of goodwill, etc. totalled 153 mDKK, as further described in the section Investment below. In 2000, cash flow from Investments was 2,827 mDKK.

Cash outflows from financing amounted to 3,179 mDKK, as compared with 2,875 mDKK in 2000. This amount includes the exceptionally large dividend, 2,806 mDKK, paid to shareholders in spring 2001. In addition, bank and credit institution borrowing was reduced by 248 mDKK, and a total of 125 mDKK was spent on purchase of own shares less dividend thereon, payment for share option plan, etc.

Total cash outflow from operations, investment and financing was 1,173 mDKK in 2001, against 158 mDKK in 2000. As a result of the net cash outflow in 2001, cash at bank and in hand decreased from 2,092 mDKK at 1 January to 920 mDKK at 31 December 2001.

## Investment

The Group had positive net investment of 1,575 mDKK in 2001 as a result of the bond divestment. In 2000 there was a positive net investment of 2,827 mDKK as a result of the sale of GIGA.

There was no investment on corporate acquisitions and divestments in 2001. In 2000, the sale of GIGA generated 4,919 mDKK, while investment in acquisition of businesses amounted to 110 mDKK, which amount largely related to Nilfisk-Advance's acquisition of the Italian industrial vacuum cleaner manufacturer, CFM.

Investment in tangible fixed assets amounted to 266 mDKK in 2001, compared with 342 mDKK in 2000, while corresponding disposals in 2001 comprised DKK 158 mDKK, as against 57 mDKK the previous year. The addition in tangible fixed assets mainly related to expansion of IONAS, construction of production facilities for the development businesses, and normal replacement of production equipment. The disposals mainly related to sale of production equipment from the closed submarine cable factory in Kalundborg.

In 2001, an amount of 45 mDKK was invested in purchase of goodwill, patents, etc., against 33 mDKK the previous year. The goodwill essentially relates to acquisition of additional shares in NKT Cables China Ltd.

## Risks

### Commercial Risk Factors

By far the major part of the Group's turnover in 2002 will continue to be generated by NKT Cables, Nilfisk-Advance, NKT Flexibles and IONAS. As a result, the Group's conventional commercial risk factors relate primarily to these companies. In line with the implementation of Vision 2005, however, the Group's commercial risk factors will increasingly be related to the ability to create groundbreaking technological components as a result of the deliberate focus on technologybased business development.

In the case of NKT Cables, which is a medium-sized player in a mature and highly competitive industry, profitability is closely related to the company's ability to manufacture products at low unit costs, and to the market showing signs of volume and price growth. NKT Cables' risk profile has been substantially reduced with the closure of the submarine cables factory at the start of 2001, and by the generally reduced focus on project-oriented sales.

Nilfisk-Advance is one of the leading global players in the production of professional cleaning equipment. The ability to develop, manufacture and supply competitive products and related services on the global market is vital to maintain this position. Nilfisk-Advance is focusing on ongoing enhancements to its basic business system through efficiency improvements at product level, administrative level and also sales/dealer level to ensure competitively priced end-products combined with effective market servicing. Nilfisk-Advance regards the Far East as an interesting growth area, and as in the European market, efforts are under way to increase product sales to end-users through independent dealers.

NKT Flexibles operates in a global market which has only three suppliers and is heavily dependent on a single factor, the price of crude oil. This price has a direct influence on the offshore industry's willingness to invest, and levels of activity during 2001 generally showed a rising trend in line with the increase in oil prices. Interest in starting new projects also seems to have intensified somewhat. Technologically, NKT Flexibles' products are among the best, and the demand for the company's products is therefore expected to continue showing an upward trend. In the case of customer-related development projects there may be a risk of loss if the customer pulls out of the project.

IONAS, an NKT growth business, manufactures components used in the optical telecommunications network, and as such it is part of the value chain in the global telecoms industry. Over the last year this market has changed significantly towards one in which there is no prospect of noticeable improvement in the short term, and the risk profile has changed accordingly. The fundamental commercial risk factors in this industry relate to uncertainty concerning market growth and size, and the ability to develop and maintain a future-proofed technology that will provide increasingly cheaper and more integrated products of high quality at the time when the market again shows signs of growth. IONAS' joint venture with JDS Uniphase also constitutes a risk as JDSU functions as a sales channel for a significant part of IONAS' production.

Termination of this partnership could give rise to a substantial fall in turnover until such time as alternative sales channels are established.

In summary, NKT is not considered to be facing commercial risks beyond those which are normal for the sectors and markets in which the company operates.

**Financial Risk Factors**

As a result of its operations, investments and financing, the Group is exposed to exchange rate and interest rate changes. It is the Group's policy not to actively speculate in financial risks, and the Group's financial management is targeted solely on management of financial risks already assumed.

In conjunction with management of cash flow and financial risk factors, 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 used at the end of 2001.

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

The **general financial risk** arising from trade with third parties or in third party countries is hedged by guarantees or other instruments wherever this is considered necessary and wherever the risk exceeds the normal trading risk. At 31 December 2001 no material risks were considered to exist.

**Foreign exchange risk** relates to the potential for gains or losses resulting from changes in exchange rates. The risk arises in connection with income and expenditures in the profit and loss account and the resulting transaction risk, and through possession of net assets in the Group's foreign businesses. The vast majority of the Group's operations take place in the EU and the USA, a 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 control the foreign exchange risk the Group employs a number of the financial instruments listed 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 that anticipated net risks in the leading currencies - in 2001 principally EUR, USD and GBP - be hedged for a specific number of months ahead. Around 37% of the Group's activities in 2001 were transacted in currencies represented in the EURO zones and 13% were transacted in DKK, the risk in these cases therefore being considered limited. In addition, some 18% of the activities were transacted in USD.

The forward exchange contracts existing at 31 December 2001 were established to hedge the following transaction types in accordance with the Group's currency policy:

	Purchase & sale 2002	Orders year-end	Monetary items year-end	Total
<i>Amounts in mDKK</i>				
Hedged currency:				
USD	45	191	410	646
EUR	37	-	446	483
GBP	91	61	67	219
Other European Far East, Australia, New Zealand etc.	128	10	9	147
Total	477	262	975	1,714

See also Note 22 to the annual accounts.

Based on the above, NKT is not believed to be exposed to exchange risks of material significance for the Group's net income, etc.

As a basic principle, hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unprotected net assets in foreign subsidiaries are accounted directly in equity.

**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 strength and financial resources the NKT Group has only limited exposure to interest rate changes.

At year end, the Group's interest-bearing current assets exceeded the interest-bearing debt by 71 mDKK thus:

	Maturity 0-1 yrs	2-3 yrs	4-5 yrs	Over 5 yrs	Total
<i>Amounts in mDKK</i>					
Securities	113				113
Cash	920				920
Variable interest debt	(307)	(29)	(6)	(28)	(370)
Fixed interest debt	(147)	(373)	(34)	(38)	(592)
Total	579	(402)	(40)	(66)	71

The Group's variable interest debt amounted to 370 mDKK at 31 December 2001, while cash at bank and in hand comprised 920 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. Interest rates for the major part of the Group's longterm debt, which at 31 December 2001 comprised 510 mDKK, are below 4.5% per annum.

**Changes to Accounting Policies in 2002**

As from 1 January 2002 the Group's accounting policies will be aligned with the new Danish Annual Accounts Act. It is considered that the changes will not materially affect the Group's profit and loss account, shareholders' equity and balance sheet.

## General

The annual accounts and the Group accounts for NKT Holding A/S for 2001 have been prepared in accordance with the Danish Company Accounts Act and the standards issued by the Copenhagen Stock Exchange for listed companies.

The accounting policies used in drawing up the annual accounts are consistent with those of last year, except that with effect from the current accounting year, deferred tax is calculated in full by the balance sheet liability method, whereby deferred tax assets are stated as assets in the balance sheet if asset utilisation can be expected. NKT Holding A/S has previously not capitalised deferred tax assets in the annual accounts. The changed statement method for deferred tax is a consequence of the recommenda-

The Group accounts include the parent company NKT Holding A/S and subsidiary companies in which the NKT Group controls more than 50% of the votes. Companies which are not subsidiaries but in which the NKT Group holds 20% or more of the voting rights and on whose operational or financial management the NKT Group exercises a significant influence, are associated companies.

The Group accounts are based on accounts for NKT Holding A/S and the subsidiary companies. Associated undertakings which by agreement are administered jointly with other companies are included in the Group accounts on a pro rata consolidation basis.

Preparation of the Group accounts has been effected by combining accounting items of a uniform nature.

The accounts used for the purpose of consolidation are prepared in accordance with the Group's accounting policies.

The Group accounts are drawn up with the elimination of the intercompany income, expenses and balances, and with the elimination of profits and losses on transaction between the consolidated companies.

Newly acquired or newly established companies are included in the Group accounts from the date of acquisition. Divested companies are included until the date of divestment.

Goodwill is stated as the difference between the purchase price and the net asset value of the newly acquired company at the date of acquisition, as calculated in accordance with Group accounting policies and after any value adjustments of assets and liabilities. The amount stated for goodwill includes provision for expenses which at the date of acquisition it was decided should be paid as a result of the transaction.

Goodwill relating to major strategic acquisitions with a strong market position and a longterm effect on earnings is amortised over a maximum of 20 years. Other goodwill is depreciated over five years.

tions contained in the Danish Accounting Standard No.14 "Income Taxes". The change has no effect on the Group's net income for the year as there existed no tax assets at the start or end of the accounting year according to the criteria in the Danish Accounting Standard No.14. The change is deemed to have no effect on figures for previous years, and the comparative figures have therefore not been adjusted.

The classification of the profit and loss account has been changed, so that "Share of income before tax of associated undertakings" is placed before "Depreciation and writeoffs on fixed assets" and is now included in "Earnings before interest, tax, depreciation and amortisation, EBITDA". This reclassification has no effect on the net income for the year.

Shares in associated undertakings are valued at the proportional share of equity, with the addition of goodwill and less goodwill amortisation. Intercompany profits and losses are eliminated proportionally. The proportional share of the earnings of the associated undertaking is included in the profit and loss account.

In the statement of Group income and Group equity the proportion of subsidiary company income and equity attributable to minority interests is listed separately.

## Foreign Currency Translation

Transactions in foreign currencies are translated into Danish Kroner at the rate prevailing at the transaction date.

Receivables and debts denominated in foreign currencies are translated into Danish Kroner at the year-end closing rate or at forward rates. Realised and unrealised exchange gains and losses are included in the profit and loss account under financial income and expenses.

Profit and loss accounts of foreign subsidiaries are translated into Danish Kroner at the rate prevailing at the transaction date, while balance sheets are translated at year-end rates.

Currency translation adjustment of consolidated foreign equity at the start of the year, and currency translation adjustment of profit and loss accounts from the rate at the transaction date to the year-end rate is performed in the Group's equity.

## Financial Instruments

Financial instruments are stated at the year-end rates.

Both realised and unrealised exchange gains and losses are included in the profit and loss account. However, exchange gains and losses relating to financial instruments established to hedge future transactions are deferred until these transactions are completed.

Receivables and debts denominated in foreign currencies and hedged by forward exchange contracts are entered at forward rates, hence the contract is not stated as a separate item.

## Profit and Loss Account

*Net turnover:* Sales of goods for resale and products of own manufacture are invoiced and entered as income at the date of delivery.

Construction contracts are included in net turnover according to the percentage of completion method, whereby the value of the part of the contract performed is entered in the profit and loss account based on the degree of completion of the individual contract at the end of each accounting year. Expected losses on construction contracts are entered in the profit and loss account so that losses on the remainder of the contract do not affect earnings for the subsequent years.

*Variation in stocks of finished goods and work in progress* comprises change in the relevant stock levels during the year concerned.

Work performed for own account and capitalised contains income corresponding to those staff costs and other costs entered during the year in the profit and loss account which directly or indirectly can be attributed to the cost price of plant and machinery produced by own manufacture during the year concerned.

*Share of income of subsidiary companies before tax and extraordinary items* comprises the income before tax of these companies based on the equity method. The tax share attributable to subsidiaries is included in Tax on ordinary operations.

*Other operating income* contains accounting items of a secondary nature relative to the principal objective. Such items concern income from subsidy schemes, refunds, and gains from sale of fixed assets.

*Raw materials, consumables and goods for resale* contains purchases made during the year and changes in the relevant levels during the year concerned.

*Other production, sales and administrative costs* contains costs incurred during the year which are of a primary nature relative to the principal objective.

Development costs are entered in the profit and loss account as incurred.

*Staff costs* contains wages, salaries, pensions and other costs relating to company employees, including remunerations to the Executive Board and the Board of Directors.

*Depreciation and amortisation* contains depreciation of tangible assets and amortisation of intangible assets for the year under review.

*Share of profit before tax of associated undertakings* includes income, calculated by the equity method, relating to undertakings not consolidated on a pro rata basis.

*Financial income and expenses* contains interest payments, realised and unrealised exchange gains and losses, gains and losses on financial instruments as well as losses and realised gains on securities.

*Extraordinary income and expenses* contains income and expenses originating from sources other than ordinary operations.

