NILFISK INTERIM REPORT

Q3 Interim Report 2019

Company Announcement No.19/2019

Nilfisk Holding A/S
Company reg. no. 38 99 88 70
Kornmarksvej 1,
DK-2605 Brøndby, Denmark

Q3 IN BRIEF – Highlights

- The financial results for Q3 2019 are overall in line with the preliminary results announced on October 16, 2019
- Nilfisk experienced a weakening of the economic conditions mainly impacting EMEA. In the US and in APAC growth was lower than expected
- Nilfisk posted revenue of 200 mEUR for the branded professional business in Q3 corresponding to an organic growth of -4.7%, primarily impacted by EMEA and APAC
- In EMEA, Q3 organic growth of -7.0% was to a large extent negatively impacted by the Central European region, with Germany as the single largest contributor as well as a general weakening of the industrial segment across the region. In Q3 2018, organic growth for EMEA was 8.3%. In Americas, organic growth of -1.1% was impacted mainly by the high-pressure washer business. APAC posted -5.4% organic growth impacted by low performance in Australia in particular
- For the business in total, Nilfisk posted organic growth of -6.8% including organic growth for Consumer and Private label of -9.2% and -28.8% respectively
- The gross margin increased by 0.6 percentage point to 41.5%. The improvement was driven by simplification initiatives but partly offset by lower capacity utilization and US imposed tariffs
- The EBITDA margin before special items was 10.2%, and 7.2% excluding the impact of IFRS 16 (operating margin). This is 3.3 percentage points lower than the operating margin in Q3 2018
- As announced on October 3, 2019, Nilfisk has appointed Prisca Havranek-Kosicek as Executive Vice President and CFO. Prisca will take up her position on December 1, 2019
- Nilfisk's long-term credit facilities have been extended to 2022
- Full-year guidance as adjusted October 16, 2019, is maintained

228mEUR

Revenue

Down 26 mEUR from Q3 2018 driven by divestments and negative organic growth

-4.7%

Organic growth in the branded professional business

Primarily impacted by EMEA and APAC

-6.8%

Organic growth in the total business

Further negatively impacted by Private label and Consumer

41.5%

Gross margin

Up 0.6 percentage point compared to Q3 2018, driven by simplification initiatives

7.2%

Operating margin

Down 3.3 percentage points compared to Q3 2018

12.3%

RoCE

Down 2.9 percentage points compared to September 2018, and negatively impacted by IFRS 16


Make mechanical pro
safer and clean
Create a cleaner, more satisfyi
healthcare environment

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Financial highlights for the Group

EUR million	Q3 2019	Q3 2018*	9M 2019	9M 2018*	Year 2018*
Income statement					
Revenue	227.5	253.6	732.7	795.6	1054.3
EBITDA before special items	23.1	26.1	95.3	91.5	125.5
EBITDA	17.1	9.0	75.4	67.8	69.8
EBIT before special items	6.4	16.3	45.4	62.2	87.4
EBIT	0.7	-13.3	24.5	26.0	18.9
Special items, net	-5.7	-29.6	-20.9	-36.2	-68.5
Result for the period	-4.2	-10.0	8.6	14.9	10.0
Cash flow					
Cash flow from operating activities	35.1	11.7	51.5	11.6	33.1
Cash flow from investing activities	-9.5	-11.0	-33.0	-33.0	-38.6
Free cash flow excluding acquisitions and divestments	25.6	0.7	18.5	-21.4	-8.6
Balance sheet					
Total assets	861.9	818.3	861.9	818.3	794.4
Group equity	161.7	149.9	161.7	149.9	147.5
Working capital	176.7	194.2	176.7	194.2	170.4
Net interest-bearing debt	431.6	381.0	431.6	381.0	369.3
Capital employed	593.0	530.9	593.0	530.9	516.8
Financial ratios and employees					
Organic growth	-6.8%	2.6%	-3.4%	3.3%	2.0%
Organic growth Nilfisk branded professional business	-4.7%	4.9%	-1.1%	2.4%	2.8%
Gross margin	41.5%	40.9%	42.9%	42.0%	42.0%
EBITDA margin before special items	10.2%	10.2%	13.0%	11.5%	11.9%
EBITDA margin	7.5%	3.5%	10.3%	8.5%	6.6%
EBIT margin before special items	2.8%	6.4%	6.2%	7.8%	8.3%
EBIT margin	0.3%	-5.3%	3.3%	3.2%	1.8%
Financial gearing	3.3	3.2	3.3	3.2	2.9
Financial gearing excluding IFRS 16 impact	3.4	3.2	3.4	3.2	2.9
Overhead costs ratio	38.1%	33.8%	36.2%	33.6%	33.1%
Working capital ratio	19.9%	18.0%	19.9%	18.0%	18.5%
Return on Capital Employed (RoCE)	12.3%	15.2%	12.3%	15.2%	16.7%
Basic earnings per share (EUR)	-0.15	-0.53	0.32	0.38	0.37
Diluted earnings per share (EUR)	-0.15	-0.53	0.32	0.38	0.37
Number of full-time employees, end of period	5,095	5,751	5,095	5,751	5,482

*Comparative figures are not restated with the effect of IFRS 16. Please refer to note 1

Please find definitions in Note 8.7 of the 2018 Annual Report

Financial review

Revenue

In Q3 2019, the branded professional business posted an organic growth of -4.7% weighed down by EMEA in particular, where organic growth was -7.0%. In Americas organic growth was -1.1% and in APAC it was -5.4%.

In the remaining business, Consumer and Private label realized organic growth of -9.2% and -28.8% respectively, which led to an organic growth for the total business of -6.8% in Q3 2019.

In Q3 2019, divestments made in 2018 impacted the total growth by -5.3% while foreign exchange rates (primarily USD related) positively impacted the total growth by 1.8%. As a result, total reported growth in Q3 2019 was -10.3% and revenues decreased by 26.1 mEUR to 227.5 mEUR.

Organic growth	Q3 2019	Q3 2018	9M 2019	9M 2018	FY 2018
EMEA	-7.0%	8.3%	-1.7%	4.8%	4.7%
Americas	-1.1%	0.1%	0.7%	-1.5%	0.0%
APAC	-5.4%	4.5%	-4.3%	3.5%	2.1%
Nilfisk branded professional business	**-4.7%**	**4.9%**	**-1.1%**	**2.4%**	**2.8%**
Consumer	-9.2%	-1.4%	-15.5%	0.8%	1.4%
Private label and other	-28.8%	-10.8%	-15.4%	12.2%	-4.0%
Total	**-6.8%**	**2.6%**	**-3.4%**	**3.3%**	**2.0%**

Revenue growth	Q3 2019	9M 2019
Organic	-6.8%	-3.4%
Acquisitions/divestments	-5.3%	-5.8%
Foreign exchange rates	1.8%	1.3%
Total growth	**-10.3%**	**-7.9%**

For the first nine months of the year, organic growth for the branded professional business was -1.1% and -3.4% for the total business.

