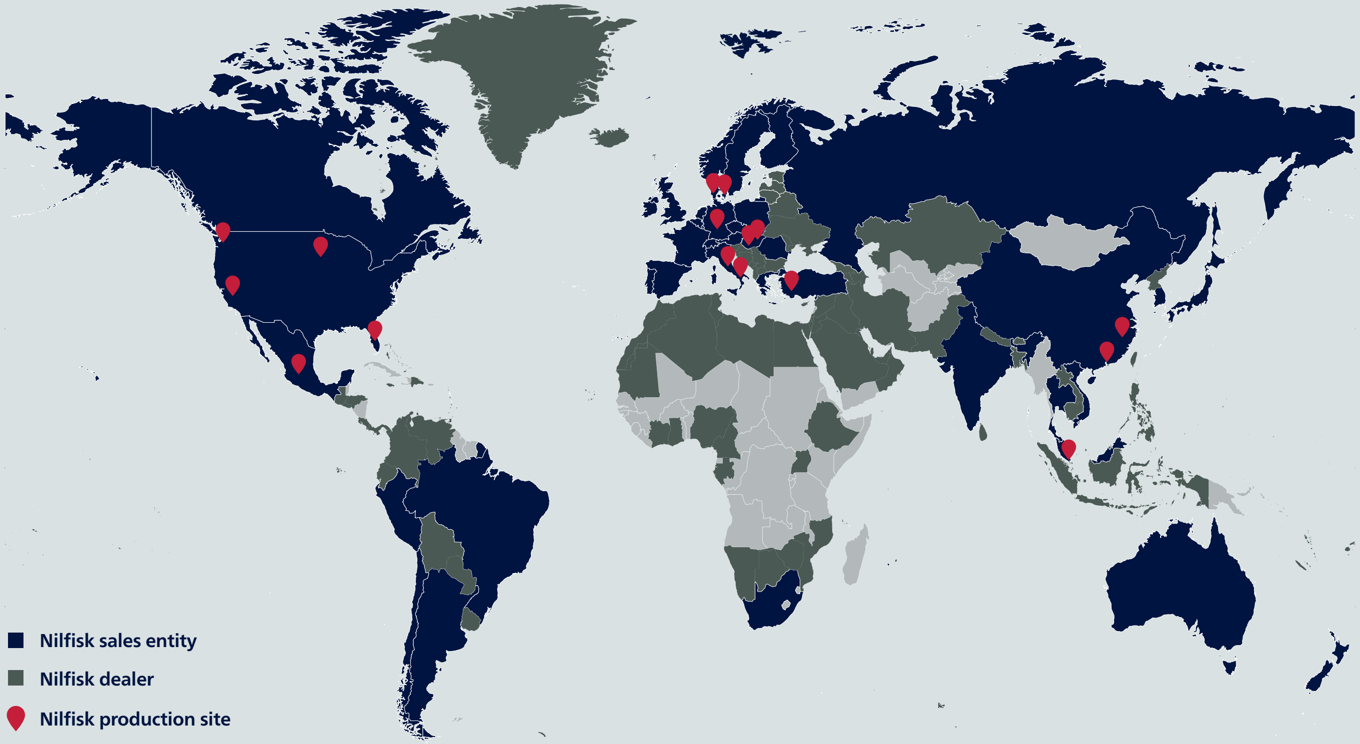
Annual Report 2016

Nilfisk is a leading player in the professional cleaning equipment industry



45

Nilfisk has sales companies in 45 countries

+100

Nilfisk products are sold in more than 100 countries

5,600

Nilfisk has 5,600 employees, of which 1,000 work in sales and 700 work as service technicians

16

Nilfisk has 16 production sites in 9 countries

Key production countries

USA: 4 sites
~10% of global production

Mexico: 1 site
~10% of global production

Hungary: 2 sites
~30% of global production

Italy: 2 sites
~10% of global production

China: 2 sites
~30% of global production

Our mission

"We enable sustainable cleaning worldwide to improve quality of life"

Revenue split (2016)

An additional revenue of 38 mEUR was realized in the operating segment "Other".

Clearing the way for a safer, cleaner and more productive everyday

Nilfisk offers an extensive portfolio of high quality and reliable products. To us, cleaning is about supplying cleaning solutions that bring value to our customers, enabling them to do their job and focus on their business – whether at work or at home.

Superior customer access

Nilfisk's extensive and global sales channel setup combined with a strong force of field service technicians and regional distribution centers supports a large and diversified customer portfolio across industries.

200,000

Nilfisk has more than 200,000 active customers

Revenue by product line and service offering (2016)

- 30% Floorcare
- 18% Vacuum cleaners
- 17% High pressure washers
- 35% Aftermarket (parts, accessories, service)

Revenue by customer type (2016)

- 90% Professional market
- 10% Consumer market

Revenue by sales channel (2016)

- 45% Direct sales
- 55% Indirect sales

Our brands

Global brands

Nilfisk®

VIPER

Selected regional and local brands

Advance

Pressure-Pro

ROTTEST®

Gerni

Clarke®

A clear strategy to increase market share and pursue growth opportunities

The cleaning equipment industry forms a highly fragmented competitive landscape with several growth opportunities. Our strategy supports the overall market development and the industry trends, and paves the way for the future growth of Nilfisk.

Attractive market

Nilfisk operates in a global professional market with an estimated market value of 7.5 bnEUR and a consumer market with an estimated market value of 12.0-14.5 bnEUR annually. Volume growth in the professional market generally follows GDP growth.

Targeted acquisitions

The global market for professional cleaning equipment is highly fragmented. Nilfisk has a long track record of combining organic growth with targeted acquisitions, and during the past 10 years, we have acquired and integrated several companies.

Supportive industry trends

A number of trends support the future growth of Nilfisk such as product customization, service pro-activeness and increasing focus on total cost of ownership. In addition, new technologies emerge within cleaning equipment where robotics and Internet of Things set new standards.

Growth initiatives

Nilfisk has a leading market position within the high-end segment. In order to further strengthen its position in this market, Nilfisk has strong focus on product development, innovation and solutions. In parallel, Nilfisk aims to leverage this position to grow its position in the mid-market.

Highlights of the year

With an organic revenue growth of 3% and improved earnings, 2016 demonstrates a solid performance improvement.

Continued consolidation of brands

1,059 mEUR

in revenue, up 79 mEUR from 2015

Celebration of Nilfisk's 110 year anniversary

1906-2016 110 years of knowledge

Introduction of 34 new products within the floorcare range, the vacuum cleaner range and the high pressure washer range – several of them award winning products

3%

organic revenue growth. Total revenue growth was 8%

NKT

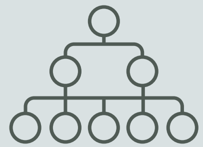
Nilfisk®

Announcement of intention to split NKT Holding and list Nilfisk as a separate and independent company

11.0%

EBITDA margin before special items, up 1.0%-point from 2015

New operational model and organizational structure implemented



74 mEUR

in free cash flow excluding acquisitions and divestments, up 54 mEUR from 2015

New warehouse in EMEA for faster delivery of spare parts

14.6%

RoCE, up 1.7%-points from 2015

Launch of The Horizon Program, a long-term innovation program of intelligent cleaning solutions

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Solid performance improvement and focus on strategy execution

In 2016, Nilfisk harvested the first fruits of the Accelerate strategy we launched in 2015. Since that launch, we have invested significant effort and resources to drive growth and further consolidate our leading position in the industry. During 2016, we began to see results.

Our financial performance improved, measured on both on growth and earnings. Nilfisk delivered 3% organic revenue growth driven by EMEA and Americas, and a total revenue increase of 8%. This means our total revenue passed the 1 billion EUR mark for the first time. With an improvement in the gross margin and a reduction in our overhead costs measured in proportion to revenue, the EBITDA margin before special items increased by one percentage point.

The improved financial performance of the company can be ascribed to our strategic focus and our continuous drive to build a strong and sustainable business. Nilfisk is dedicated to bringing the right solutions to the market. We want to be close to our customers with a dedicated sales and service force that prioritizes sales and service excellence and innovation. In 2016, this led to the announcement of The Horizon Program, a pioneering global program that will drive innovation in the years ahead and deliver intelligent cleaning solutions, fundamentally changing the way we clean.

The year 2016 helped build a strong and solid starting-point for the future journey of Nilfisk. A future in which we will continue to strengthen our offerings to the market and pursue growth opportunities – both organically and through targeted acquisitions. We will work consistently to bring competitive solutions to the market. We also look forward to strengthening our position in the high-end market, where Nilfisk already enjoys a market leading position, and increasing our attention to the mid-market, where we see significant growth potential.

We believe the achievements during the past year show that Accelerate is the right strategy for Nilfisk. In 2016, we took further initiatives to support the execution of the strategy, implementing a new operating model and organizational structure to further align the organization. This has brought us even closer to our customers. We enter 2017 both humble and confident. Humble in the sense that we need to continuously strive towards bringing the best cleaning solutions to our clients, bringing value to their business and enabling them to increase productivity. Confident in the sense that we believe we have the right strategy and organizational set-up to fuel the further development of Nilfisk.

We look forward to the year ahead and to maintaining solid and fruitful relationships with our employees and customers worldwide.

2016 FINANCIAL PERFORMANCE

5-year consolidated financial highlights

EUR millon	2016	2015	2014	2013	2012
Income statement					
Revenue	1,058.5	980.0	917.6	880.7	871.2
EBITDA before special items	116.8	98.0	107.3	104.4	103.8
EBITDA	96.8	98.0	120.2	104.4	99.8
EBIT before special items	75.8	63.8	77.4	75.8	73.5
EBIT	54.0	63.8	90.3	75.8	69.4
Special items	-21.8	0.0	12.9	0.0	-4.0
Financial items, net	-11.0	-7.9	-10.3	-14.8	-15.0
Profit for the year	29.5	41.8	58.1	45.2	40.3
Cash flow					
Cash flow from operating activities	114.7	59.8	75.7	67.1	89.4
Cash flow from investing activities	-72.6	-67.5	-19.0	-31.3	-31.8
- hereof investments in property, plant and equipment	-20.6	-21.7	-13.7	-11.1	-13.2
Free cash flow excluding acquisitions and divestments	74.2	19.8	45.7	39.5	57.3
Balance sheet					
Total assets	983.1	935.5	862.3	802.2	819.8
Total equity	224.8	200.7	334.8	286.6	266.1
Working capital	141.7	173.3	159.7	146.6	139.5
Capital employed	490.6	501.6	440.7	411.7	411.6
Financial ratios and employees					
Organic revenue growth	3%	0%	6%	3%	0%
EBITDA margin before special items	11.0%	10.0%	11.7%	11.9%	11.9%
EBIT margin before special items	7.2%	6.5%	8.4%	8.6%	8.4%
EBITDA margin	9.1%	10.0%	13.1%	11.9%	11.5%
EBIT margin	5.1%	6.5%	9.8%	8.6%	8.0 %
Overhead costs ratio	33.3%	33.7%	32.1%	31.8%	32.9%
Return on capital employed (RoCE)	14.6%	12.9%	17.6%	17.5%	16.9%
Number of full-time employees, year-end	5,607	5,545	5,420	5,321	5,224

Definitions appear in note 8.6 to the consolidated financial statements
See note 1.1 to the financial statements for a description of a reclassification made to 2015 figures

FINANCIAL REVIEW

In 2016, Nilfisk reported revenue of 1,058.5 mEUR. The total revenue growth was 8% of which 3% was organic. EBITDA before special items was 116.8 mEUR, an increase of 18.8 mEUR and the EBITDA margin before special items increased by 1%-point to 11.0%. Profit for the year was 29.5 mEUR. The Group's return on capital employed increased from 12.9% to 14.6%.

Overall, this represents a solid performance improvement compared to 2015.

2016 financial performance exceeds expectations

In the Q3 2016 Interim report for NKT Holding A/S performance expectations for the Nilfisk Group were provided in relation to organic growth and operational EBITDA margin. In Nilfisk Group's consolidated financial statements for 2016, the term "operational EBITDA margin" has changed to "EBITDA margin before special items" but the definition of the financial measure remains the same.

Overall, Nilfisk Group's financial performance in 2016 was satisfactory and exceeded the expectations communicated in the Q3 2016 Interim Report for NKT Holding A/S:

- With an organic growth of 3% in 2016, the actual performance was at the high end of the Q3 2016 expectations of an organic growth in the range of 1-3%
- The EBITDA margin before special items was expected to be in the range of 10.0-10.5% in 2016. With an realized EBITDA margin before special items of 11.0%, the Nilfisk Group's performance exceeded the expectations

Overview of financial performance

EUR million	2016	2015
Revenue	1,058.5	980.0
Gross profit	437.6	399.4
EBITDA before special items	116.8	98.0
EBITDA	96.8	98.0
EBIT before special items	75.8	63.8
EBIT	54.0	63.8
Profit for the year	29.5	41.8
EBITDA margin before special items	11.0%	10.0%
EBITDA margin	9.1%	10.0%
RoCE	14.6%	12.9%

Revenue

Total revenue amounted to 1,058.5 mEUR, an increase of 78.5 mEUR or 8% compared to a total revenue of 980.0 mEUR in 2015. The increase in revenue stems from a combination of 3% organic growth, acquisition driven growth of 6% and a negative impact of 1% relating to changes in currency exchange rates.

The organic growth rate in 2016 by region was 5% in EMEA and 3% in Americas, while APAC was negative by 7%.

Revenue composition and development by operating segments

EUR million	Revenue 2016	Revenue 2015	Organic growth	Acquisition growth	FX-rates impact	Total growth
EMEA	623.2	599.7	5%	1%	-2%	4%
Americas	291.3	236.1	3%	20%	1%	23%
APAC	105.7	108.4	-7%	5%	-1%	-2%
Other	38.3	35.8	4%	-4%	7%	7%
Total	1,058.5	980.0	3%	6%	-1%	8%

The Group's revenue is split by three main operating segments which are primarily geographically defined and an additional operating segment "Other". The geographically defined operating segments are EMEA, Americas and APAC. The "Other" segment comprises certain smaller niche manufacturing and sales entities.

Revenue in EMEA amounted to 623.2 mEUR in 2016, an increase of 4% compared to 2015. The growth was primarily due to organic growth of 5%, while acquisitions added 1% and changes in currency exchange rates had a negative impact of 2%. Geographically, the growth was broadly based with solid revenue increases in France, Spain and countries in Eastern Europe as well as in the private label business.

Revenue in Americas amounted to 291.3 mEUR, an increase of 23%. The main contributor to the growth was the acquisitions in the US of the high pressure washer manufacturers Hydro Tek and Pressure-Pro. In total, these acquisitions added 20% to growth in 2016. Organic growth in Americas was 3%, driven by strong sales developments in the US in the second half of the year and in particular solid performance in the National Accounts division which secured a number of important contract wins.

In APAC, revenue amounted to 105.7 mEUR, a decrease of 2%. The main factor underlying the revenue development was negative organic growth of 7% partly compensated by 5% growth from the full-year impact of acquisitions. Due to a slowdown in the Chinese economy as well as a slowdown in the outdoor business, China's organic growth was negative in 2016, thereby offsetting positive organic growth in other APAC markets. Revenue from the consumer market increased significantly in the Pacific region driven by sales and marketing efforts at DIY stores.

Revenue in Other amounted to 38.0 mEUR, an increase of 2.5 mEUR or 7% compared to 2015. The main contributing factor to the growth was revenue increases in the businesses of restoration equipment and specialized equipment for the food industry.

In September 2016, Nilfisk entered into an agreement to sell Cyclone Technology, a US-based industrial cleaning technology and manufacturing company specialized in technologies for cleaning outdoor surfaces with an annual revenue in 2015 and 2016 of approximately 4 mEUR. The divestment was part of Nilfisk's strategy to focus on its core businesses.

FINANCIAL REVIEW

Revenue development per product line and service offering

EUR million	Revenue 2016	Revenue 2015	Organic growth	Total growth
Floorcare	318.9	316.9	3%	1%
Vacuum cleaners	187.2	178.3	6%	5%
High pressure washers	180.2	142.0	5%	27%
Aftermarket	372.2	342.8	1%	9%
Total	1,058.5	980.0	3%	8%

The Nilfisk Group's product lines and service offering is divided into four main offerings: Floorcare, Vacuum cleaners, High pressure washers and Aftermarket.

Revenue in Floorcare increased by 1% to 318.9 mEUR, driven mainly by growth in EMEA and Americas, but partly offset by declining sales of the outdoor product range in China.

Revenue in Vacuum cleaners increased by 5% to 187.2 mEUR. The result was driven mainly by strong organic growth in in EMEA, in particular France, the Netherlands, Spain and the private label market, and by modest growth in Americas.

Revenue in High pressure washers increased by 27% to 180.2 mEUR. The main contributors to the development were the full-year impact of the Hydro Tek and Pressure-Pro acquisitions, both in the US.

Aftermarket revenue increased to 372.2 mEUR from 342.8 mEUR, i.e. an increase of 29.4 mEUR or 9%. The main contribution to the growth was the full-year impact of acquisitions.

Gross profit and gross margin

On a Group level, the gross margin increased from 40.8% in 2015 to 41.3% in 2016, driven mainly by a strong performance in Americas where the gross margin increased from 27.4% in 2015 to 28.6% in 2016. The gross margin also increased in EMEA, from 26.2% in 2015 to 27.0% in 2016. This was mainly due to increased margins in France, Germany, the UK, Denmark and Spain. In APAC, the gross margin decreased from 29.9% in 2015 to 29.1% in 2016, mainly due to declining margins in China and Australia. However, most of the other APAC countries managed to improve their margins.

Revenue, gross profit and gross margin by operating segments

	Revenue		Gross profit		Gross margin	
EUR million	2016	2015	2016	2015	2016	2015
EMEA	623.2	599.7	168.1	157.4	27.0%	26.2%
Americas	291.3	236.1	83.2	64.6	28.6%	27.4%
APAC	105.7	108.4	30.8	32.4	29.1%	29.9%
Other	38.3	35.8	22.9	21.1	-	-
Global Operations	-	-	132.6	123.9	-	-
Total	1,058.5	980.0	437.6	399.4	41.3%	40.8%

For the purpose of showing the distribution of the full operating profit on operating segments, an additional operating segment "Global Operations" is shown. Global Operations is responsible for sourcing, production and logistics. EMEA, Americas, APAC and Other buy products from Global Operations at prices that allow Global Operations to cover operating expenses and generate profits.

Gross profit in Global Operations increased from 123.9 mEUR in 2015 to 132.6 mEUR in 2016, mainly due to procurement optimization, pricing adjustments and improvements from product reengineering and efficiency measures.

Overhead costs

The Nilfisk Group's overhead costs comprise costs related to product development, sales and distribution and administration. Other operating income, net, is also included in overhead costs.

Overhead costs

EUR million	2016	2015
Research and development costs	30.0	27.9
Sales and distribution costs	230.6	217.4
Administration costs	93.0	89.5
Other operating income, net	-0.8	-4.1
Total overhead costs	352.8	330.7
Total overhead costs as % of revenue	33.3%	33.7%

The Nilfisk Group's total research and development spend increased from 34.5 mEUR (3.5% of revenue) in 2015 to 38.3 mEUR (3.6% of revenue), of which 17.9 mEUR has been recognized as an expense in the income statement while 20.4 mEUR has been capitalized in the balance sheet under intangible assets. In addition to the amount recognized as an expense, depreciation of previous years' capitalized research and development costs amounted to 12.1 mEUR in 2016, which is included in the depreciation and amortization line item in the income statement. The total amount recognized under research and development in the income statement in 2016 was 30.0 mEUR.

Sales and distribution costs amounted to 230.6 mEUR, equivalent to 22% of revenue on level with 2015. The costs comprised of 171.0 mEUR related to selling and 59.6 mEUR related to distribution. The selling costs were impacted by investments in front-end initiatives including marketing and advertising, and costs related to implementation of systems supporting the sales growth initiatives. The increase in costs from these initiatives was partly compensated by staff reductions in the front-end.

Administration costs increased from 89.5 mEUR in 2015 to 93.0 mEUR, impacted by the effect of acquisitions made during 2015 and 2016.

FINANCIAL REVIEW

Operating profit before amortization/impairment of acquisition-related intangibles and special items

In 2016, the operating profit before amortization/impairment of acquisition-related intangibles and special items increased by 23%, or 16.1 mEUR, from 68.7 mEUR to 84.8 mEUR. The increase was due to the combined effect of an increase in gross profit of 38.2 mEUR offset by an increase in overhead costs of 22.1 mEUR.

The following table provides a reconciliation of Profit before financial items and income taxes (EBIT) to EBITDA and EBITDA before special items:

EBITDA before special items and EBITDA

EBITDA before special items increased by 18.8 mEUR, from 98.0 mEUR in 2015 to 116.8 mEUR, which is equivalent to an EBITDA margin before special items of 11.0%, up 1.0%-points from 2015. The development was positively impacted by revenue growth of 8% and an increase in the gross margin from 40.8% in 2015 to 41.3% in 2016. The development was also impacted by an increase in overhead costs, excluding depreciation and amortization, of EUR 20.3 mEUR.

EUR million	2016	2015
Profit before financial items and income taxes (EBIT)	**54.0**	**63.8**
Amortisation of intangible assets	25.8	20.9
Impairment of intangible assets	3.1	0.6
Depreciation on property, plant and equipment	13.7	12.8
EBITDA	**96.8**	**98.0**
Special items	21.8	0.0
EBITDA before special items	**116.8**	**98.0**

Cost savings related to the Accelerate+ program had a positive impact on overhead costs of 2.3 mEUR.

In addition to the factors impacting EBITDA before special items, EBITDA in 2016 was impacted negatively by special items before depreciation and amortization of 20.0 mEUR. As a result, EBITDA amounted to 96.8 mEUR in 2016, a decrease of 1.2 mEUR compared to 2015, corresponding to an EBITDA margin of 9.1% compared to 10.0% in 2015.

Special items

Special items amounted to 21.8 mEUR, primarily related to restructuring costs of 15.1 mEUR incurred in connection with the organizational and structural changes and the cost saving program executed as part of the Accelerate+ initiative, described in more detail on pages 13 and 26. In addition, the US based Cyclone Technology was divested in 2016 resulting in a loss of 3.3 mEUR. Special items also included write-down of other current and non-current assets in the amount of 3.1 mEUR. In 2015, no special items were recognized.

Amortization/impairment of acquisition-related intangibles

In 2016, impairment of 1.6 mEUR was recognized related to restructuring of a smaller entity while amortization of acquisition-related intangibles was 7.4 mEUR. In total, Amortization/impairment of acquisition-related intangibles amounted to 9.0 mEUR compared to 4.9 mEUR in 2015. The increase in amortization was a result of the acquisitions made in 2015 and 2016.

EBIT before special items and EBIT

EBIT before special items increased to 75.8 mEUR from 63.8 mEUR in 2015, positively impacted by revenue growth of 8% and an increase in the gross margin from 40.8% in 2015 to 41.3% in 2016. These factors were partly offset by an increase in overhead costs of 22.1 mEUR and an increase of 4.1 mEUR in amortization/impairment of acquisition-related intangibles. The EBIT margin before special items increased from 6.5% in 2015 to 7.2% in 2016.

EBIT decreased to 54.0 mEUR from 63.8 mEUR in 2015, equivalent to an EBIT margin of 5.1% compared to 6.5% in 2015. In addition to the factors affecting EBIT before special items, EBIT was impacted negatively by special items of 21.8 mEUR. In 2015, EBIT was not impacted by special items.

Financial income and financial expenses

Financial items amounted to net financial expenses of 11.0 mEUR in 2016, compared to 7.9 mEUR in 2015. The increase in net financial expenses related primarily to a negative development of 5.4 mEUR in relation to gains and losses on derivative financial instruments, partly offset by a positive development of 2.5 mEUR in relation to gains and losses on foreign exchange positions.

Income taxes

The Group's tax rate is impacted by the composition of the Nilfisk Group's taxable income in the countries in which the Group has activities. Due to the complexity of international tax rules, the tax provision in the Group's accounts is subject to a certain degree of judgement.

Despite a decrease in the Group's profit before income taxes, income taxes remained unchanged from 2015 to 2016 at 14 mEUR. The reason for the unchanged amount of income taxes was that a higher proportion of the Group's taxable income was generated in countries with higher income tax rates in 2016 compared to 2015, resulting in an additional tax expense of 2 mEUR, and an adjustment of tax assets resulting in an additional tax expense of 1 mEUR. As a result of the lower profit before income taxes and the unchanged amount of income taxes, the Group's effective tax rate increased from 25.2% in 2015 to 31.4% in 2016.

Profit for the year

Profit for the year amounted to 29.5 mEUR, which is a decrease of 12.3 mEUR compared to 41.8 mEUR in 2015. The main reason for the decrease was special items of 21.8 mEUR.

Selected balance sheet items

As of December 31, 2016, working capital amounted to 141.7 mEUR; a decrease of 31.6 mEUR compared to December 31, 2015, driven mainly by a decrease of 14.6 mEUR in inventories, an increase of 20.3 mEUR in trade payables and an increase of 12.2 mEUR in other current liabilities. The decrease was partly offset by an increase of 14.4 mEUR in trade receivables due to the effect of acquisitions and organic growth.

The significantly lower working capital level as at December 31, 2016, was impacted by certain factors including production of consumer high pressure washers being postponed into 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. Accordingly, the Executive Management Board does not consider the level of working capital as at December 31, 2016 to be sustainable in the short term.

As of December 31, 2016, the Group's net interest-bearing debt amounted to 265.8 mEUR compared to 300.9 mEUR as of December 31, 2015, i.e. a decrease of 35.1 mEUR. The decrease was primarily due to the decrease of 31.6 mEUR in working capital.

Capital employed on December 31, 2016, amounted to 490.6 mEUR, which was a decrease of 11.0 mEUR compared to 501.6 mEUR at the end of 2015. The decrease was primarily due to the above development in working capital and an increase of 24.1 mEUR in equity, mainly related to the Group's profit for the year.

Cash flow

The Group's cash flow from operations before financial items and income taxes increased by 54.1 mEUR, from 83.9 mEUR in 2015 to 138.0 mEUR in 2016, primarily due to an improvement of 46.7 mEUR from changes in working capital. Cash flow related to financial income and expenses, net, amounted to an outflow of 10.6 mEUR, which is at level with 2015. Also, tax payments of 12.7 mEUR are at level with tax payments in 2015.

Summary of Cash flow statement

EUR million	2016	2015
Cash flow from operations before financial items and income taxes	138.0	83.9
Cash flow from operating activities	114.7	59.8
Cash flow from investing activities	-72.6	-67.5
Cash flow from financing activities	-34.7	-8.5
Net cash flow for the year	7.4	-16.2
Free cash flow excluding acquisitions and divestments	74.2	19.8

Acquisitions and divestments amounted to a net cash outflow of 28.9 mEUR in 2016 compared to 27.5 mEUR in 2015.

Investments in property, plant and equipment decreased by 1.1 mEUR to 20.6 mEUR, while investments in intangible assets and other investments amounted to 25.9 mEUR in 2016, an increase of 4.3 mEUR compared to 2015.

Free cash flow excluding acquisitions and divestments amounted to 74.2 mEUR in 2016 compared to 19.8 mEUR in 2015. The improvement was primarily the result of changes in working capital.

The Group's cash conversion was 143% in 2016 compared to 86% in 2015.

Net cash flow for the year was positive by 7.4 mEUR whereas net cash flow was negative by 16.2 mEUR in 2015.

Outlook 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%

To support growth above market level, Nilfisk expects to continue deploying investments in the front-end of the business. Resources are also allocated to create competitive advantages e.g. by further development of digital technologies.