*Tax for the year* consists of the current tax for the year and changes in deferred tax. Tax relating to the year's net income belongs to the profit and loss account, and tax posted directly to equity belongs to equity. In the profit and loss account, that part of tax that relates to extraordinary income is included in extraordinary income, while the rest is included in income before tax and extraordinary items.

## Balance Sheet

*Intangible fixed assets*, including IT software, patents, licences, goodwill, etc. are entered at acquisition price less accumulated amortisation. Amortisation is carried out over the maximum five-year life of the assets according to the straightline method. Minor acquisitions and assets with a life of less than three years are entered in the year of acquisition.

In the case of major strategic acquisitions with a strong market position and longterm earnings effect, goodwill may be amortised over a maximum of 20 years.

Development costs are entered in the profit and loss account as incurred.

*Tangible fixed assets:* Land and buildings are entered at acquisition price or cost price plus any revaluation and less accumulated depreciation on buildings. Adjustment is made to utility value if this is lower for reasons not considered to be temporary.

Manufacturing plant and machinery, and fixtures, fittings and equipment are entered at acquisition price and cost price respectively, less accumulated depreciation. Adjustment is made to utility value if this is lower for reasons not considered to be temporary.

Outfitting of leased premises is included in tangible fixed assets.

Indirect costs are included in the cost price of tangible fixed assets of own manufacture. Financing costs are not included.

The basis for depreciation is stated at the time of initial asset deployment at acquisition price or cost price respectively, less expected scrap value. Depreciation commences when the asset first enters use and is effected by the straightline method over the expected useful life of the asset to the expected scrap value. Expected useful life of assets is determined individually, while the useful life of other assets is determined for groups of similar assets.

The expected useful lifetimes for fixed assets are:

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

Assets with an acquisition/cost price of less than 20,000 DKK per unit and assets with a useful life of less than three years are expensed in the year of purchase.

Gains or losses from sale of tangible fixed assets are entered as the difference between the sales price less dismantling costs, sales costs and any reerection.

Costs and the book value at the time of sale. Gains and losses are contained in Other operating income and Other expenses, respectively.

*Financial fixed assets:* Shares in subsidiaries and associated undertakings are stated according to the equity method at the proportional equity plus Group goodwill and less unrealised intercompany profits and amortisation on Group goodwill.

Other fixed asset investments are stated at purchase price or value at the balance sheet date, whichever is the lower:

*Stocks:* Raw materials and consumables are valued at purchase price.

Goods for resale are valued at purchase price or net realisable value, whichever is the lower.

Work in progress and finished products are valued at cost price, which consists of the purchase price of raw materials and consumables plus manufacturing and other costs which are directly or indirectly attributable to the individual products. Financing costs are not included. Products for which the expected sales price, less any finishing costs and sales implementation costs (net realisable value), is lower than the purchase or cost price, respectively, are written down to net realisable value.

Construction contracts in progress for third parties are entered in the balance sheet at the sales value of the part of the contract completed at the balance sheet date. The sales value is stated based on the degree of completion on the balance sheet date and the aggregate expected income on the individual work in progress. The degree of completion is fixed as the relationship between incurred expenses/invested resources and total costed expenses/resources that are attributable to the construction contract. Financing costs are not included. Amounts invoiced on account for

the complete part of the contract are deducted from the value of the asset item, which amounts invoiced on account in addition to the complete part of the contract are entered as prepayments under short-term creditors.

*Debtors* are stated at nominal value less writedowns for expected losses.

*Securities:* Own shares purchased under the executive share plan are not stated in the balance sheet as the purchase sum is deducted directly from retained profits under equity. Dividends received on these shares and sales sums are similarly taken directly to equity.

Own shares which are portfolio shares are stated at purchase value or market value at the balance sheet date, whichever is the lower. An amount equivalent to the asset is stated separately in equity. Other listed securities are entered at the market value at the balance sheet date or at hedged value. If no market price is available the securities are stated at purchase price or at an estimated lower value.

*Provisions:* Pension commitments which are not covered in terms of insurance are stated at the capitalised value of current pensions.

Deferred tax is dealt with in a separate section below.

Other provisions are made where, at the end of the accounting year, there exist outstanding unsettled claims from customers or where there exists a risk of claims concerning specific circumstances. Provisions are also made in cases of agreed but unfinished restructuring and in cases where there is uncertainty as to ultimate size of the cost or its time of payment.

## Current and Deferred Tax

Current tax payable and receivable is stated 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 calculated using the balance sheet liability method on temporary differences between the carrying amounts of assets for financial reporting purposes and for taxation purposes, and liabilities and provisions. No deferred tax liabilities are made for shares in subsidiaries and associated undertakings. These shares are not being intended for short-term sale. Under Danish tax regulations the tax ceases to be payable three years after the time of share acquisition. No deferred tax liabilities are made either for temporary differences relating to goodwill not deductible for tax purposes, and for other items where the temporary differences commenced at the time of acquisition without affecting the net income for the year or the taxable income. In cases where statement of the tax value can be done by means of alternative rules of assessment, the deferred tax calculation is based on the planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of losses that may be carried forward, are stated at their expected utilisation value, set off either against future taxable income or against deferred tax liabilities in the same legal tax unit and jurisdiction.

Deferred tax is calculated according to the tax regulations and tax rates in the individual countries that - according to the legislation on the balance sheet date - will apply when the deferred tax is expected to generate a current tax liability. Changes in deferred tax as a result of changes in tax rates are stated in the profit and loss account.

Joint taxation has been established between the parent company and a number of subsidiaries. Danish subsidiaries with positive income pay the parent company an internal joint taxation contribution which corresponds to the expected tax liability of the subsidiary, including any adjustments in liability from previous years. The jointly taxed Danish companies are included in the Tax Pre-payment Scheme. Additions, deductions and credits relating to the tax payment are included in the financial income and expenses.

### **Cash Flow Statement**

The cash flow statement shows the cash flow for the year and the cash at bank and in hand at the start and end of the accounting year. Cash flow is related to three principal areas: Operations, investments and financing.

Cash flow from operations is stated indirectly, on the basis of the operating income.

Adjust is made for additions and disposals of assets and liabilities resulting from acquisition and divestment of undertakings.

*Cash flow from operations* is stated as the operating income after adjustment for non-cash operating items, changes in working capital and paid financial items, extraordinary items and corporate taxes. The working capital comprises stocks, current assets and short-term liabilities relating to operations.

*Cash flow from investments* comprises acquisitions and disposals of fixed assets, including shares in undertakings, other fixed asset investments, and acquisitions and disposals of activities as an element in corporate transactions.

Acquisition amounts are stated at cost including any goodwill. Disposal amounts are stated at sales price less transactions costs.

Investments in tangible fixed assets include assets which are elements in business acquisitions, the acquisition price for such assets being included under acquisition of activities.

*Cash flow from financing* comprises payments to and from shareholders and raising of repayments on mortgage loans and other longterm and short-term liabilities not included under working capital.

*Cash at bank and in hand* comprises cash balance and bank deposits.

### **Tables of figures**

In tables of figures, *brackets denote negative results and deduction items.*

# PROFIT AND LOSS ACCOUNT

<b>NKT Holding A/S</b>		1 January - 31 December - all amounts in mDKK		<b>NKT Group</b>	
2000	2001		Note	2001	2000
		<b>Income</b>			
		Net turnover		6,425.5	6,508.6
		Variation in stocks of finished goods and work in progress		(160.7)	33.8
				6,264.8	6,542.4
		Work performed for own account and capitalised		4.1	11.9
(1,113.4)	(147.5)	Share of income of subsidiary companies before tax and extraordinary items	1		
33.1	24.4	Other operating income		196.6	119.3
(1,080.3)	(123.1)	Total		6,465.5	6,673.6
		<b>Costs</b>			
		Raw material, consumables and goods for resale		(3,173.2)	(3,528.7)
(30.3)	(27.0)	Other production, sales and administrative costs		(1,123.0)	(1,301.6)
(19.9)	(21.2)	Staff costs	2	(1,870.0)	(1,960.4)
(50.2)	(48.2)	Total		(6,166.2)	(6,790.7)
0.0	0.0	Share of income before tax of associated companies		0.2	(0.4)
(1,130.5)	(171.3)	<b>Earnings before interest, tax, depreciation and amortisation, EBITDA</b>		299.5	(117.5)
(1.4)	(0.9)	Depreciation, amortisation and writeoffs of fixed assets	3	(393.7)	(942.6)
(1,131.9)	(172.2)	<b>Earnings before interest and tax, EBIT</b>		(94.2)	(1,060.1)
6.6	0.1	<b>Financial items</b>			
233.0	174.8	Income from investments		0.1	0.0
(70.9)	(31.9)	Financial income	4	163.3	276.8
		Financial expenses	5	(125.4)	(199.8)
(963.2)	(29.2)	<b>Earnings from ordinary operations</b>		(56.2)	(983.1)
74.2	(14.3)	Tax on earnings from ordinary operations	6	(19.9)	69.4
(889.0)	(43.5)	<b>Earnings from ordinary operations after tax</b>		(76.1)	(913.7)
4,919.2	0.0	Extraordinary income		0.0	4,919.2
0.0	0.0	Tax on extraordinary income		0.0	0.0
4,919.2	0.0	<b>Extraordinary income after tax</b>		0.0	4,919.2
4,030.2	(43.5)	<b>Net income</b>		(76.1)	4,005.5
-	-	Minority interests' share of net income		32.6	24.7
4,030.2	(43.5)	<b>NKT's share of net income</b>		(43.5)	4,030.2

NKT Holding A/S		At 31 December - all amounts in mDKK		NKT Group	
2000	2001		Note	2001	2000
<b>ASSETS</b>					
<i>Fixed assets</i>					
<i>Intangible fixed assets</i>					
0.0	0.0	Patents, software, etc.	7	31.3	34.4
0.0	0.0	Goodwill		878.9	903.7
0.0	0.0	Prepayments for intangible fixed assets		1.2	0.2
0.0	0.0			911.4	938.3
<i>Tangible fixed assets</i>					
0.0	0.0	Land and buildings	8	968.5	969.2
0.0	0.0	Manufacturing plant and machinery		920.8	956.6
3.6	3.0	Fixtures, fittings and equipment		171.5	174.2
0.0	0.0	Tangible fixed assets under construction		31.4	54.3
3.6	3.0			2,092.2	2,154.3
<i>Financial fixed assets</i>					
1,906.2	2,167.0	Investments in subsidiaries	1,9	-	-
0.0	0.0	Investments in associated companies	9	13.8	13.6
0.7	0.1	Other investments and securities	10	26.9	28.3
0.0	0.0	Other accounts receivable	10	4.4	3.7
1,906.9	2,167.1			45.1	45.6
1,910.5	2,170.1	<i>Total fixed assets</i>		3,048.7	3,138.2
<i>Current assets</i>					
0.0	0.0	Stocks	11	1,297.1	1,525.2
<i>Debtors</i>					
0.0	0.0	Trade debtors	12	1,077.4	1,144.7
1,962.7	1,481.2	Receivables from subsidiaries	13	-	-
1,386.0	6.6	Dividend from subsidiaries		-	-
60.5	9.8	Other debtors		104.2	205.4
0.1	7.7	Prepayments and accrued income		44.5	34.3
3,409.3	1,505.3			1,226.1	1,384.4
174.3	111.2	Securities		113.1	1,841.5
1,851.7	554.6	Cash at bank and in hand		920.2	2,091.8
5,435.3	2,171.1	<i>Total current assets</i>		3,556.5	6,842.9
7,345.8	4,341.2	<i>Total assets</i>		6,605.2	9,981.1

NKT Holding A/S		At 31 December - all amounts in mDKK		NKT Group	
2000	2001		Note	2001	2000
<b>LIABILITIES</b>					
<i>Shareholders' equity</i>					
539.6	500.0	Share capital	14	500.0	539.6
0.0	0.0	Reserve for net revaluation based on the equity method		-	-
3,609.2	3,372.2	Retained earnings	15	3,372.2	3,609.2
4,148.8	3,872.2		16	3,872.2	4,148.8
-	-	<i>Minority interests</i>		222.2	246.2
<i>Provisions</i>					
1.6	1.5	Pension liabilities		148.9	138.0
0.0	0.0	Deferred taxation	17	26.6	27.4
0.0	0.0	Other provisions	18	191.3	342.6
1.6	1.5			366.8	508.0
<i>Creditors</i>					
<i>Long-term creditors</i>					
100.0	100.0	Credit institutions	19	350.5	493.8
0.0	0.0	Mortgages		111.7	132.2
0.0	0.0	Other long-term creditors		47.7	30.6
100.0	100.0			509.9	656.6
<i>Short-term creditors</i>					
0.0	0.0	Repayments on long-term debts		162.5	236.7
0.0	15.4	Credit institutions		287.5	281.7
0.0	0.0	Prepayments from customers		49.9	34.6
4.3	2.4	Trade creditors		408.0	442.1
252.0	172.4	Debt to subsidiary companies		-	-
0.0	0.0	Corporation tax		12.9	24.2
14.7	70.9	Other creditors		576.9	530.2
18.5	6.4	Accruals and deferred income		36.4	66.1
2,805.9	100.0	Dividend for the year		100.0	2,805.9
3,095.4	367.5			1,634.1	4,421.5
3,195.4	467.5	<i>Total creditors</i>		2,144.0	5,078.1
7,345.8	4,341.2	<i>Total liabilities</i>		6,605.2	9,981.1
Pledged assets 20					
Contingent liabilities 21					
Financial instruments 22					
Share option plan 23					
Own shares which are not portfolio shares 24					

