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PRESENTATION

Hans Henrik Lund *- Nilfisk - CEO*

Good morning, everyone. Thank you for joining our webcast. With me today is as always Karina and we would like to take you through our 2017 results and obviously discuss our 2018 outlook as well.

So, if I fast forward and take you through slide 4, please. We've come out of a very strong Q4 with an organic growth of 5.4% which we are obviously proud of. If I spend a bit more time on it, Americas please note that with 7.3%, clearly means we've taken market share in Q4 and we're very proud of the Americas team providing a growth of 7.3%.

If you look at the other numbers, you'll see that we are performing well across all businesses from a growth perspective in Q4. We promised that our consumer business would stabilize in Q4 and it did with the growth of 0.5%.

It leads us to a reasonable solid 10.6% earnings in Q4 and all in all, it concludes a year that we find is satisfactory. We've lived up to our expectations. We've driven a 3.7% growth. We started out the year guiding 2 to 4. We're narrowed in November to 3 to 4 and we land in the upper part of the range.

Most importantly, the growth is driven by our major markets in EMEA and in Americas as you see. We're not happy with APAC only being 1.3% and I'll cover that in a bit. We have improved our earnings from 11 coming out of 2016 to 11.4%. Our gross margin was 42.2% which is an all-time high.

Karina and I only checked five years back. We actually believe that it's an all-time high more than five years back which is not only promising for 2017, but obviously also for the trend going forward.

We delivered a RoCI of 16.0% which is up by 1.4 percentage points.

So, overall when we discuss the financials, definitely a satisfactory year.

If I take you to the next slide, quite frankly we did other things than delivering numbers. You see the highlights on slide five. A lot of you were celebrating the listing with us, so you remember that one. I think it's important also to say that at the beginning of the year 2017, Nilfisk introduced a new operating model, not a small accomplishment.

We have done two specialty businesses -- specialty professional, specialty consumer -- and gotten the right focus on those businesses, and it has at the same time allowed us to focus even more on what I would call the core business for us.

At that time when we did these changes, 29% of our employees got a new boss. And you all know what that means, that adds stress and so on and so forth I'm proud of how we got through that as an organization. We have delivered on our Accelerate Plus cost saving program. We've promised the famous EUR 35 million by end of 2019. We have backed 21 at this point which is completely according to plan, not a small accomplishment either.

And finally, of course, for the future new strategy, refined strategy in place and the fact that we shipped now the first Liberty A50 unit in U.S. just before Christmas, also very promising. And then finally, of course, we feel we today have strengthened the leadership team that will take us through the transformation. So, all in all, 2017, a very good year for Nilfisk.

If I walk you into more of the units on slide seven starting with EMEA and with the clear headline "Solid Growth," 5.9% for the year driven out of most of our big regions. However, Germany not being that strong and Norway not being that strong.

Germany has been a difficult market for us. We have ramped up in the latter part of the year. But we didn't see the full outcome of that in 2017. We should also clearly say that we were helped a lot by extra private label sales from an organic growth perspective. And if I discount for that, we would only have grown 3.6% in EMEA, which is still acceptable and solid.

We have in 2017 ramped up our service technicians in EMEA. We've done it late in the year. It's been a little bit difficult especially in Germany to attract people. It's a hot market down there as you know. That means that we haven't really seen as much growth as we would have liked in the service business. And it's also putting a bit of a pressure on the margins. And as you know, of course, margins are heavily impacted in EMEA by the private label as we have discussed. We've moved our customer care hub, or we've established it in Hungary which is, again, a way of simplifying our business.

And then finally, we have simplified our structure. We've put Russia into East and South and we put South Africa under Spain and created an IMEA region. So, we are now basically down to six regions, four countries included in those. And we have new leadership in two of the regions which we are, of course, very positive about. So, all in all, a good year for EMEA.

Moving to Americas, we have taken share in Americas in 2017. We're proud of that. We spoke already about the ending of the year with 7.3%. And there are not really a lot of news to you all, because reality is it is still driven by strategic accounts. It's driven by [CARA]. It's driven by LATAM. We just have a good strong foothold, we've seen through the year.

There's been a little bit of variation between the quarters. Q3 was quite soft for us without a lot of growth and you saw that we came really strongly back in Q4. Don't read too much into those two quarters. Look at them as an average. There were a couple of orders that moved from Q3 to Q4, so that's the way I would recommend to look at it.

And the other theme has been good in increasing the gross profit simply by being very specific on what products should be sold, so a great job on that. And they are as you know I have talked about before, they are looking at how we can work that, too, in the indirect channel, that channel strategy is maturing nicely and we're ready to execute that later in 2018.

