



NKT

Global perspectives



Contents

	Page
NKT in 2007	2
NKT shares	6
Corporate governance	8
Corporate strategy - Building Power	10
NKT Cables	
› Focus on NKT Cables	12
› From national to international	14
› High speed trains under NKT wires	16
› Leaders in high voltage	18
Nilfisk-Advance	
› Focus on Nilfisk-Advance	20
› Progress in US market	24
› Cleaning opportunities in new markets	26
NKT Photonics	
› Focus on NKT Photonics	28
› Fibre-optic system increases fire safety	30
› The listening laser	32
NKT Flexibles	
› Focus on NKT Flexibles	34
› Thirst for oil means full order books	36

NKT - Global perspectives

This publication describes significant aspects of the NKT Group's business and financial development in 2007, including the world of which NKT is part. Selected financial highlights and ratios from the Group's 2007 annual report are also reproduced here. For a full review, please refer to the complete and audited annual report.

Annual report 2007

The complete and audited annual report for 2007 is enclosed on CD-rom and can also be downloaded from NKT's website www.nkt.dk.



Thomas Hofman-Bang, CEO and Christian Kjær, Chairman of the Board

2007 was a dynamic year for the NKT Group and we achieved the objectives we had set ourselves. Corporate revenue in 2007 was 13.5 bnDKK, net income before tax was close on 1 bnDKK and free cash flows from operating activities comprised more than 1.1 bnDKK. These results significantly exceeded our expectations at the start of the year.

The NKT Group Management is highly gratified by the performance, and the more than 8,300 employees of NKT's companies can be proud of the results that have been achieved. The positive development has created a solid foundation for the future that firmly underpins our declared strategic objective of profitable growth.

With the adoption in 2007 of NKT's corporate strategy "Building Power", we established the framework for our future growth. Building Power defines our targets for the period to 2012 when

our intention is to raise profit margins in all business segments by a combination of organic growth and acquisition of other market players.

We have already shown that our companies can deliver organic growth. Driven by a number of underlying factors that are generating demand for their products, NKT Cables, Nilfisk-Advance, NKT Photonics and NKT Flexibles all reported solid progress in sales in 2007.

On the acquisition front, 2007 was also an active year. Nilfisk-Advance acquired China's Viper Group, making Nilfisk-Advance the largest supplier of cleaning equipment to the Chinese market. Nilfisk-Advance further acquired a number of sales and service businesses in Denmark, UK and South Africa.

The acquisition in 2007 of the Czech company Kablo Elektro has provided NKT Cables with a

sound business position in Eastern Europe in the low and medium voltage cable segments. The acquisition in 2007 of the Berlin company CCC, and the decision to build an advanced, new cable factory in Cologne situated close to the Rhine, will significantly strengthen NKT Cables' position as a supplier of high voltage cables.

NKT's shares were admitted to the OMX C20 index at 31 December 2007. This led to increased focus on NKT and strong growth in the number of new investors. In March 2008 NKT has more than 20,000 shareholders.

We wish to take this opportunity to thank NKT's employees for their tremendous energy and commitment throughout 2007. We have every confidence that together we will also achieve our future goals.

March 2008

The NKT Group Management

NKT in 2007

With consolidated net income for 2007 of close on 1 bnDKK, development in relation to 2006 was very satisfactory. The result is in harmony with the plans and financial targets which NKT's companies had for the year

The financial developments for 2007 are briefly summarised below. More detailed information may be found in the individual company reviews beginning on page 12 - and in the complete and audited Annual Report for 2007.

Revenue

Revenue increased by 2.7 bnDKK to 13.5 bnDKK in 2007, corresponding to organic growth of 11%, which was attributable as follows:

- › NKT Cables 15%
- › Nilfisk-Advance 7%
- › NKT Photonics 19%

Besides this organic growth, acquisitions - primarily in the Czech Republic, China and the United States - contributed added revenue of 1.5 bnDKK. At the same time, 40% organic

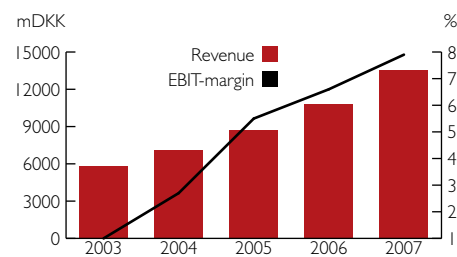
growth was realised in NKT's 51%-owned business NKT Flexibles, which increased NKT Flexibles' revenue to 1.2 bnDKK.

Our last revenue prediction, around 13.4 bnDKK, was therefore met. This was also a significant rise in relation to our initial expectations for 2007, which included revenue of 12.7 bnDKK.

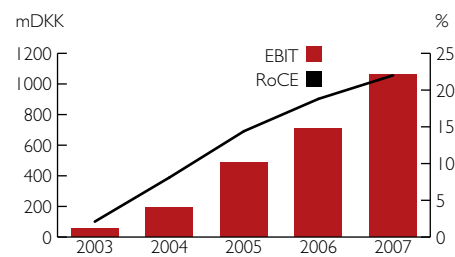
Operating income

Consolidated operating earnings (EBIT) were 1,133 mDKK, against 818 mDKK the previous year. This corresponds to a direct increase of 315 mDKK, but after adjusting for sales of real property in 2006 and 2007, the actual increase was by 353 mDKK, equal to 50%. Operating earnings for each company are shown in the figure on page 3.

TREND IN REVENUE & EBIT MARGIN



TREND IN EBIT AND ROCE





“All the objectives set during the year were realised. This means that a large number of growth-related improvements in NKT’s companies were successfully realised.”



Michael Hedegaard Lyng, CFO, NKT Holding

Net income and dividend

Consolidated net income before tax was 988 mDKK, against 769 mDKK in 2006 - an increase of 219 mDKK. After adjusting for the properties sold the actual increase was 257 mDKK, corresponding to 39%.

At 988 mDKK, our last net income prediction, around 1 bnDKK was met. It was also significantly better than expected at the start of 2007, when a net income before tax of around 800-850 mDKK was forecast. The result corresponds to an improvement of 39% compared with 2006.

Consolidated net income after tax for 2007 was 820 mDKK, as against 603 mDKK the previous year. In line with NKT’s policy of

distributing around one third of net income for the year as dividend, the Board of Directors recommends that the company in general meeting approve payment of an ordinary dividend of 11 DKK per share, corresponding to a total of 260 mDKK.

OPERATING INCOME PER COMPANY			
Amounts in mDKK	Realised 2006	Realised 2007	Change %
NKT Cables	301	504	67
Nilfisk-Advance	400	494	24
NKT Photonics	(31)	(32)	(3)
NKT Flexibles (51%)	53	121	128
Other	(13)	(24)	-
Comparative EBIT	710	1.063	50
One-off items	108	70	-
Reported EBIT	818	1.133	39

Balance sheet

The balance sheet total was 9,099 mDKK at the end of 2007, against 7,350 mDKK at the end of 2006, an increase therefore of 1,749 mDKK. The increase was primarily attributable to the effect of acquisitions.

Equity

Consolidated equity comprised 3,282 mDKK at the end of 2007, against 2,806 mDKK in 2006. Equity ratio was 36% compared with 38% the previous year. Dividend paid in 2007 reduced equity by 235 mDKK, and revaluation of foreign companies caused reduction of equity by 106 mDKK.

Invested capital

Invested capital amounted to 5,005 mDKK, an increase of 1,177 mDKK in relation to 31

December 2006 (3,828 mDKK). The rise included 1,408 mDKK relating primarily to acquisitions.

Working capital amounted to 2,176 mDKK, corresponding to 16.1% of revenue, compared to 19.5% in 2006. After adjusting for acquisitions the amount of working capital therefore decreased by 396 mDKK.

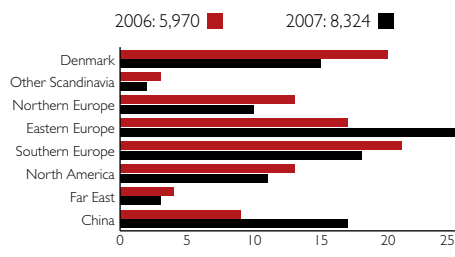
Interest bearing debt and cash flows

Consolidated net interest bearing debt at 31 December 2007 was 1,995 mDKK, which must be seen in relation to 1,023 mDKK at the start of the year. Free cash flow before acquisitions was 696 mDKK in 2007, as compared with 237 mDKK in 2006. The improvement, 459 mDKK, includes an increase of 366 mDKK in net investment in 2007. 1,039 mDKK was spent on acquisitions in 2007 (primarily relating to Kablo Elektro and Viper), which was the main cause of the increase in interest bearing debt.

