ANNUAL REPORT 2017

BUILDING THE FUTURE OF CLEANING

Generalforsamling: 23.03.2018
Dirigent: Jørgen Kjergaard Madsen

Nilfisk Holding A/S
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2017 IN BRIEF

FINANCIAL PERFORMANCE

1,082 mEUR

Revenue
Up 23 mEUR from 2016

3.7%

Organic growth
Total growth was 2.2%
Organic growth in 2016 was 3.1%

11.1%

EBITDA margin before special items
Excluding impact from phantom share program, the operating performance was 11.4%, up 0.3 percentage point from 2016, on a comparable basis

7.5%

EBIT margin before special items
Excluding impact from phantom share program, the EBIT margin before special items was 7.8%, up 0.5 percentage point from 2016, on a comparable basis

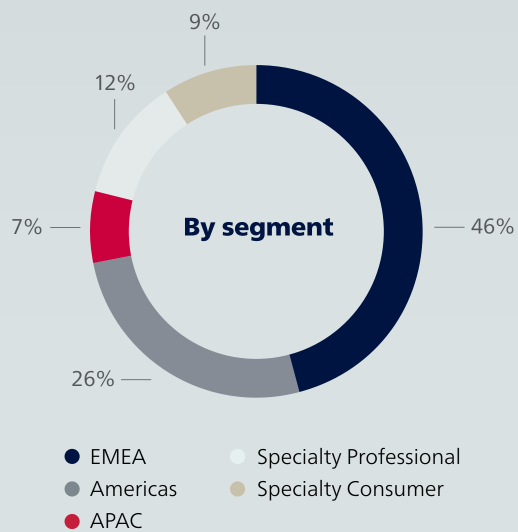
16.0%

RoCE
Up 1.4 percentage points from 2016

REVENUE SPLIT

5.4%

Organic growth from segments
Organic growth from the professional segments EMEA, Americas and APAC



21 mEUR

Cost saving program
The cost saving program progressed as planned, and levers of 21 mEUR in accumulated benefits for 2016 and 2017 have now been executed, of the full cost saving potential of 35 mEUR

AT A GLANCE

HIGHLIGHTS OF THE YEAR

Nilfisk delivered an organic growth of 3.7% which is a solid result fully in line with our expectations. The growth is driven by a positive development in EMEA and Americas.

Hans Henrik Lund, CEO

Nilfisk listed on Nasdaq Copenhagen

On October 12, 2017, Nilfisk reached a historical company milestone and completed a successful listing on the stock exchange. After the demerger from NKT, the new Nilfisk shares were included in the Nordic Large Cap index on Nasdaq Copenhagen.

Strategic partnerships within robotics

Nilfisk commenced two new strategic partnerships with world leaders in robotics technology: Specialized technology company Blue Ocean Robotics and Aalborg University Denmark, recently named one of the world's leading engineering educations. The partnerships include joint research and product development, plus a dedicated innovation hub developing the cleaning solutions of the future.

The Nilfisk Liberty A50 shipped to customer

The first units of the Nilfisk Liberty A50 were shipped to customers in the US, marking a milestone in the progress of the autonomous scrubber developed in collaboration with Carnegie Robotics. The commercial roll-out will continue in 2018.

New CEO

Hans Henrik Lund was appointed as the new CEO of Nilfisk and joined the company in August 2017. With Lund's background in technology and product development, Nilfisk is set for an innovative course going forward.

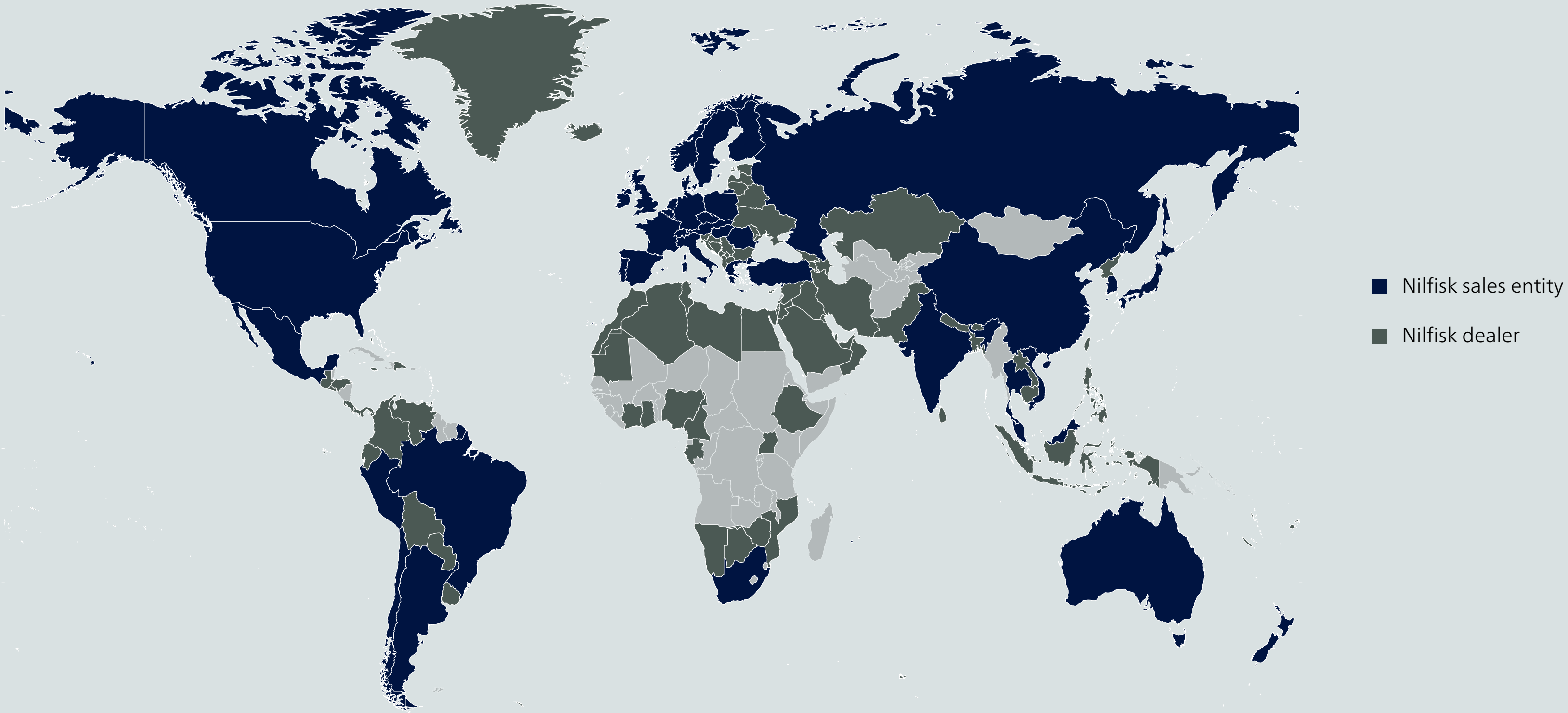
Award winning products

The Nilfisk micro scrubbers SC100 and SC250 won the Red Dot Award 2017 for outstanding product design. Shortly after, the Nilfisk Liberty A50 autonomous scrubber received the Innovation Award 2017 at The Cleaning Show in London and goes on to acclaim at other cleaning events around the world.

AT A GLANCE

GLOBAL PRESENCE

Nilfisk is a leading global provider of
professional cleaning products and services.



5,800

Employees
We have 5,800 employees worldwide of which 1,800 work in sales and service functions, meeting customers on a daily basis

100+

Countries
Our products and services are sold in more than 100 countries across the world

45

Sales companies
We have sales companies in 45 countries around the world

17

Production sites
We have a global production footprint based on an asset-light assembly setup in 10 countries across the world

10

Top 10 customers
Our 10 largest customers account for approximately 10% of our revenue

CONTENTS

Management review

Financial statements

36 DEEP DIVE: LISTING OF NILFISK

33 DEEP DIVE: AUTONOMOUS CLEANING

OUR RESULTS

LETTER FROM THE CHAIRMAN

A MILESTONE YEAR FOR NILFISK AND FOR OUR SHAREHOLDERS

"The official listing of Nilfisk on Nasdaq Copenhagen was the beginning of a new chapter for Nilfisk and an opportunity to unlock our full value potential"

For Nilfisk, 2017 was a year of progress in our efforts to simplify and grow the company. A new operating model came into effect at the start of the year, a model that has increased transparency and focus across the company. That model was the basis for the roll-out of key margin expansion initiatives that have contributed to improved earnings over the course of the year. Nilfisk's growth initiatives also began to bear fruit, with 3.7% organic growth for the full year and an operating performance of 11.4%.

2017 was about much more than just a satisfactory financial performance. It was also a year we will look back on as a significant milestone for Nilfisk and for our shareholders.

In 2016, the Board of Directors at NKT announced its intention to split the holding company into two independently listed companies – Nilfisk and NKT. The decision was the culmination of a long strategic journey to create two viable businesses, each with a clearly defined investment case, and each among the leaders in their respective industries.

The official listing of Nilfisk on Nasdaq Copenhagen on October 12, 2017, was the beginning of a new chapter for Nilfisk and an opportunity to unlock our full value potential. It was a fantastic day! I would like to use this opportunity to thank our shareholders for the support and trust they have shown Nilfisk, and to also thank our employees and the Nilfisk Leadership Team for their valuable contributions throughout the year.

With the listing successfully completed and a solid financial foundation in place, it is time to look forward.

Some things will remain the same in 2018. We will continue to simplify and grow the company, enabling us to deliver solid financial results in the years to come.

Some things, however, will change. The world around us is evolving, and we are ready to get out in front of the trends impacting the professional cleaning industry and leverage the possibilities that new technologies bring. We want to be leaders in the future of cleaning, and this will require significant changes across Nilfisk.

We have already introduced several transformational initiatives that support our future ambitions, and we will invest further in these initiatives during 2018. We also need to be patient. The immediate effects of these projects might not be apparent in 2018 – but they will pave the way for our mid-term and long-term growth and earnings.

We look forward to the journey!

Jens Due Olsen
Chairman of the Board of Directors

SOLID PERFORMANCE AND CLEAR FUTURE PRIORITIES

"In 2017, Nilfisk delivered a solid 3.7% organic growth combined with satisfactory earnings in line with expectations. We expect 2018 will be a transformational year with continued simplification and growth of our business."

2017 has been a good year for Nilfisk. We realized a total revenue of 1,082 mEUR and saw continued improvements on key measures.

An organic growth of 3.7% is a solid result fully in line with our expectations, driven by a positive development in EMEA and Americas.

Looking at earnings, 2017 has been impacted by increased raw material prices and freight costs. Taking that into consideration, we are pleased to see an operating performance of 11.4%. The improved performance was also reflected in the EBIT margin before special items which increased to 7.5%, up 0.3 percentage point, and in the return on capital employed, RoCE, which increased to a strong 16.0% from 14.6% in 2016. In 2017 we also saw an increase of the gross margin to 42.2%, which is the highest level seen over a five year period.

These improvements demonstrate that our efforts to simplify and grow Nilfisk are paying off and we continue to build on the initiatives going forward.

Building the future of cleaning

Looking into 2018, the professional cleaning industry is undoubtedly changing as new technologies pave the way for smarter solutions. We are determined to take a leading position in these industry changes for the benefit of our customers. Our ambitions are high – and fulfilling them will require a continued focus on simplification and growth, and also implementing significant transformations.

Our strategy *Nilfisk Next* does just that.

Nilfisk Next outlines three impactful strategic drivers that ensure a continued positive development of Nilfisk, and it presents a clear, operational plan.

With Nilfisk Next, we are continuing many of the strategic initiatives, that were part of our Accelerate strategy. In addition, we are committing ourselves to building the future of cleaning because we believe that digital services, autonomous machines, and connected cleaning solutions can make our customers' businesses smarter. And we are determined to be the industry leader within these fields.

Celebrating a milestone

Ending on a personal note, 2017 has been a truly memorable year. In August, I was honored to take on the position as CEO, and what an exciting half year it has been! I have had the pleasure of meeting customers all over the world. I have met with shareholders and been encouraged by their interest in our business. And I have been warmly welcomed by the talented people working for Nilfisk globally.

The highlight was October 12, when Nilfisk was listed on Nasdaq Copenhagen. It was a day of great pride. For me personally. For the Nilfisk Leadership Team. And for all Nilfisk employees.

In conclusion, we look towards 2018 with confidence and excitement. It will be a year dedicated to continued growth and improvements in our profitability, but also a year where we will invest in building the future of cleaning, continuing our journey towards a leadership position within intelligent cleaning!

Hans Henrik Lund
CEO

OUR RESULTS

5-YEAR CONSOLIDATED FINANCIAL HIGHLIGHTS

EUR millon	2017	2016	2015	2014	2013
Income statement					
Revenue	1,081.9	1,058.5	980.0	917.6	880.7
EBITDA before special items	120.1	116.8	98.0	107.3	104.4
EBIT before special items	81.5	75.8	63.8	77.4	75.8
EBITDA	99.5	96.8	98.0	120.2	104.4
EBIT	60.9	54.0	63.8	90.3	75.8
Special items	-20.6	-21.8	0.0	12.9	0.0
Financial items, net	-8.9	-11.0	-7.9	-10.3	-14.8
Profit for the year	40.3	29.5	41.8	58.1	45.2
Cash flow					
Cash flow from operating activities	41.4	114.7	59.8	75.7	67.1
Cash flow from investing activities	-35.3	-72.6	-67.5	-19.0	-31.3
- hereof investments in property, plant and equipment	-15.3	-20.6	-21.7	-13.7	-11.1
Free cash flow excluding acquisitions and divestments	6.1	74.2	19.8	45.7	39.5

Definitions appear in note 8.6 to the consolidated financial statements

EUR millon	2017	2016	2015	2014	2013
Balance sheet					
Total assets	827.2	983.1	935.5	862.3	802.2
Group equity	137.5	224.8	200.7	334.8	286.6
Working capital	163.5	141.7	173.3	159.7	146.6
Net interest-bearing debt	359.7	265.8	300.9	105.9	125.1
Capital employed	497.2	490.6	501.6	440.7	411.7
Financial ratios and employees					
Organic growth	3.7%	3.1%	0.4%	5.6%	3.0%
Gross margin	42.2%	41.9%	40.8%	41.0%	40.9%
EBITDA margin before special items	11.1%	11.0%	10.0%	11.7%	11.9%
EBIT margin before special items	7.5%	7.2%	6.5%	8.4%	8.6%
EBITDA margin	9.2%	9.1%	10.0%	13.1%	11.9%
EBIT margin	5.6%	5.1%	6.5%	9.8%	8.6%
Financial gearing	3.0	2.3	3.1	1.0	1.2
Overhead costs ratio	34.1%	33.9%	33.7%	32.1%	31.8%
Working capital ratio	16.2%	17.6%	20.0%	19.2%	19.3%
Return on capital employed (RoCE)	16.0%	14.6%	12.9%	17.6%	17.5%
Number of full-time employees, year-end	5,769	5,607	5,545	5,420	5,321

FINANCIAL REVIEW

PERFORMANCE IN 2017 IN LINE WITH EXPECTATIONS

In 2017 Nilfisk Group's revenue amounted to 1,081.9 mEUR, an increase of 2.2%, or 23.3 mEUR compared to 2016. Organic growth was 3.7%. EBITDA before special items was 120.1 mEUR, an increase of 3.3 mEUR, while the EBITDA margin before special items increased by 0.1 percentage point to 11.1%. Measured on operating performance, ie. excluding impact from our phantom share program of 3.0 mEUR, EBITDA margin before special items was 11.4%. The effect from the phantom share program was a result of an all time high share price at year-end 2017. Profit for the year was 40.3 mEUR, an increase of 10.8 mEUR, or 36.6% compared to 2016. The return on capital employed increased from 14.6% in 2016 to 16.0% in 2017.

Overview of financial performance

EUR million	2017	2016
Revenue	1,081.9	1,058.5
Organic growth	3.7%	3.1%
Gross profit	456.7	443.4
Gross margin	42.2%	41.9%
EBITDA before special items	120.1	116.8
EBITDA	99.5	96.8
EBIT before special items	81.5	75.8
EBIT	60.9	54.0
Profit for the year	40.3	29.5
EBITDA margin before special items	11.1%	11.0%
Operating performance	11.4%	11.1%
EBIT margin before special items	7.5%	7.2%
RoCE	16.0%	14.6%

Overall, with improvement on all of the above key measures, Nilfisk achieved a solid performance improvement in 2017 compared to 2016.

Revenue development

In 2017 total revenue amounted to 1,081.9 mEUR, an increase of 23.3 mEUR or 2.2% compared to total revenue of 1,058.5 mEUR in 2016. The increase in revenue stems from a combination of 3.7% organic growth, a negative impact of 1.2% from changes in currency exchange rates, and a negative net impact of 0.3% from acquisitions and divestments.

2017 in brief

- Improved performance in 2017 compared to 2016 and in line with our expectations
- Organic growth of 3.7%
- Growth driven by EMEA (5.9% organic growth) and Americas (5.7% organic growth)
- Cost reductions of 21 mEUR in accumulated benefits for 2016 and 2017, of the full cost saving potential of 35 mEUR
- 11.4% in operating performance. Total EBITDA margin before special items was 11.1%
- Excluding the impact from the phantom share program, the EBIT margin before special items was 7.8%. Total EBIT margin before special items was 7.5%
- RoCE improved to 16.0%, up 1.4 percentage points from 2016

The development in revenue is specified in the below table:

Revenue and growth by operating segment

EUR million	Revenue 2017	Revenue 2016	Organic Growth	Impact of acquisi-tions net	FX-rates impact	Total growth
EMEA	493.5	468.3	5.9%	0.2%	-0.7%	5.4%
Americas	284.3	275.1	5.7%	0.0%	-2.3%	3.4%
APAC	80.4	80.6	1.3%	0.0%	-1.3%	0.0%
Total Professional	858.2	824.0	5.4%	0.1%	-1.3%	4.2%
Specialty Professional	127.8	130.1	2.5%	-2.8%	-1.0%	-1.3%
Specialty Consumer	95.9	104.4	-7.7%	0.0%	-0.5%	-8.2%
Total Specialty	223.7	234.5	-2.1%	-1.5%	-0.7%	-4.3%
Total	1,081.9	1,058.5	3.7%	-0.3%	-1.2%	2.2%

The Group's organic growth rate of 3.7% was the result of strong organic growth in the professional segments, i.e. EMEA, Americas and APAC, which in total achieved an overall organic growth of 5.4%. The Specialty Professional segment also contributed, with organic growth of 2.5%. Specialty Consumer had negative organic growth of 7.7%.

FINANCIAL REVIEW

Revenue in EMEA amounted to 493.5 mEUR in 2017, an increase of 5.4% compared to 2016. The growth was primarily due to organic growth of 5.9%, while the full year effect of the acquisition in 2016 of Industro-Clean Cape in South Africa added 0.2% to the growth while changes in currency exchange rates had a negative impact of 0.7%, primarily due to a decrease in British Pound and Turkish Lira.

Revenue in Americas amounted to 284.3 mEUR, an increase of 3.4%. An organic growth of 5.7% was partly offset by a negative impact of 2.3% from changes in currency exchange rates, primarily related to the USD.

In APAC, revenue amounted to 80.4 mEUR, largely unchanged from 2016. The stable revenue in EUR-terms reflects an organic growth of 1.3% and a negative growth impact from changes in currency exchange rates of the same magnitude, primarily due to Chinese Yuan Renminbi, Singapore Dollar and Japanese Yen.

In the Specialty Professional segment, organic growth reached 2.5%. Overall revenue decreased by 1.3% due to the impact of a 1.0% negative impact from changes in currency exchange rates and the divestment of the US-based Cyclone Technology activities as per October 1, 2016. This divestment reduced revenue in 2017 by approximately 4 mEUR or 2.8%.

In the Specialty Consumer segment, revenue decreased by 8.5 mEUR or 8.2%, mostly due to negative organic growth of 7.7%. This negative growth was primarily caused by the loss of a large customer in the beginning of the year.

For more information on revenue development per segment, please see the review of segment performance on pages 17-21.

2017 performance meets expectations

In the interim financial report for Q3 2017, Nilfisk stated its expectations for the full-year performance in relation to organic growth and EBITDA margin before special items.

The actual performance for 2017 in relation to these performance targets is considered satisfactory and in line with the stated expectations:

- Actual organic growth in 2017 was 3.7%, compared to an expected organic growth in the range of 3.0% to 4.0%.
- The actual EBITDA margin before special items in 2017 was 11.1%, compared to an expected EBITDA margin before special items in the range of 11.0% to 11.5%. The operating performance was 11.4%

Outlook 2017 – follow up

	Annual Report 2016	Q2 2017	Q3 2017	Realized 2017
Organic growth	2-4%	2-4%	3-4%	3.7%
EBITDA margin before special items	11.0-11.5%	11.0-11.5%	11.0-11.5%	11.1%
Operating performance	-	-	-	11.4%

Product line performance

Nilfisk's product lines and service offering are divided into four main offerings: Floorcare, Vacuum cleaners, High pressure washers and Aftermarket. The split of revenue development on products and service offering is shown below.

Revenue development per product line and service offering

EUR million	Revenue 2017	Revenue 2016	Organic growth	Total growth
Floorcare	358.4	347.2	5.7%	3.2%
Vacuum cleaners	199.6	190.5	5.7%	4.8%
High pressure washers	190.9	187.7	2.7%	1.7%
Aftermarket	333.0	333.1*	1.1%	-0.1%
Total	1,081.9	1,058.5	3.7%	2.2%

** Due to a reclassification of products, the revenue split for 2016 has been adjusted compared to previously reported numbers.*

In 2017 revenue in the Floorcare product line increased by 3.2% to 358.4 mEUR. Organic growth accounted for 5.7%. The main contributing factor to the growth was organic growth in EMEA, partly offset by declining revenue in the outdoor business and the divestment as per October 1, 2016, of US-based Cyclone Technology activities.

Revenue in the Vacuum cleaners product line increased by 4.8% to 199.6 mEUR. The main driver of the revenue development was organic growth which added 5.7% to the revenue in 2017. Organic growth was particularly strong in the Americas and Industrial Vacs product category, whereas Specialty Consumer experienced declining organic growth.

Revenue in the High pressure washers product line increased by 1.7% to 190.9 mEUR, with organic growth amounting to 2.7%. The main contributor to the organic growth was strong sales performance in Americas and the professional segment in EMEA, which was partly offset by lower revenue in Specialty Consumer.

FINANCIAL REVIEW

Revenue, gross profit and gross margin by operating segments

EUR million	Revenue 2017	Revenue 2016	Gross profit 2017 Full allocation	Gross profit 2017 No allocation	Gross profit 2016 No allocation	Gross margin 2017 Full allocation	Gross margin 2017 No allocation	Gross margin 2016 No allocation
EMEA	493.5	468.3	208.5	133.2	130.9	42.3%	27.0%	28.0%
Americas	284.3	275.1	116.4	77.8	74.5	40.9%	27.4%	27.1%
APAC	80.4	80.6	32.6	26.4	25.5	40.5%	32.8%	31.6%
Non-allocated*				120.1	108.3			
Total Professional	858.2	824.0	357.5	357.5	339.2	41.7%	41.7%	41.2%
Specialty Professional	127.8	130.1	63.5	63.5	66.1	49.7%	49.7%	50.8%
Specialty Consumer	95.9	104.4	35.7	35.7	38.1	37.2%	37.2%	36.5%
Total Specialty	223.7	234.5	99.2	99.2	104.2	44.3%	44.3%	44.4%
Total	1,081.9	1,058.5	456.7	456.7	443.3	42.2%	42.2%	41.9%

** Non-allocated gross profit represents the mark-up on internal prices on products acquired by the Professional segments from production units. For the Specialty segments, the reported gross profit includes full Nilfisk's total gross profit on such products. The table also shows gross profit in 2017 for the Professional segments, with full allocation of gross profit to the three segments. The comparable figures for fully allocated gross profit in 2016 are not available.*

Aftermarket revenue showed flat development to 333.0 mEUR in 2017 from 333.1 mEUR in 2016 impacted by changes in currency exchange rates. Underlying organic growth was 1.1%. The flat development was caused mainly by the fact that service engineer capacity came into full effect only by the end of 2017.

Gross profit and gross margin

Nilfisk's gross margin increased from 41.9% in 2016 to 42.2% in 2017. The development was driven by a 0.5 percentage point increase in the combined gross margin of the professional segments EMEA, Americas and APAC. The improvement was achieved in spite of an increase in raw material prices and increased freight costs, factors that had a negative impact across all segments, as well as changes in product mix towards a higher share of private label sales with lower margins in the EMEA segment.

The consolidated gross margin was also impacted by a change in the segment mix of revenue.

Overhead costs

Total overhead costs amounted to 369.0 mEUR in 2017, an increase of 10.4 mEUR or 2.9% compared to 2016. Correspondingly, the overhead costs as percentage of revenue increased to 34.1% from 33.9% in 2016.

Despite positive effects from the cost saving program there was an increase in total overhead costs, which can be explained by

Overhead costs

EUR million	2017	2016
Research and development costs	32.3	30.0
Sales and distribution costs	252.7	236.4
Administration costs	86.3	93.0
Other operating income, net	2.3	0.8
Total overhead costs	369.0	358.6
Total overhead costs as % of revenue	34.1%	33.9%

investments in front end sales and marketing, initiatives related to digitalization and other investments in the business, as well as inflation.

Included in overhead costs is the impact of a change of 3.0 mEUR in the value of Nilfisk's liability related to the phantom share program, which is part of Nilfisk's overall long-term incentive program. The change that occurred from the listing in October 2017 to December 31, 2017, where the Nilfisk market price per share reached its all-time high in 2017, is accounted for as part of overhead cost. The increase in the liability under the phantom share program is caused by a change in the assumptions derived from the listing of Nilfisk and the quotation of a market price of the Nilfisk share. This change is accounted for under special items. Excluding the impact of the phantom share program, overhead costs would amount to 366.0 mEUR, and the overhead costs as percentage of revenue would be 33.8%, which is unchanged from last year on a comparable basis.

Nilfisk's total research and development spend decreased from 38.3 mEUR (3.6% of revenue) in 2016 to 33.8 mEUR (3.1% of revenue) in 2017, of which 18.8 mEUR has been recognized as an expense in the income statement while 15.0 mEUR has been capitalized in the balance sheet under intangible assets. Research and development costs include depreciation of 13.5 mEUR in 2017. The total amount recognized under research and development in the income statement in 2017 was thus 32.3 mEUR compared to 30.0 mEUR in 2016. 2017 was a transition year for the research and development function where focus has been directed to digitalization and building up a function to support the future requirements in terms of digitalization and autonomous cleaning.

Sales and distribution costs amounted to 252.7 mEUR in 2017, equivalent to 23.4% of revenue, which is an increase of 3.4 percentage points compared to 2016. This can be explained by further investments in additional sales personnel and sales management tools, mainly in EMEA, to fuel growth and strengthening product and marketing functions. Distribution costs was impacted by

FINANCIAL REVIEW

increasing freight costs. The costs were comprised of 186.7 mEUR related to selling and 66.0 mEUR related to distribution.

Administration costs decreased to 86.3 mEUR from 93.0 mEUR in 2016. Thus, the administration cost as a percentage of revenue improved significantly to 8.0% in 2017 compared to 8.8% in 2016. The improvement was primarily due to the ongoing implementation of the Accelerate+ cost saving program. For more information on the financial impact of the program, see the text box "Cost saving program" below.

Operating profit before amortization/impairment of acquisition-related intangibles and special items

In 2017 the operating profit before amortization/impairment of acquisition-related intangibles and special items increased by 3.3%, or 2.8 mEUR, from 84.9 mEUR in 2016 to 87.7 mEUR. The increase was due to the combined effect of the increase in gross profit of 13.3 mEUR partly offset by an increase in overhead costs of 10.4 mEUR.

Cost saving program

In 2016 Nilfisk initiated the cost saving program Accelerate+, with the target of realizing 35 mEUR in annual EBITDA improvements. The full cost saving potential of this cost saving program is expected to be achieved as of December 2019, with full EBITDA impact from the financial year 2020.

The program includes overhead reductions from structural changes and efficiencies through production footprint, sourcing initiatives, process optimization, complexity reductions, and price management. By the end of 2017, initiatives implemented and launched in 2016 and 2017 had positively impacted costs with savings in 2017 of 17 mEUR, and with expected full-year effect of 21 mEUR, split with approximately 15 mEUR related to overhead reductions, approximately 5 mEUR related to Global Operations initiatives, and less than 1 mEUR related of other initiatives such as complexity reductions and price management. The effect on EBITDA before special items of 15 mEUR in 2017 compared to 2016 relates to gross profit of 3 mEUR and overhead of 12 mEUR.

EUR million	2016 Realized	2017 Realized	2018 Expected	2019 Expected	Full potential end 2019
Annual accumulated impact on EBITDA before special items related to levers executed prior to the end of each period	11	21	27-31	35	35
Impact on reported EBITDA before special items in the income statement for the period	2	17	23-27	30-33	35
Restructuring costs for the period (reported under special items)	10	10	8-10	8-10	35
Implementation costs for the period (reported under special items)	5	0	0	0	5
Capex investments for the period	0	4	2-5	2-4	12

Amortization/impairment of acquisition-related intangibles

Amortization/impairment of acquisition-related intangibles amounted to 6.2 mEUR in 2017 compared to 9.0 mEUR in 2016. In 2017 there was no impairment of acquisition-related intangibles whereas in 2016 impairment of 2.0 mEUR was related to restructuring of a smaller entity while amortization of acquisition-related intangibles was 7.0 mEUR.

Special items

Special items amounted to 20.6 mEUR in 2017, which was a decrease from 21.8 mEUR in 2016. In 2017 special items was comprised of cost related to the cost saving program and to cost related to the demerger from NKT A/S:

9.6 mEUR incurred in connection with the cost saving program executed as part of the Accelerate+ initiative.

11.0 mEUR were related to the demerger from NKT A/S and listing of Nilfisk in October 2017. This amount was comprised of 4.2 mEUR of costs incurred in connection with the preparation and execution of the demerger, and 6.8 mEUR related to Nilfisk's phantom share program for key employees. Prior to the listing of Nilfisk's shares on October 12, 2017, Nilfisk's liability under the phantom share program was determined on the basis of a calculated value of Nilfisk's shares. The calculated value of the phantom share program was primarily based on Nilfisk's EBITDA and Net Interest-Bearing Debt as per the end of the previous financial year. Following the listing of Nilfisk, the calculated share value used in the calculation of the value of the phantom share program was replaced by the market price of the Nilfisk shares as quoted on Nasdaq OMX Copenhagen.

The change in the value of the phantom share program is caused by a change in the assumptions applied in the calculation derived from the listing of Nilfisk, and the quotation of a market price of the Nilfisk share, and is accounted for under special items. Subsequent changes in the provision related to the phantom share program resulting from changes in the market price, interest rates, volatility, beta-value, etc. are accounted for under overhead costs.

FINANCIAL REVIEW

For additional information on the phantom share program and the accounting treatment of the program, please see note 3.4 on page 78.

EBITDA before special items and EBITDA

In 2017 EBITDA before special items increased by 3.3 mEUR to 120.1 mEUR, which is equivalent to an EBITDA margin before special items of 11.1%, up 0.1 percentage point from 2016.

Changes in currency exchange rates reduced EBITDA before special items in 2017 by 1.4 mEUR.

