

Q1 INTERIM REPORT 2018



HIGHLIGHTS



Launch of new compact scrubber dryer SC401/SCRUBTEC 344 equipped with the patented Nilfisk SilentTech™ technology and with a sound level of only 60-65dB



The Nilfisk SC6000 ride-on scrubber dryer won 1st place at the Tomorrow's Cleaning Awards 2018

- The positive sentiment in Q4 2017 continued into the first quarter of 2018 and the order intake remained strong
- At the end of Q1, order backlog was approximately 7 mEUR above normal. This was reduced in April, leading to solid organic growth of 4.4% during the first four months of 2018
- Delivery challenges during Q1 leading to organic growth of only 1.3% in Q1
- The gross margin in Q1 increased to 42.4% from 42.2% in FY 2017
- Q1 EBITDA margin before special items of 11.9% impacted by a phantom share adjustment (10.3% before the adjustment)
- The cost saving program is ahead of plan: Saving target increased from 35 mEUR to approximately 40 mEUR by end of 2019, and further potential identified; new target 50 mEUR by end of 2020
- Divestment of our Swedish chemical business has been closed and is expected to be completed in Q2
- 2018 outlook unchanged: Organic growth is maintained at 3.0%-4.0% and the EBITDA margin before special items is maintained at 11.5%-12.0%

258 mEUR

Revenue

Down 11.4 mEUR from Q1 2017

1.3%

Organic growth

Order backlog approximately 7 mEUR above normal was reduced in April, leading to organic growth of 4.4% during the first four months of 2018

11.9%

EBITDA margin before special items

Excluding impact from the phantom share program, operating performance was 10.3%

14.9%

RoCE

Down 1.0 percentage point from Q1 2017

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FINANCIAL HIGHLIGHTS FOR THE GROUP

FINANCIAL HIGHLIGHTS

EUR million	Q1 2018	Q1 2017
Income statement		
Revenue	257.5	268.9
EBITDA before special items	30.5	35.1
EBIT before special items	20.7	25.4
EBITDA	28.2	30.9
EBIT	18.4	21.2
Special items	-2.3	-4.2
Financial items, net	-3.7	-2.4
Profit for the period	11.1	13.6
Cash flow		
Cash flow from operating activities	-11.3	-16.4
Cash flow from investing activities	-9.5	-8.6
- hereof investments in property, plant and equipment	-3.6	-5.6
Free cash flow excluding acquisitions and divestments	-20.8	-25.0

Financial highlights are stated and ratios calculated as defined in the 2017 Annual Report

EUR million	Q1 2018	Q1 2017
Balance sheet		
Total assets	849.1	999.7
Group equity	142.8	239.1
Working capital	190.1	178.8
Net interest-bearing debt	376.6	289.7
Capital employed	519.4	528.8
Financial ratios and employees		
Organic growth	1.3%	4.5%
Gross margin	42.4%	44.5%
EBITDA margin before special items	11.9%	13.0%
EBIT margin before special items	8.1%	9.4%
EBITDA margin	11.0%	11.5%
EBIT margin	7.2%	7.9%
Financial gearing	3.3	2.3
Overhead costs ratio	33.8%	34.5%
Working capital ratio	17.0%	16.9%
Return on Capital Employed (RoCE)	14.9%	15.9%
Number of full-time employees, end of period	5,833	5,772

GROUP FINANCIALS

FINANCIAL PERFORMANCE

The positive sentiment in Q4 2017 continued into the first quarter of 2018 and the order intake remained strong.

During Q1 our delivery situation was highly unusual as we were impacted by shortages of product supply from our production facilities in Brooklyn Park, US, and our two production facilities in Hungary on selected product platforms. We had an unexpected change in product mix and strong order intake, and we experienced shortages on a few key components from suppliers. This reduced our delivery abilities mainly to the Americas and EMEA and led to an order backlog of approximately 7 mEUR above normal at the end of the quarter.

In Q1 2018 total revenue was 257.5 mEUR with organic growth of only 1.3%.

In April, we saw significant improvements in production and deliveries and the order backlog was significantly reduced, leading to organic growth of 4.4% after the first four months of 2018. We expect a normal delivery situation in Q2.

The gross margin in Q1 was 42.4%, as expected above the 42.2% achieved for 2017, representing a continued improvement over the previous two quarters.

