

Q1 Interim Report 2017



Q1 IN BRIEF

Highlights of Q1

- Solid performance in Q1
- 2017 outlook maintained
- Organic revenue growth of 5% driven by EMEA and Americas, with 6% and 10% organic growth respectively
- EBITDA margin before special items of 13.0%, up 2.3 percentage points from Q1 2016
- New operational model implemented in Q1 2017
- Ongoing preparation for independent listing

269
mEUR
in revenue, up 14 mEUR from Q1 2016

In Q1, the Nilfisk micro scrubbers SC100 and SC250 were awarded the Red Dot Award 2017 for outstanding product design. The autonomous scrubber Nilfisk Liberty A50 received the Innovation Award 2017 at The Cleaning Show in London.



5%
organic revenue growth

Appointment of new CEO, Hans Henrik Lund, who will join Nilfisk no later than August 2017.



13.0%
EBITDA margin before special items, up 2.3 percentage points from Q1 2016



Roll-out of initiatives rooted in the business strategy Accelerate continued during Q1 2017.

15.9%
RoCE, up 3.3 percentage points from Q1 2016



Implementation of new operational model and organizational structure.

Contents

Management's review			
Financial highlights	4	Income statement	9
Group financials	5	Statement of comprehensive income	9
Markets and segments	7	Balance sheet	10
Strategy and operations	8	Cash flow statement	11
		Statement of changes in equity	11
		Notes	12
		Management's statement	14



FINANCIAL HIGHLIGHTS

Financial highlights

EUR million	Q1 2017	Q1 2016	Year 2016
Income statement			
Revenue	268.9	255.4	1,058.5
EBITDA before special items	35.1	27.2	116.8
EBITDA	30.9	27.2	96.8
EBIT before special items	25.4	17.6	75.8
EBIT	21.2	17.6	54.0
Special items	-4.2	0.0	-21.8
Financial items, net	-2.4	-2.8	-11.0
Profit for the period	13.6	11.1	29.5
Cash flow			
Cash flow from operating activities	-16.4	-0.8	114.7
Cash flow from investing activities	-8.6	-39.7	-72.6
- hereof investments in property, plant and equipment	-5.6	-8.0	-20.6
Free cash flow excluding acquisitions and divestments	-25.0	-12.7	74.2
Balance sheet			
Total assets	999.7	1,001.6	983.1
Total equity	239.1	206.1	224.8
Working capital	178.8	195.0	141.7
Capital employed	528.8	541.7	490.6
Financial ratios and employees			
Organic revenue growth	5%	-1%	3%
EBITDA margin before special items	13.0%	10.7%	11.0%
EBIT margin before special items	9.4%	6.9%	7.2%
Overhead costs ratio	34.5%	35.0%	33.3%
Return on Capital Employed (RoCE)	15.9%	12.5%	14.6%
Number of full-time employees, end of period	5,772	5,785	5,607

Financial highlights and ratios are calculated as defined in the 2016 Annual Report

GROUP FINANCIALS

Q1 performance in line with expectations

In Q1 2017, Nilfisk realized revenue of 268.9 mEUR and organic revenue growth of 5%. EBITDA before special items was 35.1 mEUR, an increase of 7.9 mEUR compared to the same quarter last year. The EBITDA margin before special items increased by 2.3 percentage points to 13.0%. Nilfisk's return on capital employed increased from 12.5% to 15.9%.

New segmentation as of January 1, 2017

With effect from January 1, 2017, Nilfisk redefined its operating reporting segments to align with a new operational model and organizational structure implemented during 2016. Certain products have been carved out from the geographically defined operating segments previously used, and as of Q1 2017 will be reported as "Specialty". The carved-out Specialty segment includes consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners, outdoor equipment, restoration equipment and specialized equipment for the food industry. In 2016 and earlier, the reportable segments consisted of EMEA, Americas, APAC, Global Operations and Other, with the first three sales segments defined by customers sold to in that region irrespective of which products were sold. Comparative figures have been restated accordingly.