The operating performance increased to 123.1 mEUR while the corresponding margin increased to 11.4%, up 0.3% compared to 2016.

Special items before depreciation and amortization amounted to 20.6 mEUR in 2017 and 20.0 mEUR in 2016. As a result, EBITDA amounted to 99.5 mEUR in 2017 compared to 96.8 mEUR in 2016, and the EBITDA margin increased to 9.2% in 2017 from 9.1% in 2016.

The developments in EBITDA and EBITDA margin were impacted negatively by the cost of 9.8 mEUR related to the phantom share program. Excluding the impact of this program, EBITDA amounted to 109.3 mEUR and EBITDA margin increased to 10.1%, up 0.9 percentage points from 2016, on a comparable basis.

Profit before financial items and income taxes (EBIT) and EBIT before special items

In 2017, EBIT before special items increased to 81.5 mEUR from 75.8 mEUR in 2016, and the EBIT margin before special items increased to 7.5% from 7.2% in 2016. Adjusted for costs related to the phantom share program the EBIT margin before special items would increase to 7.8%, an increase of 0.5 percentage point compared to 2016, on a comparable basis.

With special items amounting to a charge of 20.6 mEUR in 2017 and 21.8 mEUR in 2016, EBIT increased to 60.9 mEUR in 2017 from 54.0 mEUR in 2016, equivalent to an EBIT margin of 5.6% in 2017 compared to 5.1% in 2016.

The developments in EBIT and EBIT margin were impacted negatively by costs of 9.8 mEUR related to the phantom share program. Excluding the impact of the program, EBIT amounted to 70.7 mEUR, while the EBIT margin increased to 6.5%, up 1.3 percentage points from 2016, on a comparable basis.

EUR million	2017	2016
Profit before financial items and income taxes (EBIT)	60.9	54.0
Amortization of intangible assets	23.3	25.8
Impairment of intangible assets	0.0	3.1
Depreciation/impairment of property, plant and equipment	15.3	13.9
EBITDA	**99.5**	**96.8**
Special items before depreciation and amortization	20.6	20.0
EBITDA before special items	**120.1**	**116.8**

Financial income and financial expenses

Financial items amounted to net financial expenses of 8.9 mEUR in 2017, compared to net financial expenses of 11.0 mEUR in 2016. As a consequence of the demerger from NKT A/S, Nilfisk Group was allocated 117.0 mEUR in additional debt in October 2017. Due to the late time of the financial year, and the very low interest rates, the additional debt had limited impact on the financial expenses. The net financial expenses decreased with 2.1 mEUR. The decrease was mainly related to a decrease in interest expenses of 4.6 mEUR and a positive development of 2.2 mEUR in relation to gains and losses on derivative financial instruments, partly offset by a negative development in foreign exchange gains and losses and capital gains and losses of 5.7 mEUR.

Income taxes

The Nilfisk Group's tax rate is impacted by the composition of taxable income in the countries in which the Group has activities.

Despite an increase in the Nilfisk Group's profit before income taxes of 9.0 mEUR, the consolidated level of income taxes decreased to 11.7 mEUR in 2017 (13.5 mEUR in 2016). Thus, the effective tax rate decreased from 31.4% in 2016 to 22.6% in 2017. This was primarily due to two factors; one being that a smaller proportion of the Nilfisk Group's income was generated in countries with high income tax rates in 2017 compared to 2016, resulting in a general reduction of income taxes. The other being the one-off impacts related to adjustments for previous years and the effect of the US tax reform, where a reduction of the federal tax rate to 21% (2018) required a 2017 re-measurement of the US net deferred tax liabilities, resulting in a tax benefit of 1.4 mEUR. Going forward, the US tax reform is expected to have a positive impact on the Nilfisk Group's level of income taxes.

Profit for the year

Profit for the year amounted to 40.3 mEUR, which was an increase of 10.8 mEUR compared to 29.5 mEUR in 2016.

Selected balance sheet items

In connection with the demerger, Nilfisk Group's capital base was restructured. Prior to the demerger Nilfisk Group was part of the NKT A/S cash management system, which included significant intercompany current assets and liabilities between Nilfisk and other companies in the NKT Group. By the end of 2016, Nilfisk's funding structure primarily consisted of a long-term loan of 191.5 mEUR provided by NKT A/S and short-term funding, net of 102.8 mEUR, primarily consisting of a drawing of 106 mEUR under the NKT Group cash pool, in total a net funding of 294.3 mEUR. Including the cash position of 28.5 mEUR, the net debt was 265.8 mEUR by the end of 2016.

In connection with the demerger, Nilfisk was allocated an additional debt of 117.0 mEUR. Also in connection with the demerger, a new committed credit facility was established with a group of banks comprising Nordea Denmark, Danske Bank A/S and HSBC plc. The facility has a maximum drawing of 525 mEUR of which 75 mEUR is dedicated acquisitions and 450 mEUR is available for general funding purposes. By the end of 2017, an amount of 397.3 mEUR was drawn under the new facility. This amount has been applied towards repayment of the long-term debt of 191.5 mEUR to NKT A/S, funding of the additional debt of 117.0 mEUR and coverage of the remaining funding need of 88.8 mEUR.

FINANCIAL REVIEW

As of December 31, 2017, the Group's net interest-bearing debt amounted to 359.7 mEUR, an increase of 93.9 mEUR compared to December 31, 2016. The increase was due to capital restructuring as discussed above and by a cash inflow, net of 6.1 mEUR from cash flow from operating and investing activities, as well as changes in currency exchange rates which reduced the net debt by 17.0 mEUR.

As of December 31, 2017, working capital amounted to 163.5 mEUR, an increase of 21.8 mEUR compared to 141.7 mEUR as of December 31, 2016. The increase was driven mainly by an increase of 9.5 mEUR in inventories, an increase of 15.7 mEUR in accounts receivables, and a decrease in accounts payable of 11.5 mEUR. The increase in inventories reflects a more normal level of year-end inventories after an extraordinary low level of inventory by the end of 2016 due to various factors including a late Easter in 2017 and an extraordinary strong demand in the last months of 2016, thus tapping into the normal level of safety-stock. As stated in the Annual Report for 2016, it is estimated that the working capital level as at 31 December 2016 was reduced by approximately 24 mEUR because of extraordinary factors. With an increase in working capital as of December 31, 2017 of 21.8 mEUR, the development in 2017 is seen as a step towards normalization of the working capital level. The working capital ratio, which is calculated as the average working capital over the latest twelve months as a percentage of revenue decreased to 16.2% from 17.6% in 2016. The working capital ratio at the end of 2017 was impacted by a high level of payables due to an extraordinary high level of production in China.

Capital employed and RoCE

As of December 31, 2017, Capital employed amounted to 497.2 mEUR, which was an increase of 6.6 mEUR or 1.3% compared to 490.6 mEUR at the end of 2016. Thus, the development in capital employed was largely in line with the increase in total revenue.

In 2017 Nilfisk's return on capital employed (RoCE) improved significantly by 1.4 percentage points to 16.0% from 14.6% in 2016. The improvement was due to an increase of 7.5% in EBIT before special items and a decrease of 2.0% in the average capital employed.

Cash flow

The Group's cash flow from operations before financial items and income taxes decreased by 74.9 mEUR, from 138.0 mEUR in 2016 to 63.1 mEUR in 2017. The decrease was primarily due to an extraordinary low working capital at the end of 2016 mainly driven by reduced inventories and increased payables. The change in working capital at year-end 2017 was primarily impacted by an increase in trade receivables of 15.7 mEUR, a decrease in trade payables of 11.5 mEUR and an increase of 9.5 mEUR in inventories, partly offset by an increase of 14.4 mEUR in other current liabilities. Cash flow related to financial income and expenses, net, amounted to an outflow of 5.7 mEUR, compared to a cash outflow of 10.6 mEUR in 2016. Tax payments increased to a cash outflow of 16.0 mEUR compared to a cash outflow of 12.7 mEUR in 2016.

Overall, cash flow from operating activities amounted to 41.4 mEUR, a decrease of 73.3 mEUR compared to 2016.

Performance in Q4 2017

In Q4 2017 Nilfisk's financial performance was in line with expectations.

Compared to Q4 2016, revenue increased by 1.4% from 276.4 mEUR in Q4 2016 to 280.2 mEUR in Q4 2017. The development reflects strong organic growth of 5.4%, with all three professional segments EMEA, Americas and APAC contributing to the organic growth of 5.9%, 7.3% and 4.4%, respectively. The organic growth was, however, partly offset by unfavorable changes in currency exchange rates.

The two specialty segments, Specialty Professional and Specialty Consumer, both experienced marginally decreasing revenue, from 56.1 mEUR in Q4 2016 to 55.1 mEUR in Q4 2017. Specialty Professional had organic growth of 3.4% in Q4 2017. As expected, Specialty Consumer stabilized performance and had positive organic growth of 0.5% compared to Q4 2016.

Gross profit increased marginally to 113.1 mEUR, resulting in a gross margin in Q4 2017 of 40.4%, a decrease of 0.2 percentage point compared to Q4 2016.

EBITDA before special items decreased by 3.8 mEUR, resulting in an EBITDA margin before special items of 9.5%, down from 11.0% in Q4 2016. When measured on operating performance, defined as EBITDA margin before special items and excluding the effect from the phantom share program, the margin was 10.6%, a decrease of 0.4 percentage point compared to Q4 2016.

EUR million	Q4 2017	Q4 2016
Revenue	280.2	276.4
Gross profit	113.1	112.1
Overhead costs	94.6	90.2
EBITDA before special items	26.7	30.5
EBIT before special items	17.0	20.3
EBITDA	16.3	23.1
EBIT	6.6	12.8
Financial ratios		
Organic growth	5.4%	11.0%
Gross margin	40.4%	40.6%
EBITDA margin before special items	9.5%	11.0%
EBIT margin before special items	6.1%	7.3%
Overhead costs ratio	33.7%	32.6%

FINANCIAL REVIEW

EUR million	2017	2016
Cash flow from operations before financial items and income taxes	63.1	138.0
Cash flow from operating activities	41.4	114.7
Cash flow from investing activities	-35.4	-72.6
Cash flow from financing activities	7.7	-34.7
Net cash flow for the year	13.7	7.4
Free cash flow excluding acquisitions and divestments	6.0	74.2

Investing activities amounted to a net cash outflow of 35.4 mEUR, a reduction in the cash outflow of 37.3 mEUR compared to 2016. In 2017 there were no acquisitions and divestments, whereas in 2016 acquisitions and divestments amounted to a cash outflow of 32.1 mEUR.

Investments in property, plant and equipment, net decreased by 5.7 mEUR to 13.5 mEUR, while investments in intangible assets and other investments amounted to 23.2 mEUR in 2017, an increase of 0.5 mEUR compared to 2016.

Free cash flow excluding acquisitions and divestments amounted to 6.1 mEUR in 2017 compared to 74.2 mEUR in 2016. The decrease was primarily the result of changes in working capital.

The Group's cash conversion was 63% in 2017 compared to 143% in 2016.

Net cash flow for the year was positive by 13.7 mEUR compared to 7.4 mEUR in 2016.

Outlook 2018

2018 will be a transformational year for Nilfisk.

We will focus on the implementation of the Nilfisk Next strategy which includes continued focus on the initiatives to simplify and grow our business. At the same time, we will dedicate resources and make investments to build the future of cleaning.

In 2018 we will direct our focus to five areas of transformation:

- **Our offerings** We will simplify our product portfolio to reduce complexity throughout the value chain, and focus on targeted bestsellers. While moving towards a more digital service interaction, we will redirect development resources from traditional to autonomous and connected solutions
- **Our marketing** We will redirect our marketing efforts to more data and insights-driven, commercial marketing activities, focusing on the digital customer experience
- **Our IT** We will accelerate the roll-out of standardized supporting systems to our sales and service organizations and launch a new digital customer experience platform
- **Our operations** We will continue to streamline our processes and optimize our operational footprint
- **Our culture** We will continuously foster an opportunity-seeking and pioneering culture, and build new competencies in our staff

We will continue our cost saving program and organic growth initiatives to continue to fund our transformational initiatives as these initiatives will support our future ambitions but they may not have an immediate positive effect on organic growth and EBITDA.

Organic growth is expected to be 3.0%-4.0%. This reflects our expectation of the positive effect from our dedicated growth initiatives and a continued favorable macro-economic environment. The high level of private label sales in 2017 will in 2018 reduce our growth compared to 2017 and we are also mindful of the increased uncertainty imposed by our transformation initiatives which may have a negative impact on organic growth.

EBITDA margin before special items is expected to be 11.5%-12.0%. The effect of the cost saving program will have a positive impact on our margins and will fund investments associated with our transformational journey and investments in the future. For 2018, we have dedicated approximately 10-12 mEUR to be spent on transformational initiatives within digitization, autonomous solutions and IT investments.

Foreign exchange rates in 2018

Based on the forecast average exchange rates for the year 2018[1], we expect approximately -3% impact on revenue growth in 2018 from the development primarily in US Dollar.

3.0% - 4.0%

ORGANIC GROWTH

11.5% - 12.0%

EBITDA MARGIN BEFORE SPECIAL ITEMS

The outlook should be read in conjunction with "Forward-looking statements" on page 132 and our exposure to risk on page 45.

[1] *The forecasted average exchange rates for 2018 are calculated using the realized average exchange rates for January 2018, and the average forward exchange rates for the last eleven months of 2018.*

SEGMENT REVIEW

EMEA

EMEA covers sales of professional products and aftermarket services to markets in Europe, the Middle East and Africa, excluding sales in the carved-out segments “Specialty Professional”.

In 2017 Nilfisk realized revenue of 493.5 mEUR in EMEA, compared to 468.3 mEUR in 2016. Organic growth was 5.9%, driven by strong development in both commercial and industrial segments as well as private label sales. Organic growth excluding private label sales was 3.6%.

Generally the performance was driven by good economic fundamentals in core markets. Furthermore, we continued to see positive effects from our Sales Excellence program and we experienced positive payback on our investments in more sales and service staff, combined with the positive effect from the increased level of segment specialization. In 2017 we had an extraordinary high amount of private label sales as well as a number of large extraordinary orders.

Geographically, the growth was broadly distributed with strong performance in most markets, in particular in Belgium, the Netherlands and France, Iberia and the East and South East Europe region. In North Africa and the Middle East, macroeconomic developments related to political instability had a negative effect on sales.

Over the course of 2017, a consolidation of EMEA sales regions was implemented. The sales organizations in Belgium, the Netherlands and France were merged under one management team in a new region. Another region was established comprised of Iberia, Middle East and Africa. At the end of 2017, the sales responsibility for EMEA was concentrated in six large regions with substantial scale and better opportunities for the development of synergies within the regions.

We also started the process of consolidation of Nilfisk’s Customer Care functions within the larger regions in EMEA, in order to develop synergies and increase customer satisfaction. To this end, a new Customer Care hub for EMEA was established in Hungary to support back-end functions.

In 2017 EMEA’s direct gross profit without allocation of the gross profit generated in production units was 133.2 mEUR, corresponding to a gross margin of 27.0% in 2017, down 1.0 percentage point from 2016. The decrease in the gross margin was due to changes in product mix including strong private label sales and some large extraordinary orders. Furthermore, our service offering saw lower margins driven by investments in future growth and profitability.

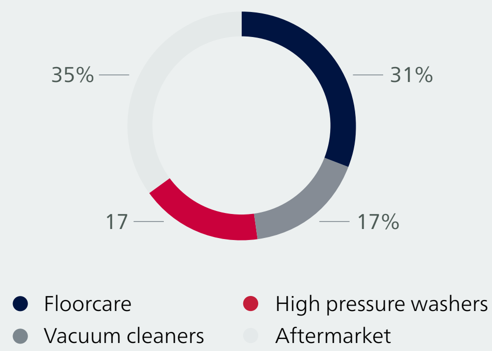
494 mEUR
REVENUE

5.9%
ORGANIC GROWTH

46%
SHARE OF TOTAL REVENUE

42.3%
GROSS MARGIN with full allocation

SALES BY PRODUCT



KEY MARKETS

Germany, France, UK, Denmark, Sweden

Map showing countries with Nilfisk sales entities in the region

SEGMENT REVIEW

AMERICAS

Americas covers sales of professional products and aftermarket services to the markets in North America and South America, excluding sales in the carved-out segment "Specialty Professional".

In the Americas segment, Nilfisk realized revenue of 284.3 mEUR, up 9.2 mEUR from 2016. The increase in sales corresponded to an organic growth of 5.7%. The positive development was driven in particular by increased sales to commercial segments in the US, sales to strategic accounts through proactive pipeline management targeting new and existing customers, and a strong development in Latin America.

While most macroeconomic indicators remained strong, commercial buying was still hesitant. However, in the Floorcare business, we realized positive growth within the commercial segments, offset by weaker performance in the industrial segments. The US high pressure washer business, which was established by the acquisitions of Hydro Tek and Pressure-Pro in 2015 and 2016, realized significant growth, in particular in the hot water business. Sales within high pressure washers were supported by an enhanced focus on sales through online channels as well as the regional dealer network.

In Latin America, Nilfisk realized significant growth rates across markets, with a particularly strong performance in Brazil and Mexico. Several restructuring activities and changes in leadership in selected sales companies supported a strong unified sales focus across the region especially in Argentina, Chile and Peru where we now leverage scale and synergies.

Gross profit without allocation in the Americas was 77.8 mEUR, up 3.3 mEUR from 2016. The gross margin increased to 27.4% driven by pricing and margin optimization.

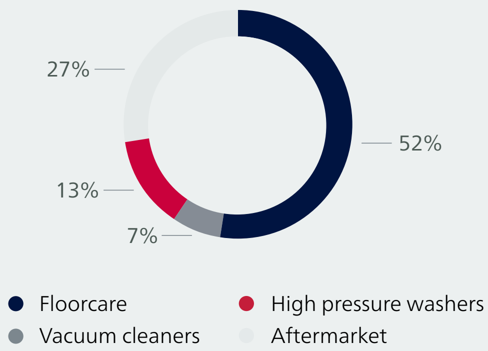
284 mEUR
REVENUE

5.7%
ORGANIC GROWTH

26%
SHARE OF TOTAL REVENUE

40.9%
GROSS MARGIN
with full allocation

SALES BY PRODUCT



KEY MARKETS
USA, Canada, Mexico

Map showing countries with Nilfisk sales entities in the region

SEGMENT REVIEW

APAC

APAC covers sales of professional products and aftermarket services to the markets in Asia and Pacific (Australia and New Zealand), excluding sales in the carved-out businesses "Specialty".

In 2017 Nilfisk realized revenue of 80.4 mEUR, compared to 80.6 mEUR in 2016. Organic growth was 1.3%.

The APAC segment improved profitability during 2017. In China, Nilfisk achieved double-digit growth over the course of 2017, driven by increased sales in the floorcare business. Expansion of the mid-market dealer network and allocation of dedicated sales people for the Viper brand supported growth in China, as well as a stronger focus on sales to Contract cleaners and increased service contract sales.

The positive development was offset by negative development due to challenging market conditions in some of the mature markets in Asia like Japan and Korea.

The markets in Australia and New Zealand realized an organic growth of 3.3% driven by strong growth in mid-market and service.

During 2017, a number of commercial actions and growth initiatives were instituted in key markets in the region, including a strong focus on broadening the mid-market dealer network, improvement of key account management targeting contract cleaners, and increased direct service activities. In the second half of 2017, Nilfisk implemented a management change in APAC to drive future growth. Serdar Ülger was appointed head of the APAC region. With solid experience in driving growth, Ülger comes from a position as head of Nilfisk's East and South East Europe region.

The APAC region improved gross profit with no allocation, from 25.5 mEUR in 2016 to 26.4 mEUR in 2017. The gross margin with no allocation increased by 1.2% percentage points to 32.8%, mainly driven by higher margins on service and improvements in inventory management.

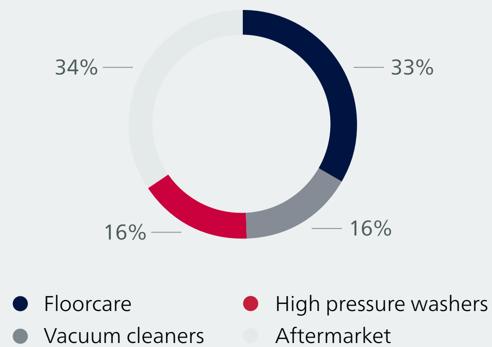
80 mEUR
REVENUE

1.3%
ORGANIC GROWTH

7%
SHARE OF TOTAL REVENUE

40.5%
GROSS MARGIN
with full allocation

SALES BY PRODUCT



KEY MARKETS
Australia, China, Singapore, Thailand

Map showing countries with Nilfisk sales entities in the region

SEGMENT REVIEW

SPECIALTY PROFESSIONAL

Specialty Professional covers sales of industrial vacuum cleaners, outdoor equipment, restoration equipment, and specialized equipment for the food industry.

Specialty Professional realized revenue of 127.8 mEUR in 2017 compared to 130.1 mEUR in 2016. Organic growth was 2.5% after strong growth in two of the four business units. Overall, sales growth was below expectations due to lower sales than expected in the business areas of outdoor equipment and restoration equipment.

The Industrial Vacuum Solution business showed strong sales performance and organic growth well above Group average. The growth was geographically broadly based, particularly strong in the Americas and APAC, sustained by general positive climate in the manufacturing industries. Nilfisk has a strong focus on selected segments requiring specialized knowledge in areas like safety, supporting a growing demand worldwide for certified products for both combustible dust and toxic material. Nilfisk's comprehensive product range for dust containment solutions supported sales to these segments.

The business area Nilfisk Food, developing specialized equipment for the food industry, experienced a positive sales development, supported by a good business climate in the food & beverage industries globally.

In the Outdoor business, Nilfisk realized lower sales compared to 2016, mainly caused by lower sales activity in China. Due to the performance and the market conditions over the course of 2017, a strategic review of the Outdoor business was initiated.

In the business of restoration equipment, Nilfisk realized lower sales in 2017 compared to 2016, caused by difficult market conditions and increased competition.

The gross profit in the segment decreased from 66.1 mEUR in 2016 to 63.5 mEUR in 2017. The gross margin dropped 1.1 percentage points to 49.7% in 2017. This was driven by lower margins in industrial vacs segment mainly due to product mix. The margin was favorably impacted from the Food segment by improved production efficiency and procurement.

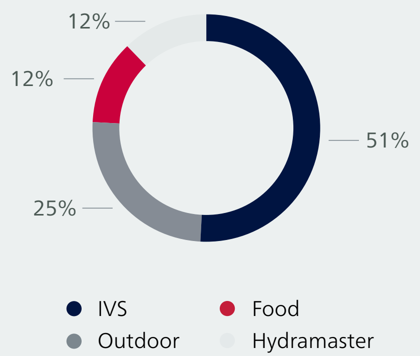
128 mEUR
REVENUE

2.5%
ORGANIC GROWTH

12%
SHARE OF TOTAL REVENUE

49.7%
GROSS MARGIN
with full allocation

SALES BY BUSINESS AREA



BUSINESS AREAS

Specialty Professional covers:
- Industrial Vacuum Solutions
- Outdoor equipment
- Restoration equipment
- Specialized equipment for the food industry

VHC120 ATEX compressed air industrial vacuum cleaner launched in 2017

SEGMENT REVIEW

SPECIALTY CONSUMER

Specialty Consumer covers sales of domestic vacuum cleaners, high pressure washers, and related aftermarket services to the consumer markets worldwide.

In Specialty Consumer, Nilfisk realized revenue of 95.9 mEUR in 2017 compared to 104.4 mEUR in 2016, which was significantly below expectations. The revenue decrease was due to the loss of a large customer early in 2017, negatively impacting the development. Sales performance stabilized during Q4, 2017 with positive organic growth. Organic growth for the full year was -7.7%.

2017 was the first year for Specialty Consumer as a carved-out separate entity in Nilfisk Group. The new business unit is establishing a competitive go-to-market strategy for consumer markets worldwide in order to ensure future profitability.

Sales were driven by a strong performance in selected major markets, with significant growth in the Pacific and Asia regions and a stable development in the Nordic markets. These trends were offset by the loss of the single large customer as well as a cold spring in Central Europe negatively impacting sales in this region.

In 2017, Specialty Consumer introduced a new range of compact high pressure washers and a new range of wet/dry vacuum cleaners for the DIY segment.

In addition to DIY, online channels are also growing, and Nilfisk's go-to-market strategy is focused on addressing this trend. Over the course of 2017 the digital marketing platform was strengthened with cross-regional advertising campaigns, and sales increased with double-digit growth in online channels.

A new warehouse for Nilfisk consumer equipment was established in Hamburg, Germany. With its strategic position, the new warehouse will enable Nilfisk to better meet the expectations of consumer customers across Europe. The first deliveries from the warehouse took place in August 2017.

New product introductions, combined with enhanced focus on improving earnings through product mix optimization, stabilized sales late 2017 and positively impacted the gross margin, which was 37.2% in 2017, up 0.7 percentage point from 2016.

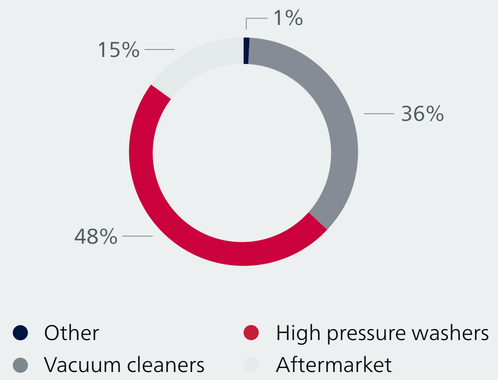
96 mEUR
REVENUE

-7.7%
ORGANIC GROWTH

9%
SHARE OF TOTAL REVENUE

37.2%
GROSS MARGIN
with full allocation

SALES BY PRODUCT



BUSINESS AREAS

Specialty Consumer covers:
- Domestic vacuum cleaners
- High pressure washers
- Related after-market services to the consumer markets worldwide

C125-7 high pressure washer launched in 2017

OUR BUSINESS

OUR BUSINESS

OUR PROFILE

Every day, all over the world, people need clean environments at workplaces, hospitals, schools, airports, construction sites, and in their homes. As the global population continues to grow and living standards improve, the demand for cleaning and improved quality of life increases.

Nilfisk was founded in 1906 on a vision of producing and selling products of the highest quality worldwide, and for more than a hundred years we have adapted to the changing needs of markets and customers with innovative cleaning products and solutions. We have a clear mission that drives us: We enable sustainable cleaning worldwide to improve quality of life.

With a global sales force and proven sales channels, we have established strong and valuable customer relations and partnerships across the world. We strive to be at the forefront of technological advancement – to respond to future customer needs, and to improve their businesses and lives. We ensure strong customer access and a global sales coverage through direct as well as indirect sales channels. Nilfisk has a salesforce of 1,800 full-time employees driving sales and service through sales entities in 45 countries in the EMEA, Americas and APAC, as well as an extensive network of dealers reaching customers in more than 100 countries.

Nilfisk is among the global market leaders in the professional cleaning equipment industry, with an estimated global market share of approximately 11-13%. We hold a strong market position within the high-end segment, estimated to account for approximately 45-50% of the total market value.

One of our key strengths is understanding individual customers' needs and businesses. We have defined a number of strategic customer segments, selected on the basis of financial attractiveness and ability for Nilfisk to compete, on which we focus our sales, marketing and product development efforts.

91% of our sales originate from the professional business, to which we offer an extensive range of premium cleaning equipment and a trusted aftermarket offering. We have a strong portfolio of recognized global, regional and local brands, some of which carry 100+ years of legacy and play an important role in attracting and retaining customers in a fragmented market.

1906

YEAR OF ESTABLISHMENT

1,800

FULL-TIME EMPLOYEES IN OUR WORLDWIDE SALES AND SERVICE FORCE

100

NILFISK PRODUCTS AND SERVICES ARE SOLD IN MORE THAN 100 COUNTRIES

OUR BUSINESS

OUR OFFERINGS

We strive to be customer centric at all times and based on our customer insights, we know that the most important product-related criteria for customers when buying professional cleaning equipment are quality, performance and reliability. Nilfisk is highly rated by customers on all three buying criteria.

Our products and services are designed to increase customer value through value-adding features, high durability and lower total cost of ownership, and through a range of product brands. We offer a range of products and services primarily within the high-end segment targeting professional customers.

Product lines and offerings

The largest product line in the Group's portfolio is Floorcare, which consists of scrubbers, sweepers, polishers, burnishers, and outdoor machines. This product line accounted for 33% of revenue in 2017. Furthermore, Nilfisk holds strong positions within Vacuum cleaners (dry and wet & dry-use vacuum and industrial vacuum cleaners) and high pressure washers including ultra-high pressure washers and low pressure washers offered to both professionals and consumers. These two product lines each accounted for 18% of revenue in 2017.

In addition to the sale of machines, Nilfisk also provides value-added aftermarket offerings such as service solutions, parts and accessories, ensuring high reliability for customers by providing maximum uptime and predictable cost. Aftermarket accounted for 31% of sales volume in 2017. Nilfisk's aftermarket offering also serves to strengthen customer relationships, securing high customer retention as well as attracting new customers and creating further sales opportunities. It is pivotal to ensure uptime for our customers through fast delivery of spare parts and quick dispatch of service technicians.

Focus on autonomy and digital services

We are continuously working with our portfolio to ensure that we have the most competitive offering. We are focusing on streamlining our product portfolio by reducing the number of product platforms and by implementing a modular part strategy to increase scale advantages and reduce complexity throughout the value chain.

Our product portfolio planning process and customer-insight driven product development process are aimed at making sure we invest in the right competencies, have the right products and bring them to market faster.

In 2017 we spent 3.1% of revenue on product development and had more than 250 employees within this area. In the second part of the year, we completed structural changes to further strengthen the company's commercial focus. A new Global Products & Services organization was established with a segmental approach to enhance our customer focus combined with strong focus on autonomy, use of data and digital services to drive future offerings from Nilfisk. In addition to a number of strategic partnerships (learn more on page 33), we continue to build internal capabilities in these areas, and in 2017 we welcomed a number of talented commercial and technical autonomy specialists.

250+

ENGINEERS AND SPECIALISTS WORKING WITH PRODUCT DEVELOPMENT AT NILFISK

33%

FLOORCARE IS OUR BIGGEST PRODUCT LINE COMPRISING 33% OF REVENUE

31%

AFTERMARKET MAKES UP 31% OF OUR TOTAL REVENUE

DEEP DIVE

INNOVATIVE PRODUCT LAUNCHES

Selected product launches of 2017

CS7010

The CS7010 is a hybrid and ePower combination sweeper and scrubber, designed to clean floors in large areas. It is suitable for warehouses, manufacturing plants, stadiums, parking ramps and such. The machine was launched in three models, LPG-Hybrid, Diesel-Hybrid and ePower Battery, replacing a high-maintenance hydraulic system with an Electric Drive Technology. That means a lower cost of ownership, because the CS7010 does away with the complexity and high maintenance of hydraulic systems that power conventional combination machines. The CS7010 is equipped with a number of innovations from Nilfisk, like ClearView™ sightlines and automatic speed reduction in turns for safer operation and a tools-free tilt-out/lift-off recovery tank with integrated Smart-Flow™ solution. The machine is also available with Nilfisk's patented DustGuard™ airborne dust suppression technology.