In Q1, EBITDA before special items was 30.5 mEUR, and the EBITDA margin before special items was 11.9% positively impacted by a phantom share adjustment (10.3% before the adjustment).

Organic revenue growth per operating segment

	Q1 2018	Q1 2017	2017
EMEA	4.9%	5.7%	5.9%
Americas	-5.8%	10.3%	5.7%
APAC	3.1%	-0.3%	1.3%
Total Professional	1.2%	6.7%	5.4%
Specialty professional	14.2%	5.5%	2.5%
Specialty consumer	-10.4%	-9.2%	-7.7%
Total Specialty	1.6%	-2.5%	-2.1%
Total	1.3%	4.5%	3.7%

Nilfisk’s return on capital employed was 14.9% at the end of March 2018, down from 15.9% at the end of March 2017 due to a decrease in EBIT before special items and capital employed.

Organic growth driven by EMEA and Specialty Professional

Nilfisk realized an organic growth of 1.3% in Q1 2018. Total revenue growth was negative 4.3% in Q1 2018, due to the negative impact of 5.6% from currency exchange rates, mainly the US Dollar.

The organic growth was driven by positive developments in EMEA, Specialty Professional and APAC. Organic growth in EMEA was 4.9%,

and the positive development was supported by private label sales. The growth of 14.2% in Specialty Professional was mainly driven by strong performance and double-digit growth in the Industrial Vacuum Solutions business. Growth in APAC was 3.1% for the quarter continuing the positive development from the fourth quarter 2017, driven by solid performance and double-digit growth in China.

Our expectations to Q1 organic growth in the US were moderate considering a very strong Q1 2017 particularly within strategic accounts. This was further exacerbated due to delivery challenges during the quarter which impacted delivery of certain floorcare products. Organic growth showed negative development by 5.8% mainly related to the Floorcare product line, partly offset by positive growth in the High pressure washer product line and Aftermarket.

Specialty Consumer realized negative organic growth of 10.4% impacted by the cold weather in Europe postponing the high pressure washer season.

Gross margin increasing as expected

The Q1 gross margin of 42.4% improved from the past two quarters of 2017 (40.8% and 40.4%, respectively) and was above the FY 2017 level of 42.2%. In Q1 2017, the gross margin was 44.5%. Activities from the cost saving program including efficiencies through sourcing optimization, process improvements, complexity reductions and price management had a positive effect on the

Revenue and growth by operating segment

EUR million	Revenue Q1 2018	Revenue Q1 2017	Organic growth	Impact of acquisitions net	FX-rates impact	Total growth
EMEA	119.9	116.0	4.9%	0.0%	-1.6%	3.3%
Americas	59.8	72.8	-5.8%	0.0%	-12.1%	-17.9%
APAC	18.5	19.5	3.1%	0.0%	-7.9%	-4.8%
Total Professional	198.2	208.3	1.2%	0.0%	-6.1%	-4.9%
Specialty Professional	32.4	29.8	14.2%	0.0%	-5.5%	8.8%
Specialty Consumer	26.9	30.8	-10.4%	0.0%	-2.2%	-12.6%
Total Specialty	59.3	60.6	1.6%	0.0%	-3.7%	-2.1%
Total	257.5	268.9	1.3%	0.0%	-5.6%	-4.3%

gross margin. The improvements were partly offset by changes in product mix, including an increase in private label sales that have a lower gross margin, as well as the delivery challenges entailing a less favorable utilization of capacity at factories and increased raw material prices and freight costs.

Overhead cost ratio in line with expectations

Overhead costs were 86.9 mEUR in Q1 2018, equivalent to an overhead cost ratio of 33.8% compared to 34.5% in Q1 2017 despite the modest organic growth. The lower costs are due to a positive effect from change in valuation of the phantom share program of 3.9 mEUR. Adjusted for effects from the phantom share program and change in currency rates, the overhead cost ratio is above Q1 2017, which is due to investments in the front-end sales and marketing, initiatives related to digitalization and other investments in the business.

EBITDA before special items in line with expectations

EBITDA before special items amounted to 30.5 mEUR in Q1 2018, down 4.6 mEUR from Q1 2017. The EBITDA margin before special items has decreased by 1.1 percentage points to 11.9% compared to Q1 2017. The decrease was mainly driven by a decreasing gross margin partly offset by the lower overhead cost ratio.