# CASH FLOW STATEMENT

<b>NKT Holding A/S</b>		I January - 31 December - all amounts in mDKK	<b>NKT Group</b>	
2000	2001		2001	2000
(1,130.5)	(171.3)	EBITDA	299.5	(117.5)
1,113.4	147.5	Share of income of subsidiaries before tax and extraordinary items	-	-
(7.5)	(0.1)	Utilised provision for restructuring etc. and gain from sale of tangible assets etc.	(239.0)	190.6
(44.1)	44.2	Change in working capital	361.3	(230.7)
(68.7)	20.3	Cash flow from ordinary operations before financial items	421.8	(157.6)
229.7	174.9	Financial income received	163.4	276.7
(73.6)	(31.9)	Financial expenses paid	(125.4)	(205.5)
87.4	163.3	Cash flow from ordinary operations	459.8	(86.4)
(0.7)	(1.6)	Corporation tax paid	(29.0)	(24.2)
9.2	10.2	Received joint taxation contribution from subsidiaries	-	-
95.9	171.9	<b>Cash flow from operations</b>	430.8	(110.6)
0.0	0.0	Acquisition of companies	0.0	(110.1)
(17.0)	0.0	Divestment of companies	0.0	4,917.9
(2.2)	(0.3)	Purchase of tangible fixed assets	(266.7)	(342.1)
0.5	0.0	Disposal of tangible fixed assets	158.4	56.6
3.1	63.7	Securities etc., net	1,683.7	(1,695.6)
8.7	1,386.0	Dividend from subsidiaries	-	-
2,974.4	(417.5)	Increase and decrease of capital in subsidiaries	-	-
(879.2)	407.4	Change in loans to/from subsidiaries	-	-
2,088.3	1,439.3	<b>Cash flow from investments</b>	1,575.4	2,826.7
0.0	0.0	Change in long-term loans	(154.5)	(534.2)
(18.4)	17.8	Change in short-term loans	(93.8)	58.2
-	-	Minority interests	(1.9)	(36.0)
(241.0)	(120.2)	Own shares purchased/share options paid	(123.3)	(241.0)
(431.7)	(2,805.9)	Dividend paid	(2,805.9)	(431.7)
(1,689.9)	0.0	Payment arising from capital reduction	0.0	(1,689.9)
(2,381.0)	(2,908.3)	<b>Cash flow from financing</b>	(3,179.4)	(2,874.6)
(196.8)	(1,297.1)	<b>Total cash flow from operations, investments and financing</b>	(1,173.2)	(158.5)
2,048.5	1,851.7	Cash at bank and in hand, 1 January	2,091.8	2,251.9
0.0	0.0	Currency adjustments	1.6	(1.6)
(196.8)	(1,297.1)	Cash flow for the year	(1,173.2)	(158.5)
1,851.7	554.6	Cash at bank and in hand, 31 December	920.2	2,091.8

This cash flow statement is based on the published accounts as well as other nonpublished data.

**NKT Holding A/S**

	Share of income before tax and extra- ordinary items	Share of equity <sup>3)</sup>	Issued warrants and options as percentage of share capital
<b>Note 1</b>			
<b>Share of income and equity of subsidiary companies</b> <i>(holdings of less than 100% are shown after company names)</i>			
NKT Cables Group A/S, Brøndby	23.0	715.6	
Nilfisk-Advance A/S, Brøndby	(55.7)	942.9	
Priorparken A/S, Brøndby	16.2	120.7	
NOVATOR A/S, Brøndby (share 67%)	0.3	4.0	5%
NKT Flexibles, Brøndby <sup>1)</sup>	(35.9)	87.8	
I.C. Holding A/S, Brøndby (incl. the subsidiary IONAS A/S) <sup>2)</sup>	25.6	78.6	
NKT Research & Innovation A/S, Lyngby	(16.6)	49.1	
Crystal Fibre A/S, Birkerød	(12.1)	31.1	33%
CISILIAS A/S, Lyngby	(8.2)	23.0	11%
KOHERAS A/S, Birkerød	(2.8)	42.7	4%
LIOS Technology GmbH, Cologne	0.2	13.6	
Scandinavian Micro Biodevices A/S, Lyngby	(8.9)	17.4	5%
PicoSep A/S, Odense	(5.5)	1.5	24%
Cantion A/S, Brøndby	(0.7)	3.3	32%
Nordic Superconductor Technologies A/S, Birkerød	(19.8)	8.2	4%
Watech A/S, Brøndby	(6.1)	14.1	4%
Other	0.4	4.8	
	(106.6)	2,158.4	
Elimination of inter-company profits	(30.9)	(37.1)	
Group goodwill	(10.0)	45.7	
	(147.5)	2,167.0	
Subsidiary companies, total			

<sup>1)</sup> NKT Flexibles includes NKT's share of income and shareholders' equity. The NKT Group owns 51% of NKT Flexibles I/S through the subsidiary company SubSeaFlex Holding A/S, Brøndby. The share of income and of shareholders' equity are stated net of Group eliminations. These had the effect of increasing the share of income by 9 mDKK and reducing shareholders' equity by 73 mDKK.

<sup>2)</sup> In IONAS, the subsidiary company of I.C. Holdings A/S, warrants have been issued corresponding to 6% of the share capital.

<sup>3)</sup> At 31 December 2001, NKT Holding's share of subsidiary company equity included goodwill of 879 mDKK (2000: 904 mDKK).

The accounts of a few of the Group's foreign subsidiaries are audited by local accountants.

NKT Holding A/S			NKT Group	
2000	2001		2001	2000
		<b>Note 2</b>		
		<b>Staff costs</b>		
18.3	19.9	Wages and salaries	1,637.4	1,671.1
1.5	1.2	Pensions and pension contributions	80.3	94.8
0.1	0.1	Social security contributions	152.3	194.5
19.9	21.2		1,870.0	1,960.4
		Remuneration to Board of Directors of parent company	2.4	2.2
		Remuneration to Executive Board of parent company	6.4	6.8
		For share options, see Note 23.		
26	29	Full-time employees, average for year	5,690	6,206
		<b>Note 3</b>		
		<b>Depreciation and amortisation of fixed assets</b>		
-	-	Patents, software, etc.	8.6	6.8
-	-	Goodwill	80.7	324.5
-	-	Land & buildings	59.0	141.7
-	-	Manufacturing plant and machinery	178.7	397.1
1.4	0.9	Fixtures, fittings and equipment	66.7	72.5
1.4	0.9		393.7	942.6
		<b>Note 4</b>		
		<b>Financial income</b>		
51.5	85.0	Interest income	118.4	225.7
180.0	86.1	Interest from subsidiaries	-	-
1.5	3.7	Exchange gains	44.9	51.1
233.0	174.8		163.3	276.8
		<b>Note 5</b>		
		<b>Financial expenses</b>		
50.4	10.2	Interest expenses	85.7	146.3
12.6	17.2	Interest to subsidiaries	-	-
7.9	4.5	Exchange losses	39.7	53.5
70.9	31.9		125.4	199.8
		<b>Note 6</b>		
		<b>Tax</b>		
0.7	1.6	Current tax	22.2	24.3
(10.2)	(33.3)	Joint taxation contributions from subsidiaries	-	-
0.0	0.0	Deferred tax	(2.3)	(93.7)
(64.7)	46.0	Share of tax of subsidiaries	-	-
(74.2)	14.3		19.9	(69.4)
		<i>Reconciliation of tax</i>		
		Calculated tax at Danish tax rate (30%)	(16.9)	(314.6)
		Non-tax deductible goodwill amortisation	17.0	90.0
		Other, non-utilised tax loss etc.	19.8	155.2
			19.9	(69.4)

**NKT Holding A/S**

**NKT Group**

		Patents, software etc.	Goodwill	Prepayments
<i>Note 7</i>	<b>Intangible fixed assets</b>			
	<i>Purchase price</i>			
	1 January	46.5	1,173.0	0.2
	Currency adjustments, foreign companies	0.8	25.5	0.0
	Additions during year	7.1	39.5	1.2
	Disposals during year	0.0	0.0	(0.1)
	Transferred to (from) other items	0.1	0.0	(0.1)
	31 December	54.5	1,238.0	1.2
	<i>Amortisation and writeoffs</i>			
	1 January	(12.1)	(269.3)	0.0
	Currency adjustments, foreign companies	(0.6)	(9.0)	0.0
	Amortisation and writeoffs for the year	(8.6)	(80.7)	0.0
	Transferred to (from) other items	(1.9)	(0.1)	0.0
	31 December	(23.2)	(359.1)	0.0
	Book value at 31 December	31.3	878.9	1.2

**NKT Group**

**Note 8 Tangible fixed assets**

	<i>Land and buildings</i>	<i>Manufacturing plant and machinery</i>	<i>Fittings, fixtures and equipment</i>	<i>Fixed assets under construction</i>
<i>Purchase price</i>				
1 January	1,401.7	2,340.7	477.6	54.3
Currency adjustments, foreign companies	17.4	41.0	4.9	0.2
Additions during year	9.4	154.4	54.0	53.1
Disposals during year	(13.7)	(500.1)	(68.3)	(9.1)
Transferred to (from) other items	33.4	16.6	15.8	(67.1)
31 December	1,448.2	2,052.6	484.0	31.4
<i>Revaluation</i>				
1 January	136.2			
Disposals during year	(0.1)			
31 December	136.1	0.0	0.0	0.0
<i>Depreciation and writeoffs</i>				
1 January	(568.7)	(1,384.1)	(303.4)	
Currency adjustments, foreign companies	(2.9)	(19.3)	(4.0)	
Depreciation and writeoffs for the year	(59.0)	(178.7)	(66.7)	
Disposals during year	12.5	453.1	61.1	
Transferred to (from) other items	2.3	(2.8)	0.5	
31 December	(615.8)	(1,131.8)	(312.5)	0.0
Book value at 31 December	968.5	920.8	171.5	31.4
Revaluation less accumulated depreciation comprises	65.7	0.0	0.0	0.0
Book value of pledged assets	381.4	49.9	0.0	0.0
<i>Latest property valuation</i>				
Danish properties, public valuation	794.6	543.5		
Foreign properties, book value	425.0	425.0		
	1,219.6	968.5		

**NKT Holding A/S**

<i>Purchase price</i>			
1 January			9.0
Additions during year			0.3
31 December			9.3
<i>Depreciation and writeoffs</i>			
1 January			(5.4)
Depreciation and writeoffs for the year			(0.9)
31 December			(6.3)
Book value at 31 December			3.0

NKT Holding A/S			NKT Group	
	Shares in subsidiaries		Shares in associated companies	
		<b>Note 9</b>		
		<b>Equity in subsidiaries and associated companies</b>		
		<i>Purchase price</i>		
	4,462.5	1 January	13.8	
	417.5	Additions, capital contribution	0.0	
	4,880.0	31 December	13.8	
		<b>Value adjustment</b>		
	(2,556.3)	1 January	(0.2)	
	43.4	Currency adjustments, foreign companies, etc.	0.0	
	(193.5)	Share of net income	0.2	
	(6.6)	Dividend		
	(2,713.0)	31 December	0.0	
	2,167.0	Book value at 31 December	13.8	
Other investments and securities	Other receivables	<b>Note 10</b>	Other investments and securities	Other receivables
		<b>Financial fixed assets</b>		
		<i>Purchase price</i>		
0.8	0.0	1 January	28.5	3.9
-	-	Currency adjustments, foreign companies	0.1	(0.1)
0.8	0.0	Additions during year	1.4	1.2
0.0	0.0	Disposals during year	(1.3)	0.2
1.6	0.0	31 December	28.7	5.2
		<i>Depreciation and writeoffs</i>		
(0.1)	0.0	1 January	(0.2)	(0.2)
-	-	Currency adjustments, foreign companies	(0.1)	0.0
(1.4)	0.0	Depreciation and writeoffs for the year	(1.5)	(0.1)
0.0	0.0	Disposals during year	0.0	(0.5)
(1.5)	0.0	31 December	(1.8)	(0.8)
0.1	0.0	Book value at 31 December	26.9	4.4
-	0.0	Receivables with more than one year's maturity	-	0.0

