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Corporate Speakers:

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PRESENTATION

Hans Henrik Lund: Thank you very much, operator. And thank you for joining us everybody on the line. I'm here with Karina as always, and we are of course, excited to go through our financial results for ’18 and discuss our outlook.

We have the normal [build] of the presentation, starting with highlights, business units update financials. And I will take you fairly quickly through it today, because we have a fairly extensive part four, which is about the road towards our interim targets. And we would like to make sure we have enough time to go deep there. And then obviously, we end with the outlook and Q&A.

So quickly on Q4, that we proceeded as planned. We obtained the guidance that we set out, and we better because we set it out in October. The good news was that we got to 5% growth in Americas, and we had promised growth, so happy to report that. In EMEA, we're still doing well. We're at 3.4 % growth, excluding private label, so happy to see that as well. And we will talk more about it in a second.

And as you know, we had a 51% negative growth on private label planned since we had a [last-time buy in] ’17 that drove us really high, all communicated and announced.

I was very happy to see the gross margin come up to 41.6. We were slightly worried after Q3, but we are now back where we expected to be, and being ahead of both Q4 ’17 and Q3, obviously. And of course a strong operating margin, with 12.5% versus 10.6 last year -- encouraging I would say, so, good with Q4.

Obviously ’18 overall, was below our expectations, no doubt about it. We did a downgrade of expectations on growth, which of course we're not proud of. You all know that we had a very difficult year in the Americas, and more specifically in US. And then we had a couple of transformational activities that we believe were absolutely right, but they cost us some growth in the short term. So that’s really what it was.

Gross margin, let's comment on that as well. We had hoped that it would have been a bit higher. We had hoped to increase from 42.2 [million to 4]. There were [mixed involved here] and raw material tariffs, all of the normal explanations. And last but not least, our capacity utilization was lower than we had planned, due to the [quality issues] we took. So not where we wanted it to be. We know how to get it where we wanted it to be, and we'll talk more about that in ’19.

Proud to say that we kept our full focus on investing in building the future. We have done a little more investment than we thought we would, which I actually think is positive that we did not fall into the trap of minimizing our efforts to build a strong Nilfisk for the future.

And then of course, we implemented very strong control on [our normal spend], we made sure that we could deliver a slight improvement on the operating performance, getting to the 11.5 that we delivered.

Working capital, a bit high, and Karina will come back to some of those explanations, as she will as well on ROC and our special items. But that was in a nutshell, a year from a financial perspective.

Then I think, we should also talk about the other side of it, which was all of the transformations we did, making sure that we are positioned well for the future. And I would say that Nilfisk team did not a small accomplishment in ’18 by divesting 75 million of our revenue, five non-core businesses are now gone, and that’s helping us moving forward, of course.

You know we have one more strategic review to go, consumer, that we will conclude within first half, as promised and it's just following the process. I have nothing to say further at this moment.

We have impressively closed 7 out of 18 factories, which is of course, making us more impacted moving forward as well, and maybe even more impressively, we have killed 40% of our products, so a much more lean portfolio, and it might not even be the end of it, but it was a major chunk that we handled in ’18. And then the normal stuff about outsourcing of the more transactional activities.

Building the future, we got Liberty out there, which was really, really good to see and I'll come back and talk more about it. We have invested in rollout of the right IT systems, Salesforce, ServiceMax, all of that.

And then, very important for the future, we've developed a solid blueprint for how we want to be set up as a Company, driving us from a more local approach to a much more global approach, with the efficiency gains that will come from that.

And finally, probably the highlight, we have been really able to attract brilliant people to the organization, as well, we've seen some of our existing people, really develop well. So

we have some new competencies on board that will be important for Nilfisk moving forward.

So on that side, very happy with what we did in ’18. Then business unit updates, quickly on the regions.

EMEA was good and stable in the entire ’18. And as you've heard me say before, when two of our good markets are doing well in Germany and France, then Europe is doing well.

In Q4, especially in Germany, continues really strongly. I believe around 8% growth in Germany in Q4. That’s very solid. We all read about the German economy and all that, so even with that, we delivered 8%.

France was a bit weaker in Q4, and I said it in advance, because we had [said] 13% growth in Q3, and we said goodbye to Jean-Philippe after 42 years, which meant that he's for sure wanting to end on a good note, so we were a bit lower in France. But overall, for the year, very strong performance in Germany and France, Iberia as well. Obviously we have had some uncertainty in UK. Actually Q4 was quite good in the UK, and we won a couple of deals, so not too worried about it as such.

Growth margin, a bit disappointing, we had hoped it would be bigger, but we have had some -- especially mixed issues within the portfolio that we will work on. We told you, after Q3, we were slightly worried about the service margin. That came strongly back in Q4, so again, we are -- we're not that worried about it as such.

And then, as you know, we appointed new leadership in EMEA, in -- through the year, very happy to have [Steve Limbo] on board.

