

NKT

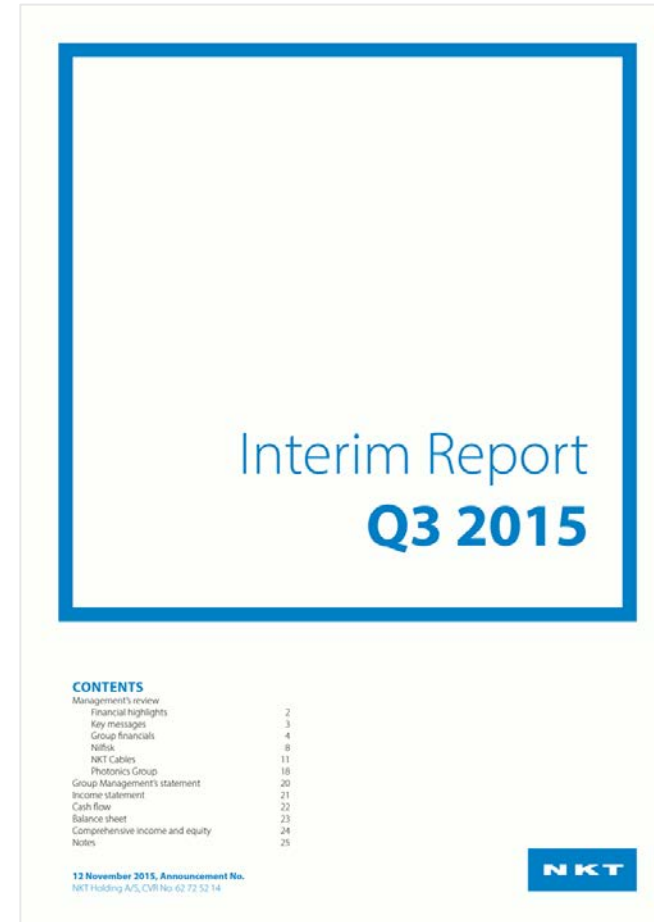
Carnegie - Nilfisk Asia Roadshow

6 January 2016 - Beijing, China

Forward looking statements

This presentation and related comments contain forward-looking statements

Such statements are subject to many uncertainties and risks, as various factors of which several are beyond NKT Group's control, may cause that the actual development and results differ materially from the expectations



Today's presenters



Jakob Bergendorff

Nilfisk Asia

Senior General Manager, Asia



Eric Wu

Nilfisk Global Operations

Site Director, Suzhou, China

Agenda

Nilfisk Asia sales

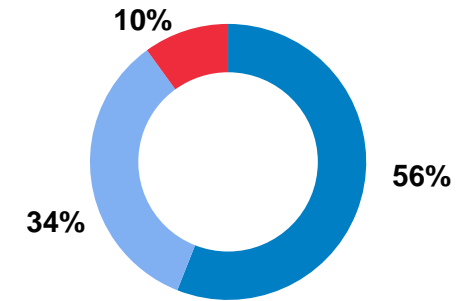
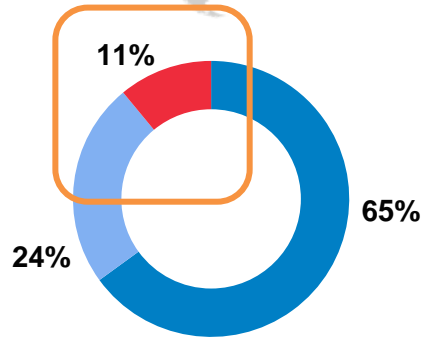
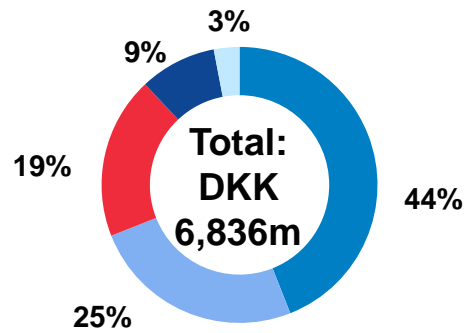
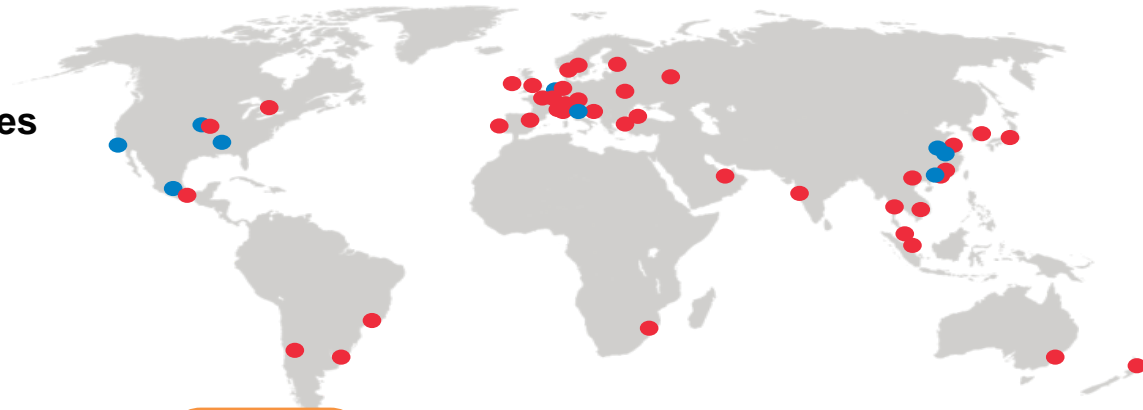
- Introduction
- Market situation
- Working with global Accelerate strategy and local strategy