Viper PS480

The PS480 is the first manual push sweeper launched in the Viper brand. Viper targets the mid-market, where the focus is on value for money and a balanced approach to quality/durability and features. The price point in this market segment is typically 15-30% lower than in the high-end segment. The PS480 sweeper, suitable for shops, gas stations, schools, etc., has a compact construction. The brooms are rotated via a belt drive or by a simple two-wheel transmission with very little need for service since no motor, battery or power cord require attention.

GD5

Trailing an electrical cord between the seats in an auditorium or stretching a cord to the max to reach the tricky spots in airplanes, trains or busses. People who work in the cleaning industry are familiar with occasions in which mains-powered vacuums can be challenging. The GD5 Battery is a cordless backpack vacuum cleaner that provides more flexibility in the cleaning process. It has a low sound pressure level, enabling cost-effective daytime cleaning. In addition to the added mobility, the machine has an expanded runtime and a charge time of only 40 minutes to ensure high productivity.

The CS7010

OUR BUSINESS

OUR OPERATIONS

Nilfisk's manufacturing set-up is to a large extent based on assembling components purchased from external suppliers. That means cost-effective sourcing of components is important. Furthermore, Nilfisk distributes its products globally, so efficient distribution is critical for our operations.

The sourcing organization is focused on ensuring optimal supplier performance on parameters such as quality, delivery, cost and new product development. This is done by cross-functional global and regional category management teams who negotiate commercial terms with individual suppliers within each specific product component category. Over the course of 2017, new sourcing strategies were applied, including supplier segmentation and supplier relationship management.

Nilfisk has established a close international cooperation between sourcing, product development and manufacturing to ensure optimal product design while balancing the level of complexity.

Assembly-focused production

Production is based on a standardized assembly-focused setup, with approximately 95% of production value from our own sites relating to assembly-only production. To a limited extent, Nilfisk also relies on OEM (private label) sourcing of finished products from other manufacturers. At the end of 2017, Nilfisk had a total of 17 production sites in 10 countries, with the main facilities located in Hungary, Italy, China, the US, and Mexico.

In the second half of 2017, we initiated a restructuring of the production setup in Europe, aimed at creating a production setup in which each factory concentrates on specific product families. This will reduce complexity and enable effective development of operations at each site including improved quality processes, better efficiency and increased stability. The ongoing restructuring of the European production is expected to be completed during Q2 2018. When completed, the Guardamiglio (Italy) and Lemvig (Denmark) sites will be pure Outdoor sites, the Szigetszentmiklós (Hungary) site will produce Floorcare products and the Nagykanizsa (Hungary) plant will focus on professional high pressure washers as well as vacuum cleaners.

Ensuring high delivery performance

Products are delivered through a reliable distribution setup with our regional distribution centers in the Americas and EMEA. The distribution of products is handled through the regional distribution centers as well as multiple local warehouses located in the majority of the countries where we have sales companies. Overall, Nilfisk targets a consistent level of delivery accuracy while balancing efficiency and responsiveness with working capital requirements.

Quality assurance

Quality assurance is a key focus for Nilfisk. A variety of controls and programs have been implemented throughout the back-end processes to ensure high product quality and reliability, including sourcing, manufacturing and distribution processes.

95%

SHARE OF PRODUCTION VALUE FROM ASSEMBLY-ONLY PRODUCTION

17

PRODUCTION SITES

OUR BUSINESS

OUR MARKETS

As a global cleaning equipment manufacturer in the professional and consumer segments, all businesses and households are potential customers of Nilfisk – and the effect of cleanliness is valuable everywhere. Nilfisk operates primarily in the professional market, which constitutes 91% of our total revenue.

The global market for professional cleaning equipment relevant to Nilfisk consists of floorcare equipment, vacuum cleaners and high pressure washers and aftermarket (spare parts, accessories, consumables, and services related thereto). According to internal estimates, the global market value of the professional cleaning equipment market relevant to Nilfisk is approximately 7.5 bnEUR annually.

The part of the global market for consumer cleaning equipment in which Nilfisk primarily operates constitutes vacuum cleaners and high pressure washers. Nilfisk estimates that the global consumer market size of vacuum cleaners and high pressure washers is 12.0-14.5 bnEUR.

Price/value segments

The market for professional cleaning equipment can be split into different price/value segments based on the price points, the features and quality of the equipment and aftermarket offerings:

- **High-end** Approximately 45-50% of the professional market. Products sold to this segment are characterized by high quality and durability as well as many features. This market segment is where Nilfisk has primarily operated historically and holds its strongest position
- **Mid-market** Approximately 35-40% of the professional market. Includes products with a focus on value for money and with a balanced approach to quality/durability and features. The price point in this market segment is typically 15-30% lower than in the high-end segment
- **Low-end** Approximately 15-20% of the professional market. This segment comprises products where price is the key factor at the expense of quality/durability and features. Nilfisk does not operate, or plan to operate, in this market segment

Nilfisk has five operating segments: the geographically defined operating segments EMEA, Americas and APAC, defined by certain professional products, and Specialty Professional and Specialty Consumer.

7.5
bnEUR

TOTAL MARKET VALUE
of the global market for professional cleaning

HIGH-END MARKET

45-50%
of the professional market is made up of the high-end market. Products are of high quality with many features

OUR BUSINESS

OUR PEOPLE

As a key global player in the cleaning industry, represented in more than 45 countries worldwide, Nilfisk has a diverse range of employees in terms of age, nationalities, skills and backgrounds.

We are committed to continue being an attractive company to work for, which is why we ask all our 5,800 people globally to give us their feedback once a year. The feedback is collected through our global engagement process. 88% of all employees shared their feedback in the 2017 survey in which we achieved an employee engagement score of 71%.

We have an aspiration to be among the best in class companies to work for, comparing ourselves to other global companies.

Developing talents

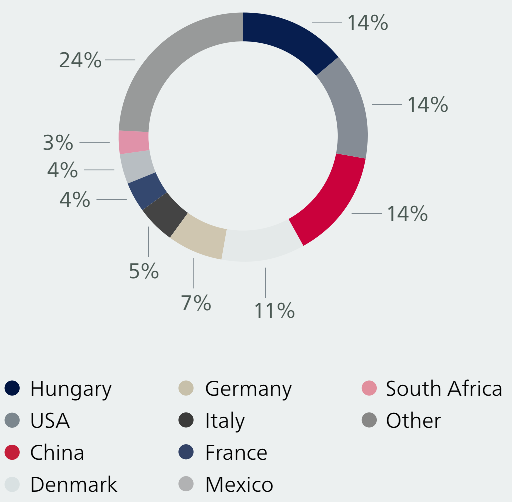
With the introduction of a new operating model in 2017 and the reorganization of our business structures, we have promoted several internal talents to key positions. Following the listing of Nilfisk and our enhanced focus on new technologies, we have experienced an increased ability to attract specialists and talents to Nilfisk. Over the course of 2017, we have been able to recruit several high caliber talents to key leadership positions and key specialists to upgrade our capability to build future offerings to our customers.

Our people are our core asset and their development go hand in hand with the future of our company. That's why we have invested significantly in the development of our core competences within two key areas:

- **Leadership** The Expand Leadership Program, targeted at 150 executives and top managers across the globe, introduced a dedicated focus on strategic leadership, execution and building cross-organizational networks. The program was completed in the second half of 2017, followed by the introduction of a leadership toolbox and manager training targeted all people managers globally

- **Front-end sales force** Nilfisk's global sales academy training program continued in 2017, targeted at our sales representatives with a special focus on value selling and acquiring new customers. By the end of 2017, more than 75% of our sales force has completed this program which continues in 2018

EMPLOYEES BY COUNTRY
(2017)



NILFISK EMPLOYEE ENGAGEMENT RATE (2017)

71%

are highly engaged

External benchmark: **71%**

OUR STRATEGY

OUR STRATEGY

BUILDING THE FUTURE OF CLEANING

The cleaning industry is changing, with new technologies rapidly evolving. At Nilfisk, we are ready to take the lead in this industry development and have refined our strategy to 'Nilfisk Next'. The strategy continues our efforts to simplify and grow the company while enhancing our focus on building the future of cleaning.

Technology is enabling smarter and more innovative cleaning solutions. At Nilfisk, we see great potential in the technological development, and we have a clear vision of making our customers' businesses smarter through intelligent cleaning solutions.

To embrace the future opportunities and harvest the benefits of new technology, we have refined our strategy to 'Nilfisk Next'.

Nilfisk Next supports the vision for the future of Nilfisk, and includes clearly defined strategic drivers and an operational plan for 2018 with clear priorities. Nilfisk Next builds on the direction and the initiatives set out in the Accelerate strategy, in which we focused on simplifying and growing our company.

With Nilfisk Next, we are continuing this journey – while adding stronger focus on the opportunities we see within digitalization and autonomy.

Vision and strategic drivers

Along with Nilfisk Next we have introduced a clear vision. We want to lead intelligent cleaning to make our customers' businesses smarter. It is ambitious. And to get there, we need to transform our business. Innovation is nothing new for Nilfisk; we have developed intelligent cleaning solutions for more than a century, and we are committed to continuing that journey.

We have identified three strategic drivers that we believe will enable us to succeed with the transformation of Nilfisk.

- **One team – one agenda** We will focus our efforts across the entire value chain and ensure a clear and unified approach both in the back-end and front-end
- **Simplify and grow** Through continued simplification, we will reduce complexity and improve our earnings. Through targeted growth initiatives, we will continuously build our industry position
- **Build the future** We will seize the opportunities of new technologies to meet the needs of our customers. We will continue to refine our customer and market insights and always keep digital solutions top of mind

Nilfisk Next has three strategic drivers

One team, one agenda

Simplify and grow

Build the future

Identified fields of transformation

The three strategic drivers will guide a transformation of significant parts of our business. More specifically, we will in 2018 start the transformation within five areas:

• **Our offerings** We will simplify our product portfolio to reduce complexity throughout the value chain, and focus on targeted bestsellers. While moving towards a more digital service interaction, we will redirect development resources from traditional to autonomous and connected solutions

• **Our marketing** We will redirect our marketing efforts to more data and insights-driven, commercial marketing activities, focusing on the digital customer experience

• **Our IT** We will accelerate the roll-out of standardized supporting systems to our sales and service organizations and launch a new digital customer experience platform

• **Our operations** We will continue to streamline our processes and optimize our operational footprint

• **Our culture** We will continuously foster an opportunity-seeking and pioneering culture, and build new competencies in our staff

Some of these transformations were already started during 2017 and we intend to put even more emphasis on making the necessary changes in 2018 and beyond. With Nilfisk Next, we have a clear plan and clear priorities, not only for 2018 but also for the years ahead.

2017 progress on selected strategic initiatives

Throughout 2017, we have seen good progress in the initiatives that support the simplification and growth of Nilfisk.

Growth initiatives

Autonomous cleaning

In 2017 the development of the Nilfisk Liberty A50 – the first autonomous solution from Nilfisk – progressed as planned and the first units were shipped to a US customer at the end of the year. New partnerships were also announced during the year, with the specialized robotics company Blue Ocean Robotics and with Aalborg University including the creation of an innovation hub at Novi Science Park. Both partnerships lay the foundation for future developments within autonomous cleaning. Learn more about our ambitions within autonomous cleaning in the Deep Dive on page 33.

Sales and Service Excellence

Nilfisk has a global Sales Excellence program with the purpose of driving top-line growth. The program includes a clear structure for customer prioritization and segmentation combined with a performance enhancing incentive structure. Also in 2017, we have built a solid foundation for the continued growth of our service business. A best-in-class field management system (Service Max) has been implemented in some of our key markets and we have ramped up the service capabilities to ensure the best possible set-up going forward.

Driving growth in the mid-market

Throughout 2017 Nilfisk has seen a positive development in the mid-market with growth above average. There was a positive development of sales in the Viper brand, especially in the US but also across a wide range of markets in EMEA and APAC. This is a result of a strong focus on expanding the network of Viper dealers combined with continuous product improvements to further support the core benefits of the Viper brand - simplicity, reliability and affordability.

Strategic Accounts

In 2017, a Strategic Accounts initiative was implemented to drive growth. The strategic account set-up ensures a focus on high value accounts while shifting focus from selling a single product to offering complete customer solutions. The organization is now in place, which ensures a more focused and targeted approach towards larger, cross-regional strategic accounts.

Emerging markets

China has been identified as a key market for future growth. In China, the mid-market dealer network has been increased during 2017 combined with an increased focus on tailor-making offerings to the large growing Chinese market which has led to a double-digit organic growth in 2017.

Simplification initiatives

As part of the Accelerate+ initiative introduced in the second half of 2016, we implemented a cross-functional program of structural changes. A new operating model came into effect in the beginning of 2017, carving out certain products from the geographically defined operating segments previously used, to create two new operating segments – "Specialty Professional" and "Specialty Consumer". The updated operating model has increased transparency and created a stronger focus on sales processes building an important foundation for both growth and simplification.

In addition to the new operating model, the Accelerate+ initiative included a cost saving program, see description on page 13.

Reducing overhead costs through structural changes

Over the course of 2017 the roll-out of initiatives in the cost saving program continued. Key initiatives include optimization of span of control, process optimizations, building shared service functions, outsourcing of activities and consolidation of tasks to reduce redundant work.

In Q3 2017, Nilfisk signed an agreement with Wipro Ltd., an India-based outsourcing provider, to outsource a number of transactional finance processes. Later, the agreement was expanded to include marketing services and select IT services. The project progressed well and in accordance to plans. Wipro will drive enhanced operational efficiency for Nilfisk through process simplification and standardization.

Global operations optimization

We have identified several simplification opportunities within our operations, and in 2017 the efforts to reduce complexity, reduce cost and drive functional excellence continued.

In our sourcing functions, we have a consistent focus on Nilfisk's customers and our product quality. A series of category reviews were completed, and renegotiation and replacement of existing contracts were executed. In order to increase flexibility and transparency within our supplier base, as well as reduce cost, our aim is substantial supplier base reduction by 2019.

Pricing optimization

During 2017 we have increased our focus on price management and implemented a set of best practices guiding price-setting, discounts, rebates and cost-to-serve. We have piloted the project in US demonstrating a positive financial impact and the project will go fully live in US in 2018.

Medium term targets

Nilfisk Next sets the direction for 2018 and beyond. Through the continued focus on the initiatives to simplify and grow our business and the planned investments to build the future of cleaning, we are steering towards three instrumental medium term targets covering the period 2020-2022:

1) 3-5% annual organic growth
2) 13-15% EBITDA margin before special items
3) Return on capital employed exceeding 20%

Complexity reductions and modularization

We are actively focusing on streamlining our product portfolio and the roll-out of activities supporting the complexity reduction continued over the course of 2017. We believe that a streamlined and transparent product portfolio is an essential part of driving growth throughout our product lines. In addition to cost reductions, a reduction in the product portfolio has significant potential in terms of sales efficiency, improved customer service and increased delivery performance. To this end, a reduction of SKU's (Stock Keeping Units) and product platforms continued in 2017.

The integration of a modular part strategy continued with the aim of increasing scale advantages and reduce production complexity.

LEADING AUTONOMOUS CLEANING

In 2017 Nilfisk continued to build its position within autonomous cleaning with the announcement of two new significant partnerships, the release of the first Nilfisk Liberty A50 units, and the ramping up of autonomous capabilities across the Nilfisk organization.

At Nilfisk, we expect up to 10% of our revenue to come from a portfolio of autonomous cleaning solutions within 5-7 years. It is an ambitious goal. However, in an industry where around 70 percent of the total cost of cleaning relates to labor, developing self-driving cleaning machines that can free up cleaning operators for higher value tasks is a strong and clear business case.

Over the course of 2017, we took several significant steps on our journey to become the leading supplier of autonomous cleaning solutions for the professional segments.

Release of the first Nilfisk Liberty A50 units

The development of Nilfisk Liberty A50 successfully progressed throughout 2017. Nilfisk Liberty A50 is the first autonomous floor scrubber from Nilfisk. It is designed to deliver unprecedented productivity gains for our customers and was developed in close collaboration with Carnegie Robotics, which has been a strategic partner for Nilfisk since 2016. The first Nilfisk Liberty A50 units were released to customers at the end of 2017 and customer interest in the solution is significant.

During 2018, we will continue the commercial roll out of Nilfisk Liberty A50 while maturing the technology even further.

Partnership with Blue Ocean Robotics

In the fall of 2017, Nilfisk announced a strategic partnership with the specialized robotics company Blue Ocean Robotics. In the years ahead, Nilfisk will work with Blue Ocean Robotics to develop autonomous solutions in close cooperation with customers from the industry. The partnership complements our existing collaborations within the field of robotics and is part of a multi-partner strategy, in which we will develop our product portfolio in close collaboration with highly-specialized technology companies that are the best within their fields.

Strategic collaboration with Aalborg University

Attracting the brightest autonomous specialists and learning about new trends in the field of robotics is a key stepping stone for building our position within autonomous cleaning. 2017 was also the year in which Nilfisk initiated a closer collaboration with the academic world, with the announcement of a new partnership with Aalborg University, recently named one of the world's leading engineering educations.

The partnership includes joint research and an innovation hub at Novi Science Park, where we plan to hire a number of specialists in the years ahead. Additionally, a close collaboration will be established between leading researchers from the university's departments of Computer Science, Electronic Systems and Energy Systems and the technical and commercial specialists at Nilfisk.

Building internal capabilities

Throughout 2017, we also continued to build our internal autonomy capabilities. This process was accelerated in the latter part of the year when the Global Products & Services organization was restructured, allowing for a dedicated focus on the future growth drivers for Nilfisk – autonomy being one of them.

During 2017 we have welcomed a number of talented commercial and technical autonomy specialists to the Nilfisk team. We will continue to build our resources in this field throughout 2018, ensuring that we have the best possible people in place to develop industry-leading intelligent cleaning solutions.

CORPORATE REVIEW

DEEP DIVE

NILFISK LISTED ON NASDAQ COPENHAGEN

October 12, 2017, Nilfisk reached a historical milestone with the listing on Nasdaq Copenhagen. Intense preparations culminated in the opening bell ceremony celebrated by the entire Nilfisk community.

In September 2016, the Board of Directors at NKT A/S announced its intentions to split the holding company into two separately listed companies – Nilfisk and NKT. The split was announced after NKT Holding acquired ABB Cables, creating two viable companies that were among the leaders of their respective industries: Nilfisk and NKT Cables.

The demerger

The split was conducted as a partial, tax-exempt demerger of NKT A/S, which – for accounting purposes – had retrospective effect as of January 1, 2017. NKT contributed 100% of its shares in Nilfisk A/S to Nilfisk Holding A/S, which was incorporated when the demerger was completed.

At the time of the demerger all existing shareholders in NKT also became shareholders in Nilfisk Holding A/S in the proportion they were shareholders in NKT, as on the first day of trading all shareholders received one share in Nilfisk Holding A/S for each share they had in NKT.

Listing of Nilfisk – key dates

September 21, 2016
NKT's Board of Directors announces its intension to split NKT into two separately listed companies

2017

February 21
NKT's Board of Directors confirms their intention to split NKT

September 17
The plan for the demerger is announced

September 18
Publication of the demerger statement

September 19
Capital Markets Day

October 10
The demerger is approved at an Extraordinary General Meeting

October 11
Last day of trading in NKT shares including Nilfisk

October 12
Official listing of Nilfisk on Nasdaq Copenhagen and first day of trading

CORPORATE REVIEW

SHAREHOLDER INFORMATION

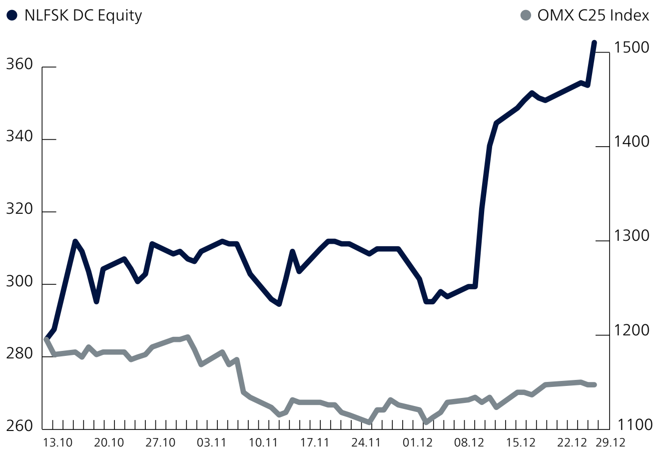
The listing of Nilfisk Holding A/S was a result of the decision to split NKT into two separately listed companies. Nilfisk Holding A/S shares were listed on Nasdaq Copenhagen on October 12, 2017, and became part of the Nasdaq Copenhagen Large Cap index.

After the listing, Nilfisk Holding A/S is covered by five analysts, who regularly publish their recommendations on our stock. For a full list of analysts, please visit https://investor.nilfisk.com/financial-information/analyst-coverage/

Share Price development

Nilfisk Holding A/S' share price increased 27% from the initial closing price at the first trading date (285) to year-end. The share price closed at 363 DKK on December 31, 2017. During the same period, the OMX C25 Index decreased by 3.8%.

Development in Nilfisk share 2017



The average daily trading volume of Nilfisk Holding A/S shares on Nasdaq Copenhagen was 146,605 shares in 2017, with increased volume in December 2017.

At year-end 2017, Nilfisk Holding A/S had a market capitalization of 1.3 bnEUR, compared to 1.0 bnEUR at the first day of trading.

Dividend policy and dividend for 2017

The Board of Directors have adopted a dividend policy with a target pay-out ratio of approximately one third of the financial year's reported consolidated profit for the year. First dividend distribution is expected to be paid out in 2019 on the basis of the reported consolidated profit for the financial year 2018.

The payment of dividends, if any, will in general be determined with a view to balance the pay-out ratio and the target for Nilfisk's leverage ratio and will further depend on a number of factors, including future revenue, profits, financial conditions, Nilfisk's leverage ratio, general economic and business conditions, future prospects, strategic initiatives such as acquisition activities or large scale investments decided upon by the Board of Directors, and such other factors as the Board of Directors may deem relevant as well as applicable legal and regulatory requirements.

Due to the above the Board of Directors recommend not to distribute dividends for the financial year 2017.

Major shareholders holding above 5% of our shares are

>10%

KIRKBI INVEST A/S

>5%

FERD AS

>5%

PRIMESTONE CAPITAL LLP

>5%

ATP

Shareholders

As of December 31, 2017, there were 18,663 shareholders of record. The company's largest shareholder was KIRKBI Invest A/S with more than 10% of the share capital and voting rights in Nilfisk Holding A/S. Three shareholders hold more than 5% of the share capital and voting rights in Nilfisk Holding A/S.

As of December 31, 2017, institutional investors from Denmark held 42% of the share capital, institutional investors from Europe held 28% of the share capital and institutional investors from North America held 10% of the share capital. As of December 31, 2017, 14% of the Nilfisk Holding A/S shares were held by private investors, and 6% of the shares were non-registered.

Investor Relations

At Nilfisk, our aim is to ensure that relevant, accurate and timely information is made available to the stock market hereby supporting an efficient and fair pricing of the Nilfisk share.

Nilfisk will ensure that the company is regarded as honest, open and reliable among both institutional and private investors. We therefore put a high emphasis on continuously providing consistent and high quality information to the financial markets as well as to new investors, analysts and other stakeholders. This is done via road shows, conferences, company announcements and via our investor relations website.

For further details on our investor relations policy, visit the Nilfisk Investor Relations site at https://investor.nilfisk.com/
where all company announcements are also made available.

Financial Calendar 2018	
March 23, 2018	Annual general meeting
May 16, 2018	Interim report Q1 2018
August 14, 2018	Interim report Q2 2018
November 14, 2018	Interim report Q3 2018

Share Information	
Stock exchange	Nasdaq Copenhagen
Trading symbol	NLFSK
ISIN	DK0060907293
Total share capital	542,527,380 DKK
Number of shares	27,126,369
Share classes	1
Sector	Industrial Goods & Services
Segment	Large

Analyst coverage end 2017
ABG Sundal Collier
Danske Bank
Jyske Bank
Nordea
SEB

CORPORATE REVIEW

CORPORATE GOVERNANCE

In October 2017, Nilfisk separated from NKT and was independently listed at Nasdaq Copenhagen. Since the listing, Nilfisk has had its own and separate governance structure consisting of its shareholders, the Board of Directors and the Nilfisk Leadership Team.

Shareholders

The shareholders of Nilfisk Holding A/S have authority over the company and exercise their rights to make decisions at general meetings. At the Annual General Meeting, shareholders elect board members, the independent auditor and approve the Annual Report and any amendments to Nilfisk Holding A/S' Articles of Association.

The general meeting adopts decisions in accordance with the general rules set out in the Danish Companies Act.

The Board of Directors

The Board of Directors is the overall responsible for the management of Nilfisk and the strategic direction. The Board of Directors of Nilfisk Holding A/S consists of nine members. Six members are elected by the shareholders and are up for election every year at the Annual General Meeting, and three are employee-elected members serving four-year terms.

All six shareholder-elected members were elected at the Extraordinary General Meeting held on October 10, 2017, the meeting at which the incorporation of Nilfisk Holding A/S was approved, and they will be up for election at the coming Annual General Meeting in March 2018.

The term of the three, current employee-elected members expires in March 2018. A new employee election will take place in March 2018 in order for the new employee-elected members to join the Board of Directors after the Annual General Meeting for a four-year term from 2018 to 2022.

One woman and five men currently make up the shareholder-elected members. Among the employee-elected members, there is one woman and two men. Of the six shareholder-elected members, four live in Denmark, one lives in Sweden and one in Luxembourg. Except for one member, they have all served 12 years or less and are considered independent.

The Board of Directors represents international business experience in the areas of industry, energy, high technology and business development and is deemed to possess requisite competences and seniority.

The Board of Directors has adopted an annual plan ensuring that all relevant matters are addressed throughout the year. A minimum of six ordinary Board meetings are held annually. Part of this responsibility is to ensure that the company has a capital and share structure that matches the strategic direction and the long-term value creation of the company for the benefit of its shareholders. Considerations on capital and share structure were made by the Board of Directors in connection with the split from NKT A/S, and Nilfisk's capital and share structure are considered appropriate for and supportive of Nilfisk's current strategic direction and initiatives.

Under the company's Articles of Association, the Board of Directors holds authorizations granted by the shareholders to issue new shares, warrants and convertible loans. The maximum aggregate nominal share capital increase allowed under these authorizations is 200 mDKK, however, in no event can the issuance of new shares without preemptive rights for existing shareholders exceed an aggregate nominal share capital amount of 100 mDKK.

Committees

The Board of Directors has appointed a chairmanship and three committees. All the committees report to the Board of Directors. Senior representatives from Nilfisk act as secretariat for the Audit, Nomination and Remuneration Committees.

Chairmanship

The Chairman and the Deputy Chairman of the Board of Directors are elected by the Board of Directors following the Annual General Meeting.

The Chairmanship is responsible for tasks such as planning board meetings to ensure a balance between overall strategy-setting and supervision of the company. The Chairmanship meets regularly with the CEO and CFO.

Audit Committee

The Audit Committee assists the Board of Directors in overseeing the financial reporting process and business risks, compliance with statutory and other requirements from authorities and the internal control environment. The principal tasks are:

- To monitor the financial reporting process and compliance with existing legislation, standards and other regulations for listed companies relating to presentation and publication of financial reporting
- To monitor whether the company's internal control and risk management systems function efficiently
- To monitor the statutory audit of the annual financial statements
- To monitor the independence of auditors, including in particular the supply of non-audit services to the Nilfisk Group
- To make recommendations to the Board of Directors concerning the election of auditors

The work of the Audit Committee is described in the terms of reference available at the Nilfisk Investor Relations site at https://investor.nilfisk.com/, and is and is formalized in an annual plan approved by the Board of Directors.

Internal control and risk management related to the financial reporting process

Nilfisk has a number of key policies and procedures in specific areas of the financial reporting, including the Finance Manual, the Risk Management Policy, the IT Security Policy and the Business Code of Conduct. These policies and procedures apply for all subsidiaries.

The internal control and risk management systems for financial reporting are designed to ensure that the financial reporting presents a true and fair view of Nilfisk result and financial position and is in compliance with current financial legislation and accounting standards.

The control and risk management systems are designed to mitigate the risks identified in the financial reporting process. Internal controls related to the financial reporting process are established to detect, mitigate and correct material misstatements in the financial statements.

	Committee members[1]	Meetings[1]
Chairmanship	Jens Due Olsen (Chair) Lars S. Sørensen (Deputy Chair)	
Audit[2]	Jutta af Rosenborg (Chair) Jens Maaløe	An annual cycle of five meetings have been implemented 2017: One meeting held[4]
Remuneration[3]	Jutta af Rosenborg (Chair) Jens Maaløe	An annual cycle of four meetings have been implemented 2017: Two meetings held[4]
Nomination	Lars S. Sørensen (Chair) Jens Due Olsen	Meetings are held as often as the chairman of the Nomination Committee deems necessary, however, at least twice a year 2017: 0 meetings held[4]

1) Members and full terms of reference for the Audit, Remuneration and Nomination Committees can be found at the Nilfisk Investor Relations site at https://investor.nilfisk.com/
2) Meetings are also attended by the CFO and the external auditor
3) Meetings are also attended by the Global head of HR and the Global head of legal
4) Meetings held after Nilfisk Holding A/S was incorporated at the Extraordinary General Meeting on October 10, 2017

Risk assessment

The risks related to each accounting process and line item in the financial statement are assessed based on quantitative and qualitative factors. The associated risks are identified based on the evaluation of the likelihood of occurring and the potential impact. The financial reporting control framework covers all material subsidiaries.

Control activities

Nilfisk has implemented a formalized financial reporting process for the strategy process, budget and forecast process as well as for the monthly reporting on actual performance. Financial information reported is reviewed both by controllers with regional or functional knowledge of the individual companies/functions and by technical accounting specialists.

The financial reporting is dependent on IT systems. Any weaknesses in the system controls or IT environment are compensated for by manual controls to mitigate any significant risk related to the financial reporting to an acceptable level.

A central controlling function conducts financial compliance reviews throughout the organization based on a defined review strategy and risk assessment. The key controls implemented based on the financial reporting framework are systematically monitored and tested in conjunction with controller visits performed by Nilfisk Group Controlling or by external auditors. Key controls including general IT controls for subsidiaries considered relevant from a risk or/and risk perspective are tested at least once every three years.

Remuneration Committee

The Remuneration Committee is responsible for establishing the Remuneration Policy for the Board of Directors and the Executive Management Board, for making proposals on changes to the Remuneration Policy, and for obtaining the approval of the Board of Directors prior to seeking shareholders' approval at the Annual General Meeting.

The Committee's charter is available on https://investor.nilfisk.com/corporate-governance/governance-overview.

Main activities in 2017

Over the course of 2017, the main activities of the Renumeration Committee were as follows:

- Drafting and approval of the current Remuneration Policy, in connection with the demerger from NKT A/S, which was approved by shareholders at the Extraordinary General Meeting on October 10, 2017
- Review of the achievement against targets under the annual bonus plan
- Review of free labels for the Board of Directors

Remuneration policy 2017

Nilfisk's remuneration policy contains guidelines for setting and approving the remuneration for the Board of Directors and the salaries for the Executive Management Board.

All members of these governing bodies must receive competitive pay which is commensurate with the duties assigned and which represents an attractive incentive for long-term commitment.