And finally, we have strengthened the U.S. management team, new head of marketing, new head of sales excellence. So, good numbers, good build-up activities that we would benefit from moving forward.

APAC, well, not satisfactory from a growth perspective, 1.3% is just too low. We saw an uptick in Q4, 4.4%, good. We are delivering to our plants in China. China will soon be our biggest market. It's double-digit growth, all fine.

We have had severe issues in Korea and in Japan. It more or less like I look at those markets as a little bit of a reset where we need to do things differently. We did manage, which is the good news of APAC in 2017, we did manage to increase our earnings and now what we have really done is that [Sara] has now moved to APAC.

[Sara] used to run south and east in Europe. He's a growth guy, has proven it since 13 years and he is now heading APAC and he did that middle of Q4. I have great confidence that that's going to give us the growth we need in APAC.

Then specialty businesses and I'll sound like a broken record on that one because it is a mixed bag. We're very happy with our [IMEX] business where we have a super strong hold within food, within pharma, we are very specific on that, it's all good. And it's a really high margin business so, very happy with that business as we are with Nilfisk Food, again, also solid growth and a very high earning.

We're not happy with Outdoor and Restoration; I've said it before. That's the reason why we now have the strategic review ongoing for the Outdoor business and it is ongoing as said. We've come quite a bit further since we spoke last but there is no conclusion at the moment. We are trying to arrive to conclusion as quickly as we can, so all spotlights are on it.

The good news is we got these four businesses separated. We could have a flashlight on all four then with dedicated leadership and we now know much more about the actual performance of the businesses so, really, really good to get that structure in place.

Then taking you to consumer; consumer was just plain difficult in 2017. We said it from the get-go because we lost a big customer. And that led us to a year of -7.7% organic growth, we predicted it, we knew it would happen and we also promised you that we would stabilize in Q4 which we did, so as such okay, we've done what we promised, but obviously a hard, hard year.

The focus on that business now is really to improve our margins and stabilize the growth as we did in Q4 and that will continue into 2018. We have, again, a dedicated professional leadership team running the business and that's the way you create focus. So, 2018 will be very good for consumer.

That's a quick run through of the businesses. And with that, I will leave the financials for you, Karina.

Karina Deacon - *Nilfisk - CFO*

Thank you. [Hans Henrik] has already talked a lot about the top line time and the state of organic growth, so let me not dwell so much more on that, but let's directly to the earnings.

We saw an improvement in our operating performance, so we could report 11.4%. And on a personal note, I'm very pleased that that was within the guidance that was given throughout 2017 and we even landed in the upper end of that.

As you can see, the improvement has basically come from improvement in terms of gross margin. Our overhead ratio was more or less the same. Then we have an impact of our phantom shares and let me just dwell on that for a second to explain how we treat this.

We have a number of key employees who own phantom shares or have been awarded phantom shares. And when we have put the value to that historically, we have used internal assessment based on EBITDA and a number of other factors including our debt levels.

So, when we would then base it, we had a market price that we could compare to and that meant that we took a charge of EUR 6.8 million. That charge is put under special items because it's linked to the listing of Nilfisk. After the listing, whatever happens after that is a normal running cost.

However, when you look at the share price development from the listing and up until we prepared the accounts by the end of December we had a spike in our share price of 363 exactly on New Year's evening which meant that charge was EUR 3 million. So, we take that out when we talk about our operating performance, and, actually, if I were to make the same accounts today, I would not have that EUR 3 million charge. So, that is why we talk about the operating performance rather than the EBITDA.

So, if we turn to page 14, let's just dwell a little bit on the gross margin and see where the improvement came from. And so, as Henrik said, we didn't go 112 years back in time, but I do believe that this is the highest gross margin we have seen certainly in the last five years.

We had significantly ups and downs impacting the gross margin this year. We have talked about a number of the things during the year significantly via the raw material increase, increased freight cost, the (inaudible) from the private label business where we did significantly more in 2017 compared to 2016, and then the service capacity where we were sort of hit on two accounts. One thing was that we wanted to increase the number of service (inaudible) and the second was that in some instances we were to replace some and there were some difficulties in getting these people on board and also ramp them up as quickly as we wanted to. So, those factors had a negative impact on the gross margin.

On the other side, we were able to compensate for that because we had as we always have, general price increases in the beginning of the year, we did not go out with additional price increases during the year, but the ones that we had from the beginning of the year, of course, helped us.