During the first nine months of 2019, divestments carried out in 2018 had a -5.8% effect on revenue growth, whereas foreign exchange rates had a positive effect of 1.3%, mainly driven by USD. Total reported growth was -7.9% and revenue was 732.7 mEUR against 795.6 mEUR for the prior year.

In EMEA, the organic growth of -7.0% in Q3 was to a large extent negatively impacted by the Central European region. Germany was the single largest contributor, but neighboring countries closely linked to the German economy also experienced negative organic growth. The southern region in EMEA also contributed with negative organic growth coming mainly from a slowdown in the industrial segment. In the Nordic region, organic growth was weighed down primarily by Finland. Organic growth was positive in Denmark, while organic growth in the UK was flat due to more cautious behavior from customers. In Q3 2018, organic growth in EMEA was 8.3%.

In Americas the organic growth in Q3 2019 was -1.1%. US experienced negative organic growth in the high-pressure washer business, impacted by headwind in the agricultural segment as well as the discontinuation of a large dealer. In the remaining part of the US business organic growth was flat. We continue to execute on our growth plan, however the results have materialized more slowly than expected in the industrial segment and in the national accounts.

In APAC organic growth in Q3 2019 was -5.4%. Australia was the largest contributor to the negative growth together with Singapore and Malaysia. Growth continued to be positive in China, although at a lower level than in 2018.

For the first nine months of the year, organic growth in the Nilfisk branded professional business was -1.1% weighed down by organic growth in EMEA of -1.7% and APAC of -4.3%, while organic growth in Americas was 0.7%.

In the remaining business, Consumer posted organic growth of -9.2% in Q3 2019. Organic growth was negative for both the vacuum cleaner and high-pressure washer categories in Q3, whereas the organic growth of -15.5% for the first nine months of 2019 primarily relates to the high-pressure washer category. The Private label business realized organic growth of -28.8% in Q3 2019 and organic growth of -15.4% for the first nine months of the year. The performance was impacted by significantly more cautious behavior from private label customers during Q3 2019.

Gross margin

The gross margin for Q3 was 41.5%, which is an increase of 0.6 percentage point compared to Q3 prior year. The increase was to a large extent driven by efforts to simplify the business, divestments of low margin businesses in particular but also a consolidation of the production footprint and the pruning of product platforms. The gross margin in Q3 was negatively impacted by lower capacity utilization in our production sites due to lower-than-expected activity. Higher prices on raw materials and US imposed tariffs also had a negative impact on the gross margin.

For the first nine months of the year, the gross margin increased by 0.9 percentage point compared to the same period the prior year and came to 42.9%. The improvement was attributable to the drivers mentioned above.

Across the branded professional business, EMEA was negatively impacted by mix effects coming from lower revenue in the high-margin businesses IVS and Food and a higher share of revenue coming from service. Gross margins in Americas generally declined due to higher raw materials and US imposed tariffs, while APAC was negatively impacted by mix effect driven by a relatively smaller share of revenue from the Pacific region, where gross margins typically are higher.

Overhead costs

Overhead costs in Q3 2019 increased by 1.1 mEUR compared to Q3 2018 to 86.7 mEUR, and the cost ratio increased to 38.1% compared to 33.8% in Q3 2018 (33.5% including the Q3 2018 adjustment of 0.7 mEUR related to the phantom share program). Foreign exchange rates had a negative effect of 1.0 mEUR bringing the underlying overhead costs in line with Q3 prior year.

Overhead costs were positively impacted by divestments in particular as well as savings derived from the cost saving program and other savings. However, these were offset by higher R&D and IT spend, and increased amortization regarding finalized IT and R&D projects. We also continued our investments in global functions and capabilities to be leveraged across the business. These include areas such as marketing, service, sales excellence as well as IT support systems.

During Q3, the cost saving program was executed according to plan. The program is described in more detail on page 7.

For the first nine months of 2019 overhead costs were reduced by 2.3 mEUR compared to same period of prior year and amounted to 265.3 mEUR. This corresponds to an overhead cost ratio of 36.2% compared to 33.6% in the first nine months of 2018 (34.0% including the 2018 adjustment of 2.5 mEUR related to the phantom share program). Since December 2018, the phantom shares have been hedged and any value adjustments no longer impact the overhead costs. Foreign exchange rates had a negative effect of 3.0 mEUR.

In Q3 2019 the R&D spend was 3.8% of revenue compared to 4.0% in Q3 2018. As mentioned, the level of capitalization was 1.6 mEUR lower than in Q3 prior year. For the first nine months of the year, the spend ratio was 3.9% compared to 3.7% in the first nine months of prior year. For the first nine months, the level of capitalization increased with 3.0 mEUR compared to 2018 driven by activities related to digital solutions and connected autonomous machines.

Research and Development costs	Q3 2019	Q3 2018	9M 2019	9M 2018
Total expenses (incl. amortization)	7.5	7.0	21.9	25.2
Capitalized in the balance sheet	4.9	6.5	17.8	14.8
Amortization	-3.7	-3.4	-11.1	-10.4
Total	8.7	10.1	28.6	29.6
R&D Ratio (% of revenue)	3.8%	4.0%	3.9%	3.7%

EBITDA before special items

EBITDA before special items in Q3 2019 amounted to 23.1 mEUR down 3.0 mEUR compared to prior year. IFRS 16 increased EBITDA before special items by 6.8 mEUR. Adjusted for the effect of IFRS 16, this corresponds to an operating margin of 7.2% versus 10.5% in Q3 2018.

EBITDA	Q3 2019	Q3 2018	9M 2019	9M 2018
Operating margin*	7.2%	10.5%	10.2%	11.2%
Phantom share impact	-	-0.3%	-	0.3%
EBITDA margin before special items and IFRS 16	7.2%	10.2%	10.2%	11.5%
IFRS 16 uplift	3.0%	-	2.8%	-
EBITDA margins before special items	10.2%	10.2%	13.0%	11.5%
Special items impact	-2.7%	-6.7%	-2.7%	-3.0%
Reported EBITDA margin	7.5%	3.5%	10.3%	8.5%

* Operating margin is operating performance as a percentage of revenue.
Operating performance is EBITDA before special items, phantom shares and IFRS 16.

For the first nine months of the year, EBITDA before special items increased by 3.8 mEUR compared to the first nine months of prior year and amounted to 95.3 mEUR. IFRS 16 increased EBITDA before special items by 20.5 mEUR. Adjusted for the effects of IFRS 16, this corresponds to an operating margin of 10.2% compared to 11.2% for the first nine months of 2018.

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

In Q3 2019, EBIT increased by 14.0 mEUR compared to Q3 2018, and totaled 0.7 mEUR primarily driven by lower special items. This corresponds to an EBIT margin of 0.3% compared to -5.3% in Q3 prior year.