New segmentation as of January 1, 2017

With effect from January 1, 2017, Nilfisk has 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 will be 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. These activities, to be carved out from other operating segments and consequently to be presented under Specialty, amounted to 257 mEUR in 2016, with 172 mEUR to be carved out from EMEA, 19 mEUR from Americas, 28 mEUR from APAC and 38 mEUR from Other. Prior to 2017, the Nilfisk Group's internal financial reporting has not been set up to track accounting data to support the reporting based on the new segmentation in place from 2017. The above amounts representing the revenue carved out to Specialty are therefore best estimates based on existing accounting data.

Cost saving program

In 2016, Nilfisk initiated a cost saving program as part of the Accelerate+ initiative, described in more detail on page 26, with the target of realizing 35 mEUR in annual EBITDA improvements. The full cost saving potential of Accelerate+ is as originally announced expected to be achieved as from December 2019 with full EBITDA impact from the financial year 2020. The program includes the following key initiatives:

- Overhead reductions from structural changes and efficiencies
- Efficiency initiatives within Global Operations, e.g. through production footprint, sourcing initiatives, and process optimization
- Other initiatives, e.g. complexity reductions and price management

During the second half of 2016, a number of initiatives were detailed further. Some levers are already under implementation while others will be launched continuously until the end of 2019. In 2016, EBITDA was positively impacted by overhead cost savings of 2.3 mEUR, and the annual runrate of these cost savings going into 2017 amounts to 11 mEUR.

EBITDA before special items improvements (EUR million)

	Full potential* 2019	Run-rate** 2016	Income statement impact 2016	Income statement impact *** 2017
Overhead reductions	17	11	2	11
Global Operations initiatives	12	0	0	0
Other initiatives	6	0	0	0
Total	35	11	2	11
Implementation costs	**2019**		**Income statement impact 2016**	
New organizational structure	5		5	
Cost saving program	35		10	
Total	40		15	
Investments	**2019**		**Balance sheet impact 2016**	
Investments	12		0	

* *Annualized expected savings from levers expected to be executed by December 31, 2019. The full cost saving potential is expected to be achieved as from December 2019 with full EBITDA impact from 2020*
** *Annual expected savings from levers executed as of December 31, 2016*
*** *Expected savings from levers executed as of December 31, 2016*

To realize the cost savings, one-off restructuring costs of 35 mEUR are expected in the period 2016 to 2019. An additional cost of 5 mEUR related to implementation of the new operating model and organizational structure brings total restructuring costs to 40 mEUR. Such restructuring costs are included in the income statement under special items and are not included in EBITDA before special items. Of the 40 mEUR, 15 mEUR, including the 5 mEUR related to the new organizational structure, were incurred in 2016.

In addition, the cost saving program is expected to include investments in tangible and intangible assets of 12 mEUR in the period 2017 to 2019.

Our strategy

Accelerate strategy

Nilfisk is a leading player within the professional cleaning equipment industry. The Accelerate strategy was launched in 2015 to drive growth and consolidate our position in the industry.

The cleaning equipment industry

As a global cleaning equipment provider in the professional and consumer markets, all businesses and households are potential customers for Nilfisk. However, Nilfisk primarily operates in the professional market.

- The global market for professional cleaning equipment solutions relevant to Nilfisk consists of floorcare, vacuum cleaners, high pressure washers and related aftermarket services, with an estimated market value of approximately 7.5 bnEUR annually
- The global market for consumer vacuum cleaners and high pressure washers relevant to Nilfisk is estimated to have an estimated market value of approximately 12.0-14.5 bnEUR annually

The market for professional cleaning equipment can be split into three price/value segments based on the price points in the markets, the features and quality of the equipment as well as the aftermarket offerings. The price/value segments are:

High-end market

Approximately
45-50%
of the professional market

The high-end market is comprised of feature-rich products offering high quality and durability. This market is served by the largest players in the industry as well as some small and mid-sized players. Historically, Nilfisk has primarily operated in this market. It is part of Nilfisk's strategy to further strengthen the already strong position in this market.

Mid-market

Approximately
35-40%
of the professional market

The mid-market is comprised of products with focus on value for money and with a balanced approach to quality, durability and features. The price points in this market segment are typically 15-30% lower than in the high-end segment and the market is primarily served by smaller and mid-sized players. Nilfisk currently has a limited presence in this market segment but it is part of Nilfisk's strategy to increase its share of this segment.

Low-end market

Approximately
15-20%
of the professional market

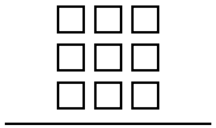
The low-end market is comprised of products where price is the key factor at the expense of quality/durability and features. Nilfisk does not operate, nor plan to operate, in this market segment.

The professional cleaning equipment market measured by volume generally follows the development in GDP. Prices of existing product offerings are expected to increase slightly below inflation over time due to the gradual commoditization of products; therefore continuos innovation is required in order to counter the downward pressure on prices and stay competitive.

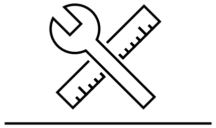
In emerging markets, the volume growth of the professional cleaning equipment market is estimated to be slightly higher than the development in GDP. This higher growth is due to professional cleaning machines in emerging markets substitute for more labor intensive cleaning practices as salary levels increase. This creates incentives for customers to substitute manual cleaning with machine-assisted cleaning.

There are several trends affecting the professional cleaning equipment industry including:

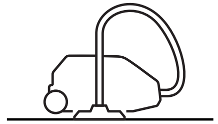
Trends



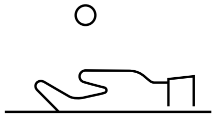
Commoditization
Products become increasingly similar and offer the same physical functionality and performance. Nilfisk continuously improves cost efficiency and pursues differentiation on products where meaningful



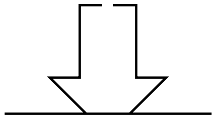
Customization
There are growing expectations for product customization and service proactiveness. Nilfisk applies its deep customer understanding and aftermarket focus to identify, prepare for and act upon customized demands



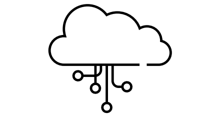
Need for basic products
High growth is observed in the mid-market where customers require value products with fewer features and a lower price point. Nilfisk aims to strengthen its position in this market



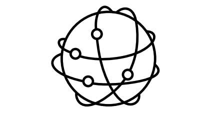
Total cost of ownership
Customers focus on the total lifetime of the products. Nilfisk responds with high quality products that generally have a long lifespan and productivity measures that help reduce the effective cost of ownership



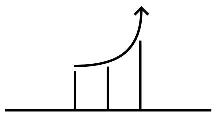
Pressure on cleaning cost
Cleaning is often seen as a "necessary evil" that should be done at the lowest possible cost. Nilfisk focuses on total cost of ownership and develops targeted solutions for selected industry segments



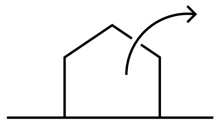
Technology change
New technologies, including robotics and the "Internet of Things" will increasingly play an increasing role in cleaning products. This is also a focus for Nilfisk



Battle for distribution
With some products becoming commoditized, access to customers is becoming even more important. Nilfisk selectively develops new sales channels, such as online sales



Capitalization on emerging markets
Emerging market are growing faster than mature economies, increasing living standards and cleaning requirements. Nilfisk keeps investing to grow and to secure positions in the key emerging markets



Outsourcing
Businesses are increasingly outsourcing cleaning to professionals. Based on its strong position within the professional segment, Nilfisk actively works with contract cleaners to address this outsourcing trend

OUR STRATEGY

Customer base

The Nilfisk Group services a large and diversified customer base.

Sales to customers in the professional market accounted for 90% of total revenue in 2016. Sales to consumers accounted for 10% of total revenue in 2016.

Customers in the professional market operate in a wide range of industries and in the public sector, ranging from large multinational contract cleaners, facility management contractors and international hotel and retail chains to smaller businesses buying a single machine. There is no dependency on single customers. The ten largest customers accounted for approximately 10% of revenue in 2016.

Globally, Nilfisk's sales are split by approximately 45% through direct sales and 55% through indirect sales, i.e. selling through dealers. However, regional differences exist as a larger share of products are sold through direct sales in EMEA and APAC than in Americas.

Nilfisk has identified 10 key strategic customer segments within the professional market:

Contract cleaners

Ranges from small businesses to groups with multinational operations

Retail

Ranges from small convenience shops to larger chains of malls and hypermarkets

Automotive

Includes car import centers and dealers, fuel filling stations and carwashes

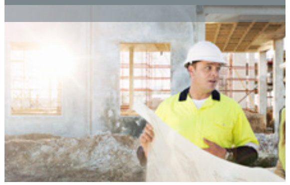
Education

Private and publicly funded entities including schools and day care services

Food & beverage

Includes both wet and dry production such as factories and restaurants

Building & construction

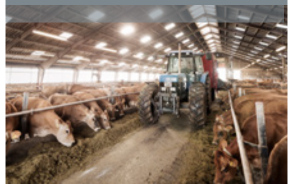


Spans from large contracting companies to smaller firms owned by craftsmen

Healthcare

Includes hospitals, general practitioners and healthcare clinics

Agriculture

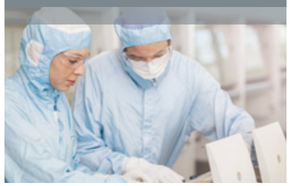


Applications include livestock farming, fishing, wine growing and forestry

Iron & metal

Includes the production of metal parts, raw materials and motor vehicles

Pharmaceutical



Production of medicine, cosmetics, chemicals and biologicals

Over the course of 2016, Nilfisk continued working on increasing customer satisfaction. We measure customer satisfaction on a continuous basis using a Net Promoter Score (NPS) survey tool to monitor feedback and improve customer satisfaction. NPS covered 32 markets by the end of 2016, and over the course of the year customer satisfaction increased by 8% compared to 2015.

OUR STRATEGY

Accelerate

The overall purpose of Nilfisk's Accelerate strategy is to grow the company to lead the industry. The recently launched Accelerate+ initiative (see more on page 26) is expected to increase earnings and support the execution of the strategy.

Over the course of 2016, the execution of key strategic projects and priorities continued according to plan. The Accelerate strategy is based on six pillars:

1 Grow market share

Nilfisk holds a strong market position in the high-end market, and strategic initiatives aim to reinforce this. In addition, Nilfisk will actively seize opportunities to grow in the mid-market, reaching customers who look for value products with basic, but still high-quality features. Furthermore, Nilfisk continues to invest and drive growth in emerging markets, as well as use mergers and acquisitions to increase market shares.

2 Strengthen front-end

One of Nilfisk's key strengths is its ability to meet customers where they are and understand their needs and businesses. Our customer relationships are supported by a proven go-to-market strategy, driven by investments and a strong Sales & Service organization. This enables Nilfisk to effectively serve its customers. Key levers are investing in sales and service and support systems, and a roll-out of Sales Excellence.

3 Drive competitive offerings

To support growth, it is Nilfisk's strategy to pursue a market and customer-led product focus. This ensures the identification of new market opportunities as well as expansion of current offerings. Nilfisk maintains its emphasis on developing a competitive and innovative product range. At the same time Nilfisk works on simplifying its product range and further reducing time-to-market. We continuously pay attention to the total cost of ownership for the customer.

4 Build strong brands

Strong brands make a difference in a fragmented industry. Nilfisk operates a number of strong and recognized global and regional product brands and continues to strengthen and leverage these. We will align the value propositions and brand values of global and regional brands in order to better leverage product platforms across these brands.

5 Power supply chain performance

The supply chain is a vital part of Nilfisk's competitive advantage and it is a strategic priority to continue to strengthen it and improve delivery performance to support growth. The goal is to improve the end-to-end supply chain efficiency aligned with customer expectations and specific customer needs.

6 Agile and commercial organization

Nilfisk aims to make decisions closer to the customers and with increased speed and agility. To achieve these objectives, we work to add to the skills of the employees. We have implemented a new operational model to support the execution of the Accelerate strategy. This initiative was named Accelerate+.

Our business

EMEA

Organic growth (2016)

5%

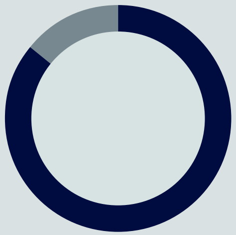
Revenue (2016)

623 mEUR

Revenue by product line and service offering (2016)

- 23% Floorcare
- 22% Vacuum cleaners
- 19% High pressure washers
- 36% Aftermarket

Revenue by customers (2016)



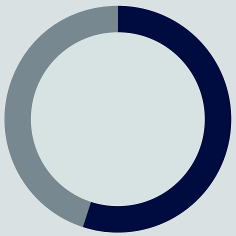
- 86% Professional market
- 14% Consumer market

Main markets

Germany
France
UK
Denmark
Sweden

Map showing countries with Nilfisk sales entities in the region

Revenue by sales channel (2016)



- 55% Direct sales
- 45% Indirect sales

EMEA covers Europe, Middle East and Africa. Nilfisk estimates that the value of this market to be approximately 40-45% of the global market. The vast majority of the market is in Europe where the distribution of market sizes largely follows the size of the individual countries in terms of GDP and population.

In 2016, Nilfisk realized revenue of 623.2 mEUR in EMEA, compared to 599.7 mEUR in 2015. Organic growth was 5%, driven by strong development in the professional market within both the commercial and industrial segments in the high-end market, as well as in the consumer market.

Revenue within the mid-market grew 68% supported by the launch of new Viper products and a considerable extension of the dealer network across Europe.

The mature markets experienced moderate GDP growth rates in 2016. The Nilfisk sales entities in EMEA have worked extensively to improve the efficiency of its sales and service staff through the Group's Sales and Service Excellence program and this resulted in strong organic growth in a number of countries.

Significant growth was in particular realized in France and Spain as well as in the Nilfisk's private label business. Also, sales companies in Eastern Europe realized strong growth. The UK saw a positive development within the professional market whereas the consumer market remained rather weak. Certain countries, particularly within the International Market segment, were negatively impacted by a challenging macro environment.

In South Africa, Industro-Clean (Cape) (Pty) Ltd, a dealer in Cape Town was acquired. Industro-Clean (Cape) serves the professional market in the Cape Town area with products, accessories, service and janitorial supplies. The purpose of the acquisition was to further strengthen Nilfisk's customer access and position in South Africa.

Revenue growth resulted in EMEA's gross profit margin improvement by 0.8%-point to 27.0% in 2016.

Americas

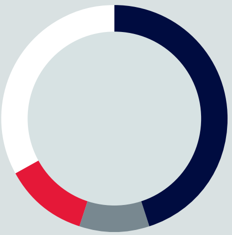
Organic growth (2016)

3%

Revenue (2016)

291 mEUR

Revenue by product line and service offering (2016)



- 45% Floorcare
- 10% Vacuum cleaners
- 12% High pressure washers
- 33% Aftermarket

Revenue by customers (2016)

- 100% Professional market
- 0% Consumer market

Main markets

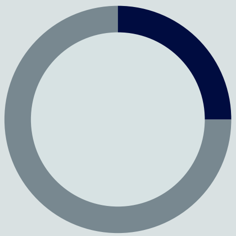
USA

Canada

Mexico

Map showing countries with Nilfisk sales entities in the region

Revenue by sales channel (2016)



- 25% Direct sales
- 75% Indirect sales

Americas covers North America and South America. Nilfisk estimates the value of this market to be approximately 40-45% of the global market. The US is estimated to constitute more than 80% of the Americas market. Other major markets in the Americas are Canada, Mexico, Brazil and Chile.

Nilfisk realized an organic growth of 3% in the Americas region in 2016, driven by both North America and Latin America. After a weak first half of the year, the US delivered strong growth in the second half, particularly due to the performance of the National Accounts division which secured a number of important contract wins. Satisfactory growth was also seen within the new high pressure washer business as well as in Canada, where the partnership with a large national dealer contributed to sales growth. Americas realized total revenue of 291.3 mEUR in 2016, compared to 236.1 mEUR in 2015.

In Latin America, macroeconomic challenges in markets like Brazil and Chile were offset by a strong development in Mexico, where Nilfisk secured a large contract.

In January 2016, Nilfisk acquired Pressure-Pro. Inc., a leading manufacturer of professional high pressure washers headquartered in Florida. Pressure-Pro manufactures both cold and hot water high pressure washers and has a nationwide distributor and dealer network in the US. The acquisition complemented the earlier acquisition of Hydro Tek in 2015.

Gross profit margin for the region improved and was 28.6% in 2016, up 1.2%-points from 2015.

OUR BUSINESS

APAC

APAC covers Asia and Pacific (Australia and New Zealand). Nilfisk estimates that the market value is approximately 15% of the global market. China, Japan and Australia are the largest markets in the APAC region and in combination constitute more than two-thirds of the market.

In APAC, Nilfisk realized revenue of 105.7 mEUR in 2016, compared to 108.4 mEUR in 2015. Organic growth was -7%. Revenue was driven by positive development in the professional market in South East Asia and the Pacific. Revenue from the consumer market also increased significantly, mainly in the Pacific region driven by sales and marketing efforts at DIY stores. Due to a slowdown in the Chinese economy as well as a slowdown in the outdoor business, China’s organic growth was negative in 2016, more than offsetting the total otherwise positive organic growth in APAC.

In the mid-market, the appointment of a substantial number of new Viper dealers in all markets and forming separate and dedicated sales strategies and sales staff, resulted in a revenue increase of 25% in the Viper brand.

Overall, gross profit margin for APAC in 2016 was 29.1%, down 0.8%-points from 2015.

Organic growth (2016)

-7 %

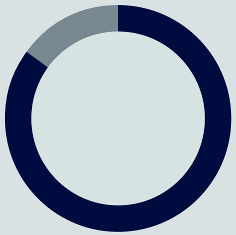
Revenue (2016)

106 mEUR

Revenue by product line and service offering (2016)

- 25% Floorcare
- 20% Vacuum cleaners
- 18% High pressure washers
- 37% Aftermarket

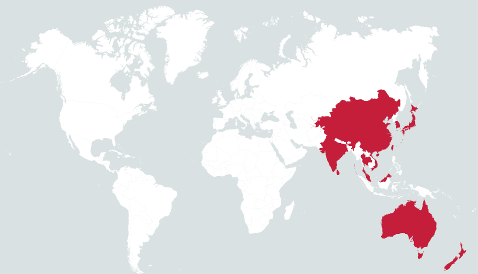
Revenue by customers (2016)



- 85% Professional market
- 15% Consumer market

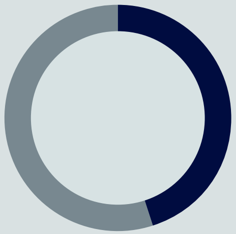
Main markets

Australia
China
Singapore
Korea
Thailand



Map showing countries with Nilfisk sales entities in the region

Revenue by sales channel (2016)



- 45% Direct sales
- 55% Indirect sales

Operations

Nilfisk has an effective sourcing model, an asset-light assembly focused production and efficient distribution.

Historically, Nilfisk has optimized its production footprint through factory consolidations and relocations from high-cost to low-cost countries, such as China, Hungary and Mexico. Production is based on an asset-light assembly focused setup with approximately 5% of all parts being manufactured internally.

Nilfisk has a total of 16 production sites in 9 countries with the main assembly facilities being located in Hungary, Italy, China, the US and Mexico. Components are sourced from an extensive network of suppliers. As part of its overall strategy, Nilfisk continuously improves its manufacturing footprint to increase efficiency and quality as well as optimizing its distribution network.

Nilfisk's distribution setup comprises five regional distribution centers placed in Denmark, Germany, the Netherlands, Belgium and the US, as well as local distribution centers located in the majority of the 45 countries where Nilfisk has sales companies. In 2016, a new warehouse structure for consumer products was implemented in Denmark, and a new warehouse for critical spare parts was established in Q4 in Ghent, Belgium, enabling faster delivery and higher productivity.

Products and services

Nilfisk's products and services are designed to increase customer value through value-adding features, high durability and lower total cost of ownership.

The largest product lines in the Group's portfolio are Floorcare (mainly scrubbers, sweepers and outdoor equipment) and Vacuum cleaners (dry and wet-use vacuums and industrial vacuums), accounting for 30% and 18% of revenue, respectively. Furthermore, Nilfisk holds a strong position within High pressure washers offered to both professionals and consumers, accounting for 17% of revenue in 2016.

In addition to the product lines, Aftermarket services such as spare parts and accessories, service and maintenance accounted for 35% of revenue in 2016.

Product lines and service offering, share of revenue

	2016	2015
Floorcare	30%	32%
Vacuum cleaners	18%	18%
High pressure washers	17%	14%
Aftermarket	35%	35%

Brand portfolio

Nilfisk's products and solutions are marketed through a portfolio of global, regional and local brands, some of which carry 100+ years of legacy. In 2016, the Clarke brand marked its 100 year anniversary.

Over the course of 2016, Nilfisk continued the consolidation of its brand portfolio. The Nilfisk-ALTO and Nilfisk-Egholm brands were rebranded to become part of the Nilfisk portfolio. By the end of 2016, the brand portfolio comprised 19 brands. The global brands include the two key brands Nilfisk (premium products targeting the high-end market) and Viper (products with fewer features targeting the mid-market). In order to grow the position in the mid-market, Nilfisk continued the roll-out of the Viper brand, which has been introduced in over 20 new countries since the launch of the Accelerate strategy. In addition to the Nilfisk and Viper brands, there are a number of regional brands sold primarily in North America, including Advance and Clarke.

Selected brands in the Nilfisk Group by product line

Professional cleaning equipment	
Floorcare	Nilfisk, Viper, Advance, Clarke, Contractor, ALTO
Vacuum cleaners	Nilfisk, Viper, Advance, Clarke, Kerrick, ALTO
High pressure washers	Nilfisk, Pressure-Pro, Hydro Tek, Wap, Rottest, Gerni, Kerrick, Nilfisk Food

Consumer cleaning equipment	
Vacuum cleaners	Nilfisk
High pressure washers	Nilfisk, Gerni, Wap

Product development

Product development at Nilfisk is based on customer-centric innovation such as productivity, quality, ease of use and total cost of ownership. In addition, time-to-market is a key focus.

In 2016, 3.6% of the Group's revenue was spent on research and development. More than 250 engineers work with product development. Nilfisk has global R&D centers in Denmark, Italy, US and China and in addition, local research and development resources have also been established at production facilities in Hungary and Mexico to support new product projects.

In order to promote a stronger cooperation across product lines and further improve performance, product development and product management operations for Floorcare, Vacuum cleaners and High pressure washers were consolidated within a joint organizational structure.

Nilfisk has an ambition of providing leading technology in the cleaning industry. In 2016, Nilfisk announced The Horizon Program, a strategic long-term innovation program that aims to deliver intelligent cleaning solutions (see page 25).

OUR BUSINESS

Key product launches

In 2016, Nilfisk launched 34 new products, comprising 17 products within the floorcare range, 12 products within the vacuum cleaner range and 5 products within the high pressure washer range.

Key product launches in 2016 include:

SC250
Floorcare

Ultra compact micro scrubber for cleaning of hard floors. The SC250 is a light machine with a low sound level suited for daytime cleaning, since it includes a new high efficient and low weight Lithium-Ion battery concept developed by Nilfisk. Productivity is high due to the sheer speed of the machine as it is sweeping, scrubbing and drying at the same time, moving both forward and backward. Targeted at the retail segment such as shops, restaurants, cafes and bakeries, as well as education such as schools, and hotels and contract cleaners.

ATTIX 33/44
Vacuum cleaner

Reengineered and redesigned, the ATTIX 33 & 44 series of dust extractors offer enhanced suction power due to Nilfisk's new technology development within automatic filter cleaning systems, InfiniClean™. The machines target the building & construction segment as well as various industries. The series is available with three safety levels, covering applications from grinding of walls to removal of hazardous dust like mold or asbestos. Awarded in the prestigious German Design Awards, late 2016.

MH series
High pressure washer

Mid-range hot and cold water high pressure washer series with innovative features such as Nilfisk's EcoPower™ boiler system that ensures low fuel consumption, and 4 pole motors providing pump pressures of up to 220 Bar. The new high pressure washers are developed for customers within agriculture, the automotive industry, light industry as well as building & construction. The three latest additions to the series can deal with a large variety of dirt using cold water with detergent if needed and clean oily, greasy or filthy surfaces when switched to hot water.

SC430
Floorcare

Simple and user-friendly walk-behind scrubber dryer launched in the Nilfisk GO-Line range, a series of high quality products with more basic features. The GO-Line product range targets customers in the lower end of the high-end market, bridging the gap between Nilfisk premium products and products sold in the mid-market. It is suitable for customers who go for the brand, quality and support package of Nilfisk, yet prefer a lower upfront investment.

SC6000
Floorcare

Large next generation ride-on scrubber dryer with the size, speed, and technology to clean large indoor areas at a low total cost of ownership. The SC6000 has Nilfisk's intelligent SmartFlow™ function automatically adjusting the solution flow according to the travel speed. Targeting industries and contract cleaners dealing with large indoor areas such as production sites, warehouses, supermarkets, airports, parking garages and other logistical centers.

HORIZON™

The Horizon Program will fundamentally change the way we clean

In 2016, Nilfisk announced The Horizon Program, a pioneering global program that over the coming years will drive innovation and deliver intelligent cleaning solutions, fundamentally changing the way we clean.

Nilfisk's Horizon Program is a strategic, long-term program of multiple product launches, the first of which will be released in 2017. The Horizon Program is the future of cleaning. It is an innovation program that will deliver intelligent cleaning solutions to the market, enabling customers to increase productivity.

In its 110 years, Nilfisk has worked to bring creativity and innovation together with practical applications to meet customer needs and business objectives. The Horizon Program is grounded in this heritage. The first product within The Horizon Program, the Nilfisk Liberty A50 autonomous scrubber dryer, will be launched to selected customers in 2017. A prototype of the machine was showcased at the international tradeshow ISSA Interclean in Chicago USA, in Q4, 2016, featuring highly refined features designed to increase productivity. With only three buttons, only minimal training is required to operate it.

For the first offering in The Horizon Program, Nilfisk has engaged in a partnership with Carnegie Robotics, LLC, a leading provider of advanced robotics sensors and software. This team brings together high levels of expertise in robotics and commercial cleaning to design and develop state-of-the-art autonomous cleaning solutions, enabling customers to deploy unmanned floor cleaning with accuracy and precision, and redefine how we look at productivity and total cost of ownership.