We have also sort of a normal savings in our production where we constantly work with efficiency improvement and also have procurement savings partly from our cost saying program is added to the improvement. And then finally, as you heard from some of the countries we have worked with, margin optimization where we looked at pushing the right products to the market. So, all in all, we're very pleased with this development and we took the liberty of putting a little arrow on the door here implying that we think we can improve even more from here.

Turning to page 15, looking at our working capital on an LTM basis, we ended at 16.2% of revenue and that's even further down from Q3 when it was at 16.3%. I have said it before but I'll reiterate I think this is an artificially low level. I think the normal level is around 17% given the structure we have at the moment.

Because it is on an LTM basis, we had an impact from our low level of inventory in the beginning of the year, we talked a lot about that exiting 2016. And also, during the year here we've had help on our payable side where we have very high payables compared to a normal level because of high production in China where we have favorable payment terms.

Looking at return on capital employed as [Hansen] had already said, a nice improvement in that coming from both a decrease in the capital [employed] on average and also an improvement in earnings.

Turning to page 16, let's just have a look at the P&L so I can comment on the things I haven't already commented about. The first point amortization, not so interesting, but we did have lower amortization and impairment than in 2016 because we only had the normal amortization and no impairment loss in contrast to 2016.

Looking at special items, they were level with last year but there was a different composition in that. We had cost relating to our saving program which we have guided, so I think that's what is expected by most of you we have EUR 10 million related to that cost saving program.

We also had about EUR 11 million related to our demerger. Part of that was cost connected to the preparation and execution of the transaction, and then there was the phantom share adjustment, the EUR 6.8 million charge that I talked about just before.

Looking at our leverage, we reported 3 times earnings at the end of 2017, and that is an increase from the 2.3 at the end of 2016. That's very much in line with our expectations, and also want we talked about in connection with our demerger.

When we took on the extra debt, we knew that for a short period of time it would mean an increase in our leverage, but we are on track and we still believe that within the next 12 to maybe 15 months, we'll come back to reaching the target of 2.5 or below as we stated in connection with our demerger.

In light of the leverage also as we stated back in October and December, we said don't expect any dividends in 2017, we will favor the deleveraging rather than paying dividends So, accordingly, no dividends for this year.

Just a few words about the tax because a lot of people talk about the U.S. tax reform. For us, it has actually had a positive impact and that's because we had deferred tax liability on our balance sheet so we could state an income of EUR 1.4 million meaning that our effective tax rate was 22.6%. If we exclude the positive impact of the reversal from the tax liability, we were at 25% and that is probably a more realistic level going forward.

So, all in all bottom net profit for the year of by more than 36%.

Turning to page 17, the table where we monitor our cost saving program, we will continue to show you this so you can always follow it the same way as we do. And in general, as [Hansen] has said, we were happy with our progress. We have now executed levers accounting for EUR 21 million out of the EUR 35 million. That meant that in 2017 we had EUR 15 million positive impact in our P&L, 12 of which is included in our overhead and 3 of them in our gross profit.

I will not go into detail about the program. We've talked a lot about that. I'll only say that we are working on core very structural changes which will make up the remain of the difference we're still chasing.

In the outsourcing part, we had positive experience with our third party provider. We have two countries have gone live with our finance transfer and we have even added a path go there within marketing because we believe that it is the right party we've chosen and the work so far is going very well.

We also continued the production footprint, was, again, a very structural thing and it takes a lot of time to prepare for and to see the numbers when we execute.

The, pricing project in the U.S., it has now gone live and they are doing exactly the right things, and they are tracking diligently every week how it's going in terms of getting the benefits from that. And the final thing we're working with as we also talked about at our capital markets day, our complexity reduction, the lever we don't attach so much value to in terms of reaching the 35 but where we strongly believe that this will benefit our business going forward. We had already talked about that we work with modularization and reduction of SKUs, but we have over the last month decided that we want to take an even more aggressive approach to trimming our product portfolio to reduce our SKUs so we are aiming for significant reductions to kill the long tail of products that hardly gave any revenue.

So, all in all, fine progress on our cost saving, and as I said we'll continue to report on that as we go.

Then I've been asked many times how is the link between this cost saving and our bottom line. So, on page 18, I've shown you how do we in 2016 from our overhead in 2016 to 2017. If we just make a normal adjustment for inflation in FX and this is not a scientific number. This is assuming an inflation of 2%, we can actually explain that that has been the delta in our overhead.

However, that's, of course, made up of pluses and minuses. So, the cost saving impact of EUR 12 million has basically funded some increased cost but at least it has funded the investment that we chose to make that when we went into 2017. We chose to set up a new warehouse in Ghent to improve our parts delivery and we also made some decisions to strengthen our funding partly by adding more sales people in selected jurisdictions.