No member of the Board of Directors is entitled to any kind of compensation upon resignation as a member of the Board of Directors. No member of the Executive Management Board is entitled to severance pay, in addition to remuneration in their notice period.

The Board of Directors receive a fixed salary, while members of the Executive Management Board receive a fixed salary, a short-term cash-based incentive and a long-term share-based incentive. This structure ensures commonality of interest between the management and shareholders of Nilfisk and maintains management's motivation to achieve both short- and long-term strategic goals.

Prior to the listing, Nilfisk had an incentive program that applied to certain members of the Nilfisk Leadership Team as well as to certain key employees from Nilfisk.

The current remuneration policy for Nilfisk was presented to and adopted by the Extraordinary General Meeting of NKT A/S on October 10, 2017. The remuneration policy can be found at https://investor.nilfisk.com/corporate-governance/governance-overview/

Remuneration policy in 2018

Following the listing of Nilfisk, the Remuneration Committee determined that a new Remuneration Policy was required for Nilfisk. This has led to some proposed changes in how Nilfisk approaches remuneration in 2018 with a new remuneration policy to be put before shareholders at the 2018 Annual General Meeting where the Board of Directors will propose that the existing remuneration policy be amended accordingly.

The revised approach to remuneration has been developed taking account of the Recommendations on Corporate Governance as updated by the Danish Committee on Corporate Governance in November 2017.

Subject to shareholder approval, the revised approach is summarized below.

Board of Directors Remuneration

The Board of Directors will receive a base fee as well as fees for committee duties. Fees are evaluated relative to Danish and other European companies of comparable size and complexity to Nilfisk.

No member of the Board of Directors will participate in any of the Company's incentive plans.

Remuneration of the Executive Management Board

The Remuneration Committee is proposing some significant amendments to the current remuneration policy to ensure that it adopts best practice features in remuneration practices and links our strategy and long-term financial performance of the Company to remuneration outcomes.

The proposed remuneration approach for the Executive Management Board is summarized in the tables ”Key component in the remuneration policy 2018” on page 42 and in the table “Other key policy components” on page 43.

Nomination Committee

The purpose of the Nomination Committee is to define and assess the qualifications required by the Board of Directors, the Group CEO and Group CFO and to initiate an annual self-assessment within the Board of Directors.

Self-assessments

The purpose of the annual self-assessment is to define competences required within the Board of Directors, taking into account the contribution of the individual members, and to identify future areas of focus.

The Board of Directors also performs an annual assessment of the Group CEO and Group CFO covering two main areas: the interaction between these executives and the Board of Directors, and the competences of the Group CEO and Group CFO. The assessment takes the form of a general discussion by the Board of Directors, after which the assessment findings are communicated by the Chairman to the Group CEO and Group CFO.

Key components in the remuneration policy 2018

Component	Operation	Maximum award level
Fixed salary	Set in relation to comparable Danish and European companies. Salary is set in the context of the total remuneration package to ensure an appropriate balance between fixed and variable remuneration.	Salary levels take into account market remuneration as well as the executives' skills and experience.
Pension and benefits	Where appropriate, Nilfisk Holding provides competitive pension and benefit arrangements.	Benefits include company car, phone and other benefits in line with market practice. Individual members of the Executive Management Board may also be covered by pension schemes, with details provided in the annual report.
Annual bonus plan	The annual cash bonus plan aligns executive reward with achievement of Nilfisk Holding's short-term objectives, as determined by the corporate strategy. This may consist of financial and/or non-financial targets such as revenue, EBITDA, Return On Capital Employed (ROCE) and/or EBITDA margin and/or key strategic or other non-financial performance indicators. Details of measures used in a given year will be outlined in the annual report as will actual bonus outcomes.	70% of fixed annual salary.
Long-term incentives	Long-term incentives will consist of performance share awards. In any given year, the Executive Management Board may be awarded performance shares. Performance shares represent a conditional right to receive shares after a three-year performance period at nil payment. At this point, the performance shares vest, subject to continuous service and the achievement of performance targets over a period of three financial years. The decision to make awards under a long-term incentive plan is made by the Board of Directors each year after recommendation from the Remuneration Committee. The Board of Directors may at their discretion decide to make cash awards in a given year instead of making awards of performance shares. The performance measures applying to performance shares will represent key measures of long-term growth and will be disclosed in the annual report. These measures will ensure alignment of vesting outcomes with the long-term performance of the Company. Vesting will be subject to customary good leaver/bad leaver provisions. No performance share award will normally vest before the end of the three-year performance period. However, the Board may decide that awards may be subject to early vesting and exercise in various situations including (but not limited to) for certain corporate events such as a change of control. The Board of Directors has a discretionary right to decide to make cash settlement at vesting instead of delivering shares. Nilfisk Holding may, on an ongoing basis, cover any performance share rights granted through the issue of new shares and/or a buyback of own shares and/or the use of own shares in accordance with the Articles of Association of the Company as adopted from time to time or resolutions by Nilfisk Holding's shareholders.	The maximum value of performance share awards that can be made in any financial year, based on face value, is 100% of the participant's fixed annual salary as of the date of award. The value at vesting will depend on the share price at the time of vesting and the number of performance shares vesting based on achievement against performance targets. However, the value at vesting in respect of each individual in respect of each award, cannot exceed three times the participant's fixed annual salary as of the time of award. In such cases where this cap is applied the number of shares vesting will be reduced accordingly.

The Nilfisk Leadership Team

The day-to-day responsibility for Nilfisk's business is managed by the Nilfisk Leadership Team, consisting of 11 members all reporting to the CEO. The Nilfisk Leadership Team is responsible for the conduct of business and all operational matters, organization, allocation of resources, establishing and implementing strategies and policies, direction-setting and ensuring timely reporting and provision of information to the Board of Directors.

See pages 47-50 for particulars of the Board of Directors and the Nilfisk Leadership Team.

Target figure for the under-represented gender

The Board of Directors aims to ensure that both men and women are represented on the Board. The target figure for the under-represented gender among shareholder-elected Board members is minimum 17%, which corresponds to one person. This target was met in 2017. The target figure will be monitored to ensure this is both realistic and ambitious. Nilfisk's focus on diversity and equal opportunities for both genders is described in the annual UN Global Compact Communication on Progress report, which can be found at https://www.nilfisk.com/en/nilfisk-group/csr/Pages/CSR-Report.aspx

Fulfilment of corporate governance recommendations

As a listed company on Nasdaq Copenhagen, Nilfisk is subject to Nasdaq Copenhagen's rules governing share issuers, and also to corporate governance recommendations issued by the Danish Committee on Corporate Governance which can be found at www.corporategovernance.dk. Nilfisk fulfils its obligations in respect of the latter either by compliance or by explaining the reason for non-compliance. Nilfisk's annual statement on the corporate governance recommendations can be found at the Nilfisk Investor Relations site at https://investor.nilfisk.com/

Nilfisk complies fully with 44 of the 47 recommendations, while complying partly or not complying with three recommendations. These three recommendations comprise:

- **Recommendation 3.1.4** that the company's Articles of Association should stipulate a retirement age for the members of the Board of Directors: Nilfisk Holding A/S does not comply with the recommendation to stipulate a retirement age for members of the Board of Directors in the articles of association as the company does not want to limit shareholders' possibility of nominating candidates

- **Recommendation 3.4.6** that the Board of Directors should establish a Nomination Committee chaired by the Chairman of the Board of Directors: The Board of Directors has appointed a Nomination Committee consisting of two members, the Chairman and the Deputy Chairman. The Chairman of the Board of Directors is, however, not the chairman of the Nomination Committee, and this recommendation is therefore only partly complied with. Both the Chairman and the Deputy Chairman are active within the Chairmanship and the Nomination Committee, and it has been assessed that appointing the Deputy Chairman as chairman of the Nomination Committee ensures a balanced allocation of responsibilities between the Chairman and the Deputy Chairman

- **Recommendation 4.1.2** on variable components of remuneration: Nilfisk's current remuneration policy does not include a specific contractual right to claim repayment of variable components of remuneration in exceptional cases. On this point, Nilfisk has relied on general principles of Danish law on repayment. Hence for 2017 this recommendation is only partly complied with. However, the new remuneration policy up for adoption at the 2018 Annual General Meeting does include such a specific contractual right for Nilfisk. To the extent the new remuneration policy is adopted by the shareholders, Nilfisk will comply with this recommendation 4.1.2

Other key policy components in the remuneration policy 2018

Reclaiming variable pay	In the event of misconduct, or if an annual bonus or long-term incentive award is made on the basis of accounts that prove to be materially misstated, the Company may reclaim, in full or in part, any overpayment from the annual bonus, or cancel or withdraw unvested and/or vested long-term incentive awards made to the Executive Management Board.
Notice period and severance pay	The total value of the remuneration during the period of notice for the members of the Executive Management Board, including severance pay, may not exceed 24 months remuneration, including all components of remuneration.
Award of extraordinary incentive remuneration	The Board of Directors is authorized, in individual cases, to operate extraordinary bonus or other extraordinary incentive remuneration in respect of recruitment to the Executive Management Board. The value of such extraordinary incentive remuneration may not exceed an amount equal to 100% of the individual's base salary for the full calendar year. This amount is exclusive of any remuneration the Board deems appropriate in order to compensate an individual for loss of incentive remuneration from a former employer. Any extraordinary incentive remuneration may consist of cash and/or share-based remuneration with any associated performance targets or vesting determined by the Board of Directors.

Corporate social responsibility

New global megatrends radically influence present day business life. At Nilfisk, we believe that to ensure long-term success, a focus on profit and legal compliance is no longer enough. Today, companies are held accountable for their impact on social and environmental issues such as climate change, human rights, child labor, the environment, and labor standards at suppliers in third world countries. For this reason, we have incorporated Corporate Social Responsibility (CSR) into our daily operations.

Nilfisk's annual statutory report on Corporate Social Responsibility, including articles 99a and 99b of the Danish Financial Statements Act related to corporate social responsibility and diversity, is available at https://www.nilfisk.com/en/nilfisk-group/csr/Pages/CSR-Report.aspx

CORPORATE REVIEW

RISK MANAGEMENT

Risks are a natural part of doing business, and Nilfisk has efficient risk management in place in order to ensure that the risks we take are assessed and managed.

The achievement of Nilfisk's strategic and operating objectives involves taking risks. We leverage an integrated risk management framework to identify, assess, prioritize, address, manage, monitor and communicate risks across the company. This framework includes the following:

The Board of Directors has oversight responsibility for risk management. One of the Board's primary responsibilities is overseeing and interacting with the Nilfisk Leadership Team with respect to key aspects of Nilfisk's business, including risk assessment and mitigation of top risks.

The Nilfisk Leadership Team is responsible for identification, assessment, prioritization and mitigation activities for strategic, financial, operating, compliance, safety, reputational and other risks.

Nilfisk has established two functional committees - the Compliance Committee and the IT Security Committee which both report to the Audit Committee.

The Compliance Committee reviews and oversees Nilfisk's compliance program, including the Business Code of Conduct and related compliance programs. The Compliance Committee acts in collaboration and alignment with the Audit Committee.

The IT Security Committee reviews and approves IT security policies and guidelines, reviews IT security risks, and evaluates IT security breaches and incidents as well as IT security threats and mitigating plans and initiatives. The IT Secutiry Committee acts in collaboration and alignment with the Audit Committee.

For further information of risks related to currency, interest rate, credit and liquidity, refer to note 6.9.

Six risk areas identified as high impact risks

	Risk	Risk Mitigation
1	**Political and economic instability** Adverse economic conditions may result in reduced consumer demand. At the same time, major social or political changes may disrupt sales and operations.	We closely monitor our markets in order to be able to respond in a timely manner to any adverse developments. Mitigating activities towards negative macroeconomic changes also include hedging and maintaining variability in our cost base.
2	**Changing customer behavior** Customer expectations are changing drastically. It includes the change in customer demand towards low-price products and preferences in a digital service interaction.	We monitor indicators in customer behavior, in terms of both segment trends and purchase loyalty. We respond to changes in customer behavior with a strategy which focuses on uniquely positioned customer offerings, targeted bestsellers and digital service interaction.
3	**Innovative products and technologies** Technological developments and improvements are key to remain competitive in the markets. If one or more of Nilfisk's competitors are able to develop and gain exclusive access to ground breaking technologies, this could make it impossible or increasingly costly for Nilfisk to compete effectively on the markets.	As a part of Nilfisk Next we established a clear vision of making our customers' businesses smarter and more productive through intelligent cleaning solutions adding focus on opportunities within digitalization and autonomy.
4	**Operational interruptions** Failures or delays may occur through the entire supply chain including procurement of components, production and distribution of products.	We focus on optimal production and distribution footprint including several production facilities and distribution centers, dual sourcing initiatives, optimization of supply chain processes and modularization strategy with the aim of increasing scale advantages and reduction of production complexity. We constantly monitor functionality of utilities and compliance with applicable regulations.
5	**Interruptions to information technology systems** Nilfisk's information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, catastrophic events and user errors.	We have developed and implemented an IT security policy to prevent intentional damage to our systems and limit access to critical data and systems. Furthermore, appropriate procedures and controls have been implemented to ensure necessary availability for critical IT systems.
6	**Cyber attack** Nilfisk is faced with the threat of cyber attacks such as attempts of hacking our information technology systems.	Initiatives have been planned and implemented to secure the digital business, strengthen the infrastructure platform and enhance IT service and recovery business continuity plans.

BOARD OF DIRECTORS

						
	Jens Due Olsen Chairman, born 1963 Independent	**Lars Sandahl Sørensen** Deputy Chairman, born 1963 Independent	**Jens Maaløe** Member, born 1955 Independent*	**Jutta af Rosenborg** Member, born 1958 Independent	**Anders Runevad** Member, born 1960 Independent	**Rene Svendsen-Tune** Member, born 1955 Independent
FIRST ELECTED IN	October 2017	October 2017	October 2017	October 2017	October 2017	October 2017
EXPIRY OF CURRENT TERM	March 2018	March 2018	March 2018	March 2018	March 2018	March 2018
CORE COMPETENCIES	• Industrial management • Management of listed companies • Economics and finance	• International management • Corporate trading • Business development	• Industrial management • Management of listed companies • Technology development	• Optimization of business processes • Risk management • Finance and controlling	• International management • Management of listed companies • Large infrastructure projects	• International management • Service businesses • Large account sales
COMMITTEES	• Nomination	• Nomination	• Audit • Remuneration	• Audit • Remuneration	• N/A	• N/A
SELECTED POSITIONS AND DIRECTORSHIPS	• Chairman of the board of directors of NKT A/S, KMD A/S, Bladt Industries A/S, Børnebasketfonden • Chairman of the advisory board of Auris Luxembourg III S.A. • Member of the board of directors at Gyldendal A/S, Royal Unibrew A/S, Cryptomathic A/S • Member of the Commitee on Corporate Governance	• Group Director, Chief Operating Officer at SAS AB • Member of the board of directors of NKT A/S, A/S af 3. Juni 1986, Wexøe A/S, Wexøe Holding A/S, Skaarup Imcase A/S, Industriens Fond, Det Rytmiske Musikhus' Fond, SAS Management Denmark A/S, SAS Danmark A/S	• CEO of Terma A/S • Chairman of the board of directors of Innovationsfonden • Member of the board of directors of NKT A/S and Grundfos Holding A/S • Member of the Central Board of the Confederations of Danish Industries	• Chairman of the board of directors of Det Danske Klasselotteri A/S • Member of the board of directors of NKT A/S, Standard Life Aberdeen PLC, JPMorgan European Investment Trust plc, PGA European Tour	• CEO of Vestas Wind Systems A/S • Deputy chairman of the board of directors of MHI Vestas Off-shore Wind A/S	• CEO of GN Store Nord A/S and GN Audio A/S • Deputy Chairman of the board of directors of NKT A/S
EDUCATION	• MSc in Economics	• MSc in International Business and Management	• MSc in Electrical Engineering • Ph.D in radar technology	• MSc in Business Economics and Auditing	• MSc in Electrical Engineering	• BSc Eng. (hon.)
NILFISK SHARES	• 0	• 685	• 515	• 0	• 1,000	• 4,000

* Jens Maaløe served on the Board of Directors of NKT since 2004

BOARD OF DIRECTORS

			
	Jean-Marc Rios Dionne Employee representative, born 1978	**Michael Gamtofte** Employee representative, born 1966	**Yvonne Markussen** Employee representative, born 1959
FIRST ELECTED IN	October 2017	October 2017	October 2017
EXPIRY OF CURRENT TERM	March 2018	March 2018	March 2018
POSITION AT NILFISK	• Global Strategic Account Manager • Joined Nilfisk in 2008	• Vice President Corporate Responsibility and Global IP • Joined Nilfisk in 2008	• Assistant within the payroll department • Joined Nilfisk in 2006
COMMITTEES	• N/A	• N/A	• N/A
SELECTED POSITIONS AND DIRECTORSHIPS	• N/A	• Chairman of the board of directors of M2A Holding IVS • Vice-chairman of the board of directors of Siora IVS • Member of the management board of M2A Holding IVS and Siora IVS.	• N/A
EDUCATION	• MBA in International Marketing and Management	• MSc in Electrical Engineering	• Vocational training as clerk with emphasis on accounting
NILFISK SHARES	• 0	• 141	• 6

NILFISK LEADERSHIP TEAM

	 **Hans Henrik Lund** CEO Member of the Executive Management Board	 **Karina Deacon** CFO Member of the Executive Management Board	 **Camilla Ramby** Executive Vice President Marketing	 **Anders Terkildsen** Executive Vice President EMEA Sales	 **Andrew Ray** Executive Vice President Americas Sales	 **Serdar Ülger** Senior Vice President APAC Sales
JOINED NILFISK IN	2017	2016	2018*	1998	2016	2005
CORE COMPETENCIES	• International business management • Business transformation • Technology • Product development	• Financial management and controlling • International business management • Optimization of business processes	• All areas of MarCom • Data and advanced analytics • Market and customer insights • Digital marketing	• Territory management • Key account management • Business management	• Execution of commercial excellence programs • Key account management • Business management	• Execution of product/ pricing strategies • Sales and service • Business management
POSITIONS AND DIRECTORSHIPS	• N/A	• Dovista A/S (board member)	• N/A	• AT Equity ApS (CEO)	• N/A	• N/A
PREVIOUS POSITIONS	• Helvar Oy Ab • Nokia Gear • GN Netcom A/S	• ISS A/S • Saxo Bank A/S • Landic Property A/S	• Danske Bank A/S • TDC A/S • Codan A/S	• Incentive A/S • Hardi International A/S	• Getinge AB • Getinge Infection Control • Covidien	• Pirelli Tires
EDUCATION	• MSc in Mechanical Engineering • Ph.D in Material Science • MBA in Organization and Business Management	• MSc in Business Economics and Auditing	• MSc in International Marketing & Management	• MBA in General Management & Finance	• Bachelor of Arts	• MSc in Computer Engineering
NILFISK SHARES	0	449	0	526	0	0

* Joins Nilfisk March 1, 2018

NILFISK LEADERSHIP TEAM

						
	Lars Gjødsbøl Executive Vice President Global Products & Services	**Jesper Terndrup Madsen** Executive Vice President Global Operations	**Casper Brorsen** Senior Vice President Strategy & Business Development	**Jacob Blom** Executive Vice President HR	**Morten Mathiesen** Senior Vice President Specialty Professional	**Thomas Dragø Nielsen** Senior Vice President Specialty Consumer
JOINED NILFISK IN	2003	2015	2018	2016	1996	1995
CORE COMPETENCIES	• All areas of operations • R&D • Product management • Quality	• End-to-end supply chain management • Operations • Distribution and sales support	• Strategy development and execution • Service and innovation • Commercial development	• HR management • Implementation of group processes and HR systems • Global HR transformation	• Business management • Global execution • Sales • Service	• Business management • Sales management • Marketing • Global execution
POSITIONS AND DIRECTORSHIPS	• Genan Holding A/S (board member)	• N/A	• N/A	• N/A	• N/A	• N/A
PREVIOUS POSITIONS	• Novo Nordisk A/S • McKinsey & Company	• Royal Copenhagen A/S • GN Netcom A/S • Accenture	• Falck A/S • ABN AMRO Group • Vækstfonden	• NCC A/S • TDC A/S • Merk, Sharp & Dohme	• Deloitte	
EDUCATION	• MSc in Business Administration and Commercial Law	• MSc in Economics & Business Administration	• MSc in Applied Economics and Finance • MBA from IMD Business School	• Graduate Diploma in Organization & Leadership	• Graduate Diploma in Business Administration	• MSc in International Business Economics
NILFISK SHARES	0	0	0	200	0	50

FINANCIAL STATEMENTS

Consolidated financial statements 2017

Notes

! **Significant judgments and estimates**

Significant judgments and accounting estimates made by the Executive Management Board are included in the notes to which they relate with the purpose to increase legibility.

± **Sensitivity**

Sensitivity analysis often accompany significant judgments and accounting estimates, and are included in the notes to which they relate with the purpose to increase legibility.

§ **Accounting policy**

Accounting policies are included in the notes to which they relate in order to facilitate understanding of the contents and the accounting treatment applied. Accounting policies not relating directly to individual notes are stated in note 1.1.

Income statement

for the years ended December 31

EUR million	Note	2017	2016
Revenue	2.1, 2.2	1,081.9	1,058.5
Cost of sales	3, 4	-625.2	-615.1
Gross profit		**456.7**	**443.4**
Research and development costs	2.3, 3	-32.3	-30.0
Sales and distribution costs	3, 4	-252.7	-236.4
Administrative costs	3, 4	-86.3	-93.0
Other operating income, net		2.3	0.8
Operating profit before amortization/impairment of acquisition-related intangibles and special items		**87.7**	**84.8**
Amortization/impairment of acquisition-related intangibles	4.1	-6.2	-9.0
Special items	2.4, 2.5	-20.6	-21.8
Profit before financial items and income taxes (EBIT)		**60.9**	**54.0**
Financial income	6.7	12.4	13.0
Financial expenses	6.7	-21.3	-24.0
Profit before income taxes		**52.0**	**43.0**
Income taxes	2.6	-11.7	-13.5
Profit for the year		**40.3**	**29.5**
To be distributed as follows			
Profit attributable to equity holders of Nilfisk Holding A/S		40.3	29.5
		40.3	**29.5**
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)		1.49	1.09
Diluted earnings per share (EUR)		1.49	1.09

Statement of comprehensive income

for the years ended December 31

EUR million	2017	2016
Profit for the year	40.3	29.5
Other comprehensive income		
Items that may be reclassified to the income statement:		
Foreign exchange adjustments, foreign companies	-11.3	-3.9
Value adjustment of hedging instruments:		
Value adjustment for the year	-2.6	-0.3
Transferred to cost of sales	1.2	0.2
Transferred to financial income and expenses	0.5	0.8
Fair value adjustment of available for sales securities	1.0	0.3
Tax on comprehensive income	0.0	-0.2
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	0.9	-2.4
Tax on actuarial gains/losses	-0.2	0.5
Comprehensive income for the year	**29.8**	**24.5**
To be distributed as follows		
Comprehensive income attributable to equity holders of Nilfisk Holding A/S	29.8	24.5
	29.8	**24.5**

Balance sheet
at December 31

EUR million	Note	2017	2016
Assets			
Intangible assets	4.1, 4.2		
Goodwill		164.4	179.3
Trademarks		11.9	14.8
Customer related assets		13.1	17.2
Development projects completed		37.1	39.4
Software, Know-how, Patents and Competition Clauses		23.8	24.9
Development projects and software in progress		28.3	21.8
		278.6	297.4
Property, plant and equipment	4.1, 4.3		
Land and buildings		11.1	12.4
Plant and machinery		4.9	5.6
Tools and equipment		38.4	38.2
Assets under construction incl. prepayments		3.4	5.5
		57.8	61.7
Other non-current assets			
Investments in associates	6.8	19.3	17.7
Other investments and receivables		7.3	6.2
Deferred tax	2.6	14.2	16.2
		40.8	40.1
Total non-current assets		**377.2**	**399.2**
Inventories	5.1, 6.9	182.8	173.3
Receivables	5.2, 6.9	218.2	203.6
Interest-bearing receivables	6.3	4.9	175.7
Income tax receivable		3.4	2.8
Cash at bank and in hand		40.7	28.5
Total current assets		**450.0**	**583.9**
Total assets		**827.2**	**983.1**

EUR million	Note	2017	2016
Equity and liabilities			
Equity			
Share capital	6.9	72.9	72.9
Reserves		-8.1	3.1
Retained comprehensive income		72.7	148.8
Total attributable to equity holders of Nilfisk Holding A/S		137.5	224.8
Total equity		**137.5**	**224.8**
Non-current liabilities			
Deferred tax	2.6	19.8	23.5
Pension liabilities	4.5	5.7	7.5
Provisions	4.6	6.5	6.8
Interest-bearing loans and borrowings	6.2, 6.4, 6.9	397.3	191.5
Other liabilities	5.3, 6,9	1.2	1.4
		430.5	230.7
Current liabilities			
Interest-bearing loans and borrowings	6.2, 6.4, 6.9	8.0	278.5
Trade payables and other liabilities	5.3, 6.4, 6.9	236.7	232.1
Income tax payable		3.0	4.5
Provisions	4.6	11.5	12.5
		259.2	527.6
Total liabilities		**689.7**	**758.3**
Total equity and liabilities		**827.2**	**983.1**

Cash flow statement

for the years ended December 31

EUR million	Note	2017	2016
Profit before financial items and income taxes (EBIT)		60.9	54.0
Depreciation, amortization and impairment	4.4	38.6	42.8
Non-cash operating items:			
Profit on sale of non-current assets, used and increases in provisions, and other non-cash operating items, etc.		-4.6	2.2
Changes in working capital		-31.8	39.0
Cash flow from operations before financial items and income taxes		63.1	138.0
Financial income received		11.2	11.4
Financial expenses paid		-16.9	-22.0
Income tax paid		-16.0	-12.7
Cash flow from operating activities		**41.4**	**114.7**
Acquisition of businesses	7.1	0.0	-28.9
Acquisition of non-controlling interests	7.1	0.0	-3.2
Intangible assets and other investments	4.2	-23.2	-22.7
Investments in property, plant and equipment	4.3	-15.3	-20.6
Disposal of property, plant and equipment		1.8	1.5
Dividend received	6.8	1.3	1.3
Cash flow from investing activities		**-35.4**	**-72.6**
Changes in current interest-bearing receivables	6.5	164.9	-17.6
Changes in current interest-bearing loans and borrowings	6.5	-224.2	-25.9
Changes in non-current interest-bearing loans and borrowings	6.5	67.0	8.8
Cash flow from financing activities		**7.7**	**-34.7**
Net cash flow for the year		**13.7**	**7.4**
Cash at bank and in hand, January 1		28.5	21.2
Currency adjustments		-1.5	-0.1
Cash at bank and in hand, December 31		**40.7**	**28.5**

Statement of changes in equity
at December 31

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Proposed dividends	Total	Non-controlling interests	Total equity
Equity, January 1, 2017	**72.9**	**0.9**	**0.6**	**1.6**	**148.8**	**0.0**	**224.8**	**0.0**	**224.8**
Other comprehensive income:									
Foreign exchange translation adjustments	0.0	-11.3	0.0	0.0	0.0	0.0	-11.3	0.0	-11.3
Value adjustment of hedging instruments:									
Value adjustment for the year	0.0	0.0	-2.6	0.0	0.0	0.0	-2.6	0.0	-2.6
Transferred to cost of sales	0.0	0.0	1.2	0.0	0.0	0.0	1.2	0.0	1.2
Transferred to financial income and expenses	0.0	0.0	0.5	0.0	0.0	0.0	0.5	0.0	0.5
Fair value adjustment of available for sales securities	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	1.0
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	0.0	0.9	0.0	0.9	0.0	0.9
Tax on actuarial gains/losses	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2	0.0	-0.2
Tax on other comprehensive income	0.0	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Total other comprehensive income	0.0	-11.3	-0.7	0.8	0.7	0.0	-10.5	0.0	-10.5
Profit for the year	0.0	0.0	0.0	0.0	40.3	0.0	40.3	0.0	40.3
Comprehensive income for the year	**0.0**	**-11.3**	**-0.7**	**0.8**	**41.0**	**0.0**	**29.8**	**0.0**	**29.8**
Effect of demerger (Note 6.5)	0.0	0.0	0.0	0.0	-117.0	0.0	-117.0	0.0	-117.0
Share option program	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	-0.1
Total changes in equity in 2017	**0.0**	**-11.3**	**-0.7**	**0.8**	**-76.1**	**0.0**	**-87.3**	**0.0**	**-87.3**
Equity, December 31, 2017	**72.9**	**-10.4**	**-0.1**	**2.4**	**72.7**	**0.0**	**137.5**	**0.0**	**137.5**

Statement of changes in equity
at December 31 – continued

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Proposed dividends	Total	Non-controlling interests	Total equity
Equity, January 1, 2016	**67.2**	**4.8**	**0.1**	**1.3**	**126.4**	**0.0**	**199.8**	**0.9**	**200.7**
Effect of demerger	5.7	0.0	0.0	0.0	-5.7	0.0	0.0	0.0	0.0
Restated equity, January 1, 2016	**72.9**	**0.0**	**0.0**	**0.0**	**120.7**	**0.0**	**200.7**	**0.0**	**200.7**
Other comprehensive income:									
Foreign exchange translation adjustments	0.0	-3.9	0.0	0.0	0.0	0.0	-3.9	0.0	-3.9
Value adjustment of hedging instruments:									
Value adjustment for the year	0.0	0.0	-0.3	0.0	0.0	0.0	-0.3	0.0	-0.3
Transferred to cost of sales	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.2
Transferred to financial income and expenses	0.0	0.0	0.8	0.0	0.0	0.0	0.8	0.0	0.8
Fair value adjustment of available for sales securities	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.3
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	0.0	-2.4	0.0	-2.4	0.0	-2.4
Tax on actuarial gains/losses	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.0	0.5
Tax on other comprehensive income	0.0	0.0	-0.2	0.0	0.0	0.0	-0.2	0.0	-0.2
Total other comprehensive income	0.0	-3.9	0.5	0.3	-1.9	0.0	-5.0	0.0	-5.0
Profit for the year	0.0	0.0	0.0	0.0	29.5	0.0	29.5	0.0	29.5
Comprehensive income for the year	**0.0**	**-3.9**	**0.5**	**0.3**	**27.6**	**0.0**	**24.5**	**0.0**	**24.5**
Share option program	0.0	0.0	0.0	0.0	2.8	0.0	2.8	0.0	2.8
Additions/disposals, non-controlling interests	0.0	0.0	0.0	0.0	-2.3	0.0	-2.3	-0.9	-3.2
Total changes in equity in 2016	**0.0**	**-3.9**	**0.5**	**0.3**	**28.1**	**0.0**	**25.0**	**-0.9**	**24.1**
Equity, December 31, 2016	**72.9**	**0.9**	**0.6**	**1.6**	**148.8**	**0.0**	**224.8**	**0.0**	**224.8**

Note 1

1. BASIS FOR PREPARATION

This section describes the applied reporting framework, including a definition of materiality for disclosures as well as any changes in the accounting policies for the consolidated financial statements.

1.1 GENERAL ACCOUNTING POLICIES

Nilfisk Holding A/S is a public limited company domiciled in Denmark.