Employees

The NKT Group employed 8,324 people at 31 December 2007, against 5,970 at the end of 2006. The increase is primarily attributable to acquisitions, and as seen in the figure, it relates

EMPLOYEES BY GEO. LOCATION



5 YEAR FINANCIAL HIGHLIGHTS (extract from Annual Report for 2007)

Amounts in mDKK	2003	2004	2005	2006	2007
Income statement					
Revenue	5,824	7,138	8,750	10,815	13,525
Operating earnings (EBIT)	92	182	485	818	1,133
NKT investors' share of net earnings	85	186	356	582	805
Balance sheet					
Share capital	500	490	490	470	473
NKT investors' share of equity	2,831	2,674	2,672	2,787	3,246
Total assets	4,663	5,869	6,177	7,350	9,099
Interest bearing items, net	409	(145)	(764)	(1,023)	(1,995)
Capital employed	2,549	2,895	3,499	3,829	5,005
Other					
Return on capital employed (RoCE)	2.1%	8.1%	14.4%	18.8%	22.0%
Dividend paid, DKK, per share	4.0	8.0	8.0	12.0	10.0
Market price, DKK, per share	108	159	289	503	459
Number of employees, average	4,932	5,747	5,906	6,016	7,575

to China (up from 9% in 2006 to 17% in 2007) and Eastern Europe (up from 17% in 2006 to 25% in 2007).

EXPECTATIONS FOR 2008

Revenue

NKT Group revenue for 2008 is expected to be 14.5 bnDKK, corresponding to organic growth of 7%.

The increase in revenue will be driven by organic growth of around 8% at NKT Cables, around 5% at Nilfisk-Advance and around 30% at NKT Photonics.

Net income before tax

Net income before tax is expected to be around 900 mDKK, which after adjustment for one-off items is unchanged from 2007.

This figure is based on an increase of around 6% in total operating earnings before depreciation and amortisation (EBITDA).

Basis for expectations

Our expectations do not include consequences caused by very negative macro economic developments or any extreme fluctuations in exchange rates and in energy and raw material prices.

“The positive development has created a solid foundation for the future and strongly supports NKT’s declared strategy of profitable growth adopted in 2007”



NKT shares



NKT Holding A/S has a total share capital of 472,751,100 DKK, corresponding to 23,637,555 shares of 20 DKK nominal value each. NKT has one share class and no shares have special rights

NKT shares are listed on OMX The Nordic Stock Exchange, Copenhagen under ID code DK0010287663 and included in the Nordic Large Cap index. As from 27 December 2007 the shares are also listed in the OMX-C20 index.

Price trend, market value and trading turnover

The NKT share price fell by 9% in 2007 and closed the year on 459 DKK. After adjustment for dividend paid, the true decrease in value was 7%. The OMX-C20 index rose by 4% during the same period. The market value of the company's shares amounted to 10.8 bnDKK at 31 December 2007. In 2007 the average daily trading turnover on NKT shares was 83.7 mDKK, against 31.7 mDKK in 2006.

Shareholders

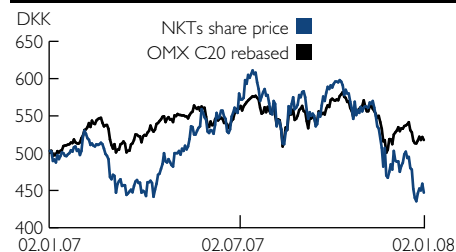
The company's largest shareholder is ATP, which owns more than 10% of the share capital. No other investor is registered with more than 5%. At 31 December 2007, NKT Holding had more than 19,000 registered shareholders who together represent 73% of the share capital.

Around 48% of the share capital is thought to be owned by shareholders in Denmark, while the remaining 52% is believed to be held by foreign investors or unregistered shareholders.

Dividend policy

NKT aims to maintain a stable dividend policy that grants company shareholders on ongoing cash return on their investment, while at the same time part of company profits is reinvested in NKT's future development and growth.

SHARE PRICE TREND



During the current strategic period (2008-2012) an annual dividend payment will be maintained amounting to around one third of net income after tax.

Group Management shareholdings

At 31 December 2007 the members of the Board of Directors held a total of 728,964 NKT shares representing a total market value of 335



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mDKK. Members of the Board of Management held a total of 55,724 shares, corresponding to a market value of 26 mDKK.

Investor relations

NKT aims to provide investors and financial analysts with optimum insight into the factors considered to be relevant for ensuring effective and fair formation of the NKT share price. This is achieved through quality, consistency and continuity in the information given to the market by NKT. Presentation of annual and interim reports is transmitted online on www.nkt.dk.

As an element in investor relations an active dialogue is pursued with existing and potential investors, both institutional and private. A part-aim is to actively present "NKT's equity story" to national and international institutional investors.

NKT's website contains historical and current information about the company and its shares, including stock exchange releases, current and historic share price data, investor presentations and annual and interim reports.

NKT's communication with investors, financial analysts and the press is subject to special limitations for a period of three weeks prior to publication of annual and interim reports.

Registration by name, and shareholders' register

Shares may be registered by name by contacting the bank in which the shares are held in custody. Shareholders and other stakeholders have the option of receiving earning releases, annual reports and other investor-oriented publications electronically.

Registered shareholders receive a written invitation to NKT's annual general meeting.

NKT's register of shareholders is administered by VP Securities Services, Helgeshøj Alle 61, P.O.Box 20, 2630 Taastrup, Denmark.

Financial calendar 2008

10 April	Annual general meeting
14 May	Interim report 1
25 August	Interim report 2
24 November	Interim report 3

Corporate Governance

NKT Group Management wishes to be seen as a professional and responsible administrative body, and corporate governance issues and public debates are consequently viewed with considerable importance by the Group Management

NKT Group Management continuously measures NKT's current management principles against the latest official corporate governance recommendations (dating from October 2005) and potential future changes, such as implementation of the EU 8th Directive, which will probably require the establishment of audit committees in listed companies.

The principles of corporate governance as applied by the NKT Group are described on NKT's website www.nkt.dk under "Investor".

Our corporate governance principles are predominantly in accordance with the official recommendations, except that a profile has yet to be compiled and published stating the composition of the Board of Directors and detailing the particular competencies of the individual members which are relevant to the

performance of their duties as Directors of NKT Holding. A statement will be prepared and published on NKT's website in spring 2008.

The most recent initiatives in relation to NKT's corporate governance principles are described below.

Communication

NKT Holding will in future focus on expanding electronic communication with its shareholders. Unlike postal communication, NKT's financial reports and other news will therefore reach investors etc. immediately after they have been published by NKT.

A special "Investor service" section has been created on NKT's website where shareholders can register as subscribers to our electronic news service, which in addition to normal

e-mail also offers the option of receiving text messages by mobile phone.

It has also been decided to broadcast NKT's 2008 annual general meeting live, with simultaneous interpretation to English. This will enable shareholders who are unable to attend the meeting to follow developments live on NKT's website. This is the first time that NKT has made use of this facility and we hope it will prove popular enough to justify live transmissions becoming a regular event.

In 2007, NKT Group Management took part in more than 150 meetings of Danish investors and attended around 135 gatherings abroad. NKT also hosted a Capital Market Day at which focus was placed on NKT's subsidiary Nilfisk-Advance with a visit to the company's production unit in Italy.



In 2007, as in previous years, there were no aspects of a social, ethical or environmental nature to warrant the preparation of supplementary reports to the annual report. NKT Group Management will consider the possibility of more actively including corporate social responsibility issues as an element in NKT's business operations.

Matters relating to the Board of Directors

NKT's policy is for all members of the Board of Directors to stand for re-election at each annual general meeting, and in 2007 all members were re-elected. Three of the Board members were first elected in 2004, 2005 and 2006, respectively, and in 2008 the Board will nominate a new member to succeed one present member who is not standing for re-election.

The composition of the Board of Directors has therefore been substantially renewed in recent years while at the same time maintaining valuable continuity.

NKT shareholdings owned by the individual members of the Board of Directors and their related parties as at 1 March 2008 have been notified in the annual report.

In August 2007 the Board of Directors conducted the second self-assessment of its work, an assessment of its individual members, and an assessment of the members of the Board of Management. The 2007 assessment established, among other things, that the Board of Directors wanted in future to invest additional resources into matters of a strategic nature and to increase its insight into the conditions of the individual companies through more frequent visits to local markets.

Remuneration

To maintain qualified management of the NKT Group it is imperative to be able to attract Directors and Management members who possess competencies, qualifications and experience within areas of importance for NKT's operating activities. It is therefore vital that the remuneration to Board of Directors and Board of Management conforms to market levels and reflects the effort and value creation relevant at NKT.

A proposal for adjustment of the Board of Directors' remuneration will be presented to the annual general meeting in 2008 and guidelines for allocation of incentive schemes will also be submitted for approval.



Building Power corporate strategy



NKT's overall strategy for the five year period to the end of 2012 is based on detailed strategic planning work performed in each of the Group's companies

The strategic considerations of the Group companies have been compiled into a single strategic plan for the whole NKT Group entitled "Building Power".

The strategic plan sets out the principal goals for the NKT Group and its individual companies. The full text of the plan is published under "Investor" on NKT's website, www.nkt.dk, from where it can also be downloaded.

The strategy is based on framework conditions known at mid-2007, ie. interest rates, exchange rates, raw material prices, etc., and assumes economic growth equal to the average growth for an economic cycle, ie. 2-3% per annum.

For the companies to maintain their competitiveness in the years ahead their main activities in the individual markets must have adequate volume. Strategic development for the upcoming term is therefore based on organic growth in sales supplemented by acquisitions of companies or business activities.