Nilfisk Global Operations Suzhou site

Questions & Answers

Nilfisk overview on products, geographies and segments

● Sales entities
● Manufacturing companies



Sales by products

- Floor care
- Vacuum cleaners
- High-pressure washers
- Service
- Other

Sales by geography

- EMEA
- Americas
- APAC

Sales by customers

- Commercial market
- Industrial market
- Private consumer market

Nilfisk Asia Sales organisation supports clear sales focus

Nilfisk Asia: 9 independent sales companies with 3 group support functions



- Sales and support office
- Sales office
- Support function

Floorcare and vacuums are strongholds in Asia

Floorcare equipment

- Scrubbers and sweepers
- Outdoor



~43% of Nilfisk Asia

~44% of Nilfisk globally

Vacuum cleaners

- Commercial
- Industrial
- Consumer



~30% of Nilfisk Asia

~25% of Nilfisk globally

High-pressure washers

- Professional
- Consumer

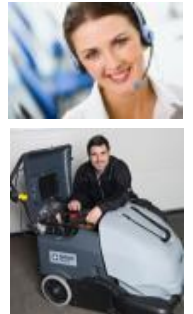


~21% of Nilfisk Asia

~19% of Nilfisk globally

Service

- Service and maintenance
- Parts, accessories and consumables



~5% of Nilfisk Asia

~9% of Nilfisk globally

Other sales

- Utensils
- Detergents



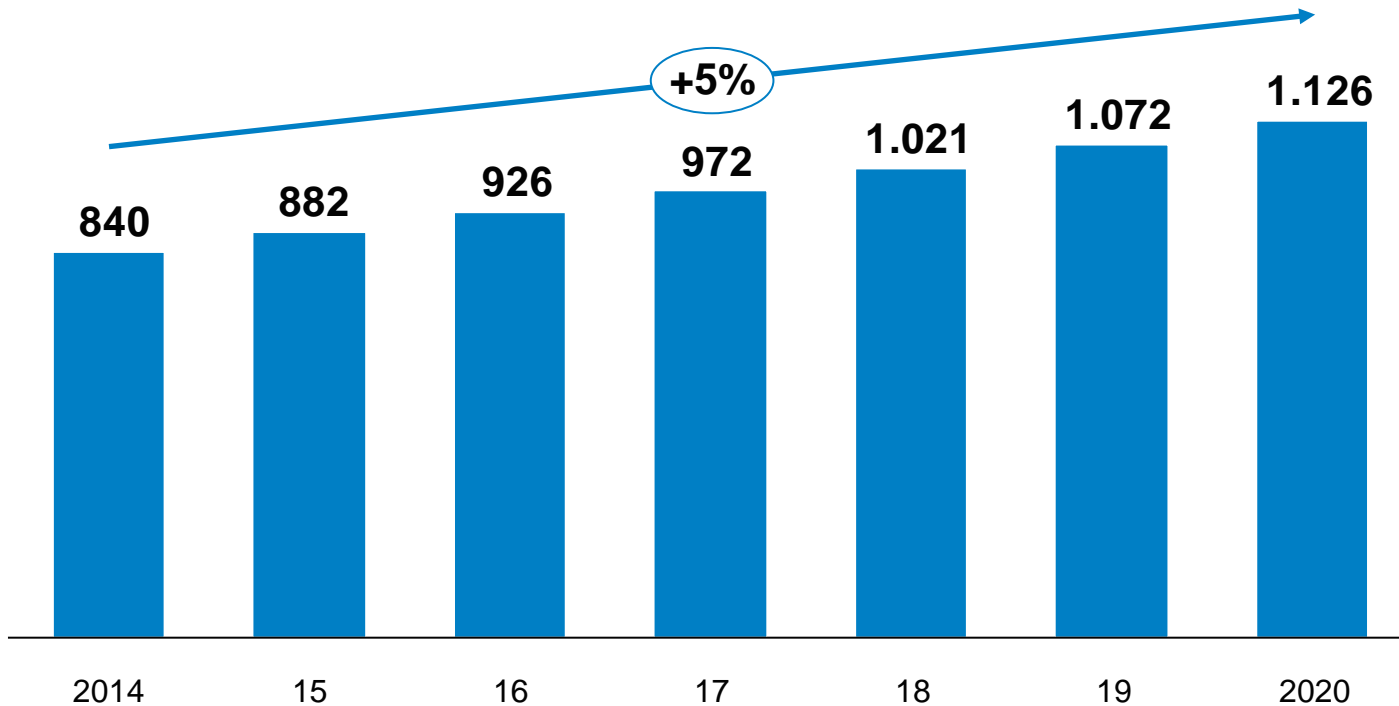
~1% of Nilfisk Asia

~3% of Nilfisk globally

Market outlook indicates significant overall growth

Asia market outlook 2014-2020

EURm



Market outlook is very positive and the average growth is expected at 5%

Macro economic forecast:

