NILFISK ANNUAL REPORT 2019

Globalizing the business in a challenging year

Generalforsamling 17.06.2020
Dirigent: Marlene Winther Plas

Nilfisk

Redefining industry standards

Nilfisk is an established leader in cleaning technology; our products are designed by some of the most knowledgeable experts in the industry, and our solutions ensure a high hygienic standard across a variety of applications. We are committed to a cleaner world, and we are driven by our passion for innovation, knowledge, sustainability, and transformative technologies.

In the recent years, Nilfisk has embarked on a strategic journey. We set out to transform the company to sustain our position as a leader in the professional cleaning industry and prepare our organization to compete in the new era of intelligent cleaning. As a trusted partner when it comes to equipment and services anywhere in the world, we make it our business to help our customers maximize their performance.


Management review


Financial statements

"Despite a challenging financial year, we now have a stronger foundation for commercial execution. In 2020 we plan for fewer structural changes and will focus on improving customer engagement and getting value out of the changes, we have made"

Jens Due Olsen
Chairman

"2019 was both dissapointing and encouraging. Disappointing when it came to our financial performance, as we did not achieve the expected results. On the encouraging side, we saw good progress in our efforts to globalize the business"

Hans Henrik Lund
CEO

Building the foundation for commercial execution

2019 was undoubtedly a challenging year for Nilfisk when looking at our financial performance – in short, we simply didn't deliver the results, we had expected, when we entered the year. That said, as I look at the many transformational initiatives, we successfully executed during 2019, I am confident that the simplification and globalization of Nilfisk is well underway – and this will lead the way for the realization of our strategic objectives and vision.

When we set out on the transformational journey in 2018 guided by the Nilfisk Next strategy, none of us foresaw the sudden slowdown of the European economy impacting the business in 2019. During the year, the Nilfisk Leadership Team together with the Board of Directors reviewed the strategic roadmap for Nilfisk.

As a result some strategic initiatives were postponed, while others were accelerated. But overall the strategic direction of Nilfisk is unchanged. We continue executing on the strategy and work towards the overall objectives set out in Nilfisk Next, bearing in mind the economic condition under which we operate, and we still see this as our route to create shareholder value.

Leveraging benefits of transformations
Globalization was a key theme for Nilfisk in 2019. Global functions were strengthened, common processes were developed and important progress was made towards implementing a global operating model across the business. This was a natural continuation of the significant steps taken in 2018 to simplify the company.

We are not there yet! There is still work to be done in terms of having a truly global operating model. However, based on the progress made in 2019, we now have a much better foundation for commercial execution. As such, we plan for significantly fewer structural and transformational changes in 2020. Instead, we will focus on execution and on realizing the value of the many changes implemented during the past years.

In 2020, we also turn our focus towards the customer. Having engaged and satisfied customers is undoubtedtly a key driver for Nilfisk's commercial success. As such, we will work more consistently with the experience we offer customers across our markets – and improve on the measures, which are needed.

While doing so, we need to continue to be mindfuld of the current market situation. The challenging conditions we experienced in 2019 in EMEA are likely to continue into 2020. For that reason, we have entered the year with a more focused set of priorities guided by Nilfisk Next and clearly balanced investments.

On a finishing note I would like to thank our shareholders for your continued support and engagement in Nilfisk, especially during a challenging year. I would also like to thank the Nilfisk Leadership Team for their dedication to the strategic transformation of Nilfisk and their determination to persist with the execution despite tough market conditions. Not least, I would like to thank our 4,900 employees for their continued engagement and contribution to Nilfisk.

On behalf of the Board of Directors,

Jens Due Olsen
Chairman

Good progress towards building a global business
in a year marked by disappointing financial results

For Nilfisk, 2019 was both disappointing and encouraging. It was a disappointing year when it came to our financial performance, as we did not achieve the growth or earnings we had anticipated early in the year. On the encouraging side, though, we saw good progress in our efforts to create a solid foundation for future commercial execution.

Our financial performance was significantly lower than we had expected at the start of 2019. Nilfisk realized total revenue of 967 mEUR in 2019 and organic growth of -4.1% for the total business.

In EMEA, weakening economic conditions affected our performance mainly in Central Europe and in the industrial customer segment across the region. In Americas, results did not materialize as expected in the US business, leading to negative organic growth. This was undoubtedly frustrating. However we remain comitted to our plan for this important market, and commercial execution in the US is a key priority in 2020.

The lower-than-expected revenue had an impact on our earnings in 2019. The full year EBITDA margin before special items and IFRS 16 came to 9.9%, which was also below our original expectations for 2019. We did see positive effects on the gross margin from simplification initiatives such as divestment of low margin businesses, however this was off-set by the development in overhead costs. As the year progressed, we realized the need to adjust our investment plans and overhead costs spend. These efforts were however not sufficient to compensate for the sharp decline in revenue and, as a result, both EBITDA and the EBITDA margin were negatively impacted.

Progress towards a global operating model

Despite the disappointing financial results, we did see positive traction in the execution of Nilfisk Next, our strategy launched in 2018.

In 2018, we focused on simplifying the company through divestments, consolidation of our production footprint and product pruning – and in 2019, our main focus was globalization. Becoming a globally-aligned company is a key strategic objective for Nilfisk as it reduces complexity across the value chain and enables us to deliver consistently high-quality cleaning solutions wherever we chose to do business.

In 2019, we took significant steps towards this objective, as we continued the implementation of a global operating model with a harmonized organizational structure, selected global tools and systems. We did this while continuing to work towards our vision of being a leader in intelligent cleaning. During the year, we launched the autonomous Nilfisk Liberty SC50 in all key markets in Europe and North America with positive commercial traction.

The progress towards a global operating model has also enabled us to better analyze and respond to sustainability risks and opportunities. We have collected resource and emission data from all Nilfisk sites, and with this as a baseline, we have set ambitious climate targets. Nilfisk is committed to reduce its carbon footprint from direct emissions, and emissions from purchased electricity, by at least 35% by 2030.

There is undoubtedly still work to be done in terms of having a truly global operating model. But we have come a long way in 2019 and can begin to see the value of the many changes, we have done. Our sales companies can begin to focus solely on sales, while the global business support functions can develop harmonized ways of working. Both will ultimately help us serve our customers better.

Focus on execution

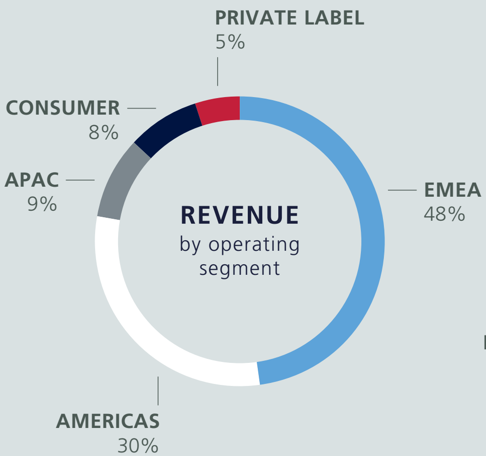
With the many changes implemented during 2018 and 2019, we have left the majority of the structural transformations behind us. 2020 will be a year, where we can turn our focus towards commercial execution and on working more systematically with the experience, we offer our customers. All while we maintain a firm cost awareness in both our daily spend and in our investments.

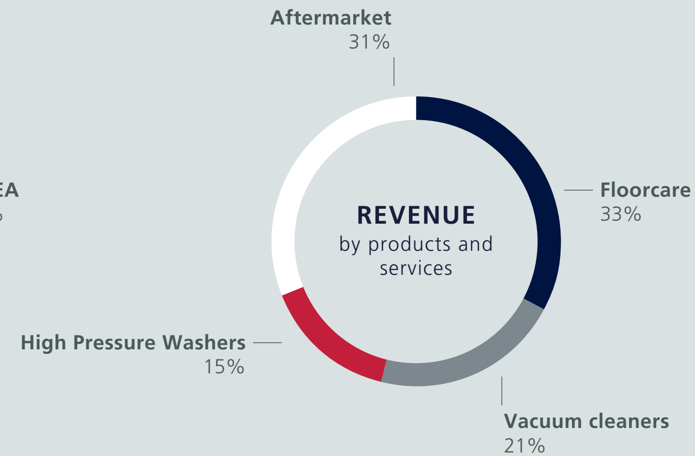
Hans Henrik Lund
CEO

NILFISK AT A GLANCE

Nilfisk is a **global leader** in the **professional cleaning** equipment industry

Nilfisk offers an wide range of premium cleaning products and a trusted aftermarket offering to the professional market. A combination of direct sales and partnerships with dealers provides for strong global customer access.

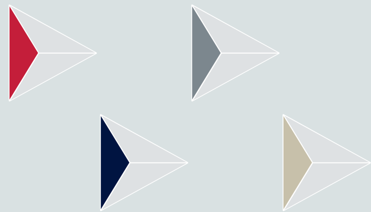




The Nilfisk Next strategy guides our transformational journey, driving our business to the peak of profitability while positioning Nilfisk as a leader in intelligent cleaning.

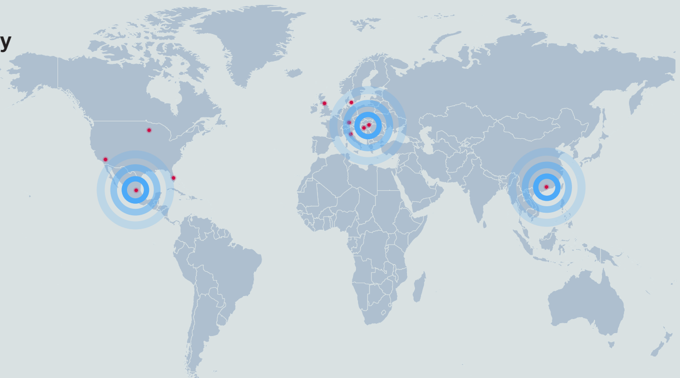
Nilfisk Next

Building the future of cleaning together



Approx. 4,900 employees across the globe

11 production sites globally
Asset-light assembly-focused production with majority of production in low-cost countries.



Financial highlights 2019

967 mEUR

Revenue

Compared to 2018, total revenue was down 87.8 mEUR, impacted by negative organic growth, divestments carried out in 2018 and exit of business areas in 2019.

-4.1%

Organic revenue growth

Total organic growth was impacted by weakened economic conditions in EMEA, negative organic growth in the US and was further deteriorated by negative growth in Consumer and Private Label. In 2018 total organic growth was 2.0%.

In 2019, the Nilfisk branded professional business posted -2.6% organic growth, compared to 2.8% in 2018.

12.6%

EBITDA margin before special items

Excluding impact from IFRS 16 and phantom share adjustments in 2018, the EBITDA margin before special items was 9.9%, a decrease of 1.6 percentage points compared to the comparable EBITDA margin before special items in 2018.

29.6 mEUR

EBIT

In 2019, reported EBIT increased by 10.7 mEUR due to lower special items. EBIT before special items was 53.5 mEUR equivalent to a margin decrease of 2.8 percentage points compared to 2018.

9.2%

RoCE

Return on Capital Employed decreased to 9.2% from 16.7% in 2018 mainly impacted by lower EBIT before special items.

KEY EVENTS 2019

Globalization and continued simplification

During 2019, Nilfisk continued to execute on Nilfisk Next, our multiyear transformational strategy

Progress towards a globally-aligned company
Globalizing the business is a key strategic objective for Nilfisk, as it reduces complexity across the value chain. In 2019, the implementation towards a operating model progressed with the introduction of a harmonized organizational structure enabling sales to sell the full product portfolio and strengthening global business support functions such as Global Service, Finance etc. Also global tools and systems were introduced thoughout the year. The roll-out of this global blueprint will continue in 2020.

Consolidation of the European distribution structure
To continue simplifying the supply chain and further optimize the geographical location of Nilfisk's distribution centers, the implementation of a new distribution center structure in EMEA began during the year. Over the coming years, up to four new regional distribution centers will be established and fully operated by a third-party logistics partner.

Introducing the Liberty SC50 to all key markets
During 2019, the autonomous scrubber, Nilfisk Liberty SC50 was made available to all key markets across Europe and North America, as well as selected markets in Asia, gaining commercial traction especially within the educational customer segment, office buildings, airports, contract cleaners and key dealers.

Continued simplification of the product portfolio
In 2017 Nilfisk set a goal of pruning 125 platforms. By end-2019 the goal was fully realized, one year ahead of schedule.

Reducing complexity in the supplier base
During 2019, Nilfisk reduced its supplier base by 16% as part of a strategic initiative to reduce supply chain complexity and set new standards for Nilfisk suppliers. In total, Nilfisk has reduced its supplier base by close to 40%, since the initiative was started.

5-year consolidated financial **highlights**

EUR million	2019	2018*	2017*	2016*	2015*
Income statement					
Revenue	966.5	1,054.3	1,081.9	1,058.5	980.0
EBITDA before special items	121.4	125.5	120.1	116.8	98.0
EBITDA	98.7	69.8	99.5	96.8	98.0
EBIT before special items	53.5	87.4	81.5	75.8	63.8
EBIT	29.6	18.9	60.9	54.0	63.8
Special items	-23.9	-68.5	-20.6	-21.8	0.0
Financial items, net	-14.0	-11.3	-8.9	-11.0	-7.9
Result for the year	8.7	10.0	40.3	29.5	41.8
Cash flow					
Cash flow from operating activities	76.1	33.1	41.4	114.7	59.8
Cash flow from investing activities	-40.8	-38.6	-35.3	-72.6	-67.5
– hereof investments in property, plant and equipment	-10.4	-18.6	-15.3	-20.6	-21.7
Free cash flow excluding acquisitions and divestments	35.3	-8.6	6.1	74.2	19.8
Statement of financial position					
Total assets	840.1	794.4	827.2	983.1	935.5
Group equity	158.0	147.5	137.5	224.8	200.7
Working capital	157.9	170.4	163.5	141.7	173.3
Net interest-bearing debt	414.1	369.6	359.7	265.8	300.9
Capital employed	572.1	516.8	497.2	490.6	501.6
Financial ratios and employees					
Organic growth	-4.1%	2.0%	3.7%	3.1%	0.4%
Organic growth Nilfisk branded professional business**	-2.6%	2.8%	-	-	-
Gross margin	42.3%	42.0%	42.2%	41.9%	40.8%
EBITDA margin before special items	12.6%	11.9%	11.1%	11.0%	10.0%
EBITDA margin	10.2%	6.6%	9.2%	9,1%	10.0%
EBIT margin before special items	5.5%	8.3%	7.5%	7.2%	6.5%
EBIT margin	3.1%	1.8%	5.6%	5,1%	6.5%
Financial gearing	3.4	2.9	3.0	2.3	3.1
Financial gearing excluding IFRS 16 impact	3.8	-	-	-	-
Overhead costs ratio	36.2%	33.1%	34.1%	33.9%	33.7%
Working capital ratio	20.6%	18.5%	16.2%	17.6%	20.0%
Return on Capital Employed (RoCE)	9.2%	16.7%	16.0%	14.6%	12.9%
Basic earnings per share (EUR)	0.32	0.37	1.49	1.09	1.53
Diluted earnings per share (EUR)	0.32	0.37	1.49	1.09	1.53
Number of full-time employees, end of period	4,886	5,482	5,769	5,607	5,545

*Comparative figures are not restated with the effect of IFRS 16. Please refer to note 1
**In 2019, the reportable segments were changed, and the Nilfisk branded professional business was established. The related key figures from 2015-2017 have not been calculated.

Please find definitions in Note 8.6 on page 105

Our strategy

Nilfisk Next is a transformational strategy initiated to drive our existing business to the peak of its profitability while positioning Nilfisk as the leader in intelligent cleaning.

Nilfisk Next – a multiyear transformational strategy

Nilfisk Next is a multi-year transformational strategy introduced early 2018 to position Nilfisk as a leader in intelligent cleaning while driving our existing business to the peak of its profitability.

In 2019, our keyword was "Globalize", as we made significant progress towards having a global operating model across sales and business support functions. This was the follow up to 2018 transformational initiatives focused on simplifying the company through significant divestments, pruning our product portfolio and reducing our production footprint.

Looking into 2020, the execution of Nilfisk Next will continue although with fewer structural changes compared to 2018 and 2019. The foundation for commercial execution is now much more in place, and the main focus is on getting value out of the changes introduced over the past years and working more systematically with customer engagement. With our strategic priorities for 2020 in place, Nilfisk Next continues to guide the company towards its vision of leading intelligent cleaning to make our customers' business smarter.

VISION

We will lead **intelligent cleaning** to make your business **smarter**

OBJECTIVES

Global company
Globalize and standardize to drive leverage

Solution partner
Innovate with large sophisticated customers

Digital leader
Autonomize and digitize everyday interactions

STRATEGY

Simplify

Digitize

Grow

Lead

Vision and trends

Technology is enabling smarter cleaning solutions, and at Nilfisk we have a clear vision of making our customers' businesses smarter through intelligent cleaning solutions.

With connected and autonomous cleaning solutions becoming a part of our customers' businesses, the cleaning industry is set for change.

Our vision and strategy are our response to the ongoing changes affecting the cleaning industry. Currently, we are seeing three key trends:

- Rising expectations from customers that their supplier will create value beyond the machine through optimized cleaning operations and the "Value of Clean"
- An accelerated technology race that includes autonomous cleaning solutions and new business models involving intelligent use of operational data
- A commoditization of machines and mounting price pressure from low-cost competitors offering "good enough" equipment

Our response to trends and changing market dynamics is reflected in Nilfisk Next, which outlines three overall strategic objectives. We want our customers, shareholders, and employees to characterize Nilfisk as:

A global company: Wherever we choose to do business, our global organization – with a standardized global set-up including uniform processes, systems and capabilities – will enable us to reduce commercial complexity, simplify our operations, and deliver consistent high-quality cleaning solutions and services.

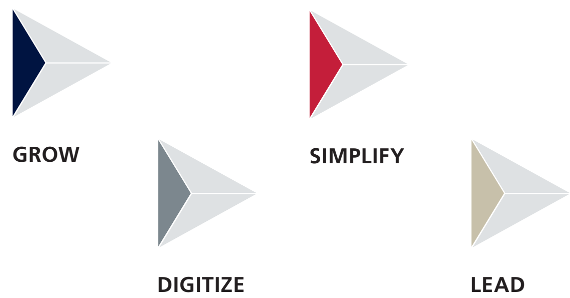
A solution partner: By adding value beyond the machine, we enhance our ability to provide complete solutions for our customers. We will co-innovate with the largest, most advanced global customers while lowering costs to serve small-to-medium customers through an optimized mix of sales channels and value-adding service offerings.

A digital leader: With the efficient and solid foundation of a coherent IT backbone and uniform data architecture, we will scale our digital investments and provide a digital customer experience and buying experience. We will also bring digital solutions to market that enable our customers to clean smarter.

Strategic drivers

With Nilfisk Next setting the overall strategic course for our company, we executed many important initiatives throughout 2019.

Viewed collectively, these initiatives have taken us a leap forward in our transformational journey – a journey which hinges upon four actionable drivers: Simplify, Grow, Digitize, and Lead. Each of the four drivers consists of transformation themes with specific actions to execute over time.



2019 strategic highlights

During the year, Nilfisk continued key simplification initiatives while making progress in globalizing the business.

Progress towards a global operating model

In 2019, Nilfisk made progress in the implementation of a global blueprint with shared organizational structures, selected processes and tools.

In Q1, the structure of sales companies in EMEA and North America were aligned, organizing the sales force around Nilfisk's strategic customer segments; CCI (Contract Cleaners and Institutions), Industry and ABCA (Agriculture, Building & Construction and Automotive) as opposed to individual product groups. As part of this, the integration of Industrial Vacuum Solutions (IVS) into the global business was fully implemented enabling the sales force to sell the full product portfolio. Also, key functions such as Finance, Service and Customer Care were organized into global functions.

There is still progress to be made in implementing this shared structure across all relevant markets, and adjusting to the new ways of working. However, the foundation for commercial execution is now much more solid. With this, the sales companies can focus solely on selling and bringing the full Nilfisk portfolio to market. This will create a more consistent customer experience across markets and will expectedly also improve efficiency.

An equally important part of the blueprint is to implement common processes and global tools. In 2019, Nilfisk completed the roll-out of Salesforce and ServiceMax across key markets in Americas, EMEA and APAC providing the organization with a shared CRM platform enabling a unified way to service customers. Having this 360-degree view of the customer supports not only the collaboration between Sales, Marketing and Service but also supports Nilfisk in the development of digital channels, such as the new global e-commerce platform which will be introduced across more markets in 2020.

Autonomous cleaning

During 2019, Nilfisk's first autonomous scrubber, the Nilfisk Liberty SC50, was launched in all key markets in Europe and North America as well as in selected markets in Asia. The product is gaining commercial traction especially in customer applications such as education, airports, and office buildings, and among contract cleaners and key dealers.

To complement the Nilfisk Liberty SC50, developed in collaboration with Carnegie Robotics, Nilfisk announced a partnership with Brain Corp in March 2019. Brain Corp, a leading AI and robotics company, has built a position within autonomous cleaning with the AI platform named BrainOS, focusing especially on the retail industry. This complements Nilfisk's existing partnership within robotics and marks a continuation of Nilfisk's multi-partner strategy for autonomous solutions.

Consolidation of the European distribution structure

To continue simplifying the supply chain and to further optimize the geographical locations of Nilfisk's distribution centers, Nilfisk initiated the implementation of a new distribution center structure in EMEA in 2019. Over the coming years, up to four new regional distribution centers will be established, located in accordance with center of gravity analysis based on current and expected future sales. To implement the structure, Nilfisk has entered into partnership with a global logistics company, who will operate all EMEA distribution centers going forward. Consequently, Nilfisk's current distribution center in Broendby, Denmark will be closed. The new distribution center structure will be fully implemented over the coming years.

2020 strategic priorities

With the progress made in terms of simplifying and globalizing the business during the past two years, the foundation for commercial execution is now more solid. As such, there will be fewer structural changes in 2020 and focus will be on realizing the value from the changes made as well as executing on the following important strategic priorities.

Continued execution of the growth plan for the US business

Following a challenging 2019 for Nilfisk in the US, a key priority for 2020 is continued execution of the growth plan targeting this important market. The plan was introduced in 2019 and included a restructure of the sales organization around key customer segments and around end-user orientation to fuel demand and bring added value to our dealers, ultimately benefitting our business. With the commercial foundation in place, the focus in 2020 is commercial execution – this includes levering the full portfolio, growing the industrial customer segment as well as strengthening the approach to strategic accounts.

Expanding sales of autonomous machines

With the Liberty SC50 launched in all key markets in Europe and North America as well as selected markets in Asia, the 2020 focus is to continue to increase sales volumes. This will be supported by an integrated sales and marketing approach, which will run throughout the year targeting selected customer segments, where the performance of the SC50 is perceived superior.

During 2020, Nilfisk will also focus on bringing the next autonomous solution to market together with Brain Corp as a response to the increasing customer demands for autonomous solutions. The solution will be differentiated from the Nilfisk Liberty SC50 and tailored to new applications.

Customer engagement

Nilfisk is consistently gathering and analyzing feedback from customers on all aspects related to their interaction with Nilfisk – from the quality of products to the response time of service technicians. Having satisfied and engaged customers is a key driver for commercial success and in 2020 Nilfisk will initiate a cross-functional program focused around customer engagement and on improving the customer experience. The program will expectedly run over several years to ensure that the customer journey is continuously optimized.

Outlook for 2020

Market conditions
During the second half of 2019, we experienced a significant weakening of the economic conditions affecting mainly the central part of EMEA. The changed conditions had a negative impact on the organic growth and led to lower visibility and increased uncertainty. Looking into 2020, we still foresee weakened market conditions in EMEA.

In Americas, the recent softening in the manufacturing sector impacting growth negatively in Q4 is expected to continue.

In APAC, based on current visibility, the effect of the coronavirus (COVID-2019) is expected to have a minor negative impact on demand. Underlying economic conditions are expected to be stable, although demand in China is currently suppressed by the on-going trade war with the US.

Organic growth
For 2020 we expect the total business to generate organic growth of -4% to 1% compared to 2019. This is to a large extent based on the Consumer and the Private label business.

As mentioned above, in EMEA we expect continued weak conditions leading into 2020. Based on experience from the past historic macroeconomic cycles, we have experienced 4-6 quarters of low to negative growth before we have seen a pick-up in market demand leading to positive revenue growth. This assumption, combined with the phasing of revenue in 2019, leads us to expect the organic growth development to differ across the quarters in 2020. Specifically, we expect the organic growth to be negative in the first half of the year, whereas we expect positive organic growth rates in the second half of the year.

EBITDA margin before special items
Given the uncertainty related to the expected organic growth in 2020, we expect an EBITDA margin before special items in the range of approximately 12%-13%.

Business exit and foreign exchange rates
The exit of the Consumer business from the Pacific region will have an impact on reported revenue growth in 2020 of approximately -1%.

Based on latest foreign exchange rates, we expect the impact on reported growth in 2020 to be approximately -1%.

Special items
Restructuring costs are expected in the range 10-15 mEUR largely relating the ongoing consolidation of distributions centers in EMEA as well as other transformational initiatives.

CAPEX ratio
CAPEX are expected in the range of 3.5% to 4% of full year revenue.

2020 outlook

-4% to 1%
organic growth in the total business

Negative organic growth in first half year, positive organic growth in second half year

Approx. 12%-13%
EBITDA margin before special items

Forward-looking statements

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.

Our business

Nilfisk is an established global leader in the cleaning industry with a broad portfolio of cleaning solutions and services. Based on customer insights and with a clear focus focus on harvesting the benefits of new technologies, we have a vision of being the leader in intelligent cleaning to make our customers' businesses smarter.

Our business model

Nilfisk is an established global supplier of cleaning solutions and services. We are among the market leaders in the professional cleaning equipment industry, which has an estimated annual value of 7.5 bnEUR.

Through a combination of direct and indirect sales, we service contract cleaners, retailers, industrial customers, instituations and many more across more than 100 markets.

Our business model is based on creating value for our customers. There is a universal need for cleaning, and the effect of clean is valuable everywhere. By providing high-quality cleaning solutions and services, we enable our customers to increase their productivity. Cleaning has a measureable impact for our customers, but also for the general public, who benefit the most from living and working in a clean environment.