Organic revenue growth driven by EMEA and Americas

Nilfisk realized an organic revenue growth of 5%. Growth was driven by strong development in EMEA and Americas with organic growth of 6% and 10% respectively. APAC realized a flat organic growth in Q1 and the Specialty segment a negative organic growth of 2%.

Total nominal growth was driven by the organic growth of 5% and a positive impact from changes in currency exchange rates, and partly offset by a negative effect from disposal of the US-based Cyclone Technology impacting with 0.5%.

Revenue in Q1 2017 was positively affected by additional working days compared to 2016 due to a late Easter.

Organic growth

	Q1 2017
EMEA	6%
Americas	10%
APAC	0%
Specialty	-2%
	5%

Gross margin improved by 1.9 percentage points

The gross margin was 44.5% compared to 42.6% in Q1 2016. The increase was driven by a change in product mix as well as operational improvements. Within the professional segment, Nilfisk realized an increase in gross margin primarily due to changes in product mix i.e. sales of products with higher margins compared to Q1 2016. Consumer products contributed to increased margins due to efficiency gains in the production.

Overhead cost ratio decreasing

Overhead costs were 92.7 mEUR, equivalent to an overhead cost ratio of 34.5% compared to 35.0% in Q1 2016. The improvement is in line with expectations and is positively impacted by the cost saving program launched in 2016 as part of the Accelerate+ initiative.

Accelerate+ cost saving program

In 2016, Nilfisk initiated a cost saving program as part of the Accelerate+ initiative, with the target of realizing 35 mEUR in annual EBITDA improvements. The full cost saving potential of Accelerate+ is expected to be achieved as from December 2019 with full EBITDA impact from the financial year 2020.

The program includes overhead reductions from structural changes and efficiencies e.g. through production footprint, sourcing initiatives, and process optimization, complexity reductions and price management. By the end of Q1 2017, initiatives implemented and launched, positively impacted the costs by savings of 3 mEUR, with an expected full-year effect of 13 mEUR.

EBITDA before special items improvements (EUR mEUR)	Full potential 2019*	Run-rate 2017**	Income statement impact Q1 2017	Income statement impact 2017***
Overhead reductions	17	13	3	13
Global Operations initiatives	12	0	0	0
Other initiatives	6	0	0	0
Total	35	13	3	13

Implementation costs	2019	Total spend	Income statement impact Q1 2017
New structure	5	5	0
Cost saving program	35	13	3
Total	40	18	3

Investments	2019	Total spend	Balance sheet impact Q1 2017
Investments	12	1	1

* Annual expected savings from levers expected to be executed by December 31, 2019

** Annual expected savings from levers executed as at March 31, 2017

*** Expected savings from levers executed as at December 31, 2017

GROUP FINANCIALS

Solid increase in EBITDA before special items

EBITDA before special items amounted to 35.1 mEUR, up from 27.2 mEUR in Q1 2016. The EBITDA margin before special items was 13.0%, up 2.3 percentage points from the same quarter last year. The increase was mainly driven by the higher gross margin, up by 1.9 percentage points from Q1 2016, and a lower overhead cost ratio.

Special items

Special items were 4.2 mEUR in Q1 2017, primarily relating to restructuring costs of 2.9 mEUR incurred in connection with the organizational and structural changes and the cost saving program executed as part of the Accelerate+ initiatives. In addition, 1.3 mEUR of costs were incurred in connection with the intended split from NKT A/S.

Working capital on normal level

Working capital was 178.8 mEUR, down by 16.2 mEUR from Q1 2016. This is mainly driven by lower inventories and higher payables. The working capital ratio, LTM, measured on latest 12 months average decreased by 3.2 percentage points from 20.1% at the end of Q1 2016 to 16.9% at the end of Q1 2017. Referring to the Annual Report 2016, the working capital level at year-end 2016 was unusually low as it was impacted by certain factors including production of consumer high pressure washers being postponed to 2017 because of the late Easter in 2017, and a low level of inventory due to strong demand in the last months of the year. The negative working capital development during Q1 reflects the normalization of the working capital.