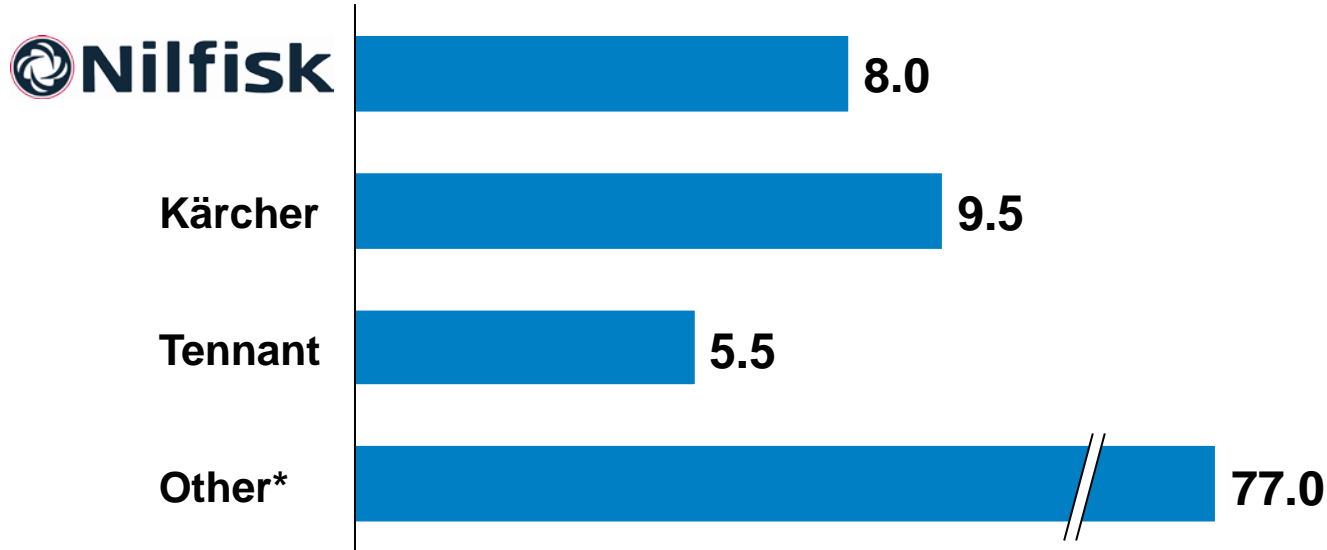
- GDP growth 2015: 7(%) predicted by China official organisation
- In China next five year plan, China GDP CAGR goal is 6.5% from 2016-2020

*It refers to Nilfisk standard professional cleaning equipment only, and does not large outdoor sweepers etc.
Source: Nilfisk market data

One of the Asia leaders in a fragmented industry

Professional cleaning equipment industry - Asia market shares

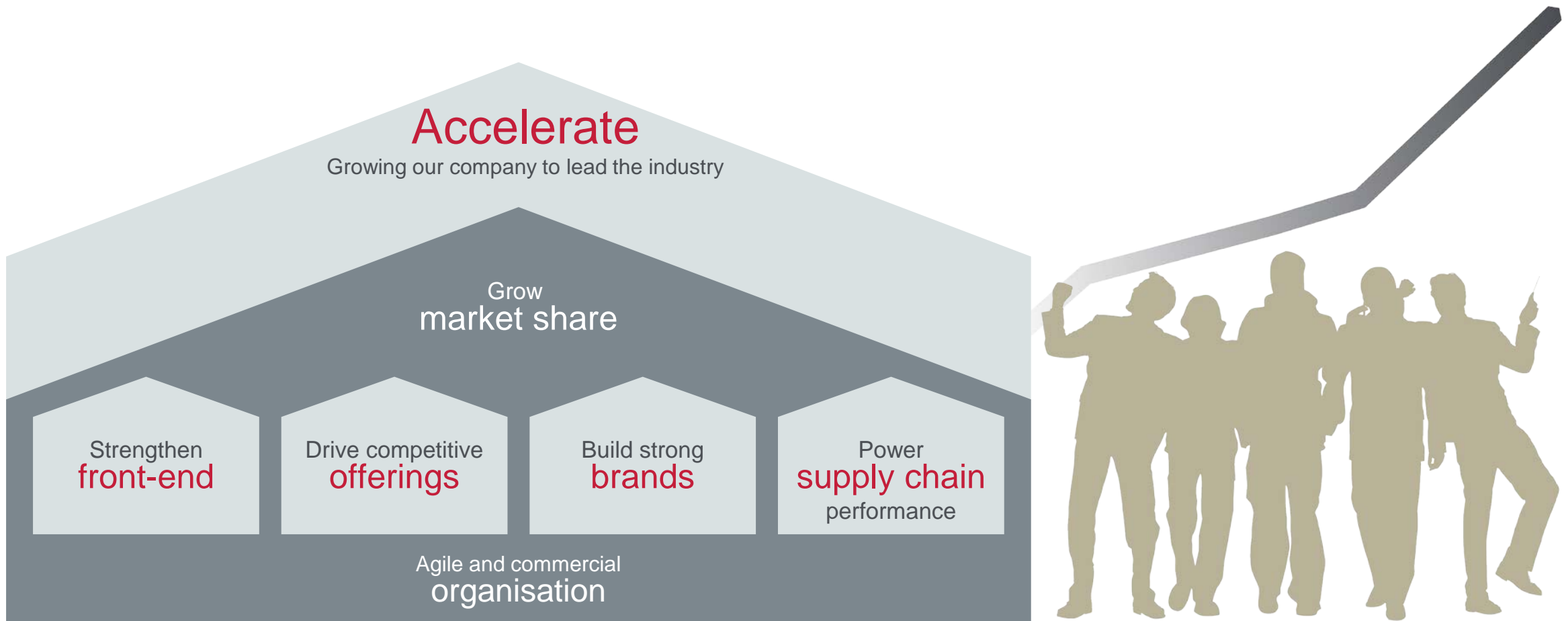
Market shares of total Asia market, %



- Nilfisk is among the **Asia leaders** in the professional cleaning equipment industry
- **Three top global companies with >20%** market share
- **Industry is fragmented** with many regional / local players, often privately owned




