

Nilfisk A/S

Kornmarksvej 1, 2605 Brøndby

Central Business Registration No. 62 57 22 13

Annual Report 2017

Adopted at the annual general meeting
on 29 May 2018

Emilie Vingtoft
Chairman of the meeting

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Management's Statement

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Nilfisk A/S for the financial year 1 January - 31 December 2017.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2017 and of the results of its operations for the financial year 1 January - 31 December 2017.

In our opinion, the management Review contains a fair review of the affairs and conditions referred to therein.

We recommend the Annual Report for adoption at the Annual General Meeting.

Brøndby, 29 May 2018

Executive Management Board

Hans Henrik Lund
President and CEO

Karina Kjær Deacon
CFO

Lars Gjødsbøl
EVP

Anders Terkildsen
EVP

Board of Directors

Jens Peter Due Olsen
Chairman

Rene Svendsen-Tune
Deputy Chairman

Anders Erik Runevad

Lars Sandahl Sørensen

Jutta af Rosenborg

Jens Maaløe

Michael Gamtofte
Staff representative

Jean-Marc Rios Dionne
Staff representative

Independent Auditor's Report

To the shareholder of Nilfisk A/S

Opinion

We have audited the financial statements of Nilfisk A/S for the financial year 1 January - 31 December 2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 financial statements section of this auditor's report. We are independent of the Entity 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity'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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management's review

Management is responsible for the management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the 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's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 29 May 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Lars Siggaard Hansen
State-Authorised Public Accountant
MNE-no mne32008

Sumit Sudan
State-Authorised Public Accountant
MNE-no mne33716

Management's Review

Company Information

The Company

Name: Nilfisk A/S
Address: Kornmarksvej 1, 2605 Brøndby
CVR No : 62 57 22 13
Financial period: 1 January – 31 December
Municipality of reg. office: Brøndby

Board of Directors
Jens Peter Due Olsen (Chairman)
Rene Svendsen-Tune (Deputy Chairman)
Anders Erik Runevad
Lars Sandahl Sørensen
Jutta af Rosenberg
Jens Maaløe
Michael Gamtofte (Staff representative)
Jean-Marc Rios Dionne (Staff representative)

Executive Management Board
Hans Henrik Lund (President and CEO)
Karina Kjær Deacon (CFO)
Lars Gjødsbøl (EVP)
Anders Terkildsen (EVP)

Auditors
Deloitte, Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6, 2300 København S

Consolidated Fin. Statements
The company is included in the Group Annual Report of the parent company Nilfisk Holding A/S, CVR 38998870. The Group Annual report may be obtained at Nilfisk Holding A/S, Kornmarksvej 1, 2605 Brøndby.

Financial Highlights

EUR million	2017	2016	2015	2014	2013
Income statement					
Revenue	537.2	505.1	493.7	471.6	445.8
Profit (loss) before financial items and income taxes (EBIT)	-2.2	-3.2	17.8	26.1	23.7
Financial items, net	2.0	1.2	5.9	0.9	-2.7
Profit before income taxes	28.4	13.8	36.4	49.5	28.3
Profit for the year	28.1	12.0	30.3	45.0	24.4
Balance sheet					
Total non-current assets	460.8	346.6	318.8	312.3	307.0
Total assets	778.6	636.0	607.8	586.3	551.1
Investments in tangible assets	0.8	3.5	2.4	1.1	0.8
Equity	193.8	166.7	151.0	299.9	272.8
Key ratios					
EBIT margin %	-0.4%	-0.6%	3.6%	5.5%	5.3%
Return on equity %	15.6%	7.5%	13.5%	15.7%	9.0%
Solvency ratio %	24.9%	26.2%	24.8%	51.1%	49.5%
Other information					
Average no shares ('000)	5,000	5,000	5,000	5,000	5,000
Average no employees	695	699	717	674	674

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Finance Society. For definitions, see under accounting policies.