People and organization

In 2016, a new operating model and organizational structure was implemented to reduce complexity and improve agility in order to support the execution of the Group's Accelerate strategy. This is ensured through enhanced alignment of the organization to better serve specific customer and market segments. The new organizational structure was implemented as part of the initiative named Accelerate+ and involved the following key changes:

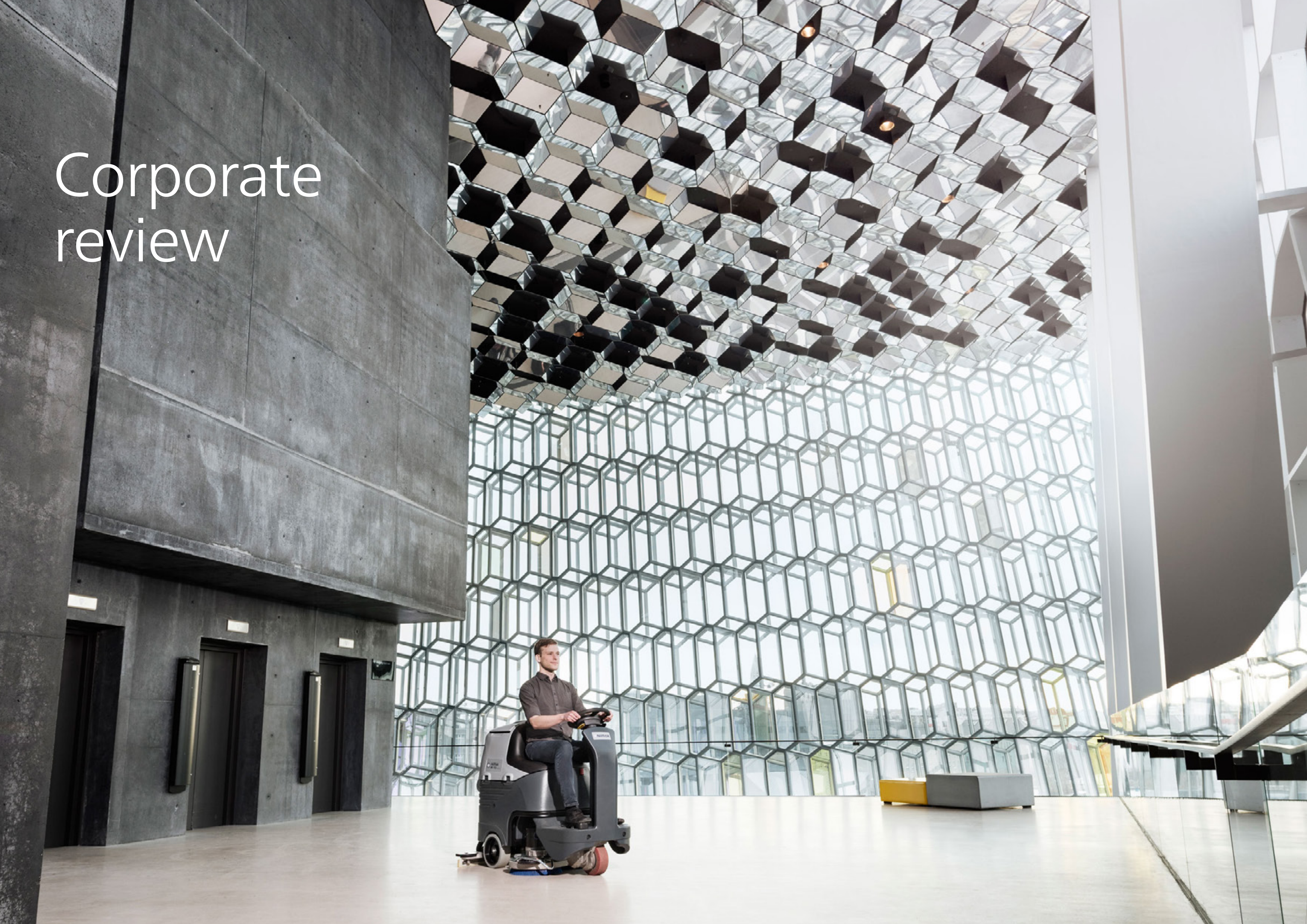
- Carving out the Specialty business, comprised of consumer vacuum cleaners and consumer high pressure washers as well as industrial vacuum cleaners and businesses within outdoor, restoration equipment and specialized equipment for the food industry, from the geographically segmented professional business divisions
- Establishing dedicated regional sales organizations with a consistent model across countries focusing on Premium (high-end), Value (mid-market) and Service
- Establishing a strong Products, Solutions & Marketing organization, including product development in order to get closer to customers
- Establishing global centers of excellence to achieve scale and excellence

Through the new organization, Nilfisk also aims to achieve increased transparency of the business as well as stronger local accountability for financial results.

In 2016, we continued to strengthen the customer orientation of the organization. The year marked the launch of a new global Sales Academy, a strategic training initiative targeted at sales representatives across the world. Through a train-the-trainer setup the objective is to train sales people in a new "value selling methodology" over a two year period. By the end of 2016, 200 sales representatives had been through the first module of the two-module program.

In addition, Nilfisk continued to streamline the sales organization with various sales excellence disciplines in many markets including the US, Germany, Benelux and China. The program aims to maximize sales force efficiency by sharing and implementing best practices. This includes optimized processes and training material, as well as target-based sales incentives and improved reporting and use of market data.

Corporate review



CORPORATE REVIEW

Risk management

Risks are a natural part of doing business, and Nilfisk has efficient risk management in place in order to ensure that the risks taken are assessed and managed.

Model and structure

The aim of Nilfisk's risk management model is to identify, assess and prioritize risks and opportunities and to define suitable responses that mitigate, reduce or control the impact of unfortunate events.

Nilfisk's Board of Directors holds the formal responsibility for risk management, while close monitoring of the risks and actions to control them is carried out by The Executive Management Board. In practical terms, the activities are structured as two parallel processes, continuous monitoring and overall assessment, respectively.

When it comes to identified primary risks, early warning indicators are observed and immediate actions are taken if a trigger level is met. This is done continuously and reported on a quarterly basis to the Board of Directors. Twice a year, a risk assessment is carried out by The Executive Management Board. This process includes a reevaluation of risks already identified as well as identification of new risks.

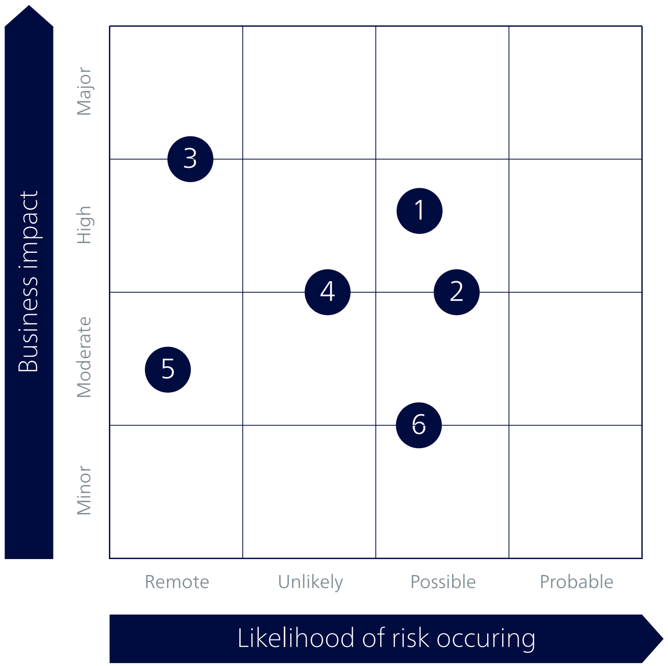
Risk management model

CORPORATE REVIEW

Primary risks

The existing model was introduced in 2013, and has since then been further refined. The analysis and assessment performed in 2016 did not result in any significant changes to the risk scenario compared to previous years. A total of 25 risk factors have been identified and prioritized according to potential business impact and likelihood.

As illustrated below, six of the 25 risks are defined as primary risks. Four risks are rated as having high business impact, if occurring, the remaining two carrying a moderate business impact.



	Risk	Monitoring	Mitigating actions
1	Decreasing global demand will negatively impact earnings	Monitoring of relevant GDP forecasts, confidence indicators and order intake	Scale down activities in line with predetermined action points to counter negative effects from decreasing global demand. The degree of recession will determine exactly which plans will be initiated
2	Significant market consolidation without Nilfisk participation could negatively impact market position	Monitoring of industry M&A activities. Proactive pursuit of leads	Continuous M&A discussions. Ensure that potential vendors include Nilfisk in relevant discussions. Pursue relevant acquisitions. Best-in-class M&A capabilities
3	Dependence on key suppliers can be a risk in the event of delivery issues, quality issues or price increases	Monthly monitoring and evaluation of sustained negative trends in key supplier performance	Key suppliers are identified and risk evaluated, based on critical parameters. Dual sourcing is selectively implemented and risk assessment is an integral part of the sourcing category strategies.
4	Sustained operational breakdowns at manufacturing or distribution sites will negatively impact business continuity	Monitoring and correction of specific events identified as early warning indicators of operating issues, including system malfunctions, machinery breakdowns or tooling breakdowns	Response plans to the various risks have been defined, e.g. plans for temporary premises, relocation of production and direct shipment from production entities are in place
5	Significant loss of critical IT systems and data will negatively impact business continuity	Risks are continuously monitored based on guidance and experience from external advisors	Action plans are in place; for example, mirror sites have been set up with external partners, which enable immediate switching to redundant systems
6	Significant change in customer demand towards low-price products will impact earning negatively	Continuous discussion and evaluation of early warning indicators at Board meetings	Re-orient marketing towards low-price/quality brands or pursue relevant acquisitions

Shareholder information

Nilfisk A/S is owned by NKT Holding A/S. NKT Holding A/S announced on September 21, 2016, in connection with announcing NKT Cables A/S' acquisition of ABB HV Cables, that subject to completion of the acquisition of ABB HV Cables it intended to split NKT Holding A/S into two separately listed companies: Nilfisk and NKT Holding A/S, including NKT Cables (including ABB HV Cables and NKT Photonics). NKT Cables A/S' acquisition of ABB HV Cables is expected to be completed in Q1, 2017.

Corporate social responsibility

In 2016, Nilfisk marked the celebration of its 110 year anniversary. Our vast experience makes us able to offer a wide range of high quality and fully supported cleaning solutions that help people and businesses all over the world increase productivity. Respect and proactive behavior when it comes to responsible business conduct are essential for a long-term perspective like Nilfisk's.

We believe that the adoption of the UN Global Compact with respect to human rights, labor rights, anti-corruption and the environment helps us in our efforts to keep developing our business in a positive direction and at the same time addresses growing demands from customers and regulations.

Nilfisk thus continues to support the UN Global Compact as a governing principle in our sustainability efforts.

Nilfisk's annual statutory report on Corporate Social Responsibility, including articles 99a and 99b of the Danish Financial Statements Act related to corporate social responsibility and diversity, is available at http://Documents.nilfisk.com/Nilfisk/Nilfisk/INT/corporate/csr-report-2016/

Diversity in management

Nilfisk aims to be a responsible employer by embracing diversity and a global culture, and by sustaining a healthy and safe working environment. We see diversity as a key asset, and as stated in our Business Code of Conduct, we are firmly committed to providing equal opportunity to our employees and will not tolerate discrimination of any kind.

As a part of the NKT Group, Nilfisk is subject to NKT policies promoting diversity in senior management for the year 2016. Nilfisk has not yet determined specific target figures for the representation of the underrepresented gender in the Board of Directors and senior management in accordance with section 139a (1) (1) of the Danish Companies Act. A status on diversity is provided in Nilfisk's annual statutory report on Corporate Social Responsibility.

Corporate Governance

In 2016, Nilfisk has been part of the governance structure of NKT Holding A/S.

In September 2016, NKT announced its intention to split NKT Holding A/S into two separately listed companies: Nilfisk and NKT Cables (including ABB HV Cables and NKT Photonics). The future governance structure of Nilfisk Group is at the time of the release of the Annual Report 2016 not yet finalized.

The following sections describe the Nilfisk Group's internal controls in the financial reporting process as of 2016.

Internal control

The Board of Directors has a supervisory duty and the Executive Management Board has the overall responsibility for the Nilfisk Group's risk management and internal controls in relation to the financial reporting process, including compliance with relevant legislation and additional disclosure requirements pertaining to financial reporting.

The purpose of the risk management process and the internal controls is effectively to identify, manage and mitigate the risk of errors in the financial reporting process and to provide reasonable assurance that material misstatements and errors in relation to the financial reporting process are avoided.

The Audit Committee of the parent company, NKT Holding A/S, has an advisory role relative to the Board of Directors, including on matters such as internal controls in the financial reporting procedures, special financial and accounting issues, evaluation of financial reporting and other financial information and risk management. The Audit Committee gathers independent advice and insights from the external auditors, who are present at the meetings. External audit presents their audit strategies and findings to the Audit Committee.

Risk management

The Executive Management Board regularly assesses the risks that Nilfisk Group is exposed to (see pages 28-29), and these processes also include risks related to financial reporting. In case of actual or expected changes that could affect the risks that Nilfisk Group is exposed to, the Executive Management Board reviews such changes and considers appropriate mitigating actions together with the Board of Directors. At least once a year, the Audit Committee of NKT Holding A/S assesses whether the internal controls related to the financial reporting process are effective in relation to the risks identified.

The Audit Committee regularly reviews the accounting policies and any changes thereto as well as critical estimates and judgments related to financial reporting. As part of the review, the committee discusses changes in accounting policies and the impact of critical estimates and judgments with the Executive Management Board.

Control environment and activities

The Board of Directors approves the overall risk management policies presented by the Executive Management Board. These policies are incorporated in the internal control and risk management system. The Nilfisk Group has drawn up manuals describing the principal business procedures, internal controls, requirements on segregation of functions and duties, reconciliations, approvals and authorizations as well as accounting policies. Compliance with the guidelines is verified in an ongoing process.

Nilfisk has a central controlling function to review the financial reporting from all entities in the Group, including compliance with the accounting policies. Each business entity has been allocated a business controlling function which reviews the validity of reported financial data and underlying activities of each business area.

In addition, a formal reporting process has been established for each of the Nilfisk Group's business entities. The process builds on a budget and estimate process as well as a monthly follow-up on realized figures, budget deviations and key ratios, etc.

Requirements have been defined in respect of analyses of monthly financial data, etc. in the reporting packages that form the basis of internal and external financial statements. The business entities have established reporting procedures that are consistent with Nilfisk's reporting process and the special operational issues of each business entity. Based on the risk assessment, minimum requirements have been established with respect to controls, reconciliations and analyses of financial data for the Group's business units and accounting items.

A central controlling function conducts financial compliance reviews throughout the organization based on a defined review strategy, risk assessment and plan approved by Executive Management Board and the NKT Holding A/S Audit Committee annually. The findings and conclusion of such reviews are reported to the Executive Management Board, the respective local management, the Audit Committee, the external Auditors and to other relevant recipients.

Nilfisk has established information and communication systems which set out the general financial reporting requirements and external financial reporting requirements in accordance with current legislation and applicable regulations, including International Financial Reporting Standards as adopted by the EU. Available from Nilfisk Group's intranet, Nilfisk regularly updates the contents of the systems and manuals with respect to business procedures, internal controls, and requirements on segregation of functions and duties, reconciliations, approvals and authorizations and accounting policies.

Monitoring

The risk assessment and control activities are monitored in an ongoing process. The monitoring is comprised of formal and informal procedures and includes a review of the financial results, which are compared to budgets and estimates. An analytical control and ongoing assessments are performed of key figures. Major weaknesses and non-compliance with internal guidelines are reported to the Executive Management Board, who follows up on any issues.

BOARD OF DIRECTORS

Jens Due Olsen
Chairman
First elected in 2013

Jens Due Olsen's special qualifications include industrial management, management of listed companies and specialist expertise in economic and financial matters.

Jens Due Olsen holds a MSc. Econ.

Other positions and directorships include Bladt Industries A/S (Chairman), Heptagon Advanced Micro Optics Inc. (Audit Committee Chairman), Cryptomathic A/S, Gyldendal A/S, PFA Pension A/S (Chairman of Audit Committee and investment committee), Royal Unibrew A/S, KMD A/S, Auris Luxembourg III S.A. (Advisory Board Chairman), Børnebasketfonden (non-profit foundation, Chairman)

René Svendsen-Tune
Deputy Chairman
First elected in 2017

CEO of GN Store Nord A/S and GN Audio A/S.

René Svendsen-Tune's special qualifications include international management, management of listed companies and specialist expertise in technology, service businesses and large account sales.

René Svendsen-Tune holds a BSc. Eng. (hon.).

Jens Maaløe
First elected in 2017
President & CEO, Terma A/S

Jens Maaløe's special qualifications include industrial management, management of listed companies and specialist expertise in technology and technological development.

Jens Maaløe holds a MSc. E.Eng., and a PhD.

Other positions and directorships include Grundfos Holding A/S and Poul Due Jensen's Fond.

Jutta af Rosenborg
First elected in 2017

Jutta af Rosenborg's special qualifications include international management, optimization of business processes, risk management, finance and controlling.

Jutta af Rosenborg holds a MSc in Business Economics and Auditing and is authorised as a State-Authorised Public Accountant.

Other positions and directorships include Aberdeen Asset Management PLC (Audit Committee Chairman), (Remuneration CM), (Risk Committee member), Nomination (member of the Board of Directors), JPMorgan European Investment Trust plc, PGA Europe-an Tour (A & Risk CC) and Det Danske Klasselotteri A/S (Chairman).

Anders Runevad
First elected in 2017
CEO, Vestas Wind Systems A/S.

Anders Runevad's special qualifications include international management, management of listed companies and specialist expertise in large infrastructure projects.

Anders Runevad holds a MSc. E.Eng.

Other positions and directorships include General Council of the Confederation of Danish Industries (member of Board of Directors) and MHI Vestas Offshore Wind (Deputy Chairman).

Lars Sandahl Sørensen
First elected in 2017
Group Director & COO, SAS

Lars Sandahl Sørensen's special qualifications include international services management, management of listed companies, specialist expertise in corporate trading, international business development, leadership development in various industrial sectors, sales and marketing.

Lars Sandahl Sørensen holds a MSc. Int. Business and Management.

Other positions and directorships include General Council of the Confederation of Danish Industries, SEDK (Deputy Chairman), Wexøe Holding A/S, Industriens Fond, VEGA.

Michael Gamtofte*
Vice President Corporate Responsibility and Global IP, Nilfisk
Joined Nilfisk in 2008
First elected in 2014

Other positions and directorships include M2A Holding IVS (Chairman and member of the Management Board), Siora IVS (Vice chairman and member of the Management Board),

Jean-Marc Rios Dionne*
Commercial Excellence Manager, Nilfisk
Joined Nilfisk in 2008
First elected in 2014

Elected by the employees

EXECUTIVE MANAGEMENT

Lars Gjødsbøl
Executive Vice President - Global Operations
Acting CEO, as of February 22, 2017
Joined Nilfisk in 2003

Lars Gjødsbøl has experience with all areas of operations, including R&D, strategic sourcing, production, supply chain, product management and quality.

Lars Gjødsbøl's career includes an operations role with Novo Nordisk and McKinsey & Company.

Lars Gjødsbøl holds a Master in Business Administration and Commercial Law from CBS, Denmark.

Lars Gjødsbøl is a member of the board of directors of Genan Holding A/S.

Karina Deacon
Executive Vice President and CFO
Joined Nilfisk in 2016

Karina Deacon has a strong record and solid experience in financial management and strategic leadership.

Over the course of her career, Karina Deacon has held positions with several global companies like ISS, Saxo Bank and PwC.

Karina Deacon holds a MSc in Business Economics and Auditing from Aarhus Business School, Denmark.

Karina Deacon is a member of the Board of Directors of Fitness DK Holding A/S, Fitness DK A/S, Parken Sport & Entertainment A/S, Lalandia A/S, Lalandia Billund A/S and Accomodation Services A/S.

Jacob Blom
Executive Vice President - HR
Joined Nilfisk in 2016

Jacob Blom has extensive experience within Human Resource Management and has lead HR transformation projects in large international companies.

Jacob Blom formerly held positions with NCC, TDC, and Merck & Co.

Jacob Blom holds a Graduate Diploma in Organization & Leadership from CBS, Denmark.

Tina Mayn
Executive Vice President - Products, Solutions & Marketing
Joined Nilfisk in 2015

Tina Mayn has a strong experience in Global Product Portfolio Management, business turn-arounds, Program Management and Operations, specifically within Purchasing and R&D.

Tina Mayn formerly held several global positions in Electrolux. She was stationed for a number of years in Sweden and France.

Tina Mayn holds an MBA from EIPM, Geneva, d'Archamps, France.

Tina Mayn is a member of the board of directors of Juliana Drivhuse A/S and a limited partner of K/S Tiiriö Retail Park, Finland.

Andrew Ray
Executive Vice President - Americas
Joined Nilfisk in 2016

Andrew Ray has extensive experience in general business management, sales and marketing, and has worked with executing commercial excellence programs.

Prior to joining Nilfisk, Andrew Ray was Chief Commercial Officer at Surgical Work Flows, a leading global medical technology company headquartered in Sweden. He was stationed for 10 years in Japan, Belgium and France.

Andrew Ray holds a Bachelor of Arts from Michigan State University, US.

Anders Terkildsen
Executive Vice President - EMEA
Joined Nilfisk in 1998

Anders Terkildsen has extensive experience within territory management, key account management, internationalization of leading industrial groups, as well as management of sales companies, joint ventures and acquisitions.

Anders Terkildsen's career includes positions as with Incentive Group and Hardi International.

Anders Terkildsen holds an MBA in General Management from University of San Francisco, US.

Financial statements

Consolidated financial statements 2016

Notes

! Significant judgements and estimates

Significant judgements and accounting estimates made by the Executive Management Board are included in the notes to which they relate with the purpose to increase legibility.

± Sensitivity

Sensitivity analyses often accompany significant judgements and accounting estimates, and are included in the notes to which they relate with the purpose to increase legibility.

§ Accounting policy

Accounting policies are included in the notes to which they relate in order to facilitate understanding of the contents and the accounting treatment applied. Accounting policies not relating directly to individual notes are stated in note 1.1.

Income statement

for the years ended December 31

EUR million	Note	2016	2015
Revenue	2.1, 2.2	1,058.5	980.0
Cost of sales	3, 4	-620.9	-580.6
Gross profit		**437.6**	**399.4**
Research and development costs	2.3, 3	-30.0	-27.9
Sales and distribution costs	3, 4	-230.6	-217.4
Administrative costs	3, 4	-93.0	-89.5
Other operating income, net		0.8	4.1
Operating profit before amortization/impairment of acquisition-related intangibles and special items		**84.8**	**68.7**
Amortization/impairment of acquisition-related intangibles	4	-9.0	-4.9
Special items	2.4, 2.5	-21.8	0.0
Profit before financial items and income taxes (EBIT)		**54.0**	**63.8**
Financial income	6.6	13.0	15.4
Financial expenses	6.6	-24.0	-23.3
Profit before income taxes		**43.0**	**55.9**
Income taxes	2.6	-13.5	-14.1
Profit for the year		**29.5**	**41.8**
To be distributed as follows			
Profit attributable to equity holders of Nilfisk A/S		29.5	41.6
Profit attributable to non-controlling interests		0.0	0.2
		29.5	**41.8**
Earnings per share (based on 5,000,000 shares issued)			
Basic earnings per share (EUR)		5.90	8.36
Diluted earnings per share (EUR)		5.90	8.36

Statement of comprehensive income

for the years ended December 31

EUR million	2016	2015
Profit for the year	29.5	41.8
Other comprehensive income		
Items that may be reclassified to the income statement:		
Foreign exchange adjustments, foreign companies	-3.9	3.3
Value adjustment of hedging instruments:		
Value adjustment for the year	-0.3	6.7
Transferred to cost of sales	0.2	-12.7
Transferred to financial income and expenses	0.8	-3.3
Fair value adjustment of available for sales securities	0.3	0.6
Tax on comprehensive income	-0.2	2.0
Items that may not be reclassified to income statement:		
Actuarial gains/losses on defined benefit pension plans	-2.4	-0.3
Tax on actuarial gains/losses	0.5	0.1
Comprehensive income for the year	**24.5**	**38.2**
To be distributed as follows		
Comprehensive income attributable to equity holders of Nilfisk A/S	24.5	38.0
Comprehensive income attributable to non-controlling interests	0	0.2
	24.5	**38.2**

Balance sheet

at December 31

EUR million	Note	2016	2015	2014
Assets				
Intangible assets	4.1, 4.2			
Goodwill		179.3	171.7	151.9
Trademarks		14.8	13.0	6.1
Customer related assets		17.2	14.4	7.8
Development projects completed		39.4	28.3	24.6
Software, Know-how, Patents and Competition Clauses		24.9	27.6	22.9
Development projects and software in progress		21.8	26.5	23.3
		297.4	281.5	236.6
Property, plant and equipment	4.1, 4.3			
Land and buildings		12.4	13.4	13.9
Plant and machinery		5.6	5.0	4.7
Tools and equipment		38.2	30.4	24.8
Assets under construction incl. prepayments		5.5	9.0	4.5
		61.7	57.8	47.9
Other non-current assets				
Investments in associates	6.7	17.7	16.6	14.7
Other investments and receivables		6.2	6.3	5.1
Deferred tax	2.6	16.2	14.9	13.1
		40.1	37.8	32.9
Total non-current assets		**399.2**	**377.1**	**317.4**
Inventories	5.1, 6.8	173.3	187.9	177.4
Receivables	5.2, 6.8	203.6	187.3	182.8
Interest-bearing receivables	6.3	175.7	158.3	147.4
Income tax receivable		2.8	3.7	2.9
Cash at bank and in hand		28.5	21.2	34.4
Total current assets		**583.9**	**558.4**	**544.9**
Total assets		**983.1**	**935.5**	**862.3**

EUR million	Note	2016	2015	2014
Equity and liabilities				
Equity				
Share capital	6.9	67.2	67.2	67.2
Reserves		3.1	6.2	9.6
Retained comprehensive income		154.5	126.4	84.6
Proposed dividends		0.0	0.0	172.6
Total attributable to equity holders of Nilfisk A/S		224.8	199.8	334.0
Non-controlling interests		0.0	0.9	0.8
Total equity		**224.8**	**200.7**	**334.8**
Non-current liabilities				
Deferred tax	2.6	23.5	21.6	14.8
Pension liabilities	4.5	7.5	5.9	6.6
Provisions	4.6	6.8	7.9	1.5
Interest-bearing loans and borrowings	6.2, 6.4, 6.8	191.5	182.1	155.8
Other liabilities	5.3, 6,8	1.4	0.0	0.0
		230.7	217.5	178.7
Current liabilities				
Interest-bearing loans and borrowings	6.2, 6.4, 6.8	278.5	298.3	131.9
Trade payables and other liabilities	5.3, 6.4, 6.8	232.1	200.0	195.8
Income tax payable		4.6	5.6	7.6
Provisions	4.6	12.5	13.4	13.5
		527.6	517.3	348.8
Total liabilities		**758.3**	**734.8**	**527.5**
Total equity and liabilities		**983.1**	**935.5**	**862.3**

Cash flow statement

for the years ended December 31

EUR million	Note	2016	2015
Profit before financial items and income taxes (EBIT)		54.0	63.8
Depreciation, amortization and impairment	4.4	42.8	34.2
Non-cash operating items:			
Profit on sale of non-current assets, used and increases in provisions, and other non-cash operating items, etc.		2.2	-6.4
Changes in working capital		39.0	-7.7
Cash flow from operations before financial items and income taxes		138.0	83.9
Financial income received		11.4	11.4
Financial expenses paid		-22.0	-21.5
Income tax paid		-12.7	-14.0
Cash flow from operating activities		**114.7**	**59.8**
Acquisition of businesses	7.1	-28.9	-29.0
Acquisition of non-controlling interests	7.1	-3.2	0.0
Divestment of businesses	7.1	0.0	1.5
Investments in property, plant and equipment	4.3	-20.6	-21.7
Disposal of property, plant and equipment		2.8	3.3
Intangible assets and other investments	4.2	-22.7	-21.6
Cash flow from investing activities		**-72.6**	**-67.5**
Changes in current interest-bearing receivables		-17.6	-9.9
Changes in current interest-bearing loans and borrowings		-25.9	158.8
Changes in non-current interest-bearing loans and borrowings		8.8	14.8
Dividends paid		0.0	-172.2
Cash flow from financing activities		**-34.7**	**-8.5**
Net cash flow for the year		**7.4**	**-16.2**
Cash at bank and in hand, January 1		21.2	34.4
Currency adjustments		-0.1	3.0
Cash at bank and in hand, December 31		**28.5**	**21.2**

Statement of changes in equity
at December 31

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Proposed dividends	Total	Non-controlling interests	Total equity
Equity, January 1, 2016	**67.2**	**4.8**	**0.1**	**1.3**	**126.4**	**0.0**	**199.8**	**0.9**	**200.7**
Other comprehensive income:									
Foreign exchange translation adjustments	0.0	-3.9	0.0	0.0	0.0	0.0	-3.9	0.0	-3.9
Value adjustment of hedging instruments:									
Value adjustment for the year	0.0	0.0	-0.3	0.0	0.0	0.0	-0.3	0.0	-0.3
Transferred to cost of sales	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.2
Transferred to financial income and expenses	0.0	0.0	0.8	0.0	0.0	0.0	0.8	0.0	0.8
Fair value adjustment of available for sales securities	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.3
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	0.0	-2.4	0.0	-2.4	0.0	-2.4
Tax on actuarial gains/losses	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.0	0.5
Tax on other comprehensive income	0.0	0.0	-0.2	0.0	0.0	0.0	-0.2	0.0	-0.2
Total other comprehensive income	0.0	-3.9	0.5	0.3	-1.9	0.0	-5.0	0.0	-5.0
Profit for the year	0.0	0.0	0.0	0.0	29.5	0.0	29.5	0.0	29.5
Comprehensive income for the year	**0.0**	**-3.9**	**0.5**	**0.3**	**27.6**	**0.0**	**24.5**	**0.0**	**24.5**
Share option program	0.0	0.0	0.0	0.0	2.8	0.0	2.8	0.0	2.8
Additions/disposals, non-controlling interests	0.0	0.0	0.0	0.0	-2.3	0.0	-2.3	-0.9	-3.2
Total changes in equity in 2016	**0.0**	**-3.9**	**0.5**	**0.3**	**28.1**	**0.0**	**25.0**	**-0.9**	**24.1**
Equity, December 31, 2016	**67.2**	**0.9**	**0.6**	**1.6**	**154.5**	**0.0**	**224.8**	**0.0**	**224.8**

Statement of changes in equity

at December 31 – continued

EUR million	Share capital	Foreign exchange reserve	Hedging reserve	Fair value reserve	Retained comprehensive income	Proposed dividends	Total	Non-controlling interests	Total equity
Equity, January 1, 2015	**67.2**	**1.5**	**7.2**	**0.9**	**85.0**	**172.2**	**334.0**	**0.8**	**334.8**
Other comprehensive income:									
Foreign exchange translation adjustments	0.0	3.2	0.0	0.0	0.0	0.0	3.2	0.0	3.2
Value adjustment of hedging instruments:									
Value adjustment for the year	0.0	0.0	6.7	0.0	0.0	0.0	6.7	0.0	6.7
Transferred to cost of sales	0.0	0.1	-12.7	0.0	0.0	0.0	-12.6	0.0	-12.6
Transferred to financial income and expenses	0.0	0.0	-3.3	0.0	0.0	0.0	-3.3	0.0	-3.3
Fair value adjustment of available for sales securities	0.0	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.6
Actuarial gains/losses on defined benefit pension plans	0.0	0.0	0.0	0.0	-0.3	0.0	-0.3	0.0	-0.3
Tax on actuarial gains/losses	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Tax on other comprehensive income	0.0	0.0	2.2	-0.2	0.0	0.0	2.0	0.0	2.0
Total other comprehensive income	0.0	3.3	-7.1	0.4	-0.2	0.0	-3.6	0.0	-3.6
Profit for the year	0.0	0.0	0.0	0.0	41.6	0.0	41.6	0.2	41.8
Comprehensive income for the year	**0.0**	**3.3**	**-7.1**	**0.4**	**41.4**	**0.0**	**38.0**	**0.2**	**38.2**
Dividends paid	0.0	0.0	0.0	0.0	0.0	-172.2	-172.2	0.0	-172.2
Additions/disposals, non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Total changes in equity in 2015	**0.0**	**3.3**	**-7.1**	**0.4**	**41.4**	**-172.2**	**-134.2**	**0.1**	**-134.1**
Equity, December 31, 2015	**67.2**	**4.8**	**0.1**	**1.3**	**126.4**	**0.0**	**199.8**	**0.9**	**200.7**

Note 1

1. BASIS FOR PREPARATION

This section describes the applied reporting framework, including a definition of materiality for disclosures as well as any changes in the accounting policies for the consolidated financial statements.