*No other competitor has >5% market share in total Asia. Per country, there are some players with >5% market share
Source: Internal Nilfisk market estimates

Working with Accelerate strategy in Nilfisk Asia



Strengthen front-end

Nilfisk has a strong-hold in the high-end and potential to grow in mid-market

		Market value across Asia	How the market works	Nilfisk's go-to-market
High-end		(~45%)	<ul style="list-style-type: none"> • Service • Features 	<ul style="list-style-type: none"> • Direct sales • Distributors • Service
Mid-market		(~40%)	<ul style="list-style-type: none"> • Price • “Good-enough” products 	<ul style="list-style-type: none"> • Distributors
Low-end		(~15%)	<ul style="list-style-type: none"> • Price 	<ul style="list-style-type: none"> • Not relevant

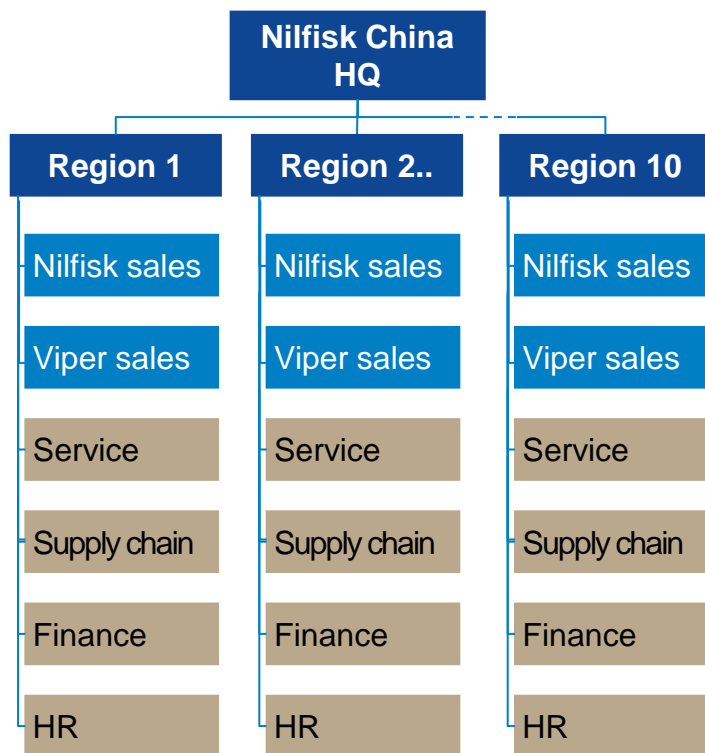
1. Market value only includes professional cleaning equipment and not manual cleaning equipment in low-end outside Nilfisk's scope

Strengthen front-end

New organisation and approach in China to support clear sales focus

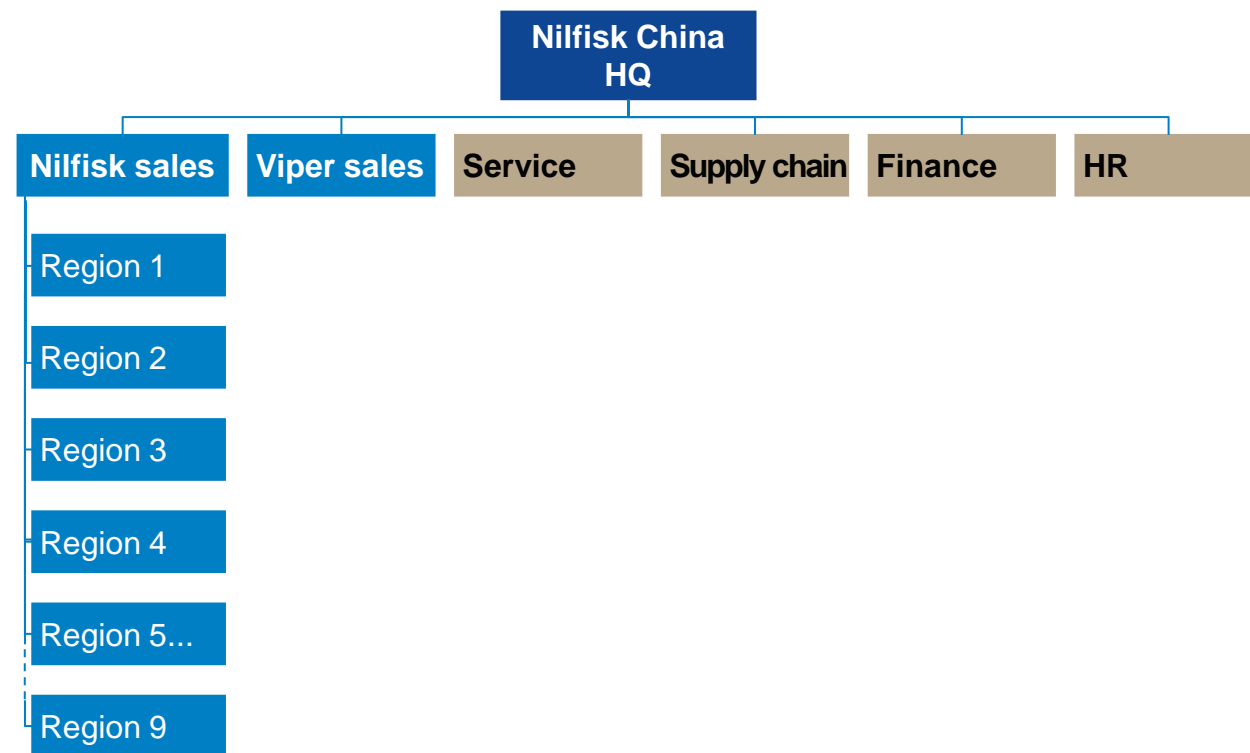
Previous structure: Independent companies