Resources

Capital provided by investors

Insights from customers and market analysis

Facilities for development

Innovation

A competent and diverse staff

Innovation

Starting with customer insights, Nilfisk develops intelligent cleaning solutions and services rooted in new technologies and tailored to our customers' needs.

Portfolio

Across our extensive Nilfisk product portfolio, we aim to deliver a top-tier cleaning performance, complemented by services that increase productivity and reduce total cost of ownership.

Operations

A global production footprint combined with a distribution set-up that ensure operational efficiency and quality.

Sales and marketing

Through a global team of sales representatives combined with dealers and e-commerce, we build customer relationships and drive sales across our strategic customer segments.

Customers

With innovative cleaning solutions we increase cleaning productivity and quality for our customers – in short, we make our customers' businesses smarter though intelligent cleaning solutions and services.

Service and Aftermarket

Through a broad range of aftermarket solutions and a global team of dedicated service technicians, we ensure that our customers get the support and service needed throughout the product life cycle.

Value Creation

For our shareholders:
– Dividends
– Optimal capital allocation

For our customers:
– Productivity increase
– Improved cleaning, hence enhanced quality of life for people

For our employees and society:
– Job creation and development
– Tax contribution
– Better cleaning solutions for the benefit of people and environment

Innovation

We have more than 200 engineers and specialists around the world working to bring innovative solutions and services to market.

At Nilfisk, innovation and product development start with customer insights. These insights are the guiding principle for the development of products and services via close cross-functional collaboration between R&D, marketing, external technology partners and customers.

A focused R&D organization

3.7%
Share of revenue spent on R&D activities, down from 4.1% in 2018

An integral part of the Nilfisk Next strategy is creating a global organization and operating model with uniform processes, systems, and capabilities across markets. As part of this, Nilfisk introduced a new structure for Global R&D in 2019. The new organization is focused around our core R&D competences, with strategic product group owners developing the portfolio in collaboration with regional development centers. The objective is to increase R&D flexibility and productivity, and at the same time ensure that new solutions are deeply rooted in customer needs and market demand. As part of the new operating model, it was decided to integrate the two incubator environments Connected Autonomous Solutions and Digital Services into the general Nilfisk organization. This integration ensures a better link between the business and the digital and autonomous solutions developed.

Portfolio

Under two global master brands – Nilfisk and Viper – we develop, manufacture, and sell a comprehensive portfolio of cleaning solutions and services targeting the premium and value market for professional cleaning, complemented by cleaning solutions tailored to households.

In 2017, Nilfisk set an ambitious goal of pruning 125 product platforms in three years. This goal was realized at the end of 2019, one year ahead of schedule. In addition, Nilfisk took further steps to reduce portfolio complexity in 2019 by pruning Nilfisk Blueline products – a range almost identical to the gray Nilfisk floor care product range.

In addition to this, our product portfolio management set-up was professionalized further in 2019 to ensure continued diligent mangement of product range complexity, improving profitability and commercial impact. This included stronger global goverance and approvals around development of new products as well as as frequent simplification reviews of all key product groups.

Good progress has also been made during 2019 in terms of optimizing the management of our innovation portfolio and pipeline to ensure capital and ressources are allocated towards the right strategic focus areas and most attractive opportunites for Nilfisk.

Reducing brand complexity

Over the years, Nilfisk has acquired companies across the world, leading to a multitude of brands across the business. This has created complexity for our customers and partners, and across our value chain. During the past years, measures have been taken to reduce brand complexity. In 2019, Nilfisk exited the Gerni brand, a consumer high-pressure washer brand in the Pacific Region. Nilfisk also consolidated two US high pressure washer brands under the Nilfisk and Pressure Pro brands.

Building an industry leading portfolio of autonomous cleaning solutions

Nilfisk has a clear vision to be the leader in intelligent cleaning, and the work to bring autonomous solutions to market progressed throughout the year.

During 2019, we continued to commercialize the Nilfisk Liberty SC50, the first autonomous solution from Nilfisk. The solution is now available to customers in all key markets in Europe and North America as well as selected markets in Asia.

The feedback from customers is positive and over the coming year, Nilfisk expects to continue to grow sales volume, while continuously seeking to refine the platform in close collaboration with Carnegie Robotics.

During 2019, Nilfisk also continued its multi-partner strategy for autonomous solutions with the announcement of a technology partnership with Brain Corp, a leading AI and robotics technology company. The addition of another strong technology partner will ensure the necessary progress towards our long-term goal of establishing a full portfolio of connected autonomous solutions covering all of the applications our customers require.

Operations

In 2019, we continued our efforts to simplify the supply chain and increase operational efficiency. Among others, supply chain teams from the Consumer business and Industrial Vacuum Business were integrated into Global Operations. This was carried out as part of the overall integration of these two business areas into the global business.

New distribution center structure

In the second half of the year, Nilfisk began the implementation of a new distribution center structure in EMEA to further simplify the supply chain and optimize the geographical location of Nilfisk's distribution centers. We entered into a partnership with a global logistics company, which will include the establishment of up to four new regional distribution centers in EMEA. All these distribution centers will be fully operated by the new logistics partner. Consequently, Nilfisk's current distribution center in Broendby, Denmark, will be closed.

In 2019, Nilfisk also opened the first regional distribution center in the APAC region. The new distribution center is located in the Shanghai Free Trade Zone and will significantly reduce delivery time of machines to many APAC customers.

Sales and marketing

Nilfisk ensures strong customer access and global sales coverage by balancing direct and indirect sales channels.

Nilfisk has a dedicated sales force driving direct sales across more than 40 countries in EMEA, Americas and APAC. This is supplemented by e-commerce as well as an extensive network of dealers and distributors reaching customers across 100 markets.

Harmonized sales structure

During 2019 Nilfisk made progress towards a global organization with uniform processes, systems and capabilities across markets, referred to as the organizational blueprint. In 2019, implementation of this blueprint was initiated in EMEA and North America, supporting common ways of working and creating one sales force selling the full product portfolio.

With the blueprint we also invested in global functions, capabilities and systems that can be leveraged across the business. There is still work to be done in terms of full implementation, but the overall goal remains; which is to enable sales organizations to focus solely on sales, while the global business support functions can develop harmonized, global ways of working – both with the aim of serving our customers better.

Digital solutions supporting sales

In 2019, Nilfisk completed the roll-out of Salesforce, onboarding Sales, Customer Care and Marketing teams in all key markets across EMEA, Americas and APAC. With the global implementation, Nilfisk now has one common CRM platform and a unified way to work with leads and lead generation. With this, the frontline teams now have a 360-degree view of the customer – a strong foundation supporting cross-functional collaboration and efficiency across Sales, Service, Customer Care and Marketing.

Launch of new e-commerce solution

Over the course of the year, Nilfisk started to roll-out a new e-commerce platform starting in selected EMEA markets. The platform is designed as an effective tool for dealers, who are increasingly looking for digital self-service solutions. The objective is to increase the relative share of digital transactions. At the same time, the platform is built on Salesforce, which creates an integrated digital customer experience allowing Nilfisk to track customer activity across sales, service and commerce. The roll out of the new e-commerce platform will continue into 2020.

Our customers

The need for cleaning is universal, and the effect of clean is valuable to our customers everywhere. Nilfisk serves customers around the world, targeting the strategic customer segments with the highest financial attractiveness and where we see the best fit between our portfolio and position in the market. Supported by insights and analytics from the global functions, these customer segments are pursued using a dedicated sales and service force that allows us to understand the needs of the customer, both now and in the future.

87%

The professional market accounted for approximately 87% of Nilfisk's total revenue in 2019 (82% in 2018)

With a product portfolio spanning from advanced industrial vacuum solutions to high pressure washers and floorcare equipment, Nilfisk has a unique offering in terms of breadth and depth. We see this as a competitive edge that is especially relevant for customers in the manufacturing industries and contract cleaners, whose cleaning needs are many and varied.

Integrating the Consumer business

In Q2 2019, Nilfisk concluded a strategic review of the consumer business initiated in the fall of 2018. The review determined that, from a shareholder value perspective, Nilfisk is still the best owner of the consumer business. As part of the strategic review it was also decided that Nilfisk would exit its consumer activities in the Pacific region. This exit was executed in the second half of 2019, when it was also decided to integrate the remaining Consumer organization into the global organization as part of the continued efforts to simplify the business. With the integration, Consumer Sales and Marketing will continue to focus solely on Consumer customers, while back-end functions such as R&D, Supply Chain, Finance etc. were integrated into the professional business to harvest synergies.

Service and aftermarket

With a comprehensive service and aftermarket offering, Nilfisk aims to ensure maximum uptime for our cleaning equipment used by customers around the world. In addition to a portfolio of cleaning equipment and solutions, Nilfisk provides value-added aftermarket offerings such as service solutions, parts, and accessories. Total aftermarket revenue, which includes service, parts and accessories, comprised 31% of Group revenue in 2019.

Building a global service organization

In an increasingly competitive machine market, service is a key strategic differentiator and a prerequisite for Nilfisk to operate as a global solution provider. During 2019, Nilfisk built its global service function. The function holds the global responsibility for harmonizing and improving the portfolio of service concepts as well as driving operational best practice sharing. As part of this, the local service teams in EMEA and US were integrated into Global Service during 2019, where Global Service also took over the commercial responsibility for developing new digital services. In addition, Nilfisk completed the roll-out of ServiceMax in key markets, a global digital field service management tool supporting service technicians.

Harmonizing service offerings across markets

Historically, our service contracts and packages have been developed locally, making it challenging to harmonize pricing and service levels across markets. To address this, Nilfisk developed in 2019 a range of global service packages with clearly differentiated value propositions supported by globally developed marketing materials and training. These service packages were developed in the newly-established Global Service function, and will be rolled out across markets starting early 2020. The objective is to improve profitability of our service business and at the same time be able to service customers such as global contract cleaners in the same way across markets.

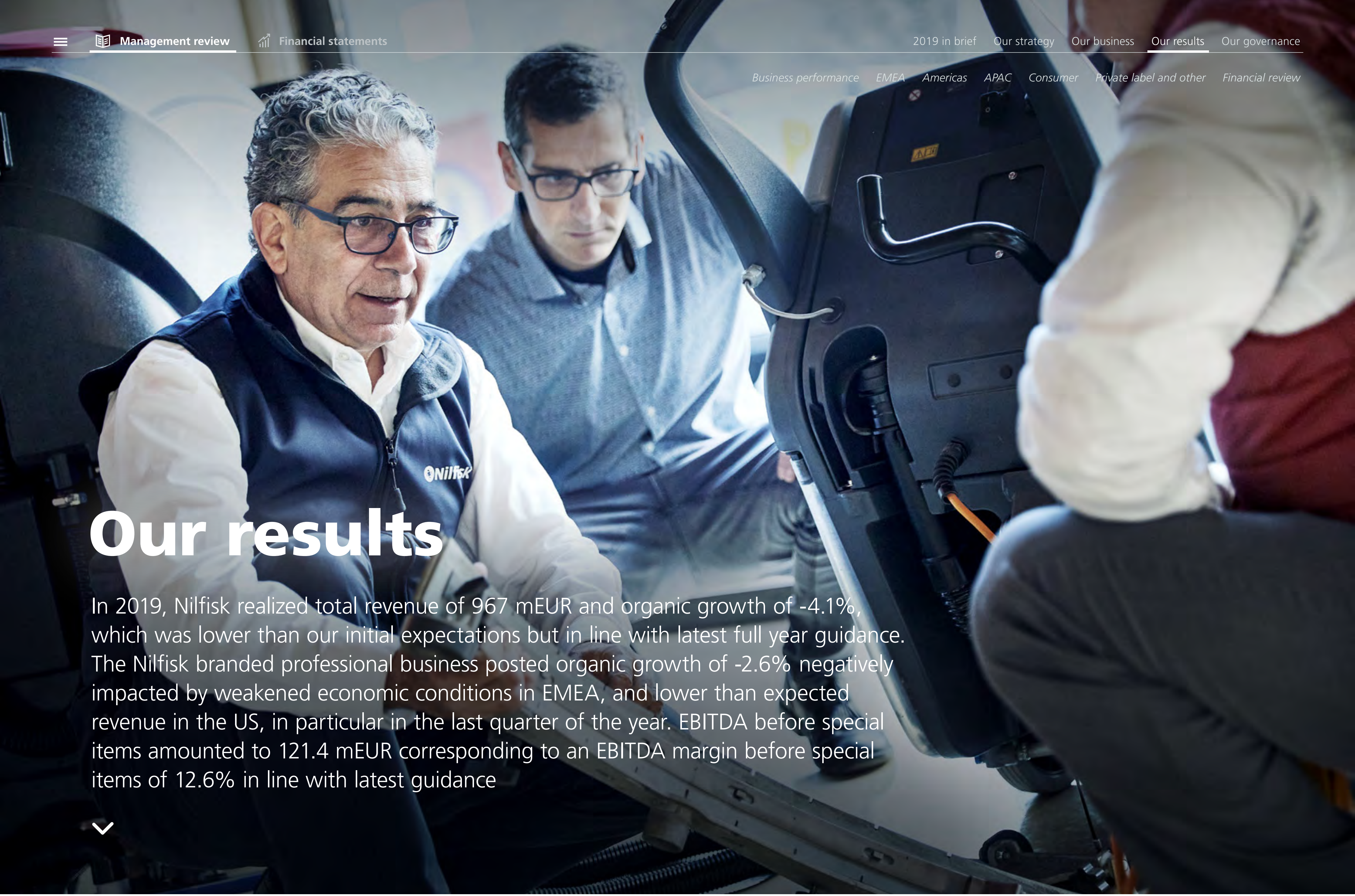
Customer segments

Nilfisk has a substantial professional customer base operating in a wide range of sectors and industries. Our customers range from large global contract cleaners that buy fleets of machines across the product range to smaller businesses buying a single machine. We work with our customer segments in three overall business verticals, named CCI, Industry and ABCA:

CCI covers contract cleaners and institutions such as retail and education, where optimization of the cleaning task is a key focus, as well as exploiting new and flexible ways of cleaning supported by new digital opportunities.

Industry covers areas like manufacturing and warehouse & logistics, in which cleaning becomes an integrated part of the ongoing optimization and automation of facilities and production.

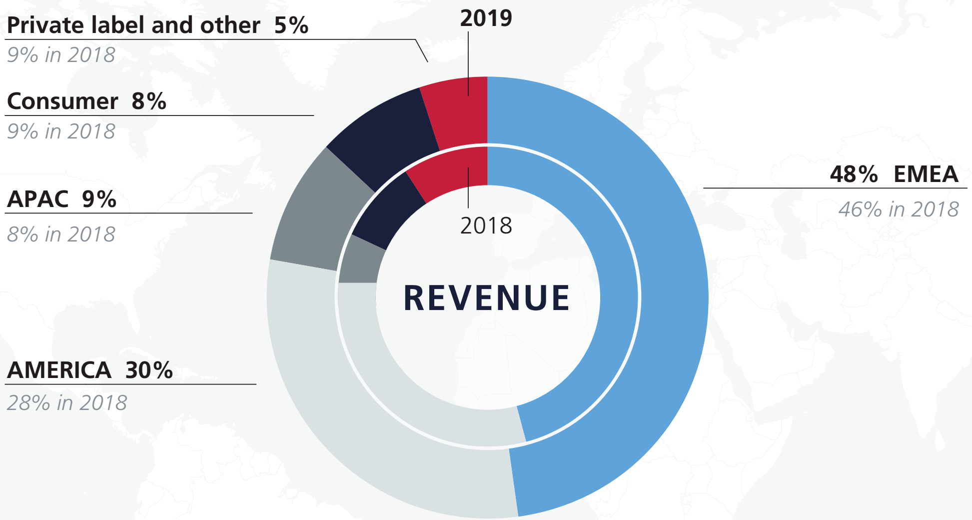
ABCA refers to Agriculture, Automotive and Building & Construction. Cleaning solutions for these industries reflect that health and safety are particularly important to these customers, and that regulatory requirements for their equipment are high.



Our results

In 2019, Nilfisk realized total revenue of 967 mEUR and organic growth of -4.1%, which was lower than our initial expectations but in line with latest full year guidance. The Nilfisk branded professional business posted organic growth of -2.6% negatively impacted by weakened economic conditions in EMEA, and lower than expected revenue in the US, in particular in the last quarter of the year. EBITDA before special items amounted to 121.4 mEUR corresponding to an EBITDA margin before special items of 12.6% in line with latest guidance

Business **performance**



Revenue and organic growth by operating segments, 2019

EUR million	Revenue 2019	Revenue 2018	Organic growth 2019	Impact of acquisitions/ divestments	Impact of foreign exchange rates	Total growth
EMEA	461.3	487.4	-2.2%	-2.7%	-0.4%	-5.3%
Americas	291.3	286.5	-2.8%	0.0%	4.5%	1.7%
APAC	85.2	87.1	-4.3%	0.0%	2.2%	-2.1%
Nilfisk branded professional business	**837.8**	**861.0**	**-2.6%**	**-1.7%**	**1.6%**	**-2.7%**
Consumer	75.8	94.9	-11.8%	-8.0%	-0.3%	-20.1%
Private label and other	52.9	98.4	-14.4%	-32.6%	0.8%	-46.2%
Total	**966.5**	**1,054.3**	**-4.1%**	**-5.5%**	**1.3%**	**-8.3%**

2019 in brief

- Total revenue of 966.5 mEUR corresponding to reported growth of -8.3%
- Organic growth for the total business was -4.1%, which is lower than expected in the beginning of the year but in line with latest guidance.
- Organic growth in the branded professional business of -2.6% due to lower revenue in all three geographical segments.
- EBITDA before special items amounted to 121.4 mEUR corresponding to an EBITDA margin before special items of 12.6%. Excluding the positive impact from IFRS 16 the EBITDA margin before special items was 9.9%, which is also lower than expected in the beginning of the year but in line with latest guidance
- Special items was 23.9 mEUR and mainly related to redundancy costs
- EBIT amounted to 29.6 mEUR corresponding to an EBIT margin of 3.1%
- Working capital amounted to 157.9 mEUR, and working capital measured in percentage of revenue increased by 2.1 percentage points to 20.6%
- RoCE was 9.2%, which is 7.6 percentage points lower than in 2018 mainly due to lower EBIT before special items

EMEA

In 2019 the performance in EMEA was affected by weakened economic conditions negatively impacting mainly Central Europe and the industrial customer segment across EMEA.

EMEA realized revenue of 461.3 mEUR compared to 487.4 mEUR in 2018, which corresponds to reported growth of -5.3%. Divestments carried out in 2018 had a negative impact on growth by -2.7% and the effect from foreign exchange rates was -0.4%. In sum, underlying organic growth for the full year was -2.2%, largely impacted by economic slowdown in the Central European region, with Germany as the single largest contributor. However, neighboring countries closely linked to the German economy also experienced negative organic growth. The southern region in EMEA was less affected by economic conditions and organic growth was flat. In the Nordic region, organic growth was mainly weighed down by Finland due to a larger one-time order in 2018, whereas the region was less impacted from the economic conditions compared to the Central region.

Gross profit amounted to 217.2 mEUR in 2019 compared to 229.8 mEUR in 2018 corresponding to a gross margin of 47.1%, which is in line with a gross margin of 47.1% in 2018. Divestments of low-margin business carried out in 2018 contributed positively, whereas lower capacity utilization and higher raw material prices had a negative impact.

EBITDA before special items amounted to 129.0 mEUR, up 7.7 mEUR compared to 2018. This corresponds to an EBITDA margin before special items of 28.0%. IFRS 16 had a positive impact of 11.9 mEUR on reported EBITDA before special items. Adjusted for this effect, the EBITDA margin before special items was 25.4% in 2019 compared to 24.7% in 2018 (adjusted for phantom shares). The improved margin compared to last year was mainly driven by lower salary expenses as well as reversal of a provision related to an earn-out agreement made in connection with a past acquisition of a 3rd party service partner.

Map showing countries with Nilfisk sales entities in the region

461.3 mEUR
Revenue

-2.2%
Organic growth

47.7%
Share of total revenue

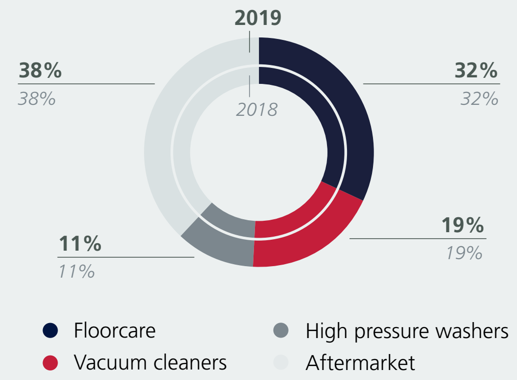
47.1%
Gross margin

129 mEUR
EBITDA before special items

28.0%
EBITDA margin before special items

Key markets:
Germany, France, UK, Denmark, Sweden

SALES BY PRODUCT – EMEA



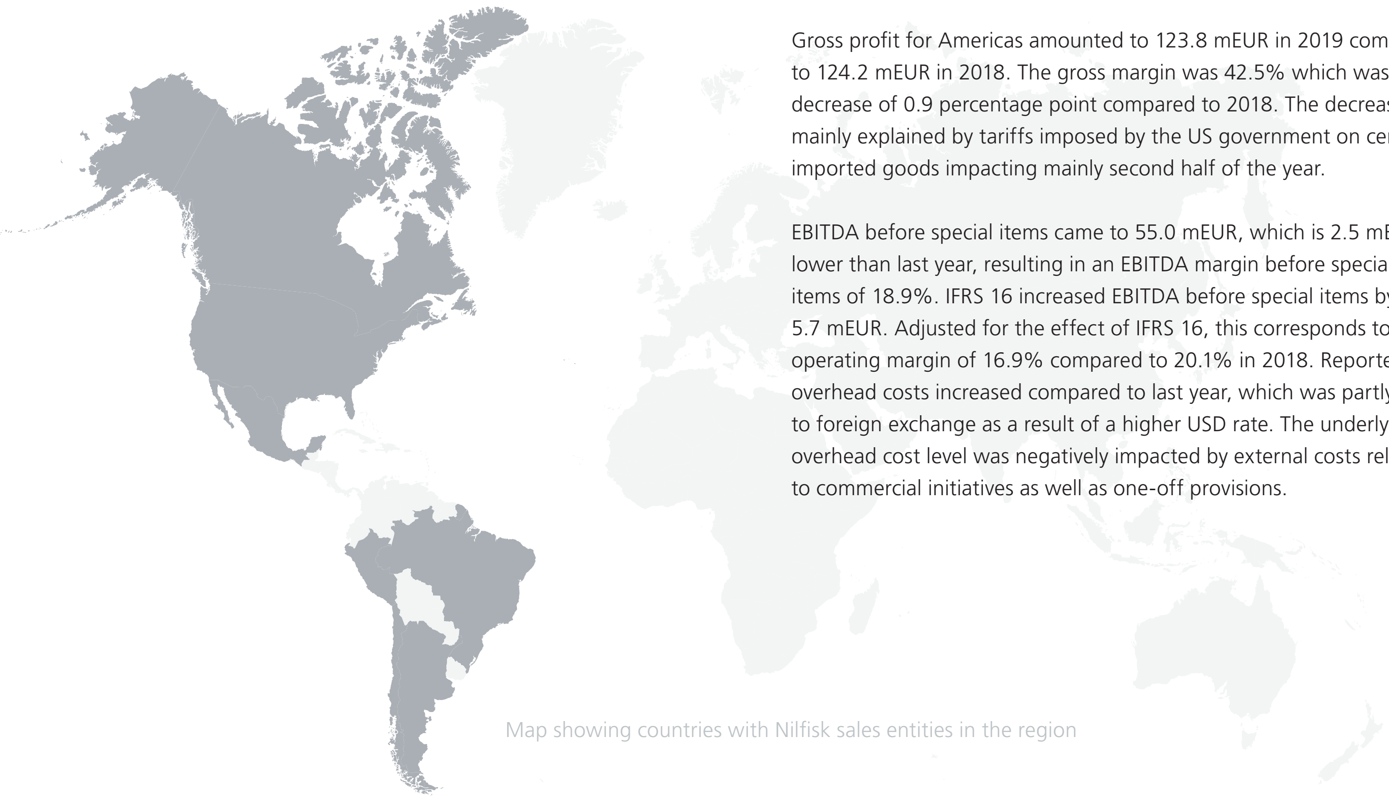
Americas

Despite solid revenue growth in Latin America and Canada in 2019, the full year performance in Americas was marked by lower than expected revenue growth in the US business, in particular in the last quarter of the year.

Total revenue in Americas amounted to 291.3 mEUR in 2019 compared to 286.5 mEUR in 2018 corresponding to reported growth of 1.7%. Foreign exchange rates contributed positively with 4.5% mainly due to a higher USD compared to the 2018 level. In sum, underlying organic growth was -2.8%. Both Latin America and Canada contributed positively with solid organic growth, whereas the US business delivered negative organic growth in 2019. This was to a large extent driven by the floorcare business, which makes up the largest part of the US business. The development within floorcare was negatively affected by the contract cleaner customer segment, where the loss of a large dealer in 2018 was not fully compensated for in 2019. Organic growth was also negative in the industrial customer segment and in strategic accounts, particularly in Q4, where the amount of larger deals was lower compared to a strong Q4 last year. The high-pressure washer business, which constitutes roughly a quarter of the US business, was negatively impacted by continued slow-down in the agriculture customer segment as well as the discontinuation of a dealer in second half of the year. In sum, despite good execution of the US growth plan following organisational changes, the performance in the US business in 2019, and in Q4 in particular, was not as expected. We do however firmly believe that we have the right plans in place to grow in the US.

Gross profit for Americas amounted to 123.8 mEUR in 2019 compared to 124.2 mEUR in 2018. The gross margin was 42.5% which was a decrease of 0.9 percentage point compared to 2018. The decrease is mainly explained by tariffs imposed by the US government on certain imported goods impacting mainly second half of the year.

EBITDA before special items came to 55.0 mEUR, which is 2.5 mEUR lower than last year, resulting in an EBITDA margin before special items of 18.9%. IFRS 16 increased EBITDA before special items by 5.7 mEUR. Adjusted for the effect of IFRS 16, this corresponds to an operating margin of 16.9% compared to 20.1% in 2018. Reported overhead costs increased compared to last year, which was partly due to foreign exchange as a result of a higher USD rate. The underlying overhead cost level was negatively impacted by external costs related to commercial initiatives as well as one-off provisions.