And then we have some cost increases that we perceive as unavoidable. An example of that is related to our demerger, not related to the transaction itself but simply basis to be on a standalone basis where we had to build up departments for areas like investor relations, legal, tax, treasury, et cetera and generally having, facing increased cost simply by being a listed company.

Then we have the famous phantom share charge and also looking at increased amortization for earlier years [IT] spend. And we have also or I have in this one included an estimated effect on organic growth. This is a sort of rule of thumb that we know that it does drive certain increased overhead costs, especially related outbound freight, bonus to sales people, et cetera. And then there's the net savings as the residual here.

That's basically the conclusion of my financials, so I'll hand back to [Hansen] to talk about our Nilfisk Next.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you very much, Karina.

And if we just stay on slide 19, there we go, we can do 20 as well, I'm not showing -- Let me just say that we've had strategies at Nilfisk for the last four-five years called Accelerate Plus and we thought that now it was time to do something new where we focus a bit more on the future, hence we have rolled out a strategy internally called the Nilfisk Next.

It all comes out of what you know, our vision, which is we will lead intelligent cleaning to make our customers business-smart. And it's the reiteration of the fact that it all starts with customers, because how can we make our customers business smarter if we don't know their business. So, this is the signal to everybody at Nilfisk, make sure you understand the customer's business.

Second keyword, lead. That means being number one. It doesn't mean being number two or three. That's a very clear ambition. And then the intelligent cleaning that we've done for 112 years we will keep moving forward obviously based on data and autonomous. So, that's the vision for where we want to go.

And if I break that down into strategy drivers on 21, then we talk about three strategic drivers. The first one -- one team, one agenda. That's been very, very, important in Nilfisk to discuss one team, one agenda. I have to say that's probably my most important observation since I joined, that we were a bit fragmented and we were trying to do many different things across the functions. And quite frankly, value is created when you get everybody on the same page on the same page, on the same agenda. So, the team management responded very favorably and it definitely increases our execution capability.

You have heard me talk about simplify and grow in the market. We talked about that link in the capital markets day in September. And nothing changed; we will simplify, we will grow and those are the two mantras that we drive on a daily basis.

And then finally, we will build the future, which is all about taking benefit of what's possible with autonomous, what's possible with digital tools and all of that. So, that's what we talk about on a daily basis at Nilfisk.

And if I then make that a bit more concrete for 2018, we call 2018 a transformational year. There are many, many things we need to get done in 2018. One thing is, of course, to keep our eyes on the ball making sure we deliver the guidance that Karina ill talk about later. But as much it is to actually transform the way we operate so that we are future-proofed so to speak.

First of all, let's talk about our offering. Karina has hinted already, guess what, we have too many products. We are too complicated. It is complicating not only our company but it's also complicating the life for our distributors and dealers, and eventually for our customers.

So, we believe that we can simplify our offering significantly. I'm tempted to give you a percentage of how many products will disappear, let me not do it right now but say that it is a significant amount of products that we won't do. And we will, of course, free up some capacity by doing that and we will reenergize that into autonomous and connected solutions, so a significant change in how we think about portfolio.

Marketing, there is a really, really significant way of changing that as well, because we used to be quite traditional on marketing which means we're doing catalogues and we're doing events. We now want to build a full fledged digital marketing presence which means two things. It means -- that means actually three. One, we will give customers that digital customer experience that is way better than what we provide today, number one.

Number two, marketing will be driving analytics into sales so that we are data-driven in all of our funnel work and all of our sales work.

Thirdly, we will invest in more customer insights sites to make sure we guide our product people even better. So, it's really building a full fledged marketing department.

And (inaudible) we have hired a CMO who will join us first day tomorrow. So, we're going to get started on that one.

Number three, our IT. You all know that we've bought 80 companies over the last 30 years. We've integrated them. However, we do not have all of these people on the same world-class IT platforms. We need to get everybody on the same platforms and we will standardize it.

It's all about salesforce. It's all about service max. It's all about web 2.0. So, we will do investments in many of the front-end of IT to make sure that we can keep growing the business.

Operations, you know that we have 17 manufacturing facilities all over the world and we are on a journey in saying how many do we need and how do we structure it and that continues in 2018 as well.

And then finally, culture because we're not delivering on these if we don't get the culture piece right and we are doing a more explorative culture now. There is less spreadsheets -- sorry guys -- and there is a more creative approach to how we can actually do things, and a much more agile way of working.

We are rolling out new behaviors across the organization to make sure people understand in every corner of the company what you are expecting, quite, quite a task as well, so overall 18 is a transformational year.