1 HQ company with 10 regional companies



New structure: Matrix management

1 HQ company with 9 regional sales offices plus centralized Viper Sales and support functions



- Sales and support office
- Sales office
- Support function

Strengthen front-end

New organisation and approach in China has clear benefits

Internal changes and benefits

- Build up standard and unified process
- More transparency in centralised data
 - Easier access to the consolidated financial results
 - Better internal risk control management
- Improved inventory structure by pooling previously 10 local small warehouse into two large central warehouses (Shanghai + Guangdong)
- Higher efficiency and synergy gain in the back-office

External changes and benefits

- More direct sales contact etc.
- Better delivery performance
- High quality service for high-end products
- Strong territory management

Rest of Asia is approached with two different go-to-market strategies

Strategy A: Strengthen position

- Optimize sales and service
- Take market shares from main competitors
- Introduce Viper to grow the mid-market

Applies to

- Japan
- South Korea
- Singapore
- Taiwan
- Hong Kong

Strategy B: Invest and grow

- Build strong local sales
- Find more dealers to cover different segments/product groups.
- Review when to be locally present (export markets)

Applies to

- Thailand / Vietnam
- Malaysia
- India
- Export (Indonesia, Phillipines, Cambodia, etc.)

Product offering, brands and supply chain

New organisational structure will improve our position

Actions

Benefits

Drive competitive offerings

- Focused offering for target segments
- Strong product management

- Easier for the sales reps
- Offer tested solutions
- Better delivery performance

Build strong brands

- Secure marketing to be in place
- Strict implementation of Group branding

- Stronger identity
- More visibility

Power supply chain performance

- Fewer warehouses
- Closer corporation with distribution centres
- Hire stronger competencies

- Better delivery performance
- Reduce working capital
- Complexity reduction

Solution selling and market access are essential competitive elements

Asia trends



- Commoditisation
- Need for basic products
- Pressure on cleaning costs
- Request for local products in public cleaning
- Battle for distribution

How we respond



- Solution selling and strong Viper portfolio
- Introduce Nilfisk Go-Line and extending Viper portfolio
- Introduce rental
- Set up local production in China for outdoor products
- Investments in sales force and distribution

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Nilfisk Asia sales

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Nilfisk Global Operations Suzhou site

Questions & Answers

Asset-light production through assembly-only

China 30% of global production

US
~10% of global production



Hungary (2 sites)
~30% of global production



China (2 sites)
~30% of global production



Mexico
~10% of global production



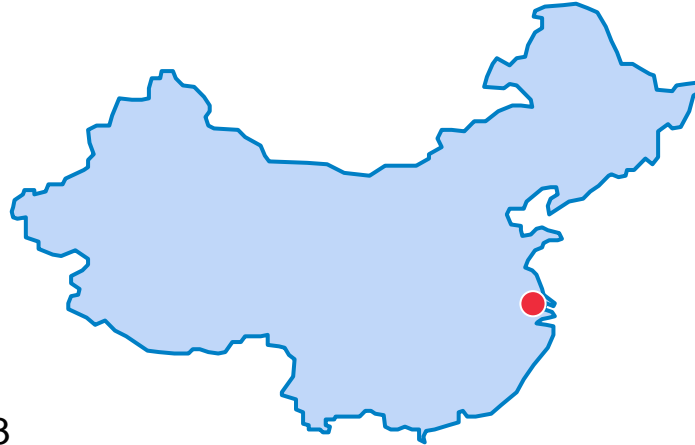
Italy (2 sites)
~10% of global production



Note: Remaining 10% of production at small sites

Overview of Nilfisk Suzhou site

Basic information



Established 2003

History

- 2003-2007: Small “start-up” facility
- 2007: Moved into current facility, and former Ningbo factory was consolidated into Suzhou site

Strategy

- Production for Nilfisk sales companies globally
- Focus on high-volume products with low/medium complexity



Key figures of Nilfisk Suzhou site

300~500

employees

+21,000 m²

size of the building

15

assembly lines

+350

different products
(machines only)