In our opinion, prospects at 1 January 2008 do not warrant adjustment of the long-term plans.

Financial stability is NKT Holding's priority consideration. Our policy is that the company must at all times be equipped with a capital and debt structure that grants adequate financial latitude. The purpose is to ensure NKT's creditworthiness, provide room for investments

and acquisitions, and allow a stable dividend to be maintained even in years with fluctuating results.

Five primary action areas have been defined for NKT Cables and Nilfisk-Advance:

1. To increase customer understanding
2. To develop innovative new products
3. To develop the market - geographically and through acquisitions
4. To improve production and logistical efficiency
5. To develop organisation and leadership

NKT Cables' market position in power cables and accessories will continue to be maintained and expanded. This will be effected by ongoing optimisation of production processes and

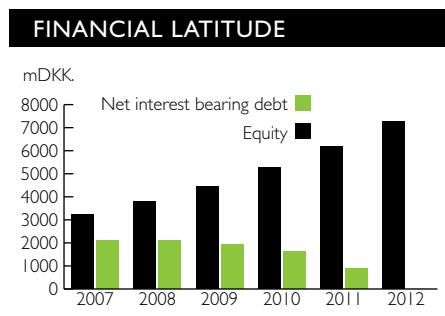
product flows. NKT Cables will furthermore expand its market leadership as a supplier of catenary wires for high speed railways - primarily in China.

NKT Cables' financial targets for the strategic period are mean annual organic growth of 12% and an EBITA margin of 11-12% (up from 10%). A minimum rate of return on capital investment of 20% is targeted for the period.

Nilfisk-Advance must retain its leadership in professional cleaning equipment. This will be done by establishing the company in new markets, expanding its service organisation and continuously optimising its product flows.

Nilfisk-Advance's financial objectives for the strategic period are mean annual organic growth of around 6%, an EBITA margin of 10-11% (up from 9% at present), and a

minimum rate of return on capital investment of 20% through the period.



NKT Flexibles' financial goals established in mid-2007 are annual revenue of around 1.0-1.2 bnDKK and a continued profit margin (EBITA) of 20% during the strategic term. High capacity utilisation must be maintained and necessary capacity expansion measures must be taken.

For the **NKT Photonics** companies (Crystal Fibre, KOHERAS and LIOS Technology) the

strategic aim is to set up sales openings for products and thus establish volume production. In addition to purely organic growth, measures will also be taken to strengthen the position and market presence of the companies through acquisitions.

The NKT Photonics companies are required under the strategic plan to increase their aggregate revenue to 500 mDKK (currently 112 mDKK), corresponding to a mean annual growth rate of 35%.

NKT Photonics is expected to turn its current deficit into profit (EBITA) by 2010 and to achieve a profit margin (EBITA) of around 12% by 2012.

PRIMARY OBJECTIVES OF CORPORATE STRATEGIC PLAN

Organic development

Mean growth in revenue (CAGR)	10 %
Increased EBITDA margin*) to around	13-14 %
Increased EBITA margin*) to around	11-12 %
Gearing	< 100 %
NIBD/EBITDA	< 2,5x
Equity ratio	> 30 %
Required rate of return (RoCE)	min. 20 %
Investment (new capacity and maintenance)	2,5-3,0 bnDKK
Net profit after tax corresponding to	min. 8% of revenue*)

Acquisitions

Realisation of selective acquisitions in existing business sectors within financial limits. Anticipated amount available: 3-7 bnDKK

Any larger acquisitions will lead to a reassessment of published expectations.

*) Calculation of profit margins is based on revenue calculated at standard metal prices at NKT Cables.

Dividend

Maintenance of stable dividend policy with an annual cash payment equal to around one third of net income. Part of profits also to be reinvested in the Group's future development.

Payment of extraordinary dividend or purchase and subsequent cancellation of NKT shares will be considered as elements in adjustment of the Group's capital structure.

Focus on NKT Cables

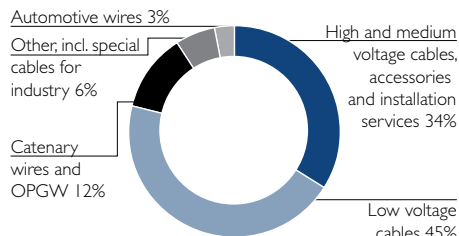


nkt cables ranks today as a significant international supplier of cables targeting the electricity and energy sectors

Products

nkt cables manufactures and markets all types of energy cables ranging from high voltage to low voltage applications, as well as fibre-based monitoring systems for the electricity sector. The company also manufactures catenary systems for high speed electrical railways, automotive cables, and a range of special cables for industry.

SALES BY PRODUCTS



Organisation and management

nkt cables employed around 3,200 people at the end of 2007. The company's CEO Dion Metzemaekers is based at **nkt cables'** head office in Cologne.

nkt cables has 12 production facilities situated in Germany (4), Czech Republic (3), Poland, Denmark (2), Norway and China. The group's three largest factories account for around 50% of total revenue.

Market

nkt cables is a player in several European and international market segments, predominantly the electricity and energy sectors. High and medium voltage cable products are marketed directly to utilities and their main contractors, while low voltage cables are sold through

electrical wholesalers to electrical installers, sometimes direct.

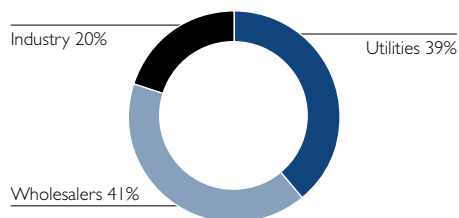
The global cable market in 2007 was estimated at around 750 bnDKK.

The niche-related products, ie. catenary materials, are sold to rail companies and public authorities, and special wiring materials are sold to the automotive industry.

Sales and customers

nkt cables has sales organisations in countries in which the company has production units - Germany, Denmark, Norway, Poland, Czech Republic and China. These organisations service neighbouring markets.

SALES BY CUSTOMERS



In recent years, **nkt cables** has also established sales subsidiaries in UK, Belgium, Netherlands, France, Spain, Italy, Russia and Sweden.

NKT CABLES 2007

2007 was a very satisfactory year for **nkt cables**, with growth in all business segments and in all markets.

Revenue

nkt cables realised revenue of 7,624 mDKK in 2007. This was an increase of 45% on 2006. After adjusting for metal prices, currencies and acquisitions, this corresponds to organic growth of around 15%, which is in line with initial expectations.

Aggregate revenue in 2007 was increased by some 120 mDKK due to the effect of metal prices and acquisitions contributed further revenue of 1,441 mDKK in 2007.

Income development

Operating earnings before depreciation and amortisation (EBITDA) amounted to 719 mDKK. This included a net profit of 70 mDKK from disposal of the factory premises in Cologne. After

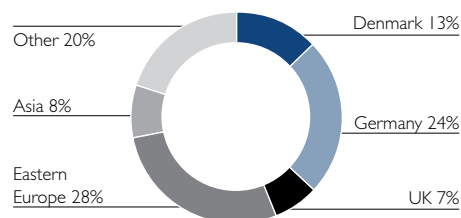
adjusting for this, EBITDA amounted to 649 mDKK, a margin of 13.3% measured against sales at standard metal prices. Profitability thus increased by 286 mDKK compared with 2006.

The increase in earnings reflects the efficiency improvements that have characterised developments at **nkt cables** in recent years after the implementation of a series of restructuring measures, combined with capacity utilisation of close to 100%. The acquisition of Kablo Elektro in January 2007 and CCC in May 2007 also contributed positively to EBITDA development.

Activities 2007

The most striking events were in the area of high voltage cables and systems, driven by a worldwide need for upgrade and expansion of electricity supply networks. In late 2007 the decision was therefore taken to relocate from **nkt cables'** existing address in Cologne to a completely new domicile conveniently situated at the Rhine. The site will see the construction of an advanced factory that will provide **nkt cables** with the most modern production flexibility, scope for manufacturing submarine cables and - very importantly - convenient facilities for shipping out the company's heavy and long length cables via the Rhine.

SALES BY MARKETS



Low voltage cables for the building and construction industry also contributed positively to **nkt cables'** growth and earnings development in 2007. A feature of this business segment is that building and construction activity levels are strongly influenced by economic conditions in the individual countries. **nkt cables'** relatively broad market reach to some extent eliminates the ups and downs traditionally linked to the low voltage segment. Since mid-2007 signs of stagnation have been noticeable in a number of major countries - something that generally leads to heightened competition and pressure on prices.

In China, **nkt cables** established a joint venture project with the company Daqo for construction of a new factory to manufacture catenary wires for high speed electric railways. The new plant is due to enter production at the end of 2008.

nkt cables focused its product development in 2007 on further developing system solutions for energy companies. These solutions are aimed partly at increasing the efficiency of existing network grids, and partly at reducing CO₂ problems and promoting the practical use of alternative energy sources.

Expectations for 2008

In 2008, **nkt cables** expects organic growth in revenue of around 8%. Measured in continuous metal prices this corresponds to an increase in revenue of 500 mDKK to around 8,100 mDKK. In terms of income, a profit margin (EBIT) of around 9.5% is expected, measured in standard metal prices. This is slightly lower than for 2007, predominantly due to higher costs for energy, wages and plastics.