NKT Holding A/S			NKT Group	
2000	2001		2001	2000
		<b>Note 11</b>	<b>Stocks</b>	
			Raw materials, consumables and goods for resale	492.6 594.7
			Goods in progress	145.9 172.6
			Finished goods	593.6 724.5
			Construction contracts	317.4 203.8
			Invoiced on account for construction contracts	(252.4) (170.4)
				1,297.1 1,525.2
			Construction contracts include an estimated profit totalling	39.1 19.0
		<b>Note 12</b>	<b>Trade debtors</b>	
			Trade debtors	1,075.6 1,143.0
			Bills of exchange	1.8 1.7
				1,077.4 1,144.7
		<b>Note 13</b>	<b>Debtors, current assets</b>	
			This item includes the following total with more than one year's maturity	3.5 1.9
0.0	0.0			
		<b>Note 14</b>	<b>Share capital</b>	
539.6	539.6		1 January	539.6 539.6
0.0	(39.6)		Capital reduction	(39.6) 0.0
539.6	500.0		31 December	500.0 539.6
			Share capital of 500.000.000 DKK is distributed between 25.000.000 shares of a nominal value of 20 DKK each.	
			In 2001 a stock-split of 1:5 was effected, as a result of which the nominal NKT share value was changed from 100 DKK to 20 DKK	
		<b>Note 15</b>	<b>Retained earnings</b>	
2,577.2	3,609.2		1 January	3,609.2 2,567.2
48.7	46.5		Currency adjustment of income and equity of foreign companies, etc.	46.5 48.7
(259.2)	(444.1)		Own shares purchased/share options paid	(444.1) (259.2)
0.0	39.6		Own shares cancelled by capital reduction	39.6
18.2	264.5		Dividend on own shares	264.5 18.2
1,224.3	(143.5)		Transferred from net profit distribution	(143.5) 1,224.3
-	-		Freed revaluation reserve, subsidiaries	0.0 10.0
3,609.2	3,372.2			3,372.2 3,609.2
		<b>Note 16</b>	<b>Shareholders' equity</b>	
			1 January	4,148.8 3,116.8
			Own shares purchased/share options paid	(444.1) (259.2)
			Dividend on own shares	264.5 18.2
			Currency adjustment of income and equity of foreign companies, etc.	46.5 48.7
			NKT's share of net income for the year	(43.5) 4,030.2
			Dividend for the year	(100.0) (2,805.9)
				3,872.2 4,148.8

NKT Holding A/S			NKT Group	
2000	2001		2001	2000
0.0	0.0	<b>Note 17</b>	<b>Provision for deferred taxation</b>	
			27.4	98.4
			1.6	1.9
			(0.1)	20.8
			(2.3)	(93.7)
0.0	0.0		26.6	27.4
			<i>Deferred tax assets</i>	<i>Deferred tax provisions</i>
			29.9	53.5
			41.8	93.9
			124.2	35.8
			2.0	0.0
			44.4	58.1
			51.5	3.4
			41.9	7.0
			289.2	-
			-	68.5
			(331.3)	-
			293.6	320.2
			(293.6)	(293.6)
			0.0	26.6
			2001	2000
		<b>Note 18</b>	<b>Other provisions</b>	
0.0	0.0		83.6	222.5
0.0	0.0		107.7	120.1
0.0	0.0		191.3	342.6
			"Other" refers to buy-back obligation in relation to returnable packing, and provisions for environmental and guarantee commitments, etc.	
		<b>Note 19</b>	<b>Long-term creditors</b>	
			This item included the following amounts with more than 5 years' maturity	
0.0	0.0		1.4	0.0
0.0	0.0		37.4	52.6
0.0	0.0		26.2	15.9
0.0	0.0		65.0	68.5
			The Group's debt to credit institutes includes 200 mDKK covered by certain conditions which were fulfilled at 31 December 2001.	

**NKT Holding A/S**

**NKT Group**

NKT Holding A/S			NKT Group	
2000	2001		2001	2000
		<b>Note 20</b>		
		<b>Pledged assets</b>		
		The following assets have been pledged:		
0.0	0.0	Property over and above specified mortgage debt	81.3	60.4
0.0	0.0	Movables	67.0	52.8
		Assets with a book value of 161 mDKK (2000: 76 mDKK) in the form of shares in subsidiaries, trademarks and patents have been pledged as security for bank loans.		
		<b>Note 21</b>		
		<b>Contingent liabilities</b>		
0.0	0.0	Items not included in the balance sheet	12.1	19.5
122.9	128.4	Guarantees for subsidiaries	-	-
		Liability in respect of subsidiary company credit facilities under the Group account scheme	-	-
357.5	349.5	IT and car rental contracts and tenancy agreements	164.4	117.2
0.0	4.8	Of which payable in 2002	58.7	52.6
0.0	1.2			

In addition to the above, the Group is liable for customary trade-related guarantee commitments.

The Group is involved in certain legal proceedings, the outcome of which is not expected to significantly affect the net income for the year or the evaluation of financial position. In connection with the sale of companies, guarantees and warranties have been avouched.

A small number of the Groups foreign companies are covered by special tax arrangements to which special conditions are attached and which were fulfilled at 31.12.2001

The parent company has issued a Letter of Comfort to the bankers of one or two of the Group's companies outside Denmark.

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.

**NKT Group**

**Note 22** *Financial instruments*

As at 31.12. 2001, forward exchange contracts established to cover the commercial foreign exchange exposure of Group companies within the framework of established policies amounted to a gross equivalent of 1,714 mDKK (2000: 1,839 mDKK).

The distribution of contracts per currency is specified below:

Currency	Value at year-end exchange rate		Unrealised gains (losses), net		Of which not included in profit and loss account or equity	
	2001	2000	2001	2000	2001	2000
EUR	483.4	510.7	(0.9)	0.5	0.0	0.0
SEK	100.1	51.6	(0.8)	(2.4)	(0.2)	(2.0)
NOK	43.2	33.0	(0.2)	0.3	0.0	0.2
GBP	219.3	173.6	(3.0)	2.1	(2.5)	1.7
Other European	3.0	11.6	0.1	(0.2)	0.0	0.0
USD	645.4	859.6	(37.1)	2.7	3.0	13.8
Other	219.7	198.7	2.4	7.4	(0.8)	5.9
<b>Total</b>	<b>1,714.1</b>	<b>1,838.8</b>	<b>(39.5)</b>	<b>10.4</b>	<b>(0.5)</b>	<b>19.6</b>

Financial instruments and risk factors are further discussed in the Financial Review.

**NKT Holding A/S**

**Note 23 Stock option plan for Group senior executives and employees.**

In 1998 the company established stock option plan whereby the top management are allotted options for purchase of shares in NKT Holding A/S.

The options grant the right to acquire shares in NKT Holding A/S after a period of three years at a price (the exercise price) based on the price level prevailing around the time of allotment. At the time of exercise, 100 DKK per share is paid to the option holder, corresponding to the extraordinary dividend approved by the Company in General Meeting in 2001. On full exercise of the share options this amount constitutes 56 mDKK. The amount is included in the Group balance sheet as debt.

In 2001 the Company established a new incentive plan aimed at all employees of NKT Holding and NKT Research & Innovation, and the Board of Directors of NKT Holding at a price based on the market price around the date of allotment, plus a calculated rate of interest from the date of warrant issue until the date of exercise.

In case of warrants allotted in 2001, holders may choose to defer the exercise date until March 2005 or March 2006. The exercise price is 190 DKK for exercise in 2005 and 200 DKK for exercise in 2006.

At end-2001 the following options were issued:

	Number of shares	Nom. mDKK	Exercise price	Exercise date
<b>Allotment date</b>				
<i>Board of Directors</i>				
1999, options	13,355	0.3	85.4	March 2002
2000, options	10,170	0.2	216.6	March 2003
2001, options	13,125	0.3	181.0	March 2004
<i>Executive Board</i>				
1999, options	41,440	0.8	63.0	March 2002
2000, options	80,105	1.6	83.8	March 2003
2001, warrants	75,000	1.5	181.0	March 2004
<i>Senior executives/ex-Management</i>				
1999, options	233,370	4.7	63.0	March 2002
2000, options	185,115	3.7	83.8	March 2003
2001, warrants	30,000	0.6	181.0	March 2004
<i>Other employees</i>				
2001, warrants	50,750	1.0	181.0	March 2004
<b>Total</b>	<b>732,430</b>	<b>14.6</b>		

At 31 December 2001 the share option plan was valued at 24.4 mDKK using the Black-Scholes formula, based on interest rate of 4.9% and a volatility of 50%.

The valuation does not take account of the reduction in warrant value as a result of ordinary dividends in the period to the exercise date. The above payment of 100 DKK per share option is also not included in the valuation.

**NKT Holding A/S**

**Note 24 Own shares which are not portfolio shares**

NKT Holding has acquired the following own shares to meet the payment commitments of the option plan and for share capital reduction:

	Number of shares	Nom. mDKK	Proceeds mDKK	Proportion of share capital	Market value mDKK
1 January, converted into nom. DKK 20 per share	1,484,190	29.7			
Acquisitions during year	1,122,410	22.4	359.5		
Cancellation due to capital reduction	(1,979,920)	(39.6)	0.0		
Dividend received			(264.5)		
31 December	626,680	12.5	95.0	2.5%	65.7

In accordance with the Group's accounting policies the purchase price for these NKT shares is deducted from the distributable reserves in the equity capital. Sale sums and dividends received are likewise taken to the equity capital.

2000	2001
1.6	1.5
0.2	0.2
0.7	0.7
0.0	0.0

**Note 25 Notes not referred to in the accounts**

**Related parties**

The Group's related parties comprise the members of the Board of Directors and Executive Board of the parent company, and FLS Industries holding 20% or more of the voting rights in NKT Holding A/S. During 2001 no significant transactions were effected with related parties.

**Fees to auditors elected by Annual General Meeting**

KPMG  
 Deloitte & Touche  
*of which for services other than auditing:*  
 KPMG  
 Deloitte & Touche

# GROUP COMPANIES AS OF 31 DECEMBER 2001

<i>Subsidiaries</i>	<i>Domicile</i>	<i>Equity share</i>	<i>Subsidiaries</i>	<i>Domicile</i>	<i>Equity share</i>
NKT Cables Group A/S	Denmark	100%	Priorparken A/S	Denmark	100%
• NKT Cables A/S	Denmark	100%	NOVATOR A/S	Denmark	67%
• Hals Metalsmelteri A/S	Denmark	100%	I. C. Holding A/S	Denmark	100%
• NKT (UK) Ltd.	UK	100%	IONAS A/S	Denmark	100%
• Slaska Fabryka Kabli S.A.	Poland	76%	SubSeaFlex Holding A/S	Denmark	100%
• Nowe Slaskie Kabli Sp. z.o.o.	Poland	100%	• NKT Flexibles I/S	Denmark	51%
• Slaska SH Sp. z.o.o.	Poland	100%	NKT Research & Innovation A/S	Denmark	100%
• Polinex Sp. z.o.o.	Poland	100%	Crystal Fibre A/S	Denmark	100%
• Iskra International AS	Czech Rep.	88%	CISILIAS A/S	Denmark	100%
• NKT Cables GmbH	Germany	100%	KOHERAS A/S	Denmark	100%
• Felten & Guillaume			Scandinavian Micro Biodevices A/S	Denmark	100%
• Kabelwerke GmbH	Germany	100%	PicoSep A/S	Danmark	100%
• HFB Hettstedter Fahrleitungs- und Bronzedraht GmbH	Germany	100%	Cantion A/S	Denmark	100%
• Felten & Guillaume			Nordic Superconductor Technologies A/S	Denmark	100%
• Kabelgarnituren GmbH	Germany	100%	LIOS Technology GmbH	Germany	100%
• Kablo Kladno a.s.	Czech Rep.	70%	Watech A/S	Denmark	100%
• NKT Cables China Ltd	China	69%			
• Pengg Breitenfeld Kabel AG	Austria	97%	NKT Holding also owns 7 companies with no commercial activity		
•• Pengg, Mayer & Drössler GmbH	Austria	100%			
••• Industriselskabet af 30. november 2000 A/S	Denmark	100%			
Nilfisk-Advance A/S	Denmark	100%	<i>Associated companies</i>	<i>Domicile</i>	<i>Equity share</i>
Nilfisk-Advance Nordic A/S	Denmark	100%	Nilfisk-Advance		
Nilfisk-Advance AS	Norway	100%	• M2H S.A.	France	34%
Nilfisk-Advance AG	Germany	100%	• Serven S.A.	France	34%
• Nilfisk-Advance Limited	UK	100%	• CFM Lombardia S.r.l.	Italy	33%
• Nilfisk-Advance Limited	Ireland	100%			
• Nilfisk-Advance B.V.	Netherlands	100%			
• Nilfisk-Advance S.A.	Belgium	100%			
• Nilfisk-Advance S.A.	France	100%			
• Nilfisk-Advance Lda	Portugal	100%			
• Nilfisk-Advance S.A.	Spain	100%			
• Nilfisk-Advance Italia S.p.A.	Italy	100%			
• CFM S.p.A.	Italy	70%			
•• CFM Reitek GmbH	Germany	70%			
•• CFM France S.A.	France	96%			
• Nilfisk-Advance AG	Switzerland	100%			
• Nilfisk-Advance GmbH	Austria	100%			
• Nilfisk-Advance Pte. Ltd	Singapore	100%			
• Nilfisk-Advance Inc.	Japan	100%			
• Nilfisk-Advance Ltd	Hong Kong	100%			
• Nilfisk-Advance Ltd. Taiwan Branch	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	Canada	100%			
• Nilfisk-Advance Ltda	Brasil	100%			

- Subsidiary company undertaking in the subgroup and
- (or more ••) subsidiaries thereof, etc.