+800,000

machines and
accessory parts
made per year

130~145

active suppliers

Suzhou is a 'pure' assembly operation serving

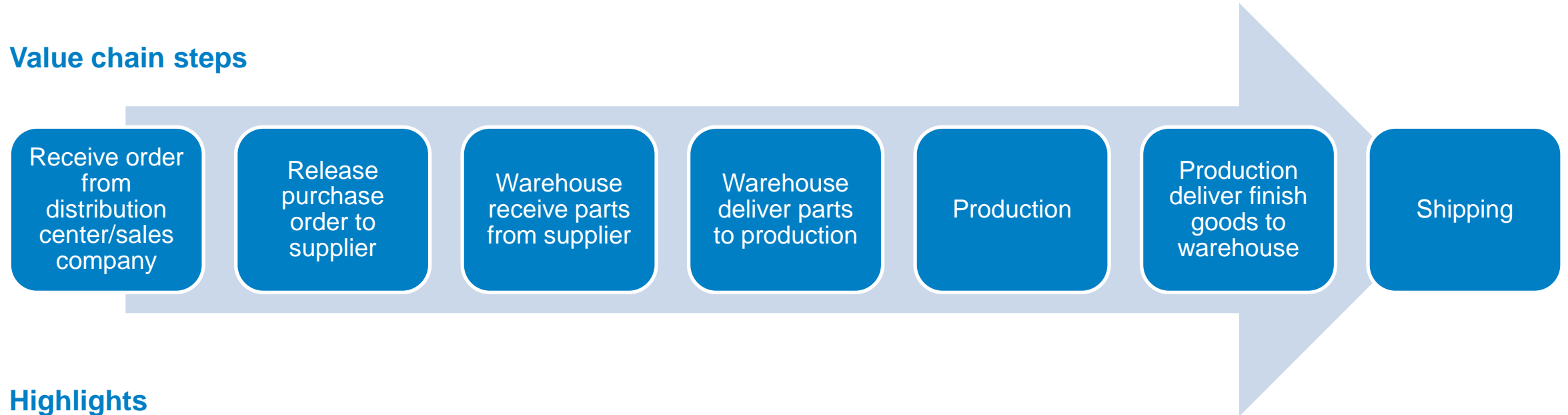
- Group distribution centres in Europe and North America
- Individual market organisations in Asia Pacific

Product portfolio of Nilfisk Suzhou site focuses on high volume products



Nilfisk Suzhou value chain is driven by LEAN across areas

Value chain steps

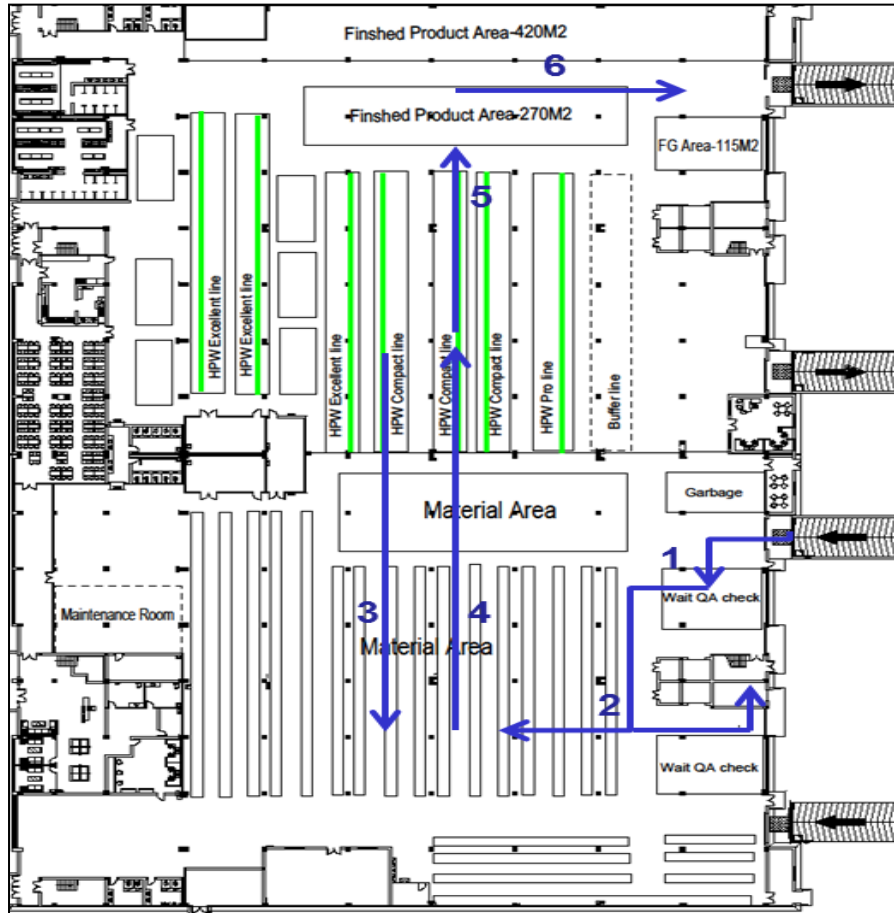


Highlights

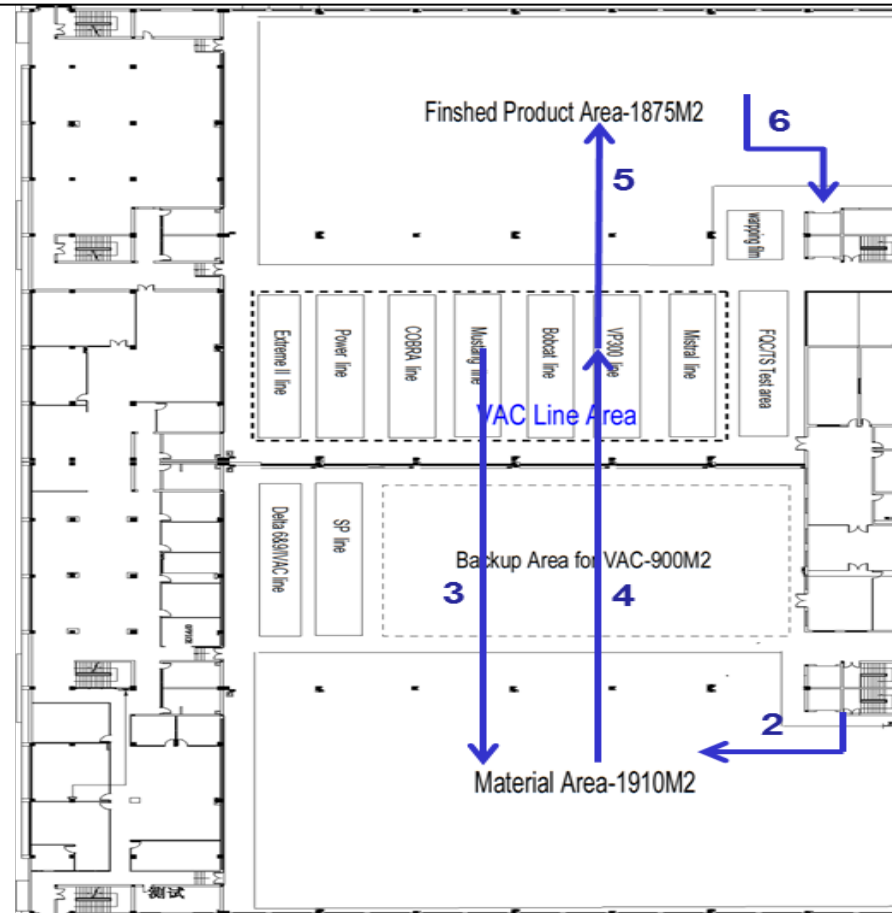
- Weekly purchase order update between SAP & Navision
- Regular 4 weeks rolling forecasts
- Supplier orders created automatically cf. production plan
- Incoming quantity and quality inspection
- Warehouse storage
- Material pick-up and delivery following KANBAN and 2-bin systems
- 100% on-line function test
- Self-check/double check control at all check-points
- In-process quality control (IPQC) spot checks
- Standard final quality control (FQC) spot check for all products
- Release for shipment
- Product shipping according to shipment date