The consolidated financial statements included in this Annual Report for the year 2017 are prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and additional requirements under the Danish Financial Statements Act. The parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Demerger
On October 10, 2017, Nilfisk Holding A/S was incorporated upon completion of the demerger of NKT A/S' holding whereby the shares in Nilfisk A/S and certain debt of NKT A/S related to the Nilfisk business was contributed to Nilfisk Holding A/S, i.e. Nilfisk Holding A/S became the parent company of the Nilfisk Group.

The demerger is accounted for as a capital restructuring whereby the consolidated financial statements of the Nilfisk Group is presented in the name of Nilfisk Holding A/S, but is a continuation of the consolidated financial statements of Nilfisk A/S including comparative figures, with a retroactive adjustment of the share capital. Thus, assets and liabilities of Nilfisk A/S and its subsidiaries are accounted for at their historical cost basis and are not revalued at market value upon completion of the Demerger. The debt assumed by the legal parent (Nilfisk Holding A/S) is recorded directly in equity as a negative contribution. Accordingly, the consolidated financial results reflect the activities for Nilfisk A/S including its subsidiaries for 2016 and the period from January 1, 2017 to October 9, 2017, whereas the remaining period of 2017 reflects the combined activity of Nilfisk Holding A/S and Nilfisk A/S including its subsidiaries.

Basis for preparation
The consolidated financial statements included in this Annual Report are presented in EUR rounded to the nearest EUR 1,000,000 with one decimal.

The consolidated financial statements included in this Annual Report are prepared according to the historical cost principle, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments in a trading portfolio and financial instruments designated as available for sale.

Except for that stated under 'Changes to accounting policies', the accounting policies described in the individual notes are applied consistently during the financial year and for the comparative figures.

Definition of materiality
The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required according to IFRS are stated in the consolidated financial statements included in this Annual Report unless the disclosures concerned are considered irrelevant or immaterial for financial decisions made by the financial statement users.

Changes to accounting policies
The Nilfisk Group has implemented the standards and interpretations effective for 2017. The implementation of standards and interpretations has not influenced recognition and measurement in 2017 nor is it expected to influence future financial years. The standards and interpretations entail additional disclosure requirements.

Reclassifications
The Nilfisk Group has made a reclassification that affects Cost of sales as well as sales and distribution costs in 2016. The reclassification involves the transfer of direct distribution costs of a total of 5.8 mEUR from being included in "Cost of sales" to "Sales and distribution costs" in 2016. This reclassification affects "Gross profit" as well as the overhead cost ratio. "Operating profit before amortization/ impairment of acquisition-related intangibles and special items" is not affected.

Note 1

1. BASIS FOR PREPARATION – CONTINUED

Operating segments redefined

Prior to January 1, 2017, the Group's operation was split into three main sales operating segments: EMEA, Americas and APAC, which were primarily geographically defined. Most of the Nilfisk Group's production and supply chain activities were included in the segment Global Operations, while an additional operating segment named "Other" included items relating to the Nilfisk Group's smaller stand-alone production facilities and smaller sales entities. Global Operations was responsible for sourcing, production, and logistics. Prior to January 1, 2017, the operating segments within sales bought products from Global Operations at internally determined prices and such internal prices allowed Global Operations to cover operating expenses and realize operating profits.

With effect from January 1, 2017, the Group has redefined its operating segments to align with a new operational model and organizational structure implemented during 2016. Certain products have been carved out from the geographically defined operating segments previously used, and such products are now reported as Specialty Professional and Specialty Consumer. Therefore, as of January 1, 2017, the geographically defined operating segments EMEA, Americas, and APAC are now defined entirely by certain professional products. The new carved-out segment Specialty Professional includes industrial vacuum cleaners and the outdoor and restoration equipment business, along with specialized equipment for the food industry. Specialty Consumer includes domestic vacuum cleaners and high pressure washers for the consumer markets.

In the Annual Report 2017, the gross profit disclosed for the EMEA, Americas and APAC sales segments is based on internally determined prices for products acquired from the production units, while the operating profit related to the production of such products is reported under non-allocated. For Specialty Professional and Specialty Consumer gross profit includes full product profitability. Comparative figures for the same periods in 2016 for the carved out Specialty segments are partly based on the Executive Management Board's judgment.

Supplementary segment information

As supplementary information, the Annual Report 2017 includes gross profit information where the product profit has been allocated in full to all operating segments, thereby showing the full group profit contribution of the operating segments EMEA, Americas, APAC, Specialty Professional and Specialty Consumer. The full allocation of product profit has been implemented from January 1, 2017. Comparative figures for the same periods in 2016 are only available for the carved-out Specialty segments and are partly based on the Executive Management Board's judgment.

Consequently, and in order to have comparison figures, the segment reporting includes gross profit based on internally determined prices as well as gross profit based on full profit contribution.

With effect from January 1, 2017, a new overhead cost allocation model between the operating segments has been introduced in line with the new operating model implemented as of the same date. Due to a change in segments and the new allocation of cost between such segments, comparative figures for 2016 cannot be estimated reliable.

Significant judgments and estimates

When preparing the consolidated financial statements included in this Annual Report, the Executive Management Board makes a number of accounting estimates, judgments and assumptions which form the basis for recognition and measurement of assets and liabilities.

The judgments, estimates and assumptions made are based on historical experience and other factors which the Executive Management Board assesses to be reliable, but which, by their nature, are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Particular risks referred to in the 'Risk management' section of Management review and in note 6.8 'Financial risks' to the consolidated financial statements may have substantial influence on the financial statements.

Other significant accounting estimates and judgments

	Note
Special items	2.4
Long-term incentive programs	3.4
Impairment tests	4.1
Write-down of inventories	5.1
Credit risks	6.9

Going concern

The Executive Management Board is required to decide whether the consolidated financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flows, existence of credit facilities, etc., the Executive Management Board is of the opinion that there are no factors giving reason to doubt whether Nilfisk Holding A/S can continue operating for at least 12 months from the balance sheet date.

Note 1

1. BASIS FOR PREPARATION – CONTINUED

Principles of consolidation
The consolidated financial statements incorporate the financial statements of Nilfisk Holding A/S and entities controlled by Nilfisk Holding A/S. Control exists when Nilfisk Group has effective power over the entity and has the right to variable returns from the entity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Nilfisk Group policies. All intra-group transactions, balances, income and expenses are eliminated in full when consolidated.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Comparative figures are not restated for acquired or disposed companies.

Translation of foreign currencies

Functional and presentation currency
Items included in the financial statements of each of Nilfisk Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Euro (EUR). The functional currency of Nilfisk Holding A/S is DKK. The presentation currency is EUR as the Nilfisk Group's main business activities are EUR denominated and the internal reporting is presented in EUR.

Translation of transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income statement.

Translation differences on non-monetary items, such as equity investments classified as financial assets available for sale, are recognized in Other comprehensive income.

Translation of Nilfisk Group companies
Financial statements of foreign subsidiaries are translated into EUR at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average exchange rates for Income statement items.

All effects of exchange rate translations are recognized in the Income statement, with the exception of exchange rate adjustments of investments in subsidiaries arising from:

- the translation of foreign subsidiaries' net assets at the beginning of the year to the exchange rates at the end of the reporting period
- the translation of foreign subsidiaries' statements of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period
- the translation of non-current intra-group receivables that are considered to be an addition to net investments in subsidiaries.

These specific exchange rate adjustments are recognized in Other comprehensive income.

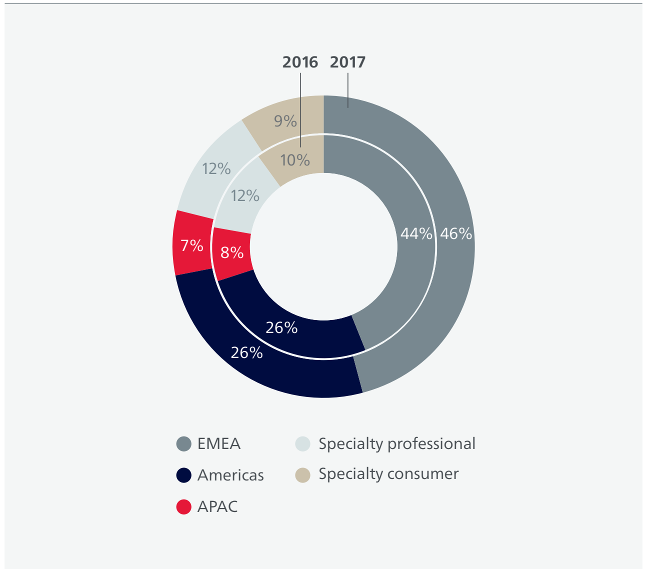
Note 2

2. PROFIT FOR THE YEAR

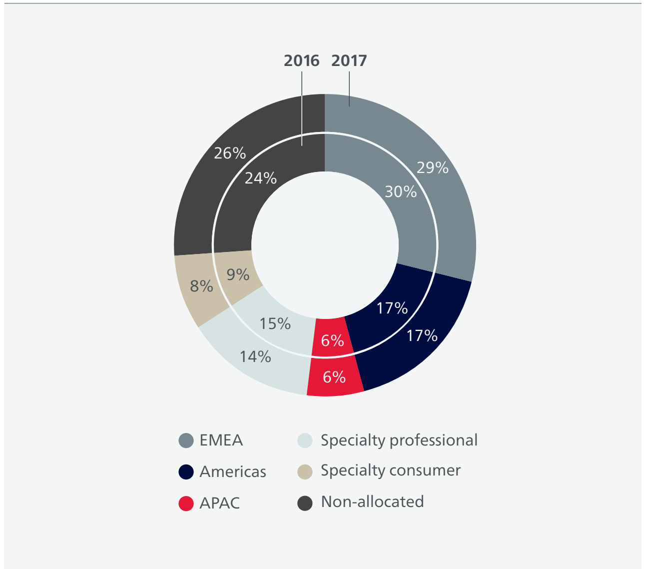
This note relates to profit for the year, including revenue, segment information, research and development costs and income tax.

Key developments 2017

Revenue by operating segments



Gross profit without full allocation



Revenue by operating segments is split on the five segments; EMEA, Americas, APAC, Specialty professional and Specialty consumer. The revenue has increased by 2.2% compared to last year and is mainly driven by the positive organic growth in especially EMEA and Americas.

Gross profit without full allocation was 456.7 mEUR and Gross margin was 42.2%, up 13.3 mEUR and 0.3%-point compared to last year. "Full allocation" means that operating profit generated in production units on products sold internally to operating segments are allocated to the operating segments. The diagram shows the distribution of gross profit without full allocation, i.e. gross profit in production units are not allocated. See note 2.1. for more information.

Note 2

2. PROFIT FOR THE YEAR – CONTINUED

§ **Accounting policy**

Segment information

The segment information is based on internal management reporting and is presented in accordance with the Nilfisk Group's accounting policies.

Segment income and expenses comprise those items that are directly attributable to the individual segment and those items that can be reliably allocated to it.

Operating segments

The reportable segments are generally referred to as operating segments. The operating segments consist of EMEA, Americas, APAC, Specialty Professional and Specialty Consumer.

EMEA, Americas, and APAC cover sales of professional products to markets globally, excluding sales in the carved-out segments Specialty Professional and Specialty Consumer. Specialty Professional covers industrial vacuum cleaners, outdoor equipment, restoration equipment and specialized equipment for the food industry. Specialty Consumer covers domestic vacuum cleaners and consumer high pressure washers for the consumer markets.

A further description of the operating segments is included in the Management review.

The Executive Management Board assesses the gross profit of the operating segments separately to enable decision to be made concerning allocation of resources and measurement of performance.

Revenue in the operating segments

Inter-segment transactions are performed on market terms and no single customer accounts for more than 10% of the revenue. The reportable segments are identified without aggregation of operating segments.

Cost of sales in the operating segments

Cost of sales consists of costs incurred in generating the revenue for the year. Costs of raw materials, consumables, inbound freight, production staff and a proportion of production overheads, including maintenance, amortization, depreciation and impairment of intangible and tangible assets used in production as well as operation, administration and management of the production facilities are recognized as cost of sales.

Cost of sales also include shrinkage, waste production and any write-downs for obsolescence.

Sales and distribution costs

Sales and distribution costs includes costs incurred for distribution of goods and services sold and costs for sales and distribution personnel, advertising costs, and amortization, depreciation and impairment of intangible and tangible assets used in the sales and distribution process.

Administrative costs

Administrative costs include costs of staff functions, administrative personnel, office costs, rent, operating lease payments, amortization, depreciation and impairment of intangible and tangible assets not relating specifically to cost of sales, research and development, and sales and distribution activities.

Other operating income

Other operating income comprises items of a secondary nature relative to the operations of the enterprise, including grant schemes, reimbursements, share of profit or loss of associated companies and gains or losses on sale of non-current assets. Gains or losses on disposal of tangible or intangible assets are determined as the selling price less selling costs and the carrying amount at the time of sale. Write-downs of receivables from sales are also included.

Assets in the operating segments

As the production units deliver products to several operational segments and as the operating segments in some cases uses the same assets, it is not possible to attribute assets reliably to the individual segments.

Geographical information

The revenue is allocated to geographical regions according to the country to which the products and services are sold.

Non-current assets are allocated to the country in which the individual entity is based, and comprises the long-term assets used in the operations of the geographical segment, including intangible assets, Property, plant and equipment, investments in associates and other investments and receivables.

Note 2

2.1 SEGMENT INFORMATION

Revenue

EUR million	2017	2016
EMEA	493.5	468.3
Americas	284.3	275.1
APAC	80.4	80.6
Revenue excluding Specialty	858.2	824.0
Specialty professional	127.8	130.1
Specialty consumer	95.9	104.4
Specialty	223.7	234.5
Group	**1,081.9**	**1,058.5**

Please see Segment reviews in the Management review for further information on revenue development.

Gross profit without full allocation

EUR million	2017	2016
EMEA	133.2	130.9
Americas	77.8	74.5
APAC	26.4	25.5
Subtotal excluding Specialty	237.4	230.9
Specialty professional	63.5	66.1
Specialty consumer	35.7	38.1
Subtotal Specialty	99.2	104.2
Non-allocated	120.1	108.3
Group	**456.7**	**443.4**

Operating profit before amortization/impairment of acquisition-related intangibles and special items

EUR million	2017	2016
EMEA	37.4	33.8
Americas	12.2	6.3
APAC	3.3	0.7
Subtotal excluding Specialty	52.9	40.8
Specialty Professional	15.4	18.2
Specialty Consumer	-2.2	15.5
Subtotal Specialty	13.2	33.7
Non-allocated	21.6	10.3
Group	**87.7**	**84.9**

The table above shows the operating profit before amortization/impairment of acquisition related intangibles and special items disclosed by operating segments. The overview is based on gross profit without full allocation less cost directly attributable to each operating segment.

Gross profit with full allocation (supplementary)

EUR million	2017	2016
EMEA	208.5	n.a
Americas	116.4	n.a
APAC	32.6	n.a
Gross profit excluding Specialty	357.5	339.2
Specialty professional	63.5	66.1
Specialty consumer	35.7	38.1
Specialty	99.2	104.2
Group	**456.7**	**443.4**

In the supplementary table Gross profit with full allocation (supplementary), gross profit has been allocated in full to the operating segments. Accordingly, gross profit for each segment includes the gross profit from the entire value chain including production and distribution for the 2017 figures. Comparative figures for the same period in 2016 are only available for the carved-out Specialty segments as discussed in note 1.

Geographical information

Nilfisk Group is present in 45 countries with own sales companies reaching more than 100 countries through direct sales and dealers. The revenue is allocated to geographical regions according to the country to which the products and services are sold and non-current assets are allocated to the country in which the individual entity is based. The corporate headquarter located in Denmark is included in the EMEA region.

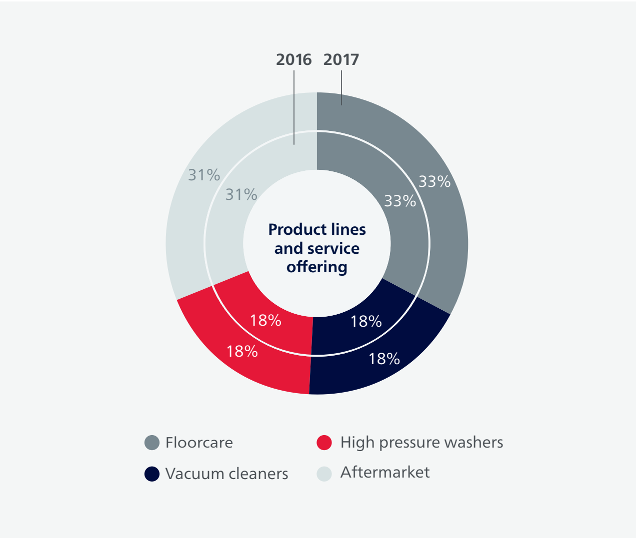
	2017		2016	
EUR million	Revenue	Non-current assets*	Revenue	Non-current assets*
EMEA region	623.0	224.6	619.3	216.0
Americas region	343.1	86.8	326.1	111.4
APAC region	115.8	51.6	113.1	55.6
	1,081.9	**363.0**	**1,058.5**	**383.0**

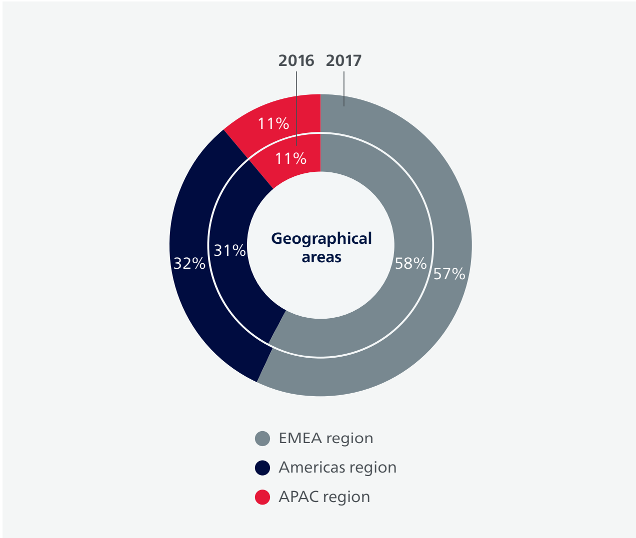
*Non-current assets less deferred tax assets

Note 2

2.2 REVENUE

Revenue composition





Revenue breakdown based on product line and service offering
The composition of revenue showed an increase in revenue from Floorcare and Vacuum cleaners and High pressure washers, whereas Aftermarket was unchanged. In local currencies all product lines realized growth from 2016 to 2017.

Revenue by product line and service offering

EUR million	2017	2016
Floorcare	358.4	347.2
Vacuum cleaners	199.6	190.5
High pressure washers	190.9	187.7
Aftermarket	333.0	333.1
	1,081.9	**1,058.5**

Note 2

2.2 REVENUE – CONTINUED

Revenue by country

EUR million	2017		2016	
USA	275.9	26%	274.4	26%
Germany	118.4	11%	117.3	11%
France	104.6	10%	103.7	10%
United Kingdom	49.8	5%	54.0	5%
Denmark	48.3	4%	48.1	5%
Sweden	41.5	4%	41.1	4%
Australia	36.9	3%	35.7	3%
China	26.7	2%	27.9	3%
The Netherlands	24.6	2%	25.5	2%
Norway	23.7	2%	24.5	2%
Other	331.5	31%	306.3	29%
	1,081.9	**100%**	**1,058.5**	**100%**

Please see Segment reviews in the Management review for further information on revenue development.

§ **Accounting policy**

Revenue from sale of goods for resale and finished goods is recognized in the income statement when supply and transfer of risk to the buyer have taken place and the income can be reliably measured and is expected to be received.

Revenue from Aftermarket which includes service packages and extended warranties relating to products and contracts as well as sale of parts, consumables and accessories is recognized concurrently with the supply of those services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognized in the revenue.

Note 2

2.3 RESEARCH AND DEVELOPMENT COSTS

Research and development costs specification

EUR million	2017	2016
Staff costs	20.6	21.5
Other costs	13.2	16.8
Total research and development spend	33.8	38.3
Recognized as follows:		
Expensed in the income statement	18.8	17.9
Capitalized in the balance sheet	15.0	20.4
	33.8	38.3
R&D ratio (% of revenue)	3.1%	3.6%
Recognized in the Income statement:		
Expensed in the income statement, cf. above	18.8	17.9
Amortization and impairment	13.5	12.1
Special items	0.8	1.8
	33.1	31.8

Total R&D spend decreased by 4.5 mEUR and total R&D spend as a percentage of revenue decreased by 0.5 percentage points compared to last year.

See R&D comments in the Management review.

§ Accounting policy

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential future market or internal utilization can be demonstrated, and where it is intended to manufacture, market or utilize the project, are recognized as intangible assets. This provides that the costs can be reliably determined, and that there is also adequate certainty that the future earnings or net selling prices can cover carrying amount as well as the development costs necessary for finalizing the project. Other development costs are expensed in the Income statement as incurred.

Capitalized development projects are measured at costs less accumulated amortization and impairment losses. The costs include wages, amortization and other costs relating to the Nilfisk Group's development activities.

On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is 3-10 years. The amortization base is reduced by any impairment losses.

Note 2

2.4 SPECIAL ITEMS

This note describes income and expenses that have a non-recurring and special nature against normal operating income and costs.

Special items

EUR million	2017	2016
Accelerate+	0.0	5.0
Cost saving program	9.6	10.1
Loss on divestment of business	0.0	3.3
Write-down/impairment	0.0	3.1
Costs related to the split from NKT Holding A/S	11.0	0.3
	20.6	**21.8**

The Accelerate+ initiative includes costs incurred in connection with the new operating model with organizational and structural changes introduced in August 2016. Another part of Accelerate+ was the cost saving program. Costs incurred to implement this initiative include consultancy fees and supporting tools as well as organizational changes, alignment of facilities, and redundancy costs to staff where one-off related costs are paid out.

A loss of 3.3 mEUR on divestment in the US-based Cyclone Technology was recognised in 2016. Additionally, other current and non-current assets of a smaller business were impaired in 2016 and recognised as special items.

Costs related to the split from NKT A/S include consultancy fees, costs of supporting tools, incentive payments as well as organizational changes as a result of Nilfisk's demerger from NKT A/S in October 2017, and provisions related to the Nilfisk Group phantom share program for managers. For further information we refer to note 3.4 Long-term incentive programs.

§ **Accounting policy**

Special items consist of non-recurring income and expenses that the Nilfisk Group does not consider to be a part of its ordinary operations such as restructuring projects, demerger and gains and losses on divestments , which are not presented as discontinued invested operations.

! **Judgments and estimates**

Identification and classification of income and expenses as special items is based on management's judgment of the individual income and expenses as being non-recurring by nature.

Note 2

2.5 INCOME STATEMENT CLASSIFIED BY FUNCTION

The Nilfisk Group presents the Income statement based on classification of costs by function to show the 'Operating profit before amortization/impairment of acquisition-related intangibles and special items'. In the income statement these items are separated from the individual functions. Below they are presented as if they are allocated to each function.

Income statement

EUR million	2017	2016
Revenue	1,081.9	1,058.5
Cost of sales	-627.1	-625.1
Gross profit	454.8	433.4
Research and development costs	-33.1	-31.8
Sales and distribution costs	-260.0	-241.2
Administrative costs	-103.1	-103.7
Other operating income, net	2.3	-2.7
Profit before financial items and income taxes (EBIT)	60.9	54.0
Amortization/impairment of acquisition-related intangibles are divided into:		
Cost of sales	-1.5	-2.1
Sales and distribution costs	-4.7	-6.9
	-6.2	-9.0
Special items are divided into:		
Cost of sales	-0.4	-2.1
Research and development costs	-0.8	-1.8
Sales and distribution costs	-2.6	-3.7
Administrative costs	-16.8	-10.7
Other operating income, net	0.0	-3.5
	-20.6	-21.8

Note 2

2.6 TAX

The corporate income tax for the Nilfisk Group for 2017 was 11.7 mEUR, of which 13.8 mEUR was current tax expense and 2.1 mEUR was a deferred tax income.

This resulted in a reported effective tax rate for 2017 at 22.6% compared to 31.4% in 2016.

The reported effective tax rate result in 2017 is relatively lower compared to expectations for 2017 (27-29%) as well as what could be expected for a global group as Nilfisk. This is due to that a smaller proportion of the Nilfisk Group's income was generated in countries with high income tax rates in 2017 compared to 2016, resulting in a general reduction of income taxes, as well as one-off impacts related to adjustments for previous years and the effect of the US tax reform, where a reduction of the federal tax rate to 21% (2018) required a 2017 remeasurement of the US net deferred tax liabilities, resulting in a tax benefit.

Tax recognized in the Income statement

EUR million	2017	2016
Current tax	13.8	14.3
Deferred tax	-2.1	-0.8
	11.7	13.5
Reported tax rate	22.6%	31.4%
Reconciliation of tax:		
Calculated tax of 22.0% (2016: 22.0%) on profit before tax	11.4	9.5
Tax effect of:		
Foreign tax rates relative to Danish tax rate	0.4	1.3
Non-taxable income/non-deductible expenses	0.5	0.2
Adjustment for previous years	-0.9	1.2
Non-recoverable withholding taxes	1.7	0.3
Value adjustment of tax assets, etc.	0.0	1.0
Effect of change in tax rate, US tax reform	-1.4	0.0
	11.7	13.5

Note 2

2.6 TAX – CONTINUED

Deferred tax assets and liabilities

EUR million	2017	2016
Deferred tax assets, January 1	16.2	14.9
Deferred tax liabilities, January 1	-23.5	-21.6
Addition from business combinations	0.0	-0.1
Foreign exchange adjustment	-0.4	0.5
Tax recognized in other comprehensive income	0.0	-0.2
Deferred tax recognized in the Income statement	2.1	-0.8
Deferred tax, December 31	-5.6	-7.3
Recognized deferred tax:		
Deferred tax assets	14.2	16.2
Deferred tax liabilities	-19.8	-23.5
Deferred tax, December 31	-5.6	-7.3

EUR million	2017		2016	
Specification of deferred tax assets and liabilities:	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	5.4	30.5	2.5	36.1
Tangible assets	6.4	0.8	4.4	1.9
Other non-current assets	0.0	0.0	0.0	0.1
Current assets	1.9	1.5	6.3	4.1
Current liabilities	7.0	0.1	16.3	1.5
Long term liabilities	3.3	0.0	0.0	0.0
Tax losses	4.3	0.0	8.6	0.0
Valuation allowance, unrecognized tax assets	-1.4	0.0	-1.7	0.0
Foreign exchange adjustment	0.4	0.0	0.0	0.0
	27.3	32.9	36.4	43.7
Set-off in legal tax units and jurisdictions	-13.1	-13.1	-20.2	-20.2
	14.2	19.8	16.2	23.5

Note 2

2.6 TAX – CONTINUED

Judgments and estimates

The measurement of deferred tax assets and liabilities is based on the corporate tax rate applicable in the years when the assets and liabilities are expected to be utilized.

The measurement of the tax assets is based on budgets and estimates for the coming years which are naturally subject to some uncertainty.

The deferred tax assets of 14.2 mEUR are expected to be utilized within a foreseeable period.

Accounting policy

Tax expense for the year, consisting of the year's current tax, change in deferred tax, prior year adjustments, movements resulting from a change of the corporate tax rate and changes in provision for uncertain tax positions, is recognized in the income statement, except to the extent that it relates to items recognized in Equity or Other comprehensive income.

Current tax payable and receivable are recognized in the balance sheet as tax estimated on taxable income for the year, adjusted for tax on taxable income for previous years and for prepaid taxes.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognized in respect of temporary differences on initial recognition of goodwill and other items, apart from business combinations, where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry-forward, are recognized under Other non-current assets at their expected utilization value, either as set-off against tax on future income, or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and tax liabilities and intends to settle current tax assets and tax liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealized intra-group profits and losses.

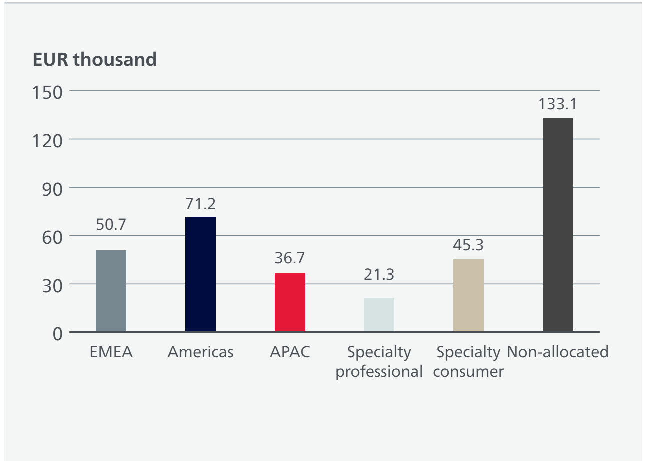
Note 3

3. REMUNERATION

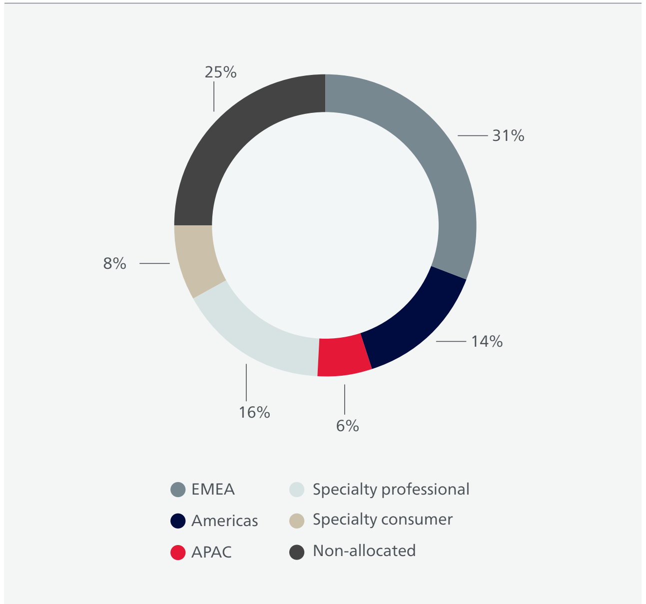
This note relates to remuneration for the Board of Directors, Nilfisk Leadership Team and employees, including long-term incentive programs.

Key developments in 2017

Staff costs per full-time employee per operating segment and non-allocated



Staff costs per operating segment and non-allocated



Note 3

3.1 STAFF COSTS

Staff costs specification

EUR million	2017	2016
Wages and salaries	247.3	240.6
Share option and Phantom share program	9.7	0.7
Social security costs	30.2	30.0
Defined contribution plans	11.7	11.9
Defined benefit plans	0.5	0.4
	299.4	**283.5**
Number of full-time employees, average	5,708	5,636
Staff costs per full-time employee (EUR thousand)	52.5	50.3

Staff costs increased by 6% while the average number of employees increased by 1%. The increase in expenses was materially influenced by an adjustment to the valuation of the phantom share program for key employees as an effect of the listing of Nilfisk Holding A/S. Please see remuneration note for further information.

§ **Accounting policy**

Staff costs comprise wages and salaries, remuneration, expenses under the phantom and option share program, pensions, etc.

3.2 REMUNERATION TO THE BOARD OF DIRECTORS

Following the demerger of NKT A/S, the Board of Directors of Nilfisk Holding A/S was elected on October 10, 2017.

Members of the Board of Directors are not granted warrants or options and do not receive variable remuneration components.

The remuneration for the Board of Directors is approved prospectively for one year at a time at the Annual General Meeting.