For the first nine months of 2019, EBIT decreased by 1.5 mEUR to 24.5 mEUR compared to the first nine months of 2018, weighed down by lower performance in Q3 2019 partly mitigated by lower special items during the period. The EBIT margin for the first nine months was 3.3%, up 0.1 percentage point compared to the first nine months of prior year.

EBIT before special items for the quarter amounted to 6.4 mEUR compared to 16.3 mEUR in Q3 2018, equivalent to margins of 2.8% in Q3 2019 and 6.4% in Q3 2018. For the first nine months of the year, EBIT before special items amounted to 45.4 mEUR compared to 62.2 mEUR in 2018. This corresponds to an EBIT margin of 6.2% for the first nine months of 2019 and 7.8% for 2018 (Excluding the impact from phantom shares the margin was 7.5% in the first nine months of 2018).

Special items

In Q3 2019, special items were 5.7 mEUR against 29.6 mEUR in Q3 2018. For the first nine months, special items were 20.9 mEUR compared to 36.2 mEUR in 2018. The special items costs were primarily related to redundancy costs having to do with business restructuring and the cost saving program. Business restructuring relates to the next phase in our multi-year strategy, a blueprint restructuring project focusing on a one-off fundamental change of the organizational setup. Please refer to Note 6 for an overview of special items.

Working capital

At the end of September 2019, working capital was 176.7 mEUR, down by 17.5 mEUR compared to end-September 2018 but up 6.3 mEUR compared to year-end 2018. Compared to same time prior year the decrease was mainly related to divestments and reduced production footprint in combination with lower trade receivables partly offset by lower trade payables resulting from the lower level of activity. Compared to year-end 2018, inventories increased by 9.6 mEUR primarily driven by lower-than-expected sales. Trade receivables decreased due to the lower activity and collection efforts. Trade payables decreased slightly compared to year-end 2018.

The working capital ratio measured on a 12-month average increased by 1.4 percentage points to 19.9% at the end of September 2019 compared to the end of 2018. Nilfisk continues to focus on improving net working capital mainly through adjustment of finished goods inventory, optimization of inventories and tight monitoring of trade receivables.

During Q3, net working capital was reduced by 21.8 mEUR mainly as a result of a reduction of trade receivables by more than 25 mEUR due to lower revenue. Stronger monitoring and collection efforts have been put in place which also contributed to the reduction of the nominal trade receivable balance. The days sales outstanding (DSO) decreased from 66.0 on end-June 2019 to 65.8 as at end-September.

The inventory was only slightly reduced during Q3. The efforts to bring down inventories were not enough to compensate for the decline in revenue during the quarter. As a result, inventory days increased from 135.7 to 146.5 by the end of September 2019.

Finally, trade payables and other liabilities were reduced by 6.6 mEUR during Q3. The accounts payables days increased from 136.9 end of June 2019 to 150.4 end of September 2019.

Capital employed and RoCE

As of September 2019, capital employed amounted to 593.0 mEUR, up by 62.1 mEUR compared to September 2018 and up by 76.2 mEUR compared to 516.8 mEUR at the end of 2018. The increase in capital employed since year-end 2018 was to a large extent driven by the IFRS 16 uplift of 58.0 mEUR and the previously mentioned increase in net working capital. During Q3, capital employed was reduced by 20.7 mEUR as a result of the reduction in net working capital.

Nilfisk's return on capital employed was 12.3%, which is a reduction of 2.9 percentage points compared to Q3 2018. IFRS 16 impacted the ratio negatively by 0.9 percentage point. The underlying ratio thus declined by 2.0 percentage points, which was primarily due to lower EBIT before special items.

Compared to year-end 2018, return on capital employed declined by 4.4 percentage points. IFRS 16 had a negative effect of 0.9 percentage point. The decline was primarily due to lower EBIT before special items

Cost saving program 2017-2020

During the first nine months of 2019, execution of the cost saving program continued to progress in line with expectations. The cost saving program has a target of realizing 50 mEUR in annual savings on the original cost base when initiating the program. The cost saving program has facilitated investments in various areas of the business in order to establish the foundation for future growth.

By the end of September 2019, initiatives implemented and launched in relation to the program amounted to an accumulated effect of 39 mEUR in annual cost savings. These savings can be split between approximately 12 mEUR related to Global Operations initiatives (production footprint, sourcing initiatives and process optimizations) and 4 mEUR related to other initiatives such as complexity reductions and price management – both of which benefit the gross profit. The remaining approximately 23 mEUR relate to overhead reductions in selected areas of the business.

For the first nine months of 2019, an additional 6 mEUR has been realized compared to the savings realized in the same period of prior year leading to 27 mEUR in total. These can be split between improvements in gross profit of 3 mEUR and overhead cost reductions of 3 mEUR. For Q3 2019, additional savings of 2 mEUR were realized compared to Q3 2018, split between 1 mEUR in gross profit improvements and 1 mEUR in overhead reductions.

EUR million	2017 Accumulated	2018	2019 9M	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	33	39	41-43	50	50
Accumulated impact on reported EBITDA before special items in the income statement for the period	17	29	27	36-38	45-50	50
Restructuring costs for the period (reported under special items)	20	18	10	12-13	9-10	60
Capex investments for the period	4	4	0	1	1	10

in Q3 2019 and higher net working capital compared to year-end. Please refer to Note 1 for IFRS 16 impact.

Cash flow

Cash flow from operating activities in Q3 2019 amounted to 35.1 mEUR compared to 11.7 mEUR in Q3 2018 due to a positive impact from working capital in the quarter. For the first nine months of 2019 the cash flow from operating activities was 51.5 mEUR compared to 11.6 mEUR in 2018. Excluding the impact from IFRS 16 the cash flow from operating activities amounted to 28.3 mEUR in Q3 2019 and 31.0 mEUR for the first nine months of 2019. Compared to 2018, both Q3 2019 and the first nine months of 2019 were positively affected by improved cash effect from working capital development which was an inflow of 5.3 mEUR in the first nine months of 2019 compared to an outflow of 48.5 mEUR in 2018.

Cash flow from investing activities for Q3 2019 was a net cash outflow of 9.5 mEUR, which is in line with 2018 at 11.0 mEUR. For the first nine months of 2019, the outflow was 33.0 mEUR as the year before. The outflow related primarily to the addition of intangible assets within R&D.

Free cash flow for Q3 2019 amounted to 25.6 mEUR (18.8 mEUR excluding the impact from IFRS 16) compared with 0.7 mEUR in Q3 2018 due to a positive impact from working capital. For the first nine months of the year, the free cash flow amounted to 18.5 mEUR (outflow of 2.0 mEUR excluding the impact from IFRS 16) compared to an outflow of 21.4 mEUR in 2018.