Map showing countries with Nilfisk sales entities in the region

291.3 mEUR
Revenue

-2.8%
Organic growth

30.1%
Share of total revenue

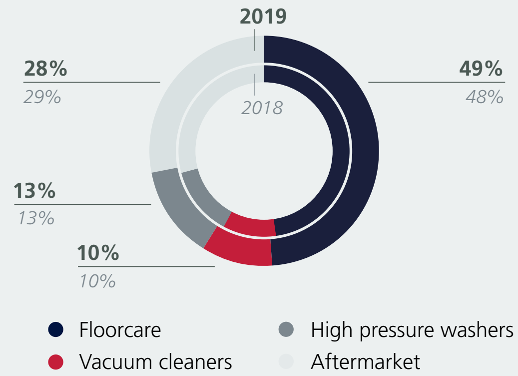
42.5%
Gross margin

55.0 mEUR
EBITDA before special items

18.9%
EBITDA margin before special items

Key markets:
US, Canada, Mexico

SALES BY PRODUCT – AMERICAS



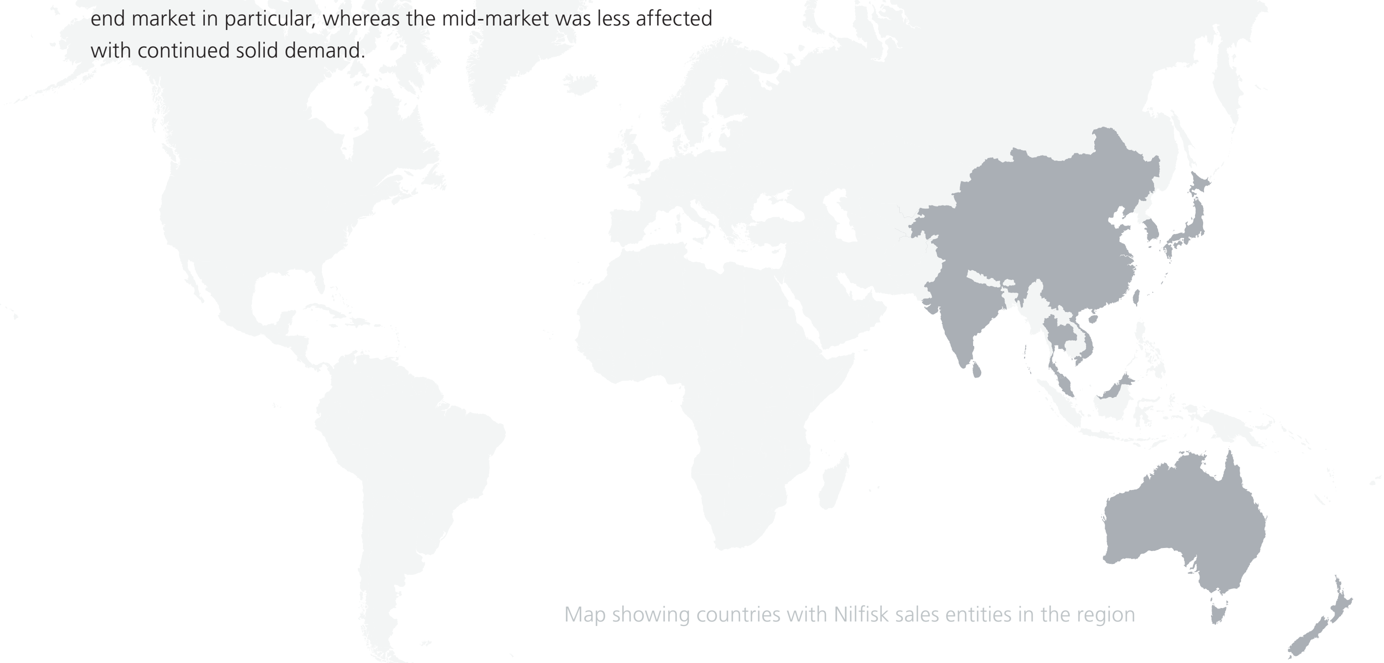
APAC

In APAC, China contributed positively to organic growth, whereas performance in markets such as Australia, Singapore and Malaysia led to the negative development for the region in total in 2019.

Total revenue in APAC amounted to 85.2 mEUR for the full year, which was 1.9 mEUR lower than 2018 corresponding to reported growth of -2.1%. Foreign exchange rates contributed positively by 2.2% mainly due to a higher CNY and AUS compared to the 2018 level and underlying organic growth was in sum -4.3%. The negative organic growth was to a large extent driven by low performance in mainly Australia but also to some extent Singapore and Malaysia. In China, the single largest market in the region, organic growth was positive, albeit at a lower level compared to previous years. During the financial year, the market demand in China has to an increasing extend been affected by the continued trade war between US and China affecting the high-end market in particular, whereas the mid-market was less affected with continued solid demand.

Gross profit amounted to 34.1 mEUR in 2019 compared to 36.6 mEUR in 2018. The gross margin was 40.0% which was a decrease of 2.0 percentage points compared to 2018. The decrease was partly impacted by mix effect due to a relatively smaller share of revenue from the Pacific region, where gross margins typically are higher. Also, inventory write-downs in Q4 had a negative impact on the full-year gross margin.

EBITDA before special items was 11.6 mEUR, resulting in an EBITDA margin before special items of 13.6%. IFRS 16 increased EBITDA before special items by 2.5 mEUR. Adjusted for the effect of IFRS 16, this corresponds to an operating margin of 10.7% compared to 16.0% in 2018. The lower margin is partly explained by the lower gross margin and partly by a higher overhead cost ratio as a result of the lower revenue.



Map showing countries with Nilfisk sales entities in the region

85.2 mEUR
Revenue

-4.3%
Organic growth

8.8%
Share of total revenue

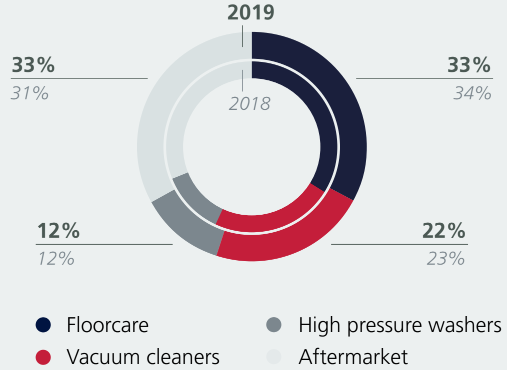
40.0%
Gross margin

11.6 mEUR
EBITDA before special items

13.6%
EBITDA margin before special items

Key markets:
Australia, China, Singapore, Thailand

SALES BY PRODUCT – APAC



Consumer

Consumer posted total revenue of 75.8 mEUR, which is 19.1 mEUR lower than last year and corresponds to reported growth of -20.1%. The decline was to a large extent driven by the exit from the Pacific region, which was concluded in the early part of Q4 and impacted total growth by -8.0%. The impact from foreign exchange rates was -0.3% and underlying organic growth thus amounted to -11.8%. The organic growth was mainly affected by a poor high-pressure washer season in EMEA in first half of the year, but competition in general has been tough throughout the year, both within vacuum cleaners and high-pressure washers.

Gross profit amounted to 22.6 mEUR in 2019 compared to 32.4 mEUR in 2018 and the gross margin was 29.8% compared to 34.1% in 2018. The gross profit was negatively impacted by price adjustments related to the main supplier as well as large one-time sales with low margins prior to the exit from the Pacific region, both factors affecting Q4 specifically.

Private label and other

Revenue in Private label and other amounted to 52.9 mEUR compared to 98.4 mEUR in 2018. This corresponds to total growth of -46.2%. A significant part of this was due to divestments such as HydraMaster and the Outdoor business carried out in 2018, which impacted total growth by -32.6%. Foreign exchange rates impacted growth positively by 0.8%. Consequently, the Private label and other business realized organic growth of -14.4%, impacted by significantly more cautious behavior from several customers resulting in lower demand.

Gross profit amounted to 11.2 mEUR in 2019 compared to 19.3 mEUR in 2018 and the gross margin increased by 1.6 percentage points to 21.2%.

Financial review for the total business

Revenue

In 2019, total revenue for Nilfisk amounted to 966.5 mEUR compared to 1,054.3 mEUR in 2018, which corresponds to reported growth of -8.3%. Divestments carried out in 2018 and exit from the Consumer business in the Pacific region in 2019 had a negative impact of -5.5%, whereas foreign exchange rates contributed positively by 1.3% mainly due to a higher USD, AUS and CNY. Underlying organic growth was negative by -4.1%.

Revenue growth	FY 2019
Organic	-4.1%
Acquisitions/divestments	-5.5%
Foreign exchange	1.3%
Total growth	**-8.3%**

Organic growth in Nilfisk's branded professional business was -2.6%. The negative organic growth was driven mainly by EMEA and US as previously described.

The Consumer and Private label businesses posted organic growth of -11.8% and -14.4%, respectively, leading to negative organic growth for the total business of -4.1%.

Gross profit

Gross profit for the total business amounted to 408.9 mEUR in 2019 compared to 442.3 mEUR in 2018. The gross margin was 42.3%, which was an improvement of 0.3 percentage point compared to 2018. The gross margin was positively affected by divestments carried out in 2018 as well as pricing initiatives and lower freight costs, whereas higher raw material prices and tariffs imposed during the year had a negative impact on the margin.

Overhead costs and ratio

Overhead costs increased by 1.6 mEUR compared to last year and came to 350.3 mEUR. Overhead costs were positively affected by divestments carried out during 2018, reducing the underlying overhead cost base by approximately 15 mEUR. Overhead costs were negatively impacted by higher amortization of finalized IT and R&D projects, higher IT costs and external cost as well as foreign exchange effects (mainly related to higher USD). The overhead cost ratio was 36.2% compared to 33.1% in 2018. Excluding the adjustment of 4.3 mEUR related to the effect of the phantom share program, the 2018 ratio was 33.5%. Since end-December 2018, the phantom shares have been hedged and any value adjustments have not impacted overhead costs in 2019.

Total R&D spend decreased by 6.6 mEUR compared to 2018 and amounted to 36.1 mEUR equivalent to 3.7% of the total revenue in 2019, of which 13.4 mEUR has been recognized as an expense in the income statement (2018: 18.3 mEUR) while 22.7 mEUR has been capitalized as intangible assets (2018: 24.4 mEUR). In addition to expensed costs, total reported R&D costs for 2019 also include amortization of 17.5 mEUR compared to 12.9 mEUR in 2018.

In line with our strategy we continued to invest in the future growth of Nilfisk. Consequently, out of the total of 22.7 mEUR in capitalized R&D costs, roughly two thirds were directed towards development of digital solutions, connectivity devices and autonomous machines.

Research and development costs	2019	2018
Total expenses (incl. amortization)	30.9	31.2
Capitalized	22.7	24.4
Amortization	-17.5	-12.9
Total	**36.1**	**42.7**
R&D Ratio (% of revenue)	3.7%	4.1%

Revenue and breakdown based on product line and service offering

EUR million	Revenue 2019	Revenue 2018	Organic growth 2019	Organic growth 2018
Floorcare	317.8	347.6	-3.0%	3.7%
Vacuum cleaners	202.0	207.6	-2.6%	6.2%
HPW	145.2	167.6	-12.4%	-10.1%
Aftermarket	301.5	331.5	-2.0%	4.7%
Total	**966.5**	**1,054.3**	**-4.1%**	**2.0%**

Organic growth for the Floorcare and Vacuum Cleaner catergories were -3.0% and -2.6% respectively with no significant variations between geographical segments. In the High Pressure Washer (HPW) category organic growth was -12.4%, impacted by the professional business in the US in particular as well as the Consumer and Private Label businesses. Aftermarket revenue, which consists of parts and accessories sales as well as service of sold machines, showed organic growth of -2.0%. The negative growth was driven by lower revenue from parts and accessories, whereas the service business posted organic growth of 6.7%.

Sales and distribution costs amounted to 241.2 mEUR compared to 245.2 mEUR in 2018 and was driven by both lower distribution costs and lower personnel and capacity costs.
Administration costs amounted to 82.1 mEUR compared to 75.0 mEUR in 2018. The increase was to a large extent driven by a positive phantom share adjustment positively impacting administration costs in 2018 by 4.3 mEUR. Underlying administration costs increased compared to the 2018 level partly due to higher IT costs and amortization of completed IT projects.

EBITDA before special items and EBITDA
EBITDA before special items decreased by 4.1 mEUR compared to 2018, and amounted to 121.4 mEUR for the full year, which corresponds to an EBITDA margin before special items of 12.6%. IFRS 16 had an impact on EBITDA before special items of 26.0 mEUR. Adjusting for this impact, the EBITDA margin before special items was 9.9%. In 2018 the EBITDA margin before special items was 11.9%, however this was positively affected by a phantom share adjustment of 4.3 mEUR. Adjusting for this, the 2018 EBITDA margin before special items was 11.5%. Therefore, on a comparable basis, the EBITDA margin before special items for 2019 was 1.6 percentage points lower than in 2018, which is attributable to a higher overhead ratio in 2019.

EBITDA amounted to 98.7 mEUR compared to 69.8 mEUR in 2018 with EBITDA margins of 10.2% and 6.6% respectively. The increase in EBITDA was primarily driven by lower special items in 2019. Excluding the impact from phantom share program, EBITDA margin was 6.2% in 2018.

Amortization/impairment of acquisition-related intangibles
Amortization/impairment of acquisition-related intangibles amounted to 5.1 mEUR, which is 1.1 mEUR lower than in 2018. There were no impairments for the year.

EBITDA	2019	2018
Operating margin	9.9%	11.5%
Phantom share impact	-	0.4%
EBITDA margin before special items and IFRS 16	9.9%	11.9%
IFRS 16 uplift	2.7%	-
EBITDA margin before special items	12.6%	11.9%
Special items impact (excluding impairment)	-2.4%	-5.3%
Reported EBITDA margin	**10.2%**	**6.6%**

Result before financial items and income taxes (EBIT) and EBIT before special items. EBIT before special items amounted to 53.5 mEUR compared to 87.4 mEUR in 2018. This corresponds to an EBIT margin before special items of 5.5% compared to 8.3% in 2018. Excluding impact from phantom shares, the EBIT margin was 7.9% in 2018.

In 2019, EBIT increased by 10.7 mEUR compared to 2018 and totaled 29.6 mEUR. The EBIT margin was 3.1%, which is 1.3 percentage points higher than in 2018, or 1.7 percentage points higher when compared to 2018 EBIT margin excluding the impact from phantom shares.

Special items
In 2019, special items amounted to 23.9 mEUR compared to 68.5 mEUR in 2018 (of which impairments amounted to 12.8 mEUR).
The special items primarily related to redundancy costs in respect of business restructuring, roll-out of the global blueprint, and the cost saving program.

Details on special items are described in Note 2.4.

Financial items
Net financial items amounted to -14.0 mEUR compared to -11.3 mEUR in 2018. Financial income decreased by 9.7 mEUR compared to 2018 due to lower foreign exchange gains, other financial income and lower forward points. Financial expenses decreased by 7.0 mEUR compared to 2018 due to a decrease in foreign exchange losses and forward points.

Result for the year
Result for the year amounted to 8.7 mEUR compared to 10.0 mEUR in 2018. Despite EBIT being higher in 2019, higher net financial expenses and higher tax on result of the year, led to a lower net result for the year compared to 2018.

Assets
At December 31, 2019, total assets amounted to 840.1 mEUR against 794.4 mEUR at the end of 2018. The increase was driven by right-of-use assets due to IFRS 16, which increased total assets by 54.5 mEUR, partly offset by lower receivables of 22.8 mEUR.

Total non-current assets amounted to 442.2 mEUR at the end of 2019 compared to 378.2 mEUR in 2018. Intangible assets increased by 6.1 mEUR mainly due to capitalization of R&D projects, while property, plant and equipment increased by 51.0 mEUR mainly due to IFRS 16.

Total current assets amounted to 397.9 mEUR at the end of 2019, which is 18.3 mEUR lower than at the end of 2018. As mentioned above, this was driven by a lower level of receivables compared to end 2018.

Working capital
At the end of 2019, working capital was 157.9 mEUR, down by 12.5 mEUR compared to 2018.

At the end of 2019, inventories were at the same level as last year and amounted to 172.7 mEUR at December 31, 2019, compared to 172.9 mEUR at December 31, 2018. The efforts to bring down inventories were not enough to compensate for the decline in revenue and, as a result, inventory days increased from 122 to 132 by the end of December 2019.

Trade receivables were significantly lower than same time last year. At the end of December 2019 trade receivables amounted to 175.0 mEUR, which is 15.7 mEUR lower than at the end of 2018. The decrease was mainly driven by lower sales. The days sales outstanding (DSO) was in line with same time last year at 60.1 compared to 59.6 at end-2018.

Trade payables and other liabilities amounted to 211.0 mEUR at December 31, 2019, and thereby decreased by 13.1 mEUR compared to the year before. The decrease was primarily driven by other current liabilities partly due to release of provisions related to production consolidation and partly due to lower phantom shares provision as a result of the lower share price and exercise during the year.

The working capital ratio measured in percentage of revenue on a 12-month average was 20.6% at the end of 2019. At the end of 2018 the ratio was 18.5%.

Capital employed and RoCE

As of December 31, 2019, capital employed amounted to 572.1 mEUR, which was an increase of 55.3 mEUR compared to 516.8 mEUR at the end of 2018. The development in capital employed was driven by the IFRS 16 uplift of 54.5 mEUR.

Nilfisk return on capital employed was 9.2%, which is a reduction of 7.5 percentage points compared to year-end 2018. IFRS 16 had a negative effect of 0.8 percentage point and the underlying decline was primarily due to lower EBIT before special items compared to year-end 2018.

Equity

Equity was 158.0 mEUR at the end of 2019 against 147.5 mEUR at the end of 2018. The increase was driven partly by profit for the year and foreign exchange adjustments and value adjustments of hedging instruments.

Net interest-bearing debt

At the end of 2019, the total net interest-bearing debt was 414.1 mEUR, up by 44.5 mEUR against year-end 2018. IFRS 16 increased net interest-bearing debt by 56.2 mEUR.

The financial gearing at the end of the year was 3.4 compared to 2.9 at the end of 2018.

Cash flows

Cash flow from operating activities before financial items and income taxes for 2019 represented a net cash flow of 104.0 mEUR compared to 55.9 mEUR in 2018. The higher cash flow compared to last year was driven mainly by a positive effect from net working capital but also due to higher operating income. Net financial expenses and income tax paid amounted to a net outflow of 27.9 mEUR, which is a 5.1 mEUR higher outflow compared to last year mainly due to higher tax paid. Total cash flow from operating activities in 2019 thus increased by 43.0 mEUR compared to 2018 and amounted to 76.1 mEUR.

Cash flow from investing activities for 2019 amounted to a net cash outflow of 40.8 mEUR, which is slightly higher than 2018 at 38.6 mEUR. In 2018, cash flow from investing activities was positively impacted by divestment of businesses to the amount of 3.1 mEUR. Free cash flow amounted to an inflow of 35.3 mEUR compared with an outflow of 8.6 mEUR in 2018 (excluding divestment of businesses). The development was driven by the above mentioned development in working capital.

Cost saving program

During 2019, the execution of the cost saving program continued to progress as planned. The cost saving program has a target of realizing 50 mEUR in annual savings on the original cost base when initiating the program. The continued execution of the cost saving program contributed as expected with full-year savings, which have enabled overhead investments in other parts of Nilfisk.

By the end of 2019, initiatives implemented and launched in relation to the program amounted to a total of 42 mEUR, split between approximately 13 mEUR related to Global Operations initiatives (production footprint, sourcing initiatives and process optimizations), approximately 24 mEUR related to overhead reductions and 5 mEUR related to other initiatives such as complexity reductions and price management. The full potential amounts to 50 mEUR.

The initiatives have positively impacted costs with savings of 8 mEUR in 2019 compared to 2018, with improvements in gross profit of 4 mEUR and overhead cost of 4 mEUR.

Restructuring cost for the year mainly include redundancy costs.

EUR million	2018 Accumulated	2019	2020 Expected	Full potential end 2020
Annualized accumulated impact on EBITDA before special items related to levers executed prior to the end of each period	33	42	50	50
Accumulated impact on reported EBITDA before special items	29	37	48-50	50
Restructuring costs for the period (reported under special items)	38	12	10	60
Capex investments for the period	8	1	1	10

Performance in Q4 2019

In Q4 2019, revenue amounted to 233.8 mEUR corresponding to reported growth of -9.6% compared to revenue in Q4 2018 of 258.7 mEUR. The growth was negatively affected by divestments of -4.0% and positively affected by foreign exchange effects of 0.7%. Consequently, organic growth was -6.3%

In EMEA, organic growth was -3.7%, predominantly due to negative performance in Germany. In Americas, organic growth was -13.3% driven by the US business where growth in Q4 was impacted by fewer large deals with strategic accounts compared to the year before. Organic growth in Latin America and Canada was positive also in Q4. In APAC, organic growth for the quarter was -4.3%, impacted by Australia and Singapore, with also China posting slightly negative organic growth due to low demand in the high-end market. All-in-all, the branded professional business posted organic growth of -7% in Q4.

The Consumer business posted organic growth in Q4 of 12.0% due to large one-time sales with low margins prior to the exit from the Pacific region. The Private Label businesses posted organic growth -10.4% due to more cautions behavior from the customers.

Gross profit decreased by 13.4 mEUR compared to Q4 2018 and came to 94.3 mEUR. The gross margin was 40.3%, which is 1.3 percentage points lower than in Q4 2018. Divestments impacted the margin positively, whereas lower capacity utilization and US imposed tariffs had a negative impact. In addition large one-time sales at low margins prior to the Consumer business' exit from the APAC region as well as price adjustments related to the main supplier also had a negative effect on the gross margin in Q4.

Overhead costs amounted to 85.0 mEUR, which was 4.0 mEUR higher than Q4 2018 primarily due to a positive phantom share adjustment of 1.9 mEUR in Q4 2018. Also, a lower level of capitalization of R&D costs as well as higher amortization of both R&D projects and IT projects impacted overhead costs in Q4 2019.

EBITDA before special items was 26.1 mEUR, which was 7.9 mEUR lower than Q4 2018. The EBITDA margin before special items was 11.2% compared to 13.1% last year. IFRS 16 had a positive impact of 5.5 mEUR and the adjusted EBITDA margin before special items was 8.8%.

EUR million	Q4 2019	Q4 2018
Revenue	233.8	258.7
Gross Profit	94.3	107.7
Overhead costs	85.0	81.0
EBITDA before special items	26.1	34.0
EBIT before special items	8.1	25.2
EBITDA	23.3	2.0
EBIT	5.1	-7.1
Financial ratios:		
Organic growth	-6.3%	-1.9%
Gross margin	40.3%	41.6%
EBITDA margin before special items	11.2%	13.1%
EBIT margin before special items	3.5%	9.7%
Overhead costs ratio	36.4%	31.3%

Our governance

The duties and responsibilities of Nilfisk's various governing bodies are determined by Danish law and Nilfisk's corporate governance principles, which aim to ensure active and accountable business management across the Group.

Corporate governance

Nilfisk's governance structure consists of its Shareholders, the Board of Directors, and the Nilfisk Leadership Team.

Shareholders

The shareholders of Nilfisk Holding A/S exercise their decision-making rights at general meetings. At the Annual General Meeting, shareholders elect board members and the independent auditor, plus 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 holds overall responsibility for the management of Nilfisk and the company's strategic direction. At the Annual General Meeting held on March 26, 2019, seven members were elected by the shareholders. This means the Board of Directors was expanded from nine to ten members. All shareholder-elected members are up for election every year at the Annual General Meeting. The 2020 Annual General Meeting will be held on March 19. Three board members are employee-elected members serving four-year terms. All three employee-elected members were elected at the employee election held in March 2018, and their terms will expire in 2022.

Among the shareholder-elected members are one woman and six men. The employee-elected members include one woman and two men. Of the seven shareholder-elected members, four live in Denmark, one lives in Sweden, one lives in the US, and one lives in Luxembourg. Six are considered independent and one is considered non-independent.

The Board of Directors represents strong, international business experience in the areas of industry, energy, high technology, finance, and business development and are deemed to possess the required expertise and seniority. See page 36-37 for particulars of Nilfisk's Board of Directors.

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 the Board's responsibility is to ensure that the company has a capital and share structure that matches its strategic direction and the long-term creation of value for the benefit of its shareholders. Considerations on capital and share structure are undertaken annually by the Board of Directors, most recently at a board meeting in November 2019, where it was affirmed that Nilfisk's capital and share structure are appropriate for and supportive of the company'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.

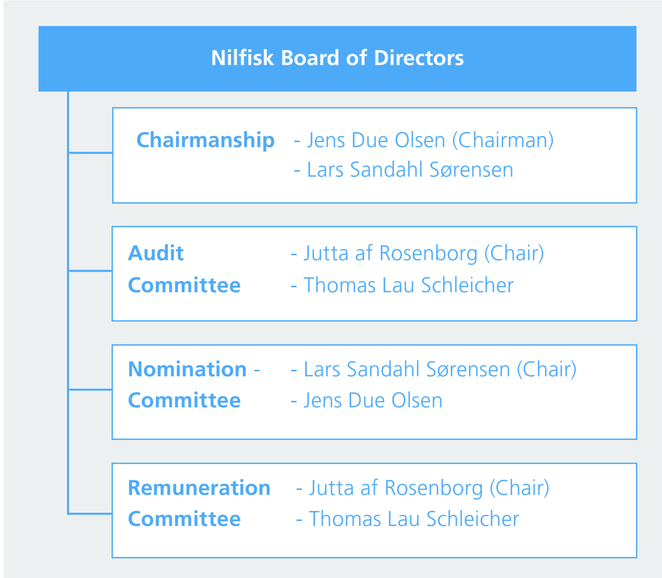
The Board of Directors also holds an authorization from the shareholders to acquire treasury shares up until and including March 22, 2023, up to an aggregate nominal amount of 54,252,720 DKK, corresponding to almost 10% of the company's current share capital. The company's holding of treasury shares at any time may not exceed 10% of the company's issued share capital. The purchase price for the relevant shares may not deviate by more than 10% from the price quoted on Nasdaq Copenhagen at the time of purchase.

Board Committees

The Board of Directors has appointed a chairmanship and three committees: An Audit, a Nomination and a Remuneration committee. All three committees report to the Board of Directors. Senior representatives from Nilfisk act as secretariat for the committees. Each committee has two members, which is considered appropriate to ensure efficient and focused committee work, reporting, and decision-making within the Board of Directors.