Net interest-bearing debt

At the end of Q1 2017, total net interest-bearing debt was 289.7 mEUR, up by 23.9 mEUR against year-end 2016 and down by 45.9 mEUR against the end of Q1 2016. The main part of the debt relates to intercompany balances with parent company, NKT A/S. Interest-bearing intercompany balances are at the end of Q1 2017 recognized as long-term balances in accordance with agreements made with NKT A/S. The 2016 comparison figures are recognized as short-term debt.

2017 Outlook

Nilfisk's expectations for 2017 are maintained compared to the guidance provided in the 2016 Annual Report, released on February 21, 2017:

- Organic growth is expected in the range of 2% to 4%
- The EBITDA margin before special items is expected to be in the range of 11.0% to 11.5%

Management change

In February 2017, the Board of Directors announced the appointment of Hans Henrik Lund as new CEO of Nilfisk, starting no later than August 2017. Meanwhile, Lars Gjødsbøl, Nilfisk's Executive Vice President and Head of Global Operations, is acting CEO. Hans Henrik Lund has held several leadership positions in global companies during the past 25 years including Danfoss, Jabra and Nokia Gear. Hans Henrik Lund holds an M.Sc in Mechanical Engineering, a Ph.D in Material Science and an MBA in Organization and Business Management. He comes from a position as CEO of the Finnish lighting company Helvar.

Split of NKT A/S

NKT A/S (former NKT Holding A/S) intends to split the company into two separately listed companies: Nilfisk and NKT including ABB HV Cables and NKT Photonics. Preparations for the future listing of Nilfisk as a separate company continued over the course of Q1 2017. At the Annual General Meeting in April 2017, the Board of Directors was mandated to prepare for and, subject to any statutory requirements, execute a split-up of NKT A/S. The split is expected to be completed in the second half of 2017 after the new CEO of Nilfisk, Hans Henrik Lund, has joined the company.

MARKETS AND SEGMENTS

EMEA



EMEA covers sales of professional products to markets in Europe, Middle East and Africa, excluding sales in the carved-out business “Specialty” (see page 5).

In EMEA, Nilfisk realized revenues of 116.0 mEUR, up from 109.6 mEUR in the same quarter last year. Organic revenue growth was 6% with most markets contributing positively to this growth, in particular mature markets in Western Europe like France, Germany, Spain and Sweden. Large strategic accounts within retail and contract cleaning also contributed to the positive development.

Sales and Service Excellence improvements made in recent years are impacting sales efficiency positively. In Q1, the gross profit margin improved by 0.1 percentage points to 28.7% compared to Q1 2016.

Americas



Americas covers sales of professional products to markets in North America and South America, excluding sales in the carved-out business “Specialty” (see page 5).

In the Americas, Nilfisk realized revenues of 73.3 mEUR, up 9.5 mEUR from the same quarter last year. Organic revenue growth was 10%, driven by a strong development in the floorcare business in USA, in particular within National Accounts, and in the high pressure washer business. Canada and Latin America also showed solid positive development.

The gross profit margin improved by 0.4 percentage points to 27.8% in Q1 2017 compared to Q1 2016, mainly driven by changes in the product mix.

APAC



APAC covers sales of professional products to markets in Asia and Pacific (Australia and New Zealand), excluding sales in the carved-out business “Specialty” (see page 5).

In APAC, Nilfisk realized revenues of 19.5 mEUR. Organic revenue growth was 0%.

Growth resumed in China during Q1, driven by sales of products in the mid-market segment. However, certain markets in Asia realized a negative organic revenue growth in the quarter, and combined with political unrest in Korea impacting the general business environment, this offset total revenue growth in APAC.

Across all segments and product lines, the gross profit margin contracted by 1.4 percentage points to 32.3% in Q1 2017 compared to Q1 2016.

Specialty



The reporting segment Specialty includes sales of consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners, outdoor equipment, restoration equipment and specialized equipment for the food industry.