Equity

Equity was 161.7 mEUR at the end of September 2019 against 147.5 mEUR at the end of 2018. The increase was mainly driven by the result for the first nine months of 2019, foreign exchange rate adjustments, and settlement of share-based incentive programs.

Net interest-bearing debt

At the end of September 2019, total net interest-bearing debt was 431.6 mEUR, which was an increase of 62.3 mEUR compared to year-end 2018. Compared to end-September 2018, net interest-bearing debt increased by 50.6 mEUR. The increase was driven by the effect of IFRS 16, which has increased the lease liability by 59.9 mEUR compared to year-end 2018. Excluding IFRS 16 net debt was 371.7 mEUR.

During Q3, net interest bearing debt was reduced by 21.9 mEUR as a result of the reduction in net working capital.

The financial gearing at the end of September 2019 was 3.3 versus 2.9 at end of 2018 and 3.2 at the end of September 2018. IFRS 16 decreased the gearing by 0.1.

In connection with the demerger from NKT Holding A/S in October 2017, Nilfisk entered into three bilateral facility agreements which included revolving facilities in the aggregate amount of 450 mEUR with a maturity date of July 10, 2020. Pursuant to the terms, Nilfisk could request an extension of the maturity date.

During Q3, Nilfisk has re-negotiated the above mentioned long-term credit facilities. Following these negotiations, the three bilateral facilities have been converted into two bilateral facility agreements with Nordea Danmark, affiliate of Nordea Bank ABP, Finland and Danske Bank A/S. The maturity date of the new facilities for the aggregate amount of 450 mEUR is July 10, 2022. In line with the previous terms, the long-term credit facilities include financial covenants referring to the ratio between net interest-bearing debt and EBITDA before special items (both excluding the impact of IFRS 16). The facilities are available for general funding.

Subsequent events

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to September 30, 2019, that are expected to have a material impact on the Group's financial position.

2019 Outlook

We maintain the full-year guidance as adjusted October 16, 2019, and therefore expect:

- Organic growth in the professional branded business to be approximately -3.0%
- Organic growth of -10.0% to -15.0% for Consumer
- Organic growth of -10.0% to -15.0% for the Private label business
- Organic growth for 2019 to be approximately -4.5% for the business in total
- An EBITDA margin before special items and excluding the effect of IFRS 16 of approximately 9.5%. The effect from IFRS 16 on the EBITDA margin before special items is expected to be positive by 2.9 percentage points, leading to a guidance of a reported EBITDA margin before special items of approximately 12.4%

Based on latest average exchange rates for the year 2019, we expect a positive impact of approximately 1.0%-1.5% on revenue growth in 2019, primarily caused by development in the US dollar.

	Actual 2018	Current guidance (2019)
Organic growth		
Branded professional	2.8%	Approximately -3.0%
Consumer	1.4%	-10.0% to -15.0%
Private Label	-12.9%	-10.0% to -15.0%
Total business	2.0%	Approximately -4.5%
EBITDA margin before special items*	11.5%	Approximately 9.5%

*Excluding IFRS 16 and the effect of phantom shares in 2018.

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 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.

Business update

Acceleration of the global 'blueprint'
An integral part of the Nilfisk Next strategy is creating a global organization and operating model with uniform processes, systems, and capabilities across markets. This is what we refer to as our blueprint. As we roll-out this blueprint as part of our strategy execution, we gradually take Nilfisk 'from local to global'. While doing so, we invest in global functions, capabilities and systems that can be leveraged across the business.

Throughout the first half of 2019, the blueprint was rolled out across EMEA and the US. During Q3, Nilfisk accelerated this roll-out further by integrating local Service and local Supply Chain into global organizations. The outcome is a simplified operating model allowing the sales organizations to focus solely on sales, while the global business support functions can develop harmonized, global ways of working – both with an aim to serve our customers better.

A focused R&D organization
As part of the blueprint exercise, Nilfisk also introduced a new structure for Global R&D in August 2019. The new organization is focused around the core R&D competences with strategic product group owners developing the portfolio in collaboration with regional competence 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. With the new operating model, it was also decided to integrate the two incubator environments Connected Autonomous Solutions (CAS) and Digital Services (DS) into the general Nilfisk organization. This to ensure a strong link between the business and the digital and autonomous solutions developed.

Integrating Consumer into the global business
As part of the continued efforts to simplify the business, Nilfisk has integrated the Consumer organization into the global organization. Consumer Sales and Marketing will continue focusing solely on Consumer customers, whereas the back-end functions are now merged with the professional business to harvest synergies. The reportable segments will not change.

In addition, after the end of Q3, we have concluded the planned exit of the Consumer business from the APAC region. As a consequence of the exit from APAC, in the calculation of full-year organic growth, the comparison figures for 2018 will be restated by approximately 8 mEUR.

Appointment of new CFO
As announced on October 3, 2019, Nilfisk has appointed Prisca Havranek-Kosicek as Executive Vice President and CFO. Prisca will take up her position on December 1, 2019.

An integrated digital customer experience
During Q3, Nilfisk initiated the roll-out of 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.com, the digital solution already used by sales to track leads and optimize sales. This creates an integrated digital customer experience, that allows Nilfisk to track customer activity across sales, service and commerce. The new e-commerce platform will be rolled out across more markets in EMEA during the remaining part of 2019 and into 2020.

Condensed **income statement**

EUR million	Note	Q3 2019	Q3 2018*	9M 2019	9M 2018*
Revenue	4, 5	227.5	253.6	732.7	795.6
Cost of sales	9, 10	-133.1	-149.9	-418.1	-461.0
Gross profit	9, 10	**94.4**	**103.7**	**314.6**	**334.6**
Research and development costs	9, 10	-7.5	-7.0	-21.9	-25.2
Sales and distribution costs	9, 10	-59.9	-60.5	-183.9	-186.1
Administrative costs	9, 10	-19.2	-18.3	-61.4	-58.2
Other operating income, net		-0.1	0.2	1.9	1.9
Operating result before amortization and impairment of acquisition related intangibles and special items		**7.7**	**18.1**	**49.3**	**67.0**
Amortization and impairment of acquisition related intangibles	9, 10	-1.3	-1.8	-3.9	-4.8
Special items, net	6, 9	-5.7	-29.6	-20.9	-36.2
Result before financial items and taxes (EBIT)		**0.7**	**-13.3**	**24.5**	**26.0**
Financial income		0.2	5.1	5.9	9.5
Financial expenses		-4.7	-5.6	-17.4	-16.9
Result before taxes		**-3.8**	**-13.8**	**13.0**	**18.6**
Tax on result of the period		-0.4	3.8	-4.4	-3.7
Result for the period		**-4.2**	**-10.0**	**8.6**	**14.9**
Result for the period attributable to:					
Shareholders of Nilfisk Holding A/S		-4.2	-10.0	8.6	14.7
Non-controlling interests		-	-	-	0.2
Total		**-4.2**	**-10.0**	**8.6**	**14.9**
Earnings per share (based on 27,126,369 shares issued)					
Basic earnings per share (EUR)		-0.15	-0.53	0.32	0.38
Diluted earnings per share (EUR)		-0.15	-0.53	0.32	0.38