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 Group CEO and CFO.



Audit Committee

In 2019, the Audit Committee consisted of two members. The Audit Committee is appointed for one year at a time. All members possess the relevant financial expertise and the chairman of the committee qualifies as being independent.

The principal duties 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, their 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 its charter available online at https://investor.nilfisk.com/corporate-governance/governance-overview 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 several 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's result and financial position and is in compliance with applicable 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.

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. Please refer to the Risk Management section on page 40.

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. In addition, Nilfisk's Group Legal Compliance function has performed audits in selected Nilfisk locations worldwide. 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 overall responsibility of the Remuneration Committee is to oversee the remuneration of the Board of Directors, the Executive Management Board, and other members of the Nilfisk Leadership Team to ensure that the company's remuneration practice is appropriate, balanced, and effective to achieve growth, profitability, and shareholder value. This responsibility includes establishing the Remuneration Policy for the Board of Directors and the Executive Management Board, making proposals on changes to the Remuneration Policy, and obtaining the approval of the Board of Directors prior to seeking shareholders' approval at the Annual General Meeting. The Remuneration Committee also oversees the company's short-term and long-term incentive programs, including awards, target-setting and a review of target achievements every year. The Remuneration Committee reports to the Board of Directors at all regular board meetings to ensure efficient decision-making.

Main activities in 2019

In 2019, the main activities of the Remuneration Committee have been:

- Completing a review of the Remuneration Policy to ensure it continues to support the realization of Nilfisk's strategy as well as recognizes the changes in the governance environment in accordance with the Danish Companies Act and the amended EU Directive on the encouragement of long-term shareholder engagement
- Preparing, drafting and approving a new Remuneration Policy that will replace the previous Remuneration Policy, including guidelines for incentive pay. No significant changes were made to the overall remuneration strategy of Nilfisk Holding A/S, however the new policy ensures that new legislative requirements are complied with. The new Remuneration Policy will be on the agenda for approval by the shareholders at the up-coming Annual General Meeting of Nilfisk Holding A/S in March 2020
- Preparing and developing a new global bonus plan to ensure further alignment between shareholder interests and the remuneration structure in Nilfisk. The new bonus plan was introduced to 1,200 employees at the beginning of 2019
- Revising the existing targets and KPIs under the company's annual bonus plan
- Reviewing the achievement against targets under the company's annual bonus plan

More information on the compensation of the Board of Directors and the Nilfisk Leadership Team is available in our Remuneration Report available online at https://investor.nilfisk.com/corporate-governance/governance-overview, where our Remuneration Policy is also located.

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 the Group CFO, to initiate an annual self-assessment within the Board of Directors, and to exercise grandfather rights with respect to members of the Nilfisk Leadership Team.

Self-assessments
The purpose of the annual self-assessment is to evaluate the performance and expertise required within the Board of Directors, and to identify future areas of focus. Every third year the Board utilizes a professional consultant to assist with this assessment.

Conclusions from the 2019 self-assessment were that the Board comprised a good team with room for discussions and a high degree of trust between the members. As such, the Nomination Committee concluded the Board to be the right one. At the same time, they wished to increase shareholder representation from Kirkby Invest A/S, which at the time held, and still holds, more than 20% of Nilfisk's stock. In addition, the Board wished to add an American with a strong background in leadership, sales and marketing to the Board. Accordingly, the Board proposed Thomas Schleicher and Richard P. Bisson as candidates for the Board at the Annual General Meeting in March 2019. Both candidates were elected at the General Meeting. The self-assessment for 2020 is expected to be completed before the Annual General Meeting which will be held on March 19, 2020 and the Chairman of the Board will convey the key conclusions at this meeting.

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 expertise of these executives. 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 and shared in summary at the Annual General Meeting.

The Nilfisk Leadership Team
Day-to-day responsibility for Nilfisk's management lies with the Nilfisk Leadership Team, consisting of 11 members counting the CEO and ten direct reports. The Nilfisk Leadership Team is responsible for the conduct of business, all operational matters, organization, allocation of resources, establishing and implementing strategies and policies, direction-setting, and timely reporting of information to the Board of Directors. See page 41 for particulars of the Nilfisk Leadership Team.

Target figure for the under-represented gender
Nilfisk seeks to provide equal opportunities for all genders, and gender is in focus when assessing qualifications and experience of Board candidates. While Nilfisk believes the current Board of Directors has an optimal composition based on qualifications, the target figure of the under-represented gender, guided by section 99b of the Danish Financial Statements Act, is consistently monitored to ensure it is realistic and ambitious. The Nilfisk target figure for the under-represented gender among shareholder-elected Board members has been minimum 17%. This target was met in 2017 and 2018. In 2019, the shareholder-elected members of the Board increased from six to seven members as an additional member was elected at the Annual General Meeting in March 2019, by which event the percentage of the underrepresented gender in the Board of Directors reduced to 14%. To achieve a more equal gender representation, Nilfisk has now set a new target figure for the under-represented gender of minimum 25% to be achieved by 2024. To this end, Nilfisk will seek to add one additional female member to the Nilfisk Board of Directors by 2024.
Nilfisk's focus on diversity is described in Nilfisk's CSR Report, which includes the UN Global Compact Communication on Progress report and can be found at https://www.nilfisk.com/en/nilfisk-group/csr/Pages/CSR-Report.aspx.

Corporate governance recommendations
As a listed company listed on Nasdaq Copenhagen, Nilfisk is subject to Nasdaq Copenhagen's rules governing share issuers, and by that also to the corporate governance recommendations issued by the Danish Committee on Corporate Governance which can be found at https://corporategovernance.dk/.

Nilfisk fulfils its obligations in respect to the corporate governance recommendations either by compliance or by explaining the reason for non-compliance. Nilfisk complies with all updated recommendations.

More details can be found in Nilfisk's annual reporting on the corporate governance recommendations available at https://investor.nilfisk.com/corporate-governance/governance-overview

Meeting attendance – 2019

	Number of meetings	Jens Due Olsen	Lars Sandahl Sørensen	Thomas Lau Schleicher[1]	Jutta af Rosenborg	Anders Runevad	René Svendsen Thune	Richard P. Bisson	Jens Maaløe[2]	Gerner Ray Andersen[3]	Søren Gissing Kristensen[3]	Yvonne Markussen[4]
Board of Directors meetings	11	11	8	8	9	9	9	6	0	9	11	8
Chairmanship meetings	6	6	6									
Audit Committee meetings	5			2	5				2			
Remuneration Committee meetings	6			4	6				1			
Nomination Committee meetings	2	2	2									

[1] Member of the Board since March 26, 2019
[2] Member of the Board until March 26, 2019
[3] Member of the Board since March 23, 2018
[4] Member of the Board until March 23, 2018, rejoined February 2019

Corporate Social Responsibility
During 2019, we saw good progress in the execution of our strategy Nilfisk Next, in particular in our efforts to globalize the company. Over the course of the year, this globalization also encompassed our Corporate Social Responsibility (CSR) work. We established global CSR initiatives and programs, defined global CSR targets in multiple areas, and collected data across markets to ensure that we measure and accelerate progress.

The transition towards becoming a global company has enabled us to better analyze and respond to sustainability risks and opportunities. In 2019, we did a comprehensive collection of resource and emission data from all Nilfisk sites, giving us a global overview of our resource consumption. This overview has enabled us to make a firm commitment to reducing our carbon footprint and to address the risks related to climate change.

In 2019 Nilfisk decided to commit to the Science-Based Target Initiative (SBTi) and set science-based targets for our Scope 1 and Scope 2 emissions, with a plan to include our Scope 3 emissions. By adhering to the globally-recognized methodology by the SBTi, we can ensure that our Climate Action work will reduce the climate change impact of our operations and help limit the global temperature increase to no more than 1.5 °C.

Commitment to the UN Sustainable Development Goals
Our Climate Action work and commitment to SBTi made us reassess our commitment to the UN Sustainable Development Goals (SDGs) and include SDG 13, "Climate Action" in our CSR strategy. Nilfisk now works strategically with SDG 3, 12 and 13.

Key achievements and highlights 2019
- Gained a global overview of Nilfisk's resource consumption and emissions data and committed to the SBTi with a carbon footprint reduction from Scope 1 and Scope 2 of minimum 35% by 2030
- Saved 69,000 m³ of water and 870 m³ of detergent from all sold units of the SC500 scrubber dryer with Ecoflex™ and Smartflow™ technologies
- Successfully certified our production site in China, in accordance with ISO 14001:2015
- Initiated supplier audits in late 2019, and audited ten suppliers in China to compliance and CSR issues
- Updated the Business Code of Conduct with rules covering occupational health and safety, climate and environment, labor rights, inclusion and diversity
- Updated global KPIs for occupational health and safety, as well as global definitions for tracking of injuries
- Increased the employee engagement score to 7.8 out of 10 with a 91% response rate
- Strengthened our CSR governance and established an internal CSR Board

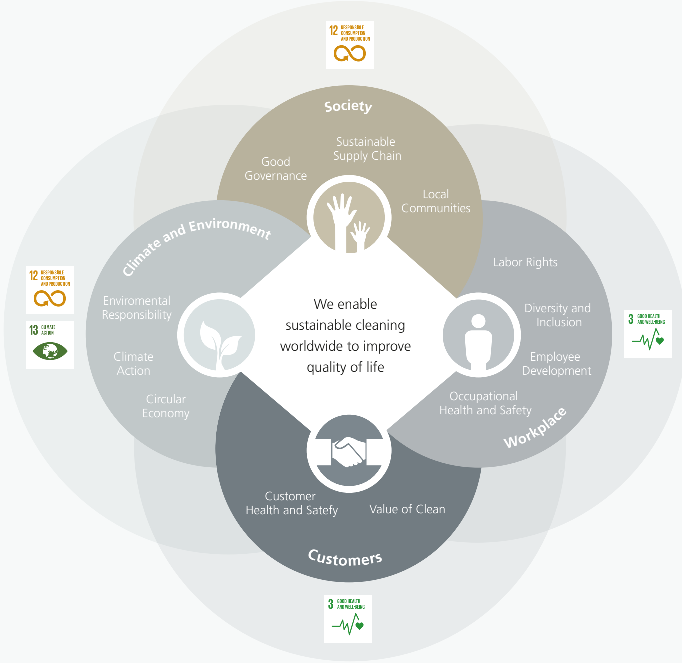
Reduction of Nilfisk's carbon footprint

CO_2

Minimum 35% absolute reduction in Scope 1 and Scope 2 CO_2 emissions by 2030 compared to baseline year

Nilfisk CSR Report 2019
Details are available in 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. The report presents our strategy and approach and has case stories and detailed descriptions of key actions in 2019.

The Nilfisk CSR Report 2019 is available at https://www.nilfisk.com/en/nilfisk-group/csr/Pages/CSR-Report.aspx



Nilfisk's CSR approach
Nilfisk's CSR strategy and approach to sustainability has four focus areas; Climate & Environment, Society, Workplace, and Customers. Each area has defined actions that all together contribute to delivering on Nilfisk's mission statement.

Board of **Directors**







	Jens Due Olsen Chairman, born 1963 Independent	**Lars Sandahl Sørensen** Deputy Chairman, born 1963 Independent	**Richard Bisson** Member, born 1959 Independent	**Jutta af Rosenborg** Member, born 1958 Independent	**Anders Runevad** Member, born 1960 Independent	**Thomas Lau Schleicher** Member, born 1973 Non-independent	**Rene Svendsen-Tune** Member, born 1955 Independent
First elected in	October 2017	October 2017	March 2019	October 2017	October 2017	March 2019	October 2017
Expiry of current term	March 2020	March 2020	March 2020	March 2020	March 2020	March 2020	March 2020
Core competencies	• Industrial management • Management of listed companies • Economics and finance	• International management • Corporate trading • Business development • Operational excellence	• Strategy Development and Implementation • Branded Product Management and Innovation • Global Manufacturing • Supply Chain	• International management • Management of listed companies • Finance and business optimization	• International management • Management of listed companies • Large infrastructure projects	• M&A and Capital Markets • Business Strategy • Financial Reporting • Risk Management	• International management • Service businesses • Large account sales
Committees	• Nomination	• Nomination	• N/A	• Audit • Remuneration	• N/A	• Audit • Remuneration	• N/A
Selected positions and directorships	• Chairman of the board of directors of NKT A/S, Børnebasketfonden, HusCompagniet A/S • Vice Chairman of KMD A/S • Member of the board of directors of Danske Bank • Member of the Committee 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 Holding A/S, Industriens Fond, SAS Management Denmark A/S, SAS Danmark A/S.	• CEO of K&N Engineering • CEO of Alpha Guardian Member of the board of directors at K&N Engineering, Alpha Guardian, and Super Stroke Inc	• Member of the board of directors of NKT A/S, Standard Life Aberdeen PLC, JPMorgan European Investment Trust plc, PGA European Tour, BBGI SICAV S.A.	• Adviser to Chairman and CEO of Vestas Wind Systems A/S • Chairman of the board of directors of MHI Vestas Offshore Wind A/S • Member of the board of directors of Schneider Electric	• Chief Investment Officer, KIRKBI A/S • Member of the board of directors of Välinge Group AB, • Boston Holding A/S, Enerparc, Inc. and KIRKBI Burbo Extension Holding (UK) Limited, a fully owned subsidiary of KIRKBI 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 • Member of the board of directors of Stokke A/S
Education	• MSc in Economics	• MSc in International Business and Management	• BSc in Industrial Technology	• MSc in Business Economics and Auditing	• MSc in Electrical Engineering	• MSc in Finance and Accounting	• BSc Eng. (hon.)
Nilfisk shares end of 2019 (end of 2018 shown in brackets)	21,732 (2,500)	685 (685)	6,500 (0)	0 (0)	1,000 (1,000)	2,600 (0)	4,000 (4,000)

Board of **Directors**

	 **Gerner Raj Andersen** Employee Representative, born 1966	 **Søren Giessing Kristensen** Employee Representative, born 1986	 **Yvonne Markussen** Employee Representative, born 1959
First elected in	March 2018	March 2018	February 2019
Expiry of current term	March 2022	March 2022	March 2022
Position at Nilfisk	• Sales assistant • Joined Nilfisk in 1990	• R&D Engineer • Joined Nilfisk in 2015	• Assistant Payroll department • Joined Nilfisk in 2006
Committees	• N/A	• N/A	• N/A
Selected positions and directorships	• Owner of Mågaard I/S • Member of the board of Sem Vandværk	• N/A	• N/A
Education	• Secondary program	• M.Sc. Electro Mechanical Engineering	• Vocational training as clerk with emphasis on accounting
Nilfisk shares end of 2019 (end of 2018 shown in brackets)	210 (210)	0 (0)	6 (6)

Nilfisk Leadership Team

						
	Hans Henrik Lund CEO Member of the Executive Management Board	**Prisca Havranek-Kosicek** CFO Member of the Executive Management Board	**Jacob Blom** Executive Vice President HR	**Casper Brorsen** Executive Vice President Service	**Hans Flemming Jensen** Senior Vice President Corporate Affairs	**Anders Liechti** Senior Vice President Transformation and IT
Joined Nilfisk in	2017	2019	2016	2018	2017	2019
Core competencies	• International business management • Business transformation • Technology • Product development	• Corporate Finance • Financial Planning and Analysis • Group Controlling • Treasury • Investor Relations	• HR management • Implementation of group processes and HR systems • Global HR transformation	• Commercial Development • Service Operations • Innovation & Digital • Strategy and Transformation	• Mergers & Acquisitions • Global corporate legal matters • Capital markets • Negotiation and international commercial relationships	• Strategy Planning & Execution • Process Optimaziation • Digitalization & IT
Positions and Directorships:	• N/A	• Allianz Elementar Versicherungs-AG, Allianz Elementar Lebensversicherungs-AG	• N/A	• N/A	• N/A	• N/A
Previous Positions:	• Helvar Oy • Microsoft • Nokia • GN Netcom	• Novozymes • Kuoni • DSM	• NCC • TDC • Merk, Sharp & Dohme	• Falck • ABN AMRO Group • Vækstfonden	• Kromann Reumert • NKT Holding	• FOSS Analytical
Education	• MSc in Mechanical Engineering • Ph.D in Material Science • MBA in Organization and Business Management	• Ph.D. in Business Administration and Management	• Graduate Diploma in Organization & Leadership	• MSC in Applied Economics and Finance • MBA from IMD Business School	• Master of Laws, University of Copenhagen	• M.Sc. in Engineering • MBA Copenhagen Business School
Nilfisk shares end of 2019 (end of 2018 shown in brackets)	19,600 (11,900)	0 (0)	200 (200)	0 (0)	735 (230)	0 (0)

Nilfisk Leadership Team

					
	Steen Lindbo Executive Vice President EMEA and Americas Sales	**Jesper Terndrup Madsen** Executive Vice President Operations	**Pierre Mikaelsson** Executive Vice President R&D	**Camilla Ramby** Executive Vice President Marketing	**Serdar Ülger** Senior Vice President APAC Sales
Joined Nilfisk in	2018	2015	2019	2018	2005
Core competencies	• International B2B sales • Commercial development • Channel strategy • Product/pricing strategies	• End-to-end supply chain management • Operations • Distribution and sales support	• R&D • Product Development • Technology Management • Product Management	• All areas of MarCom • Data and advanced analytics • Product management • Digital Marketing and eCommerce •	• Execution of product/pricing strategies • Sales and service • Business management
Positions and Directorships:	• N/A	• N/A	• N/A	• N/A	• N/A
Previous Positions:	• Stanley Black & Decker, Inc.	• Royal Copenhagen A/S • GN Netcom A/S • Accenture	• ABB Robotics • KUKA Robotics	• Danske Bank A/S • TDC A/S • Codan A/S	• Pirelli Tires
Education	• Diploma Business Finance	• MSc in Economics & Business Administration	• M.Sc. Chalmers University of Technology	• MSc in International marketing & Management	• MSc in Computer Engineering
Nilfisk shares end of 2019 (end of 2018 shown in brackets)	0 (0)	0 (0)	15 (0)	0 (0)	0 (0)

Risk management

Risk is a natural part of doing business. At Nilfisk we have a structured, consistent and continuous approach to ensure that our risk exposure is assessed and managed.

The overall objective of risk management is to support the realization of Nilfisk's strategy and support our operational and financial objectives, ensuring that risks are properly identified and mitigated. We use an integrated risk management framework to identify, assess, manage, monitor and communicate risks across the company.

The Board of Directors has oversight responsibility for risk management. One of the Board's 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 key risks. Evaluation of key risks is carried out by the Board at least twice a year, and risks are monitored on an ongoing basis.

The Nilfisk Leadership Team is responsible for the identification, assessment, prioritization and mitigation of strategic, financial, operating, compliance, safety and reputational risks as well as risks related to other areas.

Risks are assessed according to a two-dimensional heat map rating system estimating the likelihood and business impact.

Risk areas

The following five risk areas are identified as high-impact risks that could have a material, adverse effect on our business, financial condition and/or operating results.

1. Transformation initiatives
2. Commoditization
3. Political and economic instability including trade conflicts
4. Operational interruptions (production and distribution)
5. Interruptions to IT services or systems

Please refer to the overview on the following page.

Nilfisk's high-impact risk areas

Description of the five risk areas identified as high-impact risks and related risk mitigation.

	Risk	Risk mitigation
Transformation initiatives	Nilfisk's continued focus on simplification, growth and digitalization requires the implementation of transformative initiatives including organizational changes, optimization of cost structures, reallocation of resources, implementation of market strategies, and standardized processes. If the expected benefits and savings from the transformation initiatives and processes are not realized, this may negatively impact our ability to meet our strategic objectives and serve our customers.	We closely monitor and track initiatives across the business to ensure the execution and realization of benefits. The Group's Transformation Office is responsible for the coordination of transformation projects across Nilfisk and seeks to ensure speed and quality of execution as well as organizational implementation and value realization. A monthly follow-up is carried out by the Nilfisk Leadership Team, enabling immediate reaction if needed.
Commoditization	Customer demand is changing, with an increasing preference for low-price "good-enough" products. At the same time competition is intense, and low-cost competition could reach a level where customers will no longer pay a premium for our products. Simultaneously, to continue to be competitive, Nilfisk must invest in developing innovative products. Nilfisk's competitors include various large global and regional enterprises as well as smaller regional or local companies. Our operational results and financial position may be negatively impacted if Nilfisk products do not satisfy customer demand.	We closely track indicators in customer behavior in terms of trends and purchase loyalty. Nilfisk is responding to changes in customer behavior with a strategy focused on uniquely-positioned customer offerings that add value beyond the machine to deliver cleaning solutions which blend into operations and integrate digital services, collectively increasing the value of clean. We leverage our strengths within brands, product portfolio range, product quality, and customer access, and we scale benefits due to our size and geographical coverage.
Political and economic instability including trade conflicts	Adverse economic conditions including a risk of economic conflicts may negatively impact our financial position and decrease demand for Nilfisk products. Long-term financial decline in global economies could negatively affect sales and negatively influence investor perception relative to public stated growth targets. At the same time, major social or political changes could disrupt sales and operations.	We closely monitor developments in our markets and the global economic situation to be able to respond in a timely manner to any adverse developments. We also mitigate possible negative macroeconomic changes by hedging and maintaining variability in our cost base.
Operational interruptions (production and distribution)	Failures or delays may occur through the entire supply chain including sourcing of components, manufacturing, and distribution of products. In daily operations we are dependent on information technology systems, production companies and distribution centers. If functionality of the supply chain or systems are interrupted for a substantial period, our business continuity planning might be insufficient to continue daily operations. In addition, our global operations are subject to local legislation in the places where we do business, creating a legal risk of not being compliant with such laws and regulations.	We work hard to create an optimal production and distribution footprint that includes several production facilities and distribution centers, dual sourcing initiatives, the optimization of supply chain processes and a modularization strategy. Our goal is to increase scale advantages and reduce production complexity. We continuously monitor the functionality of utilities and monitor our compliance with applicable regulations.
Interruptions to IT services or systems	Nilfisk's information technology systems are subject to damage or interruption from power outages, computer and telecommunications failures, malware, catastrophic events and user errors. Errors made due to lack of user awareness or deliberate misuse, such as individual attempts to gain access to systems, are among the risks Nilfisk faces. Inadequate management of changes to systems or services together with ineffective measures to deter, prevent, detect and react to such attempts might expose Nilfisk to risks. Further Nilfisk is faced with the threat of security breaches (viruses, ransomware, etc.) such as attempts to hack our information technology systems.	We have implemented procedures and management processes to ensure necessary availability for critical IT systems and services. Furthermore, we have developed and actioned an IT security policy to prevent intentional damage to our systems and limit access to critical data and systems.

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

Shareholder information

Nilfisk is listed on Nasdaq and is included in the Copenhagen Mid Cap index.

Share capital	27,126,369 shares
Nominal value per share	20 DKK
Closing price at December 28, 2018	230.5 DKK
Closing price at December 30, 2019	145.8 DKK
Change during the financial year	-36.7%

At the end of 2019, the market capitalization of Nilfisk amounted to 3,955 mDKK.

Ownership structure

The company has approximately 14,000 registered shareholders who together hold 96.5% of the total share capital. The company has one share class and the number of shares and voting rights are equal.

The break down of shareholders is set out in the table below:

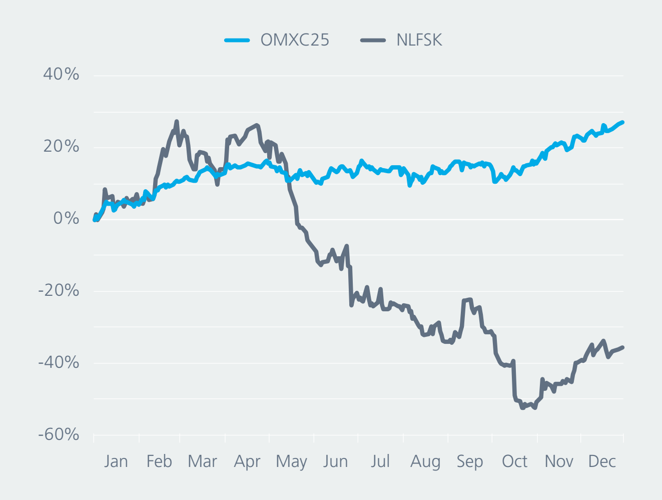
Shareholders at December 31, 2019	Number of shares	Share capital
KIRKBI Invest A/S, Billund, Denmark	5,493,200	20.3%
Ferd AS, Lysaker, Norway	4,538,349	16.7%
PrimeStone Capital LLP, London, United Kingdom	4,480,878	16.5%
Institutional investors, Denmark	2,352,318	8.7%
Institutional investors, International	6,611,670	24.4%
Private investors	2,725,229	10.0%
Non-registered	925,009	3.4%

Dividend policy and dividend for 2019

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.

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

At the Annual General Meeting to be held on March 19, 2020, the Board of Directors will propose not to distribute dividends for the financial year of 2019 as the leverage target in the capital distribution policy is not met.



Investor relations website

Our online resource *investor.nilfisk.com* provides information about the Group and its shares, share price, and financial data, in addition to company announcements, annual and quarterly reports, investor presentations, and transcripts.

Investor relations

Nilfisk works to maintain a high and consistent level of information for investors. We are proactive and open when communicating with shareholder-related stakeholders within the boundaries of current regulation.

We place great emphasis on providing consistent and high-quality information to the financial markets as well as to new investors, analysts, and other stakeholders through road shows, conferences, company announcements, and via our investor relations website. For further details on our investor relations policy, please visit *investor.nilfisk.com*.

At year-end 2019, Nilfisk Holding A/S is covered by four equity analysts who regularly publish their recommendations on the share. For a full list of analysts, please visit *investor.nilfisk.com*.

Financial calendar 2020	
February 25	Annual Report 2019
March 19	Annual General Meeting
May 15	Q1 interim report 2020
August 20	Q2 interim report 2020
November 24	Q3 interim report 2020

Financial statements

Consolidated **financial statements** 2019

! 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 clarity.

± 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 clarity.

§ 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.