And I want to show you that we will triple the investments in the future in 2018 versus 2017 which means that we will spend EUR16 million in the future. You see them specified. It's about IT. It's about digital and robotics and it's about a continued front-end investment, so very dedicated efforts spelled out for you here.

I know you'll be asking me questions later, is that when we need it could you have guided more earnings, blah, blah, blah, blah, the reality is we need to hit the right balance between providing improved earnings in 2018 and we will. And then the balance with building the future of the company. These investments we just to have to build the future. So think about 2018 as a transformational year where we keep doing simplification, where we keep growing and we keep investing in the future.

And with that, the exciting piece to Karina, what's the outlook and the guidance.

Karina Deacon - *Nilfisk - CFO*

Yes, and that just sums up nicely what you just said because the perceiving 2018 as a transformational year of course also impacts our guidance. And when we look at our organic growth guidance we do see some additional uncertainty because of the things we are doing.

Just as an example, rolling out new CRM systems in absolute key markets in EMEA, proven products, although we will try and focus on substitutions, implementing a new channel strategy in the U.S. just as an example. All these things are something that adds uncertainty compared to, when we know we have looked at our organic growth, so bearing that in mind, we guide 3 to 4% for growth in 2018, also taking into account that we know for a fact that we will have less private label sales in 2018.

And on the EBITDA margins we guide 11.5% to 12%, again, taking into effect that we will see cost savings that will help us, but we will also invest in the future. And we have made and struck a nice balance between that we think. So all in all the guidance you see on page 25 is what we believe that is a reasonable and realistic target for 2018.

And that concludes our presentation. So we will hand it over to Q and A now.

+++ Q and A section

Operator

Thank you.

(Operator Instructions)

We will pause for just a moment to allow everyone an opportunity to take now for questions.

Our first question today comes from [Kristian Johansen] of Danske Bank. Please go ahead.

Kristian Johansen - *Danske Bank - Analyst*

Yes, thank you. A couple of questions for me, first regarding your slide 14 where you showed the gross margin, you list in this call things which offset your gross margin in 2017. Can you just give a bit of outlook on these? To what extent do you expect to see similar or different development on these four parameters in 2018?

Karina Deacon - *Nilfisk - CFO*

Yes. Let me take that. Raw materials basically the last months we have not seen any further increase. So if we compare 2017 to 2018 we will see basically a couple of months in the beginning of the year where we had higher level than last year but then from sort of March-ish we are more or less in the same level as we were in 2017.

On freight we do see increasing freight rates and we expect to see further increases in 2018. Obviously the private label sales we will be helped in 2018 because we will see less private label sales in 2018.

And finally, service, obviously that is one of the operational things that we can do something about ourselves and we are focusing on that. So without giving too many promises I definitely hope that we will improve on that one in 2018.

Kristian Johansen - *Danske Bank - Analyst*

Okay. That was very clear. Thank you. And then my second question is on the currency impact. You do give some guidance on the impact on the revenue, can you just clarify whether there is any margin impact on current exchange rates?

Karina Deacon - *Nilfisk - CFO*

The other way that our cost structure was set up we are pretty lucky from that perspective. We don't see any bottom-line impact from that.

Kristian Johansen - *Danske Bank - Analyst*

Excellent. I mean, you must see a translation impact on earnings, right, but no margin impact, is that what you mean?

Karina Deacon - *Nilfisk - CFO*

Yes, yes, yes, absolutely right, Kristian.

Kristian Johansen - *Danske Bank - Analyst*

All right, yes, thank you. And then my last question in terms of Restoration and Outdoor, is it realistic to expect that you will have an exit of these during 2018?

Hans Henrik Lund - *Nilfisk - CEO*

I hope so, Kristian.

Kristian Johansen - *Danske Bank - Analyst*

Okay. That's clear. That was all for me. Thank you.

Operator

We now take a question from Casper Blom of ABG. Please go ahead.

Casper Blom - *ABG - Analyst*

Yes. Thank you very much. I am going to follow up with what I would regard as the elephant in the room. And ask if you have any comments to this suggestion that was made by your 5% shareholder [Primestone] to merge with [Tennant]. That's my first question.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you, Casper. And you just made me lose my bet because my bet in the room was that you would be asking the first question on the conference.

Casper Blom - *ABG - Analyst*

Great response.

Hans Henrik Lund - *Nilfisk - CEO*

So let me talk about it because you all know that we have been looking at that merger for the better part of 10 years.