1.1 GENERAL ACCOUNTING POLICIES

Nilfisk A/S is a public limited company domiciled in Denmark.

The consolidated financial statements included in this Annual Report for the year 2016 are prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU and additional requirements under the Danish Financial Statements Act. The parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Basis for preparation

The consolidated financial statements included in this Annual Report are presented in EUR rounded to the nearest EUR 1,000,000 with one decimal.

The consolidated financial statements included in this Annual Report are prepared according to the historical cost principle, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments in a trading portfolio and financial instruments designated as available for sale.

Except for that stated under 'Changes to accounting policies', the accounting policies described in the individual notes are applied consistently during the financial year and for the comparative figures.

Definition of materiality

The provisions in IFRS contain extensive disclosure requirements. The specific disclosures required according to IFRS are stated in the consolidated financial statements included in this Annual Report unless the disclosures concerned are considered irrelevant or immaterial for financial decisions made by the financial statement users.

Changes to accounting policies

Nilfisk Group has implemented the standards and interpretations effective for 2016. The implementation of standards and interpretations has not influenced recognition and measurement in 2016 or is expected to influence future financial years.

Reclassifications

The Nilfisk Group has made a reclassification that affects Revenue as well as Sales and Distribution costs. In order to maintain comparability, the comparative figures for 2015 have been adjusted. The reclassification involves the transfer of direct distribution costs of 8.5 mEUR from being deducted in "Revenue" to "Sales and Distribution Costs" in 2015. This adjustment affects "Gross profit". "Operating profit before amortization/impairment of acquisition-related intangibles and special items" is not affected.

First-time adoption of IFRS 1

The 2016 consolidated financial statements are the first consolidated financial statements to be prepared in accordance with IFRS as adopted by EU and additional requirements under the Danish Financial Statements Act, as Nilfisk A/S and its subsidiaries prior years have been included in the consolidated financial statements of NKT Holding A/S. In accordance with section 112 of the Danish Financial Statements Act no consolidated financial statements have been prepared for Nilfisk A/S.

The consolidated financial statements included in this annual report are prepared in compliance with IFRS 1 on first-time adoption. Nilfisk Group has complied with IFRS as adopted by EU when issuing financial reporting to the parent company, NKT Holding A/S. Therefore, assets and liabilities in the consolidated financial statements of Nilfisk A/S are measured at the carrying amounts that are included in the NKT Holding A/S consolidated financial statements, as if no adjustments are made for consolidation procedures, except for minor reclassifications described under 'Reclassifications'.

Differences between the parent financial statements prepared in accordance with the Danish Financial Statements Act and the consolidated financial statements prepared in accordance with IFRS as adopted by the EU consist of goodwill amortization and the effect of consolidation of subsidiaries.

Note 1

1. BASIS FOR PREPARATION – CONTINUED

Significant judgements and estimates

When preparing the consolidated financial statements included in this Annual Report, Executive Management Board makes a number of accounting estimates, judgements and assumptions which form the basis for recognition and measurement of assets and liabilities.

The judgements, estimates and assumptions made are based on historical experience and other factors which Executive Management Board assesses to be reliable, but which, by their nature, are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Particular risks referred to in the 'Risk management' section of Management report and in note 6.8 'Financial risks' to the consolidated financial statements may have substantial influence on the financial statements.

Other significant accounting estimates and judgements

	Note
Long-term incentive programs	3.4
Impairment tests	4.1
Write-down of inventories	5.1
Credit risks	6.8

Going concern

Executive Management Board is required to decide whether the consolidated financial statements can be presented on a 'going concern' basis. Based on estimated future prospects, expectations of future cash flows, existence of credit facilities, etc., Executive Management Board is of the opinion that there are no factors giving reason to doubt whether Nilfisk A/S can continue operating for at least 12 months from the balance sheet date.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of Nilfisk A/S and entities controlled by Nilfisk A/S. Control exists when Nilfisk Group has effective power over the entity and has the right to variable returns from the entity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with Nilfisk Group policies. All intra-group transactions, balances, income and expenses are eliminated in full when consolidated.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Comparative figures are not restated for acquired or disposed companies.

Translation of foreign currencies

Functional and presentation currency

Items included in the financial statements of each of Nilfisk Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Euro (EUR). The functional currency of Nilfisk A/S is DKK. The presentation currency is EUR as the Nilfisk Group's main business activities are EUR denominated and the internal reporting is presented in EUR.

Translation of transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income statement.

Translation differences on non-monetary items, such as equity investments classified as financial assets available for sale, are recognized in Other comprehensive income.

Translation of Nilfisk Group companies

Financial statements of foreign subsidiaries are translated into EUR at the exchange rates prevailing at the end of the reporting period for balance sheet items, and at average exchange rates for Income statement items.

All effects of exchange rate translations are recognized in the Income statement, with the exception of exchange rate adjustments of investments in subsidiaries arising from:

- the translation of foreign subsidiaries' net assets at the beginning of the year to the exchange rates at the end of the reporting period
- the translation of foreign subsidiaries' statements of comprehensive income from average exchange rates to the exchange rates at the end of the reporting period
- the translation of non-current intra-group receivables that are considered to be an addition to net investments in subsidiaries.

These specific exchange rate adjustments are recognized in Other comprehensive income.

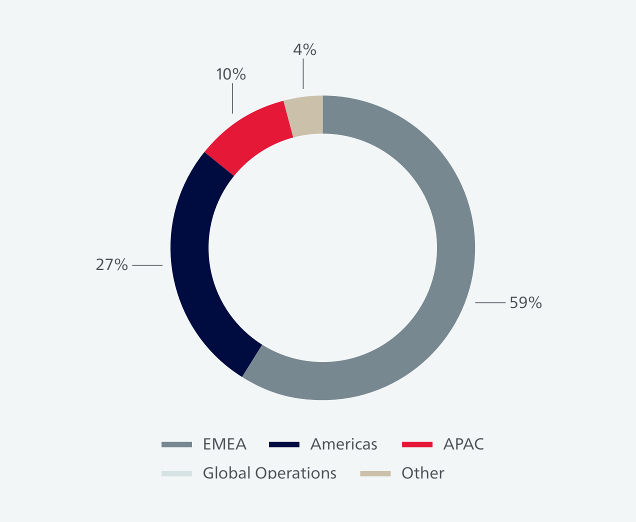
Note 2

2. PROFIT FOR THE YEAR

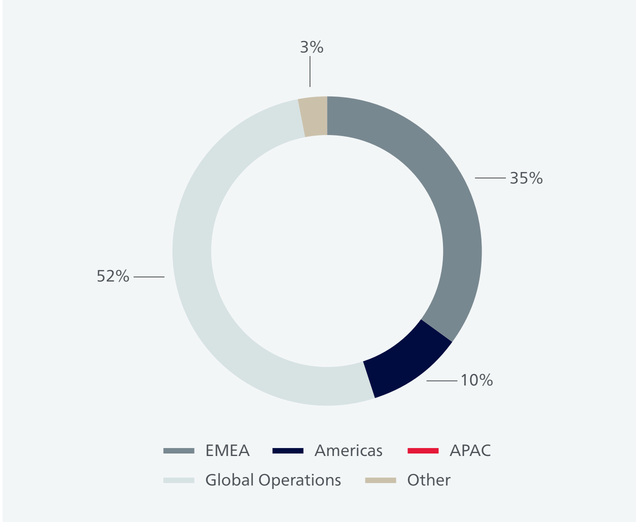
This note relates to profit for the year, including revenue, segment information, research and development costs, income tax and deferred tax for the consolidated financial statements.

Key developments 2016

Revenue by operating segments



EBITDA before special items by operating segments



Nilfisk Group realized organic growth of 3% and revenue of 1,058.5 mEUR. Organic growth in the operating segments was 5% in EMEA, 3% in Americas, and -7% in APAC. Total growth was 8% driven by the positive organic growth and acquisitions.

EBITDA before special items was 116.8 mEUR and margin 11.0%, up 18.8 mEUR and 1.0%-point compared to last year due to higher organic growth, increased gross margin and focus on overhead costs.

Note 2

2. PROFIT FOR THE YEAR – CONTINUED

§ Accounting policy

Segment information

The segment information is based on internal management reporting and is presented in accordance with the Nilfisk Group's accounting policies.

Segment income and expenses and selected segment assets comprise those items that are directly attributable to the individual segment and those items that can be reliably allocated to it.

Segment assets reported comprise inventories and trade receivables.

The reportable segments are generally referred to as operating segments. The operating segments consist of EMEA, Americas, APAC, Global Operations and Other.

EMEA, Americas and APAC are the sales operating segments with the majority of the external sales to Nilfisk Group's customers. These are all led by an Executive Management member. Global Operations comprises most of Nilfisk Group's production and supply chain activities and reflects the profit related to the inter-group sales to the operating sales segments. Other comprises items relating to Nilfisk Group functions, smaller stand-alone production facilities, and smaller sales entities.

Each operating segment operates independently of the others and in general has different customers. A further description of the operating segments is included in the Management report.

Executive Management Board assesses the 'Operating profit before amortization/impairment of acquisition-related intangibles and special items' of the operating segments separately to enable decision to be made concerning allocation of resources and measurement of performance.

Inter-segment transactions are performed on market terms and no single customer accounts for more than 10% of the revenue. The reportable segments are identified without aggregation of operating segments.

Cost of sales

Cost of sales consists of costs incurred in generating the revenue for the year. Costs for raw materials, consumables, production staff and a proportion of production overheads, including maintenance, amortization, depreciation and impairment of intangible and tangible assets used in production as well as operation, administration and management of the production facilities are recognized as cost of sales.

Cost of sales also include shrinkage, waste production and any write-downs for obsolescence.

Sales and distribution costs

Sales and distribution costs include costs incurred for distribution of goods and services sold and costs for sales and distribution personnel, advertising costs, and amortization, depreciation and impairment of intangible and tangible assets used in the sales and distribution process.

Administrative costs

Administrative costs include costs of Executive Management, staff functions, administrative personnel, office costs, rent, operating lease payments, amortization, depreciation and impairment of intangible and tangible assets not relating specifically to cost of sales, research and development, and sales and distribution activities.

Other operating income

Other operating income comprises items of a secondary nature relative to the operations of the enterprise, including grant schemes, reimbursements, share of profit or loss of associated companies and gains or losses on sale of non-current assets. Gains or losses on disposal of tangible and intangible assets are determined as the selling price less selling costs and the carrying amount at the time of sale. Write-downs of receivables from sales are also included.

Note 2

2.1 SEGMENT INFORMATION

2016

EUR million	EMEA	Americas	APAC	Global Operations	Other	Total reportable segments	Inter-segment transactions	Total
Income statement								
Revenue from external customers	623.2	291.3	105.7	0.0	38.3	1,058.5	0.0	1,058.5
Inter-segment revenue	0.1	1.5	0.1	576.2	39.2	617.1	-617.1	0.0
Revenue	623.3	292.8	105.8	576.2	77.5	1,675.6	-617.1	1,058.5
Cost of sales	-455.2	-209.6	-75.0	-443.9	-54.3	-1,238.0	617.1	-620.9
Gross profit	168.1	83.2	30.8	132.3	23.2	437.6	0.0	437.6
Research and development costs	-0.1	-0.2	-0.2	-26.1	-3.4	-30.0	0.0	-30.0
Sales and distribution costs	-97.3	-59.2	-20.8	-34.4	-18.9	-230.6	0.0	-230.6
Administrative costs	-33.8	-16.8	-11.8	-14.4	-16.2	-93.0	0.0	-93.0
Other operating income, net	-0.2	2.8	0.5	-0.4	-1.9	0.8	0.0	0.8
Operating profit before amortization/impairment of acquisition-related intangibles and special items	36.7	9.8	-1.5	57.0	-17.2	84.8	0.0	84.8
Amortization/impairment of acquisition-related intangibles								-9.0
Special items								-21.8
Profit before financial items and income taxes (EBIT)								54.0
Financial items, net								-11.0
Profit before tax								43.0
Income taxes								-13.5
Profit for the year								**29.5**
Balance sheet								
Inventories	30.1	20.7	23.0	101.8	10.7	186.3	-13.0	173.3
Trade account receivables	119.5	34.8	19.2	0.8	3.9	178.2	0.0	178.2
Non-allocated assets								631.6
Total assets								**983.1**
Other information								
Full-time employees, December 31	1,844	588	509	2,263	403	5,607	0	5,607
Full-time employees, average	1,867	616	524	2,208	421	5,636	0	5,636

Note 2

2.1 SEGMENT INFORMATION – CONTINUED

2015 EUR million	EMEA	Americas	APAC	Global Operations	Other	Total reportable segments	Inter-segment transactions	Total
Income statement								
Revenue from external customers	599.7	236.1	108.4	0.0	35.8	980.0	0.0	980.0
Inter-segment revenue	0.7	0.5	0.4	566.9	2.8	571.3	-571.3	0.0
Revenue	600.4	236.6	108.8	566.9	38.6	1,551.3	-571.3	980.0
Cost of sales	-443.0	-172.0	-76.4	-443.3	-17.2	-1,151.9	571.3	-580.6
Gross profit	157.4	64.6	32.4	123.6	21.4	399.4	0.0	399.4
Research and development costs	-0.1	0.0	-0.2	-24.7	-2.9	-27.9	0.0	-27.9
Sales and distribution costs	-97.1	-50.8	-21.2	-35.1	-13.2	-217.4	0.0	-217.4
Administrative costs	-32.9	-11.7	-11.9	-16.3	-16.7	-89.5	0.0	-89.5
Other operating income, net	0.3	4.7	-0.2	0.0	-0.7	4.1	0.0	4.1
Operating profit before amortization/impairment of acquisition-related intangibles and special items	27.6	6.8	-1.1	47.5	-12.1	68.7	0.0	68.7
Amortization/impairment of acquisition-related intangibles								-4.9
Special items								0.0
Profit before financial items and income taxes (EBIT)								63.8
Financial items, net								-7.9
Profit before tax								55.9
Income taxes								-14.1
Profit for the year								**41.8**
Balance sheet								
Inventories	30.8	12.7	25.3	123.4	13.5	205.7	-17.8	187.9
Trade account receivables	107.9	27.7	23.4	0.7	4.1	163.8	0.0	163.8
Non-allocated assets								583.8
Total assets								**935.5**
Other information								
Full-time employees, December 31	1,879	549	556	2,140	421	5,545	0	5,545
Full-time employees, average	1,847	480	567	2,140	430	5,464	0	5,464

Note 2

2.1 SEGMENT INFORMATION – CONTINUED

With effect as of January 1, 2017, the Nilfisk Group has redefined its operating segments to align with the new organizational structure implemented with Accelerate+. Certain products have been carved out from the historically defined operating segments previously used. These products will be reported as Specialty going forward, while the historic operating segments (primarily based on geography) will be defined by certain professional products only. Nilfisk Group's production and supply chain activities within Global Operations will in 2017 be divided between the sales operating segments where they belong.

The segment structure reflected on previous pages is the one in place during 2016 and 2015.

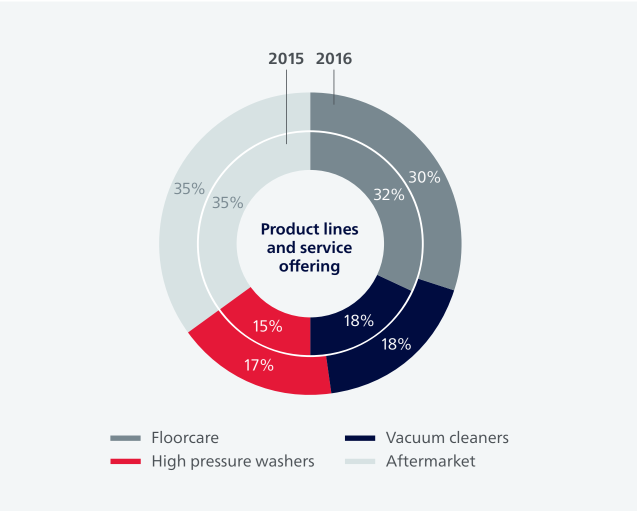
Geographical information
Nilfisk Group is present in 45 countries with own sales companies reaching more than 100 countries through direct sales and dealers. The revenue is allocated to geographical regions according to the country to which the products and services are sold and non-current assets are allocated to the country in which the individual entity is based. The corporate headquarter located in Denmark is included in the EMEA region.

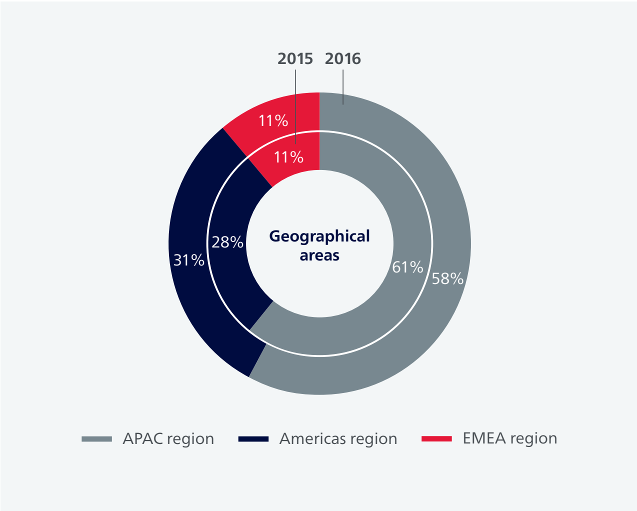
	2016		2015	
EUR million	Revenue	Non-current assets*	Revenue	Non-current assets*
EMEA region	619.3	216.0	593.9	203.1
Americas region	326.1	111.4	274.3	100.2
APAC region	113.1	55.6	111.8	58.9
	1,058.5	**383.0**	**980.0**	**362.2**

*Non-current assets less deferred tax assets

2.2 REVENUE

Revenue composition





Revenue breakdown is based on the geographical locations of customers.

The composition of revenue showed a proportional revenue increase in high pressure washers due the US-based acquisitions made during 2015 and 2016. See note 7.1 for more details of the acquisitions.

Revenue by product line and service offering

EUR million	2016	2015
Floorcare	318.9	316.9
Vacuum cleaners	187.2	178.3
High pressure washers	180.2	142.0
Aftermarket	372.2	342.8
	1,058.5	**980.0**

Note 2

2.2 REVENUE – CONTINUED

Revenue by country

EUR million	2016	2015
USA	274.4	221.2
Germany	117.3	117.7
France	103.7	94.8
United Kingdom	54.0	52.8
Denmark	48.1	45.9
Sweden	41.1	40.3
Australia	35.7	31.2
China	27.9	28.8
The Netherlands	25.5	23.7
Norway	24.5	23.5
Other	306.3	300.1
	1,058.5	**980.0**

Please see Market reviews in the Management report for further information on revenue development.

§ Accounting policy

Revenue from sale of goods for resale and finished goods is recognized in the income statement when supply and transfer of risk to the buyer have taken place and the income can be reliably measured and is expected to be received.

Revenue from Aftermarket which include service packages and extended warranties relating to products and contracts as well as sale of parts, consumables and accessories is recognized concurrently with the supply of those services.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognized in the revenue.

Note 2

2.3 RESEARCH AND DEVELOPMENT COSTS

Research and development costs specification

EUR million	2016	2015
Staff costs	21.5	19.9
Other costs	16.8	14.6
Total research and development spend	38.3	34.5
Recognized as follows:		
Expensed in the Income statement	17.9	16.9
Capitalized in the balance sheet	20.4	17.6
	38.3	34.5
R&D ratio (% of revenue)	3.6%	3.5%
Recognized in the Income statement:		
Expensed in the Income statement, cf. above	17.9	16.9
Amortization and impairment	12.1	11.0
Special items	1.8	0.0
	31.8	27.9

Total R&D spend increased by 3.8 mEUR and 0.1%-point compared to last year.

See R&D comments in the Management report.

§ Accounting policy

Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential future market or internal utilization can be demonstrated, and where it is intended to manufacture, market or utilize the project, are recognized as intangible assets provided the costs can be reliably determined, and provided there is also adequate certainty that the future earnings or net selling prices can cover carrying amount as well as the development costs necessary for finalizing the project. Other development costs are expensed in the Income statement as incurred.

Capitalized development projects are measured at costs less accumulated amortization and impairment losses. The costs include wages, amortization and other costs relating to the Nilfisk Group's development activities.

On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is usually 3-10 years. The amortization base is reduced by any impairment losses.

Note 2

2.4 SPECIAL ITEMS

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

Special items

EUR million	2016	2015
Accelerate+ initiatives	15.1	0.0
Loss on divestment of business	3.3	0.0
Write-down/impairment	3.1	0.0
Costs related to intended split from NKT Holding A/S	0.3	0.0
	21.8	0.0

The Accelerate+ initiative includes the implementation of a new operating model and organizational structures as well as a cost saving program. Costs incurred to implement this initiative include e.g. consultancy fees, supporting tools, 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.

The US-based Cyclone Technology was divested during 2016. The loss recognized as a special item consists of intangible, tangible and current assets disposed with a sales price below carrying value.

Impairment of 4.6 mEUR relates to the restructuring of a smaller business within the 'Other' operating segment. An impairment on trademarks, know-how, patents and competition clauses of 1.5 mEUR in total is presented under 'Amortization/impairment of acquisition-related intangibles' whereas write-down of other current and non-current assets in the amount of 3.1 mEUR is presented under Special items.

§ **Accounting policy**

Special items consist of non-recurring income and expenses that the Nilfisk Group does not consider to be a part of its ordinary operations such as restructuring projects and gains and losses on divestments.

Note 2

2.5 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	2016	2015
Revenue	1,058.5	980.0
Cost of sales	-625.1	-581.6
Gross profit	433.4	398.4
Research and development costs	-31.8	-27.9
Sales and distribution costs	-241.2	-221.3
Administrative costs	-103.7	-89.5
Other operating income, net	-2.7	4.1
Profit before financial items and income taxes (EBIT)	54.0	63.8
Amortization/impairment of acquisition-related intangibles are divided into:		
Cost of sales	-2.1	-1.0
Sales and distribution costs	-6.9	-3.9
	-9.0	-4.9
Special items are divided into:		
Cost of sales	-2.1	0.0
Research and development costs	-1.8	0.0
Sales and distribution costs	-3.7	0.0
Administrative costs	-10.7	0.0
Other operating income, net	-3.5	0.0
	-21.8	0.0

Note 2

2.6 TAX

Cash tax rate (paid tax compared to profit before tax) was 30% compared to 25% for 2015. For 2017, both reported tax rate and cash tax rate are expected in the range of 27-29%.

See Statement of changes in equity for details of tax relating to the individual items in other comprehensive income.

Earnings realized in the Nilfisk Group's Danish companies resulted in payable corporate tax of 4.5 mEUR in 2016 compared to 5.6 mEUR in 2015, as a large part of the taxable income was offset by tax losses carried forward. Globally Nilfisk Group paid 12.7 mEUR in corporate income tax, compared to 14.0 mEUR in 2015.

See note 8.4 in relation to joint taxation liabilities, etc.