So all in all, solid and stable in EMEA.

Disappointing year in Americas, and you know, the story. Very happy to report that we had the 5% growth in Q4, and I want to say it out loud one quarter doesn’t make a summer. It'll -- it'll take some more work before we really get to a stable (inaudible) performance, but happy to see, of course that we delivered on the promise.

Production is fine. It's all good. Obviously, a very disappointing year with minus 0.3. You know, all the reasons we've been talking about [to] improve the year, strategy challenges and changes from a dealer, and of course, delivery challenges. But I also want to say, after I spent so much time over there, we are not really set up completely correctly in the field, and I'll talk more about that on the next slide -- and we need to work through that.

Good story about the margins, we've done well in terms of price management and product mix. That’s been great. And then, as you know, we've done a leadership change towards end of the year.

If we go to the next one -- because I wanted just to give you a feel for what are the actions that we've taken already. And we have done (inaudible) [borrow] work on the potential of the market, what segments are really driving it. We believe there is a lot of potential in industry and obviously, in CCI. And we will implement a much stronger focus on those two.

We also know that it's not across the country you find a lot of potential, you find it in a number of states, and we are now working to make sure that we've set up the right way, [within] direct coverage, and the right sales people in those particular states.

On top of that, it's important for us to do more end user focus, not to be confused with being direct, but simply having a [pull] effect that goes into our indirect partners. We've spent too little time on that, and we need to do more.

In general, we will also invest in more sales people on the ground, because we need simply to create a [pull] from end users, and we -- we've failed to do enough of that in the past.

Those are some of the main stories. The one thing you all should know is of course, that we will have our sales guys sell the full portfolio, where in the past, we've been very segmented. Some guys were selling [some products but there's others] -- that’s just not effective, so we want the customers to experience that we have the broadest portfolio in the industry, and we are now set up to do it.

We have appointed [Jamie O’Neil] as Sales Leader for US. [Jamie] has been with us six years. He's been running [ivax] and industry. You'll be very familiar with [Jamie].

[Jamie] came out of [Hilte], had 17 years with [those guys], which is one of the best sales schools that I'm aware of. [Steve Limbo] would disagree. He would say it would be [Standing Black and Decker], but those two can discuss it because we have also [let] [Jamie] report to (Inaudible) so he has the senior sales leadership support he needs.

I will stay involved in US, visiting customers and all of those kind of things to make sure that we are very, very close to that market. We have eliminated a number of positions in US, from a leadership perspective. We [were] just staffed [rich], I would say, and that’s of course, some of the reasons why we can now afford to invest in more feet on the street.

So that’s US in a nutshell.

APAC, well we [started out] so well in APAC with about 4% growth in the first quarter. (Inaudible) has worked through a number of issues out there, and Q4 wasn't great. We were negative 0.1%, and it's all we had our biggest market Australia, being very, very difficult, not the market itself, but our new manager out there has identified so many things we needed to improve.

We have changed a number of people. We have changed a number of practices, and that’s how simply (inaudible). The bright point in APAC is China. China is again, double digits. We've -- it's doing exactly the way we wanted it to do, so very happy with that.

We've done, as you know, a number of changes in the region. And that just made it difficult in ’18, going through these transitions -- ’19, we have to see benefits. Again, on a market perspective, earnings perspective, all good, up 1.5 percentage points doing all the right things on optimizing [midterm] inventory, so from that perspective, good.

Specialty professional was a very busy year, [enormous growth]in the beginning of the year, and we already said at that time it was exceptional. We've now come down to more sort of normal growth rates in Q4. We have divested two businesses, the two remaining ones, [IVS] and (Inaudible) are at a -- at a full year 10% growth, which is really, really good.

Gross margin, there were mixed implications because we grew a little more in outdoor (inaudible) low gross margins that impacted it, mainly. And then, the thing is, you won't hear us talk about specialty professional anymore because obviously, we've integrated it into the main branded business.

That integration is taking place as we speak. And at the back end of it, we will -- we will talk more about it through the year, but it's integrated into the overall business now, so the segment disappears.

Consumer, we talked about it already, the strategic reviews that we will conclude within first half. They had a -- an Okay good Q4. As we've said all along, it's not about growing that business, and we didn't. We grew 1.4% for the year, it is about improving the earnings.

We succeeded doing that with 1 percentage point over ’17, mostly because we were able to optimize our overhead. It was a difficult year on gross profit, where we went down by 3 percentage points, raw materials mainly, [mix] secondly.

We have identified all of the right actions to get the profit -- gross profit up again. We have outsourced now [the factoring of our major partner] products, as you know. And that’s going to help us on the margin moving forward. So all -- nothing really to report deviating from what we have said before.

That was a quick run through. I hope it wasn’t too quick. I think we hit the major points, and then I will leave financials to you, Karina.

Karina Deacon: Thank you.