The company changed accounting policy in 2015. In accordance with the Danish Financial Statements Act §101, section 3 key figures for 2013 have not been updated to reflect the changed accounting policy. The change in accounting policy comprised a transition from IFRS to the Danish Financial Statements Act and resulted in amortization of goodwill.

Management's Review

Core activity, research and development and knowledge resources

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

Nilfisk A/S' activities are unchanged compared to 2016.

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

Development in the year

Revenue increased by 6.4% to 537.2 mEUR, gross profit increased by 26.2% to 125.4 mEUR and Profit for the year increased by 134.9% to 28.1 mEUR. Profit for the year is affected positively by the higher gross profit, negatively affected by increase in Research and development costs and lastly positively affected by higher dividends from subsidiaries and associated companies. Management considers the financial result for 2017 satisfactory.

Although significantly higher than 2016, Profit for the year is in line with expectations.

Significant events in 2017

Nilfisk A/S was the parent company in the Nilfisk Group last year, but after the demerger from Nilfisk A/S' previous parent company NKT A/S, Nilfisk Holding A/S is now the parent company of the Nilfisk Group. Nilfisk Holding A/S were listed on Nasdaq Copenhagen on October 12, 2017.

Significant judgements and estimates

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

The judgements, estimates and assumptions made are based on historical experience and other factors which 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. The Executive Management Board has assessed that the financial statements are not subject to any particular uncertainty related to recognition and measurement.

Special risks

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

Outlook

Nilfisk expects organic growth (growth neutral to exchange rates and potential acquisitions/disposals) of 3-4% and an increase in EBIT (Earnings interests and taxes) leading to loss outlook in EBIT of -2.0 – 0 mEUR.

Events after the end of the financial year

No events have occurred after the balance sheet date that will have a material effect on the assessment of the Annual Report 2017.

Corporate social responsibility, gender diversity and impact on environment

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

At board level in Nilfisk A/S, the target for the underrepresented gender is 17% female members, which correlates to 1 out of 6 members. The target was achieved in 2017.

Financial Statements

Income Statement for the years ended 31 December

EUR million	Note	2017	2016
Revenue	1	537.2	505.1
Cost of sales	2, 3	-411.8	-405.7
Gross profit		125.4	99.4
Research and development costs	2, 3	-33.6	-21.1
Sales and distribution costs	2, 3	-59.4	-51.0
Administrative costs	2, 3	-38.4	-31.1
Other operating income, net	4	3.8	0.6
Profit (loss) before financial items and income taxes (EBIT)		-2.2	-3.2
Dividends from subsidiaries and associated companies	5	28.6	15.8
Financial income	6	15.7	14.1
Financial expenses	6	-13.7	-12.9
Profit before income taxes		28.4	13.8
Income taxes	7	-0.3	-1.8
Profit for the year	8	28.1	12.0

Balance Sheet at 31 December

Assets

EUR million	Note	2017	2016
Intangible assets	9		
Goodwill		19.0	22.2
Development projects completed		36.1	37.8
Software		17.2	15.3
Development projects and software in progress		23.0	14.4
Other intangible assets		9.4	7.6
		104.7	97.3
Property, plant and equipment	10		
Plant and machinery		0.9	1.2
Tools and equipment		3.8	3.6
Assets under construction		1.2	2.0
		5.9	6.8
Other non-current assets			
Investments in subsidiaries	5	229.0	238.2
Investments in associates	5	2.9	2.9
Receivables from affiliated companies		117.0	0.0
Other receivables		1.3	1.4
		350.2	242.5
Total non-current assets		460.8	346.6
Inventories	11	52.9	48.3
Trade receivables		14.5	13.6
Receivables from affiliated companies		239.2	215.6
Other receivables		8.5	9.6
Prepayments		2.0	2.0
Income tax receivable		0.7	0.2
Cash at bank and in hand		0.0	0.1
Total current assets		317.8	289.4
Total assets		778.6	636.0