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

Condensed statement of **comprehensive income**

EUR million	Q3 2019	Q3 2018*	9M 2019	9M 2018*
Result for the period	-4.2	-10.0	8.6	14.9
Other comprehensive income				
Items that may be reclassified to the income statement:				
Exchange rate adjustments of subsidiaries	5.8	-0.7	7.5	8.1
Value adjustment of hedging instruments:				
Value adjustment for the period	1.8	-2.8	1.5	-2.4
Transferred to cost of sales	-0.9	0.0	-2.6	1.2
Transferred to staff costs	-0.8	-	-0.4	-
Transferred to financial income and expenses	-0.8	0.0	0.0	0.3
Fair value adjustment of available for sales securities	-	-3.2	-	-3.6
Tax on other comprehensive income	-0.2	0.5	-	0.1
Items that may not be reclassified to income statement:				
Value adjustment of hedging instruments transferred to inventory	0.2	-	0.1	-
Actuarial gains/losses on defined benefit plans	-	-	0.6	-
Tax on actuarial gains/losses	-	-	-0.1	-
Comprehensive income for the period, net of tax	**1.1**	**-16.7**	**15.3**	**18.5**
Total comprehensive income for the period	**0.9**	**-16.2**	**15.2**	**18.6**
Total comprehensive income for the period attributable to:				
Shareholders of Nilfisk Holding A/S	0.9	-16.2	15.2	18.4
Non-controlling interests	-	-	-	0.2
Total	**0.9**	**-16.2**	**15.2**	**18.6**

Condensed **balance sheet**

EUR million	September 30 2019	September 30 2018 *	December 31 2018 *
Assets			
Intangible assets			
Goodwill	169.2	167.5	167.8
Trademarks	10.0	10.9	10.6
Customer related assets	9.0	10.9	10.1
Development projects completed	41.3	29.6	27.3
Software, Know-how, Patents and Competition Clauses	24.9	23.7	24.6
Development projects and software in progress	34.9	32.2	40.6
Total intangible assets	289.3	274.8	281.0
Property, plant and equipment			
Land and buildings	8.4	10.3	10.1
Plant and machinery	4.2	4.9	5.1
Tools and equipment	33.4	36.8	36.7
Right-of-use assets	58.0	-	-
Assets under construction incl. prepayments	5.4	3.8	2.8
Total property, plant and equipment	109.4	55.8	54.7
Other non-current assets			
Investments in associates	20.6	19.0	19.1
Other investments and receivables	2.7	3.7	2.9
Deferred tax	22.5	15.1	20.5
Total other non-current assets	45.8	37.8	42.5
Total non-current assets	**444.5**	**368.4**	**378.2**
Current assets			
Inventories	182.5	196.4	172.9
Receivables	209.5	217.3	218.9
Interest-bearing receivables	4.9	2.4	4.4
Income tax receivable	4.9	7.2	3.6
Cash at bank and in hand	14.2	20.5	16.4
Assets classified as held for sale	1.4	6.1	-
Total current assets	**417.4**	**449.9**	**416.2**
Total assets	**861.9**	**818.3**	**794.4**

EUR million	September 30 2019	September 30 2018 *	December 31 2018 *
Equity and liabilities			
Equity			
Share capital	72.9	72.9	72.9
Reserves	5.7	-4.4	-0.4
Retained comprehensive income	83.1	81.2	75.0
Total attributable to shareholders of Nilfisk Holding A/S	161.7	149.7	147.5
Non-controlling interests	-	0.2	-
Total equity	**161.7**	**149.9**	**147.5**
Non-current liabilities			
Deferred tax	8.8	14.0	9.4
Pension liabilities	4.2	5.5	4.5
Provisions	1.1	4.1	2.5
Interest-bearing loans and borrowings	386.7	399.8	382.2
Lease liabilities	36.7	0.0	0.1
Other liabilities	0.7	1.2	1.1
Total non-current liabilities	438.2	424.6	399.8
Current liabilities			
Interest-bearing loans and borrowings	4.0	4.8	7.6
Lease liabilities	23.1	0.1	0.2
Trade payables and other liabilities	219.0	216.4	223.0
Income tax payable	0.3	9.0	1.1
Provisions	15.6	12.1	15.2
Liabilities directly associated to assets classified as held for sale	-	1.4	-
Total current liabilities	262.0	243.8	247.1
Total liabilities	**700.2**	**668.4**	**646.9**
Total equity and liabilities	**861.9**	**818.3**	**794.4**

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

Condensed **cash flow statement**

EUR million	Q3 2019	Q3 2018*	9M 2019	9M 2018*
Result before financial items and income taxes (EBIT)	0.7	-13.3	24.5	26.0
Non-cash adjustments	-3.4	6.9	-3.5	9.3
Amortization, depreciation and impairment	16.4	22.5	50.9	42.0
Share option program	-	-	-1.9	-6.2
Changes in working capital	27.8	-3.1	5.3	-48.5
Cash flow from operations before financial items and taxes	41.5	13.0	75.3	22.6
Financial income received	0.3	5.1	3.2	9.2
Financial expenses paid	-3.9	-4.0	-15.0	-13.1
Income tax paid	-2.8	-2.4	-12.0	-7.2
Cash flow from operating activities	**35.1**	**11.7**	**51.5**	**11.6**
Dividends from associated companies	1.3	1.3	1.3	1.3
Acquisitions of property, plant and equipment	-4.3	-4.5	-10.9	-13.2
Sale/disposal of property, plant and equipment	0.0	0.7	1.5	1.6
Acquisitions of intangible assets and other investments	-6.5	-8.5	-24.9	-22.7
Cash flow from investing activities	**-9.5**	**-11.0**	**-33.0**	**-33.0**
Changes in non-current interest-bearing receivables	0.0	-1.4	0.0	-0.7
Changes in current interest-bearing receivables	-1.5	-1.5	-1.1	1.2
Changes in non-current interest-bearing loans and borrowings	-20.1	1.1	2.3	2.4
Changes in current interest-bearing loans and borrowings	-0.9	1.4	-3.4	-0.9
Changes in lease liabilities	-5.3	-	-18.3	-
Cash flow from financing activities	**-27.8**	**-0.4**	**-20.5**	**2.0**
Net cash flow for the period	**-2.2**	**0.3**	**-2.0**	**-19.4**
Cash at bank and in hand, at the beginning of the period	16.3	21.1	16.4	40.7
Net cash flow for the period	-2.2	0.3	-2.0	-19.4
Currency adjustments	0.1	-0.9	-0.2	-0.8
Cash at bank and in hand, September 30	**14.2**	**20.5**	**14.2**	**20.5**