In Specialty, Nilfisk realized revenues of 60.6 mEUR in Q1 2017, down 2.6 mEUR from the same period last year which included the US-based Cyclone Technology activities divested during the fall 2016. Organic revenue growth was negative by 2%. Revenues were negatively impacted by the loss of a large single customer in the Consumer business, the cold spring, as well as lower activity in the outdoor segment. Those factors offset a positive development in the Industrial Vacuum Solutions business.

Across Specialty, the gross profit margin was 45.0%, up 0.4 percentage points from Q1 2016, driven by changes in product mix and efficiency improvements in the Consumer business.

STRATEGY AND OPERATIONS

Strategy and operations

Accelerate Strategy roll-out

The roll-out of the Accelerate business strategy continued as planned. A new operational model and organizational structure supporting the execution of the strategy came into full effect in January 2017. The new model reduces complexity in the organization, enabling a stronger alignment to better serve specific customer and market segments.

The new operational model carved out the “Specialty” business from the geographically segmented business divisions. Specialty includes consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners and businesses within outdoor, restoration equipment and specialized equipment for the food industry. During Q1, the carve-out facilitated increased transparency and created a stronger focus on sales processes and customer needs. In the regional sales organizations, a new and consistent model across countries was implemented focusing on Premium (high-end), Value (mid-market) and Service.

Products and solutions

In Q1 2017, Nilfisk launched two new products, both within the Specialty range. In the Consumer business a new and updated high pressure washer in the small compact range was launched in addition to various accessories including a patio cleaner and foam sprayer.

In the Outdoor business, Nilfisk expanded its product range by launching a new model in the 1 cubic meter multifunction machine class. The new City Ranger 3570 has a low emission engine that meets future regulations and has significantly reduced fuel consumption, supporting an improved total cost of cleaning calculation for customers.

Several Nilfisk products were awarded in Q1 2017. The micro scrubbers SC100 and SC250 received the internationally recognized Red Dot Award for outstanding product design. Both machines focus on compact and maneuverable design that increases flexibility and productivity for users. At The Cleaning Show in London, the new autonomous scrubber from Nilfisk, the Nilfisk Liberty A50, received the Innovation Award. This scrubber will be launched later in 2017 and is the first product launch in The Horizon Program, a strategic and long-term innovation program from Nilfisk.

Operations

Nilfisk announced that it will establish a new warehouse in Hamburg, Germany, dedicated to consumer-related business. Current consumer-related operations from the distribution center in Denmark will wind down, and the new warehouse will with its strategic position enable Nilfisk to better meet the expectations of consumer customers across Europe. The first deliveries from the warehouse are planned to take place in August, 2017.



Income statement

EUR million	Note	Q1 2017	Q1 2016	Year 2016
Revenue	2	268.9	255.4	1,058.5
Cost of sales		-149.2	-146.6	-620.9
Gross profit		119.7	108.8	437.6
Research and development costs		-8.2	-7.3	-30.0
Sales and distribution costs		-64.5	-58.5	-230.6
Administrative costs		-20.6	-24.0	-93.0
Other operating income, net		0.6	0.6	0.8
Operating profit before amortization/impairment of acquisition-related intangibles and special items		27.0	19.6	84.8
Amortization/impairment of acquisition-related intangibles		-1.6	-2.0	-9.0
Special items	3, 4	-4.2	0.0	-21.8
Profit before financial items and income taxes (EBIT)		21.2	17.6	54.0
Financial income		2.2	4.0	13.0
Financial expenses		-4.6	-6.8	-24.0
Profit before income taxes		18.8	14.8	43.0
Income taxes		-5.2	-3.7	-13.5
Profit for the period		13.6	11.1	29.5
Earnings per share (based on 5,000,000 shares issued)				
Basic earnings per share (EUR)		2.72	2.22	5.90
Diluted earnings per share (EUR)		2.72	2.22	5.90