Balance Sheet at 31 December

Equity and liabilities

EUR million	Note	2017	2016
Equity	12		
Share capital		67.2	67.2
Hedging reserve		0.0	0.7
Development cost reserve		19.7	11.5
Proposed dividends		0.0	0.0
Retained earnings		106.9	87.3
Total equity		193.8	166.7
Non-current liabilities			
Interest-bearing loans and borrowing	13	375.2	0.0
Payables to affiliated companies, non-current	13	0.0	161.3
Deferred tax	14	14.4	15.5
Provisions	15	0.5	0.6
Total non-current liabilities		390.1	177.4
Current liabilities			
Interest-bearing loans and borrowing	13	83.7	0.0
Trade payables		24.5	32.3
Payables to affiliated companies	13	48.9	231.2
Income tax payable		0.1	0.0
Provisions	15	1.0	0.9
Other liabilities		36.5	27.5
Total current liabilities		194.7	291.9
Total liabilities		584.8	469.3
Total equity and liabilities		778.6	636.0

Statement of changes in Equity at 31 December

EUR million	Share capital	Hedging reserve	Development cost reserve	Proposed dividends	Retained earnings	Total equity
Equity, 1 January 2017	67.2	0.7	11.5	0.0	87.3	166.7
Profit for the year	0.0	0.0	8.2	0.0	19.9	28.1
Foreign exchange translation adjustments	0.0	0.0	0.0	0.0	-0.2	-0.2
Hedge effect for the year, net	0.0	-0.7	0.0	0.0	0.0	-0.7
Share option programme	0.0	0.0	0.0	0.0	-0.1	-0.1
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Equity, 31 December 2017	67.2	0.0	19.7	0.0	106.9	193.8

Hedging reserve

Reserve for financial instruments consist of the value of unrealised hedging transactions as of 31 December 2017 0.0 mEUR (2016: 0.9 mEUR) with deduction of tax 0.0 mEUR (2016: 0.2 mEUR).

Notes

1 Revenue

Revenue by segments and geographical regions

EUR million	2017	2016
Professional	379.7	418.3
Specialty	68.3	66.3
Consumer	89.2	20.4
	537.2	505.1
EMEA	427.0	416.4
Americas	66.3	59.8
APAC	43.9	28.9
	537.2	505.1

2 Amortization, depreciation and write-downs

Split on cost functions

EUR million	2017	2016
Cost of sales	4.6	3.8
Research and development costs	13.2	8.9
Sales and distribution costs	2.2	1.8
Administrative costs	1.9	3.7
	21.9	18.2

3 Staff costs

EUR million	2017	2016
Wages and salaries	58.9	52.0
Share option incentive programme	5.7	0.6
Social security costs	0.7	0.8
Pensions	3.7	3.6
	69.0	57.0
<i>Staff costs recognized as follows:</i>		
Cost of sales	4.3	4.4
Research and development costs	8.5	9.1
Sales and distribution costs	31.6	27.1
Administrative costs	24.6	16.4
	69.0	57.0
Number of full-time employees, average	695	699
Number of full-time employees, year-end	689	675
Remuneration to Board of Directors	0.0	0.1
Remuneration to Executive Management	4.1	3.0

An incentive program has been established for the Executive Management Board in the company, in which Executive Management Board has been granted the right to purchase shares in Nilfisk Holding A/S at strike price. Each share option is subject to completion of a service period of 36 months, and can be exercised during a period of four weeks after publication of the latest annual financial statements of Nilfisk Holding A/S in each of the years 2017-2021. No share options for 2017 has been granted, and instead a cash compensation was paid.