Adjusted for the positive effect from the phantom share program, the operating performance was 10.3%.

Special items

In Q1 2018, special items were 2.3 mEUR, down from 4.2 mEUR in Q1 2017. The costs in Q1 2018 relate to restructuring costs of 2.3 mEUR incurred in connection with the cost saving program.

Working capital continues to be at a low level

At the end of Q1 2018, working capital was 190.1 mEUR, up by 11.3 mEUR from the end of Q1 2017. The working capital ratio measured on a 12 month average increased by 0.1 percentage point to 17% at the end of Q1 2018, which is in line with our expected normalized level. The increase is due to increased inventories and receivables.

Changes in working capital in Q1 2018 impacted the cash flow negatively by 34.1 mEUR compared to a negative impact of 41.5 mEUR in Q1 2017.

Net interest-bearing debt

At the end of Q1 2018, total net interest-bearing debt was 376.6 mEUR, up by 16.9 mEUR against year end 2017 reflecting a normal seasonality of cash flows. Compared to the end of Q1 2017 it was up by 86.9 mEUR due to allocation of an additional debt of 117 mEUR in connection with our demerger from NKT Holding in 2017.

2018 Outlook

For 2018, Nilfisk has unchanged expectations to organic growth and EBITDA margin before special items compared to the guidance provided in the Annual Report for 2017 released on February 28, 2018.

- Organic growth is expected in the range of 3.0%-4.0%
- EBITDA margin before special items expected to be in the range of 11.5%-12.0%

Based on current forecasted average exchange rates for the year 2018, we expect approximately -3% impact on revenue growth in 2018, primarily caused by developments in the US Dollar.

Cost saving program

Execution of the cost saving program progressed well over the course of Q1 2018. We saw good progress in the activities and we identified further potential.

The cost saving program now has a target of realizing 50 mEUR in annual EBITDA improvements by the end of 2020 of which 38-42 mEUR will be realized by the end of 2019, up from previous expectations of 35 mEUR. The increased potential relates to a number of initiatives including further outsourcing, move to low-cost countries and pricing.

A restructuring cost of 15 mEUR is expected in order to implement the additional savings. Capex investments related to the program are unchanged at 10 mEUR. The full cost saving potential of the program is expected to be achieved in 2020, with full EBITDA impact from the financial year 2021.

By the end of Q1 2018, initiatives implemented and launched relating to the program amounted to a total of 23 mEUR split between approximately 13 mEUR related to overhead reductions, approximately 7 mEUR related to Global Operations initiatives (production footprint, sourcing initiatives and process optimizations), and 3 mEUR related to other initiatives such as complexity reductions and price management. The initiatives have positively impacted costs with savings of 6 mEUR in Q1 2018, with improvements in gross profit of 2 mEUR and overhead of 4 mEUR.

The 2018 full year impact of the cost saving program is expected in the range of 10-12 mEUR.

EUR million	2017 Realized	2018 Q1	2018 Expected	2019 Expected	2020 Expected	Full potential end 2020
Annual accumulated impact on EBITDA before special items related to levers executed prior to the end of each period	21	23	31-35	38-42	50	50
Impact on reported EBITDA before special items in the income statement for the period	17	6	27-29	32-35	45-50	50
Restructuring costs for the period (reported under special items)	10	2	16-18	8-10	3-5	50
Capex investments for the period	4	1	2-3	2-3	1-2	10



MARKETS AND SEGMENTS

EMEA

AMERICAS

APAC



Organic growth in Q1 was 4.9% despite the delivery challenges from our production facilities in the US and Hungary. Revenue was 119.9 mEUR, up 3.9 mEUR from Q1 2017. Organic growth was driven by positive development in France and markets in the East and Southeast Europe region and continued large private label sales, some of which related to orders from 2017, which were delivered in January 2018. The growth was primarily related to sales in the Floorcare and High pressure washer product lines. Germany, Benelux and the Nordic region showed negative organic growth, closely linked to the delivery challenges.

Our expectations to Q1 organic growth in US were moderate considering a very strong Q1 2017 particularly within strategic accounts. This was further exacerbated due to delivery challenges, which impacted delivery of certain floorcare products, and a strategy change from a large dealer, which could not be mitigated within the quarter.