From national to international



nkt cables has supplied cables to the Danish building industry since the end of the 19th century - more than 100 years. But during that time, explosive development has taken place concerning all aspects of cables

Around half of **nkt cables**' total cable sales consist of low and medium voltage cables used in building and construction, industry and housing. Originally technically sophisticated special products, low and medium voltage cables are today standard supplies available from virtually all cable manufacturers. With increasing competition and fluctuating availability of new building projects, earnings in these product segments are under pressure. The solution to declining revenue and pressure on prices is automation and international sales.

Solid foundation in Europe

nkt cables has cemented its position in Europe through the acquisition of the Czech company Kablo Elektro, which has an annual turnover from cable sales of more than 1 bnDKK. The Eastern European market is experiencing

dramatic growth and is not yet as sensitive as the rest of Europe.

Eastern Europe has a considerable backlog of office and hotel building to catch up on in years ahead. The building boom in this region is creating considerable demand for cable products.

The demand for low voltage cables follows events in the building and construction industry. **nkt cables**' broad reach in the European market reduces the vulnerability linked to the building industry as market conditions are seldom negative in all countries at the same time.

"Traditionally, the main outlet for most cable producers has been the domestic market, but today cable sales are international," says Dion Metzemaekers, CEO, **nkt cables** Group.

With such fierce competition in the markets for low and medium voltage cables the need for automation and cost-awareness is increased. When earnings are so tight, transport costs are also important, so with these types of cables it is not easy to broaden business operations to the whole of Europe.

To overcome a significant part of this problem and maximise production efficiency **nkt cables** has concentrated the manufacture of specific cable types at a small number of plants. Production has also been fully automated and is closely linked to actual sales orders to



Highlights

Amounts in mDKK

	2007	2006	2005
Revenue	7,624	5,268	3,529
EBITDA*	649	363	242
EBIT*	504	301	175
Capital employed	2,220	1,243	906
Investment: property, plant & equipment, net	331	156	105
Average number of employees	3,122	2,005	1,939

* Adjusted for one-off gains

reduce stock levels. Stockpiles are expensive at a time of continuously rising metal prices.

Always one step ahead

In addition to cost awareness, cable production also calls for an ability to quickly adjust and adapt. In the future for instance, a new EU directive will set out clear regulation for what cables can be used for and where and what safety criteria the cables must meet: Cables for use in environments where human life may be threatened in the event of accident must for example meet strict safety requirements, whereas requirements are less strict for cables intended for an ordinary domestic installation.

The cable producer first capable of meeting the need for cables in all safety categories has a clear advantage.

nkt cables is continuously developing new cable products. At its factory in Asnæs, Denmark, the company was among the first to manufacture PVC-free cables. Today, these cables are heavily in demand in Europe as they are made from environmentally friendly materials.

Environmental issues are becoming increasingly relevant to cable suppliers. **nkt cables** has its own factory in Stenlille, Denmark, dedicated to

nkt cables is tightening its grip on Europe by focusing on those markets with the most favourable growth conditions.

Low voltage customers are companies like Solar and Lemvig-Müller.

reprocessing cable scrap. The factory has played a key role for many years in the company's efforts to satisfy environmental and other sustainability considerations.

"Success in this product segment demands not only extensive know-how and innovation - but also a capacity for rapid response," says Dion Metzemaekers.

High speed trains under NKT wires

Tourists visiting China for the August Olympics will have the opportunity to take the high speed train between the city of Beijing and its similarly sized neighbour, Tianjin. However, they are unlikely to be aware that they will be travelling under overhead catenary systems (OCS) supplied by **nkt cables**

nkt cables in Germany is one of the world's leading manufacturers of overhead catenary systems for high speed trains reaching speeds in excess of 250 km/h. The company supplies OCS wires for high speed rail projects worldwide - with a.o. Siemens as a key customer - but nowhere are there as many projects planned as in China.

China aims to build a total of 12,000 km of high speed dedicated passenger rail network, including 4,100 km to be constructed in the next two years. By 2010, China will have a rail system covering more than 90,000 km. The high speed network will be used to ferry business commuters between the country's biggest cities.

nkt cables has entered into a joint venture with the Chinese company Daqo after being approached by the Chinese Ministry of Railways. The two partners will be equal owners of a new factory currently under construction in Nanjing, west of Shanghai.

nkt cables' production technology for OCS is based on an alloy of magnesium and copper. This alloy produces contact wires and messenger wires with high tensile strength and high conductivity which deliver unsurpassed mechanical and electric performance under the extreme conditions to which high speed trains are subject.

The total project value is provisionally estimated at 335 mDKK and applies to one specific project, but **nkt cables** is confident of further orders. 50 mDKK has been invested in the new factory.

nkt cables expects in 2008 to experience significantly higher growth in sales of OCR wires. This expectation is based on the contract in China, but also on other projects around the world expected to be realised in 2008-2010.

"We have less focus on OCR wires for trains operating at speeds below 160 km/h, but where high speed railways are concerned, our technology - and **nkt cables** - is a world leader," says Dion Metzemaekers, CEO, **nkt cables**.



nkt cables is a leader in the global market for high speed OCS. Present focus is particularly on China, which is radically expanding its rail network, including high speed sections that will reduce journey times between China's principal cities.

Leaders in high voltage



nkt cables currently has a unique opportunity to show what it can do. Due to developments relating to the electricity supply network (renewable energy, supply reliability and privatisation) the European energy sector is undergoing radical changes that are resulting in growing demand for high voltage cables

World energy consumption is rising, a trend that is set to continue for many years ahead. To this must be added more than three decades of under-investment in the European and other power supply networks.

At present, **nkt cables** manufactures high voltage cables in Cologne, but within the next two years a brand-new factory will be built just five kilometres away. A site has been leased from pharmaceuticals manufacturer Bayer on which a state-of-the-art production plant costing 800 mDKK will be constructed. The plant is due to enter production in 2009.

Many attractive aspects

The location of the new factory in Cologne will enable **nkt cables** to retain its existing work force after the move, and therefore also retain

its know-how and technical expertise. This knowledge is key to the company's further growth and gives **nkt cables** a substantial edge on its competitors. "Manufacturing high voltage cables is a technically very complex task. Which is why worldwide there are so few companies

The demand for high and medium voltage cables is primarily driven by the need for increased capacity and supply reliability. In addition, environmental considerations are expected to increase cable demand for wind farms.

capable of doing it," says Dion Metzemaekers, CEO, **nkt cables** Group.

The new factory will also be close to the Rhine, and this will solve a pressing problem for the company. A road truck can carry only 40 tons of cables, but a ship can move a cargo of a thousand tons or more. Transport by water will also benefit the local environment by obviating the need for numerous shipments by road through town and country.

The new transport option makes even more sense in the light of another trend in the European energy market. Gradually, as we approach the EU's target of ensuring that by 2020 20% of European energy consumption is derived from renewable energy, the need for highly specialised cable types is increasing.



“The ambition for **nkt cables** is to sell complete cables solutions inclusive consultancy and engineering services.”

Dion Metzemaekers, CEO, nkt cables Group



Such cables include steel-reinforced subsea cables that connect offshore wind turbines to the rest of the grid. Subsea cables are virtually impossible to move by road. But at its factory at the Rhine, **nkt cables** will itself now be able to manufacture longer lengths of subsea cable and transport them by river:

“It is not a question of just connecting an offshore wind turbine to the grid on land. The turbine also has to be able to feed its entire production into the grid, and this will typically require the installation of new cables also elsewhere in the system,” says Dion Metzemaekers.

These cables too are so big and heavy that they will typically need transporting by ship - and from the Rhine all coast destinations can be

reached. Without quoting a precise figure, **nkt cables'** CEO insists that high voltage cables will represent a growing part of NKT's future revenue.

nkt cables is a supplier to the majority of Europe's leading utilities, including EON, EDF, RWE, Scottish Power; Dong Energy and Vattenfall.

The new high voltage cable factory in Cologne will significantly boost **nkt cables'** environmental profile on several fronts.

More projects and more service

In addition to supplying cables, **nkt cables** is becoming increasingly involved in project sales by taking responsibility for the planning, installation and servicing of power supply network. “There are big differences between what types of cable must be used where, so we are often involved at an early stage in the planning of high voltage upgrade projects,” says Dion Metzemaekers.

This is a trend that will become even more prevalent in the years ahead and that will help **nkt cables** fulfil its strategy of supplying cable solutions and not just cables.

Focus on Nilfisk-Advance



Nilfisk-Advance is a world leading supplier of indoor and outdoor cleaning equipment

Products

The product range comprises floor care equipment - vacuums, washers, dryers, sweepers, polishers and burnishers - as well as high pressure cleaners and carpet cleaners. Each product category includes a wide range of models.

Equipment sales are principally to the professional cleaning market, as only 10% of company revenue comes from sales to domestic users.

Nilfisk-Advance markets its equipment under a variety of brands, all having been obtained through acquisitions made over the years. The brands Advance, Clarke, Kent, American Lincoln and U.S. Products have their roots in North America, while Nilfisk, Nilfisk-ALTO and Nilfisk-CFM originate in Europe and Viper in China.