Starting at the -- looking at the EBITDA, we improved that with 0.1 percentage point over last year, if we look at our operating performance, where we exclude the value adjustment on the [Phantoms].

And this improvement came solely from the overhead improvement, which were down [less than] (inaudible) percentage compared to 2017.

As Hans Henrik mentioned (inaudible) we've been very cautions on our spend, but at the same time, we made sure that we could reap the benefits from the cost saving program, but then we kept a close eye on [this space in general].

It was crucial for us that we continue to invest in the future. And as we will come back to, we actually spent a little bit more than we anticipated when we went into the year, and I'll come back to that in a little while.

If we look at the [recorded] EBITDA, meaning the -- including the [Phantom shares], we saw an uplift of 0.8 percentage point, but it is because we had, as you recall, a rather significant expense in 2017 and a similar significant income in 2018.

But I'm happy to share with you that we will not have to make that distinction anymore, because we have now fully hedged the exposure on the [Phantom shares]. We will not see that P&L fluctuation that we've seen in 2017 and ’18.

I've provided a (inaudible) for you to see how our overhead costs developed during the year. From the -- from the (inaudible) you can see that we've lowered our overhead, not only measured in percentage but also in nominal terms.

I'm not going to go through in details on all of the items here, but just a few words on them. If we look at the investments in the future, when we entered the year, we said we anticipated we'd spend 16 million in investments to build the future. And we actually increased that amount, so we ended up spending 18 million, 7 million of that was expense and the rest was capitalized.

We benefited with 3 million from the cost saving program -- I'll show you in more detail in that, but the majority for the savings this year, came in gross margin and not in overhead. But then the general cost awareness and the cautiousness in our spend, that meant that we had another 6 million that we could save.

Finally, we have another column here, which shows some savings. It is a mixed bag of things, but one of them is that all those payments will go down for ’18, needless to say, with the results that we had, we will pay out less bonus in 2000 -- or for 2018.

Another thing in that other box is that we've spent less on marketing, not [a structured and] deliberate decision, but as you know we've made significant changes in the organization, and we wanted to hold a little bit back while we build out the new departments to make sure that we spend the money in the right way.

If we look at our cost saving program, I'd just like to highlight -- I know we talked about it before, but we did increase the potential from the 35 million to 50 million during the

year, and we are fully on track to deliver on that. We execute as we planned, and we have initiatives with a value of 12 million euros this year, three of those impacted overhead and 9 million impacted gross margin.

The activities, in particular, that we saw the impact from this year was -- [a rising] impact from our US (inaudible) project. You also saw that reflected in the gross margin when we looked at the Americas, we had a positive impact from our production moves. We did a lot of initiatives [and that] -- we'll see more savings from that coming in next year.

And finally, we have the -- I dare to say, the usual procurement savings.

All in all, we have executed initiatives now worth 33 of the 50 million that we have (inaudible), and I feel very confident that we will execute the remaining of these 17 million.

Something that has changed and that’s -- [on changing the guidance] is the restructuring cost [we used to reach] the 50 million savings. As you know, we were impacted significantly by the early closure of the [Sutur] factory in China.

The fact that we had to close down [some] months before we expected has caused significant extra costs to various things like salaries, like warehousing, like not a -- not (inaudible) additional freight costs, and that meant that we have had significantly higher restructuring costs, related to that factory close down.

We will also have some going into ’19, so from that perspective, we have had to increase the expected restructuring costs from 50 to 60 million for the full program.

[Then into] gross margin, we had talked about the slight disappointment that we didn't manage to increase that (inaudible) very much detail into that, just mentioning and highlighting that we've been chosen to be more transparent, and we've actively given you the exact numbers, as far as we can calculate them to show why we didn't achieve the improvement that we had hoped for.

Some of these things are of a one off nature. Clearly the lower capacity utilization was something that we've strongly believed that we've seen the last of in 2018, whereas the raw material prices and tariffs, of course, will continue to have an impact into 2019.

However, we do see that raw materials seem to stabilize. There are specific things, [for instance], (inaudible) they continue to increase, but if we look at the basket of the raw materials, they have stabilized, so we are -- we are hopeful that we won't see as big an increase.

On tariffs, you know as well as I do that it's a little bit uncertain at the moment. So we'll have to keep reading the newspaper to see what happens to the tariffs increases that had been announced and postponed, and we don’t know when or if they will be implemented this year.

I dare to go to the [arrow going up on gross] margins, because looking into 2019, I do believe that it will increase, that one of the things that helps is of course, the divestment. We divested businesses with low gross margins, so we should definitely get an improvement from that. But I'll come a little bit back to other things that will help to improve the gross margin for next year.

Turning to (inaudible), a little bit higher than I had hoped for, but also something we have talked about during the year. We have had, on a LTM basis, a continuing high levels of inventory [for instance] linked to the production rules we did, where we had to double up, so to speak on some of our inventory.