Organic growth was 3.1% continuing the positive trend from Q4 2017. Revenue was 18.5 mEUR in Q1 2018, down 1.0 mEUR from the same quarter last year due to negative currency adjustments. China continues to deliver solid growth, but the growth was partly offset by negative development in the Floorcare product line in some of the more mature countries. Revenue from the Vacuum cleaner product line and Aftermarket offerings delivered solid organic growth in Q1 2018.

Strategic accounts within agriculture, building & construction and retail performed strongly in Q1 2018.

In the Americas, Nilfisk realized revenue of 59.8 mEUR, down 13.0 mEUR from Q1 2017, negatively impacted by 12.1% from currency adjustments primarily related to the US Dollar. Organic growth was a negative 5.8% mainly related to the Floorcare product line, partly offset by positive growth in the High pressure washer product line and Aftermarket. The demand and pipeline from our strategic accounts continue to be strong. After reduction of the order backlog during April 2018 growth was restored, particularly in the US. This meant that organic growth for the first four months of 2018 was -3.3% in the Americas.

APAC recorded a very strong April bringing organic growth to 5.1% for the first four months of 2018.

After reduction of the order backlog during April 2018, strong growth was noted in a number of countries which brought organic growth in EMEA to 6.2% for the first four months of 2018.

Gross profit in APAC was 7.8 mEUR, down 0.3 mEUR from Q1 2017. The gross margin was 42.2%, up 2.2 percentage points from Q4 2017, and up 0.7 percentage point compared to the same quarter last year, due to increased margin within the service business as well as improvements within the mid-market.

Gross profit in EMEA was 50.1 mEUR, down 2.6 mEUR from Q1 2017 measured with full allocation of product profits. The gross margin was 41.8%, up 2.4 percentage points from Q4 2017, and down 3.6 percentage points compared to the same period in 2017. The decrease compared to Q1 2017 is due to changes in product mix including strong private label sales with lower margins. Furthermore, margins in the service business were down compared to Q1 2017 due to investments in capacity build-up through the hiring of new service technicians.

The gross margin improved to 42.1%, up 2.1 percentage points from Q4 2017, and down 1.2 percentage points compared to the same quarter last year.

During Q1, several initiatives have been implemented to simplify our business in Americas. A consolidated sales force is now in place, bringing together teams previously divided into Industrial Floorcare and Industrial Vacuum Solutions. Furthermore, with effect from April 1, 2018, a redefined dealer structure is implemented.

SPECIALTY PROFESSIONAL

32.4 mEUR
revenue in
Q1 2018

14.2%
organic growth in
Q1 2018

Organic growth in Specialty Professional was a strong 14.2% after revenue of 32.4 mEUR, up 2.6 mEUR from the same quarter last year. The Industrial Vacuum Solution business continued to demonstrate strong performance with double-digit growth supported by the product launches in 2017 and an underlying positive investment climate in the manufacturing industry.

Specialty Professional continued a strong performance in April, bringing organic growth to 20.0% for the first four months of 2018.

Gross profit in Specialty Professional was 15.6 mEUR, up 0.7 mEUR from Q1 2017. The gross margin was 48.1%, up 1.5 percentage points from Q4 2017, and down 1.9 percentage points compared to the same quarter last year. The decrease compared to Q1 2017 is mainly due to changes in product mix.

SPECIALTY CONSUMER

26.9 mEUR
revenue in
Q1 2018

-10.4%
organic growth in
Q1 2018

In Specialty Consumer, we realized revenue of 26.9 mEUR, down 3.9 mEUR from the same quarter last year, resulting in a negative organic growth of 10.4%. Bad weather influenced consumer demand significantly and postponed the high pressure washer season in many European markets.

In April, the activity in the consumer segment picked up, bringing organic growth to -1.3% for the first four months of 2018.

Gross profit in Specialty Consumer was 10.4 mEUR, down 2.1 mEUR from Q1 2017. The gross margin was 38.7%, up 1.3 percentage points from Q4 2017. Compared to the same quarter last year the gross margin was down by 1.9 percentage points in part due to capacity utilization and mix.

STRATEGIC INITIATIVES

SIMPLIFYING THE BUSINESS

Over the course of Q1 2018, we continued the execution of our simplification initiatives.