That merger was not invented by Primestone. We thought about it for 10 years. We know there is shareholder value in it and you can argue by what Primestone did, some of that shareholder value was visible on the share price. So we know there is shareholder value and we haven't changed our position. We still believe there is shareholder value and we keep claiming that there is independently of what was that made last week.

So our position, Casper, on the topic is completely unchanged. We believe there is shareholder value.

Casper Blom - *ABG - Analyst*

I think your chairman has previously mentioned that it takes two to tango. Let's say that the other party doesn't want to tango would you be talking, say, willing to dance alone and just simply place a bit for Tennant?

Hans Henrik Lund - *Nilfisk - CEO*

You know I can't answer that question, and nor will I, so no comments on that.

Casper Blom - *ABG - Analyst*

Okay, but let me ask it in another way, do you think you are in a position where you would be financially able to make a bid for a company roughly on the same size of yourself?

Hans Henrik Lund - *Nilfisk - CEO*

We believe that we have good support from investors and we believe we're in a good position.

Casper Blom - *ABG - Analyst*

Okay thanks for that. Then a question regarding your comments about 2018 being a little bit of a transformational year, given I suspect that you would then be through some sort of transformation in 2018 but does that also imply that we would see a relatively larger margin expansion in 2019 than what you are guiding for in 2018?

Hans Henrik Lund - *Nilfisk - CEO*

Yes. Casper, we don't know at the moment, to be honest. We need to get through 2018 to really know. But we do believe that the simplification of things we will do in 2018 will give us exactly the leverage we need moving forward because quite frankly we need more leverage in the business.

Today we are so complicated, so even though we grow too little of it actually falls on the bottom line and by simplifying that would be hoping to make it happen.

Casper Blom - *ABG - Analyst*

Okay, so even if your 2018 guidance is obviously higher than what you delivered in 2019 we should think about 2019 sort of as the real, I can say evidence that you are moving towards the 13% to 15% medium term target?

Hans Henrik Lund - *Nilfisk - CEO*

Yes. Let's be clear, we from '20 to '22 we will be in the interval of 13 to 15, that's what we've guided, right? So what they are now looking at is how do we make sure we are above 13.0 when we go into '20? And how do we try to be at 15% when we are in '22?

And I see no sort of derailers in what we are guiding in 2018, nor what I expect that we will be guiding for 2019.

Casper Blom - *ABG - Analyst*

Okay. And my final question, pricing. It's always sort of a matter here around the beginning of the year. Can you speak a little bit about what level of prices you've been able to take, and also if you are considering doing a second round of price increases, let's say, mid-year for example.

Hans Henrik Lund - *Nilfisk - CEO*

We have gone out with3% as we always do. And the stickiness factor, I can't give you a number yet, Casper, I really can't. Traditionally it ends between 1.5 and 2.

I have too little data at this moment to actually tell you where it's going to land this year. Overall I feel good about how people receive it. They understand the raw material increases, we have encouraged. We have no further plans than what we have done now in January.

Casper Blom - *ABG - Analyst*

Okay, so it sounds a little bit as what your competitors was also saying last week.

Hans Henrik Lund - *Nilfisk - CEO*

Correct.

Casper Blom - *ABG - Analyst*

Okay, thanks a lot.

Operator

We will now take a question from Claus Almer of Nordea. Please go ahead.

Claus Almer - *Nordea - Analyst*

Thank you. Also a few questions from my side, further to Casper's question regarding the proposed merger. Are you active in merger speculations or wor, or is it all about Tennant taking the first step? That would be the first question.

Hans Henrik Lund - *Nilfisk - CEO*

I can't comment on that. I can say what I said already that we've been looking at it for 10 years. And nothing has changed, we're still looking at it.

Claus Almer - *Nordea - Analyst*

Okay, worth trying. My second question to the 2008 guidance, have you included any impact from the phantom share revaluation?

Karina Deacon - *Nilfisk - CFO*

No. I'd be very happy to do if you tell me what you think the [GFR] is going to be at the end of 2018, so no is the real answer because I don't know obviously.

Claus Almer - *Nordea - Analyst*

Sure. Just want to be sure about this. And then my final question goes to the after-market revenue. We should think a few years back there was a push through to increase the share of this which is probably also a high-margin business. But in 2017 it ended flattish. Can you give an update on why is that and do you plan to do new initiatives?

Hans Henrik Lund - *Nilfisk - CEO*

I actually gave you a little bit of the answer already, Claus, because I spoke about the fact that we took on new service people in Europe towards the end of the year. The fact is it was hard to find them so it took a bit longer to get them onboard.