In the first nine months of the year, the Board of Directors received remuneration of 0.1 mEUR.

EUR thousand	Board of directors	Audit Committee	Remuneration Committee	Nomination Committee	Total
2017*					
Jens Due Olsen (Chairman)	27.9	0.0	0.0	1.6	29.5
Lars Sandahl Sørensen (Deputy Chairman)	18.6	0.0	0.0	3.1	21.7
Jutta af Rosenborg	9.3	6.2	3.1	0.0	18.6
Jens Maaløe	9.3	3.1	1.6	0.0	14.0
René Svendsen-Thune	9.3	0.0	0.0	0.0	9.3
Anders Runevad	9.3	0.0	0.0	0.0	9.3
Yvonne Markussen	9.3	0.0	0.0	0.0	9.3
Jean-Marc Rios Dionne	9.3	0.0	0.0	0.0	9.3
Michael Gamtofte	9.3	0.0	0.0	0.0	9.3
	111.7	**9.3**	**4.7**	**4.7**	**130.3**

* October 10, 2017 - December 31, 2017

Note 3

3.3 REMUNERATION TO THE NILFISK LEADERSHIP TEAM

Remuneration policy

Nilfisk's remuneration policy contains guidelines for setting and approving the remuneration for the Board of Directors and the salaries for the Nilfisk Leadership Team. The Board of Directors receive a fixed salary, while members of the Nilfisk Leadership Team receive a fixed salary, a short-term cash-based incentive and a long-term share-based incentive. This structure ensures commonality of interest between the management and shareholders of Nilfisk and maintains management's motivation to achieve both short- and long-term strategic goals. Prior to the listing, Nilfisk had an incentive program that applied to certain members of the Nilfisk Leadership Team as well as to certain key employees from Nilfisk.

The remuneration to Nilfisk Leadership Team has increased from 4.3 mEUR in 2016 to 10.5 mEUR in 2017. The increase is due to the increase in members in the Nilfisk Leadership Team and severance pay related to change in the team as well as bonus to certain members related to the demerger. Any severance pay is included in salary and pension.

Composition of remuneration
The Executive Management Board's remuneration consist of a fixed salary base salary, including pension and other customary non-monetary benefits such as a company car. The remuneration further includes a short-term cash-based bonus program and a long-term incentive program (see note 3.4).

Short-term incentive Bonus
The annual cash bonus payment is contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement. The criteria for granting of bonus is dependent on realization of specified financial targets and execution of individual assignments.

Other short-term Compensation
Other short-term compensation includes incentives in connection with the demerger.

Term of notice
The term of notice for the Executive Management Board is 18 months for the President and CEO, and 12 months for the CFO. Beyond this there is no separation benefit plan for the Executive Management Board.

Note 3

3.3 REMUNERATION TO THE NILFISK LEADERSHIP TEAM – CONTINUED

Remuneration to Nilfisk Leadership Team (NLT)

2017 EUR thousand	Salary and pension	Bonus	Other short-term compensation	Long-term incentive	Other benefits	Total
Hans Henrik Lund (CEO)[1]	500.8	350.5	300.5	0.0	87.9	1,239.7
Karina Deacon (CFO)	434.3	116.3	387.7	16.0	22.9	977.2
Former members of the Executive Management Board[2]	923.7	58.2	0.0	162.0	8.6	1,152.5
Nilfisk Leadership team[3]	3,029.0	629.8	802.5	2,388.0	322.2	7,171.5
	4,887.8	**1,154.8**	**1,490.7**	**2,566.0**	**441.6**	**10,540.9**

2016 EUR thousand	Salary and pension	Bonus	Other short-term compensation	Long-term incentive	Other benefits	Total[5]
Jonas Persson (CEO)	651.3	195.5	0.0	187.1	34.7	1,068.6
Karina Deacon (CFO)	399.0	142.8	0.0	53.3	21.4	616.5
Former members of the Executive Management Board[4]	765.4	276.5	0.0	201.1	53.0	1,296.0
Key employees	1,004.6	265.1	0.0	40.3	46.1	1,356.1
	2,820.3	**879.9**	**0.0**	**481.8**	**155.2**	**4,337.2**

1) August-December 2017
2) Includes Jonas Persson former CEO until February 2017
3) Includes the current Nilfisk Leadership Team excluding the Executive Management Board, and also includes Tina Mayn (former Executive Vice President until August 2017) and Marcus Haefeli (Senior Vice President until September 2017)
4) Includes Anders Terkildsen and Lars Gjødsbøl who both served as Executive Management Board members in Nilfisk A/S
5) Remuneration 2016 includes an adjustment of 87.9 tEUR relating to bonus and a negative adjustment of 99.7 tEUR relating to long-term incentive

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS

Share option program

In the period 2013 to 2016 , the Executive Management Board of Nilfisk A/S has been granted the right to purchase shares (share options) in Nilfisk Holding A/S at a strike price. Share options was not granted for 2017, instead a cash compensation was paid to four members of the Nilfisk Leadership Team.

Each share option is subject to completion of a service period of 36 months and can be exercised during a period of four weeks after publication of the latest annual financial statements of Nilfisk Holding A/S in each of the years 2017-2019 for the 2014 grant, the years 2018-2020 for the 2015 grant and the years 2019-2021 for the 2016 grant. In respect of the 2013 grant, the share option can be exercised during a 3-month period after publication of the latest annual financial statement of Nilfisk Holding A/S in each of the years 2017-2018.

Upon exercise of the share options, Nilfisk Holding A/S is entitled to settle in cash, except for the 2013 grant. As Nilfisk Holding A/S does not currently have an intention to settle the options in cash upon exercise the program is accounted for as an equity-settled program.

Following the demerger (see note 1) and the capital restructuring, the number of shares were changed from 5,000,000 with a nominal value of 100 DKK to 27,126,369 with a nominal value of 20 DKK. The comparison figures from 2016 have not been restated to reflect the number of shares after the listing. The effect from the change in number of shares is shown separately in the table where the outstanding number of shares is converted into the current number of shares.

If all share options were exercised it would correspond to 2.0% of the total number of shares.

The development in outstanding share options in 2017 and 2016 is reflected above.

Share options

	Number of options		Avg. exercise price per option (EUR)	
	2017	2016	2017	2016
Outstanding, January 1	124,185	76,756	68	84
Effect on number of shares from capital restructuring	673,740	-	16	-
Granted during the period	0	47,429	0	41
Adjustment to prior year	-25,074	0	0	0
Forfeited during the period	-92,796	0	0	0
Exercised during the period	0	0	0	0
Expired during the period	0	0	0	0
Outstanding, December 31	555,870	124,185	16	68
Weighted average remaining contractual life (months)			5	13
Number of options fully vested at the balance sheet date			416,422	41,224
Weighted average share price (EUR) at the exercise date during the period			-	-

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS

The Black & Scholes model has been applied for calculation of the fair value of the share options at grant date. The calculation is based on the assumptions at grant date stated in the table.

The expected volatility is based on the historical share price volatility for the shares of the previous parent company, NKT A/S, over the past 3 years adjusted to Nilfisk Holding A/S level. It is expected that the options on average will be exercised between the vesting date and the expiry date.

In the table number of options, calculated share price, exercise price, dividend per share and fair value per option have been restated to reflect the number of shares after the listing.

	Number of options	Calculated share price per option at grant date (EUR)	Exercise price per option (EUR)	Risk free interest (%)	Estimated volatility (%)	Expected dividend per option (EUR)	Applied option life (months)	Fair value per option at grant date (EUR)
Granted for 2013	59,678	23	16	0.67%	37%	3	48	8
Granted for 2014	163,973	24	17	0.05%	34%	4	48	7
Granted for 2015	192,771	26	14	-0.03%	27%	9	48	5
Granted for 2016	139,448	16	19	-0.38%	27%	4	54	1

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

Phantom share program
In the period 2012 to 2016 a phantom share program granted a number of employees the right to a potential cash payment but no rights to acquire shares. The program is an alternative to a part of the participants' bonus under the short term bonus program.

For the purpose of calculating the bonus under the phantom share program, the participants are treated as if they during the period beginning as at April 1 in the year the phantom shares are granted and the subsequent four years (the vesting period) earn phantom shares on a monthly basis in Nilfisk Holding A/S of up to the relevant maximum number of phantom shares. The participants are only entitled to the maximum number of phantom shares if they remain employed during the vesting period. Upon termination of the employment prior to the expiry of the vesting period, the number of phantom shares earned shall be calculated pro rata corresponding to the relevant part of the vesting period in which the participant was employed.

The phantom shares can be exercised by the participants in May following the four year vesting period or the subsequent two years in May, meaning for example that the phantom shares granted in 2016 can be exercised in May 2020, 2021 or 2022.

The value of the phantom shares is based on the market value of the Nilfisk Holding A/S shares traded on Nasdaq OMX. When participants exercise phantom shares the value of the phantom shares is based on the average share price for the month prior to the exercise.

Following the listing of Nilfisk Holding A/S the number of shares were changed from 5,000,000 with a nominal value of 100 DKK to 27,126,369 with a nominal value of 20 DKK. The comparison figures from 2016 have not been restated to reflect the number of shares after the listing. The effect from the change in number of shares is shown separately in the table where the outstanding number of shares is converted into the current number of shares. The average exercise price has been converted accordingly into the current number of shares.

The development in outstanding phantom shares in 2017 and 2016 is reflected below.

Phantom share

	Number of phantom shares		Avg. exercise price per phantom share (EUR)	
	2017	2016	2017	2016
Outstanding, January 1	81,119	82,117	70	-
Effect on number of shares from capital restructuring	440,093	-	13	-
Granted during the period	0	17,750	0	50
Forfeited during the period	0	0	0	0
Exercised during the period	-27,688	-18,748	9	48
Expired during the period	0	0	0	0
Outstanding, December 31	412,405	81,119	14	70
Weighted average remaining contractual life (months)			21	31
Number of phantom shares fully vested at the balance sheet date			112,574	11,500
Weighted average share price (EUR) at the exercise date during the period			6	91

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

The Black & Scholes model has been applied for calculation of the fair value of the share options at grant date. The calculation is based on the assumptions at grant date stated in the table.

The expected volatility is based on the historical share price volatility for the shares of the previous parent company, NKT A/S, over the past 3 years adjusted to Nilfisk Holding A/S level. It is expected that the options on average will be exercised between the vesting date and the expiry date.

Recognition of share-based payments
The amount expensed in the income statement is as follows:

EUR million	2017	2016
The share option program	-0.1	0.6
The phantom share program	9.8	1.0

The phantom share program is recognized with 9.8 mEUR in the income statement, hereof 6.8 mEUR is recognized as special items.

Prior to the listing of Nilfisk Holding A/S of October 12, 2017, Nilfisk's liability for the phantom share program was determined on the basis of a calculated value of Nilfisk shares. The calculated value was primarily based on Nilfisk's EBITDA and net interest-bearing debt as per the end of the previous financial year. With the listing of Nilfisk on October 12, 2017, the calculated share value was replaced by the market price of the Nilfisk shares as quoted on Nasdaq OMX. The change in the value of the Phantom share program resulting from the change from the calculated value on October 10, 2017 to the value based on the quoted average market price the first 20 days of trading, is accounted for under Special items.

	Number of phantom shares	Share price at December 31, 2017 (EUR)	Exercise price per phantom share (EUR)	Risk free interest (%)	Estimated volatility (%)	Expected dividend per phantom share (EUR)	Applied option life (months)	Fair value per phantom share at December 31, 2017 (EUR)
Granted for 2012	47,471	49	10	-0.68%	27%	9	60	39
Granted for 2013	65,103	49	15	-0.68%	27%	8	60	34
Granted for 2014	90,136	49	16	-0.61%	27%	8	60	32
Granted for 2015	104,354	49	17	-0.51%	27%	8	60	29
Granted for 2016	105,341	49	10	-0.39%	27%	3	60	36

In the table above, number of phantom shares, exercise price, dividend per share and fair value per phantom share option have been restated to reflect the number of shares after the listing.

The expense for both programs is calculated under the provision for share-based payments in accordance with IFRS 2. The share based payment program is recognized under equity whereas the phantom share program is recognized under other liabilities with the amount of 12.9 mEUR.

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

§ **Accounting policy**

The Nilfisk Group's incentive programs include a share option program for the Executive Management Board, certain Nilfisk Leadership Team members and former employees and a phantom share program for certain Nilfisk Leadership Team members and key employees.

The share option program is accounted for as equity-settled share-based payments to employees and is measured at the fair value of the options at the grant date.

The fair value is expensed on a straight-line basis over the vesting period, based on the Nilfisk Group's estimate of equity instruments that will eventually vest, with a corresponding effect in equity. At the end of each reporting period, the Nilfisk Group revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognized in the Income statement such that the cumulative expense reflects the revised estimate.

The phantom share program is accounted for as cash-settled share-based payments. An expense and a liability is recognized for the service acquired on a straight-line basis over the vesting period for the individual portion of the program that vests in the specific month, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured with any changes in fair value recognized in the Income statement for the year.

Note 4

4. NON-CURRENT ASSETS AND LIABILITIES

This note covers Nilfisk Group's investments in non-current assets that form basis for the Group's operations, and non-current liabilities arising as a result thereof. The non-current liabilities in this section are regarded as non interest-bearing and comprise employee pension benefits and provisions. Interest-bearing receivables and liabilities are covered in note 6, Capital structure.

Key developments in 2017

Property, plant and equipment and intangible assets by country

EUR million	2017	2016
Denmark	129.3	119.5
USA	85.3	109.0
China	39.8	43.3
Italy	16.5	16.2
United Kingdom	16.4	18.6
Hungary	10.8	12.2
Germany	9.5	8.2
South Africa	3.9	4.4
Australia	3.2	3.5
Other	21.7	24.2
	336.4	359.1
Investment ratio (% of revenue)	3.5%	4.2%

The Nilfisk Group mainly invests in production equipment to ensure satisfactory delivery flow to customers. Furthermore, rental machines have become a more significant part of the non-current assets. Investments in intangible assets are driven by development projects focusing on renewing and optimizing the product portfolio and on software in relation to front-end applications and ERP systems.

Production mainly comprises assembly and is not capital-intensive in terms of fixed assets.

Note 4

4.1 IMPAIRMENT TEST

Assumptions applied in the impairment test

The Nilfisk Group's medium-term (i.e. three to five years) outlook for the Nilfisk Group's performance with regard to organic revenue growth and EBITDA margin before special items are:

Revenue growth
Projections in the forecasting period for the individual segments (CGUs') are estimated on the basis of expected market development including strategic initiatives and the macroeconomic environment in general. Past experience is taken into consideration as well as the expected impact from the growth initiatives in Nilfisk Next.

Gross margin development
When estimating the segments (CGUs') margin development in the forecasting period, past experience and the impact from expected efficiency improvements are taken into consideration.

The expected impact of initiatives such as cost saving program and other initiatives from Nilfisk Next are taken into consideration for the relevant segments (CGUs).

Terminal growth
The terminal growth rate does not exceed the expected long-term average growth rate including inflation for the segments and countries in which we operate. The applied terminal growth rate for all cash generating units was 2.0%.

Discount rate
A pre-tax discount rate of 10.5% and a post-tax discount rate of 7.5% has been applied in the performed impairment tests for all the cash generating units, assuming our targeted ratio between the market value of our debt and equity value.

Impairments recognized as special items

EUR million	2017	2016
Impairment of intangible assets	0.0	1.6
Impairment of tangible assets	0.0	0.2
Impairment of current assets	0.0	1.3
	0.0	3.1

No impairment has been recognized in 2017.

Note 4

4.1 IMPAIRMENT TEST – CONTINUED

§ **Accounting policy**

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. Development and software projects in progress are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the Income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows (Value in use) from the business or activity (cash-generating unit) to which goodwill is allocated.

Other non-current assets

The carrying amount of other non-current assets is reviewed annually for indication of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the fair value of the asset less anticipated costs of disposal, or its value in use, whichever is the higher.

The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset is part.

Recognition of impairment loss in the Income statement

Impairment is recognized if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. The impairment of non acquisition-related intangibles is recognized in the Income statement under the functions it relates to. If the impairment relates to acquisition-related intangibles it is recognized in 'Amortization/impairment of acquisition-related intangibles', or if it relates to gain or loss of divestment of businesses it is recognized in 'Special items'.

Impairment of goodwill is not reversed. Impairment of other assets is reversed in the event of changes having taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortization if the asset had not been impaired.

Note 4

4.1 IMPAIRMENT TEST – CONTINUED

Significant judgments and estimates

Goodwill

Due to the redefined segment structure as of January 1, 2017 goodwill has consequently been allocated to the new segments that are the smallest group of cash-generating units at which goodwill is monitored, based on internal reporting provided to the Nilfisk Leadership Team, see note 2.1 for segment information.

As of December 31, 2016 goodwill was allocated as follows:

Segment	December 31, 2016
EMEA	60.3
Americas	26.0
APAC	0.0
Global Operations	93.0
Other	0.0
	179.3

Allocation of goodwill on cash-generating units

Goodwill has been allocated to the following cash-generating units: EMEA, Americas, APAC, Specialty Professional, Specialty Consumer and Non-allocated. Goodwill is allocated based on the relative headroom defined as the difference between the carrying amount of allocated net assets and the recoverable amount for each cash generating-unit in percentage of the total headroom as of January 1, 2017.

The calculation of headroom for each cash-generating unit is based on certain judgment relating to allocation of assets which is allocated to the cash generating units.

The carrying amount of goodwill per cash-generating unit as of December 31, 2017 is as follows:

Segment	December 31, 2017
EMEA	99.8
Americas	22.9
APAC	10.8
Specialty Professional	29.1
Specialty Consumer	1.0
Non allocated	0.6
	164.4

The change in the goodwill balances from January 1, 2017 to December 31, 2017 relates to exchange rate adjustments during the year.

Impairment test on goodwill allocated to operating segments as of December 31, 2017

Impairment tests are performed for each cash generating unit based on budget for 2018 and forecasts for 2019-2022. The impairment tests performed for the cash-generating units show a significant headroom as of December 31, 2017 and that no indication of impairment exists in any of the cash-generating units.

Refer to note 4.1 regarding applied assumptions in the impairment tests.

Note 4

4.2 INTANGIBLE ASSETS

§ **Accounting policy**

Goodwill

Goodwill is initially recognized in the balance sheet at cost. Subsequently, goodwill is measured at costs less accumulated impairment losses. Goodwill is not amortized.

The carrying amount of goodwill is allocated to the Nilfisk Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing Nilfisk Group, and identification of operating segments based on the presence of segment managers, the Executive Management Board finds that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during testing for impairment are the reportable segments. The reportable segments are comprised of the Nilfisk Group's operating segments without aggregation (note 2.1 Segment information).

Other intangible assets

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential market or internal utilization can be demonstrated, and where it is intended to manufacture, market or utilize the project, are recognized in intangible assets, provided the costs can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of goods, other costs and amortization, and also the development costs. Other development costs are expensed in the Income statement as incurred.

Capitalized development projects are measured at costs less accumulated amortization and impairment losses. The costs include wages, amortization and other direct costs relating to the individual development projects.

Intangible assets are amortized on a straight-line basis over the expected useful life which is:

Trademarks, etc.	Indefinite or 3-20 years
Customer related assets	3-15 years
Development projects	3-10 years
Software, know-how, patents and competition clauses	2-15 years

On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is 3-10 years. The basis of amortization is reduced by impairment losses.

Patents and licenses are measured at costs less accumulated amortization and impairment losses. Patents and licenses are amortized on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter.

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment.

Note 4

4.2 INTANGIBLE ASSETS – CONTINUED

EUR million	Goodwill	Trademarks	Customer related assets	Development projects completed	Software, Know-how, Patents and Competition Clauses	Development projects and software in progress	Total
Costs, January 1, 2017	179.3	29.4	35.9	124.7	72.2	21.8	463.3
Additions through business combinations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.0	2.1	3.1	18.0	23.2
Disposals	0.0	-0.6	0.0	-1.6	-0.1	0.0	-2.3
Transferred between classes of assets	0.0	0.0	0.0	9.5	2.2	-11.7	0.0
Exchange rate adjustments	-14.9	-2.0	-2.8	-0.7	-3.0	0.2	-23.2
Costs, December 31, 2017	164.4	26.8	33.1	134.0	74.4	28.3	461.0
Amortization and impairment, January 1, 2017	0.0	-14.6	-18.7	-85.3	-47.3	0.0	-165.9
Amortization for the year	0.0	-1.6	-2.7	-13.5	-5.5	0.0	-23.3
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.6	0.0	1.5	0.0	0.0	2.1
Exchange rate adjustments	0.0	0.7	1.4	0.4	2.2	0.0	4.7
Amortization and impairment, December 31, 2017	0.0	-14.9	-20.0	-96.9	-50.6	0.0	-182.4
Carrying amount, December 31, 2017	**164.4**	**11.9**	**13.1**	**37.1**	**23.8**	**28.3**	**278.6**
Investment ratio (Additions relative to amortization excl. business combinations)	-	0%	0%	85%	41%	0%	135%

The investment ratio was higher in 2017 compared to 2016. The bulk of investment was attributable to renewal and expansion of the product portfolio.

Trademarks with a carrying amount of 2.7 mEUR (2016: 2.7 mEUR) are not amortized, as they are regarded as having an indefinite useful life.

Regarding impairment test, see note 4.1.

Note 4

4.2 INTANGIBLE ASSETS – CONTINUED

EUR million	Goodwill	Trademarks	Customer related assets	Development projects completed	Software, Know-how, Patents and Competition Clauses	Development projects and software in progress	Total
Costs, January 1, 2016	171.7	25.6	31.5	104.2	68.8	26.5	428.3
Additions through business combinations	6.0	5.5	6.6	0.0	4.3	0.0	22.4
Additions	0.0	0.0	0.0	3.3	2.2	18.7	24.2
Disposals	-0.8	-1.6	-2.3	-6.0	-5.3	-0.2	-16.2
Transferred between classes of assets	0.0	0.0	0.0	21.9	1.8	-23.7	0.0
Exchange rate adjustments	2.4	-0.1	0.1	1.3	0.4	0.5	4.6
Costs, December 31, 2016	179.3	29.4	35.9	124.7	72.2	21.8	463.3
Amortization and impairment, January 1, 2016	0.0	-12.6	-17.1	-75.9	-41.2	0.0	-146.8
Amortization for the year	0.0	-1.9	-3.3	-12.0	-8.6	0.0	-25.8
Impairment	0.0	-1.1	-0.2	-1.5	-0.3	0.0	-3.1
Disposals	0.0	1.1	2.1	5.4	3.4	0.0	12.0
Exchange rate adjustments	0.0	-0.1	-0.2	-1.3	-0.6	0.0	-2.2
Amortization and impairment, December 31, 2016	0.0	-14.6	-18.7	-85.3	-47.3	0.0	-165.9
Carrying amount, December 31, 2016	**179.3**	**14.8**	**17.2**	**39.4**	**24.9**	**21.8**	**297.4**
Investment ratio (Additions relative to amortization excl. business combinations)	-	0%	0%	209%	17%	0%	132%

Note 4

4.3 PROPERTY, PLANT AND EQUIPMENT

§ **Accounting policy**

Land and buildings, Plant and machinery, Tools and equipment, and other property, plant and equipment, are measured at costs less accumulated depreciation and impairment losses.

The costs comprise the purchase price and any costs directly attributable to the acquisition until the asset is ready for use. The costs of self-constructed assets comprise costs of materials, components, subcontractors and wages. The costs are supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilized.

The costs of assets held under finance leases are stated at the fair value of the assets or the present value of the future minimum lease payments, whichever is the lower. For calculation of the present value, the interest rate implicit in the lease or the Nilfisk Group's alternative rate of interest is applied as the discount rate.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognized in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Nilfisk Group. The carrying amount of the replaced parts is derecognized in the balance sheet and recognized in the Income statement. All other costs relating to ordinary repair and maintenance are recognized in the Income statement as incurred.

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is effected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	8-50 years
Plant and machinery	3-20 years
Tools and equipment	3-15 years
Land is not depreciated	

The basis of depreciation is calculated according to the residual value less impairment losses. The residual value is determined at the acquisition date and reviewed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Property, plant and equipment under construction and prepayments are measured at cost. When ready for use, the asset is transferred to the relevant category and depreciated.

Note 4

4.3 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayments	Total
Costs, January 1, 2017	22.1	17.4	136.7	5.5	181.7
Additions through business combinations	0.0	0.0	0.0	0.0	0.0
Additions	0.1	0.4	11.8	3.0	15.3
Disposals	0.0	-0.2	-5.2	0.0	-5.4
Transferred between classes of assets	0.0	0.5	4.4	-4.9	0.0
Exchange rate adjustments	-0.9	-1.0	-5.1	-0.2	-7.2
Costs, December 31, 2017	21.3	17.1	142.6	3.4	184.4
Depreciation and impairment, January 1,2017	-9.7	-11.8	-98.5	0.0	-120.0
Depreciation for the year	-0.8	-1.3	-13.2	0.0	-15.3
Impairment	0.0	0.0	0.0	0.0	0.0
Transferred between classes of assets	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.2	3.4	0.0	3.6
Exchange rate adjustments	0.3	0.7	4.1	0.0	5.1
Depreciation and impairment, December 31, 2017	-10.2	-12.2	-104.2	0.0	-126.6
Carrying amount, December 31, 2017	**11.1**	**4.9**	**38.4**	**3.4**	**57.8**
Investment ratio (% of depreciation)	9%	67%	122%	0%	99%

Regarding impairment test, see note 4.1.

Note 4

4.3 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayments	Total
Costs, January 1, 2016	22.4	16.6	126.7	9.0	174.7
Additions through business combinations	0.0	0.6	0.2	0.0	0.8
Additions	0.1	0.6	12.1	7.8	20.6
Disposals	0.0	-1.1	-11.4	-0.6	-13.1
Transferred between classes of assets	0.0	0.9	9.8	-10.7	0.0
Exchange rate adjustments	-0.4	-0.2	-0.7	0.0	-1.3
Costs, December 31, 2016	22.1	17.4	136.7	5.5	181.7
Depreciation and impairment, January 1,2016	-9.0	-11.6	-96.3	0.0	-116.9
Depreciation for the year	-0.8	-1.4	-11.5	0.0	-13.7
Impairment	0.0	-0.1	-0.1	0.0	-0.2
Transferred between classes of assets	0.0	0.1	-0.1	0.0	0.0
Disposals	0.0	1.1	9.2	0.0	10.3
Exchange rate adjustments	0.1	0.1	0.3	0.0	0.5
Depreciation and impairment, December 31, 2016	-9.7	-11.8	-98.5	0.0	-120.0
Carrying amount, December 31, 2016	**12.4**	**5.6**	**38.2**	**5.5**	**61.7**
Investment ratio (% of depreciation)	10%	107%	182%	0%	149%

Note 4

4.4 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

This note shows the split of amortization, depreciation and impairment for the Nilfisk Group in the Income statement.

Split of amortization, depreciation and impairment in the Income statement

EUR million	2017	2016
Cost of sales, depreciation and impairment of tangible assets	11.8	10.0
Cost of sales, amortization and impairment of intangible assets	0.0	0.1
Research and development costs, depreciation and impairment of tangible assets	0.3	0.3
Research and development costs, amortization and impairment of intangible assets	13.5	12.1
Sales and distribution costs, depreciation and impairment of tangible assets	1.1	1.2
Sales and distribution costs, amortization and impairment of intangible assets	1.6	1.6
Administrative costs, depreciation and impairment of tangible assets	2.1	2.2
Administrative costs, amortization and impairment of intangible assets	2.0	4.5
Amortization/impairment of acquisition-related intangibles	6.2	9.0
Special items, impairment of intangible and tangible assets	0.0	1.8
	38.6	42.8
Total depreciation and impairment of tangibles	15.3	13.9
Total amortization and impairment of non acquisition-related intangibles	17.1	19.9
Total amortization and impairment of acquisition-related intangibles	6.2	9.0
	38.6	42.8

Note 4

4.5 PENSION LIABILITIES

Most employees in the Nilfisk Group are covered by pension schemes, primarily in the form of defined contribution-based plans or alternatively by defined benefit plans. The Nilfisk Group companies contribute to these plans either directly or by contributing to pension funds administered independently. The nature of such schemes varies according to legislative and regulatory regimes, rules regarding tax and the economic conditions in the countries in which the employees work, and the contributions are usually based on employee salary and seniority. The liability relates to pensions for already retired staff as well as for employees retiring in the future.

If a plan is not fully hedged, a plan liability is recognized in the consolidated balance sheet. Expenses relating to pension benefits are recognized as employee benefits.

The Nilfisk Group's defined benefit plans primarily relate to the UK and Switzerland.

Net liabilities recognized in the balance sheet

	2017			2016		
EUR million	**Present value of obligations**	**Fair value of plan assets**	**Net obligation**	**Present value of obligations**	**Fair value of plan assets**	**Net obligation**
Obligations and assets, January 1	31.1	23.6	7.5	29.1	23.2	5.9
Recognized under staff costs in the Income statement:						
Current service cost	0.3	0.0	0.3	0.3	0.0	0.3
Calculated interest cost/income	0.6	0.4	0.2	0.7	0.6	0.1
Curtailment and settlements, etc.	0.1	0.0	0.1	0.0	0.0	0.0
Total	1.0	0.4	0.6	1.0	0.6	0.4
Recognized in other comprehensive income:						
Actuarial gain/loss from changes in financial assumptions	0.3	1.2	-0.9	4.1	1.7	2.4
Total	0.3	1.2	-0.9	4.1	1.7	2.4
Other changes:						
Contributions to plans	0.1	0.8	-0.7	0.2	0.9	-0.7
Benefits paid	-2.0	-1.8	-0.2	-0.7	-0.4	-0.3
Foreign exchange adjustments, etc.	-1.7	-1.1	-0.6	-2.6	-2.4	-0.2
Total	-3.6	-2.1	-1.5	-3.1	-1.9	-1.2
Net recognized plan obligations and assets, December 31	28.8	23.1	5.7	31.1	23.6	7.5
Other long-term employee benefits	0.0	0.0	0.0	0.0	0.0	0.0
Recognized, December 31	28.8	23.1	5.7	31.1	23.6	7.5
Plan assets recognized as follows:						
Securities with quoted market price		16.9			17.5	
Cash		1.5			1.4	
Other		4.7			4.7	
		23.1			23.6	

Note 4

4.5 PENSION LIABILITIES – CONTINUED

Judgments and estimates

Principal actuarial assumptions at the balance sheet date (as weighted average)	2017	2016
Discount rate	2.0%	2.0%
Future salary increases	1.8%	1.7%
Future pension increases	2.7%	2.8%

Sensitivity

Table below shows the sensitivity of the pension liability to changes in the key assumptions

EUR million	2017	2016
0.5% point increase in the discount rate	-2.1	-2.3
0.5% point decrease in the discount rate	2.3	2.6
0.5% point increase in the future salary increases	0.0	0.0
0.5% point decrease in the future salary increases	-0.1	-0.1

The anticipated duration of the plan liability, expressed as a weighted average, was 13 years at December 31, 2017 (2016: 13 years).

The Nilfisk Group's expected contribution to defined benefit plans in 2018 amounts to 0.8 mEUR.

Accounting policy

The Nilfisk Group has contracted pension plans and similar arrangements with the majority of its employees.