The Board of Directors, from left: Christian Kjær, Chairman; Ole Løvig Simonsen, Deputy Chairman; Holger Lavesen, Jens Münter, Jørgen Bjergskov Nielsen, Krister Ahlström, Jan Wraae Folting, Mogens Hansen, Poul-Erik Rasmussen.

## BOARD OF DIRECTORS

### Christian Kjær

Chairman  
Attorney, Master of the Royal Hunt, R<sup>I</sup>  
Member and Deputy Chairman of the Board 1987  
Chairman since 1990

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

*Member of the Board of*  
Nye Kommercielle Aktiviteter Holding A/S

### Ole Løvig Simonsen

Deputy Chairman  
Former Housing Minister  
Joined the Board 1999

*Member of the Board of*  
FLS miljø a/s  
VELUX A/S  
Boligbeton A/S

### Holger Lavesen

Joined the Board 1986

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

*Deputy Board Chairman of*  
Dansk Industri Invest A/S  
Thrige-Titan A/S

*Member of the Board of*  
Kongsildes Industries A/S  
Terma A/S

### Jens Münter

Director  
Joined the Board 1990

*Deputy Chairman of the Board of*  
Spæncom A/S

*Member of the Board of*  
Aktieselskabet Potagua  
Modulbeton A/S

### Jørgen Bjergskov Nielsen\*

Electrician  
Joined the Board 1991

### Krister Ahlström

Director  
Joined the Board 1995

*Deputy Board Chairman of*  
Stora Enso

Also board member of several industrial  
companies in Finland and abroad.

### Jan Wraae Folting

Director  
Becada A/S  
P. Larsens Eff. A/S  
Joined the Board 1995

*Chairman of the Board of*

Centralsavværket A/S  
Dansk Træemballage A/S  
FLSmidth A/S  
FLS miljø a/s  
Unicon A/S

### Mogens Hansen\*

Fitter  
Joined the Board 1998

### Poul-Erik Rasmussen\*

Engineer  
Joined the Board 2000

## MANAGEMENT

### Tom Knutzen

President and CEO  
Joined NKT 1996  
Joined Management 1996

*Chairman of the Board of*  
NKT Flexibles I/S

*Member of the Board of*  
NOVATOR A/S  
Kampsax A/S  
C.W. Obel A/S

### Søren Isaksen

Group Executive Director, CTO  
Joined NKT 1981  
Joined Management 1999

*Managing Director of*  
NKT Research & Innovation A/S

*Chairman of*  
The Danish Council for Research Policy

### Thomas Hofman-Bang

Group Executive Director, CFO  
Joined NKT 2000  
Joined Management 2000

*Member of the Board of*  
NKT Flexibles I/S



Tom Knutzen, Søren Isaksen, Thomas Hofman-Bang

\* Employee-elected representative

All amounts in mEUR	1997	1998	1999	2000	2001
<b>Profit and loss account</b>					
Net turnover	751	864	815	875	864
Earnings before interest, tax, depreciation and amortisation, EBITDA	99	131	0	(16)	40
Depreciation and writeoffs of tangible fixed assets	(39)	(44)	(63)	(82)	(41)
Amortisation and writeoffs of intangible fixed assets	(7)	(10)	(9)	(45)	(12)
Earnings before interest and tax, EBIT	53	77	(72)	(142)	(13)
Financial items, net	(9)	(17)	(1)	10	5
Earnings from ordinary operations before tax	45	60	(73)	(132)	(8)
Earnings from ordinary operations after tax	29	39	(60)	(123)	(10)
Net extraordinary items before tax	0	12	389	662	0
Net extraordinary items after tax	0	12	389	662	0
Net income after tax	29	51	328	539	(10)
NKT's share of net income	27	49	325	542	(6)
<b>Balance sheet and employees</b>					
Share capital	101	101	73	73	67
Shareholders' equity	356	368	419	558	521
Total assets	853	933	1,207	1,342	888
Interest-bearing items <sup>1)</sup>	(277)	(203)	105	371	10
Capital employed <sup>2)</sup>	586	680	648	598	554
Average number of employees	6,549	7,296	6,820	6,206	5,690
<b>Cash flow</b>					
Cash flow from operations	68	13	(2)	(15)	58
Net investment in tangible fixed assets	(77)	(38)	(31)	(38)	(15)
<b>Research and development</b>					
Research and development costs	24	23	26	23	29
<b>Key performance indicators</b>					
Equity ratio	42%	39%	35%	42%	59%
Number of 20 DKK shares ('000)	37,450	37,540	26,980	26,980	25,000
Earnings per share, DKK per share of 20 DKK <sup>3)</sup>	0.6	0.8	(1.4)	(4.4)	(0.2)
Dividend paid per share, DKK per share of 20 DKK	0.3	0.4	0.5	2.2	14.0
Equity value, DKK per share of 20 DKK, incl. dividend	10	10	18	35	21
Market price per share of 20 DKK <sup>3)</sup>	12	9	11	49	14

1) Interest-bearing cash items and receivables less interest-bearing debt.

2) Shareholders' equity, minority interests and dividend for the year +/- net interest bearing items.

3) Comparative figures 1997 - 1998 are aligned with changed capital structure in 1999.

Calculation of key figures has been based on the guidelines of the Danish Society of Financial Analysts.

Conversion from DKK to EUR was performed using the 31 December 2001 rate of 743.57.

The Annual Report 2001 was issued via the Copenhagen Stock Exchange in Danish and English on 5 March 2002.

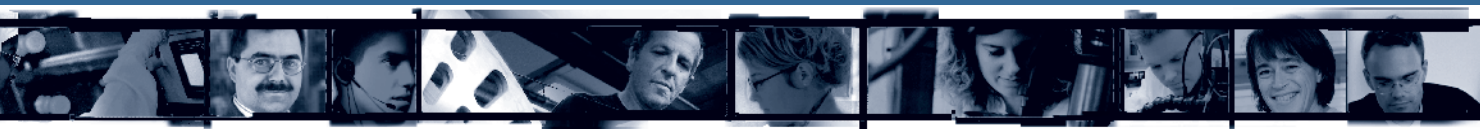
In the event of any questions regarding interpretation the Danish text shall prevail.

The Annual Report is available on [www.nkt.dk](http://www.nkt.dk) where it is also possible to register for our electronic distribution service.

The printed report will be posted to all NKT Holding shareholders who have requested a copy of the Annual Report.

Enquiries relating to the electronic or printed versions of the Annual Report should be addressed to NKT Holding's Communications Department on +45 43 48 32 92.

This Annual Report is published by  
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CVR No. 62 72 52 14



### **Group companies:**

NKT Research & Innovation A/S, Lyngby, [www.nkt.dk](http://www.nkt.dk)

NKT Cables, Cologne, [www.nkt-cables.com](http://www.nkt-cables.com)

Nilfisk-Advance A/S, Brøndby, [www.nilfisk-advance.dk](http://www.nilfisk-advance.dk)

NOVATOR A/S, Brøndby, [www.novator.dk](http://www.novator.dk)

Priorparken A/S, Brøndby, [www.priorparken.dk](http://www.priorparken.dk)

IONAS A/S, Birkerød, [www.ionas.dk](http://www.ionas.dk)

CISILIAS, Lyngby, [www.cisilias.com](http://www.cisilias.com)

Crystal Fibre A/S, Birkerød, [www.crystal-fibre.com](http://www.crystal-fibre.com)

KOHERAS A/S, Birkerød, [www.koheras.dk](http://www.koheras.dk)

Lios Technology GmbH, Cologne, [www.lios-tech.com](http://www.lios-tech.com)

Scandinavian Micro Biodevices A/S, Lyngby, [www.smb.dk](http://www.smb.dk)

PicoSep A/S, Odense, [www.picosep.com](http://www.picosep.com)

Cantion A/S, Lyngby, [www.cantion.com](http://www.cantion.com)

NKT Flexibles I/S, Brøndby, [www.nktflexibles.com](http://www.nktflexibles.com)

Nordic Superconductor Technologies A/S, Birkerød, [www.nst.com](http://www.nst.com)

Watech A/S, Brøndby, [www.watech.dk](http://www.watech.dk)



○ Technologies Creating Value

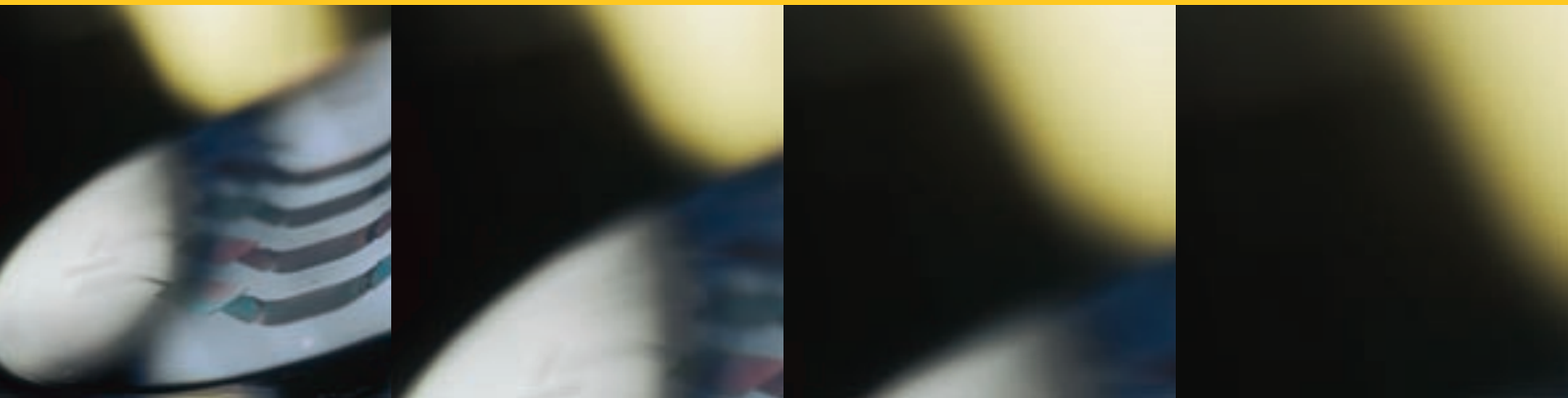


# CONTENTS

Page 2 *Vision 2005*  
Page 3 *The strategy*  
Page 4 *Research, innovation and business*  
Page 5 *Technologies creating value*

Page 6 *Groundbreaking expertise*  
Page 7 *The sciences*  
Page 8 *NKT Competence Net*  
Page 10 *NKT 2002*

Page 11 *NKT's businesses*  
Page 12 *The international perspective*  
Page 14 *Financial strengths, risks and value creation*  
Page 16 *Addresses*



*This report reflects the NKT Group as per 1 March 2002. Changes that might occur regarding organizational aspects in the Group after this date can be found at NKT's website. We therefore recommend a visit to [www.nkt.dk](http://www.nkt.dk) in order to see updated information about NKT.*

○ Tom Knutzen, 39,  
MSc Economics and Business Administration  
President and CEO



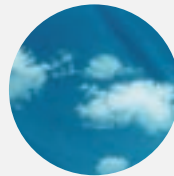
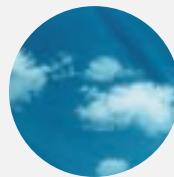
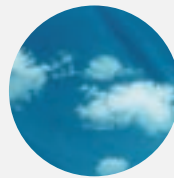
Søren Isaksen, 50, MSc Physics and  
Mathematics, PhD (industrial research)  
Group Executive Director, CTO

Thomas Hofman-Bang, 37,  
MSc Business Administration,  
Accounting and Auditing  
Group Executive Director, CFO

'Technologies creating value' is the theme of our strategy, launched in 1999, under the heading of Vision 2005. With it, we underline that it is NKT's technological expertise which is the primary source of value creation for NKT's customers, owners and employees. All NKT's business activities – both in the large industrial companies and the new development undertakings – are based on our technological knowledge.

The philosophy in Vision 2005 is based on the fact that our activities must have different time horizons. For this reason, our corporate portfolio will at all times include mature companies as well as growth and development-oriented businesses. Especially the development in the recent years has demonstrated the qualities of having both mature and growth-oriented activities in our portfolio, which – through a financial interaction – can create the platform for our future development.

Our focus on component development is a logical consequence of our history and the fact that unique key components incorporated at an early stage in the value chain for a product or service have major potential for value creation. The choice of optical components and components for life science applications is related to our belief that these are two very significant growth markets where our expertise can be effective.



*NKT is focused on running our businesses to clear objectives, based on a coordinated structure that can stimulate the wealth of talent that exists in our organisation. Among other things, this means that it must be clear to everyone that determined effort – both individually and collectively – does make a difference.*

*We are committed to matching the demands of today's world. Our technological capacity, our energies and our perseverance, combined with our financial strength and the trust of our owners, are the key factors in our ability to realise our corporate strategy, Vision 2005.*

## VISION 2005

NKT will evolve – through a dynamic process – into a growth and development-oriented industrial group.