The strategic review of the Outdoor business, initiated in 2017, continued according to plan in Q1 2018.

We signed an agreement in Q1 to sell the Nordic Chemicals & Utensils business, a distributor of detergents based in Sweden, to a group of Swedish investors. The divestment is effective from April 30, 2018. Nilfisk has as part of the sale entered into a transitional service agreement with the buyer. The annual revenue from the divested business was approximately 10 mEUR.

We have concluded a program that will significantly streamline the product portfolio. We will reduce the number of product platforms by more than 40%. The out-phasing of products is expected to be fully concluded before the end of the year. The targeted platforms account for a low single-digit proportion of our revenue. Since the majority of the products have clear substitution possibilities, the revenue impact will be modest.

The restructuring of the production setup in Europe, initiated in the second half of 2017, is progressing according to the plan, and we expect it to be finalized in 2018. The restructuring aims at creating a production setup in which each factory concentrates on specific product families, reducing complexity and enabling effective development of operations at each site, including improved quality processes, better efficiency and increased stability.



Income Statement

EUR million	Note	Q1 2018	Q1 2017
Revenue	2, 3	257.5	268.9
Cost of sales		-148.4	-149.2
Gross profit		109.1	119.7
Research and development costs	5	-8.9	-8.2
Sales and distribution costs	5	-61.9	-64.5
Administrative costs	5	-16.9	-20.6
Other operating income, net		0.8	0.6
Operating profit before amortization/ impairment of acquisition-related intangibles and special items		22.2	27.0
Amortization/impairment of acquisition-related intangibles	6	-1.5	-1.6
Special items	4, 5	-2.3	-4.2
Profit before financial items and income taxes (EBIT)		18.4	21.2
Financial income		1.6	2.2
Financial expenses		-5.3	-4.6
Profit before income taxes		14.7	18.8
Income taxes		-3.6	-5.2
Profit for the period		11.1	13.6
Earnings per share (based on 27,126,369 shares issued)			
Basic earnings per share (EUR)		0.41	0.50
Diluted earnings per share (EUR)		0.41	0.50

Statement of comprehensive income

EUR million	Q1 2018	Q1 2017
Profit for the period	11.1	13.6
Other comprehensive income		
<i>Items that may be reclassified to the income statement:</i>		
Foreign exchange adjustments, foreign companies	-1.2	0.5
Value adjustment of hedging instruments:		
Value adjustment for the period	0.4	-1.0
Transferred to cost of sales	1.2	0.2
Transferred to financial income and expenses	0.3	0.0
Fair value adjustment of available for sales securities	-0.4	0.2
Tax on comprehensive income	-0.4	0.2
Comprehensive income for the period	11.0	13.7
Profit for the year attributable to:		
Shareholders of Nilfisk Holding A/S	11.0	13.6
Non-controlling interests	0.1	0.0
	11.1	13.6
Total comprehensive income for the year attributable to:		
Shareholders of Nilfisk Holding A/S	11.0	13.7
	11.0	13.7

Balance sheet

EUR million	March 31 2018	March 31 2017	December 31 2017
Assets			
Intangible assets			
Goodwill	161.4	177.9	164.4
Trademarks	11.3	14.2	11.9
Customer related assets	12.2	16.4	13.1
Development projects completed	37.2	38.8	37.1
Software, Know-how, Patents and Competition clauses	22.7	23.4	23.8
Development projects and software in progress	30.5	22.8	28.3
	275.3	293.5	278.6
Property, plant and equipment			
Land and buildings	10.9	12.1	11.1
Plant and machinery	4.7	5.4	4.9
Tools and equipment	37.9	37.9	38.4
Assets under construction incl. prepayments	3.5	7.4	3.4
	57.0	62.8	57.8
Other non-current assets			
Investments in associates	20.0	18.6	19.3
Other investments and receivables	7.5	6.5	7.3
Deferred tax	14.3	17.0	14.2
	41.8	42.1	40.8
Total non-current assets	374.1	398.4	377.2
Inventories	197.5	192.5	182.8
Receivables	228.4	225.0	218.2
Interest-bearing receivables	4.3	159.7	4.9
Income tax receivable	6.6	4.7	3.4
Cash at bank and in hand	38.2	19.4	40.7
Total current assets	475.0	601.3	450.0
Total assets	849.1	999.7	827.2