We also now, left 2017 in the numbers, and in 2017, as you also can see here on the graph, we had very, very low working capital, because of the benefit we had on the production activity in China being very high, remember the high private label sales we had at the end of 17, which [caused us] to benefit from very long payment terms on that.

Earlier in the year, we talked about accounts receivable. We saw an improvement in Q3 on that, and we continue to see that so, that’s not an issue anymore, but we have the effect from earlier in the year, running into these numbers. So our [DSO] are now back to the -- to where they were in the beginning of the year.

We still see a little bit too high inventory levels locally, but we continue to work on that.

Then we had a negative impact on payables, something that unfortunately [some] (inaudible) [sustainable] negative impact, because it related to the fact that w e now have paid out some [Phantom] shares, which we previously had in our accounts payable.

And then, we also had a change in the payment terms of -- on some VAT. So looking at the three areas, I do believe that we can normalize inventories and accounts receivable during the year, but this adverse effect on the payables is a continuing thing, so we need to step up the game to compensate for that.

That means that the target we've had around 17.5, we need to do a lot more on accounts receivable and inventories to get to that point. It remains a focus area, and we'll work very hard to get there, but because we have this LTM way of calculating it, I don't expect to reach that level during 2019.

(Inaudible) right -- in the right direction, we had [the higher] earnings before special items, so that helped [capital required] was small (inaudible) during the year.

Turning just to look at various items on the P&L, which we haven’t talked about, FX hit us, as we talked about during the year -- the US dollar, in particular, and it cost us 2.6 % on our revenues. As we've said before, on the ratios, looking at bottom line, [they're] insignificant impact.

Divestments, of course, with 75 million divestment, it had an impact, it was 1.9% during the year, and in 2019, we expect a further 6% negative impact from divestment.

That means that our continuing business had revenue of around 1 billion [and 1] just to be very precise.

Special items, just a few words on that, somewhat higher this year. As you know, the simplification initiatives had an impact on that. We had divestments, in this of 42 million, slightly higher than what I talked about after Q3.

After Q3, I talked about 30 to 35 million, but there, we expected that some of those would move into 2019. We've actually been able to conclude on some of these restructurings, mainly in Italy where it was discussions with the unions, we finalized those discussions so we could make the provisions in 2018.

So that means that some of the expected costs were pushed into '18.

Furthermore, we also divested South Africa, which implied a little charge.

The majority of course, is related to the outdoor business, which [was] the biggest one, and also the most problematic one for us to keep.

Few words on tax, turned out to be an income this year, that's nice if we can continue that, but I don't think we can because it was a special case. As -- when we have a relatively low amount as an income before tax, it doesn't take that many non-taxable income or other adjustments to turn into a [profit] (inaudible), which is exactly what happened.

The normalized level remains in the 25 to 27% as we have communicated previously.

So that ends the financial review. So over to you again, Hans Henrik.

Hans Henrik Lund: Thank you. And now getting into the road towards our midterm targets, I have the pleasure of just walking you through the first two slides and then leaving it to -- back to Karina again.

So let's start with the organic growth rate. And as you know, we -- we have defined what we call our Nilfisk branded professional business, which is about 850 million and change of our total business. And on top of that, we have two other sources of revenue [with] private label and we've got consumer. So [that kind of the way] I want to talk about it.

And all of the activities that we do, they're focused on the branded business. We've not said we wanted to grow private label, nor do we want to grow consumer, so just take it in that context please.

We're basically saying that we believe we can deliver a growth in the branded business above 3% in ’19. And if you look at the left side of the slide, we've -- we are highlighting some of the activities that we started in ’18 that will help us into ’19.

First one is, of course, we got to come back in US. I again want to repeat, the fact that we grew 5% in Q4 doesn't mean that it's going to be a stable road through the year. I actually think we will have a stronger second half than the first half, given the time it takes to implement these changes [and] (inaudible) with Salesforce.

But it -- we will be better off in US in ’19 than we were in ’18. That’s going to help us.

We're still seeing some really, really good momentum in Germany. We've built it through the first part of the year, and now saw it really come into gain in second half. We expect it to continue.

We spoke about APAC when we re-organized, but now we will see APAC grow more in ’19.

And then one thing we haven't talked that much about, but almost a year ago, we started looking at what we called G50 -- Global 50, some of the largest accounts, and we have an effort towards those increasing our [cash share of] (inaudible). We expect something coming from there. And of course, brand (inaudible) Liberty.

Mid market strategy, we have -- we've good momentum with Viper. We expect that to continue. And then of course, we had some quality stuff in ’18 that we won't -- we won't see again in ’19.

So we actually feel we have the right activities to deliver above 3% [for] the branded business.

We've also highlighted on the other side what we expect can happen from ’19 to ’20. But these are the ‘19 activities we're looking at, and I spoke about it already. The fact that we get to a global blueprint, where we focus on the same [sectors] around the globe, with one sales force selling all products, will help us tremendously when moving forward.