Tax recognized in the Income statement

EUR million	2016	2015
Current tax	14.3	18.3
Deferred tax	-0.8	-4.2
	13.5	14.1
Reported tax rate	31.4%	25.2%
Reconciliation of tax:		
Calculated tax of 22.0% (2015:23.5%) on profit before tax	9.5	13.0
Tax effect of:		
Foreign tax rates relative to Danish tax rate	1.3	-0.7
Non-taxable income/non-deductible expenses	0.2	0.4
Adjustment for previous years	1.2	1.3
Non-recoverable withholding taxes	0.3	0.0
Value adjustment of tax assets, etc.	1.0	0.1
	13.5	14.1

Note 2

2.6 TAX – CONTINUED

Deferred tax assets and liabilities

EUR million	2016	2015	2014
Deferred tax assets, January 1	14.9	13.1	17.0
Deferred tax liabilities, January 1	-21.6	-14.8	-9.0
Addition from business combinations	-0.1	-3.3	0.0
Foreign exchange adjustment	0.5	0.5	-0.9
Tax recognized in other comprehensive income	-0.2	2.0	-1.4
Deferred tax recognized in the Income statement	-0.8	-4.2	-7.4
Deferred tax, December 31	-7.3	-6.7	-1.7
Recognized deferred tax:			
Deferred tax assets	16.2	14.9	13.1
Deferred tax liabilities	-23.5	-21.6	-14.8
Deferred tax, December 31	-7.3	-6.7	-1.7

EUR million	2016		2015		2014	
Specification of deferred tax assets and liabilities:	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	2.5	36.1	1.3	36.5	1.3	29.3
Tangible assets	4.4	1.9	5.0	2.0	5.4	1.9
Other non-current assets	0.0	0.1	0.0	0.2	1.3	0.0
Current assets	6.3	4.1	7.2	2.3	5.6	2.8
Current liabilities	16.3	1.5	14.0	1.2	13.2	0.8
Tax losses	8.6	0.0	8.9	0.0	7.9	0.0
Valuation allowance, unrecognized tax assets	-1.7	0.0	-0.9	0.0	-1.6	0.0
	36.4	43.7	35.5	42.2	33.1	34.8
Set-off in legal tax units and jurisdictions	-20.2	-20.2	-20.6	-20.6	-20.0	-20.0
	16.2	23.5	14.9	21.6	13.1	14.8

Note 2

2.6 TAX – CONTINUED

Judgements and estimates

The measurement of deferred tax assets and liabilities is based on the corporate tax rate applicable in the years when the assets and liabilities are expected to be utilized.

The measurement of the tax assets is based on budgets and estimates for the coming years which are naturally subject to some uncertainty.

The deferred tax assets of 16.2 mEUR are expected to be utilized within a foreseeable period.

The tax losses carried forward is on level with 2015. Only a minor part of the recognized tax losses is subject to expiry date.

Accounting policy

Tax for the year, consisting of the year's current tax and change in deferred tax, is recognized in profit for the year, in other comprehensive income or directly in equity.

Current tax payable and receivable is recognized in the balance sheet as tax estimated on taxable income for the year, adjusted for tax on taxable income for previous years and for tax paid on account.

Deferred tax is measured according to the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to buildings and goodwill which for tax purposes do not qualify for depreciation and amortization, respectively, and other items where temporary differences – except for acquisitions – arose at the acquisition date without influencing neither net profit nor taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to Executive Management Board's planned use of the assets or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry-forward, are recognized under Other non-current assets at their expected utilization value, either as set-off against tax on future income, or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and tax liabilities are offset if the company has a legal right to offset current tax assets and tax liabilities and intends to settle current tax assets and tax liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealized intra-group profits and losses.

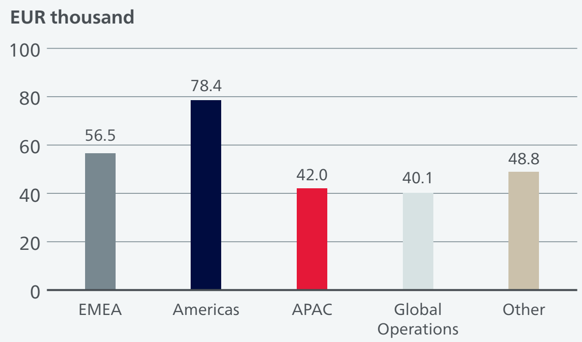
Note 3

3. REMUNERATION

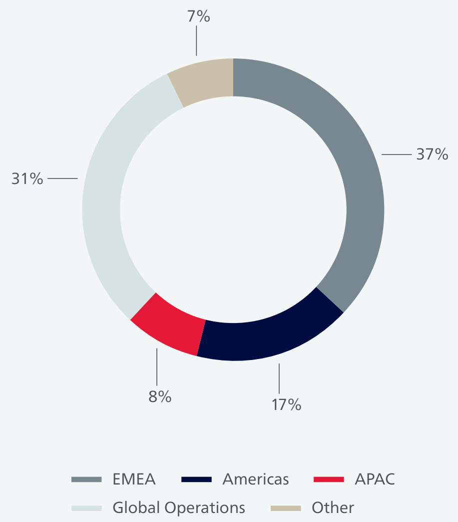
This note relates to remuneration for the Board of Directors, the Executive Management and employees, including long-term incentive programs.

Key developments in 2016

Staff costs per full-time employee per operating segment



Staff costs per operating segment



Note 3

3.1 STAFF COSTS

Staff costs specification

EUR million	2016	2015
Wages and salaries	240.6	227.3
Share option program	0.6	0.1
Social security costs	30.0	29.8
Defined contribution plans	11.9	11.1
Defined benefit plans	0.4	-0.4
	283.5	**267.9**
Number of full-time employees, average	5,636	5,464
Staff costs per full-time employee (EUR thousand)	50.3	49.0

Staff costs increased by 6% while the average number of employees increased by 3%. The increase in expenses was materially influenced by currencies and also by general development in wages and salaries as a result of inflation.

§ **Accounting policy**

Staff costs comprise wages and salaries, remuneration, pensions, etc.

3.2 REMUNERATION TO THE BOARD OF DIRECTORS

Remuneration to the Board of Directors was 0.1 mEUR in 2016 compared to 0.1 mEUR in 2015. The remuneration has been paid as part of service fee paid to NKT Holding A/S.

Members of the Board of Directors are not granted warrants or options and do not receive variable remuneration components.

The remuneration for the Board of Directors is approved prospectively for one year at a time at the Annual General Meeting.

Note 3

3.3 REMUNERATION TO THE EXECUTIVE MANAGEMENT

Remuneration policy

A remuneration policy has been formulated defining the guidelines for determining and approving remuneration for Executive Management. The Executive Management's salary is reviewed every 12 months. The components which form part of the Executive Management's salary package, and all material adjustments thereof, are approved by the Board of Directors based on discussions and recommendation by the NKT Holding Remuneration Committee.

EUR thousand	Salary and pension	Short-term incentive	Long-term incentive	Other benefits	Total
2016					
Executive Management Board	1,815.7	527.1	541.2	109.0	2,971.4
Key employees	1,004.6	265.1	40.3	46.1	1,276.6
Executive Management	2,820.3	792.2	581.5	155.1	4,248.0
2015					
Executive Management Board	2,028.7	236.0	-54.5	106.5	2,316.7

In 2016, the Executive Management Board includes Jonas Persson (President and CEO), Karina Deacon (Executive Vice President and CFO), Lars Gjødsbøl (Executive Vice President – Global Operations) and Anders Terkildsen (Executive Vice President – EMEA), while key employees are Jacob Blom (Executive Vice President – HR), Tina Mayn (Executive Vice President - Products, Solutions & Marketing) and Andrew Ray (Executive Vice President – Americas).

In 2015, the Executive Management Board was Jonas Persson (President and CEO), Morten Johansen (former Executive Vice President and CFO), Lars Gjødsbøl (Executive Vice President – Global Operations) and Anders Terkildsen (Executive Vice President – EMEA).

Due to the changes in the management structure during 2016, Jacob Blom, Tina Mayn and Andrew Ray are considered key employees.

Composition of remuneration

The Executive Management's remuneration consists of a fixed base salary, including pension and other customary non-monetary benefits such as a company car. The remuneration further includes a short-term bonus program and a long-term share option program (see note 3.4) to ensure an optimal balance between short-term optimization and long-term value creation for the benefit of the company and its shareholders.

Short-term incentive (bonus)

The annual cash bonus payment is contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement. The criteria for granting of bonus may be realization of specified revenue or earnings targets or execution of individual assignments.

Term of notice

The term of notice for the Executive Management are 18 months for the Group President and CEO, and 12 months for the other members of the Executive Management. Beyond this there is no separation benefit plan for the Executive Management members.

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS

The Group's incentive plans include a share option program for the Executive Management Board and a phantom share program for certain key employees.

Share option program

In 2013, 2014, 2015 and 2016, the Executive Management Board has been granted the right to purchase shares (share options) in Nilfisk A/S at a strike price, if Nilfisk A/S at the time of exercise is an independently listed company, or, if not listed, the Executive Management Board is entitled to a bonus based on the Nilfisk Group's performance.

Each share option is subject to completion of a service period of 36 months and can be exercised during a period of four weeks after publication of the latest annual financial statements of Nilfisk A/S in each of the years 2017-2019 for the 2014 grant, the years 2018-2020 for the 2015 grant and the years 2019-2021 for the 2016 grant. In respect of the 2013 grant, the share options can be exercised during a 3-month period after publication of the latest annual financial statements of NKT Holding A/S in each of the years 2016-2018.

Upon exercise of the share options, Nilfisk A/S is entitled to settle in cash, except for the 2013 grant. As Nilfisk A/S does not currently have an intention to settle the options in cash upon exercise the program is accounted for as an equity-settled program.

If at the time of exercise Nilfisk A/S is not an independently listed company, the compensation will be calculated as the difference between a calculated equity price per share at the time of receipt of notice to exercise and the strike price, multiplied by the number of shares that the participant wishes to exercise. The equity price will be determined based on the consolidated earnings before interest, tax, depreciation, amortization and special items (EBITDA before amortization/impairment of acquisition-related intangibles and special items), multiplied by a (constant) factor of 5.5, less Nilfisk A/S' net interest-bearing debt at the end of the financial year. In calculating the equity price, the net interest-bearing debt is adjusted (i.e. reduced) by all dividends paid to NKT Holding A/S after January 1 of the year the share options were granted.

If all share options were exercised it would correspond to 2% of the total number of shares.

Until 2016 the Executive Management Board has not deemed it probable that Nilfisk A/S will be independently listed at the time of exercise. Thus, the share option program was accounted for as a cash-based bonus program in accordance with IAS 19. In September 2016, it was announced that it is the intention to split the parent company of Nilfisk A/S, NKT Holding A/S, whereby Nilfisk A/S is to be an independently listed company. Consequently, from 2016 the share option program is accounted for as an equity-settled share-based program with the cumulative expense trued-up in 2016.

The development in outstanding share options in 2016 and 2015 is reflected below

Share options

	Number of options		Avg. exercise price per option (EUR)	
	2016	2015	2016	2015
Outstanding, January 1	76,756	87,156	84	-*
Granted during the period	47,429	35,532	41	78
Forfeited during the period	0	0	0	0
Exercised during the period	0	-45,932	0	32
Expired during the period	0	0	0	0
Outstanding, December 31	124,185	76,756	68	84

	2016	2015
Weighted average remaining contractual life (months)	13	16
Number of options fully vested at the balance sheet date	41,224	11,000
Weighted average share price (EUR) at the exercise date during the period	91	142

* 2015 figure not available as the program was not measured under current assumptions historically

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

The Black & Scholes model has been applied for calculation of the fair value of the share options at grant date. As at December 31, 2016 it is deemed probable that Nilfisk A/S is to be an independently listed company, the fair value at grant date has for all grants been calculated in 2016 for the first time. The calculation is based on the assumptions at grant date stated in the table.

The expected volatility is based on the historical share price volatility for the shares of the parent company, NKT Holding A/S, over the past 3 years adjusted to Nilfisk Group level. It is expected that the options on average will be exercised between the vesting date and the expiry date.

	Number of options	Calculated share price per option at grant date (EUR)	Exercise price per option (EUR)	Risk free interest (%)	Estimated volatility (%)	Expected dividend per option (EUR)	Applied option life (months)	Fair value per option at grant date (EUR)
Granted 2013	11,000	127	87	0.67%	37%	19	48	41
Granted 2014	30,224	132	92	0.05%	34%	21	48	37
Granted 2015	35,532	142	78	-0.03%	27%	47	48	29
Granted 2016	47,429	91	41	-0.38%	27%	19	48	32

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

Phantom share program
The phantom share program grants a number of key employees the right to a potential cash payment. The program is an alternative to a part of the participants' bonus under the annual bonus program.

For the purpose of calculating the bonus under the phantom share program, the participants are treated as if they during the period beginning as at April 1 in the year the phantom shares are granted and the subsequent four years (the vesting period) earn phantom shares on a monthly basis in Nilfisk A/S of up to the relevant maximum number of phantom shares. The participants are only entitled to the maximum number of phantom shares if they remain employed during the vesting period. Upon termination of the employment prior to the expiry of the vesting period, the number of phantom shares earned shall be calculated pro rata corresponding to the relevant part of the vesting period in which the participant was employed.

The phantom shares can be exercised by the participants in May following the four year vesting period or the subsequent two years in May, meaning for example that the phantom shares granted in 2016 can be exercised in May 2020, 2021 or 2022.

The value is calculated as the increase in the calculated equity value per share of Nilfisk A/S at the exercise date compared to the equity value per share at grant date increased by 0.67% per month from grant date to exercise date. The equity value shall be determined based on the consolidated earnings before interest, tax, depreciation, amortization and special items (EBITDA before amortization/ impairment of acquisition-related intangibles and special items), multiplied by a (constant) factor of 5.5, less Nilfisk A/S' net interest-bearing debt at the end of the financial year immediately prior to exercise.

If Nilfisk is publicly listed on a stock exchange at the exercise date, the equity value applied in the calculation of the bonus is to be calculated based on the weighted average share price of the shares of Nilfisk A/S traded on the stock exchange during the month prior to the exercise period where the phantom shares are exercised.

As it is the intention to split the parent company of Nilfisk A/S, NKT Holding A/S, whereby Nilfisk A/S is to be an independently listed company, the bonus as at December 31, 2016 has been calculated under the assumption that Nilfisk A/S is a publicly listed company at the date of exercise of the phantom shares under the provision for cash-settled share-based payments, whereas the liability as at December 31, 2015 has been calculated by applying the above mentioned formula.

The development in outstanding phantom shares in 2016 and 2015 is reflected below.

Phantom share

	Number of phantom shares		Avg. exercise price per phantom share (EUR)	
	2016	2015	2016	2015*
Outstanding, January 1	82,117	85,169	-	-
Granted during the period	17,750	22,000	50	-
Forfeited during the period	0	0	0	-
Exercised during the period	-18,748	-25,052	48	-
Expired during the period	0	0	0	-
Outstanding, December 31	81,119	82,117	70	-
Weighted average remaining contractual life (months)			31	-
Number of phantom shares fully vested at the balance sheet date			11,500	-
Weighted average share price (EUR) at the exercise date during the period			91	-

* 2015 figures are not available as the program was not measured under current assumptions historically

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

The Black & Scholes model has been applied for calculation of the fair value of the phantom shares at grant date. As at December 31, 2016 it is deemed probable that Nilfisk A/S is to be an independently listed company, the fair value has for all grants been calculated in 2016 for the first time. The calculation is based on the assumptions as of December 31, 2016 stated in the table.

The expected volatility is based on the historical share price volatility for the shares of the parent company, NKT Holding A/S, over the past 3 years adjusted to Nilfisk Group level. It is expected that the phantom shares in average will be exercised between the vesting date and the expiry date.

	Number of phantom shares	Calculated share price at December 31, 2016 (EUR)	Exercise price per phantom share (EUR)	Risk free interest (%)	Estimated volatility (%)	Expected dividend per phantom share (EUR)	Applied option life (months)	Fair value per phantom share at December 31, 2016 (EUR)
Granted 2011	1,500	122	46	-0.68%	27%	49	60	76
Granted 2012	10,000	122	53	-0.68%	27%	47	60	68
Granted 2013	15,682	122	72	-0.68%	27%	43	60	50
Granted 2014	16,468	122	79	-0.61%	27%	42	60	42
Granted 2015	19,719	122	88	-0.51%	27%	42	60	34
Granted 2016	17,750	122	50	-0.39%	27%	14	60	59

Recognition of long-term incentive programs

The amounts expensed in the Income statement are:

Recognition of share-based payments

EUR million	2016	2015
The share option program	0.6	0.1
The phantom share program	1.0	-0.1

The expense for both programs in 2015 is calculated under the provision for bonus programs in accordance with IAS 19. As it in 2016 has been deemed probable that Nilfisk A/S will be independently listed, the expense in 2016 has been calculated under the provision for share-based payments in accordance with IFRS 2 with the cumulative expense trued-up in 2016.

For the phantom share program, 3.3 mEUR is recognized under trade payables and other liabilities (2015: 2.4 mEUR). The intrinsic value as at December 31, 2016 for vested phantom shares is 0.8 mEUR (2015: 0.1 mEUR).

Note 3

3.4 LONG-TERM INCENTIVE PROGRAMS – CONTINUED

§ **Accounting policy**

The Nilfisk Group's incentive programs include a share option program for Executive Management and a phantom share program for certain key employees.

The share option program is accounted for as equity-settled share-based payments to employees and are measured at the fair value of the options at the grant date.

The fair value is expensed on a straight-line basis over the vesting period, based on the Nilfisk Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Nilfisk Group revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognized in the Income statement such that the cumulative expense reflects the revised estimate.

The phantom share program is accounted for as cash-settled share-based payments. An expense and a liability is recognized for the service acquired on a straight-line basis over the vesting period for the individual portion of the program that vests in the specific month, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured with any changes in fair value recognized in the Income statement for the year.

Note 4

4. NON-CURRENT ASSETS AND LIABILITIES

This note covers Nilfisk Group's investments in non-current assets that form basis for the Group's operations, and non-current liabilities arising as a result thereof. The non-current liabilities in this section are regarded as non interest-bearing and comprise employee pension benefits and provisions. Interest-bearing receivables and liabilities are covered in note 6, Capital structure.

Key developments in 2016

Property, plant and equipment and intangible assets by country

EUR million	2016	2015
Denmark	119.5	109.9
USA	109.0	94.6
China	43.3	46.4
United Kingdom	18.6	23.7
Italy	16.2	16.1
Hungary	12.2	10.8
Germany	8.2	7.4
South Africa	4.4	4.3
Australia	3.5	3.4
Other	24.2	22.7
	359.1	339.3
Investment ratio (% of revenue)	4.2%	4.5%

Nilfisk Group mainly invests in production equipment to ensure satisfactory delivery flow to customers. Investments in intangible assets are driven by acquisitions, development projects focusing on renewing and optimizing the product portfolio and on software in relation to front-end applications and ERP upgrades.

Production mainly comprises assembly and is not capital-intensive in terms of fixed assets.

Total investments in EUR are on par with 2015.

Note 4

4.1 IMPAIRMENT TEST

The Executive Management Board's medium-term (i.e. three to five years) outlook for the Nilfisk Group's performance with regard to organic revenue growth and EBITDA margin before special items are:

- Organic revenue growth of 1% to 3% above GDP per annum
- EBITDA margin before special items of 12% to 14%.

This outlook forms basis for the impairment test of goodwill.

Impairments recognized as special items

EUR million	2016	2015
Impairment of intangible assets	1.6	0.0
Impairment of tangible assets	0.2	0.0
Impairment of current assets	1.3	0.0
	3.1	0.0

An impairment of 3.1 mEUR was recognized due to restructuring of a smaller business within the 'Other' operating segment. The amount represents impairment of current and non-current assets. See note 2.4 for additional comments.

§ **Accounting policy**

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. Development and software projects in progress are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the Income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the business or activity (cash-generating unit) to which goodwill is allocated.

Other non-current assets
The carrying amount of other non-current assets is reviewed annually for indication of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the fair value of the asset less anticipated costs of disposal, or its value in use, whichever is the higher.

The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit of which the asset is part.

Recognition of impairment loss in the Income statement
Impairment is recognized if the carrying amount of an asset or a cash-generating unit exceeds the respective recoverable amount thereof. The impairment of non acquisition-related intangibles is recognized in the Income statement under the functions it relates to. If the impairment relates to acquisition-related intangibles it is recognized in 'Amortization/ impairment of acquisition-related intangibles', or if it relates to gain or loss of divestment of businesses it is recognized in 'Special items'.

Impairment of goodwill is not reversed. Impairment of other assets is reversed in the event of changes having taken place in the conditions and estimates on which the impairment calculation was based. Impairment is only reversed if the new carrying amount of the asset does not exceed the carrying amount that would have applied after amortization if the asset had not been impaired.

Note 4

4.1 IMPAIRMENT TEST – CONTINUED

! Significant judgements and estimates

Goodwill
In the consolidated financial statements of the parent company, NKT Holding A/S, the Nilfisk Group is presented as one operating segment. When issuing financial reporting to the parent company goodwill is tested for impairment for the Nilfisk Group as a whole because goodwill is monitored by the parent company at that level.

The recoverable amount is based on a value in use calculation. The calculation uses cash flow projections based on financial budgets for 2017 and financial forecasts for 2018-2020. A pre-tax discount rate of 10.5% and a post-tax discount rate of 7.5% has been applied. Similarly, a growth rate in the terminal period of 2.0% was applied. The growth rate is estimated not to exceed the long-term average growth rates for the markets in which the Nilfisk Group operates.

Key assumptions
Cash flows for 2017-2020: Revenue is estimated to increase by organic growth and the EBITDA margin before special items is expected to improve. See the beginning of note 4.1 for a medium-term outlook.

Capital expenditure: Similar to current level measured in % of revenue.

Working capital: A working capital % slightly above the level at December 31, 2016.

Allocation of goodwill on cash-generating units
As Nilfisk Group for 2016 for the first time separately presents consolidated financial statements, goodwill has been allocated to the smallest group of cash-generating units at which goodwill is monitored and which is not larger than the operating segment based on internal reporting provided to the Executive Management Board of the Nilfisk Group, see note 2.1 Segment information. Goodwill has been allocated to the following cash-generating units: EMEA, Americas, APAC, Global Operations and Other. Goodwill is first-time allocated based on the relative recoverable amount of each cash-generating unit as of December 31, 2015. The carrying amount of goodwill per cash-generating unit as of December 31 are as follows:

EUR million	2016	2015
EMEA	60.3	59.0
Americas	26.0	21.0
APAC	0.0	0.0
Global Operations	93.0	91.7
Other	0.0	0.0
	179.3	**171.7**

The main changes in the goodwill balances from 2015 to 2016 relate to exchange rate adjustments and to acquisitions during the year. See note 7.1 for acquisitions made in 2016.

Reallocation of goodwill as of January 1, 2017
With effect as of January 1, 2017, the Nilfisk Group has redefined its operating segments, see note 2.1 Segment information. Consequently, goodwill will be reallocated to the new operating segments as goodwill going forward will be monitored on the reporting structure that will be established for the new segments. The reallocation will be based on the relative value of the recoverable amount of each segment as of January 1, 2017.

Impairment test on goodwill allocated to operating segments as of December 31, 2016
Due to the redefined segment structure from 2017 the Nilfisk Group has not prepared budgets for 2017 and forecasts for 2018-2020 reflecting the segment structure in place up until December 31, 2016. Thus, the impairment test of goodwill allocated to cash-generating units as of December 31, 2016 cannot be based on projected cash flows.

Based on the impairment test performed for Nilfisk Group as a whole showing significant headroom of more than 1 bnEUR as of December 31, 2016 (see next page) and that no significant change in goodwill has occurred during 2016, the Executive Management Board has concluded that no impairment exist in any of the operating segments as of December 31, 2016.

Note 4

4.1 IMPAIRMENT TEST – CONTINUED

± Sensitivity

Sensitivity to changes in assumptions related to the terms of goodwill as a whole
Executive Management Board believes that likely changes in the key assumptions will not cause the carrying amount of goodwill to exceed the recoverable amount. To show the headroom of approximately 1 bEUR between the carrying amount of total goodwill and the recoverable amounts, a sensitivity analysis has been included, with focus on discount rate, long-term growth rate and EBITDA.

Executive Management Board believes that the below also indicates that goodwill on segment level is not impaired as of December 31, 2016.

	Assumptions used when calculating value in use (starting point)		Assumptions must change as follows before the carrying amount equals the value in use	
EUR million	**2016**	**2015**	**2016**	**2015**
Post-tax discount rate	7.5%	7.5%	>15%	>15%
Growth rate in terminal period	2.0%	2.0%	<-15%	<-15%
Change in EBITDA	12-14%	12-14%	>-7%	>-7%

Note 4

4.2 INTANGIBLE ASSETS

§ **Accounting policy**

Goodwill
Goodwill is initially recognized in the balance sheet at cost. Subsequently, goodwill is measured at costs less accumulated impairment losses. Goodwill is not amortized.

The carrying amount of goodwill is allocated to the Nilfisk Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the managerial structure and internal financial control. As a result of the integration of acquisitions in the existing Nilfisk Group, and identification of operating segments based on the presence of segment managers, the Executive Management Board finds that the smallest cash-generating units to which the carrying amount of goodwill can be allocated during testing for impairment are the reportable business segments shown. The reportable segments are comprised by the Nilfisk Group's operating segments without aggregation (note 2.1 Segment information).

Other intangible assets
Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential market or internal utilization can be demonstrated, and where it is intended to manufacture, market or utilize the project, are recognized in intangible assets, provided the costs can be reliably determined and there is adequate certainty that the future earnings or the net selling price can cover costs of goods, other costs and amortization, and also the development costs. Other development costs are expensed in the Income statement as incurred.

Capitalized development projects are measured at costs less accumulated amortization and impairment losses. The costs include wages, amortization and other direct costs relating to the individual development projects.

Intangible assets are amortized on a straight-line basis over the expected useful life which is:

Trademarks, etc.	3-20 years
Customer related assets	3-15 years
Development projects	3-10 years
Software, know-how, patents and competition clauses	2-15 years

On completion of the development work, development projects are amortized on a straight-line basis over their estimated useful life from the date the asset is available for use. The amortization period is usually 3-10 years. The basis of amortization is reduced by impairment losses.

Patents and licenses are measured at costs less accumulated amortization and impairment losses. Patents and licenses are amortized on a straight-line basis over the remaining patent or contract period or the useful life, whichever is the shorter.

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment.

Note 4

4.2 INTANGIBLE ASSETS – CONTINUED

EUR million	Goodwill	Trademarks	Customer related assets	Development projects completed	Software, Know-how, Patents and Competition Clauses	Development projects and software in progress	Total
Costs, January 1, 2016	171.7	25.6	31.5	104.2	68.8	26.5	428.3
Additions through business combinations	6.0	5.5	6.6	0.0	4.3	0.0	22.4
Additions	0.0	0.0	0.0	3.3	2.2	18.7	24.2
Disposals	-0.8	-1.6	-2.3	-6.0	-5.3	-0.2	-16.2
Transferred between classes of assets	0.0	0.0	0.0	21.9	1.8	-23.7	0.0
Exchange rate adjustments	2.4	-0.1	0.1	1.3	0.4	0.5	4.6
Costs, December 31, 2016	179.3	29.4	35.9	124.7	72.2	21.8	463.3
Amortization and impairment, January 1, 2016	0.0	-12.6	-17.1	-75.9	-41.2	0.0	-146.8
Amortization for the year	0.0	-1.9	-3.3	-12.0	-8.6	0.0	-25.8
Impairment	0.0	-1.1	-0.2	-1.5	-0.3	0.0	-3.1
Disposals	0.0	1.1	2.1	5.4	3.4	0.0	12.0
Exchange rate adjustments	0.0	-0.1	-0.2	-1.3	-0.6	0.0	-2.2
Amortization and impairment, December 31, 2016	0.0	-14.6	-18.7	-85.3	-47.3	0.0	-165.9
Carrying amount, December 31, 2016	**179.3**	**14.8**	**17.2**	**39.4**	**24.9**	**21.8**	**297.4**
Investment ratio (Additions relative to amortization excl. business combinations)	-	0%	0%	209%	17%	0%	132%

Note 4

4.2 INTANGIBLE ASSETS – CONTINUED

EUR million	Goodwill	Trademarks	Customer related assets	Development projects completed	Software, Know-how, Patents and Competition Clauses	Development projects and software in progress	Total
Costs, January 1, 2015	151.9	17.1	21.8	88.8	56.6	23.3	359.5
Additions through business combinations	9.2	8.1	8.6	0.0	5.7	0.0	31.6
Additions	0.0	0.0	0.0	4.5	3.4	14.4	22.3
Disposals	0.0	0.0	0.0	-2.1	-0.4	-0.4	-2.9
Transferred between classes of assets	0.0	0.0	0.0	9.2	2.0	-11.2	0.0
Exchange rate adjustments	10.6	0.4	1.1	3.8	1.5	0.4	17.8
Costs, December 31, 2015	171.7	25.6	31.5	104.2	68.8	26.5	428.3
Amortization and impairment, January 1, 2015	0.0	-11.0	-14.0	-64.2	-33.7	0.0	-122.9
Amortization for the year	0.0	-1.3	-2.2	-10.8	-6.6	0.0	-20.9
Impairment	0.0	0.0	-0.3	-0.2	-0.1	0.0	-0.6
Disposals	0.0	0.0	0.0	2.1	0.4	0.0	2.5
Exchange rate adjustments	0.0	-0.3	-0.6	-2.8	-1.2	0.0	-4.9
Amortization and impairment, December 31, 2015	0.0	-12.6	-17.1	-75.9	-41.2	0.0	-146.8
Carrying amount, December 31, 2015	**171.7**	**13.0**	**14.4**	**28.3**	**27.6**	**26.5**	**281.5**
Investment ratio (Additions relative to amortization excl. business combinations)	-	0%	0%	125%	30%	0%	135%

Acquisition-related intangibles relate to goodwill, trademarks, customer related assets and some portion of development projects, software, know-how, patents and customer clauses.