EUR million	March 31 2018	March 31 2017	December 31 2017
Equity and liabilities			
Equity			
Share capital	72.9	72.9*	72.9
Reserves	-8.2	3.2	-8.1
Retained comprehensive income	77.6	163.0*	72.7
Total attributable to shareholders of Nilfisk Holding A/S	142.4	239.1	137.5
Non-controlling interests	0.4	0.0	0.0
Total equity	142.8	239.1	137.5
Non-current liabilities			
Deferred tax	20.2	23.0	19.8
Pension liabilities	5.6	7.4	5.7
Provisions	6.5	6.8	6.5
Interest-bearing loans and borrowings	407.6	188.8	397.3
Other liabilities	1.1	1.4	1.2
	441.0	227.4	430.5
Current liabilities			
Interest-bearing loans and borrowings	12.2	280.0	8.0
Trade payables and other liabilities	233.7	231.9	236.7
Income tax payable	7.7	8.9	3.0
Provisions	11.7	12.4	11.5
	265.3	533.2	259.2
Total liabilities	706.3	760.6	689.7
Total equity and liabilities	849.1	999.7	827.2

*Restated due to demerger

Cash flow statement

EUR million	Q1 2018	Q1 2017
Profit before financial items and income taxes (EBIT)	18.4	21.2
Depreciation, amortization and impairment	9.8	9.7
Non-cash operating items:		
Profit on sale of non-current assets, used and increase in provisions, and other non-cash operating items, etc.	-0.3	-1.0
Changes in working capital	-34.1	-41.5
Cash flow from operations before financial items and income taxes	-6.2	-11.6
Financial income received	1.0	2.2
Financial expenses paid	-3.6	-3.4
Income tax paid	-2.5	-3.6
Cash flow from operating activities	-11.3	-16.4
Investments in property, plant and equipment	-3.6	-5.6
Disposal of property, plant and equipment	0.4	0.9
Intangible assets and other investments	-6.3	-3.9
Cash flow from investing activities	-9.5	-8.6
Changes in non-current interest-bearing receivables	-0.6	0.0
Changes in current interest-bearing receivables	-0.4	15.6
Changes in current interest-bearing loans and borrowings	-8.7	2.8
Changes in non-current interest-bearing loans and borrowings	28.1	-2.7
Cash flow from financing activities	18.4	15.7
Net cash flow for the period	-2.4	-9.3
Cash at bank and in hand, at the beginning of the period	40.7	28.5
Currency adjustments	-0.1	0.2
Cash at bank and in hand, end of period	38.2	19.4

Statement of changes in equity

EUR million	March 31 2018	March 31 2017
Equity, January 1	137.5	224.8
<i>Other comprehensive income:</i>		
Foreign exchange translation adjustments	-1.2	0.5
<i>Value adjustment of hedging instruments:</i>		
Value adjustment for the period	0.4	-1.0
Transferred to cost of sales	1.2	0.2
Transferred to financial income and expenses	0.3	0.0
Fair value adjustment of available for sales securities	-0.4	0.2
Tax on other comprehensive income	-0.4	0.2
Total other comprehensive income	-0.1	0.1
Profit for the period	11.1	13.6
Comprehensive income for the period	11.0	13.7
Non-controlling interest	0.5	0.0
Share option program	-6.2	0.6
Total changes in equity for the period	5.3	14.3
Equity, end of period	142.8	239.1

Note 1

Accounting policies

This Interim Report has been prepared in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for listed companies. No interim report has been prepared for the parent company.

Except for below, the interim report follows the same accounting policies as the consolidated financial statements for 2017, which provide a full description of the significant accounting policies.

Financial statement figures are stated in million EUR. As a result, rounding discrepancies may occur because sum totals have been rounded off and the underlying decimals are not presented to financial statement users.

Regarding accounting estimates, please refer to Note 1 on page 59 of the 2017 Annual Report. Regarding risks please refer to Note 6 on page 106 of the 2017 Annual Report and the information contained in the section on risk management on page 45 of the Annual Report.