Based on NKT's technological platform, the Group's growth and development businesses will be expanded into an integrated portfolio – focused on selected areas of expertise.

NKT Cables and Nilfisk-Advance will be established as leading suppliers to the international market.

Growth businesses



Mature businesses

Development businesses

**Since the introduction of Vision 2005** we have advanced a long way towards establishing our two major industrial enterprises, NKT Cables and Nilfisk-Advance, as competitive players in the international market.

We have intensified our commitment to development by directing the future focus of our innovative efforts towards development and manufacture of optical components and components for life science applications.



*The thinking in Vision 2005 is based on meeting the need for continuous development of new or improved technical products that can benefit society and increase the possibilities for individuals to choose their own solutions. To secure NKT's long-term commercial base it is necessary for us to operate businesses at different stages of development.*

**NKT's mature businesses** provide our foundation – technologically, industrially, internationally and financially. In these undertakings, focus is directed towards creating an income base that is sufficient to cover internal reinvestment and owner profits, and that also generates financial resources which can be spent on developing new activities. The success criteria for NKT's mature industrial businesses include competitive volume production, wide market coverage, ability to generate cash flow, and a target net profit ratio of 6 – 8%.

**NKT's growth businesses** are characterised by the fact that they represent unique technologies, have a defined growth market for their products, have received customer 'seal of approval' for their products, and are volume suppliers. A growth business is expected to have an annual growth rate of >20% in turnover.

**NKT's development businesses** are established on the basis of technological innovation developed internally or acquired externally. They are intended to progress their respective technologies into commercial products, typically over a 3 – 5 year period. The criterion of success for a development business is that the market value of the project is always considered to be greater than the net cash consume. Ongoing confirmation is required of the progress of the project in technological, commercial and patent terms together with a continuous flow of new customers.

**From development to growth.** The plan is that development businesses established in the period 1999 – 2001 will have made sufficient progress to be defined as growth businesses by the period 2002 – 2005. Visible economic progress is expected in the first years after the transition to growth status. The companies established in the future will create a renewed income base for NKT in a similar process. This will take place on a time horizon defined individually for the companies.

**Broad base for value creation.** Vision 2005 further provides for generation of income by NKT through means other than operation of companies. It is a part of the strategy also to create earnings through sale of businesses, projects, licences and patents, if developments show that such dispositions create greater value for NKT's shareholders. The philosophy of 'best ownership' is crucially important to whether an activity or a company receives optimal general conditions for its development. At NKT, ownership of a company is therefore closely related to which extend the company has its roots within the areas where NKT is a player.



## RESEARCH, INNOVATION AND BUSINESS

NKT's research and development activities are based on a close co-operation between the two functions: NKT Research and NKT Innovation. NKT Research develops and verifies the technological potential of research results, while NKT Innovation identifies new business opportunities, processes market potential and establishes new undertakings. Everything that takes place in NKT Research & Innovation is oriented towards the future.



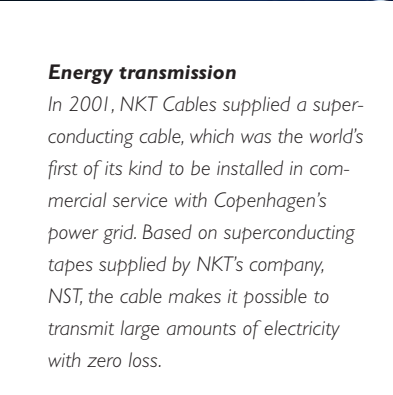
### Cleaning

Vacuum cleaner filter systems, consumption of detergent chemicals, ergonomics, safety and economy relating to powered machines are key priorities in Nilfisk-Advance's development of new vacuum cleaners and floor care equipment.



### Optical transmission

Crystal fibres have voids along their entire length. Depending on the size, shape and placement of the voids, crystal fibres can offer different functionalities, including achievement of very large nonlinearities, sensitivity to external influences and very low transmission loss.



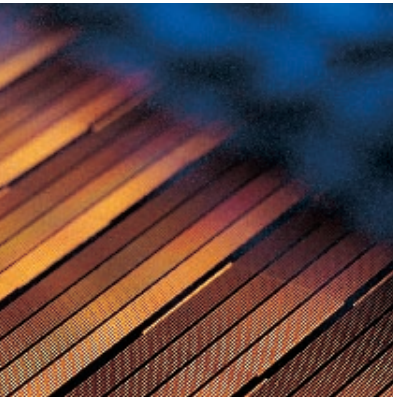
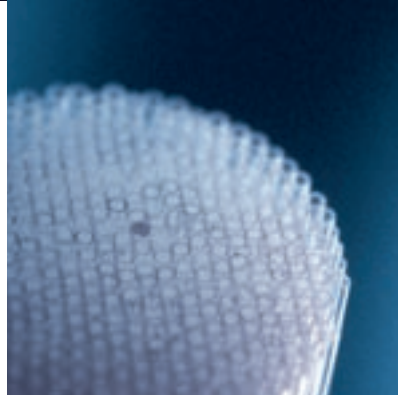
### Energy transmission

In 2001, NKT Cables supplied a superconducting cable, which was the world's first of its kind to be installed in commercial service with Copenhagen's power grid. Based on superconducting tapes supplied by NKT's company, NST, the cable makes it possible to transmit large amounts of electricity with zero loss.



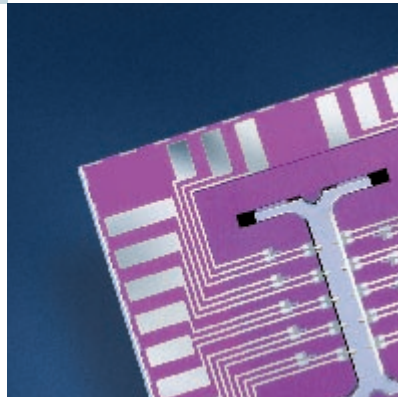
### Oil and gas recovery

The offshore pipes made by NKT Flexibles are based on NKT's knowledge to process a special non-plasticised PVDF material that can withstand the physical and chemical extremes that exist at great depths and at high temperatures.



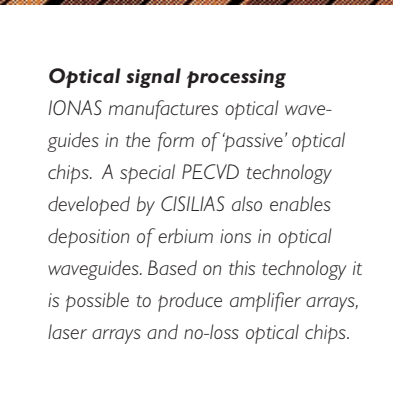
### Pollution control

Using a newly developed process technology it is possible to recycle PVC waste that contains heavy metals into clean raw materials – coke, road salt and fuel oil – that contain no heavy metals. This eliminates the environmental impact produced by the current methods of disposing of PVC waste, namely incineration and landfill.



### New surfaces

SoftPlasma™ is the name of a technology that can create new surfaces with unique properties. Using this technology it is possible to control the formation of a new surface on top of an existing one – and at the same time keep the characteristics of the original material.



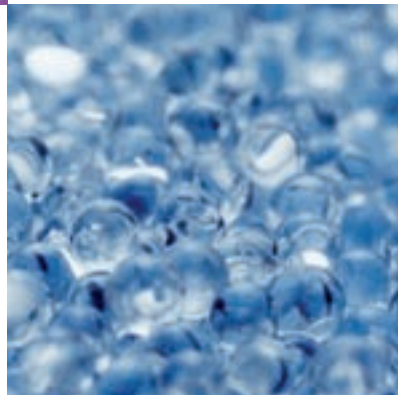
### Optical signal processing

IONAS manufactures optical waveguides in the form of 'passive' optical chips. A special PECVD technology developed by CISILIAS also enables deposition of erbium ions in optical waveguides. Based on this technology it is possible to produce amplifier arrays, laser arrays and no-loss optical chips.



### Life science analyses

SMB and Cantion develop biochips that can be used for analysing very small test quantities. Biochips will be key components in the pharmaceuticals industry and the health sector's analysis processes as they can provide many, faster and better analysis results.



## TECHNOLOGIES CREATING VALUE

NKT's development and growth strategy is long term. The time horizons vary from project to project. We estimate that it takes on average between three and five years to take a business from development level to growth stage and to realise its commercial potential. An important criterion for success is that there must always be many project ideas and development undertakings in the pipeline, as there is a strong chance that a number will be unable to qualify as new NKT growth businesses.

**In NKT today** the attention is focused on our unique expertise in the fields of opto- and semiconductor technology, microtechnologies combined with biotechnology, electrical and superconductor technology, polymer and surface modification technology, and environmental technology. This expertise is rooted in the materials technology knowhow that forms the basic foundation of our activities. Our success will depend on our ability to continuously find new ways to combine existing facets of our technological knowledge and also add new ones.

**NKT's strategic thinking** has been influenced by the experiences we have gained in the field of optical communications. We were among the first in the world to develop optical fibres, which were put into commercial operation as an alternative to the copper wires in telephone cables. This multiplied the speed of transmission, and thus the capacity of the telephone network, many times over. Our pioneering development work in the optical communications sector has created considerable benefits for society, and at the same time created value for NKT's shareholders – most recently in 2000 with the sale of GIGA.

**New areas of focus.** We are concentrating today on development and manufacture of advanced optical components that also have application in contexts other than telecommunications. We believe that optical components represent a growth market of considerable dimensions, as it will be possible in future to overcome complex technical problems using solutions based on the opto- and semiconductor technology.

NKT's focus on life science components is related to our belief that all aspects of health care will attract strongly increased attention, and that there will be a great need for the development of new technologies capable of improving the efficiency of complex analysis processes in the health sector and pharmaceuticals industry. In view of our core expertise in materials technology, microtechnology and surface modification technology, our efforts to establish NKT as a player in the life science sector is a logical commercial progression.

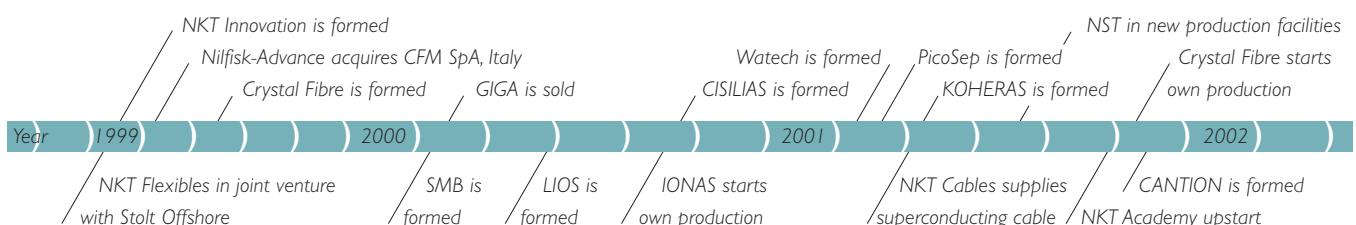


The activities of NKT companies are based on our ability to convert landmark technical research into products that enable increased convenience or entirely new functionalities to be achieved, such as improved performance, price benefits, greater safety and simpler work routines.

With NKT the two Cantion-researchers, Anja Boisen and Jacob Thaysen, will bring the promising research results into a commercial track.

Cantion who has had its research base at Mikroelektronik Centret at the Technical University of Denmark, will during the coming years establish itself as a producer of biochips, that will simplify complex and time demanding laboratory analysis processes.

### Milestones in Vision 2005



## ● GROUNDBREAKING EXPERTISE

Expertise, enthusiasm and energy are essential qualities for those working to realise Vision 2005. It applies to the employees working to develop our new products – to the employees working to manufacture, market and sell these products. And, of course, to the employees working in our back office functions. Wherever in the world they are employed these qualities apply.



Our companies today employ 5,500 people. Each of them is a representative for the specialist expertise and individual talent that daily brings us, as an organisation, closer to our goals.

The realisation of our plans and visions is vitally dependent on our continuous ability to find people with technical and innovative talent who wish to help us explore new avenues for development and marketing of groundbreaking hightech products.

### **Interaction with the Technical University of Denmark.**

NKT Research & Innovation, our R&D arm with a staff of 50, is today part of the business-oriented research environment at the Technical University of Denmark (DTU), which supports us through its Centre for Communications, Optics and Materials and Mikroelektronik Centret. This close interaction with DTU strengthens our access both to new recruits and to new ideas for commercial development.

In 2001, NKT established a business-oriented research school, the NKT Academy, in partnership with DTU, the universities of Copenhagen and Aarhus, the University of Southern Denmark as well as universities outside Denmark. The purpose of the NKT Academy is to inspire young researchers to add a PhD degree to their existing scientific qualifications, thereby increasing their level of expertise and enhancing their careers potential, possibly with a view to a job in private industry with a company like NKT. Through our significant financial contribution to the NKT Academy, NKT also has the right – jointly with the researchers – to acquire and make use of the development results generated during an NKT Academy project. In 2001, 8 PhD projects were launched at the NKT Academy. The goal is to have 30 - 40 active projects.