Organisation and management

Nilfisk-Advance has its headquarters in Brøndby, Denmark.

At the end of 2007 the company employed a total of around 5,000 people, including 650 in Denmark. Nilfisk-Advance has 11 factories worldwide. 55% of the work force is based in Europe, 25% in Asia (mainly China) and the

remaining 20% in North America. The company is headed by CEO Jørgen Jensen.

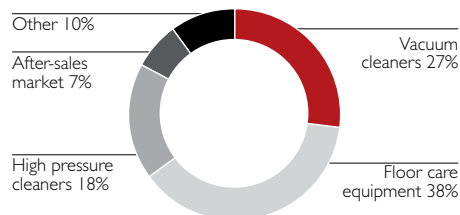
Market

The global market for professional cleaning equipment is estimated at around 40 bnDKK annually. Historically the largest markets have been Western Europe, North America and Japan. Growth in Eastern Europe and Asia has risen in recent years.

The five largest manufacturers of cleaning equipment are estimated to control around 40% of the market. The rest of the market is shared between some 100 local suppliers.

Nilfisk-Advance's products are sensitive to cyclical and price developments. Most

SALES BY PRODUCTS





Highlights

Amounts in mDKK

	2007	2006	2005
Revenue	5,784	5,439	5,113
EBITDA*	634	528	469
EBIT*	494	400	334
Capital employed	2,511	2,369	2,414
Investment: property, plant & equipment, net	45	(132)	22
Average number of employees	4,294	3,868	3,838

* Adjusted for one-off gains

customers see buying cleaning equipment as an investment, one that in difficult times can be deferred.

Sales and customers

Nilfisk-Advance markets and sells its products through a combination of sales subsidiaries and distributors. The company is represented by

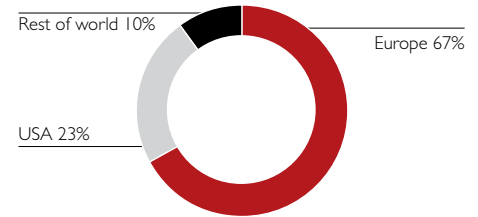
sales subsidiaries in 36 countries - principally in Europe, North America and Asia.

Markets where Nilfisk-Advance is not represented are serviced by an extensive network of distributors, directly from the Danish headquarters or from the United States.

In North America around 70% of sales are through distributors, the remaining 30% being direct sales. In Europe there is a 60/40 sales split between subsidiaries and distributors.

Nilfisk-Advance's cleaning equipment primarily addresses commercial users such as contract cleaners. Other customers include institutions, organisations, public authorities, shops, hotels

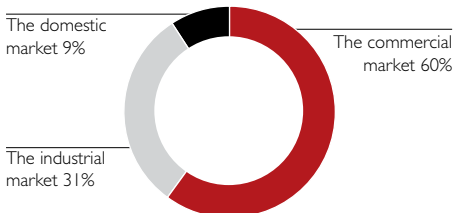
SALES BY MARKETS



and businesses employing their own cleaning personnel.

Products in the company's domestic range are sold through dealers in household appliances, retail shopping chains and DIY centres where the products are sold singly.

SALES BY CUSTOMERS



NILFISK-ADVANCE 2007

2007 was a solid year for Nilfisk-Advance, with an increase of 24% in earnings (EBIT) and attractive organic growth of 7%.

Revenue

Nilfisk-Advance achieved revenue of 5,784 mDKK in 2007, against 5,439 mDKK in 2006. This corresponds to nominal growth of 6%. After adjusting for exchange rate changes and acquisitions, organic growth in 2007 was 7% - similar to the level of previous years and in line with our most recently published expectations.

Income development

Operating earnings before depreciation and amortisation (EBITDA) in 2007 were 634 mDKK, an increase of 20% on 2006 when EBITDA, after adjustment for one-off items, was 5289 mDKK). This was a profit margin of 11%, a rise of 1.3 percentage points on 2006. EBIT earnings were 494 mDKK, an 8.5% margin, as compared with 400 mDKK and 7.4%, respectively in 2006.

Raw material prices

In 2007 the prices of the raw materials used in the production of cleaning equipment - primarily plastics, stainless steel, copper, lead and aluminium - continued the rising trend which characterised 2006. As the input of raw materials accounts for some 40% of the total manufacturing cost base, the rising prices heighten the need to continuously reduce manufacturing costs in order to maintain product competitiveness.

Events during year

In the course of the year the Nilfisk-Advance family welcomed no fewer than five new members through acquisition.

Nilfisk-Advance's 11 production companies are assembly plants which "series-manufacture" cleaning equipment based on specially designed components supplied by sub-contractors.

The American manufacturer of carpet cleaners, U.S. Products, was acquired with effect from 1 January.

The acquisition of China's Viper Group became effective on 1 August.

In May, Nilfisk-Advance acquired two service companies - one Danish and one English - and at the end of the year Nilfisk-Advance acquired its former distributor in South Africa.

These acquisitions have collectively contributed to cementing the position of Nilfisk-Advance as a leading supplier to the global market. With the acquisition of the Viper Group, Nilfisk-Advance gained a solid foothold in China - not only in manufacturing terms, but also by access to the commercial Chinese market through the sales outlets established by Viper.

Nilfisk-Advance has set itself the target of introducing an average of one new product or key product improvement a month. In 2007, this target was met to the full with the introduction of eight floor care products, four vacuum cleaners, two high pressure washers, two carpet cleaners and two polishers - a total of 18 new products.

Product development activities represented 3% of company revenue in 2007.

Expectations for 2008

Based on current exchange rate conditions, Nilfisk-Advance expects revenue of around 6.2 bnDKK in 2008. This corresponds to nominal growth of around 7% and organic growth of around 5%.

The forecast revenue includes contributions from WAP South Africa and HydraMaster, which became members of the Nilfisk-Advance Group on 1 January and 1 March 2008.

Nilfisk-Advance factories

Europe

Hungary: 2, Italy: 2, Denmark: 2

North America

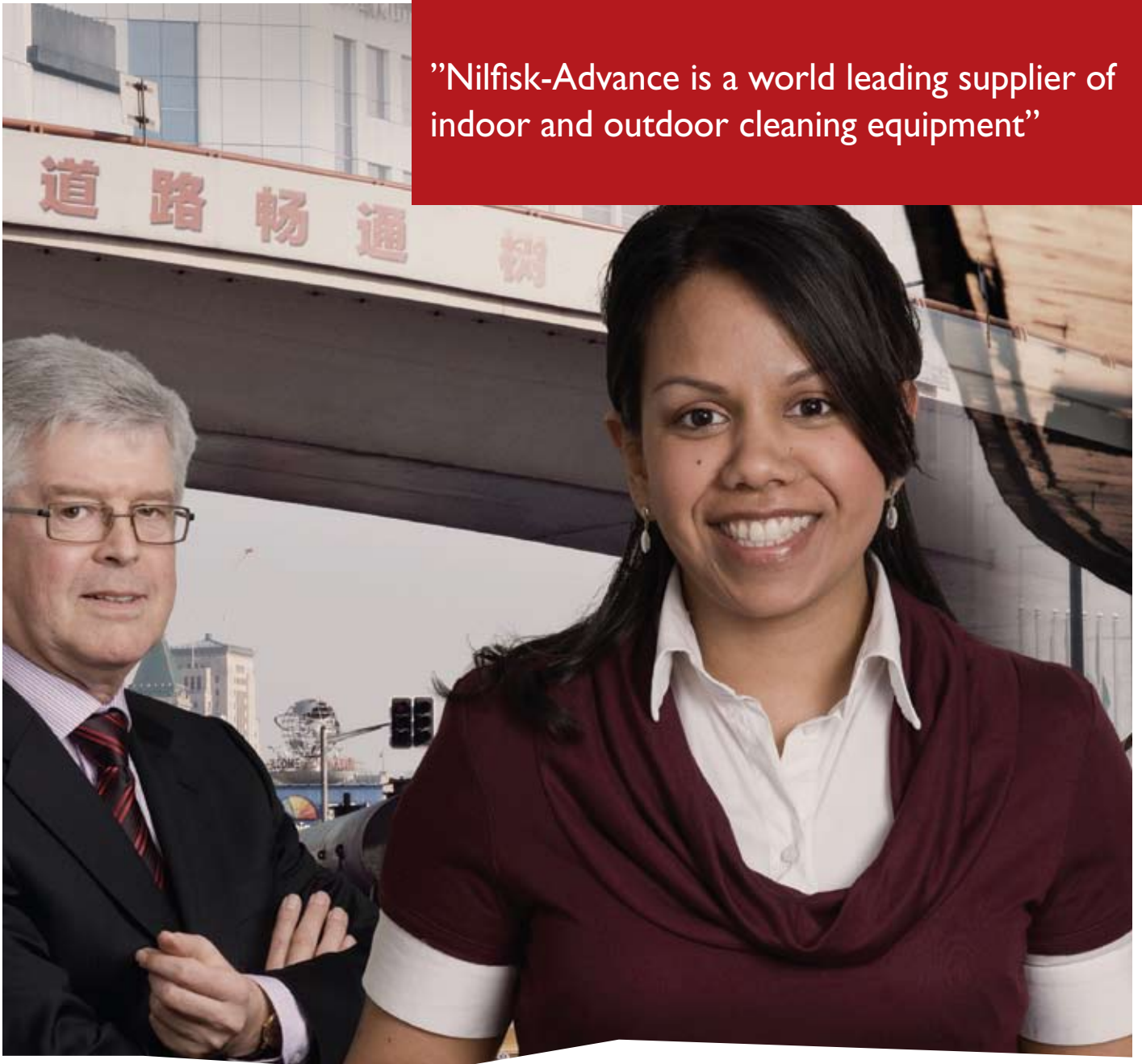
USA: 2

Far East,

China: 2, Singapore: 1*

*Special production of high pressure cleaners

”Nilfisk-Advance is a world leading supplier of indoor and outdoor cleaning equipment”