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

Statement of **changes in equity**

at September 30, 2019

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Attributable to shareholders of Nilfisk Holding A/S	Non-controlling interests	Total equity
Equity, January 1, 2019	**72.9**	**-1.1**	**0.7**	**-**	**75.0**	**147.5**	**-**	**147.5**
Other comprehensive income:								
Foreign exchange translation adjustments	-	7.5	-	-	-	7.5	-	7.5
Value adjustment of hedging instruments:								
Value adjustment for the period	-	-	1.5	-	-	1.5	-	1.5
Transferred to cost of sales	-	-	-2.6	-	-	-2.6	-	-2.6
Transferred to staff costs	-	-	-0.4	-	-	-0.4	-	-0.4
Transferred to financial income and expenses	-	-	-	-	-	-	-	-
Transferred to inventory	-	-	0.1	-	-	0.1	-	0.1
Actuarial gains/losses on defined benefit plans	-	-	-	-	0.6	0.6	-	0.6
Tax on actuarial gains/losses	-	-	-	-	-0.1	-0.1	-	-0.1
Tax on other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	7.5	-1.4	-	0.5	6.6	-	6.6
Result for the period	-	-	-	-	8.6	8.6	-	8.6
Comprehensive income for the period	**-**	**7.5**	**-1.4**	**-**	**9.1**	**15.2**	**-**	**15.2**
Share option program	-	-	-	-	-1.5	-1.5	-	-1.5
Tax on share option program	-	-	-	-	0.5	0.5	-	0.5
Total changes in equity in 2019	**-**	**7.5**	**-1.4**	**-**	**8.1**	**14.2**	**-**	**14.2**
Equity, September 30, 2019	**72.9**	**6.4**	**-0.7**	**-**	**83.1**	**161.7**	**-**	**161.7**

Statement of **changes in equity**

at September 30, 2018

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Attributable to shareholders of Nilfisk Holding A/S	Non-controlling interests	Total equity
Equity, January 1, 2018	**72.9**	**-10.4**	**-0.1**	**2.4**	**72.7**	**137.5**	**-**	**137.5**
Other comprehensive income:								
Foreign exchange translation adjustments	-	8.1	-	-	-	8.1	-	8.1
Value adjustment of hedging instruments:								
Value adjustment for the period	-	-	-2.4	-	-	-2.4	-	-2.4
Transferred to cost of sales	-	-	1.2	-	-	1.2	-	1.2
Transferred to financial income and expenses	-	-	0.3	-	-	0.3	-	0.3
Fair value adjustment of available for sales securities	-	-	-	-3.6	-	-3.6	-	-3.6
Tax on other comprehensive income	-	-	0.1	-	-	0.1	-	0.1
Total other comprehensive income	-	8.1	-0.8	-3.6	-	3.7	-	3.7
Result for the period	-	-	-	-	14.7	14.7	0.2	14.9
Comprehensive income for the period	**-**	**8.1**	**-0.8**	**-3.6**	**14.7**	**18.4**	**0.2**	**18.6**
Share option program	-	-	-	-	-6.2	-6.2	-	-6.2
Total changes in equity in 2018	**-**	**8.1**	**-0.8**	**-3.6**	**8.5**	**12.2**	**0.2**	**12.4**
Equity, September 30, 2018	**72.9**	**-2.3**	**-0.9**	**1.2**	**81.2**	**149.7**	**0.2**	**149.9**

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

Note 1

Significant 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. The interim report contains condensed financial statements for the group. 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 2018, 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.

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, 2019:

- IFRS 16 Leasing
- IFRIC 23 Uncertainty over Income Tax Treatments

The implementation of the new and revised standards resulted in the changes described below. Other new and revised standards have been assessed, but they have not had material impact on accounting policies or disclosures for the period.

IFRS 16 – Leases

IASB has issued IFRS 16 Leases with the effective date of January 1, 2019. The standard eliminates the distinction between operating and finance leases, and requires that all leases must be recognized in the lessee's balance sheet as an asset with a related liability. Nilfisk's income statement has been affected, as the annual lease costs now consist of two elements, depreciation of the leased asset and an interest expense for the financial liability. Previously, the annual costs relating to operating leases were recognized as operating costs. Nilfisk's accounting as lessor has not significantly changed.

The simplified transition approach has been applied and accordingly, we have not restated comparative amounts for the year prior to first adoption. Further, we have not changed the current accounting for existing finance leases.

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
- Agreements with a less than 12-month contract period and 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

Lease costs were not split into service components and rental costs but were accounted as a single lease component. Variable costs have been expensed as operational costs.

Agreements that can be prolonged or terminated prematurely by the lessee have been reviewed to establish the period in which the Group with reasonable certainty will utilize the underlying asset. The review was done on a contract-by-contract basis. No contracts have a reasonably certain utilization period of more than 10 years from January 1, 2019.

From January 1, 2019, the right-of-use assets and lease liabilities were recognized in the balance sheet. The implementation of IFRS 16 will further require additional disclosures in the Annual Report 2019.

IFRS 16 will have an insignificant impact on result for the year and EBIT. The adoption is expected to have a positive impact on the Group's EBITDA margin before special items of approximately 2.7% percentage points on an annual basis based on the Group's current use of leasing though expected increase in depreciation for the year 2019. The implementation has resulted in an increase in total assets and liabilities by 71 mEUR on January 1, 2019. The operating lease commitments totaled 67.8 mEUR as per the 2018 Annual Report Note 8.4.

The lease liability was measured using the implicit borrowing rate for the contract or the marginal borrowing rate for the country. The weighted average incremental borrowing rate for lease liabilities initially recognized was 2.7%.

The increased total assets and liabilities will affect RoCE by approximately 1 percentage point based on December 31, 2018 figures. As of September 30, 2019, there was a positive impact on free cash flow of approximately 20 mEUR as repayments of lease liabilities were included under Financing. The implementation of IFRS 16 had no impact on equity.

Impact of IFRS 16:

EUR million	9M 2018 YTD	9M 2019 (with IFRS 16) YTD	9M 2019 adjustment	9M 2019 comparable	Expected full-year impact
Total assets	818.3	861.9	58.0	803.9	~55
Non-current assets	368.4	445.9	58.0	387.9	~55
Capital employed	530.9	593.0	59.7	533.3	~55
Operating margin	11.2%	13.0%	2.8%	10.2%	~ +2.9%
RoCE	15.2%	12.3%	0.9%	13.2%	~ -1.0%

Note 1
Significant accounting policies – continued

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. The Group has established the necessary processes and procedures to obtain information that is required to apply the interpretation. The Group considers the provisions made to be adequate, however, the actual obligation may deviate depending on the result of litigations and settlements with local tax authorities.

Operating segments redefined
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, and has been reflected since the Q1 2019 Interim Report.

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 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.

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

Comparative figures for 2018 have been restated accordingly.