Statement of comprehensive income

EUR million	Q1 2017	Q1 2016	Year 2016
Profit for the period	13.6	11.1	29.5
Other comprehensive income			
Items that may be reclassified to the income statement:			
Foreign exchange adjustments, foreign companies	0.5	-3.9	-3.9
Value adjustment of hedging instruments:			
Value adjustment for the period	-1.0	-1.6	-0.3
Transferred to cost of sales	0.2	-1.0	0.2
Transferred to financial income and expenses	0.0	0.3	0.8
Fair value adjustment of available for sales securities	0.2	0.0	0.3
Tax on comprehensive income	0.2	0.5	-0.2
Items that may not be reclassified to the income statement:			
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	-2.4
Tax on actuarial gains/losses	0.0	0.0	0.5
Comprehensive income for the period	13.7	5.4	24.5

Balance sheet

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Assets			
Intangible assets			
Goodwill	177.9	171.9	179.3
Trademarks	14.2	16.9	14.8
Customer related assets	16.4	18.9	17.2
Development projects completed	38.8	26.8	39.4
Software, Know-how, Patents and Competition Clauses	23.4	29.9	24.9
Development projects and software in progress	22.8	29.2	21.8
	293.5	293.6	297.4
Property, plant and equipment			
Land and buildings	12.1	12.8	12.4
Plant and machinery	5.4	5.7	5.6
Tools and equipment	37.9	33.8	38.2
Assets under construction incl. prepayments	7.4	9.6	5.5
	62.8	61.9	61.7
Other non-current assets			
Investments in associates	18.6	17.3	17.7
Other investments and receivables	6.5	6.2	6.2
Deferred tax	17.0	14.2	16.2
	42.1	37.7	40.1
Total non-current assets	398.4	393.2	399.2
Inventories	192.5	198.7	173.3
Receivables	225.0	210.4	203.6
Interest-bearing receivables	159.7	167.6	175.7
Income tax receivable	4.7	5.4	2.8
Cash at bank and in hand	19.4	26.3	28.5
Total current assets	601.3	608.4	583.9
Total assets	999.7	1,001.6	983.1

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Equity and liabilities			
Equity			
Share capital	67.2	67.2	67.2
Reserves	3.2	0.5	3.1
Retained comprehensive income	168.7	137.5	154.5
Total attributable to equity holders of Nilfisk A/S	239.1	205.2	224.8
Non-controlling interests	0.0	0.9	0.0
Total equity	239.1	206.1	224.8
Non-current liabilities			
Deferred tax	23.0	20.2	23.5
Pension liabilities	7.4	5.7	7.5
Provisions	6.8	7.4	6.8
Interest-bearing loans and borrowings	188.8	0.3	191.5
Other liabilities	1.4	0.6	1.4
	227.4	34.2	230.7
Current liabilities			
Interest-bearing loans and borrowings	280.0	529.2	278.5
Trade payables and other liabilities	231.9	210.5	232.1
Income tax payable	8.9	8.4	4.5
Provisions	12.4	13.2	12.5
	533.2	761.3	527.6
Total liabilities	760.6	795.5	758.3
Total equity and liabilities	999.7	1,001.6	983.1

Cash flow statement

EUR million	Q1 2017	Q1 2016	Year 2016
Profit before financial items and income taxes (EBIT)	21.2	17.6	54.0
Depreciation, amortization and impairment	9.7	9.6	42.8
Non-cash operating items:			
Profit on sale of non-current assets, used and increases in provisions, and other non-cash operating items, etc.	-1.0	-0.4	2.2
Changes in working capital	-41.5	-23.4	39.0
Cash flow from operations before financial items and income taxes	-11.6	3.4	138.0
Financial income received	2.2	4.2	11.4
Financial expenses paid	-3.4	-5.8	-22.0
Income tax paid	-3.6	-2.6	-12.7
Cash flow from operating activities	-16.4	-0.8	114.7
Acquisition of businesses	0.0	-27.8	-28.9
Acquisition of non-controlling interests	0.0	0.0	-3.2
Investments in property, plant and equipment	-5.6	-8.0	-20.6
Disposal of property, plant and equipment	0.9	0.4	2.8
Intangible assets and other investments	-3.9	-4.3	-22.7
Cash flow from investing activities	-8.6	-39.7	-72.6
Changes in current interest-bearing receivables	15.6	-10.7	-17.6
Changes in current interest-bearing loans and borrowings	2.8	212.5	-25.9
Changes in non-current interest-bearing loans and borrowings	-2.7	-155.9	8.8
Cash flow from financing activities	15.7	45.9	-34.7
Net cash flow for the period	-9.3	5.4	7.4
Cash at bank and in hand, January 1	28.5	21.2	21.2
Currency adjustments	0.2	-0.3	-0.1
Cash at bank and in hand, end of period	19.4	26.3	28.5