Notes

Income statement

for the years ended December 31

EUR million	Note	2019	2018*
Revenue	2.1, 2.2	966.5	1,054.3
Cost of sales	3, 4	-557.6	-612.0
Gross profit		**408.9**	**442.3**
Research and development costs	2.3, 3	-30.9	-31.2
Sales and distribution costs	3, 4	-241.2	-245.2
Administrative costs	3, 4	-82.1	-75.0
Other operating income		7.7	4.8
Other operating expenses		-3.8	-2.1
Operating result before amortization/impairment of acquisition-related intangibles and special items		**58.6**	**93.6**
Amortization/impairment of acquisition-related intangibles	4.5	-5.1	-6.2
Special items, net	2.4, 2.5	-23.9	-68.5
Result before financial items and income taxes (EBIT)		**29.6**	**18.9**
Financial income	6.7	5.9	15.6
Financial expenses	6.7	-19.9	-26.9
Result before income taxes		**15.6**	**7.6**
Tax on result for the year	2.6	-6.9	2.4
Result for the year		**8.7**	**10.0**
To be distributed as follows:			
Result attributable to shareholders of Nilfisk Holding A/S		8.7	10.0
Total		**8.7**	**10.0**
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)	6.10	0.32	0.37
Diluted earnings per share (EUR)		0.32	0.37

*Comparative figures are not restated with the effect of IFRS 16.

Statement of comprehensive income

for the years ended December 31

EUR million	Note	2019	2018*
Result for the year		8.7	10.0
Other comprehensive income			
Items that may be reclassified to the income statement:			
Exchange rate adjustments of subsidiaries		5.4	9.3
Value adjustment of hedging instruments:			
Value adjustment for the year		-0.5	0.5
Transferred to cost of sales		-1.7	-1.1
Transferred to staff costs		0.9	0.8
Transferred to financial income and expenses		-	1.0
Fair value adjustment		-	-2.4
Tax on value adjustment of hedging instruments	2.6	0.6	-0.3
Items that may not be reclassified to income statement:			
Value adjustment of hedging instruments transferred to inventory		-0.4	-0.1
Actuarial gains/losses on defined benefit plans		-1.1	0.4
Tax on actuarial gains/losses on defined benefit plans	2.6	0.1	-0.1
Total comprehensive income for the year		**12.0**	**18.0**
To be distributed as follows:			
Comprehensive income attributable to shareholders of Nilfisk Holding A/S		12.0	18.0
Total		**12.0**	**18.0**

*Comparative figures are not restated with the effect of IFRS 16.

Statement of financial position

at December 31

EUR million	Note	2019	2018*
Assets			
Intangible assets	4.1, 4.2		
Goodwill		168.5	167.8
Trademarks		9.6	10.6
Customer related assets		8.5	10.1
Development projects completed		39.1	27.3
Software, Know-how, Patents and Competition Clauses		27.4	24.6
Development projects and software in progress		34.0	40.6
Total intangible assets		**287.1**	**281.0**
Property, plant and equipment	4.1, 4.3		
Land and buildings		8.5	10.1
Plant and machinery		4.0	5.1
Tools and equipment		35.0	36.7
Assets under construction incl. prepayments		3.7	2.8
Right-of-use assets	4.4	54.5	-
Total property, plant and equipment		**105.7**	**54.7**
Other non-current assets			
Investments in associates	6.8	21.5	19.1
Other investments and receivables		2.8	2.9
Deferred tax	2.6	25.1	20.5
Total other non-current assets		**49.4**	**42.5**
Total non-current assets		**442.2**	**378.2**
Current assets			
Inventories	5.1	172.7	172.9
Receivables	5.2	196.1	218.9
Interest-bearing receivables	6.3, 6.5	4.7	4.4
Income tax receivable		5.1	3.6
Cash at bank and in hand		19.3	16.4
Total current assets		**397.9**	**416.2**
Total assets		**840.1**	**794.4**

*Comparative figures are not restated with the effect of IFRS 16.

EUR million	Note	2019	2018*
Equity and liabilities			
Equity			
Share capital	6.10	72.9	72.9
Reserves		3.9	-0.4
Retained comprehensive income		81.2	75.0
Total equity		**158.0**	**147.5**
Non-current liabilities			
Deferred tax	2.6	7.0	9.4
Pension liabilities	4.6	5.9	4.5
Provisions	4.7	1.3	2.5
Interest-bearing loans and borrowings	6.2, 6.4, 6.5, 6.9	376.9	382.2
Lease liabilities	6.2, 6.5, 6.9	32.2	0.1
Other liabilites	5.3, 6.9	2.6	1.1
Total non-current liabilities		**425.9**	**399.8**
Current liabilities			
Interest-bearing loans and borrowings	6.2, 6.4, 6.5, 6.9	5.0	7.6
Lease liabilities	6.2, 6.5, 6.9	24.0	0.2
Trade payables and other liabilities	5.3, 6.4, 6.9	208.4	223.0
Income tax payable		5.0	1.1
Provisions	4.7	13.8	15.2
Total current liabilities		**256.2**	**247.1**
Total liabilities		**682.1**	**646.9**
Total equity and liabilities		**840.1**	**794.4**

*Comparative figures are not restated with the effect of IFRS 16.

Cash flow statement

for the years ended December 31

EUR million	Note	2019	2018*
Result before financial items and income taxes (EBIT)		29.6	18.9
Depreciation, amortization and impairment	4.5	69.1	50.9
Other non-cash adjustments	8.4	-8.9	10.9
Share option program		-1.9	-10.4
Changes in working capital		16.1	-14.4
Cash flow from operations before financial items and income taxes		104.0	55.9
Financial income received		4.7	9.6
Financial expenses paid		-18.0	-21.5
Income tax paid		-14.6	-10.9
Cash flow from operating activities		**76.1**	**33.1**
Divestment of businesses	7.1	-	3.1
Purchase of property, plant and equipment	4.3	-10.4	-18.6
Sale/disposal of property, plant and equipment		1.2	4.8
Purchase of intangible assets	4.2	-33.0	-33.8
Disposal of financial assets		0.1	4.6
Dividend received	6.8	1.3	1.3
Cash flow from investing activities		**-40.8**	**-38.6**
Changes in current interest-bearing receivables		-0.3	-2.1
Changes in current interest-bearing loans and borrowings		-2.9	-4.9
Changes in non-current interest-bearing loans and borrowings		-5.3	-12.6
Payment of lease liabilities	6.5	-24.5	-
Cash flow from financing activities		**-33.0**	**-19.6**
Net cash flow for the year		**2.3**	**-25.1**
Cash at bank and in hand, January 1		16.4	40.7
Currency adjustments		0.6	0.8
Net cash flow for the year		2.3	-25.1
Cash at bank and in hand, December 31		**19.3**	**16.4**

*Comparative figures are not restated with the effect of IFRS 16.

Statement of changes in equity

for the year ended December 31, 2019

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Retained comprehensive income	Total equity
January 1, 2019	**72.9**	**-1.1**	**0.7**	**75.0**	**147.5**
Other comprehensive income:					
Foreign exchange translation adjustments	-	5.4	-	-	5.4
Value adjustment of hedging instruments:					
Value adjustment for the year	-	-	-0.5	-	-0.5
Transferred to cost of sales during the year	-	-	-1.7	-	-1.7
Transferred to inventory during the year	-	-	-0.4	-	-0.4
Transferred to staff costs during the year	-	-	0.9	-	0.9
Actuarial gains/losses on defined benefit plans	-	-	-	-1.1	-1.1
Tax on actuarial gains/losses on defined benefit plans	-	-	-	0.1	0.1
Tax on value adjustment of hedging instruments	-	-	0.6	-	0.6
Total other comprehensive income	**-**	**5.4**	**-1.1**	**-1.0**	**3.3**
Result for the year	-	-	-	8.7	8.7
Comprehensive income for the year	**-**	**5.4**	**-1.1**	**7.7**	**12.0**
Share option program	-	-	-	-1.5	-1.5
Total changes in equity in 2019	**-**	**5.4**	**-1.1**	**6.2**	**10.5**
December 31, 2019	**72.9**	**4.3**	**-0.4**	**81.2**	**158.0**

Statement of changes in equity

for the year ended December 31, 2018

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Total equity
January 1, 2018	**72.9**	**-10.4**	**-0.1**	**2.4**	**72.7**	**137.5**
Other comprehensive income:						
Foreign exchange translation adjustments	-	9.3	-	-	-	9.3
Value adjustment of hedging instruments:						
Value adjustment for the year	-	-	0.5	-	-	0.5
Transferred to cost of sales during the year	-	-	-1.1	-	-	-1.1
Transferred to staff costs during the year	-	-	0.8	-	-	0.8
Transferred to financial income and expenses during the year	-	-	1.0	-	-	1.0
Transferred to inventory during the year	-	-	-0.1	-	-	-0.1
Fair value adjustment of available for sales securities	-	-	-	-2.4	-	-2.4
Actuarial gains/losses on defined benefit plans	-	-	-	-	0.4	0.4
Tax on actuarial gains/losses on defined benefit plans	-	-	-	-	-0.1	-0.1
Tax on value adjustment of hedging instruments	-	-	-0.3	-	-	-0.3
Total other comprehensive income	**-**	**9.3**	**0.8**	**-2.4**	**0.3**	**8.0**
Result for the year	-	-	-	-	10.0	10.0
Comprehensive income for the year	**-**	**9.3**	**0.8**	**-2.4**	**10.3**	**18.0**
Share option program	-	-	-	-	-10.4	-10.4
Tax on share option program	-	-	-	-	2.4	2.4
Total changes in equity in 2018	**-**	**9.3**	**-**	**-2.4**	**2.3**	**10.0**
December 31, 2018	**72.9**	**-1.1**	**0.7**	**-**	**75.0**	**147.5**

Comparative figures are not restated with the effect of IFRS 16.

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 2019 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.

Basis for preparation

The consolidated financial statements included in this Annual Report are presented in EUR million rounded with one decimal.

The consolidated financial statements included in this Annual Report are prepared according to the historical cost principle. The only exceptions are derivatives and financial instruments in a trading portfolio, which are measured at fair value.

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.

The Group has operations in Argentina and is therefore subject to Hyperinflation accounting (IAS 29). Based on an assessment of materiality, IAS 29 has not been applied to our Argentinian business as it is immaterial to the Nilfisk Group.

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.

! 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, customer demands, competitor actions 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 6.9 'Financial risks' to the consolidated financial statements may have substantial influence on the financial statements.

Note 1

1. Basis for preparation – continued

Changes to accounting policies
The Nilfisk Group has implemented the standards and interpretations effective for 2019.

The impact from implementation of IFRS 16 (leases) and IFRIC 23 (uncertainty over income tax treatments) on the consolidated financial statements is described below. Further, the above standards and interpretations implemented since January 1, 2019, have resulted in additional disclosures.

Apart from IFRS 16 and IFRIC 23, no other new or amended standards or interpretations effective from January 1, 2019, have had a material effect.

IFRS 16 – Leases
The standard eliminates the distinction between operating and finance leases, and requires that almost all leases must be recognized in the lessee's statement of financial position as a right-of-use asset with a related liability. Nilfisk's income statement has been affected, as the annual lease costs now consist of two elements, depreciation of the leased right-of-use asset and interest expenses for the related liability. Previously, the annual costs relating to operating leases were recognized as operating costs.

The simplified transition approach has been applied and accordingly, the Group has not restated comparative amounts for the year prior. Further, Nilfisk has not changed the current accounting for finance leases existing at the date of transition.

The Group has chosen the following transition approach relating to IFRS 16:

- Leases classified as operating leases under IAS 17 have been measured at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate for lease liabilities initially recognized was 2.4%.
- Agreements with a less than 12 months contract period or low-value agreements have not been recognized.
- The same discount rate has been used on a portfolio of leasing agreements with similar conditions.
- Existing assessments of whether leases are onerous have been applied.

Impact of IFRS 16 for the full year for selected key figures is summarized below:

EUR million	December 31, 2018	December 31, 2019 (with IFRS 16)	Impact IFRS 16	December 31, 2019 comparable
Total assets	794.4	840.1	-54.5	785.6
Non-current assets	378.2	442.2	-54.5	387.7
Capital employed	516.8	572.1	-54.5	516.6
Operating margin	11.5%	12.6%	-2.7%	9.9%
RoCE	16.7%	9.2%	0.8%	10.0%

See note 4.4 for full note including reconciliation of opening amounts.

IFRIC 23 – Uncertainty over Income Tax Treatments
IASB has issued IFRIC 23 Uncertainty over Income Tax Treatments, with the effective date of January 1, 2019. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty.

Nilfisk recognizes the increased focus on tax issues and consequent allocation of profit to the relevant countries. Even though Nilfisk subsidiaries pay corporate tax in the countries in which they operate, Nilfisk will continue to be part of tax audits in different countries. Judgment is applied to assess the expected outcome of such tax disputes which is provided for in provision for uncertain tax positions.

The Nilfisk Group has assessed that the application of IFRIC 23 has not had a material impact on the consolidated financial statements, and believe that the provisions made for uncertain tax positions not yet settled with the local tax authorities at year-end is adequate. However the actual obligation may deviate and is dependent on the result of litigation and settlements with the relevant tax authorities.

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 have been made to the financial statements of subsidiaries to bring their accounting policies in line with Nilfisk Group policies. All intragroup 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 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 items in the statement of financial position, 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 intragroup 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

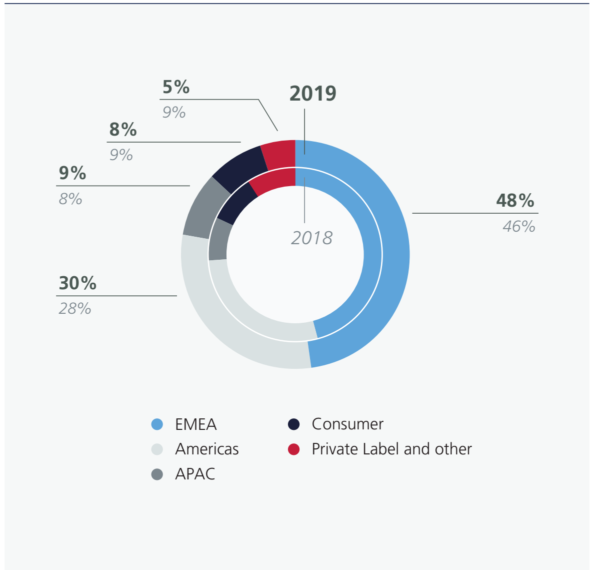
2. Results for the year

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

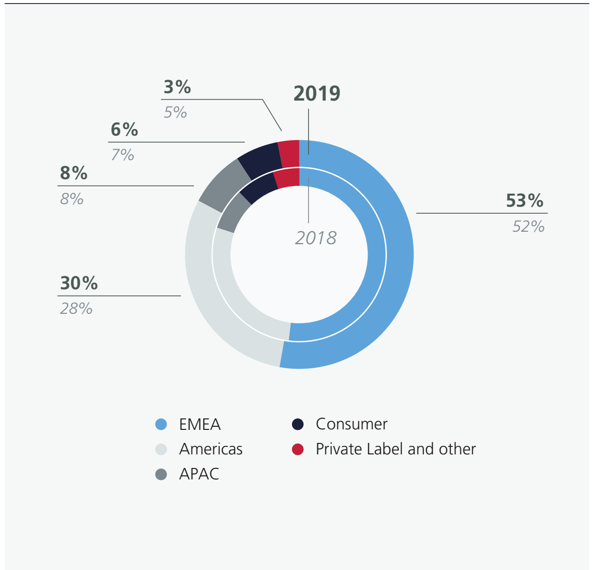
Key developments 2019
Revenue by operating segments is split between five segments; EMEA, Americas, APAC, Consumer and Private Label and other. Revenue has decreased by 8% compared to last year mainly due to divestments carried out in 2018 and negative organic growth.

Gross profit was 408.9 mEUR, down by 33.4 mEUR compared to last year. Gross margin was 42.3%, up by 0.3 percentage point compared to last year. The increase was to a large extent driven by efforts to simplify the business, in particular divestment of low margin businesses in 2018.

Revenue by operating segment



Gross profit by operating segment



Note 2

2. Results 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 include 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, Consumer and Private Label.

EMEA, Americas, and APAC cover sales of professional products to markets globally, excluding sales in the carved out segments Consumer and Private Label. Consumer covers domestic vacuum cleaners and high pressure washers for the consumer markets. Private Label covers high pressure washers and vacuum cleaners in both the consumer and professional business, sold in their own brands.

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

The Executive Management Board assesses the revenue, gross profit and EBITDA before special items of the operating segments separately to enable decisions concerning allocation of resources and measurement of performance.

Revenue in the operating segments
No single customer accounts for more than 10% of 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 on inventory for obsolescence.

Sales and distribution costs
Sales and distribution costs include 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, 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 and expenses
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 the carrying amount at the time of sale. Allowance for expected credit losses is 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 use 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.

The non-current assets are allocated to the country in which the individual entity is based, and are comprised of the non-current 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

Following the divestments made during 2018 and the integration of the Industrial Vacuum Solution business (IVS) into the Nilfisk Professional sales organizations, Nilfisk has changed the reportable segments with effect from January 1, 2019.

The Specialty Professional segment has been eliminated. The continuing business areas after the divestments in 2018, IVS and Nilfisk FOOD, are now both included in the geographical split of our branded professional business.

Non-allocated within the branded business contains costs allocated to the branded business which cannot be directly attributed to the individual geographical segments. The costs cover shared distribution centers, shared marketing, IT and research and development.

The Consumer business is reported separately. The Private label business area is reported under "Private Label and other" including the remaining other business areas and corporate costs that are not directly associated with any of the operating segments.

Comparative figures for 2018 have been restated accordingly.

Please see Management review for further information on revenue development in the reportable segments.

EUR million	EMEA	Americas	APAC	Non-allocated	Total branded professional	Consumer	Private label and other*	Group
2019								
Revenue	461.3	291.3	85.2	-	837.8	75.8	52.9	966.5
Gross profit	217.2	123.8	34.1	-	375.1	22.6	11.2	408.9
EBITDA before special items	129.0	55.0	11.6	-55.1	140.5	-3.9	-15.2	121.4
Reconciliation to result before income taxes:								
Special items								-23.9
Amortization, depreciation and impairment								-67.9
Financial income								5.9
Financial expenses								-19.9
Result before income taxes								**15.6**
Gross margin	47.1%	42.5%	40.0%	-	44.8%	29.8%	21.2%	42.3%
EBITDA margin before special items	28.0%	18.9%	13.6%	-	16.8%	-5.1%	-28.7%	12.6%
2018								
Revenue	487.4	286.5	87.1	-	861.0	94.9	98.4	1,054.3
Gross profit	229.8	124.2	36.6	-	390.6	32.4	19.3	442.3
EBITDA before special items	121.3	57.5	13.9	-56.1	136.6	1.5	-12.6	125.5
Reconciliation to result before income taxes:								
Special items								-68.5
Amortization, depreciation and impairment								-38.1
Financial income								15.6
Financial expenses								-26.9
Result before income taxes								**7.6**
Gross margin	47.1%	43.4%	42.0%	-	45.4%	34.1%	19.6%	42.0%
EBITDA margin before special items	24.9%	20.1%	16.0%	-	15.9%	1.6%	-12.8%	11.9%

The composition of reportable segments has been changed from January 1, 2019. Comparative figures for 2018 have been restated.
Comparative figures are not restated with the effect of IFRS 16.
*"Private label and other" includes non-allocated costs. The divested business areas Outdoor and HydraMaster are included in the 2018 figures.

Note 2

2.2 Revenue

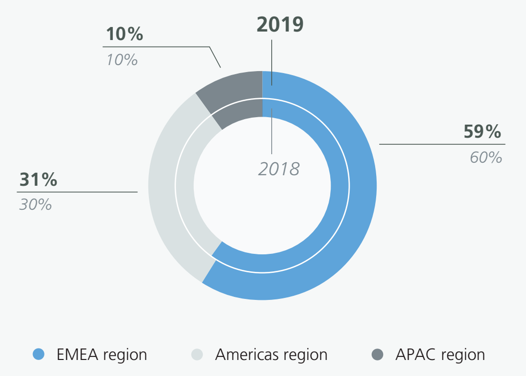
Geographical information

Nilfisk is present in more than 40 countries with own sales companies reaching more than 100 countries through direct sales and dealers. Below is a split of revenue and non-current assets allocated to the geographical regions. The corporate headquarters located in Denmark is included in the EMEA region.

	2019		2018	
EUR million	**Revenue**	**Non-current assets[1]**	**Revenue**	**Non-current assets[1]**
EMEA region	567.0	311.1	631.0	267.9
Americas region	298.7	68.4	313.8	56.8
APAC region	100.8	37.6	109.5	33.0
Total	**966.5**	**417.1**	**1,054.3**	**357.7**

[1] Non-current assets less deferred tax asset. Comparative figures are not restated with the effect of IFRS 16.

Revenue by geography



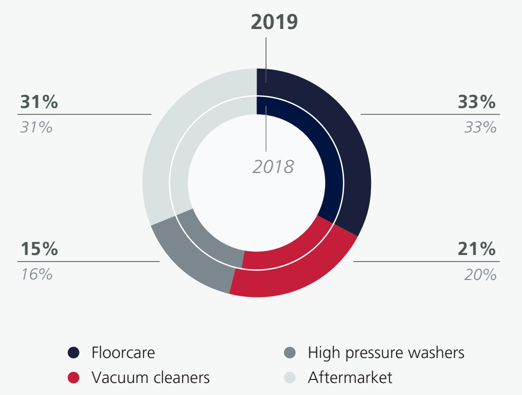
Revenue by country

EUR million	2019		2018	
USA	246.4	25%	264.3	25%
Germany	113.3	12%	127.3	12%
France	100.1	10%	109.9	10%
UK	47.2	5%	48.2	5%
Denmark	39.9	4%	46.4	4%
Sweden	32.3	3%	37.6	4%
Australia	27.6	3%	30.4	3%
Canada	27.5	3%	24.3	2%
Netherlands	25.3	3%	26.8	3%
Spain	24.1	3%	26.4	3%
Other	282.8	29%	312.7	30%
Total	**966.5**	**100%**	**1,054.3**	**100%**

Revenue breakdown based on product line and service offering

EUR million	2019	2018	Organic growth
Floorcare	317.8	347.6	-3.0%
Vacuum cleaners	202.0	207.6	-2.6%
High pressure washers	145.2	167.6	-12.4%
Aftermarket	301.5	331.5	-2.0%
Total	**966.5**	**1,054.3**	**-4.1%**

Revenue by product line and service offering



Note 2

2.2 Revenue – continued

Contract assets and liabilities

Generally, trade receivables are recognized at the same point in time as revenue recognition and invoicing. Payment terms vary within the different customer segments due to local and specific agreements. In some cases the Group receives upfront payments which is deducted in the actual invoicing and the income from the associated contract is recognized over time, resulting in contract liabilities. Nilfisk does not have contract assets as such.

The Group splits upfront payments into either deferred revenue or prepayments from customers depending on the nature of the payment and activity.

EUR million	2019	2018
Prepayments from customers	2.1	1.5
Deferred revenue (non-current)	0.4	0.3
Deferred revenue (current)	4.7	4.7
Total contract liabilities	**7.2**	**6.5**

Prepayments from customers are primarily upfront payments for machines and services that have not yet been delivered.

Deferred revenue covers unsatisfied performance obligations that have not yet been recognized as revenue. These are mostly services, but can also be goods which have not yet been delivered or orders not yet fulfilled.

The Group has applied the practical expedient in paragraph C5(d) of IFRS 15, and the amount of the transaction price allocated to the remaining performance obligations and the timing is not disclosed.

§ Accounting policy

Revenue from sale of goods for resale, finished goods and service is recognized in the income statement when transfer of control of products or services to a customer has taken place. Sales are recognized when control of the goods has transferred, meaning when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from Aftermarket sales which includes service packages relating to products and contracts as well as sale of parts, consumables and accessories is recognized concurrently with the supply of those services. Depending on the type of contract, service revenue is recognized over time or at a point in time.

Some contracts include multiple deliverables, such as the sale of machines and related installation services. However, the installation is simple and does not include an integration service and could be performed by another party. It is therefore not accounted for as a separate performance obligation.

Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

Please refer to note 4.7, "Provisions" regarding the accounting policies for warranties.

Note 2

2.3 Research and development costs

Research and development costs specification

EUR million	2019	2018
Staff costs	19.4	23.7
Other costs	16.7	19.0
Total research and development spend	**36.1**	**42.7**
Recognized as follows:		
Expensed in the income statement	13.4	18.3
Capitalized	22.7	24.4
Total	**36.1**	**42.7**
R&D ratio (% of revenue)	3.7%	4.1%
Presented in the income statement:		
Expensed in the income statement, cf. above	13.4	18.3
Amortization and impairment	17.5	12.9
Research and development costs excluding special items	**30.9**	**31.2**
Special items	3.2	14.3
Total	**34.1**	**45.5**

Total R&D spend decreased by 6.6 mEUR and total R&D spend as a percentage of revenue decreased by 0.4 percentage point compared to last year.

For further information 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 the 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, the cost of 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	2019	2018
Cost saving program	12.4	17.8
Business restructuring	11.1	7.8
Divestments	0.4	42.4
Net loss on divestments of businesses	*0.4*	*29.6*
Impairment, divestments	-	*12.8*
Costs related to the split from NKT A/S	-	0.5
Total	**23.9**	**68.5**

! Significant 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.

§ 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 and gains and losses on divestments, including impairment writedowns which are not presented as discontinued operations.

During 2019, Nilfisk continued the execution of Nilfisk Next which includes a number of initiatives to simplify and grow the Group. This included continued execution of the cost saving program.

Special items relating to the cost saving program represent restructuring costs of 12.4 mEUR in 2019. The program includes consultancy fees and supporting tools as well as an alignment of facilities, transitioning costs relating to offshoring of functions, pruning of products and redundancy costs to staff where one-off related costs are paid out.

In Q1 of 2019, the structure of the sales companies in EMEA and North America were aligned, organizing the sales force around Nilfisk's strategic customer segments; CCI, Industry and ABCA as opposed to individual product groups. As part of this, the integration of Industrial Vacuum Solutions (IVS) into the global business was fully implemented enabling the sales force to sell the full product portfolio. Also, key functions such as Finance, Service and Customer Care were organized into global functions.

Special items relating to the business restructuring of 11.1 mEUR contains costs associated with the Blueprint restructuring project in connection with the journey towards becoming a global company. The majority of the cost is related to redundancies but also includes consultancy cost.