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Nilfisk Group has adopted the following new and revised standards issued by IASB, which are effective for the current reporting period that starts on January 1, 2018:

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers

The implementation of IFRS 9 regarding Financial Instruments and IFRS 15 regarding Revenue from Contracts with Customers have resulted in the changes described below. Other new and revised standards have not been assessed relevant and have therefore not caused any changes in accounting policies.

IFRS 9 – Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018, resulted in changes in accounting policies but did not have any material effect on amounts recognized in the financial statements. The new accounting policies are set out below.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The implementation of IFRS 9 has, based on Nilfisk Group’s business model and type of financial assets and liabilities, not resulted in any changes in classification of financial assets and liabilities.

The new hedge accounting rules have in general aligned the accounting for hedging instruments more closely with the Group’s risk management practices. As the hedge accounting in Nilfisk already follows the Risk Management policy, there are no changes in hedge accounting.

The new impairment model requires the recognition of impairment provisions based on the “expected credit loss model” rather than the “Incurred-loss model” on financial assets which are measured at amortized cost. For trade receivables and contracts the simplified expected credit loss model is applied where the expected loss over the lifetime of the receivable is initially recognized.

The transition from the previously used impairment model, the “incurred loss-model”, to the new IFRS 9 “expected loss-model” has resulted in a timely recognition of the expected loss, both in regard to the initial recognition and subsequently.

The Nilfisk Group has implemented the new impairment model retrospectively which implies that the credit risk of the assets has been assessed at the time of the first recognition. As the majority of the Group’s receivables are receivables from sales with short credit period, and due to the low credit risk in the Group, the implementation of the new model has not had a material impact on the valuation of the trade receivables and contracts.

IFRS 15 – Revenue from Contracts with Customers

The Nilfisk Group has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018, using the modified retrospective method (retrospectively with the cumulative effect at the date of initial application). This standard did not have a material impact to the first quarter consolidated income statement or March 31, 2018, consolidated balance sheet other than additional disclosure requirements.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the consolidated balance sheet. Revenue is recognized when it transfers control over products or service to customers. Contract assets are considered immaterial as billing occurs at the same time when revenue is recognized. Nilfisk Group sometimes receive advances or deposits from our customers before revenue is recognized, resulting in contract liabilities which are considered immaterial.

Note 2

SEGMENT INFORMATION

EUR million	EMEA	Americas	APAC	Non-allocated professional	Total professional	Specialty professional	Specialty consumer	Total Specialty	Non-allocated	Group
Q1 - 2018										
Revenue	119.9	59.8	18.5	0.0	198.2	32.4	26.9	59.3	0.0	257.5
Gross profit	50.1	25.2	7.8	0.0	83.1	15.6	10.4	26.0	0.0	109.1
EBITDA	27.0	10.2	2.7	-14.6	25.3	5.1	2.9	8.0	-2.8	30.5
Gross profit %	41.8%	42.1%	42.2%	-	41.9%	48.1%	38.7%	43.8%	-	42.4%
EBITDA %	22.5%	17.1%	14.6%	-	12.8%	15.7%	10.8%	13.5%	-	11.9%
Q1 - 2017										
Revenue	116.0	72.8	19.5	0.0	208.3	29.8	30.8	60.6	0.0	268.9
Gross profit	52.7	31.5	8.1	0.0	92.3	14.9	12.5	27.4	0.0	119.7
EBITDA	30.1	14.4	2.9	-17.1	30.3	4.2	3.5	7.7	-2.9	35.1
Gross profit %	45.4%	43.3%	41.5%	-	44.3%	50.0%	40.6%	45.2%	-	44.5%
EBITDA %	25.9%	19.8%	14.9%	-	14.5%	14.1%	11.4%	12.7%	-	13.0%

The presentation of the Group segments has been changed to the full allocation of the gross profit to the operating segments. Accordingly, gross profit for each segment includes the gross profit from the entire value chain including production and distribution. Furthermore, the table shows EBITDA disclosed by operating segments. The non-allocated professional is costs allocated to professional segment which cannot be directly attributed to the geographical segments. The costs cover shared distribution centers, shared marketing as well as shared functions for digitalization.