The investment ratio was slightly lower in 2016 compared to 2015. The bulk of investment was attributable to renewal and expansion of the product portfolio, and acquisitions.

Trademarks with a carrying amount of 2.7 mEUR (2015: 3.1 mEUR) are not amortized, as they are regarded as having an indefinite useful life.

Regarding impairment test, see note 4.1.

Note 4

4.3 PROPERTY, PLANT AND EQUIPMENT

§ **Accounting policy**

Land and buildings, manufacturing plant and machinery, fixtures, fittings, tools and equipment, and other property, plant and equipment, are measured at costs less accumulated depreciation and impairment losses.

The costs comprise the purchase price and any costs directly attributable to the acquisition until such time as the asset is ready for use. The costs of self-constructed assets comprise costs of materials, components, subcontractors and wages. The costs are supplemented by the present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset was utilized.

The costs of assets held under finance leases are stated at the fair value of the assets or the present value of the future minimum lease payments, whichever is the lower. For calculation of the present value, the interest rate implicit in the lease or the Nilfisk Group's alternative rate of interest is applied as the discount rate.

Subsequent costs, e.g. relating to replacement of parts of an item of property, plant and equipment, are recognized in the carrying amount of the asset if it is likely that the costs will result in future economic benefits for the Nilfisk Group. The carrying amount of the replaced parts is recognized in the balance sheet and recognized in the Income statement. All other costs relating to ordinary repair and maintenance are recognized in the Income statement as incurred.

If individual parts of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is effected on a straight-line basis over the expected useful lives of the assets/components, as follows:

Buildings	10-50 years
Manufacturing plant and machinery	4-20 years
Fixtures, fittings, tools and equipment	3-15 years
Land is not depreciated	

The basis of depreciation is calculated according to the residual value less impairment losses. The residual value is determined at the acquisition date and reviewed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates.

Property, plant and equipment under construction and prepayments therefore are measured at cost. When ready for use, the asset is transferred to the relevant category and depreciated.

Note 4

4.3 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayments	Total
Costs, January 1, 2016	22.4	16.6	126.7	9.0	174.7
Additions through business combinations	0.0	0.6	0.2	0.0	0.8
Additions	0.1	0.6	12.1	7.8	20.6
Disposals	0.0	-1.1	-11.4	-0.6	-13.1
Transferred between classes of assets	0.0	0.9	9.8	-10.7	0.0
Exchange rate adjustments	-0.4	-0.2	-0.7	0.0	-1.3
Costs, December 31, 2016	22.1	17.4	136.7	5.5	181.7
Depreciation and impairment, January 1,2016	-9.0	-11.6	-96.3	0.0	-116.9
Depreciation for the year	-0.8	-1.4	-11.5	0.0	-13.7
Impairment	0.0	-0.1	-0.1	0.0	-0.2
Transferred between classes of assets	0.0	0.1	-0.1	0.0	0.0
Disposals	0.0	1.1	9.2	0.0	10.3
Exchange rate adjustments	0.1	0.1	0.3	0.0	0.5
Depreciation and impairment, December 31, 2016	-9.7	-11.8	-98.5	0.0	-120.0
Carrying amount, December 31, 2016	**12.4**	**5.6**	**38.2**	**5.5**	**61.7**
Investment ratio (% of depreciation)	10%	107%	182%	0%	149%

Note 4

4.3 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Property, plant and equipment

EUR million	Land and buildings	Plant and machinery	Tools and equipment	Assets under construction incl. prepayments	Total
Costs, January 1, 2015	21.9	15.1	114.5	4.5	156.0
Additions through business combinations	0.0	0.3	2.6	0.0	2.9
Additions	0.1	0.8	10.2	10.7	21.8
Disposals	-0.8	-0.7	-9.3	-0.3	-11.1
Transferred between classes of assets	0.4	0.6	4.9	-5.9	0.0
Exchange rate adjustments	0.8	0.5	3.8	0.0	5.1
Costs, December 31, 2015	22.4	16.6	126.7	9.0	174.7
Depreciation and impairment, January 1,2015	-8.0	-10.4	-89.7	0.0	-108.1
Depreciation for the year	-0.9	-1.3	-10.6	0.0	-12.8
Impairment	0.0	0.0	0.0	0.0	0.0
Transferred between classes of assets	-0.2	0.0	0.2	0.0	0.0
Disposals	0.2	0.7	7.1	0.0	8.0
Exchange rate adjustments	-0.1	-0.6	-3.3	0.0	-4.0
Depreciation and impairment, December 31, 2015	-9.0	-11.6	-96.3	0.0	-116.9
Carrying amount, December 31, 2015	**13.4**	**5.0**	**30.4**	**9.0**	**57.8**
Investment ratio (% of depreciation)	12%	61%	96%	0%	170%

The investment ratio was lower in 2016 compared to 2015.

Regarding impairment test, see note 4.1.

Note 4

4.4 AMORTIZATION, DEPRECIATION AND IMPAIRMENT

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

Split of amortization, depreciation and impairment in the Income statement

EUR million	2016	2015
Cost of sales, depreciation and impairment	10.0	9.1
Cost of sales, amortization and impairment	0.1	0.1
Research and development costs, depreciation and impairment	0.3	0.4
Research and development costs, amortization and impairment	12.1	11.1
Sales and distribution costs, depreciation and impairment	1.2	1.1
Sales and distribution costs, amortization and impairment	1.6	1.2
Administrative costs, depreciation and impairment	2.2	2.1
Administrative costs, amortization and impairment	4.5	4.2
Amortization/impairment of acquisition-related intangibles	9.0	4.9
Special items, impairment	1.8	0.0
	42.8	34.2
Total depreciation and impairment of tangibles	13.9	12.8
Total amortization and impairment of non acquisition-related intangibles	19.9	16.5
Total amortization and impairment of acquisition-related intangibles	9.0	4.9
	42.8	34.2

Note 4

4.5 PENSION LIABILITIES

Most employees in the Nilfisk Group are covered by pension schemes, primarily in the form of defined contribution-based plans or alternatively by defined benefit plans. The Nilfisk Group companies contribute to these plans either directly or by contributing to pension funds administered independently. The nature of such schemes varies according to legislative and regulatory regimes, rules regarding tax and the economic conditions in the countries in which the employees work, and the contributions are usually based on employee salary and seniority. The liability relates to pensions for already retired staff as well as for employees retiring in the future.

If a plan is not fully hedged, a plan liability is recognized in the consolidated balance sheet. Expenses relating to pension benefits are recognized as employee benefits.

The Nilfisk Group's defined benefit plans primarily relate to the UK.

Net liabilities recognized in the balance sheet

	2016			2015		
EUR million	**Present value of obligations**	**Fair value of plan assets**	**Net obligation**	**Present value of obligations**	**Fair value of plan assets**	**Net obligation**
Obligations and assets, January 1	29.1	23.2	5.9	27.7	21.1	6.6
Recognized under staff costs in the Income statement:						
Current service cost	0.3	0.0	0.3	0.3	0.0	0.3
Calculated interest cost/income	0.7	0.6	0.1	0.8	0.7	0.1
Curtailment and settlements, etc.	0.0	0.0	0.0	-0.9	0.0	-0.9
Total	1.0	0.6	0.4	0.2	0.7	-0.5
Recognized in other comprehensive income:						
Actuarial gain/loss from changes in financial assumptions	4.1	1.7	2.4	0.0	-0.3	0.3
Total	4.1	1.7	2.4	0.0	-0.3	0.3
Other changes:						
Contributions to plans	0.2	0.9	-0.7	0.3	1.1	-0.8
Benefits paid	-0.7	-0.4	-0.3	-1.0	-0.7	-0.3
Foreign exchange adjustments, etc.	-2.6	-2.4	-0.2	1.8	1.3	0.5
Total	-3.1	-1.9	-1.2	1.1	1.7	-0.6
Net recognized plan obligations and assets, December 31	31.1	23.6	7.5	29.0	23.2	5.8
Other long-term employee benefits	0.0	0.0	0.0	0.1	0.0	0.1
Recognized, December 31	31.1	23.6	7.5	29.1	23.2	5.9
Plan assets recognized as follows:						
Securities with quoted market price		17.5			17.5	
Cash		1.4			1.6	
Other		4.7			4.1	
		23.6			23.2	

Note 4

4.5 PENSION LIABILITIES – CONTINUED

Judgements and estimates

Principal actuarial assumptions at the balance sheet date (as weighted average)	2016	2015
Discount rate	2.0%	2.9%
Future salary increases	1.7%	1.7%
Future pension increases	2.8%	2.5%

Sensitivity

Table below shows the sensitivity of the pension liability to changes in the key assumptions

EUR million	2016	2015
0.5% point increase in the discount rate	-2.3	-2.3
0.5% point decrease in the discount rate	2.6	2.6
0.5% point increase in the future salary increases	0.0	0.0
0.5% point decrease in the future salary increases	-0.1	-0.1

The anticipated duration of the plan liability, expressed as a weighted average, was 13 years at December 31, 2016 (2015: 15 years).

The Nilfisk Group's expected contribution to defined benefit plans in 2017 amounts to 0.7 mEUR.

Accounting policy

The Nilfisk Group has contracted pension plans and similar arrangements with the majority of its employees.

Liabilities in respect of defined contribution-based pension plans, where the Nilfisk Group makes fixed regular payments to independent pension companies, are recognized in the Income statement in the period to which they relate. Any contributions outstanding are recognized in the balance sheet under other payables.

In the case of defined benefit plans, an annual actuarial calculation (the Projected Unit Credit Method) is made of the present value of future benefits payable under the plan. The present value is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Nilfisk Group. The actuarial present value less the fair value of any plan assets is recognized in the balance sheet under employee benefits.

Pension expenses for the year are recognized in the Income statement based on actuarial estimates and financial expectations at the start of the year. Difference between calculated return and realized return on plan assets and liabilities are designated actuarial gains or losses and recognized in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognized if it offsets cumulative actuarial losses or future refunds from the plan, or if it will lead to reduced future payments to the plan.

Note 4

4.6 PROVISIONS

Development in provisions

2016

EUR million	Warranties	Other	Total
Provisions, January 1	11.8	9.5	21.3
Additions through business combinations	0.2	0.0	0.2
Provisions made during the year	11.8	0.1	11.9
Used during the year	-11.9	-1.0	-12.9
Reversed during the year	-0.3	-0.3	-0.6
Foreign exchange adjustments	0.2	-0.8	-0.6
Provisions, December 31	11.8	7.5	19.3
Provisions are recognized in the balance sheet as:			
Non-current liabilities	0.0	6.8	6.8
Current liabilities	11.8	0.7	12.5
	11.8	7.5	19.3

2015

EUR million	Warranties	Other	Total
Provisions, January 1	11.5	3.4	14.9
Additions through business combinations	0.0	5.9	5.9
Provisions made during the year	13.0	1.1	14.1
Used during the year	-12.5	-1.2	-13.7
Reversed during the year	-0.6	0.0	-0.6
Foreign exchange adjustments	0.4	0.3	0.7
Provisions, December 31	11.8	9.5	21.3
Provisions are recognized in the balance sheet as:			
Non-current liabilities	0.0	7.9	7.9
Current liabilities	11.8	1.6	13.4
	11.8	9.5	21.3

Other provisions comprise acquisition-related earnouts, restoring of rented facilities, etc.

Note 4

4.6 PROVISIONS – CONTINUED

§ Accounting policy

Provisions are recognized when, as a result of events arising before or at the balance sheet date, the Nilfisk Group has a legal or a constructive obligation, and it is likely that there may be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognized as a provision is the Executive Management Board's best estimate of the amount required to settle the obligation.

When measuring provisions, the costs required to settle the obligation are discounted if this significantly affects the measurement of the liability. A pre-tax discount rate is applied that reflects the current market interest rate and the specific risks relating to the obligation. Changes in present values during the year are recognized under financial expenses.

Warranty commitments are recognized in step with sale of goods and services based on the level of warranty expenses incurred in previous years.

Provisions for acquisition-related earnouts are recognized based on the Executive Management Board's best estimate of future revenue and profit in the acquired businesses.

Provisions for restoring rented facilities when vacated are measured at the present value of the expected clearance and closure obligation at the balance sheet date. The provision is based on existing encumbrances and estimated costs discounted to present value. Specific risks considered to attach to the obligation are included in the estimated costs. A discount rate is applied which reflects the current market interest rate. The obligations are included as they occur and continuously adjusted to reflect changed requirements and price levels, etc. The present value of the costs is included in the costs of the relevant tangible assets and depreciated accordingly. The increase in the present value over time is recognized in the Income statement under financial expenses.

Note 5

5. WORKING CAPITAL

This note covers Nilfisk Group's working capital. The working capital represents the assets and liabilities necessary to support the day-to-day operations. Working capital is defined as current assets less current liabilities, excluding interest-bearing items and provisions, but including derivatives which hedge working capital elements with currency exposure.

Composition and drivers

Nilfisk Group manufactures products and operates in different markets. Nilfisk Group's operating model, with nine major assembly locations and a number of distribution hubs for finished products, leads to a relatively high amount of inventory. Working capital is furthermore impacted by changes in exchanges rates, mainly USD, RMB and MXR, as well as larger acquisitions.

Key developments in 2016

Nilfisk Group reduced working capital by 31.6m EUR from 173.3 mEUR at December 31, 2015 to 141.7 mEUR at December 31, 2016. The working capital ratio, LTM, measured on latest 12 months average, decreased by 2.4%-points from 20.0% in 2015 to 17.6% in 2016.

The development in both absolute terms and as a ratio, LTM, was primarily driven by decreased inventories and increased payables of which a significant part is deemed unsustainable.

Break down of working capital

EUR million	2016	2015	2014
Inventories	173.3	187.9	177.4
Trade receivables	178.2	163.8	153.9
Other current assets	28.2	27.2	31.8
Trade payables	-129.2	-109.0	-105.8
Other current liabilities	-108.8	-96.6	-97.6
Working capital	141.7	173.3	159.7
Working capital ratio (LTM)*	17.6%	20.0%	19.2%

* LTM – last twelve months

Note 5

5.1 INVENTORIES

The Nilfisk Group's entities carry inventory to support their operations. Continuous efforts aim to reduce inventory levels while maintaining customer service through short lead times.

Inventory decreased from December 31, 2015 to December 31, 2016, a development driven by exchange rates and inventory management but also offset by acquisitions. See the Management report for more details of the inventory development.

Specification of inventories

EUR million	2016	2015	2014
Raw materials, consumables and goods for resale	118.6	128.1	123.7
Work in progress	1.0	1.2	0.7
Finished goods	53.7	58.6	53.0
	173.3	187.9	177.4
Write-down on inventories, January 1	10.7	11.7	11.6
Write-down on inventories for the year expensed in the Income statement	5.0	4.0	4.1
Disposals from sales	-2.8	-4.0	-2.0
Scrapping	-0.5	-1.0	-2.1
Write-down on inventories, December 31	12.4	10.7	11.6

! Significant judgement and estimates

Inventory write-downs are carried out if net realizable value is lower than costs, e.g. in case of obsolescence.

§ Accounting policy

Inventories are measured at costs in accordance with the FIFO method or at a weighted average. If the net realizable value is lower than cost, inventories are written down to this lower value.

Raw materials, consumables and goods for resale are measured at costs, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at costs, which comprise costs of raw materials, consumables, direct wages/ salaries and production overheads. Production overheads include indirect materials and wages/salaries, as well as maintenance and depreciation of production machinery, buildings and equipment, along with costs for production administration and management. In the case of qualifying assets, specific and general borrowing costs directly relating to production of the relevant asset are recognized in the costs.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs incurred in effecting the sale, and is determined taking into account marketability, obsolescence and development in expected sales price.

Note 5

5.2 RECEIVABLES

Receivables comprise trade and other receivables from external and associated companies, other receivables including derivative financial instruments and prepayments. Receivables are measured at amortized costs, which in all material respects corresponds to fair value and nominal value.

Specification of receivables

EUR million	2016	2015	2014
Trade receivables	175.7	159.7	147.3
Trade receivables due from associates	2.5	4.1	6.6
Other receivables incl. derivative financial instruments	18.4	17.2	22.9
Prepayments	7.0	6.3	6.0
	203.6	187.3	182.8
Of which receivables falling due later than 12 months from the balance sheet date	0.4	0.0	0.0

Trade receivables increased in absolute terms from December 31, 2015 to December 31, 2016. The increase was attributable to acquisitions and organic growth.

Disclosure of credit risks and impairment of trade receivables are included in note 6.8.

§ **Accounting policy**

Receivables
Receivables are measured at amortized cost, except for derivative financial instruments which are measured at fair value. Write-down for bad and doubtful debts is made where an objective indication of impairment is considered to exist for an individual receivable or a portfolio of receivables.

Receivables for which there is no objective indication of impairment at individual level are assessed for such indication on a portfolio basis. The portfolios are primarily based on the debtor's domicile and credit rating in accordance with the Nilfisk Group's credit risk management policy. The objective indicators applied to portfolios are based on historical loss experience.

If an objective indication of impairment exists for a portfolio, an impairment test is carried out in which the expected future cash flows are estimated on the basis of historical loss experience adjusted for current market conditions and individual conditions relating to the specific portfolio.

Calculation of interest recognition on impaired receivables is based on the impaired amount using the effective rate of interest for the specific receivable or portfolio.

Prepayments
Prepaid expenses are measured at cost.

Note 5

5.3 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities comprise trade payables, other payables including VAT, employee-related payables, and derivative financial instruments. Prepayments from customers and deferred income are also included.

Specification of trade payables and other liabilities

EUR million	2016	2015	2014
Trade payables	129.2	108.9	105.6
Trade payables to associates	0.0	0.1	0.2
Other payables (VAT, employee-related tax, holiday pay, derivative financial instruments, other non-current liabilities, etc.)	97.8	84.5	84.0
Prepayments from customers	2.0	2.2	2.5
Deferred income	4.5	4.3	3.5
	233.5	200.0	195.8

§ **Accounting policy**

Liabilities are measured at amortized cost, except for derivative financial instruments which are measured at fair value. Deferred income is measured at cost.

Note 6

6. CAPITAL STRUCTURE

This note covers Nilfisk Group's capital structure, financing costs and financial risks.

The Executive Management Board wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into the business and returning surplus funds to the equity holders of Nilfisk A/S.

6.1 CHANGES IN CAPITAL STRUCTURE, FINANCING, ETC.

During 2016 no significant changes have been made to the Nilfisk Group capital structure.

At the end of 2016 the solvency ratio is 23% and net interest-bearing debt equals 2.3x EBITDA before special items.

In 2016, 100% of the share capital of Nilfisk A/S was owned by NKT Holding A/S. NKT Holding A/S announced on September 21, 2016, in connection with announcing NKT Cables' acquisition of ABB HV Cables, that subject to completion of the acquisition of ABB HV Cables it intended to split NKT Holding A/S into two separately listed companies: Nilfisk and NKT Holding A/S, including NKT Cables (including ABB HV Cables and NKT Photonics). NKT Cables' acquisition of ABB HV Cables is expected to be completed in Q1 2017. Provided the intended split is completed, NKT Holding A/S may consider changing the capital structure of its subsidiaries. Consequently, the capital position of the Nilfisk Group may change from the position in place at December 31, 2016.

6.2 NET INTEREST-BEARING DEBT

Specification of net interest-bearing debt

EUR million	2016	2015	2014
Non-current loans and borrowings	191.5	182.1	155.8
Current loans and borrowings	278.5	298.3	131.9
Interest-bearing debt	470.0	480.4	287.7
Interest-bearing receivables	-175.7	-158.3	-147.4
Cash at bank and in hand	-28.5	-21.2	-34.4
Net interest-bearing debt	265.8	300.9	105.9

Net interest-bearing debt at December 31, 2016 was 35.1 mEUR lower than at December 31, 2015, primarily due to lower working capital. Similar to December 31, 2015 the net interest-bearing debt was a mix of short-term and long-term credit facilities including the cash pool arrangement.

57% of the interest-bearing debt was denominated in USD and 24% was in DKK. As comparison the percentages in 2015 were 53% and 36% respectively.

Nilfisk Group is part of a cash pool arrangement provided by NKT Holding A/S, and the interest-bearing debt on this arrangement is 467.3 mEUR as of December 31, 2016 compared to 478.4 mEUR as of December 31, 2015.

The debt is predominantly based on floating interest rates.

Note 6

6.3 INTEREST-BEARING RECEIVABLES

Specification of interest-bearing receivables

EUR million	2016	2015	2014
Loans to NKT Holding A/S	36.9	31.5	12.5
Cash pool, NKT Holding A/S	132.8	117.8	124.6
Finance lease receivables	5.9	8.6	9.6
Other receivables	0.1	0.4	0.7
	175.7	158.3	147.4

6.4 PAYABLES TO CREDIT INSTITUTIONS AND OTHER PAYABLES

Payables to credit institutions are predominantly based on floating interest rates and are measured at amortized cost. The carrying amount therefore corresponds in all material respects to fair value and nominal value.

Other payables are measured at amortized cost, which corresponds in all material respects to fair value and nominal value.

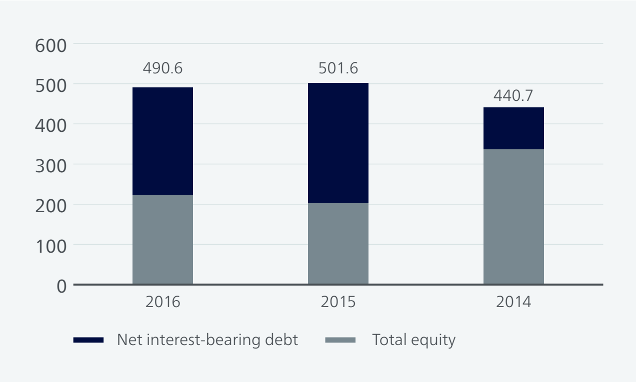
§ Accounting policy

Payables to credit institutions, etc. are recognized at the amount of proceeds received at the date of borrowing, net of transaction costs paid. In subsequent periods the financial liabilities are measured at amortized costs using ‘the effective interest method’, the difference between the proceeds and the nominal value therefore being recognized in the Income statement under financial expenses over the term of the loan.

Payables to credit institutions also include the capitalized residual lease obligation on finance leases measured at amortized cost.

Note 6

6.5 CAPITAL EMPLOYED



Capital employed decreased by 11.0 mEUR from December 31, 2015 to December 31, 2016. This was primarily due to a lower working capital.

Return on capital employed increased to 14.6% from 12.9% in 2015. EBIT before special items increased by 12.0 mEUR.

6.6 FINANCIAL ITEMS

The net financial items represented -11.0 mEUR in 2016 compared to -7.9 mEUR in 2015. The increase of 3.1 mEUR related to increased interest expenses of 1.1 mEUR, lower foreign exchange and capital loss, net of 2.5 mEUR, and negative impact from currency exposure hedging, net of 5.4 mEUR.

The increase in interest expenses of 1.1 mEUR was primarily due to an average increase in debt to service during full year 2016 compared to 2015, partly offset by lower interest rates compared to last year.

Comparison of gains on foreign exchange and derivative financial instruments with corresponding losses on these items revealed a net gain of 0.7 mEUR in 2016, against a net loss of 2.2 mEUR in 2015. While the Nilfisk Group's most significant currency exposures were neutralized by hedging activity, currency adjustments from unhedged cash flows caused modest foreign exchange gains or losses. The 0.7 mEUR net gain in 2016 is within the expected range of the Nilfisk Group's hedging policy and should be seen in the context of the significant sales in foreign currency.

Specification of financial items

	Financial income		Financial expenses	
EUR million	**2016**	**2015**	**2016**	**2015**
Interest etc. relating to financial assets/liabilities measured at amortized cost	6.7	5.8	17.0	15.9
Foreign exchange gains/losses	6.3	5.6	5.6	7.4
Derivative financial instruments gains/losses	0.0	4.0	1.4	0.0
	13.0	15.4	24.0	23.3

Note 6

6.6 FINANCIAL ITEMS – CONTINUED

§ **Accounting policy**

Financial income comprises interest, dividends, gains on receivables and transactions denominated in foreign currencies, amortization of financial assets, and allowances under the Danish tax prepayment scheme, etc. Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on and impairment of securities, payables and transactions denominated in foreign currencies, amortization of financial liabilities, including finance lease commitments, and surcharges under the Danish tax prepayment scheme, etc. Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Note 6

6.7 INVESTMENTS IN ASSOCIATED COMPANIES

Carrying amount of associated companies

EUR million	2016	2015
Carrying amount, January 1	16.6	14.7
Share of profit recognized in the Income statement	2.5	2.9
Dividends	-1.3	-0.9
Exchange rate adjustments	-0.1	-0.1
Carrying amount, December 31	17.7	16.6

Details of associated companies

2016 EUR million	M2H France	CFM Lombardia Italy	Rottest Turkey	Total
Revenue	63.2	1.5	1.4	66.1
Profit after tax	5.7	0.0	-0.1	5.6
Total assets	57.2	0.9	0.3	58.4
Equity	36.9	0.1	0.0	37.0
Ownership in %	44%	33%	50%	
Share of profit after tax	2.6	0.0	-0.1	2.5
Share of equity	16.3	0.0	0.0	16.3
Goodwill recognized	0.9	0.0	0.5	1.4
Carrying value	**17.2**	**0.0**	**0.5**	**17.7**
Goods sold to	18.5	0.9	0.0	19.4
Good purchased from	0.0	0.0	1.5	1.5
Receivables from associated company	2.1	0.4	0.0	2.5
Payables to associated company	0.0	0.0	0.0	0.0

2015 EUR million	M2H France	CFM Lombardia Italy	Rottest Turkey	Total
Revenue	55.9	1.5	1.7	59.1
Profit after tax	5.6	0.0	-0.1	5.5
Total assets	59.5	1.0	0.6	61.1
Equity	34.1	0.1	0.1	34.3
Ownership in %	44%	33%	50%	
Share of profit after tax	2.9	0.0	0.0	2.9
Share of equity	15.0	0.0	0.1	15.1
Goodwill recognized	0.9	0.0	0.6	1.5
Carrying value	**15.9**	**0.0**	**0.7**	**16.6**
Goods sold to	18.2	0.8	0.0	19.0
Good purchased from	0.0	0.0	1.5	1.5
Receivables from associated company	3.6	0.5	0.0	4.1
Payables to associated company	0.0	0.0	0.1	0.1

Note 6

6.7 INVESTMENTS IN ASSOCIATED COMPANIES – CONTINUED

§

Accounting policy

An associated company is an entity in which the Nilfisk Group has significant influence, but not control, which in general will be when holding 20% to 50% of the voting rights. Such investments are accounted for using the equity method of accounting. The investment is adjusted by the Nilfisk Group's share of the results after tax of the associated company.