Progress in US market



In Denmark the name Nilfisk is associated with domestic vacuum cleaners, having cleaned the nation's homes for more than a century. But the bulk of revenue actually comes from equipment for the commercial sector. Today, a fourth of sales originate from the North American market

North America is in no way a new chapter in the history of Nilfisk-Advance. The company gained a serious foothold in the US market in 1994 when the acquisition of Advance Machine Company, one of the foremost American names in cleaning equipment, took Nilfisk's business to a new level. Strengthened by the acquisition of ALTO Group in 2004, U.S. Products and Viper Group in 2007, and HydroMaster at the start of 2008, progress since then has been swift.

Today, Nilfisk-Advance is among the largest manufacturers of cleaning equipment in the United States. The story of Nilfisk-Advance in the North American market is the story of targeted growth strategy and sound acquisitions.

Nilfisk-Advance's main business today covers a wide range of equipment for "professional

cleaning environments", i.e. industrial companies, supermarkets, hotels and offices.

One of Nilfisk-Advance's centres of excellence is based in the US where it develops some of the company's largest cleaning products. The work of the centre is not solely oriented towards the US market but leads to creation of new products also for the European and Asian markets.

The company now obtains around one fourth of its sales from the United States. Organic growth in the North American business was

satisfactory in 2007, and better than the previous year. This step forward came after acquisitions made in 2007. The acquisition of U.S. Products at the start of the year was followed later by that of the Chinese manufacturing group Viper, which already had a US presence.

"The acquisition of Viper has also made it easier to obtain components from China for the production in the United States. The production costs are continuously scanned for us so that we are now represented at both the high and low end of the price scale. Our market coverage is today far broader than before and includes a whole new customer category," says Jørgen Jensen, CEO, Nilfisk-Advance.

The acquisition of Viper has also made it easier to obtain components from China for our



Nilfisk-Advance manufactures a wide range of cleaning equipment, including:

- › Vacuums
- › Carpet cleaners
- › Polishers
- › Sweepers
- › Floor care equipment
- › Multi-cleaners
- › Road sweepers
- › High pressure cleaners

production in the United States. We continuously scan our production costs for rationalisation benefits. This is necessary because there is fierce competition in the US market.

Accordingly, Nilfisk-Advance is also constantly focused on improving new parts of its business. A service organisation of the type already in Europe is currently taking shape in North America.

“What concerns our customers is that we supply high quality hardware. And by offering an attractive service solution we can ensure that their cleaning equipment will operate around the clock,” says Jørgen Jensen.

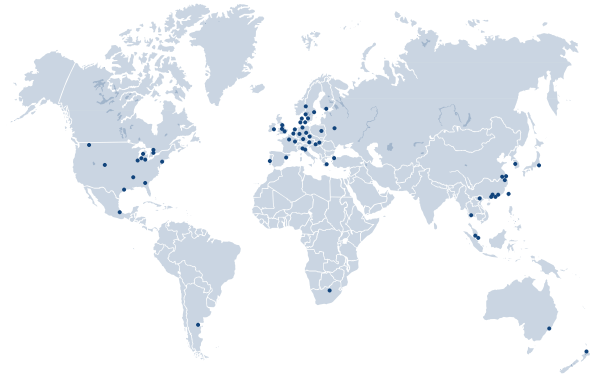
Nilfisk-Advance has plans to expand the US market on all fronts. Acquisitions will provide

access to new markets by opening the way to new sales outlets, a broader product portfolio and a strengthened service organisation. As a general principle, the company will also work to establish closer customer relationships nationwide. This targeted strategy means that the confidence of the company's chief executive in the future American market is unshaken by the prospect of a slight slowdown in US economic growth.

“North America is an established base for Nilfisk-Advance, and business is starting to spread to neighbouring countries. We have set up in Mexico and Canada, and we will continuously buy into new business segments and establish a presence in further markets. We therefore look with confidence at the future in America,” says Jørgen Jensen.

As part of efficiency optimisation in the United States, consideration is being given to installing satellite navigation equipment in all Nilfisk-Advance service vehicles so as to increase flexibility and avoid time wastage. This will give the company total overview of the whereabouts of its service fleet and enable faster response to customer calls.

Cleaning opportunities in new markets



Nilfisk-Advance has major future growth plans and is busy entering new countries and markets. Today, the company is growing fast in the emerging markets. These markets have a long way to go to reach the same industrial cleaning standards as the US and Europe

Nilfisk-Advance's predicted mean annual growth rate of 6% for the next strategic term includes an expected contribution from emerging markets of well in excess of 10%. Substantial demand is already being felt from growth markets, and they contribute more than one tenth of company revenue.

In countries like China, Russia, Mexico and Turkey where Nilfisk-Advance is already an established presence, a distinct need for more advanced cleaning solutions is becoming evident and is reflected in double-digit sales growth.

Often this growth is triggered by foreign investment because foreigners open offices and factories and automate cleaning. But in a number of new markets living standards are

also rising strongly, and this is creating considerable demand for western cleaning standards from companies already resident.

"There is a growing need for our products in China, Brazil, India and Russia. So it is important that Nilfisk-Advance establishes sales subsidiaries already, even though the markets are still relatively small. We are entering these markets now in order to secure our share of future growth," says Jørgen Jensen.

From 36 to 50 sales subsidiaries

Nilfisk-Advance will expand its business significantly in years ahead. The ambition is to open new sales offices in new markets, raising the number of sales subsidiaries to 50 in five to six years' time.

The company recently opened a sales subsidiary in Argentina, followed by another when WAP South Africa was acquired, and Jørgen Jensen describes South America, India and the whole of the Middle East as examples of other interesting future markets for Nilfisk-Advance.

The greatest challenge for Nilfisk-Advance in these new markets is building a stable sales organisation. The experience to date shows that there is a period of establishment before earnings reach a satisfactory level. But this is an exercise the company will obtain a good deal more experience of in the years ahead.

"We definitely expect to be able to maintain double-digit growth rates in the new markets once our local organisation in the country is



"I want Nilfisk-Advance to be global leaders, I want us to be the best innovators and I want us to be the most competitive player. But not due to low prices. Our products should be measured by price in relation to service - reducing our customers' total cost of cleaning."



Jørgen Jensen, CEO, Nilfisk-Advance

fully established, something which typically takes one to two years," says Jørgen Jensen.

He emphasises that Nilfisk-Advance's growth strategy reflects customers' clear need for a local presence.

"We can see that our customers are growing more global, and we are growing more global with them," says Jørgen Jensen.

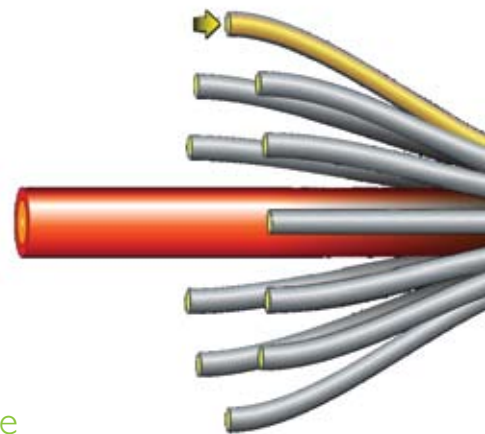
When the sales organisation is in place, supply lines must be provided, a task that represents a considerable challenge. Finally, onward distribution to the customer must be established to ensure that products arrive in the right place at the right time. An integral part of the strategy is also to give high priority to the service organisation from the start.

Nilfisk-Advance never enters a new country without having established a detailed business plan. The company enters a country to build a lasting business that will be profitable as quickly as possible.

"Obviously, there may be unforeseen eventualities when entering a new country, but we have the experience and know-how to achieve a level of profitability on a par with existing markets after a period of establishment of just one to two years. We have a precise plan for which markets we intend to open up in the years ahead, and we are already in the process of implementing it," says Jørgen Jensen.

Servicing the global market demands intelligent business systems. In 2007, Nilfisk-Advance therefore began implementing an advanced SAP system to keep track of the entire process of production and distribution, from when the individual components are purchased until the finished product is delivered to the customer.

Focus on NKT Photonics



NKT Photonics Group represents NKT's initiative to create a powerful business segment that builds on the fibre optic expertise possessed by the NKT Photonics companies

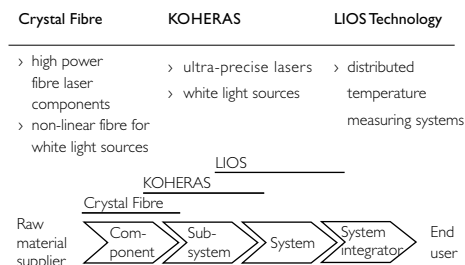
Products

NKT Photonics develops, manufactures and markets sophisticated components, light sources and measuring equipment based on optical fibres.