And then again, coming back to a [L&D increased] in user fund (inaudible) in especially the US. We continue with the autonomous focus, that'll drive it again. And then it becomes more of the system side of (inaudible), because we start seeing benefits of the system implementations we've done and then the more digital are (inaudible) including [ecommerce].

So we actually feel we have a pretty good roadmap to make this happen. We fully understand that where we need to be in ’20 is 3 to 5% for the total business, but we ask you to understand that in ’19 we have a minus 10% on private label, because we had a large account that stopped their consumer private label in Q4 ’17 and they have stopped their professional private label with us through ’18.

So we have difficult comparison numbers this year. That will change again in ’20 and obviously help us to get the entire business from 3 to 5% -- so, comfortable with that.

Then, if I just give you a little bit on autonomous machines, because it is of course, an interest for all of us, and I just wanted to say -- the stated ambition we had back to September 21 ’17 when we were at the [CMD], we basically said that we believed the revenue from autonomous machines would be up to 10% of our total revenue in five to seven years.

And when I reflect on that, I can clearly see that that ambition and aspiration is intact. We might debate whether it can come earlier, but the aspiration is definitely intact.

You also know that we have made a very deliberate strategy of work with different technology partners helping us, and we continue doing that. We have two partners at the moment. And we continue investing in more platforms of course, because we want to make sure that our customers are always on the most effective platform.

What I've seen in ’18, especially the (inaudible) year is a very encouraging early adoption in both North America and EMEA. We have deliberately chosen not to focus on APAC. We have [other things] to focus on right there, so we focus on North America and EMEA. Very happy with some of the customers on the list that has bought from us, [IFS], Compass, Italian Bond (Inaudible), just to mention a few.

It's names we like to be associated with. And we are associated with a very diverse application picture from airports and something (inaudible) to (inaudible) plans. And [we're] actually doing pretty well in all of [them]. We get really good feedback on [our] machines out there.

So I'm encouraged with what I've seen. We hit a little below what we expected, in terms of units, but nothing major at this point, doesn’t really matter too much. And we just want to go through and continue the ramp up in ’19.

So that’s the picture on the growth part of it. And then I'll leave it back to you, Karina.

Karina Deacon: Yes, if we look at the EBITDA, we said in our (inaudible) that we would expect to be 13% (inaudible) [very clearly say up front], yes we still believe that we will do that. We also believe that we will have the divestment uplifts that we've achieved, where we said it was between 0.2 and 0.3 percentage points.

And then, we [always] have to get used to the IFRS adjustment, but for now, let's just look at the [graphs] here without that.

So the promise that we are giving you is that the 13.2% is what we believe is achievable and what we're working towards. In 2018, we did a number of actions, which we believe will help on the earnings for 2019.

We've already talked about most of them here, so I don’t see the need to go into detail with that, just overall concluding that in 2019, I expect the gross margin to increase quite significantly with something like 1.5 percentage points and partly to do with the divestment impact being relatively high.

But there's also a number of other initiatives that should improve and help us to lift that to 1.5%.

On the other hand, when we look at the overhead, measured in percentage of revenue, we do believe that that will be a negative impact, compared to 2018. And that has some -- mostly to do with the investment that we continue to do. I'll come back to that in detail in a little while.

Then when we look into 2019, there are more things that we want to work with during this year, that should impact and help on the road to the 2020 targets. We will continue of course, [the procurement] optimization. We also have a very interesting thing around our service business, where we are now taking a global approach to that.

We have a guy heading our service business (inaudible) [reporting into] (inaudible), which is a new thing for us. And we do believe that there's a lot of benefits to gain from having a global approach to the service business.

We are also looking into our distribution center in EMEA and we believe that there's some optimization opportunities [there].

The private project, we talked a bit about it in the US and the [responses are] so encouraging that we want to roll that out EMEA as well.

And we, of course, continue the simplification that we have had on the agenda in 2018, and we will continue to look at various things [for instance] on the product side.

And then, when we come into 2020, I do believe that we will have an impact in -- a positive impact on some of the overhead. We will get benefits from the completely new global structure that we are rolling out. We call it the blueprint that we roll out to our safe companies, where we bring a lot of local [stuff to global stuff].

And there is a lot of savings and efficiencies to get out of that.

Then, something which is less tangible and less [direct] (inaudible) we're working with [consolidating] our [ELP] landscape, and we're working with (inaudible) data (inaudible) things that will help and support our business, but not a direct impact on overhead, as such that I can pin point [to now].

Then the last thing is that we continue, of course, the consolidation announced [obviously of finance] and customer care activities.

Just turning to the investments, because they're so crucial for us to continue to do, and we want you to understand what -- and how we think about them.