Secondly, getting them up to speed also takes time. So it's been a tough market to attract the right people and it's the second time to get them up to speed, so nothing sort of very special on the service part, if you take the real service part.

On the accessory parts in that number is chemicals that we sell in Sweden and in South Africa and those numbers have gone down. So it's a bit of a [mix back] on the topic.

Karina Deacon - *Nilfisk - CFO*

Maybe one last thing to add is that our outdoor business has not been very successful in 2017 and a lot of accessories related to these machines are also included in what we call [soft parts] and accessories, and obviously we didn't have that sale to the extent as we had previously in 2017.

Hans Henrik Lund - *Nilfisk - CEO*

So in conclusion, Claus, nothing to worry about from a core business perspective.

Claus Almer - *Nordea - Analyst*

Sure. Maybe just to follow up, I understood these service people were more linked to the situation in Germany but that was maybe wrongly understood?

Hans Henrik Lund - *Nilfisk - CEO*

No you are right. The mix problem wasn't in Germany. You're right.

Claus Almer - *Nordea - Analyst*

So two or three years back service and spare parts was put higher on the agenda. Yes I would have thought that was starting to pay off but that seems not to be the case or it's actually growing nicely but eaten by outdoor segment for instance.

Hans Henrik Lund - *Nilfisk - CEO*

If you take the raw service part in the professional business class just to give you a bit more insight we grew it by 4.5% in 2017. So it's literally growing with the machine sales.

Is that good enough? No. Would I like it to grow more than the machines sales? Yes. So trust me, we have our eyes on the service business.

Has it been really, really significantly bad in the 2017? No, not at all.

Claus Almer - *Nordea - Analyst*

Okay. And then just a final question regarding this large extraordinary orders you have in EMEA which I guess was diluted from a margin point of view, can you push more flavor to this and should we expect the same amount in 2018?

Karina Deacon - *Nilfisk - CFO*

Well, by nature because these are extraordinary we don't know. Last year 2017 was actually an odd one because I remember already in February I talked about a huge order that we would see in December.

I don't have the same kind of knowledge about huge spike orders in 2018 but trust me they will come. We just don't know at this point in time.

Claus Almer - *Nordea - Analyst*

But they are still (inaudible) but it's just diluted on gross margin, is that the way we should think about it?

Karina Deacon - *Nilfisk - CFO*

Exactly.

Hans Henrik Lund - *Nilfisk - CEO*

That's exactly right. They are definitely accretive. No discussion.

Claus Almer - *Nordea - Analyst*

Okay, thanks.

Operator

We will now take a question from Fasial Ahmad of SEB. Please go ahead.

Fasial Ahmad - *SEB - Analyst*

Hi Hans and Karina this is Fasial from SEB. A couple of housekeeping questions from my side.

Firstly on your organic growth, I think you made it very clear that you are having a number of transformation initiatives in 2018 and that might impact organic growth negativity. How have you accounted for that in your guidance?

Karina Deacon - *Nilfisk - CFO*

It's a difficult one because we obviously don't know what the impact will be because then we could act on that. So this is sort of what could a normal level be, and then add a little bit of risk into it. So I know that's not a good answer but that's really what we did.

Hans Henrik Lund - *Nilfisk - CEO*

And we can say, look, coming out of a very strong Q4 with a 5.4% growth that could have tempted a lot of people to guide very aggressively on the growth.

We kept our feet on the ground. Let me put it like that which I think is the right approach here. And we are obviously banking on an environment in 2018 that is similar to what it was in 2017, important to state as well. So our assumption is that the business environment will stay as attractive as it was in 2017.

Fasial Ahmad - *SEB - Analyst*

So just to rephrase it a 3% to 4% debt risk adjusted for transformation initiatives?

Hans Henrik Lund - *Nilfisk - CEO*

Correct.

Fasial Ahmad - *SEB - Analyst*

Okay, that's very clear. And secondly just follow-up question to Claus Almer's question, private label seals do you expect that to be lower or higher in 2018? I was not entirely sure.

Karina Deacon - *Nilfisk - CFO*

It will be lower. It will account for something like between half and a whole percentage of our organic growth, negative in 2018. So that's also one thing that is a huge influencer in the guidance that we should take into account.

Fasial Ahmad - *SEB - Analyst*

Okay. And that's more than half to one percentage on the organic growth.

Karina Deacon - *Nilfisk - CFO*

Yes. Somewhere in between that.

Fasial Ahmad - *SEB - Analyst*

Okay.

Hans Henrik Lund - *Nilfisk - CEO*

And it's important because even from another call, and in fact the revenue in private label will be smaller in 2018, I mean, 2017. And as you know we like the private label business because it gives us coverage and so of the basic fixed costs but we don't want it to grow too much either. So it's a business where we accept that it might grow a little bit and then we actually spend our efforts improving the earning (inaudible).