Statement of changes in equity

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Equity, January 1	224.8	200.7	200.7
Other comprehensive income:			
Foreign exchange translation adjustments	0.5	-3.9	-3.9
Value adjustment of hedging instruments:			
Value adjustment for the period	-1.0	-1.6	-0.3
Transferred to cost of sales	0.2	-1.0	0.2
Transferred to financial income and expenses	0.0	0.3	0.8
Fair value adjustment of available for sales securities	0.2	0.0	0.3
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	-2.4
Tax on actuarial gains/losses	0.0	0.0	0.5
Tax on other comprehensive income	0.2	0.5	-0.2
Total other comprehensive income	0.1	-5.7	-5.0
Profit for the period	13.6	11.1	29.5
Comprehensive income for the period	13.7	5.4	24.5
Share option program	0.6	0.0	2.8
Additions/disposals, non-controlling interests	0.0	0.0	-3.2
Total changes in equity for the period	14.3	5.4	24.1
Equity, end of period	239.1	206.1	224.8

Note 1

ACCOUNTING POLICIES

This Interim Report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

With effect from January 1, 2017, Nilfisk has redefined its operating segments to align with the new organizational structure implemented during 2016 and fully operational as of January 1, 2017. Certain products have been carved out from the geographically defined operating segments previously used, and are effective from January 1, 2017, reported as "Specialty". The carved-out Specialty comprises consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners, outdoor equipment, restoration equipment and specialized equipment for the food industry. Except for this, the Interim Report follows the same accounting policies as the 2016 Annual Report. The 2016 Annual Report has been audited by the company's independent auditor.

Nilfisk has implemented the standards and interpretations that become effective for 2017. The implementation of standards and interpretations has not influenced recognition and measurement in 2017.

Regarding accounting estimates, please refer to Note 1.1 on page 42 of the 2016 Annual Report. Regarding risks please refer to Note 6 on page 88 of the 2016 Annual Report and the information contained in the section on Risk Management on page 28 of the 2016 Annual Report.

Note 2

SEGMENT INFORMATION

EMEA, Americas and APAC cover sales of professional products to markets globally, excluding sales in the carved-out business "Specialty".

Specialty comprises consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners, outdoor equipment, restoration equipment and specialized equipment for the food industry. Non-allocated comprises most of Nilfisk Group's production and supply chain activities outside the Specialty

segment and the profit related to the inter-group sales to the operating sales segments. It also includes costs relating to Nilfisk Group functions.

The 2016 comparison figures have been restated as if the new segment structure had been in effect as of January 1, 2016. In restating the comparison figures, management has applied judgment related to the reallocation of costs to cash generating units.

EUR million	Q1 2017	Q1 2016	Year 2016
Revenue			
EMEA	116.0	109.6	468.4
Americas	73.3	63.8	275.7
APAC	19.5	18.7	81.3
Specialty	60.6	63.2	232.8
Non-allocated	167.0	158.3	610.6
Total reportable segments	436.4	413.6	1,668.8
Inter-segment transactions	-167.5	-158.2	-610.3
	268.9	255.4	1,058.5
Gross profit			
EMEA	33.3	31.4	132.0
Americas	20.4	17.5	73.6
APAC	6.3	6.3	24.9
Specialty	27.3	28.2	109.9
Non-allocated	32.4	25.4	97.2
	119.7	108.8	437.6

EUR million	Q1 2017	Q1 2016	Year 2016
Full-time employees, end of period*			
EMEA	1,575	1,671	1,658
Americas	533	592	551
APAC	461	499	478
Specialty	578	603	547
Non-allocated	2,625	2,420	2,153
	5,772	5,785	5,607

* 2016 figures are not restated to reflect new operating segments.