We've already talked about that in 2019, we will continue the investment. The 18 million we did in 2018, [we're listing to around] 20 million in 2019. We will focus on the digital journey as in the autonomous, the majority of the investment will go in that category, but we will also direct something to further [IT investments free from the] (inaudible) that I just talked about.

And then there's -- there is other things within marketing and other areas of the business.

Looking into ’20, because I anticipated that you would ask are you going to continue? So I might as well say yes. The exact amount, of course, I don’t know. But just to give you an indication of our thought, we do think that it will be higher than in ’19.

The splits here is -- I'll say a best estimate of where we are now -- because obviously we haven’t looked into [the] details for 2020, but this is the area where we expect stuff to land. And it will of course, be -- continue with investments in the digitalization and autonomous machines, and also further investments in the IT side.

Finally then, if we look at the return on capital employed, it's not (inaudible) short term guidance, so I don’t have a promise or guidance for 2019, but when we -- when we did our midterm targets, we said that we would achieve above 20% in returns. And again, of course, taking IFRS 16 into account, [it’d be a different] number, but let's just talk about the 20%.

Similar to what we've talked about before, we had some activities in ’18 that would impact ’19. Unfortunately, one of them is a negative impact, but in all honesty, I have to pin point that as well. But we also see some benefits from for instance, our production (inaudible) we will have reductions in the [inventories and they are now in our] capital (inaudible) [space on that].

We also get some help from investment -- divestments, sorry, because they [had the -- more with the] capital side of then the average of our business.

Then, when we look into what we're doing this year to further benefit and strengthen for 2020, I've already talked about -- we're looking at our distribution center footprint and also local optimization of the inventory levels, we will, [with the] new global approach and [a new] functional focus, be fairly quick to make a global alignment of how we treat our accounts receivable, the processes around it, and similar also on account payable.

And our procurement department will also work on optimizing accounts payable from their (inaudible). So that means that we also feel confident to reach the target we set on ROC.

That concludes the section four, where we hope that you've got a good impression of how we will go towards our midterm target.

Coming up on our outlook for 2018, we've been touching upon it. We have split the guidance [up] because we think it's very important that we understand that individual components and that our branded professional business, and that means the normal geographies that you know. And then we have put [IVS] and food back into those geographies.

For those regions combined, we expect to grow above 3% and as (Inaudible) talked about, private label, we expect that to decline approximately 10%. And consumer, we are anticipating a [flat of 11]. And that means that if we add those together, we end up at approximately 2% for the entire business.

On EBITDA, we expect in -- if I can say the old world or the old numbers, to reach above 12%, and then with the IFRS adjustments, we have to get used to talk about another number, then we will reach above 14.4%.

This guidance assures that we will have a continued growth in the world economy, but we do see increased uncertainty, which I'm sure that the -- that the -- we're not the only Company that highlight -- we don't expect major negative impact from our -- from our transformation initiatives, but as we've talked about before, of course, there is an added risk when we impose such a transformation in the business.

That concludes the presentation we have. So we will go to Q&A.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions).

Our first question comes from the line of [Christian Johansen] from [Delta Bank], please ask your question.

Unidentified Participant: Yes, thank you. So my first question is regarding your cost and special items in particular, so you state that there will be an additional special items of between 15 and 20 million in '19 and 2020 combined to implement this standardized global organization, which is guess is what you refer to as the blueprint.

So can you first elaborate on why this is a special item, because obviously, had it been booked in EBITDA before specialized, I'm sure margin would be substantially lower.

And then secondly, what is the potential return on this investment, in terms of earnings improvement?

Karina Deacon: Yes, let me try and give you an answer to that. First of all, why is it a special item? This is a completely different set up of Nilfisk that we are embarking on.

We're going from local to global. You've heard us talk about before that we are not a global Company today. That's what we're changing into.

We are changing the set up of all our sale companies so they will be responsible for sales and all other functions will have a functional direct line into the head of the global function. That is a very, very different way of working.

At the same time, we're rolling out a different set up in the way that our front end is organized. They will now -- I think, also (inaudible) [such a point is when] he talked about the US, instead of being very product driven, they will now be segment driven. So again, we see it as a completely different way of running our business.

Then you asked what's the amount or where do they come from? Clearly, there's a lot of people involved in this. We already talked about that in the US, there are functions or jobs that we no longer need and when we then set up a new organization with a functional approach, then we also believe that it will come with some redundancies that will cause something.

The exact amount is not clear yet, because we are in the middle of the rollout, and it's something we basically started on 1st of January. So we get a little bit wiser as we go, so that's why we have indicated a range at the moment.

Unidentified Participant: So the 15 to 20 million, that is predominantly redundancy costs?

Karina Deacon: Yes, predominantly.

Unidentified Participant: Okay. And what will be then the run rate savings from that?

Karina Deacon: That's a difficult one. I can't say that yet, because that's where we go out in each of the countries and say, Okay, what can we take out and what is the benefit we'll get from the blueprint here. And also because look, a lot of it is related to the front end, so it's difficult to say exactly what is the individual going to sell more, because of this, because he has all the products in his [van].