Note 2
Significant accounting estimates and judgements

There are no significant changes in accounting estimates and judgements compared to the information stated in the 2018 Annual Report. Regarding accounting estimates, please refer to Note 1 of the 2018 Annual Report. Regarding risks please refer to Note 6 of the 2018 Annual Report and the information contained in the section on risk management of the 2018 Annual Report.

Impact relating to IFRS 16 is described in Note 1.

Note 3
Seasonal fluctuations

Due to the composition of the Nilfisk business, some degree of seasonality in revenue should be expected. The market for consumer high-pressure washers is highly seasonal, for example, and other product categories are impacted by local holidays in specific markets.

Normally, the quarterly EBIT follows the seasonality in revenue.

Cash flow from operations is typically weaker in Q1 due to negative changes in working capital in Q1 and Q2 as inventories increase. Working capital normally improves during Q3 and Q4.

Note 4

Segment information

EUR million	EMEA	Americas	APAC	Non-allocated	Total Branded	Consumer	Private label and other*	Group
Q3 – 2019								
Revenue	104.2	74.4	21.3	-	199.9	15.2	12.4	227.5
Gross profit	47.5	30.2	8.5	-	86.2	5.4	2.8	94.4
EBITDA before special items	25.5	12.8	3.1	-13.7	27.7	-1.3	-3.3	23.1
Reconciliation to result before taxes:								
Special items								-5.7
Amortization, depreciation and impairment								-16.7
Financial income								0.2
Financial expenses								-4.7
Result before taxes								**-3.8**
Gross margin	45.6%	40.6%	39.9%	-	43.1%	35.5%	22.6%	41.5%
EBITDA margin before special items	24.5%	17.2%	14.6%	-	13.9%	-8.6%	-26.6%	10.2%
Q3 – 2018								
Revenue	115.1	71.5	21.8	-	208.4	17.3	27.9	253.6
Gross profit	54.0	29.7	9.0	-	92.7	5.5	5.5	103.7
EBITDA before special items	27.7	12.7	3.3	-13.1	30.6	-2.1	-2.4	26.1
Reconciliation to result before taxes:								
Special items								-29.6
Amortization, depreciation and impairment								-9.9
Financial income								5.1
Financial expenses								-5.5
Result before taxes								**-13.8**
Gross margin	46.9%	41.5%	41.3%	-	44.5%	31.8%	19.7%	40.9%
EBITDA margin before special items	24.1%	17.8%	15.1%	-	14.7%	-12.1%	-8.6%	10.2%

As explained in Note 1, 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 4

Segment information – continued

EUR million	EMEA	Americas	APAC	Non-allocated	Total Branded	Consumer	Private label and other*	Group
9M – 2019								
Revenue	340.0	224.9	63.2	-	628.1	63.4	41.2	732.7
Gross profit	162.5	95.2	25.9	-	283.6	21.9	9.1	314.6
EBITDA before special items	94.0	43.7	9.3	-41.6	105.4	0.6	-10.7	95.3
Reconciliation to result before taxes:								
Special items								-20.9
Amortization, depreciation and impairment								-49.9
Financial income								5.9
Financial expenses								-17.4
Result before taxes								**13.0**
Gross margin	47.8%	42.3%	41.0%	-	45.2%	34.5%	22.1%	42.9%
EBITDA margin before special items	27.6%	19.4%	14.7%	-	16.8%	0.9%	-26.0%	13.0%
9M – 2018								
Revenue	358.9	211.8	64.5	-	635.2	75.9	84.5	795.6
Gross profit	170.6	91.8	27.4	-	289.8	27.7	17.1	334.6
EBITDA before special items	88.7	41.5	10.0	-42.5	97.7	3.9	-10.1	91.5
Reconciliation to result before taxes:								
Special items								-36.2
Amortization, depreciation and impairment								-29.4
Financial income								9.5
Financial expenses								-16.8
Result before taxes								**18.6**
Gross margin	47.5%	43.3%	42.5%	-	45.6%	36.5%	20.2%	42.0%
EBITDA margin before special items	24.7%	19.6%	15.4%	-	15.4%	5.1%	-12.0%	11.5%

As explained in Note 1, 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 5

Distribution of revenue

EUR million	Revenue 2019	Revenue 2018	Organic growth
Q3			
Floorcare	77.1	87.4	-7.0%
Vacuum cleaners	48.3	52.1	-7.4%
High pressure washers	29.7	35.6	-16.2%
Aftermarket	72.4	78.5	-1.6%
Total	**227.5**	**253.6**	**-6.8%**
9M			
Floorcare	236.1	255.2	0.1%
Vacuum cleaners	152.5	155.2	-2.0%
High pressure washers	115.3	135.1	-14.7%
Aftermarket	228.8	250.1	-1.5%
Total	**732.7**	**795.6**	**-3.4%**

Aftermarket includes service as well as sale of parts, consumables and accessories. Depending on the type of contract, service revenue is recognized over time or at a point in time.

For information on revenue recognition, see accounting policy described in the 2018 Annual Report, Note 2.2.

Note 6

Special items, net

Special items represent income and expenses that have a non-recurring and special nature against normal operating income and costs.

EUR million	Q3 2019	Q3 2018	9M 2019	9M 2018
Cost saving program	1.5	7.0	9.7	12.8
Business restructuring	4.0	1.5	9.8	2.9
Costs related to the split from NKT A/S	-	0.5	-	0.5
Divestments:	0.2	20.6	1.4	20.0
Results on divestment of business	-	0.4	-	-0.2
Write-down	0.2	7.6	1.4	7.6
Impairment	-	12.6	-	12.6
Total	**5.7**	**29.6**	**20.9**	**36.2**

Special items relating to the cost saving program represent restructuring costs relating to the 50 mEUR cost saving program running from 2016 to 2020. The program includes consultancy fees and supporting tools as well as 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.

Business restructuring covers redundancy cost associated with the blueprint restructuring project including consultancy fees related to strategic reviews of business areas.

The divestment cost in Q3 2018 is primarily related to the impairment of the Outdoor business and the US carpet restoration business of 20.2 mEUR.

For more information regarding special items, please refer to Note 2.4 in the 2018 Annual Report.

Note 7

Long-term incentive programs

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 a total of 33 employees were offered participation in the 2019 program with a total of 58,777 performance share units equal to 0.2% of the total number of shares in Nilfisk Holding A/S. In Q3 2019, the number of outstanding shares related to the 2019 program are 56.659. The key employees outside the Nilfisk Leadership Team are offered participation in return for a reduction in the annual bonus. In the first nine months of 2019, Nilfisk has expensed 0.3 mEUR relating to the 2019 long-term incentive program.

In 2016, certain former and current members of the Nilfisk Leadership Team were granted the right to purchase shares (share options). In Q1 2019, 139,448 share options were exercised and cash settled in April 2019. Nilfisk has no expense on this program in 2019. There are no further outstanding share options under the 2016 share option program as of September 30, 2019.