Note 3

SPECIAL ITEMS

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

Special items

EUR million	Q1 2017	Q1 2016	Year 2016
Accelerate+ initiatives	2.9	0.0	15.1
Loss on divestment of business	0.0	0.0	3.3
Write-down/impairment	0.0	0.0	3.1
Costs related to intended split from NKT A/S	1.3	0.0	0.3
	4.2	0.0	21.8

The Accelerate+ initiative includes the implementation of a new operating model and a new organizational structures as well as a cost saving program. Costs incurred to implement this initiative include e.g. consultancy fees and supporting tools as well as organizational changes, alignment of facilities, and redundancy costs to staff where one-off related costs are paid out or will be paid out without the staff servicing the Nilfisk Group for the payment.

Costs related to the intended split from NKT A/S mainly relate to consultancy fees and costs of supporting tools as well as organizational changes, in connection with the intended future separate listing of Nilfisk A/S.

Note 4

INCOME STATEMENT CLASSIFIED BY FUNCTION

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

Income statement

EUR million	Q1 2017	Q1 2016	Year 2016
Revenue	268.9	255.4	1,058.5
Cost of sales	-149.7	-147.1	-625.1
Gross profit	119.2	108.3	433.4
Research and development costs	-8.2	-7.3	-31.8
Sales and distribution costs	-66.4	-60.0	-241.2
Administrative costs	-24.0	-24.0	-103.7
Other operating income, net	0.6	0.6	-2.7
Profit before financial items and income taxes (EBIT)	21.2	17.6	54.0

Amortization/impairment of acquisition-related intangibles are divided into:

Cost of sales	-0.4	-0.5	-2.1
Sales and distribution costs	-1.2	-1.5	-6.9
	-1.6	-2.0	-9.0

Special items are divided into:

Cost of sales	-0.1	0.0	-2.1
Research and development costs	0.0	0.0	-1.8
Sales and distribution costs	-0.7	0.0	-3.7
Administrative costs	-3.4	0.0	-10.7
Other operating income, net	0.0	0.0	-3.5
	-4.2	0.0	-21.8

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the interim report of Nilfisk A/S for the period January 1 - March 31, 2017.

The Interim Report, which has not been audited or reviewed by the company auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting", as approved by the EU.

In our opinion the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position as of March 31, 2017, and the results of the Group's activities and cash flow for the period January 1 - March 31, 2017.

We are also confident that the Management's review provides a fair statement of developments of the activities and financial situation of the Group, financial results for the period, the general financial position of the Group, and a description of major risks and elements of uncertainty faced by the Group.

Brøndby, May 17, 2017

Executive Management Board

Lars Gjødsbøl
EVP, Acting CEO

Karina Deacon
CFO

Anders Terkildsen
EVP

Board of Directors

Jens Due Olsen
Chairman

René Svendsen-Tune
Deputy Chairman

Jens Maløe

Jutta af Rosenborg

Anders Runevad

Lars Sandahl Sørensen

Michael Gamtofte

Jean-Marc Rios Dionne

Statements made about the future in this report reflect the Executive Management Board's current expectations with regard to future events and financial results. Statements about the future are by their nature subject to uncertainty, and the results achieved may therefore differ from the expectations, among other things due to economic and financial market developments, legislative and regulatory changes in markets that Nilfisk operates in, development in product demand, competitive conditions, and energy and raw material prices. See also 2016 Annual Report for a more detailed description of risk factors.

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

Nilfisk's Interim Report Q1 2017 was published on May 17, 2017, and via NKT A/S released through Nasdaq Copenhagen and nkt.dk. The report is also available at nilfisk.com.

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