Unidentified Participant: All right. Fair enough. Then looking at the Americas and the organic growth in Q4, can you just elaborate on whether there was sort of an effect of the production issues you had previously, and then sort of a catch up on delayed orders and then how much that sort of accounts for in the organic growth rate?

Hans Henrik Lund: There was a good output on industrial machines, Christian. And that helped us for sure. There is no discussion. And again, the 5%, I can't really say it was something special, a deal or a [natural encounter] or anything. We were just fighting every day to get it in, and we had supply. So we were clearly helped by a little bit of backlog and a good supply.

Unidentified Participant: Okay, very clear. Then my last question here, as I recall it, in Q3, you said that European service business did not perform exactly as you would have liked it to. Can you just update us on its performance in Q4?

Hans Henrik Lund: Yes, and I alluded to, Christian when we went through there that we were worried about it from a gross margin perspective. We are way less worried now. We've seen a good uptick in the growth margin on the service business, so again, we were a little cautious after Q3, because we saw a drop. Q4 is much better. And it actually means that when you look at the ’18 full year, the margin is almost the same as it was in ’17. So some of the panic that we had after Q3, we've canceled.

Unidentified Participant:: Okay, good to hear. That was all from me. Thank you.

Hans Henrik Lund: Thanks, Christian.

Operator: Thank you.

The next question comes from the line of Casper Blom from ABG. Please go ahead.

Casper Blom: Yes, thanks a lot. A couple of questions from my side also, just wanted to quickly follow up to make sure I understand your comments about restructuring costs correctly, the 13 to 15 and the 5 to 7, is this also what we should expect that you will be looking at special items in the P&L?

Karina Deacon: I’m not 100% sure what you're referring to, Casper, the 5 to 7 and…

Casper Blom: No, on slide number 16, your restructuring costs in connection with your cost saving programs, you have 13 to 15 million in 2019 and you have 5 to 7 million in 2020. These ranges, are these also the amount that we would expect you to book as special items in ‘19 and 2020?

Karina Deacon: Yes. These are the ones…

Casper Blom: Okay…

Karina Deacon: … related to the cost saving program. And then the one that Christian asked about are not related to the cost saving program, but to something else, which is the blueprint…

Casper Blom: Okay, perfect.

Karina Deacon: … but eventually, these 60 million that we are highlighting for the cost saving program, they will be part of special items.

Casper Blom: Yes, Okay, that’s perfect. I just wanted to make sure.

Then a question on your comments regarding 2020 and getting into the lower end of the old 13% to 15% margin target, you say that you also expect that the branded business can grow 3% to 5% in 2020, a bit hypothetically maybe, but let's say that the branded business only grows by 2% in 2020, would it then still be able or possible to reach that target zone on the EBITDA margin?

Hans Henrik Lund: Oh, that's a difficult one. This becomes a really strange answer, but I would say at this point, it is not impossible. So I'd take it from another angle, we might be able to do it, Casper, but I cannot promise it at 2% growth, but we haven't done the math fully on that.

Casper Blom: No, but it's more sort of to understand to what degree or profitability improvement is dependent on the business also growing, as I assume there is an underlying cost inflation?

Hans Henrik Lund: Yes, of course there is. And Casper, I've said it before and I want to repeat my standard comment, with all of the simplification activities we are undertaking to improve our earnings, we're probably less dependent on growth, compared to normal circumstances, if I'd phrase it like that.

Casper Blom: Yes, Okay, well, you can. That's your privilege. Then maybe to Karina here, if we could talk a little bit about the cash flow or expected cash flow for 2019. You say that you would expect the inventories to come down a bit, would that mean that we could expect a -- an improvement in the working capital in 2019 versus '18? And also, if you could give a little bit of guidance on expected CAPEX in '19 versus in '18?

Karina Deacon: Yes, on the working capital, I will work very hard to get it down, however I have a 0.8 percentage point negative impact on the payable side from those two things I've just talked about.

So I'm really working uphill to get it down, so I will not give a promise; I'll just say I'll do everything I can to bring it down. So give me another year because also the [LCL] effect going into the year, with relatively high inventory, it takes a little while for me to do something on that.

And the initiatives we talk about on a distribution [set up], we're looking into it now, but they will only come into effect probably in the second half of the year.

Relating to your CAPEX question, if we talk about your tangible assets first, just to split them up, we had a little bit higher investment in '18 than we had in '17. And I think in '19 that they will be marginally lower, because when we do the production moves, we clearly need some more CAPEX to start that up. So I expect that we go slightly back on that.

Then if you look at the ID CAPEX, we had an increase in '18 from 1.4 in '17 to 2.2 in '18. And we do believe that that will go up in line with also the investments we are

making in autonomous et cetera. So if you sum it all up, I do think that our CAPEX will be above 4% for 2019.