In the period 2013 to 2016 a phantom share program granted a number of employees the right to a potential cash payment but no right to acquire shares. The program is an alternative to a part of the participants' bonus under the short-term bonus program. In Q2 2019 117,775 phantom shares have been exercised. The number of outstanding phantom shares under this program is 108,958 at September 30, 2019.

Note 8

Financial instruments measured at fair value

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

- Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: Input, other than listed prices on Level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)
- Level 3: Input for the asset or liability which is not based on observable market data (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments and have been categorized into level 2 as addressed in the Annual Report 2018, Note 6.9. There have been no significant new items compared to December 31, 2018.

EUR million	September 30, 2019	September 30, 2018
Financial assets:		
Derivatives – level 2	3.1	5.7
Fair value through other comprehensive income	**3.1**	**5.7**
Financial liabilities:		
Derivatives – level 2	4.1	2.5
Fair value through other comprehensive income	**4.1**	**2.5**
Financial instruments, net	**-1.0**	**3.2**

Note 9

Condensed income statement classified by function

The Nilfisk Group presents the income statement based on a classification of the costs by function to show the "Operating profit before amortization and 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.

EUR million	Q3 2019	Q3 2018*	9M 2019	9M 2018*
Revenue	227.5	253.6	732.7	795.6
Cost of sales	-132.3	-154.8	-422.8	-467.2
Gross profit	**95.2**	**98.8**	**309.9**	**328.4**
Research and development costs	-9.0	-18.3	-25.1	-36.7
Sales and distribution costs	-65.3	-63.1	-195.6	-192.4
Administrative costs	-20.2	-28.8	-66.4	-73.1
Other operating income, net	0.0	-1.9	1.7	-0.2
Result before financial items and income taxes (EBIT)	**0.7**	**-13.3**	**24.5**	**26.0**
Amortization and impairment of acquisition related intangibles are divided into:				
Cost of sales	-0.3	-0.3	-1.1	-1.1
Sales and distribution costs	-1.0	-1.5	-2.8	-3.7
Total amortization and impairment of acquisition related intangibles	**-1.3**	**-1.8**	**-3.9**	**-4.8**
Special items are divided into:				
Cost of sales	1.1	-4.5	-3.6	-5.1
Research and development costs	-1.5	-11.3	-3.2	-11.5
Sales and distribution costs	-4.4	-1.2	-8.9	-2.6
Administrative costs	-1.0	-10.5	-5.0	-14.9
Other operating income, net	0.1	-2.1	-0.2	-2.1
Total special items	**-5.7**	**-29.6**	**-20.9**	**-36.2**

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

Note 10

Amortization, depreciation and impairment

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

EUR million	Q3 2019	Q3 2018*	9M 2019	9M 2018*
Depreciation and impairment of property, plant and equipment				
Cost of sales	4.9	2.9	14.3	9.0
Research and development costs	-	0.1	0.2	0.2
Sales and distribution costs	2.5	0.3	7.1	0.8
Administrative costs	3.0	0.4	9.0	1.4
Impairment included in special items	-0.4	1.5	1.0	1.5
Total depreciation and impairment of property, plant and equipment	**10.0**	**5.2**	**31.6**	**12.9**
Hereof depreciation of right-of-use assets	6.8	-	20.5	-
Total depreciation and impairment of property, plant and equipment excluding right-of-use assets	3.2	5.2	11.1	12.9
Amortization and impairment of non-acquisition related intangibles				
Research and development costs	3.6	3.3	10.9	10.3
Sales and distribution costs	0.3	0.3	0.8	0.8
Administrative costs	1.2	0.8	3.7	2.1
Impairment included in special items	-	11.1	-	11.1
Total amortization and impairment of non-acquisition related intangibles	**5.1**	**15.5**	**15.4**	**24.3**
Amortization and impairment of acquisition related intangibles				
Cost of sales	0.3	0.3	1.1	1.1
Sales and distribution costs	1.0	1.5	2.8	3.7
Total amortization and impairment of acquisition related intangibles	**1.3**	**1.8**	**3.9**	**4.8**
Total amortization, depreciation and impairment	**16.4**	**22.5**	**50.9**	**42.0**

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

Depreciation of right-of-use assets of 6.8 mEUR included in Q3 2019 are split between: 1.9 mEUR Cost of sales, 2.2 mEUR Sales and Distribution and 2.7 mEUR Administrative costs (2.5 mEUR relates to buildings). In 9M 2019, the depreciation of right-of-use assets of 20.5 mEUR is split between: 6.1 mEUR Cost of sales, 6.3 mEUR Sales and Distribution and 8.1 mEUR Administrative costs (7.4 mEUR relates to buildings).

Amortization, depreciation and impairment excluding right-of-use assets total 9.6 mEUR for Q3 2019 (Q3 2018: 22.5 mEUR), and 30.4 mEUR for 9M 2019 (9M 2018: 42.0 mEUR).

Note 11
Assets and liabilities held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets.

Non-current assets are not depreciated or amortized while they are classified as held for sale.

Non-current assets and disposal groups held for sale are presented in separate lines in the statement of financial position. Comparative figures are not adjusted.

As at September 30, 2019 assets classified as held for sale consists of fixed assets relating to the exited business area Outdoor.

EUR million	September 30, 2019	September 30, 2018
Other intangible assets	-	0.8
Fixed assets	1.4	0.4
Inventory	-	3.5
Receivables	-	1.4
Assets classified as held for sale	1.4	6.1
Trade liabilities and other liabilities	-	1.4
Liabilities directly associated to assets classified as held for sale	-	1.4
Assets classified as held for sale, net	**1.4**	**4.7**

Note 12
Contingent liabilities, securities and contractual obligations

Regarding contingent liabilities, please refer to Note 8.4 of the 2018 Annual Report. There are no material changes to contingent liabilities, securities and contractual obligations compared to the 2018 Annual Report.

Note that subject to the implementation of IFRS 16 most of the Group's contractual obligations are now recognized on the balance sheet.

Note 13
Subsequent events

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to September 30, 2019, which are expected to have a material impact on the Group's financial position.

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Q3 Interim Report of Nilfisk Holding A/S for the period January 1 - September 30, 2019.

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 on September 30, 2019, and the results of the Group's activities and cash flow for the period January 1 - September 30, 2019.

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, November 14, 2019

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

Richard P. Bisson

Jutta af Rosenborg

Anders Erik Runevad

Thomas Lau Schleicher

René Svendsen-Tune

Gerner Raj Andersen

Søren Giessing Kristensen

Yvonne Markussen

Nilfisk's Interim Report Q3 2019 was published on November 14, 2019.
The report is also available at www.nilfisk.com.

Nilfisk Holding A/S. Kornmarksvej 1, DK-2605 Brøndby, Denmark.
Company reg. no. 38 99 88 70.

Investor Relations contact IR@nilfisk.com