Note 3

DISTRIBUTION OF REVENUE

EUR million	Revenue Q1 2018	Revenue Q1 2017	Organic growth	Revenue growth
Floorcare	76.5	83.8	-1.5%	-8.7%
Vacuum cleaners	49.2	50.1	2.1%	-1.6%
HPW	48.6	48.1	6.1%	1.2%
Aftermarket	83.2	86.9	0.8%	-4.5%
Total	257.5	268.9	1.3%	-4.3%

Note 4 SPECIAL ITEMS

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

Special items

EUR million	Q1 2018	Q1 2017
Cost saving program	2.3	2.9
Costs related to the split from NKT A/S	0.0	1.3
	2.3	4.2

Cost saving program includes consultancy fees and supporting tools as well as organizational changes, alignment of facilities, and redundancy costs to staff where one-off related costs are paid out.

Costs related to our split from NKT A/S in Q1 2017 includes consultancy fees, the cost of supporting tools, incentive payments as well as organizational changes as a result of our demerger from NKT A/S in October 2017, and provisions related to the Nilfisk Group phantom share program for managers.

Note 5 INCOME STATEMENT CLASSIFIED BY FUNCTION

The Nilfisk Group presents the income statement based on a classification of the costs by function in order to show the "Operating profit before amortization/impairment of acquisition-related intangibles and special items". These items are therefore separated from the individual functions, but below presented as if they are allocated to each function.

Income statement classified by function

EUR million	Q1 2018	Q1 2017
Revenue	257.5	268.9
Cost of sales	-149.1	-149.7
Gross profit	108.4	119.2
Research and development costs	-8.9	-8.2
Sales and distribution costs	-63.8	-66.4
Administrative costs	-18.1	-24.0
Other operating income, net	0.8	0.6
Profit before financial items and income taxes (EBIT)	18.4	21.2
<i>Amortization/impairment of acquisition-related intangibles are divided into:</i>		
Cost of sales	-0.4	-0.4
Sales and distribution costs	-1.1	-1.2
	-1.5	-1.6
<i>Special items are divided into:</i>		
Cost of sales	-0.3	-0.1
Sales and distribution costs	-0.8	-0.7
Administrative costs	-1.2	-3.4
	-2.3	-4.2

Note 6 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	Q1 2018	Q1 2017
Cost of sales, depreciation and impairment	3.0	2.8
Research and development costs, depreciation and impairment	0.1	0.1
Research and development costs, amortization and impairment	3.5	3.5
Sales and distribution costs, depreciation and impairment	0.3	0.3
Sales and distribution costs, amortization and impairment	0.3	0.3
Administrative costs, depreciation and impairment	0.5	0.5
Administrative costs, amortization and impairment	0.6	0.6
Amortization/impairment of acquisition-related intangibles	1.5	1.6
	9.8	9.7
Total depreciation and impairment of tangibles	3.8	3.7
Total amortization and impairment of non-acquisition related intangibles	4.5	4.4
Total amortization and impairment of acquisition related intangibles	1.5	1.6
	9.8	9.7

Group Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Q1 Interim Report of Nilfisk Holding A/S for the period January 1 - March 31, 2018.

The Interim consolidated financial statements, which have not been audited or reviewed by the Group's independent auditor, have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU. The Interim consolidated financial statements have been prepared in accordance with additional Danish requirements.

In our opinion, the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position at March 31, 2018, and the results of the Group's activities and cash flow for the period January 1 - March 31, 2018.

We also believe that the Management's review provides a fair statement of developments in the activities and financial situation of the Group, financial results for the period, and the general financial position of the Group.

Brøndby, May 16, 2018

Executive Management Board

Hans Henrik Lund
President and CEO

Karina Kjær Deacon
CFO

Board of Directors

Jens Peter Due Olsen
Chairman

Lars Sandahl Sørensen
Deputy Chairman

Jens Maaløe

Jutta af Rosenborg

Anders Erik Runevad

René Svendsen-Tune

Gerner Raj Andersen

Michael Gamtofte

Søren Giessing Kristensen

Statements made about the future in this report reflect the Executive Management Boards' 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 Nilfisk operates in, development in product demand, competitive conditions, energy and raw material prices, and other risk factors. See also latest Annual Report for a more detailed description of risk factors.

Nilfisk Holding A/S disclaims any liability to update or adjust statements about the future or the possible reasons for differences between actual and anticipated results except where required by legislation or other regulations.

Nilfisk's Interim Report Q1 2018 was published on May 16, 2018. The report is also available at www.nilfisk.com.

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