Nilfisk Suzhou site layout ensures clear production flow

1st Floor: High pressure washer production



2nd Floor: Vacuum production

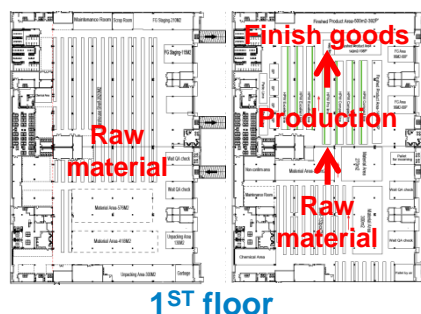


Nilfisk Suzhou has benefited from a successful implementation of LEAN

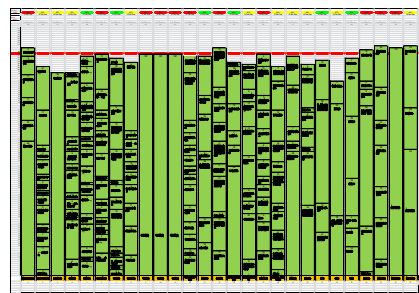
2009
Set up 2 Boxes and KANBAN system

INTERNAL KANBAN CARD	
ITEM NO 823 0040 020	QTY 200
DESCRIPTION WARRANTY CARD, USA (L1261A)	PICK LOCATION SM2-37
DELIVERY LOCATION V3-09	BOX QTY 2

2013
Workshop re-layout
saving: **60 EURt/year**



2014
Productivity modeling
saving: **55 EURt/year**



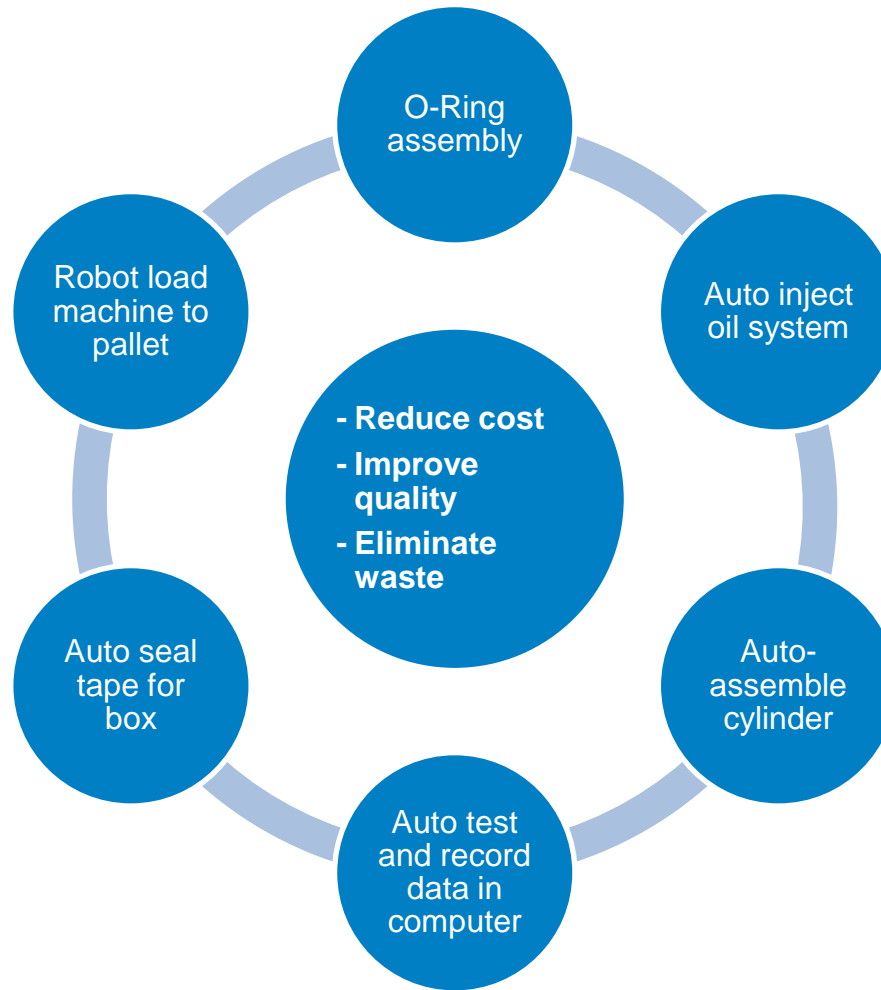
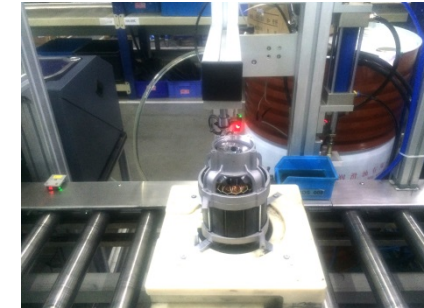
2014
Automation for Compact line
saving: **110 EURt/year**