Liabilities in respect of defined contribution-based pension plans, where the Nilfisk Group makes fixed regular payments to independent pension companies, are recognized in the Income statement in the period to which they relate. Any contributions outstanding are recognized in the balance sheet under other payables.

In the case of defined benefit plans, an annual actuarial calculation (the Projected Unit Credit Method) is made of the present value of future benefits payable under the plan. The present value is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Nilfisk Group. The actuarial present value less the fair value of any plan assets is recognized in the balance sheet under employee benefits.

Pension expenses for the year are recognized in the Income statement based on actuarial estimates and financial expectations at the start of the year. Difference between calculated return and realized return on plan assets and liabilities are designated actuarial gains or losses and recognized in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognized if it offsets cumulative actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

Note 4

4.6 PROVISIONS

Development in provisions

2017

EUR million	Warranties	Other	Total
Provisions, January 1	11.8	7.5	19.3
Additions through business combinations	0.0	0.0	0.0
Provisions made during the year	11.2	0.0	11.2
Used during the year	-11.2	0.1	-11.1
Reversed during the year	-0.2	0.0	-0.2
Foreign exchange adjustments	-0.7	-0.5	-1.2
Provisions, December 31	10.9	7.1	18.0
Provisions are recognized in the balance sheet as:			
Non-current liabilities	0.0	6.5	6.5
Current liabilities	10.9	0.6	11.5
	10.9	7.1	18.0

2016

EUR million	Warranties	Other	Total
Provisions, January 1	11.8	9.5	21.3
Additions through business combinations	0.2	0.0	0.2
Provisions made during the year	11.8	0.1	11.9
Used during the year	-11.9	-1.0	-12.9
Reversed during the year	-0.3	-0.3	-0.6
Foreign exchange adjustments	0.2	-0.8	-0.6
Provisions, December 31	11.8	7.5	19.3
Provisions are recognized in the balance sheet as:			
Non-current liabilities	0.0	6.8	6.8
Current liabilities	11.8	0.7	12.5
	11.8	7.5	19.3

Other provisions comprise acquisition-related earnouts, restoring of rented facilities, etc.

Note 4

4.6 PROVISIONS – CONTINUED

§ **Accounting policy**

Provisions are recognized when, as a result of events arising before or at the balance sheet date, the Nilfisk Group has a legal or a constructive obligation, and it is likely that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognized as a provision is the Executive Management Board's best estimate of the amount required to settle the obligation.

When measuring provisions, the costs required to settle the obligation are discounted if this significantly affects the measurement of the liability. A pre-tax discount rate is applied that reflects the current market interest rate and the specific risks relating to the obligation. Changes in present values during the year are recognized under financial expenses.

Warranty commitments are recognized in step with sale of goods and services based on the level of warranty expenses incurred in previous years.

Provisions for acquisition-related earnouts are recognized based on the Executive Management Board's best estimate of future revenue and profit in the acquired businesses.

Provisions for restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied which reflects the current market interest rate. The obligations are included as they occur and continuously adjusted to reflect changed requirements and price levels, etc. The present value of the costs is included in the costs of the relevant tangible assets and depreciated accordingly. The increase in the present value over time is recognized in the Income statement under financial expenses.

Note 5

5. WORKING CAPITAL

This note covers the Nilfisk Group's working capital. The working capital represents the assets and liabilities necessary to support the day-to-day operations. Working capital is defined as current assets less current liabilities, excluding interest-bearing items and provisions, but including derivatives which hedge working capital elements with currency exposure.

Composition and drivers

The Nilfisk Group manufactures products and operates in different markets. The Nilfisk Group's operating model, with several assembly locations and a number of distribution hubs for finished products, leads to a relatively high amount of inventory. Working capital is furthermore positively impacted by exchange rates, mainly decreased USD, RMB and MXN against EUR.

Key developments in 2017

The Nilfisk Group increased working capital by 21.8 mEUR from 141.7 mEUR at December 31, 2016 to 163.5 mEUR at December 31, 2017. The working capital ratio, measured on latest 12 months average, decreased by 1.4%-points from 17.6% in 2016 to 16.2% in 2017.

The increase in absolute number is driven by extraordinary low inventory level at the end of 2016, strengthening EUR and an increase in trade receivables due to organic growth in 2017.

Breakdown of working capital

EUR million	2017	2016
Inventories	182.8	173.3
Trade receivables	193.9	178.2
Other current assets	27.7	28.2
Trade payables	-117.7	-129.2
Other current liabilities	-123.2	-108.8
Working capital	163.5	141.7
Working capital ratio *	16.2%	17.6%

* Last twelve months

Note 5

5.1 INVENTORIES

The Nilfisk Group's entities carry inventory to support their operations. Continuous efforts aim to reduce inventory levels while maintaining customer service through short lead times.

See the Management review for more details of the inventory development.

Specification of inventories

EUR million	2017	2016
Raw materials, consumables and goods for resale	120.5	118.6
Work in progress	1.8	1.0
Finished goods	60.5	53.7
	182.8	173.3
Write-down on inventories, January 1	12.4	10.7
Write-down on inventories for the year expensed in the Income statement	3.6	5.0
Disposals from sales	-2.6	-2.8
Scrapping	-0.4	-0.5
Write-down on inventories, December 31	13.0	12.4

Significant judgment and estimates

Inventory write-downs are recognized if net realizable value is lower than costs, e.g. in case of obsolescence.

Accounting policy

Inventories are measured at costs in accordance with the FIFO method or at a weighted average. If the net realizable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at costs, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at costs, which comprise costs of raw materials, consumables, direct wages/ salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management. In the case of qualifying assets, specific and general borrowing costs directly relating to production of the relevant asset are recognized in the costs.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Note 5

5.2 RECEIVABLES

Receivables comprise trade and other receivables from external and associated companies, other receivables including derivative financial instruments and prepayments. Receivables are measured at amortized costs, which in all material respects corresponds to fair value and nominal value.

Specification of receivables

EUR million	2017	2016
Trade receivables	190.6	175.7
Trade receivables due from associates	3.3	2.5
Other receivables incl. derivative financial instruments	17.8	18.4
Prepayments	6.5	7.0
	218.2	203.6
Of which receivables falling due later than 12 months from the balance sheet date	0.2	0.4

Trade receivables increased in absolute terms from December 31, 2016 to December 31, 2017. The increase was driven by organic growth and high receivables days in some of the Nilfisk Group's countries.

Disclosure of credit risks and impairment of trade receivables are included in note 6.8.

§

Accounting policy

Receivables

Receivables are measured at amortized cost, except for derivative financial instruments which are measured at fair value. Write-down for bad and doubtful debts is made where an objective indication of impairment is considered to exist for an individual receivable or a portfolio of receivables.

Receivables for which there is no objective indication of impairment at individual level are assessed for such indication on a portfolio basis. The portfolios are primarily based on the debtor's domicile and credit rating in accordance with the Nilfisk Group's credit risk management policy. The objective indicators applied to portfolios are based on historical loss experience.

If an objective indication of impairment exists for a portfolio, an impairment test is carried out in which the expected future cash flows are estimated on the basis of historical loss experience adjusted for current market conditions and individual conditions relating to the specific portfolio.

Calculation of interest recognition on impaired receivables is based on the impaired amount using the effective rate of interest for the specific receivable or portfolio.

Prepayments

Prepaid expenses are measured at cost.

Note 5

5.3 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities comprise trade payables, other payables including VAT, employee-related payables, and derivative financial instruments. Prepayments from customers and deferred income are also included.

Specification of trade payables and other liabilities

EUR million	2017	2016
Trade payables	117.7	129.2
Other payables (VAT, employee-related tax, holiday pay, phantom share program, derivative financial instruments, other non-current liabilities, etc.)	113.5	97.8
Prepayments from customers	1.9	2.0
Deferred income	4.8	4.5
	237.9	233.5

§ **Accounting policy**

Liabilities are measured at amortized cost, except for derivative financial instruments which are measured at fair value. Phantom shares are measured by applying Black Scholes. Deferred income is measured at cost.

Note 6

6. CAPITAL STRUCTURE

This note covers the Nilfisk Group's capital structure, financing costs and financial risks.

The Nilfisk Group wishes to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into the business and returning surplus funds to the equity holders of Nilfisk Holding A/S.

6.1 CHANGES IN CAPITAL STRUCTURE, FINANCING, ETC.

The Group's objective is to have a capital structure to meet operating needs as well as needs for potential acquisitions. To achieve and keep an efficient capital structure, the Financial Policy states that Group's long term net interesting bearing debt should be at 2.5x EBITDA before special items or below. By the end of 2016, Nilfisk's funding structure primarily consisted of a long-term loan provided by NKT A/S and short term drawing rights under the NKT cash pool.

In connection with the demerger, Nilfisk was allocated an additional debt of 117.0 mEUR. Also in connection with the demerger, a new committed credit facility was established with a group of banks comprising Nordea Denmark, Danske Bank A/S and HSBC plc. The facility has a maximum drawing of 525 mEUR of which 75 mEUR is dedicated acquisitions and 450 mEUR is available for general funding purposes. By the end of 2017, an amount of 397.3 mEUR was drawn under the new facility, primarily representing a complete refinancing of the long- and short term net debt previously provided by NKT A/S.

6.2 NET INTEREST-BEARING DEBT

Specification of net interest-bearing debt

EUR million	2017	2016
Non-current loans and borrowings	397.3	191.5
Current loans and borrowings	8.0	278.5
Interest-bearing debt	405.3	470.0
Interest-bearing receivables	-4.9	-175.7
Cash at bank and in hand	-40.7	-28.5
Net interest-bearing debt	359.7	265.8

Net interest-bearing debt at December 31, 2017 increased by 93.9 mEUR compared to December 31, 2016, primarily due to the change in the capital structure as a consequence of the demerger, where additional debt of 117 mEUR was assumed by Nilfisk.

As of December 31, 2017 the net interest-bearing debt primarily consisted of long-term credit facilities and cash at bank and in hand. The decrease in the interest-bearing receivables is mainly due to the change in capital structure, where the cash pool now is a debt compared to a receivable in 2016.

52% of the interest-bearing debt was denominated in EUR, 36% in USD and 4% in DKK. As comparison, the percentages in 2016 were 12%, 57% and 24% respectively. The change in the allocation in currencies can be explained by the changes in the credit facilities.

At the end of 2017, 38% of the Group's debt was fixed-rate debt.

Refer to Management review for further information.

Note 6

6.3 INTEREST-BEARING RECEIVABLES

Specification of interest-bearing receivables

EUR million	2017	2016
Loans to NKT A/S	0.0	36.9
Cash pool, NKT A/S	0.0	132.8
Finance lease receivables	3.5	5.9
Other receivables	1.4	0.1
	4.9	175.7

6.4 PAYABLES TO CREDIT INSTITUTIONS AND OTHER PAYABLES

Payables to credit institutions are predominantly based on floating interest rates and are measured at amortized cost. The carrying amount therefore corresponds in all material respects to fair value and nominal value.

Other payables are measured at amortized cost, which corresponds in all material respects to fair value and nominal value.

§ **Accounting policy**

Payables to credit institutions, etc. are recognized at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods the financial liabilities are measured at amortized costs using 'the effective interest method', the difference between the proceeds and the nominal value therefore being recognized in the Income statement under financial expenses over the term of the loan.

Payables to credit institutions also include the capitalized residual lease obligation on finance leases measured at amortized cost.

Note 6

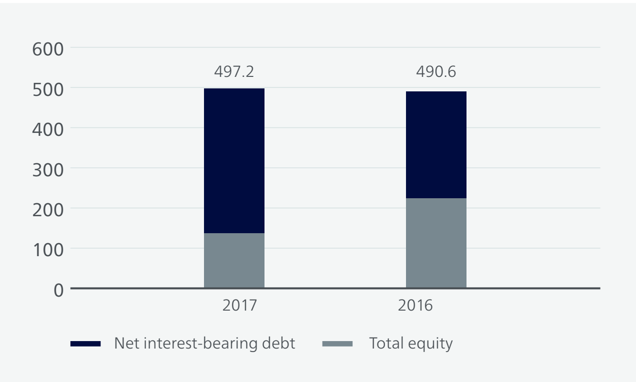
6.5 LIABILITIES FROM FINANCING ACTIVITIES

Specification of liabilities arising from financing activities

		Cash flows	Non-cash changes				
EUR million	**2016**		**Reclassification between current and non-current**	**Demerger**	**Foreign exchange movements**	**Fair value changes**	**2017**
Interest-bearing loans and borrowings, Non-current	191.5	67.0	22.0	117.0	-0.2	0.0	397.3
Interest-bearing loans and borrowings, Current	278.5	-224.2	-22.0	0.0	-27.3	3.0	8.0
Interest-bearing receivables	-175.7	164.9	0.0	0.0	5.9	0.0	-4.9
Total liabilities from financing activities	294.3	7.7	0.0	117.0	-21.6	3.0	400.4

Total liabilities from financing activities at December 31, 2017 increased by 106.1 mEUR compared to December 31, 2016, primarily due to the change in the capital structure as a consequence of the demerger, where additional debt of 117 mEUR was assumed by Nilfisk.

6.6 CAPITAL EMPLOYED



Capital employed increased by 6.6 mEUR from December 31, 2016 to December 31, 2017. Return on capital employed increased to 16.0% from 14.6% in 2016.

This is mainly due to an increase in net interest-bearing debt by 93.9 mEUR, increase in working capital by 21.8 mEUR and increase in EBIT before special items by 5.7 mEUR.

Note 6

6.7 FINANCIAL ITEMS

The net financial items represented -8.9 mEUR in 2017 compared to -11.0 mEUR in 2016. The decrease of 2.1 mEUR was related to a decrease in interest expenses of 4.6 mEUR and positive impact from currency exposure on hedging of 2.2 mEUR and increased interest income of 1 mEUR offset by increased foreign exchange and capital gain/loss, net of 5.7 mEUR.

The decrease in interest expenses of 4.6 mEUR was primarily due to lower interest rates compared to last year.

Comparison of gains on foreign exchange and derivative financial instruments with corresponding losses on these items revealed a net loss of 5.0 mEUR in 2017, against a net gain of 0.7 mEUR in 2016. While the Nilfisk Group's most significant currency exposures were neutralized by hedging activity, currency adjustments from unhedged cash flows caused foreign exchange gains or losses.

The 5.0 mEUR net foreign exchange loss in 2017 is within the expected range of the Nilfisk Group's hedging policy and should be seen in the context of the significant transactions in foreign currency.

Specification of financial items

	Financial income		Financial expenses	
EUR million	**2017**	**2016**	**2017**	**2016**
Interest etc. relating to financial assets/liabilities measured at amortized cost	7.7	6.7	12.4	17.0
Foreign exchange gains/losses	3.9	6.3	8.9	5.6
Derivative financial instruments gains/losses	0.8	0.0	0.0	1.4
	12.4	13.0	21.3	24.0

§ **Accounting policy**

Financial income comprises interest, dividends, gains on receivables and transactions denominated in foreign currencies, amortization of financial assets etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on and impairment of securities, payables and transactions denominated in foreign currencies, amortization of financial liabilities, including finance lease commitments etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Note 6

6.8 INVESTMENTS IN ASSOCIATED COMPANIES

Carrying amount of associated companies

EUR million	2017	2016
Carrying amount, January 1	17.7	16.6
Share of profit recognized in the Income statement	2.8	2.5
Additions through business combinations	0.3	0.0
Dividends	-1.3	-1.3
Exchange rate adjustments	-0.2	-0.1
Carrying amount, December 31	19.3	17.7

Details of associated companies

2017	M2H	CFM Lombardia	Rottest	Chasnic	
EUR million	France	Italy	Turkey	South Africa	Total
Revenue	60.1	1.7	1.3	2.8	65.9
Profit after tax	6.3	0.0	0.0	0.0	6.3
Total assets	61.9	1.0	0.1	1.3	64.3
Equity	40.2	0.2	0.0	0.9	41.3
Ownership in %	44%	33%	50%	30%	
Share of profit after tax	2.8	0.0	0.0	0.0	2.8
Share of equity	17.6	0.1	0.0	0.3	18.0
Goodwill recognized	0.9	0.0	0.4	0.0	1.3
Carrying value	**18.5**	**0.1**	**0.4**	**0.3**	**19.3**
Goods sold to	22.7	1.2	0.0	0.8	24.7
Good purchased from	0.0	0.0	1.2	0.0	1.2
Receivables from associated company	2.8	0.5	0.0	0.2	3.5
Payables to associated company	0.0	0.0	0.0	0.0	0.0

2016	M2H	CFM Lombardia	Rottest	
EUR million	France	Italy	Turkey	Total
Revenue	63.2	1.5	1.4	66.1
Profit after tax	5.7	0.0	-0.1	5.6
Total assets	57.2	0.9	0.3	58.4
Equity	36.9	0.1	0.0	37.0
Ownership in %	44%	33%	50%	
Share of profit after tax	2.6	0.0	-0.1	2.5
Share of equity	16.3	0.0	0.0	16.3
Goodwill recognized	0.9	0.0	0.5	1.4
Carrying value	**17.2**	**0.0**	**0.5**	**17.7**
Goods sold to	18.5	0.9	0.0	19.4
Good purchased from	0.0	0.0	1.5	1.5
Receivables from associated company	2.1	0.4	0.0	2.5
Payables to associated company	0.0	0.0	0.0	0.0

Note 6

6.8 INVESTMENTS IN ASSOCIATED COMPANIES – CONTINUED

§ **Accounting policy**

An associated company is an entity in which the Nilfisk Group has significant influence, but not control, which in general will be when holding 20% to 50% of the voting rights. Such investments are accounted for using the equity method of accounting. The investment is adjusted by the Nilfisk Group's share of the results after tax of the associated company.

The Nilfisk Group's share of the results is recognized in the Income Statement as Other operating income. The share of results will be recognized based on the associated company' full-year outlook, with adjustment for actual full-year result in the following year.

Note 6

6.9 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Risk management policy
The Nilfisk Group is exposed to, and manages different financial risks by its operations, investments and financing activities. As a matter of policy, the Nilfisk Group does not actively speculate in financial risks.

The overall objectives and policies for the Nilfisk Group's financial risk management are outlined in an internal Treasury Policy, which is approved by the Board of Directors. The general principle is that only financial risk exceeding a defined risk threshold is hedged. The risk thresholds are defined to provide the Nilfisk Group with sufficient risk protection while taking hedging costs into consideration.

The Nilfisk Group uses financial instruments to hedge exposures relating to currency and interest rate risks.

The financial risks are divided into:

1. Currency risks
2. Interest rate risks
3. Credit risks
4. Liquidity risks

Currency risks
With activities in more than 100 countries the Nilfisk Group is exposed to currency risks that could have considerable impact on the income statement and balance sheet.

Currency risks refer to the risks of losses (or opportunities for gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets, and liabilities denominated in currencies other than the functional currency of the individual Group businesses.

Management and hedging of existing and anticipated currency risks within the framework of existing policies are executed by Group Treasury.

Translation risks relating to net investments in subsidiaries
As a basic principle, the hedging of currency risks is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted directly in other comprehensive income. For the most significant investments (above 15 mEUR) in foreign currency, excluding EUR/DKK, a rate of exchange which is 10% lower than the actual exchange rate for CNY and GBP would reduce the Nilfisk Group's equity by 6.8 mEUR, compared to 9.8 mEUR in 2016. Currency risks relating to other investments in foreign entities are not deemed significant.

Net financing
Significant currency risks relating to receivables and payables that influence the Nilfisk Group's net income are hedged. Balances with credit institutions are denominated in the functional currency of the businesses concerned. The Nilfisk Group had no significant currency risks relating to receivables and payables in foreign currency at December 31, 2017 and at December 31, 2016, and the Nilfisk Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

Future cash flows
The Nilfisk Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the individual Nilfisk Group businesses. Hedging of these currency risks is based on assessments of the likelihood of the future transaction being performed and whether the associated currency risk is significant.

Expected cash flows with significant currency risk are hedged on a 12-14 month rolling basis. The fair value of the effective part of the hedge is recognized in other comprehensive income on a continuous basis. The table on the next page shows net outstanding forward exchange hedging contracts at December 31 for the Nilfisk Group which are used for and fulfil the conditions for hedge accounting of future transactions.

The fair value of the current portfolio of effective hedging contracts will impact other comprehensive income if currency rates change. The sensitivity analyses shown in the table on the next page assume currency rate changes equal to the individual currency's historic volatility. The analysis shows that for instance a 1% change in the AUD/ DKK rate will change other comprehensive income by 1.3 mEUR.

Forward exchange contracts relate to hedging of product sales/ purchase. During the year, a net gain of 0.8 mEUR was recognized under financial items due to ineffective hedge contracts. For comparison, the amount was a loss of 1.4 mEUR in 2016.

Note 6

6.9 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

Outstanding FX hedging contracts

	2017		2016	
EUR million	Notional value*	Recog. in other compr. income	Notional value*	Recog. in other compr. income
AUD/DKK	-16.3	0.5	-16.1	-0.2
CNY/DKK	94.0	-1.8	112.3	0.1
GBP/DKK	-26.0	0.5	-25.9	1.3
NOK/DKK	-16.0	0.7	-16.0	-0.3
SEK/DKK	-20.9	0.3	-20.5	0.3
USD/DKK	-12.7	0.6	-11.3	-0.4
CAD/USD	-13.4	-0.3	0.0	0.0
Total	-11,3	0.5	22.5	0.8

* Forward exchange contracts with positive notional values are purchases of the relevant currency; negative notional values are sales.

Sensitivity analysis

	2017		2016	
EUR million	Volatility December 31	Change in recog. in other compr. income	Volatility December 31	Change in recog. in other compr. income
AUD/DKK	8%	1.3	11%	1.8
CNY/DKK	7%	6.6	11%	12.4
GBP/DKK	8%	2.1	11%	2.8
NOK/DKK	8%	1.3	9%	1.4
SEK/DKK	5%	1.0	8%	1.6
USD/DKK	8%	1.0	11%	1.2
CAD/USD	7%	0.9		
		14.2		21.2

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows concerning the Nilfisk Group's interest-bearing assets and liabilities. At December 31, 2017, the Nilfisk Group's interest-bearing debt exceeded its interest-bearing assets by 359.7 mEUR compared to 265.8 mEUR as of December 31, 2016.

In order to secure the Nilfisk Group's interest payments an interest rate cap agreement has been made, which hedges 38% of NIBD at December 31, 2017.

Based on the relevant interest periods for the Nilfisk Group's credit facilities, it is estimated that a 1% rise in market interest rate for the Nilfisk Group's net interest-bearing items at December 31, 2017 would, all other things being equal, impact pre-tax earnings negatively on an annual basis by approximately 1.5 mEUR p.a. (2016: 1.3 mEUR).

Credit risks

The Nilfisk Group's credit risks relate partly to receivables and cash at bank and in hand, and partly to derivative financial instruments with positive fair value. The maximum credit risk attached to financial assets corresponds to the values recognized in the balance sheet.

The Nilfisk Group has no material risks relating to a single customer or partner. The Nilfisk Group's policy for acceptance of credit risks entails ongoing credit rating of important customers and other partners.

Insurance cover and similar measures to hedge receivables are rarely applied as this is not deemed necessary.

Development in trade receivables provision

EUR million	2017	2016
Trade receivables from sales and services	198.3	183.2
Impairment for bad and doubtful debts:		
January 1	5.0	4.5
Additions through business combinations	0.0	0.1
Exchange rate adjustments	-0.2	0.0
Write-downs included in Income statement in 'Other operating income, net'	1.2	1.9
Reversal of impairment included in Income statement in 'Other operating income, net'	-0.7	-1.4
Realized losses included in 'Other operating income, net'	-0.9	-0.1
Impairment, December 31	4.4	5.0
Net receivables from sales and services	193.9	178.2

Impairments amount to 4.4 mEUR compared to 5.0 mEUR as of December 31, 2016. 2.3 mEUR is attributable to individual impairment compared to 3.4 mEUR as of December 31, 2016. Impairment recognized in the Income statement in 2017 is 0.6 mEUR compared to 0.5 mEUR in 2016.

Receivables overdue not individually impaired

EUR million	2017	2016
Up to 30 days	22.6	22.2
Between 31 and 60 days	5.6	4.6
Between 61 and 120 days	3.6	2.9
More than 120 days	3.7	2.6
	35.5	**32.3**

Note 6

6.9 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

Significant judgment and estimates

Management makes allowance for doubtful trade receivables in anticipation of estimated losses resulting from subsequent inability of customers to make required payments.

When evaluating the adequacy of the allowance, Management analyses trade receivables and examines historical bad debt, customer concentrations, customer creditworthiness and payment history, and current economic trends.

Liquidity risks

It is the Nilfisk Group's policy to maintain adequate cash resources for implementing planned operating activities and to be able to operate effectively in the event of unforeseen fluctuations in liquidity. The Nilfisk Group's cash resources consist of cash, cash equivalents and undrawn credit facilities.

Note 6

6.9 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

Maturity of the Nilfisk Group's liabilities

2017

EUR million	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Forward contracts	4.9	0.0	0.0	0.0	0.0	0.0	4.9
Credit institutions	8.0	0.0	397.2	0.0	0.0	0.1	405.3
Other financial liabilities	231.8	1.2	0.0	0.0	0.0	0.0	233.0
	244.7	1.2	397.2	0.0	0.0	0.1	643.2

2016

EUR million	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Forward contracts	4.1	0.0	0.0	0.0	0.0	0.0	4.1
Credit institutions	2.7	0.0	0.0	0.0	0.0	0.1	2.8
Intercompany loans from NKT Holding A/S	275.8	191.4	0.0	0.0	0.0	0.0	467.2
Other financial liabilities	228.0	1.4	0.0	0.0	0.0	0.0	229.4
	510.6	192.8	0.0	0.0	0.0	0.1	703.5

The above items do not include interest. The forward contracts are recognized at fair value and the discount element is considered insignificant due to short maturity.

Payables to credit institutions are consequently recognized in the balance sheet at the amounts stated above.

Fair values

Financial instruments measured at fair value in the balance sheet are designated as belonging to one of the following three categories (the 'fair value hierarchy'):

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input, other than listed prices on Level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Input for the asset or liability which is not based on observable market data (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments. The fair value at December 31, 2017 and 2016 of the Nilfisk Group's forward transactions is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

Categories of financial instruments – carrying amount

EUR million	2017	2016
Financial assets:		
Hedging portfolio (derivative financial instruments)	6.5	6.4
Interest-bearing receivables	4.9	175.7
Receivables	211.7	197.2
Financial liabilities:		
Hedging portfolio (derivative financial instruments)	4.9	4.1
Financial liabilities, measured at amortized cost	638.4	699.4

Note 6

6.9 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

§ Accounting policy

Derivative financial instruments

Derivative financial instruments are recognized from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the Nilfisk Group has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedges

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

Apart from foreign currency hedging, hedging of future payment flows according to a firm commitment is treated as fair value hedging.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Cash flow hedges

Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future payment flows are recognized in other comprehensive income in a separate hedging reserve under equity until the cash flows hedged influence the Income statement. Gains or losses relating to such hedging transactions are then transferred from other comprehensive income and recognized in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognized in other comprehensive income is transferred to the Income statement when the hedged cash flows influence the Income statement.

If the hedged cash flows are no longer expected to be realized, the cumulative change in value is immediately transferred to the Income statement.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Other derivative financial instruments

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized under financial items as they arise.

Note 6

6.10 SHARE CAPITAL

The total number of shares is 27,126,369 with a nominal value of 20 DKK each. The change from 5,000,000 is due to the demerger where Nilfisk Holding A/S was established with a different share capital structure and replaced Nilfisk A/S as the ultimate parent company of the Nilfisk Group (see note 8.5). The change in the nominal share capital is presented retrospectively from Januar 1, 2016.

No shares carry special rights. Nilfisk Holding A/S' Articles of Association specifies no limits in respect of ownership or voting rights, and the Executive Management Board is unaware of any agreements in this regards.

Earnings per share

Earnings per share of 1.49 is based on Profit attributable to equity holders of Nilfisk Holding A/S of 40.3 mEUR and an average number of shares of 27,126,369.

Dividends

	2017	2016
Dividends distributed (mEUR)	0.0	0.0
Dividends distributed - per share (EUR)	0.0	0.0

§ **Accounting policy**

Dividends are recognized as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity.

Interim dividends are recognized as a liability at the date when the decision to pay such dividends are made.

Foreign exchange reserve
The foreign exchange reserve comprises:

- exchange rate adjustments arising on translation of the financial statements of foreign entities with a currency that is not the Group's functional currency

Hedging reserve
Hedging reserve covers:

- the cash flow hedging of interest payments
- the hedging of currency risk of cash flows.

Fair value reserve
Fair value reserve covers the fair value adjustment of available for sales securities.

Note 7

7. GROUP STRUCTURE

This note describes acquisitions and divestments of businesses during the year and Nilfisk Group's structure at December 31, 2017.

7.1 ACQUISITIONS/DIVESTMENTS OF BUSINESSES

2017 Acquisitions and divestments

The Nilfisk Group has not acquired new businesses or made divestments in 2017.

2016 Acquisitions

US-based Pressure-Pro Inc. was acquired by the subsidiary of NKT Holding, Vytran at January 1, 2016 as an asset deal and subsequently during 2016 transferred to the Nilfisk Group. Pressure-Pro Inc. is a leading manufacturer of cold and hot water high-pressure washers. The acquisition of Pressure-Pro Inc. has been accounted for using the purchase method, while the subsequent transfer of Pressure-Pro Inc. from NKT Holding to Nilfisk Group has been accounted for as a business combination under common control.

In 2008, the Nilfisk Group acquired 51% of the shares in Nilfisk S.A., Chile. Effective on April 5, 2016 the Nilfisk Group acquired the remaining 49% of the shares at a purchase consideration of 3.2 mEUR. This acquisition of non-controlling interests was recognized directly on equity.

2016 Divestments

On September 30, 2016, the US-based Cyclone Technology was divested. The divestment was comprised of all operations and employees. Sales purchase consideration was 0.5 mEUR. The effect on the Nilfisk Group's revenue and income is not material. See note 2.4 Special items for recognition of loss of divestment.

Acquisitions

	2016		
EUR million	**Pressure-Pro USA**	**Other**	**Total**
Intangible assets	15.8	0.6	16.4
Tangible assets	0.8	0.0	0.8
Inventories	5.0	0.2	5.2
Receivables	3.7	0.4	4.1
Deferred tax	0.0	-0.1	-0.1
Payables and provisions	-3.1	-0.4	-3.5
Net assets acquired	22.2	0.7	22.9
Goodwill	5.5	0.5	6.0
Purchase consideration	27.7	1.2	28.9
Cash purchase consideration	27.7	1.2	28.9
Total effect on net interest bearing debt	0.0	0.0	0.0
Direct purchase costs	0.2	0.0	0.2
Revenue recognized in the year	38.6	0.6	39.2
Profit after tax recognized in the year	2.0	0.0	2.0
Proforma revenue 12 months	38.6	2.0	40.6
Proforma profit after tax 12 months	2.0	0.2	2.2

Note 7

7.1 ACQUISITIONS/DIVESTMENTS OF BUSINESSES – CONTINUED

§ **Accounting policy**

Businesses acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition/formation. Businesses sold or wound up are recognized in the consolidated financial statements until the date of disposal.