4 Other operating income, net

EUR million	2017	2016
Service fee for Nordic Shared Service Center	0.7	0.9
Other service fees	1.3	1.4
Disposal of Pressure Pro to Nilfisk Inc.	2.3	0.0
Other expenses	-0.5	-1.7
	3.8	0.6

5 Dividends from and investments in subsidiaries and associated companies

EUR million	Subsidiaries		Associated companies	
	2017	2016	2017	2016
Dividends	27.2	14.5	1.4	1.3
Costs, 1 January, 2017	238.2	224.3	2.9	2.9
Exchange rate adjustments	-0.3	0.8	0.0	0.0
Additions	0.0	13.1	0.0	0.0
Disposals	-8.9	0.0	0.0	0.0
Costs, 31 December, 2017	229.0	238.2	2.9	2.9

Group companies (100% ownership)

Nippon Investment Corporation ApS Denmark	Nilfisk de Mexico Manufacturing Serv. S. de R.L. de C.V. Mexico
Nilfisk GmbH Austria	Nilfisk de Mexico Manufacturing S. de R.L. de C.V. Mexico
Nilfisk N.V./S.A. Belgium	Nilfisk U.S Holding Inc. US
Nilfisk s.r.o. Czech Rep.	Nilfisk Inc. US
Nilfisk Oy Finland	Hathaway North America Inc. US
Nilfisk S.A.S. France	Hydro Tek Systems, Inc. US
Jungo Voirie S.A.S. France	Nilfisk Pressure-Pro, LLC. US
Nilfisk-Advance Eppingen GmbH Germany	Nilfisk S.R.L. Argentina
Nilfisk GmbH Germany	Nilfisk Equipamentos de Limpeza Ltda. Brazil
Nilfisk Hellas S.A. Greece	Nilfisk S.A. Chile
Nilfisk Production Kft. Hungary	Nilfisk S.A.C. Peru
Nilfisk Commercial Kft. Hungary	Nilfisk Pty. Ltd. South Africa
Nilfisk Ltd Ireland	Industro-Clean (Cape) Pty. Ltd. South Africa
Nilfisk S.p.A. Italy	Nilfisk Pty. Ltd. Australia
Nilfisk B.V. Netherlands	Kerrick Distributers (Aust) Pty. Ltd. Australia
Nilfisk AS Norway	Dongguan Viper Cleaning Equipment Co. Ltd. China
Nilfisk Polska Sp.z.o.o. Poland	Nilfisk Cleaning Equipment (Shanghai) Co. Ltd China
Nilfisk Lda Portugal	Nilfisk Professional Cleaning Equipment (Suzhou) Co. Ltd. China
Nilfisk-Advance S.R.L. Romania	Nilfisk Ltd. Hong Kong
Nilfisk LLC Russia	Nilfisk India Private Ltd. India
Nilfisk s.r.o. Slovakia	Nilfisk Inc. Japan
Nilfisk S.A. Spain	Nilfisk Korea Co. Ltd. Korea
Nilfisk AB Sweden	Nilfisk Sdn Bhd Malaysia
Nilfisk AG Switzerland	Nilfisk Ltd. New Zealand
Nilfisk Profesyonel Temizlik Ekipmanlari Ticaret. A.S. Turkey	Nilfisk Pte. Ltd. Singapore
Nilfisk Ltd. United Kingdom	Nilfisk Ltd. (Branch) Taiwan
Floor Cleaning Machines United Kingdom	Nilfisk Co. Ltd. Thailand
Nilfisk Canada Company Canada	Nilfisk Company Ltd. Vietnam
Nilfisk de Mexico S. de R.L. de C.V. Mexico	Nilfisk Ltd. (Branch) Macau
Nilfisk de Mexico Services S. de R.L. de C.V. Mexico	

Associated companies (Ownership % in brackets)

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

6 Financial items

EUR million	Financial income		Financial expenses	
	2017	2016	2017	2016
Interest, external	6.5	4.2	9.7	1.9
Interest, intercompany	7.8	8.7	0.0	9.6
Security commission, intercompany	0.0	0.1	0.0	0.0
Foreign exchange gains/losses	0.0	1.1	3.4	0.0
Derivative financial instruments gains/losses	1.4	0.0	0.6	1.4
	15.7	14.1	13.7	12.9

7 Income taxes

EUR million	2017	2016
Tax recognized in the Income statement		
Current tax	0.0	-0.2
Deferred tax	0.0	0.8
Adjustment prior years, current tax	0.3	-0.3
Adjustment prior years, deferred tax	-0.9	1.0
Withholding tax	0.9	0.5
	0.3	1.8