2015
Automation for Excellent line saving: **90 EURt/year**

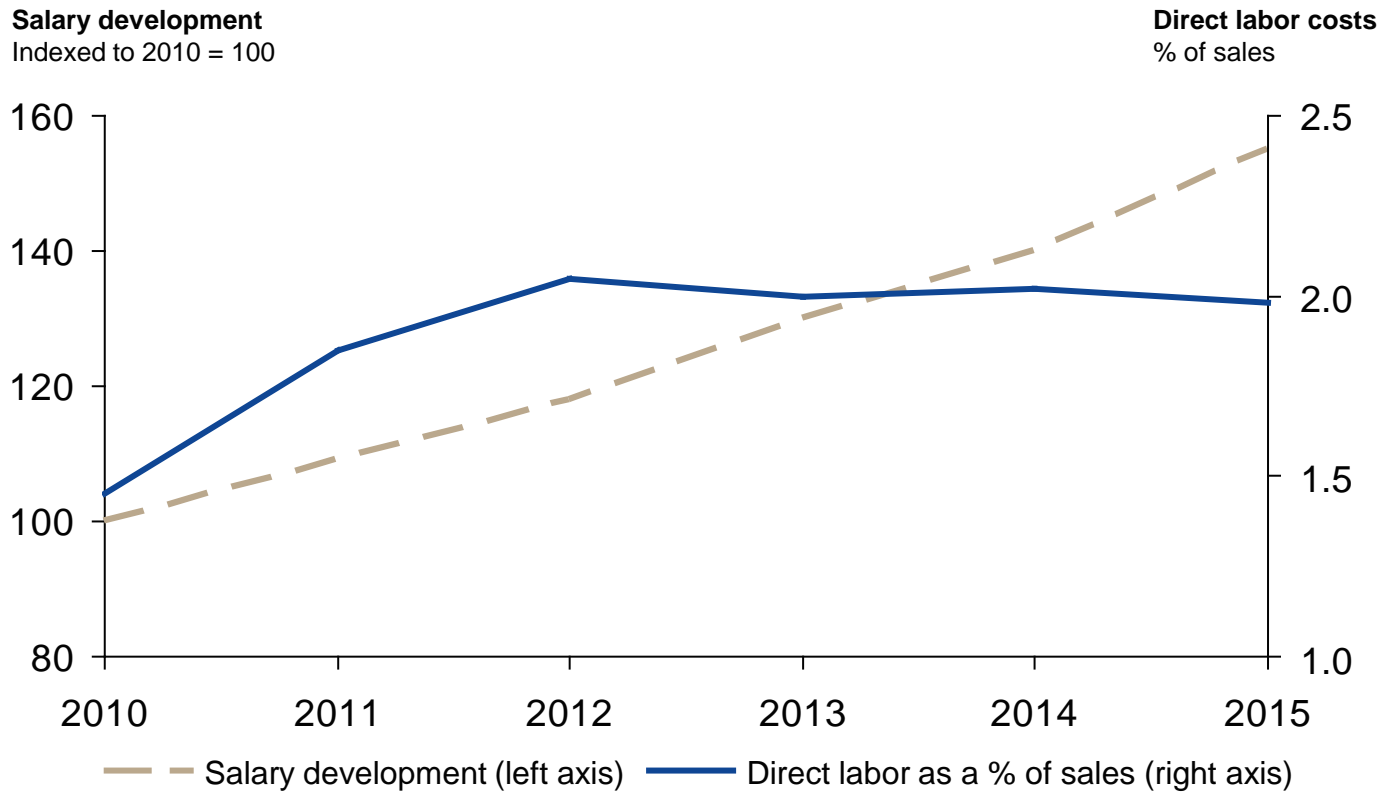


Nilfisk Suzhou has also implemented automation wherever feasible



Nilfisk Suzhou's wages have been kept low due to lean and automation

Nilfisk Suzhou's salary development and cost of sales ratio



- Direct labor annual salary has increased in Suzhou by 55% from 2010-2015 (CAGR ~10%)
- Direct labor cost ratio of sales on 2010 is ~1.5%, 2015 is ~2%
- Decline in direct labor costs after 2012 is driven by productivity improvements and automation

Nilfisk's Suzhou site has 5 main production advantages



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Questions & Answers

Financial calendar

2016

26 February	2015 Annual Report
3 March	Deadline for receipt of resolutions for the AGM
31 March	Annual General Meeting
12 May	Interim Report, Q1
18 August	Interim Report, Q2
11 November	Interim Report, Q3

2017

1 March	2016 Annual Report
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 For the list of Investor Relations events, go to www.nkt.dk