The Nilfisk Group's share of the results is recognized in the Income Statement as Other operating income. The share of results will be recognized based on the associated company' full-year outlook, with adjustment for actual full-year result in the following year.

Note 6

6.8 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Risk management policy
The Nilfisk Group is exposed to, and manages, a number of financial risks by virtue of its operations, investments and financing activities. As a matter of policy the Nilfisk Group does not actively speculate in financial risks.

The risk management policy is defined by NKT Holding A/S and managed by NKT Group Treasury. The general principle is that only financial risk exceeding a defined risk threshold is hedged. The risk thresholds are defined to provide the Nilfisk Group with sufficient risk protection while taking hedging costs into consideration. The Nilfisk Group uses financial instruments, such as forwards to hedge exposures relating to currency.

The financial risks are divided into:

1. Currency risks
2. Interest rate risks
3. Credit risks
4. Liquidity risks

Currency risks
With activities in more than 100 countries the Nilfisk Group is exposed to currency risks that could have considerable influence on the Income statement and balance sheet.

Currency risks refer to the risks of losses (or opportunities for gains) resulting from changes in currency rates. Currency risks arise through transactions, financial assets, and liabilities denominated in currencies other than the functional currency of the individual Group businesses.

Management and hedging of existing and anticipated currency risks within the framework of existing policies are executed by NKT Group Treasury.

Translation risks relating to net investments in subsidiaries
As a basic principle, the hedging of currency risks is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to unhedged net assets in foreign subsidiaries are accounted directly in other comprehensive income. For the most significant investments (above 15 mEUR) in foreign currency, excluding EUR/DKK, a rate of exchange which is 10% lower than the actual exchange rate for CNY, GBP and USD would reduce the Nilfisk Group's equity by 9.8 mEUR, compared to 8.8 mEUR in 2015. Currency risks relating to other investments in foreign entities are not deemed significant.

Net financing
Significant currency risks relating to receivables and payables that influence the Nilfisk Group's net income are hedged. Balances with credit institutions are denominated in the functional currency of the businesses concerned. The Nilfisk Group had no significant currency risks relating to receivables and payables in foreign currency at December 31, 2016 and at December 31, 2015, and the Nilfisk Group's net income would therefore not have been significantly influenced by changes in the exchange rates at those dates.

Future cash flows
The Nilfisk Group's principal currency exposure relates to sales and purchases in currencies other than the functional currency of the individual Nilfisk Group businesses. Hedging of these currency risks is based on assessments of the likelihood of the future transaction being performed and whether the associated currency risk is significant.

Expected cash flows with significant currency risk are hedged on a 12-14 month rolling basis. The fair value of the effective part of the hedge is recognized in other comprehensive income on a continuous basis. The table on the next page shows net outstanding forward exchange hedging contracts at December 31 for the Nilfisk Group which are used for and fulfil the conditions for hedge accounting of future transactions.

The fair value of the current portfolio of effective hedging contracts will impact other comprehensive income if currency rates change. The sensitivity analyses shown in the table on the next page assume currency rate changes equal to the individual currency's historic volatility. The analysis shows that for instance a 1% change in the AUD/DKK rate will change other comprehensive income by 1.8 mEUR. Comparative figures for 2015 have been calculated using the same percentage change (annual volatility as at December 31, 2016) as stated for 2016.

Forward exchange contracts relate to hedging of product sales/purchase. During the year, a loss of 1.4 mEUR was recognized under financial items due to ineffective hedge contracts. For comparison, the amount was a gain of 4.0 mEUR in 2015.

Note 6

6.8 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

Outstanding FX hedging contracts

	2016		2015	
EUR million	Notional value*	Recog. in other compr. income	Notional value*	Recog. in other compr. income
AUD/DKK	-16.1	-0.2	-20.5	0.0
CNY/DKK	112.3	0.1	135.4	-0.6
GBP/DKK	-25.9	1.3	-29.3	0.2
NOK/DKK	-16.0	-0.3	-15.7	0.9
SEK/DKK	-20.5	0.3	-21.4	-0.4
USD/DKK	-11.3	-0.4	0.0	0.0
Total	22.5	0.8	48.5	0.1

* Forward exchange contracts with positive notional values are purchases of the relevant currency; negative notional values are sales.

Sensitivity analysis

	2016		2015	
EUR million	Volatility December 31	Change in recog. in other compr. income	Volatility December 31	Change in recog. in other compr. income
AUD/DKK	11%	1.8	13%	2.3
CNY/DKK	11%	12.4	12%	14.9
EUR/DKK	1%	0.0	1%	0,0
GBP/DKK	11%	2.8	11%	3.2
NOK/DKK	9%	1.4	11%	1.4
SEK/DKK	8%	1.6	8%	1.7
USD/DKK	11%	1.2	-	-
		21.2		23,5

Interest rate risks

Interest rate risks refer to the influence of changes in market interest rates on future cash flows concerning the Nilfisk Group's interest-bearing assets and liabilities. At December 31, 2016 the Nilfisk Group's interest-bearing debt exceeded its interest-bearing assets by 265.8 mEUR compared to 300.9 mEUR as of December 31, 2015.

Based on the relevant interest periods for the Nilfisk Group's credit facilities, it is estimated that a 1% rise in market interest rate for the Nilfisk Group's net interest-bearing items at December 31, 2016 would, all other things being equal, impact pre-tax earnings by around 1.3 mEUR p.a. (2015: 2.0 mEUR).

Interest rate risks are not hedged.

Credit risks

The Nilfisk Group's credit risks relate partly to receivables and cash at bank and in hand, and partly to derivative financial instruments with positive fair value. The maximum credit risk attached to financial assets corresponds to the values recognized in the balance sheet.

The Nilfisk Group has no material risks relating to a single customer or partner. The Nilfisk Group's policy for acceptance of credit risks entails ongoing credit rating of important customers and other partners.

Insurance cover and similar measures to hedge receivables are rarely applied as this is not deemed necessary.

Development in trade receivables provision

EUR million	2016	2015
Trade receivables from sales and services	183.2	168.3
Impairment for bad and doubtful debts:		
January 1	4.5	4.7
Additions through business combinations	0.1	0.0
Exchange rate adjustments	0.0	0.1
Write-downs included in Income statement in 'Other operating income, net'	1.9	2.0
Reversal of impairment included in Income statement in 'Other operating income, net'	-1.4	-1.2
Realized losses included in 'Other operating income, net'	-0.1	-1.1
Impairment, December 31	5.0	4.5
Net receivables from sales and services	178.2	163.8

Impairments amount to 5.0 mEUR compared to 4.5 mEUR as of December 31, 2015. 3.4 mEUR is attributable to individual impairment compared to 2.9 mEUR as of December 31, 2015. Impairment recognized in the Income statement in 2016 is 0.5 mEUR compared to 0.8 mEUR in 2015.

Receivables overdue not individually impaired

EUR million	2016	2015
Up to 30 days	22.2	23.0
Between 31 and 60 days	4.6	5.7
Between 61 and 120 days	2.9	3.6
More than 120 days	2.6	3.0
	32.3	**35.3**

Note 6

6.8 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

Significant judgement and estimates

Management makes allowance for doubtful trade receivables in anticipation of estimated losses resulting from subsequent inability of customers to make required payments.

When evaluating the adequacy of the allowance, Management analyses trade receivables and examines historical bad debt, customer concentrations, customer creditworthiness and payment history, and current economic trends.

Liquidity risks

It is the Nilfisk Group's policy to maintain adequate cash resources for implementing planned operating activities and to be able to operate effectively in the event of unforeseen fluctuations in liquidity. The Nilfisk Group's cash resources consist of cash, cash equivalents and undrawn credit facilities, the latter mainly under the cash pool arrangement facilitated by NKT Holding A/S.

Referring to note 6.2, NKT Holding A/S may consider changing the capital position in place at December 31, 2016 for the Nilfisk Group if the intended split of NKT Holding is completed.

Note 6

6.8 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

Maturity of the Nilfisk Group's liabilities

2016

EUR million	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Forward contracts	4.1	0.0	0.0	0.0	0.0	0.0	4.1
Credit institutions	2.7	0.0	0.0	0.0	0.0	0.1	2.8
Intercompany loans from NKT Holding A/S	275.8	191.4	0.0	0.0	0.0	0.0	467.2
Other financial liabilities	228.0	1.4	0.0	0.0	0.0	0.0	229.4
	510.6	192.8	0.0	0.0	0.0	0.1	703.5

2015

EUR million	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Forward contracts	4.6	0.0	0.0	0.0	0.0	0.0	4.6
Credit institutions	1.8	0.2	0.0	0.0	0.0	0.0	2.0
Intercompany loans from NKT Holding A/S	296.5	181.9	0.0	0.0	0.0	0.0	478.4
Other financial liabilities	195.4	0.0	0.0	0.0	0.0	0.0	195.4
	498.3	182.1	0.0	0.0	0.0	0.0	680.4

The above items do not include interest. The forward contracts are recognized at fair value and the discount element is considered insignificant as a result of short maturity.

Payables to NKT Holding A/S and credit institutions are consequently recognized in the balance sheet at the amounts stated above.

Fair values

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

Level 1: Listed prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Input, other than listed prices on Level 1, which is observable for the asset or liability either directly (as prices) or indirectly (derived from prices)

Level 3: Input for the asset or liability which is not based on observable market data (non-observable input)

Financial instruments measured at fair value consist of derivative financial instruments. The fair value at December 31, 2016 and 2015 of Nilfisk Group's forward transactions is measured in accordance with Level 2 as the fair value is based on official exchange rates and forward rates at the balance sheet date.

Categories of financial instruments – carrying amount

EUR million	2016	2015	2014
Financial assets:			
Hedging portfolio (derivative financial instruments)	6.4	7.7	12.0
Interest-bearing receivables	175.7	158.3	147.4
Receivables	197.2	179.6	182.8
Financial liabilities:			
Hedging portfolio (derivative financial instruments)	4.1	4.6	2.7
Financial liabilities, measured at amortized cost	699.4	675.8	287.7

Note 6

6.8 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS – CONTINUED

§ **Accounting policy**

Derivative financial instruments
Derivative financial instruments are recognized from the trade date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and set-off of positive and negative values is effected only when the Nilfisk Group has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Fair value hedges
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying for recognition as a fair value hedge of a recognized asset or a recognized liability are recognized in the Income statement together with changes in the value of the hedged asset or hedged liability. Apart from foreign currency hedging, hedging of future payment flows according to a firm commitment is treated as fair value hedging.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Cash flow hedges
Changes in the effective portion of the fair value of derivative financial instruments designated and qualifying as hedges of future payment flows are recognized in other comprehensive income in a separate hedging reserve under equity until the cash flows hedged influence the Income statement. Gains or losses relating to such hedging transactions are then transferred from other comprehensive income and recognized in the same item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. The cumulative change in value recognized in other comprehensive income is transferred to the Income statement when the hedged cash flows influence the Income statement.

If the hedged cash flows are no longer expected to be realized, the cumulative change in value is immediately transferred to the Income statement.

The portion of the value adjustment of a derivative financial instrument not included in a hedging relationship is presented under financial items.

Other derivative financial instruments
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized under financial items as they arise.

Note 6

6.9 SHARE CAPITAL

The nominal number of shares is 5,000,000 with a nominal value of 100 DKK each. This remains unchanged during the last 5 years.

No shares carry special rights. Nilfisk A/S' Articles of Association specifies no limits in respect of ownership or voting rights, and the Executive Management Board is unaware of any agreements in the regards.

Distribution of dividend to shareholders of Nilfisk A/S has no tax consequences for the company.

Dividends

	2016	2015
Dividends distributed (mEUR)	0.0	172.2
Dividends distributed - per share (EUR)	0.0	34.4

§

Accounting policy

Dividends are recognized as a liability at the date of adoption at the Annual General Meeting (declaration date). Proposed dividend payments for the year are disclosed as a separate item under equity.

Interim dividends are recognized as a liability at the date when the decision to pay such dividends are made.

Note 7

7. GROUP STRUCTURE

This note describes acquisitions and divestments of businesses during the year and Nilfisk Group's structure at December 31, 2016.

7.1 ACQUISITIONS/DIVESTMENTS OF BUSINESSES

2016 Acquisitions

US-based Pressure-Pro Inc. was acquired by the subsidiary of NKT Holding, Vytran at January 1, 2016 as an asset deal and subsequently during 2016 transferred to Nilfisk Group. The acquisition of Pressure-Pro Inc. has been accounted for using the purchase method, while the subsequent transfer of Pressure-Pro Inc. from NKT Holding to Nilfisk Group has been accounted for as a business combination under common control. Pressure-Pro Inc. is a leading manufacturer of cold and hot water high-pressure washers supporting Nilfisk Group's 2015 acquisition of the US-based Hydro Tek Systems Inc. hot water high-pressure washer manufacturer.

In 2008, Nilfisk Group acquired 51% of the shares in Nilfisk S.A., Chile. Effective on April 5, 2016 Nilfisk Group acquired the remaining 49% of the shares at a purchase consideration of 3.2 mEUR. This acquisition of non-controlling interests is recognized directly on equity.

2016 Divestments

Effective on September 30, 2016, the US-based Cyclone Technology was divested. The divestment comprised all operations and employees. Sales purchase consideration was 0.5 mEUR. The effect on the Nilfisk Group's revenue and income is not material. See note 2.4 Special items for recognition of loss of divestment.

2015 Acquisitions

Effective at on June 2, 2015, Nilfisk Group acquired all shares of Contractor, also known as Floor Cleaning Machines Ltd., a leading UK provider of repair and maintenance services. Based in Manchester, Contractor primarily serves contract cleaners and retail customers, and is among the UK market leaders by virtue of its unique business model and service concept.

In APAC, Nilfisk Group acquired Kerrick, based in Auckland, New Zealand and a specialist in commercial heavy-duty and industrial cleaning equipment with 10 branches in New Zealand and Australia. Effective at July 1, 2015, the Kerrick acquisition enlarged Nilfisk Group's presence within sales and repair and supplemented the acquisition of Smithson Equipment, a distributor of large cleaning equipment in the Queensland, Australia, market. The latter transaction was effective at May 1, 2015.

Effective at November 1, 2015, Nilfisk Group acquired US-based Hydro Tek Systems Inc., a leading manufacturer of high-pressure washers.

Note 7

7.1 ACQUISITIONS/DIVESTMENTS OF BUSINESSES – CONTINUED

Acquisitions

	2016			2015		
EUR million	**Pressure-Pro USA**	**Other**	**Total**	**Contractor UK**	**Other**	**Total**
Intangible assets	15.8	0.6	16.4	13.9	8.5	22.4
Tangible assets	0.8	0.0	0.8	0.9	2.0	2.9
Inventories	5.0	0.2	5.2	0.7	3.9	4.6
Receivables	3.7	0.4	4.1	2.6	2.4	5.0
Cash at bank and in hand	0.0	0.0	0.0	4.3	0.1	4.4
Deferred tax	0.0	-0.1	-0.1	-2.9	-0.4	-3.3
Interest-bearing loans and borrowings	0.0	0.0	0.0	-0.3	-1.8	-2.1
Payables and provisions	-3.1	-0.4	-3.5	-1.7	-2.2	-3.9
Net assets acquired	22.2	0.7	22.9	17.5	12.5	30.0
Goodwill	5.5	0.5	6.0	6.2	3.0	9.2
Purchase consideration	27.7	1.2	28.9	23.7	15.5	39.2
Cash acquired	0.0	0.0	0.0	-4.3	-0.1	-4.4
Deferred contingent purchase consideration	0.0	0.0	0.0	-5.8	0.0	-5.8
Cash purchase consideration	27.7	1.2	28.9	13.6	15.4	29.0
Interest-bearing loans and borrowings acquired	0.0	0.0	0.0	0.3	1.8	2.1
Total effect on net interest bearing debt	0.0	0.0	0.0	13.9	17.2	31.1
Direct purchase costs	0.2	0.0	0.2	0.2	0.3	0.5
Revenue recognized in the year	38.6	0.6	39.2	5.7	9.1	14.8
Profit after tax recognized in the year	2.0	0.0	2.0	1.5	0.8	2.2
Proforma revenue 12 months	38.6	2.0	40.6	10.2	24.2	34.4
Proforma profit after tax12 months	2.0	0.2	2.2	2.7	1.5	4.2

Note 7

7.1 ACQUISITIONS/DIVESTMENTS OF BUSINESSES – CONTINUED

§ **Accounting policy**

Businesses acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition/formation. Businesses sold or wound up are recognized in the consolidated financial statements until the date of disposal.

In the case of acquisitions where Nilfisk A/S directly or indirectly gains control of the business acquired, the purchase method is used. The identifiable assets, liabilities and contingent liabilities of the acquisition are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

The date of acquisition is the date at which Nilfisk A/S directly or indirectly gains actual control of the business acquired.

Positive differences (goodwill) between on the one side the purchase consideration, the value of minority interests in the acquisition and the fair value of any previously acquired equity investments, and on the other side the fair value of the acquired identifiable assets, liabilities and contingent liabilities, are recognized as goodwill under intangible assets. Goodwill is not amortized but a test for impairment is carried out annually. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for impairment tests. Goodwill and fair value adjustments relating to acquisition of a foreign entity having a functional currency other than the Nilfisk Group's presentation currency are treated as assets and liabilities belonging to the foreign entity and, on first-time recognition, are translated into the functional currency of that entity at the exchange rate prevailing at the transaction date. Negative differences (negative goodwill) are recognized in the Income statement at the acquisition date.

The purchase consideration for a business consists of the fair value of the agreed consideration in the form of acquired assets, assumed liabilities, and issued equity instruments. If parts of the purchase consideration are contingent upon future events or fulfilment of agreed conditions, this part of the purchase consideration is recognized at fair value at the date of acquisition. Costs relating to business combinations are expensed directly in the Income statement as incurred.

If uncertainty exists at the date of acquisition as to identification or the measurement of acquired assets, liabilities or contingent liabilities, or as to the determination of the purchase consideration, first-time recognition is based on values stated provisionally. If identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities subsequently proves to have been incorrect at first-time recognition, the calculation is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures are restated. Thereafter goodwill is not adjusted. Revised estimates of contingent purchase consideration are recognized in the Income statement.

On whole or partial disposal of wholly owned foreign entities where control is relinquished, the currency adjustments which are recognized in other comprehensive income and which are attributable to the entity are reclassified from other comprehensive income to the profit/loss for the year together with gains or losses arising from the disposal.

On disposal of part-owned foreign subsidiaries the part of the translation reserve relating to minority interests is not transferred to the Income statement.

Gains or losses on disposal of winding up of subsidiaries and associates are stated as the difference between the selling price or disposal sum and the carrying amount of net assets, including goodwill, at the time of sale, and selling or winding up costs.

Business combinations between entities under common control
In business combinations between entities under common control, the acquired assets and liabilities are recorded at their existing carrying values and comparative figures are restated to the latter of the beginning of the earliest comparative period and the date on which the combining entities first came under common control.

Note 7

7.2 GROUP COMPANIES

Denmark	
Nilfisk A/S	Denmark

Europe	
Nilfisk GmbH	Austria
Nilfisk N.V./S.A.	Belgium
Gesco NV	Belgium
Nilfisk-Advance s.r.o.	Czech Rep.
Nilfisk Oy AB	Finland
Nilfisk France S.A.S.	France
Jungo Voirie S.A.S.	France
Nilfisk-Advance Eppingen GmbH	Germany
Nilfisk GmbH	Germany
Nilfisk Hellas S.A.	Greece
Nilfisk Production Kft.	Hungary
Nilfisk Commercial Kft.	Hungary
Nilfisk Ltd	Ireland
Nilfisk S.p.A.	Italy
Nilfisk B.V.	Netherlands
Nilfisk AS	Norway
Nilfisk Polska Sp.z.o.o.	Poland
Nilfisk Lda	Portugal
Nilfisk-Advance S.R.L.	Romania
Nilfisk LLC	Russia
Nilfisk-Advance s.r.o.	Slovakia
Nilfisk S.A.	Spain
Nilfisk AB	Sweden
Nilfisk AG	Switzerland
Nilfisk Profesynonel Temizlik Ekipmanl ari Tic. A.S.	Turkey
Nilfisk Ltd.	UK
Floor Cleaning Machines Ltd.	UK

North and Central America	
Nilfisk Canada Company	Canada
Nilfisk de Mexico S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Services S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing Services S. de R.L. de C.V.	Mexico
Nilfisk de Mexico Manufacturing S. de R.L. de C.V.	Mexico
Nilfisk U.S Holding Inc.	US
Nilfisk Inc. (Brooklyn Park)	US
Hathaway North America Inc.	US
Hydro Tek Systems, Inc.	US
Nilfisk Pressure-Pro, LLC.	US

South America	
Nilfisk-Advance S.R.L.	Argentina
Nilfisk Equipamentos de Limpeza Ltda.	Brazil
Nilfisk S.A.	Chile
Nilfisk S.A.C.	Peru

Africa	
Nilfisk Pty. Ltd.	South Africa
Industro-Clean (Cape) Pty. Ltd.	South Africa

Asia/Pacific	
Nilfisk Pty. Ltd. Australia Kerric Distributers (Aust) Pty. Ltd.	Australia
Dongguan Viper Cleaning Equipment Co. Ltd.	China
Nilfisk-Advance Cleaning Equipment (Shanghai) Co. Ltd	China
Nilfisk-Advance Professional Cleaning Equipment (Suzhou) Co. Ltd.	China
Nilfisk Ltd.	Hong Kong
Nilfisk India Private Ltd.	India
Nilfisk Inc.	Japan
Nilfisk Korea Co. Ltd.	Korea
Nilfisk Sdn Bhd	Malaysia
Nilfisk Ltd. New Zealand Kerric Industries Limited	New Zealand
Nilfisk Pte. Ltd.	Singapore
Nilfisk Ltd.	Taiwan
Nilfisk Co. Ltd.	Thailand
Nilfisk Company Ltd.	Vietnam

Associates	
M2H S.A. (44%)	France
CFM Lombardia S.r.l. (33%)	Italy
Rottest A.S. (50%)	Turkey

Ownership below 100% is disclosed in brackets.

Note 8

8. OTHER NOTES

This note contains other statutory notes and notes considered less essential to the understanding of the Nilfisk Group's financial development.

8.1 FEES TO AUDITORS ELECTED AT THE ANNUAL GENERAL MEETING

Fees to auditor

EUR million	2016	2015
Deloitte:		
Statutory audit	1.0	0.9
Audit-related services	0.0	0.0
Tax and VAT advice	0.1	0.1
Other services	1.3	1.5
	2.4	2.5

8.2 EVENTS AFTER THE BALANCE SHEET DATE

No significant events of importance to the consolidated financial statements have occurred since December 31, 2016.

Note 8

8.3 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IASB has issued a number of new standards and interpretations that were not mandatory during preparation of the 2016 Annual Report. The new standards and interpretations are only expected to influence Nilfisk Group's financial reporting from changes to IFRS 16 'Leases'.

IASB has issued IFRS 15 'Revenue from contracts with customers', with the effective date of January 1, 2018. The new standard will establish a single, comprehensive framework for revenue recognition. Preliminary assessments have concluded that the new standard is not expected to materially influence Nilfisk Group's financial statements as Nilfisk Group does not operate with construction contracts. Furthermore, sale comprising more elements is already split on these elements, if material.

IASB has issued IFRS 16 'Leases', with the effective date of January 1, 2019. It currently awaits EU endorsement. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Adoption of the new IFRS 16 is estimated to increase the Nilfisk Group's EBITDA before special items by 2.5-3.0%-points and increase total assets in the region of 80 mEUR based on contracts in effect at December 31, 2016.

IASB has issued IFRS 9 'Financial Instruments', effective for annual periods beginning on or after January 1, 2018. IFRS 9 Financial Instruments is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement, and the new standard will change the classification, presentation and measurement of financial instruments and hedging requirements. Nilfisk Group is currently assessing the impact of the standard, but it is not expected to have any material impact on the future consolidated financial statements.

Note 8

8.4 CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS

Subject to approval of the intended split of NKT Holding A/S, parent company guarantees of NKT Holding A/S will be transferred to the new Nilfisk Group. This includes rent guarantees of 16.6 mEUR and suretyship on cash pool of 28.5 mEUR.

Nilfisk A/S is taxed jointly with all Danish entities of the NKT Holding Group. As part of the joint taxation, Nilfisk A/S is liable with other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group.

Nilfisk Group is a party to various disputes, legal proceedings and inquiries from authorities, including tax authorities, whose outcome is not expected to materially impact profit for the year and the financial position.

Contractual obligations

EUR million	2016	2015
Contractual obligations relating to purchase of buildings and production plants	0.1	0.1
Operating lease commitments: The Nilfisk Group leases property and production equipment, etc. under operating leases. Lease commitments relate principally to property. The leases are indexed annually and contain no special purchasing rights, etc.		
Interminable minimum lease payments are specified as follows:		
Within 0-1 year	25.5	25.3
Within 1-5 years	50.0	53.2
After 5 years	8.3	11.1
	83.8	89.6
Lease payments expensed in the Income statement	32.2	29.5
Sub-rental, income	0.3	0.9
Operating lease income:		
Operating lease income related to products leased to customers	10.4	7.3
Interminable minimum rent income is specified as follows:		
Within 0-1 year	6.6	5.7
Within 1-5 year	6.3	6.0
	12.9	11.7

Note 8

8.4 CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS – CONTINUED

Accounting policy

Contingent liabilities
Disclosure concerning contingent assets and liabilities and when they must be recognized takes place against the background of evaluations of the expected outcome of the individual issues. These evaluations are based on legal opinions of the agreements contracted, which in significant issues also include opinions obtained from external advisors, including lawyers.

Assets are recognized when it is virtually certain that the issue will have a positive outcome for the company. A liability is recognized when it is likely that, at the balance sheet date, there will be an outflow from the Nilfisk Group's financial resources and when the liability can be reliably stated. If this is not the case, the matter is disclosed in the notes to the financial statements. Decisions relating to such situations may in future accounting periods lead to realized gains or losses that may differ significantly from the recognized amounts or disclosures.

Contractual liabilities - leasing
Lease commitments are divided for accounting purposes into finance leases and operating leases.

A finance lease is one that in all material respects transfers risks and benefits relating to ownership of the leased asset. Other leases are designated operating leases.

The accounting treatment of assets held under a finance lease and the associated liability are described in the section on property, plant and equipment and in the section on financial liabilities, respectively.

Rental payments made under an operating lease are recognized on a straight-line basis over the term of the lease.

Assets leased out under operating leases are recognized, measured and presented in the balance sheet in the same way as the Nilfisk Group's other assets of similar type.

Note 8

8.5 RELATED PARTIES

Nilfisk A/S is controlled by NKT Holding A/S (incorporated in Denmark), which owns 100% of the share capital.