The divestments in 2018 relate to the divestment of the Nilfisk Outdoor business, the Nordic Chemical & Utensils, the US carpet restoration business HydraMaster, Rottest and the Nilfisk South Africa sales company. The 0.4 mEUR in 2019, is related to the 2018 divestments.

Note 2

2.5 Income statement classified by function after amortization/impairment of acquisition-related intangibles and special items

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'. The following table presents the amortization/impairment of acquisition-related intangibles and special items as if they are allocated to each function.

Income statement

EUR million	2019	2018*
Revenue	966.5	1,054.3
Cost of sales	-562.0	-647.9
Gross profit	**404.5**	**406.4**
Research and development costs	-34.1	-45.5
Sales and distribution costs	-256.1	-253.0
Administrative costs	-88.4	-85.4
Other operating income	7.7	5.2
Other operating expenses	-4.0	-8.8
Result before financial items and income taxes (EBIT)	**29.6**	**18.9**
Amortization/impairment of acquisition-related intangibles are divided into:		
Cost of sales	-1.5	-1.5
Sales and distribution costs	-3.6	-4.7
Total	**-5.1**	**-6.2**
Special items are divided into:		
Cost of sales	-2.9	-34.4
Research and development costs	-3.2	-14.3
Sales and distribution costs	-11.3	-3.1
Administrative costs	-6.3	-10.4
Other operating income	-	0.4
Other operating expense	-0.2	-6.7
Total	**-23.9**	**-68.5**

*Comparative figures are not restated with the effect of IFRS 16.

Note 2

2.6 Tax

Tax recognized in the income statement

EUR million	2019	2018
Tax for the year is specified as follows:		
Tax on result for the year	6.9	-2.4
Tax on other comprehensive income	-0.7	0.4
Total tax for the year	**6.2**	**-2.0**
Tax on profit and loss is specified as follows:		
Current tax on profit	11.5	13.0
Deferred tax	-5.5	-15.6
Prior year adjustment, current and deferred tax	0.9	0.2
Total tax on result for the year	**6.9**	**-2.4**
Tax on other comprehensive income is specified as follows:		
Value adjustment of hedging instruments	-0.6	0.3
Actuarial gains/losses on defined benefit plans	-0.1	0.1
Total tax on other comprehensive income	**-0.7**	**0.4**

The effective tax rate in 2019 for the Group of 44.3% was generally impacted by the corporate tax rate mix in countries where Nilfisk is operating and doing business. The rate was however also negatively impacted by non-deductible expenses as well as revaluation of tax assets and prior year adjustments made.

In 2018 the negative effective tax rate was unusual and driven by previous year's adjustments and one-off positions without taxable impact (i.e. non-taxable income). This had a significantly high effect on the result before tax in 2018.

Tax rate

EUR million	2019		2018	
Reconciliation of the effective tax rate for the year:				
Calculated tax on profit (loss) before tax	3.4	22.0%	1.7	22.0%
Adjustment of calculated tax in foreign subsidiaries relative to 22%	1.0	6.7%	-0.2	-2.6%
Tax effect of:				
Non-deductible expenses/non taxable income	0.5	3.2%	-5.0	-65.6%
Tax assets valuation allowances	1.3	8.4%	-0.4	-5.3%
Change in tax rate	-	-	-	-
Non recoverable withholding taxes	-0.2	-1.3%	1.7	22.5%
Other taxes and adjustments	-	-	-	-
Prior year adjustment	0.9	5.3%	-0.2	-2.4%
Effective tax rate	**6.9**	**44.3%**	**-2.4**	**-31.4%**

! Significant judgments and estimates

The Group recognizes deferred tax assets, including the expected value of tax losses carryforwards, based on an assessment of the recoverability of the deferred tax assets. The assessment of the recoverability of the deferred tax assets involve judgment by the Executive Management Board as to the likelihood of the realization of the deferred tax assets within a foreseeable future. This depends on a number of factors including whether there will be sufficient taxable profits available in future periods, against which the tax losses carryforwards can be utilized.

The Executive Management Board's assessment of the recoverability of the deferred tax assets is based on taxable income projections which contain estimates of and tax strategies for the future taxable income for the next 5 years taking into account the general market conditions and the Nilfisk Group's future development outlook. The projections are based on the Group's budget and mid-term targets, and are inherently subject to uncertainty, as the realization of the projections are dependent on the outcome of future events. In the event that actual future taxable profits generated are less than expected, and depending on the tax strategies that the Nilfisk Group may be able to implement, impairment of the deferred tax assets may be required.

It is the Executive Management Board's assessment that the budgets and mid-term targets are achievable and supports the recognized deferred tax assets.

Nilfisk operates in a large number of tax jurisdictions where tax legislation is complex and subject to interpretation. Management makes judgments on uncertain tax positions to ensure recognition and measurement of tax assets and liabilities.

Note 2

2.6 Tax – continued

Deferred tax assets and liabilities

EUR million	2019	2018
Specification of deferred tax assets and liabilities		
Intangible assets	-18.1	-18.2
Tangible assets	1.0	3.7
Current assets	5.0	5.0
Other non-current liabilities	3.5	2.5
Current liabilities	7.9	12.8
Tax base of tax loss carryforwards and credits	19.1	6.1
Valuation allowances	-0.3	-0.8
Deferred tax assets/liabilities	**18.1**	**11.1**
Presentation of deferred tax:		
Deferred tax assets	25.1	20.5
Deferred tax liabilities	-7.0	-9.4
Deferred tax assets/liabilities	**18.1**	**11.1**

EUR million	2019	2018
Deferred tax assets, January 1	20.5	14.2
Deferred tax liabilities, January 1	-9.4	-19.8
Additions from divestments	-	-0.5
Foreign exchange adjustment	-0.2	-0.2
Tax recognized in other comprehensive income	0.7	-0.4
Tax from share option program recognized in equity	-	2.4
Deferred tax recognized in the income statement	6.5	15.4
Deferred tax, December 31	**18.1**	**11.1**

§ Accounting policy

Current tax payable and receivable is recognized in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on taxable income for prior years and for prepaid tax.

Tax for the year is comprised of current and deferred tax on profit/loss for the year, including adjustments to previous years and changes due to change in tax rates. Tax for the year is recognized in the income statement, unless the tax expense relates directly to items included in other comprehensive income or equity.

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 with respect to 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 intragroup profits and losses.

Deferred tax is measured according to the tax rules and the tax rates of the relevant countries at the reporting date and when the deferred tax is expected to materialize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement. Changes to deferred tax on items recognized in other comprehensive income are however recognized on other comprehensive income.

Note 3

3. Remuneration

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

3.1 Staff costs

Staff costs specification

EUR million	2019	2018
Wages and salaries	249.7	264.7
Share option and phantom share program	0.6	-3.9
Social security costs	26.7	29.2
Defined contribution plans	12.3	12.7
Defined benefit plans	1.1	0.4
Total	**290.4**	**303.1**
Number of full-time employees, average	5,158	5,819
Staff costs per full-time employee (EUR thousand)	56.3	52.1

Staff costs decreased by 4% while the average number of employees decreased by 11%. The decrease in staff costs in 2019 was materially influenced by divestments and consolidation of production sites during 2018. The staff costs in 2018 was materially influenced by a lower valuation of the phantom share program for key employees due to a decrease in the share price.

§ **Accounting policy**

Staff costs is comprised of wages and salaries, remuneration, expenses under long-term incentive programs, pensions, etc.

Note 3

3.2 Remuneration to the Board of Directors and the Nilfisk Leadership Team

Remuneration to the Board of Directors
Members of the Board of Directors are not awarded 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 2019 the Board of Directors received a total remuneration of 0.6 mEUR (2018: 0.6 mEUR).

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 remuneration, 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 Management and shareholders of Nilfisk and maintains Management's motivation to achieve both short- and long-term strategic goals.

The remuneration to the Nilfisk Leadership Team has increased from 6.7 mEUR in 2018 to 6.8 mEUR in 2019.

Composition of remuneration
The Executive Management Board's remuneration consists of a fixed salary base, 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 3.3).

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

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 CEO, and 12 months for the CFO. Beyond this there is no separation benefit plan for the Executive Management Board.

Remuneration Report
Please refer to *https://investor.nilfisk.com/corporate-governance/governance-overview* for the full remuneration report.

Remuneration to the Board of Directors

EUR thousand	2019	2018
Board of Directors	514.6	483.2
Audit Committeee	40.6	40.2
Remuneration Committee	20.4	20.1
Nomination Committee	13.4	13.4
Total remuneration to the Board of Directors	**589.0**	**556.9**

Remuneration to the Nilfisk Leadership Team

	2019			2018		
EUR thousand	Executive Management Board	Nilfisk Leadership Team	Total	Executive Management Board	Nilfisk Leadership Team	Total
Salary and pension	1,746.1	4,203.2	5,949.3	1,698.0	4,138.8	5,836.8
Annual bonus	105.1	75.0	180.1	215.2	389.5	604.7
Other bonus	-	-	-	455.2	-	455.2
Long-term incentive	243.9	106.8	350.7	191.4	-786.7	-595.3
Other benefits	22.2	288.4	310.6	40.6	358.5	399.1
Total	**2,117.3**	**4,673.4**	**6,790.7**	**2,600.4**	**4,100.1**	**6,700.5**

Note 3

3.3 Long-term incentive programs

Share option program

In 2019 share options awarded in 2016 have been exercised and no further options exists from the share option program.

The Black & Scholes model was applied for calculation of the fair value of share options at grant date. The calculation was based on the assumptions at grant date stated in the table. No adjusting events have occurred in the period.

The development in outstanding share options during 2019 is reflected in the table.

Share options

	Number of options		Avg. exercise price per option (EUR)	
	2019	2018	2019	2018
Outstanding, January 1	139,448	555,870	16	16
Exercised during the period	-139,448	-416,422	19	16
Outstanding, December 31	**-**	**139,448**	**-**	**16**
Weighted average remaining contractual life (months)			-	6
Number of options fully vested at the balance sheet date			-	119,667
Weighted average share price (EUR) at the exercise date during the period			37	40

Performance share program

In line with the remuneration policy approved by the Annual General Meeting in March 2018, the Nilfisk Leadership Team and selected key employees have been awarded performance share units with a three year cliff vesting depending on performance measures on EBITDA, RoCE and Total Shareholder Return (TSR).

In 2019, 34 employees were granted rights to 64,977 performance share units equal to 0.2% of the total number of shares in Nilfisk Holding A/S. For each performance share unit (PSU) the employee will receive one share. The selected key employees outside the Nilfisk Leadership Team have been offered the opportunity to participate in return for a reduction in their annual bonus. Costs for the performance share programs (PSP) granted in 2018 and 2019 amount to 0.6 mEUR, which is recognized in the income statement in 2019.

Upon exercise of the PSU shares, Nilfisk Holding A/S is entitled to settle in cash. As Nilfisk Holding A/S does not currently have an intention to settle the shares in cash upon exercise the program is accounted for as an equity-settled program. To determine the total value of the performance share program the performance measures have been divided into two separate categories:

1. EBITDA and RoCE are defined as non-market conditions and are based on management's expectations for future financial results. Changes in assumptions will carry a change in the valuation of the EBITDA and RoCE measures.
2. TSR is defined as a market condition which is based on a Monte Carlo simulation in order to determine the expected increase in share price over the period. Since the TSR is defined as a market condition the valuation is fixed at grant date.

PSU shares

	Number of PSU shares		Avg. exercise price per PSU share (EUR)	
	2019	2018	2019	2018
Outstanding, January 1	53,245	-	41	-
Granted during the period	64,977	53,245	37	41
Forfeited during the period	-18,179	-	-	-
Outstanding, December 31	**100,043**	**53,245**	**39**	**41**
Weighted average remaining contractual life (months)			19	24

Note 3

3.3 Long-term incentive programs – continued

Phantom share program

In the period 2014 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 phantom share program is an alternative approach to part of the short-term bonus program. For the purpose of calculating the bonus under the phantom share program, the participants are treated as if they earn phantom shares on a monthly basis in Nilfisk Holding A/S up to the relevant maximum number of phantom shares during the period beginning at April 1 in the year the phantom shares are granted and the subsequent four years (the vesting period).

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 are based on the market value of the Nilfisk Holding A/S shares traded on Nasdaq. When participants exercise phantom shares the value of the phantom shares are based on the average share price for the month prior to the exercise. In 2019, 117,776 phantom shares were exercised, which leaves the total number of outstanding phantom shares at December 31, 2019 at 108,958.

In December 2018 Nilfisk entered into hedge contracts to match the exposure on the long-term incentive programs. Accordingly, the ongoing value adjustments related to the outstanding phantom share program will be offset by a similar hedge (see Note 6.9). The development in outstanding phantom shares in 2019 and 2018 is reflected below.
The Black & Scholes model has been applied for calculation of the fair value of the phantom shares. The expected volatility is based on the historical share price volatility for the Nilfisk Holding share from the date of listing. It is expected that the phantom shares on average will be exercised between the vesting date and the expiry date.

The expense for all programs is calculated under the provision for share-based payments in accordance with IFRS 2. The share option program and the PSP are recognized under equity whereas the phantom share program is recognized under other liabilities with the amount of 0.7 mEUR compared to 3.3 mEUR at the end of 2018.

Phantom shares

	Number of phantom shares		Avg. exercise price per phantom share (EUR)	
	2019	**2018**	**2019**	**2018**
Outstanding, January 1	227,300	412,405	14	14
Forfeited during the period	-566	-19,440	13	3
Exercised during the period	-117,776	-165,665	18	15
Outstanding, December 31	**108,958**	**227,300**	**13**	**14**
Weighted average remaining contractual life (months)			3	13
Number of phantom shares fully vested at the balance sheet date			103,097	191,663
Weighted average share price (EUR) at the exercise date during the period			38	39

Recognition of share-based payments

EUR million	**2019**	**2018**
PSU program	0.6	0.4
The phantom share program	-	-4.3
Total	**0.6**	**-3.9**

Note 3

3.3 Long-term incentive programs – continued

§ Accounting policy

The Nilfisk Group's incentive programs include a share option program for the Executive Management Board, a performance share program (PSP) and a phantom share program for Nilfisk Leadership Team and selected 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 Performance Share Program (PSP) is accounted for as an equity-settled share-based payment to employees and measured at the fair value of the option. The Total Shareholder Return (TSR vesting condition) is measured at grant date, whereas estimated EBITDA and RoCE (vesting conditions) will be updated based on Management's estimates.

The fair value is expensed on a straight-line basis over a period of three years. At the end of the period the participants will be awarded shares corresponding to the achieved targets.

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.

Please see Note 6.9 for hedge accounting policy.

Note 4

4. Non-current assets and liabilities

This note covers Nilfisk Group's investments in non-current assets that form the 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 are comprised of employee pension benefits and provisions. Interest-bearing receivables and liabilities are covered in Note 6, Capital structure.

The Nilfisk Group mainly invests in production equipment to ensure satisfactory delivery flow to customers. Furthermore, rental machines have become an increasing 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 sites in Nilfisk are mostly assembly lines and they are therefore not capital-intensive in terms of fixed assets.

Key developments in 2019
Property, plant and equipment and intangible assets by country excluding goodwill

EUR million	2019**		2018*	
Denmark	109.2	49%	88.2	53%
USA	31.5	14%	23.4	14%
China	18.2	8%	17.6	10%
Hungary	15.4	7%	9.1	5%
Germany	11.0	5%	8.4	5%
UK	7.9	4%	7.8	5%
Italy	4.5	2%	4.3	3%
Spain	3.1	1%	2.3	1%
Netherlands	2.3	1%	0.1	1%
Other	21.2	9%	6.7	3%
Total	**224.3**	**100%**	**167.9**	**100%**
Investment ratio (% of revenue)	5.9%		5.0%	

*Comparative figures are not restated with the effect of IFRS 16.
** The effect of IFRS 16 amounts to 54.5 mEUR.

Note 4

4.1 Impairment test

Significant judgments and estimates

Allocation of goodwill on cash-generating units
Goodwill has been re-allocated following the redefined segment structure from January 1, 2019. Goodwill related to the remaining business area in the former Specialty Professional segment has been re-allocated to the geographical segments using a relative value approach based on the realized EBITDA in 2018 for the individual business areas re-allocated to the geographical segments, relative to the realized EBITDA for 2018 for the full business area. Goodwill which had previously been allocated to EMEA, Americas, APAC and Consumer is unchanged and has not been re-allocated.

The calculation of EBITDA for each cash-generating unit is based on certain judgment relating to allocation of future EBITDA which is allocated to the cash-generating units. The carrying amount of goodwill per cash-generating unit as of December 31, 2019, is as follows:

EUR million	2019	2018
EMEA	121.4	102.0
Americas	32.1	23.4
APAC	13.9	11.0
Consumer	1.1	1.1
Specialty Professional	-	29.7
Non-allocated	-	0.6
Total	**168.5**	**167.8**

The change in the goodwill balances from January 1, 2019 to December 31, 2019 relates to exchange rate adjustments during the year.

Impairment test on goodwill allocated to cash-generating units as of December 31, 2019
Impairment tests are performed for each cash-generating unit based on budget for 2020 and forecasts for 2021-2025. The impairment tests performed for the cash-generating units show a comfortable headroom as of December 31, 2019 and no indication of impairment exists in any of the cash-generating units.

Assumptions applied in the impairment test
The future cash flows are based on budgets and Management's estimates of the Nilfisk Group's development in the next five years. The assumptions for the impairment tests are:

Revenue growth:
Projections in the forecasting period for the individual CGUs are estimated on the basis of expected market development including strategic initiatives, autonomous machines 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 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 CGUs.

Net working capital:
The development is linked to the current level, budgets and revenue growth.

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% unchanged compared to 2018.

Capital expenditure:
The development is linked to the budgets and expected future activity level, including only reinvestments.

Discount rate:
A pre-tax discount rate of 8.8% and a post-tax discount rate of 6.9%, compared to 8.9% and 6.9% respectively in 2018 has been applied in the performed impairment tests. The discount rate has been applied to all cash generating units, assuming our targeted ratio between the market value of our debt and equity value.

Note 4

4.1 Impairment test – continued

Significant judgments and estimates – continued

Development projects
Development projects/products completed and development projects/products in progress includes capitalized development costs primarily related to the Group's investments in digitalization and development of new products within autonomous cleaning.

The value of the development projects is dependent on a number of factors, including the timely and successful completion of in-progress development projects as well as the Group's ability to successfully commercialize completed development projects/products.

Since the products are under development or in the early stages of the product life cycle, any assessment of market potential, product performance and viability, customer demand, potential impact from technological innovations and competitor actions, marketing and services cost, the ability to scale production and reduce productions costs etc. is inherently subject to uncertainty as it is only to a limited extent based on past experience, and is dependent on the outcome of future events.

It is Management's assessment that a significant market potential exists, and that the value-in-use of development projects completed and development projects in progress exceed the carrying amounts, under the assumptions mentioned above.

Sensitivity

Sensitivity analysis
The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the segments (CGUs) to which goodwill is allocated. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the related segments (CGUs).

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.

Impairment loss
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 as 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

4.2 Intangible assets

EUR million	Goodwill	Trademarks[1]	Customer related assets	Development projects completed	Software, Know-how, Patents and Competition Clauses	Development projects and software in progress	Total
Costs, January 1, 2019	167.8	23.8	30.5	125.2	76.2	40.5	464.0
Additions	-	-	-	5.0	5.3	22.7	33.0
Disposals	-	-	-	-0.5	-0.8	-0.5	-1.8
Transferred between classes of assets	-	-	-	21.4	5.4	-26.8	-
Exchange rate adjustments	0.7	0.5	0.7	0.9	0.6	-	3.4
Costs, December 31, 2019	**168.5**	**24.3**	**31.2**	**152.0**	**86.7**	**35.9**	**498.6**
Amortization and impairment, January 1, 2019	-	-13.2	-20.4	-97.9	-51.6	0.1	-183.0
Amortization for the year	-	-1.3	-2.0	-14.6	-7.8	-	-25.7
Impairment	-	-	-	-	-	-2.4	-2.4
Disposals	-	-	-	0.4	0.7	0.5	1.6
Exchange rate adjustments	-	-0.2	-0.3	-0.8	-0.6	-0.1	-2.0
Amortization and impairment, December 31, 2019	**-**	**-14.7**	**-22.7**	**-112.9**	**-59.3**	**-1.9**	**-211.5**
Carrying amount, December 31, 2019	**168.5**	**9.6**	**8.5**	**39.1**	**27.4**	**34.0**	**287.1**
Investment ratio (Additions relative to amortization excl. business combinations)	-	0%	0%	181%	137%	-	233%

[1] Trademarks with a carrying amount of 2.7 mEUR (2018: 2.7 mEUR) are not amortized, as they are regarded as having an indefinite useful life.

Impairment losses

Impairment losses of 2.4 mEUR were included in research and development costs in 2019. The impairment losses were a result of continued simplification of the product portfolio.

Note 4

4.2 Intangible assets – continued

EUR million	Goodwill	Trademarks[1]	Customer related assets	Development projects completed	Software, Know-how, Patents and Competition Clauses	Development projects and software in progress	Total
Costs, January 1, 2018	164.4	26.8	33.1	134.0	74.4	28.3	461.0
Additions	-	-	-	1.5	3.9	28.4	33.8
Disposals	-	-3.1	-2.9	-17.4	-5.7	-5.9	-35.0
Transferred between classes of assets	-	-	-	7.4	2.8	-10.2	-
Exchange rate adjustments	3.4	0.1	0.3	-0.3	0.8	-0.1	4.2
Costs, December 31, 2018	**167.8**	**23.8**	**30.5**	**125.2**	**76.2**	**40.5**	**464.0**
Amortization and impairment, January 1, 2018	-	-14.9	-20.0	-96.9	-50.6	-	-182.4
Amortization for the year	-	-1.5	-2.8	-12.9	-6.3	-	-23.5
Impairment	-	-	-0.3	-5.7	-	-5.8	-11.8
Disposals[2]	-	3.1	2.8	17.4	5.7	5.8	34.8
Exchange rate adjustments	-	0.1	-0.1	0.2	-0.4	0.1	-0.1
Amortization and impairment, December 31, 2018	**-**	**-13.2**	**-20.4**	**-97.9**	**-51.6**	**0.1**	**-183.0**
Carrying amount, December 31, 2018	**167.8**	**10.6**	**10.1**	**27.3**	**24.6**	**40.6**	**281.0**
Investment ratio (Additions relative to amortization excl. business combinations)	-	0%	0%	69%	110%	0%	177%

[1] Trademarks with a carrying amount of 2.7 mEUR (2017: 2.7 mEUR) are not amortized, as they are regarded as having an indefinite useful life.
[2] Disposals includes the divestment of assets related to Hydramaster and the Outdoor business.

Impairment losses

In 2018, impairment losses of 11.8 mEUR were included in research and developments costs and sales and distribution costs of 11.5 mEUR and 0.3 mEUR respectively, mainly related to the divestment of the Nilfisk Outdoor business.

Note 4

4.2 Intangible assets – continued

§ Accounting policy

Goodwill
Goodwill is initially recognized in the statement of financial position at cost. Subsequently, goodwill is measured at cost 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 has assessed 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 the cost 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

4.3 Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayment	Total
Costs, January 1, 2019	20.7	16.7	145.2	2.8	185.4
Additions	-	0.2	9.3	5.7	15.2
Disposals	-1.1	-1.7	-24.8	-0.8	-28.4
Transferred between classes of assets	-	0.4	3.6	-4.0	-
Exchange rate adjustments	0.1	0.5	2.1	-	2.7
Costs, December 31, 2019	**19.7**	**16.1**	**135.4**	**3.7**	**174.9**
Depreciation and impairment, January 1, 2019	-10.6	-11.6	-108.5	-	-130.7
Depreciation for the year	-0.6	-1.1	-12.3	-	-14.0
Impairment	-	-0.3	-0.2	-0.5	-1.0
Disposals	-	1.4	22.3	0.5	24.2
Exchange rate adjustments	-	-0.5	-1.7	-	-2.2
Depreciation and impairment, December 31, 2019	**-11.2**	**-12.1**	**-100.4**	**-**	**-123.7**
Carrying amount, December 31, 2019	**8.5**	**4.0**	**35.0**	**3.7**	**51.2**
Investment ratio (% of depreciation)	0%	55%	105%	-	137%

Impairment losses

In 2019, impairment losses of 0.5 mEUR were included in administrative costs and 0.5 mEUR were included in cost of sales. The impairment losses were mainly related to the close-down of production in APAC (initiated in 2018).

Note 4

4.3 Property, plant and equipment – continued

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayment	Total
Costs, January 1, 2018	21.3	17.1	142.6	3.4	184.4
Additions	-	1.3	13.6	3.7	18.6
Disposals	-0.3	-2.6	-13.9	-0.8	-17.6
Transferred between classes of assets	-	0.7	2.9	-3.6	-
Exchange rate adjustments	-0.3	0.2	-	0.1	-
Costs, December 31, 2018	**20.7**	**16.7**	**145.2**	**2.8**	**185.4**
Depreciation and impairment, January 1, 2018	-10.2	-12.2	-104.2	-	-126.6
Depreciation for the year	-0.6	-1.2	-12.8	-	-14.6
Impairment	-	-0.3	-0.2	-0.5	-1.0
Disposals	0.2	2.3	8.8	0.5	11.8
Exchange rate adjustments	-	-0.2	-0.1	-	-0.3
Depreciation and impairment, December 31, 2018	**-10.6**	**-11.6**	**-108.5**	**-**	**-130.7**
Carrying amount, December 31, 2018	**10.1**	**5.1**	**36.7**	**2.8**	**54.7**
Investment ratio (% of depreciation)	0%	167%	129%	-	125%

Disposals includes the divestment of assets related to Hydramaster and the Outdoor business.

Impairment losses

In 2018, impairment losses of 1.0 mEUR were included in research and developments costs related to the divestment of the Nilfisk Outdoor business and the US carpet restoration business HydraMaster.

Note 4

4.3 Property, plant and equipment – continued

§ 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 are comprised of the purchase price and any costs directly attributable to the acquisition until the asset is ready for use. The costs of self-constructed assets are comprised of 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.

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 statement of financial position 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.