Fasial Ahmad - *SEB - Analyst*

Okay. That's clear. And then one final question on the product tuning and could you may be provide us with a bit more flavor on that, which areas should we expect the product [pruning] and what is the magnitude of this product pruning which you are doing?

Hans Henrik Lund - *Nilfisk - CEO*

So, first to answer to your last question it's significant and it's across all our areas. We've done [Red Tail] and (inaudible) on all of our business areas. Guess what, we see exactly the same trends in all of the areas.

And I think it's fair to say that it's overdue to get this done. I don't think the data has is such as significantly new within the company but now we actually do it and that's the biggest change.

Fasial Ahmad - *SEB - Analyst*

And did I understand it correctly, Hans, that the potential financial impact, the savings impact that's not included in your accelerated plus cost savings, that 35 million Euros which you have always yearly communicated?

Karina Deacon - *Nilfisk - CFO*

Yes, that is true because we have not sat down and analyzed in detail what impact will that bring us, so that's why we will not try to put that into our table, we will simply that comes up and above what we will report on.

Fasial Ahmad - *SEB - Analyst*

Okay, thanks. Thanks for the answers. Thank you.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you.

Operator

(Operator Instructions) We will now take a follow-up question from Casper Blom of ABG. Please go ahead.

Casper Blom - *ABG - Analyst*

Yes, thanks a lot. I will just take the opportunity here. Henrik, you mentioned that you've shipped off the first [Liberty] machines. Any indication on pricing and also further rollout here?

Hans Henrik Lund - *Nilfisk - CEO*

Yes, let's start with the pricing. If you use the fact and talk about three, Casper, on what an old machine would cost that's kind of the level. And then you add a fixed service agreement on top and then you are pretty close.

And the further rollout is and I've said it all along that don't put into your spreadsheets for 2018 because we are careful in how we roll it out. We've know that we just need to hit the machines that makes it right for the customer.

And all the other indications we have on the machines out now are very positive. We do it with customers where we have direct access to them, to make sure we get all of the feedback. We've developed an app for them to feedback with pictures and comments real-time. So we are doing this in a very tight corporation. And we are very careful with making sure that we actually hit the market.

Every indication is that we hit the market. We will roll more machines out in '21 to other customers and continue as well. And then towards the end of the year we will see a bit more of a steady flow. But again as I have previously 2018 is not the year where it's going to tilt your calculation left or right.

Casper Blom - *ABG - Analyst*

That's very clear. And then one final one, maybe a little bit tough to say this way but Nilfisk's next strategy or name is it just a new name but the same purpose as it's been all the time?

Hans Henrik Lund - *Nilfisk - CEO*

No. It depends on what you referenced. So what we present to that Capital Markets Day was a significant shift away from what has been previously in two ways. First of all much more focus on the future and building the future and investing in the future, that was not as much clear or as clear in the accelerated class strategy, so very significant change.

The other and this is a bit more of an internal thing, Casper, but anyway it's important. The whole thing about one team one agenda is extremely important and was definitely not in accelerated class because we need to tie our functions together to get to a really solid, strong, continued execution and you can't digitalize a company if you are running in all kinds of different directions, so two very significant to accelerated class, one agenda, one team and the building the future.

That's pretty much in line with what I communicated back September 21st at [CMD]. What I am referring to here is that we've rolled it out through the organization and people started adapting to it in a very positive way. And if I give an internal feeling for the question then most people, all people on the hallways are saying it feels very different from what we have done before.

Casper Blom - *ABG - Analyst*

That's clear. But it is something that makes you want to reconsider the 13% to 15%, it's kind of part of that?

Hans Henrik Lund - *Nilfisk - CEO*

No. No way. It's completely in line. We are fine tuning it. It's completely in line with what I said to you at CMD in September. We're using still the words of simplifying growth which is a very important part of what we do and then building the future as well. So it's in line. But now it is rolled out through the organization which is the important difference.

Casper Blom - *ABG - Analyst*

Got you. Thanks a lot for taking my questions.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you, Casper.

Operator

There are currently no further questions. However, should you wish to ask a question over the telephone please press star one on your telephone keypad.

As there are no further questions on the queue I would now like to turn the call back over to your host for any additional or closing remarks.

Hans Henrik Lund - *Nilfisk - CEO*

Thank you for spending time with us and on behalf of Karina and I thank you for joining us. And we look forward to the next one. Have a great day. Thank you. Bye.