The Nilfisk Group has had the following material transactions and balances with related parties:

Related parties

EUR million	2016	2015
Service fee to NKT Holding A/S	1.5	1.4
Interest expenses and derivative losses paid to NKT Holding A/S	16.2	12.5
Acquisition of Pressure-Pro from NKT Holding A/S	8.6	0.0
Income taxes paid to NKT Holding A/S	0.0	2.2
Dividends paid to NKT Holding A/S	0.0	172.2
Guarantee commission to NKT Holding A/S	0.1	0.3
Service fee from NKT Holding A/S	0.5	0.5
Interest income and derivative gains received from NKT Holding A/S	2.1	6.0
Interest-bearing loans and borrowings from NKT Holding A/S	467.2	478.4
Other current debt to NKT Holding A/S	1.5	0.0
Derivative finacial instruments, debt to NKT Holding A/S	4.1	4.6
Derivative finacial instruments, receivable from NKT Holding A/S	6.4	7.7
Income tax receivable from NKT Holding A/S (liability 2015)	0.2	-1.1
Interest-bearing receivables from NKT Holding A/S	169.7	149.3
Goods sold to associated companies	19.4	19.0
Goods purchased from associated companies	1.5	1.5
Dividends received from associated companies	1.3	0.9
Trade receivables from associated companies	2.5	4.1
Trade payables to associated companies	0.0	0.0

Nilfisk Group is part of NKT Holding A/S' cash pool arrangements. Cash pool receivables and payables included in the table are part of interest-bearing receivables and interest-bearing loans and borrowings.

NKT Holding A/S has issued rent guarantees of 16.6 mEUR on behalf of subsidiaries.

Please refer to note 3.3 and note 3.4 for remuneration to the Executive Management.

Note 8

8.6 DEFINITIONS

Item	Key figures and ratios	Definition
1	Cash conversion	Cash flow from operations before financial items and income taxes as a percentage of EBITDA
2	Capital employed	Group equity plus net interest-bearing debt
3	Diluted earnings per share	Profit attributable to equity holders of Nilfisk A/S as a percentage of diluted average number of outstanding shares
4	EBITDA before special items	Earnings (profit) before interest, tax, depreciation, amortization, impairment and special items
5	EBITDA	Earnings (profit) before interest, tax, depreciation, amortization and impairment
6	EBITDA margin before special items	EBITDA before special items as a percentage of revenue
7	EBIT before special items	Earnings (profit) before interest, tax and special items
8	EBIT	Earnings before interest and tax (Profit before financial items and income taxes)
9	EBIT margin before special items	EBIT before special items as a percentage of revenue
10	Earnings per outstanding share (EPS)	Profit attributable to equity holders of Nilfisk A/S relative to average number of outstanding shares
11	Equity value per outstanding share	Equity attributable to equity holders of Nilfisk A/S per outstanding share at December 31
12	Free cash flow	Cash flow from operating activities less cash flow from investing activities
13	Free cash flow excluding acquisitions and divestments	Free cash flow plus cash flow from acquisition of businesses and less cash flow from divestment of businesses
14	Gross margin	Gross profit as a percentage of revenue
15	Net interest-bearing debt	Current and non-current interest-bearing loans and borrowings less interest-bearing receivables and cash Specified in note 6.2 and 6.3
16	Overhead cost ratio	Overhead costs as a percentage of revenue
17	Return on capital employed (RoCE)	EBIT before special items as a percentage of the average of the capital employed, calculated by taking the capital employed at December 31 and at the end of the preceding four quarters
18	Solvency ratio	Equity attributable to equity holders of Nilfisk A/S as a percentage of total assets
19	Working capital	Current assets minus current liabilities (excluding interest-bearing items and provisions)
20	Working capital %	Average working capital LTM (latest twelve month) as a percentage of revenue

Note 8

8.7 5-YEAR FINANCIAL HIGHLIGHTS

EUR million	2016	2015	2014	2013	2012
Income statement					
Revenue	1,058.5	980.0	917.6	880.7	871.2
EBITDA before special items	116.8	98.0	107.3	104.4	103.8
EBITDA	96.8	98.0	120.2	104.4	99.8
Depreciation and impairment of property, plant and equipment	-13.9	-12.7	-11.3	-11.3	-11.9
Amortization and impairment of intangible assets	-19.9	-16.6	-15.0	-13.0	-13.3
Amortization and impairment of acquisition-related intangible assets	-9.0	-4.9	-3.5	-4.3	-5.1
EBIT before special items	75.8	63.8	77.4	75.8	73.5
EBIT	54.0	63.8	90.3	75.8	69.4
Special items	-21.8	0.0	12.9	0.0	-4.0
Financial items, net	-11.0	-7.9	-10.3	-14.8	-15.0
Profit before income taxes	43.0	55.9	80.1	61.0	54.4
Profit for the year	29.5	41.8	58.1	45.2	40.3
Profit attributable to equity holders of Nilfisk A/S	29.5	41.6	58.0	45.1	40.2
Cash flow					
Cash flow from operating activities	114.7	59.8	75.7	67.1	89.4
Cash flow from investing activities	-72.6	-67.5	-19.0	-31.3	-31.8
- hereof investments in property, plant and equipment	-20.6	-21.7	-13.7	-11.1	-13.2
Free cash flow excluding acquisitions and divestments	74.2	19.8	45.7	39.5	57.3
Balance sheet					
Share capital	67.2	67.2	67.2	67.2	67.2
Equity attributable to equity holders of Nilfisk A/S	224.8	199.8	334.0	285.7	265.1
Non-controlling interests	0.0	0.9	0.8	0.9	1.0
Group equity	224.8	200.7	334.8	286.6	266.1
Total assets	983.1	935.5	862.3	802.2	819.8
Net interest-bearing debt	265.8	300.9	105.9	125.1	145.5
Capital employed	490.6	501.6	440.7	411.7	411.6
Working capital	141.7	173.3	159.7	146.6	139.5

EUR million	2016	2015	2014	2013	2012
Financial ratios and employees					
EBITDA margin	9.1%	10.0%	13.1%	11.9%	11.5%
EBIT margin	5.1%	6.5%	9.8%	8.6%	8.0%
EBITDA margin before special items	11.0%	10.0%	11.7%	11.9%	11.9%
EBIT margin before special items	7.2%	6.5%	8.4%	8.6%	8.4%
Cash conversion %	143%	86%	80%	91%	114%
Solvency ratio	22.9%	21.4%	38.7%	35.6%	32.3%
Return on capital employed (RoCE)	14.6%	12.9%	17.6%	17.5%	16.9%
Number of DKK 100 shares ('000)	5,000	5,000	5,000	5,000	5,000
Earnings per outstanding share (EPS)	5.9	8.3	11.6	9.0	8.0
Dividend paid, per share	0.0	34.5	4.5	4.0	3.7
Equity value per outstanding share	45.0	40.0	66.8	57.1	53.0
Number of full-time employees, average	5,636	5,464	5,473	5,250	5,262

Definitions appear in note 8.6 to the consolidated financial statements.

Parent company financial statements 2016

Notes

Income statement

for the years ended December 31

EUR million	**Note**	**2016**	**2015**
Revenue	1	505.1	493.7
Cost of sales	2, 3	-405.7	-388.6
Gross profit		**99.4**	**105.1**
Research and development costs	2, 3	-21.1	-18.6
Sales and distribution costs	2, 3	-51.0	-47.3
Administrative costs	2, 3	-31.1	-24.1
Other operating income, net	4	0.6	2.7
Profit (loss) before financial items and income taxes (EBIT)		**-3.2**	**17.8**
Dividends from subsidiaries and associated companies	5	15.8	12.7
Financial income	6	14.1	17.6
Financial expenses	6	-12.9	-11.7
Profit before income taxes		**13.8**	**36.4**
Income taxes	7	-1.8	-6.1
Profit for the year		**12.0**	**30.3**
To be distributed as follows			
Proposed dividends		0.0	0.0
Transferred to development costs reserve		11.5	0.0
Transferred to retained earnings		0.5	30.3
		12.0	**30.3**

Balance sheet
at December 31

EUR million	Note	2016	2015
Assets			
Intangible assets	8		
Goodwill		22.2	25.2
Development projects completed		37.8	21.8
Software		15.3	17.9
Development projects and software in progress		14.4	16.4
Other intangible assets		7.6	3.8
		97.3	85.1
Property, plant and equipment	9		
Plant and machinery		1.2	0.9
Tools and equipment		3.6	2.1
Assets under construction		2.0	1.7
		6.8	4.7
Other non-current assets			
Investments in subsidiaries	5	238.2	224.3
Investments in associates	5	2.9	2.9
Other receivables	10	1.4	1.8
		242.5	229.0
Total non-current assets		**346.6**	**318.8**
Inventories	11	48.3	60.4
Trade receivables		13.6	13.2
Receivables from affiliated companies		215.6	205.3
Other receivables		9.6	8.6
Prepayments		2.0	1.5
Income tax receivable	7	0.2	0.0
Cash at bank and in hand		0.1	0.0
Total current assets		**289.4**	**289.0**
Total assets		**636.0**	**607.8**

EUR million	Note	2016	2015
Equity and liabilities			
Equity			
Share capital		67.2	67.2
Reserves		12.2	0.1
Retained earnings		87.3	83.4
Total equity		**166.7**	**150.7**
Non-current liabilities			
Payables to affiliated companies	13	161.3	155.6
Deferred tax	7	15.5	14.2
Provisions	12	0.6	0.6
		177.4	170.4
Current liabilities			
Trade payables		32.3	23.6
Payables to affiliated companies		231.2	234.4
Income tax payable		0.0	1.1
Provisions	12	0.9	1.0
Other liabilities		27.5	26.6
		291.9	286.7
Total liabilities		**469.3**	**457.1**
Total equity and liabilities		**636.0**	**607.8**

Statement of changes in equity

at December 31

2016

EUR million	Share capital	Hedging reserve	Development costs reserve	Proposed dividends	Retained earnings	Total equity
Equity, January 1, 2016	67.2	0.1	0.0	0.0	83.4	150.7
Profit for the year	0.0	0.0	11.5	0.0	0.5	12.0
Foreign exchange translation adjustments	0.0	0.0	0.0	0.0	0.6	0.6
Hedge effect for the year, net	0.0	0.6	0.0	0.0	0.0	0.6
Share option program	0.0	0.0	0.0	0.0	2.8	2.8
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Equity, December 31, 2016	**67.2**	**0.7**	**11.5**	**0.0**	**87.3**	**166.7**

2015

EUR million	Share capital	Hedging reserve	Development costs reserve	Proposed dividends	Retained earnings	Total equity
Equity, January 1, 2015	67.2	7.2	0.0	172.6	56.0	303.0
Change of accounting policies	0.0	0.0	0.0	0.0	-2.5	-2.5
Profit for the year	0.0	0	0.0	0.0	30.3	30.3
Foreign exchange translation adjustments	0.0	0.0	0.0	-0.4	-0.4	-0.8
Hedge effect for the year, net	0.0	-7.1	0.0	0.0	0.0	-7.1
Dividends paid	0.0	0.0	0.0	-172.2	0.0	-172.2
Equity, December 31, 2015	**67.2**	**0.1**	**0.0**	**0.0**	**83.4**	**150.7**

Reserves comprise hedging instruments with an unrealized value of 0.9 mEUR at December 31, 2016 before tax compared to 0.2 mEUR at December 31, 2015 before tax, less taxes of 0.2 mEUR (2015: 0.0 mEUR), and a development costs reserve covering book value of capitalized development costs less amortization and impairment since January 1, 2016.

The share capital is 5,000,000 shares with a nominal value of 100 DKK each. This remains unchanged during the latest 5 years.

The shares are not split into classes of shares. See note 3.4 to the consolidated financial statements for a description of the share option program to Executive Management Board.

No dividends are proposed for 2016 (2015: 0.0 mEUR).

Notes 1-5

Nilfisk A/S is the parent company of the Nilfisk Group. Beside the headquarter functions, the parent company comprises transactions related to the Danish sales activities, the European distribution center and supply chain, production of professional cleaning equipment, and undertakes the tasks related thereto. For description of the Nilfisk Group's activities, etc., please refer to the Management report.

1. REVENUE

Revenue by geographical regions

EUR million	2016	2015
EMEA	416.4	395.5
Americas	59.8	62.7
APAC	28.9	35.5
	505.1	**493.7**

2. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Split on cost functions

EUR million	2016	2015
Cost of sales	3.8	3.6
Research and development costs	1.8	1.5
Sales and distribution costs	8.9	7.5
Administrative costs	3.7	3.3
	18.2	**15.9**

3. STAFF COSTS

EUR million	2016	2015
Wages and salaries	52.0	50.9
Share option incentive program	0.6	0.1
Social security costs	0.8	0.8
Defined contribution plans	3.6	3.6
	57.0	**55.4**
Staff costs recognized as follows:		
Cost of sales	4.4	4.7
Research and development costs	9.1	8.8
Sales and distribution costs	27.1	26.8
Administrative costs	16.4	15.1
	57.0	**55.4**
Number of full-time employees, average	699	717
Number of full-time employees, year-end	675	722
Remuneration to Board of Directors	0.1	0.1
Remuneration to Executive Management	3.0	2.3
Long-term incentive pay-out, Executive Management	0.0	1.6

Executive Management and senior employees are subject to short-term bonus agreements contingent upon the fulfilment of the prerequisites, goals and conditions defined in a bonus agreement and to long-term incentive programs. See note 3.3 and 3.4 of the consolidated financial statements.

4. OTHER OPERATING INCOME, NET

EUR million	2016	2015
Service fee for Nordic Shared Service Center	0.9	0.8
Other service fees	1.4	1.9
Other expenses	-1.7	0.0
	0.6	**2.7**

5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

	Subsidiaries		Associated companies	
EUR million	2016	2015	2016	2015
Costs, January 1	224.3	222.0	2.9	2.9
Exchange rate adjustments	0.8	0.0	0.0	0.0
Additions	13.1	2.3	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Costs, December 31	**238.2**	**224.3**	**2.9**	**2.9**
Dividends	14.5	11.8	1.3	0.9

Notes 6-7

6. FINANCIAL ITEMS

	Financial income		Financial expenses	
EUR million	**2016**	**2015**	**2016**	**2015**
Interest, external	4.2	3.0	1.9	1.9
Interest, intercompany	8.7	9.2	9.6	9.7
Security commission, intercompany	0.1	0.2	0.0	0.0
Foreign exchange gains/losses	1.1	1.5	0.0	0.1
Derivative financial instruments gains/losses	0.0	3.7	1.4	0.0
	14.1	17.6	12.9	11.7

7. TAX

EUR million	2016	2015
Tax recognized in the Income statement		
Current tax	0.3	1.3
Deferred tax	0.8	4.4
Adjustment prior years	0.7	1.0
Changes in tax percentage	0.0	-0.6
	1.8	**6.1**
Reported tax rate	*13%*	*17%*
Reconciliation of tax on continuing operations:		
Calculated tax of 22,0% / 23.5% on profit before tax	3.0	8.6
Tax effect of:		
Non-taxable income/non-deductible expenses	-1.1	-2.9
Adjustment for previous years, etc.	-0.1	0.4
	1.8	**6.1**

See note 14 in relation to joint taxation liabilities, etc.

EUR million	2016	2015
Deferred tax assets and liabilities		
Deferred tax assets, January 1	0.0	0.0
Deferred tax liabilities, January 1	-14.2	-10.8
Deferred tax recognized in the Income statement	-1.8	-5.6
Tax recognized on equity	0.2	2.2
Foreign exchange adjustments	0.3	0.0
	-15.5	**-14.2**
Recognized deferred tax:		
Deferred tax assets, December 31	0.0	0.0
Deferred tax liabilities, December 31	-15.5	-14.2
	-15.5	**-14.2**
Specification of deferred tax assets and liabilities:		
Intangible assets	-17.1	-16.2
Tangible assets	-3.9	1.7
Provisions	2.8	1.0
Short-term liabilities	2.7	-0.7
	-15.5	**-14.2**

Note 8

8. INTANGIBLE ASSETS

EUR million	Goodwill	Development projects completed	Software	Development projects and software in progress	Other intangible assets	Total
Costs, January 1, 2016	31.5	65.3	38.2	16.4	10.9	162.3
Additions	0.0	13.1	2.0	9.5	5.8	30.4
Disposals	0.0	-4.6	-2.6	-0.1	0.0	-7.3
Transferred between classes of assets	0.0	11.5	1.6	-11.5	-1.6	0.0
Exchange rate adjustments	0.2	0.3	0.1	0.1	0.0	0.7
Costs, December 31, 2016	31.7	85.6	39.3	14.4	15.1	186.1
Amortization and impairment, January 1, 2016	-6.3	-43.5	-20.3	0.0	-7.1	-77.2
Amortization for the year	-3.2	-8.7	-4.7	0.0	-0.4	-17.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	4.6	1.1	0.0	0.0	5.7
Exchange rate adjustments	0.0	-0.2	-0.1	0.0	0.0	-0.3
Amortization and impairment, December 31, 2016	-9.5	-47.8	-24.0	0.0	-7.5	-88.8
Carrying amount, December 31, 2016	**22.2**	**37.8**	**15.3**	**14.4**	**7.6**	**97.3**
Amortization in years	10	3-10	3-15	0	0-20	

EUR million	Goodwill	Development projects completed	Software	Development projects and software in progress	Other intangible assets	Total
Costs, January 1, 2015	31.6	53.0	33.3	15.9	11.6	145.4
Additions	0.0	4.7	3.1	8.7	1.2	17.7
Disposals	0.0	0.0	0.0	-0.3	0.0	-0.3
Transferred between classes of assets	0.0	7.9	1.9	-7.9	-1.9	0.0
Exchange rate adjustments	-0.1	-0.3	-0.1	0.0	0.0	-0.5
Costs, December 31, 2015	31.5	65.3	38.2	16.4	10.9	162.3
Amortization and impairment, January 1, 2015	-3.2	-36.3	-16.3	0.0	-6.6	-62.4
Amortization for the year	-3.2	-7.3	-4.1	0.0	-0.5	-15.1
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate adjustments	0.1	0.1	0.1	0.0	0.0	0.3
Amortization and impairment, December 31, 2015	-6.3	-43.5	-20.3	0.0	-7.1	-77.2
Carrying amount, December 31, 2015	**25.2**	**21.8**	**17.9**	**16.4**	**3.8**	**85.1**
Amortization in years	10	3-10	3-15	0	0-20	

The goodwill amortization period is determined based on expected repayment period and the acquired companies' market position and long-term earnings profile.

Notes 9-11

9. TANGIBLE ASSETS

EUR million	Plant and machinery	Tools and equipment	Assets under construction	Total
Costs, January 1, 2016	1.8	13.2	1.7	16.7
Additions	0.2	1.7	1.6	3.5
Disposals	-0.1	-0.3	0.0	-0.4
Transferred between classes of assets	0.4	0.9	-1.3	0.0
Exchange rate adjustments	0.0	0.0	0.0	0.0
Costs, December 31, 2016	2.3	15.5	2.0	19.8
Depreciation and impairment, January 1, 2015	-0.9	-11.1	0.0	-12.0
Depreciation for the year	-0.3	-1.0	0.0	-1.3
Impairment	0.0	0.0	0.0	0.0
Disposals	0.1	0.2	0.0	0.3
Exchange rate adjustments	0.0	0.0	0.0	0.0
Depreciation and impairment, December 31, 2016	-1.1	-11.9	0.0	-13.0
Carrying amount, December 31, 2016	**1.2**	**3.6**	**2.0**	**6.8**
Depreciation in years	4-20	3-15	0	

EUR million	Plant and machinery	Tools and equipment	Assets under construction	Total
Costs, January 1, 2015	1.7	12.1	0.5	14.3
Additions	0.1	0.8	1.5	2.4
Disposals	0.0	0.0	0.0	0.0
Transferred between classes of assets	0.0	0.3	-0.3	0.0
Exchange rate adjustments	0.0	0.0	0.0	0.0
Costs, December 31, 2015	1.8	13.2	1.7	16.7
Depreciation and impairment, January 1, 2016	-0.7	-10.4	0.0	-11.1
Depreciation for the year	-0.2	-0.7	0.0	-0.9
Impairment	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Exchange rate adjustments	0.0	0.0	0.0	0.0
Depreciation and impairment, December 31, 2015	-0.9	-11.1	0.0	-12.0
Carrying amount, December 31, 2015	**0.9**	**2.1**	**1.7**	**4.7**
Depreciation in years	4-15	3-10	0	

10. OTHER RECEIVABLES

EUR million	2016	2015
Downpayment on rent	1.3	1.7
Other downpayments	0.1	0.1
	1.4	1.8

11. INVENTORIES

EUR million	2016	2015
Raw materials, consumables and goods for resale	2.8	3.4
Work in progress	0.2	0.0
Finished goods	45.3	57.0
	48.3	**60.4**
Write-down on inventories, December 31	-2.1	-2.0

Notes 12-15

12. PROVISIONS

2016

EUR million	Maturity Within 1 year	1-5 years	After 5 years
Warranty obligations	0.6	0.0	0.0
Other provisions	0.3	0.6	0.0
	0.9	**0.6**	**0.0**

2015

EUR million	Maturity Within 1 year	1-5 years	After 5 years
Warranty obligations	0.6	0.0	0.0
Other provisions	0.4	0.6	0.0
	1.0	**0.6**	**0.0**

13. NON-CURRENT LIABILITIES

EUR million	Maturity Within 1 year	1-5 years	After 5 years
Payables to affiliates	0.0	161.3	0.0
	0.0	**161.3**	**0.0**

14. CONTINGENT LIABILITIES, SECURITIES AND CONTRACTUAL OBLIGATIONS

Nilfisk A/S is a party to various disputes, legal proceedings and inquiries from authorities, including tax authorities, whose outcome is not expected to materially impact profit for the year and the financial position.

Subject to approval of the intended split of NKT Holding A/S, parent company guarantees of NKT Holding A/S will be transferred to the new Nilfisk Group. This includes rent guarantees of 16.6 mEUR and suretyship on cash pool of 28.5 mEUR.

Nilfisk A/S has issued guarantees towards third parties with a total nominal value of 2 mEUR (2015: 3 mEUR). This mainly relates to guarantees provided to subsidiaries' credit institutions.

Nilfisk A/S is taxed jointly with all Danish entities of the NKT Holding Group. As part of the joint taxation, Nilfisk A/S is liable with other companies in the joint taxation scheme for Danish corporate taxes on dividend, interest and royalties within the joint taxation group.

Nilfisk A/S has minimum lease obligations on rented premises, equipment and tools, and cars with a total value of 21 mEUR (2015: 22 mEUR).

15. RELATED PARTIES

NKT Holding A/S, Denmark owns 100% of the shares of Nilfisk A/S.

Subsidiaries of Nilfisk A/S pay a management fee to Nilfisk A/S for administration and other services.

Transactions with affiliated companies are carried out on market terms following the arms-length principle.

Other matters of interest in relation to related parties are disclosed in the notes to the consolidated financial statements. Transactions with affiliated undertakings comprise the following:

EUR million	2016	2015
Dividends from subsidiaries and associates	15.8	12.7
Dividends paid to NKT Holding A/S	0.0	-172.2
	15.8	**-159.5**

Cash pool accounts are legally owned by NKT Holding A/S. The accounts are therefore considered balances with related parties. In the balance sheet the cash pool accounts are recognized under receivables or payables to affiliated companies as part of assets and liabilities, respectively.

The name and register of the Parent preparing consolidated financial statements for the largest group: NKT Holding A/S, Brøndby, Denmark.

The name and register of the Parent preparing consolidated financial statements for the smallest group: Nilfisk A/S, Brøndby, Denmark.

Note 16

16. ACCOUNTING POLICIES

§ **Accounting policy**

The financial statements for the parent company are included in the Annual Report in pursuance of the requirements of the Danish Financial Statements Act.

The financial statements for the parent company are prepared in accordance with the Danish Financial Statements Act for accounting class large C companies.

The accounting policies applied to these financial statements are consistent with those applied last year, except for presentation in the balance sheet, as both assets and liabilities are divided into current and non-current items. Previously, assets were divided in current assets and fixed assets. Further, provisions are now presented as short- or long-term debt. Previously, provisions were presented as a separate item between equity and long term debt. Comparative figures have been adjusted to the changed accounting policies.

The Annual Report is presented in EUR rounded to nearest EUR 1,000,000 with one decimal. The presentation currency is changed from DKK to EUR in 2016. The decision is based on the fact that the Nilfisk Group's main business activities are EUR denominated, and in that case the parent company has aligned the presentation currency with the Nilfisk Group's.

DESCRIPTION OF ACCOUNTING POLICIES

In relation to the accounting policies described for the financial statements of the Nilfisk Group (see note 1.1 to the consolidated financial statements), the accounting policies of the parent company differ in the following:

Income from investments in subsidiaries and associated companies

Dividends from investments in subsidiaries and associated companies are recognized in the Income statement of the parent company in the year the dividends are declared.

Goodwill and goodwill amortization

Goodwill is amortized over the expected economic lifetime being 10 years. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are measured at costs. If there is indication of impairment, impairment testing is carried out. Where the carrying amount exceeds the recoverable amount it is written down to the recoverable amount.

Tax

The parent company is jointly taxed with all Danish subsidiaries of the NKT Holding Group.

NKT Holding A/S is the administration company for the joint taxation and consequently settles all payments of tax with the tax authorities. Joint taxation contributions to/from subsidiaries are recognized under income tax related to net profit. Tax payable and tax receivable are stated under current assets/liabilities. Joint tax contributions payable and receivable, respectively, are recognized separately in the balance sheet. Companies that use tax losses in other companies pay joint taxation contributions to the parent company equivalent to the tax base of the tax losses utilized.

Companies whose tax losses are used by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilized (full absorption).

Development projects reserve

For development costs recognized in the balance sheet after January 1, 2016, an amount equivalent to the development costs net of deferred tax is recognized in 'Development costs reserve' under equity. The reserve is reduced with depreciations.

Cash flow statement

The parent company has in accordance with the Danish Financial Statements Act, Section 86 (4) not prepared separate cash flow statements. Please refer to consolidated cash flow statements.

References to notes to the consolidated financial statements

For the following notes, see information in the consolidated financial statements:

- Share capital – see note 6.8 to the consolidated financial statements
- Events after the balance sheet date – see note 8.2 to the consolidated financial statements

Management's statement

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report of Nilfisk A/S for the financial year 2016.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU. The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

Further, the consolidated financial statements and the parent company financial statements have been prepared in accordance with additional requirements under the Danish Financial Statements Act.

In our opinion the consolidated financial statements and the parent financial statements for the parent company give a true and fair view of the Nilfisk Group's and the parent company's assets, liabilities and financial position at December 31, 2016 and of the results of the Nilfisk Group's and the parent company's operations and cash flow for the financial year 2016.

The management report contains in our opinion a true and fair review of the development in the Nilfisk Group's and the parent company's operations, financial circumstances and results for the year, and of the parent company's financial position, and describes the material risks and uncertainties affecting the Nilfisk Group and the parent company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Brøndby, February 21, 2017

Executive Management Board

Jonas Persson
President and CEO

Karina Deacon
CFO

Lars Gjødsbøl
EVP

Anders Terkildsen
EVP

Board of Directors

Jens Due Olsen
Chairman

René Svendsen-Tune
Deputy Chairman

Jens Maaløe

Jutta af Rosenborg

Anders Runevad

Lars Sandahl Sørensen

Michael Gamtofte

Jean-Marc Rios Dionne

Independent auditors' report

To the shareholder of Nilfisk A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Nilfisk A/S for the financial year January 1, 2016 to December 31, 2016, which comprise the Income statement, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement and the consolidated statement of comprehensive income. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at December 31, 2016 and of its financial performance and cash flows for the financial year January 1, 2016 to December 31, 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at December 31, 2016 and of its financial performance for the financial year January 1, 2016 to December 31, 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management report

Management is responsible for the management report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management report and, in doing so, consider whether the management report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management report.

Management's responsibility for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exits. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

Independent auditors' report

– continued

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Copenhagen, February 21, 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Siggaard Hansen
State-Authorised Public Accountant

Sumit Sudan
State-Authorised Public Accountant