Organisation

NKT Photonics employs around 150 people and is headed by NKT Group Executive Director; CTO, Søren Isaksen.

NKT PHOTONICS GROUP



Products, market and customers

Crystal Fibre manufactures high power fibre laser components that enable production of very high intensity fibre lasers. These lasers can be used for purposes such as welding, cutting, precision-drilling and marking, and for a variety of advanced applications in the semiconductor and life science industries.

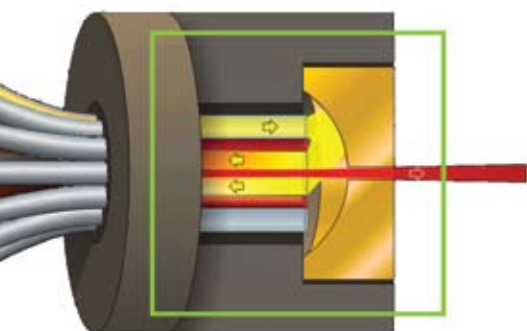
Crystal Fibre's products are primarily sold to existing laser manufacturers. The laser market is dominated by players such as Trumpf GmbH and Rofin-Sinar Technologies Inc., who are leaders in industrial machining processes, and Coherent Inc., Newport Inc. and JDSU Inc., who are leading names in technology-oriented industry segments (semiconductors and life sciences).

The total laser market has an annual global volume of around 15 bnDKK, the share represented by fibre lasers being estimated at around 1.4 bnDKK in 2007.

KOHERAS is active in ultra-precise fibre lasers (lasers with extremely narrow bandwidth and low noise level), applications for which include:

- > Wind speed measurement (wind farms and aircrafts)
- > Supervision of borders, oil pipelines, ports and coastal areas
- > Exploration and exploitation of oil fields

When this application potential matures, the annual total market for fibre lasers in such sensorlike applications is likely to exceed 1 bnDKK.



KOHERAS has set up partnerships within the field of microscopy with Leica Microsystems and with a leading manufacturer of optical test equipment for telecom.

The market for white light sources to replace existing lasers is estimated at around 1 bnDKK.

LIOS Technology manufactures and markets distributed temperature measuring systems that are primarily used in special-hazard building constructions, such as tunnels. Other applications include monitoring of high voltage cables and oil wells.

Customers include Siemens within fire detection and suppliers of cable products, such as NKT Cables, as well as major oil companies.

Highlights

Amounts in mDKK

	2007	2006	2005
Revenue	112	94	92
EBITDA	(18)	(18)	(8)
EBIT	(32)	(31)	(26)
Capital employed	96	100	81
Investment: property, plant & equipment, net	11	4	2
Average number of employees	116	101	86

The market addressed by LIOS Technology is estimated at more than 500 mDKK.

The success and future profitability of all the NKT Photonics companies depends on their ability to create groundbreaking products in a niche-oriented market. A key requirement is therefore the companies' capacity to attract innovative and competent people and establish interplay between technological and commercial driving forces.

NKT PHOTONICS 2007

In 2007, NKT Photonics "matured" the markets for its sophisticated components, light sources and measuring equipment, and thus came closer to realising its strategic target of minimum 500 mDKK revenue by 2012.

Revenue

NKT Photonics realised revenue of 112 mDKK in 2007, a 19% increase on 2006 when revenue was 94 mDKK. The major part of this growth in revenue was attributable to LIOS Technology.

Income development

NKT Photonics realised total earnings before depreciation and amortisation (EBITDA) of

(18) mDKK in 2007 - the same as in 2006. The size of the deficit is in line with initial expectations and reflects the intensified development activity begun in mid-2006.

Events during year

LIOS Technology, which had previously focused primarily on fire detection systems for tunnels etc. achieved breakthrough in 2007 with monitoring systems for high voltage cables. The company is now among the leading players in this segment.

KOHERAS and Crystal Fibre targeted their efforts in 2007 on maturing and qualifying their products for a variety of industrial applications.

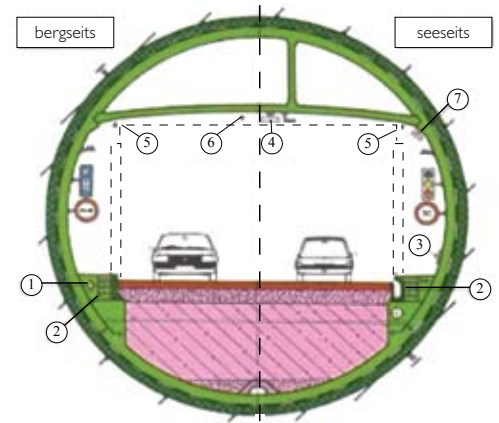
Expectations for 2008

NKT Photonics expects to increase revenue to around 180 mDKK in 2008, corresponding to nominal growth of 60%, half this growth being organic and half being attributable to the acquisition of Vytran, which became a part of NKT Photonics Group from 1 February 2008.

Operating earnings (EBIT) are expected to be around (20) mDKK, as against (32) mDKK achieved in 2007.

Fibre-optic system increases safety

When fire ravaged the famous Mont Blanc tunnel between France and Italy in 1999, it provided a wake-up call to safety officials and politicians all over Europe



A tunnel fire can turn into a disaster resulting in a very high death toll because it is almost impossible to bring the fire under control and stop traffic from continuing to enter the tunnel before it is too late.

Today, detection systems are therefore installed in all longer tunnels, and many of these systems are based on temperature measuring equipment designed and made in Cologne by NKT Photonics company LIOS Technology.

LIOS manufactures equipment that can register and analyse very weak "echoes" from optical cables. The cables facilitate detection of local heat development so that a danger warning can be given before things go seriously wrong.

The equipment is connected to an alarm that triggers if a fire breaks out in the tunnel and at the same time pinpoints its location.

In manpower terms the NKT Photonics companies are heavy users of highly qualified engineering skills. Including Vytran, which became member of the group by 1 February 2008, NKT Photonics in total employs around 150 people.

"The tunnel market is a competitive market because temperature measurement can also be performed using electrical sensors.

But in long tunnels, typically more than 1 km in length, our solution is very competitive, and with some 1,500 systems installed worldwide, LIOS Technology holds a leading position," says Søren Isaksen, CTO, NKT Holding.

High voltage cables and oil wells

But long-distance temperature measurement systems can also be used in many other contexts.

For example, LIOS' system is used all over the world for monitoring power cables.



The NKT Photonics companies are: LIOS Technology, Germany; KOHERAS, Denmark and Germany; Crystal Fibre, Denmark; and Vytran, USA. The target is for all companies to be in profit by 2010.

Today many high voltage cables have an optical wire embedded in the insulation that enables heat development in the cable to be monitored.

Passing too much current through a high voltage cable causes it to overheat. This can soften the plastic insulation to a point where cable failure may result.

With an optical wire integrated in the cable, the temperature can be measured along its entire length by means of LIOS' system, so that the cable can safely be operated on full power.

To date, LIOS' measuring systems have mainly gained a foothold in countries undergoing massive infrastructure expansion, such as Russia

and China, which have an urgent need to ensure reliable energy supplies to millions of people.

Now the European electricity companies are starting to follow suit. The deregulation of European electricity markets has led to renewed focus on supply reliability and optimisation of cable network.

In an NKT context, LIOS' measuring systems are particularly interesting as they enable NKT Cables to offer the electricity companies attractive solutions in the form of intelligent monitoring for high voltage equipment.

Other areas of application for LIOS' monitoring equipment include oil wells as measurement of

temperature and pressure conditions make it possible to further increase oil field production .

From development to growth

LIOS Technology increased its revenue by 60% in 2007. The company's work force is growing year by year.

The listening laser



Light has ears.

At least it does at KOHERAS,

one of the development companies in the NKT Photonics Group

KOHERAS has developed a fibre laser with the purest frequency of any in the world. It can pick up even the smallest vibrations in its environment and the tiniest changes in where it is pointing.

Listening in water is one application example. In the sea, the “pure” light emitted through a fibre laser can detect a tiny wavelet 200 km away. It is the world’s most stable fibre laser with the purest frequency,” says Søren Isaksen, CTO, NKT Holding.

This frequency is the reason for the outstanding listening ability of the KOHERAS laser. So precise is the frequency that the smallest change can be registered by means of high-sensitivity measuring equipment, thereby revealing minute alterations in the laser’s environment. The laser’s potential applications are almost endless. They include the study of

wind conditions when planning new wind farms, and the most promising application currently is for mapping and exploration of offshore oil fields.

While the laser is already in commercial use for wind farms and area security at, say, airports, many of its future applications are yet to be discovered. “The laser is not something we can pick off the shelf like a supermarket product. We work on applications together with our customers - companies who are global leaders in their field and whose products use lasers as key components. The potential is enormous,” says Søren Isaksen.