8 Profit distribution

Profit to be distributed as follows:

EUR million	2017	2016
Proposed dividends	0.0	0.0
Transferred to development costs reserve	8.2	11.5
Transferred to retained earnings	19.9	0.5
	28.1	12.0

9 Intangible assets

EUR million	Goodwill	Develop- ment projects completed	Software	Develop- ment pro- jects and software in progress	Other intangible assets	Total
Costs, 1 January 2017	31.7	85.6	39.3	14.4	15.1	186.1
Additions	0.0	2.1	3.0	22.6	0.0	27.7
Disposals	0.0	-0.1	0.0	0.0	0.0	-0.1
Transferred between classes of assets	0.0	9.2	1.9	-14.1	3.0	0.0
Exchange rate adjustments	0.0	-0.1	-0.1	0.0	0.0	-0.2
Costs, 31 December 2017	31.7	96.7	44.2	23.0	18.1	213.5
Amortization and impairment, 1 January 2017	-9.5	-47.8	-24.0	0.0	-7.5	-88.8
Amortization for the year	-3.2	-12.9	-2.9	0.0	-1.1	-20.2
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.1	0.0	0.0	0.0	0.0
Exchange rate adjustments	0.0	0.1	0.0	0.0	0.0	0.1
Amortization and impairment, 31 December 2017	-12.6	-60.6	-26.9	0.0	-8.6	-108.8
Carrying amount, 31 December 2017	19.0	36.1	17.2	23.0	9.4	104.7
Amortization in years	10	3-10	3-15	0	5-20	

Software and other intangible assets are amortized over 10 years of lifetime if Management has assessed that the economic lifetime is more than 10 years.

10 Tangible assets

EUR million	Plant and machinery	Tools and equipment	Assets under construction	Total
Costs, 1 January 2017	2.3	15.5	2.0	19.8
Additions	0.1	0.5	0.2	0.8
Disposals	-0.1	0.0	0.0	-0.1
Transferred between classes of assets	-0.2	1.2	-1.0	0.0
Costs, 31 December 2017	2.1	17.2	1.2	20.5
Depreciation and impairment, 1 January 2017	-1.1	-11.9	0.0	-13.0
Depreciation for the year	-0.2	-1.5	0.0	-1.7
Impairment	0.0	0.0	0.0	0.0
Disposals	0.1	0.0	0.0	0.1
Depreciation and impairment, 31 December 2017	-1.2	-13.4	0.0	-14.6
Carrying amount, 31 December 2017	0.9	3.8	1.2	5.9
Depreciation in years	4-20	3-15	0	

11 Inventories

EUR million	2017	2016
Raw materials, consumables and goods for resale	3.9	2.8
Work in progress	0.5	0.2
Finished goods	48.5	45.3
	52.9	48.3
Write-down on inventories, December 31	-2.2	-2.1

12 Equity

The share capital consists of 5,000,000 shares. The share capital and the number of shares has not changed the last 5 years.

13 Non-current liabilities

EUR million	Maturity		
	Within 1 year	1-5 years	After 5 years
Interest-bearing loans and borrowing	83.7	375.2	0.0
Payables to affiliates	48.9	0.0	0.0
	132.6	375.2	0.0

14 Deferred tax

EUR million	2017	2016
Deferred tax assets and liabilities		
Deferred tax assets, 1 January, 2017	0.0	0.0
Deferred tax liabilities, 1 January, 2017	-15.5	-14.2
Deferred tax recognized in the Income statement	0.9	-1.8
Tax recognized on equity	0.2	0.2
Foreign exchange adjustment	0.0	0.3
	-14.4	-15.5
<i>Recognized deferred tax:</i>		
Deferred tax assets, 31 December, 2017	0.0	0.0
Deferred tax liabilities, 31 December, 2017	-14.4	-15.5
	-14.4	-15.5
<i>Specification of deferred tax assets and liabilities:</i>		
Intangible assets	-18.4	-17.1
Tangible assets	2.0	-3.9
Provisions	2.5	2.8
Short-term liabilities	-0.5	2.7
	-14.4	-15.5