Property, plant and equipment are depreciated 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

4.4 Right-of-use assets

Right-of-use assets

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Total
Costs, January 1, 2019	-	-	-	-
Lease contracts entered into prior to 2019	49.1	2.8	19.9	71.8
Additions	0.8	0.1	8.3	9.2
Termination	-0.2	-	-1.2	-1.4
Costs, December 31, 2019	**49.7**	**2.9**	**27.0**	**79.6**
Depreciation and impairment, January 1, 2019	-	-	-	-
Depreciation for the year	-14.7	-1.0	-10.3	-26.0
Termination	-	-	0.9	0.9
Depreciation and impairment, December 31, 2019	**-14.7**	**-1.0**	**-9.4**	**-25.1**
Carrying amount, December 31, 2019	**35.0**	**1.9**	**17.6**	**54.5**

See note 6.5 for development of the lease liabilities.
See note 6.9 for maturity analysis of the lease liabilities.

Not recognized right-of-use assets and liabilities at December 31, 2019
The Group has signed lease contracts in which the assets were not available for use by the Group at year-end. The value of these right-of-use assets and corresponding liabilities are not included in the statement of financial position, but will be included when the assets are available for use by the Group.

Total minimum payments for signed but not recognized contracts are 2.8 mEUR.

Operational costs for right-of-use assets

EUR million	2019
Short-term leases	1.1
Low value assets	-
Total	**1.1**

Payments relating to lease arrangements

EUR million	2019
Repayments of lease liability	24.5
Interests	1.6
Total payments in the year	**26.1**

Expected operational costs for right-of-use assets

EUR million	2020
Short-term leases	1.1
Low value assets	0.1
Total	**1.2**

Note 4

4.4 Right-of-use assets – Continued

Disclosures due to changes in accounting policies

EUR million	Total
Operating lease commitments disclosed at December 31, 2018	67.8
Discounted using incremental average borrowing rate of 2.4%	-3.1
Less short term and low value leases. Recognized on a straight-line basis as expense	-2.1
Less contracts reassessed into service contracts	-0.5
Adjustments from reassessing expected contract lengths	9.7
New lease liabilities at January 1, 2019 due to IFRS 16 implementation	**71.8**
Finance lease liabilities per annual report December 31, 2018	0.3
Lease liabilities at January 1, 2019	**72.1**

§ Accounting policy

Leases are recognized as right-of-use assets with the corresponding liability at the time the asset is available for use by the Group. Assets and liabilities arising from a lease are measured on a present value basis.

Lease liabilities is comprised of expected fixed payments throughout the expected lease period (including options to extend the lease when exercise is reasonably certain), less any lease incentives. The lease payments are discounted using the contract's internal discount rate or the Group's incremental borrowing rate.

The costs of right-of-use assets is comprised of the calculated lease liabilities, payments made prior to entering the lease, initial direct costs, and expected restoration costs.

Right-of-use assets and lease liabilities are re-measured when a factual or contractual change is executed or if a significant event or change affects the expected use of the assets. The impact is discounted to a present value basis.

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses. When changing the value of right-of-use assets through remeasurement or when changing the depreciation period, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Right-of-use assets are depreciated on a straight-line basis of the expected length of the contract or the expected useful lives of the assets, whichever is the shorter.

Lease costs for low value assets and short-term leases are included as operational costs throughout the period based on a straight-line basis.

! Significant judgments and estimates

The individual right-of-use assets and the corresponding liabilities are highly impacted by the estimated lease period and the discount rate, where the underlying contracts can be prolonged or terminated early.

As of December 31, 2019 the estimated useful life can be summarized as follows:

Leased buildings: 1-10 years, with an average of 3.1 years.
Other leases: 1-6 years with an average of 2.5 years.

Average discount rate for active contracts as of December 31, 2019 was 2.5%

Note 4

4.5 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	2019	2018*
Depreciation and impairment of property, plant and equipment		
Cost of sales	19.1	11.6
Research and development costs	0.4	0.3
Sales and distribution costs	9.3	1.0
Administrative costs	11.0	1.8
Depreciation and impairment included in special items	1.2	0.9
Total depreciation and impairment of property, plant and equipment	**41.0**	**15.6**
Hereof depreciation of right-of-use assets	26.0	-
Total depreciation and impairment of property, plant and equipment excluding right-of-use assets	**15.0**	**15.6**
Amortization and impairment of non acquisition-related intangibles		
Research and development costs	17.1	12.9
Sales and distribution costs	1.0	1.0
Administrative costs	4.9	3.3
Impairment included in special items	-	11.9
Total amortization and impairment of non acquisition-related intangibles	**23.0**	**29.1**
Amortization and impairment of acquisition-related intangibles		
Cost of sales	1.5	1.5
Sales and distribution costs	3.6	4.7
Total amortization and impairment of acquisition-related intangibles	**5.1**	**6.2**
Total amortization, depreciation and impairment	**69.1**	**50.9**

*Comparative figures are not restated with the effect of IFRS 16.

Note 4

4.6 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 statement of financial position. 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 statement of financial position

	2019			2018		
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	26.3	21.8	4.5	28.8	23.1	5.7
Recognized under staff costs in the income statement:						
Current service cost	0.3		0.3	0.3	-	0.3
Calculated interest expenses/income	0.6	0.5	0.1	0.5	0.5	-
Curtailment and settlements, etc.	0.7	-	0.7	0.1	-	0.1
Total	**1.6**	**0.5**	**1.1**	**0.9**	**0.5**	**0.4**
Recognized in other comprehensive income:						
Actuarial gain/loss from changes in demographic assumptions	-0.6	-	-0.6	-1.2	-0.8	-0.4
Actuarial gain/loss from changes in financial assumptions and other	3.5	1.8	1.7	-	-	-
Total	**2.9**	**1.8**	**1.1**	**-1.2**	**-0.8**	**-0.4**
Other changes:						
Contributions to plans	0.1	0.9	-0.8	0.1	0.9	-0.8
Benefits paid	-1.4	-1.2	-0.2	-2.5	-1.9	-0.6
Foreign exchange adjustments, etc.	1.1	1.1	-	0.1	-	0.1
Total	**-0.2**	**0.8**	**-1.0**	**-2.3**	**-1.0**	**-1.3**
Net recognized plan obligations and assets, December 31	30.6	24.9	5.7	26.2	21.8	4.4
Other long-term employee benefits	0.2	-	0.2	0.1	-	0.1
Recognized, December 31	**30.8**	**24.9**	**5.9**	**26.3**	**21.8**	**4.5**

EUR million	**2019**	**2018**
Plan assets recognized as follows:		
Securities with quoted market price	19.5	15.1
Cash	0.2	2.1
Other	5.2	4.6
Total	**24.9**	**21.8**

Note 4

4.6 Pension liabilities – Continued

! Significant judgments and estimates

The present value of defined benefit plans are based on actuarial assumptions, and an increase/decrease in these assumptions may lead to an increase/decrease in the present value of the defined benefit plans.

Principal actuarial assumptions at the balance sheet date (as weighted average)	2019	2018
Discount rate	0.7%	1.6%
Future salary increases	0.6%	0.5%
Future pension increases	0.8%	1.3%

± Sensitivity

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

EUR million	2019	2018
0.5% point increase in the discount rate	-2.3	-1.8
0.5% point decrease in the discount rate	2.6	2.1
0.5% point increase in the future salary increases	0.3	0.1
0.5% point decrease in the future salary increases	-0.2	-0.1

The anticipated duration of the plan liability, expressed as a weighted average, was 16 years at December 31, 2019 (2018: 13 years). The Nilfisk Group's expected contribution to defined benefit plans in 2020 amounts to 0.8 mEUR.

§ Accounting policy

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

Liabilities with respect to 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 statement of financial position 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 statement of financial position 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. The differences 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

4.7 Provisions

Development in provisions

EUR million	Warranties	Other	Total
2019			
Provisions, January 1	11.2	6.5	17.7
Provisions made during the year	11.2	2.3	13.5
Used during the year	-10.8	-0.6	-11.4
Reversed during the year	-0.3	-4.8	-5.1
Foreign exchange adjustments	0.1	0.3	0.4
Provisions, December 31	**11.4**	**3.7**	**15.1**
Provisions are presented as:			
Non-current liabilities	-	1.3	1.3
Current liabilities	11.4	2.4	13.8
Total	**11.4**	**3.7**	**15.1**
2018			
Provisions, January 1	10.9	7.1	18.0
Provisions made during the year	12.3	1.8	14.1
Used during the year	-11.5	-2.4	-13.9
Reversed during the year	-0.5	-	-0.5
Provisions, December 31	**11.2**	**6.5**	**17.7**
Provisions are presented as:			
Non-current liabilities	-	2.5	2.5
Current liabilities	11.2	4.0	15.2
Total	**11.2**	**6.5**	**17.7**

§ 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 financial resources 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 financial performance 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 are 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.

The warranty provision represents management's best estimate of the Group's liability under 12-month warranties granted on products, based on past experience. Other provisions include the restoration of rented facilities, provisions related to restructuring, etc.

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 and other non-current liabilities, excluding interest-bearing items and provisions, but including derivatives that hedge working capital elements with currency exposure.

Breakdown of working capital

EUR million	2019	2018
Inventories	172.7	172.9
Trade receivables	175.0	190.7
Other current assets	26.2	31.9
Other non-current liabilities	-2.6	-1.1
Trade payables	-111.9	-113.5
Other current liabilities	-101.5	-110.5
Working capital	**157.9**	**170.4**
Working capital ratio (LTM)	20.6%	18.5%

Composition and drivers

The Nilfisk Group manufactures products and operates in different markets. The Group's operating model, with several assembly locations and a number of distribution hubs for finished products, leads to a relatively high level of inventory.

Key developments in 2019

The Nilfisk Group decreased working capital by 12.5 mEUR from 170.4 mEUR at December 31, 2018 to 157.9 mEUR at December 31, 2019.

At the end of 2019, inventories were at the same level as last year and amounted to 172.7 mEUR at December 31, 2019, compared to 172.9 mEUR at December 31, 2018. The efforts to bring down inventories were not enough to compensate for the decline in revenue and, as a result, inventory days increased from 122 to 134 by the end of December 2019.

Trade receivables amounted to 175.0 mEUR at December 31, and have decreased by 15.7 mEUR since December 31, 2018. The decline in trade receivables is corresponding to the decline in revenue in 2019 and at December 31, 2019 the DSO were at the same level as at the end of 2018.

The decrease in net working capital was primarily related to a decrease in trade receivables and other current liabilities.

The working capital ratio measured in percentage of revenue on a 12-month average was 20.6% at the end of 2019. This was an increase of 2.1 percentage points compared to 2018 which was impacted by receivables and other liabilities.

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	2019	2018
Raw materials, consumables and goods for resale	54.2	61.6
Work in progress	1.0	1.4
Finished goods	117.5	109.9
Total	**172.7**	**172.9**
Write-down on inventories, January 1	12.3	13.0
Write-down on inventories for the year expensed in the income statement	1.2	5.6
Disposals from sales	-3.6	-4.4
Scrapping	-0.7	-1.9
Write-down on inventories, December 31	**9.2**	**12.3**

! Significant judgments and estimates

Allocation of production overheads, such as indirect materials, wages/salaries and maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management are based on relevant assumptions related to capacity utilization, production time and other relevant factors.

Changes in assumptions may affect gross profit margins as well as the valuation of the inventories.

The write-down in inventories is based on the expected sales forecast and slow moving items.

§ 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 cost, comprised of purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, which includes the 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.

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

Trade receivables decreased in absolute terms from December 31, 2018 to December 31, 2019. The receivable balances are being monitored closely but were higher than expected during the year. The days sales outstanding was in line with the same period last year at 60.1 compared to 59.6 at end-2018.

Specification of trade receivables

EUR million	2019	2018
Trade receivables, gross incl. VAT	180.9	194.6
Allowance for expected credit losses	-5.9	-3.9
Total	**175.0**	**190.7**

Specification of receivables

EUR million	2019	2018
Trade receivables	166.1	187.7
Trade receivables due from associates	8.9	3.0
Other receivables	11.7	15.7
Fair value of derivative financial instruments	1.5	4.7
Prepayments	7.9	7.8
Total	**196.1**	**218.9**
Of which receivables falling due later than 12 months from the balance sheet date	-	-

Significant judgments and estimates

The allowance for expected credit losses for trade receivables is based on historical credit loss experience combined with forward-looking information on macroeconomic factors affecting the credit risk. The expected loss rates are updated at every reporting date.

The following table details the risk profile of trade receivables based on the Group's provision matrix. The Group's historical credit losses do not show different patterns for different customer segments. Increase in allowance for expected credit losses related to individual impairment in the US.

Disclosure of credit risks and impairment of trade receivables are included in Note 6.9.

Specification of expected credit losses

EUR million	Trade receivables	Lifetime expected credit losses	Expected weighted average credit loss rate
2019			
Not past due	144.0	0.3	0.2%
Overdue up to 1 months	18.4	0.1	0.6%
Overdue between 1-2 months	5.9	0.1	2.4%
Overdue between 2-4 months	4.2	0.4	10.5%
Overdue more than 4 months	8.4	5.0	62.7%
Total	**180.9**	**5.9**	
2018			
Not past due	153.9	0.4	0.5%
Overdue up to 1 months	23.3	0.2	0.8%
Overdue between 1-2 months	7.4	0.2	2.9%
Overdue between 2-4 months	4.3	0.5	11.2%
Overdue more than 4 months	5.7	2.6	41.2%
Total	**194.6**	**3.9**	

§ Accounting policy

Receivables
Receivables are recognized initially at their transaction price and subsequently measured at amortized cost, which usually corresponds to the nominal value less lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the market in which the debtor operates. The Group recognizes a loss allowance for expected credit losses and writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The amount of write-downs is recognized in the income statement under other operating costs. Subsequent recoveries of amounts previously written down are credited against other operating costs.

Derivative financial instruments are measured at fair value.

Prepayments
Prepaid expenses are measured at cost.

Note 5

5.3 Trade payables and other liabilities

Trade payables and other liabilities are comprised of 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	2019	2018
Non-current liabilities:		
Fair value of derivative financial instruments	0.4	-
Deferred revenue	0.4	0.3
Other payables	0.2	0.8
Employee related payables	1.6	-
Total non-current liabilities	**2.6**	**1.1**
Current liabilities:		
Trade payables	111.9	113.5
Employee related payables	34.2	45.1
Other payables	32.7	30.9
Various taxes, including VAT	10.4	14.0
Customer related payables	9.2	9.4
Deferred revenue	4.7	4.4
Fair value of derivative financial instruments	3.2	4.2
Prepayments from customers	2.1	1.5
Total current liabilities	**208.4**	**223.0**
Total	**211.0**	**224.1**

§ Accounting policy

Liabilities are measured at amortized cost, except for derivative financial instruments which are measured at fair value.

Note 6

6. Capital structure

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

6.1 Changes in capital structure, financing, etc.

The Group's objective is to have capital resources to meet operating needs as well as needs for potential acquisitions. To achieve and maintain an efficient capital structure, the Financial Policy states that the Group's long-term net interest-bearing debt should be at 2.5 x EBITDA before special items or below. By the end of 2019, Nilfisk's funding structure primarily consisted of long-term committed loans of 450 mEUR, provided by Nordea Danmark, filial af Nordea Bank Abp, Finland and Danske Bank A/S. The long-term committed loans includes a financial covenant with reference to the ratio between net interest-bearing debt and EBITDA. The facilities are available for general funding purposes.

6.2 Net interest-bearing debt

Specification of net interest-bearing debt

EUR million	2019	2018*
Non-current loans and borrowings	376.9	382.3
Non-current lease liabilities	32.2	0.1
Current loans and borrowings	5.0	7.8
Current lease liabilities	24.0	0.2
Interest-bearing debt	**438.1**	**390.4**
Interest-bearing receivables	-4.7	-4.4
Cash and cash equivalents	-19.3	-16.4
Net interest-bearing debt	**414.1**	**369.6**

*Comparative figures are not restated with the effect of IFRS 16.

Net interest-bearing debt at December 31, 2019 increased by 44.5 mEUR compared to December 31, 2018, primarily due to IFRS 16. Adjusting for debt relating to IFRS 16, there is a decrease in net interest-bearing debt of 11.7 mEUR

As of December 31, 2019 the net interest-bearing debt primarily consisted of long-term credit facilities and cash and cash equivalents. The interest-bearing debt was denominated primarily in EUR.

6.3 Interest-bearing receivables

Specification of interest-bearing receivables

EUR million	2019	2018
Finance lease receivables	1.5	2.2
Other interest-bearing receivables	3.2	2.2
Total	**4.7**	**4.4**

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 of payables to credit institutions and other payables 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.

Note 6

6.5 Net liabilities from financing activities

Total liabilities from financing activities at December 31, 2019 increased by 47.7 mEUR compared to December 31, 2018, primarily due to the implementation of IFRS 16.

Specification of net liabilities arising from financing activities

			Non-cash changes		
EUR million	**January 1**	**Cash flows**	**Foreign exchange movement**	**Leases***	**December 31**
2019					
Interest-bearing loans and borrowings, Non-current	382.2	-5.3	-	-	376.9
Lease liabilities, Non-current	0.1	-	-	32.1	32.2
Interest-bearing loans and borrowings, Current	7.6	-2.9	0.3	-	5.0
Lease liabilities, Current	0.2	-24.5	-0.1	48.4	24.0
Interest-bearing receivables	-4.4	-0.3	-	-	-4.7
Total	**385.7**	**-33.0**	**0.2**	**80.5**	**433.4**
2018					
Interest-bearing loans and borrowings, Non-current	397.2	-12.6	-2.4	-	382.2
Lease liabilities, Non-current	0.1	-	-	-	0.1
Interest-bearing loans and borrowings, Current	8.0	-4.9	4.7	-	7.8
Lease liabilities, Current	0.2	-	-	-	0.2
Interest-bearing receivables	-4.9	-2.1	2.6	-	-4.4
Total	**400.4**	**-19.6**	**4.9**	**-**	**385.7**

*Net impact of right-of-use assets, including additions, terminations and new lease liabilities at January 1, 2019 due to the implementation of IFRS 16.

6.6 Capital employed

EUR million	**2019**	**2018**
Non-current assets	442.2	378.2
Provisions, pension and deferred tax liabilities	-28.0	-31.6
Working capital	157.9	170.4
Capital employed	**572.1**	**516.8**

Capital employed increased by 55.3 mEUR or 10.7% compared to 2018. The development in capital employed was largely driven by the implementation of IFRS 16 which impacted capital employed by 54.5 mEUR.

In 2019 Nilfisk's return on capital employed (RoCE) deteriorated by 7.5 percentage points to 9.2% from 16.7% in 2018. The improvement was mainly driven by an decrease in EBIT before special items as well as negative impact from lease liabilities driven by IFRS 16.

Note 6

6.7 Financial items

Financial items, net represented -14.0 mEUR in 2019 compared to -11.3 mEUR in 2018.

Financial income decreased by 9.7 mEUR compared to 2018 due to lower foreign exchange gains, other financial income and lower forward points. Financial expenses decreased by 7.0 mEUR compared to 2018, which can be explained by a decrease in foreign exchange losses and forward points.

Specification of financial items

	Financial income		Financial expenses	
EUR million	**2019**	**2018**	**2019**	**2018**
Interest on financial assets measured at amortized costs	1.2	1.7	10.6	10.0
Forward points	1.7	4.1	2.2	3.5
Foreign exchange gains/losses	1.9	7.3	3.4	10.0
Foreign exchange gains/losses on derivatives	1.0	0.9	2.6	2.3
Other financial items	0.1	1.6	1.1	1.1
Total	**5.9**	**15.6**	**19.9**	**26.9**

§ Accounting policy

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

6.8 Investments in associated companies

Carrying amount of associated companies

EUR million	2019	2018
Carrying amount, January 1	19.1	19.3
Share of result recognized in the income statement	3.7	3.4
Sale/divestment	-	-0.5
Dividends	-1.3	-1.3
Revaluation	-	-1.6
Exchange rate adjustments	-	-0.2
Carrying amount, December 31	**21.5**	**19.1**

§ 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

6.8 Investments in associated companies – continued

Details of associated companies

2019

	M2H	**CFM Lombardia**	
EUR million	**France**	**Italy**	**Total**
Revenue	68.3	2.0	70.3
Result after tax	8.3	0.1	8.4
Non-current assets	13.3	0.1	13.4
Current assets	57.6	1.2	58.8
Total assets	70.9	1.3	72.2
Equity	46.5	0.3	46.8
Non-current liabilities	13.6	0.1	13.7
Current liabilities	10.8	0.9	11.7
Equity and liabilites	70.9	1.3	72.2
Ownership in %	44%	33%	
Share of result after tax	3.7	-	3.7
Share of equity	20.5	0.1	20.6
Goodwill recognized	0.9	-	0.9
Carrying value	**21.4**	**0.1**	**21.5**
Goods sold to	20.2	1.1	21.3
Receivables from associated company	8.6	0.3	8.9

2018

	M2H	**CFM Lombardia**	
EUR million	**France**	**Italy**	**Total**
Revenue	65.6	1.5	67.1
Result after tax	7.7	-	7.7
Non-current assets	9.4	-	9.4
Current assets	52.9	1.1	54.0
Total assets	62.3	1.1	63.4
Equity	41.0	0.2	41.2
Non-current liabilities	14.2	-	14.2
Current liabilities	7.1	0.9	8.0
Equity and liabilites	62.3	1.1	63.4
Ownership in %	44%	33%	
Share of result after tax	3.4	-	3.4
Share of equity	18.1	0.1	18.2
Goodwill recognized	0.9	-	0.9
Carrying value	**19.0**	**0.1**	**19.1**
Goods sold to	20.5	1.2	21.7
Receivables from associated company	2.4	0.6	3.0

Note 6

6.9 Financial risks and financial instruments

Risk management policy

The Nilfisk Group is exposed to and manages different financial risks through 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, interest rate risks and remuneration risks.

The financial risks are divided into:

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

Currency risks

With sales to more than 100 countries, the Nilfisk Group is exposed to currency risks that could have considerable impact on the income statement and statement of financial position.

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.

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 for 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 USD, CNY and GBP would reduce the Nilfisk Group's equity by 16.1 mEUR, compared to 14.7 mEUR in 2018.

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, 2019 and at December 31, 2018, 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.

Note 6

6.9 Financial risks and financial instruments – continued

Expected cash flows with significant currency risk are hedged on a 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 to the right shows net outstanding forward exchange hedging contracts at December 31, 2019 for the Nilfisk Group which are used for and fulfil the conditions for hedge accounting of future transactions. Forward exchange contracts relate to hedging of product sales/ purchase. During the year, no ineffectiveness on hedge contracts has been recognized. For comparison, the amount in 2018 was a loss of 1.4 mEUR.

Outstanding FX hedging contracts

	2019		2018	
EUR million	Notional value[1]	Recognized in OCI	Notional value[1]	Recognized in OCI
AUD/DKK	-5.3	-0.2	-13.2	0.2
CNH/DKK	53.1	0.4	69.2	-0.3
GBP/DKK	-19.1	-1.0	-24.0	0.5
NOK/DKK	-8.6	-	-12.5	0.4
SEK/DKK	-10.3	-0.1	-16.8	0.1
USD/DKK	-9.1	-0.1	-13.8	-0.4
CAD/USD	-11.8	-0.2	-12.8	0.5
Total	**-11.1**	**-1.2**	**-23.9**	**1.0**

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

± Sensitivity

The sensitivity analysis shown in the table to the right demonstrates currency rate changes equal to the individual currency's historic volatility, with all other variables held constant. The impact on the profit and loss is due to changes in the fair value of monetary assets and liabilities including fair value hedges. The impact on other comprehensive income is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material. The analysis shows that for instance a 6% increase in the AUD/DKK rate will impact other comprehensive income by -0.3 mEUR.

	2019			2018		
EUR million	Historic volatility	Change recognized in OCI	Change recognized in P&L	Historic volatility	Change recognized in OCI	Change recognized in P&L
AUD/DKK	6%	-0.3	-	9%	-1.2	-
CNH/DKK	5%	2.8	-0.2	7%	4.8	-0.4
GBP/DKK	6%	-1.2	-	11%	-2.6	-
NOK/DKK	6%	-0.5	-	5%	-0.6	-
SEK/DKK	5%	-0.5	-	6%	-1.0	-
USD/DKK	6%	-0.5	-	8%	-1.1	0.2
CAD/USD	5%	-0.6	0.1	7%	-0.9	-
MXN/USD	9%	-	-0.3		-	-
Total		**-0.8**	**-0.4**		**-2.6**	**-0.2**

Note 6

6.9 Financial risks and financial instruments – continued

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Foreign currency forward contract assets and liabilities are presented in the line "Receivables/other liabilities" in the statement of financial position.