The NKT Summer School is an NKT Academy project in which students and researchers are invited to take part in a programme centred round NKT-relevant technical domains. 88 young people representing 26 nations attended the NKT Summer School in 2001, which was focused on advanced photonics. In the future NKT is planning a Summer School on life sciences. The NKT Summer School too is aimed at increasing the interest of young researchers in an industrial career.

## THE SCIENCES

Over the years, through a number of annual awards, NKT has worked to stimulate interest in the science subjects that are so important to the needs of the society.

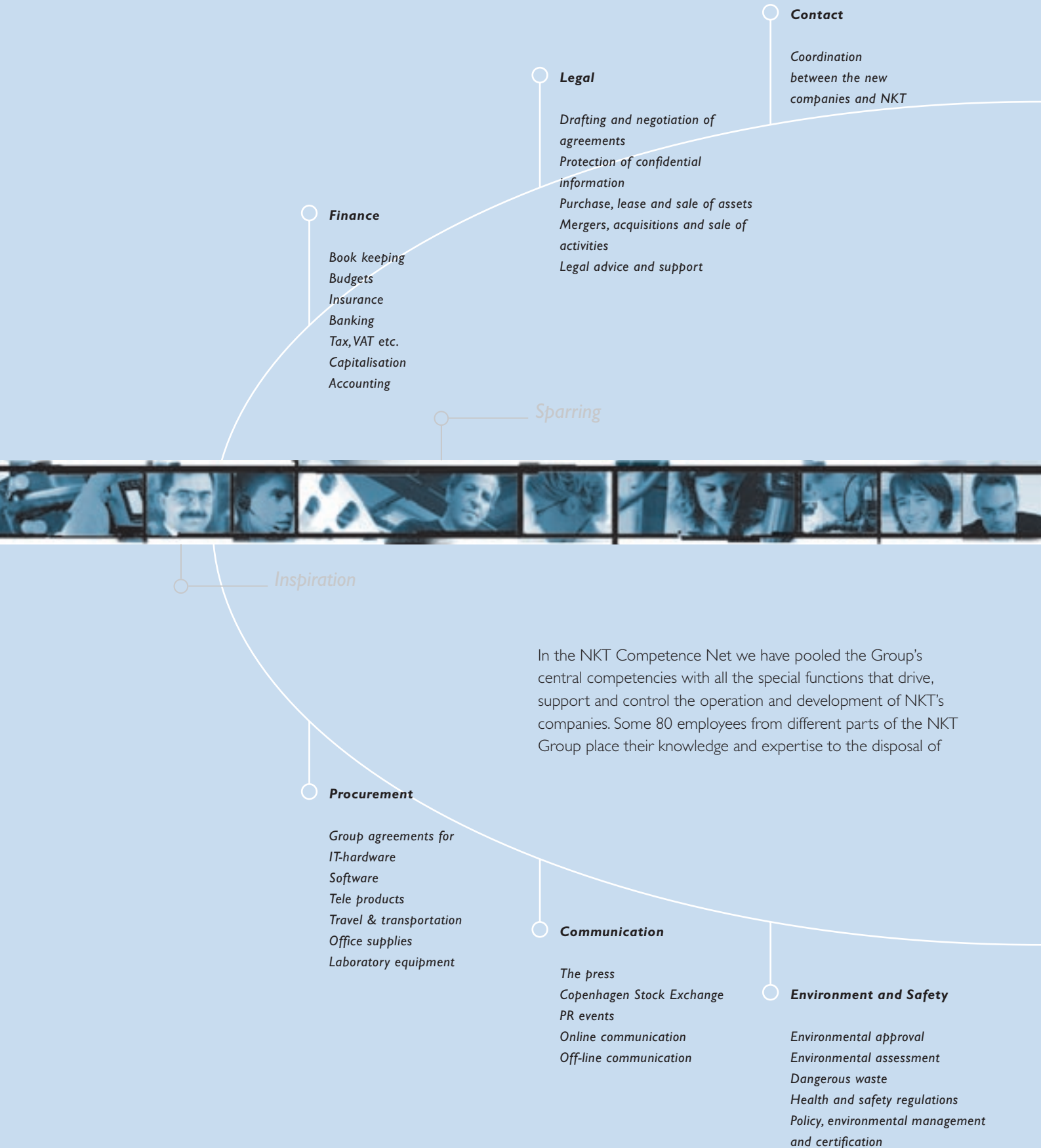


**Focus on the sciences.** The NKT Research Award is granted to Danish physicists and chemists who have achieved groundbreaking results in the field of basic research. Bestowed alternately by the Danish Physical Society and the Danish Chemical Society, this annual award will be presented in 2002 for the 14th time.

The EPS Award is targeted at the European research sector through the European Physical Society (EPS). Under this sponsorship award, NKT is committed to sponsoring the annual EPS Quantum Electronics Prize, provisionally for a three-year period. In 2002 NKT will sponsor the prize for the second time.

The NKT Educational Award goes to projects originated by Danish schoolteachers and aimed at stimulating interest in mathematics, physics and chemistry. This annual award is presented alternately to schoolteachers in primary and secondary schools, respectively. 2002 will mark the fifth presentation of the award.

- *NKT's point of reference for R&D is that our researchers are among the best in the world in their fields.*
- *NKT's innovative initiatives build on our ability to combine technological and market possibilities – including establishment of value-creating partnerships with other innovative players.*
- *NKT's success is also dependent on our ability to protect and increase our intellectual property rights.*
- *NKT's long-term development depends on our ability to attract qualified people.*



**Business Development**

Evaluation of new business opportunities  
Establishment of new companies

**Patents/Trademarks**

Copyright  
Patents  
Investigations  
Applications  
Design rights  
Trademark  
Web domain rights

**IT-Systems**

Production planning and management  
Production monitoring and quality assurance  
Coordination of IT-equipment  
Integration of ERP and factory systems

**Domicile**

Negotiation of leasing contracts  
Buying property  
Power/gas/electricity/water delivery

*Support*

*Freedom of action*



*Knowledge*

the operative companies of the Group. Especially for the new established growth and development businesses the Competence Net is of great value as the support function enable them to concentrate on their technological and commercial development.

**Marketing**

Advertising  
Brochures  
Websites  
Equipment for fairs  
Market research

**Secretary**

Travel arrangements  
Procuring of office supplies  
Coordination

**Technology Expertise**

Evaluation of new technologies  
Technical consultancy  
Dedication of research resources  
Production technologies and automation  
Security and CE approval of production facilities

**Human Resources**

Recruiting  
Performance management  
Career development  
Training  
Knowledge and skills analyses  
Competency development

The NKT companies are organised in a structure indicating whether they are mature, growth or development businesses within their business/focus areas respectively.

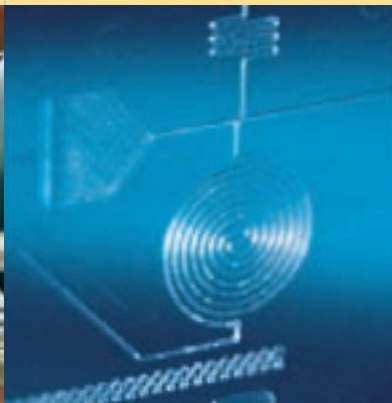
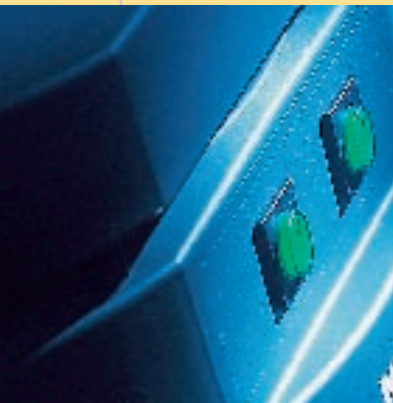
● **Mature businesses**

○ **Growth and development businesses**

○ *Optical components*

○ *Life science components*

○ *Materials technology*



● **NKT Cables**

○ **IONAS\***

○ **SMB**

○ **NKT Flexibles\***

*Nilfisk-Advance*

*Crystal Fibre*

*PicoSep*

*NST*

*NOVATOR*

*CISILIAS*

*Cantion*

*Watech*

*Priorparken*

*KOHERAS*

*LIOS Technology*

*\*Growth businesses*

All products marketed by NKT Group companies have been developed or acquired because they have their roots in the areas of technological expertise that we master. This has enabled us to establish an integrated corporate portfolio – geared to both our mature industrial companies and our growth and development businesses.



#### **MATURE BUSINESSES**

*NKT Cables.* Wires and cables for electrical installations, energy supply and telecommunications.

*Nilfisk-Advance.* Vacuum cleaners and floor care equipment.

*NOVATOR.* Consultancy services within IT integration and process technology in production companies.

*Priorparken.* Property leasing and management.

#### **GROWTH AND DEVELOPMENT BUSINESSES**

##### **Optical components**

*IONAS.* Optical chips and integrated components for a variety of signal processing tasks in optical telecommunications.

*Crystal Fibre.* A new type of optical fibre (crystal fibre) with voids running lengthwise that give them entirely new characteristics.

*CISILIAS.* Optical chips with amplifier properties that can compensate for the power loss that occurs when a signal passes through a distributor in the optical telecommunications network.

*KOHERAS.* Ultra-high precision fibre lasers with component applications in acoustic sensor systems for monitoring purposes and for seismic measurements in the oil industry.

*LIOS Technology.* Optical-fibre based systems that can monitor temperatures over long distances and thus serve as firewarning systems.

##### **Life science components**

*SMB (Scandinavian Micro Biodevices).* Various types of biochips used to analyse samples containing cells, biomolecules etc.

*PicoSep.* Development of a new protein separation process.

*Cantion.* Biochips capable of identifying the presence of given molecules.

##### **Materials technology**

*NKT Flexibles.* Offshore flexible pipelines for carrying oil, gas, water and liquid chemicals.

*NST (Nordic Superconductor Technologies).* Superconducting tapes which can be used as components in a variety of contexts (high voltage cables, transformers, motors and MRI scanners).

*Watech.* Technology for environmentally benign recycling of waste products containing heavy metals (PVC and electronics waste, and flue gas by-products).

#### **GROUP SERVICES**

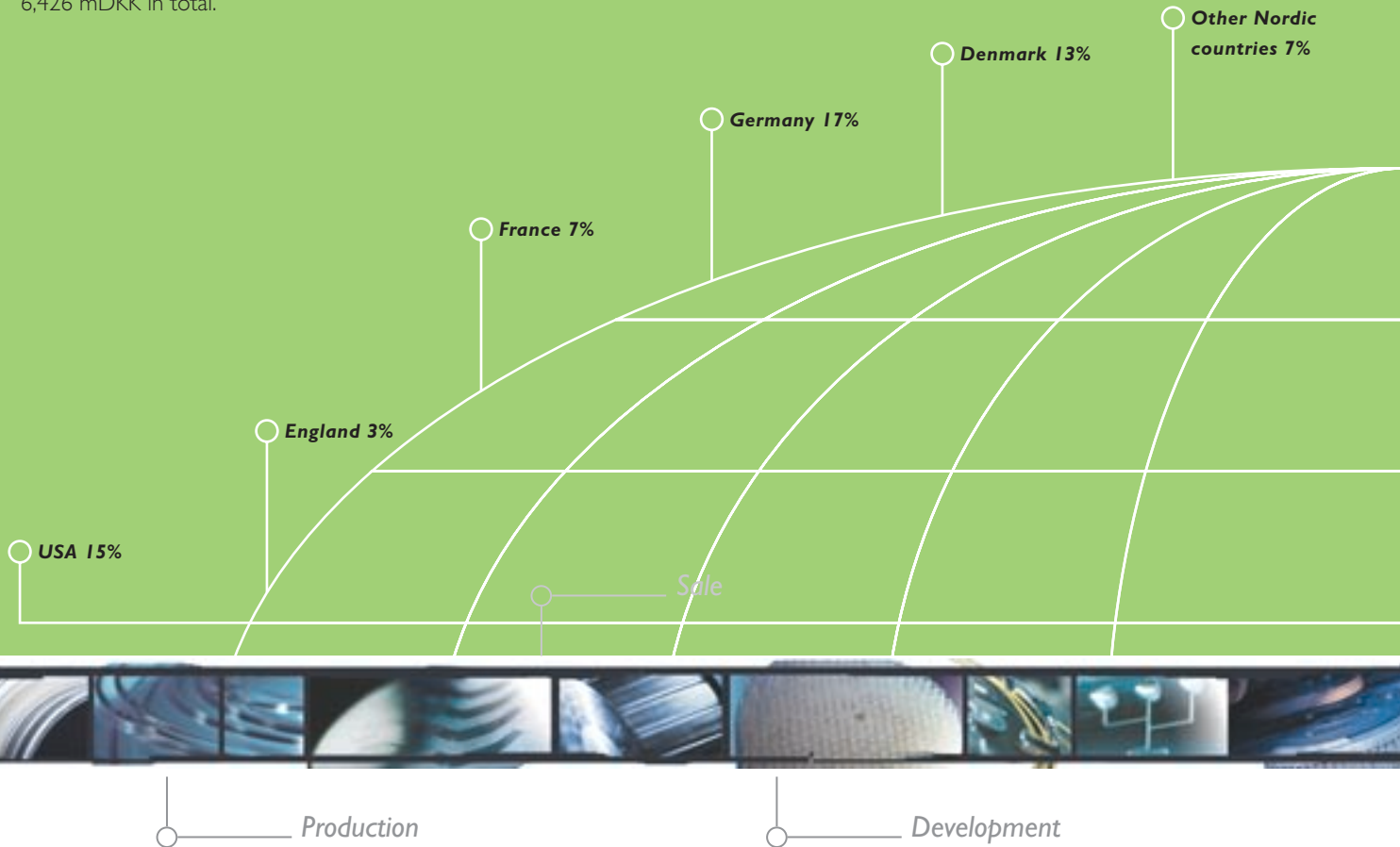
*NKT Research & Innovation.* Creates basis for establishment of new businesses.