In the case of acquisitions where Nilfisk Holding A/S directly or indirectly gains control of the business acquired, the purchase method is used. The identifiable assets, liabilities and contingent liabilities of the acquisition are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

The date of acquisition is the date at which Nilfisk Holding A/S directly or indirectly gains actual control of the business acquired.

Positive differences (goodwill) between on the one side the purchase consideration, the value of minority interests in the acquisition and the fair value of any previously acquired equity investments, and on the other side the fair value of the acquired identifiable assets, liabilities and contingent liabilities, are recognized as goodwill under intangible assets. Goodwill is not amortized but a test for impairment is carried out annually. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment tests. Goodwill and fair value adjustments relating to acquisition of a foreign entity having a functional currency other than the Nilfisk Group's presentation currency are treated as assets and liabilities belonging to the foreign entity and, on first-time recognition, are translated into the functional currency of that entity at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognized in the Income statement at the acquisition date.

The purchase consideration for a business consists of the fair value of the agreed consideration in the form of transferred assets, assumed liabilities, and issued equity instruments. If parts of the purchase consideration are contingent upon future events or fulfilment of agreed conditions, this part of the purchase consideration is recognized at fair value at the date of acquisition. Costs relating to business combinations are expensed directly in the Income statement as incurred.

If uncertainty exists at the date of acquisition as to identification or the measurement of acquired assets, liabilities or contingent liabilities, or as to the determination of the purchase consideration, first-time recognition is based on values stated provisionally. If identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities subsequently proves to have been incorrect at first-time recognition, the calculation is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated. Thereafter goodwill is not adjusted. Revised estimates of contingent purchase consideration are recognized in the Income statement.

On whole or partial disposal of wholly owned foreign entities where control is relinquished, the currency adjustments which are recognized in other comprehensive income and which are attributable to the entity are reclassified from other comprehensive income to the profit/loss for the year together with gains or losses arising from the disposal.

On disposal of part-owned foreign subsidiaries the part of the translation reserve relating to minority interests is not transferred to the Income statement.

Gains or losses on disposal of winding up of subsidiaries and associates are stated as the difference between the selling price or disposal sum and the carrying amount of net assets, including goodwill, at the time of sale, and selling or winding up costs.

Business combinations between entities under common control

In business combinations between entities under common control, the acquired assets and liabilities are recorded at their existing carrying values and comparative figures are restated to the latter of the beginning of the earliest comparative period and the date on which the combining entities first came under common control.

Note 7

7.2 GROUP COMPANIES

Denmark	
Nilfisk Holding A/S	Denmark
Nilfisk A/S	Denmark
Nippon Investment Corporation ApS	Denmark

Europe	
Nilfisk GmbH	Austria
Nilfisk N.V./S.A.	Belgium
Nilfisk s.r.o.	Czech Rep.
Nilfisk Oy	Finland
Nilfisk S.A.S.	France
Jungo Voirie S.A.S.	France
Nilfisk-Advance Eppingen GmbH	Germany
Nilfisk GmbH	Germany
Nilfisk Hellas S.A.	Greece
Nilfisk Production Kft.	Hungary
Nilfisk Commercial Kft.	Hungary
Nilfisk Ltd	Ireland
Nilfisk S.p.A.	Italy
Nilfisk B.V.	Netherlands
Nilfisk AS	Norway
Nilfisk Polska Sp.z.o.o.	Poland
Nilfisk Lda	Portugal
Nilfisk-Advance S.R.L.	Romania
Nilfisk LLC	Russia
Nilfisk s.r.o.	Slovakia
Nilfisk S.A.	Spain
Nilfisk AB	Sweden
Nilfisk AG	Switzerland
Nilfisk Profesyonel Temizlik Ekipmanlari Ticaret. A.S.	Turkey
Nilfisk Ltd.	United Kingdom
Floor Cleaning Machines	United Kingdom

North and Central America	
Nilfisk Canada Company	Canada
Nilfisk de Mexico S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Services S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing Services S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing S. de R.L. de C.V.	Mexico
Nilfisk U.S Holding Inc.	US
Nilfisk Inc.	US
Hathaway North America Inc.	US
Hydro Tek Systems, Inc.	US
Nilfisk Pressure-Pro, LLC.	US

South America	
Nilfisk S.R.L.	Argentina
Nilfisk Equipamentos de Limpeza Ltda.	Brazil
Nilfisk S.A.	Chile
Nilfisk S.A.C.	Peru

Africa	
Nilfisk Pty. Ltd.	South Africa
Industro-Clean (Cape) Pty. Ltd.	South Africa

Asia/Pacific	
Nilfisk Pty. Ltd.	Australia
Kerrick Distributers (Aust) Pty. Ltd.	Australia
Dongguan Viper Cleaning Equipment Co. Ltd.	China
Nilfisk Cleaning Equipment (Shanghai) Co. Ltd	China
Nilfisk Professional Cleaning Equipment (Suzhou) Co. Ltd.	China
Nilfisk Ltd.	Hong Kong
Nilfisk India Private Ltd.	India
Nilfisk Inc.	Japan
Nilfisk Korea Co. Ltd.	Korea
Nilfisk Sdn Bhd	Malaysia
Nilfisk Ltd.	New Zealand
Nilfisk Pte. Ltd.	Singapore
Nilfisk Ltd. (Branch)	Taiwan
Nilfisk Co. Ltd.	Thailand
Nilfisk Company Ltd.	Vietnam
Nilfisk Ltd. (Branch)	Macau

Associates	
M2H S.A. (44%)	France
CFM Lombardia S.r.l. (33%)	Italy
Chasnic Pty. Ltd. (30%)	South Africa
Rottest A.S. (50%)	Turkey
Nilfisk Trading LLC (49%) under incorporation	UAE

Ownership below 100% is disclosed in brackets.

Note 8

8. OTHER NOTES

This note contains other statutory notes and notes considered less essential to the understanding of the Nilfisk Group's financial development.

8.1 FEES TO AUDITORS ELECTED AT THE ANNUAL GENERAL MEETING

Fees to auditor

EUR million	2017	2016
Deloitte:		
Statutory audit	0.9	1.0
Other assurance services	0.3	0.0
Tax and VAT advice	0.1	0.1
Other non-audit services	1.6	1.3
	2.9	2.4

The fee for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab Denmark, amounted to 1.9 mEUR, and consisted of assistance related to advisory services related to the demerger from NKT A/S, Marketing outsourcing and HR System, review of interim financial statements for the period January 1 - June 30, 2017, agreed-upon procedures related to foreign subsidiaries and other accounting and tax advisory services.

8.2 EVENTS AFTER THE BALANCE SHEET DATE

No significant events of importance to the consolidated financial statements have occurred since December 31, 2017.

Note 8

8.3 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IASB has issued a number of new standards and interpretations that were not mandatory during preparation of the 2017 Annual Report. The new standards and interpretations are not expected to materially influence Nilfisk's financial reporting.

IASB has issued IFRS 9 ''Financial Instruments'', effective for annual periods beginning on or after January 1, 2018. The new standard will change the classification, presentation and measurement of financial assets and liabilities, and hedging requirements. Financial assets shall be measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Nilfisk have reviewed its financial assets and liabilities, and the review has not resulted in any significant changes in classification of financial assets and liabilities in the adoption of the new standard. The new hedge accounting rules will in general align the accounting for hedging instruments more closely with the group's risk management practices. As the hedging in Nilfisk already follow the Risk Management policy, there will be no change in hedging relationsships. The new impairment model requires the recognition of impairment provisions based on the "expected credit loss model" rather than the "Incurred-loss model". The majority of Nilfisk's receivables are receivables from sales with short credit period, and due to the low credit risk in the Group, the new rules are not expected to have a significant impact on the valuation of trade receivables.

IASB has issued IFRS 15 'Revenue from contracts with customers', with the effective date of January 1, 2018. The new revenue recognition model is based on the principle that revenue is recognized when control of the goods or services transfers to the customer rather than on a transition of benefits and risks. Control is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset included in the goods or services. Nilfisk has assessed the impact. The assessments have concluded that the new standard does not have material impact on Nilfisk's financial statements. For most of Nilfisk products there will be no significant time difference, if any between the transition of benefits and risks and the transition of control. Nilfisk does not operate with construction contracts. If a sales contract comprise more elements they are already split on these elements, if material.

IASB has issued IFRS 16 'Leases', with the effective date of January 1, 2019. The standard eliminates the distinction between operating and finance leases, and requires that all leases must be recognized in the lessee's balance sheet as an asset with a related liability. The lessee's income statement will be affected, as the annual lease costs in the future will consist of two elements, depreciation and interest expenses. Today, the annual costs relating to operating leases are recognized as an external cost in EBIT. The adoption is expected to have positive impact on the Group's EBITDA Margin before special items in the range of 2-3%-points based on the Group's current use of leasing, and an increase in total assets and liabilities by 65-75 mEUR. This will affect the financial ratios.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of certain insurance contracts, and is not relevant for Nilfisk.

Note 8

8.4 CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS

Following the demerger of Nilfisk Group from NKT, certain guarantees were transferred to Nilfisk Holding A/S. This includes rental commitments of 13.8 mEUR. In addition, guarantees of 26.4 mEUR to support local bank facilities for subsidiaries were established by Nilfisk A/S.

Nilfisk Holding A/S and all its Danish subsidiaries are subject to mandatory joint taxation. Being the ultimate parent company in the Nilfisk Group, Nilfisk Holding A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/liabilities. Nilfisk A/S and the Danish subsidiaries' interim tax returns for the period prior to the demerger shall be included in NKT A/S' joint taxation income for 2017.

Following the demerger, Nilfisk Holding A/S and NKT A/S will be jointly and severally liable for obligations attributable to the activities, assets and liabilities of NKT A/S that existed as of September 11, 2017. The joint and several liabilities of Nilfisk Holding A/S and NKT A/S respectively cannot exceed an amount corresponding to the net value of the assets and liabilities. NKT A/S and Nilfisk Holding A/S have entered into an indemnification agreement, under which each of them have a defined right of recourse with respect to any liabilities a party may incur in respect of the other party under the joint and several liability.

The Nilfisk Group is engaged in certain disputes, legal proceedings and inquiries from authorities, including tax authorities, whose outcome is not expected to materially impact the Group's financial position.

Contractual obligations

EUR million	2017	2016
Contractual obligations relating to purchase of buildings and production plants	0.1	0.1
Operating lease commitments: The Nilfisk Group leases property and production equipment, etc. under operating leases. Lease commitments relate primarily to property. The leases are indexed annually and contain no special purchasing rights, etc.		
Interminable minimum lease payments are specified as follows:		
Within 0-1 year	24.5	25.5
Within 1-5 years	40.1	50.0
After 5 years	5.5	8.3
	70.1	83.8
Lease payments expensed in the Income statement	32.0	32.2
Sub-rental, income	0.1	0.3
Operating lease income:		
Operating lease income related to products leased to customers	12.0	10.4
Interminable minimum rent income is specified as follows:		
Within 0-1 year	7.6	6.6
Within 1-5 year	6.5	6.3
	14.1	12.9

Note 8

8.4 CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS – CONTINUED

! **Accounting policy**

Contingent liabilities
Disclosure concerning contingent assets and liabilities and when they must be recognized takes place against the background of evaluations of the expected outcome of the individual issues. These evaluations are based on legal opinions of the agreements contracted, which in significant issues also include opinions obtained from external advisors, including lawyers.

Assets are recognized when it is virtually certain that the issue will have a positive outcome for the company. A liability is recognized when it is likely that, at the balance sheet date, there will be an outflow from the Nilfisk Group's financial resources and when the liability can be reliably stated. If this is not the case, the matter is disclosed in the notes to the financial statements. Decisions relating to such situations may in future accounting periods lead to realized gains or losses that may differ significantly from the recognized amounts or disclosures.

Contractual liabilities – leasing
Lease commitments are divided for accounting purposes into finance leases and operating leases.

A finance lease is one that in all material respects transfers risks and benefits relating to ownership of the leased asset. Other leases are designated operating leases.

The accounting treatment of assets held under a finance lease and the associated liability are described in the section on property, plant and equipment and in the section on financial liabilities, respectively.

Rental payments made under an operating lease are recognized on a straight-line basis over the term of the lease.

Assets leased out under operating leases are recognized, measured and presented in the balance sheet in the same way as the Nilfisk Group's other assets of similar type.

Note 8

8.5 RELATED PARTIES

Nilfisk A/S was a wholly-owned subsidiary of NKT A/S until October 10, 2017. On this date, a demerger of NKT A/S was completed, effectively transferring the full ownership of Nilfisk A/S (and all its subsidiaries and affiliated companies) to a newly established Danish holding company, Nilfisk Holding A/S. Therefore, NKT A/S is only considered a related party until October 10, 2017. Following the demerger, on October 12, 2017 the shares of Nilfisk Holding A/S were listed at the Nasdaq Copenhagen stock exchange.

The Nilfisk Group has had the following transactions and balances with related parties:

Related parties

EUR million	2017	2016
Service fee to NKT A/S	0.4	1.5
Interest expenses and derivative losses paid to NKT A/S	6.2	16.2
Acquisition of Pressure-Pro from NKT A/S	0.0	8.6
Income taxes paid to NKT A/S	0.1	0.0
Dividends paid to NKT A/S	0.0	0.0
Guarantee commission to NKT A/S	0.0	0.1
Service fee from NKT A/S	1.5	0.5
Interest income and derivative gains received from NKT A/S	0.9	2.1
Interest-bearing loans and borrowings from NKT A/S	0.0	467.2
Other current debt to NKT A/S	0.0	1.5
Derivative financial instruments, debt to NKT A/S	0.0	4.1
Derivative financial instruments, receivable from NKT A/S	0.0	6.4
Income tax payable to NKT A/S (liability 2017)	0.1	0.2
Interest-bearing receivables from NKT A/S	0.0	169.7
Goods sold to associated companies	24.7	19.4
Goods purchased from associated companies	1.2	1.5
Dividends received from associated companies	1.3	1.3
Trade receivables from associated companies	3.5	2.5
Trade payables to associated companies	0.0	0.0

Please refer to note 3.3 and note 3.4 for remuneration to the Executive Management Board.

Note 8

8.6 DEFINITIONS

Item	Key figures and ratios	Definition
1	Cash conversion	Cash flow from operations before financial items and income taxes as a percentage of EBITDA
2	Capital employed	Group equity plus net interest-bearing debt
3	Diluted earnings per share	Profit attributable to equity holders of Nilfisk Holding A/S as a percentage of diluted average number of outstanding shares
4	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortization, impairment and special items
5	EBITDA	Earnings (profit) before interest, tax, depreciation, amortization and impairment
6	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
7	EBITDA margin	EBITDA as a percentage of revenue
8	EBIT before special items	Earnings (profit) before interest, tax and special items
9	EBIT	Earnings before interest and tax (Profit before financial items and income taxes)
10	EBIT margin before special items	EBIT before special items as a percentage of revenue
11	EBIT margin	EBIT as a percentage of revenue
12	Earnings per outstanding share (EPS)	Profit attributable to equity holders of Nilfisk Holding A/S relative to average number of outstanding shares
13	Equity value per outstanding share	Equity attributable to equity holders of Nilfisk Holding A/S per outstanding share at December 31
14	Financial gearing	The ratio between net interest bearing debt and EBITDA before special items
15	Free cash flow	Cash flow from operating activities less cash flow from investing activities
16	Free cash flow excluding acquisitions and divestments	Free cash flow plus cash flow from acquisition of businesses and less cash flow from divestment of businesses
17	Gross margin	Gross profit as a percentage of revenue
18	Net interest-bearing debt	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash Specified in note 6.2 and 6.3
19	Operating performance	EBITDA before special items excluding impact from phantom share program as a percentage of revenue
20	Organic growth	Revenue growth in local currency excluding acquisitions and divestments and foreign exchange rates
21	Overhead cost ratio	Overhead costs as a percentage of revenue
22	Return on capital employed (RoCE)	EBIT before special items as a percentage of the average of the capital employed, calculated by taking the capital employed at December 31 and at the end of the preceding four quarters
23	Solvency ratio	Equity attributable to equity holders of Nilfisk Holding A/S as a percentage of total assets
24	Working capital	Current assets minus current liabilities (excluding interest-bearing items and provisions)
25	Working capital ratio	Average working capital LTM (latest twelve month) as a percentage of revenue

Note 8

8.7 5-YEAR FINANCIAL HIGHLIGHTS

EUR million	2017	2016	2015	2014	2013
Income statement					
Revenue	1,081.9	1,058.5	980.0	917.6	880.7
EBITDA before special items	120.1	116.8	98.0	107.3	104.4
EBIT before special items	81.5	75.8	63.8	77.4	75.8
Depreciation and impairment of property, plant and equipment	-15.3	-13.9	-12.7	-11.3	-11.3
Amortization and impairment of intangible assets	-17.1	-19.9	-16.6	-15.0	-13.0
Amortization and impairment of acquisition-related intangible assets	-6.2	-9.0	-4.9	-3.5	-4.3
EBITDA	99.5	96.8	98.0	120.2	104.4
EBIT	60.9	54.0	63.8	90.3	75.8
Special items	-20.6	-21.8	0.0	12.9	0.0
Financial items, net	-8.9	-11.0	-7.9	-10.3	-14.8
Profit before income taxes	52.0	43.0	55.9	80.1	61.0
Profit for the year	40.3	29.5	41.8	58.1	45.2
Profit attributable to equity holders of Nilfisk Holding A/S	40.3	29.5	41.6	58.0	45.1
Cash flow					
Cash flow from operating activities	41.4	114.7	59.8	75.7	67.1
Cash flow from investing activities	-35.3	-72.6	-67.5	-19.0	-31.3
- hereof investments in property, plant and equipment	-15.3	-20.6	-21.7	-13.7	-11.1
Free cash flow excluding acquisitions and divestments	6.1	74.2	19.8	45.7	39.5
Balance sheet					
Share capital	72.9	67.2	67.2	67.2	67.2
Equity attributable to equity holders of Nilfisk Holding A/S	137.5	224.8	199.8	334.0	285.7
Non-controlling interests	0.0	0.0	0.9	0.8	0.9
Group equity	137.5	224.8	200.7	334.8	286.6
Total assets	827.2	983.1	935.5	862.3	802.2
Net interest-bearing debt	359.7	265.8	300.9	105.9	125.1
Capital employed	497.2	490.6	501.6	440.7	411.7
Working capital	163.5	141.7	173.3	159.7	146.6

EUR million	2017	2016	2015	2014	2013
Financial ratios and employees					
Organic growth	3.7%	3.1%	0.4%	5.6%	3.0%
Gross margin	42.2%	41.9%	40.8%	41.0%	40.9%
Overhead costs ratio	34.1%	33.9%	33.7%	32.1%	31.8%
EBITDA margin before special items	11.1%	11.0%	10.0%	11.7%	11.9%
EBIT margin before special items	7.5%	7.2%	6.5%	8.4%	8.6%
EBITDA margin	9.2%	9.1%	10.0%	13.1%	11.9%
EBIT margin	5.6%	5.1%	6.5%	9.8%	8.6%
Working capital ratio	16.2%	17.6%	20.0%	19.2%	19.3%
Cash conversion %	63%	143%	86%	80%	91%
Solvency ratio	16.6%	22.9%	21.4%	38.7%	35.6%
Return on capital employed (RoCE)	16.0%	14.6%	12.9%	17.6%	17.5%
Number of shares ('000)*	27,126	27,126	27,126	27,126	27,126
Nominal share value DKK*	20	20	20	20	20
Earnings per outstanding share (EPS)*	1.5	1.1	1.5	2.1	1.7
Dividend paid, per share*	0.0	0.0	6.4	0.8	0.7
Equity value per outstanding share*	5.1	8.3	7.4	12.3	10.5
Number of full-time employees, average	5,708	5,636	5,464	5,473	5,250

* In 2017 the number of shares was increased to 27,126,369 from 5,000,000. As a consequence hereof, the related key figures have been changed retrospectively from 2013 to 2016.

Definitions appear in note 8.6 to the consolidated financial statements.

Parent company financial statements 2017

Notes

Income statement

for the period October 10, 2017 to December 31, 2017

EUR million	Note	2017
Gross profit		**0.0**
Administrative costs	1	-1.1
Profit (loss) before financial items and income taxes (EBIT)		**-1.1**
Financial expenses	2	-0.1
Profit (loss) before income taxes		**-1.2**
Income taxes	3	0.2
Profit (loss) for the year		**-1.0**
To be distributed as follows		
Retained earnings		-1.0
		-1.0

Balance sheet

at December 31

EUR million	Note	2017
Assets		
Other non-current assets		
Investments in subsidiaries	4	216.2
		216.2
Total non-current assets		**216.2**
Current assets		
Receivables from subsidiaries		0.2
Prepayments	5	0.1
Total current assets		**0.3**
Total assets		**216.5**
Equity and liabilities		
Equity		
Share capital		72.9
Retained earnings		25.4
Total equity		**98.3**
Non-current liabilities		
Interest-bearing loan from Nilfisk A/S		117.0
		117.0
Current liabilities		
Payables to subsidiaries	6	1.2
		1.2
Total liabilities		**118.2**
Total equity and liabilities		**216.5**

Statement of changes in equity

for the period October 10, 2017 to December 31, 2017

2017

EUR million	Share capital	Retained earnings	Total equity
Equity, October 10, 2017	72.9	26.2	99.1
Profit (loss) for the year	0.0	-1.0	-1.0
Foreign exchange translation adjustments	0.0	0.2	0.2
Equity, December 31, 2017	**72.9**	**25.4**	**98.3**

The share capital is 27,126,369 shares with a nominal value of 20 DKK each. This remains unchanged from the incorporation at October 10, 2017.

The shares are not split into classes of shares. See note 3.4 to the consolidated financial statements for a description of the share option program to the Executive Management Board.

Changes in equity 2017 comprises Profit (loss) for the year.

No dividends are proposed for 2017.

Notes 1-5

Nilfisk Holding A/S is the parent company of the Nilfisk Group. Nilfisk Holding A/S was incorporated at the demerger of the Danish company NKT A/S on October 10, 2017. Nilfisk A/S was a wholly-owned subsidiary of NKT Holding A/S until October 10, 2017. On this date, a demerger of NKT Holding A/S was completed, effectively transferring the full ownership of Nilfisk A/S (and all its subsidiaries and affiliated companies) to a newly incorporated Danish holding company, Nilfisk Holding A/S.

The parent company comprises transactions related to holding of the subsidiaries, please refer to the Management review.

1. STAFF COSTS

EUR million	2017
Wages and salaries	0.9
Security costs	0.0
Defined contribution plans	0.0
	0.9
Staff costs recognized as follows:	
Administrative costs	0.9
	0.9
Number of full-time employees, average	2.0
Number of full-time employees, year-end	2.0
Remuneration to Board of Directors	0.1
Remuneration to the Executive Management Board	0.8

The Executive Management Board are granted short-term bonus agreements contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement and long-term incentive programs. See note 3.3 and 3.4 of the consolidated financial statements.

2. FINANCIAL ITEMS

	Financial income	Financial expenses
EUR million	2017	2017
Foreign exchange gains/losses	0.0	-0.1
	0.0	-0.1

3. TAX

EUR million	2017
Tax recognized in the Income statement	
Current tax	0.2
	0.2
Reported tax rate	*20%*
Reconciliation of tax on continuing operations:	
Calculated tax of 22,0% on profit before tax	0.3
Tax effect of:	
Non-taxable income/non-deductible expenses	-0.1
	0.2

4. INVESTMENTS IN SUBSIDIARIES

	Subsidiaries
EUR million	2017
Cost, October 10	216.1
Exchange rate adjustments	0.1
Cost, December 31	**216.2**
Dividends	0.0

Subsidiaries of Nilfisk Holding A/S solely include the wholly-owned Nilfisk A/S.

5. PREPAYMENTS

EUR million	2017
Insurance	0.1
	0.1

Notes 6-9

6. CONTINGENT LIABILITIES

Following the demerger of Nilfisk Group from NKT A/S, certain guarantees were transferred to Nilfisk Holding A/S. This includes rental commitments of 13.8 mEUR.

Following the demerger, Nilfisk Holding A/S and NKT A/S will be jointly and severally liable for obligations attributable to the activities, assets and liabilities of NKT A/S that existed as of September 11, 2017. The joint and several liabilities of Nilfisk Holding A/S and NKT A/S respectively cannot exceed an amount corresponding to the net value of the assets and liabilities. NKT A/S and Nilfisk Holding A/S have entered into an indemnification agreement, under which each of them have a defined right of recourse with respect to any liabilities a party may incur in respect of the other party under the joint and several liability.

Nilfisk Holding A/S is jointly taxed with all Danish entities in the Nilfisk Group. Being the administration company in the Danish joint taxation scheme, Nilfisk Holding A/S settles the corporate income taxes for the Danish joint taxation for the period after the demerger with the Danish Tax Authorities. Nilfisk A/S and the other Danish subsidiaries' tax returns covering the period prior to the demerger are included in the Danish joint taxation scheme of NKT A/S.

7. RELATED PARTIES

Transactions with affiliated companies are carried out on market terms following the arms-length principle.

Transactions with affiliated undertakings comprise the following:

EUR million	2017
Non-current interest-bearing loan from Nilfisk A/S	117.0
Income tax receivable from Danish entities part of the joint taxation	0.2
Other payables to subsidiaries	1.2

Please refer to note 3.3 and note 3.4 to the consolidated financial statements for remuneration to the Executive Management Board.

Other matters of interest in relation to related parties are disclosed in the notes to the consolidated financial statements.

8. EVENTS AFTER THE BALANCE SHEET DATE

No significant events of importance to the financial statements of Nilfisk Holding A/S have occurred since December 31, 2017.

9. FEES TO AUDITORS

EUR million	2017
Deloitte:	
Statutory audit	0.0
Other assurance services	0.0
Tax and VAT advice	0.0
Other non-audit services	0.0
	0.0

Note 10

10. ACCOUNTING POLICIES

§ **Accounting policy**

The financial statements for the parent company are included in this Annual Report in pursuance of the requirements of the Danish Financial Statements Act.

The financial statements for the parent company are prepared in accordance with the Danish Financial Statements Act for accounting class D companies.

Nilfisk Holding A/S was established at the demerger from the Danish company NKT A/S on October 10, 2017. The demerger was completed using the book value method. The financial statement for the parent company 2017 is the company's first fiscal year and covers the period from October 10, 2017 to December 31, 2017.

The Annual Report is presented in EUR rounded to nearest EUR 1,000,000 with one decimal. The presentation currency is EUR as the Nilfisk Group's main business activities are EUR denominated.

DESCRIPTION OF ACCOUNTING POLICIES

In relation to the accounting policies described for the financial statements of the Nilfisk Group (see note 1.1 to the consolidated financial statements), the accounting policies of the parent company differ in the following:

Income from investments in subsidiaries

Dividends from investments in subsidiaries companies are recognized in the Income statement of the parent company in the year the dividends are declared.

Investments in subsidiaries

Investments in subsidiaries are measured at costs. If there is indication of impairment, impairment testing is carried out. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax

Nilfisk Holding A/S and all its Danish subsidiaries are subject to mandatory joint taxation. Being the ultimate parent company in the Nilfisk Group, Nilfisk Holding A/S acts as the administration company of the joint taxation scheme and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/ liabilities. Nilfisk A/S and Danish subsidiaries' Interim Tax Returns for the period prior to the demerger shall be included in NKT A/S' joint taxation income for 2017.

Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized. Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

Cash flow statement

The parent company has in accordance with the Danish Financial Statements Act, Section 86 (4) not prepared separate cash flow statements. Please refer to the consolidated cash flow statements.

References to notes to the consolidated financial statements

For the following notes, see information in the consolidated financial statements:

- Remuneration – see note 3 Remuneration
- Share capital – see note 6.10 Share Capital

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report of Nilfisk Holding A/S for the financial year 2017.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

Further, the consolidated financial statements and the parent company financial statements have been prepared in accordance with additional requirements under the Danish Financial Statements Act.

In our opinion the consolidated financial statements and the financial statements for the parent company give a true and fair view of the Nilfisk Group's and the parent company's assets, liabilities and financial position at December 31, 2017 and of the results of the Nilfisk Group's and the parent company's operations and cash flow for the financial year 2017.

The management review contains in our opinion a true and fair review of the development in the Nilfisk Group's and the parent company's operations, financial circumstances and results for the year, and of the parent company's financial position, and describes the material risks and uncertainties affecting the Nilfisk Group and the parent company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, February 28, 2018

Executive Management Board

Hans Henrik Lund
President and CEO

Karina Kjær Deacon
CFO

Board of Directors

Jens Peter Due Olsen
Chairman

Lars Sandahl Sørensen
Deputy Chairman

Anders Erik Runevad

Jens Maaløe

Jutta af Rosenborg

René Svendsen-Tune

Jean-Marc Rios Dionne

Michael Gamtofte

Yvonne Markussen

Independent auditor's report

To the shareholders of Nilfisk Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nilfisk Holding A/S for the financial year January 1, 2017 to December 31, 2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of accounting policies, for the Group as well as the Parent, and the statements of comprehensive income and cash flows for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2017, and of the results of its operations and cash flows for the financial year January 1, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at December 31, 2017, and of the results of its operations for the financial year January 1, 2017 to December 31, 2017 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

Nilfisk Holding A/S was listed on Nasdaq OMX Copenhagen upon completion of the demerger from NKT A/S on October 12, 2017, after Nilfisk Holding A/S was incorporated on October 10, 2017. We were appointed auditors of Nilfisk Holding A/S at this date for the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report
– continued

Classification and presentation of special items	*How the matter was addressed in our audit*
Expenses recognised as special items in 2017 represent an expense of EUR 20.6 million (2016: an expense of EUR 21.8 million) and comprise expenses related to restructuring, costs related to the demerger from NKT A/S, and subsequent listing of Nilfisk Holding A/S on Nasdaq Copenhagen. Classifying income and expenses as special items may have a material impact on the presentation of the Group's profit or loss and on comparability from year to year. In addition, estimates are included in the identification, classification and measurement of items presented as special items, due to the significance and non-routine nature of such items. There is also a risk that the Group's accounting policy for special items is not applied consistently. Based on this, special items are considered to be a key audit matter. We refer to note 2.4 in the consolidated financial statements.	We have assessed the appropriateness of expenses classified and presented as special items and the consistency thereof with the Group's accounting policies. In this context, we: • Assessed whether expenses classified and presented as special items in respect of the Group's restructuring, demerger from NKT A/S and listing of Nilfisk Holding A/S on Nasdaq Copenhagen are directly or closely related to such restructuring, demerger and listing. • Assessed the completeness of the special items. • Examined the calculations of all material income and expenses classified and presented as special items and verified amounts calculated to supporting documentation as well as assessed the reasonableness of the estimates made by Management in the calculation of the amounts. • Assessed whether disclosures in note 2.4 are adequate and appropriate

Statement on the management review
Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements in the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

Independent auditor's report
– continued

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, February 28, 2018

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Business Registration No 33 96 35 56

Lars Siggaard Hansen
State-Authorised Public Accountant
MNE-no mne32008

Sumit Sudan
State-Authorised Public Accountant
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Statements made about the future in this report reflect the Executive Management Board's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, due to economic and financial market developments, legislative and regulatory changes in markets that the Nilfisk Group operates in, development in product demand, competitive conditions, energy and raw material prices, and other risk factors.

Nilfisk Holding A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

Nilfisk's Annual Report 2017 was published on February 28, 2018. The report is also available at www.nilfisk.com.

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