15 Provisions

2017	Maturity		
	Within 1 year	1-5 years	After 5 years
EUR million			
Warranty obligations	0.7	0.0	0.0
Other provisions	0.3	0.5	0.0
	1.0	0.5	0.0

2016	Maturity		
	Within 1 year	1-5 years	After 5 years
EUR million			
Warranty obligations	0.6	0.0	0.0
Other provisions	0.3	0.6	0.0
	0.9	0.6	0.0

16 Contingent liabilities, securities and contractual obligations

Nilfisk A/S is a party to various disputes, legal proceedings and inquiries from authorities, including tax authorities, whose outcome is not expected to materially impact profit for the year and the financial position.

Nilfisk A/S has issued guarantees towards third parties with a total nominal value of 26 mEUR (2016:2 mEUR). This mainly relates to guarantees provided to subsidiaries' credit institutions.

Nilfisk A/S is taxed jointly with all Danish entities of the Nilfisk Holding A/S Group. As part of the joint taxation, Nilfisk A/S is liable with other companies in the joint taxation scheme for Danish corporate taxes on corporate income taxes, dividend, interest and royalties within the joint taxation group.

Nilfisk A/S has minimum lease obligations on rented premises, equipment and tools, and cars with a total value of 14 mEUR (2016: 21 mEUR).

The parent company guarantees regarding cash pool and rent guarantees from previous parent NKT Holding A/S has been transferred to either the new parent company Nilfisk Holding A/S or Nilfisk A/S during 2017 and has been included in the contingent liabilities in either Nilfisk A/S or Nilfisk Holding A/S. Nilfisk A/S guarantees for certain affiliates that are not audited on annual basis.

17 Related parties

Nilfisk A/S' parent company is Nilfisk Holding A/S which owns 100% of Nilfisk A/S.

Other related parties comprise all subsidiaries and associated companies. In addition, the members of the Board of Director and the Executive Board are considered to be related parties. All related parties transactions are made at market term.

Accounting policies

General accounting policies

The financial statements for Nilfisk A/S are prepared in accordance with the Danish Financial Statements Act for accounting class large C companies.

The accounting policies applied to these financial statements are consistent with those applied last year.

The Annual Report is presented in EUR rounded to nearest EUR 1,000,000 with one decimal.

A DKK/EUR exchange rate of 7.439 (2016: 7.446) has been applied.

Nilfisk A/S is a public company domiciled in Denmark. Until end of 2017 Nilfisk A/S was the parent company in the Nilfisk Group, but as part of the demerger of Nilfisk A/S from NKT A/S Nilfisk Holding A/S became the parent company of the Nilfisk Group.

In pursuance of section 112(3,2) of the Danish Financial Statements Act, no consolidated financial statement has been prepared. The company is included in the Group Annual Report of the parent company Nilfisk Holding A/S (CVR 38 99 88 70). The Group Annual report may be obtained at Nilfisk Holding A/S, Kornmarksvej 1, 2605 Brøndby or at <https://investor.nilfisk.com/financial-information/financial-reports-presentations>.

In pursuance of section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is affected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

Significant judgements and estimates

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

The judgements, estimates and assumptions made are based on historical experience and other factors which 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.

Going concern

Executive Management Board is required to decide whether the 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 A/S can continue operating for at least 12 months from the balance sheet date.

Translation of transactions and balances

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

Income Statement

Revenue

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

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

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

Cost of sales

Cost of sales comprises costs incurred to achieve the revenue for the year. Cost of sales includes direct and indirect costs of raw materials and consumables; salaries; maintenance, depreciation and impairment of production plant; and costs and expenses relating to the operation, administration and management of factories. Also included are inventory write-downs.

Research and development costs

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. It provides that the costs can be reliably determined, and that there is also adequate certainty that the future earnings or net selling prices can cover carrying amount as well as the development costs necessary for finalizing the project. Other development costs are expensed in the Income statement as incurred.