*NKT Holding.* Group management and parent company.

The NKT Competence Net is rooted in these two companies.

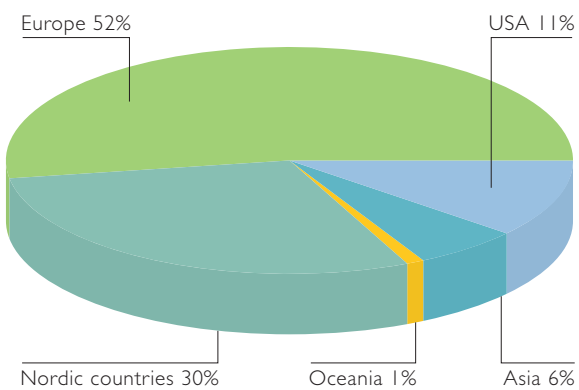
## THE INTERNATIONAL PERSPECTIVE

Our biggest markets in terms of turnover which in 2001 was 6,426 mDKK in total.



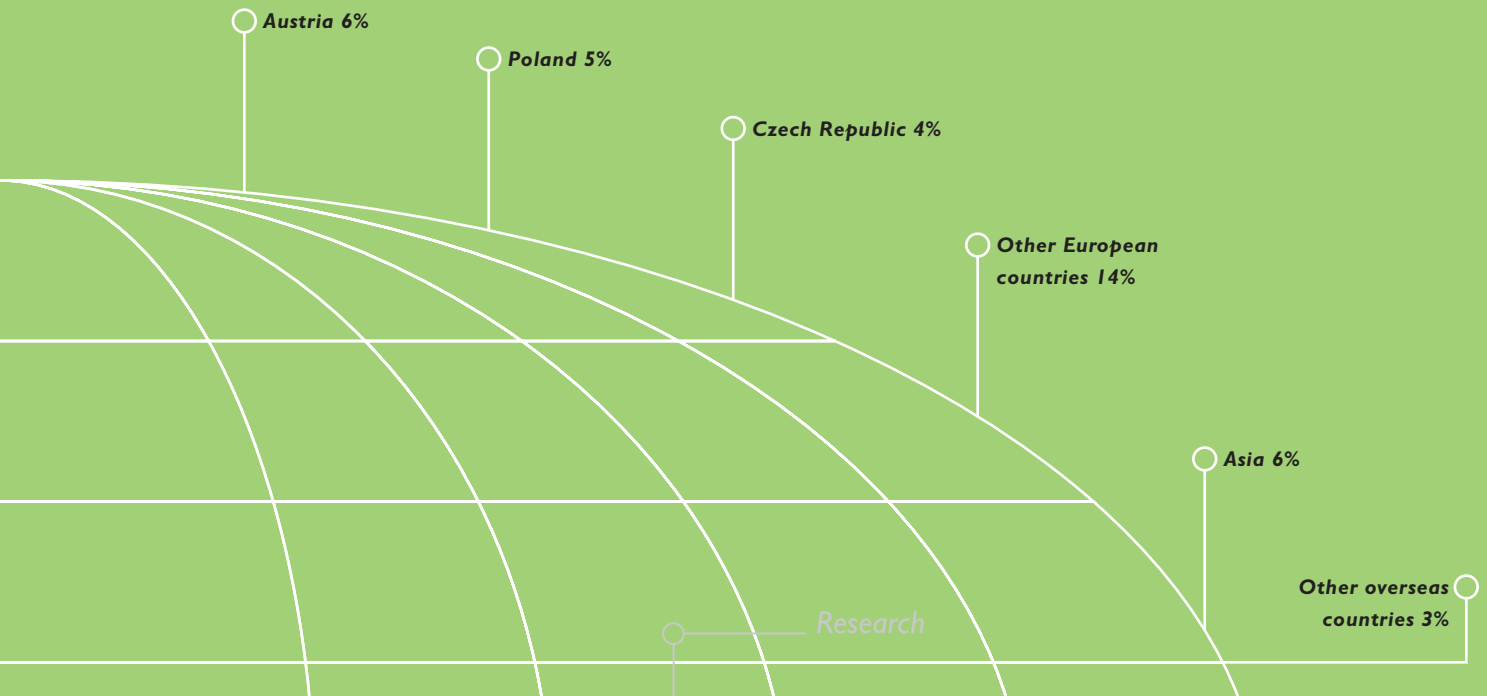
NKT's large industrial companies have production and sales subsidiaries in many countries. Our growth businesses are export undertakings. And our development businesses design their products for the global market.

### Number of full time employees end of 2001



**NKT Cables – Europe is its domestic market.** In 1999, NKT acquired the German cable manufacturing company F & G Kabelwerke GmbH and that company's wholly and partly owned undertakings in Central Europe. Together with NKT's Danish and Polish cable plants, NKT Cables acquired a significant position as a supplier of cable products to the central European market. With the acquisition of the stock majority in its Chinese plant, NKT Cables is aiming at a position in China. After a three-year period of restructuring, rationalisation, realisation of synergy potentials and acquisition of shares in associated companies, NKT Cables is today an international and competitive supplier with focus on high quality cables.

**Nilfisk-Advance – one of the big global suppliers of cleaning machines.** 85% of the employees of Nilfisk-Advance have their workplace outside Denmark, where more than 90% of the company's turnover is generated. The establishment of Nilfisk-Advance as a global force started in the mid-90s with the acquisition



Freedom of action

of Advance, the US maker of floor maintenance machines. In 1998, Nilfisk-Advance acquired the professional cleaning equipment operations of Sweden's Electrolux group. This was followed by acquisition of the Italian industrial vacuum cleaner manufacturer, CFM. Today, Nilfisk-Advance is one of the leading suppliers of cleaning machines to contract cleaners, institutions, service companies, industry and domestic consumers.

**Our growth and development businesses are export-oriented.** Both IONAS and NKT Flexibles are manufacturers of niche products (optical chips and offshore flexible pipelines) that are integrated in other products or systems. The turnover of both companies originates from export activities. While IONAS is a company with global business potential, the business potential of NKT Flexibles is confined to areas of the world where there is offshore extraction of oil and gas (primarily the North Sea, West Africa, South America and the Far East).

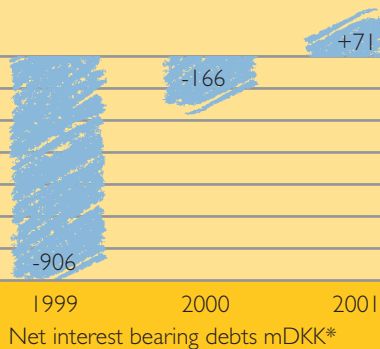
The products of our development businesses are created for the global market, but we expect that the main demand for these advanced products in the initial phase will be from the European and US markets.

- All NKT companies are working to establish a position in the international market.
- 75% of NKT employees have their workplace outside Denmark.
- NKT develops products that are aimed at global customers.
- NKT has formalised alliances with a large number of international companies and research institutions.

Since the introduction of the Vision 2005 strategic plan we have taken steps to gear NKT's capital structure to the types of activities contained in the plan. Through our focus on new growth and development businesses we are increasingly investing our resources in intangible assets rather than fixed assets as previously. Traditionally, these investments carry a greater risk financially. Our new activities therefore require a greater portion

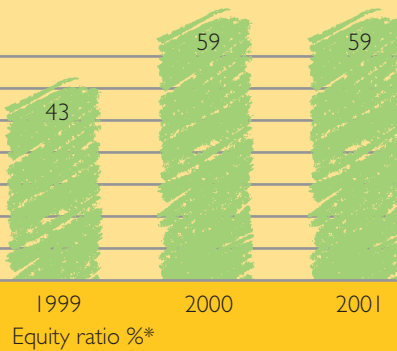
of our capital needs to be funded through our own resources. Consequently, over recent years our objective has been to establish a capital structure that reflects minimal debt-financing, a high equity ratio and a self-sustaining cash flow, our large industrial companies being required to generate sufficient liquidity to finance our development activities.

## The major part of our capital requirement is today financed through our own resources



\*calculated with respect to achieved capital structure projects.

## Our strong financial base provides us with freedom and room to manoeuvre

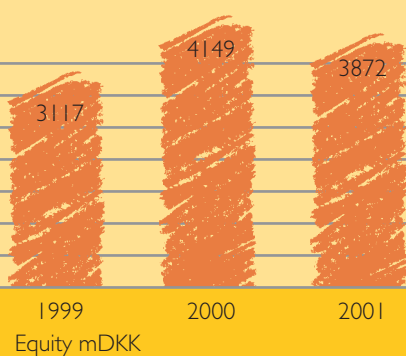


**Financial strength.** After the capital restructuring that has been implemented, including payment of 5.7 billion DKK to NKT's shareholders, the debt-financed portion of our capital structure has been reduced over three years by around 900 million DKK. We have therefore realised our goal of minimal debt-financing. During the same period our equity capital has increased by 755 million DKK to 3.9 billion DKK, and our equity ratio has improved from 43% to 59%. As a result we now have a financial strength that affords us freedom of action and optimum scope to manage our financial resources in accordance with the Vision 2005 strategy.

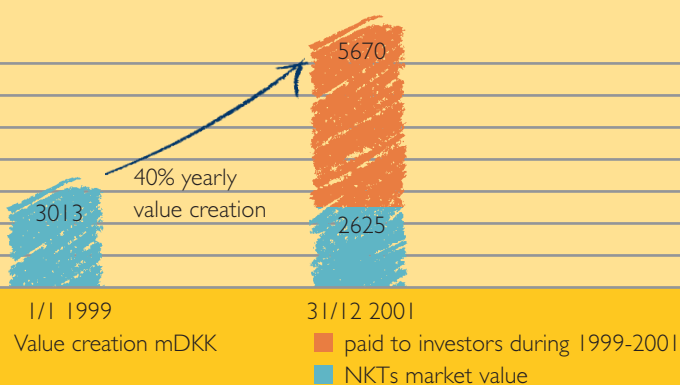
**Risk profile.** NKT's commercial risk profile varies in relation to the types of businesses that are contained in our corporate portfolio. Where NKT Cables and Nilfisk-Advance are concerned the risk factor is their ability to manufacture with low unit costs and to develop new, competitive products that are saleable globally. In the case of our growth businesses the uncertainty primarily centres on when the anticipated growth potential will be realised, relative to the investment associated with the transition from development to growth. In step with the realisation of Vision 2005 there will also be risk factors relating to the ability of the development businesses to create groundbreaking hightech products.

Our financial risk factors are due to our capital structure very limited. Each year, in the Annual Report for NKT Holding, we explain the risk profile associated with our current activities.

### Our capital reserves give us commercial muscle



### Vision 2005 revolves around the concept of value creation



**Value creation.** At the core of Vision 2005 is the concept of 'value creation' in its widest sense. The creation of value for our customers, shareholders and employees – and thus for society as a whole. As well as the financial value that we have created for our investors, our value creation also extends to other areas of the community in the form of new jobs, new partnership arrangements between private industry and educational and research institutions, and the transformation of Danish society into a 'knowledge society'. It is the ambition of Vision 2005 that in the years ahead NKT will continue to remain at the technological forefront where the key to success is 'to make a difference through innovation.'

- *In the period 1999 – 2001, NKT shareholders received a cash payout of 5.7 billion DKK.*
- *The sale of GIGA in 2000 improved Denmark's currency reserves by 10 billion DKK.*
- *NKT has since 1990 created a considerable number of hightech workplaces in Denmark.*
- *NKT has introduced incentives in the form of share-based remuneration to executives and employees with a view to attracting and retaining qualified people and establishing a link between individual job performance and long-term value creation in the company of employment.*



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This Annual Report is published  
by NKT Holding A/S

Concept and layout  
Mantra

Text  
NKT Holding A/S

Photos  
Graae & Bangsbo  
Finn Brøndum  
NKT's subsidiaries

Printing  
From & Co.

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NKT, March 2002

NKT Holding A/S  
CVR no. 62 72 52 14