2019

Cash flow hedges	Average exchange rate	Notional value: Foreign currency	Notional value: Local currency	Carrying amount of hedges, net	Change in value used for calculated ineffectiveness	Inefficiency recognized in the income statement
		(tFCY)	(tLCY)		EUR thousand	
Sell AUD	**AUD/DKK**	**AUD**	**DKK**			
- 0-6 months	4.6511	-5,400	-25,116	-108.9	-108.9	-
- 7-14 months	4.5919	-3,100	-14,235	-72.5	-72.5	-
Sell GBP	**GBP/DKK**	**GBP**	**DKK**			
- 0-6 months	8.4621	-10,600	-89,698	-597.9	-597.9	-
- 7-14 months	8.3653	-5,700	-47,682	-387.5	-387.5	-
Sell NOK	**NOK/DKK**	**NOK**	**DKK**			
- 0-6 months	0.7718	-54,700	-42,215	16.6	16.6	-
- 7-14 months	0.7632	-30,000	-22,895	-17.1	-17.1	-
Sell SEK	**SEK/DKK**	**SEK**	**DKK**			
- 0-6 months	0.7149	-72,700	-51,974	-34.3	-34.3	-
- 7-14 months	0.7038	-35,000	-24,632	-70.7	-70.7	-
Sell USD	**USD/DKK**	**USD**	**DKK**			
- 0-6 months	6.6498	-6,300	-41,894	-128.8	-128.8	-
- 7-14 months	6.7282	-3,900	-26,240	-11.9	-11.9	-
Sell CAD	**CAD/USD**	**CAD**	**USD**			
- 0-6 months	0.7479	-9,450	-7,068	-134.1	-134.1	-
- 7-14 months	0.7584	-7,800	-5,916	-68.2	-68.2	-
Buy CNH	**CNH/DKK**	**CNH**	**DKK**			
- 0-6 months	0.9707	276,000	267,903	193.2	193.2	-
- 7-14 months	0.9557	139,000	132,847	214.7	214.7	-
Total				**-1,207.4**	**-1,207.4**	**-**

Note 6

6.9 Financial risks and financial instruments – continued

2018

Cash flow hedges	Average exchange rate	Notional value: Foreign currency	Notional value: Local currency	Carrying amount of hedges, net	Change in value used for calculated ineffectiveness	Inefficiency recognized in the income statement
		(tFCY)	(tLCY)		EUR thousand	
Sell AUD	**AUD/DKK**	**AUD**	**DKK**			
- 0-6 months	4.5739	-10,875	-49,741	158.9	157.6	1.3
- 7-14 months	4.5076	-10,500	-47,330	79.3	79.3	-
Sell GBP	**GBP/DKK**	**GBP**	**DKK**			
- 0-6 months	8.3168	-11,350	-94,396	281.3	281.2	0.1
- 7-14 months	8.2398	-10,300	-84,870	169.4	168.7	0.7
Sell NOK	**NOK/DKK**	**NOK**	**DKK**			
- 0-6 months	0.7602	-67,600	-51,392	227.4	227.4	-
- 7-14 months	0.7572	-57,200	-43,310	191.7	184.8	6.9
Sell SEK	**SEK/DKK**	**SEK**	**DKK**			
- 0-6 months	0.7369	-89,000	-65,583	146.1	149.5	-3.4
- 7-14 months	0.7193	-83,700	-60,203	-48.1	-43.2	-4.9
Sell USD	**USD/DKK**	**USD**	**DKK**			
- 0-6 months	6.0972	-7,000	-42,680	-231.8	-143.8	-88.0
- 7-14 months	6.1923	-8,750	-54,183	-120.5	-88.0	-32.5
Sell CAD	**CAD/USD**	**CAD**	**USD**			
- 0-6 months	0.7701	-9,800	-7,547	270.9	269.2	1.7
- 7-14 months	0.7596	-1,015	-7,710	173.7	173.7	-
Buy CNH	**CNH/DKK**	**CNH**	**DKK**			
- 0-6 months	0.9145	196,400	179,599	-295.0	-295.0	-
- 7-14 months	0.9024	263,700	237,951	129.9	129.9	-
Buy CNY	**CNY/DKK**	**CNY**	**DKK**			
- 0-6 months	0.9026	85,000	76,718	-88.4	-88.4	-
- 7-14 months	-	-	-	-	-	-
Total				**1,044.8**	**1,162.9**	**-118.1**

Note 6

6.9 Financial risks and financial instruments – continued

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, 2019, Nilfisk Group's interest-bearing debt exceeded its interest-bearing assets by 414.1 mEUR compared to 369.6 mEUR as of December 31, 2018.

Nilfisk Group has entered two interest rate cap agreements with the interest rate capped at 0.00% p.a. The notional amount is 150 mEUR compared to 185 mEUR in 2018 and is hedging 34% of gross debt at December 31, 2019 compared to 48% in 2018. The interest rate caps mature June 30, 2021. At December 31, 2019, the total fair value of the caps including interest is -0.4 mEUR, unchanged compared to -0.4 mEUR in 2018.

It is estimated that a 1% rise in market interest rate for the Nilfisk Group's net interest-bearing items at December 31, 2019 would impact pre-tax earnings negatively on an annual basis by approximately 1.6 mEUR p.a. compared to 1.4 mEUR in 2018.

The following table details the effectiveness of the hedging relationships and value adjustments reclassified from hedging reserve to the income statement:

Hedging reserve

EUR million	2019 Currency risk	2019 Interest rate risk	2019 Remuneration risk	2019 Total	2018 Currency risk	2018 Interest rate risk	2018 Remuneration risk	2018 Total
Balance at January 1	1.0	-0.4	0.1	0.7	-0.1	-	-	-0.1
Value adjustment for the year	-0.2	-	-0.3	-0.5	1.6	-0.4	-0.7	0.5
Value adjustment reclassified to cost of sales	-1.7	-	-	-1.7	-1.1	-	-	-1.1
Value adjustment reclassified to staff costs	-	-	0.9	0.9	-	-	0.8	0.8
Value adjustment reclassified to financial income and expenses	-	-	-	-	1.1	-	-	1.1
Inefficiency reclassified to financial income and expenses	-	-	-	-	-0.1	-	-	-0.1
Value adjustment reclassified to inventory	-0.4	-	-	-0.4	-0.1	-	-	-0.1
Tax on value adjustment of hedging instruments	0.5	-	0.1	0.6	-0.3	-	-	-0.3
Balance at December 31	**-0.8**	**-0.4**	**0.8**	**-0.4**	**1.0**	**-0.4**	**0.1**	**0.7**

Remuneration risks
Nilfisk has an exposure on its share-based incentive schemes (LTI programs) – a cash-settled and two equity-settled schemes. The exposure is the development in the price of the Nilfisk share that impacts the costs of the cash-settled scheme and liquidity required to settle the equity-settled schemes by own shares.

To mitigate the risk, Nilfisk has entered into a Total Return Swap (TRS) of 138,347 Nilfisk shares, with a fixed strike price of 162.00 DKK, equivalent to a notional amount of 22.4 mDKK. The TRS carries an interest of 1.43% p.a. on the outstanding amount. For 2019, the interest expense amounted to 0.1 mEUR (2018: 0.0 mEUR). The TRS expires at June 4, 2020. Nilfisk is obligated to exercise all shares within the TRS at the date of expiration. Dividends from the shares are fully compensated to Nilfisk.

The market value of the TRS, including accrued interest, at December 31, 2019 amounted to -0.3 mEUR, of which 0.7 mEUR of the market value was recognized in OCI related to the cash-settled program, and -1.0 mEUR was recognized in financial items related to the equity-settled programs. Value adjustment of -0.9 mEUR was recognized in staff costs related to the cash-settled program.

Note 6

6.9 Financial risks and financial instruments – continued

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 statement of financial position.

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	2019	2018
Trade receivables from sales and services	180.9	194.6
Allowance for expected credit losses:		
January 1	3.9	4.4
Exchange rate adjustments	-	-0.3
Write-downs included in income statement in "Other operating income, net"	3.1	2.1
Reversal of impairment included in income statement in "Other operating income, net"	-0.7	-1.8
Realized losses included in "Other operating income, net"	-0.4	-0.5
Allowance for expected credit losses, December 31	5.9	3.9
Net receivables from sales and services	**175.0**	**190.7**

Allowance for expected credit losses amounted to 5.9 mEUR compared to 3.9 mEUR as of December 31, 2018. A total of 3.0 mEUR was attributable to individual impairment compared to 1.3 mEUR as of December 31, 2018. Please refer to note 5.2 for a detailed table of the impairment based on the Group's provision matrix.

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.

The below 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 statement of financial position at the amounts stated in the table below.

Maturity of the Nilfisk Group's liabilities

EUR million	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2019							
Forward contracts	3.2	-	-	-	-	-	3.2
Other hedging instruments	-	0.4	-	-	-	-	0.4
Interest-bearing loans and borrowings	5.0	23.8	353.1	-	-	-	381.9
Lease liabilities	24.0	13.2	8.9	4.2	2.0	3.9	56.2
Other financial liabilities	205.2	1.9	0.2	0.1	-	-	207.4
Total	**237.4**	**39.3**	**362.2**	**4.3**	**2.0**	**3.9**	**649.1**
2018*							
Forward contracts	4.2	-	-	-	-	-	4.2
Interest-bearing loans and borrowings	7.6	382.2	-	-	-	-	390.1
Lease liabilities	0.2	0.1	-	-	-	-	0.3
Other financial liabilities	218.8	1.1	-	-	-	0.1	220.0
Total	**230.8**	**383.4**	**-**	**-**	**-**	**0.1**	**614.3**

*Comparative figures are not restated with the effect of IFRS 16.

Note 6

6.9 Financial risks and financial instruments – continued

Fair values

Financial instruments measured at fair value in the statement of financial position 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, 2019 and 2018 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. The fair value at December 31, 2019 of the TRS is measured in accordance with Level 2 as the fair value is based on inputs of which most are observable including the share price of Nilfisk. There are no financial instruments measured at Level 1 and 3.

Financial assets and liabilities by category

EUR million	2019	2018*
Financial assets:		
Receivables	194.6	214.2
Interest-bearing receivables	4.7	4.4
Financial assets at amortized cost	**199.3**	**218.6**
Derivative financial instruments	1.4	4.3
Fair value through other comprehensive income	**1.4**	**4.3**
Derivative financial instruments	0.1	0.4
Fair value through profit and loss	**0.1**	**0.4**
Total	**200.8**	**223.3**
Financial liabilities:		
Interest-bearing loans and borrowings	381.9	390.1
Other financial and lease liabilities	263.6	220.0
Financial liabilities at amortized cost	**645.5**	**610.1**
Derivative financial instruments	2.7	3.6
Fair value through other comprehensive income	**2.7**	**3.6**
Derivative financial instruments	0.9	0.6
Fair value through profit and loss	**0.9**	**0.6**
Total	**649.1**	**614.3**

*Comparative figures are not restated with the effect of IFRS 16.

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 statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively. 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 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, hedge of future cash flows according to a firm commitment is treated as a fair value hedge.

The ineffective portion of the change in the fair value of a derivative financial instrument 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 cash flows are recognized in other comprehensive income and accumulated in a separate hedging reserve under equity until the hedged item influences the income statement. Gains or losses relating to such hedging transactions are then transferred through other comprehensive income and recognized in the income statement in the same item as the hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The accumulated reserve in equity remains in equity if it is still probable that the hedged cash flows will occur and is transferred through other comprehensive income 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 accumulated reserve in equity is immediately transferred to the income statement.

The ineffective portion of the change in the fair value of a derivative financial instrument is recognized immediately in the income statement and presented under financial items.

LTI program hedges
Cash-settled program
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of the impact from development in the price of the Nilfisk share on cash-settled programs are recognized in other comprehensive income and accumulated in a separate hedging reserve under equity. The accumulated reserve in equity is transferred through other comprehensive income and recognized in the income statement under staff costs, when the expenses are recognized in the income statement. The hedge of subsequent changes to recognized expenses are accounted for as a fair value hedge.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The accumulated reserve in equity is immediately transferred through other comprehensive income to the income statement.

Equity-based programs
Hedge accounting cannot be applied on equity-based programs as fluctuations in the price of the Nilfisk share do not affect the income statement. Thus, changes in the fair value of derivative financial instruments hedging the liquidity risk related to the settlement of equity-settled programs are recognized in the income statement 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. 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 0.32 is based on Result attributable to shareholders of Nilfisk Holding A/S of 8.7 mEUR and an average number of shares of 27,126,369.

EUR	2019	2018
Basic earnings per share	0.32	0.37
Diluted earnings per share	0.32	0.37

Dividends

At the Annual General Meeting to be held on March 19, 2020, the Board of Directors will propose not to distribute dividends for the financial year of 2019.

EUR million	2019	2018
Dividends distributed	-	-
Dividends distributed per share	-	-

§ 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 includes 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:
- cash flow hedging of interest payments
- hedging of currency risk of cash flows
- hedging of LTI program

Note 7

7. Group structure

This note describes acquisitions and divestments of businesses during the year and Nilfisk Group's structure at December 31, 2019.

7.1 Acquisitions/divestments of businesses

2019 Acquisitions and divestments

The Nilfisk Group has not acquired new businesses or made divestments in 2019.

2018 Acquisitions and divestments

In 2018, Nilfisk completed several significant divestments across the portfolio. The divestments followed a series of strategic reviews that concluded that the businesses in question were not a strategic fit to Nilfisk's core business and did not represent markets attractive to Nilfisk.

EUR million	Segment	Interest
Chemicals business	EMEA Professional	100%
Rottest	EMEA Professional	Associated
Hydramaster business	Specialty Professional	Activities
Outdoor business	Specialty Professional	Activities
Nilfisk South Africa	EMEA Professional	100%

The above divestments were not classified as discontinued operations as per IFRS 5 as none of the above divestments represented a separate major line of business or geographical area of operations.

The Nilfisk Group did not acquire new businesses in 2018.

Divestment impact

Below table summarizes the divestment impact, the total loss and the cash flow impact from the divestments.

EUR million	2019	2018
Non-current assets	-	12.8
Current assets and liabilities, net	-	21.1
Net assets disposed	-	33.9
Divestment cost	0.4	11.6
Loss on divestment of business[1]	-0.4	-42.4
Consideration received (cash flow)	**-**	**3.1**

[1]Refer to Note 2.4 for further details

The divestments include a mechanism that could subsequently change the gain/loss for the year as the final sales price, in some cases, is dependent on subsequent events and financial performance. Any subsequent adjustment made will be recognized as special items.

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 Trading LLC (49%)*	UAE
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 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

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
Suzhou Nilfisk Research and Development 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

Ownership below 100% is disclosed in brackets.

*Majority of voting rights

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

EUR million	2019	2018
Deloitte		
Statutory audit	0.8	0.7
Other assurance services	0.3	0.3
Tax and VAT advice	-	-
Other non-audit services	-	1.0
Total	**1.1**	**2.0**

The fee for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab Denmark, amounted to 0.0 mEUR in 2019, compared to 1.0 mEUR in 2018. The fee in 2018 consisted mainly of assistance related to Marketing outsourcing, HR System and agreed-upon procedures related to foreign subsidiaries and other accounting advisory services.

8.2 Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the consolidated financial statements.

8.3 Related parties

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

EUR million	2019	2018
Goods sold to associated companies	21.3	21.7
Dividends received from associated companies	1.3	1.3
Trade receivables from associated companies	8.9	3.0

Please refer to Note 3.2 and Note 3.3 for remuneration to the Executive Management Board.

8.4 Other non-cash adjustments

EUR million	2019	2018
Writedown of non-current assets in relation to divestments	-	19.7
Gains and losses from disposal of assets	0.2	-
Share of profit of net result, associated companies	-3.7	-3.4
Change in provisions	-5.9	-2.5
Other non-cash items	0.5	-2.9
Total	**-8.9**	**10.9**

Note 8

8.5 Contingent liabilities, securities and contractual obligations

The Nilfisk Group has issued guarantees in total of 37.1 mEUR (2018: 36.5 mEUR). This includes rental commitments of 12.5 mEUR (2018: 12.6 mEUR). In addition, guarantees of 24.7 mEUR (2018: 23.9 mEUR) to support local bank facilities for subsidiaries were established by Nilfisk A/S.

Nilfisk Holding A/S is liable for obligations attributable to the activities, assets and liabilities of NKT A/S that existed at the demerger 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. Nilfisk Holding A/S has entered into an indemnification agreement with NKT A/S, under which each party has 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, the outcome of which is not expected to materially impact the Group's financial position.

Contractual obligations

EUR million	2019	2018
Contractual obligations relating to purchase of buildings and production plants	-	0.1

Operating lease commitments

Following the implementation of IFRS 16, operating leases is recognized in the statement of financial position in 2019.

See note 4.4 "Expected operational costs for right-of-use assets" for future payments not included in the statement of financial position.

Operating lease commitments

EUR million	2018
Interminable minimum lease payments are specified as follows:	
Within 0-1 year	24.8
Within 1-5 years	39.0
After 5 years	4.0
Total	**67.8**

§ 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.

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	Net total of non-current assets (including goodwill), pensions and deferred tax liabilities and working capital
3	Diluted earnings per share	Result attributable to shareholders 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 (result 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)	Result attributable to shareholders of Nilfisk Holding A/S relative to average number of outstanding shares
13	Equity value per outstanding share	Equity attributable to shareholders of Nilfisk Holding A/S per outstanding share at December 31
14	Finacial gearing	Net interest-bearing debt divided by 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	Investment ratio	Additions as a percentage of depreciations/amortizations
19	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
20	OCI	Other comprehensive income
21	Operating performance	EBITDA before special items, phantom shares and impact from IFRS 16
22	Operating margin	Operating performance as a percentage of revenue
23	Organic growth	Organic growth in local currency excluding acquisitions and divestments and foreign exchange rates
24	Overhead cost ratio	Overhead costs as a percentage of revenue
25	R&D ratio	R&D spend as a percentage of revenue
26	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
27	Solvency ratio	Equity attributable to shareholders of Nilfisk Holding A/S as a percentage of total assets
28	Working capital	Current assets minus current and non-current liabilities (excluding interest-bearing items and provisions)
29	Working capital ratio	Average working capital LTM (latest twelve month) as a percentage of revenue

Note 8

8.6 Definitions – continued

Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS. A reconciliation from these alternative performance measures to the nearest IFRS measure is presented below.

Organic growth

Organic growth is a measure that reflects the underlying performance of the Group. As such, this excludes the impact of acquisitions or divestments and foreign exchange movements. Below is a reconciliation from the movement in reported revenue according to IFRS to organic growth.

	2019	2018
Revenue growth (according to P&L)	-8.3%	-2.5%
Foreign exchange	-1.2%	2.6%
Acquisitions/divestments	5.4%	1.9%
Organic growth	**-4.1%**	**2.0%**

Operating performance

In addition to measuring financial performance of the Group based on operating result, EBITDA and adjusted EBITDA figures are also used.

We consider EBITDA to be a useful measure because it approximates the underlying performance by eliminating depreciations and amortizations. The adjusted EBITDA figures are used in order to be comparable year over year, due to the implementation of new accounting standards as well as eliminating special items and phantom shares which are not comparable year over year.

In 2019, the effect of IFRS 16 has been adjusted in Operating performance in order to be comparable with 2018, since comparative figures have not been restated with the effect of IFRS 16.

EUR million	Note	2019	2018*
Result before financial items and income taxes (EBIT)		29.6	18.9
Depreciation, amortization and impairment	4.5	69.1	50.9
EBITDA		**98.7**	**69.8**
Special items (excluding impairment)	2.3, 4.5	22.7	55.7
EBITDA before special items		**121.4**	**125.5**
Phantom shares		-	-4.3
EBITDA before special items and phantom shares		**121.4**	**121.2**
IFRS 16 impact reversed	4.5	-26.0	-
Operating performance		**95.4**	**121.2**

*Comparative figures are not restated with the effect of IFRS 16.

Overhead costs

Below is a breakdown of overhead costs, as presented in the income statement. Overhead costs consists of operating expenses, depreciations, amortizations and impairment as well as other operating income and expenses.

EUR million	2019	2018
Research and development costs	30.9	31.2
Sales and distribution costs	241.2	245.2
Administrative costs	82.1	75.0
Other operating income	7.7	4.8
Other operating expenses	3.8	2.1
Total overhead costs	**350.3**	**348.7**

Parent company **financial statements** 2019

Notes

Income statement

for the period January 1 to December 31

EUR million	Note	2019	2018
Other income	1	2.1	2.2
Administrative costs	1, 2	-3.5	-3.7
Result before financial items and income taxes (EBIT)		**-1.4**	**-1.5**
Financial expenses	3	-0.9	-0.7
Result before income taxes		**-2.3**	**-2.2**
Income taxes	4	0.6	0.7
Result for the year		**-1.7**	**-1.5**
To be distributed as follows:			
Result attributable to shareholders of Nilfisk Holding A/S	5	-1.7	-1.5
Total		**-1.7**	**-1.5**

Balance sheet

at December 31

EUR million	Note	2019	2018
Assets			
Non-current assets			
Investments in subsidiaries	6	215.5	215.6
Deferred tax	4	1.4	0.7
Total non-current assets		**216.9**	**216.3**
Current assets			
Prepayments	7	0.1	0.1
Receivables from group companies	8	2.8	0.8
Total current assets		**2.9**	**0.9**
Total assets		**219.8**	**217.2**
Equity and liabilities			
Equity			
Share capital		72.9	72.9
Retained earnings		21.7	23.8
Total equity		**94.6**	**96.7**
Non-current liabilities			
Interest-bearing loans and borrowings		7.5	3.1
Loans from group companies	8	117.3	117.1
Total non-current liabilities		**124.8**	**120.2**
Current liabilities			
Trade payables and other liabilities		0.4	0.3
Total current liabilities		**0.4**	**0.3**
Total liabilities		**125.2**	**120.5**
Total equity and liabilities		**219.8**	**217.2**

Statement of changes in equity for the year
at December 31

EUR million	Share capital	Retained earnings	Total equity
Equity, January 1, 2019	**72.9**	**23.8**	**96.7**
Foreign exchange translation adjustments	-	0.1	0.1
Result for the year	-	-1.7	-1.7
Share option program	-	-0.5	-0.5
Total changes in equity in 2019	**-**	**-2.1**	**-2.1**
Equity, December 31, 2019	**72.9**	**21.7**	**94.6**

EUR million	Share capital	Retained earnings	Total equity
Equity, January 1, 2018	**72.9**	**25.4**	**98.3**
Foreign exchange translation adjustments	-	-0.3	-0.3
Result for the year	-	-1.5	-1.5
Share option program	-	0.2	0.2
Total changes in equity in 2018	**-**	**-1.6**	**-1.6**
Equity, December 31, 2018	**72.9**	**23.8**	**96.7**

The share capital is 27,126,369 shares with a nominal value of 20 DKK each.
The shares are not split into classes of shares. See Note 3.3 to the consolidated financial statements for a description of the share option program to the Executive Management Board.
Changes in equity 2019 are comprised of result for the year. No dividends are proposed for 2019.

Note 1-8

Nilfisk Holding A/S is the parent company of the Nilfisk Group. The parent company holds transactions related to holding of the subsidiaries, please refer to the Management review.

1. Administrative costs

EUR million	2019	2018
Wages and salaries	2.7	3.6
Total	**2.7**	**3.6**
Number of full-time employees, average	2	2
Number of full time employees, year-end	2	2
Remuneration to Board of Directors	0.6	0.6
Remuneration to the Executive Management Board	2.1	3.0
Other administrative costs	0.8	0.1
Total	**3.5**	**3.7**

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 3.2 and 3.3 of the consolidated financial statements. Management fee of 2.1 mEUR was received by Nilfisk Holding A/S, and recognized in the income statement as other income.

2. Fees to auditors elected at the annual general meeting

EUR million	2019	2018
Deloitte:		
Statutory audit	0.1	0.1
Total	**0.1**	**0.1**

3. Financial expenses

EUR million	2019	2018
Foreign exchange gains/losses	-	-0.3
Interest to group companies	-0.9	-0.4
Total	**-0.9**	**-0.7**

4. Tax

Tax recognized in the income statement

EUR million	2019	2018
Deferred tax	0.6	0.7
Total	**0.6**	**0.7**
Reported tax rate	28.7%	31.1%
Reconciliation of tax:		
Calculated tax of 22.0% (2018: 22.0%) on result before income taxes	0.5	0.5
Tax effect of:		
Non-taxable income/non-deductible expenses	0.1	-
Adjustment of previous years	-	0.2
Total	**0.6**	**0.7**

Deferred tax assets

EUR million	2019	2018
Deferred tax assets, January 1	0.7	-
Deferred tax recognized in the income statement	0.6	0.7
Deferred tax assets, December 31	**1.4**	**0.7**

5. Proposed distribution of result for the year

EUR million	2019	2018
Suggested distribution of result for the year:		
Result attributable to shareholders of Nilfisk Holding A/S	-1.7	-1.5
Proposed dividend	-	-
Total	**-1.7**	**-1.5**

6. Investments in subsidiaries

EUR million	2019	2018
Carrying amount, January 1	215.6	216.2
Exchange rate adjustments	-0.1	-0.6
Carrying amount, December 31	**215.5**	**215.6**

7. Prepayments

EUR million	2019	2018
Insurance	0.1	0.1
Total	**0.1**	**0.1**

8. Related parties

Transactions with affiliated undertakings comprise the following:

EUR million	2019	2018
Non-current interest-bearing loan from Nilfisk A/S	117.3	117.1
Receivables from group companies	2.8	0.8

Management fee of 2.1 mEUR is included in the 2.8 mEUR as a net receivable (2018: 2.2 mEUR).

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

Note 9-10

9. Contingent liabilities, securities and contractual obligations

Nilfisk Holding A/S has issued guarantees in total of 10.5 mEUR (2018: 12.6 mEUR), relating to rental contracts in subsidiaries.

Nilfisk Holding A/S and all its Danish subsidiaries are subject to mandatory joint taxation. As 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 Holding A/S is liable for obligations attributable to the activities, assets and liabilities of NKT A/S that existed at the demerger 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. Nilfisk Holding A/S has entered into an indemnification agreement with NKT A/S, under which each party has 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.

10. Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the presentation of the financial statements that materially affect the assessment of the financial statements of Nilfisk Holding A/S.

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.

The financial statement for the parent company 2019 covers the period from January 1, 2019 to December 31, 2019 (January 1, 2018 to December 31, 2018).

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. As 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. 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.

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 2019.

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.

Furthermore, 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, 2019 and of the results of the Nilfisk Group's and the parent company's operations and cash flow for the financial year 2019.

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 25, 2020

Executive Management Board

Hans Henrik Lund
President and CEO

Prisca Havranek-Kosicek
CFO

Board of Directors

Jens Peter Due Olsen
Chairman

Lars Sandahl Sørensen
Deputy Chairman

Jutta af Rosenborg

Anders Erik Runevad

René Svendsen-Tune

Richard Parker Bisson

Thomas Schleicher

Gerner Raj Andersen

Søren Giessing Kristensen

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, 2019 to December 31, 2019, which comprise the income statement, statement of financial position, 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, 2019, and of the results of its operations and cash flows for the financial year January 1, 2019 to December 31, 2019 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, 2019, and of the results of its operations for the financial year January 1, 2019 to December 31, 2019 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.

We were appointed auditors of Nilfisk Holding A/S for the first time on October 12, 2017. We have been reappointed by decision of the general assembly for a total contiguous engagement period of 3 years up to and including the 2019 financial year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year January 1, 2019 to December 31, 2019. 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.

Classification and presentation of special items

Expenses recognised as special items in 2019 represent a net expense of EUR 23.9 million (2018: an expense of EUR 68.5 million) and comprise primarily expenses related to cost saving programs and business restructuring.

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 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 the significance of special items, special items are considered to be a key audit matter. We refer to Note 2.4 and 2.5 in the consolidated financial statements.

How the matter was addressed in our audit

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 only represent significant non-recurring expenses of a special nature, different from the Group's ordinary operations
- Assessed the completeness of the special items
- Examined all material income and expenses classified and presented as special items to supporting documentation and where relevant assessed the reasonableness of the judgement applied by Management in estimating the amounts
- Assessed whether disclosures in Note 2.4 and 2.5 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 25, 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen	Sumit Sudan
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no mne21358	MNE no mne33716

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