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

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

Sales and distribution costs

Sales and distribution costs comprise costs relating to the sale and distribution of products, including salaries, sales commissions, advertising and marketing costs, depreciation and impairment, etc.

Administrative costs

Administrative expenses comprise expenses incurred for management and administration of the Company, including expenses for the administrative staff and Management, stationery and office supplies as well as depreciation and amortization.

Long term incentive programs

Nilfisk A/S' incentive programs include a share option program for the Executive Management Board and a phantom share program for certain key employees.

The share option program is accounted for as equity-settled share-based payments to employees and are 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 estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting

period, the company revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognized in the Income statement such that the cumulative expense reflects the revised estimate.

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

Other operating income, net

Other operating income, net comprises income and expenses of a secondary nature as viewed in relation to the Entity's primary activities, hereby sale of subsidiaries and gain and losses of intangible and tangible assets. Gain and losses of intangible and tangible assets is recognized as the sales price deducted with expenses related to the sales and the recognized value at the point of sale.

Income from investments in subsidiaries and associated companies

Dividends from investments in subsidiaries and associated companies are recognized in the Income statement in the year the dividends are declared.

Financial items

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

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

Tax on profit for the year

Nilfisk A/S is jointly taxed with the administration company Nilfisk Holding A/S and Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies proportionately to their taxable income. Companies who is utilizing the tax loss in other companies, is paying a joint tax refund to the administration company equal to the tax value of the utilized tax loss. Further companies, who tax loss is utilized by other companies, are receiving joint tax refund from the administration company equal to the tax value of the utilized tax loss (full allocation). The jointly taxed companies are part of the on the account tax agreement.

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

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

Balance Sheet

Goodwill

Goodwill is amortized over the expected economic lifetime being 10 years. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Goodwill acquired is measured at cost less accumulated amortization.

Other intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the expected useful lives of the assets. Other intangible assets are written down to the lower of recoverable amount and carrying amount. Amortization and impairment are recognized in the income statement as cost of sales, sales and distribution costs and administrative costs.

Depreciation is affected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Development projects completed	3-10 years
Software	3-15 years
Other intangible assets	5-20 years

Development projects that are clearly defined and identifiable, where there is evidence of the technical utilization degree, sufficient resources and a potential future market or development opportunities in the Group, and where Nilfisk A/S intends to produce, market or use the project, are recognized as intangible assets if it is probable that costs incurred will be covered by future earnings.

The cost of such development projects includes direct salaries, materials, and other direct costs attributable to the development projects.

Amortization and write-down of such capitalized development projects start from the date of completion and are included in research and development costs. Other development costs are recognized in the income statement as incurred.

Projects are assessed on an ongoing basis, taking into account development progress, expected approvals and commercial utilization.

Property, plant and equipment

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

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

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

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately.

Depreciation is affected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Plant and machinery	4-20 years
Tools and equipment	3-15 years

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.

Investments in subsidiaries and associated companies

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.

An associated company is an entity in which Nilfisk A/S 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 cost method.

Inventories

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

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

Finished goods and work in progress are measured at costs, which comprise costs of raw materials, consumables, direct wages/salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management.

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.

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

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less write-downs for bad and doubtful debts, except for derivative financial instruments which are measured at fair value.

Prepayments

Prepaid expenses are measured at cost.

Provisions

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

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

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

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

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

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

Deferred tax

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is, however, not recognized in respect of temporary differences on initial recognition of goodwill and other items, apart from business combinations, where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income. In cases where the computation of the tax base may be made according to different tax rules, deferred tax is measured on the basis of management's intended use of the asset and settlement of the liability, respectively.

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

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

Trade payable and other liabilities

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

Payables to credit institutions and other payables

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.

Financial risks and instruments

Derivative financial instruments

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

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

Other derivative financial instruments

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

Operating leases

Lease commitments relating to operating leases are recognized on a straight-line basis in the income statement over the term of the leases.