Casper Blom: Above 4%. Okay. Perfect. Then just the final thing here from me, on the IFRS 16 impact here, appreciate you giving the guidance of a 2.4 percentage point impact on the -- on the EBITDA margin, could you give any guidance on what the impact will be on EBIT and on gross profit?

Karina Deacon: First off is nothing because you basically can turn your rentals into your depreciation. So in each of the buckets, there's no impact. Then when we go down on the bottom line, there is a very, very small interest component, but it's so small, so we basically said it's insignificant, so don't assume that there's any impact bottom line.

Casper Blom: Okay, so it's just an uplift on the EBITDA margin, which is then eaten up by high depreciations, basically?

Karina Deacon: Exactly.

Casper Blom: Perfect. Thank you very much.

Operator: The next question comes from the line of Claus Almer from Nordea. Please go ahead.

Claus Almer: Thank you. Yes, also a few questions from my side. And also, a few questions regarding your restructuring costs and program. Just one question regarding will we see new restructuring program to be announced in the next couple of years? Or was the programs in the 2018 report the last and final program? That'll be the first one.

Karina Deacon: As I said yesterday, I don't foresee any other programs to be initiated. This is the transformational journey we are on, and this is the program that we are rolling out now.

Claus Almer: Okay. And then coming back to the new program costing this 15 to 20 million, which as I understood is linked to the blueprints project. In 2018, you also had nearly 8 million euro as I can read at least in the note, linked to this blueprint restructuring project. Is that the same we're talking about or is something different?

Karina Deacon: It is the same, but it's not 8 million that we had this year, we had different things categorized under the same heading. The business restructuring of 7.8 million…

Claus Almer: Yes.

Karina Deacon: … includes different things, and part of that is this blueprint. And the reason why we already incurred some cost is that when we made the preliminary analysis in some of our countries in EMEA, in the Nordics and in the UK, and we also did a

relatively large change in our marketing and product management setup, some of the things that we then started 1st of January, we had informed about before we celebrated new year.

So that's why we (inaudible) in '18. And they're part of the total amount that we reflect.

Claus Almer: But Okay, as you said earlier, this part of the program is mainly with redundancy program or redundancy initiatives, so will these 7.8 million have a positive P&L impact already in 2019?

Karina Deacon: Yes, indirectly they will, yes.

Claus Almer: Can you quantify the effect?

Karina Deacon: No, I can't. Because as I said, I can't say that this person will sell X amount more. And it's not something that we will track in the same way as the costing, so -- [but because] it's completely different things that we are [touching upon].

Claus Almer: Okay, maybe can, Karina, maybe I'm missing what you're saying. Didn't you say that this special item was redundancy costs so there'll be less people linked to this, so your firing people, so must be saving staff costs or…?

Karina Deacon: Yes, I'll be saving, but on the other hand, I might also employ some other people who are now going to do something different, because we work in a completely different way…

Claus Almer: Okay, so we should not think about…

Karina Deacon: … (inaudible)…

Claus Almer: … we should not think about…

Karina Deacon: (Inaudible).

Claus Almer: … a net reduction of employees, just different skill set of employees?

Karina Deacon: I assume that there will be a net reduction, but when you talk about the savings of it, it's going to be cold and hot water together, which is difficult for me to quantify.

Claus Almer: Okay. And then coming back to this, closing down the factories, where we saw one example in 2018 in China, that didn't play to that well, at least not short term, and now you're closing down in seven factories, how do you make sure we are not going to see a repeat of the Chinese situation? And when will you close down…

Hans Henrik Lund: (Inaudible)…

Claus Almer: … your factories?

Hans Henrik Lund: … start by making sure you read the report right. We closed the seven factories in '18; we're not closing any factories in '19.

Claus Almer: Okay, so I thought some of them were also this year?

Hans Henrik Lund: Not.

Claus Almer: Okay. Sorry about that. Then just the final question regarding robotics, Hans Henrik, did you say that you sold fewer machines than you had anticipated? Or…?

Hans Henrik Lund: Yes, I said basically I've given you a range of 50 to 100 machines, and we might half sold 35 or 40, so it was in that neighborhood.

Claus Almer: Right. Can you say well, what is the clients or the users saying, are these machines actually being used on site or are they still in test phase or…?

Hans Henrik Lund: No, they're being used, and they're operating. You can go to a large [ISF], if you are a large ISF customer then you'll see them in operation. So they are all operating. And we're getting hours on the clock and we're getting kilometers on it as well. So it's all operational doing cleaning every day.

Claus Almer: Okay. Thank you.

Operator: Thank you.

There are no further questions at this time. I would now like to hand the call back.

Hans Henrik Lund: Thank you so much. We know we took a full hour of your time. I hope it was worth it. Thank you for the questions as well, and I wish you a good day.

Thank you.