Commercial breakthrough in sight

Like the other NKT Photonics companies, KOHERAS is a development enterprise, and as such has previously been in a phase, where more money was spent than was earned.

However, all that is set to change. Within a few years, Søren Isaksen expects KOHERAS to be generating strong revenues and significantly higher profit margins than typical for more mature businesses.

KOHERAS is in the process of gearing itself to mass production of its laser when one of the major test projects currently under way matures into a commercial product.

“We have had several test projects running for quite some time and are confident that commercial breakthrough can soon be expected,” says Søren Isaksen.

KOHERAS is structuring its organisation to handle the anticipated breakthrough. In the last year alone, the company almost doubled its work force, from 31 to 52 employees.

“My vision is to see NKT Photonics lead a development of photonics products where all key functions are united in a single component - i.e. an optical fibre - because that will elevate our activities to a truly industrial level”

Søren Isaksen, Group Executive Director, CTO



Focus on NKT Flexibles



NKT Flexibles is owned jointly by the NKT Group (equity share 51%) and the offshore contractor Acergy (49%)

Products

NKT Flexibles develops, manufactures and markets offshore subsea pipe systems based on a special construction that renders them flexible. These pipe systems are used to convey oil and gas from the ocean floor to the surface.

Pipes made by NKT Flexibles can today be used in waters as deep as 1,500-2,000 meters, and the company is currently expanding their product program for such pipes.

Organisation and management

NKT Flexibles is jointly managed through an interaction between the two owners. Day to day operations are the responsibility of the Management in Brøndby, Denmark, headed by CEO Michael C. Hjorth.

At the end of 2007, NKT Flexibles employed 540 people based at the head office in Brøndby and the production factory in Kalundborg.

Market

One of three manufacturers of flexible pipe systems worldwide, NKT Flexibles has a market share of around 15%.

The annual global market for flexible pipeline systems required by the offshore oil and gas industry is estimated at around 1.5 bn. USD.

The biggest markets for flexible subsea pipes are the Atlantic off the coast of Brazil (approx. 50% of world market), West Africa and the North Sea. Other important markets are the Gulf of Mexico, the Far East and Australia.

The level of market activity is determined by the price of crude oil and the need of the oil companies to replace exhausted reserves. Typically, a crude oil price of more than 50 USD a barrel makes it attractive to initiate new recovery activities.

OIL PRICE DEVELOPMENT



Highlights

<i>Amounts in mDKK</i>	2007	2006	2005
Revenue	1,237	884	491
EBITDA	269	138	53
EBIT	237	106	25
Capital employed	413	279	313
Investment: property, plant & equipment, net	98	52	22
Average number of employees	474	356	264

Sales and customers

NKT Flexibles markets its products to the global offshore industry both directly and through its co-owner Acergy.

The proportion of direct sales has been rising in recent years.

Customers typically comprise major oil companies such as StatoilHydro, BP, Shell and the French company Total.

NKT FLEXIBLES IN 2007

2007 was another hugely successful year for NKT Flexibles and expectations were fully realised.

Revenue

NKT Flexibles realised revenue of 1,237 mDKK in 2007, as against 884 mDKK in 2006, equivalent to organic growth of 40%. The 2007 revenue corresponded to maximum utilisation of company production capacity. The positive development was attributable partly to the high level of offshore activity, and partly to the company's enhanced competitiveness.

Income development

Operating earnings (EBITDA) amounted to 269 mDKK, as against 138 mDKK in 2006. At 131 mDKK, earnings growth was therefore again very satisfactory, being almost twice the 2006 figure. Profit margin (EBITDA) was 21.8%, reflecting the high level of capacity utilisation.

NKT's share of the company's net income for 2007 was 121 mDKK.

Activities 2007

In 2007, NKT Flexibles manufactured a total of 115 km of flexible pipe of various dimensions ranging from 3" to 15" inner diameter.

Over the year some 50 project assignments were completed, around the same number as the previous year.

As early as January 2007 NKT Flexibles was able to announce sufficient orders to keep the Kalundborg factory busy 24-hours-a-day for the whole of 2007 and a good part of 2008. The picture was repeated at the start of 2008 when orders in hand already extended some way into 2009.

As a result of the oil companies' substantial need for the types of products made by NKT Flexibles, the company expanded its work force by some 100 persons in 2007.

Product development activities continued in 2007 with focus on deepwater pipes for installation at depths of 1,500-2,000 meters. NKT Flexibles successfully tested an 8" high pressure/high temperature dynamic pipe designed for depths as great as 1,750 meters. During 2008, work will take place on qualifying a 10" dynamic flexible pipe for waters as deep as 1,500 meters.

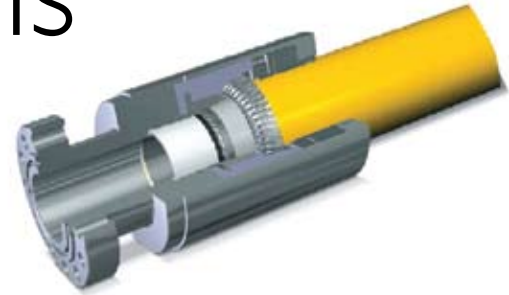
NKT Flexibles has developed a valuable monitoring system that can record whether a pipe has been exposed to sufficient stress to warrant replacement before its condition reaches critical. The system will be supplied for a Statoil project in 2008.

Expectations for 2008

NKT Flexibles expects the level of revenue for 2008 to be unchanged at around 1,200 mDKK. This reflects, and is based on, the company's order book at 1 January 2008.

EBITDA-margin for 2008 is expected to be around 23%, as against 21.8% in 2007. NKT's share of net income before tax is expected to be not less than 120 mDKK, which is unchanged from 2007 as a result of increasing amortisation and depreciation amounting to around 15 mDKK.

Thirst for oil means full order books



NKT Flexibles is profiting from the interest in exploring for oil at increasingly remote maritime locations. The company manufactures flexible pipes for installation in waters currently as deep as 1.5-2 km

NKT Flexibles is one of just three companies worldwide with the expertise to manufacture flexible oil pipes - and interest in this product is overwhelming.

"Our order books are full for the next 12 months, and also for some way into 2009. I am quietly confident about the prospects for future product demand," says Michael C. Hjorth, CEO of NKT Flexibles.

This strong interest in NKT Flexibles' offshore pipes is directly linked to the extremely high oil prices of recent years, which have made it both attractive and viable to initiate oil recovery from new fields.

Due to the massive demand, NKT Flexibles has more than doubled its work force from 225 in

2004, when the price of oil took off in earnest, to 540 at the end of 2007.

"No praise is too great for our employees. Because to expand the company by taking on so many new people in such a short time has been extremely challenging. It has been hard, but it has been worth it," says Michael C. Hjorth.

Need for flexible pipes

The growth at NKT Flexibles is driven by the rising demand for energy and the worldwide depletion of known oil reserves. To this must be added the desire of the Western countries to make themselves independent of oil fields situated in politically unstable areas. With the extremely high oil prices of recent years it is now worth while initiating oil recovery from

locations and depths where it was not previously feasible.

This is where flexible pipes come in. Because in deep waters the oil industry today typically

There is no prospect of a halt in deep sea oil exploration in the foreseeable future. Oil remains our most important energy resource, and rapid worldwide growth in the number of cars, particularly in countries such as India and China, is just one indicator that world demand for oil is currently insatiable.



"I am working to establish NKT Flexibles as the partner of choice for the global offshore oil and gas industry - because we possess unique competencies when it comes to translating complex problems into solutions that are also effective in ultra-deep water environments"

Michael C. Hjorth, CEO, NKT Flexibles



Photo courtesy of Total

employs floating production installations or drill ships with onboard storage since building a fixed structure on the sea bed is not economic. With a floating oil platform, the pipes carrying the oil to the surface must have built-in flexibility. When the platform moves, the pipes must follow suit.

Focus on safety

Like other players in the offshore sector, NKT Flexibles' Kalundborg factory is focused on all aspects of quality and safety. The focus on product safety is reflected in the high quality of products supplied by NKT Flexibles, while the work routines and procedures established relating to production processes reflect the fact that top priority is also given to all aspects of personal safety. For example, work is continuously taking place to improve company safety by providing campaigns and courses for

all company employees aimed at eliminating all risks of personal injury.

Monitoring of oil pipes

Obviously a pipe that fractures while in the water due to wear has serious consequences. NKT Flexibles has therefore invested considerable resources into finding solutions that can "keep an eye" on pipe condition.

As a result, NKT Flexibles is the only pipe manufacturer currently capable of supplying pipeline monitoring equipment as an integral part of the pipe construction. This equipment takes the form of an optical fibre which is built into the pipe structure and records the number of times the pipe bends.

"The extent of bends is critical to the service life of the pipe. We can therefore work out in advance when a pipe is life-expired and should be replaced," says Michael C. Hjorth.

NKT Flexibles has an extensive investment programme for the pipe production factory in Kalundborg, Denmark. Investments are vital as the boundaries for flexible pipe technology and product quality are continuously expanding.

As previously mentioned, the company is currently working on expanding its range of pipes capable of installation at depths of 1,500-2,000 meters. Such pipes are essential for recovering oil in ultra-deep waters, such as off the coast of Brazil.



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